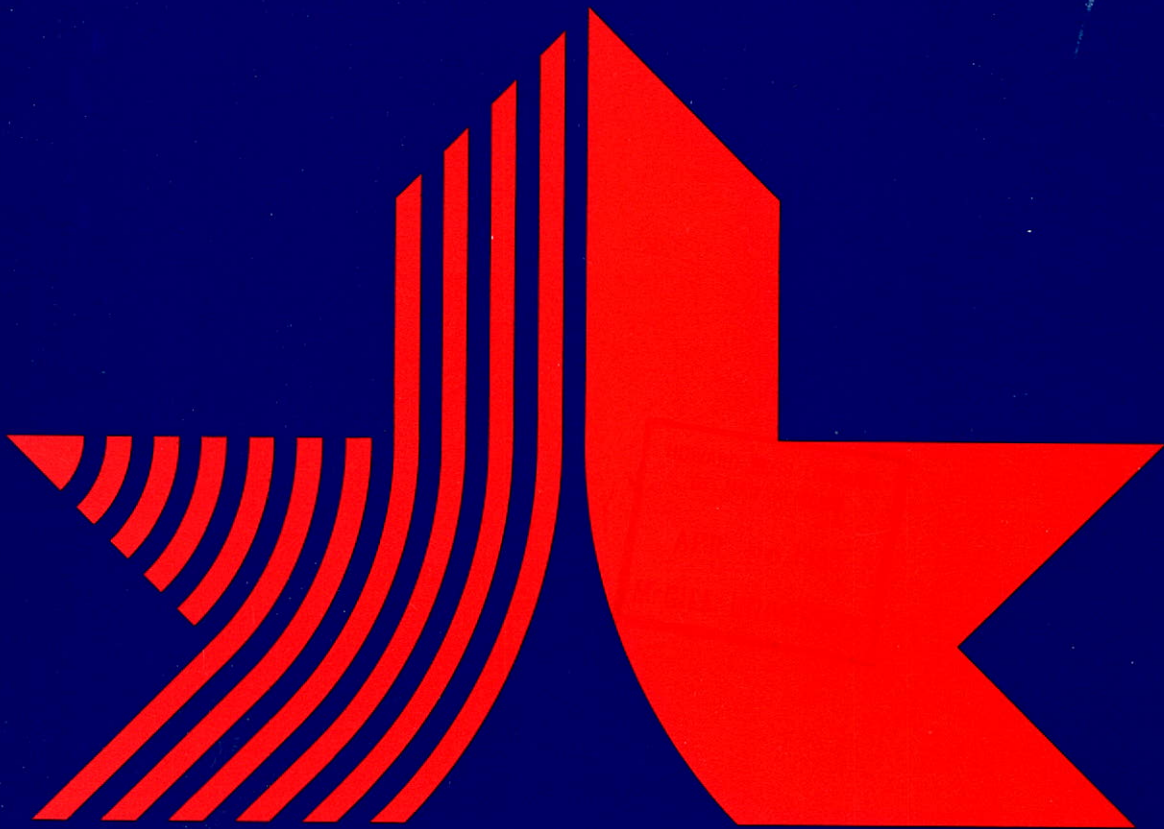


Maple Leaf Mills
Limited

Annual Report
1982





To the Shareholder

During the fiscal year 1982, sales and operating revenues of \$912,737,000 were marginally (1.7%) below those of 1981 and net earnings of \$12,384,000 declined by 15%.

The Agricultural and Grain operations of the Company continued to be adversely affected by the general farm economy and results in Eastern Canada were severely depressed by the virtual failure of the Ontario wheat crop and low grain prices. In spite of this situation the terminal elevator operations showed encouraging improvement.

Our Poultry Division recorded good results for the year, increasing its earnings in both its traditional fully integrated businesses and the specialty chicken segment of Stillmeadow Farms.

The Rendering Division performed well in the face of declining international prices for protein and tallow and strong competition in domestic markets. Similar conditions adversely affected the results of our joint venture vegetable oil operation, Maple Leaf Monarch Company, which although showing significant improvement incurred a net loss for the current year.

The Flour Division continued to do well in spite of further declines in export shipments and lower millfeed prices which reduced margins in the domestic market. The Division which operates six mills in Canada continues to benefit from the rationalization and modernization of its facilities and is a leader in its field. The baking mix segment of its operations again showed encouraging growth and a new fully automated plant is now under construction at Calgary, which will be the most modern of its kind in North America.

The Grocery Products Division had a record year. Margins for case goods and beverages were significantly improved as a result of lower input costs and the Division benefitted from their branch office consolidation program initiated at the end of the prior year.

