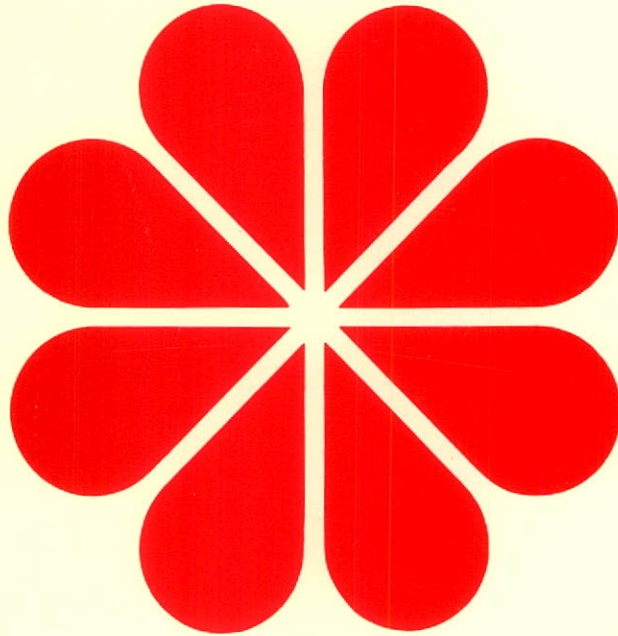


The Becker Milk Company Limited

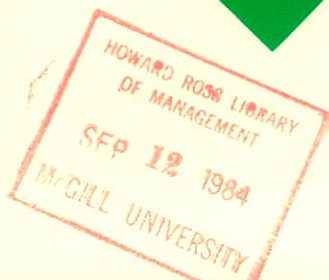
Annual Report

Year ended April 30, 1984



Becker's[®]

