

Stafford Foods Limited
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HOWARD ROSS LIBRARY
OF MANAGEMENT
JUN 11
MCGILL UNIVERSITY

ANNUAL REPORT 1975

PRESIDENT'S REPORT TO SHAREHOLDERS

Profit for the twelve months ended July 31, 1975 was \$265,979 or 56¢ per share. This compared with \$246,012 or 52¢ per share for the twelve months ended July 31, 1974. Sales for the current year were \$13,487,091 and last year \$11,722,167, an increase of \$1,764,924. Both profit and sales figures were new highs for Stafford Foods.

These are very difficult times for those engaged in the food manufacturing business due to rapid and violent price swings of essential ingredients, coupled with rapidly escalating production costs. During its third quarter, the Company was faced with a situation whereby sugar and edible oil prices decreased considerably, consequently inventories containing large amounts of these products were over-valued. This situation was basically responsible for the lower than average returns, however the results achieved during the remainder of the year were gratifying. While sales and profits were at record highs, the effects of inflation and the consequent reduced purchasing power of the dollar must be considered. For example, if the inflation factor were to be discounted, results would be 10% to 15% less.

Profit margins are at low levels, when the total volume of sales are considered. The continuance of some product lines are doubtful, especially when the inflation factor is worked into prevailing profit opportunities.

The Stafford name is well known to many Canadians and highly regarded for quality products and good service. The Company has been one of the leaders as a supplier to institutions for many years. It would appear that the time has arrived for more emphasis to be placed in gaining a greater share of the retail market.

During the past fiscal year, your Company's financial position has been improved. In these uncertain times it is satisfying to know that our financial base is solid, and our affairs are guided by capable experienced management.

H. H. MICHAEL,
President.

October 7, 1975.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Stafford Foods Limited as of July 31, 1975 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, 1975 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 29, 1975

Peat, Marwick, Mitchell & Co.
Chartered Accountants

STATEMENT OF EARNINGS AND RETAINED EARNINGS/STAFFORD FOODS LIMITED

Year ended July 31, 1975

with comparative figures for the year ended July 31, 1974

	<u>1975</u>	<u>1974</u>
Net sales	\$13,487,091	11,722,167
Earnings before deducting the undernoted items	588,032	514,058
Depreciation and amortization	82,258	51,897
Interest on mortgages	—	1,349
Amortization of trade marks	295	500
	<u>82,553</u>	<u>53,746</u>
Earnings before taxes on income	505,479	460,312
Deduct taxes on income:		
Currently payable	219,000	209,500
Deferred	20,500	4,800
	<u>239,500</u>	<u>214,300</u>
Net earnings	265,979	246,012
Retained earnings at beginning of period	1,732,947	1,486,935
Retained earnings at end of period	<u>\$ 1,998,926</u>	<u>1,732,947</u>
Earnings per share	<u>\$.56</u>	<u>.52</u>

See accompanying notes to financial statements.

BALANCE SHEET/S
July 31, 1975
with comparative f

	Assets	
Current assets:	<u>1975</u>	<u>1974</u>
Accounts receivable	\$1,423,244	1,254,627
Inventories (note 1)	2,690,365	3,147,375
Prepaid expenses	<u>101,905</u>	<u>150,136</u>
Total current assets	4,215,514	4,552,138
Investments:		
Liberty Building Limited, shares and note, at cost	14,566	14,566
Fixed assets, at cost less depreciation:		
Buildings	480,367	470,415
Plant, office and other equipment	<u>1,213,971</u>	<u>1,028,483</u>
	1,694,338	1,498,898
Less accumulated depreciation	<u>1,160,823</u>	<u>1,079,665</u>
	533,515	419,233
Land	47,764	47,764
Net property, plant and equipment	<u>581,279</u>	<u>466,997</u>
	<u>\$4,811,359</u>	<u>5,033,701</u>

See accompanying notes to financial statements.

FORD FOODS LIMITED

Financial Statements for July 31, 1974

	Liabilities	
	<u>1975</u>	<u>1974</u>
Current liabilities:		
Due to bank:		
Outstanding cheques less cash on deposit	\$ 73,227	144,850
Demand loan — secured (note 2)	<u>1,385,000</u>	<u>1,705,000</u>
	1,458,227	1,849,850
Accounts payable and accrued liabilities	962,549	935,085
Due to parent company	40,899	68,725
Income taxes payable	<u>22,258</u>	<u>139,094</u>
Total current liabilities	2,483,933	2,992,754
Deferred income taxes	48,500	28,000
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	<u>1,998,926</u>	<u>1,732,947</u>
Total shareholders' equity	<u>2,278,926</u>	<u>2,012,947</u>
	<u>\$4,811,359</u>	<u>5,033,701</u>

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, 1975
with comparative figures for the year ended July 31, 1974

	<u>1975</u>	<u>1974</u>
Source of funds:		
From current operations:		
Net earnings	\$ 265,979	246,012
Add items not affecting the flow of funds:		
Depreciation and amortization	82,553	52,397
Loss (gain) on sale of equipment	(173)	876
Deferred income taxes	20,500	4,800
Funds provided from operations	<u>368,859</u>	<u>304,085</u>
Proceeds from sale of equipment	<u>614</u>	<u>3,380</u>
	369,473	307,465
Application of funds:		
Additions to fixed assets	<u>197,276</u>	<u>37,133</u>
Increase in working capital	172,197	270,332
Working capital at beginning of year	<u>1,559,384</u>	<u>1,289,052</u>
Working capital at end of year	<u><u>\$1,731,581</u></u>	<u><u>1,559,384</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS/STAFFORD FOODS LIMITED
July 31, 1975

1. Summary of Significant Accounting Policies:

(a) Inventories:	<u>1975</u>	<u>1974</u>
Raw materials	\$ 520,502	943,671
Work in process	300,197	319,337
Finished goods	<u>1,869,666</u>	<u>1,884,367</u>
Total inventories	<u>\$2,690,365</u>	<u>3,147,375</u>

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

(b) Depreciation and Amortization:

Depreciation of plant and equipment is provided over the estimated useful lives of the respective assets on a diminishing balance method. Leasehold improvements are amortized on a straight-line basis over the estimated useful lives. 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.

2. Bank Advances:

Bank advances are secured by the pledge of accounts receivable and inventories.

3. Remuneration to Directors and Senior Officers:

The aggregate direct remuneration paid or payable by the corporation to the directors and the senior officers was \$130,447 (1974 — \$130,356).

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

J.V. Musgrove, Vice-President — Sales

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., November 19th, 1975. Those unable to attend are urged to mail in their proxies.



STAFFORD FINE QUALITY PRODUCTS

Bavarian Cream Fillings
Cake Mixes
Canned Fruits & Vegetables
Canned Fish Products
Condiments, Dressings, Etc.
Cheesecake Mix
Dessert/Jelly Powders
Diet Fruits/Vegetables
Diet Spreads
Diet Jelly/Puddings
Diet Soup Bases
Flavours & Colours
Fountain Fruits/Toppings
Fountain Syrups
Fountain Equipment
Fruit Juice Concentrates
Fruit Pie Fillings

Gourmet Seasonings & Spices
Hot Chocolate Powder
Ice Cream Fruits & Bases
Jams, Jellies, Marmalade
Ketchup
Kosher Jelly Powders
Maraschino Cherries
Mincemeat
Mushrooms – Canned
Olives – Pickles
Pancake Syrup
Portion Packs – Jams, Ketchup, Etc.
Pudding & Pie Filling Powders
Shortening & Vegetable Oils
Soup Bases and Mixes
Tea and Coffee
Gift & Specialty Packs

