

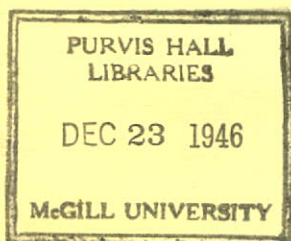
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# Canadian Food Products Limited



## EIGHTEENTH ANNUAL REPORT

Year ended November 2nd  
1946





# CANADIAN FOOD PRODUCTS LIMITED

## ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual and a special general meeting of the shareholders of Canadian Food Products Limited will be held in Private Dining Room No. 8 of the Royal York Hotel, 100 Front Street West, Toronto, Ontario, on Thursday, the 9th day of January, 1947, at the hour of 2.30 o'clock in the afternoon for the purpose of receiving and considering the statement of accounts and balance sheet of the Company for the period ended November 2, 1946 and the reports of the directors and auditors thereon; for the election of directors and the appointment of auditors; for the consideration and, if approved, ratification and confirmation of all by-laws (including By-law No. 28 with respect to the termination of the fiscal year of the Company, By-law No. 29 with respect to the officers authorized to execute documents on behalf of the Company and By-law No. 31 with respect to the quorum requisite for meetings of shareholders), contracts, acts and proceedings of the board of directors of the Company enacted, made, done or taken since the last annual meeting of shareholders; for the purpose of considering and if thought fit confirming By-law No. 33 authorizing an application for supplementary letters patent amending the letters patent of the Company so that if the by-laws of the Company so provide it shall not be necessary for a majority of the directors to constitute a quorum of the board, provided, however, that the number necessary to constitute a quorum shall not be less than two-fifths of the total number of directors; and for the transaction of such further and other business as may properly come before the meeting or any adjournment thereof.

As a substantial representation of the shareholders is desired, if you are not able to be personally present please sign and return the enclosed form of instrument of proxy.

DATED at Toronto this 19th day of December, 1946.

BY ORDER OF THE BOARD,

H. R. DOUGLAS,

Secretary.

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# CANADIAN FOOD PRODUCTS LIMITED

## REPORT OF THE BOARD OF DIRECTORS

### TO THE SHAREHOLDERS:

Your Directors present herewith a statement of the affairs and of the financial position of your Company for the fiscal year ended November 2, 1946.

In June 1946 the businesses of Canadian Window Bakeries Limited and Golden Rule Bakery Limited in Vancouver were acquired by Picardy Limited, a wholly owned subsidiary. In October 1946 your Company acquired all the outstanding Common shares and over 96% of the outstanding Preference shares of Willards Chocolates, Limited of Toronto, Ontario. Leases on several new shop locations also have been obtained for the various divisions. All of these important acquisitions have been made in accordance with previously formulated plans to expand your Company's operations.

### COFFEE SHOPS, CAFETERIAS AND RESTAURANTS

Operations of this nature are carried on in various Canadian cities extending from Montreal to Vancouver. During the year the Honey Dew Division operated 34 coffee shops and 2 restaurants and since the end of the fiscal year has extended its facilities to 4 terminals of the British Columbia Electric Railway Company, Limited in Vancouver and New Westminster, B.C. Muirheads Cafeterias Limited, over 92% of the outstanding shares of which are owned, operates two cafeterias and a restaurant in Toronto, a cafeteria in Hamilton and a restaurant in London, Ontario. Restaurant operations are also carried on in most of the shops of Picardy Limited and its subsidiaries in Winnipeg, Regina, Saskatoon, Calgary and Edmonton.

The volume of sales and the number of customers being served are continuing at record levels in these divisions. During the last few months of the fiscal year, however, there was experienced a very substantial increase in the cost of basic commodities such as meats, canned goods and certain dairy products as the result of new Governmental regulations. Your Directors and the management are actively engaged in measures to compensate for the increased costs and thus maintain the satisfactory level of profits which these divisions experienced during the past year.

