



Westfair Foods Ltd. Annual Report '72

Serving Western Canadians for 60 years.



Westfair Foods Ltd.

DIRECTORS

E. P. Rathgeber
G. E. Creber, Q.C.
E. S. Cooper
G. R. Hunter, Q.C.
E. R. O'Neill
K. W. Campbell, C.A.
M. D. Booty
F. D. Acaster

OFFICERS

E. P. Rathgeber, President & Chairman of the Board
E. R. O'Neill, Executive Vice President
K. W. Campbell, C.A., Vice President—Finance
M. D. Booty, Vice President—Marketing & Sales
T. E. Anderson, Assistant Controller
D. G. King, C.A., Assistant Secretary

AUDITORS

Clarkson, Gordon & Co.

SOLICITORS

Pitblado & Hoskin

BANKERS

Canadian Imperial Bank of Commerce

TRANSFER AGENT

The Royal Trust Company

STOCK LISTINGS

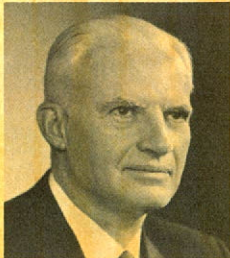
Toronto, Montreal and Winnipeg Stock Exchanges



REPORT TO SHAREHOLDERS



W. P. Riley—Founder & President from 1912 to 1952.



E. S. Cooper—President from 1952 to 1968



E. P. Rathgeber—President

A major historical milestone was achieved by the company in December, 1972—60 continuous years of food distribution. From a small beginning, as The A. MacDonald Company Limited in what is now known as Thunder Bay, Ontario, the company has expanded to one of the largest food wholesalers and distributors in Canada, servicing a territory from Thunder Bay in northwestern Ontario to Victoria, British Columbia, and the far north of western Canada.

Over the years the company has grown to forty-one separate wholesale operations, fifteen wholesale cash and carry depots, twenty-seven Shop-Easy supermarkets, eighteen Econo-Mart warehouse discount stores, and twenty-six Mini Mart convenience stores. Westfair Foods Ltd. is one of the oldest and best established food distribution organizations in western Canada. We anticipate continued growth in the years which lie ahead.

In 1918 the company became known as Western Grocers Ltd. In 1960 a total reorganization was completed, at which time the corporate name was changed to Westfair Foods Ltd. Major wholesale divisions continue to operate under original identifications, that is, Malkins in B.C., Western Grocers in northwestern Ontario and the prairies, Dominion Fruit on the prairies, McLeans in Winnipeg and Fort Frances. Retail divisions under the names of Shop-Easy, Econo-Mart, and Mini Mart convenience stores encompass company owned retail divisions. Display Fixtures, located in Winnipeg, is a manufacturing division.

.....

1972 saw new highs set in both sales and net profit. Sales volume at \$258,000,000 represented an increase of 4.5% over the previous year. Net income of \$3,402,000 reflected a betterment of 5.9% over 1971.

Competitive conditions remain extremely strong in all areas in which the company operates. The retail price structure on foods has not as yet recovered from the severe discount war of 1971-72. While we anticipate continually increased prices in food products, escalating costs in taxes, wages and general operating will continue to act as a deterrent towards improving return on sales or investment beyond a modest level. Independent retailers, who represent a large segment of our sales volume, have borne the brunt of the retail discount wars. A large number have simply gone out of business in the last two years, and replacements have not been forthcoming. Those who managed to survive the turmoil, we believe, will continue to grow, but there is no substitute for those who are no longer there.

Late in 1972 we disposed of our Manitoba Mini Mart and St. Joseph's Dairy Divisions to a dairy processor. The area became over-saturated with convenience stores, with the result that any great future growth in this particular arm of our business was doubtful. We continue to operate Mini Mart (B.C.) which is making a contribution to the company.

For many years we have had an investment in the preferred shares of Westfair Properties Ltd.—a property holding and rental company. During 1972 we purchased the remaining issued shares and the accounts of this now wholly-owned subsidiary are, for the first time, consolidated in our 1972 financial statements.

