

CORPORATE FOODS LIMITED

1984 ANNUAL REPORT

TYPICAL NUTRIENT CONTRIBUTION

(Serving = 2 Slices = 65 g (Approx.))

Nutrient
Rating

Energy	Calories	154	Vitamins		
	KJ	742	Thiamin (B ₁)	mg	0.18 G
Protein		6.9	Niacin	mg	2.25 G
Fat	g	2.9	Folacin	mg	0.52 F
Carbohydrates	g	31.8	Minerals		
Sugars	g	1.5	Phosphorus	mg	152 G
Starch	g	26.1	Magnesium	mg	57.1 G
Dietary Fibre	g	3.6	Iron	mg	1.7 G
Sodium	mg	376	Zinc	mg	1.3 G
Potassium	mg	158			

E - Excellent Source

G - Good Source

F - Fair Source

No preservatives

Vegetable shortening

Corporate Foods Limited is a leading manufacturer and distributor of bakery products, primarily bread and rolls, in the Ontario market, with investments in other bakery companies. The Company also manufactures and distributes nationally, under the Gainsborough brand, a line of frozen breakfast and pastry products. In Ontario, where the Company began business in 1911, plants are located at Toronto (3), London and Ottawa. The Company has the broadest distribution of variety breads and rolls of any bakery operating in Ontario, selling under the brand names Dempster's, Bamby and Sunshine and is also a major supplier of private label brands. In addition, the Company is licensee of Arnold, Brownberry, Hollywood and Sun•Maid Raisin breads.

Shares of other bakery companies are represented by a 25% interest in Multi-Marques Inc. of Montreal, Quebec and a 49% interest in Dough Delight and related companies of Toronto, Ontario.

Multi-Marques Inc. operates 25 plants located in every region of Quebec and is Quebec's largest and most successful bakery company.

Dough Delight and related companies, with manufacturing facilities in Toronto, distribute throughout Canada and in the Northern sections of the United States, frozen unbaked products supplying in-store bakeries, restaurant and institutional accounts.

The Company's stock is traded on the Toronto Stock Exchange. Maple Leaf Mills Limited, a Canadian Pacific Enterprises Company owns 63.2% of the common shares.

FRONT COVER

Dempster's Bread is the first bakery in Canada to introduce complete nutritional labelling.

CORPORATE FOODS LIMITED

Directors

Norman T. Currie
R. G. Dale
R. S. DeMone
A. H. James
W. T. Murchie
J. A. Schollar

Senior Management

Norman T. Currie
President and Chief Executive Officer
R. H. Bonus
Senior Vice-President
J. G. Foy
Vice-President, Employee Relations
L. D. Irwin
Vice-President and Secretary
P. A. Nelson
Vice-President, Technical Services
E. van Wijk
Vice-President, Sales and Marketing

Financial Management

T. A. Burns
Manager, Internal Audit
E. K. Kunz
Manager, Information Systems
L. J. Palko
Corporate Controller

Production

C. J. Czerny, Plant Manager, Etobicoke
J. N. Hennessy, Plant Manager, Ottawa
G. B. Hicks, Plant Manager, Toronto
F. Leithinger
Manager, Equipment Repair Centre
W. J. Lewicki, Manager, Production
M. Ng, Manager, Engineering
A. H. Telfer, Plant Manager, Toronto
A. A. Vesely, Production Controller
W. J. Worotny, Plant Manager, London

Sales and Marketing

M. P. Brogden
Area Sales Manager, London
J. L. Chizick, Director, Marketing
R. C. Johnston
Manager, Frozen Product Group
N. V. Lever
Area Sales Manager, Ottawa
F. J. MacEachern
Area Sales Manager, Central
R. J. Maddalena
Sales Manager, National Accounts
T. Maddison
Area Sales Manager, Windsor
J. Mitchell
Area Sales Manager, Central West
A. Van Patter
General Sales Manager
E. E. Quigley
Manager, Franchising
W. F. Stubbs
Sales Manager, Frozen Product Group

Purchasing

M. J. MacIsaac, Manager, Purchasing

Auditors

Clarkson Gordon, Toronto

Registrars and Transfer Agents

Canada Permanent Trust Company,
Toronto, Montreal, Winnipeg

Debenture Trustee

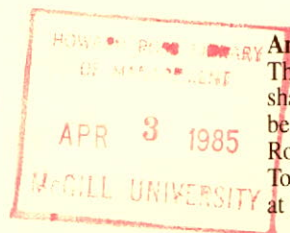
Canada Permanent Trust Company,
Toronto

Head Office

1243 Islington Avenue, Toronto, Ontario
M8X 2W1

Annual Meeting

The Annual and Special Meeting of the shareholders of Corporate Foods Limited will be held at the Royal York Hotel, Confederation Rooms 4 and 5, 100 Front Street West, Toronto, Ontario, on Friday, April 19, 1985 at 10:00 o'clock in the forenoon.