In the interim report issued on May 25, 1946 your Directors expressed concern over the standard of service in the restaurant divisions. While some improvement has taken place since that time, these standards due to present day conditions remain considerably lower than those which existed prior to the war. It is confidently expected, however, that the service will be greatly improved during this next year and at least a partial restoration accomplished of the high esteem that the public have always held for your business.

The industrial and institutional catering operations as conducted by Industrial Food Services Limited have developed very satisfactorily during the past year. During the war this company's principal activities consisted of supplying food and refreshments to workers in industrial plants. With the cessation of hostilities the catering operations at most of these plants were discontinued but are gradually being replaced by contracts with other large industrial companies, universities and institutional organizations.

### THE BAKERY DIVISIONS

The remodelling and equipping of one of the two plants purchased in 1945 from Barker's Bakeries Limited in Toronto was completed in October 1946 and production of high quality bakery products is now being carried on to supply the 34 retail shops of the Woman's Bakery

Division in Toronto. The new plant has provided excellent facilities for increased production, greater diversification of lines and improved methods.

The other Barker's plant has been operated with minor alterations throughout most of the year by Barker's Biscuits Limited, a wholly owned subsidiary. The production and sale of high quality packaged biscuits and fruit cake has increased considerably during the past year. The products of this company have a wide distribution through the wholesale and retail trade in Canada and it is the intention to further modernize the plant equipment in order to increase the quantity and efficiency of production.

#### THE CANDY DIVISIONS

The capacity of your Company to produce candies has been expanded further recently by the acquisition of most of the outstanding share capital of Willards Chocolates, Limited. This subsidiary manufactures at its own plant in Toronto a complete line of candy and distributes its products throughout Canada and to some extent in the export market. Plans are being developed for the expansion of the candy business from this company's plant in Toronto.

The acquisition by Picardy Limited of the two bakery businesses in Vancouver this year provided that company with a chain of 22 retail shops through which only bakery products are at present being distributed. As soon as conditions permit and further supplies of raw materials become available it is planned to use certain of these retail shops as further outlets for Picardy candies.

#### CONSOLIDATED PROFITS

The net profits for the year amounted to \$499,192.82 in comparison with \$293,494.28 in the previous year. The following summary shows the comparative results for the past two fiscal years:

	1946	1945
Operating Profits . . . . .	\$1,297,950.60	\$852,151.37
<i>Add:</i>		
Profit on sale of securities . . . .	35,680.52	42,526.42
	<u>\$1,333,631.12</u>	<u>\$894,677.79</u>
<i>Deduct:</i>		
Depreciation . . . . .	\$243,815.57	\$156,230.46
Interest on Bonds . . . . .	35,036.99	32,475.91
	<u>278,852.56</u>	<u>188,706.37</u>
Profits before taxes . . . . .	\$1,054,778.56	\$705,971.42
Provision for Income and Excess Profits Taxes . . . . .	567,596.46	441,864.92
	<u>\$487,182.10</u>	<u>\$264,106.50</u>
<i>Add:</i>		
Refundable portion of Excess Profits Taxes—estimated . . . . .	18,278.45	58,745.77
	<u>\$505,460.55</u>	<u>\$322,852.27</u>
Minority Interests . . . . .	6,267.73	29,357.99
Net Profits . . . . .	<u><u>\$499,192.82</u></u>	<u><u>\$293,494.28</u></u>

The substantial increase of \$348,807 in profits before taxes mainly reflects the improved earnings of divisions of the business owned and operated for the full fiscal year. The profits of new businesses acquired during the year contributed in a lesser degree to this increase.

Income and Excess Profits Taxes, while they continue to amount to more than one-half of profits, are proportionately lower this year because of the benefits obtained since January 1, 1946 of lower rates of taxation.

