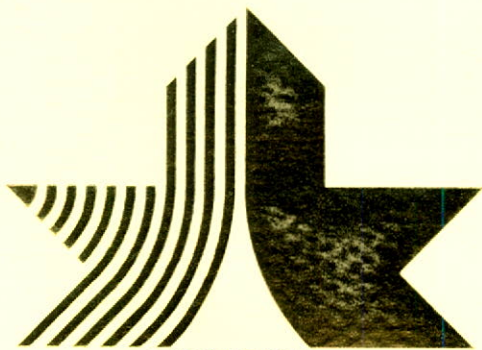


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150 YEARS  
EXPERIENCE FOR THE FUTURE

**Maple Leaf Mills Limited**  
**Annual Report 1986**

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M-GILL UNIVERSITY



**FRONT COVER**

*An embossed stalk of wheat symbolizes the origin of Maple Leaf Mills and the growth of the Company.*

# Profile

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*From humble beginnings as a flour miller in St. Catharines, Ontario 150 years ago, Maple Leaf Mills has grown into a vibrant, diversified agriproducts company. While rooted in the production and sale of industrial and consumer flour, the Company has developed extensive markets in flour-based products including the production and distribution of baked goods. It also operates one of the largest rendering businesses in Canada and a fully integrated poultry business in Ontario. The Company markets a complete range of livestock and poultry feeds, and merchandises and distributes grain through a network of country and terminal grain elevators principally in Ontario.*

*Internationally, Maple Leaf Mills operates related flour, feed and poultry businesses, grain terminals, and merchandises grain and other commodities.*

*Maple Leaf Mills is a wholly-owned subsidiary of Canadian Pacific Limited. With 150 years of experience the Company looks forward to its future in domestic and foreign agriproducts markets.*

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## To the Shareholder

Earnings of \$16.3 million in 1986 were the Company's fourth successive year of higher earnings before extraordinary items and compare with \$16.1 million in 1985. Net earnings in 1985 of \$9.6 million reflect the \$6.5 million extraordinary loss incurred on sale of the Company's interest in Maple Leaf Monarch Company.

Lower sales again in 1986 and lower operating profits in the Agricultural Products segment reflect further weakness in grain prices and the sale in mid-1985 of Maple Leaf Monarch Company. Higher sales and operating profits in Flour and Other Food Products were not sufficient to fully offset the lower sales in Agricultural Products. Lower interest costs and reduced head office administration costs were achieved again in 1986 and tended to offset an increase in income taxes of \$1.0 million, resulting from the elimination of the 3% inventory allowance in the February, 1986 Federal Budget.

### Flour and Other Food Products

As a result primarily of having to pay higher milling wheat prices to the Canadian Wheat Board at a time of declining world grain prices, Flour Division sales increased while earnings decreased. Market conditions were such that the full impact of these factors could not be recovered through flour price adjustments.

Grocery Division, in a market dominated by price competition, reported improved earnings over last year with higher margins and lower marketing expenses more than compensating for some volume decline. Muffin and Brownie Mix sales were substantially higher than last year. In addition, several major reformulations, new package designs and new items introduced late in the year were well received by the trade. The Division aggressively supported the growth of the "Master" branded line of pet foods resulting in significantly increased sales of "Master Round Up" dog food and "Master" cat food.

Bakery sales and earnings reached a new high in 1986 and were significantly higher than in 1985. Reduced losses in Western Canada and much higher sales volumes and earnings in Ontario were the main contributors. Buns Master, in which a controlling interest was acquired by Maple Leaf Mills in early 1985, continued to expand the number of its bakery franchise outlets in 1986. Dough Delight of Corporate Foods, the "baker's baker", relocated its bakery plant from leased premises to its own newly constructed and much enlarged plant early in 1986 and is gaining an ever-increasing share of the growing frozen dough market in Canada and the United States.

### Agricultural Products

Masterfeeds Division recorded a profit again in 1986 reflecting the Division's concentration on efficiency improvements and effective cost controls. This profit improving trend is expected to continue into 1987. With the further restructuring that took place during 1986, including the sale of the Winnipeg operation and upgrading of the marketing function, the Division is better positioned for profit improvement.

The Poultry Products Division benefited from the continuing growth in popularity of poultry meat which provided a positive business environment for significantly increased earnings. All operating segments of the business contributed to these improved earnings with the greatest gain occurring in further processing as higher volumes of boneless chicken products such as "Stillmeadow Farm" Breast Schnitzel and Chicken Nuggets won increased market share. The "Tend-R-Fresh" processing segment also introduced a pre-basted whole chicken product which received excellent consumer acceptance.



Rendering Division earnings showed considerable improvement over the prior year as tallow selling prices gradually increased from their ten year lows reached in mid 1986. Higher volumes combined with concentration on raw material cost control contributed to the increased results. Two new products introduced during the year with very satisfying results were the "Liver Glandular Meal" for the pet food industry and "Stay-Fat 9000" a high energy tallow product used in poultry rations by the feed industry.

Grain Division earnings declined as the Division experienced a very difficult year. The effect of a reduction in seeded corn acreage in Ontario and producers holding inventories in anticipation of higher selling prices reduced corn exports. In addition, an extremely wet Fall sharply reduced crop input sales.

