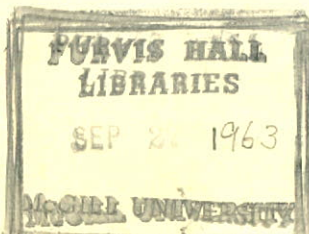




# *Annual Report*

**LOBLAW GROCETERIAS CO., LIMITED**

**FOR THE FISCAL YEAR ENDED JUNE 1, 1963**



C  
*(Latest in file)*

## *board of directors*

JUSTIN M. CORK

WM. E. CORK

G. E. HUFFMAN

R. G. MEECH, Q.C.

G. C. METCALF

G. D. McLEOD, F.C.A.

K. B. PALMER, Q.C.

## *executive officers*

JUSTIN M. CORK

*Chairman of the Board*

GEORGE C. METCALF

*President*

R. G. MEECH, Q.C.

*Vice-President, Secretary and Treasurer*

G. E. HUFFMAN

*Vice-President and General Manager*



## *President's Report to Shareholders*

### *Record Results*

- For your Company we are happy to report for 1963 the highest profit results ever achieved.
- The largest sales volume ever attained.
- The greatest asset value ever reported.

These are the sparkling highlights of your Company's Consolidated Statements for the year 1963 . . . total assets as shown by the Consolidated Balance Sheet exceeded . . . \$445,612,483.

The outstanding operating results of the past year directly reflect the steady expansion of your Company's extensive merchandising activities in Canada . . . and a fuller consolidation of its interests in the great and growing food marketing industry in the U.S.

Diversification . . . growth . . . and progress have been the keynotes of your Company's planned policies and programs of development . . . the resulting record of remarkable profit performance consistently maintained over the years . . . is a positive inspiration . . . and a compelling incentive for the whole Loblaw organization . . . to aspire to even greater

achievements in the future.

As an aggressive, confident, well diversified enterprise your Company has the enthusiasm . . . the determination . . . to continue its pace of successful progress throughout the years ahead.

### *Highest Earnings*

Net income and earnings per share for 1963 are the highest ever reported to the shareholders of your Company . . . another significant attainment . . . in a consistent record of profit improvement.

Consolidated net income, after providing for income taxes and minority interests, was \$13,027,930 . . . an increase of \$1,942,000 or 17½% higher than the consolidated net income reported for the year 1962.

The results, in part, are due to including the financial position of National Tea Co. since acquisition of control of this Company.

Canadian retail sales maintained the strong . . . consistent,



## L I M I T E D      a n d      s u b s i d i a r y      c o m p a n i e s

upward growth trend . . . and for the period under review . . . increased substantially to \$521,816,000 the highest ever reported . . . 4.8% above the previous record of \$497,916,000 in 1962.

### *National Tea Consolidated*

During the year the Canadian Loblaw Organization acquired full voting control of the common shares of the great National Tea Co. . . . one of the largest, fastest growing supermarket companies in North America.

With current sales volume in excess of \$1 billion a year and nearly 1,000 modern supermarkets strategically located in the geographic and economic heartland of the vast United States of America . . . the future growth potential of the National Tea Co. is really tremendous.

The financial statements presented in this annual report include the consolidated accounts of National Tea Co. and the consolidated income statement reflects your Company's equity in the earnings of National Tea Co. for the 12 months

period under review.

All figures are in Canadian funds without any upward adjustment being made for the U.S. dollar premium.

### *Expanding Operations*

The basic strength of your Company is its broad scope of operations and the capacity to show consistent progress and growth throughout all the varied changes in the economic climate.

During 44 years of successful experience, Loblaw's has pioneered many innovations and the energetic and enterprising Loblaw organization is continually seeking out brand-new dimensions of efficiency in the challenging fields of distribution and retailing of food and other products.

Through purposeful planning and diligent research your Company has strengthened its position in the food business while fully maintaining the highest standards of quality . . . ceaselessly striving to meet the demands of the consumer as economically and efficiently as possible.

## LOBLAW GROCETERIAS CO., LIMITED and subsidiary companies

Backed by an outstanding record of proven profit and sales performance your Management is capable and confident of meeting successfully the challenges and opportunities of the future.

### *Thanks and Appreciation*

The highly impressive results of 1963 directly reflect an inspired achievement by the management and employees of the enthusiastic Loblaw organization.