The Standard Profits of your Company and two of its subsidiaries were determined this year. Certain other applications have yet to be heard and dealt with. In accordance with its usual practice, your Company has made provision for taxes on a basis considered adequate when the Standard Profits of all the companies are finally determined and confirmation obtained in respect of the tax payments during the past few years.

#### BALANCE SHEET

The Balance Sheet reflects the important expansion of your Company during the past year as it includes the assets and liabilities of the several businesses acquired.

On November 15, 1946, after the close of the fiscal year, your Company sold \$2,500,000 4½% Cumulative Convertible Redeemable Preference Shares. The proceeds from this issue, which are not reflected in the Balance Sheet, were used in part to reimburse your Company for the purchase of new businesses and the balance is being held to provide funds for further expansion in the coming year.

#### DIVIDENDS

Four quarterly dividends at the rate of 25c. per share and 12½c. per share were paid during the year on the outstanding Class A and Common shares respectively. The next quarterly dividend on the Common shares payable January 1, 1947 will be 18¾c. per share which is at the rate of 75c. per annum.

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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 many 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.*

December 19th, 1946.

# CANADIAN FOOD PRODUCTS LIMITED

*Consolidated Balance Sheet*

## ASSETS

**CURRENT ASSETS:**

Cash on hand and in banks .....	\$	485,676.59	
Marketable Securities (Quoted Value \$444,524.88):			
Dominion of Canada Bonds.....	\$	357,900.00	
Listed Securities.....		35,971.25	
		393,871.25	
Accounts Receivable, less reserve.....			553,052.12
Inventories at lower of cost or market:			
Merchandise.....	\$	653,547.18	
Supplies.....		195,299.48	
		848,846.66	
Life Insurance—Cash Surrender Value.....			25,077.06
Prepaid Rents, Taxes, Insurance, etc.....			60,041.43
			\$2,366,565.11
REFUNDABLE PORTION OF EXCESS PROFITS TAX (ESTIMATED)....			256,427.65
MORTGAGE RECEIVABLE.....			22,000.00
<b>FIXED ASSETS:</b>			
Land.....	\$	257,482.49	
Buildings.....	\$	937,211.93	
Less Reserve for Depreciation.....		227,516.94	
		709,694.99	
Installation Costs—Shops, etc.....	\$	744,180.07	
Less Reserve for Amortization.....		346,200.35	
		397,979.72	
Fixtures and Equipment.....	\$2,611,103.08		
Less Reserve for Depreciation.....		1,365,946.56	
		1,245,156.52	
			2,610,313.72
GOODWILL, TRADE NAMES, FORMULAE, ETC.....			1,432,180.68
			\$6,687,487.16

**NOTES:**

- (1) On November 15, 1946 the Company received payment for the sale of \$2,500,000 par value of the above 4½% P in the above Balance Sheet.
- (2) The 4½% Preference shares are:
  - (a) redeemable at the option of the Company on thirty days' notice at \$103.00 per share and accrued dividends
  - (b) convertible into Common shares on the basis of four Common for each Preference share up to November 1, 1947
- (3) The Class A shares are convertible into Common shares at any time on the basis of one Common share for each Class A share.
- (4) During the fiscal year ended November 2, 1946 the Company sold for cash 9,912 Class A shares and 19,824 Common shares.

**AUDITORS' REPORT TO**

We have made an examination of the Consolidated Balance Sheet of Canadian Food Products Limited and its Subsidiary Companies for the year ended on that date. In connection therewith we examined or tested the accounting records and other supporting documents of Canadian Food Products Limited, Federal System of Bakeries Limited and Barker's Biscuits Limited and made a general review of the transactions. We have had submitted to us financial statements of Willards Chocolates, Limited, Picardy Limited and its Subsidiary Companies which statements have been incorporated in the Consolidated Accounts above mentioned.

On the foregoing basis, we report that in our opinion the above Consolidated Balance Sheet at November 2, 1946, and the Profit and Loss Statement of Canadian Food Products Limited and its Subsidiary Companies according to the best of our information and the explanation furnished to us are correct.



