



Annual Report
1984



Corporate Principles

The Heritage Group of Companies will:

Produce and market products and provide services superior to those of its competitors.

Act with integrity and fairness in its relations with employees, customers and suppliers.

Continue to produce products of excellence at the lowest cost commensurate with quality, value and reputation.

Provide opportunities for the self-development of its employees and, where possible, promote from within.

Generate a return on investment sufficient to insure continued growth in jobs, sales, assets and opportunity.

The Heritage Group Employee Profile

Throughout this Report are the faces of some Heritage employees at work. These people represent almost 4000 fellow employees from 16 cities and towns across Canada. Their average age is 38. They come from dozens of diverse national backgrounds. All of them work together making thousands of the finest food products available anywhere. These are the people who make up the human profile of the Heritage Group.

The common thread running through the history of the Heritage Group has been the ownership and influence of the Schneider family. Starting with the founder John Metz Schneider in 1890, family members have worked for the company in virtually every occupation at all levels. Other families have a similar history. The Eby family, represented today by Ray and son Carl, has been with the company through four generations. The Severiano family from F.G. Bradley is

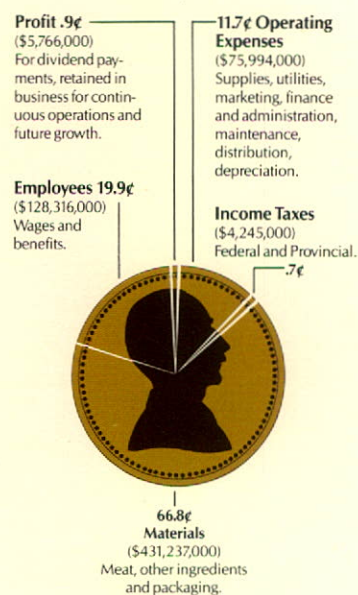
represented by the father John Sr., his son and daughter and daughter-in-law.

There are an additional 36 families with three generations of service and 140 second generation families. The J.M. Schneider 25 Year Club has 250 active members and another 200 who are retired. In many ways, the Heritage Group is more a "corporation of families", than a family corporation.

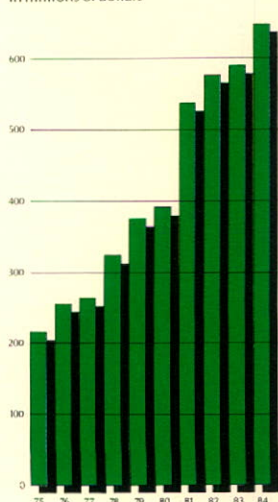
Financial Highlights

	(dollars except where noted)	
	1984	1983
Sales	645,558,000	590,074,000
Net earnings	5,766,000	5,272,000
Per share	2.17	1.99
Percent of sales	.89	.89
Percent of shareholders' opening equity	10.05	9.90
Dividends paid	1,167,000	1,167,000
Rate per share	.44	.44
Working capital	24,336,000	22,487,000
Working capital ratio	1.49	1.51
Shareholders' equity at end of year	61,983,000	57,384,000
Per share	23.38	21.64

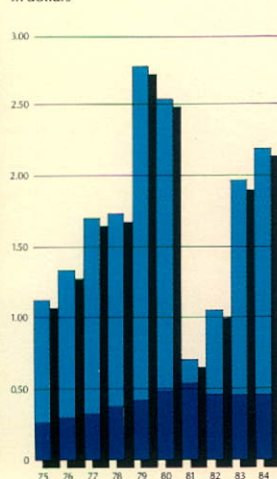
1984 sales dollar analysis



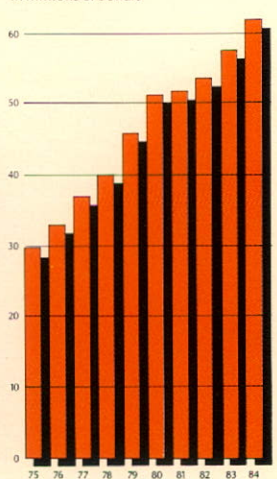
Sales
in millions of dollars



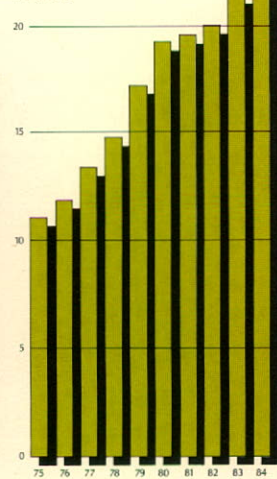
Net earnings per share
in dollars



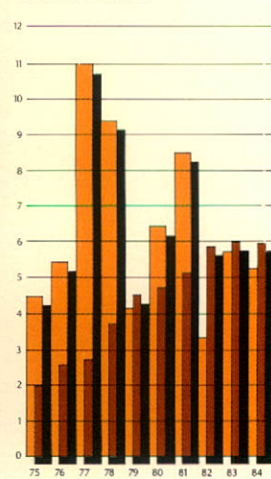
Shareholders' equity at end of year
in millions of dollars



Equity per share at end of year
in dollars



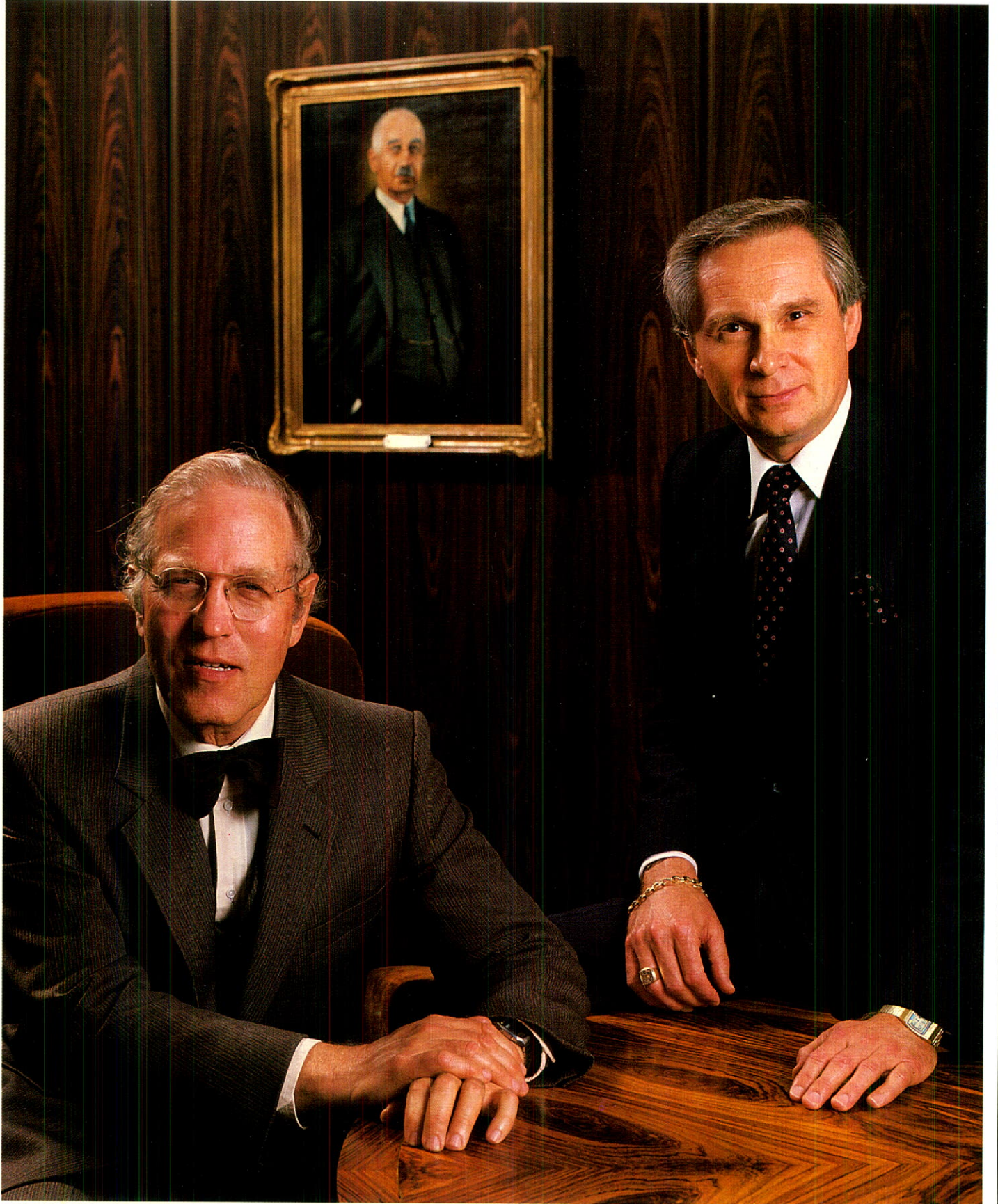
Capital expenditures and Depreciation
in millions of dollars