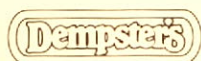
Highlights

	1984	1983	1982
Financial			
Sales	\$97,344,968	\$92,127,223	\$89,515,797
Net earnings for the period	4,710,189	4,458,769	3,751,521
Funds provided from current operations	5,011,241	4,652,583	4,077,297
Capital expenditures	2,453,390	2,740,634	1,140,176
Working capital	6,013,854	5,075,582	3,957,234
Long-term debt (non-current portion)	6,945,033	4,695,101	4,644,433
Shareholders' equity	22,393,222	19,222,601	16,334,694
Return on invested capital before additional investment in Multi-Marques Inc. on December 28, 1985	17.0	17.6	17.2
Return on invested capital	15.4	17.6	17.2
Return on shareholders' equity	21.0	23.2	22.9
Per common share			
*Net earnings before extraordinary item	\$1.48	\$1.32	1.18
*Net earnings after extraordinary item	1.48	1.40	1.18
*Funds provided from current operations	1.58	1.47	1.28
*Dividends47	.48	.34
*Shareholders' equity	6.76	5.75	4.83
Statistical data			
Number of preferred shareholders	92	105	124
Number of common shareholders	298	244	275
Number of preferred shares outstanding	25,000	25,000	25,000
*Number of common shares outstanding	3,129,400	3,129,400	3,129,400

Quarterly sales and net earnings (unaudited)
(dollars in thousands except per share)

	Sales			Net earnings			*Net earnings per common share		
	1984	1983	1982	1984	1983	1982	1984	1983	1982
1st quarter	\$20,465	\$19,783	\$19,280	\$ 792	\$ 924	\$ 625	\$.25	\$.29	\$.19
2nd quarter	21,681	20,439	20,530	1,008	829	865	.31	.26	.27
3rd quarter	23,899	20,890	20,859	1,263	889	814	.40	.28	.26
4th quarter	31,300	31,015	28,847	1,647	1,817	1,448	.52	.57	.46
	<u>\$97,345</u>	<u>\$92,127</u>	<u>\$89,516</u>	<u>\$4,710</u>	<u>\$4,459</u>	<u>\$3,752</u>	<u>\$1.48</u>	<u>\$1.40</u>	<u>\$1.18</u>

*1982 and 1983 restated for 1984 stock split (10 for 1)



Directors' Report

To Our Shareholders:

Financial Results

Earnings before extraordinary item, for the 52 weeks which ended December 29, 1984 were \$4,710,189 or \$1.48 per common share compared with \$4,200,561 or \$1.32 per common share for the 53 weeks which ended December 31, 1983; an increase of 12% over last year and our fourth successive record profit year.

In 1983, there was an extraordinary item of \$258,208 giving net earnings for the period of \$4,458,769. This compares with \$4,710,189 for the 52 weeks which ended December 29, 1984.

Net earnings from our wholly owned Ontario operations for the 52 week period contributed \$2,615,889 compared with \$2,425,561 for the previous year.

Equity in earnings of other bakery companies increased to \$2,094,300 from \$1,775,000 in 1983 representing our 25% share of Unipain Inc. and 49% of Dough Delight and related companies.

Multi-Marques Inc.

On December 28, Unipain Inc. of Montreal, Quebec, merged with Le Groupe Samson Inc. of Quebec City under the name Multi-Marques Inc. Sales for 1985 of the new company

are estimated at \$200,000,000. Earnings of the new company should continue at a satisfactory level with excellent prospects for further improvement.

As a result of the merger, it was necessary to acquire additional shares at a cost of \$3,185,000 to increase our ownership to 20% in Multi-Marques effective December 28, 1984. On February 20, 1985 we acquired a further 5% to restore our interest to 25% in the combined companies.

Both these transactions, totalling \$8,185,000, were financed by long term bank loans at prime rates.

Dough Delight

As reported last year, we acquired a 49% interest in Dough Delight and related companies. Throughout 1984 these companies showed outstanding growth in sales and earnings.

In addition to Pita bread, which is sold as a fresh baked product through other bakeries, Dough Delight is a major supplier of frozen unbaked products to in-store bakeries, restaurants and institutional accounts.

A major capital investment program, now being completed, will improve efficiency and provide additional production capacity. Several new product lines were successfully added during 1984.

Our investment in Dough Delight gives us the opportunity to participate in the continuing growth of in-store bakery sales.



Wholly-Owned Ontario Operations

Net sales totaled \$97,345,000 for the 52 weeks ended December 29, 1984 compared with \$92,127,000 for the 53 weeks ended December 31, 1983. Unit volume showed a good rate of growth. This was, in part, attributable to a prolonged strike at another bakery company.

The Ontario market continues to be extremely competitive not only within the baking industry, but also within the retail grocery trade itself.

In order to continue our profit growth in Ontario operations, we will continue to emphasize the high nutritional value of our products through increased marketing and communication programs.

Corporate Foods' leadership role in the baking industry was heightened in September 1984 by the introduction of nutritional labelling. Working with the Health Protection Branch of Health and Welfare Canada, Nutritional Quality of Food Division, we obtained temporary authorization for a two year period to display on our packaging the macro and micro nutrient analysis of our key products.

Dempster's was the first to introduce 100% Stone Ground bread followed by a range of other nutritious grain products. Country Bran for fiber conscious consumers was another Dempster's first. Following the introduction of these products we undertook major development programs to eliminate or reduce the use of additives and preservatives wherever possible.

Nutritional labelling reflects our continuing efforts to communicate to consumers the high nutritional value of our products and to assist them in choosing foods that meet their particular dietary requirements.

In addition to television advertising, both last fall and this spring, we delivered to all members of the medical and nutritional health care professions, nutritional analysis and other information on our products to assist them in advising their patients. We have been gratified by the response from consumers and those in the health care field who are benefiting from our nutritional labelling program.

Productivity

As a result of continuing investment in plant and equipment we continue to make significant gains in productivity throughout our operations. As reported last year, from 1979 through 1983 plant efficiency - measured on the base of pounds per manhour - improved by 25%. In 1984, we achieved a further 6.7% gain in productivity reflecting our objective of being the lowest cost producer within the industry. Capital expenditures, which were \$2.5 million in 1984, will be at a similar level for 1985 as we introduce further plant improvements.

New Products

During the year we strengthened our Quality Control and Product Development department. This group has an excellent program for generating new products which will contribute to increased sales in both our fresh and frozen divisions.

