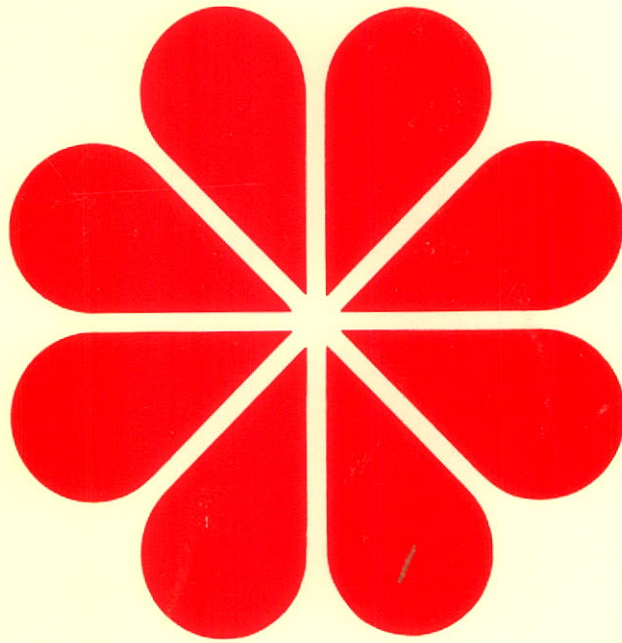


The Becker Milk Company Limited

# Annual Report

Year ended April 30, 1983



**Becker's<sup>®</sup>**

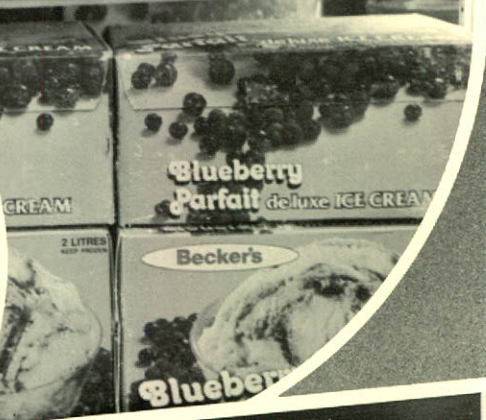
**FRESH  
& READY  
FOODS**

WARD ROSS LIBRARY  
OF MANAGEMENT  
SEP 15 1983  
MCGILL UNIVERSITY

# Becker's 1st

WITH THE 4 LITRE JUG

In Ontario



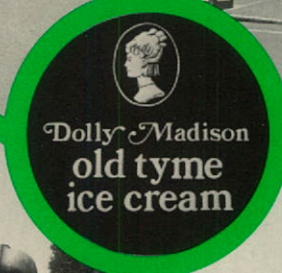
IT'S  
Becker's  
**POP POP POP**

Becker's fresh and ready lunch snacks



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## Directors' report to the shareholders



The first year of our second quarter Century has now been concluded and we are pleased to report that it has again been a successful year for us.

On numerous occasions, while reviewing our operations, we have commented upon the extremely competitive and difficult conditions within our industry. For some years the only relief we could expect from such pressures have been the short periods of relative easing of supermarket price-wars and of other aggressive promotional activities. The major combatants have then regrouped their resources, going back to their drawing boards to plan new strategies in the battle for the market share.

It has indeed been stated by some industry observers that in Southern Ontario we do operate within the most competitive business environment in North America.

This past year was no exception and supermarket loss-leadering in many food products was common throughout the year. The truly notable items were again milk and soft drinks.

In respect to the competitiveness of the market place it is also of interest to touch upon gasoline retailing.

This sector too has been subject to many prolonged price-wars, in some instances reaching bizarre extremes. It is a subject which is of some concern to us as gasoline retailing has become, in the United States, an important addition to convenience store business.

In our own case, we also have embarked upon gasoline retailing and now have a small number of stores which incorporate self-serve gasoline outlets.

The market conditions, combined with the extent of our present local regulatory restrictions, have, at



this stage, kept our involvement in gasoline marketing minimal.

In other areas too our growth has been very cautious and conservative while we have continued to expand our resources and energies to improving our facilities and to better adapting ourselves to the changes in our market place.

There was one change during the year, a very significant one for us, which concerned milk distribution. Towards the end of our fiscal year the last of the scheduled changes for the metrification of milk containers took place. This change made the replacement of 3 quart containers with 4 litre ones mandatory.

This regulatory requirement appeared to mean the end of the returnable milk jug, which we had, over twenty-five years earlier, introduced to Ontario.