**FRESH
& READY
FOODS**



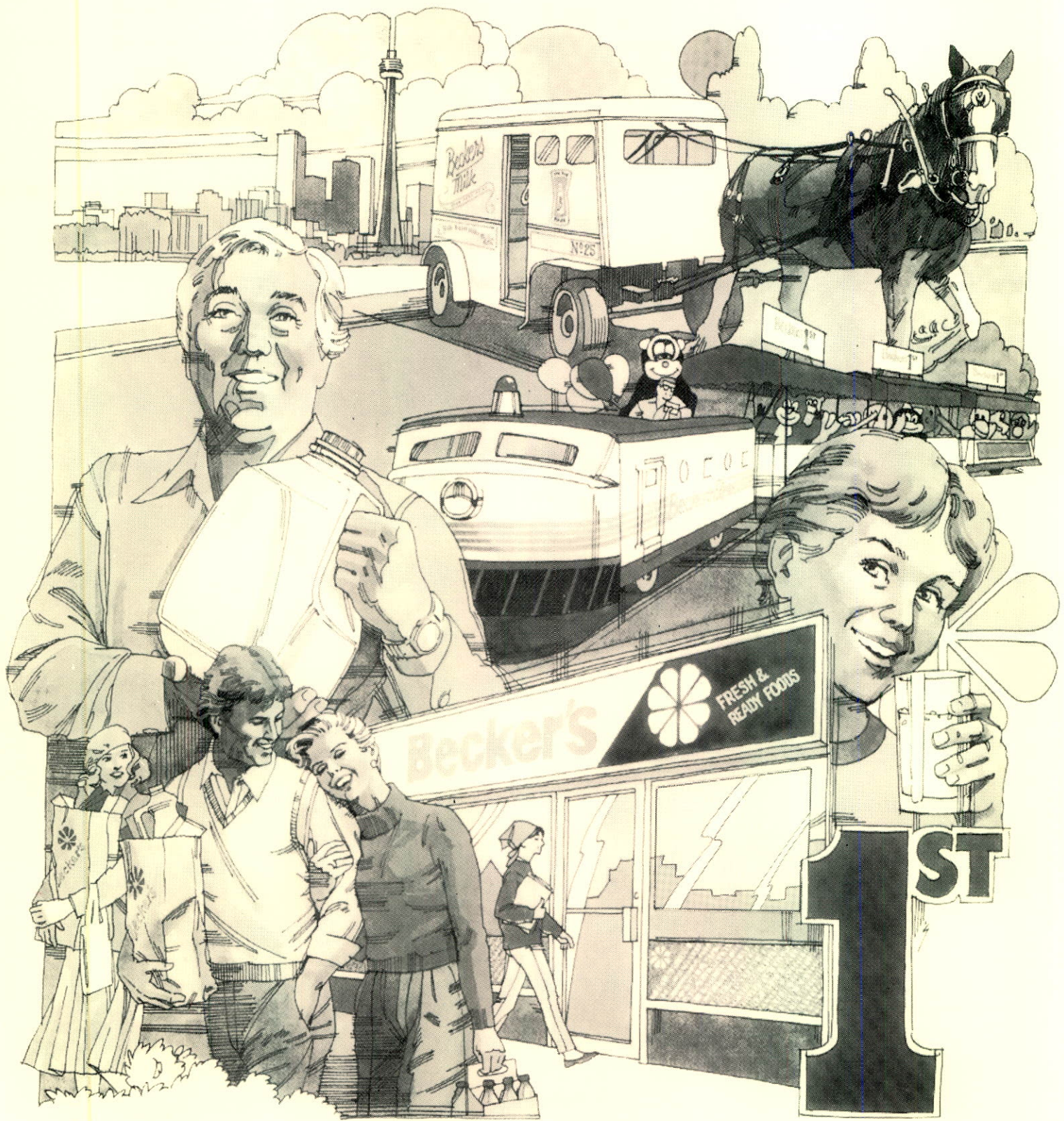
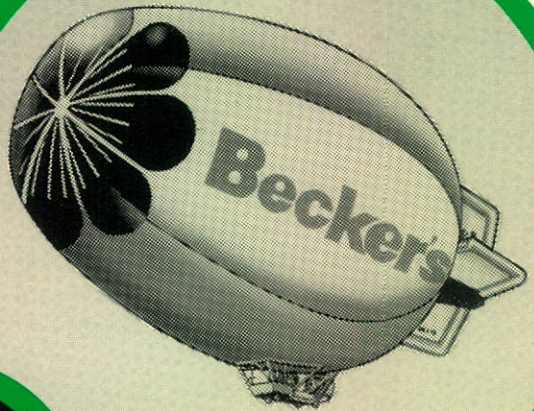
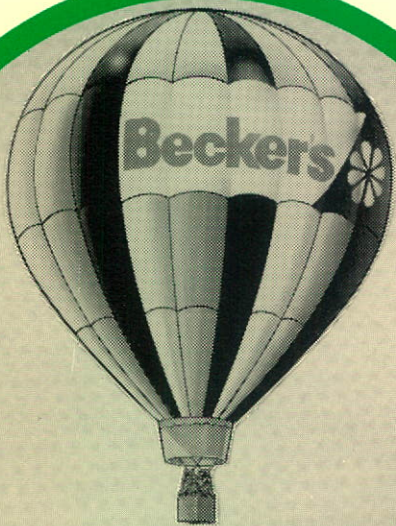


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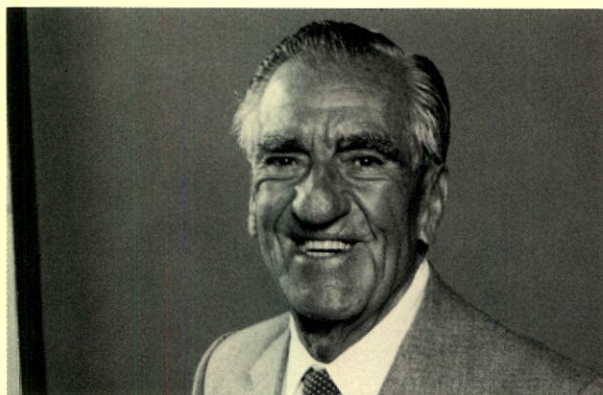
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**Becker's
ABOVE
ALL**



Directors' report to the shareholders



We are pleased to submit this annual report to you, covering our operations for the period of twelve months ended April 30, 1984.

