



CULINAR INC.

ANNUAL REPORT
1980



CULINAR INC.

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CULINAR INC.
FINANCIAL HIGHLIGHTS

in thousands of dollars unless otherwise shown

	1980	1979	1978	1977	1976
Sales	161,929	128,998	101,514	92,891	81,519
Depreciation and amortization	3,281	2,481	1,854	1,633	1,387
Income before extraordinary item	5,894	4,203	4,484	4,340	3,250
Net income	5,633	4,203	4,600	4,340	3,610
Income before extraordinary item in percentage of sales	3.64	3.26	4.42	4.67	3.99
Per common share (in dollars):					
Income before extraordinary item	1.26	0.90	0.97	0.95	0.71
Net income	1.20	0.90	0.99	0.95	0.79
Dividends	0.23	0.20	0.184	0.178	0.166
Shareholders' equity	6.21	5.23	4.52	3.69	2.90
Working capital	11,907	8,360	7,166	5,872	3,475
Fixed assets — net	27,293	24,710	15,524	12,308	11,133
Long-term debt	11,425	11,384	4,526	4,422	4,708
Shareholders' equity	29,001	24,353	21,005	16,881	13,246
Number of shares issued	4,670,636	4,655,636	4,643,260	4,579,220	4,564,204

Bankers:

National Bank of Canada
 Irving Trust Company, N.Y.

Trustees:

Fiducie du Québec

Chartered accountants:

Laliberté, Lanctôt, Morin et Associés,
 Associated with Coopers & Lybrand

CULINAR INC.

2 Complexe Desjardins, suite 1610
 P.O. Box 32, Place Desjardins Station
 Montréal, Québec
 H5B 1B2

CULINAR INC.

**MESSAGE FROM THE PRESIDENT AND
CHIEF EXECUTIVE OFFICER**

1980 was a difficult year for all sectors of the North American economy, especially for the Canadian food industry. In spite of this, Culinar is ending the year in a very strong position. In contrast to the general trend in its sector, our company has made substantial gains in both sales and profitability.

To be convinced of this, we only have to compare. While the profitability index (sales/income ratio) for the Canadian food and beverage industry as a whole fell by 7.6 percent in 1980, that of Culinar was up 11.7 percent over 1979. This means that there is a significant difference — nearly 20 percent — between our performance and that of the industry in general.

We are delighted with this situation, but must remain cautious. Serious economic problems (energy, inflation, public deficits) eventually have an effect on all companies, even those that manage to move ahead. Every new year presents itself as a hill to climb, and that hill is growing steeper.

In the face of such uncertainties, it is preferable to stay on the alert, and to confine ourselves to fairly conservative forecasts.

A profitable year

Nevertheless, Culinar shareholders and employees may be proud of the results achieved over the past twelve months.

Our consolidated sales of \$162 million represent a 25.5 percent increase over 1979 sales figures. Before the extraordinary item, consolidated income is 40 percent higher than for the preceding year. The group's profitability index (in terms of sales/income, before the extraordinary item) is 3.64 percent this year as compared to 3.26 percent in 1979.

We should also note that in 1980, Culinar did not make any acquisitions, while in 1979 the company welcomed the Stuart and Orchard Hill Farms subsidiaries. Our company's progress, in terms of both sales and income, was thus achieved using only our current resources. This means that 1980, a year in which internal development was the dominant theme, produced profitable work.

I would as well like to thank Mr. Guy Normandin, who reached retirement age at the very beginning of 1981 and is leaving his position as member of the Board of Directors of Culinar Inc. We will long remember his hard work, his participation and his advice. We would like to thank him and assure him of our friendship.

Activities of the subsidiaries

Vachon, the company's principal subsidiary, had an excellent year. Its sales of \$89.3 million reflect a 13 percent growth rate. The vitality of *Vachon* is confirmed by several achievements, such as a new system for carrying sugar and flour in bulk, which will promote efficiency, reliability and quality and allow substantial savings to be made. As well, with its energy conservation policy this subsidiary has established itself as a leader in the industrial sector in Canada.

Our *Produits Diamant* subsidiary (which is now called *Les Aliments Vachon*) also shows encouraging results. Sales, which were down 7 percent in 1979, increased 25 percent this year and reached \$20 million. The profitability of this subsidiary has improved sharply, and *Produits Diamant* expects to gain even more ground in 1981.

