



STANDARD
BRANDS
LIMITED
ANNUAL
REPORT
1979



FIFTIETH
ANNIVERSARY

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The cover *symbolizes the natural ingredients selected by Standard Brands Limited for its wide range of quality food and beverage products. Only nature's finest grapes, grains, coffee beans, cocoa and nuts are chosen.*

"Throughout this Annual Report product references in italics (body copy) and roman type (captions) represent trade names, trade marks or brand names owned by or associated with Standard Brands Limited".

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OUR 50TH ANNIVERSARY IN CANADA

Standard Brands Limited 1929-1979

In retrospect, 1929 was not an auspicious year to begin a major company in Canada. But Standard Brands Limited was born through the merger of three long established companies, whose products even then were household favourites. The three charter members had all operated in Canada since the late 1800's. The Fleischmann Company manufactured yeast. The Chase & Sanborn Company roasted coffee and blended teas. The E. W. Gillett Company made dry yeast cakes, desserts, baking powder and lye.



It was an amalgamation of strengths that proved itself successful over the next half-century. In earlier years expansion resulted from the market growth of the original products and the development of new products. But in 1947, this internal growth pattern changed with the first of many acquisitions, leading to accelerated growth through entry into new product categories.

Today, Standard Brands Limited is one of Canada's foremost food and beverage manufacturers. It has grown from a \$7 million sales volume in 1929 to over \$400 million in 1979. As the Company celebrates its 50th Anniversary, it is positioned for continued growth by adding strengths upon strengths.

1979: THE YEAR IN BRIEF

During 1979 two significant milestones were passed – net sales passed the \$400 million mark and earnings reinvested passed the \$100 million mark. Sales increased 10% to just over \$400 million while Net Income rose 7% to \$14 million. Earnings reinvested in the Company by our shareholders reached \$102.5 million, confirming their faith in the economy of Canada and in the employees of Standard Brands Limited.

Significant improvement in internal cash flow was achieved resulting in a reduction of short-term borrowings even after paying for our acquisitions in cash.

FINANCIAL HIGHLIGHTS

	1979	1978
From The Financial Statements:		
<i>(Thousands of Dollars)</i>		
Net Sales	400,544	363,535
Net Income	14,070	13,171
Working Capital	69,646	67,974
Capital Expenditures	9,340	9,371
Shareholders' Equity	126,444	115,374
 Other Financial Highlights:		
Per Capita Sales	\$18.33	\$16.90
Analysis of Gross Revenue Dollar:		
Materials	50.6%	50.3%
Other Operating Expenses	23.5%	23.9%
Paid to Employees	12.0%	11.8%
Income, Sales & Excise Taxes	9.6%	9.9%
Net Income	3.3%	3.3%
Depreciation	1.0%	0.8%

OUR MANAGEMENT

The Strength of Continuity. Since its incorporation in 1929, Standard Brands Limited has been led by twelve different executives.

Today, five of these men continue to play an active role in Standard Brands in Canada and internationally. It is a proud record of continuity in today's fast-paced, and changeable business environment.

Gaëtan C. Morrissette was the first Chairman of the Board for Standard Brands Limited. He was appointed in 1961 and still holds the position. Mr. Morrissette joined the Company in 1930, fifty years ago.

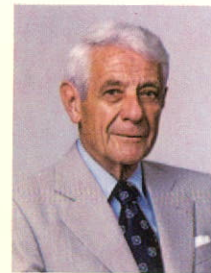
Gilbert C. Clarke was President of Standard Brands Limited from 1961 to 1971, the longest tenure of any President. Today, although retired, he continues working as a consultant for the Company.

F. Ross Johnson was President of the Company from 1971 to 1973. In that year he moved to New York to head up the International Operations of Standard Brands. Today, this native of Winnipeg, Manitoba is Chairman and Chief Executive Officer of Standard Brands Incorporated, the parent company of Standard Brands Limited.

Martin F. C. Emmett was President of Standard Brands Limited from 1973 to 1976. Today, as Executive Vice-President of Standard Brands Incorporated, he is responsible for U.S. Consumer and Beverage Operations in the United States, as well as Canada.

Today, John R. MacDonald is President and Chief Executive Officer of Standard Brands Limited. He was appointed to that position in April, 1977. A native of Prince Edward Island, he was formerly President of the Company's Wines & Spirits Division.

Over the past 50 years, Standard Brands Limited has become a major force in the food processing industry. One major reason for this success, has been people; dedicated, skilled, enthusiastic people whose commitment shaped the Company.



(left) Gaëtan Morrissette, Ross Johnson,
Martin Emmet and Jack MacDonald.
(above) Gib Clarke.

THE PRESIDENT'S REPORT



*John R. MacDonald
President and Chief Executive Officer
Standard Brands Limited.*

1979 was a satisfying year for Standard Brands Limited in many different ways.

It signalled the 50th Anniversary of the Company's founding in Canada. It also marked the completion of the greatest growth decade in the Company's history. In the 1970's the Company expanded its manufacturing and distribution scope dramatically. Our product range expanded and sales during the period quadrupled.

It was a successful year on many fronts. For the 13th consecutive year, the Company set new sales and earnings records. Sales reached a new high of \$400 million, a 10% gain over 1978. Net income rose 7% to \$14.1 million.

During our 50th year we continued to strengthen the Company's competitive position with a number of cost-effective programmes, including capital expenditures of \$9.3 million. In the decade, over \$45 million was committed to improving and expanding our facilities. This in itself is strong testament to the Company's optimism about the future.

All of our operating divisions registered a successful year in spite of intense competition. Not only was the Company faced with a growing number of non-branded products, it also continued to cope with inflation and an uncertain economy.

Wines & Spirits enjoys record year. In this closely-regulated industry, the Company's Spirits group capitalized on consumer buying trends to white spirits and liqueurs with record sales and volume performance. The Division has always been strong in these areas. In 1979, *McGuinness* vodka strengthened its position as the second largest selling vodka brand in Canada. New *Silhouette* vodka, a premium product, was successfully launched and features a highly contemporary new packaging look. *McGuinness* liqueurs, the country's most extensive line, recorded market share growth.

Calona Wines also had a record year, led by sales of established premium table wines such as *Sommet Blanc* and *Sommet Rouge*, and its fast growing new white table wines. In this category, *Schloss Laderheim* sales grew faster than any white table wine in Canada.

Consumer foods did well in many areas. *Fleischmann's* corn oil margarine maintained its segment leadership in the face of intense competitive activity from a number of new brands. The Division continued to expand its *Chase & Sanborn* coffee line. In its first full year in the market, new *Chase & Sanborn* instant coffee exceeded expectations. *Royal* desserts also expanded its line with new *Royal Fast & Fancy* no-bake desserts. Currently in test market, this line has met with excellent initial consumer response.

The Division continued to offer Canada's most popular baking ingredients with familiar names such as *Magic* baking powder, *Fleischmann's* yeast and *Chipits* chocolate chips.

Confectionery products show positive upturn. After a decade of spiralling commodity costs and increased retail prices, our Confectionery Division made substantial gains in 1979, particularly in the bar area. *Oh Henry!* became the market leader in its category, and demonstrated by its large size our basic marketing strategy of offering highly visible value.

In snack foods, *Planters* nuts continued as the country's number one line of nuts. Major capital improvements took place at the *Planters* manufacturing facility in Toronto. This multi-million dollar programme will lead to the most modern nut processing plant in Canada.

