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CANADIAN FOOD PRODUCTS LIMITED
 67 WALKER AVENUE, TORONTO 7, ONT.

November 21st, 1968

To The Shareholders

We present the Annual Report of your Company covering its operations for the fiscal period October 1, 1967 to September 28, 1968.

Total sales for the year were \$21,982,261 and represented an increase of \$630,299 or 3% over last year. However, earnings from operations after taxes of \$336,709 were \$118,490 or 26% below last year. As previously advised, sales and profits were adversely affected by a three-week strike earlier this year. In spite of this setback, through aggressive sales promotion plans, sales recovered to some extent, but unfortunately the adverse effect on profits was too great to make up.

During the year an amount of \$817,118 was spent on capital improvements in the modernizing of the bakery, improving some existing retail outlets and expanding our retail facilities. A combination unit consisting of a Honey Dew Restaurant, Woman's Bakery and Ice Cream Parlour was opened in Barrie as a prototype of one step in the modernizing of our retail outlets. We also opened a new Hunt's Bakery outlet in the Toronto-Dominion Centre, Toronto, and a new outlet under the famous Fenton's name in the St. Laurent Shopping Centre, Ottawa, Ontario. These particular units are mentioned because of the merchandising technique used, or because of their strategic locations. Other units were redesigned during the year and we propose to continue this program of modernization.

We extend to all employees, shareholders, customers and suppliers our appreciation for their support and confidence given to us during the year.

S. Fingold
Chairman

L. Beeson
President

DIRECTORS

- | | |
|-------------------------------------|-------------------------------------|
| * R. C. Beeson - - - - - Toronto | * James L. Lewtas - - - - - Toronto |
| ** Samuel Fingold - - - - - Toronto | D. H. Ward - - - - - Toronto |
| H. Owen Jones - - - - - Hamilton | * L. N. Watt - - - - - Toronto |

* Members of the Executive Committee

** Chairman of the Executive Committee

OFFICERS

- | | |
|--|--|
| Chairman of the Board - - - Samuel Fingold | Vice-President - - - - - R. H. Hergert |
| President - - - - - R. C. Beeson | Treasurer - - - - - J. G. Rowney |
| Secretary - - - - - E. F. MacKeen | |

Auditors

McDonald, Currie & Co.

Transfer Agents

Crown Trust Company, Toronto, Montreal, Winnipeg, Calgary and Vancouver
Canadian Imperial Bank of Commerce, Halifax



**CANADIAN FOOD PRODUCTS LIMITED
AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 28, 1968

	ASSETS	1968	1967
CURRENT		\$	\$
Cash and short-term deposits		1,702,624	1,586,053
Accounts receivable		926,699	983,897
Receivable on sale of fixed asset		300,000	—
Special refundable tax		40,252	33,580*
Mortgages receivable — current portion		20,509	18,916
Inventories (note 1)		774,001	811,957
Prepaid expenses		106,710	106,316
		<u>3,870,795</u>	<u>3,540,719</u>
OTHER ASSETS			
Sundry investments and mortgages receivable, less portion due within one year included in current assets		256,159	235,963
Deferred charges, less amounts written off		80,454	129,528
		<u>336,613</u>	<u>365,491</u>
LAND, BUILDINGS, EQUIPMENT AND LEASEHOLD INTERESTS (note 2)		5,216,145	5,473,247
EXCESS OF PURCHASE PRICE OF BUSINESSES ACQUIRED OVER NET ASSETS		<u>363,463</u>	<u>363,463</u>
		<u>9,787,016</u>	<u>9,742,920</u>

