

In 1983 Skipper's, Inc. experienced substantial gains in revenues and profits over the prior year. In short, 1983 was an outstanding year for the company. And significantly, it marked our fifth consecutive year of improved cumulative financial results.

Skipper's is committed to achieving long-term and stable levels of growth. Our efforts and accomplishments during 1983 were consistent with this philosophy. Our 33% gain in revenues and 93% rise in net income reflect the compounded result of several years' work, in addition to the efforts of this past year. A mild winter in most of our markets and a recovering economy also worked to our benefit during the year.

In 1983 Skipper's recorded a 12% increase in real sales (sales, minus menu price increases and new restaurant openings). In comparison the average for industry real-sales growth stood at approximately 5% for the year.

Key to the achievement of our real-sales gains was improved restaurant sales volumes at several levels. New company sales records were achieved for a single operating day, a week, a 4-week period, a 12-week quarter and the fiscal year. Average annual restaurant sales for company restaurants were \$407,000, an increase of 19% over 1982. Significantly, only one menu price increase was implemented during the year: 3.2% in December.

Although we made no sweeping changes in our strategy for achieving continued compounded growth, several new developments are worth noting. These tangibly contributed to the year's strong performance and expanded the base for increasing our growth opportunities in the future.

**Operations**—The pressure to keep pace with customer demands took on a perceptibly different emphasis during the year. Historically, the delivery of quality product and friendly service has been the core of our restaurants' success. In 1983 speed-of-service assumed a more pronounced role in the management of daily operations.

Improving this area was identified as a means of attracting customers, whose chief concern is fast service, as well as achieving incremental sales through our ability to serve more customers during peak meal periods.

New service procedures and an increase in the number of labor hours per restaurant enhanced our ability to provide more speed—without sacrificing friendly service or quality product.

Simply put, our restaurant operations division succeeded in improving the balance between friendly service and fast service. And this was achieved with measurable results. Average annual company-operated restaurant sales increased 19%. In addition, there was an improvement in the sustaining of higher sales during off-advertising weeks. The number of company-operated restaurants averaging more than \$500,000 in annual sales climbed steadily throughout the year. By the end of 1983, there were 16 company-operated restaurants achieving this dollar volume, as opposed to only two \$500,000 units the prior year. We believe improved service—faster service—played a major role in sustaining this positive sales trend.

The effectiveness with which our restaurant staff and field management handle new procedures and increased sales volume is a tribute to the quality of our certified training programs—and to the overall strength and professionalism of our operations personnel.

**Expansion**—Growth through expansion, both company-operated and franchised restaurants, has been one of Skipper's recent primary objectives. While we made gains in certain areas of our expansion efforts, the total number of new openings in 1983 fell slightly below our aggressive expectations. Systemwide, a total of 18 new Skipper's restaurants opened during the year, versus 17 in 1982.

Our success in meeting our expansion goals varied by market. We made solid gains in improving market penetration in our Utah and California regions, primarily the latter. Increased market presence and improved advertising cost efficiencies continued to augment the consistent gains made by restaurant operations in these areas.

The Denver, Colorado, area provided Skipper's with new challenges—and opportunities. As our first major-market entry in several years, Denver challenged us with an aggressive opening schedule. Because of a number of reasons, we did not meet early projections of opening 6-8 restaurants, and opened only three Skipper's operations. A need for more real estate personnel was identified as crucial to future development of the market. This situation was corrected, with the hiring of additional real estate staff in

the fourth quarter of 1983. We expect an accelerated rate of new openings to occur during the third quarter of 1984, when warmer weather allows a full construction schedule in the Denver area.

The opportunities for Skipper's in Denver are exciting. To date, customer response to the Skipper's concept appears to be very favorable. Weekly sales for these restaurants exceed the company average, and our first Denver location led company-operated restaurants in average weekly sales at year end.

*continued on next page*



Gene Stone, during one of his frequent field inspections, discusses the importance of "speed-of-service" with a restaurant employee.



**Note 7—Capital Stock Transactions:**

On March 25, 1981, the company declared a four-for-three stock split in the form of a 33% stock dividend paid on May 4, 1981. The \$1.00 per share par value of the 254,000 shares issued was credited to common stock by transfers from capital in excess of par and from retained earnings.

On May 13, 1981, the company's Articles of Incorporation were amended to effect a reduction in the par value of the company's common stock from \$1.00 per share to \$0.10 per share.

On May 19, 1981, the company sold 341,300 shares of the company's common stock in a public offering. In connection with this sale, convertible subordinated debentures of \$160,000 were converted to 60,952 shares of common stock. In addition, warrants to purchase 66,450 shares of common stock were issued to the underwriters of such offering at an exercise price of \$8.88 per share. No warrants have been exercised and they expire May 27, 1986.

On August 2, 1982, the company repurchased 4,700 outstanding shares of its common stock. The company intends to hold this stock in treasury for future issuance for various corporate purposes.

On March 29, 1983, the company declared a three-for-two stock split in the form of a 50% stock dividend paid on May 5, 1983.

On May 19, 1983, the company issued 550,000 shares of common stock.

All references in the financial statements and other notes to the average number of shares of common stock, number of options and warrants outstanding and related prices, dividends and earnings per share amounts have been restated to give effect to the May, 1981 and May, 1983 stock splits.

**Note 8—Stock Options:**

Under a nonqualified stock option plan adopted in 1977, options to purchase a total of 20,000 shares of the company's common stock may be granted to employees at prices not less than the fair market value (as determined by the Board of Directors) of the stock at date of grant. The plan terminates on June 30, 1987 but may be terminated sooner by the Board of Directors without affecting options then outstanding. Options become exercisable in five equal annual installments commencing one year from the date of grant and expire ten years from the option date. At December 25, 1983, 940 options were available for future grants.

On May 13, 1982, the Board of Directors issued and granted nonqualified options to purchase 8,838 shares of common stock under a separate plan with the same terms and conditions of the 1977 plan.

At December 25, 1983, there were outstanding options under the nonqualified plans to purchase 17,797 shares at prices ranging from \$3.00 to \$3.67. During 1983, 1982 and 1981, 3,372, 319 and 4,101 options, respectively, were exercised.

**Note 9—Related Party Transactions:**

The company leases its administrative offices in a building in which a stockholder has an ownership interest. Additionally, the company leases five of its restaurants from stockholders and two are with a company with which Skipper's has common stockholders. The remaining terms of these eight leases range from 8 to 15 years and will continue to require minimum annual payments of approximately \$270,000.

A director of the company also serves on the board of directors of a computer services company which provides services, hardware and software to the company costing approximately \$77,000, \$112,000 and \$286,000 in 1983, 1982 and 1981, respectively.

Certain of the company's stockholders are also stockholders of a company which provided consulting and distribution services in 1981 for substantially all of the seafood purchased in that year. A fee, based on the cost of the seafood, was charged by the distributor for the distribution service. Their services were terminated in December, 1981.



