



MAPLE LEAF FOOD 68%



KEEP REFRIGERATED  
HEAT AND SERVE

GOURMET  
TOMATO  
SAUCE

SAUCE  
TOMATE  
GOURMET

NEW-NOUVEAU

Olivieri

GARDER AU FROID  
CHAUFFER  
ET SERVIR

KEEP REFRIGERATED  
SERVES 3 FULL SIZE PORTIONS  
USE OR FREEZE BY  
BEST BEFORE DATE

SUNDRIED  
TOMATO BASIL  
LINGUINE

LINGUINE AUX  
TOMATES  
SÉCHÉES AU SOLEIL  
ET AU BASILIC

GARDER AU FROID  
DONNE 3 GÉNÉREUSES PORTIONS  
UTILISER OU CONGELER AVANT  
LA DATE «MEILLEUR AVANT»

Olivieri

SANS AGENT DE CO

Dempster's

AGI

Tenderflake

2 PIE SHELLS  
TARTES A TARTES

Dempster's

ITALY...  
FLATBREADS OF THE WORLD

FOCACCIA

ITALIAN STYLE - PAIN A L'ITALIENNE

HERB AND GARLIC  
FINES HERBES ET AIL

Dempster's

BRAN  
SON

preservatives  
in fat

conservation  
matières

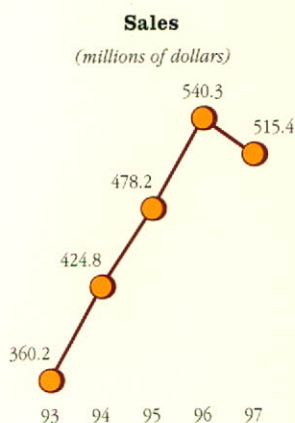


Canada Bread Company, Limited (“Canada Bread” or the “Company”) is a leading Canadian manufacturer of value-added flour-based products with sales and distribution in Canada, the United States, the Far East and Europe. The Company’s products include fresh bread, rolls and bagels; frozen bagels, bakery and dough products; crusty bread products; and specialty pasta and sauces. Canada Bread maintains a national presence in the marketplace with brand names such as Dempster’s™, Olivieri™, and Tenderflake™. Canada Bread is 68% owned by Maple Leaf Foods Inc.

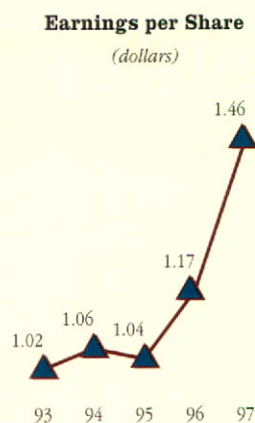
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# Canada Bread Company

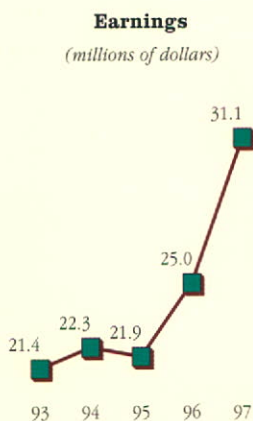
We are very proud to have maintained our baking heritage for over 86 years. We operated as Canada Bread from 1911 to 1969. In 1969, we changed our name to Corporate Foods Limited. Now that we’ve united our regional baking companies to become the leading national bakery, we have changed our name back to Canada Bread, to once again symbolize our strength and unity, our heritage, the pride we have in our products and this great country.



**Brand Strength**  
Integrated marketing programs strengthened national brand recognition, grew market share and supported new market development.



**Core Business**  
1997 sales reflect a focus on Canada, core products and customers.



**Capital Investment**  
Prioritizing resources for asset utilization, quality and productivity improvements, and new product and market development.

# Growing with Focus and Strength

## Financial Highlights 1997

(in thousands of dollars except per share amount)

	1997	1996
<b>Operating Results</b>		
Sales	\$515,364	\$540,251
Net earnings	31,117	25,006
Net earnings per share	\$1.46	\$1.17
<b>Cash Flow</b>		
Cash provided from operations	\$ 37,493	\$ 48,878
Capital investment	51,191	22,791
<b>Financial Position</b>		
Total assets	\$357,571	\$349,073
Shareholders' equity	232,408	205,172
Net borrowings	36,650	48,950
Book value per share	\$10.86	\$9.62

## *Report to Our Shareholders*

**W**e are pleased to report to the shareholders that our business achievements in 1997 allow us to continue to build on our enviable record of sustained growth and performance. New levels were achieved in volume of product sold, dollar sales and net earnings. We also undertook a number of new investments and initiatives to position ourselves for the future growth of the organization.

While Canadian consumption of commercially prepared breads and rolls was essentially even in 1997, we were successful in increasing our market share. Our frozen bakery business continued to enjoy strong growth, as did the sales of our Olivieri fresh pasta and sauce business.

For the 52 weeks ended December 27, 1997, net earnings were \$31.1 million (\$1.46 per share) up from \$25.0 million (\$1.17 per share) in 1996. These results include the gain on the sale of Brooklyn Bagel Boys, Inc. in early 1997, resulting in a one time after tax gain of \$4 million (\$0.19 per share). Excluding this gain, net earnings improved by 8.5%, reflective of improvements in our operations. Earnings from operations increased by 11.6% after allowing for the 1996 earnings from Brooklyn Bagel Boys, Inc.

Total sales in 1997 increased by 3.1%, excluding the 1996 sales from Brooklyn Bagel Boys, Inc., as a result of increased sales in all parts of the business.

Return on net assets (RONA) (excluding the one time gain on Brooklyn Bagel Boys, Inc.) increased to 11%. The RONA for 1997 represents further progress toward our goal of 15% RONA by the year 2000. The 1997

# A Link to The Past ...

numbers include capital expenditures of \$51.2 million, which will generate improved returns beginning in 1998.

In January 1997, we initiated construction of our \$26 million bakery facility in Calgary, Alberta. This facility commenced operation in the fall of 1997, reflecting a superb effort on the part of those responsible. This state-of-the-art plant is representative of our commitment to the future of Canada Bread. This is further evidenced in the construction of our new plant for Venice Bakery in Langley, B.C. We are currently relocating our manufacturing operations to this new plant and expect the transfer to be complete by the third quarter of 1998. The construction of these world class facilities will enable us to compete in North America and a number of other export markets.

To ensure our continued successful growth in our markets we have put into place marketing programs to further develop our key Dempster's, Olivieri and Tenderflake brand names. This includes television advertising every week of the year.

In 1997, our Dempster's brand of products were available nationally. Dempster's is our key brand for high quality, premium fresh bread products. Our strong regional brands include McGavin's in Western Canada and Butternut in Eastern Canada. These national and regional brands allow us to provide a full range of products to ensure consumer satisfaction.







Another component of our growth strategy is the continuous introduction of new products. In the fall of 1997, we launched Dempster's Premium Bagels across Canada. Also we continued to expand the Dempster's Hot & Crusty frozen retail bread and rolls. These products enable the consumer to have the highest quality crusty breads and rolls at home with only a 10 minute preparation time from freezer to table. A number of other unique products will be launched under the Dempster's brand in 1998.

Our increased emphasis on the food service market in 1997 resulted in substantial growth. Our focus and our new product initiatives will be expanded substantially in 1998.