Pet foods continue industry leadership. During the year, *Dr. Ballard's* achieved sales and market share gains in one of the largest and fastest growing segments of the retail grocery industry. The active involvement with the Canadian Veterinary Medical Association continued. *Dr. Ballard's* canned and dry dog foods are certified by the C.V.M.A., the only brands so certified. *Miss Mew* luxury cat food strengthened its market category leadership. During the year, *Dr. Ballard's* further broadened its market coverage by adding the *Romar* brand line of pet foods.

Food service broadens national base. In 1979, our food service operation achieved record sales levels and further strengthened its leadership position by acquiring *Dickson's Food Services Ltd.* of Vancouver. This successful Western Canadian company complements existing operations in Central and Eastern Canada and provides a total national base for our restaurant and other institutional customers.

The Fleischmann Company – a century of leadership. As we celebrate our 50th Anniversary, Canada's number one yeast manufacturer is already into its second century of serving the baking industry. In 1979 the Division increased its sales and market share. It continued to expand and modernize with a major capital expenditure programme in LaSalle, Quebec and Calgary, Alberta.

New responsibilities assigned. During the year, H. John Greeniaus, formerly President of the Wines & Spirits Division, was appointed President, Standard Brands Food Company and Food Service Operations. He was succeeded by Arthur R. Davis, formerly President of Calona Wines Limited.

Throughout our history, the Company's employees have contributed significantly to the success we've enjoyed. This is due to their efforts, talents and continuing loyalty to the Company's aims and goals.

Today there are more than 3000 men and women employed by Standard Brands Limited in its operations across Canada. It is to these people, and to their predecessors going back to 1929, that I wish to dedicate this Annual Report. It is not only a Corporate milestone, it is a human achievement.

The Board of Standard Brands Limited expresses its thanks for a job well done.



John R. MacDonald
President and Chief Executive Officer
Standard Brands Limited.

In 1979, the Company's Food Service Division greatly expanded its operations by acquiring Dickson's Food Services Ltd., of Vancouver, B.C.



THE COMPANY: How It's Organized

In 1929, Standard Brands Limited was brand-new and was organized on a relatively simple basis. The only products were *Fleischmann's* yeast, *Chase & Sanborn* coffee and *Gillett's* line of desserts, baking powder and lye.

As the Company prospered, product lines grew, markets expanded and a need was foreseen for an organizational structure that would offer flexibility for growth while retaining effective management control.

Throughout the 60's and 70's, Standard Brands Limited diversified into pet foods, confectionery products, snack foods, wines and spirits and a host of new consumer food products.

During the 70's a new organizational structure was implemented in recognition of the fast changing nature of the Company. It was divisionalized into five business profit centres: Standard Brands Food Company which encompasses Consumer and Pet Food products;

Lowney's Limited which includes Confectionery and Snack Foods; Standard Brands Food Service Division; the Wines & Spirits Division; and the Fleischmann Company which is responsible for Baking Ingredients.

Each business profit centre operates with considerable autonomy on a daily basis, but is closely monitored through a comprehensive reporting system to Corporate Offices. Economies of scale are achieved through centralization of the Finance, Distribution, Personnel, Industrial Relations, Legal, Engineering, Technical Services and Commodity Purchasing Departments.

This is the structure of the Company today.

With over 3000 employees, 20 manufacturing plants, 6 regional distribution centres and hundreds of different products, Standard Brands Limited is organized for today and tomorrow.



The Company's five business profit centres are supported by centralized finance and management information systems, at Corporate Offices.

THE COMPANY: Our Markets are Many

Whether you're buying margarine, nuts, pet food, wines, spirits, a box of chocolates or a chocolate bar, you belong to a market segment served by Standard Brands.

You're also in the market for our products if you run a restaurant and want a wide variety of foods and hot beverages for your customers. Or if you're a baker, and insist on the best in yeast.

Standard Brands Limited, through its five operating divisions, goes to market in a number of ways.

We market margarines, desserts, coffee, tea, peanut oil, baking aids and pet foods, through major food market chains and independent

grocery stores.

We satisfy the nation's appetite for box chocolates, candies, chocolate bars and nuts. These are sold almost anywhere, from vending machines to drug and variety stores, supermarkets and department stores. And the market runs the age gamut from tiny tots to grandparents.

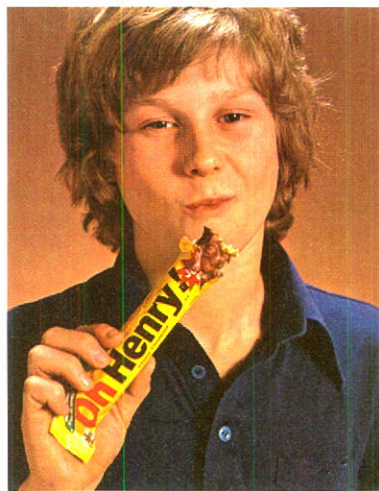
You'll also find our products in government liquor stores from coast to coast.

From snack foods to pet foods and health oriented foods, Standard Brands products are made to meet consumer needs...with quality and taste.

New Silhouette vodka achieved strong immediate consumer acceptance in response to the trend to light liquors.



Oh Henry! continued to lead its market segment with the largest bar going.



Canada's number one coffee supplier to the Food Service industry.



Every shopping day, our products offer value and quality to Canadian consumers.





THE COMPANY: Leading from Product Strength

Standard Brands Limited operates in eight major product areas: consumer foods; pet food products; confectionery products; snack foods; wines; spirits; ingredient products for the baking industry and products for the food service industry.

In each of these areas the Company produces a variety of products, specifically developed and packaged to meet individual customer requirements. All in all Standard Brands has more than 725 registered trade marks.

Some, like *Fleischmann's* yeast and *Chase & Sanborn* coffee, originated back in the 19th century. Others, like *Royal Fast & Fancy* desserts, are less than a year old.

If it's a Standard Brands name, it must represent quality, good taste, reputation and value. A measure of the Company's success in meeting this constant goal is the market

leadership position of many of its products.

We are Canada's largest marketer of margarines with our *Fleischmann's* corn oil and *Blue Bonnet* brands. *Magic* baking powder and *Chipits* are Canadian favourites.

Dr. Ballard's leadership in the Pet Food industry has been strengthened by the emergence of *Miss Mew* luxury cat food as the number one brand in its category.

A major area of newness is in confectionery products. Lowney's Limited, our Confectionery Division, is Canada's largest producer of boxed chocolates with familiar brands such as *Pot of Gold*, and new products such as *Almondillos*.

In snack foods, *Planters* nuts are Canada's favourite brand, with a host of varieties ranging from traditional

roasted peanuts to the new *Sesame Nut Mix*.

Wines and distilled spirits have their own regional leaders. Calona Wines' *Sommet Rouge* and *Sommet Blanc* table wines are a Canadian success story.

In distilled spirits, McGuinness produces the country's most extensive line of liqueurs, including *Entre Amis*, a unique Canadian whisky-based liqueur of world-class quality.

Building on the strength of only a handful of products whose names were household words in 1929, Standard Brands Limited today offers a widely diversified range of hundreds of leading food and beverage products—products whose names and reputations are the cornerstone of our past and our future.

Almonds, caramel and chocolate guarantee quality in Almondillos.

Canada's leading luxury cat food in 12 purr-fect flavours.

Calona leads the trend to white, light domestic wines.

New Royal Fast & Fancy desserts require no baking to enjoy.



At last. A distinctive Canadian whisky based liqueur for the after-dinner world. Entre Amis.

CONSUMER FOODS

Building on the Strength of our Good Names. Standard Brands Limited started in 1929 with a good name, in fact many good names, such as: *Fleischmann's* yeast, *Chase & Sanborn* coffee and *Royal* desserts.