## OFFICERS

**Douglas C. Bamford**  
Vice President Marketing

**Rodger A. Duncan**  
Vice President Operations

**Chris R. LeSourd**  
Executive Vice President

**Carol L. Nolan**  
Controller

**Herbert I. Rosen**  
Chairman/Board of Directors

**M. Eugene Stone**  
President/Chief Executive Officer

**Jay W. Switzer**  
Vice President Finance  
Secretary/Treasurer

## DIRECTORS

**Marvin H. Chudnoff**  
Executive Vice President  
Edward S. Gordon Co., Inc.  
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405 Lexington Avenue  
New York, New York 10017

**Richard W. Hubbard**  
Vice President/Assistant Treasurer  
Safeco Insurance Company of America  
Safeco Plaza  
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Seattle, Washington 98105

**Richard E. Lundgren**  
President/Chief Operating Officer  
Palmer G. Lewis Company, Inc.  
525 "C" Street Northwest  
Auburn, Washington 98002

**Donald L. Perlyn**  
President  
Culinary Concepts, Inc.  
P.O. Box 24448  
Ft. Lauderdale, Florida 33307

**A. William Pratt**  
Vice President  
Kidder, Peabody & Company, Inc.  
2600 Seattle First Building  
Seattle, Washington 98154

**William M. Weisfield**  
President/CEO  
Northwest Building Corporation  
1400 Norton Building  
Seattle, Washington 98104

**Larry Wells**  
Executive Vice President  
Winmar, Inc.  
P.O. 21545  
Seattle, Washington 98111

**Herbert I. Rosen**  
Chairman of the Board  
Skipper's, Inc.

**M. Eugene Stone**  
President/Chief Executive Officer  
Skipper's, Inc.

## SHAREHOLDER INFORMATION

**Corporate Offices**  
Skipper's, Inc.  
14450 N.E. 29th Place  
Suite 200  
Bellevue, Washington 98007  
Telephone (206) 454-3456

**Counsel**  
Preston, Thorgrimson, Ellis & Holman  
2000 IBM Building  
Seattle, Washington 98101

**Independent Accountants**  
Price Waterhouse  
The Financial Center  
Seattle, Washington 98161

**Transfer Agent**  
Seattle-First National Bank  
1001 4th Avenue  
Seattle, Washington 98154

**Annual Meeting**  
The 1984 annual meeting of stockholders will be held on Friday, May 4, 1984 at 2:00p.m. at the First Interstate Bank Center, 999 Third Avenue, 6th floor, Seattle, Washington 98104.

For a copy of the Skipper's, Inc. Annual Report on Form 10-K write:  
Jay W. Switzer  
Vice President Finance  
Secretary/Treasurer  
Skipper's, Inc.  
14450 N.E. 29th Place, Suite 200  
Bellevue, Washington 98007

A copy will be provided at no charge.







SKIPPER'S, INC.  
ANNUAL REPORT  
1983

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**FINANCIAL  
HIGHLIGHTS**

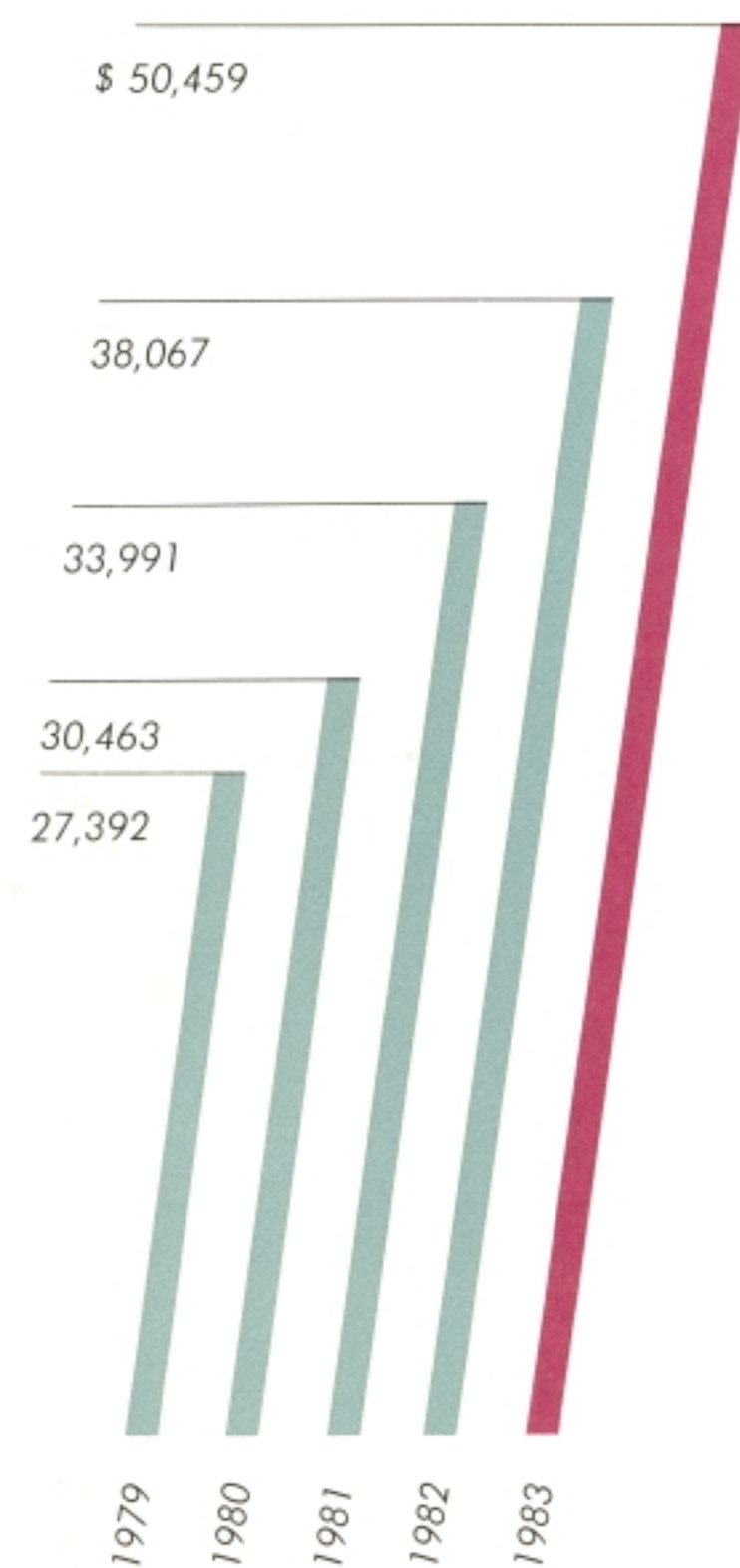
SKIPPER'S<sup>®</sup> INC.