Orchard Hill Farms, our American subsidiary, experienced difficulties which unfortunately eliminated a respectable sales performance. Overall sales of \$20.6 million, which represented an acceptable rate of increase over the previous year, did not actually produce the anticipated profitability.

Our *Stuart* subsidiary fulfilled our expectations both in sales and in income, with sales reaching \$19.9 million, up 10 percent from 1979. *Stuart* also successfully met two challenges it set for itself in 1980: putting a second plant into operation, in Montréal-Nord, which will enable it to double its production capacity of individual pies; and producing its own chocolate, using new facilities.

As announced in its 1979 annual report, in 1980 *Culinar* went ahead with the sale of its *Lido* subsidiary's assets, in Saint-Lambert. This transaction was approved by the Governor-General in Council, under the provisions of the Foreign Investment Act, toward the end of the year.

The coming year

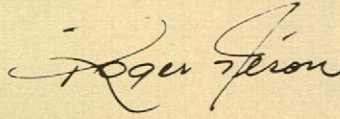
All companies are worried about the coming year. Economists, who were highly pessimistic a year ago, are taking much the same approach now.

Prospects in the food sector look just as gloomy. Inflation will have its usual devastating effect. The Québec grocery industry should only grow, in real terms, by about 1 to 1.5 percent. Food industry analysts are also sending out a serious warning to industries in our sector: basic commodities (such as sugar) will cost more; sales of frozen convenience products may be affected; the rise in food prices will be greater than the increase in the consumer price index.

What does all this mean for *Culinar*? Ideally, our company would naturally prefer to repeat its remarkable 1980 achievement in 1981, namely to make substantial progress while the industry as a whole cannot. We will endeavour to maintain this momentum. *Culinar* expects to have sales of over \$185 million in 1981 and to achieve this in spite of the absence of the subsidiary that was sold in 1980.

The current year is off to a good start, thanks to a very promising acquisition in a pacesetter industry. As of the first quarter of 1981, *Gestion Resto* has become a subsidiary of *Culinar*. This exceptionally dynamic young company is dedicated to satisfying Quebecers' new taste for high-quality fast food restaurants that are both simple and original. *Gestion Resto*, along with *Orchard Hill Farms*, meets the twofold diversification objective we set for ourselves in 1979: to offset the very slow growth of our conventional market by a well-planned expansion into the sectors of away-from-home eating and frozen convenience foods.

We should remember that over the last few years *Culinar* has been constantly increasing its sales, expanding into new markets, improving its technology and enlarging its line of products. But the game is going to get tougher in 1981. I know that *Culinar* will once again be able to count on its greatest strength: its employees. I would therefore like to extend the warmest of thanks to them here, on my behalf and on behalf of the Board, for the outstanding job they did over the last twelve months and for their continuing loyalty to the company.



Roger Néron

CULINAR INC.
THE BOARD OF DIRECTORS



Philippe Pariseau**
*Chairman of the Board
 Director of the Dairy
 Division
 Coopérative Fédérée de
 Québec
 Montréal*



Paul Gauthier**
*Executive Vice-President
 Société d'Investissement
 Desjardins
 Montréal*



Leslie Jonas**
*President and General
 Manager
 Aliments Delisle Ltée
 Boucherville*



Pierre Leblanc, C.A.*
*Partner
 Dessureault, Leblanc,
 Lefebvre, C.A.
 Trois-Rivières*



Oscar Mercure, C.A.*
*President
 L'Assurance-vie
 Desjardins
 Lévis*



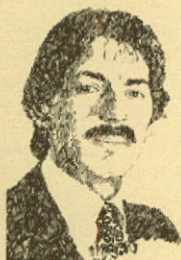
Roger Néron**
*President and Chief
 Executive Officer
 Culinar Inc.
 Montréal*



Guy Normandin
*President
 Société québécoise
 d'initiatives
 agro-alimentaires
 (SOQUIA)
 Québec*



Louis-Philippe Poulin
*General Manager
 Coopérative Fédérée de
 Québec
 Montréal*



Michel St-Pierre*
*Assistant General
 Manager
 Société québécoise
 d'initiatives
 agro-alimentaires
 (SOQUIA)
 Québec*



