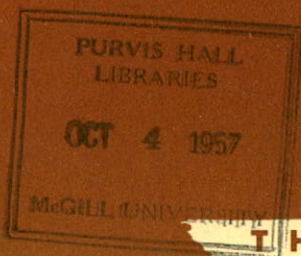


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ANNUAL REPORT 1957

Robert in file

*Loblaws Companies Limited*



THE FISCAL YEAR ENDING JUNE 1st 1957



## **board of directors**

JUSTIN M. CORK

WM. E. CORK

G. E. HUFFMAN

D. L. McCLOCKLIN

R. G. MEECH, Q.C.

G. C. METCALF

K. B. PALMER, Q.C.

## **executive officers**

JUSTIN M. CORK

*Chairman of the Board*

GEORGE C. METCALF

*President and General Manager*

R. G. MEECH, Q.C.

*Vice-President, Secretary and Treasurer*

G. E. HUFFMAN

*Vice-President in Charge of Merchandising  
and Assistant General Manager*

## **president's report to our shareholders**

On behalf of the Board of Directors I have pleasure in submitting to you this report of the first full year of your Company's progress.

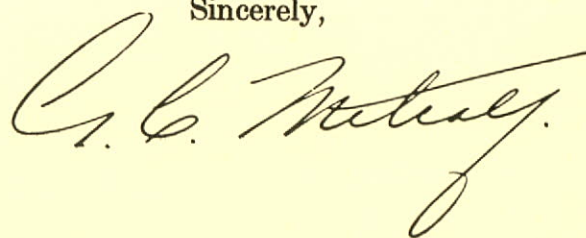
During the past year, additional shares of Loblaw Groceterias Co., Limited were accepted in exchange for Company shares in accordance with exchange offer dated January 24, 1956. As at June 1, 1957, 97.1% of the Second Preference shares and 96.9% of the Common shares of Loblaw Groceterias Co., Limited were owned by Loblaw Companies Limited, being the sole holdings of the Company as of that date.

Earnings of Loblaw Groceterias Co., Limited applicable to these shares totalled \$6,702,796. for the 52 weeks ended June 1, 1957. Dividends paid on the Redeemable Preferred shares at \$2.40 per share amounted to \$1,033,656. Earnings attributable to the combined Class A and Class B shares totalled \$5,669,140., equal to \$2.64 per share. Dividends of 40 cents per share were paid in the year on both Class A and Class B shares.

A pro forma calculation to include net earnings in excess of dividends received of National Tea Co. accruing to its shares held by Loblaw Groceterias Co., Limited indicates that earnings on the combined Class A and Class B shares would be approximately \$3.12 per share.

To give our shareholders more information about the operations of our subsidiary, a copy of the Consolidated Annual Report of Loblaw Groceterias Co., Limited for the fiscal year ended June 1, 1957 is being provided. This has been published now in preliminary form but a more detailed presentation is being prepared which will be sent to you as soon as available.

Sincerely,

A handwritten signature in cursive script, appearing to read "C. E. McIntyre". The signature is written in dark ink and is positioned below the word "Sincerely,".

*President.*

July 25, 1957.

# L O B L A W C O M P A N I E S

*Incorporated under the laws of Canada*

## assets

*consolidated balance*

### CURRENT ASSETS

Cash - - - - -	\$ 8,609,123	
Accounts receivable, less allowance for doubtful accounts- - - - -	5,540,071	
Cost of properties to be sold under lease-back arrangements (see note 2)- - - - -	1,914,234	
Merchandise inventory as determined by the management and certified to be valued at not more than the lower of cost or market - - - - -	47,598,954	
Due from employees re pension fund - - - - -	361,456	\$ 64,023,838

### INVESTMENT IN SHARES OF NATIONAL TEA CO., AT COST

(quoted value \$29,400,000) - - - - -		40,779,895
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### FIXED ASSETS, AT COST:

Land - - - - -		17,708,006	
Buildings - - - - -	\$13,478,028		
Equipment and improvements - - - - -	52,968,380		
Motor vehicles - - - - -	4,530,906		
	70,977,314		
Less Accumulated allowance for depreciation - - - - -	28,227,384	42,749,930	60,457,936

