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Westfair
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Westfair Foods Ltd.

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annual report '70



Westfair Foods Ltd.

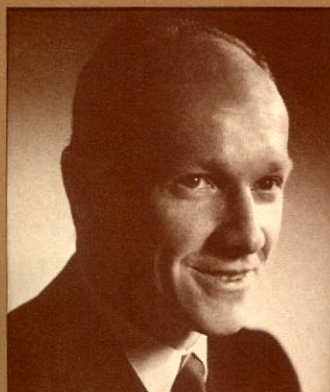
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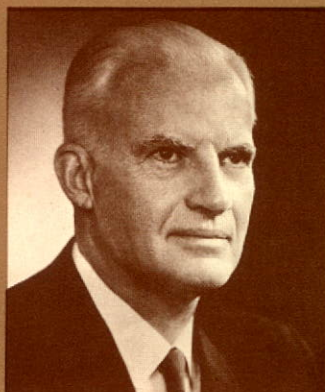
Directors



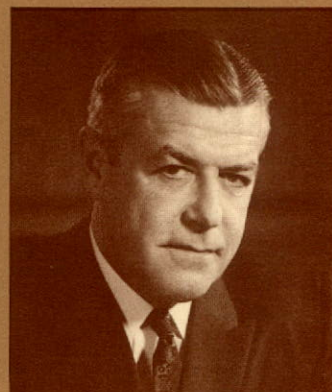
E. P. Rathgeber



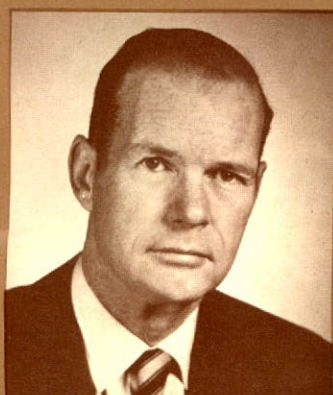
G. E. Creber, Q.C.



E. S. Cooper



G. R. Hunter, Q.C.



K. W. Campbell, C.A.



M.D. Booty



F. D. Acaster



R. G. Skeoch

Officers

E. P. Rathgeber, President & Chairman of the Board

K. W. Campbell, C.A., Vice President—Finance

M. D. Booty, Vice President—Marketing

T. E. Anderson, Assistant Controller

D. G. King, C.A., Assistant Secretary

Auditors

Clarkson, Gordon & Co.

Solicitors

Pitblado, Hoskin & Company

Bankers

Canadian Imperial Bank of Commerce

Transfer Agent

The Royal Trust Company

Stock Listings

Toronto, Montreal and Winnipeg Stock Exchanges

Report to the Shareholders

Your Directors are pleased to report another year of modest growth in both sales and net earnings.

Sales to the public amounted to \$252,077,000, an increase of \$16,476,000 over 1969, equalling 7%. Net income of \$3,040,000 reflected an increase of 6.5% over the previous year.

All wholesale distribution centres contributed to growth in both sales and net earnings. Further progress is looked for from this area of our business in 1971. Retail sales also reflected satisfactory increases. Net earnings from these divisions were adversely affected by the retail discount war in the last eight weeks of the year and the resulting drop in retail gross profits had a downward effect on the consolidated net earnings figure. We anticipate this trend will continue some time into 1971 and will no doubt reflect on returns for 1971. However, we are not only confident of maintaining our sales volume in this area of business, but expect some nominal increases for the year.

Economic conditions dictate a very tight rein on credit policies in our wholesale companies. Declining margins and higher operating costs are having their effects on the thousands of customers which we service with the result that the number of casualties and total liabilities in the retail food business in 1970 were at a higher level than any previous year. We cannot foresee any easing up of these pressures, consequently we are maintaining a constant close watch on accounts receivable.

