Robin Hood Multifoods Inc.

Annual Report 1981

The Company

Robin Hood Multifoods Inc. is a diversified food processing and marketing company with executive offices at 243 Consumers Road, Toronto and 6600 Côte-des-Neiges Road, Montreal. The Company was founded in 1909 and incorporated under federal charter in 1912. It is a wholly-owned subsidiary of International Multifoods Corporation, Minneapolis, Minn. whose shares are listed on the New York Stock Exchange.

Robin Hood Multifoods serves the consumer, industrial, agricultural and away-from-home eating markets with products ranging from flour to a variety of quality pickle items.

The following are the principal subsidiaries of Robin Hood Multifoods Inc.:

Multifoods Inc.

Fortress Island Formula Feed Company Limited and its subsidiary Fortress Formula Feed Company Limited.

S. Coorsh & Sons Inc. and its subsidiary H. Chenoy Inc.

Mister Donut of Canada Inc. and Mister Donut Shops Inc.

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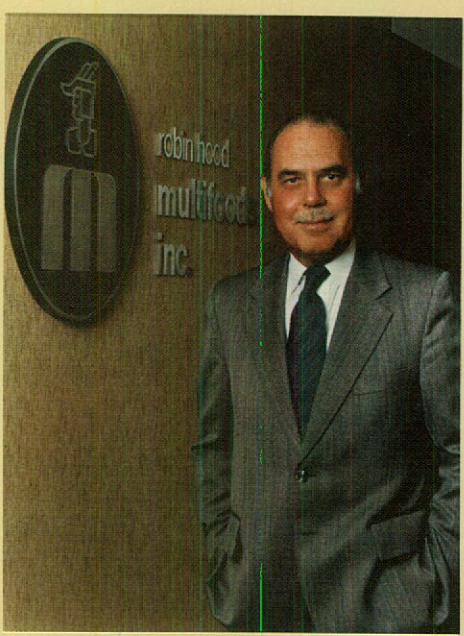
The Year in Review



Logan R. Brown
President and
Chief Executive Officer

It is gratifying that, despite continuing economic uncertainties and an increasingly competitive environment, Robin Hood's sales surpassed last year's record, and earnings slightly exceeded those achieved in fiscal year 1980.

Net sales were $339.4 million compared to $302.4 million last year. Net earnings were $8,569,000.

While sales increased by more than 12 per cent over the previous year, costs and expenses associated with those sales increased at a slightly greater rate. Fiscal 1981 profit of 2.5 cents on the dollar is above the 2.3 cents average for the Canadian food industry, but is down from the 2.8 cents recorded by Robin Hood a year earlier and remains well below that realized by the Canadian manufacturing sector.

Recognizing that we must concentrate our resources in those areas which can provide a satisfactory return on investment dollars, Robin Hood has taken steps to divest itself of businesses whose profitability over a period of time failed to meet expectations.

Robin Hood has entered into an agreement to sell its frozen food business, including the production facilities at Trenton, Ontario, which produce Stouffer and Gusto brand products, to Nestle Enterprises Limited, a subsidiary of Nestle SA, Switzerland, who acquired the Stouffer Foods Corporation in 1973. Completion of this transaction is subject to government approvals and certain other conditions to be fulfilled which may take several months.

The sale of Robin Hood's chick hatchery in St. Félix de Valois, Quebec, was completed in December. The decision to sell the hatchery was made because it was geographically removed from the Company's primary agricultural interests in Ontario and Newfoundland.

Product lines, particularly in specialty meats and consumer mixes, were rationalized to achieve improved plant efficiencies and better utilization of assets. Concentrated effort is being placed on building key product markets.

More than $4 million was invested in a number of capital projects to improve productivity through better utilization of energy, raw materials and our human resources.

Substantial investments were made in advertising and marketing programs to maintain and strengthen Robin Hood's leading product lines. Media programs focussed on family flour and Bick's pickles, and the introduction of Graham Pie—a unique, new dessert product.

Reflecting a change in corporate policy, Research and Development for all Robin Hood businesses is now the responsibility of the Technical Centre in Toronto. Product quality and product development are key factors in ensuring value to our customers and to retaining our leadership role in the Canadian food industry.

Escalation of inflation and food prices continued to be distressing for both consumers and manufacturers. As evidenced by Robin Hood's rate of return, higher food prices are not benefiting the manufacturers, but rather are a reflection of increased production costs, including more expensive energy, labour and raw materials, and high interest rates. The cooperation of governments and labour with business is essential if we are to successfully increase productivity and enjoy greater economic growth.

Fiscal year 1981 was the first full year of operation for Robin Hood's away-from-home eating business. With statistics indicating as much as 50 per cent of the consumer's food dollar being spent away from home, this business presents Robin Hood with major opportunities. Initial efforts were devoted to building a management team to strengthen and expand the system.