Total current assets increased by \$634,000 at year end with current liabilities reduced by \$1,510,000. This reflected an increase of \$2,144,000 in working capital. Ratio of current assets to current liabilities has increased to 3/1, which we believe reflects good control in investments. Shareholders' equity is also increased by approximately \$2,000,000.

More consumers than ever have become regular customers of our Econo-Mart warehouse discount stores. Publicity on rising food costs has convinced much of the shopping public that savings are available in Econo-Mart outlets through economies in operating. Addition of meat departments continued in these stores during the past year and sales growth has been encouraging. Our plans call for further expansion of these high-volume low-cost operations.

Like most industries, qualified people are a never-ending requirement. Nevertheless without our present capable staff profitable growth would not be possible. The Board of Directors acknowledge the contribution of our employees in keeping the company moving forward and we anticipate that their combined efforts will enable us to show further gains in 1973.

Winnipeg, Canada
April 3, 1973.

E. P. RATHGEBER,
President and Chairman of the Board.

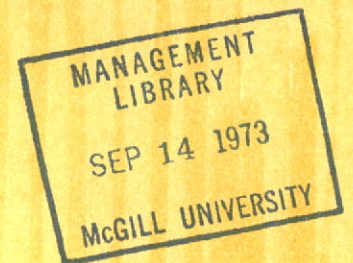


WESTFAIR FOODS LTD.

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 30, 1972 (with comparative figures for 1971)

	1972	1971
Sales - - - - -	\$257,555,000	\$246,312,000
Deduct		
cost of sales and selling and administrative expenses before the undernoted - - - - -	<u>249,831,000</u>	<u>238,939,000</u>
	<u>7,724,000</u>	<u>7,373,000</u>
Add		
Income from investments - - - - -	251,000	222,000
Gain on sale of fixed assets - - - - -	<u>288,000</u>	<u>155,000</u>
	<u>539,000</u>	<u>377,000</u>
	<u>8,263,000</u>	<u>7,750,000</u>
Deduct		
Depreciation - - - - -	1,809,000	1,509,000
Interest on long-term debt - - - - -	<u>157,000</u>	<u>118,000</u>
	<u>1,966,000</u>	<u>1,627,000</u>
Income before income taxes - - - - -	<u>6,297,000</u>	6,123,000
Income taxes - - - - -	<u>2,895,000</u>	<u>2,912,000</u>
Net income for year - - - - -	<u>\$ 3,402,000</u>	<u>\$ 3,211,000</u>





WESTFAIR FOODS LTD.

CONSOLIDATED BALANCE SHEET

DECEMBER 30, 1972 (with comparative figures at December 31, 1971)

ASSETS

Current assets

	1972	1971
Cash and deposit receipt - - - - -	\$ 6,136,000	\$ 5,357,000
Accounts receivable - - - - -	4,949,000	5,679,000
Inventory, at lower of cost and net realizable value - - - - -	20,027,000	19,416,000
Prepaid expenses - - - - -	165,000	191,000
	<u>31,277,000</u>	<u>30,643,000</u>

Investments and other assets

Secured loans and advances, not due within one year - - - - -	1,383,000	1,159,000
Other investments—at cost (without quoted market value) - - - - -	189,000	863,000
Deferred account recoverable - - - - -	929,000	787,000
	<u>2,501,000</u>	<u>2,809,000</u>

Fixed assets—at cost

Land and buildings - - - - -	22,177,000	19,081,000
Equipment - - - - -	12,633,000	13,844,000
	<u>34,810,000</u>	<u>32,925,000</u>
Less accumulated depreciation - - - - -	14,643,000	13,372,000
	<u>20,167,000</u>	<u>19,553,000</u>

