Stafford Foods Limited

ANNUAL REPORT 1978

Stafford

Leaders in Fine Foods
Les Premiers par Leur Excellence

Stafford Foods Limited/Limitée

37 HANNA AVENUE, TORONTO, CANADA M6K 1X1
TELEPHONE (416) 366-8021 • TELEX 06-22034

September 25, 1978

PRESIDENT'S REPORT TO THE SHAREHOLDERS:

The profit for the twelve months ended July 28th, 1978, was $175,685 or 37¢ per share. This compares with a loss of $27,483 or 6¢ per share for the twelve months ending July 29th, 1977. Net Sales for the current year were $17,941,606 and last year, $14,752,187 for an increase of $3,189,419 or 21.6%.

Fiscal 1978 was, in many ways, a rewarding and productive year. Many of the programs announced a year ago produced significant results, particularly those in the Food Service division. The significant sales advance is largely attributable to these programs.

The supplies of key raw materials were more stable in the past year; however, prices advanced significantly. We were successful, largely, in covering these higher costs and in improving the Company's overall gross margin.

Competitive conditions continue strong; however, with the improved margins and Sales volumes, the prospects for the coming months are encouraging. With the continued support and knowledge of our dedicated personnel, we anticipate continued improved performance ahead.

Yours truly,

J. D. Hockin
President

PEAT, MARWICK, MITCHELL & CO.
CHARTERED ACCOUNTANTS
Commerce Court West
P. O. Box 31, Commerce Court Postal Station
Toronto, Ontario
M5L 1B2

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Stafford Foods Limited as at July 28, 1978 and the statements of earnings and 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 financial statements present fairly the financial position of the company as at July 28, 1978 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles which, except for the change in basis of providing depreciation on fixed assets as described in note 1(b), have been applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Toronto, Canada
September 15, 1978

Chartered Accountants

FOODS LIMITED

ınce Sheet

, 28, 1978
.gures for July 31, 1977

Liabilities

	1978	1977
Current liabilities:		
Due to bank:		
Outstanding cheques less cash on deposit	$ 277,612	171,567
Demand loan - secured	-	556,000
	277,612	727,567
Accounts payable and accrued liabilities	1,519,099	1,349,579
Demand notes due to affiliated company	2,500,000	1,500,000
Income taxes payable	18,085	-
Total current liabilities	4,314,796	3,577,146
Deferred income taxes	101,400	87,700
Shareholders' equity:		
Capital stock:		
Authorized:		
750,000 common shares of no par value		
Issued and outstanding:		
475,000 common shares	280,000	280,000
Retained earnings	2,348,229	2,172,544
Total shareholders' equity	2,628,229	2,452,544
	$ 7,044,425	6,117,390

the Board:

_____ Director

_____ Director

STAFFORD

Bal

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Assets

	1978	1977
Current assets:		
Accounts receivable - trade	$ 1,920,121	1,447,390
- affiliated companies (net)	191,593	67,859
	2,111,714	1,515,249
Income taxes recoverable	-	92,825
Inventories (note 2)	3,538,705	3,451,367
Prepaid expenses	145,115	108,892
Loan receivable from affiliated company	246,000	-
Total current assets	6,041,534	5,168,333
Investments:		
Liberty Building Limited, shares and note, at cost	14,566	14,566
Fixed assets, at cost less depreciation:		
Buildings	741,857	723,972
Plant, office and other equipment	1,595,153	1,454,433
	2,337,010	2,178,405
Less accumulated depreciation	1,435,656	1,326,895
	901,354	851,510
Land	86,971	82,981
Net property, plant and equipment	988,325	934,491
	$ 7,044,425	6,117,390

See accompanying notes to financial statements.