The relative importance of the returnable jug had already been diminished by the reluctance of many retailers to handle returnable containers. The change in the prescribed size of the containers provided the excuse for dropping the returnable milk jug entirely.

We at Becker's still believe that the returnable milk jug is a desirable container. It provides convenience and economy for the consumer as it eases the pressures of excessive waste disposal problems which have been placed upon our environment.

No four litre replacement for our milk jug was forthcoming from the container industry and we decided to develop our own new jug.

In this new jug we incorporated the best features of both the returnable and of the non-refillable containers.

Our new four litre jug, a "Becker's first in Ontario", is a returnable container, commanding a 25 cent

## Directors' report to the shareholders

deposit, yet it will not be used again as a container for milk.

The returned jugs are ground up, ready to be re-used as a raw material for plastic products other than food containers. The jug, made of new material, is only used once as a container for milk.

It is too early yet to form an overall assessment as to the importance this new container will have in the marketing of milk. Some indication though may be had from the results of our introduction of the container.

The demand for our four litre jug proved to be such that the introduction had to be cut back and first be limited to certain areas of our market place only.

Arrangements were then made to increase its availability from the initially scheduled levels to higher quantities which enabled us, after the close of the year under review, to extend its distribution to all of our stores.

At this point of time, our jug is not only "first in Ontario", it still is the only returnable four litre milk jug in Ontario.

We commenced this report with a statement that the past year had been a successful one.

A look at the operating results contained in our financial statements certainly supports this claim.

The growth, both in the number of stores and in the sales volume, was minimal and perhaps somewhat disappointing. The reasons for this have been commented upon at length earlier in this report.

It is in the area of earnings that we can find the most gratification. The level of profitability attained with the depressed level of sales volume reflects the effectiveness of the programmes to be more efficient and economical.

We know that many of our operating expenses have escalated during the past year, yet such increased costs have in many instances been more than offset by internal efficiencies and by the streamlining of our procedures.

This has been particularly apparent and effective in the area of distribution. Transportation has over the past few years become an increasingly more expensive operation. We have put a lot of effort into planning for a cost effective and rational system to move our products to over 650 locations throughout the 800 kilometre span of our Becker Country.

We are confident that the impact of such planning is now reflected in our favourable operating results.

In departments other than distribution, the search for further efficiencies has of course also been maintained. The number of our operational stores would have to be mentioned here. In the past year again we continued our evaluation programme of individual stores, closing some stores for lack of profitability.

This, combined with a cautious approach to new locations, resulted in a net increase of only 4 stores during the year.

Looking at just the numbers of stores could also be somewhat misleading. A few years ago we instituted a change of direction, to keep pace with the changing society.

The scope of our stores was expanded from the old traditional jug milk stores to encompass new services and products.

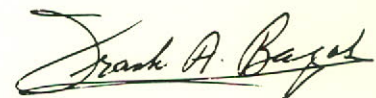
Our new stores now live up to the slogan - "Fresh and Ready Foods", and many of the older stores, where conditions warrant it and the physical size of the store allows it, have also been changed and modernized.

Fast food and our Dolly Madison dip ice cream have for many of our stores become an important part of the business.

The final result, the product of all the planning and the strategies, the tireless efforts of all our employees and associates, helped by the one favourable external influence upon business conditions generally, the lower interest rates, is contained in the financial reports following.

These figures speak for themselves and all we can say in conclusion is that we will continue to strive to keep "Becker's first in Ontario".

Sincerely,



Chairman of the Board

President



July 20, 1983

## Highlights of the year

	Year Ended April 30		Percentage Change
	1983 \$	1982 \$	
Sales	233,113,251	224,571,881	+ 3.8
Operating earnings	14,774,537	13,458,351	+ 9.8
Net earnings	5,033,470	4,878,542	+ 3.2
Earnings per share	2.89	2.81	+ 2.8
Long term debt	5,441,283	5,866,500	- 7.2
Shareholder's equity (inc. Class "A" shares)	33,551,362	29,545,749	+ 13.6
Shares outstanding — Class A	5,675	5,675	
— Class B	1,187,610	1,187,610	
— Common	540,750	540,750	
Number of Stores	653	649	+ .6