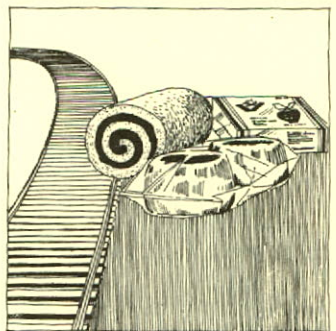
Jean-Noël Domey, C.A.
*Vice-President, Finance
 and Secretary-Treasurer
 Culinar Inc.
 Montréal*

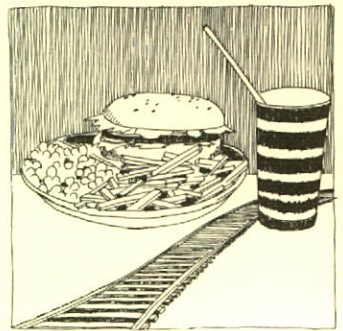
* member of the Audit
 Committee

** member of the
 Executive Committee



In numerical terms, Culinar's economic activity represents altogether 3 500 jobs, 350 products, some fifty restaurants and fast food counters, six plants and sixty sales offices which serve some 35 000 sales points.

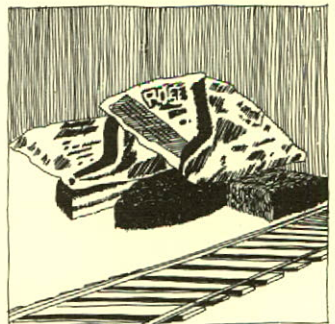




A recent Culinar acquisition, Gestion Resto has over fifty restaurants and fast food counters in Québec, including A & W, Le Coq Rôti, Le Fournil, Bel-Gaufre, La Mère Poularde and Le Spaghettori.

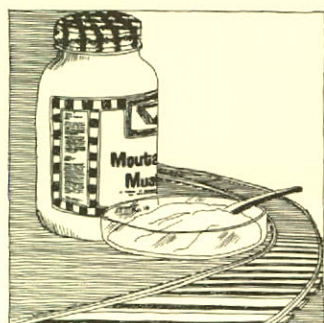


In one year, Vachon consumes close to 8 million kg of flour, 2 million kg of eggs and 11 million kg of sugar, which represents a daily production of 2 million snack cakes and 240 000 tarts.





Mustard is only one of the many fine products offered to consumers by Les Aliments Vachon.



CULINAR INC.
AND ITS SUBSIDIARIES

Vachon Inc.

Sainte-Marie de Beauce (Québec)

Produits Diamant Ltée

Sainte-Marie de Beauce (Québec)

Lido Biscuit Cie Limitée

Saint-Lambert (Québec)

Stuart Ltée

Montréal (Québec)

Orchard Hill Farms, Inc.

Red Hook (New York)

Gestion Resto (1975) Inc.

Québec (Québec)

Roger Néron

President and Chief Executive Officer

Jean-Noël Domey, C.A.

Vice-President, Finance
and Secretary-Treasurer

Richard Gervais, C.A.

Director, Accounting Services
and Assistant Secretary-Treasurer

Jacques Larivière, M.B.A.

Vice-President, Development

Jacques Nadeau, C.R.I.

Vice-President, Human Resources

Mario Bertrand

Director, Communications

Jean-Claude Savard

Project Manager, Human Resources

Raymond Cherrier, C.A.

Vice-President and General Manager
Stuart Ltée

Raymond Denis

Vice-President and General Manager
Lido Biscuit Cie Limitée

Jacques Gauthier

Vice-President and General Manager
Gestion Resto (1975) Inc.

Roger Goulet, C.A.

Vice-President and General Manager
Produits Diamant Ltée

John Hoey

President
Orchard Hill Farms, Inc.

Paul Lamontagne

Vice-President and General Manager
Vachon Inc.

CULINAR INC.
INCOME AND FINANCIAL POSITION



Sales and income of the company reached new highs in 1980. Sales were \$161,929,000 compared to \$128,998,000 in 1979, an increase of 25.5%. Income before the extraordinary loss was \$5,894,000 or \$1.26 per share, compared to \$4,203,000 or \$0.90 per share in 1979, an increase of 40.2%. Net income increased to \$5,633,000 or \$1.20 per share as compared to \$4,203,000 or \$0.90 per share in 1979. Before the extraordinary loss, the return on average shareholders' equity increased from 18.5% in 1979 to 22.1% in 1980; based on net income, this represents a 21.1% return on average equity as compared to 18.5% in 1979.