On behalf of

STAFFORD FOODS LIMITED

Statement of Earnings and Retained Earnings

Period ended July 28, 1978
with comparative figures for the year ended July 31, 1977

	1978	1977
Net sales	$ 17,941,606	14,752,187
Earnings before deducting the undernoted items:	$ 302,918	45,899
Depreciation and amortization	117,233	92,318
Amortization of trade marks	-	64
	117,233	92,382
Earnings (loss) before taxes on income	185,685	(46,483)
Deduct taxes on income (note 6):		
Current	(3,700)	(32,200)
Deferred	13,700	13,200
	10,000	(19,000)
Net earnings (loss)	175,685	(27,483)
Retained earnings at beginning of period	2,172,544	2,200,027
Retained earnings at end of period	$ 2,348,229	2,172,544
Earnings (loss) per share	$ .37	(.06)

See accompanying notes to financial statements.

STAFFORD FOODS LIMITED

Statement of Changes in Financial Position

Period ended July 28, 1978
with comparative figures for the year ended July 31, 1977

		1978	1977
Source of funds:			
From current operations:			
Net earnings (loss)	$	175,685	(27,483)
Add (deduct) items not affecting the flow of funds:			
Depreciation and amortization		117,233	92,382
Loss (gain) on sale of equipment		(10,537)	300
Deferred income taxes		13,700	13,200
Funds provided from operations		296,081	78,399
Proceeds from sale of equipment		21,597	2,424
		317,678	80,823
Application of funds:			
Additions to fixed assets		182,127	460,387
Increase (decrease) in working capital		135,551	(379,564)
Working capital at beginning of year		1,591,187	1,970,751
Working capital at end of year	$	1,726,738	1,591,187

See accompanying notes to financial statements.

STAFFORD FOODS LIMITED

Notes to Financial Statements

July 28, 1978

Stafford Foods Limited is incorporated under the laws of the Province of Ontario and is in the business of manufacturing and distributing food products across Canada. The company is controlled by Canbra Foods Ltd. of Lethbridge, Alberta.

1. Summary of Significant Accounting Policies:

(a) Inventories:

Inventories are valued at the lower of cost and market. Market value of raw materials and work in process is calculated on replacement cost; finished goods on net realizable values. Cost is determined on a first-in, first-out basis.

(b) Depreciation and Amortization:

In 1978 the company changed its basis of providing for depreciation from the diminishing balance basis to the straight-line basis for assets acquired after July 31, 1977. Had the diminishing balance basis been applied to 1978 additions, the depreciation charge for the year would have been increased by $20,560.

The current policy of providing for depreciation is as follows:

	Assets acquired prior to August 1, 1977	Assets acquired after July 31, 1977
	Diminishing Balance	Straight-Line
Buildings	5%	4%
Production machinery	20%	10%
Office machinery	20%	20%
Furniture and fixtures	20%	10%
Automotive equipment	30%	20%

Leasehold improvements are amortized on a straight-line basis over their estimated useful lives, principally 5 years.

Maintenance and repairs are charged to expense as incurred.

(c) Income Taxes:

Income taxes are recorded on the tax-allocation basis. Deferred taxes arise from timing differences of transactions for financial reporting and tax purposes, principally depreciation.

STAFFORD FOODS LIMITED

Notes to Financial Statements, Continued

July 28, 1978

2. Inventories:

	1978	1977
Raw materials	$ 648,570	569,733
Work in process	577,537	451,567
Finished goods	2,312,598	2,430,067
	$ 3,538,705	3,451,367

3. Demand Notes due to Affiliated Company:

Interest is charged at rates varying between 7¼% and 8½%.

4. Remuneration to Directors and Senior Officers:

The aggregate direct remuneration paid or payable by the corporation to the directors and the senior officers was $179,540 (1977 - $128,865).

5. Anti-Inflation Act and Regulations:

The company is subject to, and believes it has complied with controls on prices, profits (or profit margins), compensation and dividends (or dividends to shareholders) under the Federal Government's Anti-Inflation Program.

6. Income Taxes:

Income taxes in 1978 have been reduced by approximately $60,000 to give effect to the tax saving resulting from the 3% inventory allowance in the fiscal years 1977 and 1978.