

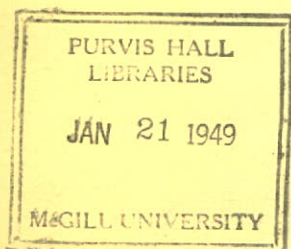
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Canadian Food Products

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TWENTIETH ANNUAL REPORT

Year ended October 30th  
1948





# CANADIAN FOOD PRODUCTS LIMITED

## REPORT OF THE BOARD OF DIRECTORS

### TO THE SHAREHOLDERS:

Your Directors present herewith a statement of the affairs and financial position of your Company for the fiscal year ended October 30, 1948.

The volume of sales was at a very high level during the past year in all divisions of your Company. The costs of production and selling were considerably higher than during the previous year with the result that the relationship of profits to sales is not as favourable as in the 1947 fiscal year. Your Directors are of the opinion that, under present day conditions, every effort should be made to avoid increased selling prices. It is necessary, therefore, to compensate for the lower margin of profits by a very rigid control of operating costs and expenses and by carefully planned production and merchandising methods.

### COFFEE SHOPS, CAFETERIAS AND RESTAURANTS

Operations of this nature are carried on in various Canadian cities extending from coast to coast. At the present time the Honey Dew Division operates 37 coffee shops and 2 restaurants, and in addition there are a number of other shops and outlets which are operated only during the summer months and also only on special occasions such as those at the Baseball Stadium, the Canadian National Exhibition and the Royal Winter Fair in Toronto.

Muirheads Cafeterias, Limited, over 93% of the outstanding shares of which are owned, operates three cafeterias and a Drive-In restaurant in Toronto, a cafeteria in Hamilton and a restaurant in London, Ontario. In September, 1948 this company opened a new large combination cafeteria and coffee shop at 67 Richmond Street West, Toronto, and with the potential volume of business at this location it is fully expected the shop will be highly successful.

Restaurant operations are also carried on in most of the shops of Picardy Limited and its subsidiaries in Winnipeg, Regina, Saskatoon, Calgary and Edmonton. Improvements were made in certain of these shops during the past year, and the shop at the corner of Portage and Vaughan in Winnipeg recently has been completely remodelled.

The industrial and institutional catering operations as carried on by Industrial Food Services Limited were quite successful during the year, and this company has several new contracts under negotiation for the coming year.

### THE BAKERY DIVISIONS

Woman's Bakery Limited operates 41 retail bake shops in Toronto and vicinity. A similar chain of 26 high class bake shops is operated by the Window Bakeries Division of Picardy Limited in Vancouver and New Westminster. High quality packaged biscuits are produced and distributed throughout Canada by Barker's Biscuits Limited, a wholly owned subsidiary. The volume of sales of all lines of bakery products has continued at very high levels but the effect of high costs of production and distribution has been most noticeable in these divisions.



## THE CANDY DIVISIONS

The operations of the candy divisions were very satisfactory during the year. The modernization work on the plant of Willards Chocolates, Limited in Toronto was carried on without any serious interference to the volume of production. Since the end of the fiscal year a small volume of the new Suchard chocolate bar has been produced and distributed through the retail trade. The public acceptance of this high quality chocolate bar has been exceptionally good, and your Directors are very optimistic about the prospects for this world famous line of Suchard candy in Canada this coming year.

### CONSOLIDATED SALES AND PROFITS

The net profits for the year amounted to \$603,153.27 in comparison with \$610,090.41 in the previous year. The following summary shows the comparative results for the past two fiscal years:

	1948	1947
Sales .....	\$16,498,551.76	\$15,329,132.97
Operating Profits .....	\$ 1,467,603.03	\$ 1,603,531.33
<i>Add:</i>		
Profit on sale of securities .....	17,246.87	17,207.13
	\$ 1,484,849.90	\$ 1,620,738.46
<i>Deduct:</i>		
Depreciation .....	\$482,034.67	\$410,971.78
Interest on Bonds .....	29,044.59	32,608.84
	511,079.26	443,580.62
Profits before taxes .....	\$ 973,770.64	\$ 1,177,157.84
Provision for Income and Excess Profits Taxes .....	368,000.00	565,000.00
	\$ 605,770.64	\$ 612,157.84
Minority Interests .....	2,617.37	2,067.43
Net Profits .....	\$ 603,153.27	\$ 610,090.41

The provision for depreciation increased by approximately \$71,000.00 over the previous year due to the extensive additions to the fixed assets and also the provision of double depreciation on certain items of equipment in the plants. Due to the elimination of the Excess Profits Taxes for ten months of the fiscal year and, to some extent, to the lower taxable income for the year, the provision for Income and Excess Profits Taxes is \$197,000.00 lower than in the previous year. The improvement in the operating results of a partly owned subsidiary accounts for the increase in the profits which have been set aside for the Minority Interests.

