

J. M. SCHNEIDER, LIMITED • ANNUAL REPORT 1970



J. M. Schneider, Limited • Annual Report 1970

FOR THE FISCAL YEAR ENDED OCTOBER 31, 1970

Financial Highlights

	<u>1970</u>	<u>1969</u>
Sales	\$79,289,000	\$70,181,000
Net earnings	\$ 1,347,000	\$ 1,249,000
Per share	71¢	66¢
Percent of sales	1.70%	1.77%
Percent of shareholders' equity	10.08%	10.22%
Dividends (including tax paid on undistributed income)	\$ 456,000	\$ 299,000
Per share	24¢	15¾¢
Working capital	\$ 4,832,000	\$ 4,348,000
Working capital ratio	2.43	2.23
Shareholders' equity	\$13,360,000	\$12,219,000
Per share	\$ 7.04	\$ 6.43
Number of shareholders	2,135	1,995
Average number of employees	1,880	1,731

Notice to Shareholders of Annual General Meeting

The Annual General Meeting of Shareholders will be held in the Inn of the Black Walnut, Kitchener, Ontario, on Tuesday 26th January 1971, at 7.30 p.m. Shareholders are cordially invited to attend this meeting.

Directors and Officers

DIRECTORS

F. P. SCHNEIDER
R.R. #3 Kitchener
Chairman of the Board

K. G. MURRAY
R.R. #3 Bright
President

N. C. SCHNEIDER
R.R. #1 Preston
Past Chairman

J. D. SMALL
Kitchener
Past President

H. J. SCHNEIDER
R.R. #1 Preston
Vice-President

D. C. JAMIESON
Kitchener
Director of Finance

R. C. SCHEIFLEY
Kitchener
Secretary

H. G. SCHNEIDER
Kitchener
Product Development Manager

J. B. BANKS
Waterloo
Industrial Engineer

E. H. BULL
R.R. #1 Preston
Fresh Pork Manager

R. W. STEINBERG
Kitchener
Plant Engineer

A. T. L. FRASER
Toronto
Vice-President
McLeod, Young, Weir & Company Limited

G. A. MACKAY, Q.C.
Kitchener
Partner
Bray, Schofield, Mackay & Kelly

OFFICERS

FREDERICK PAUL SCHNEIDER
Chairman of the Board

KENNETH GEORGE MURRAY
President

HERBERT JOHN SCHNEIDER
Director of Operations and Vice-President

DAWSON CHARLES JAMIESON
Director of Finance and Treasurer

ROY CARL SCHEIFLEY
Secretary

The Board of Directors' Report

On behalf of the Board of Directors it is a great pleasure to again report **another record year** by our Company in earnings and sales. These are shown for the year ending October 31, 1970, in the Balance Sheet, tables and graphs in the pages of this annual report. Dollar sales and net profit were both at record highs with sales up by 13.0% and earnings increasing 7.8% over 1969.

During 1970, we formed a new subsidiary — **J. M. Schneider (Manitoba) Limited** when, early in the year, we acquired facilities in Winnipeg. These are presently being used to distribute our products in the three prairie provinces. The growth and volume of sales there have been gratifying and have justified our more forceful entry into this market area.

We have also just completed an agreement to acquire all of the shares of the **Apple Hill Dairy Company**, situated at Apple Hill in eastern Ontario near Cornwall. This plant has a capacity to manufacture up to 5,000,000 pounds per year of cheddar cheese with a quota for somewhat less. This will ensure an adequate supply of cheddar for our Wellesley plant where we carry on a cheese processing, aging, cutting and packaging operation.

We welcome both of these new additions to the Schneider family. I know that they will both make significant contributions in the years ahead. These acquisitions and our rather heavy capital expenditure program for 1971 will be financed from working capital. As and when required, working capital may in future need to be replenished by the issue of equities or medium to long term senior financing like bonds, debentures or bank term loans.

During the year just passed, we formed a joint venture company with **Geo. A. Hormel & Company** of Austin, Minnesota. This was for the purpose of pooling our sales and knowledge to better penetrate the Canadian market in two product areas — Dry Sausage and Canned Meat. It is too early to tell what will be the long term effect. Though the results to date



F. P. SCHNEIDER

show rather slow progress, we are confident that in the long run, they will be satisfactory. We have begun to manufacture Canned Luncheon Meat under the Hormel Spam label.

