Maple Leaf Mills Limited

ANNUAL REPORT TO SHAREHOLDERS, MARCH 31, 1969

MAPLE LEAF MILLS LIMITED

financial highlight summary

	Year ended March 31, 1969	Year ended March 31, 1968
Revenue from Sales, Services and Commodity Trading Margins	$149,795,000	$130,851,000
Earnings from Operations before Income Tax	$ 5,878,628	$ 5,378,955
per Dollar of Revenue—(cents)	3.9¢	4.1¢
Income Taxes	$ 2,900,000	$ 2,710,000
per Common Share	$1.82	$1.70
Net Earnings from Operations after Income Tax	$ 2,978,628	$ 2,668,955
per Dollar of Revenue—(cents)	2.0¢	2.0¢
per Common Share	$1.86	$1.67
Net Earnings including share of unconsolidated subsidiaries	$ 3,694,424	$ 3,145,687
per Common Share	$2.25	$1.91
Dividends	$ 1,455,115	$ 1,414,670
per Preferred Share	$5.50	$5.50
per Common Share	$ .85	$ .80
Working Capital	$ 19,338,622	$ 18,190,378
Additions to Fixed Assets	$ 3,651,467	$ 5,498,294
Depreciation	$ 2,508,601	$ 2,410,898
Common Shares Outstanding	1,597,245	1,596,920
Common Shares Book Value	$26.93	$25.53
Common Shareholders	2,578	2,747

MAPLE LEAF MILLS LIMITED

DIRECTORS:	A. D. Clark	James L. Lewtas, Q.C.
	R. G. Dale	F. H. Logan
	J. D. Gibson	G. M. MacLachlan
	Dr. James Gillies	J. D. Mingay
	L. A. Kaake	B. A. Norris
	J. D. Leitch	J. H. Taylor
OFFICERS:	*Chairman of the Board*	J. D. Leitch
	President & Chief Executive Officer	G. M. MacLachlan
	Executive Vice-President	R. G. Dale
	Vice-President & Secretary	H. V. Hawkins
	Vice-President Finance & Treasurer	J. A. Telfer
	Controller	J. J. Wigle
SENIOR VICE-PRESIDENTS:	A. W. Archibald	P. W. Strickland
VICE-PRESIDENTS:	C. P. Coutts	W. G. Milliken
	S. A. Miller	C. L. Turner
BANKERS:	Canadian Imperial Bank of Commerce	
	The Toronto-Dominion Bank	
	Bank of Montreal	
TRANSFER AGENTS & REGISTRARS:	Crown Trust Company, *Toronto and Montreal*	
AUDITORS:	Clarkson, Gordon & Co., *Toronto*	

TO THE SHAREHOLDERS

Operations during the twelve months ended March 31st, 1969, resulted in earnings of $2.25 per common share. Sales totalled $149,795,000, an increase of 14% over 1968. Contributing to the larger earnings this year were a profit on the sale of fixed assets and the inclusion of the Company's share of the earnings of certain subsidiaries for the first time. Earnings for the previous year have been restated on a comparable basis and were $1.91 per share. Total earnings of $3,694,424 compared with $3,145,687 for the equivalent period in 1968.

The regular dividend of 80¢ a share and an extra of 5¢ was paid. Working capital increased $1,148,244 after outlays of $4,734,344 for fixed assets and other investments, reduction of funded debt $529,000, preferred and common dividends $1,455,115 and other payments amounting in all to $6,929,812.

The year was one of change, particularly in the profit contributions of the various divisions. Agricultural activities for the first time became the largest profit earner amongst the divisions of the Company. Bulk flour sales, although at a record level, continued their trend toward a less predominant, but still important segment of the total mix of food, consumer products and agricultural business of the Company. The Grain Division enjoyed a good year and the Vegetable Oil Division held its own compared with results in recent years. The Seed Department is improving steadily.

This was a year in which corporate food and agricultural activities have been under attack by consumers' groups and under investigation by government bodies. We believe that our future as a free enterprise company depends upon our ability to provide urban and rural consumers with the type of product and the kind of service they require at a fair and competitive price. We are confident that we have the ability to do so and welcome the opportunity, but it is difficult not to feel apprehensive that some well-intentioned government activities on both federal and provincial levels, in connection with consumer protection legislation and marketing boards, could make corporate aims more difficult to achieve and tend to increase the price of products sold at a time when holding the line on inflation is so important. The industry is doing its best to co-operate and participate in policy decisions of the various government authorities for constructive results.

In the field of agriculture the Company is steadily increasing the number of its retail stores and there are now 39 in operation. This division is moving rapidly to a position where it can offer the farmer a complete service to meet his business needs, from financing of production to marketing of the finished product. Obviously, a prosperous farmer and customer is a prime Company concern and one of the many services offered is advice on how he may improve his returns. In Western Ontario the Grain Division has expanded its gathering facilities of grains for marketing throughout Eastern Canada and abroad. Quebec grain and feed operations continue at an important level.

The Flour and Grocery Products Division has introduced a new type of bread flour, which is more easily handled by the commercial baker, and several new consumer convenience foods. A major effort is under way to market a broader range of pet foods of improved variety. The Russian flour contract has been renewed for another year at the same volume. Other export flour sales remained at about the same level but the rigid wheat pricing policy of Canada without a subsidy to compensate makes profitable selling almost impossible. An interesting foreign flour milling venture in partnership with the Government of Haiti is commencing in June.