Fifty years later, these same names continue to enjoy wide acceptance from Canadian consumers, and now identify an even broader range of products which have become synonymous with quality and value.

Fleischmann's corn oil margarine continues to be the strong leader in the health-oriented market segment, despite intense competitive activity. *Fleischmann's* Egg Beaters, a unique yolk-replaced modified fat product, was in the forefront of the trend toward sensible but good tasting foods.

Chase & Sanborn coffee is now a family of coffees. Our Instant Coffee

sales exceeded expectations in this new brand's first full year in the market. Based on this success, a decaffeinated instant coffee has been developed for early 1980 introduction, further broadening the consumer choice.

Royal desserts also expanded its market penetration in 1979, with the development of *Royal Fast & Fancy*, a new line of gourmet pie mixes which requires no baking. This line of desserts was successfully launched into regional test market and received strong initial consumer response.

Familiar, trusted names and products have joined *Fleischmann's*, *Chase & Sanborn* and *Royal* to expand and strengthen the Consumer Products group. Along with *Fleischmann's* yeast, baking aid products like *Magic* baking powder and *Chipits* baking chips continue to be the first choice

of Canadians. A new formulation and attractive new packaging established Butterscotch *Chipits* as a popular flavour alternative to the traditional chocolate flavour.

Other established names like *Blue Bonnet* margarine and *Planters* peanut oil maintained the strength associated with their tradition and heritage, and their performance in 1979 contributed to further building the strong consumer appeal of our Consumer Product lines. It is an appeal that has made Standard Brands Canada's number one manufacturer of margarines and has contributed to the ever growing popularity of all of our brands.

"Everything's better with Blue Bonnet on it."



Canada's #1 selling yeast.



At a consumer foods marketing session are (left to right) Ed Fraser, Bruce Wood, and Dave Clutsam.



The best cup of coffee starts with a good name.

Scratch cooks use only the best ingredients. Ones they can trust.





*Dr. Ballard's cares about your pets.
It shows in every nutritionally
balanced product we make.*

PET FOODS

A Tradition of Care and Quality.

Standard Brands Limited entered the pet food business in 1955 by acquiring *Dr. Ballard's*, the leading national manufacturer. It was a company founded by Dr. Ballard, a dedicated veterinarian who was concerned about a balanced diet for pets.

In the early 1930's, Dr. Ballard developed his first nutritionally balanced canned dog food. Pet owners loved the convenience and the assurance of quality, taste and nutrition promised by Dr. Ballard's reputation.

This founding commitment of Dr. Ballard continues today. It is one of the reasons why *Dr. Ballard's* is Canada's leading manufacturer of pet foods.

In keeping with *Dr. Ballard's* leadership position in the industry, the Company was actively involved with the Canadian Veterinary Medical Association in the creation and establishment of Canada's first nutritional quality standards for pet foods. Today, all *Dr. Ballard's* canned and dry dog foods bear the official C.V.M.A. seal of approval, the only brand so certified. *Dr. Ballard's* also participates with the Canadian Federation of Humane Societies in programmes supporting responsible pet ownership.

During 1979 *Dr. Ballard's* continued to register sales and market share gains in one of the largest and fastest growing segments of the retail food industry. *Miss Mew* luxury cat food was introduced in 1969. It is now the industry leader in its category, and offers a selection of twelve flavours.

Regional brands such as *Husky* in B.C., *Perky* in the Prairies and *Tops* in Eastern Canada maintained their strong local performance.

Dr. Ballard's also added the *Romar* brand line of pet foods to its market scope in 1979. *Romar* and *Romar 90* products have a high quality reputation earned primarily among professional breeders and kennel owners in Ontario. This acquisition complements the retail grocery distribution strength of *Dr. Ballard's* lines and opens future growth opportunities.



(above) Popular regional brands from Canada's leading pet food manufacturer.

(below) *Dr. Ballard's* is actively involved with the C.V.M.A. in nutritional programmes.



Shown discussing new pet food flavours are: (left to right) Brian Fisher, Jos Wintermans and Jennifer Parnell.

CONFECTIONERY PRODUCTS

Every product we make has a built-in smile.



Bars Lead Sales Upturn.

Throughout the 70's, the confectionery industry as a whole suffered most from spiralling commodity costs, particularly on cocoa beans and sugar. The 10-cent chocolate bar rose to 30 cents and industry sales declined. Box chocolates also declined in the latter 70's.

Lowney's Limited, our confectionery and snack foods division, faced with an industry-wide sales downturn, invested heavily in improved

manufacturing facilities, improved product formulation, new product development and packaging for greater consumer appeal.

In 1979 positive upturns in market share and sales were recorded throughout the product line, particularly in our core bars of *Oh Henry!*, *Eatmore*, *Glosettes* and *Cherry Blossom*. The basic strategy was to provide consumer value. *Oh Henry!* became the largest bar on the market, and the market leader in its category.



(above left) New marketing programmes are considered by (left to right) John Timson, Ray Verdon, Claudio Bussandri and Roger Pinney.

(above right) Hockey hall-of-famer Bobby Orr represents Lowney's to young hockey players.

(left) Canada's most famous rainbow identifies our most popular box chocolates.

In box chocolates, produced in our Moirs facility in Dartmouth, N.S., we continue to be Canada's leading manufacturer. *Pot of Gold*, with elegant new packaging and improved centres strengthened its consumer appeal. Other strong selling products are Cherries, Mint Patties, and the *Vesta/Selection* value lines.

The Division also achieved significant success in the new product area with *Almondillos*, a delicious almond, nut and caramel confection.

In its first full year in the market, *Almondillos* registered strong sales performance.

Another product that saw great resurgence in 1979 was an old-time favourite, *Cracker Jack*. We returned to the "prize in every package" concept and *Cracker Jack* sales soared. There's a lot of good in the old!

For the 1980's, the Division will continue to stress quality products and high consumer value to assure continued strong consumer appeal.

Canada's favourite brand of nuts now comes in a delicious array of types.



SNACK FOODS

The Peanut That Became an Industry. In 1906, Amedeo Obici, and Mario Peruzzi, two Italian immigrants, founded the Planters Peanut Company in Wilkes-Barre, Pennsylvania. They had developed a unique method of shelling, blanching, cooking and salting peanuts, which up to that time were sold only in the shell.

Mr. Peanut, the world-famous Planters symbol was born in 1916 on the sketch pad of a 14-year-old boy in Wilkes-Barre. He won a contest for his cartoon and Planters won a character that has appeared on every package since, along with starring roles on T.V., and every kind of print media.

The company prospered and in 1960 it became part of Standard Brands Incorporated. In 1961, operations in Canada were fully integrated

with Standard Brands Limited.

Today, Planters with its affiliated companies is the largest manufacturer and marketer of nuts in the country. The *Planters* brand, *Mr. Peanut's* own, is the number one brand in Canada. Our *Pine Tree* nut line in B.C. and *Beaver* nut line in Ontario contribute strong regional shares.

During the year, Planters continued its multi-million dollar plant improvement programme to assure premium quality manufacture.

From its original roasted peanut, Planters now produces and markets a wide line of specialty nut products, such as *Tavern Nuts*, *Sesame Nut Mix* and *Dry Roast Unsalted*.

As we enter the 80's, the nut business in Canada is healthy and growing yearly in tonnage. The little peanut that started it all is now a major industry.



The snack foods team gets together (left to right) Peter Mitchell, Billy Sherman, Tony Moulder, John Dutton, Tom DeGrandis and Leo Sherman.



We're also well-known regionally with these established brands.