We have had **several changes** in our board of directors and Company officers since our last annual report to you. We accepted with regret the resignation of two of our senior board members, Mr. J. D. Rossiter and Mr. R. E. Wand. They had retired from active employment in the Company earlier in the year and were formerly our Produce Manager and General Sales Manager respectively. They have given many years of devoted service and we wish to express appreciation of this and regret for their retirement and subsequent resignation from the Company and board.

In order to bring the board a more detached and objective view of Company operations, we have added a second member who is not a present or former employee. This is Mr. Gordon A. Mackay of Kitchener, whose legal firm has for many years acted on our behalf. We know that Mr. Mackay will add much to our board and comes with a great deal of knowledge about us and how we operate.

These changes have meant a net reduction of one in our board membership to a total of 13. Of these, nine are active employees, two are former or retired employees and two are outsiders but closely associated with the legal side in one case and the underwriting or financial side of our business in the other.

We have also accepted with regret the resignation of our board chairman, Mr. Norman C. Schneider. Norman, now in his eighty-third year, has asked to be relieved of this responsibility. He has watched the Company grow, diversify and spread across the nation during his fifty-nine years with us. His long experience has given him an invaluable insight into our affairs and we value his counsel. He will continue as a member of the board.

I sincerely appreciate the honour of being appointed chairman by the board to succeed him. I accept the responsibility and will endeavour to merit their confidence. With the help of the fine group of dedicated men we have on our management team, I know we can move the Company ahead to higher levels of profits, sales and return on investment.

A handwritten signature in cursive script that reads "F. P. Schneider".

F. P. SCHNEIDER
Chairman of the Board of
Directors

1970 was a year of continued expansion for the Company. Expenditures for new facilities and equipment reached one and three-quarter million dollars. The Ayr plant commenced production in January of this year; additional Beef Chill and Cooler facilities were completed; a sales office was established in Vancouver to serve the B.C. market.

Our long-range planning indicated that we required an expanded distribution facility, as well as an expansion of our Sausage facilities. An attempt to purchase a separate acreage on which to build the distribution centre could not be satisfactorily concluded.

Construction of a separate Sausage manufacturing facility, which was under construction adjacent to the present plant, was halted. The foundation of this building was enlarged so as to accommodate the proposed distribution building. This planned project is now under construction. The vacated space of the main plant which is now being used as a distribution facility, will be utilized to enlarge our Sausage operations.

SAUSAGE and COOKED MEATS continue to be a major contributor to our profit and volume results. During 1970 many improved processing and packaging techniques were adopted so that product improvement resulted. We will continue to invest a significant percentage of our capital expenditures in this division of our business.

The PORK division made a substantial contribution to overall Company results. This contribution resulted from the combination of two factors:

1. Improved planning and control.

2. A significant increase in hog numbers coming to market.

Forecasts for the first half of our Fiscal Year 1971 indicate ample pork supplies.

We support the teletype auction method employed in the selling of hogs by the Ontario Hog Producers' Marketing Board. During the year additional provinces in Canada implemented a teletype auction method. This system is one which should be given consideration when designing a method of selling farm products.

BEEF, VEAL and LAMB division continued to expand sales due, in part, to the individual attention which is given in the selection of carcasses and cuts for customers. Retail consumers return to purchase Beef from outlets which handle, on a consistent basis, quality Beef. There continues to be a strong consumer preference for Beef. Forecasts of beef cattle to come to market during 1971 indicate that there should be no significant price increase during our Fiscal 1971 year.

The PROCESSED, FRESH and PURVEYING BEEF division of our business

The President's Report to our Shareholders



K. G. MURRAY

showed a substantial increase in volume. Improvement in volume and profit were made possible by the commencement of Pattie production in the Ayr facility, and also to a more concentrated effort from our Sales and Marketing division in satisfying the requirements of hotel, restaurant and institutional accounts.

The POULTRY division as forecasted, did not show a volume increase. The lack of sales in this division applied specifically to Fresh sales. Planning the future for this division is made extremely difficult due to the restrictions which have been placed on the inter-provincial movement of poultry products by provincial farm product marketing boards.

A portion of the newly-built Ayr plant is devoted to the production of processed poultry. We are and will continue to explore and develop profitable markets for the utilization of processed poultry.