To them . . . and to our associates and suppliers . . . to our loyal shareholders and our many friends in Canada and the United States . . . we extend our sincere thanks and appreciation for the important contribution each has made to the year's outstanding attainments.

We, at Loblaws prize and cherish the goodwill and favour of a great and growing host of customers . . . their wonderful patronage and support stimulate our efforts and make possible our continued success.

September 23rd, 1963

### *Looking to the Future*

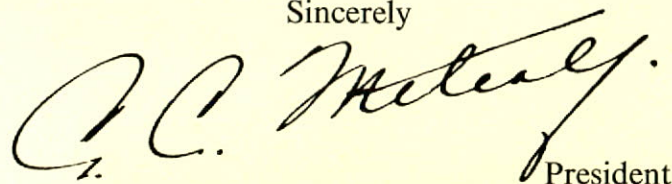
We believe in the future with supreme faith and confidence . . . we have unswerving belief in the bright promises of the vibrant North American economy . . . in the assured growth of the vital food industry . . . in the determined strength of our purpose to succeed.

Loblaws has an established record of outstanding leadership in the field of aggressive and imaginative merchandising . . . your Company's management is constantly exploring and relentlessly testing new methods and techniques . . . and enthusiastically planning projected growth.

The growing expansion and widening diversification of operations, nationally and internationally, has augmented and fortified the Company's dominant position . . . and has opened up tremendous new areas of profit potential.

We are highly optimistic of greater achievements in the years ahead.

Sincerely

A handwritten signature in dark ink, appearing to read "C. C. McLeary". The signature is fluid and cursive, with a large, sweeping "M" and a trailing flourish.

President



THORNE, MULHOLLAND, HOWSON & McPHERSON  
CHARTERED ACCOUNTANTS  
TORONTO

GALT  
WINNIPEG  
VANCOUVER  
SAINT JOHN

KITCHENER  
CALGARY  
MONTREAL  
NASSAU, BAHAMAS

LONDON  
EDMONTON  
HALIFAX

SUITE 902  
111 RICHMOND STREET WEST  
TORONTO 1, ONT.

TO THE SHAREHOLDERS OF  
LOBLAW GROCETERIAS Co., LIMITED:

We have examined the consolidated balance sheet of Loblaw Groceterias Co., Limited and subsidiary companies as at June 1, 1963 and the consolidated statements of income and retained earnings for the year ended on that date. For Loblaw Groceterias Co., Limited, and those subsidiaries of which we are the auditors, 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. For those subsidiaries of which we are not the auditors, we have been furnished with financial statements and the reports thereon of their auditors; with respect to the amounts for these subsidiaries included in the consolidation, our opinion is based on such statements and reports.

In our opinion the accompanying consolidated balance sheet and related consolidated statements of income and retained earnings, supplemented by the notes thereto, present fairly the combined financial position of Loblaw Groceterias Co., Limited and subsidiary companies as at June 1, 1963 and the results of their combined operations for the year ended on that date, in accordance with generally accepted accounting principles applied, except for the treatment of deferred income taxes, with which we concur, as referred to in note 2, on a basis consistent with that of the preceding year.

*Thorne, Mulholland, Howson & McPherson*  
Chartered Accountants

Toronto, Canada,  
September 10, 1963.



# L O B L A W   G R O C E T E R I A S   C O . ,

*Incorporated under the laws of Ontario*

## *Consolidated Balance*

### *Assets*

**CURRENT ASSETS:**

Cash - - - - -	\$ 30,850,875	
Marketable securities, at cost (approximately market value) - - - - -	1,083,445	
Accounts receivable, less allowance for doubtful accounts - - - - -	22,869,838	
Properties held for sale under lease-back arrangements, at cost - - - - -	1,683,400	
Merchandise inventories at the lower of cost or market - - - - -	154,588,030	
Prepaid expenses - - - - -	10,024,495	
Due from employees re pension fund, etc. - - - - -	<u>728,525</u>	\$221,828,608

INVESTMENTS, at cost (approximately market value) - - - - -	948,100
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**FIXED ASSETS, at cost:**

Land, buildings and equipment - - - - -	280,072,028	
Less Accumulated depreciation - - - - -	<u>104,435,435</u>	175,636,593

**OTHER ASSETS:**

Preference shares, Loblaw Leased Properties Limited, at cost - - - - -	10,767,500	
Preference shares, Creland Equipment Lessors Limited, etc., at cost - - - - -	1,730,000	
Deferred charges to operations - - - - -	1,520,276	
Mortgages receivable - - - - -	3,577,529	
Deferred accounts receivable, less allowance for doubtful accounts - - - - -	<u>1,780,455</u>	19,375,760

UNAMORTIZED EXCESS OF COST OF INVESTMENT IN SUBSIDIARIES OVER UNDERLYING BOOK VALUES AT DATES OF ACQUISITION -	27,823,422
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*Approved on behalf of the Board.*

G. C. METCALF, *Director*      R. G. MEECH, *Director*

The accompanying notes are an integral part of this statement.

