

**Loblaw  
Companies  
Limited**

**Annual  
Report  
1974**

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Loblaw Companies Limited

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**Loblaw Companies** is a Canadian holding company controlling major interests in food retailing and wholesaling in Canada and the United States. With annual sales in excess of \$3 billion, the Loblaw group of companies is one of the largest food distributors in North America. In addition to its food-related operations, Loblaw, through its subsidiaries, also participates in the Canadian retail drug and general merchandise industries.

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# Report to Shareholders

In March of 1972, in my first message to you as Chief Executive Officer, I stated that my initial analysis indicated that industry and internal pressures threatened the long-term economic viability of Loblaw Companies. Because of the seriousness of the situation, I pointed out that an overall restructuring of all aspects of our U.S. and Canadian food retailing operations must begin immediately.

The magnitude and speed of implementation of the resulting reconfiguration during the past 3 years is unprecedented in the history of the retail food distribution industry in North America.

- Of the 1,100 retail food outlets operated by Loblaw Companies in 1972, 367 outmoded, unproductive stores have been closed.
- \$28 million has been spent on expanding and refurbishing existing sites with outstanding potential.
- \$28 million has been invested in 81 new store facilities.
- Seven uneconomic warehouse locations have been consolidated into new facilities.
- All of our major food retailing companies have undergone extensive organizational restructuring at all levels of responsibility. The new management teams were drawn from the strongest people within our various organizations, supplemented with a large number of dynamic, highly qualified people attracted from outside our group of companies.

By the end of 1974 the rebuilding program of our retail food operations was largely complete and its effects were reflected positively by the group's overall return to profitability during the past year.

The changes that have been implemented over the past 3 years have built a firm base for our retail food operation. Your management's next task lies in fully developing the profit potential of these restructured operations. The following are some of the programs that will be initiated over the next year in pursuit of this objective.

- A formal profit improvement planning system will be implemented at company and divisional levels to supplement the annual budgeting process. Incentive programs will be keyed at all levels of our companies to formal profit improvement project plans.
- A small staff of marketing specialists will be established at Loblaw Companies' headquarters to help our operating heads identify specific profit improvement opportunities and develop implementation plans. These specialists will share the responsibility with our various operating heads for seeing that the identified opportunities are realized.
- Several staff groups will be established at corporate levels where it is cost-benefit justifiable or where limited high-skill human resources make it advisable. Central procurement of commodities, supplies, and in some cases, finished retail food products is an example of the types of opportunities where overall costs can be centrally reduced to favourably impact the profits of our various operating subsidiaries.

Another task of critical importance in 1975, will be the task of stemming the losses incurred by our Canadian non-food operations, Tamblyn and Sayvette. The records of both of these companies have been unsatisfactory over the past few years. Correcting this problem will be a high priority of Loblaw Companies' management team in 1975.

The return to profitability by Loblaw Companies in 1974 is very encouraging for it is evidence that a solid base for future profitability has been built over the past 3 years. I am confident that this positive trend will continue.

The next segment of this report sets out 1974 operating highlights for the four major segments of our group.

- Canadian food retailing
- Canadian food wholesaling
- U.S. food retailing
- Canadian non-food retailing.

W. Galen Weston  
President and Chief Executive Officer

April 7, 1975.







# Canadian Food Retailing

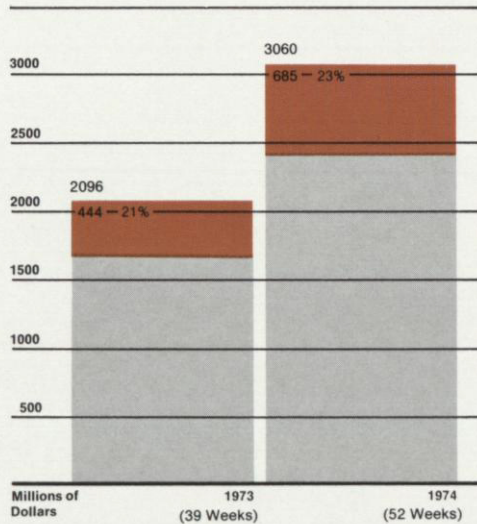
In 1974, 23 cents out of every Loblaw Companies' sales dollar was derived from our Canadian food retailing companies — Loblaws, Zehr's, and Dionne.

The operating performance of Loblaws Limited's 155 stores in Ontario continued to improve over the past year.