International Division had an excellent year achieving record earnings as results from all associated companies improved over last year. Sales from the Belize flour mill, which was purchased by the Company late in 1985 as an inactive company and started operations in March 1986, have been very satisfactory. Additional overseas opportunities are being actively pursued, the most current being a new rice mill for St. Vincent and the Grenadines for which a ground-breaking ceremony was held in January of this year.

#### **Summary**

In 1986, the Company again demonstrated the strength of a diverse agri-business enterprise where earnings improvement in one segment more than compensated for a decline in another. The Company holds strong positions in each of its basic businesses and intends to concentrate increased efforts toward strengthening these positions through the efficient and effective use of material, processes, capital and above all, human resources. Opportunities in compatible businesses are also being actively pursued. The outlook for the Company is for continued modest growth in spite of the negative impact stemming from a world surplus of grain. Maple Leaf Mills' strength comes from dedicated employees, sound management, superior quality and service and a strong financial position.

Management extends sincere appreciation to our more than 4,200 dedicated employees for their contribution and to our valued customers for their loyal support.

On behalf of the Board of Directors.



**Robert S. DeMone**  
Chairman of the Board, President  
and Chief Executive Officer

March 16, 1987.

# Maple Leaf Mills Limited

## DIRECTORS

R.S. DeMone  
 R.G. Dale  
 S.E. Eagles  
 L.Y. Fortier  
 J.F. Hankinson  
 J.A.C. Hilliker  
 J.H. Panabaker

## OFFICERS

R.S. DeMone Chairman of the Board, President and Chief Executive Officer

A.H. James Executive Vice President

W.E. Paterson Senior Vice President International

P.G. Aizlewood Vice President Flour  
 G.B. Ballantyne Vice President Rendering  
 D.D. Brown Vice President and Controller  
 W.F. Carroll Vice President Grain  
 N.E. Florakas Vice President Masterfeeds  
 J.H. Griffith-Jones Vice President Poultry  
 R.E. Lennox Vice President Administration and Secretary  
 J.W. MacDonald Vice President Grocery Products  
 M.D. Mackinlay Vice President Human Resources  
 T. Tsonis Vice President Information Services

C.A. Caswell Assistant Vice President Administration

P. Kriwoy Assistant Secretary  
 J.R. Davidson Assistant Corporate Controller  
 A.W. Kuffert Assistant Corporate Controller  
 R.J. Mogg Assistant Corporate Controller

## SUBSIDIARY AND ASSOCIATED COMPANIES' OFFICERS

N.T. Currie President and Chief Executive Officer, Corporate Foods Limited

D.G. Hickingbottom President and Chief Executive Officer, Eastern Bakeries Limited

H.G.L. Powell President and Chief Executive Officer, McGavin Foods Limited

J.S. Mallinick President, Buns Master Bakery Systems Inc.



L-R: G.B. Ballantyne, D.D. Brown, A.H. James



L-R: T.Tsonis, P.G. Aizlewood, J.H. Griffith-Jones, J.W. Cargill (retired)



