C-stack

CANADIAN FOOD PRODUCTS LIMITED

7 WALKER AVENUE, TORONTO 7, ONT.

PURVIS HALL

OCT 22 1962

McGILL UNIVERSIT

ANNUAL REPORT

June 26, 1961

To the Shareholders of CANADIAN FOOD PRODUCTS LIMITED

On behalf of the board of directors, it is a pleasure to present to you the annual report of the Company covering its operations for the fiscal year ended February 25, 1961.

During this year the Company underwent a complete reorganization of its capital structure in accordance with the proposals submitted to you in October of last year. This reorganization was completed on November 29, 1960, and redemption of preferred shares was commenced during the year in accordance with the requirements of the capital reorganization.

Satisfactory progress was made during the year in the reduction of costs and the elimination of unprofitable operations. Efficiency and productivity have been improved, with the result that consolidated net earnings, after provision for taxes and minority interest for the year ended February 25, 1961, amounted to \$396,445, compared with a consolidated net loss of \$116,895 reported for the fiscal year ended February 27, 1960.

The Company paid its quarterly dividend of \$28,125 on the first and second convertible preference shares. After payment of the dividend to preferred shareholders, the net earnings per common share amounted to \$368,320. This amount has been retained to meet preferred share redemption requirements and for re-investment in the expansion of your Company.

Working capital at the end of the fiscal year 1961 was \$982,429, an increase of \$651,624 during the year. Current assets were \$2,753,892 against current liabilities of \$1,771,463, representing a current ratio of 1.55 to one.

The cash position of the Company has shown marked improvement, being represented on the balance sheet by cash of \$367,828 plus \$800,000 in short term investments for the fiscal year 1961, as against cash of \$266,536 shown for the fiscal year 1960.

It is with sincere regret that we record the death of Mr. E. W. Bickle, Chairman of the Board of Canadian Food Products Limited, who gave many years of outstanding service to your Company.

We also announce with regret the resignation as directors of your Company of Messrs. D. H. Gibson, J. A. Mullin, Q.C., D. Worts Smart, J. N. Swinden and H. M. Turner and would like to take this opportunity to express our sincere appreciation for their help and guidance during their tenure of office. As a result of these changes, Mr. Grant Horsey has been appointed Chairman of the Board of your Company and we are pleased to welcome to the Board Messrs. J. M. R. Corbet, G. E. Phipps and J. L. Lewtas, Q.C., to replace those directors who have resigned.

On behalf of the board of directors, we wish to extend to our shareholders and to all the members of the staff of the Company our sincere appreciation for their support and assistance throughout the year.

Submitted on behalf of the Board.

GRANT HORSEY,
22 1982 Chairman.

VICCIUL WRIVER

L. W. LAWSON,

President.

CANADIAN FOOD PRODUCTS LIMITED

(Incorporated under the laws of Ontario)

ITS SUBSIDIARIES AND

CONSOLIDATED BALANCE SHEET AS AT FEBRUARY 25, 1961 (With comparative figures for 1960)

ASSETS	1001	1000
CURRENT	1961	1960
Cash	\$ 367,828	\$ 266,536
Short term investments — at cost	800,000	
Accounts receivable, less provision for doubtful accounts	768,372	795,398
Inventories — valued at the lower cost or market Prepaid expenses	756,927 60,765	760,718
Trepaid expenses	-	67,089
OTHER ASSETS	2,753,892	1,889,741
Mortgages receivable — at cost	380,356	393,933
Cash surrender value of life insurance	34,550	33,750
Deposits on leased premises	17,268	19,383
	432,174	447,066
LAND, BUILDINGS AND EQUIPMENT — at cost	4,930,901	5,120,352
Accumulated depreciation	3,155,008	3,214,043
	1,775,893	1,906,309
INSTALLATION COSTS, less amounts written off	865,098	1,064,319
GOODWILL, including trade names, formulae, etc. — at cost less amounts written off (Note 2)		932,276
	\$5,827,057	\$6,239,711
LIABILITIES	1961	1960
CURRENT		
Accounts payable and accrued liabilities Provision for income and other taxes	\$1,553,082 218,381	\$1,558,936
	1,771,463	1,558,936
MINORITY INTEREST IN CONSOLIDATED NET ASSETS	2,294	2,261
SHARE OWNERS' EQUITY Capital stock —		
Authorized (Notes 1 and 2)		
Issued and fully paid — February 27, 1960		
25,000 preference shares (Note 1)		2,500,000
100,000 class A shares (Note 1) 200,000 common shares (Note 3)		1,777,220
200,000 common shares (Note 3)		4 077 000
Investment of the soid February 95 1061		4,277,220
Issued and fully paid — February 25, 1961 24,625 first preference shares (Notes 2 and 5)	1,231,250	
23,392 second convertible preference shares (Notes 2 and 5)		
684,678 common shares (Notes 2, 3 and 5)	789,650	
The production of the producti	3,190,500	
Contributed surplus	93,186	
Retained earnings	769,614	401,294
	4,053,300	4,678,514
Approved on Behalf of the Board:	\$5,827,057	\$6,239,711
L. W. Lawson, Director		
W. P. Scott, Director		