Robin Hood's Executive Offices were consolidated in the Parkway Place complex in Willowdale, Ontario. The cooperation of employees in all departments, working closely with the staff of Administrative Services who coordinated the entire project, enabled business to continue virtually uninterrupted throughout the move.

Robin Hood continued its longtime support for a wide range of community projects. Through its donations program, Robin Hood assists numerous Canadian organizations involved in social services, education, and the arts. Employees, too, are encouraged to provide volunteer services to their communities and, this year, we introduced a Community Service Award to recognize outstanding volunteer work by Robin Hood employees.

The strong market positions of many of our product lines provide an encouraging outlook for fiscal year 1982. However, unsatisfactory margins in poultry and specialty meats continue to challenge the profitability of these businesses.

I thank all those who made this another successful year for Robin Hood Multifoods, especially our employees, customers and consumers throughout Canada.

Board of Directors and Officers

Officers

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& General Manager,
Agriproducts

Gregg Mercer
Vice-President
& General Manager,
Industrial Products

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Executive Vice-President

Logan R. Brown
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Chief Executive Officer

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Executive Officer,
Robin Hood Multifoods Inc.

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Corporation

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International Multifoods
Corporation

A. Harry Vis
Executive Vice-President,
Robin Hood Multifoods Inc.

Robin Hood Multifoods Inc. and Subsidiaries

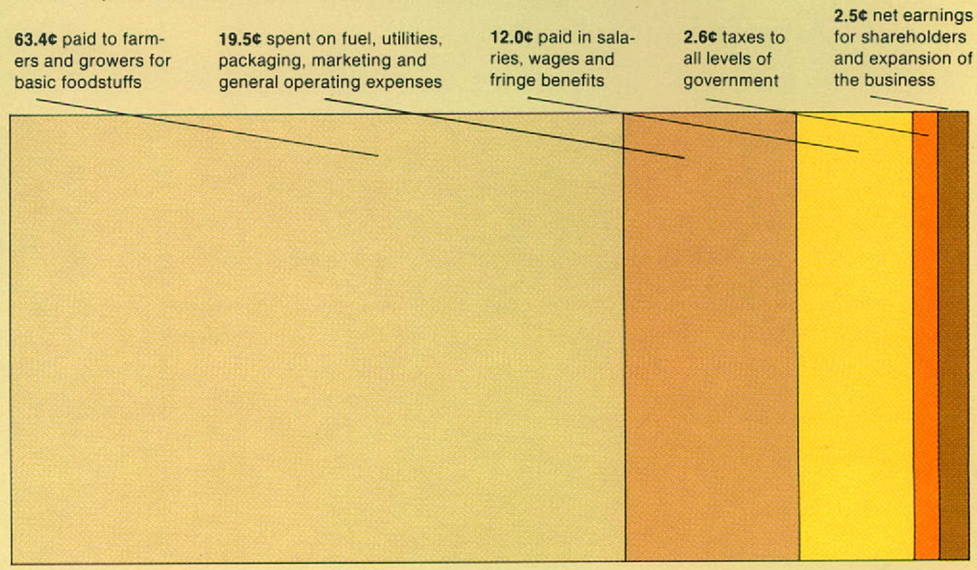
Five-Year Comparative Summary

(Dollars in Thousands)

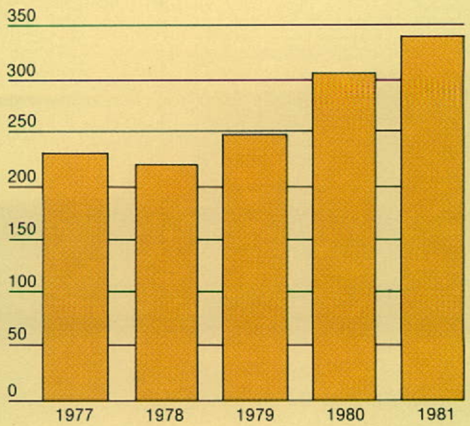
Fiscal year ended last day of February	1981	1980	1979	1978	1977
Net Sales	**$339,415**	$302,413	$249,280	$220,691	$226,015
Depreciation	**1,973**	1,739	1,533	1,453	1,330
Income Taxes	**6,136**	5,625	3,762	1,979	3,856
Net Earnings	**8,569**	8,555	5,770	3,389	5,290
Return on Sales	**2.5%**	2.8%	2.3%	1.5%	2.3%
Working Capital	**37,214**	33,926	35,314	34,391	34,729
Total Assets	**118,368**	106,071	95,457	87,777	87,775
Return on Assets	**7.2%**	8.1%	6.0%	3.9%	6.0%
Number of Employees	**2,070**	2,108	2,102	2,108	2,136