The results of the International Division, while below those of the previous year, were satisfactory. The commodity trading operations were expanded with the opening of an office in Minneapolis, which ties in well with the Division's other trading activities in Winnipeg, Chatham, Toronto and overseas. During the year the Company's contract to manage the flour mill owned by the Republic of Haiti expired and after lengthy negotiations was not renewed.

Our Associated Bakery operations did exceptionally well in Ontario, Quebec and the Maritimes, but results in Western Canada deteriorated during the year due to intense competition and the importation of bread and rolls from the United States.

Overall the Company performed well in the extremely difficult economic environment which has existed in Canada and in our markets overseas. The efforts of our employees at every level of the Company combined with the determination to improve results is much appreciated and bodes well for the future.

While we do not anticipate any significant upturn in the economy during 1983, we look for some improvement in our results during the year and remain confident that we are in an excellent position to take advantage of special opportunities that may occur in Canada and overseas, and we continue to be optimistic about the long term future of our diversified agribusiness operations.

On behalf of the Board of Directors.

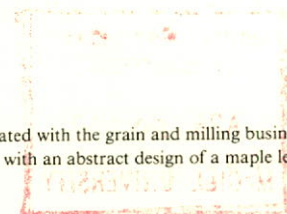
Robert G. Dale
Chairman and
Chief Executive Officer

Robert S. DeMone
President and
Chief Operating Officer

March 2, 1983

The cover:

The new corporate symbol for Maple Leaf Mills Limited evolved from a number of forms and objects traditionally associated with the grain and milling business: the general shape of a grain elevator, the curved pattern of a harvested wheat field or the stems of a wheat sheaf. These elements, combined with an abstract design of a maple leaf, create a unique trademark, symbolizing the diversification of the Company and its upward trend, starting from a solid and stable base.



Maple Leaf Mills Limited

Directors

R. W. Campbell	L. Y. Fortier
D. Corner	J. W. Kerr
R. G. Dale	J. H. Panabaker
R. S. DeMone	W. J. Stenason
S. E. Eagles	J. A. Telfer

Officers

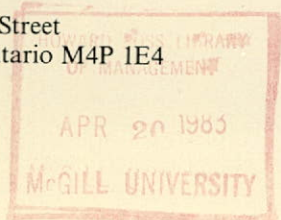
R. G. Dale,	Chairman of the Board and Chief Executive Officer
R. S. DeMone, D. Corner, J. A. Telfer,	President and Chief Operating Officer Executive Vice-President Executive Vice-President
W. E. Paterson,	Senior Vice-President, International Operations
J. J. Wigle,	Senior Vice-President, Finance
G. B. Ballantyne,	Vice-President, Rendering Operations
J. W. Cargill,	Vice-President, Administration
A. H. James,	Vice-President, Flour
H. G. Jones,	Vice-President, Poultry
J. W. MacDonald,	Vice-President, Grocery Products
V. J. Malta,	Vice-President, Farm Supply
D. D. Brown,	Corporate Controller
J. A. Bagg,	Assistant Corporate Controller
R. J. Mogg,	Assistant Corporate Controller
R. E. Lennox,	Secretary-Treasurer
P. Kriwoy,	Assistant Secretary
G. S. MacLean,	Assistant Secretary

Associated Companies Officers

N. T. Currie,	President and Chief Executive Officer, Corporate Foods Limited
D. Devine,	President and Chief Executive Officer, McGavin Foods Limited
D. G. Hickingbottom,	President and Chief Executive Officer, Eastern Bakeries Limited
D. G. Ottaway,	President and Chief Executive Officer, Maple Leaf Monarch Company

Head Office

2300 Yonge Street
Toronto, Ontario M4P 1E4



Auditors' Report

To the Shareholder of
Maple Leaf Mills Limited:

We have examined the consolidated balance sheet of Maple Leaf Mills Limited as at December 31, 1982 and the consolidated statements of earnings, 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, 1982 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.

Price Waterhouse

Chartered Accountants

February 17, 1983
Toronto, Canada

Consolidated Financial Statements

for the year ended December 31, 1982

Consolidated Statement of Earnings

for the year ended December 31, 1982
(000's omitted)

	1982	1981
Sales and revenues:		
Sales and operating revenues	\$905,676	\$919,986
Interest, investment and other income	4,682	4,929
Equity in net earnings of associated companies	2,379	3,530
	912,737	928,445
Costs and expenses:		
Cost of sales and operating expenses	803,720	820,979
Selling and administrative expenses	58,614	54,196
Depreciation and amortization	12,898	10,721
Interest on long-term debt	11,695	10,910
Interest on short-term debt	4,237	7,762
Minority interest	2,189	1,823
	893,353	906,391
Earnings before income taxes and extraordinary items	19,384	22,054
Income taxes (note 8)	7,800	7,500
Earnings before extraordinary items	11,584	14,554
Extraordinary items (note 9)	800	—
Net earnings	\$ 12,384	\$ 14,554