L-R: C.A. Caswell, W.E. Paterson



L-R: M.D. Mackinlay, N.E. Florakas, W.F. Carroll, J.W. MacDonald, R.E. Lennox

## Looking Back

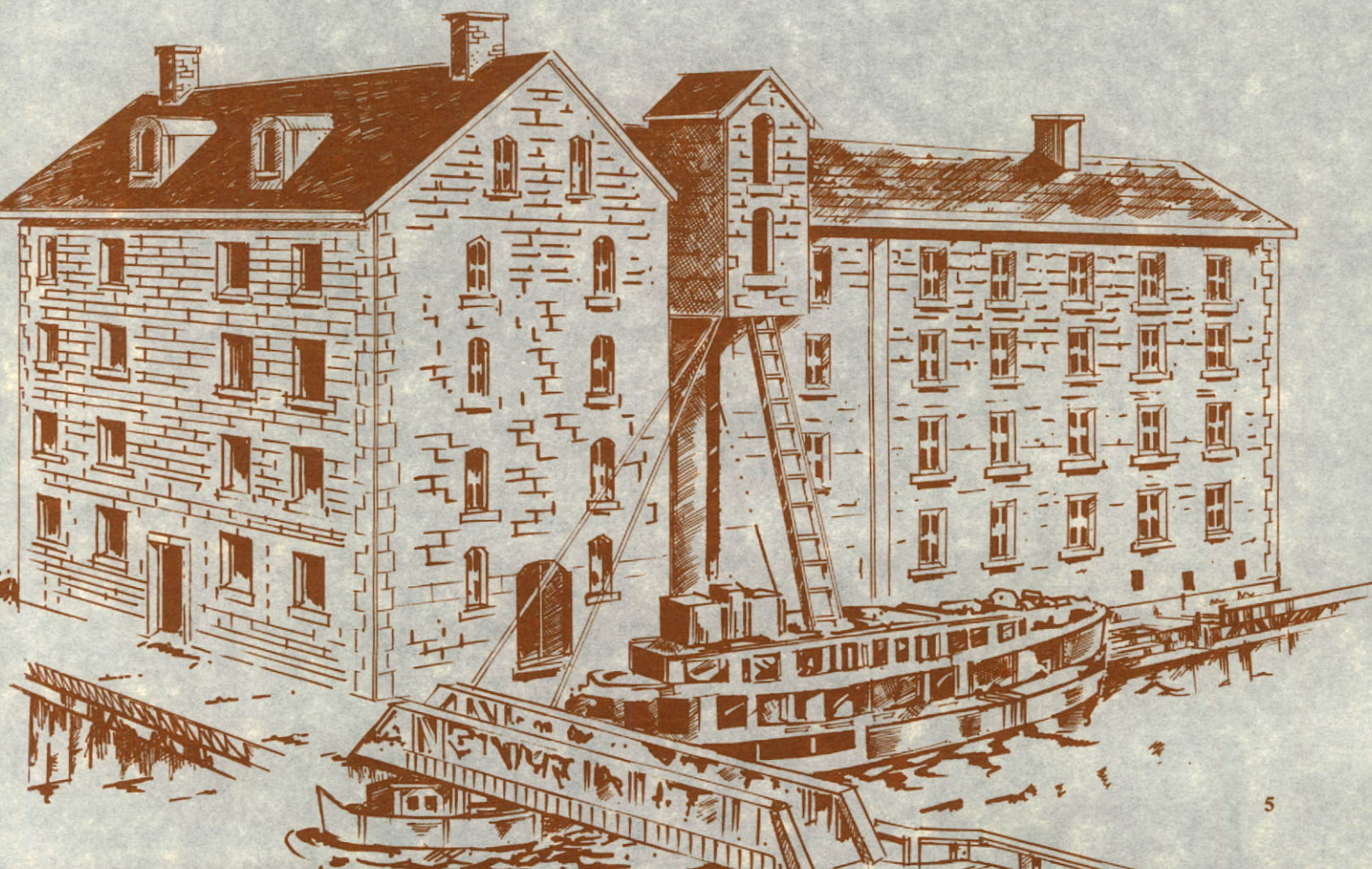
One hundred and fifty years ago the Grantham Mill was established on the banks of the Welland Canal in Southern Ontario. From these early beginnings in St. Catharines, hard working and determined entrepreneurs fashioned a nutrition business that today is one of Canada's largest and most progressive agriproducts companies.

Early in this century Maple Leaf Flour Mills Co. Limited emerged as a corporate entity and began a rapid period of expansion both in the East and the West. With mills at Brandon, Kenora, St. Catharines and Thorold plus some 40 grain elevators in the Western provinces, the company was reorganized in 1910 to provide a broader equity base and the name was changed to Maple Leaf Milling Co. Limited.

In the roaring twenties, Maple Leaf Milling was consolidating its flour producing operations; extending its bakery business from coast to coast; increasing production of commercial feeds as well as beginning an important export trade. In 1924 the Company sold 2,000,000 barrels of flour for shipment to Russia, the largest sale of flour ever made to that time.

Paralleling this growth in Maple Leaf Milling, another predecessor of the present Company was taking shape. In 1928, Toronto Elevators Limited was founded to operate a large transfer elevator on Toronto's waterfront. It grew quickly with the addition of commercial feeds under the Master label.

(Continued on page 15)



## Looking Back

One incident that has become a legend in the history of the Westland Paper Mill is the story of the "Wreck of the Westland." In 1911, a large fire broke out in the mill, destroying a large portion of the building. The fire was caused by a defective boiler, and it was a major disaster for the company at that time.

Early in the century, the Westland Paper Mill was one of the largest in the world. It was a major employer in the area, and it played a significant role in the development of the region. The mill was a source of pride for the community, and it was a symbol of the industrial revolution.

In the early days, the mill was a small operation. It was a family business, and it was run with a lot of care and attention. The owners were proud of their work, and they were committed to the quality of their products. The mill was a source of pride for the community, and it was a symbol of the industrial revolution.

Building the mill was a major undertaking. It was a large-scale project, and it required a lot of resources. The company was committed to the quality of their work, and they were committed to the safety of their workers. The mill was a source of pride for the community, and it was a symbol of the industrial revolution.

(Continued on page 13)





# Consolidated Financial Statements

for the year ended December 31, 1986

## Auditors' Report

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To the Shareholder of  
Maple Leaf Mills Limited:

We have examined the consolidated balance sheet of Maple Leaf Mills Limited as at December 31, 1986 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, 1986 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 20, 1987  
Toronto, Canada

## Consolidated Statement of Earnings

for the year ended December 31, 1986 (000's omitted)

	1986	1985
Sales and revenues:		
Sales and operating revenues	\$819,460	\$878,859
Interest, investment and other income	2,979	3,667
Equity in net earnings of associated companies	5,783	4,871
	<b>828,222</b>	<b>887,397</b>
Costs and expenses:		
Cost of sales and operating expenses	701,522	761,506
Selling and administrative expenses	68,289	67,567
Depreciation and amortization	15,730	15,796
Interest on long-term debt	10,551	11,824
Interest on short-term debt	784	1,206
Minority interest	3,208	3,090
	<b>800,084</b>	<b>860,989</b>
Earnings before income taxes and extraordinary item	28,138	26,408
Income taxes (note 10)	11,800	10,300
Earnings before extraordinary item	16,338	16,108
Extraordinary item (note 4(b))	-	6,500
Net earnings	<b>\$ 16,338</b>	<b>\$ 9,608</b>