	For the 52 Weeks Ended	
	December 25, 1983	December 26, 1982
Revenues	\$50,459,000	\$38,067,000
Income Before Provision for Income Taxes	2,956,000	1,443,000
Net Income	2,020,000	1,047,000
Earnings per Common Share	.81	.48
Restaurant Sales:		
Company-operated	49,956,000	37,704,000
Franchised	8,686,000	5,649,000
Systemwide Total	58,642,000	43,353,000
Restaurants Open:		
Company-operated	133	118
Franchised	18	15
Systemwide Total	151	133



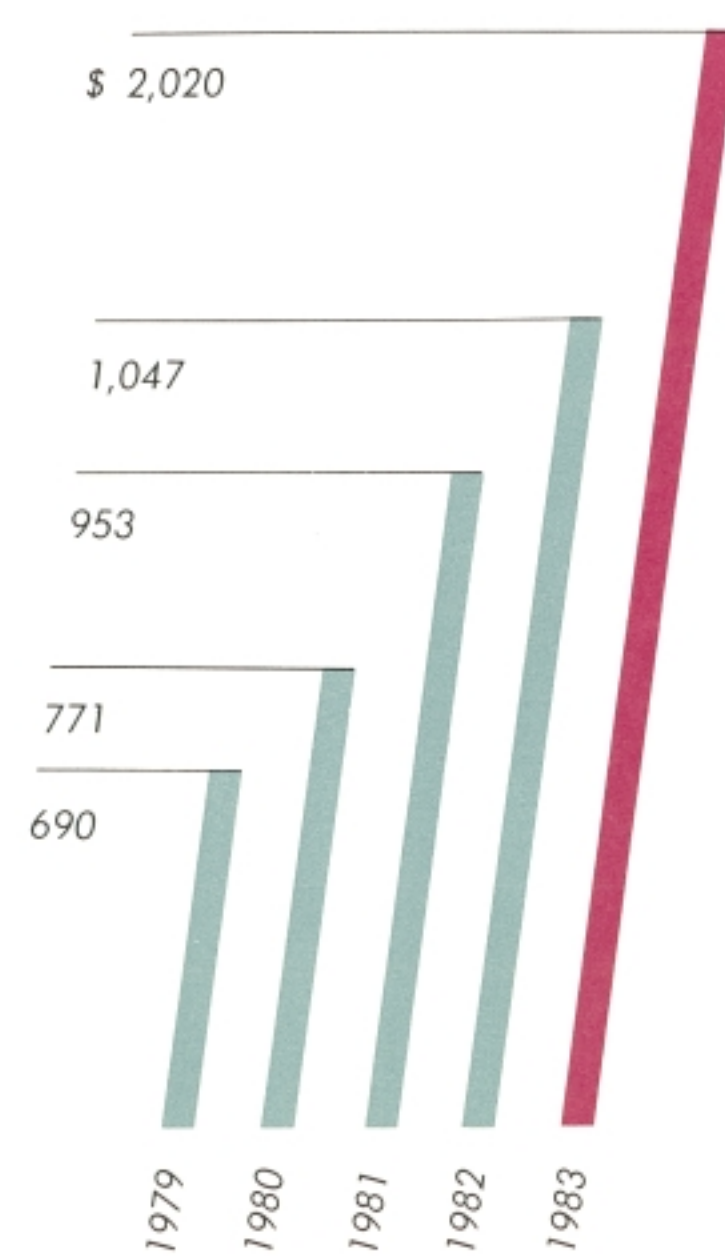
**Revenues**

(Dollar amount in thousands)



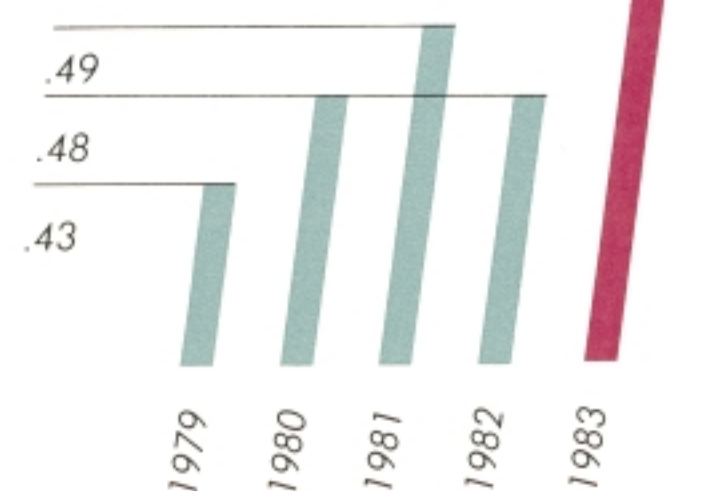
**Net Income**

(Dollar amount in thousands)



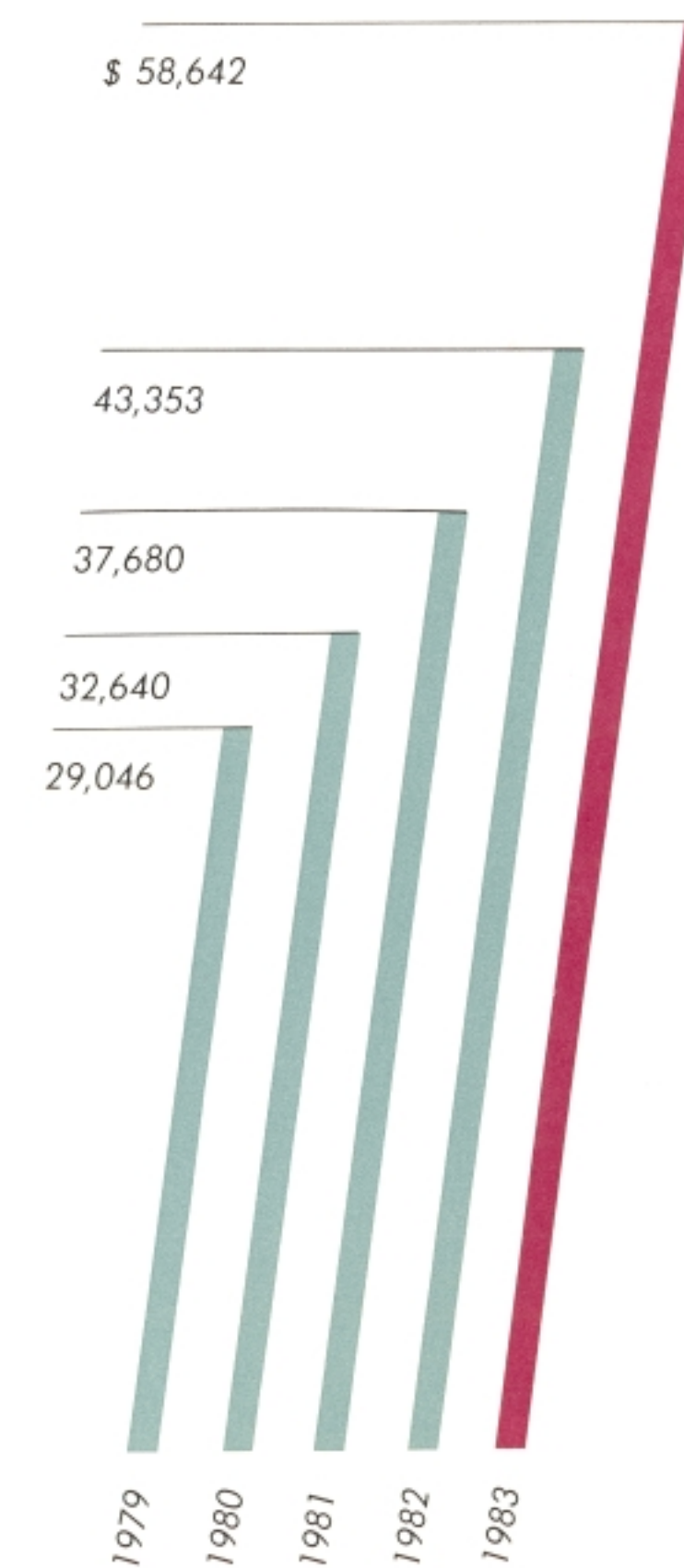
**Earnings per Common Share**

(Dollar amount in thousands)



