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J. M. Schneider, Limited Annual Report 1969

FOR THE FISCAL YEAR ENDED NOVEMBER 1, 1969

Financial Highlights

	<u>1969</u>	<u>1968</u>
Sales	\$70,181,000	\$61,067,000
Net earnings	\$ 1,249,000	\$ 1,069,000
Per share	66¢	56¢
Percentage of sales	1.77%	1.75%
Percentage of shareholders' equity	10.22%	9.49%
Dividends (including tax paid on undistributed income)	\$ 299,000	\$ 244,000
Per share	15¾¢	13¢
Working capital	\$ 4,348,000	\$ 4,800,000
Working capital ratio	2.23 to 1	2.73 to 1
Shareholders' equity	\$12,219,000	\$11,269,000
Per share	\$ 6.43	\$ 5.93
Number of shareholders	1,995	506
Average number of employees	1,731	1,733

Notice to Shareholders of Annual General Meeting

The Annual General Meeting of Shareholders will be held in the Crystal Ballroom of The Walper Hotel on Tuesday 20th January 1970, at 7.30 p.m. Shareholders are cordially invited to attend this meeting.



J. D. SMALL



H. J. SCHNEIDER



K. G. MURRAY



H. G. SCHNEIDER



R. C. SCHEIFLEY



D. C. JAMIESON



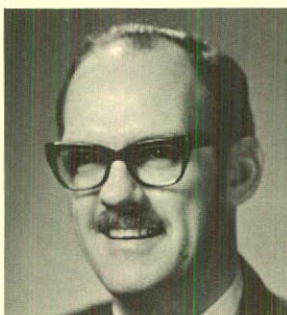
J. D. ROSSITER



E. H. BULL



R. E. WAND



R. W. STEINBERG

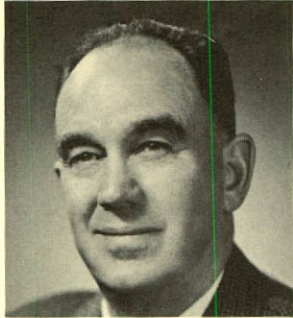


J. B. BANKS



A. T. L. FRASER

Directors and Officers



N. C. SCHNEIDER



F. P. SCHNEIDER

DIRECTORS

N. C. SCHNEIDER
R.R. #1 Preston
Chairman of the Board

F. P. SCHNEIDER
R.R. #3 Kitchener
Vice-Chairman and Chief Executive Officer

K. G. MURRAY
R.R. #3 Bright
President

J. D. SMALL
Kitchener
Past President

H. J. SCHNEIDER
R.R. #1 Preston
Vice-President

D. C. JAMIESON
Kitchener
Director of Finance

R. C. SCHEIFLEY
Kitchener
Secretary

H. G. SCHNEIDER
Kitchener
Product Development Manager

R. E. WAND
Kitchener
General Sales Manager

J. B. BANKS
Waterloo
Industrial Engineer

J. D. ROSSITER
Waterloo
Produce Manager

E. H. BULL
R.R. #1 Preston
Fresh Pork Manager

R. W. STEINBERG
Kitchener
Plant Engineer

A. T. L. FRASER
Toronto
Vice-President
McLeod, Young, Weir & Company Limited

OFFICERS

NORMAN CHRISTOPH SCHNEIDER
Chairman of the Board

FREDERICK PAUL SCHNEIDER
Vice-Chairman and Chief Executive Officer

KENNETH GEORGE MURRAY
President

HERBERT JOHN SCHNEIDER
Director of Operations and Vice-President

DAWSON CHARLES JAMIESON
Director of Finance and Treasurer

ROY CARL SCHEIFLEY
Secretary

Report of the Board of Directors



F. P. SCHNEIDER

On behalf of the Board of Directors, it is a great pleasure to report another year of significant progress by our Company.

The tangible results of our efforts during the fiscal year which ended November 1, 1969, are shown in the balance sheet, tables and graphs in the pages of this Annual Report. They show that dollar sales reached a record high in 1969, surpassing the previous year by 14.9%. Earnings were the second highest in the Company's history with an increase of 16.8% over 1968.

In 1969, the Board for the first time welcomed a new member who was not an employee or former employee of the Company, Mr. Alastair T. Fraser, Vice-President of McLeod, Young, Weir and Company Limited. With extensive experience in brokerage and underwriting, Mr. Fraser will make a valuable contribution to the future.