BUTTER, MARGARINE and EGGS account for approximately 5% of our total sales volume. These products broaden our product line and do assist in satisfying a wider range of our customers' needs.

The LARD and SHORTENING division produced product for both the retail and industrial markets. These facilities operated at capacity during the year, due to expanded sales to large commercial bakeries.

The CHEESE division had an outstanding year from a sales and profit standpoint. Per capita consumption of Cheese is on the increase in Canada. The increase in sales which we achieved in this division indicates that we have been able to capture a significant part of this expanded Cheese market.

The CANNED FOOD division's production facilities were improved during the

year. In addition, our Sales and Marketing Department was re-structured so as to create a Grocery Products Marketing Section. This division benefited by the formation of the previously mentioned Schneider-Hormel Company. The George A. Hormel Company has had a depth of experience in the canning industry. Plans are under way to broaden the product line and to further improve production facilities.

LABOUR RELATIONS. During the year we negotiated a two-year agreement with employees of the Wellesley Cheese Factory. A bargaining group representing Ayr Plant employees was certified with the Schneider Employees' Association as bargaining representatives and a first agreement was negotiated.

HUMAN RESOURCES. People are the principal asset of a company. The growth the Company experienced in 1970 provided the opportunity for growth and advancement of many of our employees. Of the 67 appointments and promotions made during the year, 64 involved existing employees. It is the policy of the Company to promote from within the organization.

During the year, in addition to the bi-monthly publication of the Dutch Girl News, a weekly news bulletin is published. We continue to write a monthly letter which is included in the employee's pay envelope. The purpose of this letter is to keep our employees and their families aware of the current condition of our Company.

We at Schneiders have a basic philosophy which is to process meat and poultry muscle into a variety of appetizing, nutritious foods of consistent quality. Each time we process value is added to the product. These added-value products automatically become profit opportunities. Our objective is to continue to be a growing and profitable company through the optimum use of talent and resources so as to achieve a consistently high rate of growth in earnings per share. The achievement of this objective will result in our Company continuing to be a significant factor in the food industry of Canada. The results achieved in Fiscal 1970 through the utilization of all resources available to us, indicate partial realization of this objective. Our continuing thrust will be to prepare food by cooking, freezing, canning, portion controlling so as to present meat and meat entrées in a form which satisfies the demands of our many consumers in an ever-changing life style.

A stylized, handwritten signature in dark ink, reading "Kenneth G. Murray".

K. G. MURRAY
President

Financial Report

Earnings Net earnings for the year increased by 7.8% from \$1,249,000 in 1969 to \$1,347,000 for the year under review. This improvement in earnings was due to the increase in sales and increased productivity.

Dividends During the fiscal year, dividends (including tax paid on undistributed income) paid to shareholders totalled \$456,000 or 24¢ per share compared to 15¼¢ the previous year.

Date Paid	Class of Share	Cash Dividend	Stock Dividend	Tax Paid by Company	Total Dividend
Jan. 15 1970	Common	6¢	—	—	6¢
	Class B	6¢	—	—	6¢
	Class C	—	5 ¹ / ₁₀ ¢	9 ⁹ / ₁₀ ¢	6¢
Apr. 15 1970	Common	6¢	—	—	6¢
	Class B	6¢	—	—	6¢
	Class C	—	5 ¹ / ₁₀ ¢	9 ⁹ / ₁₀ ¢	6¢
July 15 1970	Common	6¢	—	—	6¢
	Class B	6¢	—	—	6¢
	Class C	—	5 ¹ / ₁₀ ¢	9 ⁹ / ₁₀ ¢	6¢
Oct. 15 1970	Common	6¢	—	—	6¢
	Class B	6¢	—	—	6¢
	Class C	—	5 ¹ / ₁₀ ¢	9 ⁹ / ₁₀ ¢	6¢

The directors have established a general dividend policy of declaring and paying dividends in each fiscal year which, in the aggregate, will amount to approximately 40% of the Company's net earnings for the preceding fiscal year. This policy will be subject at all times to the discretion of the directors having regard to the best interests of the Company under the circumstances existing at the time including the advisability of reinvesting earnings to finance capital expenditure requirements from time to time.

