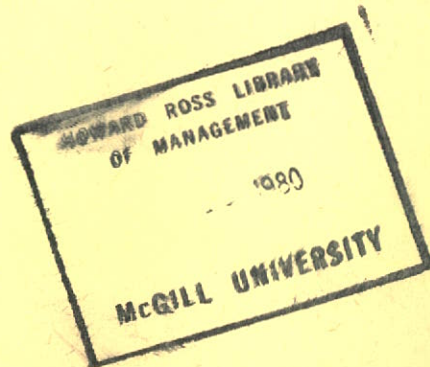


ANNUAL REPORT 1974

# Stafford Foods Limited

# Stafford Foods Limited





## PRESIDENT'S REPORT TO SHAREHOLDERS

Profit for the twelve months ended July 31, 1974 was \$246,012 or 52¢ per share. This compares with \$80,884 or 17¢ per share for the twelve months ended July 31, 1973. Sales for the current year were \$11,722,167 compared with \$11,005,148 last year.

The profit of \$246,012 is encouraging, especially when compared with last year's disappointing results, and gives proof of the usefulness of the Management Information Systems initiated a year ago.

Many elements were present in the strong profit advance over last year, the most notable being:

- (1) Improved sales efficiency as the result of planned streamlining of the sales force and selective use of food brokers. Despite a reduction in sales staff, the dollar volume of sales increased, resulting in a reduction in unit costs.
- (2) Use of Management Information Systems. As mentioned in last year's report, a series of systems and controls were established in the spring of 1973 and these have proved to be most beneficial in supplying management with the necessary data to take corrective action. This was particularly true in the area of material costs.

In addition, the calculation of monthly financial results was most helpful in measuring our progress as the year advanced.

- (3) Greater emphasis on high profit lines and elimination of low margin items was accomplished. Also

during the past fiscal year, new lines were added which proved to be profitable.

Although the year ended July 31, 1974 was rewarding from a profit viewpoint, several problems emerged which must be solved to ensure the continuation of the favourable trend. The high and increasing rate of inflation during the past year has significantly contributed to these problems. Due to poorer than average crops in some areas of North America, these inflationary trends in the food industry are expected to accelerate during the closing months of 1974. Throughout the year, costs rose dramatically in all areas — sugar, fruits, gelatine, cocoa and beef extract; packaging materials, labour, including a cost of living increase, and many overhead items. These costs resulted in high inventory values and accounts receivable, which combined with much higher interest rates, resulted in interest expense increasing 86% over last year.

The foregoing suggests some of the challenges that face us in the coming year. Sales volumes must be maintained and increased. We must control inventory values despite higher costs and maintain profit levels despite a probable lessening of demand with increasing costs in all areas.

To achieve these goals will be a real challenge and test of management skills. Management must meet this rapidly changing situation in order to achieve continued progress.

H. H. MICHAEL,  
President.

October 10, 1974.

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

We have examined the balance sheet of Stafford Foods Limited as of July 31, 1974 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 at July 31, 1974 and the results of its operations and the changes in 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 30, 1974

Peat, Marwick, Mitchell & Co.  
Chartered Accountants

**STATEMENT OF EARNINGS AND RETAINED EARNINGS/STAFFORD FOODS LIMITED**  
**Year ended July 31, 1974**  
**with comparative figures for the year ended July 31, 1973**

	<u>1974</u>	<u>1973</u>
Net sales (note 4) . . . . .	\$11,722,167	11,005,148
Earnings before deducting the undernoted items . . . . .	\$ 514,058	226,226
Depreciation and amortization . . . . .	51,897	55,161
Interest on mortgages . . . . .	1,349	3,178
Amortization of trade marks . . . . .	500	8,003
	<u>53,746</u>	<u>66,342</u>
Earnings before taxes on income . . . . .	460,312	159,884
Deduct taxes on income:		
Currently payable . . . . .	209,500	76,300
Deferred . . . . .	4,800	2,700
	<u>214,300</u>	<u>79,000</u>
Net earnings . . . . .	246,012	80,884
Retained earnings at beginning of period . . . . .	1,486,935	1,406,051
Retained earnings at end of period . . . . .	<u>\$ 1,732,947</u>	<u>1,486,935</u>
Earnings per share . . . . .	<u>\$ .52</u>	<u>.17</u>

See accompanying notes to financial statements.