Several changes also took place at the executive management level. Mr. Kenneth G. Murray, formerly General Manager, became President. The writer became Vice-Chairman of the Board and Chief Executive Officer. The major executive functions of the Company have been divided into four specific areas of responsibility. Finance, under Mr. Dawson C. Jamieson, Treasurer and Director of Finance. Sales and Marketing, under Mr. R. E. Wand, General Sales Manager and Mr. J. F. Ward, Marketing Manager. Personnel, under Mr. L. M. Fournery, Director of Human Resources. Plant Activities, under Mr. Herbert J. Schneider, Director of Operations. These changes clarify areas of responsibility and create the teamwork and co-ordination essential to the successful pursuit of Company objectives.

Recognizing that different markets require different marketing approaches, other important changes were made in our sales organization. Four major market areas — chain stores, inde-

pendent retail, grocery products and purveying or meals away from home — now have their own Sales Markets Managers.

Sausages and Cooked Meats contribute substantially to our volume and profit. We will continue to emphasize this division and strengthen its production efficiency by innovation and marketing techniques. During 1969, over \$1,000,000 was invested in buildings and equipment.

Extensive use of boneless beef from Australia and New Zealand characterized our operations in 1969. As the need for lean, boneless meat continues to grow in North America, it becomes apparent that more and more will be imported from low cost production countries, Canadian beef breeding herds and dairy herds are inadequate as a source of this type of meat at the present time.

Proposed new regulations on the fat and protein content of various sausage products require stringent control of both raw material and finished product quality. We believe the consumer has the right to protection in this area. Uniform standards of quality can only help the whole industry.

The Pork Division is a basic part of our business. In addition to the sale of many fresh and processed pork items, it provides a good source of raw materials for the Sausage and Cooked Meats Division. Prospects for 1970 hog supplies look good, with increased runs forecast, particularly in the late Spring and Summer months.

In Ontario, all market hogs are sold through the Ontario Hog Producers Marketing Board using a teletype auction system. This is a fair, equitable method of operation for all concerned. Under any given conditions of supply and demand, it automatically gives the best possible price to the producer by assuring maximum competition from all buyers.

The Beef, Veal and Lamb Division supports not only carcass and cut sales, but also provides raw materials to our purveying and sausage operations. Forecasts for 1970 generally indicate a small increase in supply, and less than the increase in Canadian demand, this should mean firm prices for the year ahead.

The Processed Fresh and Purveying Beef Division produces patties and chopped beef items of all kinds. Many varieties of portion controlled steaks and roasts are designed for the hotel, restaurant and institutional trade. It is estimated that 25 to 30% of all food is consumed outside the home. We intend to actively promote this area of our business.

The Poultry Division has undergone radical changes in the past year. In order to maintain reasonable margins it was necessary to reduce our kill by nearly 50% and supplement our requirements with purchased birds. We will continue to kill poultry to assure a supply of high quality birds for further processing and cooking.

Butter and Eggs have been part of our sales volume for many years. During 1969, one of our egg stations was closed. Its volume did not justify the expenditures necessary to render it sufficiently modern.

Our Lard and Shortening Division supplies cooking and baking ingredients to both homemaker and commercial operator. Our emphasis has been to supply large volumes of specially blended shortenings in bulk to customers in the dry mix and commercial bakery business.

Cheese is manufactured at our Wellesley, Ontario, plant located about twenty miles from Kitchener. In addition to aging and cutting cheddar, the plant also manufactures a variety of soft and processed cheese items.

Our Canned Goods Division underwent a period of revitalization in 1969. There has been a significant change in label design. Product quality has been improved and a more appropriate marketing system is being designed. We believe that ingenuity and innovation will develop the division into a meaningful part of our business.

Labour Relations

J. M. Schneider Limited offers attractive employment opportunities to the community and continues to enjoy harmonious labour relations with the Schneider Employees' Association. A two year collective agreement was negotiated, effective June 1, 1969. This agreement provides for an increase of 8½ % in hourly wages during the first year and 6¾ % in the second year.

Human Resources

Expansion plans and forthcoming retirements create opportunities for personal advancement greater than at any time in the Company's history. It is the policy of the Company to promote from within whenever possible. During the year, 66 out of 70 appointments were made from within the ranks of existing employees.

Schneider employees are preparing themselves for the demands and challenges of the future. Enrollment in University extension and other courses totalled more than one hundred. Another two hundred employees attended training programs conducted on Company premises.