Funds provided from operations amounted to \$10,027,000 for the year, compared to \$6,481,000 in 1979. Working capital increased by \$3,548,000 in 1980. At year-end, the company had on hand cash and term deposits totalling \$4,166,000, part of which was used for the acquisition of Gestion Resto in February 1981. The working capital ratio rose to 1.68 from 1.55 as at December 31, 1979.

Capital expenditures in 1980 were slightly higher than last year: \$7,534,000 compared to \$7,262,000. However, these expenditures as a percentage of the funds provided from operations represented 75% in 1980, down from 112% in 1979. The expenditures were mostly for machinery and equipment which contribute to reducing production and handling costs.

The long-term debt (excluding current portion) amounted to \$10,212,000 at year-end, which was \$748,000 lower than last year, and represented 35% of shareholders' equity compared to 45% in 1979. The ratio of total debt to shareholders' equity was 0.96, as compared to 1.08 in 1979. These ratios reflect the financial strength of the company and leave a margin for additional borrowing for future expansion.

Dividends totalling \$1,074,000 were paid in 1980, compared to \$931,000 last year; this represents 19% of net income. 1980 dividends were 23 cents per share, up from 20 cents in 1979, an increase of 15%.

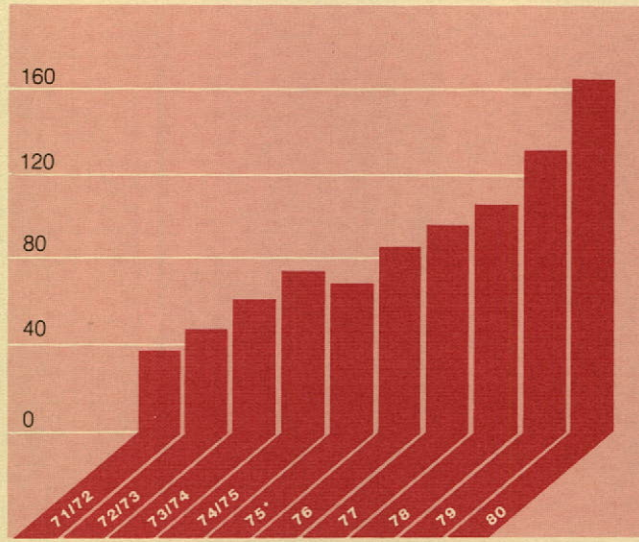
Shareholders' equity rose by \$4,649,000 to \$29,001,000 as at December 31, 1980, an increase of 19% over last year. The book value per share was \$6.21, compared to \$5.23 as at December 31, 1979.

Jean-Noël Domey, C.A.

Vice-President, Finance and Secretary-Treasurer

Sales

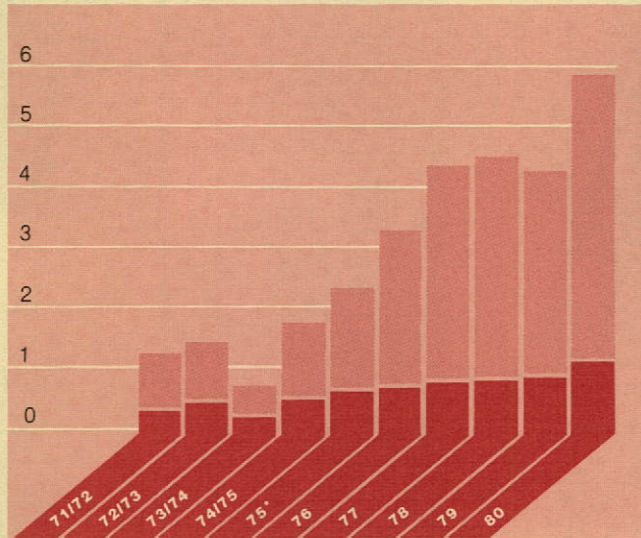
(millions of dollars)



