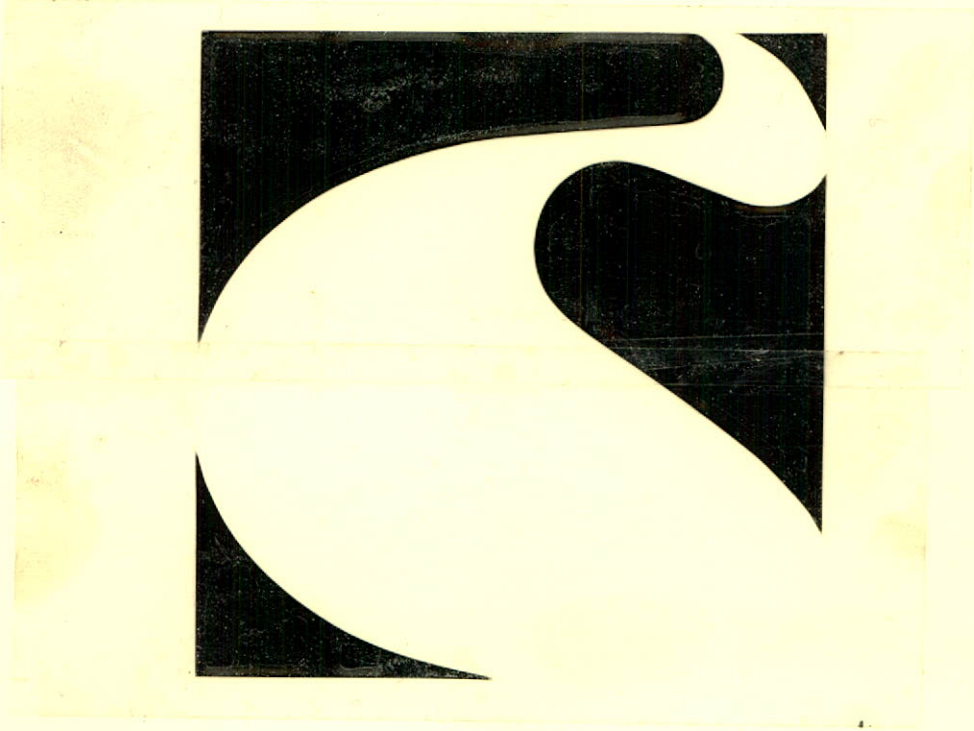
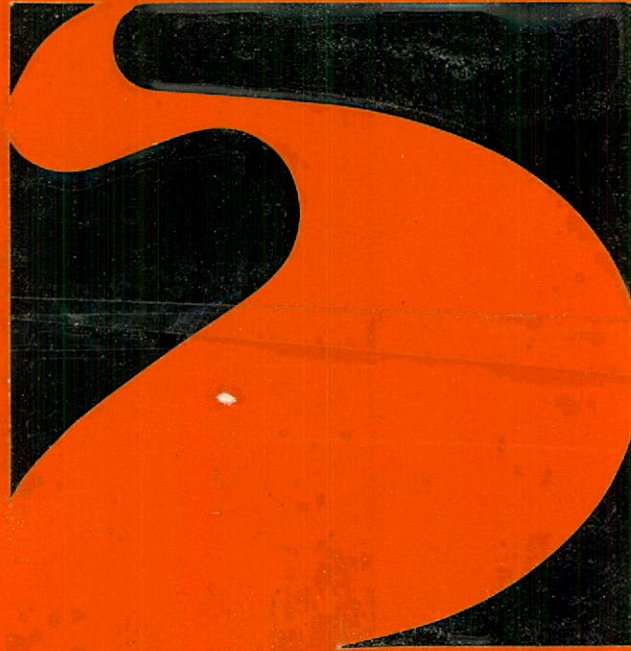


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Culinar Foods Inc.  
Division

Bakery and Confectionery  
Division

Restaurant Division

# Company Profile

Culinar Inc. is mainly involved in the processing of food products. Culinar is also active in the restaurant field as well as the importing of food products.

Its influence and reputation extend all across Canada and to part of the United States, primarily New England. Culinar operates plants in Ontario and Québec as well as restaurants and fast food counters in Montréal, Québec City and other urban centers.

The principal shareholders in Culinar are the Société d'Investissement Desjardins (SID), with 52 percent of shares, and the Société québécoise d'initiatives agro-alimentaires (SOQUIA), which holds 36 percent.

From its head office in Montréal, and with the collaboration of some 5,000 employees, Culinar manages its operations through three divisions:

## Bakery and Confectionery Division

The Bakery and Confectionery Division operates 5 plants in Québec and Ontario. Its products are displayed at thousands of sales outlets from coast to coast. This division comprises more than 2,000 employees spread throughout a vast network of establishments.

*Vachon* and *Stuart* alone produce more than 80 percent of the snack cakes sold in Canada. With the help of ultramodern facilities, their employees make such well known products as the famous *Jos Louis*, *Half Moon*, *May West*, *Swiss Rolls* and *Puff-O-Fruit*.

Vachon also makes the *Flamingo* tarts and *Teeny Tarts* at its *Port Perry* plant in Ontario.

*Vachon Foods* operates in the field of confectionery, offering a wide range of products including jams, jellies, pie fillings and other basic ingredients. Among the main brands of *Vachon Foods* are such popular names as *Grenache*, *Tradition* and *Vachon*.

## Restaurant Division

*Le Groupe Resto Inc.* forms the restaurant division. To begin with, this company mainly operated A&W restaurant franchises. Over the years, the company showed remarkable vitality and very quickly reached the point of establishing its own chain of restaurants. Today there are some sixty of these restaurants, employing close to 1,000 people.

In addition to A&W, the principal names found in this group are *Le Coq Rôti*, *Le Fournil*, *La Boîte à Spaghetti* and *Les Délicatesses*. *Le Groupe Resto* is also the originator of the *Croissant + Plus* counters which are now available as franchises. In the fast food restaurant sector, the services offered by this division rank among the top in Québec.

## Culinar Foods Inc. Division

Last but by no means least for Culinar, this division comprises over twenty establishments, located mainly in Québec and Ontario, and has some 2,000 employees.

The five members of this new division offer a complete assortment of food products which nicely complement those already offered by Culinar's other members.

*Anco* is truly the leader in the cheese sector in Canada. With an ultramodern plant in *Saint-Hyacinthe*, close to 250 employees and an annual production of over 3 million kilograms, *Anco* manufactures products that are known and distributed as far as *Vancouver*. *Anco* also owns the *Ingersoll Cheese Company*, located in *Ingersoll*, Ontario.

In addition to producing its own brands, including *Brie*, *Anfleur*, *Anfrom*, *Camembert* and *St-Paulin*, *Anco* is also one of the country's largest importers of fine cheeses.

*Grissol* has close to 200 employees, most of whom work at the *Sainte-Martine* plant.

*Grissol* is first in Canada in the field of breadsticks, crackers and other dried-bread products. *Grissol* is also the second-largest producer of dehydrated soups, with its *Loney's* brand.

With approximately 450 employees, a plant in *Magog* and 3 distribution centers, *Taillefer* is able to offer the widest selection of delicatessen products in Canada. Its main brands are *Taillefer*, *La Varenne* and *La Cantinière*.