Research activities have been expanded. A range of new grocery products is in the process of being introduced or consumer tested and a team is investigating industrial uses for flour. A new research farm is coming into operation at Hornby, Ontario, embodying the latest advances in agricultural techniques and will be a Company showplace, as well as of great practical value when completed this year. Major research projects for improvement of seed varieties, particularly corn, are also in progress.

The frequently predicted world shortage of food has not yet materialized and surpluses are building in many parts of the world, including Canada. For those experienced in the practice of agriculture this is not surprising because it seems that the ability of mankind to increase the supply of food with the aid of modern techniques and the use of chemicals is likely to be such as to push into the future any spectre of general starvation on this planet. The problem of how to control the propensity to over-production and distribute surplus food to deficient areas is more likely to be of immediate concern.

The business of food and agriculture, like so many others, is in the process of rapid change. We attempt to anticipate such change and plan to profit thereby, and also contribute to the change itself through the introduction of new managerial and scientific techniques and thought in all parts of the business. A new information system will go into operation this fall and provide more current data on which to base planning. The coming year will present the challenge and the opportunity to translate the new high level of sales into a corresponding level of net profit. The problem of inflation remains with us. During the year wage settlements on an industry basis continued to be at a level far above any productivity improvement and the Company experienced a short strike at one plant over the wage issue. The increased production costs occurring year after year make it impossible to hold the line on domestic prices and are gradually placing Canadian-produced flour in an even less competitive position in foreign markets.

Without the skill, energy and devotion of so many of the men and women who worked for Maple Leaf Mills, it would not be possible to accomplish many of our aims successfully. We are said to be entering a new era in business development when knowledge becomes more and more important. We are supporting this concept through Company-subsidized educational programs and recruitment so as to have a reservoir of able people at all levels of operation. We hope this will keep the Company virile and adventurous, and sustain an exciting atmosphere in which to work and build a career. To all who have contributed towards making the past year a success—our thanks.

On Behalf of the Board of Directors

G. M. MacLachlan,
President and
Chief Executive Officer

Toronto, Canada
May 27, 1969

Five-Year Statement of Earnings

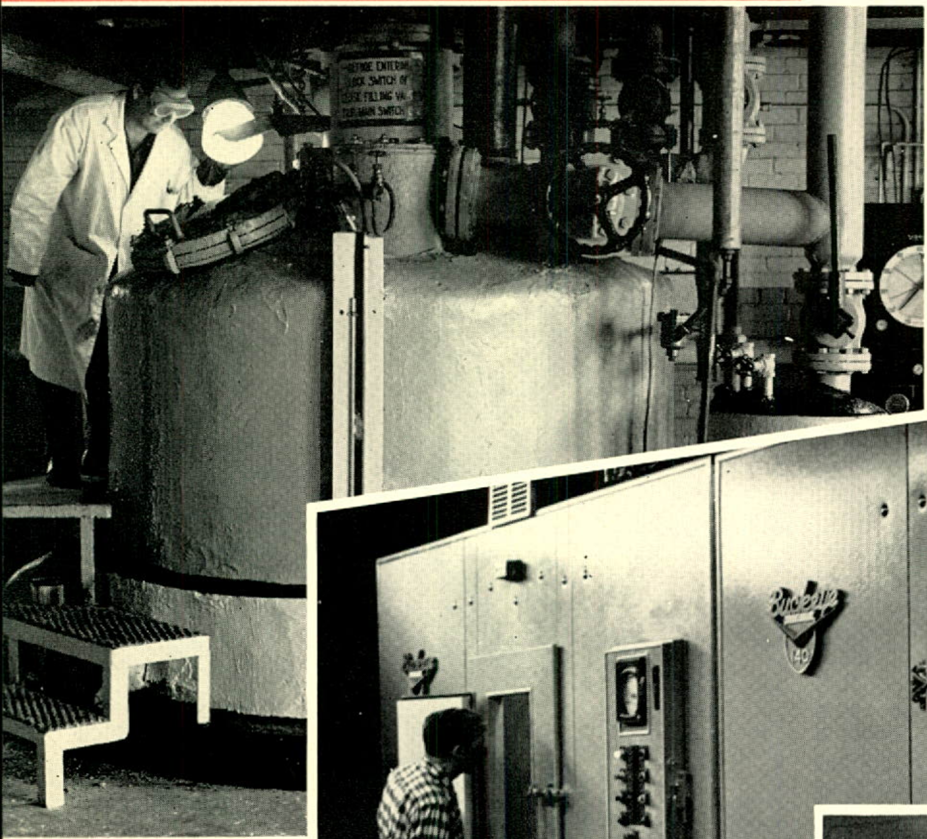
	1969	1968	1967 (note 1)	1966	1965
Earnings from Operations before undernoted items	$8,727,474	$8,439,059	$6,506,336	$9,211,699	$8,175,575
Income from marketable securities	—	50,054	42,150	53,933	24,927
Profit on sale of fixed assets	277,744	47,562	38,316	95,478	24,274
Profit on retirement of sinking fund debentures	82,490	47,175	31,460	—	—
	$9,087,708	$8,583,850	$6,618,262	$9,361,110	$8,224,776
Deduct:					
Depreciation	$2,508,601	$2,410,898	$1,528,000	$2,416,296	$2,610,202
Interest on funded debt	653,863	707,116	505,352	885,647	1,100,080
Income taxes	2,900,000	2,710,000	2,447,000	2,983,000	2,234,000
Minority interest in earnings of subsidiaries	5,640	18,246	13,037	17,664	9,916
Loss (Profit) on sale of marketable securities	40,976	68,635	(37,416)	(43,081)	—
	$6,109,080	$5,914,895	$4,455,973	$6,259,526	$5,954,198
Earnings from Operations	$2,978,628	$2,668,955	$2,162,289	$3,101,584	$2,270,578
Share of Earnings of unconsolidated subsidiaries (note 2)	715,796	476,732	89,385	217,984	236,818
Net Earnings	$3,694,424	$3,145,687	$2,251,674	$3,319,568	$2,507,396

