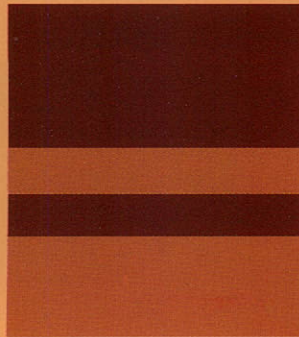


1976: The year in brief.

	<u>1976</u>	<u>1975</u>
	(thousands of dollars)	
Sales	315,164	279,994
Less: Sales and Excise Taxes	32,908	31,499
Net Sales	282,256	248,495
Income Before Taxes	19,395	17,840
Net Income before extraordinary items	11,056	9,806
Working Capital	25,831	28,597
Plant and Equipment (net)	44,806	41,632
Capital Expenditures	5,965	5,355
Long-Term Debt	4,648	6,961
Shareholders' Equity	92,046	90,843

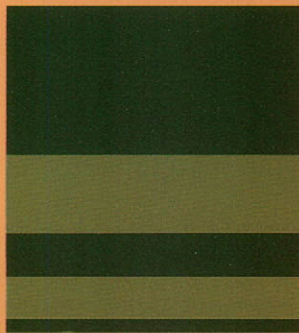
1976 Net Sales by Product Group

43% Grocery
14% Industrial
13% Wine and Spirits
30% Confectionery



Distribution of sales dollar for the year ended December 31, 1976

45.5% Materials
23.4% Other Operating Expenses
13.9% Income, Sales & Excise Taxes
12.8% Paid to Employees
3.5% Net Income
.9% Depreciation



“We’re building on the past in some pretty dramatic ways.”



*Donald B. McCaskill
President and Chief Executive Officer
Standard Brands Limited*

Nineteen seventy-six was a good year for Standard Brands Limited as the Company recorded record sales and earnings for the 15th year in a row.

Sales rose 14% over 1975, reaching a record high of \$315,164M. This performance was coupled with a 13% rise in net income before extraordinary items for a total of \$11,056M. During the same period, we invested more than \$5,900M to improve quality and production facilities.

This excellent performance was achieved in the face of an overall uncertainty in the Canadian economy. Although the inflation rate showed signs of stabilizing, inflation continued to have a serious effect on inventory costs and eroded the profitability of the sales dollar.

Standard Brands' ability to maintain profitable growth was in large measure due to the strength of its brand name franchises in the marketplace. Every division of the Company contributed to this growth. Last year we also supported our consumer products with heavy advertising exposure, with large commitments to television coverage of the Summer and Winter Olympics, and the Canada Cup International Hockey series.

Every division contributed. Last year, the Wine and Spirits Division continued to outpace industry in both spirits and wine development, with market share gains in both product groups. During the past three years, the Division has contributed more than 20% of total industry growth.

Quality equates with age in distilled products, particularly whiskies. In 1976, we increased the age of a number of our brands, and also introduced CN Tower, a new superior quality whisky that has met with great initial success.



In the spirits market, major growth segments were in vodka, white rum and liqueurs. After a buoyant start to the year, the spirits market levelled off to a gain of 5% over 1975. The Canadian wine market remained essentially flat with a continuing consumer shift toward table wines. Our Sommet Rouge and Sommet Blanc Calona wines are among the leaders in this category.

In 1976, Acadian Distillers, our distillery in Nova Scotia, celebrated its 25th Anniversary by becoming a national company with major entries in every category. By early 1977, the new bottling line at Central Canadian Distilling in Weyburn, Saskatchewan will be providing over 75% of our prairie requirements.

Canada's leading margarine maker. In 1976, the Consumer Products Division continued its close association in Canada with amateur sports and physical fitness. The health benefits of Fleischmann's Margarine and Fleischmann's Egg Beaters were strongly promoted on Olympic and Canada Cup television coverage.



Fleischmann's Margarine became the leading margarine brand in Canada, and combined with Blue Bonnet Margarine to strengthen Standard Brands' position as the leading marketer of margarine in the country.

Dollar sales on beverage products were up significantly. In baking aids, Chipits Baking Chips, the market leader, gained its highest market share in history, while Fleischmann's Yeast and Magic Baking Powder enjoyed record sales. Share and volume growth also were achieved on Royal Desserts with Jelly Powders leading the way.

Dr. Ballard's gains C.V.M.A. certification. For a number of years our Dr. Ballard's Pet Food Division has been concerned about the lack of national nutritional standards for pet foods. In conjunction with the Canadian Veterinary Medical Association in 1976, Dr. Ballard's laid the foundation for establishing the first set of national standards in this area.

We're proud to announce that Dr. Ballard's Canned Dog Food has successfully undergone testing procedures and been officially certified by the C.V.M.A. This certification reinforces Dr. Ballard's commitment to market only competitively superior products; a policy that has resulted in further share gains for Canned Luxury entries in both dog and cat segments.

Once again in 1976, Dr. Ballard's was Canada's leading marketer for pet foods.

More growth in snack foods. In 1976, Lowney's Limited again posted record volumes and profits in our confectionery and snack businesses. All three of our snack nut brands, Planters, Beaver and Pine Tree, contributed to exceptional performance and volume gains. Our combined share of the Canadian snack nut market is now over 50%.

The confectionery business also gained volume despite rapidly escalating raw material costs that eroded profit contribution.

Something old. Last year marked the one-hundredth anniversary for Fleischmann's Yeast, the first compressed yeast to be sold to bakers in Canada. Since that time, Fleischmann's has always been a leader. In 1976, The Fleischmann Company again recorded volume growth for all types of yeast in the industrial market. Fleischmann's FB4 Baking Powder was introduced nationally to continue the upward sales trend of leaveners. Fleischmann's: 100 years young and still number one.

Something new. The Standard Brands Food Service Company was formed in July, 1976 to meet the growing needs of the food service industry. This industry is comprised of hotels, restaurants, institutions, hospitals, schools, caterers, vending operators and other organizations.

The new company got off to a fast start by achieving record sales 33% over 1975 levels.

This growth was spread throughout the product line with strong growth increases on Planters Peanut Oil, branded tea bag items, and jelly powders. In roasted coffee, the Food Service Company reached a record market share of 28%.

The overall objective of the Company is brand line diversification with increased distribution and sale of all Food Service Company items. With this objective in mind, a product campaign was launched in 1976 under the umbrella phrase: "The coffee company that makes more than a good cup of coffee." This programme is already proving itself in terms of sales.

New Responsibilities. Following his appointment as President, International Standard Brands, responsible for all corporate activities outside the United States, Martin Emmett was named Chairman and Chief Executive Officer of this company. At the same time, Gaetan Morrisette became Vice-Chairman of the Board and Donald McCaskill was elected a director and named President and Chief Operating Officer of Standard Brands Limited.