Continuing capital expansion assures the most modern manufacturing methods.

WINES



Schloss Laderheim, Canada's fastest growing domestic white wine.

Calona Wines Achieve Record Sales. In 1971, Standard Brands Limited entered the Canadian wine industry by purchasing Calona Wines Limited, Kelowna, B.C. In company with McGuinness Distillers Limited, it comprises the Wines & Spirits Division of Standard Brands Limited.

Calona is a leader in the rapidly emerging Canadian wine industry with particular strengths in red and white table wines, the area of greatest industry growth.

During 1979 Calona Wines again achieved record high profits, sales and market share. Established and award-winning premium table wines, such as *Sommet Blanc* and *Sommet Rouge*, continued strong growth in 1979.

In addition, *Schloss Laderheim* and *Monashee Estate* table wines continued to show impressive growth. In Calona's home province of British Columbia, *Schloss Laderheim* is the fastest growing Canadian table wine.



Our award-winning Sommet Rouge and Sommet Blanc table wines.

Calona also increased its market position in the sparkling wine market with several growing brands, led by *La Scala*, a premium sparkling variety.

In addition, Calona strengthened its market leadership position in B.C., as well as gaining market share in all other regions in Canada in which it competes.

The Division anticipates strong growth of this industry in the 1980's. Calona Wines is well-positioned to capitalize on this growth with a superior line of Canadian table wines.



Calona's inviting retail store at the winery in B.C.'s Okanagan Valley.

(Left to right) Barrie Thomson, Bruce Schmidt, Larry Talarico, Enrico Guidi and Alan Tyabji discussing new Calona brands.



Two tasteful ways to begin and sum up a fine meal.

Attractive packaging highlights these three fine Canadian whiskies.



SPIRITS

Keeping Pace with Changing Tastes. Building on a strong year in 1978, the Spirits group of companies, in the Wines & Spirits Division, achieved growth in all major segments of the domestic spirits business.

The Division's imported product lines of wines, spirits and beers also enjoyed record sales and volume performance to close out the first decade of Standard Brands Canadian involvement in the wines and spirits industry.

As we move into the 1980's, the leading growth areas of the spirits industry today, white goods and liqueurs, have historically been areas of strength for the Company.

McGuinness vodka had another record year in 1979, strengthening its position as the second largest selling vodka brand in Canada. McGuinness liqueurs, the country's most extensive line, achieved market share growth. New flavours contributed to this performance.

In 1979, we also introduced successfully these three major new products:

- Don Q white rum, the largest selling rum brand in Puerto Rico.
- Silhouette vodka, a premium vodka with packaging revolutionary within the Canadian liquor industry.
- Entre Amis, a unique Canadian whiskey-based liqueur of world class quality.

Despite a highly volatile market for imported wines, spirits and beers in 1979, the Agency Division had another record volume and profit year. With strongly supported brands like Martini & Rossi, Blue Nun, Vat 69, Condal and Sichel, we enjoyed strong performance while other lesser known brands were more vulnerable to increased prices.

The Division looks forward to continued growth in the 80's.



A spirited group of successful new brands.

Another record sales year for our agency imported products.



Our spirits group discusses market trends. (Left to right) Bob Millar, Emerson Mascoll, Peter Wood, Tom Prestage (standing), and Bob McCloskey.



Canada's favourite cup of coffee, region by region.

(right) Seen at this Food Service meeting are: (standing) Roy Brunner, Al Williams, Jack Carver, Bob Gebert, (seated) Harold Raven, Wayne Newson and Rob Domville.



FOOD SERVICE

Our Newest Division Continues to Grow. In 1976, Standard Brands Limited consolidated its sales and service operations to restaurants and other foodservice customers into the Food Service Division. It was a timely move, as the foodservice sector has become the fastest growing segment of the Canadian food industry.

In 1979, the Division once again achieved record sales levels, and further strengthened its industry leadership position by acquiring the Vancouver based Dickson's Food Services Ltd. This successful Western Canadian company significantly complements our existing Food

Service operations and expands our national presence, giving us an unequalled base for serving the food-service industry.

In addition to Dickson's, the Food Service Division is comprised of: Standard Brands Food Service Company, Melrose Foods Company and Club Coffee Company. The Division services restaurants, industrial caterers, vending operators, hotels, hospitals, the office coffee service market and other foodservice and retail outlets.

The Division is the largest manufacturer of roasted coffee in Canada with well over 1 billion cups of coffee served a year. It is a business based on quality, service and personal contact. The Division has the largest foodservice sales force of any Canadian food manufacturer.

Although coffee is the Division's primary source of sales, it also recorded major sales gains on such products as *Blue Bonnet* margarine and *Fleischmann's* corn oil margarine. The Division offers a full range of other foodservice products.

As a national organization, the Food Service Division is well positioned for capitalizing on the excellent growth potential of the foodservice industry in the 80's.

We offer our customers some of their customers' favourite products.



BAKING INGREDIENTS

A Century of Leadership. The Fleischmann Company is Canada's oldest and largest yeast manufacturer and was already 53 years old when it became one of the founding companies of Standard Brands Limited in 1929.

In 1979, the Division increased its sales and market share as it continued to expand and modernize its manufacturing facilities in LaSalle, Quebec and Calgary, Alberta. In a three year programme, more than \$4 million has been invested to date to assure the high quality standards that are the heritage of the Fleischmann's name.

In addition to yeast, the Division manufactures and markets a broad range of baking ingredients, such as

leaveners, dough conditioners, industrial margarines, emulsifiers and a range of specialty products.

The Division's salesmen deal with bakers every day. It's a personal service that calls for technical know-how. "Our salesmen put on aprons". Some are qualified bakers, ready and able to assist the customer. We also offer customers the service of the Field Technical Services group for technical expertise in all areas of bakery production.

Ivan Spring and Ken O'Brien of Fleischmann's talk baking with customer Tony Barone.



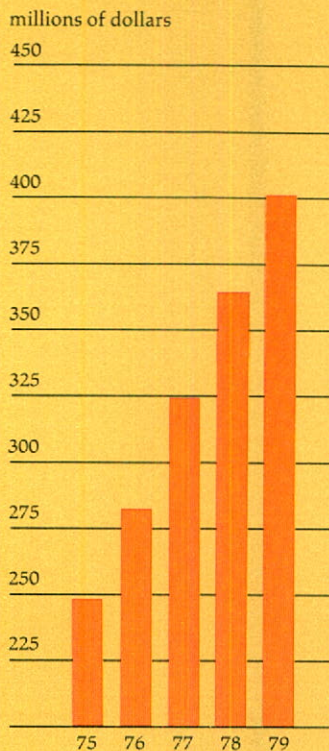
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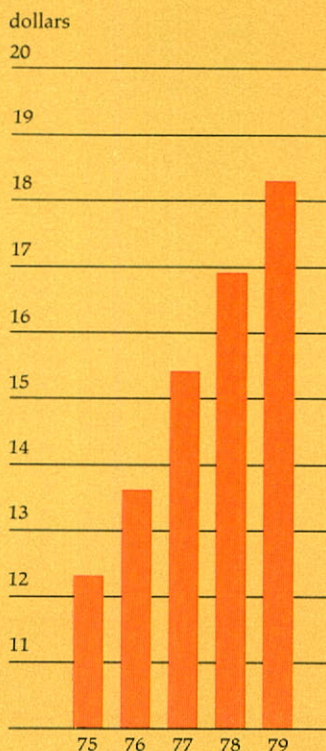
FIVE YEAR FINANCIAL REVIEW

Net Sales



Net Sales achieved a new high of \$400.5 million, 10.2 percent over 1978. It was the 20th consecutive annual increase. Both business segments registered record levels; consumer products reached \$305.6 million and food ingredients products \$94.9 million. 1979 data includes the acquisition of Dickson's Food Services Ltd. During the last five years, sales have grown at an annual compound rate of 12.7 percent.