Distribution of the Average Dollar

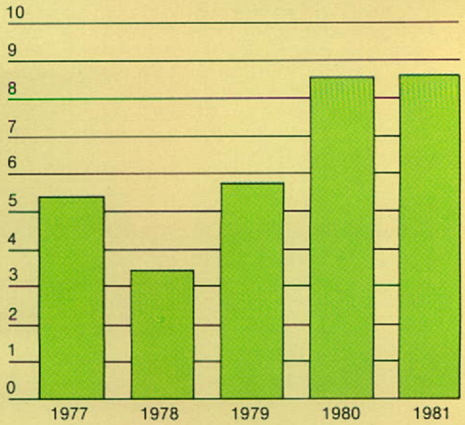
collected by Robin Hood Multifoods from its customers during the fiscal year 1981:



Net Sales
(Dollars in thousands)

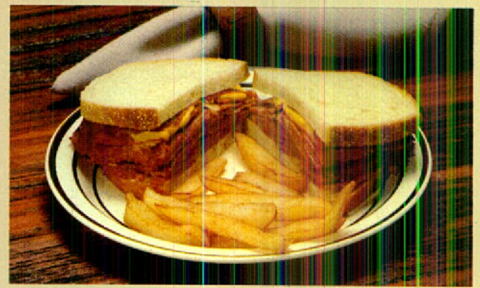


Net Earnings
(Dollars in thousands)



Food technicians at Robin Hood's Toronto Technical Centre, Pat Boucher and Marion Gaudet, test the new no-bake Graham Pie.

The leader in the Canadian pickle industry, Robin Hood Multifoods markets a wide variety of glass-packed vegetable items under the Bick's, Rose Brand and Woodman's labels.



Right: Coorsh smoked meat and other specialty meats are favourites with consumers, particularly in the established Quebec market.

The **Consumer Products** group led by Robin Hood family flour and Bick's pickles, achieved new record sales and earnings.

Consumer support for Robin Hood's leading product lines in family flour, glassgoods, cereals and specialty mixes resulted in the achievement of new record sales and earnings.

Response was favourable to television and print advertising programs for Robin Hood flour and Bick's pickles, each of which holds nearly 50 per cent of the Canadian market. The media campaigns were winners of a number of prestigious national and international awards, including recognition by the Canadian Television Commercial Festival and the International Film and Television Festival of New York.

A special promotion undertaken in Newfoundland in cooperation with the local Lions Club enabled Robin Hood to make a significant contribution to the construction of a new camp for handicapped children and to strengthen Robin Hood's position in the Newfoundland flour market.

Marketing efforts for the consumer mix business focussed on the strategy to further develop a number of quality specialty mix products including Flaky Pie Crust, which enjoys the leading share of the Canadian market, and Shortbread, first introduced in 1979 and made available nationally this year.

Graham Pie, a unique new no-bake dessert, developed at Robin Hood's Technical Centre in Rexdale, was successfully introduced in Ontario. Packaged with its own pop-up server, Graham Pie is available in a choice of lemon chiffon or coconut pecan, and in cherry, strawberry and pineapple cheesecake.

Home Economists Jill Snider and Barb Tanaka develop and test new recipes in Robin Hood's Kitchens in Toronto.
Left: Consumers across Canada have responded enthusiastically to Robin Hood's media advertising for family flour, the country's number one brand with nearly 50 per cent of the market.

Bick's, Rose Brand, and Woodman's products led the Canadian pickle industry in conversion to the metric system. A 10 per cent increase in all jar sizes was necessary to accommodate metric measurements. The glassgoods business achieved significant volume gains, particularly in Western Canada and in the Maritime Provinces, with a resultant increase in market share.

In a keenly competitive market, consumer resistance to higher beef prices in relation to alternative meats resulted in a drop in beef consumption. The impact of these market conditions was reflected in persistent low volumes, underutilization of plant capacity and significant losses for the specialty meat business. Management efforts are being concentrated on rationalizing product lines, cost competitiveness and developing selected market areas.

Principal Products

Dry grocery products:

Robin Hood flour
Velvet cake and pastry flour
Brodie self-raising flour
Robin Hood specialty mixes
Robin Hood oats
Old Mill oats
Kretschmer wheat germ

Glassgoods:

Bick's pickles, relishes, olives and cranberries
Rose Brand pickles and relishes
Woodman's horseradish and sauces

Specialty meats:

Coorsh smoked meat, pastrami and other processed meats
Coorsh deli salads
Coorsh gelatine desserts

Consumer Sales

1981	1980
$141,655,000	$121,005,000

A salad bar is an attractive feature in all Pizza Patio restaurants.

Robin Hood's company-owned Pizza Patio dining rooms also offer take-out and delivery service.

Away-from-home eating is Robin Hood's newest business area with some 68 franchised and company-owned Pizza Delight and Pizza Patio restaurants in Ontario.

Fiscal year 1981 was the first full year of operations for Robin Hood's away-from-home eating business following the acquisition of the Ontario assets of the Pizza Delight Corporation. Management focus centred on strengthening the system in preparation for more aggressive development of both Pizza Delight and Pizza Patio restaurants.

