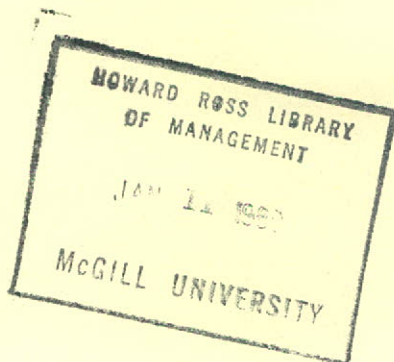


# Stafford Foods Limited

ANNUAL REPORT 1977







Leaders in Fine Foods  
Les Premiers par Leur Excellence

# Stafford Foods Limited/Limitée

37 HANNA AVENUE, TORONTO, CANADA  
TELEPHONE (416) 366-8021

M6K 1X1  
TELEX 06-22034

October 3, 1977

## PRESIDENT'S REPORT TO SHAREHOLDERS:

The loss for the twelve months ended July 29, 1977, was \$27,483 or 6¢ per share. This compared with a profit of \$201,101 or 42¢ per share for the twelve months ended July 31, 1976. Sales for the current year were \$14,752,187 and last year, \$14,394,550 for an increase of \$357,637 or 2.5%.

In many ways, Fiscal 1977 was a difficult year for Stafford with many of the problems present in 1976 continuing through this fiscal year. Although the general economic picture improved, many of the cost elements of the business continued to increase at a greater rate than volume. Many of our key ingredients, including raw fruits such as cherries and blueberries were in short supply and costs escalated.

The fourth quarter for Stafford was a profitable quarter and our traditionally weak third quarter accounted for the loss attributed to the year. We have embarked on an aggressive sales campaign in the past six months and sales volume has responded accordingly with major improvement in the second half of the year versus the first half.

Fiscal 1977, marked a strategic change for our Company. Responsibility for the marketing and sales of Stafford retail branded products were transferred to become the responsibility of Canbra Foods Limited sales management. Stafford continues to manufacture the products; however, valuable time now becomes available to the existing Stafford management to concentrate on the growing and more important, Food Service part of our business. We are confident this change will assist both divisions of the Company.

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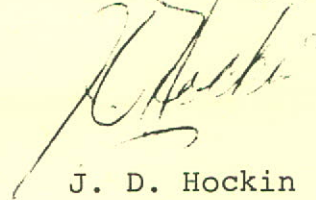


I would like to take this opportunity to thank Mr. H. H. Michael, our retiring President, for his contribution and commitment to Stafford Foods these past five years. Mr. Michael is continuing as a Director of Stafford's.

Our sales volume continues to improve and we were successful in improving our supplies of major ingredients this year.

Looking forward, although we continue to see a highly competitive market environment with continued cost pressures, we are confident of strengthening our position in the year ahead. With the continued support and knowledge of our dedicated people, we anticipate an improved fiscal 1978.

Yours truly

A handwritten signature in dark ink, appearing to read "J. D. Hockin", written over a light-colored background.

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 31, 1977 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 31, 1977 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.

*Peat, Marwick, Mitchell & Co.*

Toronto, Canada

August 26, 1977

Chartered Accountants







OODS LIMITED

Balance Sheet

31, 1977  
figures for July 31, 1976

Liabilities

	<u>1977</u>	<u>1976</u>
Current liabilities:		
Due to bank:		
Outstanding cheques less cash on deposit	\$ 171,567	63,582
Demand loan - secured	556,000	-
	<u>727,567</u>	<u>63,582</u>
Accounts payable and accrued liabilities	1,345,310	1,026,916
Due to parent company, Canbra Foods Ltd.:		
Demand notes (note 4)	1,500,000	1,300,000
Current account	(67,859)	4,562
	<u>1,432,141</u>	<u>1,304,562</u>
Total current liabilities	<u>3,505,018</u>	<u>2,395,060</u>
Deferred income taxes	87,700	74,500
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	2,172,544	2,200,027
Total shareholders' equity	<u>2,452,544</u>	<u>2,480,027</u>
	<u>\$ 6,045,262</u>	<u>4,949,587</u>

the Board:

in \_\_\_\_\_ Director

es \_\_\_\_\_ Director

Balanc

July  
with comparative fig

<u>Assets</u>	<u>1977</u>	<u>1976</u>
Current assets:		
Accounts receivable	\$ 1,447,390	1,339,040
Income taxes recoverable	88,556	52,415
Inventories (note 3)	3,451,367	2,809,600
Prepaid expenses	108,892	164,756
Total current assets	<u>5,096,205</u>	<u>4,365,811</u>
Investments:		
Liberty Building Limited, shares and note, at cost	14,566	14,566
Fixed assets, at cost less depreciation:		
Buildings	723,972	491,149
Plant, office and other equipment	1,454,433	1,265,793
	<u>2,178,405</u>	<u>1,756,942</u>
Less accumulated depreciation	1,326,895	1,238,390
	<u>851,510</u>	<u>518,552</u>
Land	82,981	50,658
	<u>934,491</u>	<u>569,210</u>
Net property, plant and equipment	934,491	569,210
	<u><u>\$ 6,045,262</u></u>	<u><u>4,949,587</u></u>

See accompanying notes to financial statements.

On behalf of t

J.D. Hock

D.W. Hugh



STAFFORD FOODS LIMITED

Statement of Earnings and Retained Earnings

Year ended July 31, 1977  
with comparative figures for the year ended July 31, 1976

	<u>1977</u>	<u>1976</u>
Net sales	\$ <u>14,752,187</u>	<u>14,394,550</u>
Earnings before deducting the undernoted items:	\$ 45,899	448,177
Depreciation and amortization	92,318	79,730
Amortization of trade marks	64	346
	<u>92,382</u>	<u>80,076</u>
Earnings (loss) before taxes on income	(46,483)	368,101
Deduct taxes on income:		
Current	(32,200)	141,000
Deferred	13,200	26,000
	<u>(19,000)</u>	<u>167,000</u>
Net earnings (loss)	(27,483)	201,101
Retained earnings at beginning of period	<u>2,200,027</u>	<u>1,998,926</u>
Retained earnings at end of period	\$ <u>2,172,544</u>	<u>2,200,027</u>
Earnings (loss) per share	\$ <u>(.06)</u>	<u>.42</u>

See accompanying notes to financial statements.



STAFFORD FOODS LIMITED

Statement of Changes in Financial Position

Year ended July 31, 1977  
with comparative figures for the year ended July 31, 1976

	<u>1977</u>	<u>1976</u>
Source of funds:		
From current operations:		
Net earnings (loss)	\$ (27,483)	201,101
Add (deduct) items not affecting the flow of funds:		
Depreciation and amortization	92,382	80,076
Loss (gain) on sale of equipment	300	(1,680)
Deferred income taxes	13,200	26,000
	<hr/>	<hr/>
Funds provided from operations	78,399	305,497
Proceeds from sale of equipment	2,424	2,619
	<hr/>	<hr/>
	80,823	308,116
Application of funds:		
Additions to fixed assets	460,387	68,946
	<hr/>	<hr/>
Increase (decrease) in working capital	(379,564)	239,170
Working capital at beginning of year	1,970,751	1,731,581
	<hr/>	<hr/>
Working capital at end of year	\$ <u>1,591,187</u>	<u>1,970,751</u>

See accompanying notes to financial statements.





STAFFORD FOODS LIMITED

Notes to Financial Statements

July 31, 1977

1. Place of Incorporation, Principal Activity and Identity of Controlling Interest:

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.

2. 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:

Depreciation of plant and equipment is provided on a diminishing balance basis over the estimated useful lives of the respective assets with the rates being as follows: buildings 5%; machinery and equipment 20%; automotive equipment 30%. 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.

3. Inventories:

	<u>1977</u>	<u>1976</u>
Raw materials	\$ 569,733	556,329
Work in process	451,567	296,669
Finished goods	2,430,067	1,956,602
	<u>\$ 3,451,367</u>	<u>2,809,600</u>

4. Demand Notes with Parent Company:

Interest is charged at the rate of  $\frac{1}{2}\%$  below prime bank interest rates.

5. Remuneration to Directors and Senior Officers:

The aggregate direct remuneration paid or payable by the corporation to the directors and the senior officers was \$128,865 (1976 - \$137,783).



STAFFORD FOODS LIMITED

Notes to Financial Statements, Continued

July 31, 1977

- 2 -

6. 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.