- In dramatic contrast to the severe operating losses experienced in 1971 and 1972 this chain performed above industry profitability levels in 1974.
- During the past year Loblaws received the highest design award in Canada for the total rebuilding of its corporate image program.
- Loblaws' sales increased substantially in 1974 and market share gains were experienced in the majority of its major market areas.

Similar sales and profit gains were experienced in 1974 by Loblaw Companies' two other groups of retail food stores — Zehr's Markets with 26 stores in the Kitchener-Waterloo area of Ontario and Dionne Limited with 12 warehouse markets in Montreal.

It is anticipated that this trend of continued profit improvement in our Canadian food retail operations will continue in 1975.



**Division & Consolidated Sales**







# Canadian Food Wholesaling

In 1974, Loblaw Companies' two Canadian wholesale companies — National Grocers and Atlantic Wholesalers — produced \$434 million sales or 14 cents out of every consolidated sales dollar. Combined after-tax profits totalled \$4.2 million.

These companies have been important sources of revenue during the period when Loblaw Companies has been forced to absorb the necessary losses involved in restructuring its retail operations.

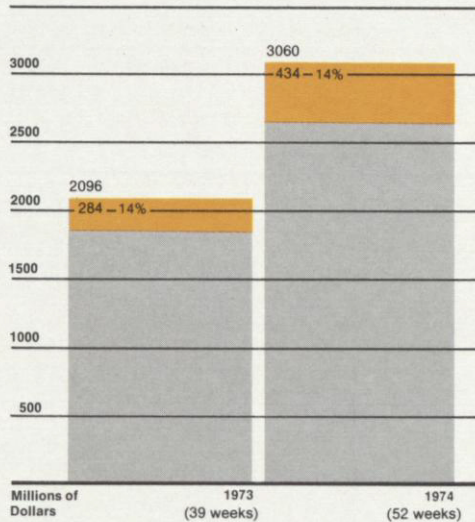
National Grocers supplies approximately 10,000 outlets including a large number of affiliated stores. The operations are conducted through some 43 Cash and Carry depots and 17 warehouses now in the final phases of a major program designed to replace many smaller outmoded facilities.

Atlantic Wholesalers' operations are concentrated within Canada's Maritime Provinces where it services approximately 200 affiliated accounts and a larger number of non-affiliated outlets. The operations are conducted through some 20 warehouses and four Cash and Carry depots. Like National Grocers, Atlantic Wholesalers is undergoing a consolidation program of its facilities.

During 1974 combined sales of these two operations increased 19 percent and profits showed substantial improvement.

During 1975, additional profit improvement programs will be initiated to increase labour productivity.

And, a formal profit improvement planning process will be implemented in our wholesale operations to identify further operating efficiency opportunities.



**Division & Consolidated Sales**



national  
mataroni  
& cheese  
dinner

national  
mataroni  
& cheese  
dinner

net wt  
7 1/2 oz  
205g

net wt  
7 1/2 oz  
205g



# United States Food Retailing

The largest portion of Loblaw Companies 1974 revenues, \$1.8 billion or 59 cents out of every sales dollar, was derived from our U.S. retailing operations.

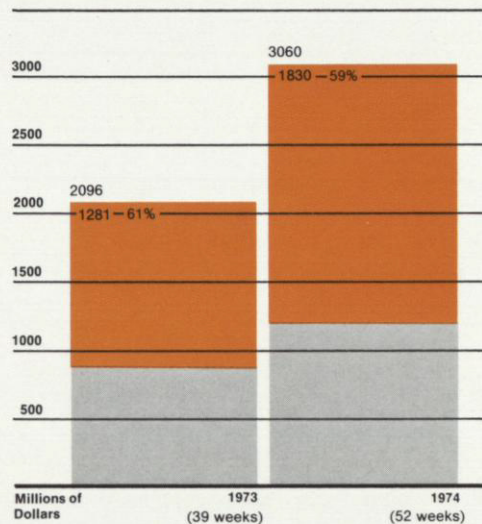
In 1974 the impact of the changes made over the last 2 years began to become evident in our U.S. operating results, as combined 1973 operating losses of \$28.3 million were reduced to \$2.5 million.

Operating profitability was restored in our 126 Loblaw Inc. stores in the northern segments of New York State and Pennsylvania.