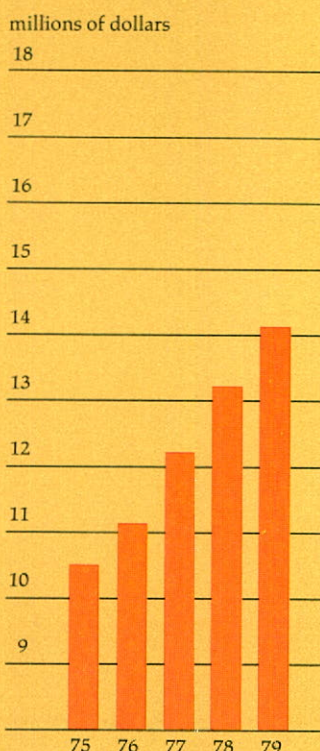
Per Capita Sales



Per Capita Sales (gross sales divided by the national population) rose by 8.5 percent during 1979 to \$18.33. This represents an average annual growth rate of 10.4 percent from 1975. Excluding sales of Dickson's Food Services Ltd., a 1979 acquisition, the comparable 1979 per capita performance is \$17.19.

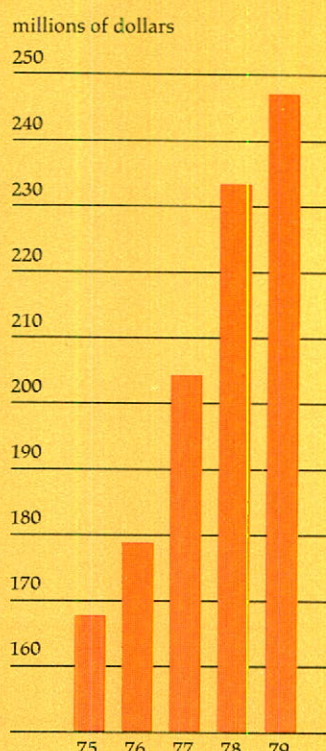
This consistent trend demonstrates the continued appeal and increasing use of the Company's product lines by the Canadian public.

Net Income



Net Income increased 6.8 percent to a record level of \$14.1 million or 3.5 percent of net sales. This is the 13th consecutive year of increase and attests to the Company's ability to prosper during difficult economic times because of its diverse product and market base. The annual compound growth rate since 1975 has been 7.6 percent.

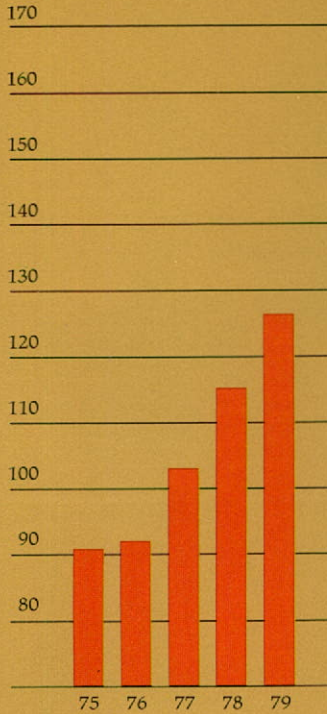
Total Assets



Total assets grew to \$247.1 million, \$13.9 million or 6 percent over 1978. This increase is primarily due to an increase in plant and equipment and the goodwill associated with two acquisitions. During the past five years, some changes have occurred in the distribution of the Company's resources: current assets in 1979 are 59 percent as compared to 54 percent; plant and equipment less accumulated depreciation is unchanged at 25 percent; and goodwill is 16 percent versus 20 percent.

Shareholders' Equity

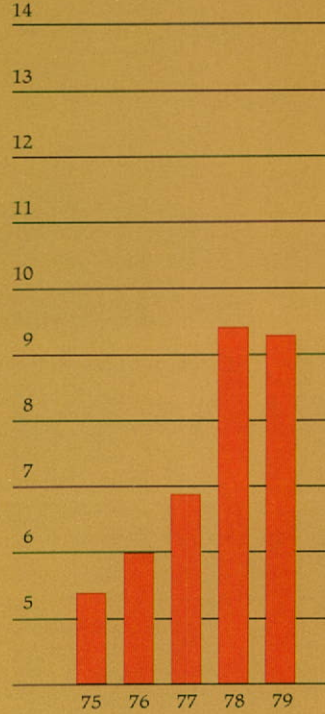
millions of dollars



Shareholders' equity at \$126.4 million represents an \$11 million or a 9.5 percent increase over 1978. Over the five year period, the average annual growth rate has been 9.0 percent. This growth has been sustained by continuing to reinvest a substantial portion of the Company's profits in Canada. Since 1975, 87 percent of the Company's earnings have been retained in Canada. The shareholders' investment represents the financial base upon which the Company relies to achieve its future development.

Capital Expenditures

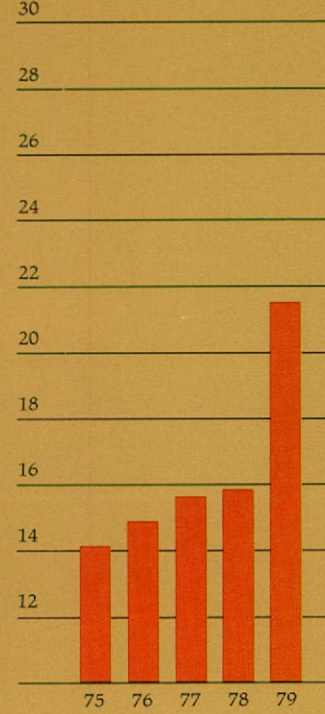
millions of dollars



Total capital expenditures during the last five years have amounted to \$37 million, primarily directed toward upgrading and increasing manufacturing capabilities and responding to environmental responsibilities. During 1979, a significant portion of the capital budget was channelled to redirecting and consolidating manufacturing effort in various facilities to capitalize on economies of scale and to increase capacity utilization. The consistent commitment of funds to the physical plant and equipment will ensure that the Company is well positioned to meet existing demand and to provide the capability to satisfy future growth opportunities.

Working Capital From Operations

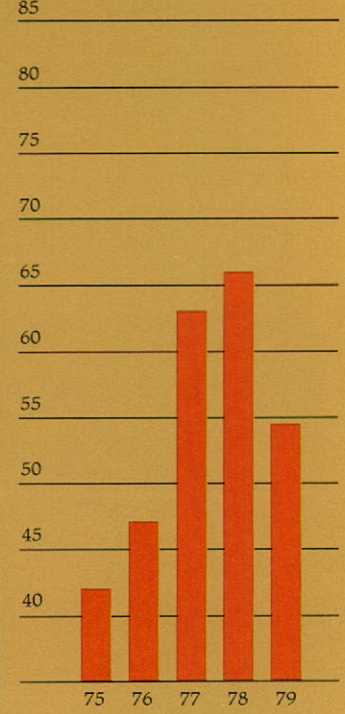
millions of dollars



The Company's operations generated working capital totalling \$21.6 million in 1979, an increase of 38 percent over 1978. This increase is primarily due to a significant improvement in after-tax operating income of 39 percent. During the last five years, working capital provided from operations has increased at an annual compound rate of 11.3 percent. In 1979, these funds were used for acquisitions and the repayment of short-term borrowings.