The past year has been very good for us. We have experienced excellent growth in both sales and in earnings. The growth was generated despite the fact that for the first time in twenty-seven years we showed no increase for the year in the number of our stores.

Our improved results were not only achieved from the same number of outlets but we have had to continue to conduct our business under adverse conditions.

The economic conditions generally had of course improved significantly and the lower interest and inflation rates have been helpful. Yet the price competition in food retailing and the rivalry for good business locations have remained extremely intense.

Both of the above activities have tended to inhibit the growth as it relates to the numbers of outlets.

Loss leading by supermarket chains of products such as milk, bread and soft drinks has had some effect upon the operations of the rest of the retail food industry. There is no doubt that diminished profit margins or sales volumes, or both, have in some instances resulted on such items.

This increased competition has made it necessary for all prudent food retailers to be even more critical in evaluating the performance of individual stores, large or small. The continuous activity of closing supermarkets or other food stores, or converting them to different types of operations, has indeed become the phenomenon of our food retailing industry for the past few years.

It has become increasingly important to look for quality rather than quantity in store locations. This is amply demonstrated in our own results for this past year.

The total number of stores at the end of the year was again 653. Actually we did open 27 new stores during the year while the same number of stores, which were found to be unprofitable or marginal, were closed.

Considerable capital expenditures were made for these new stores and our programme for improving and modernizing of older stores, providing their performance warranted such expenditures, also continued at an accelerated rate.

We had, some time ago, in response to the then depressed economy and high interest rates, reduced the rate of our annual capital expenditures by more than 60% from the relatively high levels of 1981 and 1982.

With the recent more buoyant economic conditions we have again stepped up the rate of our capital expenditures, which for this past year more than doubled from the amount expended in 1983.

By far the largest part of these capital expenditures were made for stores, new and old, but there also was one very significant addition for our milk processing facility - the installation of a fully automated blowmolding plant to manufacture our plastic jugs.

Over a year ago we introduced to our marketplace a new 4 litre non-refillable milk jug. In the annual report for 1983 we commented on this development, stating that the initial distribution had been limited because of short supply.

Right from the start the consumer acceptance of this

Directors' report to the shareholders

container had been most encouraging. The problem then had been the procurement, from outside sources, of containers, able to meet our quality requirements and in quantities sufficient to take care of our customer demand.

To assure an uninterrupted supply of containers, in quantities determined by the demand and where the product quality was controlled by ourselves, we decided to set up a blowmolding operation of our own.

The installation we acquired is modern and highly efficient. It is located adjacent to our milk processing area. This allows us to transmit the jugs directly to the filling line, eliminating any handling or transfers of the jugs between the point of jug manufacture and its filling.

The need for storage of the containers has also been eliminated, only the resin for the jug is stored in a silo, taking up infinitely less space than a warehouse full of empty jugs would require. The economics of the installation are easily demonstrated.

It is an arrangement which has worked very well for us and has made it possible to extend the availability of our four litre jug to all areas of our operations.

The assured supply has also enabled us to run some very successful consumer promotions with the jug creating interest in this container and introducing it to even more consumers.

In other spheres too your Company has continued its promotional activities, geared towards gaining wider public awareness and acceptance of Becker's, its stores and its products and services.

On a larger scale, such activities have encompassed our involvement, as a Major Marketing Sponsor, with the Canadian National Exhibition. Our sponsorship there has given us exposure to a large number of potential customers from all over our trading area. We have offered C.N.E. visitors free services, such as

rides through the grounds on Becker's Express and have made certain milk products, ice cream and drinks available at most attractive prices.

We also, on a smaller scale, have participated in many country or small town fairs, exhibitions and parades in areas where our stores are located.

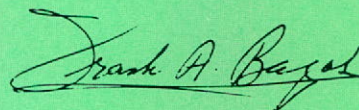
Such participation in community affairs has surely helped us and we are confident that we have been of help to the communities we serve with our stores.

All the above factors, as well as many other activities and influences, have played a part in the results presented in our enclosed financial statements. The results are also the culmination of the dedicated efforts of our employees, associates and suppliers.