We continue to streamline our distribution system for fresh products in Western Canada with a franchised delivery program. We intend to expand our franchised delivery program to other sectors of Canada. In 1997, we made significant progress in upgrading our management information systems with a multi-million dollar program to enable us to have a common operating platform across all of our operations. This conversion, while very demanding of our people, is critical to our future growth and the effective management of our business.

One of the more significant projects which we undertook was the reorganization to a functional management structure from the individually managed business units that operated across Canada. This change was the final step in the progression of the organization

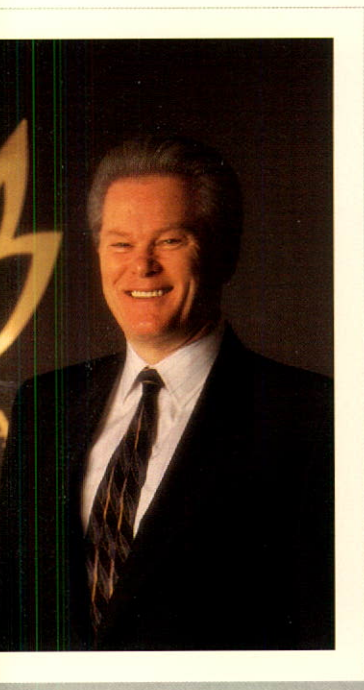
# The Key to Our Future

from a holding-type company to a completely integrated operating company. The benefits of this management structure are a senior executive team which is focused on our business on a national basis, while maintaining regional expertise where required, to ensure successful execution of our activities in the marketplace.

International markets are very important to the future growth of Canada Bread, as we have the manufacturing expertise and capability to develop and supply products for these markets. The United States continues to be our prime export market and our relationship with Maple Leaf Bakery U.S.A. has been successful in developing new opportunities for us. Maple Leaf Foods International has been very active in developing offshore markets for our products. This will be an important focus for Canada Bread in the years ahead.

The accomplishments of 1997 would not have been possible without the tremendous support which we received from all sectors of the Company. We are fortunate to have such a strong and capable group of employees. Our Board of Directors has provided excellent leadership and has supported us in making substantial investments required to maintain and enhance our growth.

The future of Canada Bread is very positive, as we carry out our strategic plan for growth and financial success through new investments in manufacturing capabilities, new products and new markets. We look forward to reporting on this growth to our shareholders in the year ahead.



David H. Lees  
*President and  
Chief Executive Officer*

Archibald D. McLean  
*Chairman of the Board*



## Management's Discussion and Analysis

Canada Bread has significant growth opportunities in both the short and longer term. The overall thrust of the Company will be to seek growth in higher margin, branded products through flexible and responsive manufacturing capabilities and efficient distribution systems.

The Company's goal is to build the current and long term core business and trademark franchises while profitable growth will be achieved on a consistent and predictable basis. Market share is very important in determining

overall profitability and we expect share growth in all key categories.

Canada Bread is committed to being the best baking company in Canada. Our people are consumer focused and place the highest value on quality, innovation and profit.

### CORE BUSINESS FOCUS

Focus and concentrate on targeted markets that offer sustainable, profitable growth.



### 1911 The Beginning

Canada Bread is established in 1911 by the amalgamation of five different companies; three in Toronto, one in Montreal and one in Winnipeg. "To carry on the business of manufacturers of and dealers



in bread, biscuits, cakes, chocolate, confectionery, canned or preserved fruits or vegetables and other foods, and to carry on the business of grain millers, dealers in grain and manufacturers of and dealers in the products thereof."



"Canada Bread Company, Limited" is incorporated — June 13, 1911.





Canada Bread focuses its energies on targeted markets that offer sustainable profitable growth. Resources are prioritized by core products, customers and geographies.

The Company's core products include fresh bread, rolls and bagels; frozen bagels, flatbreads and dough products; and specialty fresh and frozen pasta and fresh sauces. The objective is to achieve leading share positions based on a product line mix that

maximizes competitive advantage and financial returns.

Core product categories are strengthened by continuing to re-define and focus products in terms of performance and value, and by ensuring strong promotional support. Product development is based on unique, proprietary formulas and packages which are differentiated from the competition.

Product line distribution focuses on retail grocery and food service businesses. Our objective is to strengthen close relationships with customers which earn the Company preferred supplier status. We participate in other distribution channels that profitably fill plant capacity, while taking advantage of our Canada-wide distribution system.

The fresh bakeries use direct store delivery as the primary customer service system. At Canada Bread we believe in the entrepreneurship and effectiveness of our independent franchise dealers. In 1997, the successful conversion of company owned routes to franchise dealers focused on Western Canada; primarily Alberta and British Columbia.

Frozen bakery and pasta products are distributed through warehouse programs to the

**1997  
and Beyond – the  
Key to our Future**  
*The Company's name change in April, 1997 was a return to the name under which the Company was incorporated in 1911 – Canada Bread Company, Limited.*




*We feel this name best reflects our position in the marketplace as Canada's leading supplier of exceptional, value-added bakery and other flour-based products.*





customer. In 1997, the company continued to realign company owned distribution activities to third party distribution experts for cost and service advantages.

A major component of our core business focus is to continuously challenge all aspects of our business. To become more productive and lower costs, the de-complexing and streamlining of products, processes and customer markets is a necessary and ongoing process. An example of this focus and standardization that strengthened the business in 1997 was the development of Dempster's premium products as a national brand that enabled a coordinated and enhanced marketing program resulting in increased sales of these products.



**CAPITAL INVESTMENT**

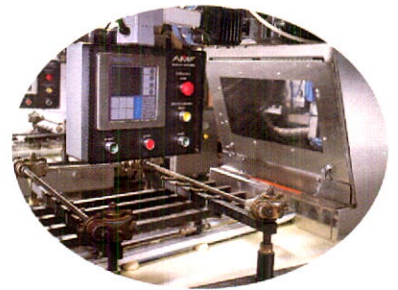
Strategic investment practices ensure resources are prioritized to projects that deliver superior financial returns.

● ● ●

The goals of the capital investment program are fourfold:

- 1) improving the productivity and costs of the existing asset base,
- 2) improving the quality of products and processes,
- 3) developing and utilizing state-of-the-art technology for competitive advantage, and
- 4) new product and market development.

**S**trategic capital investment is a major contributor to the growth, profitability and competitiveness of Canada Bread. A rigorous analysis and planning process ensures that resources are prioritized to projects that deliver superior financial returns.



**1929-1939**  
**Building**

The Company grows through mergers and acquisitions and the opening of new plants across Canada.



In 1928, the Butternut Bread Company of the Border Cities is acquired.



Routes expand to encompass more towns and cities. The motor truck makes it possible to provide our products to these extended territories from our 13 plants and 1 delivery depot.





A 1997 success was the continued focus on the productivity of the bagel manufacturing process, which yielded significant productivity gains. In 1998, our activities are focused on site by site manufacturing analysis to further improve overtime, waste and changeover levels.

A major success in 1997 was the building and commissioning of our new \$26 million fresh and frozen bakery in Calgary, Alberta. This facility, on which construction began in January, commenced operations in July.

New product and new market development will be supported by the new Calgary



fresh and frozen bakery. The facility will manufacture bread, bagels, doughs and other products and will service Canada, the United States and export markets, utilizing innovative technology exclusive to Canada Bread.