■ Dividends

■ Depreciation

Report to Shareholders





To paraphrase Charles Dickens, in *A Tale of Two Cities*, 1984 was the worst of times and the best of times. During the first six months, earnings were only at break-even levels, while the second half of the year was the best in the corporation's history.

In recent years, national and international competition has put heavy pressure on profit margins. Domestically, our industry has accepted a marketing practice whereby premier brands, in several profit categories, are sold as "specials" on a rotating basis by many of the major retail chains. Consumers naturally became accustomed to moving from brand-to-brand, following unrealistic prices at the expense of loyalty to either the retailer or manufacturer.

In an effort to restore some balance to the equation, J.M. Schneider returned to merchandising policies that reflected both good value to the consumer and opportunity for a reasonable return for both retailers and manufacturers.

Internationally, there are two factors at the heart of our industry's struggle to restore adequate profitability. The freedom of movement of livestock and meat between Canada and the United States means trade in these products fluctuates wildly, depending on price. As the cost advantage widens, American packers can buy Canadian livestock, process the animals and ship the processed meat back to Canada, thereby reducing domestic volumes and exporting jobs.

Compounding the problem is the fact that American packers have moved ahead of Canada in terms of lower labour costs, higher productivity and economies of scale. In 1984, the industry tried to bring labour costs into line with productivity levels. The largest company in the industry took a strike over the issue and several plants closed as a result. Eventually, major packers were able to negotiate a two-year wage freeze, but earlier, U.S. employees agreed to a roll-back in wages and fringe benefits, maintaining the disparity in costs between the two countries.

Frederick P. Schneider, left, is Chairman of the Board and Chief Executive Officer of The Heritage Group Inc. Henry G. Beben, right, is President and Chief Operating Officer. The two men are seated in front of a portrait of John Metz Schneider, the company's founder.

It is a credit to our employees and management personnel that the corporation avoided many of the labour problems that beset others in the industry. Their co-operation demonstrates an understanding of the problems we face as an industry, and as a corporation, along with a willingness to share the responsibility of finding solutions.

The trend toward improved productivity at J.M. Schneider Inc., that began two years ago, continued in 1984. It resulted in substantial savings in labour costs, lower cost production runs and better machine utilization. Productivity gains, coupled with the restoration of margins, show how managers at all levels are becoming more aggressive and are recognizing the necessity for making a consistent profit in each product they manufacture or sell. With increased sales in 1985, the stage has been set to show sustained profit increases in the current year.

The F.G. Bradley company reported a profit in 1984 for the first time as a member of the Heritage Group, during a year in which the rate of growth in the industry declined. The company made progress in all aspects of its operations through a combination of generally better management, better use of information and by taking advantage of facilities common to the group as a whole. Bradley is well on its way to meeting its profit objectives by controlling costs rather than raising prices. With profitable operations now in place, the company has plans to expand its operations significantly.

Natco used 1984 to consolidate the enormous gains the company made in its first four years, including assuming complete operating responsibility for Winchester Cheese and preparing to acquire Dorset Foods in 1985. Both acquisitions are part of a policy to develop product capacity within Natco, with the objective of producing all products within the organization at large. As this process takes place, the company will continue the aggressive expansion of its product base.

In the last quarter of 1984, Portage Trade Development reached another plateau in sales as the company continued to lead the Heritage companies into foreign markets. Although the division's operating costs are minimal, initial orders are invariably small which means it is

burdened with abnormally high transportation costs. Larger orders, which are being developed, and an expanded product list, will gradually overcome the transportation handicap.

Once a regionally based pork packer, the Heritage Group has made the successful transition to a national food corporation. By opening new avenues of market development, expanding product lines and acquiring other companies, it has avoided the worst of industry realignment caused by consumer tastes shifting away from some meat products to alternative, less-expensive food stuffs.

The Heritage Group is one of a handful of successful, Canadian-owned family corporations. By adapting, it has positioned itself for growth; by remaining true to some fundamental corporate principles and practices, it has been well served. Confidence in the future and continuity with the past will be hallmarks of the Heritage Group as it enters its second century of business.

Frederick P. Schneider

Henry G. Beben

J.M. Schneider Inc.

1 984 was a watershed year in the meat processing industry. Some problems surfaced that had been overlooked during the boom years of the 70's. In some major companies, labour and management were unable to resolve their differences without a harmful strike. Many product categories were static as consumer tastes continued to turn away from red meat products to protein alternatives, particularly poultry and fish. Once more, the industry demonstrated how fluid it has become and how necessary it is for companies within it to be prepared to respond quickly.

During the year, the company made more changes, with the support of employees at all levels, than at any other time in its history. The spirit of co-

operation behind these changes reflects an understanding of the obstacles facing the corporation as a whole that was not always evident during the transition period of the past five years. As a result, J.M. Schneider has become a company of the 80's, equipped to manage in bad times as well as good.

Productivity continued to improve in 1984. Two new packaging units added to overall efficiency and, more importantly, strengthened customer service, since better packaging adds to the overall level of quality.

The company's poultry processing unit in our plant in Ayr, Ontario has been automated and enlarged to meet anticipated demand for white meat products.

The highlight of the productivity effort was implementation of the Materials

Requirement Planning Process — a system that has led to improvement in the areas of inventory control, production scheduling, customer service and equipment use. The system is driven by information. It works because information is transmitted vertically throughout the organization, winding up in the hands of those responsible for making decisions.