**Systemwide Sales**

(Dollar amount in thousands)





**SKIPPER'S RESTAURANTS  
AT YEAR END 1983**



Washington	63
Oregon	29
Idaho	11
Utah	12
Central California	20
Alaska	4
North Dakota	3
Colorado	5
British Columbia	2
Maui, Hawaii	1
Western Montana	1
<b>TOTAL</b>	<b>151</b>

**Projected New Market Area  
Restaurant Openings 1984**



Northern California  
Oahu & Hawaii, Hawaii  
Central/Eastern Montana  
Arizona  
New Mexico  
Nevada



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 25, 1983, December 26, 1982 and December 27, 1981.

### Note 1—Accounting Policies:

#### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the company and its wholly owned subsidiaries, Seattle Restaurant Equipment Company, Inc., Skipper's Seafood 'n Chowder House, Inc. and Skipper—Joe's Restaurant Ltd. (the latter two being Canadian corporations), and its majority owned (80%) limited partnership. Significant intercompany transactions have been eliminated from the consolidated financial statements.

#### SHORT-TERM CASH INVESTMENTS AND MARKETABLE SECURITIES

Short-term cash investments and marketable securities are stated at cost which approximates the respective market values.

#### INVENTORIES

Inventories consist primarily of food and beverages and are valued at the lower of cost or market. Cost is determined using the first in, first out method.

#### PROPERTY AND EQUIPMENT

Property and equipment are stated at cost and are depreciated on a straight-line basis over the estimated useful lives of properties and equipment owned by the company or over the terms of leases capitalized (Note 4). Estimated lives are generally 20 to 35 years for buildings and 7 to 10 years for equipment.

#### RESTAURANT PREOPENING EXPENSES

In 1982 the company adopted a policy of capitalizing costs incurred in preparation of opening new restaurants. Previously, preopening costs were not significant and were charged to operations as incurred. These items are included in intangibles and are amortized on a straight-line basis over a three-year period.

### FRANCHISE OPERATIONS

The company grants franchise rights for a term of 20 years to private operators in exchange for an initial franchise fee which is deferred from income until preopening obligations are satisfied and restaurants are opened. Royalties based on a percentage of monthly gross sales as well as expenses associated with franchise operations are recognized on the accrual basis.

#### INCOME TAXES

Deferred income taxes arise primarily from the use of accelerated depreciation methods for income tax purposes and the capitalization of facilities leases and deferral of restaurant preopening expenses for financial reporting purposes. Investment tax credits are recognized when the assets are placed in service under the flow-through method of accounting.

#### EARNINGS PER COMMON SHARE

Primary earnings per common share are calculated using the weighted average number of common shares outstanding during each year. Average shares were 2,508,043, 2,174,312 and 1,956,344 in 1983, 1982 and 1981, respectively. Fully diluted earnings per common share are not materially different from primary earnings per common share (Note 7).

### Note 2—Property and Equipment:

The company had property and equipment as follows:

	December 25, 1983	December 26, 1982
Buildings and leasehold improvements	\$ 9,223,000	\$ 6,267,000
Equipment	12,969,000	10,273,000
	<u>22,192,000</u>	<u>16,540,000</u>
Less—Accumulated depreciation and amortization	(7,356,000)	(5,825,000)
	<u>14,836,000</u>	<u>10,715,000</u>
Land	2,607,000	1,484,000
	<u>17,443,000</u>	<u>12,199,000</u>
Leased property under capital leases:		
Buildings and leasehold improvements	6,293,000	5,988,000
Equipment	213,000	241,000
	<u>6,506,000</u>	<u>6,229,000</u>
Less—Accumulated amortization	(2,501,000)	(2,185,000)
	<u>4,005,000</u>	<u>4,044,000</u>
Real estate held for sale	141,000	62,000
	<u>\$21,589,000</u>	<u>\$16,305,000</u>







**CONSOLIDATED  
STATEMENT OF  
CHANGES IN  
FINANCIAL POSITION** Continued

SKIPPER'S® INC.

**Analysis of Changes  
in Components of Working Capital**

	For the 52 Weeks Ended		
	December 25, 1983	December 26, 1982	December 27, 1981
Increase (decrease) in current assets:			
Cash and short-term cash investments	\$ 2,348,000	\$(2,387,000)	\$2,515,000
Marketable securities	1,016,000		
Inventories	133,000	54,000	11,000
Prepaid expenses	24,000	64,000	54,000
Notes receivable	(190,000)	334,000	
Other	140,000	146,000	(98,000)
	<u>3,471,000</u>	<u>(1,789,000)</u>	<u>2,482,000</u>
Increase (decrease) in current liabilities:			
Demand notes payable			(555,000)
Salaries, wages and payroll taxes payable	508,000	201,000	120,000
Trade accounts payable	(260,000)	507,000	111,000
Accrued contingent rents	133,000	24,000	30,000
Accrued sales tax	106,000	50,000	66,000
Current portion of long-term debt	19,000	17,000	(32,000)
Other	24,000	(32,000)	99,000
	<u>530,000</u>	<u>767,000</u>	<u>(161,000)</u>
	<u>\$ 2,941,000</u>	<u>\$(2,556,000)</u>	<u>\$2,643,000</u>

See accompanying notes to consolidated financial statements.



## TO OUR SHAREHOLDERS

continued

Maximizing market penetration in the Sacramento, Fresno and Denver markets will continue to be our focus throughout 1984.

In 1983 we entered two other new market areas with franchised operations: Maui, Hawaii, and Missoula, Montana. By year end we had sold additional franchise area agreements for the rest of the Hawaiian Islands and the state of Montana. Franchise development agreements were also signed for areas in Arizona and New Mexico. These agreements anticipate the development and opening of 32 new franchised Skipper's sites within a 3-5-year period. If all restaurants covered in new and prior area development agreements are developed on schedule, there will be 63 franchised Skipper's restaurants within five years; 18 were in actual operation at year-end 1983.

**Marketing**—Development of programs which appeal to targeted customer segments and a continued emphasis on product value highlighted our marketing program this past year.

Menu expansion played a more pronounced role this past year in developing new and existing customer business. Early in the year we introduced a salmon product to the menu, an item new to the fast-food industry. Described as "bite-sized fillets of salmon," this new product sold well during the media-supported introductory period. Although sales of this menu item declined after its introduction, measures were taken to improve its quality and sales appeal. Extensive customer testing of these improvements has been completed, and a re-introduction is planned for early 1984.