* 9 months

Income before extraordinary item

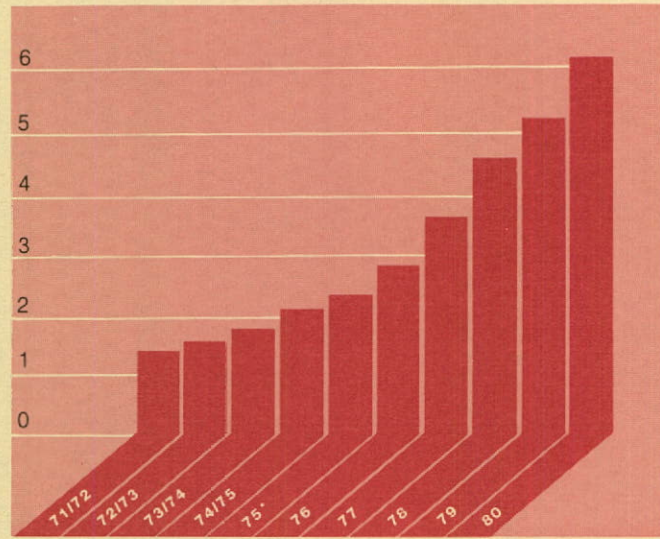
(millions of dollars)



* 9 months

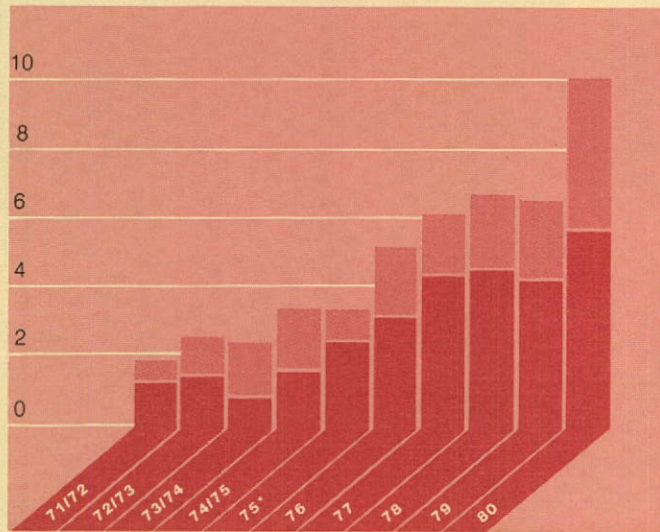
- Retained and used in the business
- Paid in dividends

Shareholders' equity per share
(in dollars)



* 9 months

Funds provided from operations
(millions of dollars)



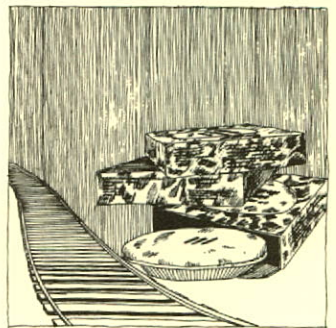
* 9 months

■ Depreciation, amortization and other items

■ Income before extraordinary item

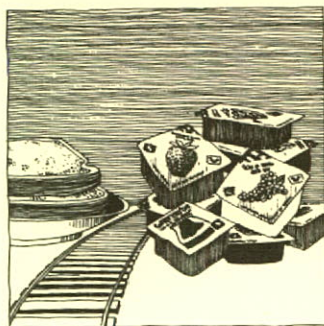


In addition to a wide variety of snack cakes, Stuart makes individual pies in a number of flavours, which are very popular.



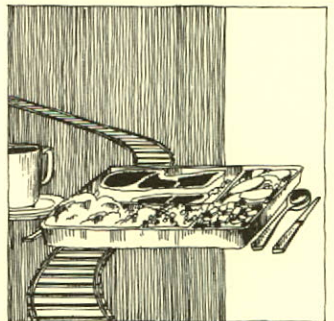


Individual portions of jams and jellies represent only part of the total production of Les Aliments Vachon, which in 1980 amounted to nearly 16 million kilograms of delicious products.





Today's lifestyles make frozen convenience foods an everyday necessity. Orchard Hill Farms, Culinar's American subsidiary, specializes in the preparation of approximately 65 frozen convenience foods.