In 1984, cost and competitive factors forced some other companies and many plants to close. Eighteen months ago, Schneider's Winnipeg plant was in similar straits. Since then, a concerted effort on the part of management and employees to streamline operations turned a failing enterprise into a viable plant, supplying products largely to competitive foreign markets. The same spirit of co-operation and good judgment was



Above: Steve Doherty (left)
Dave Haley (right)
Right: Don Patterson





evident throughout labour contract negotiations during the summer, as the two sides reached an agreement without the counter-productive effects of a strike.

During the past decade, much of Schneider's success has been based on its ability to develop and market a succession of quality products. In late 1983, the company launched its line of Golden Basket breaded chicken items. Last year, three new products were added, giving the line greater variety and depth. New product development, in all categories, will be a priority with Schneiders in 1985.

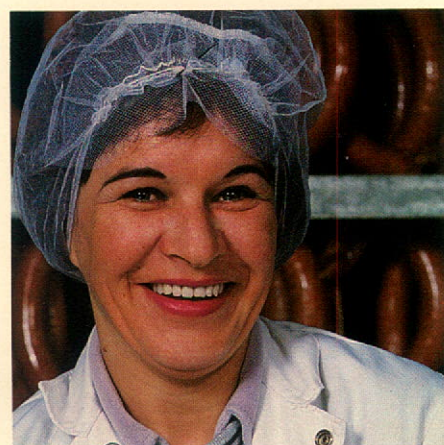
The company expanded its program of continuing dialogue with all customers during the year. The practice has been mutually beneficial because customers are kept abreast of meat retailing trends and our sales personnel develop business

skills that emphasize the necessity of generating adequate profit margins for both parties.

Costs and competition forced the industry through a period of rationalization, during which two major companies and several plants were closed. This trend is not over. Those companies that survive will emerge stronger and more efficient in a market served by fewer firms. Some degree of price stability is at hand, offering the prospect of adequate margins for the first time in several years. The company has responded to competitive pressures by making some changes in management personnel and operational practices. That process is largely behind us, with the result that the company can now concentrate on increasing its busi-

ness with emphasis on attaining a reasonable return.

Kenneth G. Murray
President
J.M. Schneider Inc.



Above: Debbie Bardon
Left: Sandy Wilkinson

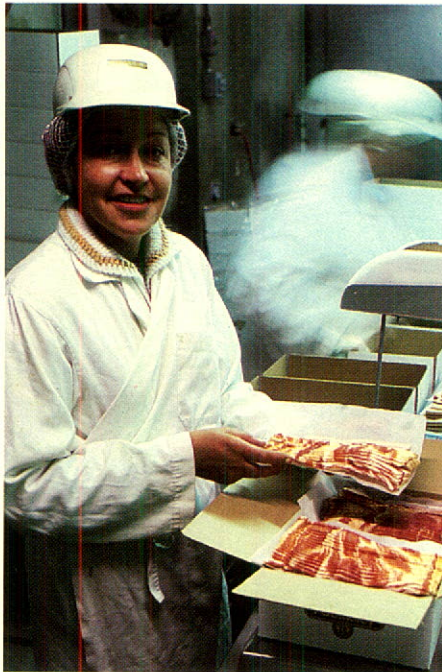
F.G. Bradley Inc.

F. G. Bradley had a profit in 1984 for the first time as a member company of the Heritage Group. The accomplishment was gratifying since it was achieved during a year in which the industry overall failed to grow.

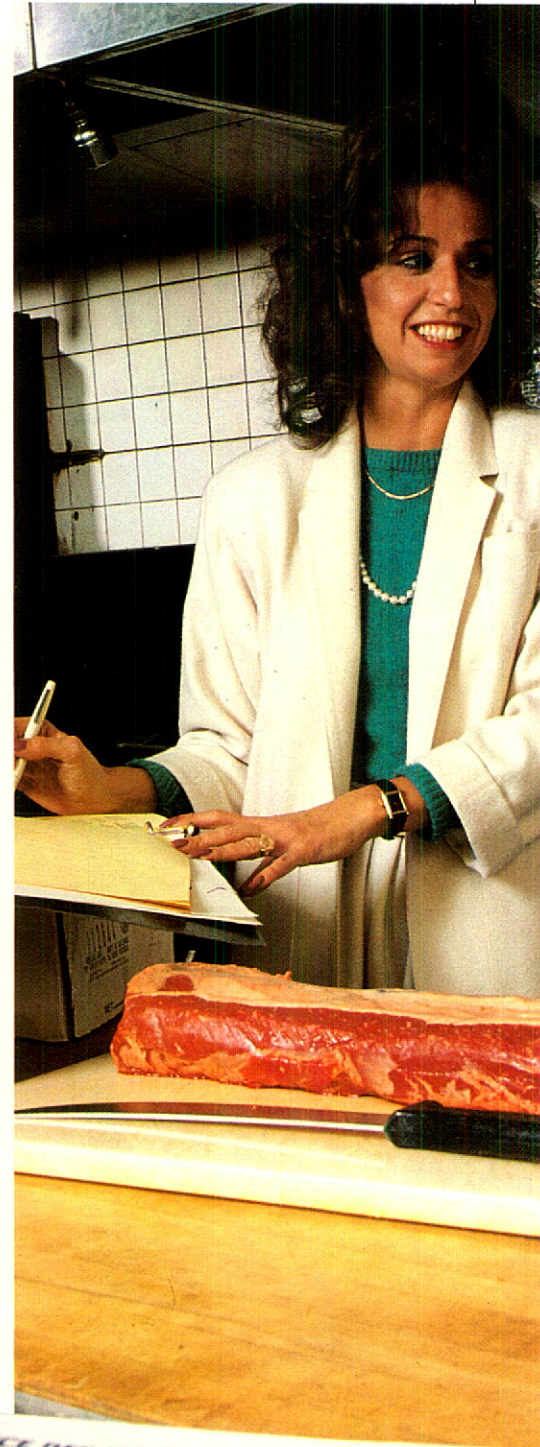
The company's sales grew significantly and more importantly, margins rose to a respectable level. Most of the sales increase was the result of adding British Columbia to our marketing territory. Bradley began selling in the province in late 1983, so the increase reflects a little more than a year's effort and business that has been taken from established competitors. Business in other parts of the country was steady.

The food service business has continued to use the lessons it learned during the recession. For most operators, being extremely cost-conscious and demanding of suppliers is the difference between failure and survival.

New operating procedures, along with new production personnel in selected areas, have resulted in a significant increase in productivity. Production departments now use information to adjust to market conditions on a daily basis. Production people who have a sense of the market are vital when it is understood that the more value we add to products, the more time restaurateurs will have to concentrate on their primary function of merchandising the menu.