## BALANCE SHEET

The major post-war programme of expansion and modernization of your Company's facilities, to which reference has been made in previous reports, has been substantially completed. Funds for the completion of this programme were raised by the sale of \$2,500,000.00 par value of 4½% Preference shares of the Company in the Fall of 1946. Completion of the programme has resulted in a reduction of the working capital which, at October 30, 1948, amounted to \$1,654,257.55 as compared with \$2,016,161.24 at the end of the previous year. It is anticipated that normal capital expenditures in the form of replacements, and any new construction required to meet further expansion in the Company's sales, can now be held to a total figure per annum which will not exceed the aggregate amount provided for depreciation. The ratio of current assets to current liabilities continues to be favourable at a level of approximately 2.3 to 1.

## DIVIDENDS

Regular quarterly dividends at the rate of 4½% per annum, \$1.00 per annum and 75¢ per annum on the Preference, Class A and Common shares respectively were paid on January 1, April 1, July 1 and October 1, 1948. Since the year end the regular quarterly dividend at the above rates was paid on January 1, 1949.

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Your Directors wish to record their appreciation of the loyal and efficient service rendered by the officers during the year, and also to commend to the shareholders the more than 3,900 employees of the Company and its subsidiaries whose loyal support and co-operation have contributed so much to the successful operation of your Company.

Your Directors look forward to the future with confidence.

Submitted on behalf of the Board.

E. P. TAYLOR,  
*Chairman.*

H. L. WALKER,  
*President.*

January 18, 1949.



# CANADIAN FOOD PRODUCTS LIMITED

*Consolidated Balance Sheet*

## ASSETS

	October 30, 1948	November 1, 1947
<b>CURRENT ASSETS:</b>		
Cash on hand and in banks . . . . .	\$ 529,403.54	
Accounts receivable, less reserve . . . . .	884,089.10	
Inventories as certified by responsible officials and valued at the lower of cost or market . . .	1,381,776.01	
Life insurance, cash surrender value . . . . .	29,257.12	
Prepaid rents, taxes, insurance, etc. . . . .	91,680.70	
	\$2,916,206.47	\$3,317,985.70
<b>REFUNDABLE PORTION OF EXCESS PROFITS TAX</b>		
(Estimated) . . . . .	253,856.35	256,427.65
<b>FIXED ASSETS:</b>		
Land . . . . .	\$ 321,398.49	
Buildings . . . . .	\$1,195,290.91	
Less—Reserve for depreciation	289,154.12	
	906,136.79	
Installation costs of shops, etc. . . . .	\$1,522,581.34	
Less—Reserve for amortization	478,625.22	
	1,043,956.12	
Fixtures and Equipment . . . . .	\$3,694,566.51	
Less—Reserve for depreciation	1,775,742.48	
	1,918,824.03	
	4,190,315.43	3,686,529.80
<b>GOODWILL, TRADE NAMES, FORMULAE, ETC. . . . .</b>	<b>1,432,180.68</b>	<b>1,432,180.68</b>
	<b>\$8,792,558.93</b>	<b>\$8,693,123.83</b>

**NOTES:**

1. The 4 1/4% Preference shares are:
  - (a) redeemable at the option of the company on thirty days' notice at \$103.00 per share and accrued dividend
  - (b) convertible into Common shares on the basis of four Common for each Preference share up to November 1, 1948
2. The Class A shares are convertible into Common shares at any time on the basis of one Common share for each Class A share.

**AUDITORS' REPORT**

We have made an examination of the above consolidated balance sheet of Canadian Food Products Limited and its subsidiaries for the year ended on that date. In connection therewith we examined or tested the accounting records of Canadian Food Products Limited, Muirheads Cafeterias, Limited, Barker's Biscuits Limited, Willards Chocolates, Limited and Suchard Canada Limited. We did not make a detailed audit of the transactions. We have had submitted to us financial statements of Picard and Suchard, which statements have been incorporated in the consolidated accounts above mentioned.

On the basis of this examination, we report that in our opinion the above consolidated balance sheet and surplus for the year ended on that date, and the accompanying financial statements, present a true and correct view of the state of the combined affairs of Canadian Food Products Limited and its subsidiary companies, to the best of our information and the explanations given us, and as shown by the books of the companies. All our work was done in accordance with the provisions of the Companies Act, 1929.

Toronto, December 30, 1948.

