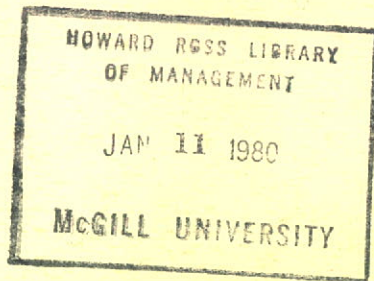


# Stafford Foods Limited

# Stafford Foods Limited



ANNUAL REPORT 1976

## **Locations**

### **Head Office:**

Toronto — 37 Hanna Avenue

### **Process Plants:**

Toronto — 37 Hanna Avenue

Hamilton — 984 Barton Street East

### **Freezer Plant:**

Richibucto, New Brunswick

### **Sales Offices and Warehouses:**

Toronto — 37 Hanna Avenue

Montreal — 5400 Ferrier Street

Moncton — Elizabeth and Beaverbrook

Winnipeg — 2100 Notre Dame Avenue

Edmonton — 12435 — 149th Street

Calgary — 1016 — 34th Ave. S.E.

Vancouver — 8400 Main St.

## **Directors and Officers**

### **Directors:**

S.J. Ballard

L.W. Brown

A.J.E. Child

W.G. Clarke

R.R. Ferreira

D.W. Hughes

H.H. Michael

J.V. Musgrove

P.E. Soulier

### **Officers:**

H.H. Michael, President

R. Ferreira, Vice-President and Secretary

L.W. Brown, Vice-President — Finance

### **Auditors:**

Peat, Marwick, Mitchell & Co., Toronto

### **Transfer Agent:**

Canada Permanent Trust Co.

Toronto

### **Annual Meeting:**

The Annual Meeting of Shareholders will be held in the Scarlet Room, Ericksen's, Mayor Magrath Drive, Lethbridge, at 11:00 a.m., October 28th, 1976. Those unable to attend are urged to mail in their proxies.

## **PRESIDENT'S REPORT TO SHAREHOLDERS:**

Profit for the twelve months ended July 31, 1976, was \$201,101 or 42¢ per share. This compared with \$265,979 or 56¢ per share for the twelve months ended July 31, 1975. Sales for the current year were \$14,394,550 and last year \$13,487,091, for an increase of \$907,459 or 6.7%.

In many ways fiscal 1976 was a very difficult year for Stafford with a number of factors having an unfavourable impact on the company performance. These included poor weather in the peak volume summer months, generally lower levels of Canadian travel due to both the United States Bi-centennial and the Montreal Olympics, reduced spending by major institutions due to tighter budget controls partly associated with Government cut-backs, the A.I.B. controls program, and a variety of price swings in the major ingredients used by Stafford.

The net impact of the foregoing was that, while sales advanced a modest 6.7%, costs between Gross and Operating Profits advanced 11.2%. Product gross margins were generally lower than in the previous year. Regarding major ingredients, sugar values declined steadily throughout the year and created downward pressure on prices. This was also true for edible oils,

where prices at year end were down considerably from the 1975 levels.

The cost of most other ingredients and purchased items advanced, with cocoa and coffee obvious examples. As fiscal 1976 ended, the major fruit crops were being harvested with short supply and sharply higher prices the predominant trends. These fruits are major items for Stafford and include cherries, blueberries, strawberries and raspberries.

Fiscal 1976 started quite well with 69.1% of the profits being earned in the first 6 months. The 3rd quarter was quite weak which is historically normal, but, unlike previous years, the 4th quarter recovery, while present, was not strong and accounted for much of the decline vs fiscal 1975.

Looking forward, major emphasis must be placed on increased sales to offset the many cost areas that continue to advance. This will be especially difficult in the first half of fiscal 1977, recognizing the present economic climate for the markets in which we compete.

H. H. MICHAEL,  
President.

October 4, 1976.



## **AUDITORS' REPORT TO THE SHAREHOLDERS**

We have examined the balance sheet of Stafford Foods Limited as of July 31, 1976 and the statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as of July 31, 1976 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.

Toronto, Ontario  
August 27, 1976

Peat, Marwick, Mitchell & Co.  
Chartered Accountants

**STATEMENT OF EARNINGS AND RETAINED EARNINGS/STAFFORD FOODS LIMITED**

**Year ended July 31, 1976**

**with comparative figures for the year ended July 31, 1975**

	<u>1976</u>	<u>1975</u>
Net sales . . . . .	\$14,394,550	13,487,091
Earnings before deducting the undernoted items . . . . .	\$ 448,177	588,032
Depreciation and amortization . . . . .	79,730	82,258
Amortization of trade marks . . . . .	346	295
	<u>80,076</u>	<u>82,553</u>
Earnings before taxes on income . . . . .	368,101	505,479
Deduct taxes on income:		
Current . . . . .	141,000	219,000
Deferred . . . . .	26,000	20,500
	<u>167,000</u>	<u>239,500</u>
Net earnings . . . . .	201,101	265,979
Retained earnings at beginning of period . . . . .	1,998,926	1,732,947
Retained earnings at end of period . . . . .	<u>\$ 2,200,027</u>	<u>1,998,926</u>
Earnings per share . . . . .	<u>.42</u>	<u>.56</u>

See accompanying notes to financial statements.