To strengthen Canada Bread's leadership position in Western Canada's fresh specialty hearth and crusty bread and roll markets, the development of a

new Venice bakery manufacturing site was initiated. Following facility acquisition and building modifications, the first production line was transitioned from the old to new site and successfully recommissioned by year end. All Venice lines will be relocated, upgraded and commercialized by the end of 1998, offering higher levels of quality, productivity and customer service.

The new plant was designed to support good manufacturing practices, for safety, and to enhance employee participation in business operations.

A major initiative is underway to develop and implement a standardized information

## 1997

### Fresh, Frozen and Specialty Fresh Baked Goods

*Marketed nationally under the renowned Dempster's name, our fresh bakery products deliver the taste, nutrition and value that consumers have come to expect from Canada Bread.*



### Frozen Baked Goods

*New Dempster's Hot & Crusty offer consumers the taste and aroma of hot, fresh specialty breads, ready in only 10 minutes from freezer to plate.*



### Specialty Products

*Our Olivieri line of fresh pasta and sauces provide fast, fresh and flavorful meal solutions.*





system supporting common business practices across the Company. All aspects of the business are being evaluated and reengineered, as necessary, to enhance customer value while ensuring business is done in the most efficient, cost effective way. Faster, more focused and more insightful key business facts will be provided to Canada Bread employees to aid in decision making.



**BRAND DEVELOPMENT**

National and regional marketing programs build consumer awareness and preference for Canada Bread brand franchises.

↔ ↔

The Company's objective is to strengthen consumer awareness and preference for distinctive Canada Bread trademarks and achieve an integrated marketing presence across product and trade channels. Investments are made in specific and concrete programs that will drive profitable growth. Success is measured by share growth in targeted market segments and by consistently growing contribution margins.

We have three key national brands at Canada Bread – Dempster's, Tenderflake and Olivieri. Our advertising strategies focus on communicating

**1940-1959**  
**Modernization**

In furthering the war effort, the Company voluntarily lowers the price of its bread, preceding the inauguration of a fixed price ceiling by the government.



Buildings are purchased, refurbished and re-equipped with new technology for manufacturing, as part of the Company's renovation and modernization program.



New merchandising strategies are implemented to complement the growth of supermarket chains and the changing shopping habits of consumers.





unique brand and product benefits, and on developing market segmentation. The goal is outstanding media advertising that results in the selection of Canada Bread brands when making a purchase in the product category.

In 1997, 52 weeks of television advertising supported our national trademarks with new creative campaigns, including Dempster's Premium breads, the new Dempster's Premium Bagels ("Sensibly Delicious"), new Dempster's par-bake breads ("Hot and Crusty bread in 10 minutes"), and Olivieri fresh pasta and sauces ("As Good As It Gets"). Tenderflake was also supported with a national television campaign.



Consumer promotions are an effective means to gain quick conversion and develop an ongoing user base. In 1997 themed promotions for Olivieri and Tenderflake were particularly successful.

Packaging is receiving increased emphasis, recognizing its importance in communicating brand, quality and innovation. One of our goals is to design a retail shelf that is informative, easy and fun to shop. This year the Venice product line was redesigned to strengthen its specialty hearth bread positioning. A program was also initiated whereby the

new Canada Bread trademark, updated nutrition guides and product information will appear on all products. A 1-800 consumer response line was initiated, and the number included on our packaging.

Our customer oriented marketing approaches recognize the importance of our grocery and food service customers in building the business. Canada Bread actively participates in customer menu and product development, packaging design and merchandising. In the grocery sector, the Company is encouraging its customers to use information-based, category management to build profitability.

## 1997

### Our New Facilities

*Olivieri President Carl Sparkes, Don Bradd, Executive V.P. Operations and Fulvio Pagliaro, Director of Operations, confirming the high quality of our fresh pasta line at Olivieri, Stoney Creek.*



### Our National Brands

*1997 marked the national launch of Dempster's Premium Bagels – wholesome, low in fat and available in 7 delicious flavors.*



*Our Tenderflake brand of frozen pie and tart shells set the standard for flaky pastry and convenience of use.*







**PRODUCT INNOVATION**  
 Increased emphasis is being placed on new product development. Competitive advantages will be achieved by bringing innovation to the market more quickly and effectively.



**1960-1969  
 Celebration!**

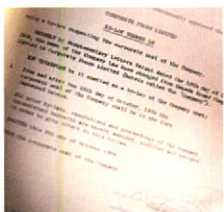
Canada celebrates its Centennial Anniversary in 1967 and Canada Bread Company, Limited is 50 years old in 1961.



As part of Canada's Centennial celebration, Canada Bread employees participate in the July 1st Centennial Day Parade, held in Scarborough, Ontario.



"Dempster's", a well established name in the baking industry, is acquired. In 1969, Canada Bread Company, Limited changes its name to Corporate Foods Limited. Significant changes are implemented within a variety of product lines as the Company continues to strengthen its marketing structure and improve its distribution facilities.



**F**or the future, developing and maintaining a strong flow of innovative, primarily branded products is critical to achieving financial growth goals.

Increased emphasis is being placed upon identifying, test marketing and launching new products and processes.

In fresh bakery, Dempster's core brand was strengthened with new product expansions into selected specialty bread markets. In July, Dempster's fresh Premium Bagels, with 7 varieties, distinctive packaging

and national marketing support, became an instant success. In December, an integrated line of flour tortillas, wraps, focaccia and pita were launched under the "Dempster's Flatbreads Of The World" label. Innovative in-aisle marketing and an aggressive advertising and consumer program will ensure Dempster's both defines this new product category and gains significant market share in 1998.

While building national brand franchises, 'super-regional' brands were also strengthened with 1997 new product line extensions, including Butternut bagels in the Maritimes, Dempster's Delicious white breads in Ontario, and McGavin's and Venice bread varieties in the West.

Dempster's Hot and Crusty frozen par-bake breads and rolls were launched in Ontario

and Quebec in March, with expansion to the Maritimes in October. This product entry not only defines and builds a new frozen grocery category, it ensures Canada Bread's share leadership in this evolving market. In 1998, further new product line extensions and television advertising are planned.

New products continued to play an important role in Olivieri's growth in 1997. Respected as the market innovator, 3 varieties of mid-sized ravioli were launched in February. Developed to be "best in its class" with extra flavor and ingredient attributes, Gourmet Meat and Gourmet





Tomato sauces were introduced in September, further strengthening Olivieri's fresher, better tasting positioning and market share.


**L**eadership requires a continued improvement in the way Canada Bread operates, resulting in higher levels of growth and profitability performance. Traditional business concepts are examined and redefined, resulting in better approaches to work. Demanding goals have been established in each

aspect of the Company's business system.

In 1997, the sales force was successfully restructured and transitioned to focus

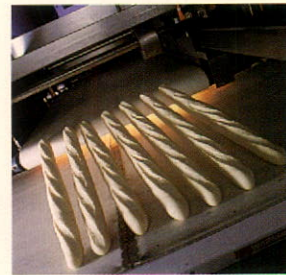
nationally on Grocery and Food Service channels. Each sales team now provides customers with "one stop shop" sales solutions for fresh and frozen bakery products.