Sales A new high in sales volume was established in 1970. For the year ended October 31, sales amounted to \$79,289,000 compared with \$70,181,000 the previous year. This was an increase of \$9,108,000 or 13.0%.

Product sales volume for the fiscal year exceeded 127,000,000 pounds. The breakdown of this sales volume was as follows:

Product Classification		Customer Classification	
Sausages and Cooked Meats	30%	Independents	39%
Fresh and Processed Pork	25%	Corporate Chains	20%
Poultry, Butter, Eggs and Cheese	17%	Hotels, Restaurants and Institutions	16%
Beef, Veal and Lamb	16%	Independent Chains	8%
Lard and Shortening	10%	Voluntary Groups	6%
Canned Goods	2%	Export	2%
		Other	9%
	100%		100%

Taxes Income taxes payable for the year amounted to \$1,404,000 compared to \$1,531,000 charged against earnings. The difference of \$127,000 by which Deferred Income Taxes were increased, arose mainly from claiming for income tax purposes maximum capital cost allowance which exceeded depreciation recorded in the accounts.

Financial Resources Working capital increased from \$4,348,000 to \$4,832,000 in the face of capital expenditures that amounted to \$1,944,000. The largest single item was the completion and equipping of the new convenience food plant at Ayr, Ontario.

During the year, Shareholders' Equity increased by \$1,141,000 to \$13,360,000; or from \$6.43 to \$7.04 per share.

J. M. Schneider, Limited
Consolidated Balance Sheet
October 31, 1970

(with comparative figures at November 1, 1969)

Assets	<u>1970</u>	<u>1969</u>
	(in thousands)	
CURRENT ASSETS		
Marketable securities, at cost plus accrued interest	\$ —	\$ 391
Accounts receivable	3,009	2,671
Inventories (note 2)	4,733	4,550
Other	<u>475</u>	<u>276</u>
TOTAL CURRENT ASSETS	<u>\$ 8,217</u>	<u>\$ 7,888</u>
 OTHER ASSETS		
Investment in shares of Schneider-Hormel Limited, at cost (note 4)	\$ 38	—
Mortgage receivable	<u>20</u>	—
TOTAL OTHER ASSETS	<u>\$ 58</u>	—
 FIXED ASSETS (note 3)		
Land and improved areas, buildings, machinery and equipment, at cost	\$17,854	\$16,157
Less accumulated depreciation	<u>8,117</u>	<u>7,315</u>
TOTAL FIXED ASSETS	<u>\$ 9,737</u>	<u>\$ 8,842</u>
TOTAL ASSETS	<u><u>\$18,012</u></u>	<u><u>\$16,730</u></u>

Approved by the Board:

F. P. Schneider, Director

D. C. Jamieson, Director

Liabilities

	<u>1970</u>	<u>1969</u>
	(in thousands)	
CURRENT LIABILITIES		
Bank advances	\$ 255	\$ 338
Accounts payable and accrued liabilities	3,007	2,845
Income taxes payable	112	357
Principal due within one year on long term debt	<u>11</u>	<u>—</u>
TOTAL CURRENT LIABILITIES	<u>\$ 3,385</u>	<u>\$ 3,540</u>
LONG TERM DEBT (note 5)	<u>\$ 169</u>	<u>—</u>
DEFERRED INCOME TAXES	<u>\$ 1,098</u>	<u>\$ 971</u>

Shareholders' Equity

CAPITAL STOCK (note 6)	\$ 1,190	\$ 1,190
CONTRIBUTED SURPLUS (note 7(a))	468	218
RETAINED EARNINGS	<u>11,702</u>	<u>10,811</u>
TOTAL SHAREHOLDERS' EQUITY	<u>\$13,360</u>	<u>\$12,219</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$18,012</u>	<u>\$16,730</u>

CONTINGENT LIABILITIES AND COMMITMENTS (notes 3, 4, 7 and 9)

Auditors' Report

To the Shareholders of J. M. Schneider, Limited

We have examined the consolidated balance sheet of J. M. Schneider, Limited as at October 31, 1970 and the consolidated statements of earnings, 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 consolidated financial statements present fairly the financial position of the companies as at October 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Kitchener, Ontario
December 4, 1970

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

J. M. Schneider, Limited
Consolidated Statement of Earnings

Year ended October 31, 1970
(with comparative figures for 1969)