# The Becker Milk Company Limited and Subsidiary Companies

## Consolidated Statement of Retained Earnings year ended April 30, 1983

	1983 \$	1982 \$
Balance at beginning of year	28,061,006	24,166,212
Net income	5,033,470	4,878,542
	<b>33,094,476</b>	29,044,754
Dividends — class A preference shares	34,050	34,050
— class B preference shares	682,876	652,285
— common shares	310,931	297,413
	<b>1,027,857</b>	983,748
Balance at end of year	<b>32,066,619</b>	28,061,006

## Consolidated Statement of Income year ended April 30, 1983

	1983 \$	1982 \$
Sales	233,113,251	224,571,881
Income before depreciation and amortization, interest charges and taxes on income	14,774,537	13,458,351
Depreciation and amortization	4,182,473	3,967,854
Interest charges on long-term debt	815,294	146,465
	<b>4,997,767</b>	4,114,319
Income before income taxes	<b>9,776,770</b>	9,344,032
Taxes on income		
Current	5,239,000	4,538,825
Deferred	(495,700)	(73,335)
	<b>4,743,300</b>	4,465,490
Net income	<b>5,033,470</b>	4,878,542
Earnings per class B and common shares	<b>2.89</b>	2.81

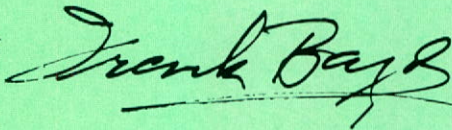
# The Becker Milk Company Limited and Subsidiary Companies

## Consolidated Balance Sheet April 30, 1983

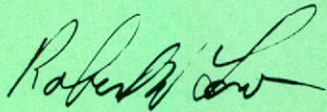
ASSETS	1983 \$	1982 \$
<b>Current</b>		
Cash	61,121	60,015
Marketable securities — at cost	—	5,323
Accounts receivable	3,056,949	3,361,697
Inventories — Note 2	17,924,900	16,399,809
Prepaid expenses and deposits	511,065	523,401
Investments — current portion — Note 3	39,580	113,248
	<b>21,593,615</b>	<b>20,463,493</b>
<b>Investments — Note 3</b>	<b>268,688</b>	<b>394,868</b>
<b>Fixed — Note 4</b>	<b>34,898,199</b>	<b>35,365,418</b>
<b>Other — Note 5</b>	<b>1,410,138</b>	<b>1,333,344</b>
	<b>58,170,640</b>	<b>57,557,123</b>

Approved by the Board:

Director



Director





# The Becker Milk Company Limited and Subsidiary Companies

## Consolidated Balance Sheet

April 30, 1983

LIABILITIES	1983 \$	1982 \$
<b>Current</b>		
Bank indebtedness	1,195,560	3,273,978
Accounts payable and accrued charges	13,137,543	13,391,280
Dividends payable	518,508	432,090
Loan payable — affiliated company — Note 6	1,971,289	1,515,144
Income and other taxes payable	261,495	573,681
Long-term — current portion — Note 7	819,373	1,213,010
	<b>17,903,768</b>	<b>20,399,183</b>
<b>Long-term — Note 7</b>	<b>5,608,981</b>	<b>6,034,721</b>
<b>Deferred Income Taxes</b>	<b>1,106,529</b>	<b>1,577,470</b>
	<b>24,619,278</b>	<b>28,011,374</b>
 <b>SHAREHOLDERS' EQUITY</b>		
Share Capital — Note 8	1,484,743	1,484,743
Retained Earnings	32,066,619	28,061,006
	<b>33,551,362</b>	<b>29,545,749</b>
	<b>58,170,640</b>	<b>57,557,123</b>

# The Becker Milk Company Limited and Subsidiary Companies

## Consolidated Statement of Changes in Financial Position year ended April 30, 1983

	1983 \$	1982 \$
<b>Sources of Working Capital</b>		
<b>Operations</b>		
Net income	5,033,470	4,878,542
Items not affecting working capital		
Depreciation, amortization and deferred income taxes	3,696,839	3,840,453
	<b>8,730,309</b>	8,718,995
Increase (decrease) in long-term liabilities	(425,740)	4,286,589
Sale of class B shares	—	49,500
Other	(4,618)	18,883
	<b>8,299,951</b>	13,073,967
<b>Uses of Working Capital</b>		
Fixed asset additions and progress draw billings — net of disposals	3,732,737	9,533,059
Increase, (decrease) in investments	(126,180)	195,957
Dividends	1,027,857	983,748
Purchase of goodwill	40,000	258,570
	<b>4,674,414</b>	10,971,334
Increase in working capital	3,625,537	2,102,633
Working capital (deficiency) at beginning of year	64,310	(2,038,323)
Working capital at end of year	<b>3,689,847</b>	64,310

# The Becker Milk Company Limited and Subsidiary Companies

Notes to Consolidated Financial Statements, April 30, 1983

## 1. SIGNIFICANT ACCOUNTING POLICIES

### Principles of Consolidation

The accounts of the subsidiary companies have been included in the consolidation from the date of their acquisition.

### Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined for processing and warehousing inventory on a first-in, first-out basis and for retail store inventories on a first-in, first-out basis applied by the retail inventory method.

### Depreciation and Amortization

Fixed assets are recorded at cost. Depreciation and amortization have been calculated on the basis of amortizing the depreciable properties over their estimated useful life as follows:

Buildings	— 2½% straight-line
Leasehold improvements	— 10% straight-line
Automotive	— 30% diminishing balance
Store production and office equipment	— 10% straight-line

### Goodwill

Goodwill includes amounts arising from the excess of the purchase price of shares of subsidiaries over the fair value of net assets at date of acquisition and purchased goodwill.

Goodwill is being amortized on a straight-line basis over ten years.

### Income Taxes

Income taxes are accounted for on the tax allocation method, whereby income taxes are fully provided on reported earnings at current tax rates. Deferred income taxes result from the recognition of the income tax effect of timing differences in reporting transactions for financial and tax purposes.

### Income Recognition

Income includes sales by company-owned stores and sales by the company to its franchisees.

Franchise fees are taken into income over the term of the franchise agreement.

## 2. INVENTORIES

	1983 \$	1982 \$
Processing and warehousing	1,135,297	1,201,052
Store	16,789,603	15,198,757
	<b>17,924,900</b>	<b>16,399,809</b>

## 3. INVESTMENTS

	1983 \$	1982 \$
Affiliated company		
— shares at cost	51	51
— advances	55,987	52,021
Mortgages and loans receivable	252,230	456,044
	<b>308,268</b>	<b>508,116</b>
Less: Current portion	39,580	113,248
	<b>268,688</b>	<b>394,868</b>

Mortgages and loans receivable mature to 1988 with varying interest rates not exceeding 13%.

# The Becker Milk Company Limited and Subsidiary Companies

## 4. FIXED ASSETS

	1983 \$	1982 \$
Land	6,215,858	6,317,047
Buildings and leasehold improvements	19,943,618	19,739,952
Store, production, automotive and office equipment	35,788,489	33,003,988
	<b>61,947,965</b>	<b>59,060,987</b>
Less: accumulated depreciation and amortization	27,049,766	23,695,569
	<b>34,898,199</b>	<b>35,365,418</b>

## 5. OTHER

	1983 \$	1982 \$
Progress draws on assets under construction	524,205	397,486
Goodwill — at unamortized cost	885,933	935,858
	<b>1,410,138</b>	<b>1,333,344</b>

## 6. RELATED PARTY TRANSACTION

The loan from an affiliated company is unsecured, bears interest at the prime lending rate of the company's bankers less 1/2% and is due or repayable on demand.

## 7. LONG-TERM

	1983 \$	1982 \$
Bank loans	4,500,000	5,000,000
Deferred franchise income	271,749	293,076
Mortgages and loans payable	803,605	1,297,142
Deposits and sundry	853,000	657,513
	<b>6,428,354</b>	<b>7,247,731</b>
Less: Current portion	819,373	1,213,010
	<b>5,608,981</b>	<b>6,034,721</b>

The bank loan is unsecured with principal repayments of \$500,000 per annum. Mortgages and loans payable mature up to 1989 with various interest rates not exceeding 15 1/4%. Principal payments due in the next five years are as follows:

	\$
1984	215,322
1985	167,645
1986	368,733
1987	45,406
1988	3,441

# The Becker Milk Company Limited and Subsidiary Companies

## 8. SHARE CAPITAL

Authorized

- 8,000 — 6% cumulative class A preference shares with a par value of \$100 each, redeemable at par
- 2,459,250 — non-voting, non-cumulative, participating class B preference shares without par value
- 640,750 — common shares without par value

	1983 \$	1982 \$
Issued		
5,675 — class A shares	567,500	567,500
1,187,610 — class B shares	916,955	916,955
540,750 — common shares	288	288
	<b>1,484,743</b>	<b>1,484,743</b>

## 9. LEASES

The total minimum rental liability under leases (excluding insurance, property taxes and certain other occupancy charges) for store locations, to the date of expiry or option, whichever occurs first amounts to \$27,113,239.