## Consolidated Statement of Retained Earnings

for the year ended December 31, 1986 (000's omitted)

	1986	1985
Retained earnings at beginning of year	\$41,178	\$39,070
Net earnings	16,338	9,608
	<b>57,516</b>	<b>48,678</b>
Dividends	7,500	7,500
Retained earnings at end of year	<b>\$50,016</b>	<b>\$41,178</b>

# Consolidated Balance Sheet

December 31, 1986 (000's omitted)

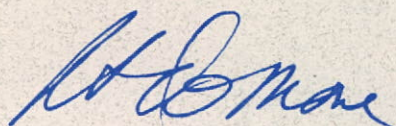
	1986	1985
Current:		
Short-term investments (note 2)	\$ 6,852	\$ 5,367
Deposits with affiliated company	2,744	14,602
Accounts receivable	70,190	71,273
Inventories (note 3)	58,437	59,611
Prepaid expenses	2,701	1,504
Total current assets	140,924	152,357
Investments in associated companies (note 4 (a))	37,801	35,793
Property and equipment (note 5)	152,135	149,792
Other assets (note 6)	18,285	18,652
	\$349,145	\$356,594

## ASSETS

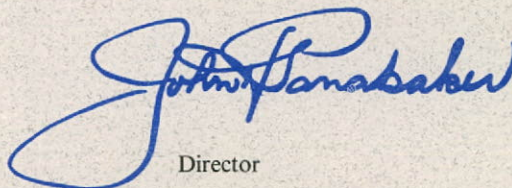
Current:		
Bank indebtedness	\$ 7,387	\$ 8,639
Due to affiliated companies	2,335	3,148
Accounts payable and accrued liabilities	57,566	59,691
Income and other taxes payable	7,319	6,459
Dividend payable	2,950	2,900
Long-term debt maturing within one year	1,851	4,363
Total current liabilities	79,408	85,200
Long-term debt (note 7)	68,069	81,665
Accrued pension costs (note 8)	2,533	2,392
Deferred income taxes	28,391	26,679
Minority interest in subsidiaries	17,892	16,454
Shareholder's equity:		
Share capital (note 9)	102,353	102,353
Retained earnings	50,016	41,178
Foreign exchange adjustment	483	673
	152,852	144,204
	\$349,145	\$356,594

## LIABILITIES

On behalf of the Board:



Director



Director

# Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1986 (000's omitted)

	1986	1985
<b>Operating activities:</b>		
Earnings before extraordinary item	\$16,338	\$16,108
Depreciation and amortization	15,730	15,796
Minority interest in earnings of subsidiaries	3,208	3,090
Deferred income taxes	2,149	2,106
Undistributed earnings of associated companies	(2,198)	(2,432)
Changes in non-cash working capital	(1,018)	13,952
Other	288	2,016
	<b>34,497</b>	<b>50,636</b>
<b>Dividends:</b>		
Paid to shareholder	(7,450)	(8,100)
Paid to minority interest	(1,770)	(1,707)
	<b>(9,220)</b>	<b>(9,807)</b>
<b>Financing activities:</b>		
Issuance of long-term debt	2,013	5,204
Repayment of long-term debt	(17,792)	(16,497)
	<b>(15,779)</b>	<b>(11,293)</b>
<b>Investing activities:</b>		
Additions to property and equipment	(18,518)	(16,396)
Additions to investments	-	(6,410)
Net assets of subsidiaries acquired	-	(6,515)
Proceeds from sale of Maple Leaf Monarch Company	-	15,449
Proceeds from disposals of property and equipment	1,022	723
Other	(1,123)	833
	<b>(18,619)</b>	<b>(12,316)</b>
Increase (decrease) in cash during the year	<b>(9,121)</b>	<b>17,220</b>
Cash at beginning of year	<b>11,330</b>	<b>(5,890)</b>
Cash at end of year	<b>\$ 2,209</b>	<b>\$11,330</b>
<b>Represented by:</b>		
Short-term investments	\$ 6,852	\$ 5,367
Deposits with affiliated company	2,744	14,602
Bank indebtedness	(7,387)	(8,639)
	<b>\$ 2,209</b>	<b>\$11,330</b>

# Notes to Consolidated Financial Statements

December 31, 1986

(a) Basis of consolidation –

The consolidated financial statements include the accounts of all subsidiaries and also, until its disposition in July 1985, the company's 50% proportionate share of the accounts of Maple Leaf Monarch Company, an unincorporated joint venture. The principal subsidiaries and the company's interest therein are set out below:

Corporate Foods Limited	63%
Eastern Bakeries Limited	69%
Buns Master Bakery Systems Inc.	58%
Maple Leaf Mills (Eastern) Limited	100%
Maple Leaf Mills Inc.	100%
Belize Mills Limited	100%

Investments in associated companies are accounted for by the equity method. The principal associated companies and the company's direct and indirect interest therein are set out below:

Barbados Mills Limited	40%
East Caribbean Flour Mills Limited	40%
McGavin Foods Limited	40%
Multi-Marques Inc.	25%
North West Silos Limited	50%

(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. All other inventories are valued at the lower of cost and net realizable value. The company hedges certain commodity transactions and inventories to minimize risk due to market fluctuations.