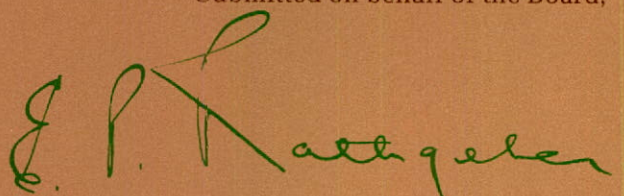
Capital investments for the year 1970 totalled \$1,059,000, a decline from previous years. Many expansion plans by the trade were delayed due to high interest and investment costs, but with the easing of interest rates we anticipate that capital expenditures will again increase this coming year. Plans have been formulated for the addition of some new company retail units together with expansion of some wholesale facilities to maintain and improve the major market position of your company.

A number of non-productive lands and buildings were disposed of thereby eliminating unnecessary carrying costs and making capital available for use in other areas. We anticipate some further disposals in 1971.

We would be remiss in not acknowledging the fine relationship we have with our suppliers in all parts of the world. Their co-operation in working out marketing programs has been helpful and we trust that our contribution in sales has been helpful in returns to them.

Growth in any organization does not come without the loyal efforts of all employees. We acknowledge the loyalty and co-operation from some 2,500 employees that make up Westfair Foods Ltd., without which continuing progress would not be possible.

Submitted on behalf of the Board,



E. P. RATHGEBER,

President and Chairman of the Board.

Winnipeg, Canada
April 2, 1971.

Econo-Mart Low cost food distribution



The concept of warehouse food marketing at discount prices, which has been well accepted by consumers, involves the creation of savings through economy operations with corresponding reductions in prices to the consumer. The economies must be real and substantial if the price structure is to be truly lower than the standard full supermarket as net profit margins per sales dollar are in themselves too low to provide the basis for discount prices. The accompanying pictures show some of the more apparent areas of expense saving in our Econo-Mart.



Rents are kept to a minimum with Spartan-like buildings (Picture 1). Inexpensive fixtures carry merchandise in their original cartons saving fixturing costs and employees' time in shelf stocking (Picture 2). The customer price-marks her own individual purchases thereby saving countless hours of employees' time in marking the thousands of individual items in the store (Picture 3). Bag boys and carry-out clerks are replaced as the customer packs and moves his own purchases from the store. Wrapping supply costs are reduced by the use of used cardboard food cartons (Picture 4).



Westfair Products

A house brand or private label program is an important ingredient of the merchandising plans of any chain or independent group of stores. Some of Westfair's products are displayed in the pictures on this page and in the top of the shopping bag featured on the cover of this Annual Report.



WESTFAIR FOODS LTD.

Consolidated Statement of Income

Year Ended January 2, 1971 (with comparative figures for 1969)

	1970	1969
Sales - - - - -	\$252,077,000	\$235,601,000
Deduct:		
Cost of sales and selling and administrative expenses before the understated. (notes 4 and 5) - - - - -	<u>244,854,000</u>	<u>229,080,000</u>
	<u>7,223,000</u>	<u>6,521,000</u>
Add:		
Income from investments - - - - -	201,000	289,000
Gain on sale of fixed assets - - - - -	<u>113,000</u>	<u>183,000</u>
	<u>314,000</u>	<u>472,000</u>
	<u>7,537,000</u>	<u>6,993,000</u>
Deduct:		
Depreciation - - - - -	1,563,000	1,389,000
Interest on long-term debt - - - - -	<u>127,000</u>	<u>50,000</u>
	<u>1,690,000</u>	<u>1,439,000</u>
Income before income taxes - - - - -	<u>5,847,000</u>	<u>5,554,000</u>
Income taxes:		
Current - - - - -	2,841,000	2,677,000
Deferred - - - - -	<u>(34,000)</u>	<u>29,000</u>
	<u>2,807,000</u>	<u>2,706,000</u>
Net income for year - - - - -	<u>\$ 3,040,000</u>	<u>\$ 2,848,000</u>

WESTFAIR FOODS LTD.