*Reclassified for comparative purposes

	LIABILITIES	1968	1967
CURRENT		\$	\$
Bank overdraft		—	52,886
Accounts payable and accrued liabilities		1,278,782	1,329,814
Due to parent company		89,221	—
Dividend payable		27,342	28,313
Income and other taxes		107,312	163,333
Demand loan		—	55,000
Current portion of long-term debt		8,333	8,333
		<u>1,510,990</u>	<u>1,637,679</u>
LONG-TERM DEBT, 7%, payable \$8,333 annually 1968 to 1977, less current portion		<u>75,000</u>	<u>83,333</u>
		<u>1,585,990</u>	<u>1,721,012</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK			
Authorized (note 3)			
Issued and fully paid (note 3) —			
18,394 first preference shares		919,700	963,550
18,062 second convertible preference shares		903,100	924,000
730,828 common shares		<u>1,112,700</u>	<u>1,112,700</u>
		<u>2,935,500</u>	<u>3,000,250</u>
CONTRIBUTED SURPLUS		76,959	75,045
RETAINED EARNINGS		<u>5,188,567</u>	<u>4,946,613</u>
		<u>8,201,026</u>	<u>8,021,908</u>
		<u>9,787,016</u>	<u>9,742,920</u>

SIGNED ON BEHALF OF THE BOARD

S. Fingold, *Director*

R. C. Beeson, *Director*

CANADIAN FOOD PRODUCTS LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 28, 1968

1. INVENTORIES	1968	1967
Inventories are valued at the lower of cost and net realizable value and consist of:	\$	\$
Ingredients and supplies	368,884	390,514
Products — in process and finished	405,117	421,443
	<u>774,001</u>	<u>811,957</u>

2. FIXED ASSETS

Land, buildings, equipment and leasehold interests and their related accumulated depreciation or amortization are classified as follows:

	1968			1967
	Cost	Accumulated depreciation or amortization	Net	Net
	\$	\$	\$	\$
Land	544,903	—	544,903	625,581
Buildings	2,081,109	703,673	1,377,436	1,616,448
Equipment	7,508,555	4,655,657	2,852,898	2,804,496
Leasehold interests	2,119,262	1,678,354	440,908	426,722
	<u>12,253,829</u>	<u>7,037,684</u>	<u>5,216,145</u>	<u>5,473,247</u>

3. CAPITAL STOCK

Changes in capital stock for the year were as follows:

	Authorized		Issued	
	Number of shares	Par value \$	Number of shares	Par or stated value \$
<i>First preference shares</i>				
(\$50 par value) —				
September 30, 1967	19,271	963,550	19,271	963,550
Purchased for cancellation during year	877	43,850	877	43,850
September 28, 1968	<u>18,394</u>	<u>919,700</u>	<u>18,394</u>	<u>919,700</u>
<i>Second convertible preference shares</i>				
(\$50 par value) —				
September 30, 1967	18,480	924,000	18,480	924,000
Purchased for cancellation during year	418	20,900	418	20,900
September 28, 1968	<u>18,062</u>	<u>903,100</u>	<u>18,062</u>	<u>903,100</u>
<i>Common shares</i>				
(no par value)	<u>1,006,678</u>		<u>730,828</u>	<u>1,112,700</u>

The first preference shares carry a cumulative annual dividend of 6% and are redeemable at a premium of 20% plus accrued dividends. The second convertible preference shares carry a 6% cumulative dividend, are redeemable (subject to certain restrictions) at a premium of 20% plus accrued dividends and are each convertible at any time into 6 common shares. The company is required (i) to apply 15% (10% after aggregate par value of first preference and second convertible preference shares is less than \$1,500,000) of consolidated net earnings of the preceding year after preferential dividends to the purchase for cancellation or redemption of the first preference shares and second convertible preference shares, and (ii) to purchase for cancellation or redeem at least 500 first preference shares and second convertible preference shares in the aggregate in each year, subject to certain conditions. At September 28, 1968, \$229,159 has been applied in excess of requirement (i) above and 8,431 preference shares have been purchased for cancellation in excess of requirement (ii) above, which excess can in each case be used to reduce the redemption or purchase for cancellation requirements of future years.

Subsequent to September 28, 1968, the company purchased sufficient first preference shares and second convertible preference shares to reduce the aggregate par value of all such preference shares to less than \$1,800,000. Accordingly, the restrictions on the payment of dividends on the common shares no longer apply. The first preference shares and the second convertible preference shares are entitled to one vote per share at all meetings of the shareholders of the company.

4. INCOME TAXES

Income taxes have been calculated after claiming maximum capital cost allowance, which is less than depreciation recorded in the accounts by \$30,000. As a result the total taxes otherwise payable for the year have been increased by \$16,000 while the net accumulated reductions to date amount to \$543,000.