*Viau-Lido* is active in the cookie and candy sector. These products are made and distributed by more than 600 employees in the plants in *Saint-Lambert* and *Montréal*. Such well known cookies as *Goglu*, *Lido*, *Bear Paws*, *Village*, *Viva* and *Whippet* are produced there, in addition to a wide variety of candies.

Operating mainly in the Ontario market, *Unico* distributes, from its *Toronto* plant, imported and Canadian products that have a reputation for the highest quality.

*Unico* has approximately a hundred employees who package and deliver products with an Italian flavor, such as oils, olives, tomato-based products and other condiments.

With all these quality products, Culinar is now firmly established as one of the only food groups able to provide a complete meal, from soup to nuts, and at the same time offer the restaurant alternative for eating-out occasions.

In examining the contents of the following report, the reader will note that Culinar has achieved its 1983 objectives with brilliant success. But these encouraging results may only be a stage: we are already having to face the challenges involved in managing a company that is now ranked with the largest in the country... and it's only the beginning.

# Financial Highlights

	1983	1982	1981	1980	1979	
Sales.....	<b>220,585</b>	192,298	183,179	164,327	130,994	in thousands of dollars
Depreciation and amortization .....	<b>5,771</b>	5,130	4,395	3,281	2,481	
Earnings before extraordinary item .....	<b>12,787</b>	7,802	5,961	5,894	4,203	
Net earnings .....	<b>11,260</b>	6,894	5,961	5,633	4,203	
Earnings before extraordinary item .....	<b>5.80</b>	4.06	3.25	3.59	3.21	in percentage of sales
<b>Per common share:</b>						in dollars
Earnings before extraordinary item .....	<b>2.60</b>	1.67	1.28	1.26	0.90	
Net earnings .....	<b>2.29</b>	1.48	1.28	1.20	0.90	
Dividends .....	<b>0.47</b>	0.43	0.34	0.23	0.20	
Shareholders' equity.....	<b>10.10</b>	8.19	7.15	6.21	5.23	
Working capital.....	<b>14,346</b>	9,459	9,064	11,907	8,360	in thousands of dollars
Fixed assets — net .....	<b>85,545</b>	39,885	38,619	27,293	24,710	
Long-term debt .....	<b>48,688</b>	9,288	14,571	10,212	10,961	
Shareholders' equity.....	<b>62,325</b>	38,260	33,374	29,001	24,353	
Number of shares issued .....	<b>6,170,636</b>	4,670,636	4,670,636	4,670,636	4,655,636	

Bankers:  
National Bank of Canada

Trustees: Fiducie du Québec  
Auditors: Laliberté Lancôt  
Associated with Coopers & Lybrand



# Message from the President and Chief Executive Officer

From all points of view, 1983 was an excellent year. Once again, the extraordinary vitality of the Culinar group was clearly demonstrated, and the year just beginning holds out the promise of even better results to come for our Company, which has just joined the ranks of the major national corporations.

Culinar enjoyed a privileged position in 1983, in fact. The Company was able to maintain its rate of growth and fulfill its objectives, and profitability was good for all its divisions. Moreover, efforts made this year enabled us to improve our administrative efficiency in order to better meet our customers' many needs. As always, management quality remained a basic concern, and the priority which the Company placed, and continues to place, on human resources is giving tangible proof that this is indeed the proper orientation.

The results of the 1983 fiscal year have reached a historical high for the company. Earnings — not including the extraordinary loss — totalled \$12.8 million, compared to \$7.8 million for the preceding year, a remarkable increase of nearly 64 percent. Over the same period, sales rose from \$192 million to \$221 million. Net earnings per share reached \$2.29, whereas they were \$1.48 in 1982. The sales-earnings ratio was 5.8 percent, well above the average ratio for the Canadian food industry.

Among the factors that account for these results, the exceptional profitability of the Bakery and Confectionery Division and the excellent performance posted by the Restaurant Division must be underscored.

The combined efforts of Vachon, Stuart and Vachon Foods enabled the Bakery and Confectionery Division to get around the difficulties of a market that was softening slightly, particularly at the beginning of the year, and increase its profitability very markedly. Thanks to unexpectedly stable prices for basic ingredients, some of which even went down, this division had its most profitable year ever.

The Restaurant Division distinguished itself by making significant inroads into a highly competitive market. After passing the break-even point in 1982, Le Groupe Resto continued its efforts to reduce its operating costs and stimulate business at its restaurants. Through the introduction of new restaurant concepts like La Boîte à Spaghetti and Croissant + Plus, the Restaurant Division carved out a highly favourable position for itself, which contributed to Culinar's overall profitability.

The new Culinar Foods Inc. Division made a considerable contribution too, with \$38.5 million in sales for the last two months of the year. As a matter of fact, November was the month Culinar concluded one of the most important deals in its history. After intense negotiations with a major Canadian corporation, Culinar reached an agreement to acquire that company's food division. With this acquisition, Culinar will nearly double its sales in 1984 and further extend its influence with such prestigious names as Anco, Grissol, Taillefer, Unico and Viau-Lido.

Culinar looks forward to 1984 with confidence. However, unlike last year, the world market for basic ingredients and raw materials should show some recovery, and we can even expect substantial increases in the cost of some ingredients. In order to minimize the impact of this economic situation, Culinar will pay very special attention to improving productivity in each of its divisions as well as reducing fixed and other costs. Major efforts will also be made to develop new products.

The Bakery and Confectionery Division plans to open up new markets in the United States and further expand its markets in Canada. As well, its laboratories are currently testing out new concepts to increase its volume of sales.


In order to maintain its profitability, the Restaurant Division intends to continue developing its new restaurant concepts. In addition, Le Groupe Resto plans to emphasize the sale of franchises.

Following the example of the other members of Culinar, the new Culinar Foods Division should enjoy steady growth. Its experience in the food sector and the fine reputation of its brands make this acquisition a solid investment for Culinar. Furthermore, its integration into Culinar is well on the way to completion, and the combining of our respective know-hows can only have positive consequences for us all.

Finally, the management of Culinar would like to express its warmest thanks to Mr. Leslie Jonas for his work with us on the Board of Directors, and we take this opportunity to welcome Mr. Jean Deschamps.