# ED AND SUBSIDIARY COMPANIES

et, November 2, 1946

## LIABILITIES

### CURRENT LIABILITIES:

Bank Loan.....	\$ 600,000.00	
Accounts Payable and Accrued Expenses.....	805,228.71	
Provision for Income and Excess Profits Taxes after payments on account.....	438,120.72	
		<u>\$1,843,349.43</u>

### FIRST MORTGAGE AND COLLATERAL TRUST SERIAL BONDS:

\$600,000.00 3½% bonds maturing \$100,000.00 annually 1947 to 1952 inclusive and \$300,000.00 4% bonds maturing \$100,000.00 annually 1953 to 1955 inclusive.....		900,000.00
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MINORITY INTERESTS IN SUBSIDIARY COMPANIES.....		54,594.92
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### CAPITAL STOCK AND SURPLUS:

#### Capital Stock:

##### Authorized:

50,000 4½% Cumulative Convertible Redeemable Preference shares, par value \$100.00 each:

100,000 Class A shares of no par value, convertible, carrying a cumulative preferential annual dividend of \$1.00 per share:

500,000 Common shares of no par value:

##### Issued:

100,000 Class A shares}	.....	\$1,777,220.10
200,000 Common shares}		

Rest Account (Capital Surplus).....	1,072,206.56
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Earned Surplus, including \$256,427.65 Refundable Portion of Excess Profits Tax.....	<u>1,040,116.15</u>	3,889,542.81
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\$6,687,487.16

reference shares sold under an underwriting agreement dated October 18, 1946, the proceeds of which are not reflected

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

Class A share.

on shares.

### THE SHAREHOLDERS

Subsidiary Companies as of November 2, 1946, and of the Consolidated Profit and Loss and Earned Surplus Accounts supporting evidence of the Parent Company, Industrial Food Services Limited, Woman's Bakery Limited, Muirheads the accounting methods and of the Operating and Income accounts for the year but did not make a detailed audit of Picardy Candy (Alberta) Limited and Picardy Candy (Saskatchewan) Limited certified by their respective auditors,

, 1946 is properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of nations given us. All our requirements, as auditors, have been complied with.

THORNE, MULHOLLAND, HOWSON & McPHERSON,  
Chartered Accountants.

CANADIAN FOOD PRODUCTS LIMITED  
AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT  
For the year ended November 2, 1946

Profit from Operations (including \$35,680.52 profit realized on sale of securities) before providing for the undermentioned items.....		\$1,333,631.12
Provision for Depreciation and Amortization.....		243,815.57
		\$1,089,815.55
Interest on First Mortgage and Collateral Trust Serial Bonds....		35,036.99
		\$1,054,778.56
Provision for Income and Excess Profits Taxes.....	\$567,596.46	
Less Refundable Portion of Excess Profits Tax.....	18,278.45	
		549,318.01
		\$505,460.55
DEDUCT:		
Profits earned by subsidiaries prior to acquisition and profits accruing to minority interests.....		6,267.73
NET PROFIT FOR YEAR.....		\$499,192.82

CONSOLIDATED EARNED SURPLUS ACCOUNT  
For the year ended November 2, 1946

Consolidated Earned Surplus, October 30, 1945.....		\$ 735,191.69
Net Profit for year.....		499,192.82
		\$1,234,384.51
Dividends paid:		
Class A shares, \$1.00 per share.....	\$97,134.18	
Common shares, 50c. per share.....	97,134.18	
		194,268.36
CONSOLIDATED EARNED SURPLUS, NOVEMBER 2, 1946.....		\$1,040,116.15

# CANADIAN FOOD PRODUCTS LIMITED

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*Board of Directors*

E. W. BICKLE	Toronto
D. H. GIBSON	Toronto
WALTER G. LUMBERS	Toronto
M. W. McCUTCHEON	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 AND GUARANTEE 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