Stronger sales results were evident in the introduction of a new seafood offer and a new boneless chicken product. To broaden the appeal of our existing seafood combination, a lower priced seafood platter was introduced and promoted during Lent. This new menu item, the Skipper's Platter, achieved approximately 17% of sales during the advertising-supported rollout and has sustained itself at 9% of sales throughout the year, as compared to 3% of sales attributed to the former seafood combination offer.

The new chicken product was introduced during the fourth quarter and replaced our bone-in chicken on the menu. Even though the company, to date, has not advertised the new product, chicken sales have increased from 2.4% to approximately 8% of sales.

Fewer time-intensive operational procedures are required with these new menu items, and they offer the benefit of labor savings in the backroom. The decrease in backroom preparation time allows our restaurant employees greater flexibility in their efforts to improve the speed and the quality of customer service.

To build family business we improved the appeal of the children's menu. A child's premium and a Jell-O® dessert were added to all children's meals, and the selection of menu items was increased. The development of a "Skipper's Shipmate" club and a mascot ("Skipper the Parrot") enhanced the appeal of our children's program. As a result children's meals have increased from 3% to 5% of sales.

**Finance**—A major achievement in 1983 was the successful completion of our second public stock offering. The sale of 550,000 shares of common stock on May 19, the second anniversary of our initial public stock offering, netted the company \$5.8 million. The proceeds from the offering are primarily being used for the construction of new Skipper's restaurants and for working capital.

A more disciplined cost-control program, first initiated in 1982, continued throughout the year. The program, designed to promote continued corporate growth plans within conservative spending guidelines, has proven successful. As a percent of revenues, net income for 1983 was 4%, as compared to 2.75% the prior year and 2.8% in 1981. The cost-control program has been fully integrated into our corporate plans and will remain in place through the next fiscal year.

The company remains committed to programs and policies which benefit our long-term growth. We're confident that material results of this focus are evident in 1983's accomplishments—and are clearly seen in our 5-year compounded growth rates for sales and income, 19% and 31%,

respectively. Our direction for 1984 and beyond will fundamentally remain the same. Our goal is to continue building on past levels of success and to protect the value of your investment in the company.



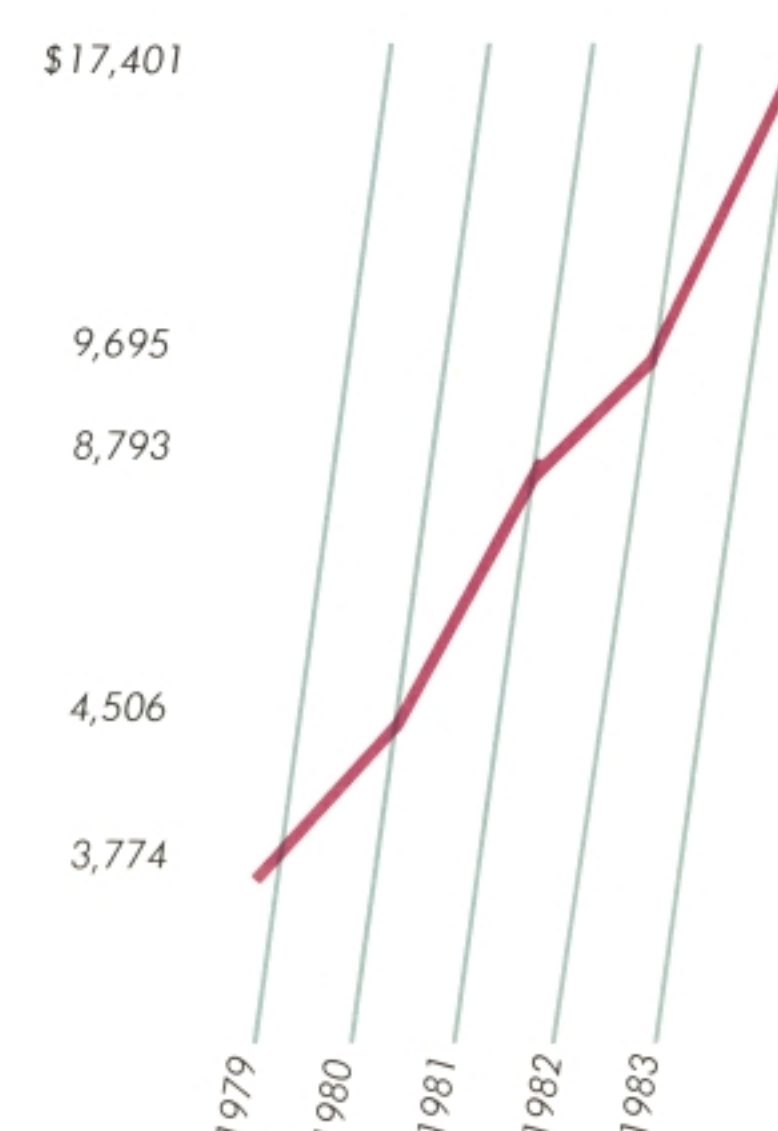
Gene Stone, President-  
Chief Executive Officer



Herbert I. Rosen  
Chairman of the Board

February 27, 1984

**Stockholders' Equity**  
(Dollar amount in thousands)











Laurie Dully, restaurant employee, takes a customer's order, using newly implemented speed-of-service procedures.



Skipper's customers are now greeted by a more nautical building design.