A weak economic environment, marked by reduced customer counts in all segments of the industry, and the prevailing high interest rates, discouraged new store development. Nevertheless, three new outlets, two Pizza Delights and one Pizza Patio, were opened during the year. At year end there were 65 franchised Pizza Delights and 3 Pizza Patios operating in Ontario compared to 73 last year.

Expansion of the franchised segment of this business will be aggressively pursued as well as development of a professional support group to enhance the franchisees' marketing and sales efforts. During the year the management team was strengthened with the addition of experienced personnel in restaurant supervision and construction. To increase customer awareness of the business, greater emphasis is being placed on advertising.

The first of a number of company-owned Pizza Patio restaurants to be built began operations in the Town of Richmond Hill, just north of Toronto, in April, 1981. Pizza Patios offer a menu which includes not only pizzas, available with a virtually unlimited range of toppings, but also a variety of pasta-based entrees, salad bar and sandwiches, and full beverage service.

New store designs, a remodeling program for existing units, increased marketing efforts, improved training systems, and development of a professional support group will combine to strengthen Robin Hood's position in this market.

During the year, the entire issued shares of Mister Donut of Canada Inc. and Mister Donut Shops Inc. were acquired from an affiliated company. The businesses consist of franchising donut shops throughout Canada. At February 28, 1981, there were 55 units in operation.

Away-from-home eating Sales

1981	1980
$1,510,000	$325,000

Robin Hood produces a variety of quality flour, mix and base products for customers in the foodservice area.

Durum semolina, sold to manufacturers of pasta products, is produced at Robin Hood's Port Colborne and Saskatoon flour mills.

Record sales and earnings were established by Robin Hood's **Industrial Products** business.

Volume gains in domestic bakery flours markets and improved overall margins contributed to record earnings for Industrial Products.

Growth in the specialty bread market and expansion of in-store and independent bakeries increased demand for flour and bakery mixes. Continuing the pattern established in recent years, the Western Canadian market, particularly Alberta, was the major growth area.

Market growth was achieved in whole wheat and other specialty grain products. Sweet goods items within the bakery mix business, however, showed a decline over previous years, particularly in the doughnut segment.

A complete line of bakery mix items, as well as a number of specialty flours, were introduced into the expanding food service market late in the fiscal year and this business shows solid growth potential.

Robin Hood continued to expand its leadership position in the bakery mix area with innovative new products. Expansion of the specialty flour and mix product lines, many of which are customized for individual accounts, require both responsive product development and experienced technical service support provided by the facilities

Robin Hood exports products to more than 80 countries around the world.

Left: Lab Supervisor Ina Sander tests a custom doughnut formula for one of Robin Hood's customers.

and staff of the Toronto and Montreal technical centres.

On August 1, 1980, the Canadian Wheat Board raised the ceiling on domestic wheat prices from $5.00 to $7.00 a bushel, following trends in world prices. As world prices rose, the domestic price for Canadian wheat reached the new upper limit and these increased wheat costs were subsequently reflected in higher flour prices for Canadians.

Export flour volumes declined due to reductions in sales of flour to Cuba as well as Government Aid flour.

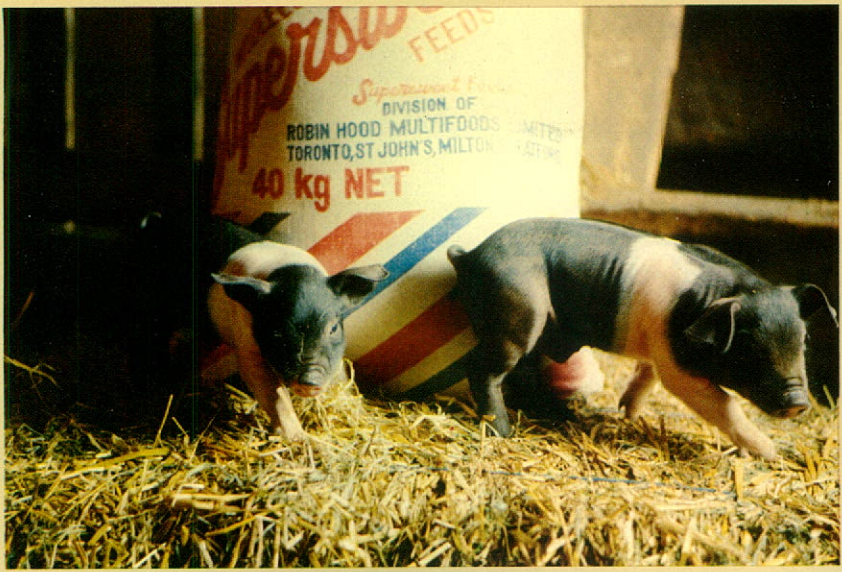
A sustained program of major capital investments at all three flour mills had a favourable impact on both productivity and quality and contributed significantly to earnings results.