- This chain has been completely configured since March 1973 with 39 unproductive units closed, 16 high potential sites extended or remodelled, and 11 new supermarkets opened.
- Loblaw Inc.'s operating expense ratios have improved significantly over the past year.
- However, increasing sales per unit will receive increased emphasis in 1975 as little progress has been made to date in the critical sales per square foot ratio.

Operating losses totalling \$2.9 million were incurred in Loblaw Companies' National Tea subsidiary. This major food retailing chain operates 500 supermarkets in the central United States, stretching from the Canadian border to New Orleans.

- During 1974, \$20.7 million was spent on renovation of stores in addition to the funds allocated for a major new 750,000 square foot distribution facility in Chicago.
- The closing of 55 obsolete stores and a major emphasis upon expense control resulted in significant operating efficiencies being achieved in all divisions.
- 1974 operating losses of 2.9 million constitute a major improvement over full year 1973 when operating losses totalled \$23.1 million.
- Operating profit was restored in the fourth quarter of 1974.
- Steady improvement is anticipated in 1975 toward the achievement of continued profitability at National Tea.



**Division & Consolidated Sales**

Newly designed  
National Tea  
packaging







# Canadian Non-Food Retailing

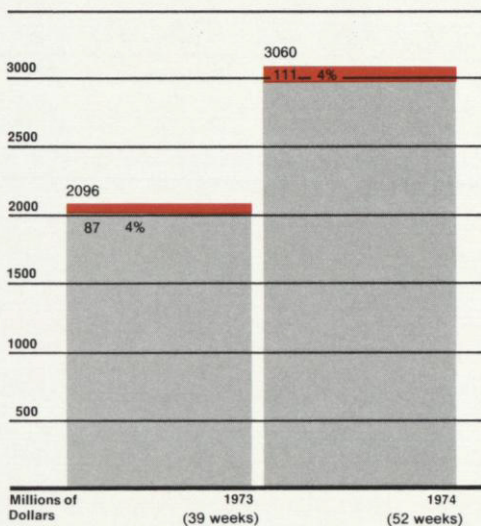
In 1974 this segment of our business continued to be a major profit drag with total operating losses of \$7.1 million. This is particularly distressing in light of the fact that the combined sales volume of \$111 million represented only 4 cents out of every sales dollar.

Sayvette, with 11 family department stores in Ontario, lost \$4.2 million on sales of \$37 million.

- Sayvette's major problem has been the lack of adequate sales growth due to over expansion in the industry.
- In addition, it has not achieved any clearly defined marketing image.
- Some optimism can be taken in the 26 percent sales increase derived from the major renovation in 1974 of the London, Ontario store.
- Elimination of Sayvette's losses will be a high priority issue of Loblaw Companies' management in 1975.

Tamblyn, with 100 stores in Ontario, produced an operating loss of \$2.9 million on sales of \$74 million. Despite the poor operating results, 1974 was a very positive year for the Tamblyn organization because a solid base for future profitability was established.

- The top level of Tamblins' management team was almost completely restructured.
- A new corporate image program was developed by the same firm that developed Loblaw's award-winning image.
- Measures were initiated that will lead to substantially reduced warehouse and overhead costs in 1975.
- The cumulative effect of these changes should ensure a steady return to profitability for Tamblyn.



**Division & Consolidated Sales**

# **Consolidated Financial Statements**

Consolidated Statement of Income

Consolidated Balance Sheet

Consolidated Statement of Retained Earnings

Consolidated Statement of Changes in Financial Position

Notes to Consolidated Financial Statements

Auditors' Report



# Consolidated Statement of Income

Loblaw Companies Limited  
52 weeks ended December 28, 1974  
and 39 weeks ended December 29, 1973  
(in thousands of dollars)

	1974	1973
Sales and other income		
Sales	<b>\$3,059,954</b>	\$2,096,092
Investment income	<b>2,189</b>	1,092
	<b>3,062,143</b>	2,097,184
Costs and expenses		
Cost of sales, selling and administrative expenses (before the following items)	<b>2,960,080</b>	2,061,465
Depreciation	<b>25,533</b>	18,995
Interest on long-term debt	<b>11,864</b>	6,871
Other interest	<b>8,313</b>	4,876
Rentals on long-term leases net of deferred real estate income amortization	<b>48,625</b>	33,008
	<b>3,054,415</b>	2,125,215
Income (loss) from operations		
before income taxes, minority interest and extraordinary items	<b>7,728</b>	(28,031)
Income taxes (reductions) (note 2)	<b>8,297</b>	(5,527)
	<b>(569)</b>	(22,504)
Minority interest	<b>1,619</b>	8,348
Income (loss) from operations before extraordinary items	<b>1,050</b>	(14,156)
Extraordinary items (note 3)	<b>2,979</b>	1,123
Net income (loss) for the period	<b>\$ 4,029</b>	\$ (13,033)
Per class A and class B share		
Income (loss) from operations before extraordinary items	<b>\$ —</b>	\$ (1.32)
Net income (loss) for the period	<b>\$ .26</b>	\$ (1.22)