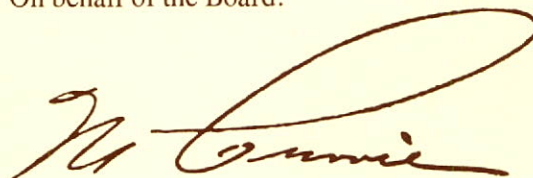
Working Capital

Working capital increased from \$5,076,000 last year to \$6,014,000 as at December 29, 1984.

As noted earlier, long term debt increased by \$3,185,000 at December 29, 1984 as a result of our investment in Multi-Marques Inc. In February, 1985, bank loans were increased by \$5 million as a further investment in Multi-Marques Inc.

We wish to acknowledge the continuing fine contribution of our Employees and Dealers in achieving a successful year. During the past five years, in particular, all our operations have been subject to continuing change to achieve greater efficiency throughout the Company and to meet changing customer requirements. We wish to thank our Employees and Dealers for their support and cooperation in helping us to successfully respond to these new opportunities.

On behalf of the Board.



President and Chief
Executive Officer
February 27, 1985

CORPORATE FOODS LIMITED

(Incorporated under the laws of Ontario)

Balance Sheet

December 29, 1984

(with comparative figures as at December 31, 1983)

Assets

	1984	1983
Current:		
Short-term deposits	\$ 951,490	\$ 2,825,620
Income taxes recoverable	1,131,191	
Accounts receivable	9,981,053	9,206,066
Inventories	2,678,560	2,347,223
Prepaid expenses	251,764	299,669
	<u>14,994,058</u>	<u>14,678,578</u>
Investments:		
Shares in other bakery companies (note 2)	10,980,581	6,410,413
Mortgages and note receivable	372,454	522,251
	<u>11,353,035</u>	<u>6,932,664</u>
Fixed assets (note 3)	<u>13,977,554</u>	<u>13,641,087</u>
Goodwill	<u>1,048,445</u>	<u>1,118,346</u>
	<u>\$41,373,092</u>	<u>\$36,370,675</u>

(See accompanying notes)

On behalf of the Board:

Norman T. Currie, Director

William T. Murchie, Director

Auditors' Report

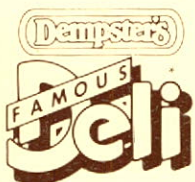
To the Shareholders of Corporate Foods Limited:

We have examined the balance sheet of Corporate Foods Limited as at December 29, 1984 and the statements of earnings and retained earnings and changes in financial position for the fifty-two week period then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 29, 1984 and the results of its operations and the changes in its financial position for the fifty-two week period then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Toronto, Canada,
February 12, 1985.

Clarkson Gordon
Chartered Accountants



Liabilities and Shareholders' Equity

	1984	1983
Current:		
Bank indebtedness	\$ 567,174	\$ 1,251,552
Accounts payable and accruals	5,796,057	5,906,431
Current income taxes payable		188,074
Payable to parent company	465,424	719,263
Dividends payable	392,716	17,188
Long-term debt – current portion	267,000	249,000
Obligations under capital leases – current portion	688,051	627,446
Deferred income taxes	803,782	644,042
	<u>8,980,204</u>	<u>9,602,996</u>
Long-term liabilities:		
Long-term debt (note 4)	5,118,898	2,242,147
Obligations under capital leases (note 5)	1,826,135	2,452,954
Deferred income taxes	3,054,633	2,849,977
	<u>9,999,666</u>	<u>7,545,078</u>
Shareholders' equity:		
Share capital (note 6)	1,358,748	1,358,748
Retained earnings	21,034,474	17,863,853
	<u>22,393,222</u>	<u>19,222,601</u>
	<u>\$41,373,092</u>	<u>\$36,370,675</u>

(See accompanying notes)



Gainsborough

Statement of Earnings and Retained Earnings

For the fifty-two weeks ended December 29, 1984

(with comparative figures for the fifty-three weeks ended December 31, 1983)

	1984	1983
Revenues:		
Sales	\$97,344,968	\$92,127,223
Interest and other income	939,386	606,161
	<u>98,284,354</u>	<u>92,733,384</u>
Expenses:		
Cost of sales	80,068,606	75,135,831
Selling and administrative expense	10,777,392	10,511,824
Depreciation and amortization	2,185,216	2,139,178
Interest on long-term debt and on capital lease obligations	487,251	454,990
	<u>93,518,465</u>	<u>88,241,823</u>
Earnings before income taxes	4,765,889	4,491,561
Income taxes (note 7):		
Current	1,735,000	1,876,000
Deferred	415,000	190,000
	<u>2,150,000</u>	<u>2,066,000</u>
Earnings before equity in income of other bakery companies and extraordinary item	2,615,889	2,425,561
Equity in income of other bakery companies (note 2)	2,094,300	1,775,000
	<u>4,710,189</u>	<u>4,200,561</u>
Earnings before extraordinary item	4,710,189	4,200,561
Extraordinary item (note 8)		258,208
	<u>4,710,189</u>	<u>4,458,769</u>
Net earnings for the period	4,710,189	4,458,769
Retained earnings, beginning of period	17,863,853	14,975,946
	<u>22,574,042</u>	<u>19,434,715</u>
Dividends – preference shares	68,750	68,750
– common shares	1,470,818	1,502,112
	<u>1,539,568</u>	<u>1,570,862</u>
Retained earnings, end of period	\$21,034,474	\$17,863,853
Earnings per common share before extraordinary item	\$1.48	*\$1.32
Earnings per common share after extraordinary item	<u>\$1.48</u>	<u>*\$1.40</u>