Consolidated Balance Sheet

Year Ended January 2, 1971 (with comparative figures of December 27, 1969)

ASSETS	1970	1969
Current assets:		
Cash - - - - -	\$ 2,769,000	\$ 2,737,000
Accounts receivable - - - - -	5,446,000	5,665,000
Inventory, at lower of cost and net realizable value - - - - -	19,240,000	18,725,000
Prepaid expenses - - - - -	397,000	332,000
	<u>27,852,000</u>	<u>27,459,000</u>
Investments:		
Secured loans and advances, not due within one year - - - - -	1,541,000	2,002,000
Other investments—at cost (without quoted market value) - - - - -	868,000	917,000
	<u>2,409,000</u>	<u>2,919,000</u>
Fixed assets—at cost:		
Land and buildings - - - - -	20,011,000	19,796,000
Equipment - - - - -	14,351,000	14,138,000
	<u>34,362,000</u>	<u>33,934,000</u>
Less accumulated depreciation - - - - -	13,466,000	12,534,000
	<u>20,896,000</u>	<u>21,400,000</u>
 On behalf of the Board:		
E. P. RATHGEBER , Director		
K. W. CAMPBELL , Director		
	<u>\$51,157,000</u>	<u>\$51,778,000</u>

LIABILITIES

	1970	1969
Current liabilities:		
Accounts payable and accrued charges - - - - -	\$10,024,000	\$11,803,000
Accounts payable, affiliated companies - - - - -	498,000	534,000
Income and other taxes payable - - - - -	989,000	1,092,000
Dividends payable (note 1) - - - - -	369,000	368,000
Portion of long-term debt payable within one year - - - - -	56,000	32,000
	<u>11,936,000</u>	<u>13,829,000</u>
Long-term debt (note 2) - - - - -	1,269,000	1,459,000
Deferred real estate income (note 4) - - - - -	295,000	430,000
Deferred income taxes - - - - -	1,968,000	1,996,000

SHAREHOLDERS' EQUITY:

Capital stock (note 3)

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 }
86,658 common shares } - - - - - 1,023,000 1,023,000

Retained earnings - - - - - 33,472,000 31,847,000

Total shareholders' equity - - - - - 35,689,000 34,064,000

\$51,157,000 \$51,778,000

Notes To Consolidated Financial Statements

Year Ended January 2, 1971

1. DIVIDENDS PAYABLE:

Dividends payable of \$369,000 includes \$300,000 payable to an affiliated company.

2. LONG-TERM DEBT:

9% first mortgage maturing in 1989, with monthly payments of \$13,000, including principal and interest - - - - -	\$1,306,000	
Less principal instalments due within one year - - - - -	46,000	\$1,260,000
6½% first mortgage maturing in 1972, with monthly payments of \$1,000, including principal and interest - - - - -	\$19,000	
Less principal instalments due within one year - - - - -	10,000	9,000
		<u>\$1,269,000</u>

3. 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. 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.

4. DEFERRED REAL ESTATE INCOME:

The deferred real estate income arises from the proceeds of sale and leaseback of certain of the companies' properties and is being amortized over the fifteen years following the sale of the properties. In the current year, \$135,000 was applied as a reduction of rental expense.

5. DIRECTORS AND OFFICERS REMUNERATION:

Information relating to aggregate remuneration of directors and officers as required under Section 120B of the Canada Corporations Act—1970 is as follows:

8 directors \$ 1,000

6 officers 193,910

Of the six officers, four are also directors.

6. LONG-TERM LEASES:

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

1971 — 1975	\$ 5,866,000
1976 — 1980	4,699,000
1981 — 1985	1,902,000
1986 — 1990	834,000
After 1990	32,000
	<u>\$13,333,000</u>

7. COMPARATIVE STATEMENTS:

Certain changes have been made in the 1969 comparative statements in order to conform the presentation with that followed in 1970.

WESTFAIR FOODS LTD.