Subsequent to year-end, the Board appointed Mr. Morrisette Chairman and Mr. McCaskill President and Chief Executive Officer of Standard Brands Limited.

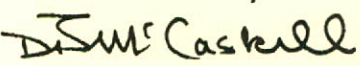
During the year H. F. Powell, Vice President, Finance moved to the International group to become Vice President, Finance and Planning and was succeeded by Mr. R. F. Wright, formerly Comptroller of the Canadian company. Mr. Bernard Sarrazin resigned as Vice President, Personnel and Industrial Relations.

For the food processing industry, 1976 generally was a difficult year. However the moderating of commodity increases, with the notable exceptions of coffee and cocoa, contributed importantly to the decline of the rate of inflation in this country. The year also marked the start of major new directions in Standard Brands Limited and throughout the Corporation. Important thrusts in research and development and the development of the human resources of the company mark the start of new directions—change built on a solid base of continuity.

The strengths on which we build are many: our 3454 employees who strive to build quality into each package of our many products, suppliers who were conscientious and reliable.

The Board of Standard Brands Limited thanks all of those involved for their contribution during the year.

Most importantly, we owe our continued success to the millions of Canadian consumers who give us their votes of confidence hundreds of times a year in the stores and restaurants across Canada.



D. B. McCaskill
President and Chief Executive Officer



Martin F. C. Emmett, Chairman and Chief Executive Officer, International Standard Brands Incorporated and Donald B. McCaskill, President and Chief Executive Officer, Standard Brands Limited.



Teams of senior Standard Brands executives regularly visit Canadian universities to recruit top graduates for the Company. Shown here at McGill University are Don McCaskill, Hugo Powell and personnel consultant Mike Joyce.

“Anyone who works within an organization ought to have the opportunity and challenge to grow.”*

Standard Brands Limited has 3454 men and women helping it grow from coast to coast.

There are oenologists, pressers and vintners in Kelowna...blenders, caskmen and bottlers in Weyburn.

The skills seem endless: microbiologists, fork lift operators, programmers and chartered accountants. Engineers, mathematicians, nurses and bakers.

We have kennel masters and commodity buyers, bookkeepers and quality inspectors. There are talented people who coat cherries with chocolate, and talented palates that can assess a tea blend at a taste.

In a climate of change, a company's major continuing strength is in its people, present and future. People who like a rewarding challenge. People who make things happen.

Standard Brands is committed to the objective of consistently out-performing its key competitors over the long-term future. To accomplish this objective we must attract, develop, motivate and retain the most imaginative and competent people available.

Maximum long-term profit growth can only be obtained by the right kind of people.

At Standard Brands, we have 3454 of the best.

*D. B. McCaskill
President



Don Storey, Finance, Scarborough, is one of the many Standard Brands employees who devote their spare time to community activities.



Edwin Polson, La Salle Plant is welcomed to the Quarter Century Club by President Don McCaskill and Gib Clarke.

Allan Ryan, Wayne Newson and Rick Thompson presenting Annual Divisional Marketing plans to management.





The McGuinness computer terminal, Toronto, one of seven centres directly tied into Standard Brands management information system.



The Montreal Data Processing Centre: nerve centre of the company's Canada-wide operation.

“Finance in our Company is more than the rigorous management of cash, it’s also the continuous management of information.”*

We’ve come a long way since Finance was essentially a role of “keeping the books”.

Today at Standard Brands, the Corporate Finance section is a centralized, multi-functional group concerned with financial reporting and control; financial planning and strategies; and information processing, designed to deal with the demands and complexities of our ever-expanding business.

The Comptroller’s section is responsible for the consolidation and reporting of the Company’s financial condition, past, present and future. This function monitors the Company’s progress towards attaining its short and long term financial objectives. The Comptroller’s section has specific responsibilities for corporate and centralized accounting, taxation and A.I.B. compliance.

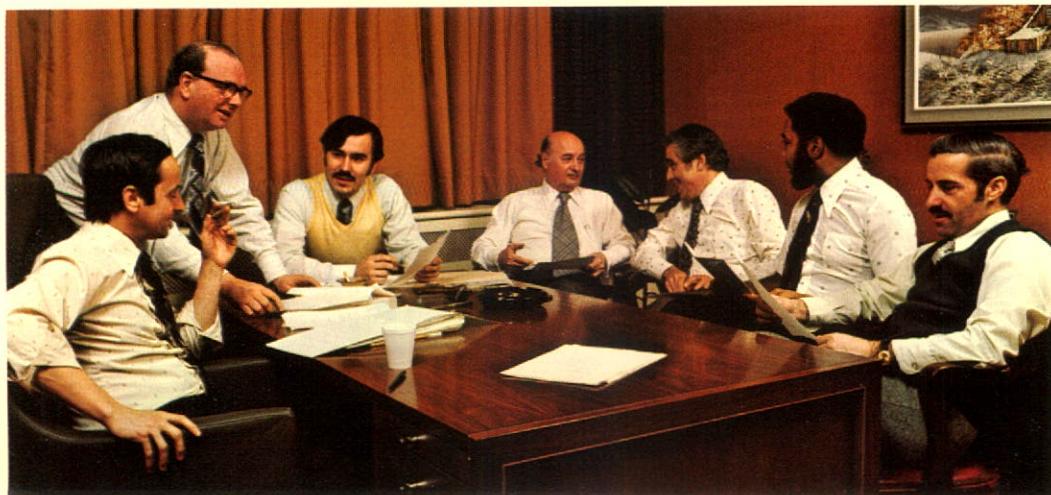
The Treasurer’s section looks after the Company’s current financing requirements and future strategies in both domestic and international markets. It is the Company’s direct liaison with the external financial community. In addition, the section performs day-to-day cash management; handles credit and collection nation-wide; coordinates risk management; administers the various Pension Funds; and processes most payroll cheques.

The Management Information section provides the operational data used throughout the Company in such diverse areas as sales performance, inventory control, credit control, personnel administration and business planning.

This data is vital to the Company’s decision making and business planning processes. As Standard Brands grows, so will its information requirements. There will be more emphasis placed on internal financial reporting, as well as on manufacturing control systems. An immediate objective of the Company is a commitment to improving the sophistication of computer applications to business problems.

At Standard Brands, the Corporate Finance group coordinates and complements the Divisions’ marketing, sales and manufacturing efforts with strong centralized support in a number of specialized ways. It is a vital part of our business philosophy.

**Ray Wright, Vice President, Finance.*



General accounting is only one of many Finance Department responsibilities.

Regular meetings are held by the Central Financial Information Services group to update management on financial results.