	<u>1970</u>	<u>1969</u>
	(in thousands)	
Sales	<u>\$79,289</u>	<u>\$70,181</u>
Expenses		
Raw materials	\$49,809	\$44,432
Packaging materials	3,627	3,232
Manufacturing	13,977	12,405
Marketing and distribution	5,902	4,584
Administrative and general	2,098	1,947
Depreciation	998	888
	<u>\$76,411</u>	<u>\$67,488</u>
Earnings before income taxes	\$ 2,878	\$ 2,693
Income taxes	<u>1,531</u>	<u>1,444</u>
NET EARNINGS FOR THE YEAR	<u>\$ 1,347</u>	<u>\$ 1,249</u>
Net earnings per share	71¢	66¢

Consolidated Statement of Retained Earnings

Year ended October 31, 1970
(with comparative figures for 1969)

	<u>1970</u>	<u>1969</u>
	(in thousands)	
Balance at beginning of year	\$10,811	\$ 9,861
Net earnings for the year	<u>1,347</u>	<u>1,249</u>
	<u>\$12,158</u>	<u>\$11,110</u>
Dividends on		
Class B preference shares, in cash	\$ 172	\$ 143
Class C preference shares, in Class A preference shares including tax paid on undistributed income	193	96
Common shares, in cash	<u>91</u>	<u>60</u>
	<u>\$ 456</u>	<u>\$ 299</u>
BALANCE AT END OF YEAR	<u>\$11,702</u>	<u>\$10,811</u>

J. M. Schneider, Limited
Consolidated Statement of Source
and Application of Funds
Year ended October 31, 1970
(with comparative figures for 1969)

Source of Funds

	<u>1970</u>	<u>1969</u>
	(in thousands)	
Operations		
Net earnings for the year	\$ 1,347	\$ 1,249
Items not involving current funds		
Depreciation	998	888
Deferred income taxes	<u>127</u>	<u>103</u>
	\$ 2,472	\$ 2,240
Contributed surplus arising from forgivable loan	250	—
Proceeds of debenture	180	—
Sale of fixed assets	<u>51</u>	<u>20</u>
	<u>\$ 2,953</u>	<u>\$ 2,260</u>

Application of Funds

Additions to fixed assets	\$ 1,944	\$ 2,413
Dividends, including tax paid on undistributed income	456	299
Investment in other assets	58	—
Decrease in non-current portion of long term debt	<u>11</u>	<u>—</u>
	<u>\$ 2,469</u>	<u>\$ 2,712</u>
INCREASE (DECREASE) IN WORKING CAPITAL	\$ 484	\$ (452)
WORKING CAPITAL AT BEGINNING OF YEAR	<u>4,348</u>	<u>4,800</u>
WORKING CAPITAL AT END OF YEAR	<u>\$ 4,832</u>	<u>\$ 4,348</u>

J. M. Schneider, Limited

Notes to Consolidated Financial Statements

Year ended October 31, 1970

1. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the wholly owned subsidiary company, J. M. Schneider (Manitoba) Limited for its first fiscal period from incorporation on March 6, 1970 to September 26, 1970. J. M. Schneider (Manitoba) Limited is a private company incorporated under the laws of Manitoba to manufacture and distribute food products in Western Canada.

2. INVENTORIES

	1970	1969
Products	\$4,369,000	\$4,145,000
Supplies	364,000	405,000
	<u>\$4,733,000</u>	<u>\$4,550,000</u>

Products are valued at the lower of cost and net realizable value.
Supplies are valued at the lower of cost and replacement cost.

3. FIXED ASSETS

	1970		1969	
	Cost	Accumulated depreciation	Net	Net
Land and improved areas	\$ 566,000	\$ 24,000	\$ 542,000	\$ 478,000
Buildings	7,320,000	2,630,000	4,690,000	4,292,000
Machinery and equipment	9,968,000	5,463,000	4,505,000	4,072,000
	<u>\$17,854,000</u>	<u>\$8,117,000</u>	<u>\$9,737,000</u>	<u>\$8,842,000</u>

Depreciation is charged at straight line rates to amortize the cost of the assets over their estimated useful life.

Additional outlays of approximately \$2,300,000 (1969, \$3,100,000) are required for the completion of capital projects.