Sales force training and development will continue into 1998. The goal is a sales team whose members are known and respected as the most capable business people in the industry, who possess superb product knowledge, and act as Canada Bread ambassadors in dealings with the customer.



**STREAMLINED OPERATIONS**

Traditional business practices are being examined and redefined, resulting in better approaches to work. Demanding goals are set; results are rigorously measured.



## 1997 Brand Development

*Craig Holloway, Vice-President Retail Sales and Rob Dougans, Senior Vice-President Business Development, visit one of our premier customer's stores to review the launch of new Dempster's 'Flatbreads of the World', comprising tortillas, wraps, focaccia and pita.*



## Innovation

*Paul Nelson, Senior Vice-President Technical Services is focused on developing leadership through continual quality improvement programs, new products and new processing technologies.*





**1970-1989**  
**Maintaining Leadership**

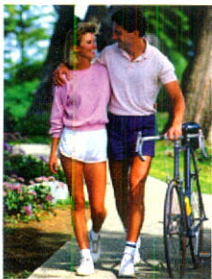
Dempster's pioneers the development of grain breads, such as "Stone Ground", and with each new product innovation continues to maintain its leadership in the industry.



The Company celebrates its 75th anniversary!



An increase in fitness and nutrition awareness encourages the bakery industry to promote bread as an integral part of a healthy, balanced diet.



Dempster's first television commercial is part of a new campaign aimed at enhancing the image of nutrition, quality and taste, as well as to provide support for its franchised dealers to further their tremendous sales efforts.



*Jeff Flynn, Director of Information Services and Mike Vels, Chief Financial Officer, confirming the new 'B.O.S.S.' fresh bakery operating system development timeline.*

Fresh bakery restructuring programs continued, with the objective of quickly transforming existing Company employee sales routes to independent franchise distributors. Recruiting, training and motivation of entrepreneurial business persons will build and strengthen profit-oriented relationships with traditional and new customers. In 1997, the franchising of Venice routes in the Vancouver/lower mainland areas was largely completed and the remainder of B.C. routes will be transitioned in 1998.

The development of common national bakery operating processes and a management information system was aggressively pursued. Significant savings will be forthcoming, as productivity and cost reduction targets are achieved. This project will also position the Company for the successful conversion of our computer systems for the year 2000.

Efforts oriented to achieving lower costs continue by optimizing production facilities and leveraging process technology. One example is the installation of a fresh pasta line in Olivieri's Stoney Creek, Ontario facility, ensuring that all eastern markets are now serviced more efficiently through shorter lead times and distribution routes.



**GLOBAL EXPANSION**

New markets offer Canada Bread the benefits of asset utilization, incremental profitability and improved competition advantage.

While Canada Bread's principal business focus is the Canadian marketplace, selected opportunities are being pursued in the United States and Asian markets through our relationship with Maple Leaf Foods International and



Maple Leaf Bakery U.S.A. Profitably accessing these large growth markets results in improved asset utilization of our existing Canadian assets, incremental profitability to the core Canadian business, and improved competitive advantage in Canadian markets via low cost manufacturing facilities and process technology.




This strategy links Canada Bread's product development and manufacturing strengths with the sales and marketing expertise of Maple Leaf Foods Inc. for product sales in targeted markets. A wide range of frozen bagel, bakery and par-bake bread products are being sold into U.S. markets, while the test marketing of similar products in offshore markets is promising. The Company is committed to long term customer relationship building to secure these new markets.




While there is no single key to success in managing Canada Bread's business, the importance of effective asset management cannot be underestimated. A productive asset base provides enhanced shareholder value and continuous business growth.

One of our key measures of financial success is RONA (Return On Net Assets) and our strategic objective is an overall RONA target of 15% in the Year 2000. In 1997, a RONA of 11% was achieved, up from 10.8% in 1996, taking into account a significant capital expenditure program of \$51.2 million in 1997.



**ASSET MANAGEMENT**

A productive asset base provides enhanced shareholder value and continuous business growth.



All asset investments are carefully evaluated to ensure that investments are in projects that deliver superior returns. All significant capital investments which generate a payback are subject to post-investment audits.

A primary asset strategy is the importance of optimizing manufacturing plant capacity. Our plants are being organized to maximize throughput with a goal of full capacity at each production location.

Acquisitions are continuously being sought and considered in product lines related to core businesses and that offer an opportunity for sustainable growth and earnings, and above average returns.

Canada Bread is committed to the development of our human resource assets. To achieve this, an increasing allocation of time and money will be devoted to training programs to upgrade personnel and the workplace environment.