\$445,612,483

# L I M I T E D      a n d      s u b s i d i a r y      c o m p a n i e s

Sheet June 1, 1963

## Liabilities

### CURRENT LIABILITIES:

Bank loans and overdrafts - - - - -	\$14,919,607	
Notes payable - - - - -	9,538,820	
Accounts payable and accrued liabilities - - - - -	96,922,564	
Dividends payable - - - - -	159,797	
Income taxes payable - - - - -	6,452,000	
Advances from affiliated company - - - - -	17,961,735	
Long term debt due within one year - - - - -	<u>4,774,250</u>	\$150,728,773
ADVANCES FROM LOBLAW COMPANIES LIMITED - - - - -		5,476,500
LONG TERM DEBT (note 3) - - - - -		91,186,662
REAL ESTATE CARRYING CHARGE RESERVE (note 5) - - - - -		2,204,572
MINORITY INTEREST IN PREFERRED AND COMMON SHARES AND RETAINED EARNINGS OF SUBSIDIARIES - - - - -		92,629,935

## Shareholders' Equity

### CAPITAL STOCK (note 6):

#### Authorized:

1,463,439 First Preference shares, par value 130.00 each, issuable in series (of which 6,517 shares were purchased and cancelled during year)

577,515 Second Preference shares, (redeemable) without par value

600,000 Common shares without par value

#### Issued:

625,467 \$1.50 Cumulative Redeemable First Preference shares, Series A - - - - - \$18,764,010

331,455 \$1.60 Cumulative Redeemable First Preference shares, Series B - - - - - 9,943,650

445,056 Second Preference shares }  
508,300 Common shares } - - - - - 7,179,422

RETAINED EARNINGS - - - - - 65,770,513

CONTRIBUTED SURPLUS - - - - - 1,728,446      103,386,041  
\$445,612,483



**LOBLAW GROCETERIAS CO., LIMITED and subsidiary companies**

*Consolidated Statement of Income* YEAR ENDED JUNE 1, 1963

Income from all operations before taking into consideration the undernoted items and after the application against rental expense of the applicable portion of the real estate carrying charge reserve - - - - -		\$55,914,811
Other income:		
Net gain on sale of shares of a U.S. subsidiary company and disposal of capital assets, and income from investments (note 10)		3,631,363
		<u>59,546,174</u>
Deduct:		
Allowance for depreciation - - - - -	\$19,281,792	
Interest on long term debt - - - - -	4,744,935	
Other interest - - - - -	1,844,251	25,870,978
Income before taxes thereon - - - - -		<u>33,675,196</u>
Taxes on income (note 2) - - - - -		14,303,931
		<u>19,371,265</u>
Deduct:		
Minority interest in income - - - - -		6,343,335
NET INCOME FOR YEAR - - - - -		<u><u>\$13,027,930</u></u>

*Consolidated Statement of Retained Earnings* YEAR ENDED JUNE 1, 1963

Retained earnings at beginning of year - - - - -		\$56,979,224
Net income for year - - - - -		13,027,930
Reversal of accumulated deferred taxes of subsidiaries since dates of acquisition (note 2) - - - - -		<u>752,067</u>
		70,759,221
Deduct:		
Dividends paid or payable:		
First Preference shares, Series A - - - - -	\$ 942,215	
First Preference shares, Series B - - - - -	530,368	
Second Preference shares - - - - -	1,379,673	
Common shares - - - - -	1,575,730	
Consolidated goodwill written off - - - - -	560,722	4,988,708
RETAINED EARNINGS AT END OF YEAR - - - - -		<u><u>\$65,770,513</u></u>



# LOBLAW GROCETERIAS CO., LIMITED and subsidiary companies

## Notes to Consolidated Financial Statement YEAR ENDED JUNE 1, 1963

1. The accounts of National Tea Co. and its subsidiaries (which accounts have been consolidated with those of Loblaw Groceterias Co., Limited for the first time during the 1963 fiscal period) and Loblaw Inc. and its subsidiaries, have been reflected in the attached statements in U.S. funds at par of exchange.