We were able to increase our sales for the year by 10% to \$257, 226, 204 and to show an even better result in net earnings, which were up by 13% to \$5,676,774 or \$3.26 per share.

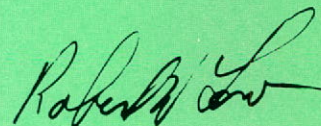
We look forward to the new year with confidence, knowing that the growing consumer acceptance of our stores and services, combined with the continued endeavours of our management and staff, will enable us to continue to improve our record.

Sincerely,



Chairman of the Board

President



July 12, 1984

Highlights of the year

Year Ended April 30

	1984 \$	1983 \$	Percentage Change
Sales	257,226,204	\$233,113,251	+ 10.3
Operating earnings	15,817,938	14,774,537	+ 7.1
Net earnings	5,676,774	5,033,470	+ 12.8
Earnings per share	3.26	2.89	+ 12.8
Long-term debt	4,477,938	5,441,283	- 17.7
Shareholders' equity	38,157,070	33,551,362	+ 13.7
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	653	—

The Becker Milk Company Limited and Subsidiary Companies

Consolidated Statement of Retained Earnings

year ended April 30, 1984

	1984 \$	1983 \$
Balance at beginning of year	32,066,619	28,061,006
Net income	5,676,774	5,033,470
	37,743,393	33,094,476
Dividends — class A preference shares	34,050	34,050
— class B special shares	712,566	682,876
— common shares	324,450	310,931
	1,071,066	1,027,857
Balance at end of year	36,672,327	32,066,619

Consolidated Statement of Income

year ended April 30, 1984

	1984 \$	1983 \$
Sales	257,226,204	233,113,251
Cost of goods sold	183,877,484	162,274,918
Gross profit	73,348,720	70,838,333
Operating expenses	57,530,782	56,063,796
Income before depreciation and amortization, interest charges and taxes on income	15,817,938	14,774,537
Depreciation and amortization	4,405,779	4,182,473
Interest charges on long-term debt	558,053	815,294
	4,963,832	4,997,767
Income before income taxes	10,854,106	9,776,770
Taxes on income - Note 9		
Current	5,275,000	5,239,000
Deferred	(97,668)	(495,700)
	5,177,332	4,743,300
Net income	5,676,774	5,033,470
Earnings per class B and common shares	3.26	2.89

The Becker Milk Company Limited and Subsidiary Companies

Consolidated Balance Sheet
April 30, 1984

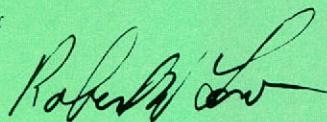
ASSETS	1984 \$	1983 \$
Current		
Cash	61,300	61,121
Accounts receivable	2,319,224	3,056,949
Inventories — Note 2	20,428,500	17,924,900
Prepaid expenses and deposits	1,083,098	511,065
Investments — current portion — Note 3	12,262	39,580
	23,904,384	21,593,615
Investments — Note 3	171,476	268,688
Fixed — Note 4	38,927,417	34,898,199
Other — Note 5	1,177,207	1,410,138
	64,180,484	58,170,640

Approved by the Board:

Director



Director



The Becker Milk Company Limited and Subsidiary Companies

Consolidated Balance Sheet April 30, 1984

LIABILITIES	1984 \$	1983 \$
Current		
Bank indebtedness	2,063,955	1,195,560
Accounts payable and accrued charges	17,109,420	13,137,543
Dividends payable	518,508	518,508
Loan payable — affiliated company	—	1,971,289
Income taxes payable	—	261,495
Long-term — current portion — Note 6	760,705	819,373
	20,452,588	17,903,768
Long-term — Note 6	4,586,730	5,608,981
Deferred Income Taxes	984,096	1,106,529
	26,023,414	24,619,278
 SHAREHOLDERS' EQUITY		
Share Capital — Note 7	1,484,743	1,484,743
Retained Earnings	36,672,327	32,066,619
	38,157,070	33,551,362
	64,180,484	58,170,640

The Becker Milk Company Limited and Subsidiary Companies

Consolidated Statement of Changes in Financial Position year ended April 30, 1984