Principal Products

Bakery flours
Biscuit flours
Durum semolina for pastas
Bakery and industrial mixes
Bakery equipment
Export market products

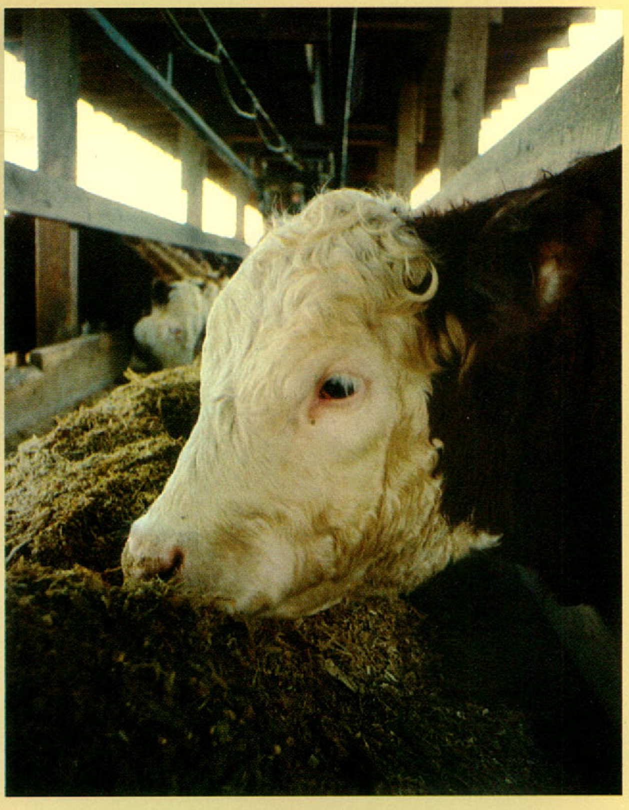
Industrial Sales

1981	1980
$148,478,000	$135,666,000



Supersweet feed sales to hog growers are expected to increase as hog prices improve.

Right: Robin Hood's Agriproducts business achieved record feed tonnage in fiscal year 1981.



Robin Hood's **Agriproducts** business, concentrated in Ontario and Newfoundland, includes livestock and poultry feeds, chick hatching and poultry meat processing.

Record feed tonnage was achieved in the face of escalating grain prices and depressed pork prices.

In Ontario, independent Supersweet feed dealers recorded tonnage increases in all lines of feed except hogs. Depressed prices continued for hogs, making that segment of the business difficult for the entire year. Increased hog feed sales are anticipated as hog prices improve.

Sales of broiler and turkey feed in Ontario increased substantially and the efforts of the past several years to position Robin Hood as a major turkey feed supplier are now resulting in substantial tonnage gains.

In Newfoundland, Supersweet feeds continued to increase tonnage by working closely with farmers to expand their livestock and poultry operations. As well as increasing Supersweet's tonnage, these efforts contribute to the province's interest in becoming more self-sufficient in food production.

A reduction in both broiler chicks and egg quotas was made by regulating authorities to adjust supply with demand of the market, resulting in depressed margins on started pullets in the Neuhauser poultry operation. By increasing the number of broiler chick customers, however, approximately the same number of broiler chicks were hatched as last year. Neuhauser layer feed sales reached an all-time high. Efforts will be concentrated on increasing sales in all segments of the Neuhauser operation, with emphasis on layer feed and broiler chicks.

Broiler and layer chicks are shipped to growers from the hatchery in Stratford, Ontario.

Left: Animal feeds are sold under the Supersweet label.

Sherwood farms poultry meat business suffered from an oversupply of broiler chickens and competition from low-priced pork. To help limit operating losses, a cutback was made on the number of birds processed.

The National Chicken Marketing Agency started to function during the year, its objective being to regulate the number of birds grown. Pork supplies also are expected to drop in the year ahead. These two factors should allow improved margins in the poultry processing industry.

Significant capital investments were made to improve productivity and plant efficiency. Among these were the automation of the poultry processing line at the Sherwood Farms plant in Dundas, and automation of the broiler chick handling at the Stratford hatchery.

Principal Products

Supersweet livestock and poultry feeds
Table eggs
Broiler and layer chicks
Poultry meat

Agriproducts Sales

1981	1980
$47,772,000	$45,417,000

Robin Hood Multifoods Inc. and Subsidiaries

Consolidated Statement of Earnings and Retained Earnings

Year ended February 28, 1981 with comparative figures for 1980 (Dollars in Thousands)

	1981	1980
Net sales	**$339,415**	302,413
Costs and expenses, net:		
Cost of sales	**277,236**	249,564
Selling, general and administrative expenses	**44,043**	35,255
Interest expense, including interest on long-term debt $1,714 (1980–$1,739)	**3,993**	3,557
Interest and other income, net	**(562)**	(143)
Total	**324,710**	288,233
Earnings before income taxes	**14,705**	14,180
Income taxes including deferred taxes $1,050 (1980–$377)	**6,136**	5,625
Net earnings	**8,569**	8,555
Retained earnings at beginning of year	**45,293**	42,985
Dividends	**(4,202)**	(6,247)
Retained earnings at end of year	**$ 49,660**	45,293

See accompanying notes to consolidated financial statements.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Robin Hood Multifoods Inc. and subsidiaries as at February 28, 1981 and the consolidated statements of earnings and 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 and subsidiaries as at February 28, 1981 and the results of their operations and the changes in their 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.