2. It is the practice of certain subsidiary companies, including the U.S. corporations, to reflect as a deduction from income the appropriate income taxes relating to depreciation claimed for income tax purposes in excess of the amount of depreciation included in the financial statement. The accumulated amount of income taxes so determined is reflected on the balance sheets of these companies as deferred income taxes applicable to future years.

In order to present a uniform disclosure of this item consistent with the practice of the parent company and other subsidiaries, where such amounts appear in the financial statements of subsidiary companies these have been eliminated on consolidation and are included in the reference contained in the following paragraph. The portion of such deferred income taxes accumulated by these subsidiaries in prior years subsequent to their respective dates of acquisition has been credited to retained earnings. The amount by which the provision for income taxes for the current year has been reduced as a result of this elimination is \$474,800 and this amount is included in the \$1,318,000 referred to below.

The taxes on income, as shown in the consolidated statement of income, are after a reduction of approximately \$1,318,000 because of the intention of the company and certain subsidiary companies to claim for tax purposes depreciation in excess of that provided for the year in the accounts. The accumulated amount to date by which taxes otherwise payable have been so reduced is approximately \$12,000,000.

3. Long term debt:

### Loblaw Groceterias Co., Limited:

4¾% Twenty year sinking fund debentures maturing March 1, 1973 and March 1, 1974 less \$900,000 due March 1, 1964 included in current liabilities \$8,600,000

4% Debentures, Series C:

Serial debentures maturing October 15, 1963 to 1965 less \$400,000 due October 15, 1963 included in current liabilities - - - - - \$800,000

Carried forward - - - - - \$800,000 \$8,600,000

Brought forward - - - - - \$800,000 \$8,600,000

Sinking fund debentures maturing October 15, 1975 less \$80,000 due October 15, 1963 included in current liabilities - - - - - 7,360,000 8,160,000

4¾% Sinking fund debentures Series D (convertible into Class A shares of Loblaw Companies Limited) maturing October 1, 1976 less \$360,000 due October 1, 1963 included in current liabilities - - - - 9,480,000

6% Sinking fund debentures, Series E maturing September 1, 1977 less \$273,000 due September 1, 1963 included in current liabilities - - - - - 6,080,000

5¾% Sinking fund debentures, Series F maturing November 1, 1981 less \$400,000 due November 1, 1963 included in current liabilities - - - - - 9,200,000

Mortgages payable - - - - - 174,016 \$41,694,016

### Subsidiary companies:

#### National Tea Co. and Subsidiaries:

Instalment mortgage notes - - - - - 764,726

3½% Promissory notes, due serially to 1969 less \$86,000 due June 1, 1964 included in current liabilities - - - - - 430,000

4% Promissory notes, due serially to 1973 less \$700,000 due November 1, 1963 included in current liabilities - - - - - 11,500,000

5% Sinking fund debentures due 1977 less \$480,000 due July 31, 1963 included in current liabilities 9,600,000

4¾ Term note, due 1967 - - - - - 5,000,000

3½% Subordinated debentures, due 1980 (convertible into 324,230 common shares through 1965) 6,209,000 33,503,726

Carried forward - - - - - \$75,197,742

Continued



Brought forward - - - - - \$75,197,742

*Loblaw Inc. and Subsidiaries:*

Notes payable:

Due 1963 to 1964 - - - - -	\$ 800,000	
Due 1965 to 1968 - - - - -	2,000,000	
Due 1969 to 1977 - - - - -	5,400,000	
Due 1978 - - - - -	<u>1,000,000</u>	\$9,200,000

Mortgages payable:

Payable in quarterly instalments of \$20,000 each - - - - -	800,000	
Payable in quarterly instalments of \$15,625 each - - - - -	953,125	
Payable in quarterly instalments of \$25,000 each - - - - -	<u>1,575,000</u>	3,328,125
		<u>\$12,528,125</u>

Less Instalments included in current liabilities - - 642,500 11,885,625

*Other Subsidiaries:*

Bonds and debentures less instalments of \$365,900 due within one year included in current liabilities 3,603,086

Mortgages payable less \$86,850 due within one year included in current liabilities - - - - - 500,209 4,103,295  
\$91,186,662

4. The aggregate minimum rentals (exclusive of taxes, insurance and other occupancy charges to be paid by the company and its subsidiaries) under long term leases (extending beyond five years from the balance sheet date) in effect at June 1, 1963 are as follows for each of the periods shown.