*Restated for 1984 stock split

(See accompanying notes)

Statement of Changes in Financial Position

For the fifty-two weeks ended December 29, 1984

(with comparative figures for the fifty-three weeks ended December 31, 1983)

	1984	1983
Funds provided:		
Operations (excluding other bakery companies)	\$5,011,241	\$4,652,583
Dividends from other bakery companies	763,964	437,500
Proceeds from redemption of preferred shares of another bakery company		55,860
Proceeds from sale of fixed assets	15,721	75,812
Proceeds from sale of extraordinary item (note 8)		398,535
Reduction of mortgage receivable	24,385	6,908
Reduction of notes receivable	111,570	105,560
Proceeds from issue of note payable	3,150,000	
	<u>9,076,881</u>	<u>5,732,758</u>
Funds used:		
Purchases of fixed assets (including assets acquired under capital leases)	2,453,390	2,740,634
Less portion financed by capital lease obligations	(106,780)	(1,372,455)
Reduction of long-term debt and obligations under capital leases	1,012,599	1,327,782
Dividends	1,539,568	1,570,862
Investment in other bakery companies (note 2)	3,239,832	347,587
	<u>8,138,609</u>	<u>4,614,410</u>
Increase in working capital	938,272	1,118,348
Working capital, beginning of period	<u>5,075,582</u>	<u>3,957,234</u>
Working capital, end of period	<u>\$6,013,854</u>	<u>\$5,075,582</u>

(See accompanying notes)

CORPORATE FOODS LIMITED

Notes to Financial Statements

December 29, 1984

1. Accounting policies

- (a) Accounting for other bakery companies –
The company accounts for its investment in other bakery companies in which ownership is 50% or less on the equity basis, whereby it recognizes in the accounts its proportionate share of those companies' earnings since acquisition rather than when realized through dividends.
- (b) Inventories –
Inventories, consisting primarily of ingredients and supplies are valued at the lower of cost, as determined using the first-in, first-out (FIFO) method, and replacement cost.
- (c) Goodwill –
Goodwill, representing the excess cost of the company's investment over the underlying value of the net assets acquired is amortized over periods ranging from fifteen to twenty years. Goodwill amortization of \$69,901 (\$69,901 in 1983) is included in depreciation and amortization expense and \$20,450 (\$17,600 in 1983) is included in equity in income of other bakery companies.
- (d) Fixed assets –
Fixed assets are initially recorded at cost and include certain leases, which in substance are purchases of fixed assets capitalized at the present value of their net minimum lease payments (note 5).
Depreciation of owned and leased fixed assets is calculated on the straight-line basis at rates designed to amortize the cost over their estimated useful lives as follows:
- | | | |
|----------------------------|---|------------------|
| Buildings | - | 2% |
| Automotive equipment | - | 20% |
| Bakery and other equipment | - | 7 1/2% - 33 1/3% |
- (e) Income taxes –
The company follows the tax allocation method of accounting for income taxes whereby timing differences may occur when revenues and expenses are recognized in the accounts in one period but are taxed or claimed for tax purposes in another period. The tax effect of these timing differences is recorded as "deferred income taxes".
- (f) Foreign currency translation –
Amounts which are receivable in foreign currencies are translated at the rate of exchange in effect at the balance sheet date. Revenues and expenses denominated in foreign currencies are translated at the rate of exchange in effect on the transaction date.
- (g) Pension plans –
The company has voluntary pension plans providing retirement benefits to its employees. Current service costs of pension benefits are expensed as incurred. Unfunded past service costs arising from changes in the pension plan are expensed over a 15-year period.

2. Investment in other bakeries and subsequent event

- (a) On December 28, 1984 Unipain Inc. merged with another Quebec bakery to form a new entity, Multi-Marques Inc. Simultaneously the company invested an additional \$3,185,000 in Multi-Marques Inc. to increase its ownership in the new company to 20%.

Subsequent to the year end the company purchased an additional 5% interest for \$5,000,000 in order to maintain a 25% ownership in the new company.

- (b) The purchase price of the company's investment in three bakery companies acquired in 1983 is subject to an upward adjustment payable August 31, 1986, based on earnings of the companies over a three-year period ending August 31, 1985. When such costs are determined the additional payments will be added to "investment in other bakeries".

3. Fixed assets

Fixed assets, including those owned and those recorded under capital lease, are comprised as follows:

	Accumulated depreciation and amortization		Net book value	
	Cost		1984	1983
Owned:				
Land	\$ 1,096,248		\$ 1,096,248	\$ 1,096,248
Buildings	5,518,043	\$ 2,052,158	3,465,885	3,392,496
Automotive equipment	147,202	83,094	64,108	64,073
Bakery and other equipment	16,781,753	9,853,961	6,927,792	6,055,960
	<u>23,543,246</u>	<u>11,989,213</u>	<u>11,554,033</u>	<u>10,608,777</u>
Leased:				
Automotive equipment	824,806	608,845	215,961	253,335
Bakery and other equipment	4,400,208	2,192,648	2,207,560	2,778,975
	<u>5,225,014</u>	<u>2,801,493</u>	<u>2,423,521</u>	<u>3,032,310</u>
	<u>\$28,768,260</u>	<u>\$14,790,706</u>	<u>\$13,977,554</u>	<u>\$13,641,087</u>

During the year, the company reviewed its fixed assets and estimated that fully depreciated bakery and other equipment owned by the company with an original cost of \$462,808 (1983 - \$1,757,759) was no longer in service, and accordingly the cost and an equal amount of accumulated depreciation have been removed from the accounts. There is no effect on net income for the period.