Notes:

(1) 1967 was an eight month period

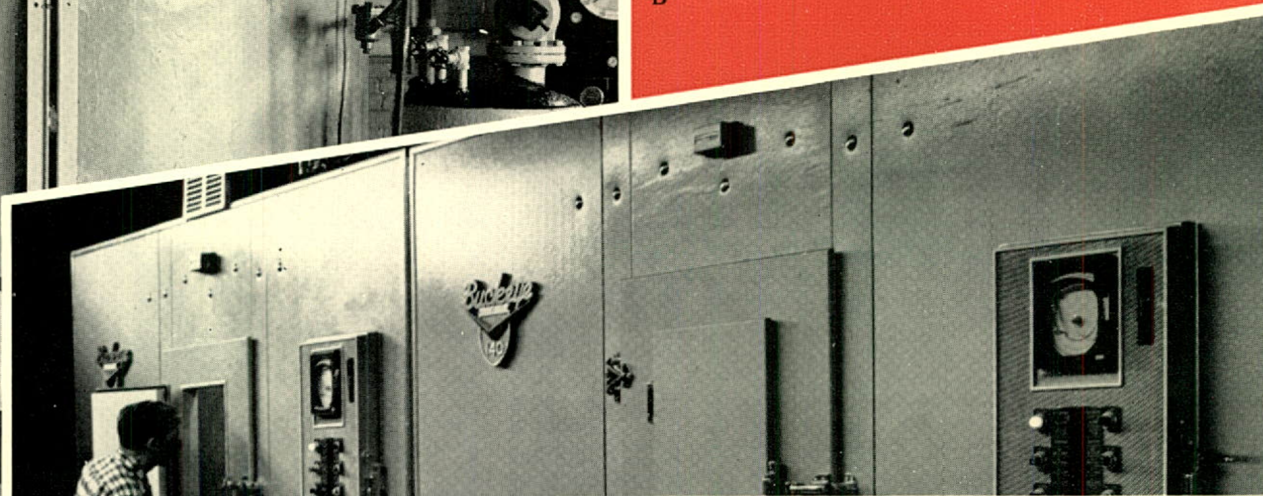
(2) The Company adopted the equity method of accounting for unconsolidated subsidiaries in 1969 and 1968 has been restated accordingly. However, for the years 1965 to 1967 only dividends received are shown in the above table.