4. INVESTMENT IN SCHNEIDER-HORMEL LIMITED

The company has a 50% interest in Schneider-Hormel Limited, a private company incorporated under the laws of Ontario to market certain types of canned goods and dry sausage. In its first fiscal period from incorporation on April 30, 1970 to August 29, 1970 it incurred a loss of \$17,000 and no provision for the company's share of \$8,500 has been made in these financial statements.

The company has guaranteed bank advances up to \$750,000 to Schneider-Hormel Limited which advances at October 31, 1970 amounted to \$375,000.

5. LONG TERM DEBT

9½ % Debenture, maturing September 1, 1979 payable \$2,300 per month including principal and interest	\$180,000
Less principal included in current liabilities	11,000
	<u>\$169,000</u>

The debenture payable is secured by a fixed and specific charge on the subsidiary company's land, buildings, fixtures and equipment and a floating charge on all other assets of the subsidiary company and has been guaranteed by J. M. Schneider, Limited.

6. CAPITAL STOCK

During the year 821,522 (1969, 407,598) Class A preference shares were issued as stock dividends and were subsequently redeemed.

The cumulative participating Class B preference shares and the cumulative participating Class C preference shares are convertible one into the other at any time at the option of the holder. By virtue of The Corporations Act (Ontario), upon any such conversion, the number of authorized and outstanding shares of each class affected by such conversion is changed accordingly.

The authorized and issued capital as at October 31, 1970 is as follows:

Authorized

3,770,880	6% Non-voting non-cumulative Class A preference shares redeemable at par value of 20¢ per share (1969, 4,592,402 shares)
1,689,062	24¢ Cumulative participating Class B preference shares without par value (1969, 1,699,886 shares)
811,938	24¢ Cumulative participating Class C preference shares without par value (1969, 801,114 shares)
580,825	Common shares

Issued

	1970	1969
708,258 Class B preference shares (1969, 719,082 shares)	\$ 444,000	\$ 451,000
810,938 Class C preference shares (1969, 800,114 shares)	508,000	501,000
379,799 Common shares	238,000	238,000
	<u>\$1,190,000</u>	<u>\$1,190,000</u>

Under the J. M. Schneider, Limited Employees Payroll Deduction Capital Stock Purchase Plan the company has reserved 65,000 Class B shares to be offered, from time to time, to employees of the company. Such shares are to be issued at a price not less than 90% of the market price (as defined) on the day the employee entered the plan. No options to purchase Class B shares under this plan were granted during the year.

The company has also reserved under its Stock Option Plan 25,000 Class B shares for issuance upon the exercise of options which may be granted at the discretion of the Board of Directors to executives and key employees of the company. Such shares are to be issued at a price not less than the greater of (a) the average of the high and low sale price for such shares as reported by The Toronto Stock Exchange for the week previous to the time of the granting of the option or (b) 90% of the market price (as defined) of such shares at the time of granting the option. The option period may extend up to five years from date of grant and such option may be exercised in full at any time during such period. Under this plan the company granted, in 1969, options to purchase 3,358 shares at a price of \$7.50 per share. These options have not been exercised and expire July 23, 1974.

7. CONTINGENT LIABILITIES AND COMMITMENTS

- An interest free loan of \$250,000 which was received during the year from the Ontario Development Corporation has been included in contributed surplus and will be forgiven over a period of six years provided the company continues to operate its meat processing plant at Ayr, Ontario.
- It is estimated that the unfunded past service obligation under pension plans amounts to \$455,000. The annual payment required to liquidate this obligation within eighteen years is \$40,000. The company intends to pay this amount within the time permitted or earlier as the cash position of the company permits. The related costs will be charged against income in the year of payment.
- The company is committed under lease agreements, all of which terminate within five years, to pay approximately \$330,000 annually to termination.