		<b>BALANCE SHEET/STATEMENT OF FINANCIAL POSITION</b>	
		<b>July 31, 1974</b>	
		<b>with comparative figures for 1973</b>	
<b>Assets</b>		<b>1974</b>	<b>1973</b>
Current assets:			
Accounts receivable		\$1,254,627	1,082,259
Inventories (note 1)		3,147,375	2,395,338
Prepaid expenses		150,136	125,448
Total current assets		<u>4,552,138</u>	<u>3,603,045</u>
Investments:			
Liberty Building Limited, shares and note, at cost		14,566	14,566
Fixed assets, at cost less depreciation:			
Buildings		470,415	458,326
Plant, office and other equipment		1,028,483	1,016,039
		<u>1,498,898</u>	<u>1,474,365</u>
Less accumulated depreciation		1,079,665	1,035,612
		<u>419,233</u>	<u>438,753</u>
Land		47,764	47,764
Net property, plant and equipment		<u>466,997</u>	<u>486,517</u>
		<u>\$5,033,701</u>	<u>4,104,128</u>

See accompanying notes to financial statements.

**RD FOODS LIMITED**

**for July 31, 1973**

**Liabilities**

	<u>1974</u>	<u>1973</u>
Current liabilities:		
Due to bank:		
Outstanding cheques less cash on deposit . . . . .	\$ 144,850	40,022
Demand loan — secured (note 2) . . . . .	1,705,000	1,250,000
	<u>1,849,850</u>	<u>1,290,022</u>
Accounts payable and accrued liabilities . . . . .	935,085	934,769
Due to parent company . . . . .	68,725	50,389
Income taxes payable . . . . .	139,094	13,047
6¾% mortgage payable . . . . .	—	25,766
Total current liabilities . . . . .	<u>2,992,754</u>	<u>2,313,993</u>
Deferred income taxes . . . . .	28,000	23,200
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 . . . . .	1,732,947	1,486,935
Total shareholders' equity . . . . .	<u>2,012,947</u>	<u>1,766,935</u>
	<u>\$5,033,701</u>	<u>4,104,128</u>

On behalf of the Board: H. H. Michael, D. W. Hughes, Directors

**STATEMENT OF CHANGES IN FINANCIAL POSITION/STAFFORD FOODS LIMITED**  
**Year ended July 31, 1974**  
**with comparative figures for the year ended July 31, 1973**

Source of funds:	<u>1974</u>	<u>1973</u>
From current operations:		
Net earnings . . . . .	\$ 246,012	80,884
Add items not affecting the flow of funds:		
Depreciation and amortization . . . . .	52,397	63,164
Loss (gain) on sale of equipment . . . . .	876	(934)
Deferred income taxes . . . . .	4,800	2,700
Funds provided from operations . . . . .	<u>304,085</u>	<u>145,814</u>
Proceeds from sale of equipment . . . . .	3,380	5,525
Proceeds from life insurance surrendered . . . . .	—	197,879
	<u>307,465</u>	<u>349,218</u>
Application of funds:		
Additions to fixed assets . . . . .	37,133	49,902
Long-term mortgages payable . . . . .	—	25,747
	<u>37,133</u>	<u>75,649</u>
Increase in working capital . . . . .	270,332	273,569
Working capital at beginning of year . . . . .	1,289,052	1,015,483
Working capital at end of year . . . . .	<u><u>\$1,559,384</u></u>	<u><u>1,289,052</u></u>

See accompanying notes to financial statements.



**NOTES TO FINANCIAL STATEMENTS/STAFFORD FOODS LIMITED**

**July 31, 1974**

1. Inventories:

	<u>1974</u>	<u>1973</u>
Raw materials . . . . .	\$ 943,671	690,114
Work in process . . . . .	319,337	119,269
Finished goods . . . . .	1,884,367	1,585,955
Total inventories . . . . .	<u>\$3,147,375</u>	<u>2,395,338</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.

2. Bank advances are secured by the pledge of accounts receivable and inventories.
3. The aggregate direct remuneration paid or payable by the corporation to the directors and the senior officers was \$130,356 (1973 — \$95,561).
4. Net sales for 1973 have been restated by \$716,209 to reflect a change in accounting policy whereby outward freight has been reclassified from net sales to operating expenses. There is no effect on net earnings.

## **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, Treasurer

### **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 10:30 a.m., November 20th, 1974. 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