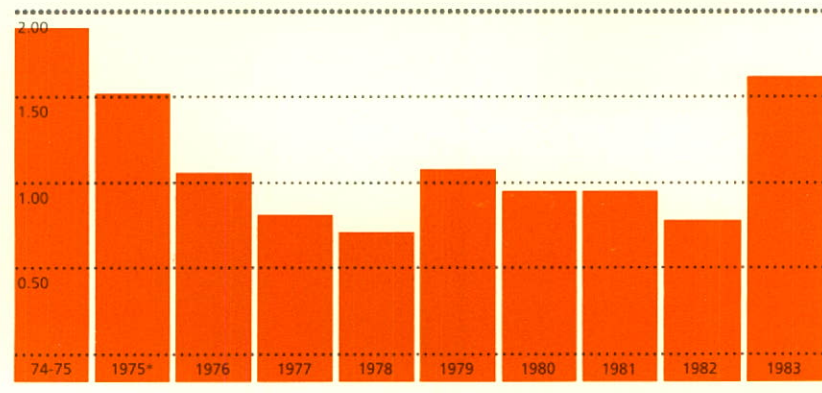
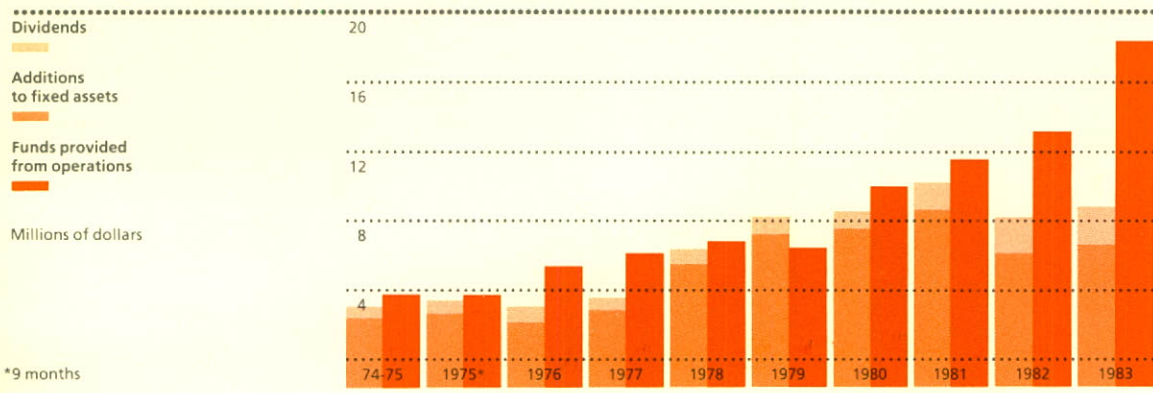
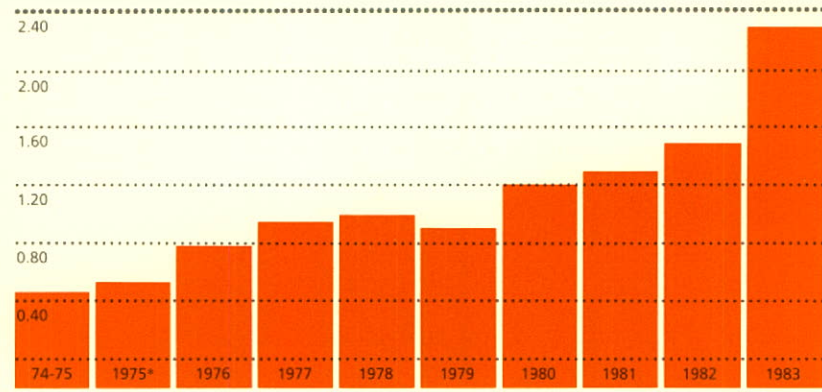
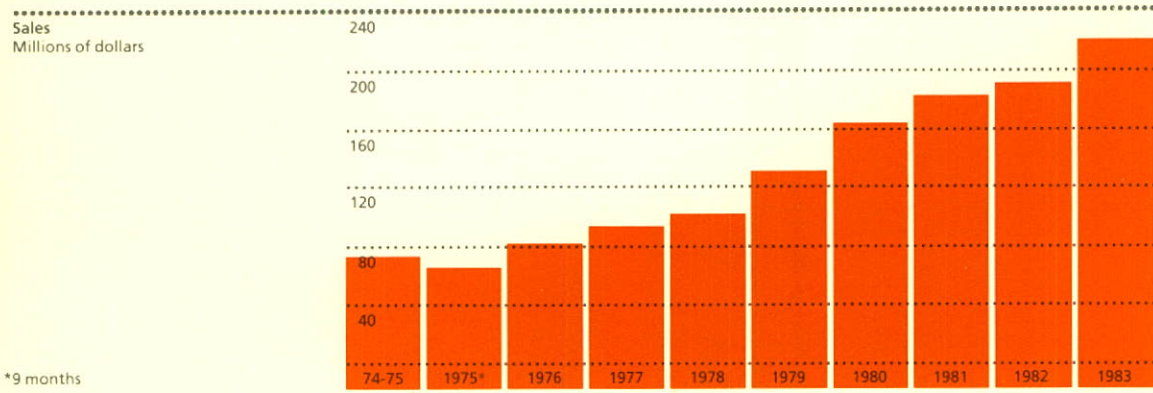
We also wish to pay tribute to all our suppliers, customers and consumers and, most especially, to each of the employees whose contribution and unflagging effort are essential to the success of Culinar.

President and Chief Executive Officer



Roger Néron

March 6, 1984





# Financial Position

The underlying strength and efficiency of Culinar were clearly reflected in its 1983 performance. Sales of \$220.6 million were up 14.7% from 1982. Before an extraordinary item, earnings of \$12.8 million were up 63.9%, or \$2.60 per share compared with \$1.67 in 1982. On this basis, return on shareholders' equity (prorated to take into account the share issue of \$15 million in November 1983) rose to 28.2% from 21.8% the previous year.

Net earnings of \$11.3 million compared with \$6.9 million in 1982 were realized after the write-off (\$1.5 million, net of income taxes) of notes receivable arising from the sale in February 1983 of the assets of a subsidiary company, Orchard Hill Farms, Inc. After taking this extraordinary loss into account, net earnings per share were \$2.29 compared with \$1.48 for 1982 after an extraordinary loss of \$0.9 million. On this basis, return on shareholders' equity rose to 24.9%, from 19.3% in 1982.

In November 1983, the Company acquired Imasco Foods Limited, now Culinar Foods Inc. The consolidated financial statements include the results of Culinar Foods Inc. for the last two months of the year, sales of \$38.5 million and net earnings of \$1.8 million. The cost of this investment and the accounting treatment are shown in note 2 in the consolidated financial statements. This acquisition was financed through the issue of 1,500,000 shares at \$10.00 each for a total of \$15 million, long-term debt of \$42 million, short-term debt of \$15 million and the balance of \$13 million came from the Company's own cash.

As part of this financing, the Company signed three long-term loan agreements with banking institutions for a total amount of \$55 million as follows: \$30 million for an eight-year term, the first three years being a revolving credit, \$20 million for a ten-year term, the first two years being a revolving credit, and \$5 million in the form of a revolving credit maturing in March 1985. Only \$36 million of these new credit agreements were used as at December 31st, 1983, leaving unused long-term facilities of \$19 million. The Company also has short-term credit lines with banks for \$36 million with \$16 million unused at yearend. In total, Culinar has available unused facilities of \$35 million. None of these bank borrowings and available lines of credit and credit agreements are secured by a specific guarantee or floating charge on the assets of the Company.

The capital structure of Culinar has changed considerably with the acquisition of Culinar Foods Inc. Total liabilities (excluding deferred income taxes) at yearend were \$101 million or 1.62 times shareholders' equity compared with 0.78 times in 1982. The ratio of long-term debt to shareholders' equity rose from 24.3% at December 31st, 1982, to 78.1% at yearend 1983.

Total assets reached \$171 million at December 31st, 1983, compared with \$73 million last year, reflecting the acquisition of Culinar Foods Inc.

Working capital reached \$14.3 million at December 31st, 1983, an increase of \$4.9 million over last year; the current ratio declined to 1.27 from 1.46.

Funds provided from operations (mainly net earnings plus depreciation and amortization) which aggregated \$18.3 million in 1983, up \$5.1 million from 1982, have been an increasingly important source of cash. Uses of funds in 1983 included expenditures of \$6.6 million for fixed assets, payments of long-term debt of \$4.1 million and dividends of \$2.2 million.