Peat Marwick Mitchell & Co.

Toronto, Canada
March 25, 1981

Chartered Accountants

Robin Hood Multifoods Inc. and Subsidiaries

Consolidated Balance Sheet

February 28, 1981 with comparative figures for 1980 (Dollars in Thousands)

Assets	**1981**	1980
Current assets:		
Cash	$ 294	114
Accounts, notes and other receivables, less allowance for doubtful receivables $413 (1980–$344)	33,919	29,013
Inventories:		
Grain	8,665	9,701
Other raw materials	5,682	6,349
Finished and in process goods	25,015	22,744
Packages and supplies	2,239	2,419
Total inventories	41,601	41,213
Prepaid and other expenses	1,627	934
Working capital of business to be disposed (note 6)	3,896	–
Total current assets	81,337	71,274
Property, plant and equipment, at cost:		
Land	655	667
Buildings and improvements	14,229	14,622
Machinery and equipment	27,820	28,764
Transportation equipment	266	269
Improvements in progress (note 4)	2,673	1,151
	45,643	45,473
Less accumulated depreciation	21,087	20,080
Net property, plant and equipment	24,556	25,393
Fixed assets of business to be disposed (note 6)	2,924	–
Other assets:		
Intangibles	7,679	7,781
Non-current receivables	150	228
Other, at cost less amortization	1,722	1,395
Total other assets	9,551	9,404
	$118,368	106,071

See accompanying notes to consolidated financial statements.

Liabilities and Shareholders' Equity	**1981**	1980
Current liabilities:		
Notes payable	**$ 17,561**	13,671
Current portion of long-term debt	**595**	107
Accounts payable	**17,790**	17,437
Accrued expenses	**3,605**	3,583
Income taxes	**1,555**	2,550
Due to parent company	**163**	—
Dividend payable to parent company	**2,854**	—
Total current liabilities	**44,123**	37,348
Other liabilities:		
Long-term debt, less current portion (note 2)	**14,777**	15,255
Deferred income taxes	**7,055**	5,423
Other non-current liabilities	**160**	159
Total other liabilities	**21,992**	20,837
Shareholders' equity:		
Common shares without par value. Authorized 6,000 shares; issued 1,000 shares at stated value	**1,273**	1,273
Contributed surplus	**1,320**	1,320
Retained earnings	**49,660**	45,293
Total shareholders' equity	**52,253**	47,886
Commitments and contingencies (note 4)		
	$118,368	106,071

On behalf of the Board:

Logan K. Brown Director

J. McMillan Director

Robin Hood Multifoods Inc. and Subsidiaries

Consolidated Statement of Changes in Financial Position

Year ended February 28, 1981 with comparative figures for 1980 (Dollars in Thousands)

	1981	1980
Funds provided:		
From operations:		
Net earnings	$ 8,569	8,555
Charges to earnings not requiring working capital:		
Depreciation	1,973	1,739
Deferred income taxes	1,656	377
Other	143	139
Total from operations	12,341	10,810
Decrease in working capital	–	1,388
Total funds provided	$12,341	12,198
Funds used:		
Additions to property, plant and equipment	$ 4,244	3,811
Business acquisition, excluding working capital	92	1,330
Reduction of long-term debt	478	107
Dividends	4,202	6,247
Increase in other assets and other items, net	37	703
Increase in working capital	3,288	–
Total funds used	$12,341	12,198
Increase (decrease) in working capital:		
Cash	$ 180	(5)
Accounts, notes and other receivables	6,108	2,922
Inventories	3,718	3,607
Prepaid and other expenses	705	57
Notes payable	(3,890)	(2,724)
Current portion of long-term debt	(488)	164
Accounts payable and accrued expenses	(1,023)	(3,338)
Income taxes	995	(2,071)
Due to parent company	(3,017)	–
Increase (decrease) in working capital	3,288	(1,388)
Working capital at beginning of year	33,926	35,314
Working capital at end of year	$37,214	33,926

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

February 28, 1981

Robin Hood Multifoods Inc., formerly Robin Hood Multifoods Limited, is a diversified food processing and marketing company, and is subject to the provisions of the Canada Business Corporations Act. Its principal subsidiaries are Multifoods Inc., Fortress Formula Feed Company Limited, S. Coorsh & Sons Inc., Mister Donut of Canada Inc. and Mister Donut Shops Inc. Robin Hood Multifoods Inc. is a wholly-owned subsidiary of International Multifoods Corporation, Minneapolis, Minnesota.