Consolidated Statement of Retained Earnings

for the year ended December 31, 1982
(000's omitted)

	1982	1981
Retained earnings at beginning of year	\$ 16,517	\$ 1,963
Net earnings	12,384	14,554
	28,901	16,517
Dividends	6,745	—
Retained earnings at end of year	\$ 22,156	\$ 16,517



Consolidated Balance Sheet

December 31, 1982 (000's omitted)

Assets

	1982	1981
Current:		
Short-term deposits and investments, at cost which approximates market	\$ 6,964	\$ 5,391
Due from affiliated company (note 12)	4,183	1,946
Accounts receivable	57,384	70,851
Inventories (note 2)	73,573	60,659
Prepaid expenses	1,671	2,110
Total current assets	143,775	140,957
Investments in associated companies (note 3)	17,725	18,538
Property and equipment (note 4)	138,490	129,257
Other assets	9,731	8,236
	\$309,721	\$296,988

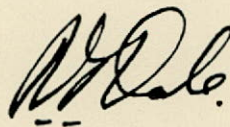
Maple Leaf Mills Limited

Liabilities

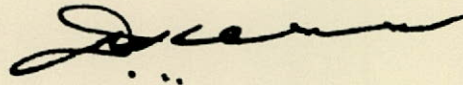
	1982	1981
Current:		
Bank indebtedness	\$ 15,978	\$ 27,087
Due to affiliated companies (note 12)	7,383	2,238
Accounts payable and accrued liabilities	47,126	45,817
Income and other taxes payable	4,130	4,290
Long-term debt maturing within one year	3,890	4,009
Dividends payable	2,500	—
Total current liabilities	81,007	83,441
Long-term debt (note 5)	85,108	76,617
Accrued pension costs (note 6)	2,669	2,616
Deferred income taxes	6,450	6,917
Minority interest in subsidiaries:		
Preference shares	1,225	1,225
Common shares	8,753	7,302
	9,978	8,527
Shareholder's equity:		
Share capital (note 7)	102,353	102,353
Retained earnings	22,156	16,517
	124,509	118,870
	\$309,721	\$296,988

On behalf of the Board:

Director
R. G. Dale



Director
J. W. Kerr



Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1982
(000's omitted)

	1982	1981
Source of funds:		
Earnings before extraordinary items	\$11,584	\$14,554
Depreciation and amortization	12,898	10,721
Other	(639)	1,353
Funds from operations	23,843	26,628
Long-term debt issued	13,095	957
Sale of investment	2,900	—
Sale of property and equipment	1,166	1,889
	41,004	29,474
Application of funds:		
Property and equipment	21,494	17,222
Acquisition of subsidiaries	2,779	7,366
Dividends	6,745	—
Long-term debt	4,475	5,874
Other	259	841
	35,752	31,303
Increase (decrease) in working capital	5,252	(1,829)
Working capital at beginning of year	57,516	59,345
Working capital at end of year	\$62,768	\$57,516

Notes to Consolidated Financial Statements

December 31, 1982

1 Summary of accounting policies

(a) Basis of consolidation —

The consolidated financial statements include the accounts of all subsidiaries, and also the company's proportionate share of the accounts of Maple Leaf Monarch Company, a 50%-owned unincorporated joint venture (see note 3). Investments in associated companies are accounted for by the equity method.

The principal subsidiaries and the company's interest therein are set out below:

Corporate Foods Limited	63%
Eastern Bakeries Limited	69%
Maple Leaf Mills Inc.	100%

(b) Inventories —

Grains held for resale, and other inventories where applicable, are valued on the basis of market prices at December 31, including appropriate adjustments for open purchase and sales contracts as well as futures contracts, to effectively state these inventories at the lower of cost and replacement cost. Such inventories, where practicable, are hedged to minimize risk due to price fluctuation. All other inventories are valued at the lower of cost and net realizable value.

(c) Depreciation —

Depreciation is calculated on the straight-line basis. The rates used, as set out below, are estimated to be sufficient to depreciate the cost of the assets over their useful lives:

Buildings	2% - 10% per annum
Machinery and equipment	6% - 33% per annum
Automotive equipment	10% - 30% per annum

(d) Pension costs —

Pension costs for current service are charged to earnings on a current basis. Past service costs relating to changes in pension benefits and in actuarial assumptions are amortized over eight years. Past service costs are funded over periods not exceeding fifteen years.

