

ANNUAL REPORT 1973

Stafford Foods Limited

Stafford Foods Limited

PRESIDENT'S REPORT TO SHAREHOLDERS

Profit for the twelve months ended July 31st, 1973, was \$80,884 or 17¢ per share. This compares to \$60,062 or 13¢ per share for the seven months ended July 31st, 1972. Sales for the twelve months were \$10,288,939, a record, and compares with \$5,628,387 for the previous seven month period.

The profit was disappointing considering the volume of sales, but a closer look at the year reveals that it closed on a firmer note with the final two months providing a large share of the total profit for the year. This trend has continued into the fiscal year of 1973-74. In many ways, this year was a year of transition and can be divided into three periods — the first two quarters had sales at a level comparable with the prior year, costs were fairly stable. In the third quarter, consisting of February, March and April, sales were maintained but sharply rising costs seriously eroded the profits. At this point several management decisions, previously made, were initiated, with the assistance of Burns Foods Limited corporate staff, which included the change from quarterly to monthly reporting, and the installation of additional controls, both

financial and general. These actions resulted in the awareness of all managers of the key role each can play in the profitability and general success of the Company. Due to these changes, May proved to be a turnaround month, with the last two months returning greatly improved profits.

Over the past year the sales force has been streamlined by means of selected territory consolidations, and the increased use of food brokers and others for the marketing of Stafford Retail Consumer Products.

Forecasts for the coming year indicate that costs will be at a very high level due mainly to world wide conditions affecting commodity prices. The major challenge will be to improve profits and increase sales. We feel confident that our present organization has the ability to meet this challenge.

H. H. Michael,
President.

November 1st, 1973.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Stafford Foods Limited as of July 31, 1973 and the statements of earnings and retained earnings and source and application of funds 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, 1973 and the results of its operations and the source and application of its funds 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 31, 1973

Peat, Marwick, Mitchell & Co.
Chartered Accountants

STATEMENT OF EARNINGS AND RETAINED EARNINGS/STAFFORD FOODS LIMITED

Year ended July 31, 1973

with comparative figures for seven months ended July 31, 1972

	<u>1973</u>	<u>1972</u>
Net sales	\$10,288,939	5,628,387
Earnings before deducting the undernoted items	\$ 226,226	152,774
Depreciation and amortization	55,161	32,938
Interest on mortgages	3,178	2,199
Amortization of trade marks	8,003	475
	<u>66,342</u>	<u>35,612</u>
Earnings before taxes on income	159,884	117,162
Deduct taxes on income:		
Currently payable	76,300	58,200
Deferred	2,700	(1,100)
	<u>79,000</u>	<u>57,100</u>
Net earnings	80,884	60,062
Retained earnings at beginning of period	1,406,051	1,345,989
Retained earnings at end of period	\$ 1,486,935	1,406,051
Earnings per share	<u>\$.17</u>	<u>.13</u>

See accompanying notes to financial statements.

BALANCE SHEET/STAF

July 31, 1973

with comparative figures

	Assets	
	<u>1973</u>	<u>1972</u>
Current assets:		
Accounts receivable	\$1,082,259	1,073,447
Income taxes recoverable	—	18,941
Inventories (note 1)	2,395,338	2,035,658
Prepaid expenses	125,448	87,937
Total current assets	<u>3,603,045</u>	<u>3,215,983</u>
Investments:		
Liberty Building Limited, shares and note, at cost	14,566	14,566
Cash surrender value of life insurance	—	197,879
Total investments	<u>14,566</u>	<u>212,445</u>
Property, plant and equipment, at cost less depreciation:		
Buildings	458,326	443,294
Plant, office and other equipment	1,015,652	990,151
	<u>1,473,978</u>	<u>1,433,445</u>
Less accumulated depreciation	1,035,612	984,490
	<u>438,366</u>	<u>448,955</u>
Land	47,764	47,764
Net property, plant and equipment	<u>486,130</u>	<u>496,719</u>
Trade marks, at cost less amortization	387	7,651
	<u>\$4,104,128</u>	<u>3,932,798</u>

See accompanying notes to financial statements.

ORD FOODS LIMITED

for July 31, 1972

Liabilities

	<u>1973</u>	<u>1972</u>
Current liabilities:		
Due to bank:		
Outstanding cheques less cash on deposit	\$ 40,022	41,238
Demand loan — secured (note 2)	<u>1,250,000</u>	<u>1,250,000</u>
	1,290,022	1,291,238
Accounts payable	934,769	844,442
Due to parent company	50,389	36,205
Income taxes payable	13,047	—
Current portion of mortgages payable	<u>25,766</u>	<u>28,615</u>
Total current liabilities	2,313,993	2,200,500
6¾% Mortgages payable due in 1973 and 1974	25,766	54,362
Less current portion included above	<u>25,766</u>	<u>28,615</u>
	—	25,747
Deferred income taxes	23,200	20,500
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	<u>1,486,935</u>	<u>1,406,051</u>
Total shareholders' equity	<u>1,766,935</u>	<u>1,686,051</u>
	<u>\$4,104,128</u>	<u>3,932,798</u>

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

STATEMENT OF SOURCE AND APPLICATION OF FUNDS/STAFFORD FOODS LIMITED

Year ended July 31, 1973

with comparative figures for the seven months ended July 31, 1972

Source of funds:	<u>1973</u>	<u>1972</u>
From current operations:		
Net earnings	\$ 80,884	60,062
Depreciation and amortization	63,164	33,413
Gain on sale of equipment	(934)	(197)
Deferred income taxes	2,700	(1,100)
Funds provided from operations	<u>145,814</u>	<u>92,178</u>
Proceeds from life insurance surrendered	197,879	—
Proceeds from sale of equipment	5,525	2,035
	<u>349,218</u>	<u>94,213</u>
Application of funds:		
Additions to fixed assets, net	49,163	21,297
Increase in cash surrender value of life insurance	—	7,840
Mortgages payable	25,747	32,574
Additions to trade marks	739	5,158
	<u>75,649</u>	<u>66,869</u>
Increase in working capital	273,569	27,344
Working capital at beginning of year	<u>1,015,483</u>	<u>988,139</u>
Working capital at end of year	<u>\$1,289,052</u>	<u>1,015,483</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS/STAFFORD FOODS LIMITED

July 31, 1973

1. Inventories:	<u>1973</u>	<u>1972</u>
Raw materials	\$ 690,114	481,583
Work in process	119,269	121,629
Finished goods	<u>1,585,955</u>	<u>1,432,446</u>
Total inventories	<u>\$2,395,338</u>	<u>2,035,658</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 \$95,561 (1972 \$49,235).

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 — 186 Smithe Street

Directors and Officers

Directors:

A.J.E. Child

S.J. Ballard

R. Ferreira

M.C. Herbst

D.W. Hughes

H.H. Michael

J.V. Musgrove

P.E. Soulier

J.H. Stafford

Officers:

H.H. Michael, President

R. Ferreira, Vice-President and Secretary

J.V. Musgrove, Vice-President—Sales

D.W. Hughes, Treasurer

Auditors:

Peat, Marwick, Mitchell & Co., Toronto

Transfer Agent:

Canada Permanent Trust Co.

Toronto, Montreal, Winnipeg

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., December 6th, 1973. Those unable to attend are urged to mail in their proxies.



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