## 1997

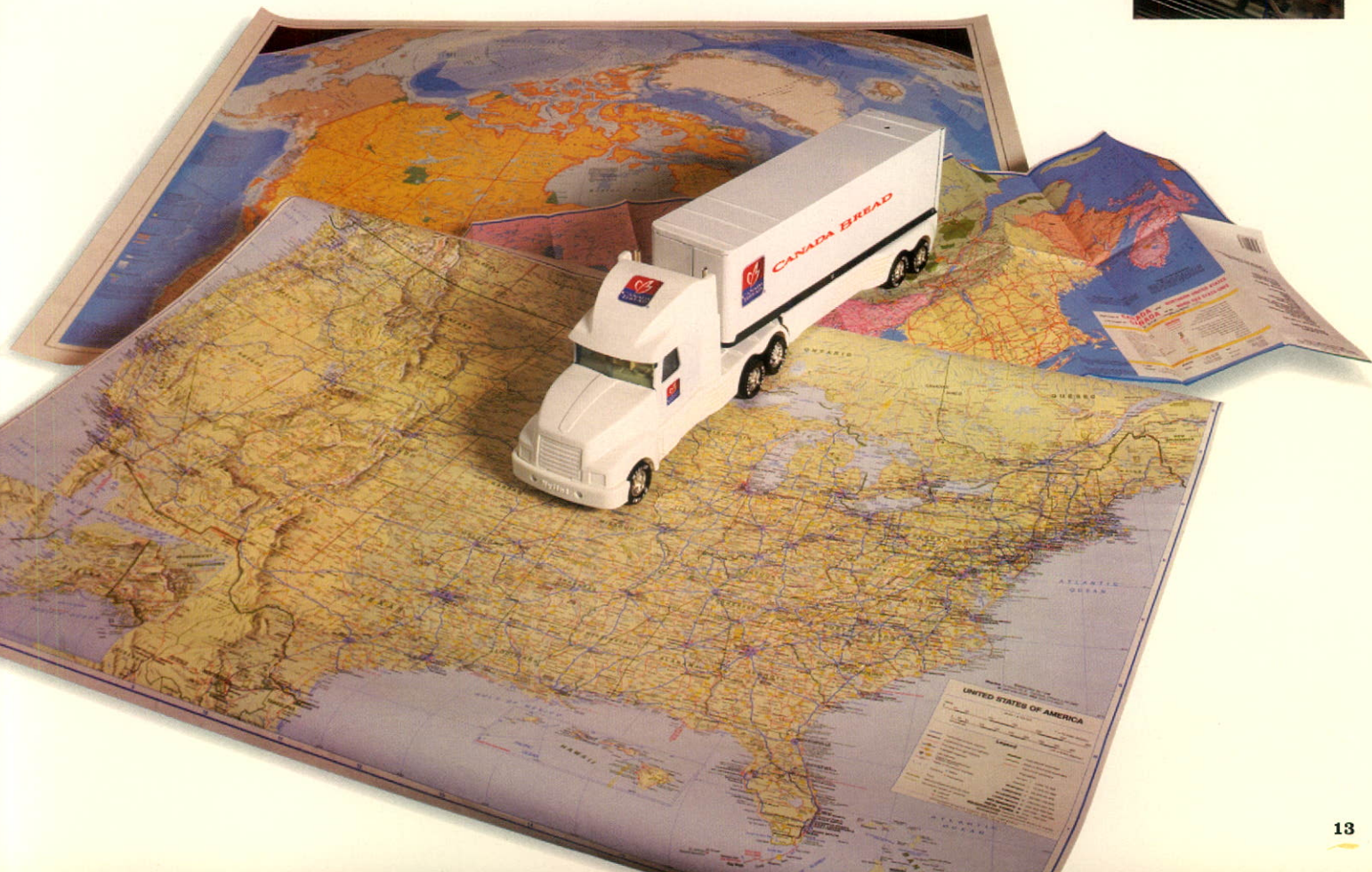
### Efficiency

*Bob Busch, Senior Vice-President, Human Resources, and his group are responsible for developing our perspectives on teambuilding for effectiveness.*



### Technology

*'State-of-the-art' technology applications ensure Canada Bread's competitive advantage in each aspect of our operations.*





It is recognized that it takes more direct employees to make and sell more product however, our company has the human resources in place to be able to experience significant physical growth without comparable growth in indirect staff and costs. Increasing attention to controlling administrative costs through training and business process reengineering is a key near term objective.

## 1990-1996 Growth & Performance

The Company celebrates the successful launch of "Texas Toast".



In 1995 the Company purchases the famous "Tenderflake" trademark. This exceptional line of products offers the consumer ready-made pie and tart shells.



Dempster's and Olivieri go national!

Dempster's is awarded the coveted Grand Prix New Bakery Products Award and is the recipient of the esteemed Gold Medal at the S.I.A.L. Food Show in Paris, France, for its innovative Fruit Breads.



## Financial Results

This financial review and analysis should be read in conjunction with the Consolidated Financial Statements and related notes included in the Annual Report to Shareholders of Canada Bread Company, Limited ("Canada Bread" or the "Company").

### Results of Operation

The operating results of the Company for 1997 were impacted by the sale of Brooklyn Bagel Boys, Inc. on January 2, 1997 ("Brooklyn sale"). Consequently, references are made in several places below to certain results on a comparable basis excluding the effect of the Brooklyn sale and the inclusion of 1996 acquisitions.

#### Sales

On a comparable basis, after adjusting for the effect of the Brooklyn sale, 1997 sales were up 3.1% over 1996. The sales growth is attributed to the full

year impact of 1996 acquisitions, increased production capacity at the new Calgary facility in the latter part of the year and new products introduced during the year. The Company continued to focus on its brand development, with national brand campaigns for Dempster's, Olivieri and Tenderflake supported by television advertising.

#### Earnings from Operations

Earnings from operations of \$36.4 million compare to \$37.1 million in 1996. After adjusting for the effect of the Brooklyn sale, earnings from operations increased 11.6% over 1996. The improved earnings result from the increased sales discussed above, route restructuring and franchising, productivity improvements, particularly in the frozen bakery operations, and favourable flour purchases.

#### Other Income

Other Income is comprised primarily of equity earnings of Canada Bread's 25% share of the net income in Multi-Marques Inc., less amortization of the underlying goodwill. These equity earnings increased to \$4.8 million from \$4.6 million in 1996.

#### Gain on Sale of Business

On January 2, 1997, the Company sold Brooklyn Bagel Boys, Inc. to Maple Leaf Foods Inc. Total proceeds of \$US 20.4 million (approximately Cdn. \$27 million) was received and resulted in a gain of \$6.3 million before taxes (\$4.0 million

after taxes). *Additional details of this transaction are included in Note 10 to the Consolidated Financial Statements.*

#### Interest Expense

Net interest expense declined 53% to \$1.4 million in 1997 from \$3.0 million in 1996, due to lower interest rates and lower average borrowings throughout the year, due principally to proceeds from the Brooklyn sale.

#### Income Taxes

The 1997 tax rate is 38.4% compared to 40.2% in 1996. The difference is attributable to an improvement in the rate due to the gain on the Brooklyn sale and the amalgamation of McGavin Foods Limited with the Company in 1997. *Additional details of Income Taxes are included in Note 9 to the Consolidated Financial Statements.*

### Financial Condition

#### Liquidity and Capital Resources

The Company and its subsidiaries have aggregate lines of credit of \$77 million at year-end with major Canadian banks. Of this amount, \$40 million is a revolving term loan with \$31 million drawn at year-end. The remaining amounts are operating loan facilities.

Management is of the opinion that the current lines of credit will provide the Company with sufficient resources to finance ongoing business requirements and capital expenditure programs.



*Canada Bread welcomes the challenge of the future, secure in the knowledge of our tremendous capabilities of achieving product and market success as evidenced throughout our proud history.*

During the year, 56,000 common shares were issued as a result of exercise of options, increasing share capital by \$964,000 to \$36.6 million at year-end. Further details of the plan are included in Note 7 to the Consolidated Financial Statements.

#### **Dividends**

Dividends paid in 1997 continued at \$0.24 per share, resulting in a cash outflow of \$5.1 million, the same as in 1996. The pay-out represented 19% of the Company's 1997 net earnings (1996 – 21%) after adjusting for the gain on the Brooklyn sale.

#### **Capital Expenditures**

Net additions to fixed assets increased to \$51.2 million from \$22.8 million in 1996. The largest part of the capital expenditures in the year was spent on the Company's new state-of-the-art manufacturing facility in Calgary, Alberta, which was opened in the early fall of 1997.

#### **Risk Management**

The Company has financed risk exposure to varying degrees relating to interest rates, foreign exchange and commodity pricing. The cost of flour, which represents a large component of the Company's raw material costs, is directly impacted by wheat prices and quality, which are often volatile. The Company manages exposure to fluctuating flour prices through the use of forward purchase

contracts. Information on the Company's derivative products is set out in Note 5 to the Consolidated Financial Statements.

The year 2000 poses a significant risk to businesses that are reliant on computer systems that use the last two digits to represent a year. In 1996, Canada Bread began a process of replacing almost all of its enterprise computing systems with new, standard platforms across all operations, as part of the streamlining initiative contained in the Seven Point Plan. These new systems will be Year 2000 compliant. The costs of these initiatives have been and will be charged to capital expenditures. The Company also has other systems that must be altered or replaced to enable them to be Year 2000 compliant. Costs related to these initiatives have been and will be charged to expense as incurred, and have not been and are not expected to be material. The Company has in place a formal process to monitor and report upon progress towards meeting a target of March 1999 to be Year 2000 compliant throughout the Company for all critical systems.

The Company will also monitor the year 2000 compliance of its major suppliers and customers. However, there can be no assurance that the systems of other companies with which the Company

interacts will be year 2000 compliant or that any failure by another company in this respect would not have an adverse effect on the Company's operations.