	1984 \$	1983 \$
Sources of Working Capital		
Operations		
Net income	5,676,774	5,033,470
Items not affecting working capital		
Depreciation, amortization and deferred income taxes	4,227,415	3,696,839
	9,904,189	8,730,309
Decrease in investments	97,212	126,180
	10,001,401	8,856,489
Uses of Working Capital		
Fixed asset additions and assets under construction — net of disposals	8,146,135	3,732,737
Decrease in long-term liabilities	1,022,251	425,740
Dividends	1,071,066	1,027,857
Purchase of goodwill	—	40,000
Other	—	4,618
	10,239,452	5,230,952
Increase (decrease) in working capital	(238,051)	3,625,537
Working capital at beginning of year	3,689,847	64,310
Working capital at end of year	3,451,796	3,689,847

The Becker Milk Company Limited and Subsidiary Companies

Notes to Consolidated Financial Statements, April 30, 1984

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

	1984 \$	1983 \$
Processing and warehousing	1,487,160	1,135,297
Store	18,941,340	16,789,603
	20,428,500	17,924,900

3. INVESTMENTS

	1984 \$	1983 \$
Affiliated company		
— shares at cost	51	51
— advances	56,655	55,987
Mortgages and loans receivable	127,032	252,230
	183,738	308,268
Less: Current portion	12,262	39,580
	171,476	268,688

Mortgages and loans receivable mature to 1989 with varying interest rates not exceeding 14%.

The Becker Milk Company Limited and Subsidiary Companies

4. FIXED ASSETS

	1984 \$	1983 \$
Land	7,091,269	6,215,858
Buildings and leasehold improvements	23,235,725	20,653,242
Store, production, automotive and office equipment	39,443,055	35,078,865
Total fixed assets — at cost	69,770,049	61,947,965
Less: accumulated depreciation and amortization	30,842,632	27,049,766
	38,927,417	34,898,199

5. OTHER

	1984 \$	1983 \$
Assets under construction	387,882	524,205
Goodwill — at amortized cost	789,325	885,933
	1,177,207	1,410,138

6. LONG-TERM

	1984 \$	1983 \$
Bank loans	3,875,000	4,500,000
Deferred franchise income	196,257	271,749
Mortgages and loans payable	823,878	803,605
Deposits and sundry	452,300	853,000
	5,347,435	6,428,354
Less: Current portion	760,705	819,373
	4,586,730	5,608,981

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%. Principal payments due in the next five years are as follows:

	\$
1985	173,239
1986	598,734
1987	45,407
1988	3,442
1989	3,056

The Becker Milk Company Limited and Subsidiary Companies

7. SHARE CAPITAL

Authorized

8,000 — \$6 cumulative Class A preference shares
redeemable at the stated capital amount

2,459,250 — non-voting, non-cumulative, participating
Class B special shares

640,750 — common shares

Issued

5,675 — Class A shares

1,187,610 — Class B shares

540,750 — common shares

1984
\$

1983
\$

567,500

567,500

916,955

916,955

288

288

1,484,743

1,484,743

Under the Business Corporations Act, 1982 (Ontario) effective July 29, 1983, shares with par value were deemed to have become shares without par value. The description of the company's shares has been amended accordingly.

8. 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 \$29,471,534.

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

	\$
1985	6,748,925
1986	6,090,241
1987	4,988,861
1988	3,881,934
1989	2,711,710
later years	5,049,863

9. INCOME TAXES

The effective tax rate of 47.7% differs from the statutory combined rates due to the manufacturing and processing tax reduction, business investment tax credits and a deduction from taxable income for the inventory allowance.

Auditors' Report

LANGLOIS HAUCK LETTNER & CO.
CHARTERED ACCOUNTANTS

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, 1984 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, 1984 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.