(1) Significant accounting policies:

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies are summarized below:

Basis of consolidation:

The accompanying consolidated financial statements include the accounts of Robin Hood Multifoods Inc. and all of its subsidiaries. Intercompany accounts and transactions have been eliminated upon consolidation.

Accounts receivable:

An allowance for doubtful receivables is provided equal to the estimated collection losses that will be incurred in collection of all receivables. Estimated losses are based on historical collection experience coupled with review of the current status of the existing receivables.

Inventories:

Inventories are valued at the lower of cost (first-in, first-out) and net realizable value.

Property, plant and equipment:

Property, plant and equipment is stated at cost. The straight-line method of computing depreciation is utilized at rates intended to charge the cost of property, plant and equipment against income over their estimated useful lives. Rates of depreciation are substantially as follows:

Buildings and improvements	2–4%
Machinery and equipment	6–10%
Transportation equipment	20%

Intangibles:

Intangibles represent costs in excess of net tangible asset values of businesses acquired. Excess costs arising prior to November 1, 1970 are being carried until such time as there may be evidence of diminution of value or the term of existence of such value becomes limited. Excess costs arising since October 31, 1970 are being amortized over estimated useful lives up to a maximum of forty years.

Interest expense:

The Company capitalizes interest on borrowings applicable to major new facilities during the construction period. Interest capitalized is subsequently amortized over the depreciable lives of the new facilities.

Income taxes:

Investment tax credits are recognized as a reduction in the provision for income taxes in the years in which such credits are claimed for tax purposes.

(2) Long-term debt and related restrictions:

Long-term debt, less current portion of $595,000 in 1981 and $107,000 in 1980 is summarized as follows (in thousands):

	1981	1980
11¼% sinking fund debentures due in varying amounts in fiscal years 1983 through 1992	**$14,500**	15,000
Other	**277**	255
	$14,777	15,255

Aggregate minimum principal payments required on long-term debt by fiscal year are as follows: $583,000, 1983; $833,000, 1984; $756,000, 1985; $750,000, 1986; $1,000,000, 1987; and $10,855,000, 1988 and beyond.

Retained earnings are restricted as to payment of cash dividends by terms of the trust deed relating to the debentures unless certain financial tests are met. Under the most restrictive of these tests, approximately $20,844,000 of retained earnings was free from such restrictions as of February 28, 1981.

(3) Pension and retirement plans:

The Company and its subsidiaries have trusteed contributory retirement pension plans which cover substantially all employees.

The total pension expense for fiscal years 1981 and 1980 was $682,000 and $743,000 respectively, portions of which represent amortization of prior service costs over 22 years.

(4) Commitments and contingencies:

As of February 28, 1981 the Company was committed under non-cancellable operating leases, principally for the use of plant, office space and equipment which require minimum rentals as follows (in thousands):

1982	$1,572
1983	1,473
1984	1,385
1985	1,143
1986	778
1987—beyond	2,235

Total rent expense for fiscal year 1981, including rentals under cancellable operating leases for office equipment and other property, amounted to $3,687,000.

At February 28, 1981 estimated costs to complete improvements in progress aggregated approximately $1,776,000.

The Company is contingently liable as guarantor of non-cancellable leases held by Pizza Delight franchisees for approximately $670,000.