1964-1968	\$119,700,000	1979-1983	\$25,500,000
1969-1973	93,700,000	1984-1988	9,400,000
1974-1978	52,300,000	After 1988	<u>1,600,000</u>
			<u>\$302,200,000</u>

5. The real estate carrying charge reserve originates from the excess of sale price over depreciated cost of certain properties sold and is being amortized over the periods of long term leases entered into by the companies on the respective properties.

The reduction in this reserve during the current year represents a reversal of \$2,793,617 relating to properties previously disposed of and re-acquired during the current year, and amortization of \$562,942.

6. During the year the company purchased for cancellation 6,387 \$1.50 First Preference shares at a cost of \$200,019 and 130 \$1.60 First Preference shares at a cost of \$3,945. The premium of \$8,454 on these purchases has been charged to contributed surplus.

The \$1.50 Cumulative Redeemable First Preference shares, Series A, carry a cumulative preferential dividend of \$1.50 per share, have a priority on winding up of \$33.50 per share, together with all unpaid preferential dividends, may be purchased for cancellation at market but not exceeding \$35.00 and costs of purchase and all unpaid preferential dividends and are redeemable at \$35.00 per share, together with all unpaid preferential dividends. The company is obligated to apply to the retirement of the \$1.50 Cumulative Redeemable First Preference shares, Series A, an amount not exceeding \$200,000 in each fiscal year of the company provided that such shares are available for purchase at a price not exceeding \$33.50 per share.

The \$1.60 Cumulative Redeemable First Preference shares, Series B, carry a cumulative preferential dividend of \$1.60 per share, have a priority on winding up of \$30.00 per share, together with all unpaid preferential dividends, may be purchased for cancellation at market but not exceeding \$31.50 and costs of purchase and all unpaid preferential dividends and are redeemable at \$31.50 per share, together with all unpaid preferential dividends. The company is obligated to apply to the retirement of the \$1.60 Cumulative Redeemable First Preference shares, Series B, an amount not exceeding \$100,000 in each fiscal year of the company, provided that such shares are available for purchase at a price not exceeding \$30.00 per share.

The Second Preference shares carry a cumulative preferential annual dividend of 50¢ per share and participate equally with the Common shares after payment of 50¢ per share annually on the latter. The Second Preference shares have a priority on winding up of \$15.00 per share and may be purchased for cancellation at market but not exceeding \$50.00 per share and are redeemable at \$50.00 per share.

7. The trust indenture and indentures supplemental thereto, under which the debentures of the company and subsidiary companies were issued, contain



restrictions on the payment of cash dividends and the redemption, reduction or purchase of capital stock.

8. Certain legal actions are outstanding in the United States and Canada with respect to the company and its subsidiaries, of which the following relate to material amounts.

The assets of the company include cash of \$200,000 and an account receivable of \$600,000 representing a deposit and the balance owing under purchase agreements covering certain lands sold by the company. An action is pending against the company in the Supreme Court of Ontario to have this sale set aside and the deposit refunded to the purchaser.

The company and certain subsidiaries have been named as parties defendant in four lawsuits brought by certain individuals on behalf of themselves and other stockholders of National Tea Co. against National Tea Co. and others with reference to the sale by Perrin Investments Limited to National Tea Co.

of the capital stock of All American Stamp & Premium Corporation of New York, and the subsequent issuance of National Tea Co. stock. These actions ask for injunctive relief, rescission and damages. They are being defended, and, in the opinion of counsel can be successfully defended.

9. In March, 1959 the Federal Trade Commission filed a complaint against National Tea Co. alleging that several acquisitions of additional retail grocery stores violated Section 5 of the Federal Trade Commission Act and Section 7 of the Clayton Act. On April 8, 1963, the Hearing Examiner filed his Initial Decision dismissing the complaint. The matter is now on appeal to the full Commission. Nothing has occurred in the proceeding to date to indicate that there will be any adverse effect on the company as a result of this complaint.

10. Income from investments for the year under review amounted to \$895,114.