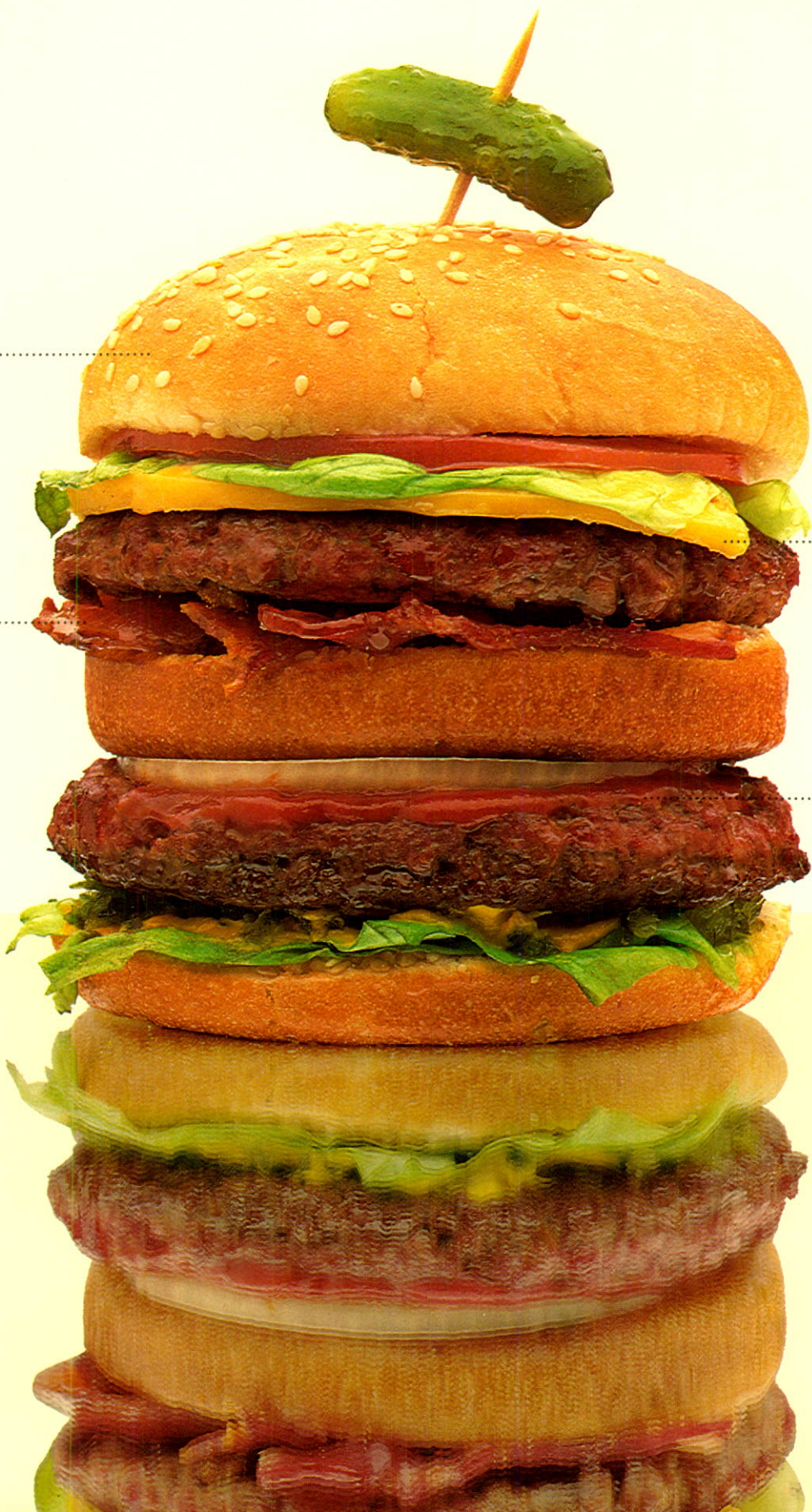
The result of asset management over the past five years is summarized in the following table.

	\$M	%
Funds provided from operations .....	59.6	100
Uses of funds:		
Additions to fixed assets.....	36.3	60.9
Dividends.....	7.8	13.1
Increase in accounts receivable and inventories (excluding the recent acquisition of Culinar Foods Inc.).....	4.2	7.0
	48.3	81.0
Cash, repayment of long-term debt and other.....	11.3	19.0

This summary shows that over the five-year period Culinar met its cash needs from internal sources. Additions to fixed assets and dividends used 61% and 13% respectively of the funds generated from operations. Over this period, sales grew from \$102 million to \$183 million (excluding the \$38 million from Culinar Foods), an increase of 79%, while accounts receivable and inventories increased from \$16 million to \$20 million, an increase of only 25%. These results illustrate the importance placed on management of working capital to increase cash through good receivable and inventory control.

Dividends paid in 1983 of \$2.2 million were all declared and payable to shareholders of record before the issue in November 1983 of 1,500,000 new shares. The dividend per share was 47 cents compared with 43 cents in 1982.

Shareholders' equity increased to \$62.3 million from \$38.3 million in 1982, of which \$15 million came from the share issue in November 1983. The book value per share stands at \$10.10 at December 31st, 1983, compared with \$8.19 in 1982.



.....  
Croissants,  
pasta or hamburgers?  
Your table's waiting with  
Le Groupe Resto.

.....  
Tallefer:  
bacon and other  
fine meat products.

.....  
At Anco, they know  
their cheddar too.

.....  
Vachon Foods adds flavor  
to your dishes with a  
variety of condiments.

# Activities of the Divisions

## Bakery and Confectionery Division

Sales of the Bakery and Confectionery Division, which includes Vachon, Stuart and Vachon Foods, reached a level of \$158.6 million in 1983. This represents increase of approximately 3.8 percent over last year's results.

Profitability was excellent and exceeded our expectations. The unusual stability of the prices of certain ingredients that are normally subject to great fluctuations on world markets, and the actual drop in some of these prices are the main factors that contributed to this success. Furthermore, the overall productivity rate of the various plants in the division improved considerably. This is especially true of the Stuart cake plant, the Vachon Foods confectionery plant and the Port Perry tart plant.

The Bakery and Confectionery Division continued the administrative integration of Vachon, Stuart and Vachon Foods. Led by a highly motivated team, this operation has already begun to bear fruit.

The bakery sector got off to a difficult start at the beginning of the year as far as sales are concerned. In fact, the volume of sales for this sector fell off slightly in the first half, compared to the same period the previous year. However, it was not long before the improved economic climate and the introduction of new products helped bring about a solid recovery in sales over the second half of the year.

Consumers responded very favourably to three Vachon brands launched over the year. Puff-O-Fruit, introduced almost simultaneously in the United States and Canada, posted sales beyond all our expectations. Teeny Tarts, similar to the Flamingo tarts, were launched on the American market this past year. The Vachon brand distribution network was also extended to Vermont and New Hampshire. Additionally, the new varieties of fruit turnovers were a great success on the Canadian market.

Stuart brand products showed particular strength on the Québec market, mainly due to an effective promotional strategy and the excellent motivation of its sales team.

During the 1983 fiscal year, sales of the confectionery sector grew substantially in the institutional field, while the grocery market slowed down somewhat.