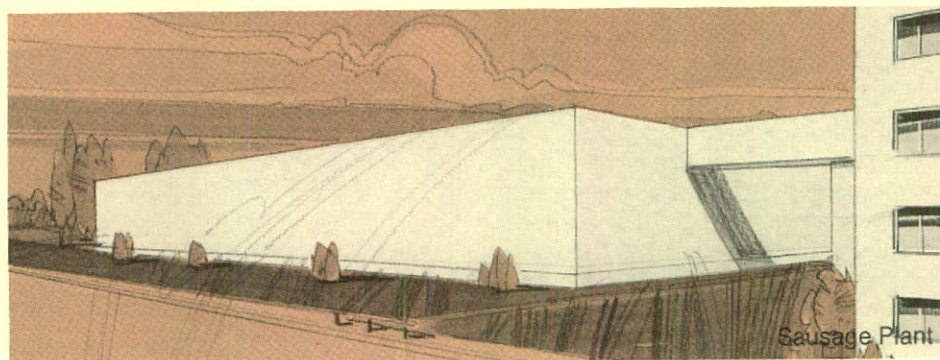
Pollution

Everyone wants a clean environment. The control and elimination of all types of pollution is essential to our well-being. Our Company feels a definite responsibility for its actions in this regard. We have completed the installation of a half-million dollar primary sewage treatment plant. Effluent discharged from

this plant and flowing into the city system meets the standards set by the City of Kitchener. At our new plant in Ayr, Ontario, where complete treatment is necessary, a system has been designed and installed which also meets the desired standards.

Future Plans

Our future plans call for a new three million dollar sausage plant, adjacent to our main plant in Kitchener, in order to integrate shipping and service facilities. Work has already begun and the new plant should be in full production by Spring 1971.



This plant is designed to increase capacity for our larger volume Sausage and Cooked Meats line. No effort will be spared to make it the finest plant of its kind in North America. When complete, it will free space in the main plant to help us achieve improved product flow and labour productivity.

The new Ayr plant will be in production on many types of convenience foods by February 1970.

There will be a greater emphasis on portion controlled red meat and other purveyor items to better serve the market.

We also intend to extend our market areas, particularly into Eastern and Western Canada, and to develop new and profitable product lines and divisions.

Snack Foods are of special interest to us and test work now being done seems promising.

The growing demand for new and improved food has considerable significance for our Company. It means expanding business for the essential products we produce.

Our objectives

The objectives of the Company can be very simply stated. Emphasis will be placed on active exploitation of opportunities after careful evaluation of return on investment and the best possible forecast of sales and profits. Our aim is

to double our sales in the next five to seven years. We will consider ourselves as a food-oriented, rather than a meat packing company.

In Appreciation

Our Company has invaluable resources in the goodwill of its customers, the experience and loyalty of its employees, the excellent relationships established with its many suppliers and the support and co-operation of its shareholders.

We extend to each our sincere appreciation for their contribution to Schneiders' success.

F. P. Schneider

F. P. SCHNEIDER,
Vice Chairman & Chief Executive Officer,
for the Board of Directors



Executive Committee

The Executive Committee was established by the Board of Directors. The purpose of the Committee is to formulate and co-ordinate the actions necessary to direct the operations of the Company on a daily and weekly basis. The primary goal is to achieve the objectives of the Company as determined by the Board.

The membership of the Committee is designed to represent all of the major functions of the Company. All but two are members of the Board of Directors.

Meetings are held on a regular weekly basis. The chairman is responsible for setting the agenda in consultation with the other members. The Committee has the flexibility to add to its members appropriate persons as determined by the items being discussed.

The Executive Committee operates as a team with unanimity being the generally accepted requirement for any major action or decision. It is the final decision making body wherever Board policy is not affected.

Standing—left to right: H. G. Schneider, *Product Development*; J. F. Ward, *Marketing*; R. C. Scheifley, *Communications*; J. B. Banks, *Planning*.