“Our labs not only lead to improvements in our present products – but they lead to new products for the future.”*

There is a quality judgment made every time by the customer who buys a Standard Brands product. It's a judgment based on past experience, and trust.

In our Quality Assurance laboratories we're much more critical. We take product samples from plants across the country and analyze them on a daily basis to make sure the quality meets our high standards.

We test “gel-strength” of our Royal desserts to make sure they set right. We measure vitamin and nutritional content, examine colour consistency and palatability. Not for our products alone, but of competitors as well.

Out of this continuing evaluation and scrutiny come better products. Some with improved nutritional values. Some with added health benefits. And all with assured quality. Quality Assurance is a company-wide control that audits, supervises and establishes manufacturing standards for Standard Brands' products which are second to none in the land.

We also are dedicated to expanding research and development activities for both human and pet foods.

In our new LaSalle R&D laboratories in Quebec, several new product developments are underway.

At our pet food R&D kennels and laboratories in Sherburne, New York, Standard Brands Food Company is responsible for research and development of Dr. Ballard's dog and cat foods for both Canada and the United States.

One of the key changes underway at Standard Brands is to commit a greater amount of discretionary resources into technical efforts, such as quality assurance, and R&D. There are many changes taking place in food technology. We intend to be in the forefront.

**Dr. George Micklea, Vice President Research & Development Standard Brands Food Company, and Director Corporate Quality Assurance.*

Skilled technicians monitor quality in closeup.

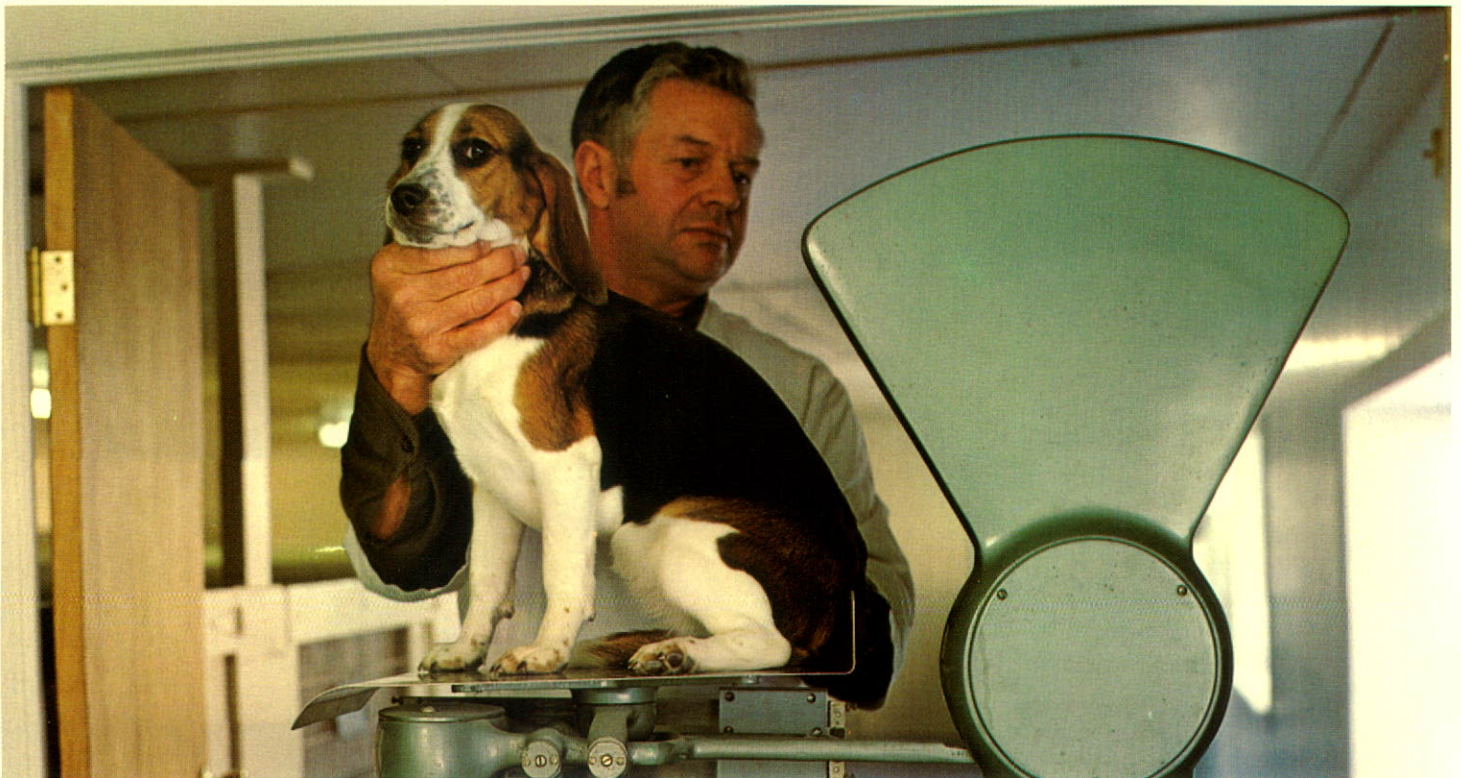




At the Calona Winery in Kelowna, B.C., Bob Claremont, vintner, examines the clarity of a young wine.



Before our customers enjoy a cup of coffee, our La Salle laboratories make sure its flavour and aroma meet high standards.



In Sherburne, N.Y., one of our beagles weighs in during a regular Dr. Ballard's feeding programme

*Standard Brands products
achieved major exposure
during the Montreal Olympics.*



“We’ve always considered amateur sport and physical fitness as part of our on-going marketing philosophy.”*

In 1976, two of the most exciting athletic competitions ever staged in Canada provided the focal point for our merchandising efforts on consumer products.

There were few TV viewers who missed seeing the spectacle of the Summer Olympic Games in Montreal, or the thrilling Canada Cup hockey series last fall. As major sponsors of the television coverage of these events, Standard Brands Food Company gained tremendous exposure for Fleischmann’s Margarine and Fleischmann’s Egg Beaters, our two products most closely allied with fitness in the consumer’s mind.

And both products benefited greatly. Fleischmann’s Margarine became Canada’s leading brand of margarine. Fleischmann’s Egg Beaters in its first full year in national distribution continued its dramatic sales rise. Blue Bonnet margarine sales also climbed giving our dairy-case products a most successful year.

During the year we integrated our tea manufacturing facilities at the Montreal La Salle plant to permit efficient production of “The Tea”, a brand acquired in late 1975. This and other factors led to improved dollar sales on beverage products.

It was also a successful year for our Baking Aids and Royal Desserts, particularly Jelly Powders with one of its best years for sales volume and share growth.