Total investments by the Bakery and Confectionery Division amounted to some \$5 million for 1983. These sums were used principally to purchase modern equipment and improve manufacturing processes so as to increase productivity.

In 1984, we plan to invest approximately \$6 million that will go to complete the modernization of our equipment. Part of this amount will be used to replace some of the vehicles in our fleet. Over the coming year, this division's efforts will focus primarily on the opening of new markets and greater penetration of present markets. Geographic expansion will take place mostly in high-potential markets, such as the United States and western Canada.

A number of new products should also make their appearance on the market this year. For example, the new Grillettes English muffins passed the market test in Québec City, and this product will soon be on sale through the whole province.

All these activities of the Bakery and Confectionery Division are part of a long-term strategy aimed at ensuring steady growth of its sales. Greater resources will be devoted to implementing this plan in the coming years and already, all signs point to a highly satisfactory performance in the years to come.

## Restaurant Division

Restaurant Division sales totalled \$22.4 million in 1983, for an increase of 11 percent over 1982. Generally, the present earnings of this division show a definite improvement over those of the preceding year, when Le Groupe Resto passed the break-even point. These results also clearly demonstrate that this division's strategies for growth and cost cutting bore fruit. Its new restaurant concepts and menu extension programs enabled it to take full advantage of a favourable economic situation, and its markets showed themselves to be gaining in strength.

For 1984, the Restaurant Division plans to continue its efforts in the same direction. For example, the concept of La Boîte à Spaghetti, which has been highly successful, is to be extended further in Québec, while the Croissant + Plus concept will add to the number of its units, in particular through franchises, both in Québec and in Ontario. An investment in the area of \$2.5 million will be devoted to opening new restaurants and developing its new concepts.

In the last two years, this young division of Culinar has been able to get through the recession and, most of all, meet the challenge of accelerated growth. Culinar chose to diversify in the sector of away-from-home eating, and the continuing growth of Le Groupe Resto confirms the soundness of this decision.

## Culinar Foods Inc. Division

This new division of Culinar is made up of five units: Anco, Grissol, Taillefer, Unico and Viau-Lido. Annual sales for this group are in excess of \$200 million, and the 1983 results are good. However, the amount of sales of \$38.5 million shown in Culinar's consolidated statements takes into account only two months of this group's activity as a member of Culinar, November and December 1983. The net contribution of its earnings, after financing charges, has already had a positive impact on Culinar's results.

Anco is among the major producers of cheese in Canada and ranks first in the manufacture of soft cheeses.

For the past five years, per capita consumption of fine cheeses has grown steadily. The diversity and quality of the Anco products, in addition to its know-how in the field of top-quality fine cheeses allow us to anticipate a promising future for this concern.

Over the course of 1984, Anco is to concentrate a large part of its efforts on integrating the activities of Ingersoll, an Ontario firm bought by Anco at the beginning of 1983. Ingersoll produces Cherry Hill cheese, and Anco plans to develop new markets for this cheese, particularly those in Québec and the Maritimes. Other significant breakthroughs should be made on the Ontario market, where Anco offers its extensive range of fine cheeses.

Grissol is the top manufacturer and distributor of dried-bread products in Canada. Grissol also makes packaged soup mixes and soup bases. As well, Grissol is the Québec distributor of Nutella spread. Its plant, located in Sainte-Martine in Québec, is one of the most modern in North America.

Consumption of bread products is growing in Canada. This market is highly competitive, and Grissol makes the most of its experience as a pioneer in this field to maintain its leadership position.

The packaged soup mix market is also a sector in which Grissol is ideally positioned. To provide better coverage of this market, Grissol is constantly diversifying the range of its Loney's brand products and has just introduced a top-of-the-line product: the Crème d'Or packaged soups which occupy a segment that is in great consumer demand.

In 1984, Grissol plans to continue its sales strategies in Québec and gradually extend its territory to all Canadian markets. Thanks to the improvements made to its facilities in 1983, Grissol expects to substantially increase its gross operating profit in the coming year.

Taillefer, whose plant is located in Magog, is known for its great variety of fine, traditional delicatessen products and its meat products. Taillefer distributes the Taillefer, La Varenne and La Cantinière brands. Its market covers Québec principally, as well as a section of Ontario.

The market for prepared-meat products has seen some saturation in the last two years. To cope with this situation, Taillefer has had to develop major recovery strategies. With these measures, Taillefer expects to return to satisfactory levels of profitability in 1984. Furthermore, its management is confident that its productivity improvement program and the launching of a large number of new products will definitely help provide improved prospects for profitability for Taillefer.

Unico, whose facilities are located near Toronto, is first and foremost an importer and distributor of specialty products from Europe. Unico is also one of the main bottlers of Canadian-produced vegetable oils.

Unico's market was primarily in Ontario and western Canada but, in 1983, the company made a major breakthrough on the Québec market. In order to maintain this momentum, Unico is constantly diversifying its line of products.

In 1984, Unico expects to achieve increased penetration of its present markets and intends to pursue even more energetically its entry into the new Québec and western markets. The market for European foods is a rapidly growing one, and consumers are showing more and more interest in new culinary experiences. To meet this demand, Unico plans to offer a greater variety of new products that will be added to its already extensive line of imported specialties.

Viau-Lido is the largest cookie manufacturer in Québec. It has the largest share of this market — about 30 percent. This firm also makes a wide variety of candies.

In 1983, some of its brands, such as Goglu, Village, Bear Paws, Ti-Coq and Whippet enjoyed excellent sales on this highly competitive market, despite a drop in per capita consumption in the last few years.

In 1984, Viau-Lido intends to continue its efforts to maintain its position as leader on the cookie market with the introduction of new products. The contribution of Viau-Lido to the profitability of the Culinar Foods Division is significant and the overall performance of this unit should improve in 1984.

Consolidated Financial Statements  
for the year ended December 31, 1983

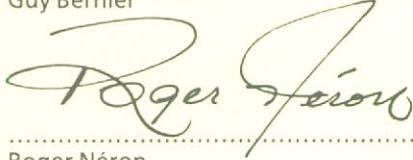
Consolidated financial statements  
for the year ended December 31, 1983

Signed on behalf  
of the Board



Guy Bernier

Director



Roger Néron

Director

Auditors' Report  
to the Shareholders  
of Culinar Inc.

Montréal  
January 27, 1984

We have examined the consolidated balance sheet of Culinar Inc. as at December 31, 1983 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended and have obtained all the information and explanations we have required. 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, and according to the best of our information and the explanations given to us and as shown by the books of the company, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1983 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.