AUDITORS' REPORT TO THE SHARE OWNERS

We have examined the consolidated balance sheet of Canadian Food Products Limited and its subsidiary companies as at February 25, 1961 and the statements of consolidated earnings, consolidated retained earnings and contributed surplus for the year ended on that date. 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, the accompanying consolidated balance sheet and statements of consolidated earnings, consolidated retained earnings and contributed surplus, when read in conjunction with the notes appended thereto, present fairly the consolidated financial position of the companies as at February 25, 1961 and the consolidated results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CANADIAN FOOD PRODUCTS LIMITED AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED FEBRUARY 25, 1961

2. (Continued)

Changes in capital stock since reorganization on November 29, 1960 to February 25, 1961 were as follows:

	Auth	orized	Issued		
	Number of shares	Par value	Number of shares	Par or stated value	
First preference shares					
On reorganization Deduct:	25,000	\$1,250,000	25,000	\$1,250,000	
Redeemed during the year (Note 5)	375	18,750	375	18,750	
February 25, 1961	24,625	\$1,231,250	24,625	\$1,231,250	
Second convertible preference shares					
On reorganization Deduct:	25,000	\$1,250,000	25,000	\$1,250,000	
Redeemed during the year (Note 5) Converted to common	495	24,750	495	24,750	
share capital during the year (Note 5)	1,113	55,650	1,113	55,650	
February 25, 1961	23,392	\$1,169,600	23,392	\$1,169,600	
Common shares (without par value)			,		
On reorganization	1,000,000		650,000	\$ 650,000	
Issued on conversion of second convertible preference shares					
(Note 5) Options exercised	6,678		6,678	55,650	
(Note 3)			28,000	84,000	
February 25, 1961	1,006,678		684,678	\$ 789,650	

- Options to purchase 39,000 common shares of the company at \$3 per share were outstanding at February 27, 1960. Options covering 28,000 common shares have since been exercised. The remaining options have expired.
- Total rentals under lease agreements which extended more than five years beyond February 27, 1960 aggregated approximately \$6,756,000 and which extend more than five years beyond February 25, 1961 aggregate approximately \$4,238,763.
- 5. During the period from November 29, 1960 (date of reorganization) to February 25, 1961, 375 first preference shares and 495 second convertible preference shares were redeemed at a discount of \$7,595 and 1,113 second convertible preference shares were converted into 6,678 common shares.
- 6. Since February 25, 1961 the company has purchased for cancellation 1,105 first preference shares and 1,630 second convertible preference shares.
- 7. Since the year end, capital commitments have been entered into by the company at a total cost of approximately \$330,000.
- 8. The companies' practice is to claim for income tax purposes the maximum depreciation permitted under Canadian law. Because this will exceed the depreciation recorded in the accounts, taxes otherwise payable for the year ended February 25, 1961 have been reduced by an estimated amount of \$43,000.

CANADIAN FOOD PRODUCTS LIMITED AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED FEBRUARY 25, 1961

1. At February 27, 1960 the authorized capital stock of the company was as follows:

50,000 4½% cumulative redeemable preference shares with a par value of \$100 each, redeemable at \$103 per share plus accrued dividends \$5,000,000

Class A shares without par value, carrying a cumulative preferential annual dividend of \$1 per share \$100,000 shares

Common shares without par value 500,000 shares

The Class A shares were convertible into common shares at any time on the basis of one common share for each Class A share.