E. P. RATHGEBER, Director

On behalf of the Board

K. W. Campbell, Director

\$ 53,945,000

\$ 53,005,000

LIABILITIES

Current liabilities

	1972	1971
Accounts payable and accrued charges - - - - -	\$ 8,165,000	\$ 10,390,000
Accounts payable, affiliated companies - - - - -	254,000	522,000
Income and other taxes payable - - - - -	1,835,000	871,000
Dividends payable (note 1) - - - - -	369,000	369,000
Portion of long-term debt payable within one year (note 5) - - - - -	85,000	66,000
	<u>10,708,000</u>	<u>12,218,000</u>
Long-term debt (note 5) - - - - -	<u>1,764,000</u>	<u>1,032,000</u>
Deferred real estate income - - - - -	<u>51,000</u>	<u>185,000</u>
Deferred income taxes - - - - -	<u>1,950,000</u>	<u>2,085,000</u>

SHAREHOLDERS' EQUITY

Capital stock (note 2)

Authorized		
175,000 preferred shares par value \$20 each - - - - -		
150,000 class A shares without par value - - - - -		
150,000 common shares without par value - - - - -		
Issued		
59,715 preferred shares (\$1.40 series) - - - - -	1,194,000	1,194,000
67,772 class A Shares } - - - - -	1,023,000	1,023,000
86,658 common shares } - - - - -		
Retained earnings - - - - -	<u>37,255,000</u>	<u>35,268,000</u>
	<u>39,472,000</u>	<u>37,485,000</u>
	<u>\$ 53,945,000</u>	<u>\$ 53,005,000</u>



WESTFAIR FOODS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 30, 1972

1. DIVIDENDS PAYABLE

Dividends payable of \$369,000 includes \$301,000 payable to an affiliated company.

2. CAPITAL STOCK

The holders of the preferred shares (\$1.40 series) are entitled to a dividend, when and as declared, of \$1.40 per share per annum on a cumulative non-participating basis. These preferred shares are non-redeemable, but may be purchased by the company for cancellation. The holders of the Class A shares are entitled to dividends, when and as declared, of \$2.00 per share per annum on a non-cumulative, non-participating basis. No dividend shall be paid or declared for payment on common shares in any fiscal year unless and until dividends at the rate of \$2.00 per share for such year shall have been paid or declared on the Class A shares.

3. DIRECTORS' AND OFFICERS' REMUNERATION

Pursuant to the Canada Corporations Act—

Remuneration of directors, as directors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ 1,000
Remuneration of officers as officers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	248,660
Number of directors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8
Number of officers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7
Number of officers who are directors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5

4. LONG-TERM LEASES

The aggregate minimum rentals under long-term leases (extending beyond five years from the balance sheet date) are as follows:

1973 - 1977	\$ 4,924,000
1978 - 1982	3,437,000
1983 - 1987	1,217,000
1988 - 1992	<u>430,000</u>

\$10,008,000

5. LONG-TERM DEBT

Westfair Properties Ltd.—

First Mortgage Bonds

Series A—5¼% Sinking fund debentures due December 15, 1986,

par value of \$1,302,000, less bonds on hand of \$120,000 - - - - - 1,182,000

Less discount - - - - - 215,000 \$ 967,000

Westfair Wholesale Properties Ltd.—

9% first mortgage maturing in 1980 - - - - - 882,000

1,849,000

Less payable in one year - - - - - 85,000

Long-term debt - - - - - \$ 1,764,000

Installments of long term debt payable each year for the next five years are:

1973	—	\$178,000	1976	—	204,000
1974	—	186,000	1977	—	215,000
1975	—	195,000			



WESTFAIR FOODS LTD.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 30, 1972 (with comparative figures for 1971)