(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%-5% per annum
Machinery and equipment	6%-33% per annum
Automotive equipment	10%-25% per annum

(d) Pensions –

Pension costs for current service are charged to earnings as they accrue. Past service costs relating to changes in pension benefits and actuarial assumptions and investment and experience gains or losses are amortized generally over periods of eight years.

(e) 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 cost reduction method.

(f) Foreign exchange –

The accounts of self-sustaining foreign operations are translated using the current rate method, under which assets and liabilities are translated at the exchange rate prevailing at the year end, and revenues and expenses at average rates of exchange during the year. For such operations exchange gains or losses are deferred in shareholder's equity until realized.

Long-term debt of the company denominated in foreign currencies is translated at the prevailing exchange rate. Any resulting unrealized exchange gains or losses are included in other liabilities or assets and amortized on a weighted average basis over the remaining term of the debt.

## 1. Summary of accounting policies

Short-term investments and deposits are valued at cost. Market value at December 31, 1986 was \$6,934,000 (\$5,509,000 in 1985).

## 2. Short-term investments

(000's omitted)	1986	1985
Grain held for resale	\$ 2,946	\$14,427
Material held for production	30,586	25,087
Finished products	24,905	20,097
	<u>\$58,437</u>	<u>\$59,611</u>

## 3. Inventories

**4. Investments in associated companies and joint venture**

(a) Associated companies – Summary financial information relating to the company's proportionate share of associated companies as a group is as follows:

(000's omitted)	1986	1985
Assets	\$ 63,861	\$ 58,162
Equity	37,801	35,793
Revenues	161,118	150,711
Net earnings	5,783	4,871

(b) Maple Leaf Monarch Company –

The extraordinary item of \$6,500,000 in the 1985 consolidated statement of earnings reflects the loss on disposal of the company's interest in Maple Leaf Monarch Company, net of income taxes of \$5,700,000.

The 1985 consolidated statement of earnings includes revenues and earnings before income taxes of \$63,645,000 and \$1,400,000 respectively, relating to the operations of Maple Leaf Monarch Company prior to the sale.

**5. Property and equipment**

(000's omitted)	1986		1985	
	Cost	Accumulated depreciation	Net	Net
Land and improvements	\$ 21,073	\$ 1,179	\$ 19,894	\$ 18,967
Buildings	83,395	30,721	52,674	54,265
Equipment	172,179	92,612	79,567	76,560
	<b>\$276,647</b>	<b>\$124,512</b>	<b>\$152,135</b>	<b>\$149,792</b>

**6. Other assets**

Other assets include goodwill of \$7,423,000 (\$7,648,000 in 1985) which is being amortized on a straight-line basis over forty years.

**7. Long-term debt**

(000's omitted)	1986	1985
Maple Leaf Mills Limited –		
Notes Payable to Canadian Pacific Securities Limited with a weighted average interest rate of 14.575% (15.8% in 1985) maturing April 15, 1989 to May 15, 1990	\$22,500	\$35,000
11 <sup>5</sup> / <sub>8</sub> % Sinking Fund Debentures to mature August 1, 1995	13,172	13,639
11% Subordinated Sinking Fund Debentures to mature December 31, 1998 (U.S. \$18,096,000)	24,973	27,122
Corporate Foods Limited –		
8 <sup>1</sup> / <sub>2</sub> % Sinking Fund Debentures to mature December 15, 1988	1,649	1,949
Bank term debt to mature March 31, 1991 (interest not to exceed prime rate)	6,223	5,071
Obligations under capital leases maturing 1987 to 1993 (interest rates average approximately 9 <sup>1</sup> / <sub>2</sub> %)	1,178	1,997
Other	225	1,250
	<b>69,920</b>	<b>86,028</b>
Less amounts maturing within one year	1,851	4,363
	<b>\$68,069</b>	<b>\$81,665</b>

Estimated annual repayment requirements in the next five years are:  
(000's omitted)

1987	–	\$ 1,851
1988	–	4,118
1989	–	14,595
1990	–	12,094
1991	–	2,094

Pension expense totalled approximately \$2,500,000 for the year (\$3,500,000 in 1985). Based upon independent actuarial valuations of the company's pension plan carried out as at January 1, 1986 investment and experience gains totalling \$12,042,000 arose since the previous actuarial valuations. During the year certain pension benefits were improved thereby giving rise to additional past service obligations of approximately \$5,600,000. The unfunded past service obligations and unamortized investment and experience gains at December 31 consisted of the following amounts:

(000's omitted)	1986	1985
Accrued in current liabilities	\$ 245	\$ 831
Accrued in non-current liabilities	2,533	2,392
Past service obligations to be expensed in future years	9,600	5,100
Total unfunded past service obligations	12,378	8,323
Investment and experience gains to be amortized in future years	(12,600)	(1,900)
	\$ (222)	\$ 6,423

#### 8. Pension costs

Authorized share capital consists of an unlimited number of common shares without par value of which 220,500 shares have been issued.