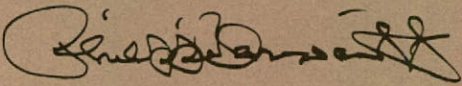
Jams and marmalades, mustard and condiments, canned fruits and vegetables, pie fillings and coatings, coconut and syrups, etc... Over the years, our line of products for institutional use has grown considerably.

CULINAR INC.
**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1980**

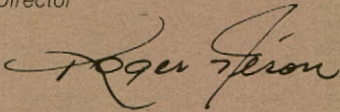
CULINAR INC.
CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 1980

ASSETS	1980	1979
	\$	\$
Current assets		
Cash and term deposits	4,166,319	807,755
Accounts receivable (note 2)	14,870,557	10,846,955
Grants receivable (note 3)	239,200	767,111
Inventories (notes 2 and 4)	9,091,130	10,185,655
Prepaid expenses	1,141,392	1,005,245
	29,508,598	23,612,721
Grant receivable (note 3 a)	256,594	256,594
Investments (note 5)	2,332,278	2,294,328
Fixed assets (note 6)	27,292,750	24,710,442
Other assets	345,499	187,912
Excess of cost of shares in subsidiaries over net book value at date of acquisition — at amortized cost	328,000	1,853,000
	60,063,719	52,914,997

Signed on behalf of the Board



Philippe Pariseault
 Director



Roger Néron
 Director

LIABILITIES	1980	1979
	\$	\$
Current liabilities		
Bank advances (note 2)	1,287,000	702,000
Accounts payable and accrued liabilities	14,601,330	13,131,168
Income taxes	499,773	996,203
Current portion of long-term debt	1,213,023	423,451
	17,601,126	15,252,822
Long-term debt (note 7)	10,212,162	10,960,581
Deferred income taxes	3,249,000	2,349,000
	31,062,288	28,562,403
SHAREHOLDERS' EQUITY		
Capital stock		
Authorized — 15,000,000 common shares of no par value		
Issued and fully paid (note 8) — 4,670,636 shares (4,655,636 in 1979)	1,242,667	1,152,217
Retained earnings	27,758,764	23,200,377
	29,001,431	24,352,594
	60,063,719	52,914,997

AUDITORS' REPORT

To the Shareholders of Culinar Inc.

We have examined the consolidated balance sheet of Culinar Inc. as at December 31, 1980 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Laliberte, Lantier, Morin & Associés

Chartered accountants
Associated with COOPERS & LYBRAND

Montréal, January 30, 1981
(except for note 11 (b) for which the date is February 19, 1981)

CULINAR INC.
**CONSOLIDATED STATEMENT
OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1980**

	1980	1979
	\$	\$
Balance — beginning of year	23,200,377	19,928,807
Net income for the year	5,632,633	4,202,697
	28,833,010	24,131,504
Dividends	1,074,246	931,127
Balance — end of year	27,758,764	23,200,377

CULINAR INC.
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1980

	1980	1979
	\$	\$
Sales	161,929,233	128,997,671
Cost of sales and other costs before deducting the undermentioned expenses	138,574,257	111,515,630
	23,354,976	17,482,041
Administrative and general expenses	8,347,885	7,373,201
Research and development expenses (including amortization of \$135,000 in 1980 and \$37,700 in 1979)	921,555	675,185
Depreciation and amortization	3,145,523	2,443,450
Interest on long-term debt	913,100	491,508
	13,328,063	10,983,344
	10,026,913	6,498,697
Income taxes	4,133,000	2,296,000
	5,893,913	4,202,697
Income before extraordinary loss	5,893,913	4,202,697
Extraordinary loss (note 9)	261,280	—
	5,632,633	4,202,697
Net income for the year	5,632,633	4,202,697
Income per share		
Before extraordinary loss	1.26	0.90
Net income	1.20	0.90

CULINAR INC.

**CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1980**

	1980	1979
	\$	\$
Source of working capital		
Net income before extraordinary loss	5,893,913	4,202,697
Items not affecting working capital —		
Depreciation of fixed assets	3,011,150	2,358,980
Amortization	269,373	122,170
Deferred income taxes	900,000	(147,409)
Profit on sale of fixed assets	(47,031)	(49,924)
Other	—	(5,217)
Funds provided from operations	10,027,405	6,481,297
Proceeds from sale of certain assets of a subsidiary company, less applicable income taxes	2,898,330	—
Proceeds from sale of fixed assets	243,975	200,942
Additions to long-term debt	467,500	5,368,767
Proceeds on issue of capital stock	90,450	76,286
Decrease in investments	—	58,391
	13,727,660	12,185,683
Use of working capital		
Purchase of fixed assets	7,534,012	7,261,563
Cost of subsidiaries, net of working capital acquired	—	1,410,652
Payments on long-term debt	426,347	1,187,308
Dividends	1,074,246	931,127
Increase in other assets	317,960	104,395
Increase in current portion of long-term debt	789,572	97,070
Increase in investments	37,950	—
	10,180,087	10,992,115
Increase in working capital	3,547,573	1,193,568
Working capital — beginning of year	8,359,899	7,166,331
Working capital — end of year	11,907,472	8,359,899
Changes in elements of working capital		
Current assets — increase (decrease)		
Cash and term deposits	3,358,564	807,755
Accounts receivable	4,023,602	2,051,597
Grants receivable	(527,911)	592,521
Income taxes recoverable	—	(113,451)
Inventories	(1,094,525)	3,335,541
Prepaid expenses	136,147	(447,274)
Current portion of investments	—	(375,000)
	5,895,877	5,851,689
Current liabilities — increase (decrease)		
Bank advances	585,000	702,000
Accounts payable and accrued liabilities	1,470,162	2,836,467
Income taxes	(496,430)	996,203
Current portion of long-term debt	789,572	123,451
	2,348,304	4,658,121
Increase in working capital	3,547,573	1,193,568

CULINAR INC.
**NOTES TO CONSOLIDATED
 FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 1980**

1. Accounting policies

(a) *Accounts included in consolidation* —

These financial statements include the accounts of Culinar Inc. and its wholly-owned subsidiaries, Produits Diamant Ltée, Lido Biscuit Cie Limitée, Vachon Inc., Stuart Ltée and Orchard Hill Farms, Inc.

(b) *Translation of foreign currencies* —

The accounts of the subsidiary in the United States have been translated to Canadian dollars on the following basis:

Current assets and current liabilities, at the year-end exchange rate; all other balance sheet accounts, at the exchange rate prevailing at the acquisition or transaction date. Revenues and expenses at the average exchange rate for the year. No gains or losses arose from the translation of foreign currencies during the year.

(c) *Inventories* —

Inventories are valued at the lower of cost and market. Cost is determined on the first-in, first-out or average cost basis using absorption costing. Market is defined as replacement cost for raw materials and packing supplies, and net realizable value for finished goods.

(d) *Depreciation of fixed assets* —

Depreciation is computed on the straight line method at rates based on the estimated useful life of the assets:

Buildings	2 1/2%
Machinery and equipment	10 %
Trucks and automobiles	20 %

(e) *Amortization of development expenses* —

Amortization is computed on the straight line method over a period not exceeding 3 years.

(f) *Amortization of the excess of cost of shares in subsidiaries over net book value at date of acquisition* —

This excess is amortized over a period of 20 years.

(g) *Income taxes* —

The federal and provincial investment tax credits are accounted for as a reduction of income taxes.

2. Bank advances

The bank advances are secured by an assignment of accounts receivable and inventories of a subsidiary totalling \$4,337,516.

3. Grants

(a) *Department of Regional Economic Expansion of Canada* —

This department has agreed to make a grant to a subsidiary in the amount of \$773,705 which is subject to the conditions referred to in an offer dated August 23, 1978. An amount of \$517,111 has been received during the year.

(b) *Financial assistance from Société de Développement Industriel du Québec* —

In accordance with agreements with this agency, the company and certain subsidiaries will receive, during the next four years, a partial reimbursement of their financial expenses, not exceeding \$1,435,000, if certain conditions are met. In 1980, \$380,385 has been accounted for as a reduction of interest paid.