#### **Environment**

Environmental responsibilities are considered a high priority by Canada Bread. The Company has adopted an environmental stewardship program under which specific senior executives take responsibility for all environmental matters within the Company. These executives work together to ensure that Canada Bread is in compliance in all material respects, with existing environmental regulations. Reports regarding all environmental issues or matters which have arisen are regularly provided to the Board of Directors for discussion and evaluation. Expenditures relating to current environmental standards are not expected to have a material impact on the financial position or earnings of the Company.

#### **Related Party Transactions**

Maple Leaf Foods Inc. and its subsidiary, Maple Leaf Foods USA Inc., provide certain management and other services to Canada Bread. These arrangements were reviewed and approved by the outside members of the Board of Directors. See Note 11 to the Consolidated Financial Statements for further details.



## Management's Statement of Responsibility



Management recognizes its responsibility for conducting the Company's affairs in the best interests of all its shareholders. The consolidated financial statements and related information in the annual report are the responsibility of management. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles which involve the use of judgement and estimates in applying the accounting principles selected. Other financial information in the annual report is consistent with that in the consolidated financial statements.



D.H. Lees  
President and  
Chief Executive Officer



M.H. Vels  
Chief Financial Officer



L.J. Palko  
Senior Vice-President,  
Finance and  
Corporate Secretary

The Company maintains systems of internal controls which are designed to provide reasonable assurance that accounting records are reliable and to safeguard the Company's assets. The Company's independent auditors, KPMG, Chartered Accountants, have audited and reported on the Company's consolidated financial statements. Their opinion is based upon audits conducted by them in accordance with generally accepted auditing standards to obtain reasonable assurance that the consolidated financial statements are free of material misstatement.

The Audit Committee of the Board of Directors, all of whom are independent of the Company or any of its affiliates, meets periodically, and at least semi-annually, with the independent external auditors, the internal auditors and management representatives to review the internal accounting controls, the consolidated quarterly and annual financial statements and other financial reporting matters. Both the internal and independent external auditors have unrestricted access to the Audit Committee. The Audit Committee reports its findings and makes recommendations to the Board of Directors.

## Auditors' Report



### To the Shareholders of Canada Bread Company, Limited

We have audited the consolidated balance sheets of Canada Bread Company, Limited as at December 27, 1997 and December 28, 1996 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 27, 1997 and December 28, 1996 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.



Chartered Accountants

Toronto, Canada,  
February 27, 1998.



(thousands of Canadian dollars)

As at December 27, 1997 December 28, 1996

**Assets****Current assets:**

Cash	\$ —	\$ 824
Accounts receivable	43,988	48,205
Due from related company (note 11)	6,299	3,920
Inventories	13,986	15,625
Prepaid expenses	3,798	3,030
	68,071	71,604
Investment in associated company	45,123	42,468
Property and equipment (note 3)	165,768	145,059
Goodwill	78,609	89,942
	\$357,571	\$349,073

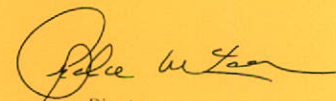
**Liabilities and Shareholders' Equity****Current liabilities:**

Bank indebtedness (note 4)	\$ 5,581	\$ 5,615
Accounts payable and accrued charges	57,991	68,259
Dividends payable	1,284	1,280
Income taxes payable	6,501	1,434
Current portion of long-term debt (note 4)	197	181
	71,554	76,769
Long-term debt (note 4)	30,872	40,447
Loan from Parent Company (note 4)	—	3,531
Deferred income taxes	22,641	22,997
Minority interest	96	157
Shareholders' Equity (note 6)	232,408	205,172
	\$357,571	\$349,073

On behalf of the Board:



Director



Director

See accompanying notes to consolidated financial statements



## *Consolidated Statements of Earnings*



*(thousands of Canadian dollars, except earnings per share amounts)*

Years ended	December 27, 1997	December 28, 1996
<b>Sales</b>	<b>\$515,364</b>	\$540,251
<b>Earnings from operations</b>	<b>36,366</b>	37,131
Other income (note 8)	12,631	4,663
<b>Earnings before interest and taxes</b>	<b>48,997</b>	41,794
Interest expense (note 4)	1,432	3,033
<b>Earnings before income taxes</b>	<b>47,565</b>	38,761
Income taxes (note 9)	16,420	13,724
<b>Earnings before minority interest</b>	<b>31,145</b>	25,037
Minority interest	(28)	(31)
<b>Net earnings for the year</b>	<b>\$ 31,117</b>	\$ 25,006
<b>Earnings per share</b> (note 7)	<b>\$1.46</b>	\$1.17

*See accompanying notes to consolidated financial statements*

## *Consolidated Statements of Retained Earnings*



*(thousands of Canadian dollars)*

Years ended	December 27, 1997	December 28, 1996
<b>Retained earnings, beginning of year</b>	<b>\$169,827</b>	\$149,949
Net earnings for the year	31,117	25,006
Dividends declared	5,131	5,128
<b>Retained earnings, end of year</b>	<b>\$195,813</b>	\$169,827

*See accompanying notes to consolidated financial statements*



(thousands of Canadian dollars)

Years ended	December 27, 1997	December 28, 1996
<b>Operating Activities</b>		
Net earnings	\$ 31,117	\$ 25,006
Add (deduct) items not affecting cash:		
Depreciation	14,979	14,463
Amortization	2,321	2,403
Undistributed earnings of an associated company	(2,655)	(2,600)
Deferred income taxes	1,875	3,990
Minority interest	28	31
Gain on sale of business	(4,000)	—
Changes in non-cash working capital	(6,172)	5,585
	<b>37,493</b>	<b>48,878</b>
<b>Financing Activities</b>		
Dividends	(5,128)	(5,128)
Dividends paid to minority interest	(14)	(30)
Repayment of debt (note 4)	(9,559)	(124)
Repayment of debt to Parent Company (note 4)	(3,531)	(98)
Issue of share capital (note 7)	964	—
	<b>(17,268)</b>	<b>(5,380)</b>
<b>Investing Activities</b>		
Additions to property and equipment	(51,191)	(22,791)
Deferred acquisition costs (note 10)	—	(662)
Purchase of net assets of businesses (note 10)	—	(23,271)
Net proceeds on disposal of business	30,176	—
	<b>(21,015)</b>	<b>(46,724)</b>
<b>Net decrease in cash during the year</b>	<b>(790)</b>	<b>(3,226)</b>
Bank indebtedness, net of cash, beginning of year	(4,791)	(1,565)
<b>Bank indebtedness, net of cash, end of year</b>	<b>\$ (5,581)</b>	<b>\$ (4,791)</b>

See accompanying notes to consolidated financial statements



December 27, 1997 and  
December 28, 1996  
(tabular amounts in  
thousands of dollars)

**1. The Company**

Canada Bread Company, Limited ("Canada Bread" or the "Company") and its subsidiaries operate in a single industry consisting of the manufacture and sale of flour-based products, primarily bakery products. The fiscal year of the Company ends on the last Saturday of December. The fiscal years ended December 27, 1997 and December 28, 1996 are each comprised of 52 weeks. Canada Bread is 68% owned by Maple Leaf Foods Inc. ("Maple Leaf" or the "Parent Company").

**2. Significant Accounting Policies**

The following are the significant accounting policies of the Company:

The preparation of periodic financial statements necessarily involves the use of estimates and approximations. Should the underlying assumptions change, the actual amounts could differ from those estimated.