#### 9. Share capital

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

	1986	1985
Combined basic federal and provincial income tax rate	48.7%	49.2%
Minority interest	5.5	6.1
Equity in net earnings of associated companies	(9.9)	(9.5)
3% Inventory allowance	(.4)	(4.6)
Manufacturing and processing tax credit	(3.9)	(4.0)
Other	1.9	1.8
Effective tax rate	41.9%	39.0%

#### 10. Income taxes

Certain shareholders of an associated company and a subsidiary are entitled to put their shares to the company during the next four years. The maximum obligation of the company is approximately \$11,000,000 subject to adjustment for changes in the earnings and net worth of the companies.

#### 11. Contingency

(a) The company participates in a centralized banking system with its parent, Canadian Pacific Limited, and borrows under revolving term loan agreements with Canadian Pacific Securities Limited. Interest charged under these agreements amounted to \$400,000 in 1986 (\$471,000 in 1985). Such interest is based on the lender's cost of borrowing.

#### 12. Related party transactions

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

(b) During the year, in the normal course of business, the company made sales to associated companies amounting to \$54,042,000 (\$59,606,000 in 1985).

### 13. Segment information

Segment information is shown in the following table. The flour and other food products segment includes the production of flour, consumer grocery products and bakery products. The agricultural products segment includes the production of livestock and poultry feeds, hatching, growing and processing poultry, rendering animal and poultry by-products, merchandising grain and operating grain elevators and providing management assistance to associated companies overseas.

### Business Segment Information (000's omitted)

1986	Assets	Sales			Operating Profit	Capital Expenditures	Depreciation
		Gross	Inter-segment	Net			
Flour & other food products	\$201,794	\$416,546	\$ 5,026	\$411,520	\$33,779	\$ 8,196	\$7,007
Agricultural products	135,971	412,258	4,318	407,940	17,427	10,268	7,697
Corporate	11,380					54	137
	<b>\$349,145</b>	<b>\$828,804</b>	<b>\$ 9,344</b>	<b>\$819,460</b>	<b>\$51,206</b>	<b>\$18,518</b>	<b>\$14,841</b>
1985							
Flour & other food products	\$200,707	\$389,099	\$ 5,872	\$383,227	\$32,647	\$ 6,676	\$ 7,043
Agricultural products	142,669	500,053	4,421	495,632	19,453	9,630	8,561
Corporate	13,218					90	192
	<b>\$356,594</b>	<b>\$889,152</b>	<b>\$10,293</b>	<b>\$878,859</b>	<b>\$52,100</b>	<b>\$16,396</b>	<b>\$15,796</b>

The following items related to U.S. operations are included in the above figures:

(000's omitted)	1986	1985
Assets	\$ 2,580	\$ 1,229
Gross sales	48,234	51,936
Net sales	45,503	44,289
Operating profit	1,633	1,493

In addition, export sales are included in the sales figures as follows:

(000's omitted)	1986	1985
Export sales	\$94,169	\$71,841

Intersegment sales are made at prices similar to those charged to unaffiliated customers.

Reconciliation of segment operating profit to net earnings:

(000's omitted)	1986	1985
Business segment operating profit	\$51,206	\$52,100
Less: General corporate expenses	8,525	9,572
Interest expense	11,335	13,030
Minority interest	3,208	3,090
Income taxes	11,800	10,300
Extraordinary item	-	6,500
<b>Net earnings</b>	<b>\$16,338</b>	<b>\$ 9,608</b>





(Continued from page 5)

Vigorous growth was the hallmark of these companies following World War II and in 1961, Maple Leaf Milling Co. Limited and Toronto Elevators Limited merged to form Maple Leaf Mills Limited.

In 1963 Maple Leaf Mills was involved in the signing of a massive flour sale contract with the U.S.S.R. valued in excess of \$65 million – the largest single flour sale ever made. This sale established a continuing relationship with the U.S.S.R.'s grain trading organization, Exportkleb. It was also during this decade that the Company first ventured into the Caribbean with the signing of a management contract to operate a flour mill in Haiti.

With diversified and expanding markets, sound corporate structure and stable financial conditions, Maple Leaf Mills advanced into the current era with ambitious plans solidly rooted in more than a century of expertise. In addition to domestic expansion, the Company began to expand its operations in the Caribbean with the building in the 1970's of flour mills in Trinidad, St. Vincent and Barbados.

As the Company looks back at a legacy of 150 years of accomplishments in agriproducts, the stage has been set for new achievements across Canada and internationally.





### Continued Growth

Continued growth was the hallmark of the company following World War II and in 1961, when the building Co. entered the home furnishings market with the launch of the "Living Room" line.