# ED AND SUBSIDIARY COMPANIES

Sheet, October 30, 1948

## LIABILITIES

	October 30, 1948	November 1, 1947
CURRENT LIABILITIES:		
Accounts payable and accrued expenses . . . . .	\$ 914,603.75	
Provision for income and excess profits taxes after payments on account . . . . .	347,345.17	
	\$1,261,948.92	\$1,301,824.46
FIRST MORTGAGE AND COLLATERAL TRUST SERIAL BONDS:		
\$400,000.00 3½% bonds maturing \$100,000.00 annually 1949 to 1952 inclusive and \$300,000.00 4% bonds maturing \$100,000.00 annually 1953 to 1955 inclusive . . . . .	700,000.00	800,000.00
MINORITY INTERESTS IN SUBSIDIARY COMPANIES . . .	47,096.11	49,259.20
CAPITAL STOCK AND SURPLUS:		
Capital stock:		
Authorized:		
50,000 4½% Cumulative Convertible Re- deemable Preference shares, par value \$100.00 each:		
100,000 Class A shares of no par value, convertible, carrying a cumulative pref- erential annual dividend of \$1.00 per share:		
500,000 Common shares of no par value:		
Issued:		
25,000 4½% Preference shares . . . . .	\$2,500,000.00	
100,000 Class A shares } . . . . .	1,777,220.10	
200,000 Common shares } . . . . .	963,871.47	
Rest account (capital surplus) . . . . .	1,542,422.33	
Earned surplus . . . . .	6,783,513.90	6,542,040.17
	\$8,792,558.93	\$8,693,123.83

, 1951, and thereafter up to November 1, 1956, on the basis of three Common for each Preference share.  
Class A share.

Approved on behalf of the Board,

E. P. TAYLOR, *Director*  
H. L. WALKER, *Director*

### THE SHAREHOLDERS

and its subsidiary companies as of October 30, 1948, and of the consolidated statements of profit and loss and earned  
and other supporting evidence of the parent company, Industrial Food Services Limited, Woman's Bakery Limited,  
and made a general review of the accounting methods and of the operating and income accounts for the year but  
limited, Picardy Candy (Alberta) Limited and Picardy Candy (Saskatchewan) Limited certified by their respective

comparing consolidated statements of profit and loss and earned surplus are properly drawn up so as to exhibit  
companies as at October 30, 1948 and the results of their combined operations for the year ended on that date, according  
requirements as auditors have been complied with.

THORNE, MULHOLLAND, HOWSON & McPHERSON,  
Chartered Accountants.

CANADIAN FOOD PRODUCTS LIMITED  
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the year ended October 30, 1948

Profit from Operations (including \$17,246.87 profit realized on sale of securities) before providing for the undermentioned items.....	\$1,484,849.90
Provision for Depreciation and Amortization .....	482,034.67
	\$1,002,815.23
Interest on First Mortgage and Collateral Trust Serial Bonds.....	29,044.59
	\$ 973,770.64
Provision for Income and Excess Profits Taxes .....	368,000.00
	\$ 605,770.64
DEDUCT:	
Profits earned by subsidiaries accruing to minority interests.....	2,617.37
NET PROFIT FOR YEAR.....	\$ 603,153.27

CONSOLIDATED STATEMENT OF EARNED SURPLUS

For the year ended October 30, 1948

Consolidated Earned Surplus, November 1, 1947.....	\$1,301,769.06
Net Profit for year .....	603,153.27
	\$1,904,922.33
Dividends paid:	
Preference shares, \$4.50 per share.....	\$112,500.00
Class A shares, \$1.00 per share.....	100,000.00
Common shares, 75¢ per share.....	150,000.00
	362,500.00
CONSOLIDATED EARNED SURPLUS, OCTOBER 30, 1948.....	\$1,542,422.33



# CANADIAN FOOD PRODUCTS LIMITED

## *Board of Directors*

E. W. BICKLE	Toronto
D. H. GIBSON	Toronto
WALTER G. LUMBERS	Toronto
M. W. McCUTCHEON, K.C.	Toronto
J. M. PRITCHARD	Montreal
W. P. SCOTT	Toronto
D. WORTS SMART	Toronto
E. P. TAYLOR	Toronto
HOWARD L. WALKER	Toronto

## *Officers*

Chairman of the Board	E. P. TAYLOR
President	HOWARD L. WALKER
Vice-President	WALTER G. LUMBERS
Executive Vice-President	A. M. TALBOT
Vice-President and Treasurer	H. L. SLATER, C.A.
Secretary	H. R. DOUGLAS

## *Bankers*

THE BANK OF NOVA SCOTIA  
IMPERIAL BANK OF CANADA  
THE CANADIAN BANK OF COMMERCE  
THE ROYAL BANK OF CANADA  
BANK OF MONTREAL

## *Transfer Agents and Registrars*

CROWN TRUST COMPANY, TORONTO  
NATIONAL TRUST COMPANY, LIMITED  
MONTREAL, WINNIPEG AND VANCOUVER  
THE EASTERN TRUST COMPANY  
HALIFAX AND SAINT JOHN

## *Trustee for Bond Holders*

NATIONAL TRUST COMPANY, LIMITED  
TORONTO

## *Auditors*

THORNE, MULHOLLAND, HOWSON & McPHERSON

## *Solicitors*

FRASER, BEATTY, TUCKER, McINTOSH & STEWART