A




THE FUN WAY TO GROW GRASS
Formula 15
GRASS SEED
Fancy Quality
MONEY BACK GUARANTEE!
UTILITY
GRASS SEED
CANADA No. 1

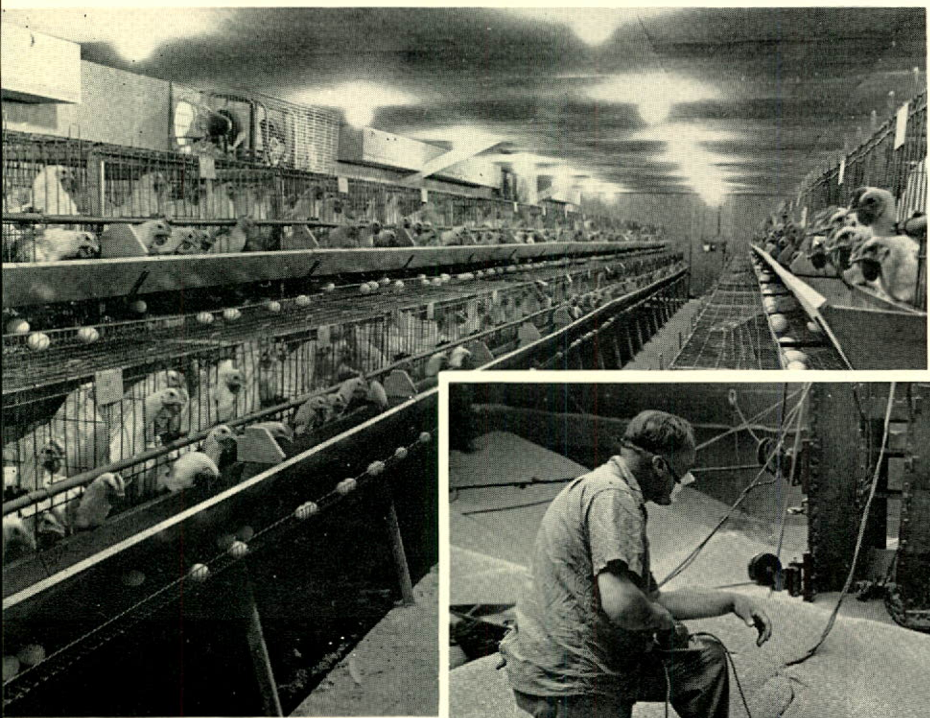
B


Buckeye

C


EVERYBODY WINS
WITH PURITY FLOUR
SAVE UP TO 49%
CANNON TOWELS
PURITY FLOUR
JOLLY MILLER

D



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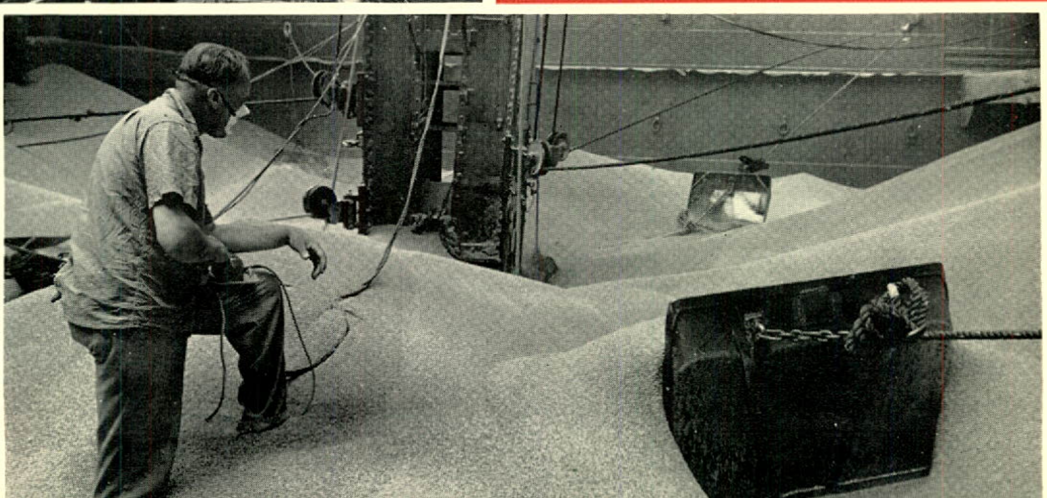

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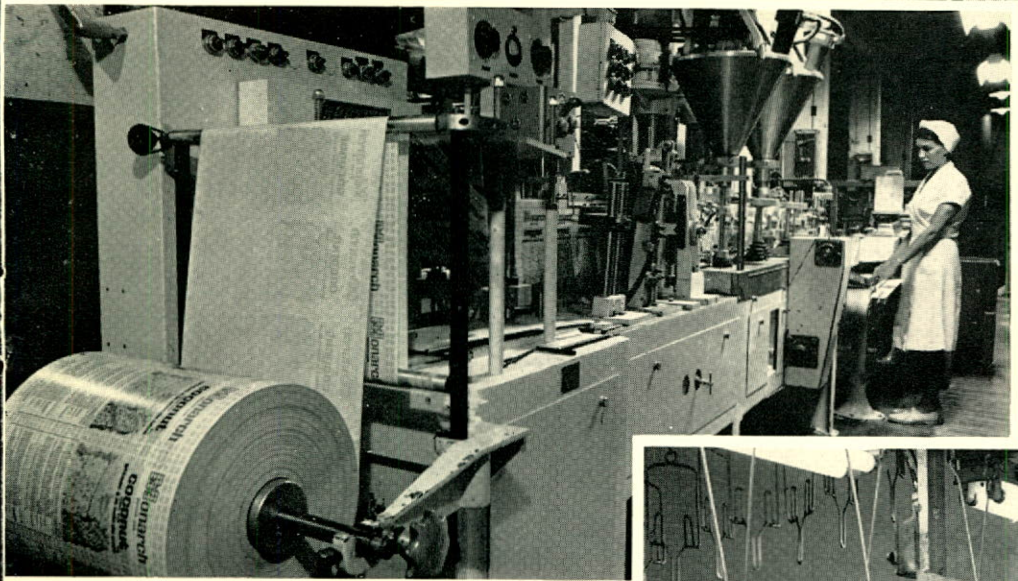
G