**BALANCE SHEET/STATEMENT OF FINANCIAL POSITION**  
**July 31, 1976**  
**with comparative figures for 1975**

	<b>Assets</b>	
Current assets:	<u>1976</u>	<u>1975</u>
Accounts receivable . . . . .	\$1,339,040	1,423,244
Income taxes recoverable . . . . .	52,415	—
Inventories (note 3) . . . . .	2,809,600	2,690,365
Prepaid expenses . . . . .	<u>164,756</u>	<u>101,905</u>
Total current assets . . . . .	4,365,811	4,215,514
Investments:		
Liberty Building Limited, shares and note, at cost . . . . .	14,566	14,566
Fixed assets, at cost less depreciation:		
Buildings . . . . .	491,149	480,367
Plant, office and other equipment . . . . .	<u>1,265,793</u>	<u>1,213,971</u>
	1,756,942	1,694,338
Less accumulated depreciation . . . . .	<u>1,238,390</u>	<u>1,160,823</u>
	518,552	533,515
Land . . . . .	<u>50,658</u>	<u>47,764</u>
Net property, plant and equipment . . . . .	<u>569,210</u>	<u>581,279</u>
	<u>\$4,949,587</u>	<u>4,811,359</u>

See accompanying notes to financial statements.

**FFORD FOODS LIMITED**

**ures for July 31, 1975**

	<b>Liabilities</b>	
	<u>1976</u>	<u>1975</u>
Current liabilities:		
Due to bank:		
Outstanding cheques less cash on deposit . . . . .	\$ 63,582	73,227
Demand loan — secured . . . . .	—	1,385,000
	<hr/>	<hr/>
	63,582	1,458,227
Accounts payable and accrued liabilities . . . . .	1,026,916	962,549
Due to parent company, Canbra Foods Ltd.:		
Demand notes (note 4) . . . . .	1,300,000	—
Current account . . . . .	4,562	40,899
	<hr/>	<hr/>
	1,304,562	40,899
Income taxes payable . . . . .	—	22,258
Total current liabilities . . . . .	<hr/>	<hr/>
	2,395,060	2,483,933
Deferred income taxes . . . . .	74,500	48,500
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 . . . . .	2,200,027	1,998,926
Total shareholders' equity . . . . .	<hr/>	<hr/>
	2,480,027	2,278,926
	<hr/>	<hr/>
	\$4,949,587	4,811,359

On behalf of the Board: H. H. Michael, R. R. Ferreira, Directors.

**STATEMENT OF CHANGES IN FINANCIAL POSITION/STAFFORD FOODS LIMITED**  
**Year ended July 31, 1976**  
**with comparative figures for the year ended July 31, 1975**

	<u>1976</u>	<u>1975</u>
Source of funds:		
From current operations:		
Net earnings . . . . .	\$ 201,101	265,979
Add (deduct) items not affecting the flow of funds:		
Depreciation and amortization . . . . .	80,076	82,553
Gain on sale of equipment . . . . .	(1,680)	(173)
Deferred income taxes . . . . .	26,000	20,500
Funds provided from operations . . . . .	<u>305,497</u>	<u>368,859</u>
Proceeds from sale of equipment . . . . .	<u>2,619</u>	<u>614</u>
	308,116	369,473
Application of funds:		
Additions to fixed assets . . . . .	<u>68,946</u>	<u>197,276</u>
Increase in working capital . . . . .	239,170	172,197
Working capital at beginning of year . . . . .	<u>1,731,581</u>	<u>1,559,384</u>
Working capital at end of year . . . . .	<u><u>\$1,970,751</u></u>	<u><u>1,731,581</u></u>

See accompanying notes to financial statements.



**NOTES TO FINANCIAL STATEMENTS/STAFFORD FOODS LIMITED**  
**July 31, 1976**

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 cost or market whichever is lower. Market value of raw materials and work in process is calculated on replacement cost; finished goods on net realizable values.

(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>1976</u>	<u>1975</u>
Raw materials . . . . .	\$ 556,329	520,502
Work in process . . . . .	296,669	300,197
Finished goods . . . . .	1,956,602	1,869,666
	<u>\$2,809,600</u>	<u>2,690,365</u>

4. Demand Notes with Parent Company:

Interest is charged at the rate of 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 \$137,783 (1975 — \$130,447).

6. Anti-Inflation Act:

The company is subject to the Anti-Inflation Act and Regulations which became effective on October 14, 1975. As a result the company's ability to increase prices, profit margins, compensation and to pay dividends subsequent to that date is restricted.

# ★ ★ Stafford ★ ★

## STAFFORD FINE QUALITY PRODUCTS

Bavarian Fillings  
Beverage Syrups  
Cake Mixes  
Canned Vegetables  
Condiments  
Cheesecake Mix  
Dessert/Jelly Powders  
Diet Fruits/Vegetables  
Flavours and Colours  
Fountain Fruits/Toppings  
Fruit Juice Concentrates  
Fruit Pie Fillings  
Canned Fruits and Vegetables  
Hot Chocolate Powder  
Jams and Jellies

Ketchup  
Kosher Jelly Powder  
Maraschino Cherries  
Marmalade  
Mushrooms — Canned  
Olives — Pickles  
Pancake Syrup  
Shortening  
Soup Bases and Mixes  
Spices  
Sundae Sauces  
Tea and Coffee  
Vegetable Oils  
Other specialties