Future minimum lease payments required under these leases are as follows:

	\$
1984	6,394,981
1985	5,805,405
1986	4,807,010
1987	3,548,778
1988	2,375,785
later years	4,181,280

## 10. REMUNERATION OF DIRECTORS AND OFFICERS

Expenses include \$1,094,902 (last year \$985,073) for remuneration of officers and \$18,600 (last year \$19,000) for directors.

## 11. COMPARATIVE FIGURES

Certain 1982 figures have been restated to conform with the 1983 presentation.

AUDITORS' REPORT

To the Shareholders of  
The Becker Milk Company Limited  
and Subsidiary Companies:

We have examined the consolidated balance sheet of The Becker Milk Company Limited and subsidiary companies as at April 30, 1983 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at April 30, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

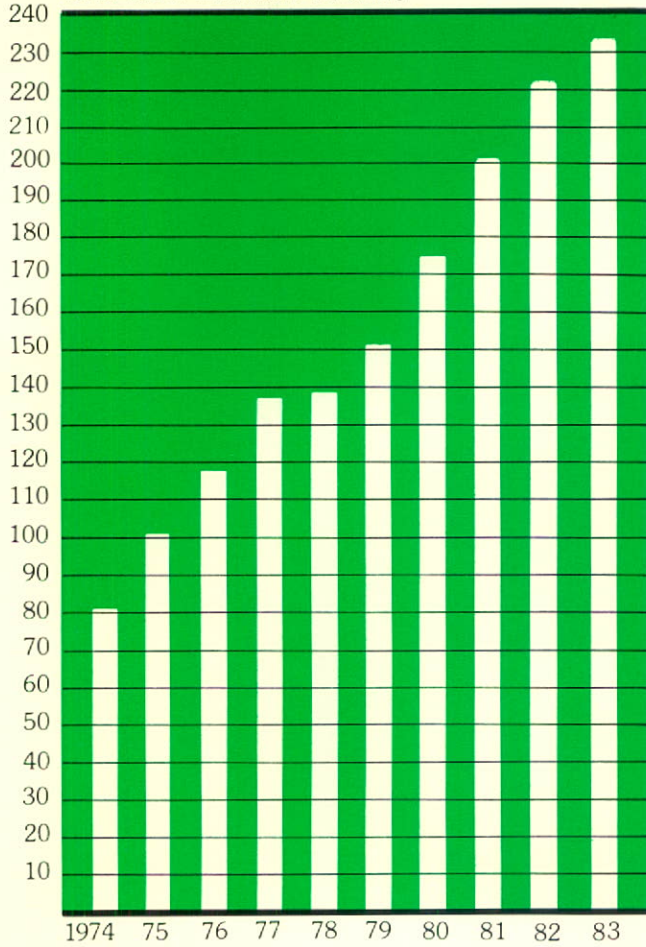
*Langlois Hauck Lettner & Co*

Auditors

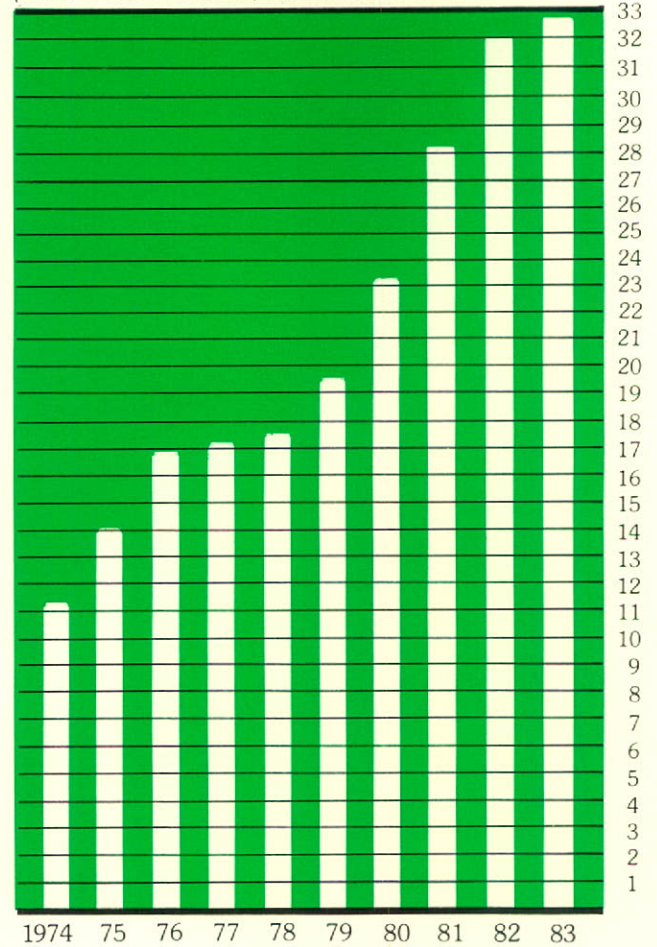
July 20, 1983

# Financial position

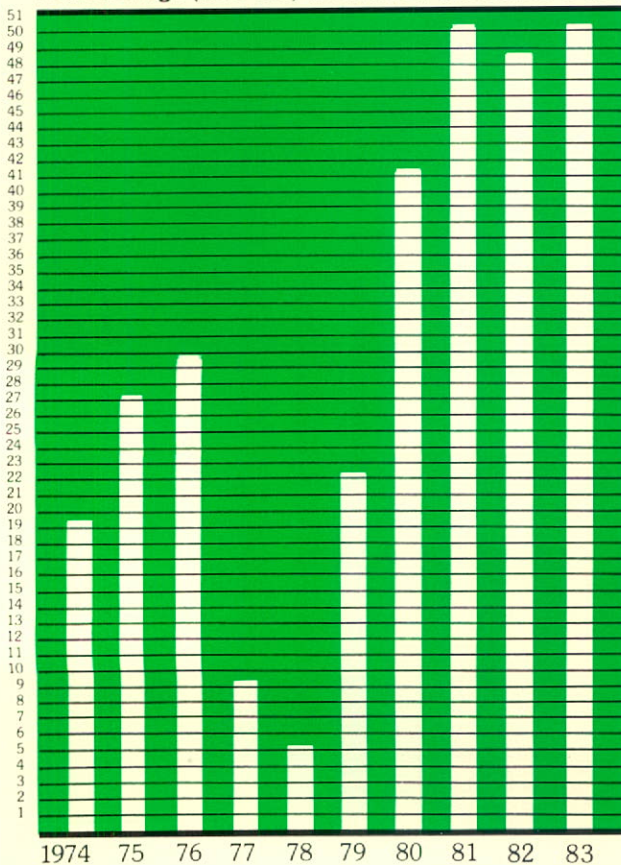
**Total Sales** in Millions of dollars



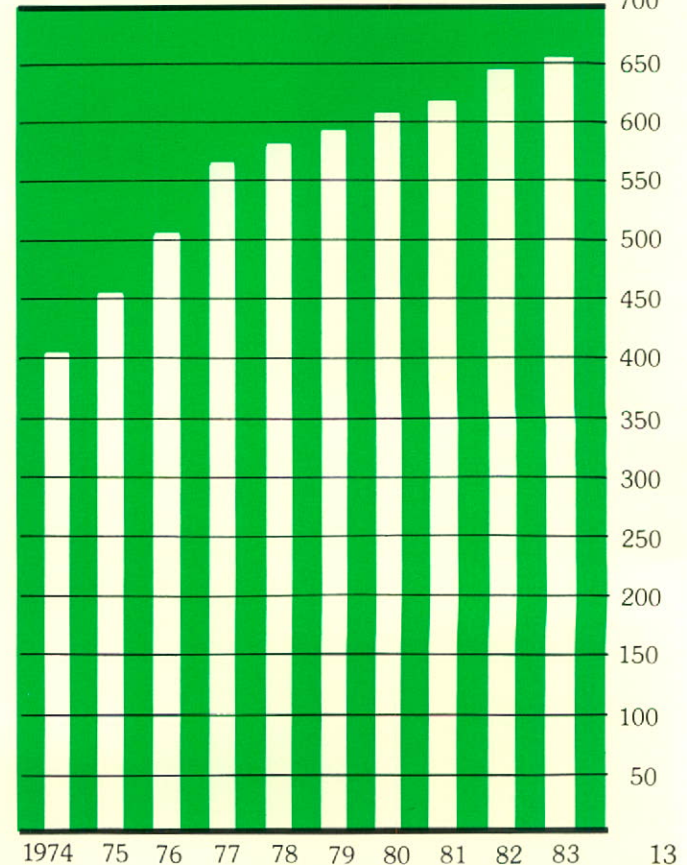
**Shareholders' Equity**  
(Class B and Common) in Millions of dollars