H



I

A. *polymerization kettle-Vegetable Oil Division.*

B. *one of the Seed Division's many products.*

C. *Incubator at Company chick hatchery.*

D. *Purity flour promotion display.*

E. *'caged laying hens' at Master Research Farm.*

F. *unloading grain from ship's hold at a Company elevator.*

G. *Monarch cake mix line.*

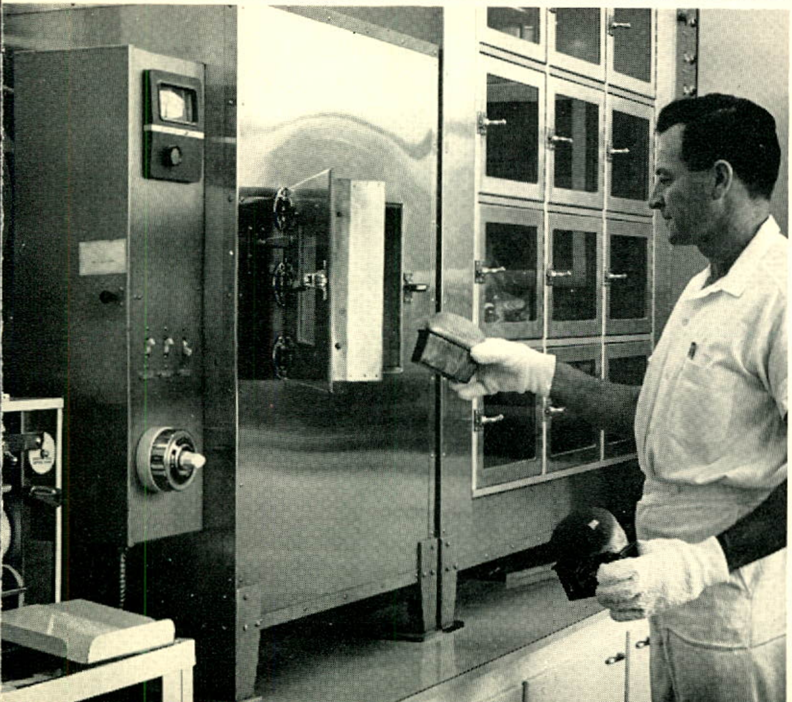
H. *Master feed store.*

I. *chicken processing line—Sky Line Farms.*

J. *at Company Research bakery.*

K. *a portion of the pet food line.*

J



K

MAPLE LEAF MILLS LIMITED

(Incorporated under the laws of Ontario)

assets

	1969	1968
CURRENT:		
Cash	$ 36,004	$ 81,975
Accounts and bills receivable	24,312,971	20,497,342
Accounts receivable from unconsolidated subsidiaries	1,223,520	1,630,313
Contract sales, due on future delivery of grain and other products	11,236,852	9,527,956
Inventories—		
Wheat held as agent for the Canadian Wheat Board, at cost	11,591,141	14,812,079
Finished products and materials held for production, at the lower of cost and market	18,939,867	18,329,778
Other grains, at market	2,073,139	2,524,820
Prepaid expenses	567,415	450,976
Marketable securities, at cost (market value $2,000,000; 1968—$197,000)	2,000,000	238,555
Total current assets	71,980,909	68,093,794
INVESTMENTS:		
Mortgages and other investments, at cost, less amounts written off	6,263,224	5,259,040
Unconsolidated subsidiaries (note 1)	4,964,807	4,313,386
	11,228,031	9,572,426
FIXED:		
Real estate, plant and equipment, at cost	59,725,619	60,916,398
Less accumulated depreciation	31,943,634	32,061,251
	27,781,985	28,855,147
OTHER:		
Refundable tax	90,070	169,624
Repair parts and supplies	181,444	189,163
Goodwill at cost, less amortization	263,281	236,081
Unamortized debenture discount and expenses	305,941	339,863
	840,736	934,731
	$111,831,661	$107,456,098

consolidated balance sheet, March 31, 1969

(with comparative figures for 1968)

liabilities

	1969	1968
CURRENT:		
Bankers' advances (note 2)	$ 34,120,917	$ 37,687,135
Notes payable	6,575,000	1,300,000
Grain and other commodity commitments	4,170,900	2,806,947
Accounts payable and accrued charges	6,444,499	6,174,458
Income and other taxes payable	987,055	1,228,610
Dividends payable	343,916	343,866
Funded debt payable within one year	—	362,400
Total current liabilities	52,642,287	49,903,416
FUNDED DEBT:		
$5\frac{3}{4}$% sinking fund debentures maturing December 1, 1981—sinking fund retirements of $500,000 annually up to and including 1980	10,971,000	11,500,000
DEFERRED INCOME TAXES	3,255,500	3,305,600
MINORITY SHAREHOLDERS' INTEREST IN SUBSIDIARY COMPANIES	86,876	113,315
SHAREHOLDERS' EQUITY:		
Capital stock (note 3)—		
Authorized:		
75,000 preference shares Class A, par value $100 each		
18,610 $5\frac{1}{2}$% preference shares Class B (cumulative, redeemable and voting), par value $100 each		
4,000,000 common shares without par value		
Issued:		
18,609.21 preference shares Class B	1,860,921	1,862,215
1,597,244.85 common shares	5,188,509	5,184,552
	7,049,430	7,046,767
Less 5,390 common shares held by a subsidiary	4,270	4,270
	7,045,160	7,042,497
Contributed surplus	577,181	576,922
Earned surplus	37,253,657	35,014,348
	44,875,998	42,633,767
	$111,831,661	$107,456,098

On behalf of the Board:

J. D. LEITCH, *Director*

G. M. MACLACHLAN, *Director*

M A P L E L E A F M I L L S L I M I T E D

for the year ended March 31, 1969
(with comparative figures for 1968)

statement of consolidated earnings

	Year ended March 31, 1969	Year ended March 31, 1968
Revenue from sales, services and commodity trading margins (note 8)	$149,795,000	$130,851,000
Earnings from operations before the items set out below	$ 10,743,825	$ 9,798,182
Income from mortgages and other investments	254,971	269,555
Income from marketable securities	—	50,054
Profit on sale of fixed assets	277,744	47,562
Profit on retirement of sinking fund debentures	82,490	47,175
	11,359,030	10,212,528
Deduct:		
Depreciation	2,508,601	2,410,898
Interest on bankers' advances and notes	2,197,600	1,553,833
Interest on funded debt	653,863	707,116
Loss on sale of marketable securities	40,976	68,635
Amortization of goodwill	39,800	39,800
Amortization of debenture discount and expenses	33,922	35,045
Minority interest in earnings of subsidiary companies	5,640	18,246
	5,480,402	4,833,573
Earnings from operations before income taxes	5,878,628	5,378,955
Income taxes (note 4)	2,900,000	2,710,000
Earnings from operations	2,978,628	2,668,955
Share of earnings of unconsolidated subsidiaries (including dividends received of $182,289; 1968—$174,937) (note 1)	715,796	476,732
Earnings for the year (note 1)	$ 3,694,424	$ 3,145,687

statement of consolidated earned surplus

Balance at beginning of year	$ 35,014,348	$ 31,196,456
Adjustment of carrying value in unconsolidated subsidiaries as at April 1, 1967 (note 1)	—	2,886,875
Earnings for the year	3,694,424	3,145,687
	38,708,772	37,229,018
Deduct:		
Dividends—		
Preference shares	102,245	102,293
Common shares	1,352,870	1,312,377
	1,455,115	1,414,670
Provision for loss in value of ocean vessel	—	800,000
	1,455,115	2,214,670
Balance at end of year	$ 37,253,657	$ 35,014,348

for the year ended March 31, 1969

(with comparative figures for 1968)

statement of consolidated source and use of funds

	Year ended March 31, 1969	Year ended March 31, 1968
Source of funds:		
Funds generated from operations	$ 5,527,589	$ 5,500,973
Sale of fixed assets	2,460,272	230,352
Repayment of refundable tax	79,554	—
Issue of common shares	3,957	30,194
Other items	6,684	7,354
	8,078,056	5,768,873
Use of funds:		
Purchase of fixed assets	3,651,467	5,498,294
Payment of dividends	1,455,115	1,414,670
Mortgages and other investments (net)	1,082,877	124,333
Reduction of funded debt	529,000	794,400
Investment in unconsolidated subsidiaries	117,914	223,710
Purchase of goodwill	67,000	—
Redemption of preference shares of subsidiaries	26,439	402,560
Working capital deficiency of a subsidiary acquired in 1967	—	201,271
Payment of refundable tax	—	55,411
	6,929,812	8,714,649
Increase (decrease) in working capital	$ 1,148,244	$ (2,945,776)
Working capital, end of year	$19,338,622	$18,190,378

notes to consolidated financial statements, March 31, 1969

1. Unconsolidated Subsidiaries

Because of large minority interests the financial statements of these companies have never been fully consolidated with those of Maple Leaf. In accordance with recent trends in practice the basis of accounting for the investment in two subsidiaries (Canada Bread Company, Limited and Eastern Bakeries Limited) has now been changed to the equity method so as to carry these investments at the company's share of their net assets and to include in earnings the company's share of their earnings for the year ended March 31, 1969. (In previous years only dividends received from these companies were taken into earnings.) The 1968 figures have been restated and accordingly reflect the company's share of their earnings for the twelve months ended March 31, 1968.

The assets and liabilities and income of Canadian Bakeries Limited (a 99% owned subsidiary), whose principal asset is a minority interest in McGavin Toastmaster Limited, have now been consolidated with those of the company. Dividends of $48,300 received from the latter in 1969 and 1968 are included in "Income from mortgages and other investments".

In making these changes there has been added to earned surplus the amount of $2,886,875 as of April 1, 1967, representing Maple Leaf's share of the retained earnings of these subsidiaries since acquisition less adjustments for goodwill and to eliminate amounts added on revaluation of investments in subsidiaries in 1926.

As a result of the changes, 1969 earnings have been increased by $526,938 and 1968 earnings, as restated, by $296,423.

2. Bankers' Advances

Bankers' advances are secured by assignment of inventories and a general assignment of accounts receivable.

3. Capital Stock

During the year 325 common shares were issued under the employees' stock option plan for a total consideration of $3,957. There are options outstanding on 30,779 common shares under the employees' stock option plan which become exercisable over a period of years at prices ranging from $6.60 to $16.50 per share.

4. Income Taxes

Income taxes for the year were reduced by approximately $200,000 ($150,000 in 1968) as a result of the deduction of losses of a subsidiary carried forward from prior years.

5. Remuneration of Directors and Senior Officers

Directors and senior officers of the company were paid $388,907 by the company and $3,156 by the unconsolidated subsidiaries as direct remuneration.

6. Contingent Liability

There is a guarantee under a line of credit of $800,000 to an associated company on which the indebtedness at March 31, 1969 amounted to $179,500.