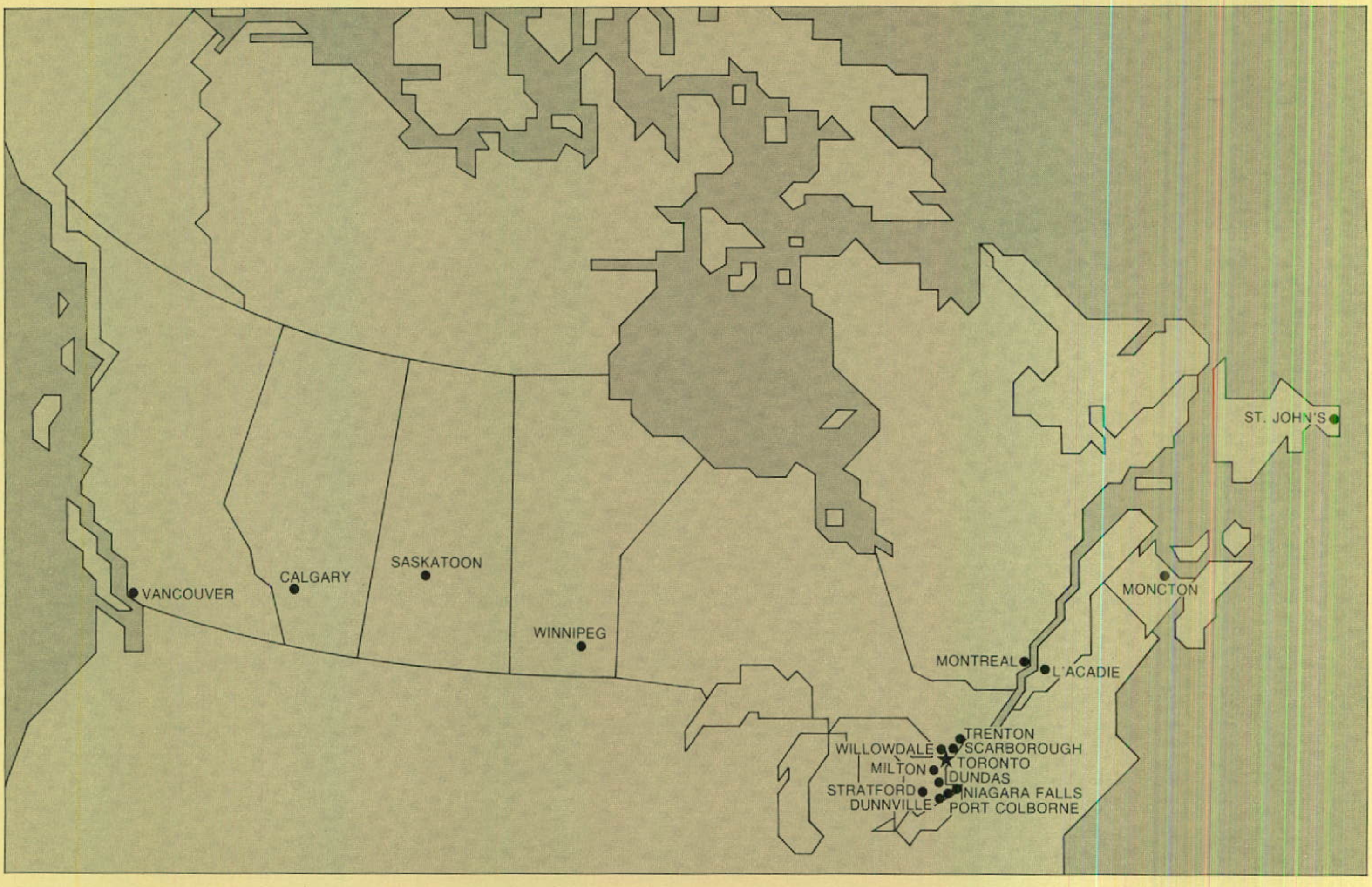
(5) Related party transactions:

During the year, sales to the parent company totalled $6,044,000 while purchases from the parent company amounted to approximately $900,000. Payments were also made to the parent company with regard to general, administrative, insurance, engineering and research and development costs amounting to $2,247,000 during fiscal 1981. During the year, the Company acquired from an affiliated company the entire issued shares in Mister Donut of Canada Inc. and Mister Donut Shops Inc. for a cash consideration of $91,722.

(6) Sale of frozen food business:

In December 1980, the Company reached an agreement in principle to dispose of its frozen food business at a price in excess of book value, subject to approval by the Foreign Investment Review Agency. If the agreement is approved, the transaction will be completed prior to December 31, 1981. The current assets at the lower of cost or net realizable value and fixed assets of the business have been separately disclosed on the Balance Sheet and are comprised as follows:

	(Dollars in Thousands)
Current assets	$4,544
Current liabilities	648
	$3,896
Property, plant and equipment at cost	$3,720
Accumulated depreciation	796
	$2,924



Plants and Offices

EXECUTIVE OFFICES
243 Consumers Road
Willowdale, Ontario, M2J 4W8
Telephone: (416) 496-1515

6600 Côte-des-Neiges Rd.
Montreal, Quebec, H3S 2A9
Telephone: (514) 343-4000

REGIONAL SALES OFFICES
80 Loftus Street
Moncton, New Brunswick

6600 Côte-des-Neiges Rd.
Montreal, Quebec

288 Judson St.
Toronto, Ontario

125 Paramount Rd.
Winnipeg, Manitoba

245 - 6450 Roberts Street
Burnaby, British Columbia

PROCESSING PLANTS

Flour mills
Montreal, Quebec
Port Colborne, Ontario
Saskatoon, Saskatchewan
(including oat milling)

Glassgoods
Dunnville, Ontario
Scarborough, Ontario

Frozen foods
Trenton, Ontario

Consumer mixes
Montreal, Quebec

Industrial mixes
Toronto, Ontario
Saskatoon, Saskatchewan

Specialty meats and deli products
Montreal, Quebec (2)
L'Acadie, Quebec
Calgary, Alberta

Poultry meat
Dundas, Ontario
Niagara Falls, Ontario

Eggs and chicks
Stratford, Ontario

Formula feeds
Milton, Ontario
Stratford, Ontario
St. John's, Newfoundland

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