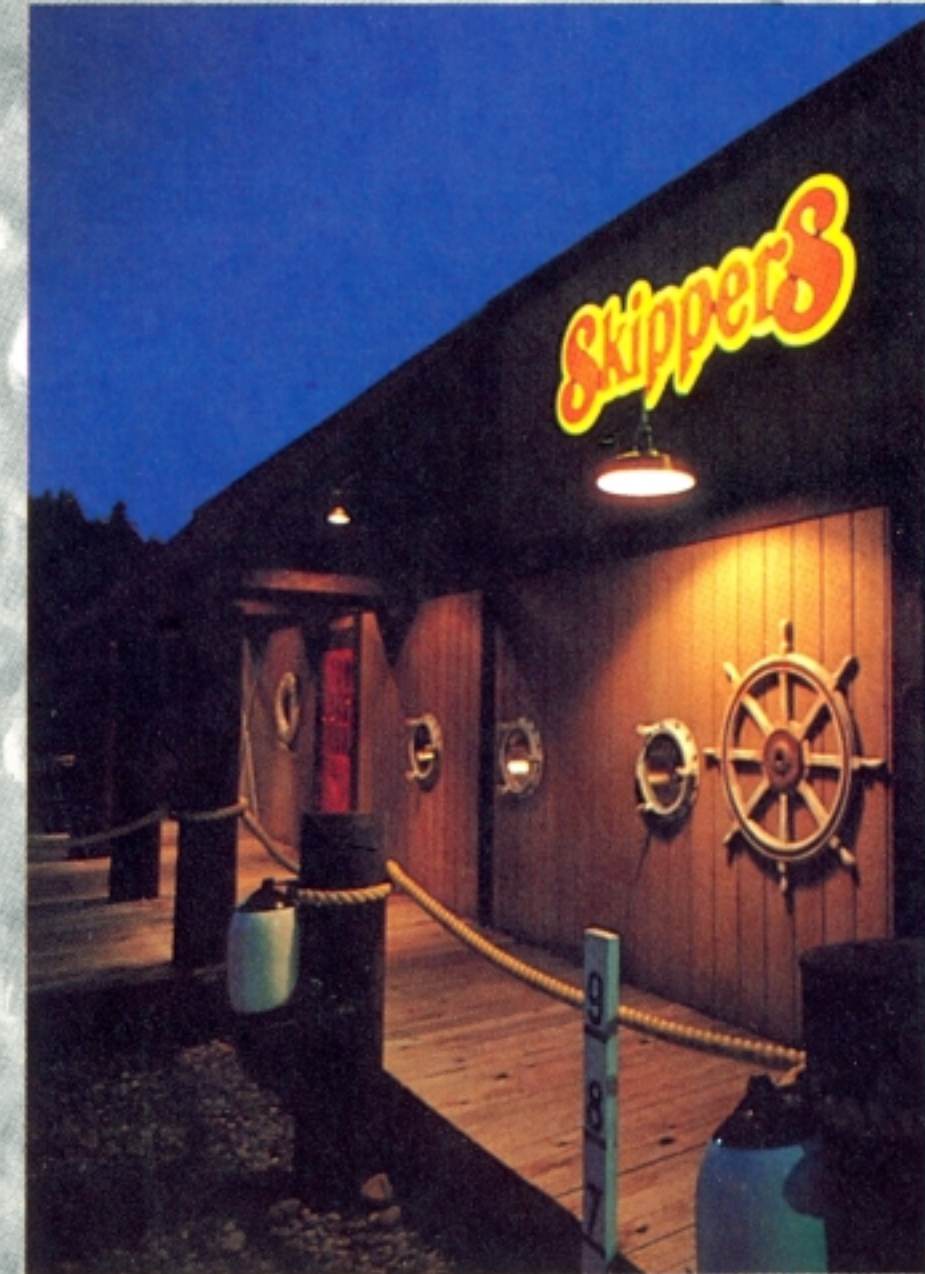
Skipper's "Chicken & Fish Basket", featuring the new boneless chicken product which was introduced to the menu in late 1983.



The "Skipper's Platter," introduced early in the year as lower priced seafood combination offer.



Cheerful employees serving quality product — the trademark of our restaurants' success.



A typical, new Skipper's restaurant which features natural wood siding and a nautical, "Fisherman's Wharf" design.



**Results of Operations.** The company posted record revenues and profits in 1983 as compared to 1982 and marked its fifth consecutive year of financial growth. Systemwide sales, which include franchised restaurant sales, increased 35% to \$58,642,000 in 1983 from \$43,353,000 in 1982 which was a 15% increase over sales of \$37,680,000 in 1981.

Total sales for company-operated restaurants increased 33% in 1983 over 1982 as opposed to 12% in 1982 over 1981. Real sales (total sales minus menu price increases and new restaurant openings) accounted for 12% of the 1983 increases as compared to an industry average of 5.4% (Source: Restaurant Industry Trends Report), a significant improvement over the 1% real sales increase between 1981 and 1982. Management considers that improved service levels and increased customer satisfaction and value perception have contributed to the real sales gain. Skipper's instituted a 3.2% menu price increase on December 1, 1983, the first since a 3.6% increase December 1, 1982.

During 1983, fifteen company operated restaurants opened; six in California, five in Washington, one in Utah and three in Skipper's new market area — Colorado.

Franchised restaurant sales of \$8,686,000 in 1983 were 54% over franchise restaurant sales of \$5,649,000 in 1982. Skipper's franchise revenues rose 39% as a result of the increased sales and the opening of three restaurants in 1983; one each in Missoula, Montana, Maui, Hawaii and Bismarck, North Dakota. Franchise revenues were \$503,000, \$363,000 and \$240,000 in 1983, 1982 and 1981, respectively.

Food costs decreased slightly as a percentage of sales from 35.4% in 1982 to 35.2% in 1983. Raw product cost remained fairly constant in 1983 as opposed to 1982 with a slight decline in fish and seafood costs. The company expects product costs to remain constant through most of 1984.

Restaurant labor costs decreased as a percentage of sales from 24.3% in 1982 to 23.7% in 1983 as a result of volume efficiencies and menu price increases.

General and administrative expenses, which consist of corporate general and administrative expenses and advertising, were, as a percentage of revenue, 17.0%, 17.9% and 18.9% in 1983, 1982 and 1981, respectively. The 1983 reduction in general and administrative expenses resulted from a management program to decelerate growth in this area. Efforts to minimize general and administrative expenses are continuing in 1984.

Net income as a percentage of revenue was 4.0%, 2.8% and 2.8% in 1983, 1982 and 1981, respectively. The increase in net income resulted from the reduction of both restaurant and general and administrative expenses as a percentage of revenue.

**Liquidity.** Due to costs of expansion and because restaurant businesses generally do not require significant investment in accounts receivable or inventory but often receive trade credit in purchasing food and supplies, many companies in this industry operate with working capital deficits, where current liabilities

exceed current assets. However, the proceeds from the initial sale of common stock increased the available working capital in 1981. During 1982, the balance of the proceeds was used to finance new restaurants resulting in a working capital deficit by year-end. The May, 1983, sale of common stock again provided sufficient working capital to finance restaurant openings for that year and will continue to finance growth through most of 1984. The company anticipates the stock offering proceeds to be exhausted before the end of fiscal 1984 resulting in a working capital deficit at that time. To fund working capital deficits, the company can utilize a revolving credit line of \$5,000,000 which expires in June, 1986 and stipulates interest at prime plus 1%. There were no borrowings under this bank agreement at December 25, 1983.

**Capital Resources.** During the three years ended December 25, 1983, the company opened 32 restaurants requiring capital expenditures totaling \$10,700,000. Additionally, 42 restaurants were remodeled for a total expenditure of \$1,600,000. Although the major portion of these expenditures was internally financed through the use of working capital and the proceeds from public stock offerings in 1981 and 1983, the company incurred obligations under capital leases totalling \$1,200,000 to finance the buildings at certain of the new restaurants.

The company received net proceeds of \$3,102,000 in the May, 1981, public stock offering. Of this amount, \$455,000 was used to repay interest-bearing debt, \$988,000 was utilized in 1981 to construct new restaurants and remodel older units and the balance of \$1,659,000 was utilized in 1982 to finance new restaurants.

The company's second public stock offering in May, 1983, provided net proceeds of \$5,816,000. Of this amount \$4,400,000 was utilized in 1983 for the construction and equipping of new restaurants and the remainder was invested in short-term securities at various interest rates. The company anticipates the balance of the proceeds will be fully utilized to finance expansion in 1984.

**Inflation.** Because of the absence of receivables and inventory in the restaurant business, it is difficult to compute and evaluate the effects of inflation and changing prices upon the operations of the company. During 1983, the company did experience modest increases in the cost of food, labor and other products. These rising costs were generally offset by menu price increases.