7. Working Capital and Surplus Restrictions

Under the trust indenture securing the debentures and the letters patent authorizing the $5\frac{1}{2}\%$ preference shares Class B, there are covenants for the maintenance of working capital; under the most restrictive of these covenants, dividends may not be paid that would have the effect of reducing consolidated working capital (as defined) below $8,000,000 or reducing the consolidated equity (as defined) below $25,000,000.

8. Revenue from Sales, Services and Commodity Trading Margins

The 1968 figure has been restated on a basis comparable with 1969.

auditors' report

To the Shareholders of
Maple Leaf Mills Limited:

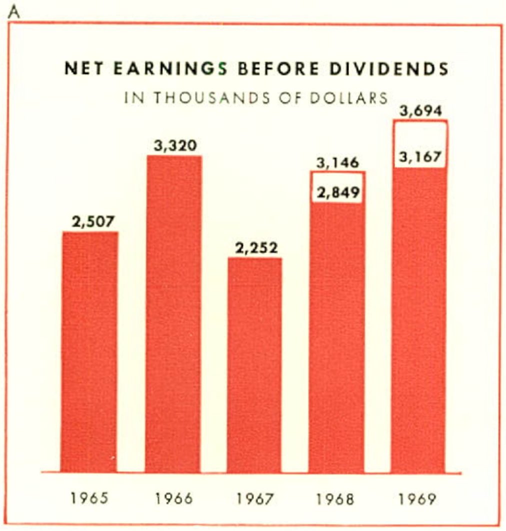
We have examined the consolidated balance sheet of Maple Leaf Mills Limited as at March 31, 1969 and the statements of consolidated earnings, earned surplus and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1969 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the change described in note 1, with which we concur.

Toronto, Canada,
May 27, 1969

Clarkson, Gordon & Co.
Chartered Accountants

A



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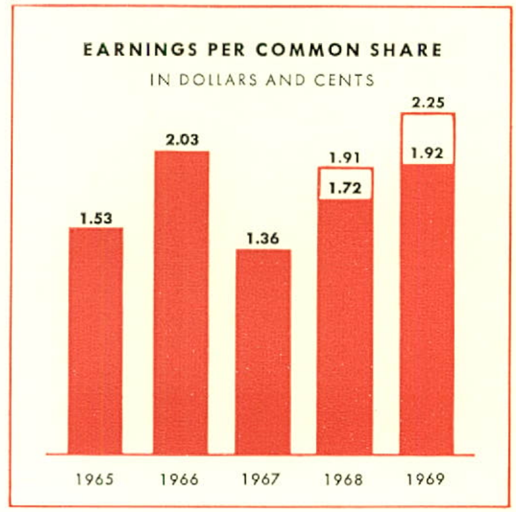

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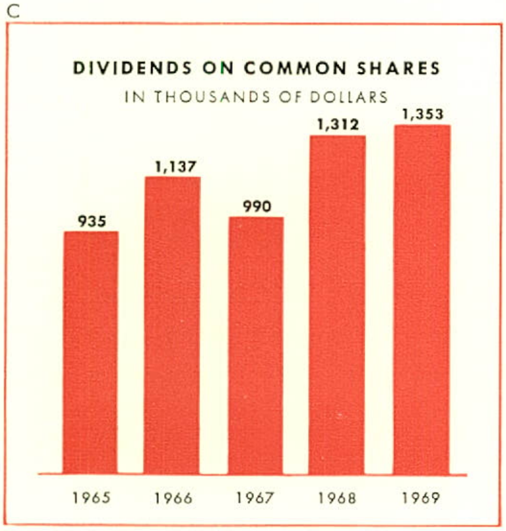

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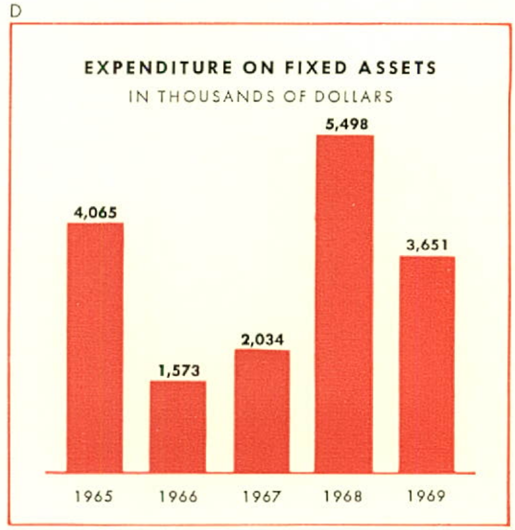
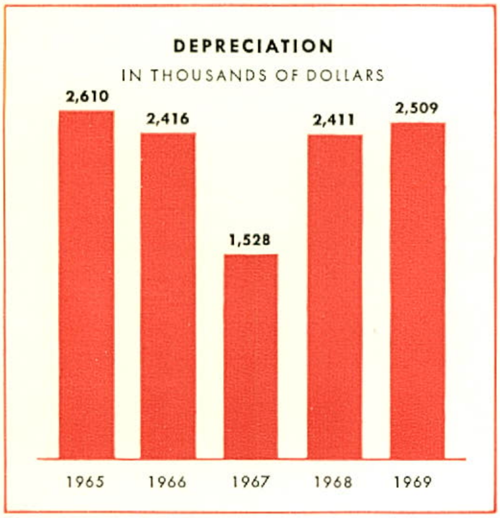