Standard Brands Food Company has long been a leader in providing student and consumer educational material based on our health and nutrition-oriented marketing philosophy. In 1976, Canadian Home Economics teachers went metric for all measures. All teaching materials had to be completely revamped. We immediately developed a long-range metric programme called “Let’s Bake Together”. This comprehensive teaching programme and support materials have already gained wide support across Canada.

*Vern Housez, President, Standard Brands Food Company.

“The Tea” helps beverage products to new sales high.



Metrication comes to baking and our “Let’s Bake Together” programme takes it to the classrooms of the Country.



Fleischmann’s Egg Beaters continue to set new sales records. Dave Clutsam, Vice President, Sales and Wally Penwill, Senior Product Manager discuss new merchandising approaches.

“The new C.V.M.A. pet food certification programme is a long-needed step forward for pets, and of course their owners.”*

Dr. Ballard's commitment to market only competitively superior products resulted in further share gains for its canned luxury entries in both dog and cat segments during 1976. The Canned Luxury category continues to outpace market growth. This reflects an increasing consumer demand for premium quality products.

More and more, the pet is being treated like a family member. This is reflected in the pet owners' growing concern for the health and feeding care of his pet.

During 1976, Dr. Ballard's in conjunction with the Canadian Veterinary Medical Association began a programme to establish Canada's first nutritional quality standards for pet food. This programme entails the testing of manufacturers' products to ensure the presence of these standards. Upon successful completion the products become eligible for C.V.M.A. certification.

We are proud to announce that Dr. Ballard's Canned Dog Food has successfully undergone these tests and gained official C.V.M.A. certification.

In 1977, Dr. Ballard's will continue its efforts in fostering dialogue and understanding among the many pet related groups. At our kennels and cattery in Sherburne, New York, we are intensifying our efforts in developing pet foods not only with improved nutritional benefits, but improved palatability as well.

* Ron Adlam, Vice President, Dr. Ballard's Pet Food Division.

Ron Adlam discusses Dr. Ballard's packaging with Dave Clutsam.



This certification entitles Dr. Ballard's Canned Dog Food to carry the official C.V.M.A. logo.





The importance of Dr. Ballard's nutritional benefits begins with new puppies.

Cats love Dr. Ballard's too. Miss Mew is a perfect choice.

"We're the coffee company that makes more than a good cup of coffee."*

The Standard Brands Food Service Company was formed in July, 1976 to meet the needs of the Canadian food service industry, an important growth segment of the economy.

The new Company has three operating components: The Food Service Division, Club Coffee Company Ltd., and Melrose Foods Ltd. Roasted coffee represents 80% of the total volume of Standard Brands Food Service Company. There is a long-term need for product diversification.

In 1976 we launched a product campaign based on this need. The umbrella theme was, "The coffee company that makes more than a good cup of coffee." The campaign consisted of re-launching a number of products currently sold by the Food Service Company. Emphasis was on increased distribution and full-line selling. The campaign was supported heavily in major food service trade journals.

We also began a direct mail advertising programme to smaller independent restaurateurs across Canada to provide information on the successful and profitable use of our products.

In its first year as a separate company, the Food Service Company achieved record sales, with strong growth in Planters Peanut Oil, branded tea bag items and jelly powders. And we're still the number one coffee company, with a record market share of 28% of the food service roasted coffee market in 1976. Our industry leading brands are Chase & Sanborn, Club and Melrose.

* Wayne Newson, Vice President, Standard Brands Food Service Company.

Canada's #1 cup of coffee.



Larry Locke of Standard Brands Food Service Division discusses the merits of Royal desserts at the Sheraton Centre Hotel, Toronto.



“We’ve been on the rise for 100 years.”*

Last year was the one-hundredth anniversary for Fleischmann's Yeast, the first compressed yeast to be sold to bakers in Canada. It was introduced to the market during 1876 and from the beginning has earned a distinct and continuing preference among bakers across the country.

In 1976 we again recorded volume growth for all types of Fleischmann's Yeast in the industrial market. Further gains were experienced in volumes for industrial margarines, leaveners, dough conditioners and a broad range of specialty ingredients introduced to facilitate the technological advances in bakery production methods.

The Fleischmann name is synonymous with quality and service in the baking industry and, to better reflect this image, 1976 saw the implementation of our packaging redesign programme which will present the new Fleischmann logo in a consistent manner on all of our packages. This is being accomplished in conjunction with the conversion of all package sizes to metric measures, well ahead of government target dates and ahead of the industry generally.

In marking our Centennial Year, we in Fleischmann express our sincere appreciation to the baking industry for the warm association and continuing support which has been so meaningfully evident over these many years.

At the age of 100, we're still growing.

**James F. O'Neil, President, The Fleischmann Company.*

Canada's #1 Yeast.



Jim O'Neil and Ray Bambrick of The Fleischmann Company look at a replica of the first Fleischmann's Yeast label produced in 1876.

“Each brand has its own image and its loyal fans.”*

Lowney's Limited is better known to its customers by names such as Oh Henry!, Moirs Pot of Gold Chocolates, Cherry Blossom, Cracker Jack, Planters and Glossettes. In the confectionery and snack businesses, Lowney's brand names are among Canada's best known.

Particularly so following last year's heavy advertising commitment on network TV as a major sponsor of the Summer Olympics and the widely acclaimed Canada Cup international hockey series.

Every brand name has its own image, and loyal fans. And the star brands get top billing in marketing emphasis. It's a strategy that works.

Both confectionery and snack business continued their record of volume and profit growth in 1976. Our snack nut business turned in exceptional performance, with sales increases in our Planters vacuum packed cans and dry roast jars surpassing all previous records. At the close of the year, our three snack nut brands, Planters, Beaver and Pine Tree combined to give us more than 50% of the Canadian snack nut market.

The confectionery business also showed volume gains, but rapidly rising raw material costs throughout the year eroded our profit contribution. In the final month of 1976, cocoa beans and cocoa butter were trading at triple their 1975 lows.

Our new boxed chocolate plant in Dartmouth, Nova Scotia is now running at optimum efficiency after a full year of operation.

We remain committed to producing products of highest quality. During the year we bolstered our technical expertise by adding three senior technical managers. In 1977 we will continue to commit significant resources toward improving our manufacturing methods and quality control.

*Douglas Lauder, President Lowney's Limited.

“Cherry, Cherry Blossom”. This old favorite is now enjoying new success thanks to TV. This is part of the Cherry Blossom line at Lowney's Sherbrooke, Quebec plant.



Along with Planters and Pine Tree, Beaver Nuts combine for over 50% of the Canadian snack nut market. Beaver founder, Leo Sherman (Centre) is shown here with son Billy and Tony Moulder, Vice President and General Manager, Planters.



Lou Thompson, John Lee, Doug Miller and Sheldon Hellin examine packaging for Moirs Pot of Gold chocolates.