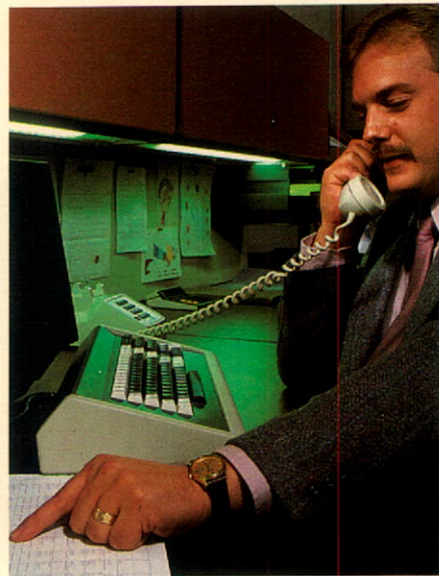
Left: Cathy Giczi
Above: Pearl Finley





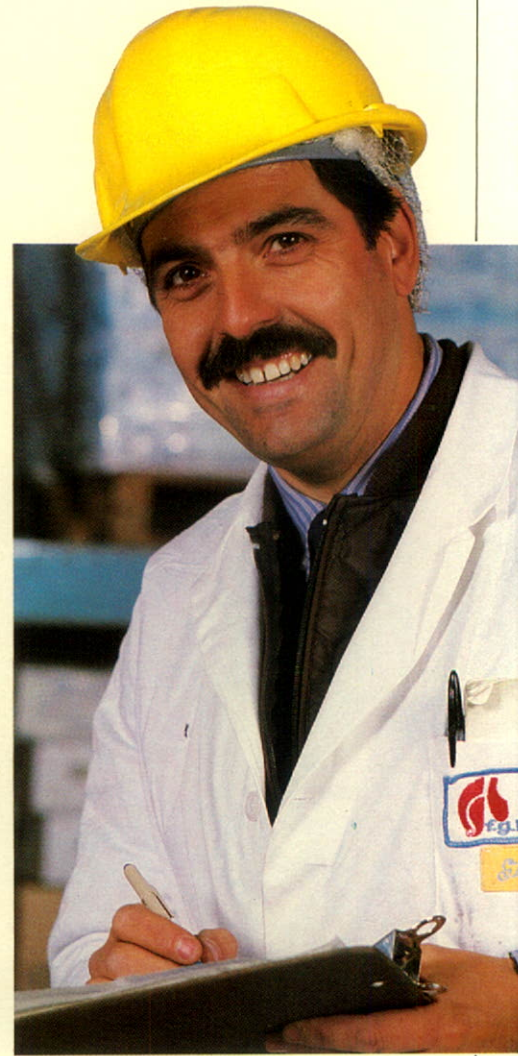
With a decade of rapid development as a national company behind it, F.G. Bradley is now taking a bold marketing initiative in 1985 by making a million dollar-plus investment in people and training. New marketing personnel will enable the company to cover sectors of the market that are currently inadequately served. The strategy behind the selection of new sales personnel will be to find candidates who have some entrepreneurial flair and an understanding of the market. Training, over an extended period, will be designed to produce a team of specialists who will give Bradley the capability to serve not only the entire territorial market but every niche within it as well.

Along with greater market coverage, the company plans to emphasize new product development in 1985, primarily through line extensions of existing products. The combination of these two factors should produce some sales growth in the current year, but the real impact will not be felt until the following year.



Left: Fran Babister
Above: Gary Byers

The past five years have been difficult for Bradley. It has had its share of false starts and uncertainty. But 1985 appears to be a year when co-operation and teamwork will really start to pay off and the company will be able to report another year of steady progress on all fronts.



Above: Gilbert Moniz

Kenneth G. Woodward

Kenneth G. Woodward
Senior Vice-president
F.G. Bradley Inc.

Link Services Inc.

In 1984 Link continued to improve customer services for companies within the group. The most visible aspect of Link's operations is the handling and transporting of all Heritage company products. The less visible side of the company's role is providing management with information on the status of its products to all points in the distribution system.

Last year Link began designing a system that gives each company an immediate record of its inventory including its quantity, whereabouts and condition. Having such information helps forecast sales more accurately and provides direction for production scheduling. The system is currently being implemented in the operating companies.

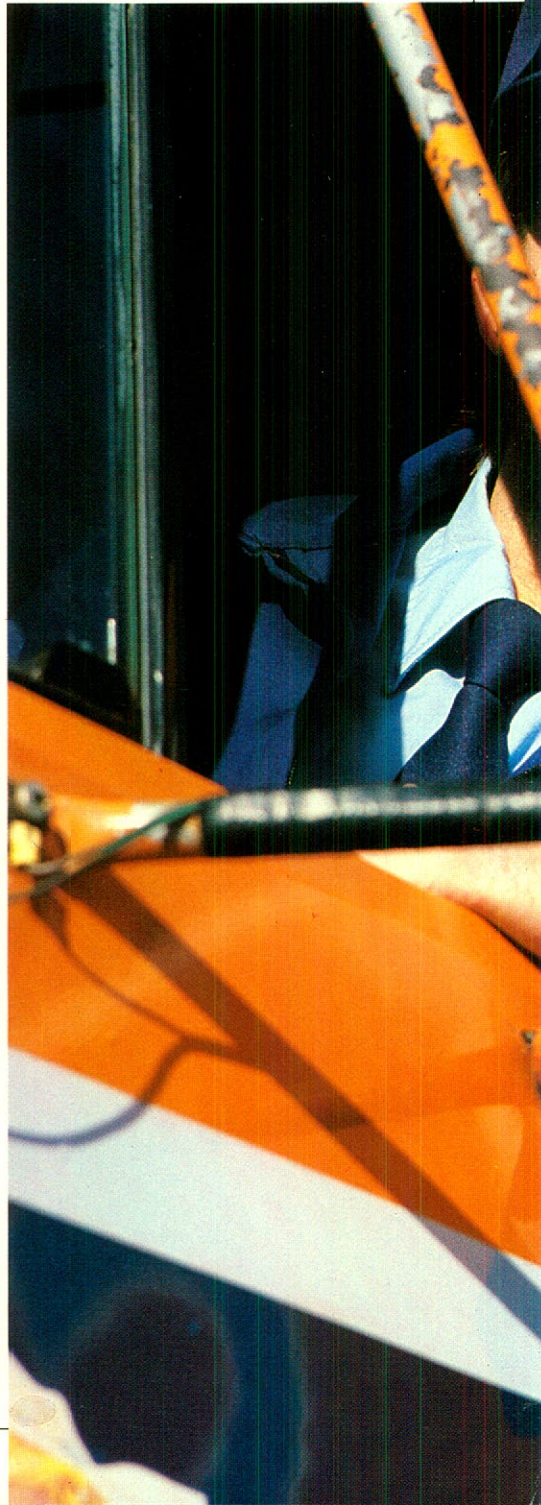
With the handling and distribution of perishable products, the level of service and delivery must be constant regardless of the destination. The problems of providing uniform service are acute in the large metropolitan areas where there are thousands of customers to be served at almost the same time. Last year Link began operating its own distribution terminal in Toronto where large shipments were off-loaded, allocated and re-loaded for short range delivery in the region.

The new system has worked well. Service in the Toronto area has improved, our sister companies have more visibility in the marketplace and overall costs for this leg of the system are lower.