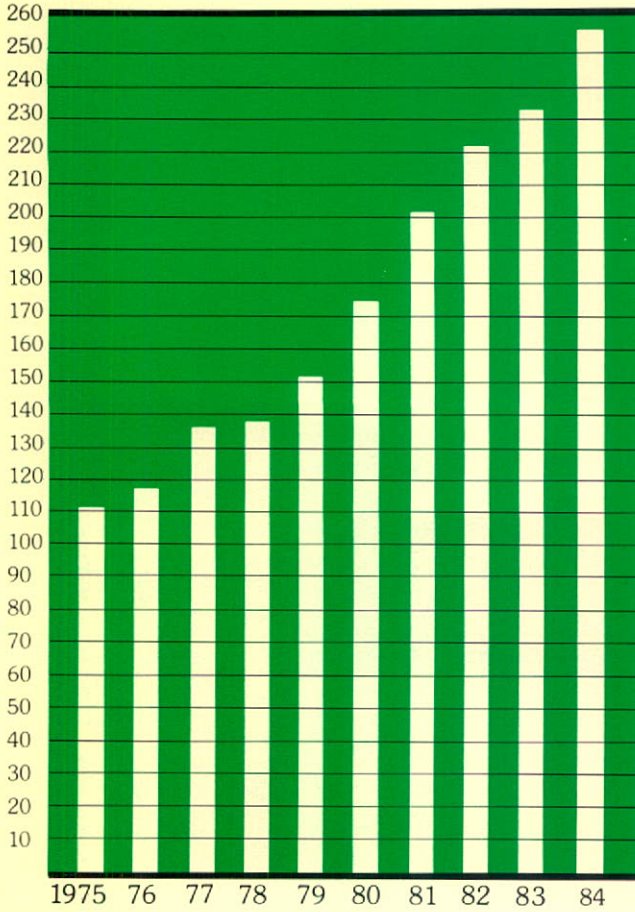
Langlois Hauck Lettner & Co.