McGuinness Marketing Manager, Jaffery Stewart oversees a Silk Tassel facing in a Toronto L.C.B.O. Store. Silk Tassel is the #1 Guinness brand.



“It’s clear to the industry that we’re on the move. We’ve now become fourth largest in Canada.”*

In 1976, our Wine and Spirits Division outpaced industry growth in both spirits and wines. We gained share of market in both product groups. In fact the Division has contributed more than 20% of total industry growth during the last three years!

The spirits market in Canada during the year was up about 5% over 1975 with vodka, white rum, and liqueurs showing major growth. The Canadian wine market remained essentially static, but with a continuing consumer preference towards table wines.

As in previous years, we continued to respond to changing consumer needs with new products, and quality improvements. We have increased the age of a number of our whiskies; added recipes to label backs on McGuinness Vodkas; introduced new top-quality, corked varietal wines; and repackaged and relabelled Acadian's liqueurs in the more popular 25-ounce size.

With self-service outlets on the increase, packaging becomes a major factor in the buying decision. Last year McGuinness introduced one of the most unique, superior quality whiskies in the country. Its name is CN Tower, and every bottle is a miniature tower. It met with great success regionally and we expect it to become a national brand within a year.

Imported products also have a major impact on the Canadian market. Imports take 20% of the total spirits market and 50% of the total wine market. And as a Division we're strongly positioned to meet this demand. We import rums from the Caribbean; Polish Vodkas; Australian sherry; South American table wines; Scotch whiskies; German beers; Italian, Spanish, French and German wines; British ales; Italian vermouths and many other specialty beverages.

The wine and spirits markets are in essence hundreds of specialized market segments. Age shifts in the population mix affect product planning, packaging, and marketing. We intend to continue intensive research into these markets to ensure continued growth.

**John MacDonald, President, Wine and Spirits Division.*

Packaging plays an important role in customer buying preference.



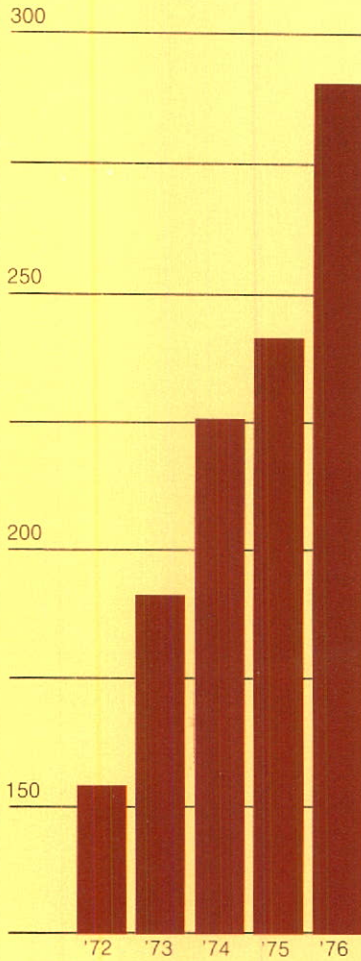
Canadians have a taste for imported beers and Lowenbrau is a best selling import.

New varietal wines like De Chaunac and Marachel Foch are winning acclaim for our Calona brands.



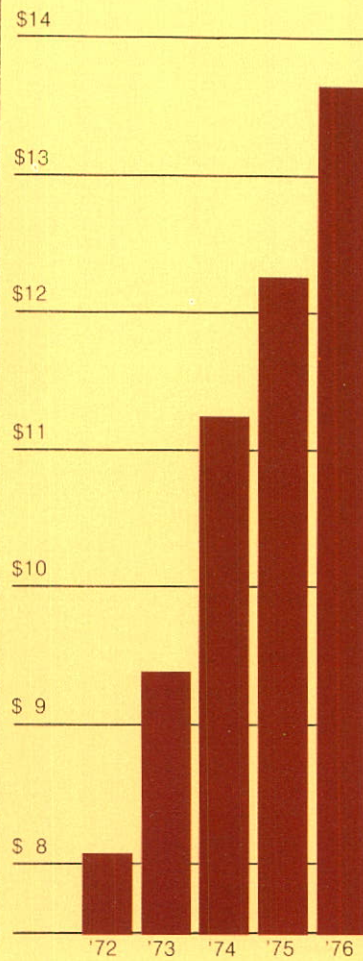
Five Year Financial Review

NET SALES
(Millions of Dollars)



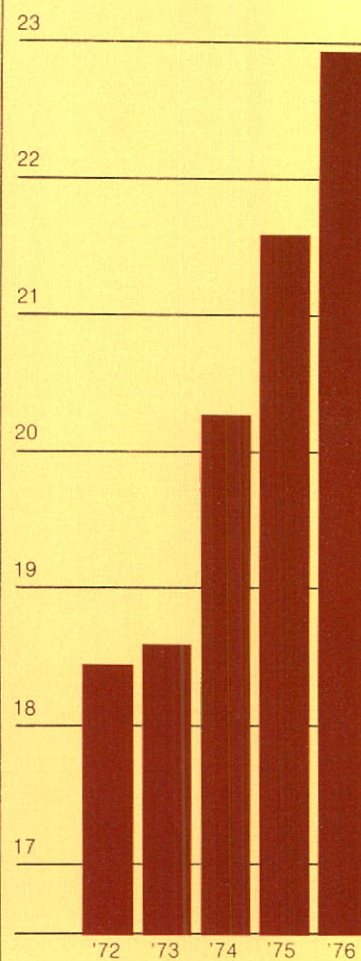
Net sales in 1976 reached an all-time high of \$282.3 million, up 14% over last year. During the last five years, sales have increased at an annual compound rate of 17%. This is the 17th consecutive year in which the Company has registered a sales increase.

PER CAPITA SALES



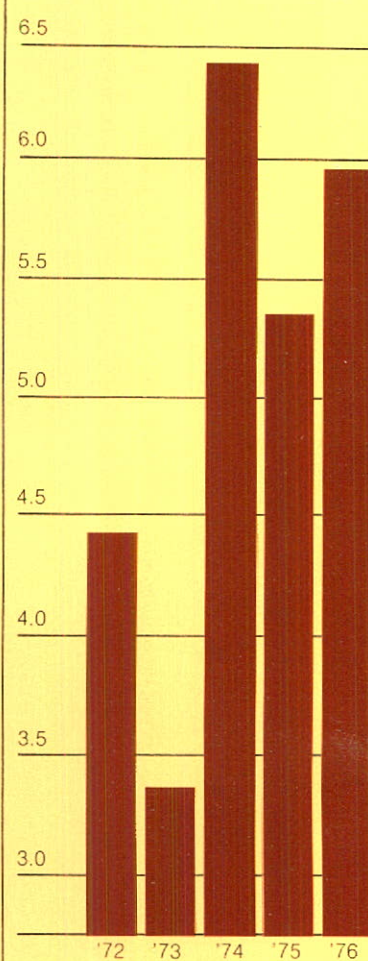
Per capita sales grew at an annual compound rate of 14% from 1972. This reflects the increasing consumer acceptance of our quality product mix and a nationwide sales force and distribution network.