Management partially controls inflation in occupancy costs either by owning the properties or by entering long-term fixed-rate leases. However, most leases require the company to pay taxes, maintenance, insurance, repairs and utility costs, all of which are subject to inflationary pressures.



**SELECTED  
FINANCIAL  
DATA**

(Dollar amounts in thousands,  
except earnings and dividends per share)

SKIPPER'S,® INC.

	1983	1982	1981	1980	1979
<b>Operating Results</b>					
Company-operated restaurant sales	\$ 49,956	\$ 37,704	\$ 33,751	\$ 30,315	\$ 27,247
Franchised restaurant sales	8,686	5,649	3,929	2,325	1,799
Total sales	58,642	43,353	37,680	32,640	29,046
Company-operated restaurant sales	49,956	37,704	33,751	30,315	27,247
Franchise revenues	503	363	240	148	145
Total revenues	50,459	38,067	33,991	30,463	27,392
Income before provision for income taxes	2,956	1,443	1,418	1,104	1,042
Provision for income taxes	936	396	465	333	352
Net income	2,020	1,047	953	771	690
Weighted average common shares outstanding <sup>(1)</sup>	2,508,043	2,174,312	1,956,344	1,616,774	1,619,472
Earnings per common share <sup>(1)</sup>	.81	.48	.49	.48	.43
Cash dividends declared per common share <sup>(1)</sup>	.06	.05	.05	.04	—
Depreciation and amortization expense	2,231	1,788	1,541	1,283	1,252
Capital expenditures	7,760	5,428	2,795	2,132	2,122
<b>Financial Position (End of Year)</b>					
Total assets	27,565	18,800	16,913	13,191	12,498
Working capital	1,057	(1,884)	672	(1,971)	(1,388)
Long-term debt	4,956	4,899	4,977	5,357	5,534
Stockholders' equity	17,401	9,695	8,793	4,506	3,774
<b>Ratio Analysis</b>					
Net income as a percentage of revenues	4.00	2.75	2.80	2.53	2.52
Percent return on average equity during the year	14.91	11.33	14.33	18.62	20.15
Current ratio	1.24	.50	1.23	.38	.54
Total liabilities to equity ratio	.58	.94	.92	1.93	2.31
Book value per outstanding common share <sup>(1)</sup>	6.40	4.47	4.05	2.96	2.51
<b>Restaurants</b>					
Number open (end of year)					
Company-operated	133	118	107	102	99
Franchised	18	15	10	7	5
Total restaurants	151	133	117	109	104
Average annual company-operated restaurant sales (restaurants open longer than 14 months)	407	341	321	311	310
<b>Company Employment</b>					
Employees (average)	1,864	1,487	1,341	1,283	1,219

<sup>(1)</sup> Amounts have been restated to give effect to the May, 1983 and May, 1981 stock splits, as applicable.



**QUARTERLY  
FINANCIAL  
INFORMATION**

(Unaudited)

SKIPPER'S,® INC.

**For the 52 Weeks**

**Ended December 25, 1983**

Company sales and franchise revenue  
Gross profit  
Net income  
Earnings per common share  
Weighted average common shares outstanding

First Quarter	Second Quarter	Third Quarter	Fourth Quarter
(Dollar amounts in thousands, except earnings per share)			
\$ 10,529	\$ 11,690	\$ 11,934	\$ 16,306
2,403	2,752	2,662	3,695
439	551	414	616
.20 <sup>(1)</sup>	.24	.15	.22
2,168,147 <sup>(1)</sup>	2,352,506	2,719,998	2,720,619

**For the 52 Weeks**

**Ended December 26, 1982**

Company sales and franchise revenue  
Gross profit  
Net income  
Earnings per common share <sup>(1)</sup>  
Weighted average common shares outstanding <sup>(1)</sup>

First Quarter	Second Quarter	Third Quarter	Fourth Quarter
(Dollar amounts in thousands, except earnings per share)			
\$ 7,547	\$ 8,907	\$ 8,797	\$ 12,816
1,467	1,882	1,942	2,979
10	257	267	513
.01	.12	.12	.23
2,176,025	2,175,996	2,171,400	2,170,233

Annual dividend per share — paid equally in April and October

1983	1982 <sup>(1)</sup>
\$ .06	\$ .05

**Quarterly Low and High Bid Prices**

**For the Fiscal Year**

First Quarter  
Second Quarter  
Third Quarter  
Fourth Quarter

(OTC market; NASDAQ Symbol: SKIP)

1983	1982 <sup>(1)</sup>
\$ 4.83- \$ 7.83 <sup>(1)</sup>	\$2.83- \$4.33
7.33- 15.00 <sup>(1)</sup>	3.33- 3.83
12.25- 15.25	3.17- 4.83
9.00- 13.25	4.00- 5.33

**Shareholders and Shares**

**at Fiscal Year End**

Shareholders of record  
Shares outstanding

1983	1982
2,400	1,600
2,727,669	2,174,312 <sup>(1)</sup>

(1) Amounts have been restated to reflect the May, 1983 three-for-two stock split.



**To the Board of Directors  
and Shareholders of  
Skipper's, Inc.:**

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of

stockholders' equity and of changes in financial position present fairly the financial position of Skipper's, Inc. and its subsidiaries at December 25, 1983 and December 26, 1982, and the results of their operations and the changes in their financial position for each of the three years in

the period ended December 25, 1983, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accord-

ingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.



Seattle, Washington  
February 23, 1984

**CONSOLIDATED  
STATEMENT  
OF INCOME**

Sales  
Franchise revenues

Cost of sales  
Salaries, wages and benefits  
Other restaurant expenses

General and administrative expenses (including net interest expense of \$201,000, \$217,000 and \$243,000, respectively)

Income before provision for income taxes

Provision for income taxes—Note 6:

Payable currently (including state taxes of \$61,000, \$35,000 and \$41,000, respectively)

Deferred

Net income

Earnings per common share—Note 7

For the 52 Weeks Ended

December 25, 1983	December 26, 1982	December 27, 1981
\$49,956,000	\$37,704,000	\$33,751,000
503,000	363,000	240,000
50,459,000	38,067,000	33,991,000
17,560,000	13,360,000	11,468,000
11,856,000	9,178,000	8,333,000
9,531,000	7,259,000	6,394,000
38,947,000	29,797,000	26,195,000
8,556,000	6,827,000	6,378,000
47,503,000	36,624,000	32,573,000
2,956,000	1,443,000	1,418,000
603,000	191,000	402,000
333,000	205,000	63,000
936,000	396,000	465,000
\$ 2,020,000	\$ 1,047,000	\$ 953,000
\$ .81	\$ .48	\$ .49

See accompanying notes to consolidated financial statements.



**CONSOLIDATED  
BALANCE  
SHEET**

SKIPPER'S,® INC.