**Net Earnings (after tax)** in Hundred Thousands of dollars



**Number of Stores**



The Becker Milk Company Limited  
**TEN YEARS OF**  
 Year ended

	1983 \$	1982 \$	1981 \$	1980 \$
Sales	233,113,251	224,571,881	200,981,040	173,953,370
Earnings before depreciation and amortization, interest and taxes on income	14,774,537	13,458,351	13,211,865	11,169,920
Depreciation and amortization	4,182,473	3,967,854	3,255,791	2,740,120
Interest	815,294	146,465	86,568	386,974
Taxes on income	4,743,300	4,465,490	4,846,000	3,878,000
Net earnings	5,033,470	4,878,542	5,023,506	4,164,828
Shareholders' equity (Note 1)	32,983,862	28,978,249	25,033,955	20,904,679
Shares outstanding (Note 1)	1,728,360	1,728,360	1,720,360	1,720,360
Net earnings per class B and common share (Note 2)	2.89	2.81	2.90	2.40
No. of stores (at end of fiscal year)	653	649	631	619
Net fixed asset additions	3,732,737	9,533,059	10,618,714	4,065,436

*Notes*

1. *Combined Class B and Common.*
2. *Net earnings per share have been adjusted to allow for the current year Class "A" preference dividend. Dividends on Class "A" Shares from January 1, 1983, to April 30, 1983 amounting to \$11,350 have not been declared and/or allowed in computing the shareholders' equity.*



and Subsidiary Companies  
**PROGRESS**  
 April 30

1979 \$	1978 \$	1977 \$	1976 \$	1975 \$	1974 \$
152,885,173	140,039,831	135,876,529	117,940,268	100,011,774	82,512,538
7,163,250	3,676,082	4,466,930	7,778,482	7,541,665	5,533,008
2,659,246	2,568,973	2,333,974	1,782,854	1,487,472	1,243,306
412,910	358,165	251,426	224,515	261,424	223,504
1,825,000	243,000	891,000	2,758,000	3,017,000	2,061,000
2,266,094	505,944	990,530	3,013,113	2,775,769	2,005,198
17,462,045	15,660,091	15,618,287	15,091,897	12,542,924	10,188,286
1,720,360	1,720,360	1,720,360	1,720,360	1,720,360	1,720,360
1.30	.27	.56	1.73	1.59	1.15
588	580	564	517	451	412
2,263,475	3,221,729	4,579,681	6,240,916	4,225,499	1,750,575

# Directors and officers



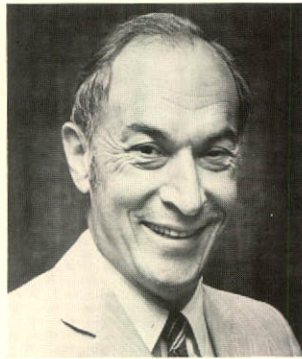
Frank A. Bazos



Robert W. Lowe



Geoffrey W. J. Pottow



E. S. Miles



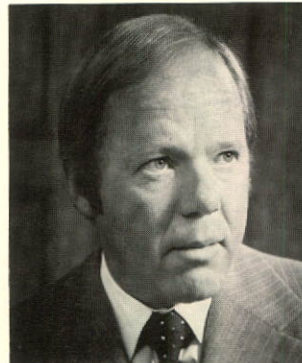
George Panos



Robert Bazos



Arvi Magi



R. S. Paddon



Harold Keene



Raj Dargan

## Board of Directors

Frank A. Bazos  
Chairman of the Board  
The Becker Milk Company Limited  
Robert W. Lowe  
President  
The Becker Milk Company Limited  
Geoffrey W. J. Pottow  
Executive Vice-President  
The Becker Milk Company Limited  
Robert Bazos  
President  
Perrette Dairy Limited  
R. S. Paddon  
Queen's Counsel  
E. S. Miles  
Executive  
George Panos  
Vice-President  
The Becker Milk Company Limited  
Arvi Magi  
Vice-President and  
Secretary Treasurer  
The Becker Milk Company Limited

## Officers

Frank A. Bazos  
Chairman of the Board  
Robert W. Lowe  
President  
Geoffrey W. J. Pottow  
Executive Vice-President  
Robert Bazos  
Vice-President

Arvi Magi  
Vice-President and  
Secretary Treasurer

George Panos  
Vice-President  
Harold Keene  
Vice-President  
Raj Dargan  
Vice President