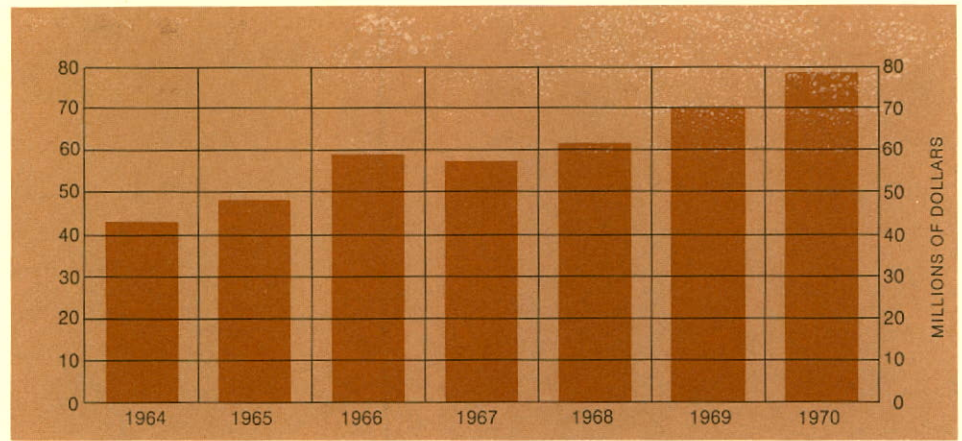
8. OTHER STATUTORY INFORMATION

Remuneration of directors and senior officers (as defined by The Corporations Act) for the year amounted to \$327,000 (\$319,000 in 1969).

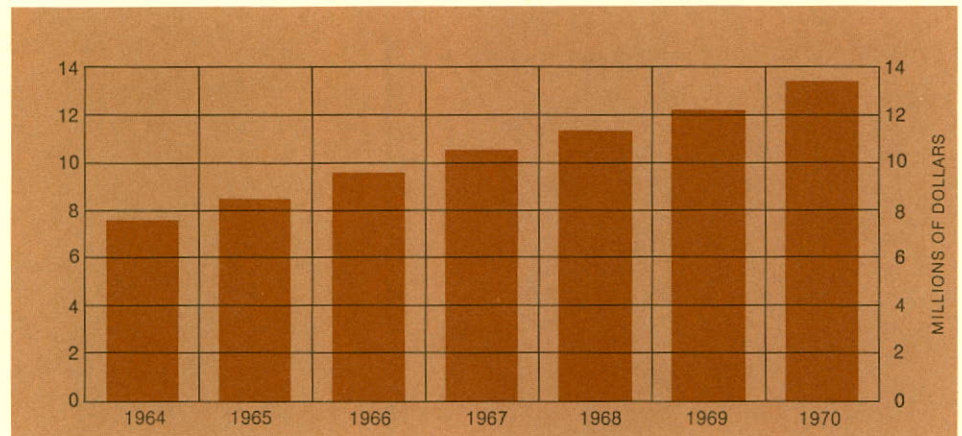
9. SUBSEQUENT EVENT

By an agreement dated December 3, 1970, the company will acquire all of the issued shares of Apple Hill Dairy Limited for a consideration of \$200,000.

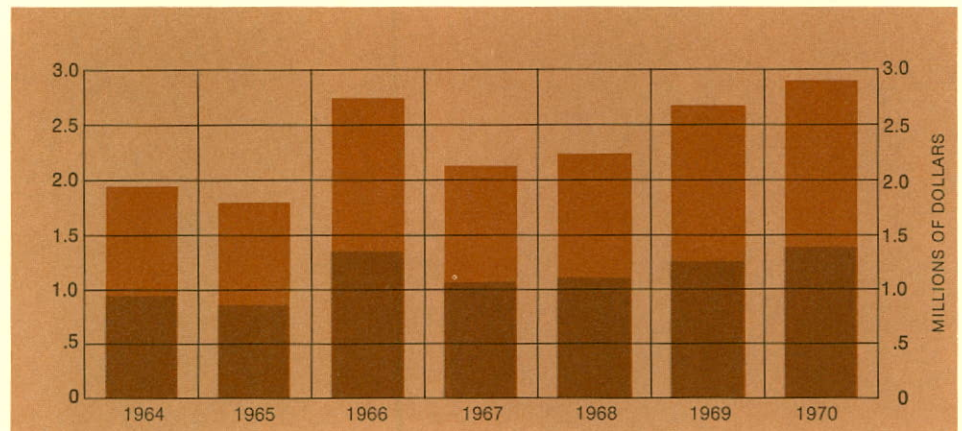
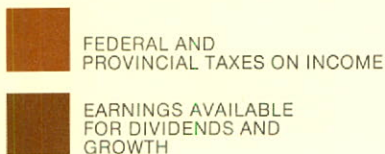
Growth of Sales