	December 25, 1983	December 26, 1982
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and short-term cash investments of \$2,723,000 and \$162,000, respectively	\$ 2,933,000	\$ 585,000
Marketable securities	1,016,000	
Inventories	621,000	488,000
Prepaid expenses	307,000	283,000
Notes receivable	144,000	334,000
Other	352,000	212,000
Total current assets	5,373,000	1,902,000
<b>Property and Equipment</b> — Notes 2, 3 and 4	21,589,000	16,305,000
<b>Intangibles and Other Assets</b> — Note 5	603,000	593,000
	<u>\$27,565,000</u>	<u>\$18,800,000</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Salaries, wages and payroll taxes payable	\$ 1,547,000	\$ 1,039,000
Trade accounts payable	1,296,000	1,556,000
Accrued contingent rents— Note 4	411,000	278,000
Accrued sales tax	331,000	225,000
Current portion of long-term debt— Notes 3 and 4	244,000	225,000
Other	487,000	463,000
Total current liabilities	4,316,000	3,786,000
<b>Long-term debt</b> , net of current portion:		
Mortgages payable— Note 3	77,000	94,000
Obligations under capital leases— Note 4	4,879,000	4,805,000
	<u>4,956,000</u>	<u>4,899,000</u>
<b>Deferred franchise revenue</b>	221,000	123,000
<b>Deferred federal income taxes</b> — Note 6	671,000	297,000
<b>Stockholders' equity</b> — Notes 7 and 8		
Preferred stock, \$.10 par value— 1,000,000 shares authorized; No shares issued		
Common stock, \$.10 par value— 10,000,000 shares authorized; 2,727,669 and 1,449,559 shares issued, respectively	273,000	145,000
Capital in excess of par	9,980,000	4,282,000
Retained earnings	7,173,000	5,293,000
	<u>17,426,000</u>	<u>9,720,000</u>
Less— Treasury stock, 7,050 and 4,700 shares at cost, respectively— Note 7	25,000	25,000
	<u>17,401,000</u>	<u>9,695,000</u>
	<u>\$27,565,000</u>	<u>\$18,800,000</u>

See accompanying notes to consolidated financial statements.



# **CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**

For The Three Years Ended  
December 25, 1983

SKIPPER'S® INC.

	Common stock		Capital in excess of par	Retained earnings	Treasury stock	Total stock- holders' equity
	Shares issued	Amount				
Balance, December 28, 1980	762,009	\$762,000	\$ 57,000	\$3,687,000		\$ 4,506,000
Exercise of stock options, \$1 par value	2,696	3,000	7,000			10,000
Four for three stock split—Note 7	254,003	254,000	(72,000)	(182,000)		
Change in par value of common stock from \$1 to \$.10 per share—Note 7		(917,000)	917,000			
Exercise of stock options, \$.10 par value	28,280	3,000	155,000			158,000
Conversion of subordinated debentures—Note 7	60,952	6,000	154,000			160,000
Sale of stock, net of related expenses—Note 7	341,300	34,000	3,068,000			3,102,000
Net income for the year ended December 27, 1981				953,000		953,000
Dividends (\$.05 per share)				(96,000)		(96,000)
Balance, December 27, 1981	1,449,240	145,000	4,286,000	4,362,000		8,793,000
Exercise of stock options, \$.10 par value	319		2,000			2,000
Adjustment of amount recorded in respect of stock options exercised in 1981			(6,000)			(6,000)
Purchase of treasury stock, 4,700 shares, at cost—Note 7					\$ (25,000)	(25,000)
Net income for the year ended December 26, 1982				1,047,000		1,047,000
Dividends (\$.05 per share)				(116,000)		(116,000)
Balance, December 26, 1982	1,449,559	145,000	4,282,000	5,293,000	(25,000)	9,695,000
Three for two stock split—Note 7	724,738	73,000	(73,000)			
Exercise of stock options, \$.10 par value	3,372		10,000			10,000
Sale of stock, net of related expenses—Note 7	550,000	55,000	5,761,000			5,816,000
Net income for the year ended December 25, 1983				2,020,000		2,020,000
Dividends (\$.06 per share)				(140,000)		(140,000)
Balance, December 25, 1983	2,727,669	\$273,000	\$9,980,000	\$7,173,000	\$ (25,000)	\$17,401,000

See accompanying notes to consolidated financial statements.



**CONSOLIDATED  
STATEMENT  
OF CHANGES IN  
FINANCIAL POSITION**

SKIPPER'S,® INC.

	For the 52 Weeks Ended		
	December 25, 1983	December 26, 1982	December 27, 1981
Financial resources were provided by:			
Net income	\$ 2,020,000	\$ 1,047,000	\$ 953,000
Add (deduct) income charges (credits) not affecting working capital in the period —			
Depreciation and amortization	2,231,000	1,788,000	1,541,000
Deferred income taxes	374,000	222,000	5,000
Loss on disposition of property and equipment	25,000	8,000	48,000
Initial franchise fees	(40,000)	(80,000)	(30,000)
Working capital provided by operations	4,610,000	2,985,000	2,517,000
Proceeds from public stock offerings	5,816,000		3,102,000
Proceeds from sales of property and equipment	379,000	112,000	
Long-term obligations arising from capitalization of leases	305,000	145,000	
Proceeds from bank notes payable			495,000
Current portion of long-term notes receivable	190,000	186,000	14,000
Proceeds from initial franchise fees	138,000	154,000	1,000
Proceeds from conversion of subordinated debentures			160,000
Proceeds from exercise of stock options	10,000	2,000	168,000
Other	17,000	14,000	2,000
Total financial resources provided	11,465,000	3,598,000	6,459,000
Financial resources were used for:			
Additions to property and equipment	7,461,000	5,281,000	2,795,000
Additions to intangibles and other assets	343,000	189,000	
Additions to capital leases	305,000	149,000	
Conversion of subordinated debentures			160,000
Payment of bank notes payable			495,000
Current maturities under capital lease obligations	225,000	208,000	194,000
Payment of dividends	139,000	116,000	96,000
Repayments of long-term debt	17,000	16,000	26,000
Receivable resulting from sale of real property	5,000	100,000	
Purchase of treasury stock		25,000	
Other	29,000	70,000	50,000
Total financial resources used	8,524,000	6,154,000	3,816,000
Increase (decrease) in working capital	\$ 2,941,000	\$(2,556,000)	\$2,643,000

See accompanying notes to consolidated financial statements.



As of December 25, 1983, Skipper's, Inc. operated and franchised 151 Skipper's Seafood 'n Chowder House restaurants. The 133 company-operated restaurants are located in Washington, Oregon, California, Utah, Idaho and Colorado; 18 franchised operations are located in Alaska, British Columbia, Hawaii, North Dakota, Montana, Idaho, Colorado and Oregon.

Skipper's restaurants feature a limited, fast-food menu, consisting of deep-fried seafood and chicken, clam chowder, a salad bar and assorted beverages. In most areas, beer and wine are served. All menu items, except beer and wine, are available for "eat-in" or "take-out" convenience.

Incorporated in 1969 in Washington State, Skipper's, Inc. made its first common-stock offering in May, 1981, and completed a second stock offering in May, 1983. The company's common stock is traded over-the-counter on the NASDAQ system under the symbol "SKIP." There were approximately 2,400 shareholders of record as of December 25, 1983.

The nautical decor of the restaurants is casual, suitable for family dining. With the company's limited-service format, all meal orders are taken centrally at the cash register, then prepared and delivered to the customer by Skipper's employees.