Link Services is constantly up-grading the size and quantity of its truck fleet. Improvements to truck body design and construction are being made constantly, many of which result in marked improve-



Left: Burnie Lucky
Below: Paul Dubois
Right: Dan Bogaert

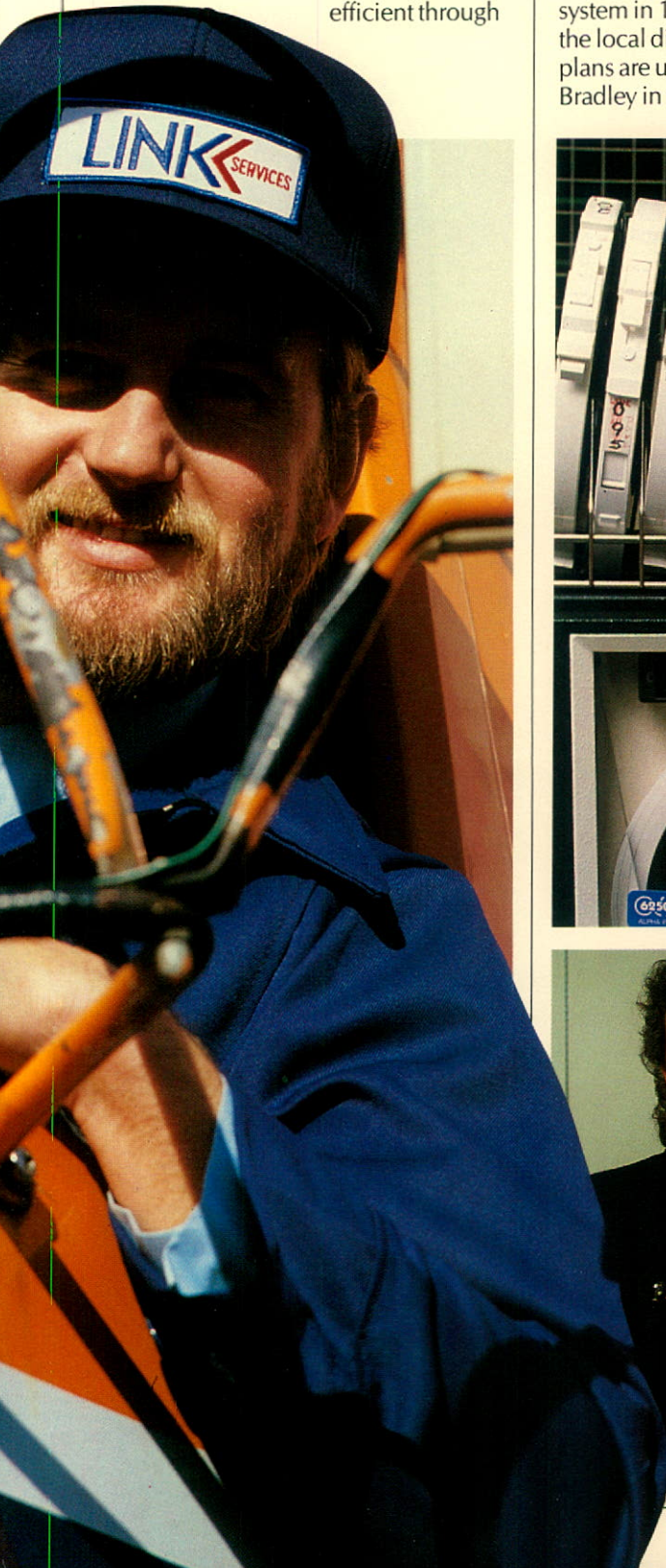


ments in the handling of perishable items. Every year Link incorporates as many improvements in safety and equipment as is practical. By doing so, each year the company has managed to make every mile a little more efficient through

direct savings and better customer service.

Link will continue to integrate new companies into the distribution network. Winchester Cheese, which was acquired by Natco last year, will be added to our system in 1985. Based on the success of the local distribution terminal in Toronto, plans are underway to include F.G. Bradley in the system as soon as possible.

The Winnipeg Distribution Centre, which was opened last year, was the latest link in a chain of centres across western Canada. This activity will continue as we improve our service across Canada.



Above: Willy Fleras
Left: Giselle Holst

Douglas W. Dodds
President
Link Services Inc.

National Consolidated Food Brands Inc.

In 1984 Natco consolidated its past four years of burgeoning growth and made preparations for the next phase of its development by acquiring companies that will give it greater manufacturing capacity. Sales in all product categories held up during the year, led by processed cheese products, along with several new specialty cheese items which were re-sized and packaged to be compatible with industry standards.

After 18 months of product development and market research, Natco entered the frozen dinner entree category in 1984 with the first four dishes in a line of Handimeals including beef, pizza, chicken and omelette. As with some other products marketed by Natco, Handimeals are identified with the Schneider label.

Grandma Martin continued to build on its reputation as a major national brand in the frozen dessert category by launching

a line of muffins including blueberry, carrot and bran.



Above: Bill McMichael
Right: Nigel Retford





Natco's ability to keep expanding its market base depends on its capability to develop innovative quality products competitively. With the emphasis on competition and quality, the company took steps to enlarge its own manufacturing capacity in 1984. Winchester Cheese, in Winchester, Ontario, was purchased in fiscal 1984 and Natco now accounts for that company's total production. In the current year, Natco will complete the purchase of Dorset Foods in Mississauga,

Ontario. In addition to its manufacturing links with sister companies within the Heritage Group, Natco is now in a position to take command of a large portion of its manufacturing needs without sacrificing control and margins to co-producers.

The company's decision to build its own sales force was vindicated last year when the new nine-man sales team in Ontario provided more consistent service and better support for promotions at the store level.

Natco has now provided itself with manufacturing self-sufficiency and an expanding direct sales force. With these two facets of the company's operations established and growing in conjunction with one another, Natco can refocus on its two primary functions of marketing and product development in 1985.



Above Left: Wendy O'Krafka
Above: Kathy Keetch

John P. Geminari
President
National Consolidated Food
Brands Inc.

Portage Trade Development

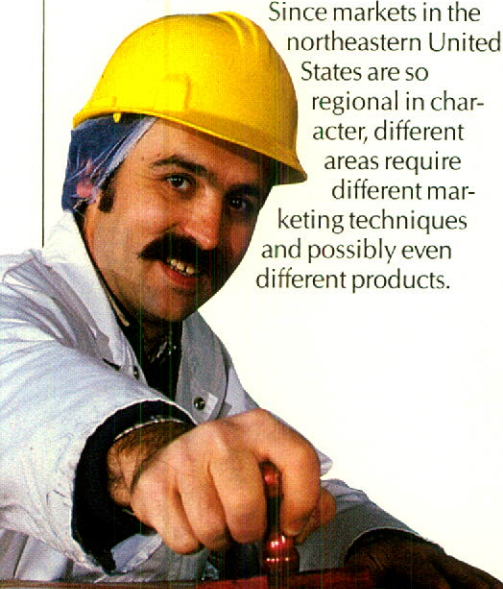


Portage Trade Development's sales grew slowly but steadily in 1984, reaching a new peak, and a new plateau in the last three months of the year.

Reaching out from a base area around Buffalo, New York, Portage has gained at least one listing in every major grocery chain store in upper New York state. In fact, the division has already made presentations to some major chains in New York City.

With listings for several products in stores within an accessible geographic area, the initial phase of the marketing strategy is complete. The next phase involves finding the best methods of building these markets.

Since markets in the northeastern United States are so regional in character, different areas require different marketing techniques and possibly even different products.