Total Debt

millions of dollars



Total debt, consisting of short-term borrowings, indebtedness payable within one year and long-term indebtedness, totalled \$54.6 million in 1979, down \$11.4 million from the prior year. The decrease is primarily in the short-term category and results from an improvement in funds internally generated and a positive cash flow from working capital. Since 1975, total debt has increased by \$12.4 million, while total assets have grown by \$79.4 million. Interest coverage (operating income plus interest expense divided by interest expense) has improved from 3.78 in 1978 to 3.90 in 1979.

CONSOLIDATED STATEMENT OF INCOME & RETAINED EARNINGS

Standard Brands Limited
and Subsidiaries
for the years ended
December 31, 1979 and 1978
(in thousands of dollars)

	1979	1978
NET SALES	\$400,544	\$363,535
Cost of products sold	312,316	289,729
GROSS MARGIN	\$ 88,228	\$ 73,806
Selling, administrative and other expenses	65,724	58,375
INCOME BEFORE TAXES and extraordinary item	\$ 22,504	\$ 15,431
Provision for taxes on income	8,434	5,340
INCOME BEFORE EXTRAORDINARY ITEM	\$ 14,070	\$ 10,091
Extraordinary item	-	3,080
NET INCOME	\$ 14,070	\$ 13,171
RETAINED EARNINGS, beginning of year	91,443	79,272
Dividends paid	\$105,513 3,000	\$ 92,443 1,000
RETAINED EARNINGS, end of year	\$102,513	\$ 91,443

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

To the Shareholders,
Standard Brands Limited:

We have examined the consolidated balance sheets of STANDARD BRANDS LIMITED (incorporated under the Canada Business Corporations Act) and SUBSIDIARIES as of December 31, 1979 and 1978, 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, 1979 and 1978, 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 consistently applied during the periods.

Toronto, Ontario,
February 1, 1980

Arthur Andersen & Co.

	1979	1978
FUNDS INTERNALLY GENERATED:		
Working capital from operations:		
Income before extraordinary item	\$ 14,070	\$ 10,091
Depreciation of buildings and equipment and amortization of goodwill	4,968	3,866
Deferred income taxes	2,608	1,782
	<u>\$ 21,646</u>	<u>\$ 15,739</u>
Extraordinary item	\$ -	\$ 3,080
Funds invested in (generated from) working capital:		
Accounts receivable	\$ (2,169)	\$ 6,233
Inventories and prepaid expenses	4,547	5,996
Accounts payable and accruals	(9,230)	(4,621)
Income and other taxes	(4,295)	6,339
Account with parent and affiliates	(1,149)	(595)
	<u>\$ (12,296)</u>	<u>\$ 13,352</u>
NET FUNDS INTERNALLY GENERATED	<u>\$ 33,942</u>	<u>\$ 5,467</u>
OTHER USES (SOURCES) OF FUNDS:		
Additions to property, plant and equipment—net	\$ 8,977	\$ 9,005
Cost of acquisitions (Note 5)	11,553	-
Reduction of long-term debt	400	690
Dividends	3,000	1,000
Recovery of other assets	(660)	(2,551)
	<u>\$ 23,270</u>	<u>\$ 8,144</u>
NET GENERATION OF FUNDS	<u>\$ 10,672</u>	<u>\$ (2,677)</u>
FUNDS (short-term borrowings net of cash)—		
—beginning of year	32,658	29,981
—end of year	<u>\$ 21,986</u>	<u>\$ 32,658</u>

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Standard Brands Limited
and Subsidiaries
for the years ended
December 31, 1979 and 1978
(in thousands of dollars)

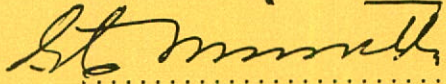
The accompanying notes are an integral part of these consolidated financial statements.


CONSOLIDATED BALANCE SHEET

Standard Brands Limited
and Subsidiaries
December 31, 1979 and 1978
(in thousands of dollars)

ASSETS	1979	1978
CURRENT ASSETS:		
Cash	\$ 1,623	\$ 1,901
Accounts receivable	43,024	42,382
Due from parent and affiliates	125	1,274
Inventories (Notes 1d and 2)	97,245	91,381
Income taxes recoverable	1,391	3,430
Prepaid expenses	2,609	3,231
Total current assets	<u>\$146,017</u>	<u>\$143,599</u>
DEBENTURES RECEIVABLE	<u>\$ 1,245</u>	<u>\$ 1,904</u>
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Land	\$ 1,182	\$ 1,221
Buildings	30,908	29,587
Machinery and equipment	69,462	59,396
	<u>\$101,552</u>	<u>\$ 90,204</u>
Less—accumulated depreciation	40,812	35,380
	<u>\$ 60,740</u>	<u>\$ 54,824</u>
GOODWILL, at cost less accumulated amortization of \$2,781 in 1979 and \$2,323 in 1978	<u>\$ 39,132</u>	<u>\$ 32,898</u>
	<u>\$247,134</u>	<u>\$233,225</u>

Approved on behalf of the Board:


....., Director


....., Director

LIABILITIES AND SHAREHOLDERS' EQUITY	1979	1978
CURRENT LIABILITIES:		
Short-term borrowings (Note 3)	\$ 23,609	\$ 34,559
Current maturities of long-term debt (Note 4)	973	928
Accounts payable and accrued expenses	38,762	27,434
Inventory financing obligation (Note 1d)	8,978	10,935
Income and other taxes	4,049	1,769
Total current liabilities	\$ 76,371	\$ 75,625
LONG-TERM DEBT (Note 4)	\$ 30,018	\$ 30,508
DEFERRED INCOME TAXES	14,301	11,573
MINORITY INTEREST (Note 5)	\$ -	\$ 145
SHAREHOLDERS' EQUITY:		
Share capital (Note 6)		
Authorized—		
One class of shares unlimited as to number and consideration		
Issued and outstanding—		
77,600 shares of no par value	\$ 23,931	\$ 23,931
Retained earnings	102,513	91,443
	\$126,444	\$115,374
	\$247,134	\$233,225

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Standard Brands Limited
and Subsidiaries
December 31, 1979 and 1978

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a) These consolidated financial statements are prepared in accordance with generally accepted accounting principles as formalized by the recommendations of the Canadian Institute of Chartered Accountants. These accounting principles have been applied on a consistent basis during the periods.
- b) Depreciation is charged on plant and equipment on a straight-line basis over the estimated useful lives of the assets.
- c) Goodwill acquired after September, 1970 is being amortized over a period not to exceed forty years. Goodwill acquired prior to October, 1970 of \$21,963,000 is not being amortized.
- d) The Company has a financial agreement under which it is required to purchase distilled spirits by December 31, 1984. The asset and liability under this arrangement are now recorded in the books of the Company as maturing spirits inventory and inventory financing obligation to more appropriately reflect the substance of this agreement. The amounts recorded in 1979 and 1978 were \$8,978,000 and \$10,935,000, respectively. Under this agreement, the interest (at 9¼%) is included in the cost of maturing of the distilled spirit.
- e) Certain amounts included in the 1978 financial statements have been reclassified to conform with the 1979 presentation.