Cumulative preference share dividends were in arrears as follows:

- (a) 41/2% preference shares, arrears \$646,875, dividends paid to April 1, 1954.
- (b) Class A shares, arrears \$925,000, dividends paid to October 1, 1950.
- 2. Under the terms of supplementary letters patent dated November 29, 1960 and issued pursuant to a plan of reorganization:
 - (a) The 25,000 unissued 4½% cumulative redeemable preference shares at February 27, 1960 were cancelled.
 - (b) The outstanding 25,000 4½% cumulative redeemable preference shares were re-classified into 25,000 first preference shares with a par value of \$50 each, and 25,000 second convertible preference shares with a par value of \$50 each.
 - (c) The 100,000 Class A shares authorized and outstanding at February 27, 1960 were re-classified into 450,000 common shares without par value.
 - (d) The authorized capital was increased by the creation of a further 50,000 common shares.
 - (e) The issued or stated capital was decreased from \$4,277,220 to \$3,150,000, such decrease being applied against the stated value of \$1,777,220 of the then outstanding Class A and common shares and was effected by writing off goodwill (including trade names, formulae, etc.) appearing on the books of the company at an amount of \$417,686 and by writing down investments in subsidiary companies by an amount of \$514,590 and by transferring the sum of \$194,944 from issued capital to contributed surplus.

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 cumulative annual dividend of 3% until October 1, 1965 or the commencement of common share dividends, whichever is the earlier, and thereafter 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 to apply a maximum of 20% 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 or to purchase or redeem at least 500 first preference shares and second convertible preference shares in the aggregate in each year, subject to certain conditions. 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.

CANADIAN FOOD PRODUCTS LIMITED AND ITS SUBSIDIARIES

STATEMENT OF CONTRIBUTED SURPLUS FOR THE YEAR ENDED FEBRUARY 25, 1961

FOR THE YEAR ENDED FEBRUARY 2	5, 1961	
ARISING ON REORGANIZATION		
Transfer from issued capital stock		
November 29, 1960 pursuant to a		0101011
plan of reorganization (Note 2) Loss on closing and disposal of		\$194,944
restaurants	\$ 80,783	
Reorganization expenses	28,570	109,353
	-	85,591
ARISING ON THE REDEMPTION OF PREFERENCE SHARES (Note 5)		7,595
BALANCE — FEBRUARY 25, 1961		\$ 93,186
STATEMENT OF CONSOLIDATED RETAINE	D EAR	NINGS
FOR THE YEAR ENDED FEBRUARY 2		
(With comparative figures for 1960)	0, 1701	
, , , , , , , , , , , , , , , , , , , ,	1961	1960
BALANCE — BEGINNING OF YEAR	\$401,294	\$562,428
Net earnings (loss) for the year	396,445	(116,895)
	797,739	445,533
Dividends—		
First preference shares	18,750	
Second convertible preference shares	9,375	
	28,125	
	769,614	445,533
Loss on closing and disposal of		
restaurants (Net) Profit on closing and disposal		72,551
of coffee shops		28,312
		44,239
BALANCE — END OF YEAR	\$760.614	100
BILLINGE — END OF TEME	\$769,614	\$401.294
STATEMENT OF CONSOLIDATED TAX	NINGS	
STATEMENT OF CONSOLIDATED EATFOR THE YEAR ENDED FEBRUARY 2		
FOR THE YEAR ENDED FEBRUARY 2 (With comparative figures for 1960)	5, 1961	
(With comparative lightes for 1900)	1961	1960
Earnings from operations before the undernoted items		
Investment income	\$922,916 8,959	\$296,253
Profits on disposals of fixed assets	30,169	
	962,044	296,253
Deduct:		
Provision for depreciation and amortization Directors' fees	343,751 9,772	405,162 7,986
Earnings (loss) before income taxes	608,521	
Provision for income taxes (Note 8) 262,354	000,521	(116,895)
Less:	010.05	
Reduction on application of prior year's losses 50,278	212,076	Control of the Contro
NET EARNINGS (LOSS) FOR THE YEAR	\$396,445	(\$116,895)

DIRECTORS

	J. M. R. Corbe	T					Toronto
	Hon. Wilfrid	GAG	NC	ON			Montreal
	*Grant Horsey						Toronto
*	*J. WILLIAM HO	ORSE	Y			T	o <mark>dmorde</mark> n
	*L. W. LAWSON						Toronto
	J. L. LEWTAS,	Q.O	J.				Toronto
	G. E. PHIPPS .		٠				Toronto
	W. P. Scott .						Toronto
	F. C. WALLACE						Toronto
	W. P. WILDER						Toronto

^{*}Members of the Executive Committee

OFFICERS

Chairman of the Board	Grant Horsey
President	L. W. LAWSON
Vice-President	B. M. Draper
Vice-President	R. H. HERGERT
Treasurer & Controller	J. G. Rowney
Secretary	J. L. Lewtas, Q.C.

Auditors McDonald, Currie & Co., Toronto

Legal Counsel Arnoldi, Parry, Campbell, Pyle, Godfrey and Lewtas

Transfer Agents Crown Trust Company, Toronto and Montreal

^{**}Chairman of the Executive Committee