As an example, the initial strategy in selecting products for this market was to choose specialty items but, as it turns out, Portage could be equally successful with some of Heritage's less specialized high-volume products such as bacon and Hot Rods. Portage is pursuing this avenue of opportunity aggressively since it would help overcome the high cost of shipping relatively small quantities of specialized products.

In 1984 Portage consolidated its foothold in a major export market area. There was steady growth throughout the year, and 1985 will be the first time the division starts with an established market and product base on which to build.



Above Right: Aileen Finlay
Above: Dave Taylor and
Marnie Lusk
Left: Elmer Trocka



David R. Taylor
General Manager
Portage Trade Development

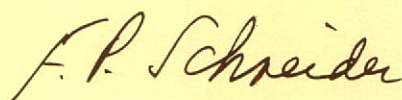


Annual Review
1984

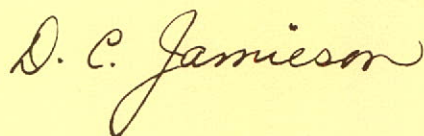
Consolidated
balance sheet
as at
October 27, 1984

Assets	(in thousands)	
	1984	1983
Current assets		
Accounts receivable	\$ 28,340	\$ 29,144
Inventories	43,574	35,308
Other	2,261	2,249
Total current assets	74,175	66,701
Investments in associated companies	2,121	1,995
Fixed assets	56,732	54,207
Intangible assets	3,783	3,964
Total assets	\$136,811	\$126,867

Approved by the Board



F. P. Schneider
Director



D. C. Jamieson
Director

The accompanying notes are
an integral part of this statement

Liabilities	(in thousands)	
	1984	1983
Current liabilities		
Outstanding cheques	\$ 10,673	\$ 8,872
Bank advances	7,125	
Accounts payable and accrued liabilities	30,190	27,236
Income taxes payable	633	3,165
Principal due within one year on debentures and loans	1,011	4,633
Current obligations under capital leases	207	308
Total current liabilities	49,839	44,214
Long term debt		
Debentures and loans	19,076	19,391
Obligations under capital leases	183	356
Total long term debt	19,259	19,747
Deferred income taxes	5,730	5,522
Shareholders' equity		
Capital stock	8,439	8,439
Retained earnings	53,544	48,945
Total shareholders' equity	61,983	57,384
Total liabilities and shareholders' equity	\$136,811	\$126,867

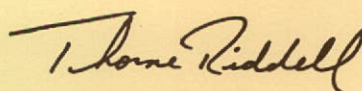
Auditors' Report

To the Shareholders of
The Heritage Group Inc.

We have examined the consolidated balance sheet of The Heritage Group Inc. as at October 27, 1984 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at October 27, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Kitchener, Canada
November 23, 1984



Chartered Accountants

**The Heritage Group Inc.
Annual Review
1984**

**Consolidated
statement of
earnings
year ended
October 27, 1984**

	(in thousands)	
	1984	1983
Sales	\$645,558	\$590,074
Expenses		
Cost of products sold and operating expenses	625,085	571,045
Interest	4,502	3,557
Depreciation and amortization	5,960	5,978
	635,547	580,580
Earnings before income taxes	10,011	9,494
Income taxes	4,245	4,222
Net earnings	5,766	5,272
Earnings per share	\$2.17	\$1.99

**Consolidated
statement of
retained earnings
year ended
October 27, 1984**

	(in thousands)	
	1984	1983
Balance at beginning of year		
As previously reported	\$ 48,651	\$ 44,637
Adjustment of prior years' expense	294	203
As restated	48,945	44,840
Net earnings	5,766	5,272
	54,711	50,112
Dividends		
Class A shares	1,002	1,002
Common shares	165	165
	1,167	1,167
Balance at end of year	\$ 53,544	\$ 48,945

The accompanying notes are
an integral part of these statements

**Consolidated
statement of
changes in
financial position
year ended
October 27, 1984**

	(in thousands)	
	1984	1983
Working capital derived from		
Operations		
Net earnings	\$ 5,766	\$ 5,272
Items not involving working capital		
Depreciation and amortization	5,960	5,978
Deferred income tax reduction	(533)	(296)
Share of earnings of associated companies	(126)	(120)
	11,067	10,834
Sale of fixed assets	187	192
Increase in capital lease obligation	51	39
Proceeds from term loan		600
	11,305	11,665
Working capital applied to		
Additions to fixed assets	5,254	5,741
Acquisition of shares of business less working capital related thereto of \$1,925,000	1,695	
Decrease in non-current portion of long term debt	1,289	4,981
Dividends paid	1,167	1,167
Additions to machinery and equipment under capital lease	51	39
	9,456	11,928
Increase (decrease) in working capital	1,849	(263)
Working capital at beginning of year		
As previously reported	21,910	22,333
Adjustment of prior years' expenses	577	417
As restated	22,487	22,750
Working capital at end of year	\$24,336	\$22,487

The accompanying notes are
an integral part of this statement

Notes to
consolidated
financial
statements
year ended
October 27, 1984

1. Summary of accounting policies

(a) Basis of consolidation

The consolidated financial statements include the accounts of The Heritage Group Inc. and its subsidiary companies, all of which are wholly owned.

(b) Inventories

Products are valued at lower of cost and net realizable value. Since most products can be sold at any stage in their production, it is not practical to segregate them into raw materials, work in process or finished goods. Cost includes laid down material cost, manufacturing labour and certain elements of overhead to the stage of production completion. Net realizable value is based on the adjusted wholesale trading price at the balance sheet date.

Supplies, which include packaging, maintenance and manufacturing materials, are valued at the lower of cost and replacement cost.

(c) Investments in associated companies

These investments are recorded on the equity basis. The investments therefore include the company's share of undistributed earnings since acquisition and the statement of earnings includes the company's share of earnings for the year. Also included in the investments is the excess of the cost of the shares of the associated companies over the book value of their assets at dates of acquisition which is being amortized over 40 years.

(d) Fixed assets

Fixed assets are stated at cost which includes capitalized interest incurred on major projects during the period of construction. Depreciation is provided on a straight line basis to amortize the cost of the assets over their estimated useful life with estimated useful lives not to exceed certain limits.

	Maximum useful lives	Annual rates of depreciation
Buildings of solid construction	40 years	2.5% to 4%
Buildings of frame construction and improved areas	20 years	5% to 10%
Machinery and equipment	10 years	10% to 20%

Depreciation is not provided on assets under construction.

The capitalized values of machinery and equipment under capital leases are depreciated over the lease terms using a straight line method.

(e) Intangible assets

Goodwill is being amortized on a straight line basis over the estimated life of the goodwill, such amortization period not exceeding forty years. The company recognizes permanent impairment in the value of intangible assets by additional charges against earnings.

(f) Pension plans

The unfunded past service obligation under pension plans is charged against earnings in the year in which it is paid.

(g) Earnings per share

Earnings per share are calculated on the weighted average number of shares outstanding in the year.