Growth of Shareholders' Equity



Allocation of Earnings between Government and Shareholders



How each Sales Dollar was used in 1970

SHAREHOLDERS: For dividend payments to shareholders as a return on their investment in the business. .6¢

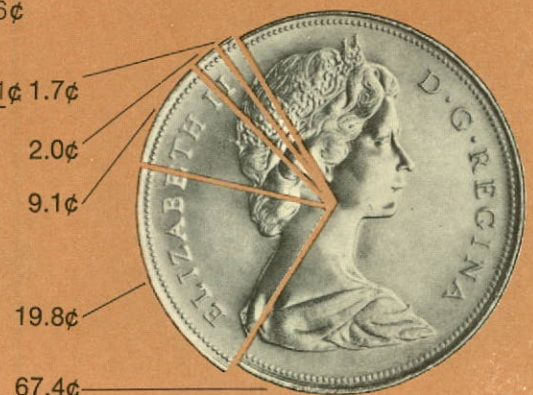
For use in the business to provide for continuous operations and future growth. 1.1¢ 1.7¢

GOVERNMENT: For income tax payments to Federal and Provincial Governments. 2.0¢

OPERATING EXPENSES: For operating supplies, utilities, business services and selling and administrative expenses (including depreciation and maintenance). 9.1¢

EMPLOYEES: For wages, salaries, and benefits. 19.8¢

MERCHANDISE: For livestock, dressed meat, food products and packaging supplies. 67.4¢



Seven Year Statistical Review

(thousands of dollars)

	<u>1970</u>	<u>1969</u>	<u>1968</u>	<u>1967</u>	<u>1966</u>	<u>1965</u>	<u>1964</u>
Sales	\$79,289	\$70,181	\$61,067	\$57,902	\$58,898	\$48,127	\$42,526
Earnings							
Earnings before income taxes	\$ 2,878	\$ 2,693	\$ 2,264	\$ 2,140	\$ 2,745	\$ 1,808	\$ 1,968
Income taxes	\$ 1,531	\$ 1,444	\$ 1,195	\$ 1,109	\$ 1,399	\$ 956	\$ 1,003
Net earnings	\$ 1,347	\$ 1,249	\$ 1,069	\$ 1,031	\$ 1,346	\$ 852	\$ 965
Per share	71¢	66¢	56¢	54¢	73¢	46¢	53¢
Percent of sales	1.70%	1.77%	1.75%	1.78%	2.29%	1.77%	2.27%
Dividends (including tax paid on undistributed income)	\$ 456	\$ 299	\$ 244	\$ 688	\$ 166	\$ 155	\$ 146
Per share	24¢	15¾¢	13¢	36¢	9¢	8½¢	8¢
Capital expenditures	\$ 1,944	\$ 2,413	\$ 1,355	\$ 1,398	\$ 1,477	\$ 829	\$ 1,399
Depreciation	\$ 998	\$ 888	\$ 859	\$ 776	\$ 626	\$ 571	\$ 525
Salaries, wages and employee benefits	\$15,701	\$13,953	\$12,270	\$11,466	\$ 9,978	\$ 8,840	\$ 8,031
Average number of employees	1,880	1,731	1,733	1,688	1,551	1,438	1,356
Working capital	\$ 4,832	\$ 4,348	\$ 4,800	\$ 4,283	\$ 4,391	\$ 3,962	\$ 3,235
Working capital ratio	2.43	2.23	2.73	3.09	3.29	4.82	3.82
Total assets	\$18,012	\$16,730	\$14,907	\$13,381	\$12,734	\$10,795	\$10,094
Shareholders' equity	\$13,360	\$12,219	\$11,269	\$10,428	\$ 9,739	\$ 8,523	\$ 7,773
Percent return on equity	10.08%	10.22%	9.49%	9.89%	13.82%	9.99%	12.41%
Equity per share, in dollars	\$ 7.04	\$ 6.43	\$ 5.93	\$ 5.50	\$ 5.28	\$ 4.64	\$ 4.27
Number of shares outstanding (thousands)	1,899	1,899	1,899	1,897	1,843	1,836	1,821
Number of shareholders	2,135	1,995	506	455	422	322	272

NOTE: The number of shares outstanding and per share earnings and dividends have been recalculated to give effect to the stock split in 1969.

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