Chartered Accountants

Associated with Coopers & Lybrand

Consolidated balance sheet  
as at December 31, 1983

	1983 \$	1982 \$
<b>Assets</b>		
Current assets		
Cash and deposits .....	860,633	7,245,900
Accounts receivable.....	29,256,051	11,874,414
Grants receivable (note 3).....	627,068	133,904
Inventories (note 4).....	35,227,847	10,669,641
Prepaid expenses .....	693,288	110,551
	<b>66,664,887</b>	30,034,410
Investments.....	869,996	950,154
Fixed assets (note 5).....	85,545,159	39,885,419
Other assets (note 6) .....	18,212,952	2,221,324
	<b>171,292,994</b>	73,091,307
<b>Liabilities</b>		
Current liabilities		
Bank advances.....	2,714,319	4,367,784
Accounts payable and accrued liabilities .....	29,386,293	13,389,768
Income taxes.....	3,138,353	977,633
Special bank loan.....	15,000,000	—
Current portion of long-term debt.....	2,079,663	1,839,878
	<b>52,318,628</b>	20,575,063
Long-term debt (note 7).....	48,687,631	9,288,297
Deferred income taxes.....	7,962,000	4,968,000
	<b>108,968,259</b>	34,831,360
<b>Shareholders' equity</b>		
Capital stock (note 8).....	16,242,667	1,242,667
Retained earnings.....	46,082,068	37,017,280
	<b>62,324,735</b>	38,259,947
	<b>171,292,994</b>	73,091,307

Consolidated statement of earnings  
and retained earnings  
for the year ended December 31, 1983

	1983 \$	1982 \$
<b>Earnings</b>		
Sales .....	220,585,389	192,297,914
Cost of sales and other costs before the following .....	178,589,951	161,408,401
	41,995,438	30,889,513
Administrative and general expenses .....	13,623,728	11,099,216
Research and development costs (including amortization of \$297,000 in 1983 and \$340,000 in 1982) .....	1,836,906	1,699,475
Depreciation and amortization .....	5,473,732	4,789,760
Interest on long-term debt .....	1,003,778	1,304,199
	21,938,144	18,892,650
Provision for income taxes (note 9) .....	20,057,294	11,996,863
	7,270,000	4,195,000
Earnings before extraordinary item .....	12,787,294	7,801,863
Extraordinary item (note 10) .....	1,527,307	908,000
Net earnings for the year .....	11,259,987	6,893,863
<b>Net earnings per share</b>		
Net earnings before extraordinary item .....	2.60	1.67
Net earnings for the year .....	2.29	1.48
<b>Retained earnings</b>		
Balance – beginning of year .....	37,017,280	32,131,791
Net earnings for the year .....	11,259,987	6,893,863
	48,277,267	39,025,654
Dividends .....	2,195,199	2,008,374
Balance – end of year .....	46,082,068	37,017,280



Consolidated statement of changes  
in financial position  
for the year ended December 31, 1983

	1983 \$	1982 \$
<b>Source of working capital</b>		
Earnings before extraordinary item .....	12,787,294	7,801,863
Items not affecting working capital —		
Depreciation of fixed assets .....	5,125,401	4,654,809
Amortization of other assets .....	645,331	474,951
Profit on disposal of fixed and other assets .....	(362,921)	(130,873)
Deferred income taxes .....	82,240	359,000
Other .....	60,137	49,325
Funds provided from operations .....	18,337,482	13,209,075
Long-term debt borrowings .....	41,854,927	1,238,358
Issue of capital stock .....	15,000,000	—
Net proceeds from disposal of fixed assets .....	3,352,535	380,312
Decrease in investments .....	20,021	1,484,464
	78,564,965	16,312,209
<b>Use of working capital</b>		
Investment in a subsidiary, less working capital acquired .....	60,350,494	—
Additions to fixed assets .....	6,612,478	6,170,216
Payments on long-term debt .....	4,085,612	6,018,627
Increase in other assets .....	466,274	412,728
Purchase price adjustment of shares of a subsidiary .....	131,514	(103,704)
Increase (decrease) in current portion of long-term debt .....	(163,518)	502,302
Dividends .....	2,195,199	2,008,374
Extraordinary item .....	—	908,000
	73,678,053	15,916,543
Increase in working capital .....	4,886,912	395,666
Working capital — beginning of year .....	9,459,347	9,063,681
Working capital — end of year .....	14,346,259	9,459,347

# Notes to consolidated financial statements for the year ended December 31, 1983

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## 1. Accounting policies

### a) Consolidation

These consolidated financial statements include the accounts of the company and its subsidiaries.

### b) Translation of foreign currencies

The operations in the United States have been translated into Canadian dollars. Current assets and current liabilities have been translated at the year-end exchange rate and revenues and expenses at the average exchange rate for the year. All gains and losses arising from the translation of foreign currencies during the year have been recorded in the statement of earnings.

### 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 net realizable value for finished goods and as replacement cost for other inventories.

### d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Cost includes the fair value of fixed assets owned by subsidiaries acquired.

Depreciation is recorded on the straight-line method over the estimated useful life of the assets ranging from 20 to 40 years for buildings, 8 to 10 years for machinery and equipment and over a period of 5 years for automotive equipment. Leasehold improvements are amortized over a period which does not exceed the term of the lease plus the first renewal period.

### e) Other assets

The costs of other assets is amortized by the straight-line method over a period of up to a maximum 3 years for development costs, and a period ranging from 10 to 20 years for franchises and from 15 to 20 years for goodwill arising on consolidation of subsidiaries.

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## 2. Acquisition

As a result of a total investment of \$84,781,047 the company acquired in November 1983, 99.99% of the shares of Imasco Foods Limited, now Culinar Foods Inc., for a cash consideration of \$50,346,095 for the shares and the assumption of advances of \$34,434,952.

The acquisition has been accounted for by the purchase method. The purchase price of shares comprises the following:

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Notes to consolidated financial statements  
for the year ended December 31, 1983

	1983 \$	1982 \$
<b>2. Acquisition (cont'd)</b>		
Working capital.....	16,404,836	
Fixed assets.....	24,087,586	
Other assets.....	1,458,834	
	41,951,256	
Less:		
Long-term debt .....	27,875,736	
Deferred income taxes .....	2,911,760	
	30,787,496	
Book value of shares (after deduction of dividend totalling \$34,434,952 paid before acquisition).....	11,163,760	
Excess of the purchase price allocated to:		
Fixed assets.....	24,562,478	
Goodwill .....	14,619,857	
	39,182,335	
	50,346,095	

The results of operations of the subsidiary have been consolidated from November 1, 1983.

**3. Grants** A partial reimbursement of interest paid to a maximum of \$345,000 will be received in future years. An amount of \$398,896 (1982 — \$427,920) has been recorded as a reduction of current year interest expenses. In addition, the company received during the year a capital expenditure grant of \$83,174.

<b>4. Inventories</b>			
Finished goods .....	19,434,231	2,547,328	
Raw materials and packing supplies .....	14,065,944	6,596,693	
Spare parts .....	1,727,672	1,525,620	
	35,227,847	10,669,641	

	Cost	Accumulated depreciation	Net	Net
<b>5. Fixed assets</b>				
Land .....	6,439,380	—	6,439,380	2,429,248
Buildings .....	38,326,880	7,265,514	31,061,366	14,932,534
Machinery and equipment .....	65,275,551	22,726,656	42,548,895	17,461,444
Automotive equipment .....	8,597,676	6,165,724	2,431,952	2,336,066
Leasehold improvements .....	4,189,572	1,126,006	3,063,566	2,726,127
	122,829,059	37,283,900	85,545,159	39,885,419


Notes to consolidated financial statements  
for the year ended December 31, 1983