In 1967, the company was involved in the signing of a five-year contract with the U.S. R. which provided for the purchase of 100 million shares of common stock. This was a significant milestone in the company's history, as it was the first time that the company had entered into such a large-scale financial arrangement.

With diversified and expanding markets, the company's structure and financial position had become more complex. In addition to its core business, the company had entered into various other operations in the United States and abroad, including the acquisition of the "Living Room" line in 1967.

The company's growth was a result of its ability to adapt to changing market conditions and its commitment to innovation and quality. This was reflected in its continued expansion and success over the years.



# Preparing For The Future

“Our goal is to further the awareness of the continuing need for balancing human aspiration with the needs of the Corporation.”

A.H. James  
Executive Vice President

## Flour

“The customer comes first, therefore, our goal is service.”

P.G. Aizlewood  
Vice President Flour

## Grocery

“The key is to identify future lifestyle trends and respond aggressively. That is an essential strength.”

J.W. MacDonald  
Vice President Grocery Products

## Rendering

“We used to be known as the invisible industry. Now we are a visible example of how environmental concern makes good business.”

G.B. Ballantyne  
Vice President Rendering

## Poultry

“Our aim is to continue to meet the needs of the rapidly increasing popularity of poultry meat.”

J.H. Griffith-Jones  
Vice President Poultry

## Grain

“We’re well positioned for a turn-around in the grain business.”

W.F. Carroll  
Vice President Grain

## Feed

“We don’t just sell a commodity. We sell a total program.”

N.E. Florakas  
Vice President Masterfeeds

## International

“Orderly, planned expansion backed by research, and the entrepreneurial spirit – that’s the springboard to the future.”

W.E. Paterson  
Sr. Vice President International

## Space

And, lastly, there’s the new frontier...

Maple Leaf Mills has initiated a major program to support management and employees with sophisticated information technology. This underscores a significant commitment to use modern management resources to enhance creative thinking and to improve management of a decentralized organization.

Innovation is a cornerstone of customer service as exemplified by the successful introduction of Micro Bulk – a method of door-to-door delivery of bulk flour to bakeries. The concept was pioneered for Buns Master outlets.

Because the competitive environment requires efficiency as well as innovation, computerized process control was introduced to the Port Colborne Mill in 1986 and the program is now ready to be extended to other mills.

The Grocery Division is a diversified business that benefits from the vertically integrated nature of Maple Leaf Mills and is well positioned to expand through further diversification, new markets and product development.

The Grocery Division produces products for many needs – from case goods and flavour crystals to private label and custom packing. Among recent R & D successes is the introduction of balanced calcium formula pet food that follows the well-accepted line of low ash pet products.

The Rendering Division uses what others throw away. An experienced group of employees is squeezing every ounce of value from by-products of other processes while improving energy efficiency in the operation. Rising to the sophisticated demands of European customers for tailor-made tallows, the research and development staff have created high quality products like “Stay-Fat 9000” and new “liquid digests”.

The demand for chicken has many facets – all growth oriented for a Division heavily committed to the poultry business. From breeder and hatchery operations to fully processed table ready specialty food items, the Poultry Products Division of Maple Leaf Mills is actively responding to a consumer desire for convenient, nutritious and economical poultry meat products.

Over-production world wide, low prices in Canada – on the surface this is the scenario for grain producers. Maple Leaf Mills emphasizes local educational meetings, farm forums and a speaker’s program to help farmers maximize yields per seeded acre through custom applications of crop input. An increasing fertilizer, seed corn and soybean business, completion of the covered fertilizer storage facilities at Sarnia and cost control consolidations will continue to hone the Division’s competitive position.

The Feed Division supplies a total program of nutritional feeds to satisfy the feeding needs of the dairy, beef, hog, and poultry producers as well as feeds for horses, pets, fur-bearing and specialty animals.

The concentration on improving feeds and educating farmers and ranchers on their use is making the Division more competitive by strengthening customer loyalty. The operation has been streamlined to concentrate on producing the best feed possible while providing the knowledge to use it wisely.

Maple Leaf Mills has engaged in successful joint ventures with Caribbean governments and the private sector since the 60’s and maintains a listening post on the European Economic Community through an interest in grain trading in Ireland.

While flour, animal feeds and poultry are staples in foreign expansion it’s the planning for possible extension into areas like shrimp farming that underscores the Company’s commitment to innovation.

When the first loaf of bread is baked in space Maple Leaf Mills will once again be at the forefront of innovative technology in the food business.

A joint venture with Spar Aerospace and Telesat Canada will culminate in the first “Space Bread”. The baking experiment, using Monarch All-Purpose Flour, was designed to test how yeast will react in the weightlessness of space.

**1. Grocery**

A sampling of familiar products from the Grocery Division and some of the attractive new packaging introduced to respond to changing consumer taste.

**2. International**

An aerial view of the Barbados complex showing the extensive flour, feed and grain terminal facilities.