(e) Capital leases —

Leases which transfer substantially all the benefits and risks of ownership of the leased assets are accounted for as acquisitions of assets and the incurrence of obligations.

(f) Income taxes —

Income taxes are accounted for by the tax allocation method, whereby tax provisions are based on accounting income and taxes relating to timing differences between accounting and taxable income are deferred. Investment tax credits are accounted for using the flow-through method.

(g) Foreign exchange —

Current assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at December 31. Non-current assets and liabilities are translated at historical rates of exchange. Revenues and expenses are translated at the average rates of exchange prevailing for the year. Gains and losses resulting from translation are included in income.

2 Inventories

	1982	1981
	(000's omitted)	
Grains held for resale	\$14,731	\$ 4,011
Material held for production	33,630	25,325
Finished products	25,212	31,323
	\$73,573	\$60,659

3 Investments in joint venture and associated companies

(a) Maple Leaf Monarch Company —

Summary financial information relating to Maple Leaf Monarch Company is as follows:

	Company's proportionate share	
	1982	1981
	(000's omitted)	
Current assets	\$19,741	\$17,065
Fixed assets	26,100	25,757
	45,841	42,822
Less current liabilities	17,027	14,956
Equity	\$28,814	\$27,866
Revenues	\$85,705	\$77,293
Loss before income taxes	\$ (520)	\$ (1,823)

(b) Associated companies —

Summary financial information relating to associated companies as a group is as follows:

	1982		1981	
	Total	Company's Share	Total	Company's Share
	(000's omitted)			
Assets	\$106,459	\$ 37,871	\$ 98,545	\$ 36,713
Equity	50,591	17,725	49,250	18,538
Revenues	379,848	147,528	333,529	130,171
Net earnings	7,643	2,379	10,332	3,530

4 Property and equipment

	1982			1981
	Cost	Accumulated depreciation	Net	Net
	(000's omitted)			
Land and improvements	\$ 13,483	\$ 883	\$ 12,600	\$ 12,139
Buildings	76,409	23,794	52,615	50,931
Equipment	140,557	67,282	73,275	66,187
	\$230,449	\$91,959	\$138,490	\$129,257

5 Long-term debt

	1982	1981
	(000's omitted)	
Maple Leaf Mills Limited —		
13% Note Payable to mature		
May 15, 1986	\$ 4,000	\$ 5,000
17.95% Note Payable to Canadian		
Pacific Securities Limited		
due November 15, 1987	12,500	12,500
16.575% Note Payable to Canadian		
Pacific Securities Limited		
due April 15, 1989	12,500	—
Bank term debt to mature January 31,		
1990 (interest not to exceed prime rate)	10,000	10,000
11 ⁵ / ₈ % Sinking Fund Debentures to		
mature August 1, 1995	15,863	16,735
11% Subordinated Sinking Fund		
Debentures to mature December 31,		
1998 (U.S. \$23,296,000)	26,954	28,458
Corporate Foods Limited —		
8 ¹ / ₂ % Sinking Fund Debentures		
to mature December 15, 1988	2,756	2,976
Obligations under capital leases maturing		
1983 to 1989, interest rates average		
approximately 9%	2,346	3,086
Other	2,079	1,871
	88,998	80,626
Less long-term debt maturing		
within one year	3,890	4,009
	\$85,108	\$76,617

Estimated annual repayment requirements in the next five years are:

	(000's omitted)	
1983	—	\$ 3,890
1984	—	6,547
1985	—	6,261
1986	—	6,475
1987	—	17,962

6 Pension costs

Pension expense totalled \$3,400,000 for the year (\$2,800,000 in 1981). During the year, certain pension benefits were improved thereby giving rise to additional unfunded past service obligations of approximately \$600,000. Based on the most recent independent actuarial valuation of the company's plans, and subsequent improvements in benefits, unfunded past service obligations at December 31 consisted of the following amounts:

	1982	1981
	(000's omitted)	
Accrued in current liabilities	\$ 400	\$ 400
Accrued in non-current liabilities	2,669	2,616
To be amortized	3,100	3,200
	\$6,169	\$6,216

7 Share capital

	1982	1981
	(000's omitted)	
Common shares without par value:		
Authorized — 1,000,000 shares		
Issued — 220,500 shares	\$102,353	\$102,353

8 Income taxes

Income taxes charged to earnings in 1982 include deferred taxes of \$726,000 (\$2,245,000 in 1981).