	1983 \$	1982 \$
<b>6. Other assets at cost less amortization</b>		
Development costs .....	749,153	491,874
Franchises.....	390,086	181,713
Goodwill representing the excess of the purchase price of shares of subsidiaries over the fair value of net assets at dates of acquisition...	17,073,713	1,547,737
	<b>18,212,952</b>	2,221,324
<b>7. Long-term debt</b>		
<b>Debentures subject to a trust deed whereby the company has given a floating charge on all its assets —</b>		
Series "B" — 8¾%, maturing from 1984 to 1988 inclusive.....	1,800,000	1,800,000
<b>Bank loans —</b>		
At an interest rate equivalent to the cost of funds to the lender, plus ¾ of 1%, payable in one instalment of \$997,534 in 1984 and thereafter in annual instalments of \$666,667 .....	2,997,534	2,000,000
At prime rate with respect to a two-year revolving credit of \$7,000,000, convertible any time into a five-year term loan and payable in full at the end of the term .....	6,859,033	2,077,128
At prime rate with respect to a three-year revolving credit of \$30,000,000, convertible into a term loan, payable in 4 equal annual instalments of \$3,000,000 and a final payment for the balance .....	24,972,167	—
At a rate equivalent to the cost of funds to the lender, plus ¾ of 1%, with respect to a two-year revolving credit of \$20,000,000, convertible into a term loan, payable in 15 semi-annual equal instalments of 5% of the outstanding balance commencing August, 1986 and a final payment for the balance .....	8,000,000	—
At a rate equivalent to the cost of funds to the lender, plus ⅝ of 1%, with respect to a revolving credit of \$5,000,000, maturing in March 1985.....	3,000,000	—
<b>Mortgage loans —</b>		
Rates varying between 10 to 12%, payable in monthly instalments of \$25,827, including principal and interest .....	1,430,250	398,573
<b>Notes and balances of purchase price of shares of subsidiaries and fixed assets, bearing interest —</b>		
At rates up to 12%, maturing at various dates.....	1,708,310	1,710,824
<b>Other</b> .....	—	3,141,650
	<b>50,767,294</b>	11,128,175
Less: Current portion .....	2,079,663	1,839,878
	<b>48,687,631</b>	9,288,297
<p>Payments required to meet the retirement provisions will amount approximately to \$4,665,000 in 1985, \$1,958,000 in 1986, \$5,188,000 in 1987 and \$4,550,000 in 1988.</p>		

Notes to consolidated financial statements  
for the year ended December 31, 1983

		1983	1982
		\$	\$
<b>8. Capital stock</b>	<p><b>Authorized —</b> 15,000,000 common shares without nominal value</p> <p><b>Issued and fully paid —</b> 6,170,636 shares (4,670,636 in 1982).....</p> <p>In November 1983, 1,500,000 shares have been issued for a total cash consideration of \$15,000,000.</p> <p>As at December 31, 1983, 36,352 shares of the company were reserved for the employees' stock purchase plan.</p>	<b>16,242,667</b>	1,242,667
<b>9. Income taxes</b>	<p>The provision for income taxes includes current income taxes of \$7,187,760 (1982 — \$3,836,000) and deferred income taxes of \$82,240 (1982 — \$359,000). Federal and provincial investment tax credits are accounted for as a reduction of current income taxes. Principal timing differences giving rise to deferred income taxes relate to claiming capital cost allowances for income tax purposes in excess of depreciation provided for in the accounts.</p> <p>A reconciliation of the statutory income tax rates with the effective tax rates is as follows:</p>		
		%	%
	Statutory income tax rates .....	<b>43.3</b>	45.3
	Inventory allowance .....	<b>(1.0)</b>	(1.2)
	Manufacturing and processing credit .....	<b>(3.8)</b>	(4.2)
	Corporate surtax .....	<b>0.8</b>	1.2
	Investment tax credits .....	<b>(3.4)</b>	(4.9)
	Allowance for scientific research .....	—	(1.6)
	Other .....	<b>0.2</b>	0.4
	Effective income tax rates .....	<b>36.1</b>	35.0
<b>10. Extraordinary item</b>	<p>Provision for loss on balances of sale price, net of applicable income taxes of \$215,000 .....</p> <p>Loss on sale of operating assets, net of applicable income taxes of \$614,000.....</p>	<b>1,527,307</b>	908,000
		<b>1,527,307</b>	908,000
<b>11. Long-term operating leases</b>	<p>Basic total commitments of the company and its subsidiaries under long-term operating leases amounted to \$13,788,000. The annual rentals under these leases due in the next five years are \$1,543,000 in 1984, \$1,374,000 in 1985, \$1,355,000 in 1986, \$1,268,000 in 1987 and \$1,092,000 in 1988.</p>		





Viau and Lido:  
sweets to suit all tastes.

Vachon pastries:  
having won over Canadians,  
they are now set  
to conquer the Americans.

Stuart cakes  
and pies: a long tradition  
of excellence.

Cookies that have been  
well loved for generations,  
from Viau and Lido.

# Management Team

## Head Office

**Roger Néron**  
President and Chief Executive Officer

**Réal Coulombe, C.A.**  
Executive Vice-President,  
Operations

**Jean-Noël Domey**  
Vice-President,  
Finance and Secretary-Treasurer

**Jacques Larivière**  
Vice-President,  
Planning and Development

**Jacques Nadeau, C.R.I.**  
Vice-President, Human resources  
and Communications

**Jean-Pierre Allard**  
Administrative Assistant to the President  
and Chief Executive Officer

**Richard Gervais, C.A.**  
Director, Financial  
Services  
and Assistant Secretary-Treasurer

## Bakery and Confectionery Division

**Camillien Bolduc, Eng.**  
Vice-President and General Manager  
Bakery and Confectionery Division

**Raymond Cherrier, C.A.**  
Vice-President  
and Assistant General Manager  
Bakery and Confectionery Division

**Roland Bilodeau**  
Director of Procurement  
and Transportation  
Bakery and Confectionery Division

**André Côté**  
Director of Sales  
Bakery and Confectionery Division

**Jean Gareau**  
Director of Production  
Bakery and Confectionery Division

**Claude Laberge**  
Director of Marketing  
Bakery and Confectionery Division

**Marius Paquin, Eng.**  
Director of Research  
and Development  
Bakery and Confectionery Division

**Michel Plante, C.A.**  
Director of Finance  
Bakery and Confectionery Division

**Jean-Claude Savard**  
Director of Personnel  
Bakery and Confectionery Division

## Culinar Foods Inc. Division

**Yves Hudon**  
President and General Manager  
Culinar Foods Inc.

**Yves Bertrand, C.A.**  
Vice-President, Finance  
Culinar Foods Inc.

**Romuald Frenette**  
Vice-President, Customer Relations  
Culinar Foods Inc.

**Pierre Groulx, C.R.I.**  
Vice-President, Human Resources  
Culinar Foods Inc.

**Pierre Deneault**  
Vice-President and General Manager  
Grissol Division  
Culinar Foods Inc.

**Raymond Denis**  
Vice-President and General Manager  
Anco Division  
Culinar Foods Inc.

**Michel Painchaud, Eng.**  
Vice-President and General Manager  
Taillefer Division  
Culinar Foods Inc.

**Gérald Pelletier**  
Vice-President and General Manager  
Viau-Lido Division  
Culinar Foods Inc.

**Michael Rosicki**  
General Manager  
Unico Division  
Culinar Foods Inc.

## Restaurant Division

**Jacques Gauthier**  
Vice-President and General Manager  
Le Groupe Resto Inc.

**Paul Audet**  
Director of Personnel  
Le Groupe Resto Inc.

**Denis Carter**  
Director of Marketing  
Le Groupe Resto Inc.

**Christian Duprat**  
Director of Operations Place Desjardins Inc.  
Le Groupe Resto Inc.

**Dominique Ferland**  
Director of Operations Québec  
Le Groupe Resto Inc.

**Claude Roussin, C.A.**  
Director of Finance  
Le Groupe Resto Inc.

**Roger St-Cyr**  
Director of Operations Croissant + Plus  
Le Groupe Resto Inc.





Grissol: first in dried-bread products in Canada.