4. Long-term debt

	1984	1983
Floating rate term note, due March 31, 1991	\$3,150,000	
8 1/2% Series "A" sinking fund debentures, due December 15, 1988	<u>2,235,898</u>	<u>\$2,491,147</u>
	5,385,898	2,491,147
Less current portion included in current liabilities	<u>267,000</u>	<u>249,000</u>
	<u>\$5,118,898</u>	<u>\$2,242,147</u>

Under the terms of the note payable, the company agrees not to give an assignment of book debts without prior concurrence from the lender.



Under the terms of a trust indenture, the sinking fund debentures are secured by a floating charge on the assets of the company, and the company is restricted from declaring common share dividends if net current assets fall below \$400,000 after such declaration or if net assets are less than twice the amount of all long-term debt excluding capital lease obligations and deferred income taxes. Net assets are defined to include shareholders' equity plus deferred income taxes.

Long-term debt repayments over the next five years are as follows:

1985	-	\$ 267,000
1986	-	303,000
1987	-	959,000
1988	-	1,966,898
1989	-	630,000
Thereafter	-	<u>1,260,000</u>
		<u>\$5,385,898</u>

5. Leases

(a) Payments under capital leases (including both principal and interest) are as follows:

1985	-	\$ 889,050
1986	-	914,203
1987	-	742,299
1988	-	354,127
1989	-	14,090
Subsequent years	-	<u>17,548</u>
		2,931,317
Less interest component	-	<u>417,131</u>
		<u>2,514,186</u>
Less amount due currently		<u>688,051</u>
		<u>\$1,826,135</u>

Interest rates on capital leases have a weighted average of 9.6%.

(b) The company also leases property and equipment under agreements which are classified as operating leases. Minimum annual rentals under these leases over the next five years are as follows:

1985	-	\$812,671
1986	-	718,002
1987	-	629,436
1988	-	428,197
1989	-	194,111

6. Share capital

Authorized	Issued and outstanding	Value of consideration received
Preferred shares: 50,000 shares issuable in series - 25,000 Series A, \$2.75 cumulative redeemable	25,000 shares	\$1,225,000
Common shares: Unlimited shares	3,129,400 (1983 - 312,940) shares	<u>133,748</u>
		<u>\$1,358,748</u>

Preferred shares are non-voting and redeemable at \$52.75.

During the year, the Articles of Incorporation of the company were amended to increase the authorized common shares of the company to an unlimited number and to sub-divide each of the issued and outstanding common shares into ten common shares. Earnings per share have been retroactively restated to give effect to this subdivision.

7. Income taxes

A reconciliation comparing income taxes calculated at the Canadian statutory rate to the amount provided in the accompanying statements is as follows:

	1984	%	1983	%
Income taxes at Canadian statutory rate (including provincial income taxes)	\$2,428,000	51.0	\$2,315,000	51.5
Decrease (increase) in taxes applicable to:				
Manufacturing and processing profits credit	202,000	(4.3)	242,000	(5.4)
Inventory allowance	26,000	(.5)	22,000	(.5)
Investment tax credits	36,000	(.8)	28,000	(.6)
Others	14,000	(.3)	(43,000)	1.0
Total income tax provision	<u>\$2,150,000</u>	<u>45.1%</u>	<u>\$2,066,000</u>	<u>46.0%</u>

8. Extraordinary item

In 1983, the company disposed of certain fixed assets for a gain of \$258,208 net of related income taxes.

9. Segmented information

The company operates primarily in a single industry consisting of the manufacture and sale of bakery products.

10. Related party transactions

A significant portion of cost of sales represents flour purchases, substantially all of which are purchased from the parent company.

11. Pension plan and subsequent event

During the year, the company revised the pension plan which resulted in an unfunded past service pension liability at year end of \$1,046,000. This amount is being charged to operations and funded over 15 years.

12. Subsequent event

On January 30, 1985, the Board of Directors approved an Incentive Stock Option Plan for certain members of the company's management, and issued options under the plan. The plan is subject to approval by the Ontario Securities Commission.

Five Year Comparison

	1984	1983	1982	1981	1980
Sales	<u>\$97,344,968</u>	<u>\$92,127,223</u>	<u>\$89,515,797</u>	<u>\$88,312,355</u>	<u>\$79,571,346</u>
Operating profit before the following	7,438,356	7,085,729	7,122,646	6,417,176	3,526,604
Depreciation and amortization	2,185,216	2,139,178	1,762,089	1,675,964	1,557,064
Interest on long-term debt	487,251	454,990	581,059	831,756	784,569
Income tax – current	1,735,000	1,876,000	2,357,000	1,266,000	(26,500)
– deferred	415,000	190,000	(113,000)	574,000	510,500
Earnings before equity in income of other bakery companies	2,615,889	2,425,561	2,535,498	2,069,456	700,971
Equity in income of other bakery companies	2,094,300	1,775,000	1,216,023	1,050,000	801,000
Net earnings before extraordinary item	4,710,189	4,200,561	3,751,521	3,119,456	1,501,971
Extraordinary item		258,208			
Net earnings	<u>\$ 4,710,189</u>	<u>\$ 4,458,769</u>	<u>\$ 3,751,521</u>	<u>\$ 3,119,456</u>	<u>\$ 1,501,971</u>
*Number of common shares outstanding	3,129,400	3,129,400	3,129,400	3,129,400	3,129,400
*Earnings per common share before extraordinary item	\$1.48	\$1.32	\$1.18	\$.98	\$.46
*Earnings per common share after extraordinary item	1.48	1.40	1.18	.98	.46
*Dividends declared per common share47	.48	.34	.22	.20