# Consolidated Balance Sheet

Loblaw Companies Limited  
(Incorporated under the laws of Canada)  
as at December 28, 1974 and December 29, 1973  
(in thousands of dollars)

<b>Assets</b>	<b>1974</b>	<b>1973</b>
Current assets		
Cash and short term investments	<b>\$ 43,205</b>	\$ 23,675
Accounts receivable (note 4)	<b>44,075</b>	35,141
Investments in subsidiaries held for sale		40,080
Income taxes recoverable	<b>3,243</b>	9,882
Properties held for sale, at the lower of cost and net realizable value	<b>4,006</b>	5,779
Inventories (note 5)	<b>254,203</b>	225,990
Prepaid expenses	<b>10,026</b>	9,900
	<b>358,758</b>	350,447
Investments (note 6)	<b>9,576</b>	11,142
Fixed assets (note 7)	<b>196,958</b>	184,269
Deferred items and intangibles		
Goodwill arising on consolidation of subsidiaries, less amortization (note 1b)	<b>26,286</b>	25,976
Deferred foreign exchange adjustment	<b>3,980</b>	4,034
Other deferred charges	<b>2,041</b>	2,023
	<b>32,307</b>	32,033
	<b>\$597,599</b>	\$577,891

On behalf of the Board

W. Galen Weston, Director  
George C. Metcalf, Director

<b>Liabilities</b>	<b>1974</b>	<b>1973</b>
Current liabilities		
Bank advances and notes payable	<b>\$ 53,404</b>	\$ 66,307
Demand loans from affiliated companies	<b>18,494</b>	13,306
Accounts payable and accrued liabilities (note 8)	<b>203,309</b>	175,480
Taxes payable	<b>15,621</b>	10,820
Dividends payable	<b>1,072</b>	1,072
Long-term debt payable within one year (note 9)	<b>12,247</b>	4,477
	<b>304,147</b>	271,462
Long-term debt (note 9)	<b>108,156</b>	119,430
Other liabilities (note 10)	<b>5,870</b>	7,695
Deferred income taxes	<b>7,027</b>	2,864
Deferred real estate income	<b>19,192</b>	19,598
	<b>444,392</b>	421,049
Minority interest in subsidiaries	<b>77,454</b>	79,773
Shareholders' equity		
Capital stock (note 11)	<b>52,884</b>	52,884
Retained earnings	<b>22,869</b>	24,185
	<b>75,753</b>	77,069
	<b>\$597,599</b>	\$577,891



# Consolidated Statement of Retained Earnings

Loblaw Companies Limited  
52 weeks ended December 28, 1974  
and 39 weeks ended December 29, 1973  
(in thousands of dollars)

	1974	1973
Retained earnings at beginning of period	<b>\$24,185</b>	\$42,701
Net income (loss) for the period	<b>4,029</b>	(13,033)
	<b>28,214</b>	29,668
Dividends declared		
Preferred shares	<b>1,055</b>	791
Class A shares	<b>1,263</b>	947
Class B shares	<b>3,027</b>	2,270
	<b>5,345</b>	4,008
Goodwill adjustments		1,475
	<b>5,345</b>	5,483
Retained earnings at end of period	<b>\$22,869</b>	\$24,185

# Consolidated Statement of Changes in Financial Position

Loblaw Companies Limited  
52 weeks ended December 28, 1974  
and 39 weeks ended December 29, 1973

(in thousands of dollars)