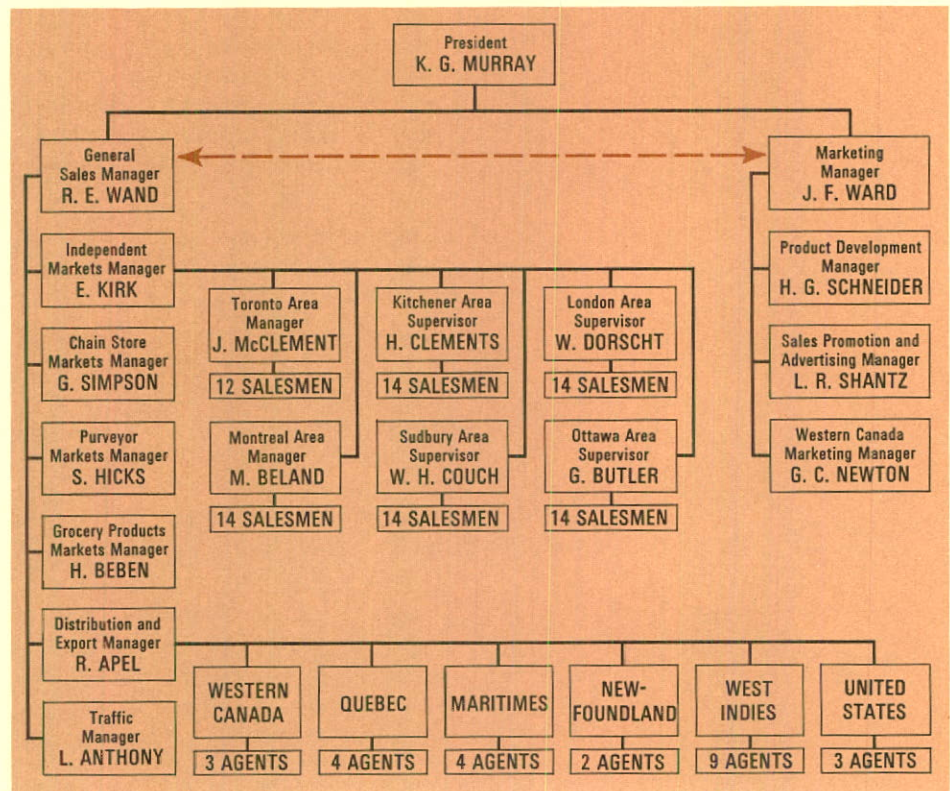
Sitting — left to right: K. G. Murray, *Co-ordination*; H. J. Schneider, *Production*; F. P. Schneider, *Chairman*; R. E. Wand, *Sales*; D. C. Jamieson, *Finance*. (Not present in photo: L. M. Fourney, *Personnel*)

Marketing and Sales Organization

The Company has a sales force of more than 80 people to service its Canadian market. It maintains branch offices in Toronto, Hamilton, London, Windsor, Sudbury, Ottawa and Montreal. These offices are linked, through the use of modern communications, to the Company's computerized order processing system ensuring extreme accuracy of accounting and price control. The Company's distribution organization of approximately 100 trucks and numerous outside carriers, provides next day delivery to most parts of Ontario. All areas of the Company function as a team to assure customer satisfaction.

Schneiders foods are handled extensively throughout Ontario by corporate and voluntary chains, independents, wholesale grocers and the hotel, restaurant and institutional trade.

Extensive plans are complete for entry into Western and Eastern Canada with added emphasis on expanding the Company's export business. Continued advertising effort will promote the Schneider Dutch Girl image in bold orange and blue colours, already synonymous with quality and fine eating. Future marketing plans demand further diversification into new lines and the acquisition of related and non-related lines.



1890

Schneiders Foods

1970



IN THE SPRING OF 1890, John Metz Schneider combined a painstakingly acquired nest-egg of \$300 with self-confidence and his mother's recipe for homemade pork sausage. The small family business has grown to one of the most efficient food houses in Canada, with a prime interest in Sausage and Prepared Cooked Meats. Today, there are over 1,700 people employed by Schneiders Foods, producing an annual volume in excess of \$70 million.

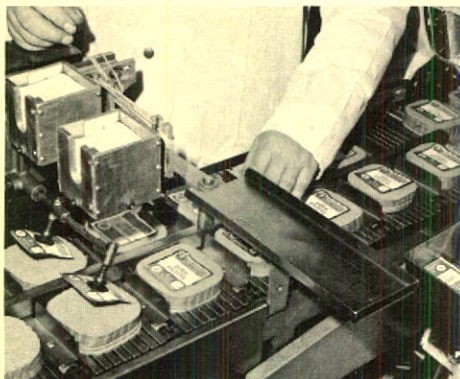
The steady growth enjoyed by Schneiders over the past eighty years has been based on the founder's philosophy of stressing quality first. The slogan "Famous for Quality" is synonymous with the Schneider name.

Frederick P. Schneider, Vice-Chairman of the Board and Chief Executive Officer; Herbert J. Schneider, Vice-President and Director of Operations; and Howard G. Schneider, Product Development Manager, are the third generation of the founder's family, making a growing contribution and continually assuming new responsibilities in the company's operations.