### OTHER ASSETS:

Preference shares, Loblaw Leased Properties Limited, at cost - - - - -		4,322,500	
Deferred charges to operations - - - - -		2,028,131	
Mortgages receivable - - - - -		191,019	
Deferred accounts receivable, less allowance for doubtful accounts - - - - -		683,253	
Advances re construction in progress - - - - -		499,178	
Organization and financing expenses - - - - -		250,175	
Goodwill - - - - -		1	7,974,257
			<u>\$173,235,926</u>

## auditors' report

To the Shareholders of LOBLAW COMPANIES LIMITED

We have examined the consolidated balance sheet of Loblaw Companies Limited and its subsidiary companies as at June 1, 1957 and the consolidated statements of income and earned surplus for the year ended on that date and we 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. We have relied upon the reports of auditors of certain subsidiaries whose accounts have not been reviewed by us.

In our opinion the accompanying consolidated balance sheet and consolidated statements of income and earned surplus supplemented by the notes thereto are properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of Loblaw Companies Limited and its subsidiary companies as at June 1, 1957 and the results of their operations for the year ended on that date, according to the best of our information and the explanations given us and as shown by the books of the companies.

Toronto, Canada,  
July 22, 1957.

THORNE, MULHOLLAND, HOWSON & MCPHERSON  
*Chartered Accountants*



# L I M I T E D and subsidiary companies

sheet June 1, 1957

## liabilities

### CURRENT LIABILITIES:

Bank loans and overdrafts - - - - -	\$ 4,055,927	
Notes payable - - - - -	4,645,987	
Accounts payable and accrued liabilities - - - - -	39,198,592	
Dividend payable - - - - -	79,100	
Income taxes payable - - - - -	4,352,657	
Sinking fund instalments and serial debentures due within one year - - - - -	<u>1,660,000</u>	\$ 53,992,263

MORTGAGES PAYABLE - - - - - 325,456

LONG-TERM INDEBTEDNESS (see note 4) - - - - - 38,275,985

REAL ESTATE CARRYING CHARGE RESERVE (see note 7) - - - - - 3,980,636

### MINORITY INTERESTS:

Preferred and common shares and proportion of surplus of subsidiaries, held by public - - - - - 33,897,216

### SHAREHOLDERS' EQUITY:

Capital stock (see note 8)

#### Authorized:

1,000,000 Preferred shares having a par value of \$50.00 each, issuable in series

1,000,000 Class A shares without par value

3,000,000 Class B shares without par value

#### Issued (see note 9)

432,343 \$2.40 Cumulative redeemable preferred shares - - - - - 21,617,150

172,937 Class A shares} - - - - - 15,205,686

1,970,703 Class B shares} - - - - -

Earned surplus - - - - - 5,941,534 42,764,370

\$173,235,926

The accompanying notes are an integral part of this statement and should be read in conjunction therewith.

Approved on behalf of the Board.

G. C. METCALF, *Director*.

R. G. MEECH, *Director*.

# LOBLAW COMPANIES LIMITED and subsidiary companies

## consolidated statement of earned surplus YEAR ENDED JUNE 1, 1957

Earned surplus June 2, 1956 exclusive of Loblaw Inc. - - - - -	\$ 831,514
Earnings of Loblaw Inc. from date of acquisition to June 2, 1956 - - - - -	349,274
	<u>\$ 1,180,788</u>
Net income for year - - - - -	6,702,796
Surplus from sale of real estate - - - - -	1,470,135
	<u>\$ 9,353,719</u>
<i>Deduct:</i>	
Dividends, Preferred shares - - - - -	\$1,033,656
Dividends, A shares - - - - -	68,910
Dividends, B shares - - - - -	786,797
Expenses re sale of debentures - - - - -	397,319
Transferred to real estate carrying charge reserve - - - - -	1,125,503
	<u>3,412,185</u>
EARNED SURPLUS JUNE 1, 1957 - - - - -	<u>\$ 5,941,534</u>

