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

January 5, 1968

To the Shareholders of
 CANADIAN FOOD PRODUCTS LIMITED

On behalf of the Board of Directors, it is our pleasure to present the Annual Report of Canadian Food Products Limited covering its operations from October 2, 1966 to September 30, 1967.

An increase in sales of 7% was registered for this period. This was achieved in spite of the fact that several units with fairly substantial sales were closed down because they were not profitable operations.

Earnings before taxes were 29% over the last fiscal year while the after tax earnings were up 6%. This latter figure is brought about because of an increase of \$114,000 in taxes in fiscal 1967 over that of fiscal 1966.

During the course of the year, \$982,861 was spent on modernizing the bakery plant and the general upgrading of all retail operations. It is our intention to continue to reduce costs of production by progressively automating our plant while striving to reduce costs of distribution and retailing.

On behalf of the Board of Directors, we wish to extend to our shareholders and to all employees of Canadian Food Products Limited our appreciation for their support and assistance throughout the year.

Submitted on behalf of the Board.

SAMUEL FINGOLD,
 Chairman.

D. J. SINCLAIR,
 President.

DIRECTORS

**SAMUEL FINGOLD	Toronto	H. G. TAIT	Toronto
H. OWEN JONES	Hamilton	D. H. WARD	Toronto
*JAMES L. LEWTAS	Toronto	*L. N. WATT	Toronto
*D. J. SINCLAIR	Toronto		

*Members of the Executive Committee
 ** Chairman of the Executive Committee

OFFICERS

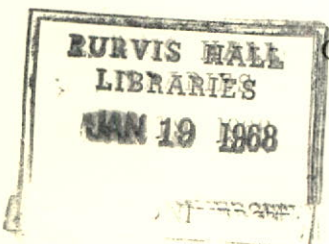
Chairman of the Board	SAMUEL FINGOLD	Vice-President	H. G. TAIT
President	D. J. SINCLAIR	Treasurer	J. G. ROWNEY
Vice-President	R. H. HERGERT	Secretary	E. F. MACKEEN

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 30, 1967

ASSETS

	1967	1966
CURRENT		
Cash	\$1,586,053	\$ 388,114
Accounts receivable	983,897	714,708
Insurance claims receivable	—	111,245
Mortgages receivable — current portion	18,916	25,818
Inventories (note 1)	811,957	618,601
Prepaid expenses	106,316	164,268
	3,507,139	2,022,754
OTHER ASSETS		
Mortgages receivable, less portion due within one year included in current assets	235,963	292,922
Investment — at cost	—	300,000
Special refundable tax	33,580	—
Deferred charges, less amounts written off	129,528	100,261
	399,071	693,183
LAND, BUILDINGS, EQUIPMENT AND LEASEHOLD INTERESTS (note 2).....	5,473,247	5,195,370
EXCESS OF PURCHASE PRICE OF BUSINESSES		
ACQUIRED OVER NET ASSETS	363,463	—
	\$9,742,920	\$7,911,307

LIABILITIES

	1967	1966
CURRENT		
Bank overdraft	52,886	—
Accounts payable and accrued liabilities	1,329,814	1,520,871
Dividend payable	28,313	—
Income and other taxes	163,333	149,951
Demand loan, 6%	55,000	—
Current portion of long-term debt	8,333	45,821
	1,637,679	1,716,643
LONG-TERM DEBT 7%, payable \$8,333 annually 1967 to 1977,		
less current portion	83,333	134,954
	1,721,012	1,851,597

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized (note 3)		
Issued and fully paid (note 3) —		
19,271 first preference shares	963,550	1,144,250
18,480 second convertible preference shares	924,000	924,000
730,828 common shares	1,112,700	789,650
	3,000,250	2,857,900
CONTRIBUTED SURPLUS	75,045	74,587
RETAINED EARNINGS	4,946,613	3,127,223
	8,021,908	6,059,710
SIGNED ON BEHALF OF THE BOARD:		
SAMUEL FINGOLD, Director	\$9,742,920	\$7,911,307
D. J. SINCLAIR, Director		

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Canadian Food Products Limited and subsidiaries as at September 30, 1967 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 when read in conjunction with the notes thereto present fairly the financial position of the companies as at September 30, 1967 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, except for the changes described in note 7, with that of the preceding year.

McDONALD, CURRIE & CO.
Chartered Accountants

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>				
(<i>\$50 par value</i>) —				
October 1, 1966	22,885	\$1,144,250	22,885	\$1,144,250
Purchased for cancellation during year	3,614	180,700	3,614	180,700
September 30, 1967	<u>19,271</u>	<u>\$ 963,550</u>	<u>19,271</u>	<u>\$ 963,550</u>
<i>Second convertible preference shares</i>				
(<i>\$50 par value</i>) —				
September 30, 1967	<u>18,480</u>	<u>\$ 924,000</u>	<u>18,480</u>	<u>\$ 924,000</u>
<i>Common shares</i>				
(no par value)				
October 1, 1966	1,006,678		684,678	789,650
Issued during the year in partial payment for shares of a subsidiary	—		46,150	323,050
September 30, 1967	<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 30, 1967, \$215,171 has been applied in excess of requirement (i) above and 7,636 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.

Dividends may not be paid on the common shares until the aggregate par value of all the first preference shares and second convertible preference shares has been reduced to less than \$1,800,000. 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 in excess of depreciation recorded in the accounts by \$146,000. As a result the total taxes otherwise payable for the year have been reduced by \$76,000 while the net accumulated reductions to date amount to \$481,000.