Income taxes for 1968 have been reduced by \$38,000 on application of prior years' losses of subsidiaries against their 1968 earnings.

5. LEASES

Minimum rentals under lease agreements, principally for retail outlets on a percentage of sales basis, which extend for more than five years from September 28, 1968 aggregate approximately:

1969 - 1973	\$2,366,000
1974 - 1978	1,629,000
1979 - 1983	600,000
1984 - 1988	44,000

6. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid or payable by the company and its subsidiaries to the directors and senior officers amounts to \$152,681.

**CANADIAN FOOD PRODUCTS LIMITED
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS
FOR THE YEAR ENDED SEPTEMBER 28, 1968**

	1968 \$	1967 \$
SOURCE OF FUNDS		
Net earnings for the year	352,229	1,940,774
<i>Add:</i> Charges not requiring cash outlay —		
Depreciation and amortization (including \$40,343 re closing of properties)	676,123	625,863
Net loss (profit) on disposal of fixed assets	13,716	(23,712)
	1,042,068	2,542,925
Sale of investments (cost)	—	300,000
Reduction of mortgages	—	165,226
Proceeds on disposal of fixed assets	384,381	102,832
Issue of common stock for shares of a subsidiary	—	323,050
Decrease (increase) in deferred charges	49,074	(29,267)
	1,475,523	3,404,766
USE OF FUNDS		
Additions to fixed assets and leasehold interests	817,118	982,861
Dividends	110,275	121,384
Purchase for cancellation of first and second preference shares	62,836	180,242
Sundry investments and mortgages acquired	20,196	108,266
Excess of purchase price of businesses acquired over net assets	—	363,463
Decrease in long-term debt	8,333	51,621
	1,018,758	1,807,837
INCREASE IN WORKING CAPITAL	456,765	1,596,929

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Canadian Food Products Limited and subsidiaries as at September 28, 1968 and the consolidated statements of earnings, retained earnings, contributed surplus and source and use of funds for the year then ended. Our examination of the financial statements of Canadian Food Products Limited and the subsidiaries of which we are the auditors 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. We have relied on the report of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 28, 1968 and the results of their operations and the source and use 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.

November 15, 1968

McDONALD, CURRIE & CO.
Chartered Accountants

**CANADIAN FOOD PRODUCTS LIMITED
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS
FOR THE YEAR ENDED SEPTEMBER 28, 1968**

	1968 \$	1967 \$
BALANCE AT BEGINNING OF YEAR	75,045	74,587
Net discount on preference shares purchased for cancellation	1,914	458
BALANCE AT END OF YEAR	76,959	75,045

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED SEPTEMBER 28, 1968**

	1968 \$	1967 \$
BALANCE AT BEGINNING OF YEAR	4,946,613	3,127,223
Net earnings for the year	352,229	1,940,774
	5,298,842	5,067,997
Dividends —		
First preference shares	55,627	65,944
Second convertible preference shares	54,648	55,440
	110,275	121,384
BALANCE AT END OF YEAR	5,188,567	4,946,613

**CONSOLIDATED STATEMENT OF EARNINGS
FOR THE YEAR ENDED SEPTEMBER 28, 1968**

	1968 \$	1967 \$
SALES	21,982,261	21,351,962
EARNINGS FROM OPERATIONS BEFORE THE UNDERNOTED ITEMS ..	1,241,916	1,327,964
Interest on short-term notes and deposits	92,250	35,896
Fire insurance claim	—	27,955
	1,334,166	1,391,815
<i>Deduct:</i> Provision for depreciation and amortization	635,780	578,755
Closed shop expenses	111,047	91,029
Interest on long-term debt	5,963	9,682
Directors' fees	4,667	6,150
	757,457	685,616
EARNINGS FROM OPERATIONS BEFORE INCOME TAXES	576,709	706,199
INCOME TAXES (note 4)	240,000	251,000
EARNINGS FROM OPERATIONS	336,709	455,199
NET GAIN ON DISPOSAL OF INVESTMENTS	15,520	1,485,575
NET EARNINGS FOR THE YEAR	352,229	1,940,774