	1974	1973
Working capital derived from		
Operations (note 12)	<b>\$28,768</b>	
Gain on sale of G. Tambyn, Limited head office and warehousing facility	<b>4,367</b>	
Income tax reductions realized on application of prior years' losses	<b>374</b>	\$ 427
Gain on cancellation of licencing agreement		1,175
Book value of fixed assets disposed	<b>9,779</b>	11,297
Increase in long-term debt and other liabilities	<b>4,389</b>	18,188
Net reduction in investments	<b>1,566</b>	3,327
Investments in subsidiaries held for sale		40,300
Income taxes recoverable		2,000
Other items	<b>441</b>	1,405
	<b>49,684</b>	78,119
Working capital applied to		
Operations (note 12)		8,049
Purchase of fixed assets	<b>48,001</b>	51,263
Reduction in long-term debt and other liabilities	<b>17,428</b>	5,271
Dividends	<b>5,345</b>	4,008
Purchase of minority interests	<b>1,340</b>	742
Dividends to minority shareholders in subsidiary companies	<b>1,944</b>	1,328
	<b>74,058</b>	70,661
Increase (decrease) in working capital	<b>(24,374)</b>	7,458
Working capital at beginning of period	<b>78,985</b>	71,527
Working capital at end of period	<b>\$54,611</b>	\$78,985



# Notes to Consolidated Financial Statements

Loblaw Companies Limited  
December 28, 1974

## 1. Summary of Significant Accounting Policies

### (a) Basis of consolidation

The consolidated financial statements for 1974 include the accounts of the Company and all subsidiaries. The effective interest of Loblaw Companies Limited in the equity share capital of principal subsidiaries which are not substantially 100% owned is as follows:

Atlantic Wholesalers, Limited	87%
Loblaw Inc. (U.S.)	73%
National Tea Co. (U.S.)	57%
Sayvette Limited	70%
G. Tambllyn, Limited	60%

The Company's effective interest in the equity share capital of principal subsidiaries may be revised as a result of events subsequent to the year end, see note 14.

### (b) Change in accounting practice

The Canadian Institute of Chartered Accountants has recommended that the goodwill arising on consolidation of subsidiary companies should be amortized to income. Therefore, in 1974 the Company has commenced to amortize this item arising on investments made in the current year, see note 1(c). This change in practice does not have a material effect on income in 1974.

### (c) Amortization of goodwill arising on consolidation of subsidiaries

With respect to acquisitions made in 1974 and subsequent years, the Company has adopted the policy of amortizing, over periods not exceeding twenty years, the net difference between the cost of the investments in subsidiaries and the estimated fair value of their net assets at the dates of acquisition. In 1974, further investments have been made in companies already controlled but additional subsidiaries have not been purchased.

With respect to acquisitions made prior to 1974, the excess of the cost of investments in certain subsidiaries over values attributed to their net tangible assets has been written-off and charged to retained earnings. The excess cost, representing goodwill in other subsidiaries, primarily National Tea Co., is recorded as an asset and is not being amortized.

Total amortization for 1974 is immaterial and is included in "Cost of sales, selling and administrative expenses."

### (d) Inventories

Retail store inventories are stated at the lower of cost and net realizable value less normal profit margin. Wholesale inventories are stated at the lower of cost and net realizable value.

### (e) Deferred foreign exchange adjustment

All U.S. balances have been translated at a rate approximating the current rate. The net difference on the translation of the Company's equity in U.S. subsidiaries and the long-term debt payable in U.S. funds by its Canadian subsidiaries has been deferred until realized and is shown on the balance sheet as "Deferred foreign exchange adjustment".

### (f) Fixed assets

Depreciation is recorded principally on a straight-line basis to amortize the cost of fixed assets over their estimated useful lives. The depreciation rates are substantially as follows:

Buildings	2½%
Automotive equipment	20 to 25%
Equipment and fixtures	6½ to 10%
Leasehold improvements	Lesser of useful life or term of lease

When fixed assets are sold or scrapped, the cost of the asset and the related accumulated depreciation are removed from the accounts and the resulting gain or loss on disposal is included in income, except that National Tea Co. applies the gain or loss on normal dispositions of fixtures and equipment to accumulated depreciation.

### (g) Deferred real estate income

The profits realized on the sale and leaseback of property have been deferred and are being amortized over various periods, mainly twenty-five years, according to the term of the respective leases.

## 2. Income Taxes

Certain subsidiary companies have incurred losses, the tax effect of which has not been recorded in the accounts. This potential tax reduction relating to 1974 losses reported in the financial statements amounts to approximately \$5,500,000.