Notes to
consolidated
financial
statements
year ended
October 27, 1984

2. Fixed assets	1984			1983
	Cost	Accumulated depreciation	Net	Net
Land and improved areas	\$ 4,936,000	\$ 289,000	\$ 4,647,000	\$ 4,391,000
Buildings and leasehold improvements	44,869,000	15,983,000	28,886,000	26,895,000
Machinery and equipment	51,941,000	30,038,000	21,903,000	20,195,000
Assets under construction	1,130,000		1,130,000	2,428,000
	102,876,000	46,310,000	56,566,000	53,909,000
Machinery and equipment under capital leases	1,099,000	933,000	166,000	298,000
	\$103,975,000	\$47,243,000	\$56,732,000	\$54,207,000

The Board of Directors has approved capital expenditures on future projects of \$7,192,000. An additional \$2,515,000 is expected to be required to complete projects now under construction.

3. Debentures and loans	1984	1983
Debenture, with interest and principal payable monthly and payments calculated on a 20 year amortization basis, 12.4% interest to February 23, 1985 and adjusted annually in accordance with a published McLeod, Young, Weir Limited 10 Industrial Bond Index less 1/2 of 1%. The debenture contains prepayment and redemption privileges exercisable at February 23, 1986 and at five year intervals thereafter	\$ 9,089,000	\$ 9,234,000
10 ³ / ₄ % Sinking Fund Debentures, with interest payable semi-annually, annual sinking fund payments of \$450,000 and maturing February 1, 1997	7,650,000	8,100,000
Loans payable matured February 15, 1984		3,733,000
8 ¹ / ₂ % Sinking Fund Debentures, with interest payable semi-annually, annual sinking fund payments of \$100,000 and maturing June 1, 1991	1,200,000	1,300,000

(Continued)

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13 1/2% Loan payable \$34,000 monthly including interest commencing July 1, 1987 and maturing June 1, 1992. Interest to July, 1987 will be forgiven subject to certain conditions	1,500,000	750,000
Non interest bearing mortgage payable \$17,000 monthly and maturing July 15, 1986	350,000	550,000
8% Loan payable \$5,000 monthly including interest and maturing September 1, 1988	191,000	231,000
9 1/2% Loan payable \$3,000 monthly including interest and maturing December 1, 1989	107,000	126,000
	20,087,000	24,024,000
Less principal included in current liabilities	1,011,000	4,633,000
	\$19,076,000	\$19,391,000
Interest for the year	\$ 2,264,000	\$ 2,724,000

Principal due within each of the next five years is as follows:

1985	\$1,011,000
1986	9,594,000
1987	700,000
1988	866,000
1989	825,000

The debentures and loans are secured by fixed and specific charges on certain assets and floating charges on all assets of the company.

A trust indenture securing the sinking fund debentures contains certain covenants some of which limit the creation of additional debt and the entering into long term leases and restrict the use of proceeds from the sale of a substantial part of the company's fixed assets. In addition, the company has undertaken not to declare or pay dividends or otherwise make changes in its capital which would have the effect of reducing the company's equity below \$26,000,000.

4. Obligations under leases

Capital leases

The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of October 27, 1984:

1985	\$251,000
1986	137,000
1987	52,000
1988	28,000
1989	1,000
Total minimum lease payments	469,000
Less amount representing interest	79,000
Present value of net minimum lease payments	\$390,000

This amount is reflected in the balance sheet as current and non-current obligations under capital leases of \$207,000 and \$183,000 respectively.

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Operating leases

The following is a schedule of future minimum rental payments required under operating leases as of October 27, 1984:

1985	\$ 4,413,000
1986	3,907,000
1987	3,344,000
1988	2,262,000
1989	1,254,000
Later years	474,000
	<u>\$15,654,000</u>

5. Capital stock

Authorized

5,401,000 Class A non-voting shares
373,627 Common shares

	1984	1983
Issued		
2,277,528 Class A shares	\$8,205,000	\$8,205,000
373,627 Common shares	234,000	234,000
	\$8,439,000	\$8,439,000

The holders of the Class A shares are entitled to a 24¢ cumulative annual dividend and equal participation with the holders of common shares in annual dividends in excess of 24¢ and in any distribution of assets of the company to its shareholders.

6. Commitments

(a) Pension plans

The company charged against income \$690,000 (\$45,000 in 1983) for past service commitments under pension plan agreements. The present value of unfunded past service obligations at October 27, 1984, estimated by the company's actuarial consultants to be \$2,694,000, will be paid in accordance with the provisions of The Ontario Pensions Act.

(b) Investments

A subsidiary company has entered into agreements which require it to acquire the remaining issued and outstanding shares of associated companies on the happening of certain events and at prices determined according to certain formulae.

7. Adjustment of prior years' expense

During 1984 the company recovered certain prior years' expenses in settlement of a legal action relating to the acquisition of F.G. Bradley Inc. The recovery amounted to \$294,000 net of related costs and income taxes. Of this amount \$91,000 is applicable to 1983 and has been reflected as an increase in net earnings for that year. Previously reported retained earnings and working capital have been adjusted accordingly.

8. Other Information

(a) Operations

The company operates substantially in one industry, the processing and distribution of meat and related food products.

	1984	1983
Depreciation	\$5,832,000	\$5,639,000
Amortization	128,000	\$ 339,000

Ten Year statistical review

	(thousands of dollars except where noted)									
	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975
Sales	645,558	590,074	581,071	539,364	391,637	374,374	324,675	262,834	254,970	217,018
Earnings										
Earnings before income taxes	10,011	9,494	5,125	3,304	11,535	12,164	7,766	7,544	6,867	5,610
Income taxes	4,245	4,222	2,238	1,382	4,844	4,620	3,079	2,944	3,288	2,545
Net earnings	5,766	5,272	2,887	1,922	6,691	7,544	4,687	4,600	3,579	3,065
Net earnings as a percent of sales	0.89	0.89	0.50	0.36	1.71	2.02	1.44	1.75	1.40	1.41
Dividends paid	1,167	1,167	1,162	1,390	1,258	1,088	1,011	824	756	702
Capital expenditures	5,254	5,741	3,329	8,486	6,406	4,104	9,389	11,030	5,377	4,425
Depreciation and amortization	5,960	5,978	5,861	5,129	4,725	4,476	3,674	2,652	2,567	1,955
Salaries, wages and employee benefits	128,316	108,508	100,515	88,924	71,004	61,538	56,501	47,747	42,084	34,048
Average number of employees	3,970	3,827	3,817	3,880	3,327	3,131	3,009	2,874	2,676	2,640
Working capital	24,336	22,487	22,333	18,816	23,842	22,304	17,286	18,984	12,774	12,000
Working capital ratio	1.49	1.51	1.62	1.42	1.89	2.11	1.92	2.44	1.95	1.91
Total assets	136,811	126,867	119,715	126,692	95,537	83,627	76,275	65,057	50,917	48,060
Shareholders' equity at end of year	61,983	57,384	53,279	51,300	50,766	45,364	40,118	36,361	32,287	29,810
Percent return on equity at beginning of year	10.05	9.90	5.62	3.79	14.75	18.80	12.89	14.25	12.01	11.17
Per share statistics, in dollars										
Net earnings	2.17	1.99	1.10	0.73	2.55	2.78	1.73	1.70	1.33	1.13
Dividends paid	0.44	0.44	0.44	0.53	0.48	0.40	0.37	0.31	0.28	0.26
Equity at end of year	23.38	21.64	20.10	19.56	19.36	17.29	14.77	13.47	11.98	11.04