Auditors

Toronto, Ontario
July 12, 1984

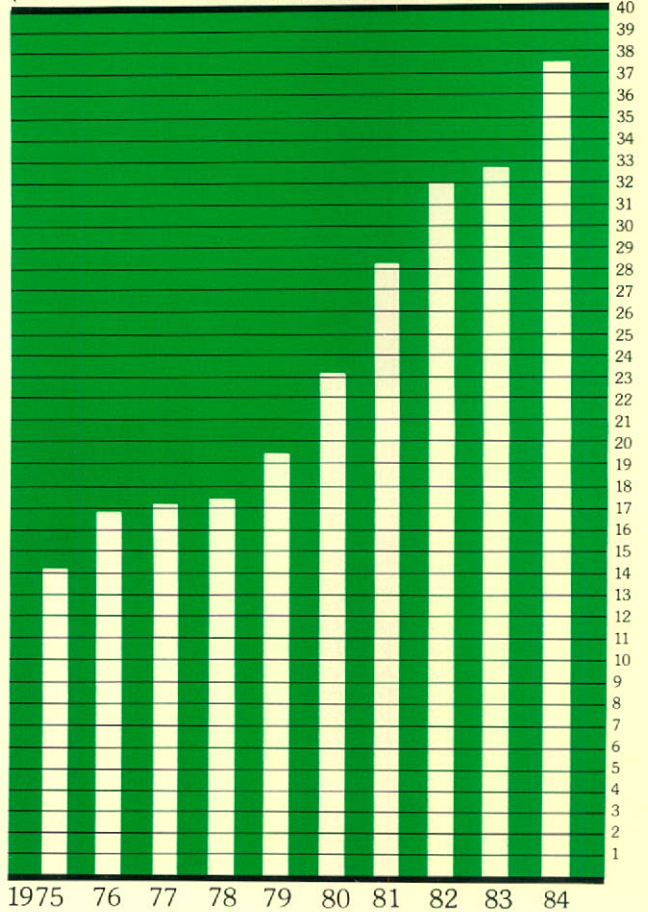
Financial position

Total Sales in Millions of dollars

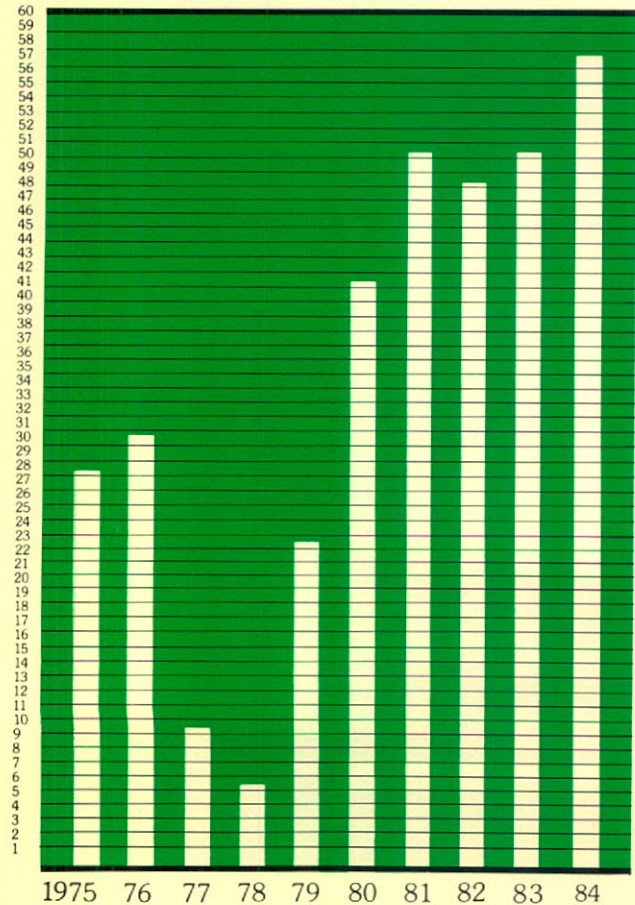


Shareholders' Equity

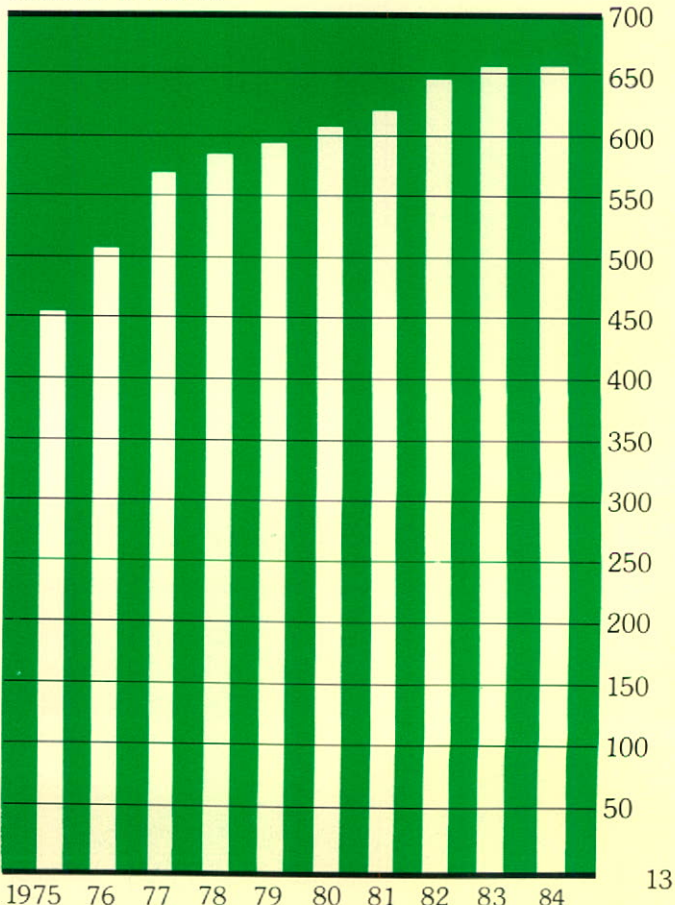
(Class B and Common) in Millions of dollars