**CAPITAL INVESTED
PER EMPLOYEE**
(Thousands of Dollars)



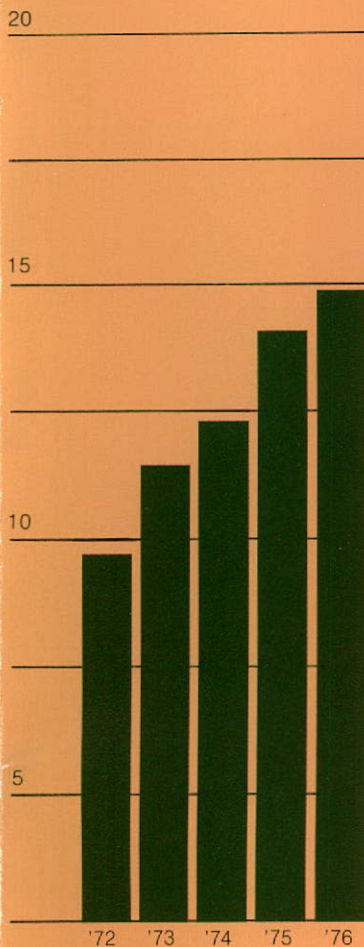
The Company's investment in property, plant and equipment as measured per employee, increased to approximately \$23,000 in 1976, continuing the trend of prior years. This reflects the Company's re-investment of profits into the future growth of the Company.

**CAPITAL
EXPENDITURES**
(Millions of Dollars)



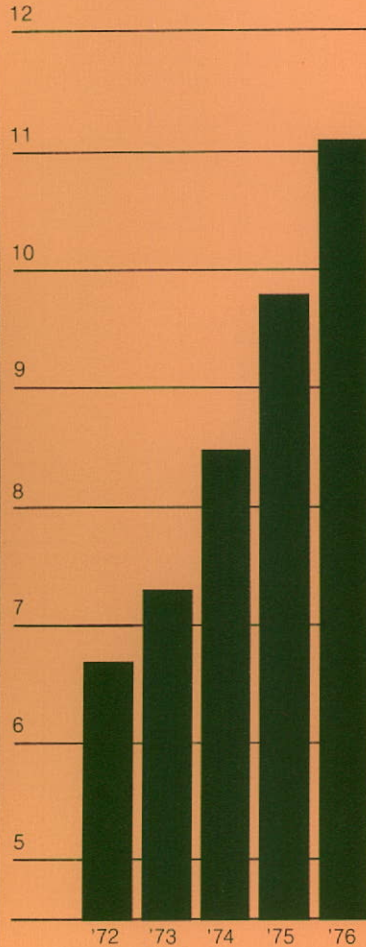
The capital outlay for the last five years has totalled some \$25.5 million. These funds were directed toward pollution and quality control equipment, and the expansion and replacement of facilities.

WORKING CAPITAL PROVIDED FROM OPERATIONS
(Millions of Dollars)



The Company's operations generated \$14.9 million in working capital in 1976. During the last five years, working capital from operations has amounted to \$62.4 million. These funds are the primary source of expansion for the Company and are used to finance additions to property, plant and equipment, acquisitions, to repay long term creditors, and to provide for increased inventories.

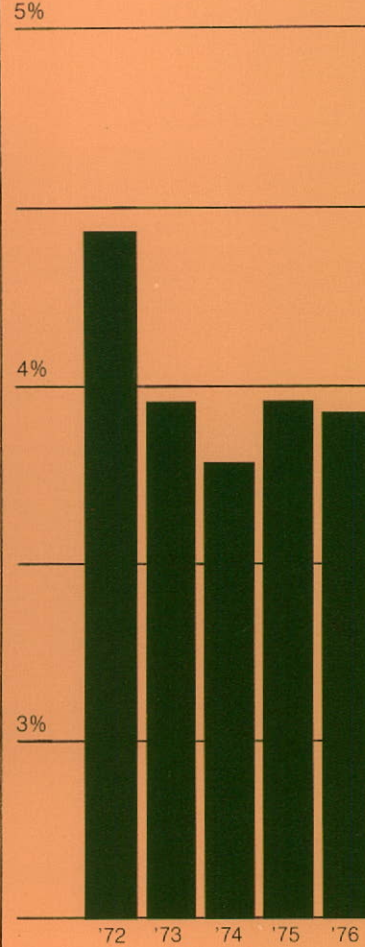
NET INCOME FROM OPERATIONS
(Millions of Dollars)



The Company's net income from operations reached a record \$11.1 million in 1976. This was a 13% increase over 1975, equal to the annual compound growth rate over the last five years.

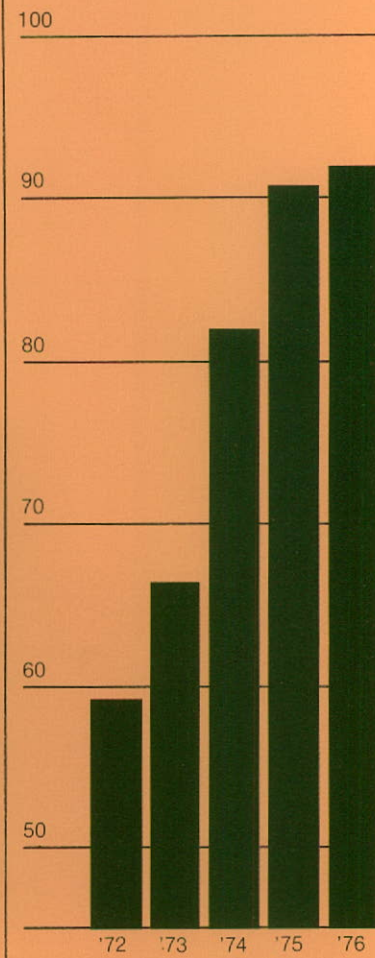
PROFIT MARGIN FROM OPERATIONS

Percent



While net income in absolute dollars has increased in the five year period from 1972, profit per sales dollar has declined, reflecting a greater absorption of inflated costs.

SHAREHOLDERS' EQUITY
(Millions of Dollars)




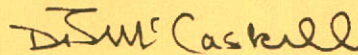
Shareholders' equity reached \$92 million during 1976, an increase of \$1.2 million over 1975 in spite of a preferred stock redemption of \$8.4 million. The annual compound rate of growth is 11.6% for the five year period covered, reflecting a reinvesting in Canada of over 78% of profits earned in Canada.