*(a) Principles of consolidation*

The accompanying consolidated financial statements include the accounts of Canada Bread and its subsidiaries.

The Company owns a 25% interest in Multi-Marques Inc. of Québec which is accounted for using the equity method.

*(b) Inventories*

Inventories, consisting primarily of ingredients and supplies, are valued at the lower of cost and replacement cost, as determined using the first-in, first-out method.

*(c) Property and equipment*

Property and equipment are recorded at cost including, where applicable, interest capitalized during the construction or development period. Depreciation is calculated using the straight-line basis at the following rates which are based on the expected useful life of the asset:

Buildings	2½% – 5%
Machinery and equipment	7½% – 33⅓%
Leasehold improvements	over the term of the lease

*(d) Goodwill*

The excess of the purchase price over the estimated fair value of identifiable net assets acquired represents goodwill. Goodwill is amortized substantially over forty years on a straight-line basis. The Company

annually reviews the carrying value of goodwill to determine if an impairment has occurred. The Company measures the potential impairment of goodwill by comparing the undiscounted value of expected future operating income before income taxes, interest and amortization of goodwill to the carrying value of goodwill. Any permanent impairment in the value of goodwill is written off against earnings.

*(e) Translation of foreign currencies*

The accounts of foreign subsidiaries are translated into Canadian dollars using the exchange rate in effect at the year end for assets and liabilities and the average rate for the year for revenues and expenses. Exchange gains or losses on translation are deferred and included as a separate component in shareholders' equity until realized.

Other monetary assets and liabilities denominated in foreign currencies are translated at year end exchange rates; exchange gains and losses are recognized in current earnings.

*(f) Pension costs and obligations*

The Company and its subsidiaries maintain defined benefit pension plans which provide retirement benefits for the employees. The market value of pension assets is determined using a five-year moving average basis. Pension obligations are determined by the Company's actuaries, using the accrued actuarial method and based on management's best estimate assumptions. Changes in the net value of pension assets or obligations arising from experience gains or losses, changes in assumptions and plan amendments and the net pension asset not previously recognized at the date the policy was implemented are amortized on a straight-line basis over the expected average remaining service life of the employee groups covered by the plans.

*(g) Financial instruments*

The Company enters into hedging arrangements to manage its exposure to currency, commodity price and interest rate fluctuations. The gains and losses on these hedging instruments are recognized in the consolidated financial statements in the same period and are matched with the same financial statement category as the income or expense item to which the hedged position relates. Any accrued amounts



receivable and payable under the terms of such contracts are included in accounts receivable and accounts payable, respectively.

*(b) Comparative figures*

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

**3. Property and Equipment**

	1997	1996
<b>Cost</b>		
Land	\$ 13,751	\$ 9,796
Buildings	42,520	41,388
Machinery and equipment	180,906	163,898
Construction in progress	13,728	6,058
	<b>250,905</b>	221,140
<b>Accumulated depreciation</b>		
Buildings	12,463	11,707
Machinery and equipment	72,674	64,374
	<b>85,137</b>	76,081
Net book value	<b>\$165,768</b>	\$145,059

Net book value of equipment under capital lease is comprised of cost of \$652,000 and accumulated depreciation of \$85,000.

**4. Financing**

*Bank Indebtedness*

The Company has demand operating facilities of \$37 million for short term borrowing requirements which bear interest at short term rates. Drawings under these facilities were \$5,581,000 at December 27, 1997 [1996 – \$5,615,000]. Interest on short-term debt expensed during the year is \$134,000 [1996 – \$347,000].

The unsecured loan from the Parent Company was repaid on January 2, 1997 (note 10). Interest paid at market rates in 1996 was \$232,000.

*Long Term Debt*

The Company has 364-day revolving committed facilities with two Canadian chartered banks, each for \$20 million. These facilities are available through September 2000 and may be extended annually by the banks. These facilities bear interest based on Bankers Acceptance rates for Canadian dollar loans and LIBOR for US dollar loans.

The Company's blended average cost of borrowing under these facilities for the year ended December 27, 1997 was 5.2% (1996 – 6.1%) after adjusting for interest rate derivative financial instruments (note 5).

	1997	1996
Revolving term facility	\$30,600	\$40,000
Obligations under capital leases and other long-term debt	469	628
	<b>31,069</b>	40,628
Less current portion	197	181
	<b>\$30,872</b>	\$40,447

Interest on long-term debt expensed during the year is \$1,298,000 [1996 – \$2,454,000].

During the year, \$572,000 (1996 – nil) of interest was capitalized to property and equipment.

**5. Financial Instruments**

*Foreign currency risk management*

The Company uses derivative financial instruments, primarily forward exchange currency contracts to manage its currency exposures on export sales and expenditures denominated in foreign currencies.

At December 27, 1997 the Company had outstanding commitments to sell forward US\$22,700,000 (1996 – US\$44,837,000) which cover periods maturing within one year. The market value of outstanding forward foreign exchange contracts at December 27, 1997 would result in an unrealized loss of \$317,169 (1996 – loss of \$899,403). The unrealized loss is calculated based on closing market prices.

*Interest rate risk management*

The Company uses interest rate derivative financial instruments to manage its exposure to interest rate fluctuations. At December 27, 1997 the Company had a fixed rate swap contract for a notional principal amount of \$10 million (1996 – \$15 million) at a fixed rate of 6.3% which expires on February 16, 1998. The market value of the swap contract assuming termination of the contract on December 27, 1997 is a loss of \$58,154 (1996 – \$245,757) due to changes in market rates since the contract was entered into. Market values are determined by obtaining quotes from the counterparties for the same or similar financial instruments.



## 6. Shareholders' Equity

	1997	1996
Share capital	\$ 36,595	\$ 35,631
Retained earnings	195,813	169,827
Unrealized foreign currency adjustment	—	(286)
	<u>\$232,408</u>	<u>\$205,172</u>

## 7. Share Capital

Details of share transactions during the year are as follows:

	Unlimited Common Shares	
	Shares	Amount
Balance December 28, 1996		
and December 30, 1995	21,336,812	\$ 35,631
1997 transactions:		
Issued for cash on exercise		
of options	56,000	964
Balance December 27, 1997	21,392,812	\$ 36,595

The Board of Directors have approved the issue of stock options to certain members of the Company's management under the Incentive Stock Option Plan. Up to 940,000 shares may be issued under this plan. To date 637,000 options have been granted, of which 613,000 options have been exercised or cancelled. There are 24,000 options outstanding which may be exercised at any time at a weighted average price of \$15.46. Options to purchase 303,000 shares remain available to be granted in the future.

No significant dilution of earnings per common share would have resulted had all shares under the plan been issued.