Income taxes for 1967 have been reduced by an additional \$47,000 on application of prior years' losses of a subsidiary against its 1967 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 30, 1967 aggregate approximately:

1968-1972	\$2,155,000
1973-1977	1,656,000
1978-1982	507,000
1983-1987	43,000

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 \$104,123.

7. CHANGE IN METHOD OF REPORTING

To bring its method of reporting into line with that of the parent company, Salada Foods Ltd., the company has made the following changes in its 1967 financial statements and has correspondingly adjusted the 1966 figures for comparison:

- Gains and losses on the disposal of investments and
 - Fire insurance claims and closed shop expenses, less applicable income taxes,
- have been included in the statement of earnings instead of retained earnings. Had the method of reporting not been changed, net earnings for 1967 would have been \$497,273 compared with \$421,778 for 1966.
- The practice introduced in 1965 of writing off to retained earnings in the year subsequent to takeover the excess of purchase price over net assets at date of acquisition of businesses has been discontinued. This change has no effect on the 1967 financial statements.

**CANADIAN FOOD PRODUCTS LIMITED
AND SUBSIDIARIES**
CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 1967

SOURCE OF FUNDS	1967	1966
Net earnings for the year	\$1,940,774	\$ 406,741
Provision for depreciation and amortization (including \$47,108 re closing of properties)	625,863	599,453
	2,566,637	1,006,194
Sale of investments (cost)	300,000	44,284
Reduction of mortgages	165,226	26,011
Life insurance	—	37,450
Disposal of fixed assets (book value)	79,120	105,337
Issue of common stock for shares of a subsidiary	323,050	—
	3,434,033	1,219,276
USE OF FUNDS		
Special refundable tax	33,580	—
Additions to fixed assets and leasehold interests	982,861	803,423
Dividends	121,384	124,864
Purchase for cancellation of first and second preference shares	180,242	60,608
Decrease in minority interest	—	20,517
Mortgages acquired	108,266	—
Excess of purchase price of businesses acquired over net assets	363,463	500
Increase in deferred charges (net)	29,267	32,369
Decrease (increase) in long-term debt	51,621	(54,179)
	1,870,684	988,102
INCREASE IN WORKING CAPITAL	\$1,563,349	\$ 231,174

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1967

1. INVENTORIES

Inventories are valued at the lower of cost and net realizable value and consist of:

	1967	1966
Ingredients and supplies	\$ 390,514	\$ 394,618
Products — in process and finished	421,443	223,983
	\$ 811,957	\$ 618,601

2. FIXED ASSETS

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

	1967			1966
	Cost	Accumulated depreciation or amortization	Net	Net
Land	\$ 625,581	\$ —	\$ 625,445	\$ 608,342
Buildings	2,282,082	665,634	1,616,059	1,511,386
Equipment	6,946,190	4,141,694	2,867,176	2,716,008
Leasehold interests	2,090,956	1,664,234	364,567	359,634
	\$11,944,809	\$ 6,471,562	\$ 5,473,247	\$ 5,195,370

**CANADIAN FOOD PRODUCTS LIMITED
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS
FOR THE YEAR ENDED SEPTEMBER 30, 1967**

	<u>1967</u>	<u>1966</u>
BALANCE AT BEGINNING OF YEAR	\$74,587	\$79,895
Net discount (premium) on preference shares purchased for cancellation	458	(5,308)
BALANCE AT END OF YEAR	<u>\$75,045</u>	<u>\$74,587</u>

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED SEPTEMBER 30, 1967**

	<u>1967</u>	<u>1966</u>
BALANCE AT BEGINNING OF YEAR	\$3,127,223	\$2,839,784
Net earnings for the year	1,940,774	406,741
	<u>5,067,997</u>	<u>3,246,525</u>
Dividends —		
First preference shares	65,944	69,030
Second convertible preference shares	55,440	55,834
Purchase price excess of businesses acquired prior to 1965	—	(5,562)
	<u>121,384</u>	<u>119,302</u>
BALANCE AT END OF YEAR	<u>\$4,946,613</u>	<u>\$3,127,223</u>

**CONSOLIDATED STATEMENT OF EARNINGS
FOR THE YEAR ENDED SEPTEMBER 30, 1967**

	<u>1967</u>	<u>1966</u>
SALES	<u>\$21,351,962</u>	<u>\$19,948,146</u>
EARNINGS FROM OPERATIONS BEFORE THE UNDERNOTED ITEMS	1,327,964	1,150,259
Interest on short-term notes and deposits	35,896	10,453
Fire insurance claim (note 7)	27,955	55,117
	<u>1,391,815</u>	<u>1,215,829</u>
Deduct: Provision for depreciation and amortization	578,755	577,388
Closed shop expenses (note 7)	91,029	67,355
Interest on long-term debt	9,682	14,638
Directors' fees	6,150	10,885
	<u>685,616</u>	<u>670,266</u>
EARNINGS FROM OPERATIONS BEFORE INCOME TAXES	706,199	545,563
INCOME TAXES (note 4)	251,000	137,000
MINORITY INTEREST IN SUBSIDIARIES' LOSSES	—	19,977
EARNINGS FROM OPERATIONS	455,199	428,540
NET GAIN (LOSS) ON DISPOSAL OF INVESTMENTS (note 7)	1,485,575	(21,799)
NET EARNINGS FOR THE YEAR	<u>\$1,940,774</u>	<u>\$ 406,741</u>