2. INVENTORIES (in thousands of dollars)

	1979	1978
Inventories are carried at the lower of cost or net realizable value and consist of:		
Finished goods	\$31,225	\$26,828
Work in process (primarily maturing spirits)	41,081	39,956
Raw materials and packaging supplies	24,939	24,597
	<u>\$97,245</u>	<u>\$91,381</u>

3. BANK LOANS AND OTHER SHORT-TERM BORROWINGS

As of December 31, 1979 and 1978, short-term borrowings consisted of the following: (in thousands of dollars)

	1979	1978
Bank loans	\$ 600	\$ -
Commercial paper outstanding and held by:		
– Standard Brands Incorporated	20,009	33,559
– Other	3,000	1,000
	<u>\$23,609</u>	<u>\$34,559</u>

To meet seasonal working capital requirements, the Company had unsecured lines of credit from Canadian chartered banks aggregating \$54,000,000 during 1979 and 1978. These lines of credit were available throughout the year to support commercial paper and for other corporate purposes.

4. LONG-TERM DEBT

As of December 31, 1979 and 1978, long-term debt consisted of the following: (in thousands of dollars)

	1979	1978
9.75% Sinking fund debentures due December 15, 1997, guaranteed by Standard Brands Incorporated with sinking fund payments of \$1,000,000 annually beginning 1981.	\$25,000	\$25,000
10% Promissory note maturing in five equal successive annual instalments between 1981 and 1985.	2,000	2,000
7½% Secured debentures due 1987.	1,140	1,283
Other, including mortgages on certain properties carrying interest rates ranging between 5%-12%.	2,851	3,153
	<u>\$30,991</u>	<u>\$31,436</u>
Less – current maturities	973	928
	<u>\$30,018</u>	<u>\$30,508</u>

5. ACQUISITIONS

- a) On March 22, 1979, the Company acquired 100% of the outstanding shares of Dickson's Food Services Ltd. for a cost of \$5,456,000 and in addition made advances for working capital financing of \$4,596,000. The net assets acquired consisted of \$8,407,000 tangible assets, \$5,471,000 goodwill, less \$8,422,000 liabilities.
- b) On October 22, 1979, the Company acquired the business and goodwill of Romar Pet Supplies for a total cost of \$1,371,000.
- c) On December 27, 1979, the Company purchased the minority interest in its subsidiary Central Canadian Distilling Corp. Ltd. for a total cash consideration of \$130,000.

6. SHARE CAPITAL

As of May 1, 1979, Standard Brands Limited was continued under the Canada Business Corporations Act. The authorized capital of the Corporation as at and from such date is—One class of shares unlimited as to number and consideration.

7. PENSION PLANS

The Company contributes to several pension plans, covering substantially all eligible employees. Contributions were charged to expense and amounted to \$1,450,000 in 1979 and \$1,138,000 in 1978, including amortization of past service costs which were not significant. Pension fund assets in each plan exceeded vested benefits.

8. INTEREST EXPENSE

Interest on short-term borrowings and long-term debt was \$4,620,000 and \$3,137,000 respectively in 1979, and \$2,380,000 and \$3,163,000 respectively in 1978.

9. CAPITAL LEASES, LEASE COMMITMENTS AND RENT EXPENSE

Assets and obligations under leases which qualify as "Capital Leases" but which were acquired prior to January 1, 1979 amount to \$5,014,000 as at December 31, 1979. The effect of capitalizing the aforementioned leases would have been an increase in 1979 net income of approximately \$107,000.

Rent expense under non-cancelable operating lease commitments totalled \$1,820,000 for the year ended December 31, 1979, and will amount to \$1,771,000 in 1980 from present commitments. Present commitments beyond 1980 amount to \$7,948,000 and extend to 1995.

10. EXTRAORDINARY ITEM

The extraordinary item arises from the utilization of a tax loss carried forward from prior years by amalgamation of two subsidiary companies during the year 1978.

11. BUSINESS SEGMENTS

The Company is engaged in two main lines of business; Consumer Products and Food Ingredients Products. Consumer Products include packaged foods, confectionery products, pet foods and wine and spirit products which are manufactured and/or sold for the most part under advertised brand names through groceries, supermarkets, confectionery stores and Provincial Liquor Board outlets. Food Ingredients Products include mainly coffee and oil-based products sold to hotels and restaurants and yeast and other baking ingredients sold to bakeries. The following schedule presents information about the industries in which the Company operates:

(in thousands of dollars)

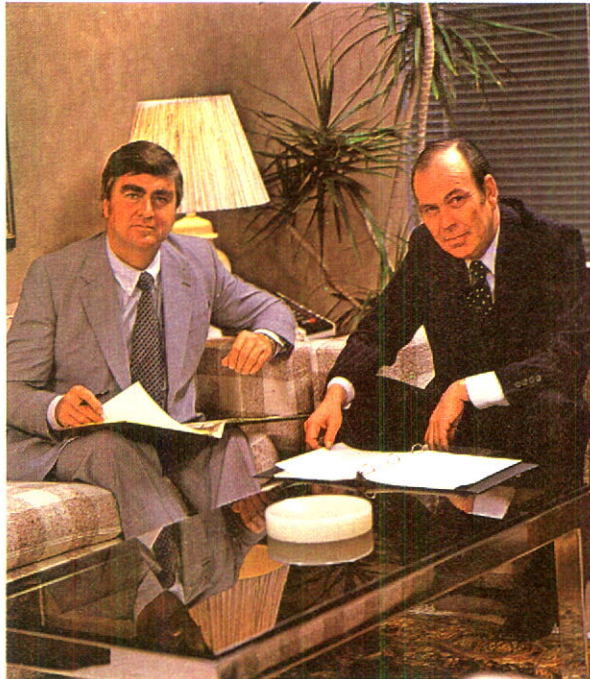
Business Segments 1979	Consumer Products	Food Ingredients Products	Consolidated
Segment sales	\$305,620	\$ 94,924	\$400,544
Segment operating profit	\$ 24,618	\$ 10,273	\$ 34,891
General corporate expense—net			4,630
Interest expense			7,757
Income taxes			8,434
Net income			\$ 14,070
Identifiable assets	\$198,197	\$ 45,164	\$243,361
Corporate assets			3,773
Total assets			\$247,134
Capital expenditures	\$ 7,581	\$ 1,705	
Depreciation and amortization	\$ 3,196	\$ 1,176	

12. TRANSACTIONS WITH RELATED PARTIES

- a) The Company is wholly-owned by Standard Brands Incorporated of New York, U.S.A.
- b) The Company sells to and purchases from its parent and affiliates various products. These transactions aggregated approximately \$7,000,000 per year.

MANAGEMENT COMMITTEE

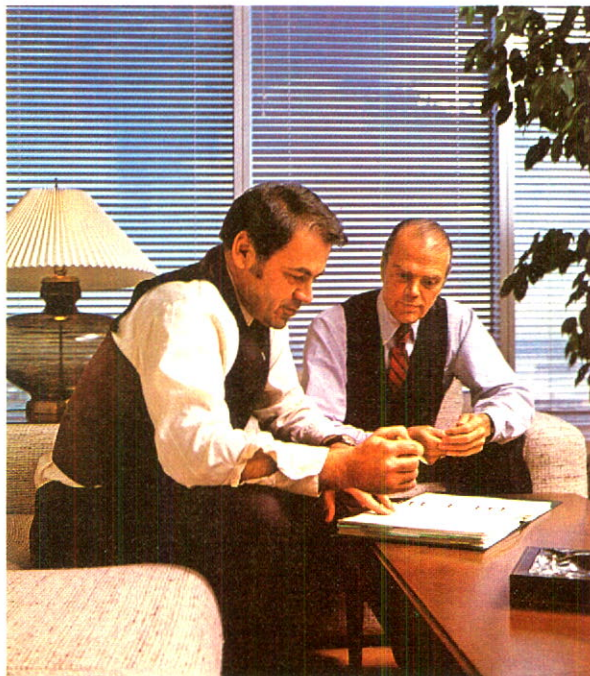
John R. MacDonald
*President &
Chief Executive Officer*
Arthur R. Davis
*President
Wines & Spirits Division*
J. Boyce Donaldson
*Vice-President
Operations*
H. John Greeniaus
*President
Standard Brands Food Company*
Edwin J. Korhonen
*President
Lowney's Limited*
James Paul
*Vice-President
Human Resources*
Raymond F. Wright
*Vice-President
Finance*
Simon Gulden
*General Counsel
and Secretary*