Consolidated Statement of Source and Application of Funds

Year Ended January 2, 1971 (with comparative figures for 1969)

Source of funds:	1970	1969
Operations —		
Net income for year - - - - -	\$ 3,040,000	\$ 2,848,000
Depreciation, less amortization of deferred real estate income - - -	1,428,000	1,229,000
Deferred income taxes - - - - -	(28,000)	(31,000)
	<u>4,440,000</u>	<u>4,046,000</u>
Decrease in investments - - - - -	510,000	90,000
Increase in long-term debt—non-current portion - - - - -		1,459,000
	<u>4,950,000</u>	<u>5,595,000</u>
Application of funds:		
Decrease in long-term debt—non-current portion - - - - -	190,000	
Increase in fixed assets, net - - - - -	1,059,000	2,275,000
Dividends - - - - -	1,415,000	1,415,000
	<u>2,664,000</u>	<u>3,690,000</u>
Increase in working capital - - - - -	2,286,000	1,905,000
Working capital, beginning of year - - - - -	<u>13,630,000</u>	<u>11,725,000</u>
Working capital, end of year - - - - -	<u>\$15,916,000</u>	<u>\$13,630,000</u>

WESTFAIR FOODS LTD.

Consolidated Statement of Retained Earnings

Year Ended January 2, 1971 (with comparative figures for 1969)

	1970	1969
Balance, beginning of year - - - - -	\$31,847,000	\$30,414,000
Net income for year - - - - -	3,040,000	2,848,000
	<u>34,887,000</u>	<u>33,262,000</u>
Dividends:		
Preferred shares - - - - -	84,000	84,000
Class A shares - - - - -	135,000	135,000
Common shares - - - - -	1,196,000	1,196,000
	<u>1,415,000</u>	<u>1,415,000</u>
Balance, end of year - - - - -	<u>\$33,472,000</u>	<u>\$31,847,000</u>

Auditors' Report

Clarkson, Gordon & Co.
Chartered Accountants

Halifax Saint John Quebec Montreal Ottawa
Toronto Hamilton Kitchener London Windsor
Port Arthur Fort William Winnipeg Regina
Calgary Edmonton Vancouver Victoria
Arthur Young, Clarkson, Gordon & Co.
United States—Brazil

To the Shareholders of Westfair Foods Ltd.:

We have examined the consolidated balance sheet of Westfair Foods Ltd. and its subsidiaries as at January 2, 1971 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 January 2, 1971 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 29, 1971.

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
1970	\$252,077	\$3,040	\$1,563	\$15,916	\$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
1962	188,021	1,524	1,066	11,284	26,304	40,046
1961	186,867	1,347	1,131	11,774	25,086	39,355

Westfair Foods Ltd.

Head Office: Winnipeg, Manitoba

Major Corporate Divisions:

Western Grocers
Malkins
Dominion Fruit
McLeans
Econo-Mart
Shop-Bay
Mini-Mart
Gateway Food Factors
Display Fixtures
St. Joseph's Dairy
Apex Purchasing



Major Consolidated Subsidiaries:

Ensign Stores Ltd.
Westfair Wholesale Properties Ltd.
Partner Markets Ltd.



Westfair Foods Ltd.

Head Office: Winnipeg, Manitoba

Major Corporate Divisions:

Western Grocers

Malkins

Dominion Fruit

McLeans

Econo-Mart

Shop-Easy

Mini Mart

Gateway Food Factors

Display Fixtures

St. Joseph's Dairy

Apex Purchasing

Major Consolidated Subsidiaries:

Ensign Stores Ltd.

Westfair Wholesale Properties Ltd.

Partner Markets Ltd.

GARDEN GATE



Dot West says...



1. For proper kitchen storage, store in a cool dry place in a tightly closed container.
2. Use standard dry measuring cups to measure DUTCH OVEN FLOUR. Drop in the flour lightly, overfill the cup and level off, using a spatula or the back of a table knife. Remember that using a liquid measuring cup and shaking down or packing down to the desired marking results in over-measuring and a dry baked product.
3. DUTCH OVEN FLOUR is an all-purpose flour. In substituting it for pastry or cake flour, reduce the amount by 2 tablespoons per cup. To do this, first measure the flour, then use a standard measuring tablespoon to remove the 2 tablespoonsful.
4. DUTCH OVEN FLOUR is a pre-sifted flour. However, "fluffing" takes place during shipping and stacking on