	1972	1971
Source of funds		
Income from operations - - - - -	\$ 3,402,000	\$ 3,211,000
Depreciation - - - - -	1,809,000	1,509,000
Deferred income taxes - - - - -	(135,000)	248,000
Deferred real estate income - - - - -	(50,000)	(110,000)
Gain on disposal of fixed assets - - - - -	(288,000)	(155,000)
	4,738,000	4,703,000
Proceeds on disposal of fixed assets - - - - -	760,000	1,083,000
	5,498,000	5,786,000
Application of funds		
Reduction of long-term debt - - - - -	428,000	237,000
Additions to fixed assets - - - - -	910,000	1,094,000
Dividends to shareholders - - - - -	1,415,000	1,415,000
Addition to investments and other assets - - - - -	373,000	400,000
Acquisition of Westfair Properties Ltd. -		
Fixed assets acquired less adjustment for fair value - - - - -	2,069,000	
Outstanding first mortgage bonds at discounted value (par value \$1,395,000) - - - - -	(1,160,000)	
Preferred shares of Westfair Properties Ltd. previously owned - - - - -	(681,000)	
	228,000*	
	3,354,000	3,146,000
Increase in working capital - - - - -	2,144,000	2,640,000
Working capital, beginning of year - - - - -	18,425,000	15,785,000
Working capital, end of year - - - - -	\$ 20,569,000	\$18,425,000

*Represented by excess of current liabilities over current assets of Westfair Properties Ltd. at acquisition plus \$2,000 paid for common shares.



WESTFAIR FOODS LTD.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEAR ENDED DECEMBER 30, 1972 (with comparative figures for 1971)

	1972	1971
Balance, beginning of year	\$ 35,268,000	\$ 33,472,000
Net income for year	<u>3,402,000</u>	<u>3,211,000</u>
	<u>38,670,000</u>	<u>36,683,000</u>
Dividends		
Preferred shares	84,000	84,000
Class A shares	135,000	135,000
Common shares	<u>1,196,000</u>	<u>1,196,000</u>
	<u>1,415,000</u>	<u>1,415,000</u>
Balance, end of year	<u>\$ 37,255,000</u>	<u>\$ 35,268,000</u>



AUDITORS' REPORT

Clarkson, Gordon & Co.

Chartered Accountants

500 Credit Foncier Building
286 Smith Street, Winnipeg, Canada
R3C 1K8

Halifax Saint John Quebec Montreal Ottawa
Toronto Hamilton Kitchener London Windsor
Thunder Bay Winnipeg Regina Calgary
Edmonton Vancouver Victoria

Arthur Young, Clarkson, Gordon & Co.
United States—Brazil

Telephone 947-0381 (Area Code 204)

To the Shareholders of Westfair Foods Ltd.

We have examined the consolidated balance sheet of Westfair Foods Ltd. and its subsidiaries at at December 30, 1972 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 30, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.,

WINNIPEG, CANADA,
JANUARY 20, 1973.

Chartered Accountants.



WESTFAIR FOODS LTD.

TEN YEAR STATISTICAL SUMMARY

(in thousands of dollars)

	Sales	Net Income after Tax	Depreciation	Working Capital	Shareholders' Equity	Total Assets
1972	\$ 257,555	\$ 3,402	\$ 1,809	\$ 20,569	\$ 39,472	\$ 53,945
1971	246,312	3,211	1,509	18,425	37,485	53,005
1970	252,077	3,040	1,563	15,785	35,689	51,157
1969	235,601	2,848	1,389	13,630	34,064	51,778
1968	221,110	2,391	1,388	11,725	32,631	48,116
1967	206,840	2,036	1,159	11,458	31,655	45,089
1966	201,391	2,130	1,076	12,807	31,135	46,051
1965	191,032	2,122	1,088	15,036	31,226	44,645
1964	187,816	1,925	1,038	14,295	29,410	41,414
1963	184,728	1,792	1,107	13,091	27,791	41,373



Westfair Foods Ltd.

CORPORATE DIVISIONS AND SUBSIDIARIES

Major Corporate Divisions

WESTERN GROCERS

MALKINS

DOMINION FRUIT

McLEANS

ECONO-MART

SHOP-EASY

MINI MART

GATEWAY FOOD FACTORS

DISPLAY FIXTURES

APEX PURCHASING

Major Consolidated Subsidiaries

ENSIGN STORES LTD.

WESTFAIR WHOLESALE PROPERTIES LTD.

WESTFAIR PROPERTIES LTD.