Consolidated Balance Sheet

Standard Brands Limited and Subsidiaries
 December 31, 1976 and 1975
 (in thousands of dollars)

ASSETS	<u>1976</u>	<u>1975</u>
CURRENT ASSETS:		
Cash	\$ 1,118	\$ 935
Marketable securities, at market	179	124
Accounts receivable	28,840	26,648
Inventories, at the lower of average cost or market (Note 2)	66,382	59,457
Prepaid expenses	1,867	2,598
Total current assets	<u>\$ 98,386</u>	<u>\$ 89,762</u>
DEBENTURES RECEIVABLE (Note 3)	<u>\$ 1,988</u>	<u>\$ 2,301</u>
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Land	\$ 1,230	\$ 1,231
Buildings	27,077	25,307
Machinery and equipment	48,108	45,046
	<u>\$ 76,415</u>	<u>\$ 71,584</u>
Less—accumulated depreciation	31,609	29,952
	<u>\$ 44,806</u>	<u>\$ 41,632</u>
GOODWILL, at cost less accumulated amortization of \$1,657 in 1976 and \$1,324 in 1975 (Note 1)	<u>\$ 33,643</u>	<u>\$ 33,976</u>
	<u><u>\$178,823</u></u>	<u><u>\$167,671</u></u>

Approved on behalf of the Board:

 , Director
 , Director

LIABILITIES AND SHAREHOLDERS' EQUITY	<u>1976</u>	<u>1975</u>
CURRENT LIABILITIES:		
Bank loans and other short-term borrowings (Note 4)	\$ 41,565	\$ 31,250
Current maturities—long-term debt (Note 5)	862	3,994
Due to parent and affiliates	5,968	2,059
Accounts payable and accrued expenses	20,985	20,733
Income and other taxes	3,175	3,129
	<hr/>	<hr/>
Total current liabilities	\$ 72,555	\$ 61,165
	<hr/>	<hr/>
DEFERRED LIABILITIES	\$ 348	\$ 502
	<hr/>	<hr/>
LONG-TERM DEBT (Note 5)	\$ 4,648	\$ 6,961
	<hr/>	<hr/>
DEFERRED INCOME TAXES	\$ 9,086	\$ 8,058
	<hr/>	<hr/>
MINORITY INTEREST	\$ 140	\$ 142
	<hr/>	<hr/>
SHAREHOLDERS' EQUITY:		
Capital Stock—		
Authorized—		
1,000,000 preferred shares (Note 6)		
100,000 common shares, no par value		
Issued and outstanding—		
420,900 preferred shares (Note 6)	\$ —	\$ 8,418
77,600 common shares	23,931	23,931
	<hr/>	<hr/>
Retained earnings	68,115	58,494
	<hr/>	<hr/>
	\$ 92,046	\$ 90,843
	<hr/>	<hr/>
	\$178,823	\$167,671
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Income and Retained Earnings

Standard Brands Limited and Subsidiaries
for the years ended December 31, 1976 and 1975
(in thousands of dollars)

	<u>1976</u>	<u>1975</u>
SALES	\$315,164	\$279,994
Less—sales and excise taxes	32,908	31,499
NET SALES	\$282,256	\$248,495
Cost of sales	190,860	163,389
GROSS MARGIN	\$ 91,396	\$ 85,106
Selling, administrative and other expenses	72,001	67,266
INCOME BEFORE TAXES on income and extraordinary items	\$ 19,395	\$ 17,840
Provision for taxes on income	8,339	8,034
NET INCOME BEFORE EXTRAORDINARY ITEMS	\$ 11,056	\$ 9,806
Extraordinary items (Note 7)	—	700
NET INCOME	\$ 11,056	\$ 10,506
RETAINED EARNINGS, beginning of year	58,494	49,662
	\$ 69,550	\$ 60,168
Preferred dividends	435	674
Common dividends	1,000	1,000
RETAINED EARNINGS, end of year	\$ 68,115	\$ 58,494

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Financial Position

Standard Brands Limited and Subsidiaries
for the years ended December 31, 1976 and 1975
(in thousands of dollars)

SOURCE OF WORKING CAPITAL:	<u>1976</u>	<u>1975</u>
Net income before extraordinary items	\$ 11,056	\$ 9,806
Depreciation and amortization	2,829	2,901
Deferred income taxes	1,028	1,414
Total from operations	\$ 14,913	\$ 14,121
Dispositions of property, plant and equipment	139	2,513
Debentures receivable	313	(891)
	\$ 15,365	\$ 15,743
 USE OF WORKING CAPITAL:		
Additions to property, plant and equipment	\$ 5,965	\$ 5,355
Dividends paid	1,435	1,674
Cost of acquisitions less working capital acquired	—	342
Long-term debt (Note 5)	2,313	3,984
Redemption of preferred shares (Note 6)	8,418	—
	\$ 18,131	\$ 11,355
INCREASE (DECREASE) IN WORKING CAPITAL	(\$ 2,766)	\$ 4,388
WORKING CAPITAL, beginning of year	28,597	24,209
WORKING CAPITAL, end of year	\$ 25,831	\$ 28,597

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

Standard Brands Limited and Subsidiaries
December 31, 1976 and 1975

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (a) The consolidated financial statements include the assets and liabilities, results of operations and changes in financial position of all subsidiaries.
- (b) Foreign dollar balances included in current assets and current liabilities have been translated to Canadian dollars at the applicable rate of exchange at the end of the year.
- (c) Depreciation is charged on plant and equipment on a straight-line basis over the estimated useful lives of the assets.
- (d) Goodwill acquired after 1970 is being amortized over a period not to exceed forty years. Goodwill acquired prior to October, 1970, is not being amortized and amounts to \$21,963,000.
- (e) Deferred income taxes result substantially from the excess of capital cost allowances claimed for tax purposes over depreciation recorded for book purposes.

2. INVENTORIES

(in thousands of dollars)

Inventories consist of:	1976	1975
Finished goods	\$ 20,824	\$ 21,200
Work in process	25,966	24,225
Raw materials and packing supplies	19,592	14,032
	<u>\$ 66,382</u>	<u>\$ 59,457</u>

3. DEBENTURES RECEIVABLE

Debentures receivable represent part of the consideration received on the sale of various properties and are repayable mainly in 1980 and 1981.