Net Earnings (after tax) in Hundred Thousands of dollars



Number of Stores



The Becker Milk Company Limited
TEN YEARS OF
 Year ended

	1984 \$	1983 \$	1982 \$	1981 \$
Sales	257,226,204	233,113,251	224,571,881	200,981,040
Earnings before depreciation and amortization interest and taxes on income	15,817,938	14,774,537	13,458,351	13,211,865
Depreciation and amortization	4,405,779	4,182,473	3,967,854	3,255,791
Interest	558,053	815,294	146,465	86,568
Taxes on income	5,177,332	4,743,300	4,465,490	4,846,000
Net earnings	5,676,774	5,033,470	4,878,542	5,023,506
Shareholders' equity (Note 1)	37,589,570	32,983,862	28,978,249	25,033,955
Shares outstanding (Note 1)	1,728,360	1,728,360	1,728,360	1,720,360
Net earnings per class B and common share (Note 2)	3.26	2.89	2:81	2.90
No. of stores (at end of fiscal year)	653	653	649	631
Net fixed asset additions	8,146,135	3,732,737	9,533,059	10,618,714

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, 1984, to April 30, 1984 amounting to \$11.350 have not been declared and/or allowed in computing the shareholders' equity.

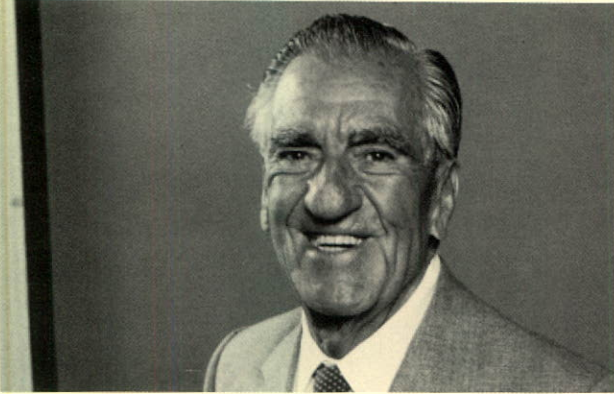
and Subsidiary Companies

PROGRESS

April 30

1980 \$	1979 \$	1978 \$	1977 \$	1976 \$	1975 \$
173,953,370	152,885,173	140,039,831	135,876,529	117,940,268	100,011,774
11,169,920	7,163,250	3,676,082	4,466,930	7,778,482	7,541,665
2,740,120	2,659,246	2,568,973	2,333,974	1,782,854	1,487,472
386,974	412,910	358,165	251,426	224,515	261,424
3,878,000	1,825,000	243,000	891,000	2,758,000	3,017,000
4,164,828	2,266,094	505,944	990,530	3,013,113	2,775,769
20,904,679	17,462,045	15,660,091	15,618,287	15,091,897	12,542,924
1,720,360	1,720,360	1,720,360	1,720,360	1,720,360	1,720,360
2.40	1.30	.27	.56	1.73	1.59
619	588	580	564	517	451
4,065,436	2,263,475	3,221,729	4,579,681	6,240,916	4,225,499

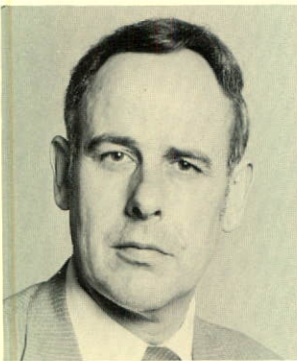
Directors and officers



Frank Bazos



Robert W. Lowe



Geoffrey W. J. Pottow



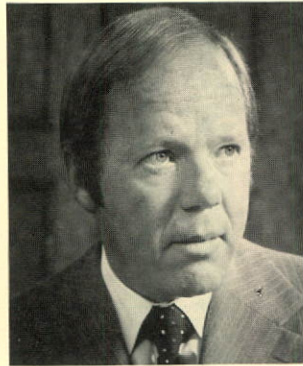
George Panos



Robert Bazos



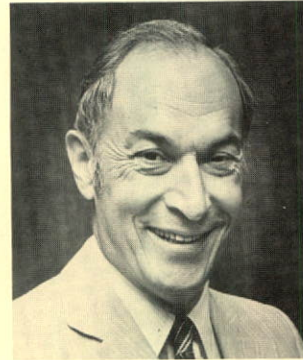
Arvi Magi



R. S. Paddon



Harold Keene



E. S. Miles

Board of Director

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

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 the 1984 and 1983 fiscal year.