Anco is a major importer of fine cheeses and distributes them from coast to coast.

For breakfast, snack or a hankering for a treat... Vachon spreads sure are neat!

Jam or jelly, in individual portions or by the jar: it's still Vachon.

# Board of Directors



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et de l'Ouest-du-Québec  
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and Secretary-Treasurer  
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Montréal

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Montréal

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Société québécoise  
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Trois-Rivières

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

Member of the  
Audit Committee \*

Member of the  
Executive Committee \*

## Grant Programs One Element of Culinar's Social Role

Culinar's social contribution policy is closely linked to its mission. Culinar is a company that is essentially involved in the food sector, and the donations and grants it awards each year generally go to non-profit organizations or individuals whose activities are related to the overall objectives of the company.

In view of its mission, it stands to reason that Culinar should allocate a major share of its contributions to the food sector. An amount equal to 30 percent of the donations budget is therefore earmarked for university research and the training of researchers in this field of study.

Another portion is given out to social, humanitarian, scientific or artistic organizations. Finally, contributions may also be made to health and education programs, scholarships, for employees' children and various groups operating in the regions where Culinar is established.

The aim of Culinar's grant programs is to stimulate and encourage groups and individuals to carry out projects that may be useful to the community. Three specific sectors have been given special importance: nutrition, the arts and university studies.

### Food sector

For the second year in a row, Culinar allocated part of the university research budget to the Centre de recherche en nutrition (nutritional research center) at Laval University. This grant illustrates Culinar's desire to contribute to the advancement of research in the food sector.

The grant was awarded for research dealing with the immunizing properties of lactic ferments. According to this study's hypothesis, these agents have the property of stimulating the immunodefence system in young animals and reducing their perinatal mortality rate. In the long term, this research has a great many possible consequences. For example, it is anticipated that it can help provide greater profitability for large Québec stock-breeding farms as well as create new possibilities for cheese products.

Also in the area of food research, another grant was given to the Canadian Food Industry Scholarship Fund. Culinar's annual contribution to this organization has been a happy tradition for many years now. This foundation provides scholarships to students attending the six Canadian universities that offer recognized food sciences programs.

### Arts sector

While Culinar's contribution policy largely concerns the food sector, the company also wishes to maintain a presence in the field of the arts.

For the third consecutive year, Culinar has joined together with Communication-Jeunesse in awarding grants, in the professional and up-and-coming categories, to illustrators of children's books. Communication-Jeunesse is a non-profit organization that has been carrying out programs for ten years now to promote the design and distribution of books for young people.

The object of the Communication-Jeunesse – Culinar competition is to further the quality of illustration in children's books. This competition encourages professional artists to show off their creativity and fosters the emergence of up-and-coming new artists in this field.

A jury made up of specialists receives and examines the works proposed, in order to hand out two grants. One grant of \$1,500 is awarded to an artist at the professional level and a second, \$750 grant, to an artist who shows talent and promise.

In 1984, a new grant of \$500 will be awarded to a student, by a jury made up strictly of children.

Thanks to this competition, a number of talented artists have gained public recognition. An exhibition is also organized every year to present the winning works.

### Employee sector

At Culinar, our policy of contributing to community life has its logical extension in our human resources management policy. The scholarship program for employees' children fits into this aspect. In addition, Culinar wishes to encourage the pursuit of a university education.

A committee made up exclusively of representatives of Canadian universities examines the applications and chooses, on the basis of the marks submitted, the students that will receive one of seven scholarships of \$750 offered by Culinar. The scholarship is paid directly to the registrar of the university attended by the recipient.

All these programs demonstrate Culinar's basic concern, namely maintaining participation, communication and a relationship of trust between the company and the various publics affected. These are the same ingredients that are at the very foundation of the company's life.

All in all, at Culinar the company's social mission is closely connected to its commercial mission. The economic growth of the company goes hand in hand with its commitment to the community, and each of these realities necessarily has an impact on the other. Culinar thus hopes to promote an improved understanding of its role in the social and economic structure of our society.

Who is the number 1 Canadian importer of Spanish olives? Unico.

La Varenne: a leader in top-quality deli products.

And for cheese of all kinds, the name to look for is still Anco.

For pâtés, cracklings and sausages, it's Taillefer, of course.



## Main addresses

### Culinar Inc.

Head Office  
2 Complexe Desjardins  
Suite 1610  
Montréal (Québec)  
H5B 1B2  
(514) 288-3101

### Bakery and Confectionery Division

#### Main Office

##### and Vachon Bakery Plant

380 Notre-Dame Street North  
Sainte-Marie de Beauce (Québec)  
G0S 2Y0  
(418) 387-5421

#### Vachon Confectionery Plant

883 Notre-Dame Street North  
Sainte-Marie de Beauce (Québec)  
G0S 2Y0  
(418) 387-5491

#### Marketing and Sales Office

7575 Trans-Canada Highway  
Suite 403 and 500  
Saint-Laurent (Québec)  
H4T 1V6  
(514) 332-5010 332-2951

#### Stuart Regional Distribution Center

8551 Ray-Lawson Boulevard  
Anjou (Québec)  
H1J 1K7  
(514) 352-1221

#### Stuart Bakery Plant

235 Laurier Street West  
Montréal (Québec)  
H2T 2P1  
(514) 273-9141

#### Vachon Distribution Center

3115 L'Assomption Boulevard  
Montréal (Québec)  
H1N 2H1  
(514) 255-7703

### Culinar Foods Inc. Division

#### Main Office

4945 Ontario Street East  
Montréal (Québec)  
H1V 1M2  
(514) 255-2811

#### Anco

Main Office  
6500 Henri-Bourassa Street East  
Montréal (Québec)  
H1G 5W9  
(514) 321-6100

#### Grissol

Main Office  
6818 Jarry Street East  
Saint-Léonard (Québec)  
H1P 1W3  
(514) 327-5345

#### Taillefer

Main Office  
7800 Grenache Street  
Anjou (Québec)  
H1J 1C3  
(514) 353-9350

#### Unico

Main Office  
8000 Keele Street  
Concord (Ontario)  
L4K 1B1  
(416) 669-9633

#### Viau-Lido

Main Office  
2097 Viau Street  
Montréal (Québec)  
H1V 3H3  
(514) 255-2811

### Restaurant Division

#### Le Groupe Resto Inc.

Main Office  
3575 Hamel Boulevard West  
Suite 300  
Québec (Québec)  
G2E 5G3  
(418) 872-0101

#### Le Groupe Resto Inc.

1 Complexe Desjardins  
"La Grande Bouffe" Level  
Montréal (Québec)  
H5B 1B9  
(514) 842-8047

Nutella spread:  
distributed by Grissol in Québec  
and Unico in Ontario.



Vachon's flaky pastry:  
famous under all its brand names.

Vachon Foods dessert fillings:  
a delectable assortment  
of fruits to choose from.

The 'crème de la crème'  
is what you find in  
Vachon and Stuart pastries.