*1980 – 1983 restated for stock split in 1984 (10 for 1)



CORPORATE FOODS LIMITED

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

TAKE NOTICE that an Annual and Special Meeting of the shareholders of Corporate Foods Limited (the "Corporation") will be held at the Royal York Hotel, Confederation Rooms 4 and 5, 100 Front Street West, Toronto, Ontario, on the 19th of April, 1985, at 10:00 o'clock in the forenoon (Toronto time) for the following purposes:

- (a) Receiving and considering the Annual Report containing the Report of the Board of Directors and the financial statements of the Corporation made up of a Balance Sheet as at December 29, 1984, Statement of Earnings and Retained Earnings, and Statement of Changes in Financial Position for the year then ended, together with the auditor's report thereon;
- (b) To consider, and if thought advisable, confirm the repeal of paragraph 18 of By-law Number 56 (as amended by paragraph 3 of By-law Number 60) and the amendment of By-law Number 66 of the Corporation, approved by the board of directors on July 24, 1984, relating to the number of directors and the quorum at directors' meetings, the text of such directors' resolutions is set forth in Schedule "A" to the attached Information Circular and is more particularly described therein;
- (c) Electing directors;
- (d) Appointing auditors and authorizing the directors to fix their remuneration; and
- (e) To transact such further and other business as may properly come before the meeting or any adjournment or adjournments thereof.

Reference is made to the heading "Particulars of Matters to be Acted Upon" in the attached Information Circular setting forth a description of the transactions referred to in item (b) above.

Holdes of preference shares of the Corporation are not entitled to vote at this meeting. As a substantial representation of the holders of Common Shares is required, if you are not able to be present personally, kindly date, sign and return the form of proxy accompanying this notice in the envelope provided for that purpose.

DATED at Toronto this 28th day of March, 1985.

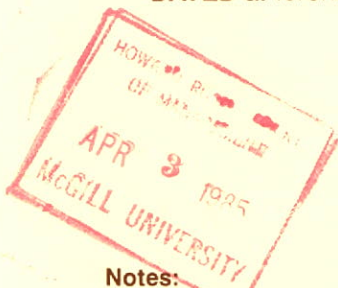
BY ORDER OF THE BOARD

"L. D. IRWIN"

Secretary

Notes:

- (1) As provided in the Business Corporations Act, 1982, shareholders registered on the books of the Corporation at the close of business on March 27, 1985, are entitled to notice of the meeting.
- (2) Persons who are registered as holders of Common Shares on the books of the Corporation at the close of business on March 27, 1985, or persons who are transferees of Common Shares acquired after March 27, 1985 and who produce properly endorsed certificates for such Common Shares or otherwise establish ownership thereof and demand, not later than ten (10) days before the meeting, that the Secretary of the Corporation include their names in the list of shareholders, are entitled to vote at the meeting.
- (3) The directors have fixed the hour of 4:30 o'clock in the afternoon on the last business day preceding the day of the meeting or any adjournment thereof before which time the instrument of proxy to be used at the meeting must be deposited with the Secretary of the Corporation, 1243 Islington Avenue, Toronto, Ontario, provided that a proxy may be delivered to the Chairman of the meeting on the day of the meeting or any adjournment thereof prior to the time for voting.



CORPORATE FOODS LIMITED

INFORMATION CIRCULAR AS OF MARCH 28, 1985

SOLICITATION OF PROXIES

THIS INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY MANAGEMENT OF CORPORATE FOODS LIMITED (THE "CORPORATION") OF PROXIES TO BE USED AT an Annual and Special meeting of Shareholders of the Corporation (the "Meeting") to be held at the Royal York Hotel, Confederation Rooms 4 and 5, 100 Front Street West, Toronto, Ontario, on Friday, the 19th day of April, 1985, at 10:00 A.M. for the purposes set forth in the attached notice of the Meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by officers of the Corporation at nominal cost. The cost of solicitation by management will be borne by the Corporation.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors of the Corporation. **A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON, WHO NEED NOT BE A SHAREHOLDER OF THE CORPORATION, TO REPRESENT HIM AT THE MEETING MAY DO SO** by inserting such person's name in the blank space provided in the form of proxy and in either case delivering the completed proxy to the Secretary of the Corporation, 1243 Islington Avenue, Toronto, Ontario on or before the close of business on the last day preceding the day of the Meeting or any adjournment thereof at which the proxy is to be used, or delivering it to the Chairman of the Meeting on the day of the Meeting or any adjournment thereof prior to the time of voting. A proxy should be executed by the shareholder or his attorney duly authorized in writing or, if the shareholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized.

In addition to any other manner permitted by law, a proxy may be revoked before it is exercised by instrument in writing executed in the same manner as a proxy and deposited at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof at which the proxy is to be used or with the Chairman of the Meeting on the day of such meeting or any adjournment thereof and upon either of such deposits the proxy is revoked.

VOTING OF PROXIES

The persons named in the enclosed form of proxy for use at the Meeting will vote the common shares without par value (the "Common Shares") in respect of which they are appointed in accordance with the direction of the holders of Common Shares appointing them on any ballot requested or required by law. **IN THE ABSENCE OF SUCH DIRECTION, THE SHARES REPRESENTED BY THE PROXIES HEREBY SOLICITED WILL, EXCEPT WHERE PROHIBITED AT LAW, BE VOTED FOR THE ELECTION OF DIRECTORS, THE APPOINTMENT OF AUDITORS, AND FOR THE APPROVAL AND CONFIRMATION OF THE MATTERS SET FORTH UNDER THE HEADING "PARTICULARS OF MATTERS TO BE ACTED UPON" AS STATED UNDER THESE HEADINGS IN THIS INFORMATION CIRCULAR.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations of matters identified in the notice of the Meeting and with respect to other matters which may properly come before the Meeting. At the date hereof, the management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting. **HOWEVER, IF ANY SUCH AMENDMENTS, VARIATIONS OR OTHER MATTERS WHICH ARE NOT NOW KNOWN TO THE MANAGEMENT SHOULD PROPERLY COME BEFORE SUCH MEETING, THE SHARES REPRESENTED BY THE PROXIES HEREBY SOLICITED WILL BE VOTED THEREON IN ACCORDANCE WITH THE BEST JUDGMENT OF THE PERSON OR PERSONS VOTING SUCH PROXIES.**

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

At the date hereof the Corporation has outstanding 3,129,400 Common Shares carrying the right to one vote per share.