## 8. Other Income

	1997	1996
Earnings from an associated company	\$ 4,800	\$ 4,600
Gain on sale of property and equipment	480	58
Gain on sale of business	6,300	—
Other	1,051	5
	<u>\$ 12,631</u>	<u>\$ 4,663</u>

## 9. Income Taxes

A reconciliation comparing income taxes (on earnings before income taxes excluding equity earnings from an associated company) calculated at the statutory rates to the amount provided in the accompanying consolidated financial statements is as follows:

	1997		1996	
Combined statutory rates	\$19,190	44.9%	\$15,202	44.5%
Increase (decrease) from:				
M & P credit	(2,675)	(6.2)	(2,235)	(6.5)
Non taxable (gains) losses	(379)	(0.9)	—	—
Non-deductible goodwill amortization	739	1.7	862	2.5
Other	(455)	(1.1)	(105)	(0.3)
Total income taxes	<u>\$16,420</u>	<u>38.4%</u>	<u>\$13,724</u>	<u>40.2%</u>

## 10. Acquisitions and Divestitures

During 1997, the Company completed the following transactions:

a) On January 2, 1997, the Company sold Brooklyn Bagel Boys, Inc. and its 80% partnership interest in its related financing company to Maple Leaf. Total proceeds of US\$20.4 million (Cdn\$27 million) was received and resulted in a net after-tax gain on sale of \$4 million. The sale price was determined by a valuation conducted by an independent valuator and was approved by a committee of independent members of the Board of Directors. In connection with this transaction, the loan from the Parent Company of \$3,531,000 outstanding at December 28, 1996 was repaid on January 2, 1997.

During 1996, the Company completed the following transactions:

- a) In April, the Company acquired the net assets of Bella Pasta Inc. of Stoney Creek, Ontario.
- b) In May, the Company acquired the net assets of Venice Bakery Ltd. of Vancouver, British Columbia.
- c) In October, the Company acquired the net assets of West Coast Bakery Limited of Cornerbrook, Newfoundland.
- d) Pursuant to the 1993 Brooklyn Bagel Boys, Inc. purchase agreement, a final deferred purchase payment of \$662,000 was accrued in 1996 and included in goodwill (1995 – nil). The amount was paid in March 1997.



Details of net assets acquired in 1996 are as follows:

	1996
Net working capital	\$ 4,181
Fixed assets	9,896
Goodwill	9,946
	<u>24,023</u>
Long term debt assumed	(752)
Total consideration	<u>\$23,271</u>

#### 11. Related Party Transactions

(a) A significant portion of the Company's sales to the U.S. and other export markets are through related companies during the normal course of operations and have been recorded at market amounts.

(b) Prior to February 28, 1997 a substantial portion of the Company's flour requirements were purchased from a related company at market prices.

(c) Purchases from and sales to an equity accounted affiliate in the normal course of operations totaled \$23,000 [1996 – \$39,000] and \$146,000 [1996 – \$221,000], respectively and have been recorded at market prices.

(d) Maple Leaf provides the Company with certain management services including treasury, taxation, internal audit, accounting and access to bulk purchasing programs. Pursuant to a Management and Affiliation Agreement entered into in August 1995, the Company paid a management and affiliation fee of \$2,730,000 (1996 – \$1,888,000) to Maple Leaf which approximates the cost of providing these services. The Company also entered into a Management Services Agreement with

Maple Leaf Foods USA Inc. (Maple Leaf USA), whereby Maple Leaf USA administered and supervised the management of the Company's U.S. operations commencing January 1996. The cost of providing this service was included in the management and affiliation fee. Both agreements were approved by the independent members of the Board of Directors.

(e) The Company receives certain information system services from Maple Leaf and is charged with direct costs incurred.

#### 12. Pension Plans

The approximate present value of accrued pension benefits at December 27, 1997 was \$48,089,000 [1996 – \$51,780,000]. The net assets of these pension plans, at market related values, were approximately \$55,976,000 [1996 – \$52,187,000].

#### 13. Commitments and Contingencies

The Company has operating lease commitments in respect of property and equipment used in operations which require minimum annual payments as follows:

1998	\$ 6,066
1999	5,040
2000	3,246
2001	2,135
2002	1,514
Thereafter	<u>3,041</u>
	<u>\$21,042</u>



## Five Year Summary

*(millions of dollars except per share and other data)*

	<b>1997</b>	1996	1995	1994	1993
<b>Operating Results</b>					
Sales	<b>515.4</b>	540.3	478.2	424.8	360.2
Net earnings (1) (3)	<b>31.1</b>	25.0	21.9	22.3	21.4
Cash provided from operating activities	<b>37.5</b>	48.9	25.2	36.6	29.3
Depreciation and amortization	<b>17.3</b>	16.9	14.7	13.3	10.8
<b>Financial Position</b>					
Fixed assets	<b>165.8</b>	145.1	126.9	119.3	100.8
Total assets	<b>357.6</b>	349.1	303.8	278.6	256.0
Net cash (borrowings)	<b>(36.6)</b>	(48.9)	(45.2)	(42.0)	(33.0)
<b>Common Share Data</b> (dollars per share)					
Net earnings (1) (2) (3)	<b>1.46</b>	1.17	1.04	1.06	1.02
Dividend declared	<b>0.24</b>	0.24	0.24	0.24	0.24
<b>Other Data</b>					
Shareholders' equity per common share	<b>10.86</b>	9.62	8.68	7.78	6.95
Return on shareholders' equity (%)	<b>13.4</b>	12.2	12.0	13.6	14.7
Common shares outstanding (000's)	<b>21,393</b>	21,337	21,337	21,003	20,955

(1) Includes a \$1.3 million (\$0.06 per share) after-tax gain on disposition of a division in 1993.

(2) Earnings per common share would not be significantly diluted if all shares under the Incentive Stock Option Plan and Employees and Dealers Incentive Share Purchase Plan had been issued.

(3) 1997 net earnings include a \$4.0 million (\$0.19 per share) after-tax gain on the sale of Brooklyn Bagel Boys Inc.



**Directors**

Archibald D. McLean,  
*Chairman of the Board*  
J.L. Bragg  
S.A. Everett  
R.A. Lan  
D.H. Lees  
C.J. Mayer  
G.W.F. McCain  
J.S. McCain  
M.H. McCain  
T.P. Muir  
J.F. Petch

**Senior Management**

D.H. Lees,  
*President and  
Chief Executive Officer*  
D.A. Bradd,  
*Executive Vice-President,  
Operations*  
R.I. Busch,  
*Senior Vice-President,  
Human Resources*  
R.B. Dougans,  
*Senior Vice-President, Business  
Development/Marketing*  
C. Holloway,  
*Vice-President,  
Retail Sales*

P.A. Nelson,  
*Senior Vice-President,  
Technical Services*  
L.J. Palko,  
*Senior Vice-President,  
Finance and Corporate Secretary*  
C.T. Sparkes,  
*President,  
Olivieri Foods Limited*  
M.H. Vels,  
*Chief Financial Officer*

*Shareholder Information*

**Auditors**

KPMG

**Registrar and Transfer Agent**

Montreal Trust Company of  
Canada, Limited

**Head Office**

10 Four Seasons Place  
Etobicoke, Ontario M9B 6H7  
(416) 622-2040

**Annual Information Form**

Copies of the Company's Annual  
Information Form, filed with  
regulatory authorities, are  
available from the Corporate  
Secretary, upon written request.

**Annual Meeting**

The Annual Meeting of the  
Shareholders of Canada Bread  
Company, Limited will be held  
at the Royal York Hotel, Upper  
Canada Room, 100 Front Street  
West, Toronto, Ontario, on Friday  
May 1, 1998, at 10:00 o'clock  
in the forenoon.



*This report is printed in  
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A Link to the Past...



The Key to Our Future