The following table reconciles the statutory federal and provincial income tax rate to the consolidated effective tax rate on earnings before income taxes and extraordinary items:

	1982	1981
Combined basic federal and provincial		
income tax rate	51.1%	51.1%
Minority interest	5.8	4.2
Equity in net earnings of		
associated companies	(6.3)	(8.2)
3% Inventory allowance	(4.6)	(5.6)
Manufacturing and processing tax credit	(3.9)	(2.8)
Investment tax credit	(3.1)	(3.8)
Other	1.2	(0.9)
Effective tax rate	40.2%	34.0%

9 Extraordinary items

	1982
	(000's omitted)
Gain on sale of investment, net of	
current income taxes of \$500,000	\$1,600
Provision for plant closure, net of	
deferred income taxes of \$800,000	(800)
	\$ 800

10 Commitments and contingency

(a) The company leases property and equipment under agreements which are classified as operating leases. Annual future minimum rentals under operating leases approximate \$3,500,000.

(b) The company is currently attempting to collect management fees due from an overseas company under a contract which expired in 1982. Such fees will be recognized in income when collection becomes reasonably assured.

11 Other statutory information

Remuneration of directors and senior officers totalled \$1,820,816 for the year (\$1,871,085 in 1981).

12 Related party transactions

The company is a wholly owned subsidiary of Canadian Pacific Enterprises Limited.

(a) Canadian Pacific companies —

Some of the company's products are transported by CP Rail at published tariff rates.

The company has a loan agreement with Canadian Pacific Securities Limited to obtain up to \$30,000,000 for working capital requirements. This agreement provides for a demand operating line of credit with interest at the prime rate and a revolving line of credit with loan terms of up to one year with interest based on the lender's cost. The company also participates in a centralized banking system with Canadian Pacific Enterprises Limited.

(b) Other —

In the normal course of business, the company provides management and technical assistance to several companies, including certain associated companies. During the year sales to these companies accounted for approximately 7% (8% in 1981) of consolidated revenues. Accounts receivable as at December 31,

1982 include \$3,894,000 (\$3,557,000 in 1981) receivable from these companies. Sales to and purchases from Maple Leaf Monarch Company amounted to \$21,977,000 (\$21,879,000 in 1981) and \$8,369,000 (\$28,579,000 in 1981) respectively.

13 Segment information

Segment information is shown in the following table. The agricultural products segment includes the production and sale of animal and poultry feeds, protein meals and oils from animal by-products, merchandising grain and operating grain elevators and farm supply centres, and providing management assistance to associated companies overseas. The flour and other food products segment includes the production and sale of flour, consumer grocery products and bakery products. The vegetable oil segment consists of processing and selling vegetable oils and meals through Maple Leaf Monarch Company.

Segment Information (000's omitted)							
1982	SALES				Operating Profit	Capital Expenditures	Depreciation
	Assets	Gross	Inter-segment	Net			
Agricultural products	\$128,314	\$536,520	\$24,401	\$512,119	\$13,495	\$13,729	\$ 6,753
Flour and other food products	109,780	315,378	7,526	307,852	26,824	6,182	4,747
Vegetable oil	45,846	89,890	4,185	85,705	1,093	1,211	1,265
Corporate	8,056					372	133
Investments in associated companies	17,725						
	\$309,721	\$941,788	\$36,112	\$905,676	\$41,412	\$21,494	\$12,898
1981							
Agricultural products	\$123,152	\$536,388	\$23,903	\$512,485	\$17,689	\$10,500	\$ 4,784
Flour and other food products	107,827	338,119	7,911	330,208	28,093	5,585	4,461
Vegetable oil	42,827	91,214	13,921	77,293	(516)	1,055	1,378
Corporate	4,644					82	98
Investments in associated companies	18,538						
	\$296,988	\$965,721	\$45,735	\$919,986	\$45,266	\$17,222	\$10,721
Segment operating profit	-	net earnings		1982	1981		
Business segment operating profit				\$41,412	\$45,266		
Equity in earnings of associated companies				2,379	3,530		
General corporate expenses				(6,286)	(6,247)		
Interest expense				(15,932)	(18,672)		
Minority interest				(2,189)	(1,823)		
Income taxes				(7,800)	(7,500)		
Extraordinary items				800	—		
Net earnings				\$12,384	\$14,554		

Export sales of \$116 million (\$143 million in 1981) are included in the above sales figures. Intersegment sales are made at prices similar to those charged to unaffiliated customers.

Included in the 1982 figures are assets, gross sales, net sales and an operating profit of \$7,570,000, \$144,310,000, \$119,146,000 and \$565,000 respectively relating to U.S. operations which commenced in 1982.

Certain 1981 segment information has been reclassified to conform with the 1982 presentation.