At the date hereof, Maple Leaf Mills Limited holds 1,976,550 Common Shares of the Corporation which represents approximately 63.2% of the issued and outstanding Common Shares of the Corporation. All of the shares of Maple Leaf Mills Limited are held by Canadian Pacific Enterprises Limited.

Only persons who are shareholders of record at the close of business on March 27, 1985, or persons who are transferees of Common Shares acquired after March 27, 1985 and who produce properly endorsed certificates for such Common Shares or otherwise establish ownership thereof and demand, not later than ten (10) days before the Meeting, that the Secretary of the Corporation include their names in the list of shareholders, will be entitled to vote at the Meeting.

PARTICULARS OF MATTERS TO BE ACTED UPON

On July 24, 1984, the directors of the Corporation passed a resolution repealing paragraph 18 of By-law Number 56 (as amended by paragraph 3 of By-law Number 60) dealing with numbers of directors. In substitution for these repealed provisions, the directors, on the same date, amended By-law Number 66 by adding a paragraph which provides that the number of directors of the Corporation shall be within the minimum and maximum numbers set forth in the Corporation's articles and that a quorum for directors' meetings shall consist of two-fifths ($\frac{2}{5}$) of the number of directors. The articles of the Corporation provide that the minimum number of directors is five (5) and the maximum number is twelve (12), with the actual number presently fixed at six (6) directors. The aforementioned amendment to By-law Number 66 provides, in effect, that three (3) directors are required to constitute a quorum for meetings of the existing six (6) man board of directors.

These changes to the by-laws were made to conform with the provisions of the Business Corporations Act, 1982.

The foregoing is a summary of the changes to the by-laws and reference should be made to Schedule "A" for the form of the changes actually approved by the Directors of the Corporation.

Unless otherwise directed, Proxies in the enclosed form will be voted for the confirmation of the repeal of paragraph 18 of By-law Number 56 (as amended by paragraph 3 of By-law Number 60) and the amendment of By-law Number 66 on any ballot requested or required by law.

The changes to the by-laws as aforesaid were effective upon their approval by the Board of Directors on July 24, 1984 although the Business Corporations Act, 1982 requires that they be confirmed by an ordinary resolution of the shareholders of the Corporation. An ordinary resolution means a resolution that is passed by at least a majority of the votes cast by common shareholders present in person or represented by proxy at the Meeting.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The following table and the notes thereto set forth as to directors and senior officers the remuneration paid by the Corporation in the last completed financial period of the Corporation ended December 29, 1984.

	NATURE OF REMUNERATION		
	From Office, Employment and Employer Contributions (aggregate)	Cost of Pension Benefits (aggregate)	Other (aggregate)
1. Directors (total number 6)			
(a) during the financial year ended December 29, 1984	\$ 26,295	nil	nil
			Future years: nil
2. Five Senior Officers			
(a) during the financial year ended December 29, 1984	\$537,220	\$87,105	\$32,049
			Future years: nil

Notes:

- (1) Two senior officers receiving remuneration are also directors and received \$6,150 in such capacity.
- (2) No remuneration was paid or is payable in the future by any partially-owned subsidiaries.

Pursuant to the provisions of the Business Corporations Act, 1982, Canadian Pacific Enterprises Limited maintains directors' and officers' liability insurance, which policy covers the officers and directors of the Corporation. The amount of premiums paid by the Corporation during the last financial year under this umbrella policy was \$218.00 which was not allocated as between officers and directors. The directors of the Corporation paid aggregate premiums under the policy of \$77.00. The insurance limits under the policy consist of \$35,000,000 primary insurance and \$65,000,000 excess insurance. The Corporation, through Canadian Pacific Enterprises Limited, is subject to a \$75,000 deductible provision under the policy while the directors and officers are not liable under a deductibility clause.

ELECTION OF DIRECTORS

The Board of Directors presently consists of six directors to be elected annually. **THE PERSONS NAMED IN THE ENCLOSED FORM OF PROXY INTEND TO VOTE FOR THE ELECTION OF THE NOMINEES WHOSE NAMES ARE SET FORTH BELOW.** Except as otherwise indicated all such nominees are now members of the Board of Directors and have been since the dates indicated. Management does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next annual meeting or until his successor is appointed, unless his office is earlier vacated in accordance with the by-laws of the Corporation.

The following table and notes thereto state the names of all persons proposed to be nominated for election as directors, all other positions or offices with the Corporation now held by them, their principal occupations or employments, the year in which they became directors of the Corporation, and the approximate number of Common Shares of the Corporation beneficially owned, directly or indirectly, by each of them as of March 28, 1985.