A summary of the more significant tax loss positions of these subsidiary companies is as follows at December 28, 1974:

	National Tea Co. and subsidiaries	Sayvette Limited	G. Tambllyn, Limited
	(in thousands of dollars)		
Date of expiry of loss carry-forward on a tax filing basis			
1977	\$12,990	\$ 465	\$ 101
1978	13,400	2,202	1,250
1979	9,380	3,647	2,149
	<u>35,770</u>	<u>6,314</u>	<u>3,500</u>
Expenses recorded for book purposes not yet claimed for tax purposes	5,360		830
Excess of tax value of fixed assets over the net book value thereof	7,630	2,069	(748)
	<u>\$48,760</u>	<u>\$8,383</u>	<u>\$3,582</u>
The Company's effective interest therein	<u>\$27,793</u>	<u>\$5,868</u>	<u>\$2,149</u>

Unused investment tax credits of approximately \$2,343,000 are available to National Tea Co. and its subsidiaries to offset future taxes payable. Of this amount, \$242,000 expires in 1978,



\$723,000 expires in 1979, \$590,000 expires in 1980 and \$788,000 expires in 1981. The effective interest of Loblaw Companies Limited in these investment tax credits is approximately \$1,336,000 at December 28, 1974.

### 3. Extraordinary Items

	52 Weeks ended December 28, 1974	39 Weeks ended December 29, 1973
	(in thousands of dollars)	
Income tax reductions realized on application of prior years' losses	\$ 374	\$ 427
Gain on sale of G. Tamblyn, Limited head office and warehousing facility	4,367	
Gain on cancellation of licencing agreement		1,175
	4,741	1,602
Minority interest	1,762	479
	<u>\$2,979</u>	<u>\$1,123</u>

### 4. Accounts Receivable

	1974	1973
	(in thousands of dollars)	
Trade	\$23,380	\$18,883
Affiliated companies	2,904	2,995
Other	17,628	11,281
Loans, advances and non-current receivables due within one year	163	1,982
	<u>\$44,075</u>	<u>\$35,141</u>

### 5. Inventories, by division

	1974	1973
	(in thousands of dollars)	
Retail	\$212,545	\$193,555
Wholesale	41,658	32,435
	<u>\$254,203</u>	<u>\$225,990</u>

### 6. Investments, at cost

	1974	1973
	(in thousands of dollars)	
Secured loans and advances	\$5,077	\$6,224
Sundry investments	1,842	2,336
Non-current receivables	2,657	2,582
	<u>\$9,576</u>	<u>\$11,142</u>

Sundry investments do not have quoted market values and realizable value is estimated to approximate cost.

### 7. Fixed Assets, at cost

	1974	1973
	(in thousands of dollars)	
Land	\$ 10,916	\$ 11,807
Buildings	28,016	26,215
Equipment and fixtures	266,850	265,379
Leasehold improvements	55,217	46,922
	<u>360,999</u>	<u>350,323</u>
Accumulated depreciation	164,041	166,054
	<u>\$196,958</u>	<u>\$184,269</u>

### 8. Accounts Payable and Accrued Liabilities

	1974	1973
	(in thousands of dollars)	
Trade	\$148,570	\$125,437
Affiliated companies	7,838	3,839
Other	46,901	46,204
	<u>\$203,309</u>	<u>\$175,480</u>

### 9. Long-Term Debt

	Maturity	Payable within one year	Total	
			1974	1973
	(in thousands of dollars)			
Loblaw Companies Limited				
Bank loan bearing interest at 1% above the bank's prime rate secured by a pledge of 3,000,000 shares of National Tea Co.	1977	\$ 1,000	\$ 18,000	\$ 19,000
8¼% Notes payable	1976		1,950	1,950
		<u>1,000</u>	<u>19,950</u>	<u>20,950</u>
Loblaws Limited				
Bank loan bearing interest at 1% above the bank's prime rate	1976		15,000	15,000
Sinking fund debentures				
4¼% Twenty year	1974			482
4% Series C	1975	2,880	2,880	3,091
4¾% Series D	1976		200	204
6% Series E	1977	290	2,530	2,742
5¾% Series F	1981	368	4,768	5,018
6¾% Series G	1991	28	6,428	6,788
6¾% Series H	1991		6,738	7,184
Mortgages payable	1976-1994	319	2,623	3,804
		<u>3,885</u>	<u>41,167</u>	<u>44,313</u>