## Registrar and Transfer Agent

The Royal Trust  
Company, Toronto and  
Montreal

## Auditors

Langlois Hauck Lettner  
& Company, Toronto

## Solicitors

Aird & Berlis

## Stock Exchange Listing of Class "B" Shares

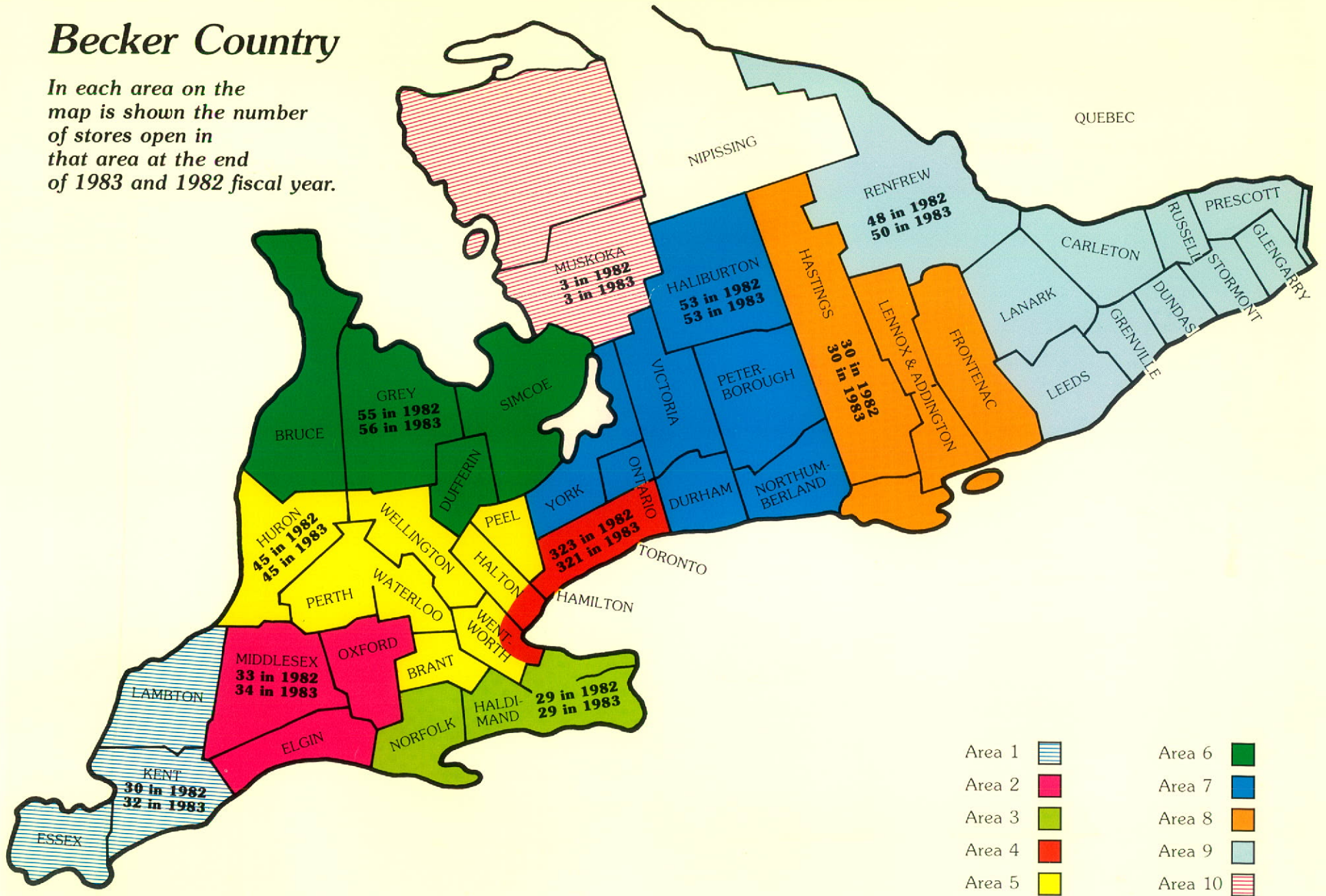
Toronto Stock Exchange

## Head Office

671 Warden Ave.,  
Scarborough, Ontario,  
Canada

# Becker Country

In each area on the map is shown the number of stores open in that area at the end of 1983 and 1982 fiscal year.



- Area 1
- Area 2
- Area 3
- Area 4
- Area 5
- Area 6
- Area 7
- Area 8
- Area 9
- Area 10