	Became Director	Common Shares Beneficially Owned
NORMAN T. CURRIE is President and Chief Executive Officer of the Corporation.	1964	15,000
ROBERT G. DALE is Chairman of Maple Leaf Mills Limited, manufacturers of food and agricultural products, grain dealers and flour millers and from 1981 to 1984 he was Chairman and Chief Executive Officer. Prior to 1981, he was Chairman, President and Chief Executive Officer of the Corporation.	1969	2,500
ROBERT S. DEMONE is President and Chief Executive Officer of Maple Leaf Mills Limited and from 1981 to 1984 he was President and Chief Operating Officer. Prior to 1981 he was Vice-President, Finance and Accounting, Canadian Pacific Enterprises Limited.	1981	nil
ALLAN H. JAMES is Executive Vice-President of Maple Leaf Mills Limited. Prior to 1984 he was Vice-President of the Flour Division of the Corporation.	1983	nil
WILLIAM T. MURCHIE is a company director. Prior to 1979 he was Chairman of the Board of Directors of United Biscuits (Canada) Limited, importers of biscuits.	1965	18,000
JIM A. SCHOLLAR is President and Chief Executive Officer of The Griffith Laboratories Limited (a position he has held for more than five years) which is engaged in the food ingredient business.	1981	2,000

Notes:

- (1) In addition to Common Shares, the following directors beneficially owned, directly or indirectly, as of March 28, 1985, the number of preference shares of the Corporation indicated in brackets after their names: William T. Murchie (500).
- (2) The following directors beneficially owned, directly or indirectly, as of March 28, 1985, the number of common shares of Canadian Pacific Enterprises Limited indicated in brackets after their names: R. G. Dale (500); R. S. DeMone (1,000). (Reference is made to the heading "Voting Shares and Principal Holders Thereof".)
- (3) Members of the audit committee are Messrs. W. T. Murchie, J. A. Schollar and R. G. Dale, who are appointed annually.
- (4) Members of the executive committee are Messrs. N. T. Currie, R. G. Dale, W. T. Murchie and J. A. Schollar.
- (5) The information as to shares beneficially owned, not being within the knowledge of the Corporation, has been furnished by the respective directors individually.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

During its last completed financial year the Corporation purchased substantially all its requirement of flour from Maple Leaf Mills Limited, Toronto, an affiliated company, at the market price in effect at the time of purchase.

On January 30, 1985, the directors established and approved an incentive stock option plan for the Corporation (the "Plan"). The Plan permits the directors to grant options to full time employees of the Corporation or its affiliates to purchase up to an aggregate of 100,000 of the Corporation's unissued Common Shares. The Plan provides for the issuance of options at the discretion of the directors provided that the option price is based on the average of the last 10 days closing price of the Common Shares on the Toronto Stock Exchange. Options to be issued under the Plan will be for a five year term and will automatically expire 270 days following the death of an employee or 90 days following the termination of employment. Options to be issued under the Plan will be exercisable only upon full payment, in cash, of the option price. Any options issued under the Plan will be embodied in written instruments containing provisions, among others, relating to anti-dilution.

On January 30, 1985, the directors of the Corporation approved the issuance, pursuant to the Plan, of options to purchase an aggregate of 15,600 Common Shares at an option price of \$17.56 per share, to thirty-three employees of the Corporation including the following:

Name	Position	Number of Shares Optioned
N. T. Currie	President and Chief Executive Officer	1,600
R. H. Bonus	Senior Vice-President	800
E. Van Wijk	Vice-President, Sales and Marketing	600
L. D. Irwin	Vice-President and Secretary	600
J. Foy	Vice-President, Employee Relations	600
P. A. Nelson	Vice President, Technical Services	600

All of the aforesaid options will expire on January 30, 1990.

Common Shares of the Corporation traded as follows for the four-week period preceding the date of the granting of the options to the aforesaid employees:

	High	Low	Close	Volume
Week ended January 4, 1985	\$15.50	\$15.38	\$15.38	1,600
Week ended January 11, 1985	\$15.50	\$14.63	\$15.50	3,650
Week ended January 18, 1985	\$17.25	\$15.50	\$17.25	40,650
Week ended January 25, 1985	\$18.25	\$17.00	\$17.00	29,930

Source: The Globe and Mail

APPOINTMENT OF AUDITORS

Unless otherwise directed, Proxies in the enclosed form will be voted to appoint Clarkson Gordon, chartered accountants, Toronto as auditors of the Corporation, who have been the Corporation's auditors for more than seven years, to hold office until the next annual meeting of shareholders, and to authorize the directors to fix their remuneration.

GENERAL

Information contained herein is given as of March 28, 1985.

APPROVAL

The contents and the sending of this Information Circular have been approved by the directors of the Corporation.

DATED at Toronto, this 28th day of March, 1985.

"L. D. Irwin"

Secretary

SCHEDULE "A"
to the
Information Circular for the
Annual and Special Meeting
of Holders of Common Shares
of Corporate Foods Limited

Extract from the Minutes of a
Meeting of the Board of Directors
held on July 24, 1984.

UPON MOTION duly made, seconded and unanimously carried, IT WAS RESOLVED THAT:

Paragraph 18 of By-law Number 56 as amended by paragraph 3 of By-law Number 60 is repealed and By-law Number 66 is amended by adding the following to Part Four:

"4.10 **Number of Directors and Quorum** – The number of directors of the Corporation shall be not less than the minimum number and not more than the maximum number of directors provided for in the articles and two-fifths ($\frac{2}{5}$) of the number of directors or minimum number of directors required by the articles shall constitute a quorum for the transaction of business."

Note:

The articles of the Corporation provide that the minimum number of directors is five (5) and the maximum number is twelve (12), with the actual number presently fixed at six (6) directors. The amendment to By-law Number 66 provides, in effect, that three (3) directors are required to constitute a quorum for meetings of the existing six (6) man board of directors.