## 9. Long-Term Debt (continued)

Maturity	Payable within one year	Total	
		1974	1973
(in thousands of dollars)			
National Tea Co. and subsidiaries			
5% Sinking fund debentures (U.S. \$3,440,000)	1977	\$ 3,547	\$ 4,169
3½% Subordinated debentures (U.S. \$2,313,000)	1980	2,385	2,385
Bank term loan bearing interest at ½% above the bank's prime rate (U.S. \$39,000,000)	1979	\$ 5,155	40,207
Equipment purchase obligations bearing interest at ¾% to 1½% above the bank's prime rate (U.S. \$3,263,000)	1975-1978	1,290	3,363
Instalment mortgage notes (U.S. \$291,000)	1975-1983		300
		<u>6,445</u>	<u>49,802</u>
			<u>51,820</u>
Other			
Notes, mortgages and other long-term debt, with a weighted average interest rate of 9.4% (including U.S. \$1,490,000)	1975-1992	917	9,484
		<u>\$12,247</u>	<u>120,403</u>
			<u>123,907</u>
Less payable within one year		<u>12,247</u>	<u>4,477</u>
Long-term debt		<u>\$108,156</u>	<u>\$119,430</u>

At March 18, 1975 the Canadian bank's prime rate was 9% and the U.S. bank's prime rate was 8%.

National Tea Co.'s bank term loan, which is guaranteed by the Company, contains the restriction that National Tea Co. cannot pay cash dividends or acquire its capital stock, until retained earnings exceed those at April 3, 1971 of U.S. \$78,200,000. Retained earnings at December 28, 1974 are U.S. \$24,000,000. In addition National Tea Co. has agreed to maintain interest-free bank balances totalling approximately U.S. \$6,500,000, working capital of U.S. \$40,000,000 and the aggregate of shareholders' equity and subordinated debt of U.S. \$89,000,000; all of these terms are met at December 28, 1974.

Principal payable in the next five years on the long-term debt of the Company and its subsidiaries is:

1975	\$12,247,000	1978	\$13,282,000
1976	33,302,000	1979	9,032,000
1977	34,469,000		

## 10. Other Liabilities

	1974	1973
(in thousands of dollars)		
Capitalized lease obligations	\$ 2,821	\$ 1,990
Deferred employee compensation	940	1,020
Provision for future net obligations on closed operations	2,109	4,685
	<u>\$ 5,870</u>	<u>\$ 7,695</u>

## 11. Capital Stock

	1974	1973
(in thousands of dollars)		
Authorized		
1,000,000 Preferred shares having a par value of \$50 each, issuable in series		
10,000,000 Class A shares without par value		
12,000,000 Class B shares without par value		
Issued		
439,652 \$2.40 Cumulative redeemable preferred shares	\$21,982	\$21,982
3,323,499 Class A shares }	30,902	30,902
7,964,684 Class B shares }		
	<u>\$52,884</u>	<u>\$52,884</u>

The Class A shares carry a non-cumulative preferential dividend of 6¼¢ per share per annum after payment of dividends on the preferred shares and participate equally with Class B shares after payment of 6¼¢ per share on the latter. The \$2.40 cumulative preferred shares are redeemable at \$50 per share.

An option has been granted on 100,000 Class B shares at \$5.50 per share expiring not later than December 17, 1981. The exercise of this option would not materially dilute earnings per share.

The authorized and issued share capital may be revised subsequent to the year end, see note 14.

## 12. Working Capital Derived from (Applied to) Operations

	52 Weeks ended December 28, 1974	39 Weeks ended December 29, 1973
(in thousands of dollars)		
Income (loss) from operations before extraordinary items	\$ 1,050	\$(14,156)
Add (deduct)		
Depreciation	25,533	18,995
Deferred income taxes	4,425	(4,374)
Amortization of deferred real estate income and capitalized lease obligations	(726)	(166)
Minority interest	(1,619)	(8,348)
Other	105	
	<u>27,718</u>	<u>6,107</u>
	<u>\$28,768</u>	<u>\$(8,049)</u>



### 13. Commitments and Contingent Liabilities

(a) The Company and its subsidiaries have obligations under long-term leases for retail outlets, warehousing facilities, equipment and store fixtures. The aggregate minimum rentals (exclusive of additional rents based on sales, realty taxes and other charges) under leases with an initial term greater than five years are as follows for each of the periods shown:

For the year:	(in thousands of dollars)
1975	\$ 50,705
1976	49,205
1977	47,067
1978	44,744
1979	42,376
For the five years ending:	
1984	169,760
1989	114,643
1994	79,026
1999	54,712
Thereafter to 2023	5,990
	<u>\$658,228</u>

(b) Endorsements and guarantees amount to \$9,722,000.