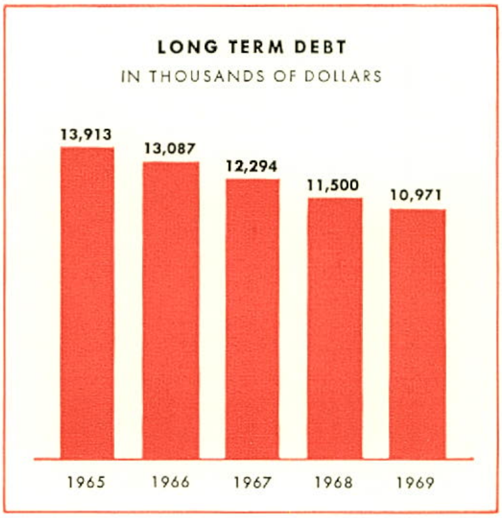
NOTES:

1. 1967, on all graphs, is an eight month period.
2. The coloured portions illustrate the comparative basis for five years. On graphs A, B, and G the effect of the equity basis of accounting for unconsolidated subsidiaries, in 1968 and 1969 only, is reflected by the white area.

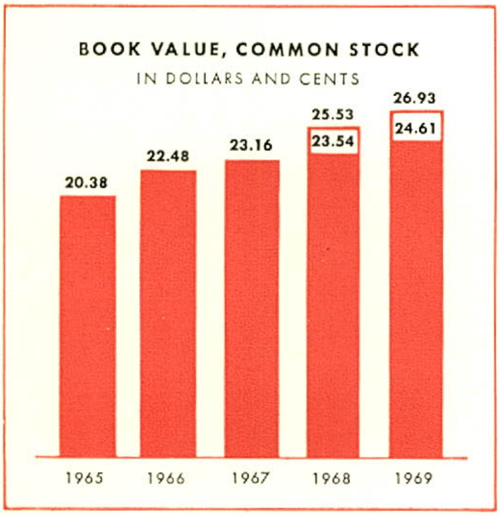
E


DEPRECIATION
IN THOUSANDS OF DOLLARS
2,610
2,416
1,528
2,411
2,509
1965
1966
1967
1968
1969

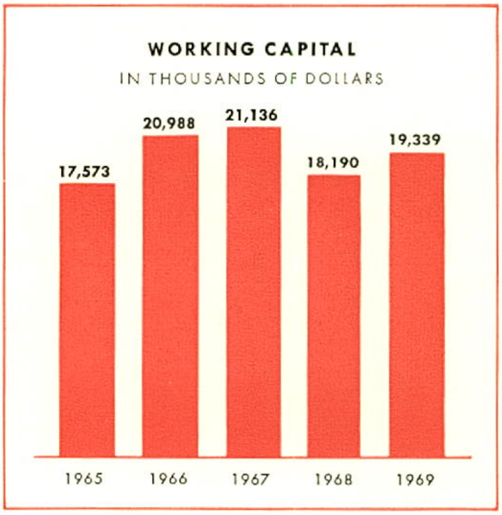
F


LONG TERM DEBT
IN THOUSANDS OF DOLLARS
13,913
13,087
12,294
11,500
10,971
1965
1966
1967
1968
1969

G


BOOK VALUE, COMMON STOCK
IN DOLLARS AND CENTS
20.38
22.48
23.16
25.53
23.54
26.93
24.61
1965
1966
1967
1968
1969

H


WORKING CAPITAL
IN THOUSANDS OF DOLLARS
17,573
20,988
21,136
18,190
19,339
1965
1966
1967
1968
1969

MAPLE LEAF MILLS LIMITED

Grocery Products

Purity Flour	Cream of the West Flour Monarch Soft Wheat Flour
Monarch Pouch-Pak Mixes	Monarch Sponge Puddings
Monarch Tea Bisk	Monarch Sugar Pie
Monarch Parfait-Dessert	Monarch Muffin Mixes
Monarch Tart Mixes	Monarch Icing Mixes
Red River Cereal	Brex Cereal
Master Pet Foods	Steele Briggs and Rennies Seeds

Bakery Products

Bakery Flours, including Durum, Rye, Corn, Hovis and No-Ferm Flour
Bulk Cake Mixes, Propionates

Export Sales

All domestic grocery and bakery products and the products of E. D. Smith & Sons, Limited, St. Lawrence Starch Company Limited, McLarens Foods Limited, Culverhouse Canning Company Limited, Canada Vinegars Limited and Burns Foods Limited.

Agricultural

Master Feeds for all types of poultry, dairy and beef cattle, hogs, horses, and mink. Poultry meat and select chicks. Farm Equipment. Farm and lawn seeds. Agricultural dry and liquid fertilizers and chemicals.

Grains and International Trade

Merchandising of wheat, oats, barley, corn, soybeans, rye and flax. Coconut, peanut, palm kernel, sunflower seed and marine oils.

Vegetable Oil Products

Double Diamond linseed oilcake and soybean meal; processed linseed, soybean, castor and specialty oils; soybean lecithin; concrete protector; epoxy ester resin solutions.