## consolidated statement of income YEAR ENDED JUNE 1, 1957

Income from all operations before taking into consideration the undernoted items - - - - -	\$24,590,066
<i>Add:</i>	
Dividends received from National Tea Co. less U.S. withholding tax thereon - - - - -	1,128,001
Income from other investments - - - - -	32,141
Applicable portion of real estate carrying charge reserve - - - - -	138,752
	<u>\$25,888,960</u>
<i>Deduct:</i>	
Allowance for depreciation - - - - -	\$5,782,265
Employees' pension fund - - - - -	700,228
Investment in sinking fund bonds and debentures - - - - -	1,588,576
Interest on other long-term indebtedness - - - - -	83,906
	<u>8,154,975</u>
Income before taxes thereon - - - - -	\$17,733,985
Taxes on income - - - - -	7,914,608
Income before undernoted deductions - - - - -	<u>\$ 9,819,377</u>
<i>Deduct:</i>	
Income of subsidiaries prior to date of acquisition - - - - -	\$ 297,300
Minority interest in income subsequent to date of acquisition - - - - -	2,819,281
	<u>3,116,581</u>
NET INCOME FOR YEAR - - - - -	<u>\$ 6,702,796</u>



# LOBLAW COMPANIES LIMITED and subsidiary companies

## notes to consolidated financial statement YEAR ENDED JUNE 1, 1957

1. The accounts of Loblaw Inc., a U.S. corporation, have been included in the current year's consolidated statements and are reflected at par of exchange.
2. The cost of properties to be sold under lease-back arrangements represents properties which the company reasonably anticipates will be sold within the period of approximately one year.
3. The taxes on income as shown in the consolidated statement of income are after a reduction of approximately \$521,000, because of the intention to claim for tax purposes depreciation to the extent of approximately \$1,057,000 in excess of the amount provided for the year in the accounts. The net accumulated amount to date by which taxes otherwise payable have been so reduced is approximately \$1,492,000.

### 4. Long-term indebtedness consists of the following:

Bank loans secured by automotive equipment due 1957 to 1961 - - - - -	\$ 520,461	
Notes payable in annual instalments of \$200,000 each January 15 with final instal- ment reduced by any optional or contingent payments made in accordance with terms of loan agreements - - - - -	1,692,000	
	<u>2,212,461</u>	
Less Instalments included in current liabilities as notes payable - - - - -	616,476	1,595,985
4¾% Twenty year sinking fund debentures maturing March 1, 1973 and March 1, 1974 less sinking fund instalments aggregating \$900,000 due March 1, 1958 included in current liabilities - - - - -		14,000,000
4% Debentures, Series C: Serial debentures maturing October 15, 1957 to 1965 less \$400,000 due October 15, 1957 included in current liabilities - -	3,200,000	
Sinking fund debentures maturing October 15, 1975 - - - - -	<u>7,840,000</u>	11,040,000
4¾% Sinking fund debentures, Series D (con- vertible into Class A shares of Loblaw Com- panies Limited) maturing October 1, 1976 less sinking fund instalment of \$360,000 due October 1, 1957 included in current liabilities - - - -	11,640,000	
	<u>\$38,275,985</u>	

5. There are contracts outstanding for the further expansion of the retail facilities of Loblaw Groceterias Co., Limited and its subsidiaries, the total of which, although substantial, cannot accurately be determined at this time.

6. The contractual obligations of the company's subsidiaries with respect to long-term lease agreements which extend beyond five years from the balance sheet date aggregate approximately \$101,000,000.

7. The real estate carrying charge reserve originates from the excess of sale price over depreciated cost of certain store properties sold and is being amortized over the periods of long-term leases entered into by Loblaw Groceterias Co., Limited and its subsidiaries on the respective properties. It is the present intention to continue this practice.

8. The Class A shares carry a non-cumulative preferential dividend after payment of dividends on the preferred shares of 25¢ per share per annum and participate equally with the Class B shares after payment of 25¢ per share on the latter.

9. The consideration received for the capital stock of the company issued during the year was shares of Loblaw Groceterias Co., Limited.

10. The trust indenture and indentures, supplemental thereto, under which the debentures of Loblaw Groceterias Co., Limited were issued, contain restrictions on the payment of cash dividends and the redemption, reduction or purchase of capital stock by that company.

The \$12,000,000 principal amount of 4¾% sinking fund debentures, Series D of Loblaw Groceterias Co., Limited are convertible at the holder's option into Class A shares of Loblaw Companies Limited. Loblaw Companies Limited has covenanted to reserve a maximum of 540,000 of its Class A shares for issuance upon the conversion of said debentures.