Jack MacDonald & Art Davis



Jim Paul & John Greeniaus



Ray Wright & Boyce Donaldson



Ed Korhonen & Simon Gulden

CORPORATE OFFICERS

Gaëtan C. Morrissette

Chairman of the Board

John R. MacDonald

President & Chief

Executive Officer

Arthur R. Davis

Vice-President

J. Boyce Donaldson

Vice-President

H. John Greeniaus

Vice-President

Edwin J. Korhonen

Vice-President

James Paul

Vice-President

Raymond F. Wright

Vice-President

Simon Gulden

General Counsel and

Secretary

M. Robert Langille

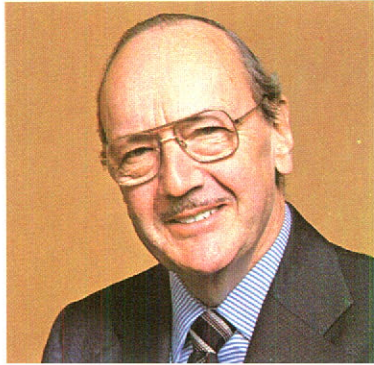
Comptroller

Peter F. Winstanley

Treasurer

BOARD OF DIRECTORS

Gaëtan C. Morrissette,
Montreal, Quebec.
Chairman of the Board,
Standard Brands Limited

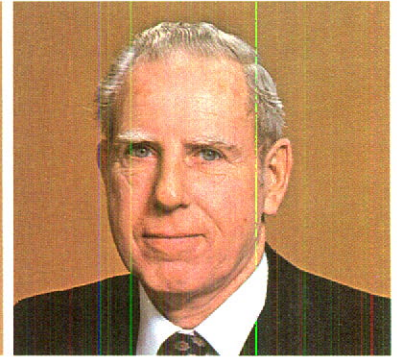


Martin F. C. Emmett,
Greenwich, Connecticut.
Executive Vice-President,
Standard Brands Incorporated.



John R. MacDonald,
Toronto, Ontario.
President and
Chief Executive Officer,
Standard Brands Limited.

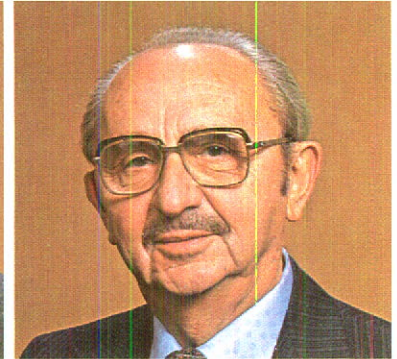
John Loudon,
London, England.
Director,
N. M. Rothschild & Sons Ltd.



Jeannine Guillevin-Wood,
Outremont, Quebec.
President,
Guillevin Allied Ltée/Ltd.

Matthew S. Hannon, Q.C.,
Montreal, Quebec.
Partner, Ogilvy, Renault.

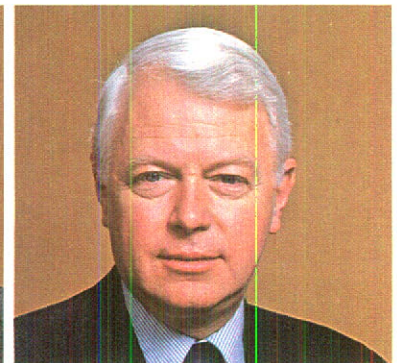
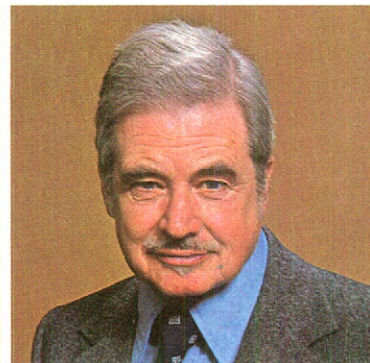
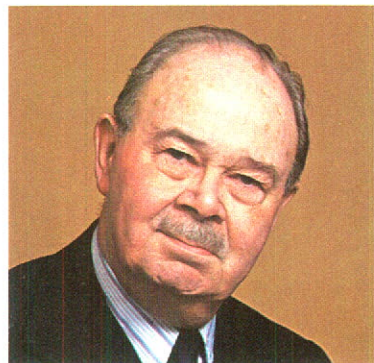
C. Richard Sharpe,
Toronto, Ontario.
Chairman of the Board, and
Chief Executive Officer,
Simpsons-Sears Limited



O. Lester Applegate
Sarasota, Florida.
President, Standard Brands
Incorporated

Ben Wosk, C.M.
Vancouver, British Columbia.
President and
Chief Executive Officer,
Wosk's Limited

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



Frank M. Covert, O.B.E., Q.C.,
Halifax, Nova Scotia.
Partner,
Stewart, MacKeen & Covert.

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

DIRECTORS' COMMITTEES

Executive Committee

John R. MacDonald *Chairman*
Matthew S. Hannon, Q.C. *Secretary*
Frank M. Covert, Q.C.
Dr. David S.R. Leighton
Gaëtan C. Morrissette

Audit Committee

Ben Wosk, C.M. *Chairman*
Matthew S. Hannon, Q.C. *Secretary*
Frank M. Covert, Q.C.
Dr. David S.R. Leighton

Compensation Committee

C. Richard Sharpe *Chairman*
Matthew S. Hannon, Q.C. *Secretary*
Mme Jeannine Guillevin-Wood
John T. Johnson, Q.C.

Nominating Committee

Frank M. Covert, Q.C. *Chairman*
Matthew S. Hannon, Q.C. *Secretary*
Dr. David S.R. Leighton
John R. MacDonald
Gaëtan C. Morrissette

POSITIONED FOR THE 80's



For the past 50 years, Standard Brands Limited has been one of Canada's leading manufacturers and marketers of food and beverage products. The strength of our brand franchises led to this growth. As we enter a new decade, we will again lead from strength—the strengths of quality products and a policy of continuous product improvement and innovation. By anticipating and meeting consumer needs, we will continue to grow.

DIRECTORY OF MANUFACTURING LOCATIONS

Nova Scotia

Bridgetown *Distilled Spirits*
Dartmouth *Confectionery*

Quebec

Gentilly *Pet Foods*
LaSalle *Yeast, Coffee, Tea,
Desserts and Baking
Ingredients*
Sherbrooke *Confectionery*

Ontario

Don Mills *Coffee*
Etobicoke *Distilled Spirits*
Mississauga *Pet Foods*
Scarborough *Margarines*
Toronto *Nuts & Snack Products*

Manitoba

St. Boniface *Pet Foods*
Winnipeg *Coffee*

Saskatchewan

Weyburn *Distilled Spirits*

Alberta

Calgary *Margarines & Yeast*
Calgary *Pet Foods*

British Columbia

Kelowna *Wines & Distilled Spirits*
Richmond *Consumer Food Products*
Richmond *Pet Foods*
Vancouver *Nuts & Snack Products*
Vancouver *Coffee & Food Service Products*



Standard Brands
LIMITED