4. BANK LOANS AND OTHER SHORT-TERM BORROWINGS

As of December 31, 1976 and 1975, bank loans and other short-term borrowings consisted of the following:

(in thousands of dollars)

	1976	1975
Bank loans	\$ 5,480	\$ 4,250
Short-term promissory notes outstanding		
– Due to Standard Brands Incorporated	14,835	27,000
– Unconditionally guaranteed by Standard Brands Incorporated	21,250	–
	<u>\$ 41,565</u>	<u>\$ 31,250</u>

5. LONG-TERM DEBT

(in thousands of dollars)

As of December 31, 1976 and 1975, long-term debt consisted of the following:

(a) Standard Brands Canada Limited

7% Note payable to International Standard Brands Incorporated due in equal semi-annual installments of \$1,575,000

\$	–	\$ 4,725
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(b) Lowney's Limited

5.55% Secured building loan, maturing serially to May 1, 1980

880	1,072
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(c) L. J. McGuinness and Co., Limited

8% Loan due December 31, 1983, secured by a first mortgage on real and immovable property and a chattel mortgage on machinery, equipment, goods and chattels of a subsidiary

549	676
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Carried forward	\$ 1,429	\$ 6,473
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	(in thousands of dollars)	
	<u>1976</u>	<u>1975</u>
Brought Forward	\$ 1,429	\$ 6,473
7½% Debentures due November 1, 1987, secured by first mortgages and a first floating charge on all real and immovable property owned by the Company and its subsidiaries and all property subsequently acquired, except as otherwise pledged.	1,568	1,710
(d) Central Canadian Distilling Corp. Ltd Loans payable maturing between 1980 and 1985, secured by mortgages and a debenture constituting a floating charge on all assets of the Company bearing interest rates between 9% and 9%.	1,315	1,588
(e) Other	1,198	1,184
	<u>\$ 5,510</u>	<u>\$ 10,955</u>
Less—current maturities	862	3,994
	<u>\$ 4,648</u>	<u>\$ 6,961</u>

6. PREFERRED SHARES

The authorized capital stock of the Company includes 1,000,000 cumulative, non-voting, preferred shares of \$20 par value to be issued in series. Of the preferred shares, 425,000 have been designated as 8% Series A, redeemable, of which 420,900 were issued. The latter 420,900 shares were redeemed on August 23, 1976.

7. EXTRAORDINARY ITEMS

	<u>1975</u>
Extraordinary items, net of applicable income taxes, consist of the following:	(in thousands of dollars)
Net gain from sale of plants and relocation of confectionery facility	\$ 1,047
Loss on disposition of properties	347
	<u>\$ 700</u>

8. STATUTORY INFORMATION

- (a) Interest on long-term debt aggregated \$745,000 in 1976 and \$1,038,000 in 1975.
- (b) There were 14 directors (14 in 1975) and 15 officers (14 in 1975) for the year ended December 31, 1976. Aggregate remuneration for directors (as directors) and officers (as officers) was \$30,000 (\$30,000 in 1975) and \$699,000 in 1976 (\$568,000 in 1975) respectively. There were five officers who were directors in 1976 and 1975.

9. ANTI-INFLATION ACT

The Company is subject to the Anti-Inflation Act and related regulations. In all material respects, the Company is in compliance with this legislation and is monitoring its activities to ensure continued compliance.

To the Shareholders,
Standard Brands Limited:

We have examined the consolidated balance sheet of STANDARD BRANDS LIMITED (incorporated under the Canada Corporations Act) AND SUBSIDIARIES as of December 31, 1976 and 1975, and the related consolidated statements of income and retained earnings and changes in financial position for the years 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, the accompanying consolidated financial statements present fairly the financial position of Standard Brands Limited and subsidiaries as of December 31, 1976 and 1975, and the results of their operations and the changes in their financial position for the years then ended, in accordance with generally accepted accounting principles applied on a consistent basis during the periods.

January 28, 1977



Gaetan C. Morrissette
Chairman, Standard Brands Limited

Martin F. C. Emmett
*Chairman and Chief Executive Officer,
International Standard Brands
Incorporated*

Donald B. McCaskill
*President and Chief Executive
Officer, Standard Brands Limited*

Vern J. Housez
*Vice-President and President,
Standard Brands Food Company*

Douglas W. Lauder
*Vice-President and President,
Lowney's Limited*

Ronald S. Leiffer
Vice-President – Procurement

Thornton B. Lounsbury
Vice-President – Administration

John R. MacDonald
*Vice-President and President,
Wine and Spirits Division*

James F. O'Neil
*Vice-President and President,
The Fleischmann Company*

Raymond F. Wright
Vice-President – Finance

Simon Gulden
General Counsel and Secretary

Peter F. Winstanley
Treasurer

Kenneth W. Baxter
Comptroller

Management Committee



(Bottom, left to right) Vern J. Housez, John R. MacDonald,
Donald B. McCaskill, Ronald S. Leiffer;
(Top, left to right) Raymond F. Wright, Simon Gulden, James F. O'Neil,
Douglas W. Lauder, Thornton B. Lounsbury.

Board of Directors

Gilbert C. Clarke, *Montreal, Quebec*

Frank M. Covert, Q.C., *Halifax, Nova Scotia*
Partner, Stewart, MacKeen & Covert

Martin F. C. Emmett, *New York, N.Y.*
Chairman and Chief Executive Officer,
International Standard Brands Incorporated

Reuben Gutoff, *New York, N.Y.*
Executive Vice-President
Standard Brands Incorporated

Matthew S. Hannon, Q.C., *Montreal, Quebec*
Partner, Ogilvy, Cope, Porteous, Montgomery,
Renault, Clarke & Kirkpatrick

Vern J. Housez, *Montreal, Quebec*
Vice-President, Standard Brands Limited

F. Ross Johnson, *New York, N.Y.*
President and Chief Executive Officer,
Standard Brands Incorporated

John T. Johnson, Q.C., *Toronto, Ontario*
Partner, Borden & Elliot

Dr. David S. R. Leighton, *Banff, Alberta*
Director, The Banff Centre

Donald B. McCaskill, *Montreal, Quebec*
President and Chief Executive Officer,
Standard Brands Limited

John R. MacDonald, *Toronto, Ontario*
Vice-President, Standard Brands Limited

Gaetan C. Morrissette, *Montreal, Quebec*
Chairman, Standard Brands Limited

C. Richard Sharpe, *Toronto, Ontario*
Vice-President Merchandising
Simpsons Sears Limited

Ben Wosk, *Vancouver, B.C.*
President and Chief Executive Officer,
Wosk's Limited



(Bottom, left to right) Donald B. McCaskill, Martin F. C. Emmett, Reuben Gutoff;
(Top, left to right) Simon Gulden (General Counsel), Gaetan C. Morrissette,
Vern J. Housez, Frank M. Covert, Gilbert C. Clarke, Matthew S. Hannon,
Ben Wosk, Dr. David S. R. Leighton, C. Richard Sharpe, John R. MacDonald.