(c) The present value of the unfunded past service pension liability is estimated to be \$13,000,000 at December 28, 1974 and is to be amortized over various periods not exceeding seventeen years.

(d) The announced intention of the Company to acquire further shares in subsidiary companies may require a cash investment of up to \$23,000,000, see note 14.

### 14. Subsequent Events

(a) The Company has announced that it intends to offer on behalf of the Company and its subsidiaries to purchase the minority interest in equity share capital of Loblaw Inc., Sayvette Limited and G. Tamblyn, Limited. The Company has also announced that it intends to offer to purchase a portion of the minority interest in National Tea Co. sufficient to increase the investment in National Tea Co. to 80%. A cash investment of approximately \$23,000,000 would be required to complete these purchases.

If the offers are fully accepted, the Company and its subsidiaries will own 80% of the equity share capital of National Tea Co. and 100% of the equity share capital of Loblaw Inc., Sayvette Limited and G. Tamblyn, Limited. Additional shares of National Tea Co. may be purchased in order to avoid proration of tendered shares, in which case the Company's investment could be increased to 82% and a further expenditure of \$1,000,000 could be required.

(b) The Company has agreed, subject to shareholder approval, to purchase from George Weston Limited, 4,061,958 Class A and 1,074,641 Class B shares of Kelly, Douglas & Company, Limited in exchange for 6,676,501 Class A shares of the Company and 4,204,370 Class B shares of the Company.

If the foregoing agreement is approved by shareholders, the Company will own 81% of the equity share capital of Kelly, Douglas & Company, Limited.

The Company intends to apply for the supplementary letters patent which will provide for an increase in the authorized capital of Class A and Class B shares to provide for issuance of shares under the foregoing agreement and for future corporate purposes.

### 15. Other Information

(a) The aggregate direct remuneration paid to directors and officers is as follows:

Number of directors 8 (including 1 former director)

Number of officers 13 (including 3 former officers)

Number of officers who are also directors 5.

	Directors' fees	Other remuneration
Paid by the Company	Nil	\$220,500
Paid by subsidiaries	\$16,068	332,369
(b) Sales by division		
	52 Weeks ended December 28, 1974	39 Weeks ended December 29, 1973
	(in millions of dollars)	
Retail	\$2,631.0	\$1,811.8
Wholesale	451.4	294.3
Interdivision	(22.4)	(10.0)
	<u>\$3,060.0</u>	<u>\$2,096.1</u>

(c) The 1973 comparative figures have been reclassified to conform with the 1974 financial statement presentation.



# Auditors' Report

To the Shareholders of  
Loblaw Companies Limited

We have examined the consolidated balance sheet of Loblaw Companies Limited and subsidiary companies as at December 28, 1974 and the consolidated statements of income, retained earnings and changes in financial position for the 52 weeks then ended. For Loblaw Companies 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 carried out such enquiries and examinations as we considered necessary in order to rely on the reports of the other auditors for purposes of consolidation.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 28, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied, except as set out in note 1(b) to the consolidated financial statements, on a basis consistent with that of the preceding period.

*Shorne Gunn & Co.*

Chartered Accountants

Toronto, Canada  
March 18, 1975  
(April 7, 1975 as to note 14(b))



**Directors**

W. Galen Weston  
George C. Metcalf  
W. Struan Robertson, Q.C.  
Richard G. Meech, Q.C.  
Richard J. Currie  
David A. Nichol  
Roger A. Lindsay  
Mark Hoffman

**Officers**

W. Galen Weston  
President & Chief Executive Officer  
George C. Metcalf  
Chairman of the Board  
Richard J. Currie  
Executive Vice President  
David A. Nichol  
Executive Vice President  
Mark Hoffman  
Vice President  
Brian Y. Davidson  
Vice President, Food Services  
Sheldon Douglass  
Vice President, Controller  
W. Struan Robertson, Q.C.  
Secretary  
Roger A. Lindsay  
Assistant Secretary  
Albert J. Joyce  
Assistant Secretary



**Executive Offices**

545 Lake Shore Blvd. W.  
Toronto, Ontario

**General Counsel**

Borden & Elliot  
Toronto, Ontario

**Auditors**

Thorne Riddell & Co.  
Toronto, Ontario

**Transfer Agents**

National Trust Company Limited  
Toronto, Montreal, Winnipeg,  
Calgary, Vancouver