Directors and Officers

Board of Directors Changes

Directors

- Henry G. Beben**
Waterloo, Ontario
President & Chief
Operating Officer
- * **Geno F. Francolini**
Tillsonburg, Ontario
- Douglas R. Haas-Hawkings**
Ancaster, Ontario
Sales and Marketing
J.M. Schneider Inc.
- †* **Walter J. Hachborn**
St. Jacobs, Ontario
President,
Home Hardware Stores
Limited
- * **Dawson C. Jamieson**
Waterloo, Ontario
Senior Vice-President
Corporate Services &
Chief Financial Officer
- † **William H. Kaufman**
Kitchener, Ontario
President, Kaufman
Footwear & Kaufman
Furniture, divisions of
William H. Kaufman Inc.
- † **Gordon A. Mackay, Q.C.**
Kitchener, Ontario
Mackay, Artindale,
Wunder
- Kenneth G. Murray**
Ayr, Ontario
President
J. M. Schneider Inc.
- † **Frederick P. Schneider**
Kitchener, Ontario
Chairman of the Board
& Chief Executive Officer
- † **Herbert J. Schneider**
Waterloo, Ontario
Vice-President
- Howard G. Schneider**
Kitchener, Ontario
Vice-President & Director
of Research & Development
J. M. Schneider Inc.
- * **Milo D. Shantz**
St. Jacobs, Ontario
Chairman of the Board
Mercedes Developments
Limited

Officers

- Frederick P. Schneider**
Chairman of the Board
& Chief Executive Officer
- Kenneth G. Murray**
Vice-Chairman
- Henry G. Beben**
President & Chief Operating
Officer
- Dawson C. Jamieson**
Senior Vice-President
Corporate Services &
Chief Financial Officer
- Herbert J. Schneider**
Vice-President
- Gordon A. Mackay, Q.C.**
Corporate Secretary
- A. Grace Hartleib**
Assistant Corporate Secretary

Honorary Director

- Norman C. Schneider**
Past Chairman

Important dates for shareholders

Company fiscal year 1985:
October 28, 1984 to
October 26, 1985 (52 wks)

Dividend dates
Payable: April 15, 1985
July 15, 1985
October 15, 1985
January 15, 1986
Record: (4 weeks prior
to date of dividend
payable, closest Friday)
March 15, 1985
June 14, 1985
September 13, 1985
December 13, 1985

Fiscal quarter endings
1st Quarter:
February 16, 1985
containing 16 weeks

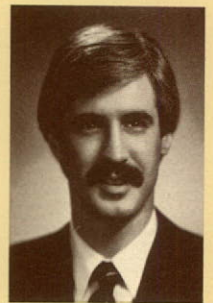
2nd Quarter:
May 11, 1985
containing 12 weeks

3rd Quarter:
August 3, 1985
containing 12 weeks

4th Quarter:
October 26, 1985
containing 12 weeks



J. Ruth Jackson



Douglas R. Haas-Hawkings

Mrs. Ruth Jackson did not stand for re-election to the Heritage Group Board of Directors in 1984 after being elected for eight consecutive terms as an outside director.

The corporation wishes to thank Mrs. Jackson for providing it with valuable counsel on a variety of issues, particularly those drawing on her experience as president of the Consumers Association of Ontario and as a member of the Ontario Farm Products Marketing Board.

Mr. Douglas Haas-Hawkings was appointed to the Board in May, 1984. As an employee, Mr. Haas-Hawkings has gained a working knowledge of the corporation, primarily through J.M. Schneider Inc., where he is currently employed in that company's Sales and Marketing department. As a member of the Schneider family, he represents the fourth generation of family members with an active interest in the business and a commitment to the principles and standards of quality that have characterized the corporation for its first century. Mr. Haas-Hawkings' academic qualifications include Masters Degrees in the fields of Environmental Studies (York), Sociology (University of Chicago) and Business Administration (York).

* Member of Audit Committee
† Member of Executive
Committee

Corporate Head Office

The Heritage Group Inc.
175 Columbia Street West
P.O. Box 1620
Waterloo, Ontario N2J 4M3

Registrar and Transfer Agent

The Canada Trust Company
Toronto, Ontario

Auditors

Thorne Riddell

Shares Listed

The Toronto Stock Exchange

Retail Meat Products

J.M. Schneider Inc.
General Office:
321 Courtland Avenue East
P.O. Box 130
Kitchener, Ontario N2G 3X8

Plants

321 Courtland Avenue East
Kitchener, Ontario

140 Panet Road
Winnipeg, Manitoba

Northumberland Street
Ayr, Ontario

663 Marion Street
Winnipeg, Manitoba

4305 Dawson Street
North Burnaby
British Columbia

Sales Offices

Valhalla Executive Centre
302 The East Mall, Suite 301
Islington, Ontario

1673 Carling Avenue,
Suite 112

Ottawa, Ontario

795 Wonderland Road
Suite 215

Westmount Centre
London, Ontario

128 Larch Street, Suite 303
Sudbury, Ontario

6600 Côte Des Neiges Road
Suite 306
Montreal, Quebec

6080 Young Street, Suite 707
Halifax, Nova Scotia

140 Panet Road
Winnipeg, Manitoba

6450 Roberts Street, Suite 345
Sperling Plaza
Burnaby, British Columbia

4060 78th Avenue S.E.
Calgary, Alberta

Grocery Products

National Consolidated
Food Brands Inc.
General Office:
175 Columbia Street West
P.O. Box 1621
Waterloo, Ontario N2J 4C4

Plants

Dorset Foods Inc.
2687 Slough Street
Mississauga, Ontario

Millbank Cheese &
Butter Limited,
78 Church Street
Millbank, Ontario

Winchester Cheese Inc.
694 St. Lawrence Street South
P.O. Box 490
Winchester, Ontario

Mother Jackson's
Open Kitchens Limited
(48% owned)
132 Simcoe Street
Port Perry, Ontario

Sales Office

78 Shorncliffe Road
Etobicoke, Ontario

Food Service Products

F.G. Bradley Inc.
Corporate and Sales Offices:
200 Ronson Drive
Rexdale, Ontario
M9W 5Z9

Plants

550 Kipling Avenue
Toronto, Ontario

1575 Inkster Boulevard
Winnipeg, Manitoba

358 Flora Avenue
Winnipeg, Manitoba

4120-98th Street
Edmonton, Alberta

Sales Offices

216-301 Weston Street
Winnipeg, Manitoba

205 Donaghy Avenue
North Vancouver
British Columbia

Distribution

Link Services Inc.
General Office:
175 Columbia Street West
P.O. Box 1623
Waterloo, Ontario N2J 4N1

Distribution Centres

321 Courtland Avenue East
Kitchener, Ontario

198 Dawson Road North
Winnipeg, Manitoba

4060-78th Avenue South East
Calgary, Alberta

205 Donaghy Avenue
North Vancouver
British Columbia

Distribution Terminal

78 Shorncliffe Road
Etobicoke, Ontario

Export Division

Portage Trade Development
175 Columbia Street West
P.O. Box 1620
Waterloo, Ontario N2J 4M3