4. Inventories

	1980	1979
	\$	\$
Finished goods	3,464,276	3,782,718
Raw materials and packing supplies	5,626,854	6,402,937
	9,091,130	10,185,655

5. Investments

	1980	1979
	\$	\$
First mortgage bonds — 8%, maturing on March 4, 1986	1,450,000	1,450,000
Other advances	882,278	844,328
	2,332,278	2,294,328

CULINAR INC.
**NOTES TO CONSOLIDATED
 FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 1980**

6. Fixed assets

			1980	1979
	Cost \$	Accumulated depreciation \$	Net \$	Net \$
Land	1,463,243	—	1,463,243	1,607,368
Buildings	15,074,810	4,118,368	10,956,442	10,900,120
Machinery and equipment	24,147,223	11,062,246	13,084,977	10,474,272
Trucks and automobiles	5,914,041	4,125,953	1,788,088	1,728,682
	46,599,317	19,306,567	27,292,750	24,710,442

	1980	1979
	\$	\$

7. Long-term debt
Debentures () —*

Series "A" — 8 $\frac{1}{2}$ %, maturing from 1981 to 1983 inclusive	770,000	990,000
Series "B" — 8 $\frac{3}{4}$ %, maturing from 1984 to 1988 inclusive	1,800,000	1,800,000

Bank and other advances —

Interest at a rate equivalent to the cost of funds to the lender plus $\frac{1}{2}$ of 1% for the first 24 months, plus $\frac{3}{4}$ of 1% for the remaining term (12.30% at December 31, 1980), payable in annual instalments of \$666,667 from December 31, 1982	4,000,000	4,000,000
Interest at the London interbank offered rate plus $\frac{5}{8}$ of 1% (15 $\frac{11}{16}$ % at December 31, 1980), payable in variable annual instalments beginning in 1982 and maturing in 1984 (U.S. \$573,382)	669,653	669,653
Interest at the London interbank offered rate plus $\frac{5}{8}$ of 1% (15 $\frac{11}{16}$ % at December 31, 1980), payable in variable semi-annual instalments beginning in 1982 and maturing in 1984 (U.S. \$2,226,618)	2,605,143	2,605,143
Interest at prime rate plus $\frac{3}{8}$ of 1% (20 $\frac{3}{4}$ % at December 31, 1980), payable on June 20, 1981 (U.S. \$600,000)	701,500	234,000

Non interest bearing notes —

Payable in variable annual instalments maturing on April 27, 1982	457,585	557,585
Payable in equal monthly instalments of \$4,000 and a final instalment of \$100,000 in January 1984	248,000	292,000

Mortgage loan —

8 $\frac{1}{2}$ %, payable in monthly instalments of \$255 including principal and interest (U.S. \$18,838)	22,040	22,967
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Obligations under capital leases

(U.S. \$128,858)	151,264	212,684
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	11,425,185	11,384,032
Less: Current portion	1,213,023	423,451
	10,212,162	10,960,581

(*) The debentures are subject to a trust deed whereby shares of certain subsidiaries have been pledged as a guarantee.

7. Long-term debt (continued)

Payments required to meet the retirement provisions will amount to \$1,712,934 in 1982, \$2,040,718 in 1983, \$2,890,075 in 1984 and \$1,029,144 in 1985.

8. Issue of capital stock

On June 20, 1980, 15,000 shares have been issued for a total consideration of \$90,450 paid in cash in accordance with the company's stock purchase plan for its employees. As at December 31, 1980, 36,352 shares of the company were reserved for this purpose.

9. Extraordinary loss

The loss results from the writing off of the excess of the cost of shares of a subsidiary company over the net book value at date of acquisition on discontinuance of its manufacturing operations on December 13, 1980, less the net profit realized on sale of certain assets of the subsidiary company.

10. Long-term operating leases

The company has signed long-term leases which expire at different dates until 1991. The minimum annual rentals will amount to \$340,000 in 1981, \$409,000 in 1982, \$492,000 in 1983, \$503,000 in 1984 and 1985, \$454,000 until 1988 and \$389,000 in the following years.

11. Subsequent events

(a) Under Part 1A of the Québec Companies Act, the company has agreed to amalgamate as at January 1, 1981 with its wholly-owned subsidiaries, Produits Diamant Ltée, Lido Biscuit Cie Limitée, Vachon Inc. and Stuart Ltée and will continue to operate under the name of Culinar Inc.

(b) The company has offered to acquire all the issued and outstanding shares of Gestion Resto (1975) Inc. and this offer has been accepted on February 19, 1981. The purchase will be financed substantially from its working capital.