**3. Flour**

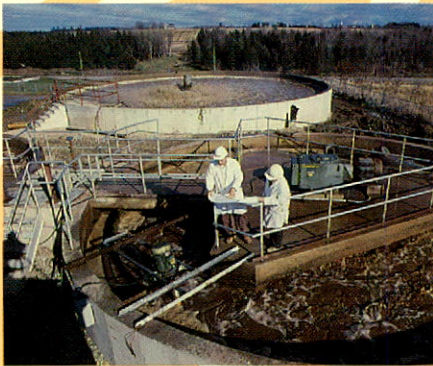
Micro Bulk delivery now makes it possible for the smaller bakery to take advantage of bulk handling.

**4. Grain**

The Grain Division's Sarnia elevator is strategically located to handle both Western and Ontario grain by water, rail and truck.



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**5. Rendering**

Protecting the environment has top priority in our Rendering Division. This aeration tank is part of the improved disposal system at the Moorefield plant.

**6. Feed**

Masterfeeds' Cavan feed plant uses efficient production methods and the newest technology to produce the best in livestock and poultry feeds at the lowest cost.

**7. Poultry**

More and more consumers are turning to poultry for nutritional, tasty dining – like our Stillmeadow gourmet meals.

**8. Information Resources**

Computer and telecommunications technology enhances organizational effectiveness and improves divisional and corporate efficiency.

# Business Operations

Divisions	Operations/Markets	Locations
<b>Flour</b>	Flour milling and industrial bakery mix operations serving both domestic and export markets.	<b>Headquarters:</b> Toronto, Ontario. <b>Flour Mills:</b> Calgary, Alberta; Almonte, Port Colborne, Toronto, Ontario; Montreal, Quebec (2 mills).
<b>Baked Goods</b>	Bakery operations providing fresh and frozen products, principally bread and rolls, mainly for the Canadian market.	<b>Headquarters:</b> Eastern Bakeries Limited – Saint John, New Brunswick; Corporate Foods Limited – Toronto, Ontario; McGavin Foods Limited – Vancouver, B.C.; Buns Master Bakery Systems Inc. – Milton, Ontario. Bakeries from coast to coast in Canada.
<b>Grocery Products</b>	Distributor of family flour and manufacturer of convenience flour-based baking mixes, cereals, beverage mixes and pet foods primarily for domestic markets.	<b>Headquarters:</b> Toronto, Ontario. <b>Plants:</b> Guelph, Toronto, Ontario.
<b>Rendering</b>	Producer of tallow and protein meals for the animal feed, soap and chemical industries and lard and tallow for the bakery and restaurant trades. Products are marketed both domestically and internationally.	<b>Headquarters:</b> Waterloo, Ontario. <b>Plants:</b> St. Boniface, Manitoba; Moorefield, Toronto, Ontario; Montreal, Quebec (2 plants); Truro, Nova Scotia; Foxtrap, Newfoundland.
<b>Poultry</b>	Operations include the production of hatching eggs, day-old chicks, chickens, turkeys, fresh and frozen poultry products and oven-ready entrées, principally for the Ontario market.	<b>Headquarters:</b> Guelph, Ontario. <b>Hatcheries:</b> Kettleby, Monkton, New Hamburg, Ontario. <b>Growing:</b> 13 farms in Ontario. <b>Processing Plants:</b> Brampton, Chatham, Dresden, Elora, Petersburg, Ontario.
<b>Grain</b>	Handles and merchandises Ontario grains and crop inputs through a network of country elevators and Western and Ontario grains mainly through Company owned and operated transfer terminals.	<b>Headquarters:</b> Toronto, Ontario. <b>Terminals:</b> West Saint John, N.B.; Midland, Port McNicoll, Sarnia, Ontario. <b>Country Elevators:</b> 23 throughout Southwestern Ontario.
<b>Feed</b>	Producer of a complete line of livestock and poultry feeds for domestic and export markets.	<b>Headquarters:</b> London, Ontario. <b>Plants:</b> Calgary, Edmonton, Stettler, Alberta; Baden, Cavan, Guelph, Komoka, Prescott, Ontario; Kensington, P.E.I.; St. John's, Newfoundland.
<b>International</b>	Operates flour and feed mills, poultry businesses, and grain elevator terminals, and merchandises grain and other commodities.	<b>Headquarters:</b> Toronto, Ontario. <b>Manufacturing Operations:</b> Barbados, Belize, Haiti, St. Vincent. <b>Grain Terminals:</b> Barbados, Northern Ireland. <b>Merchandising:</b> Canada, Northern Ireland, United States.

## Major Subsidiaries and Affiliates

<b>Domestic</b>	<b>Ownership</b>	<b>Business</b>
Maple Leaf Mills (Eastern) Limited	100%	Flour
Corporate Foods Limited	63%	Baked Goods
Eastern Bakeries Limited	69%	Baked Goods
McGavin Foods Limited	40%	Baked Goods
Multi-Marques Inc.	25%	Baked Goods
Buns Master Bakery Systems Inc.	58%	Baked Goods
<b>International</b>		
Barbados Mills Limited	40%	Flour, Feed, Poultry
East Caribbean Flour Mills Limited	40%	Flour, Feed
Belize Mills Limited	100%	Flour
Maple Leaf Mills Inc.	100%	Grain
North West Silos Limited	50%	Grain
Société de Nutrition Animale, S.A.	33%	Feed

**Maple Leaf Mills Limited**

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