Famous for Quality

Sausage and Cooked Meats form an important part of our product line. Our vacuum packaged, sliced cooked meats are made of the finest ingredients, with no shortcuts taken where quality is concerned.



A recent addition is Pizza Loaf, with real pizza flavour in a hearty meat base. It is found in many delicatessen counters — sold sliced or by the piece.

Regular and Mini Sizzlers are extra tender Fresh Pork Sausage, with both name and process exclusive with Schneiders. The many forms of Dry or Summer Sausage and Salami are in the German or European style, but appeal to a wide range of tastes.

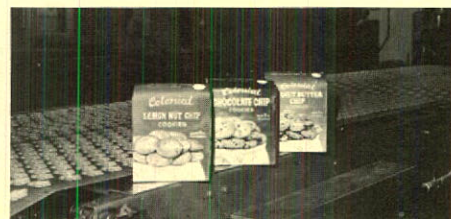
Pork is the backbone of our business. It is used in boneless form by many departments as an ingredient or base for processed products.



Schneider's Sliced Side Bacon has come to be the criterion for quality. It may be the one product for which we are best known.

At Schneiders, we say everything is used including the tail and these are sold as a tasty roast product with a come-back-for-more flavour. Much of our Canadian Boneless Back Bacon finds a ready market in the United States.

Shortening can be sold as a custom blend for any specific purpose. Many cakes, cookies, baked goods and prepared mixes use Schneider's Shortening as a base.

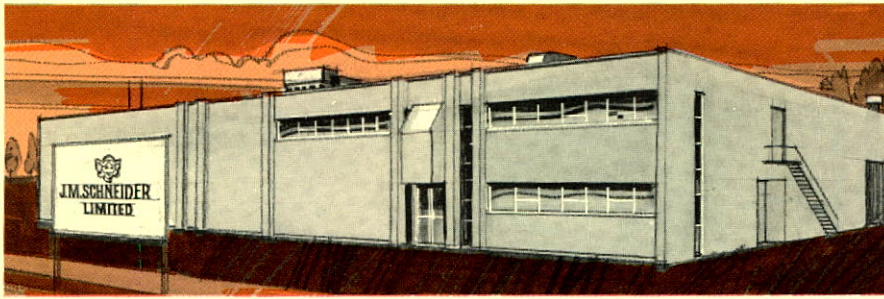


These products are sold in sizes ranging from the familiar one pound package to the bulk tank car, popular with larger commercial users.

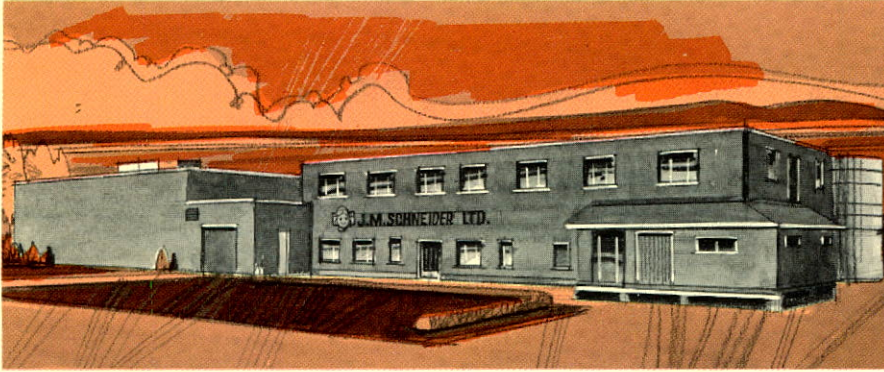
Lard is recognized as the pie crust ingredient par excellence.

Beef is the king of meats. Schneiders makes a full range of pre-cut, portion control beef items from patties to tenderloin steaks. They give the purveying or restaurant trade a definite portion or serving cost, with minimum time and expense in preparation.

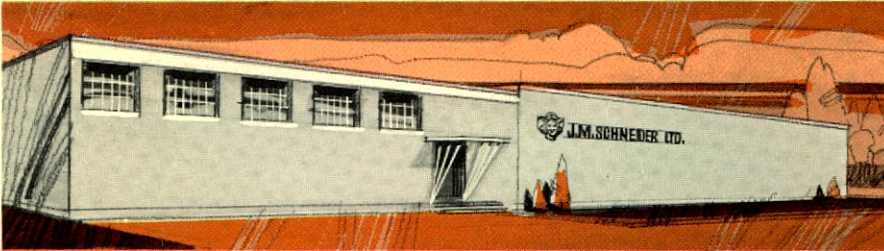




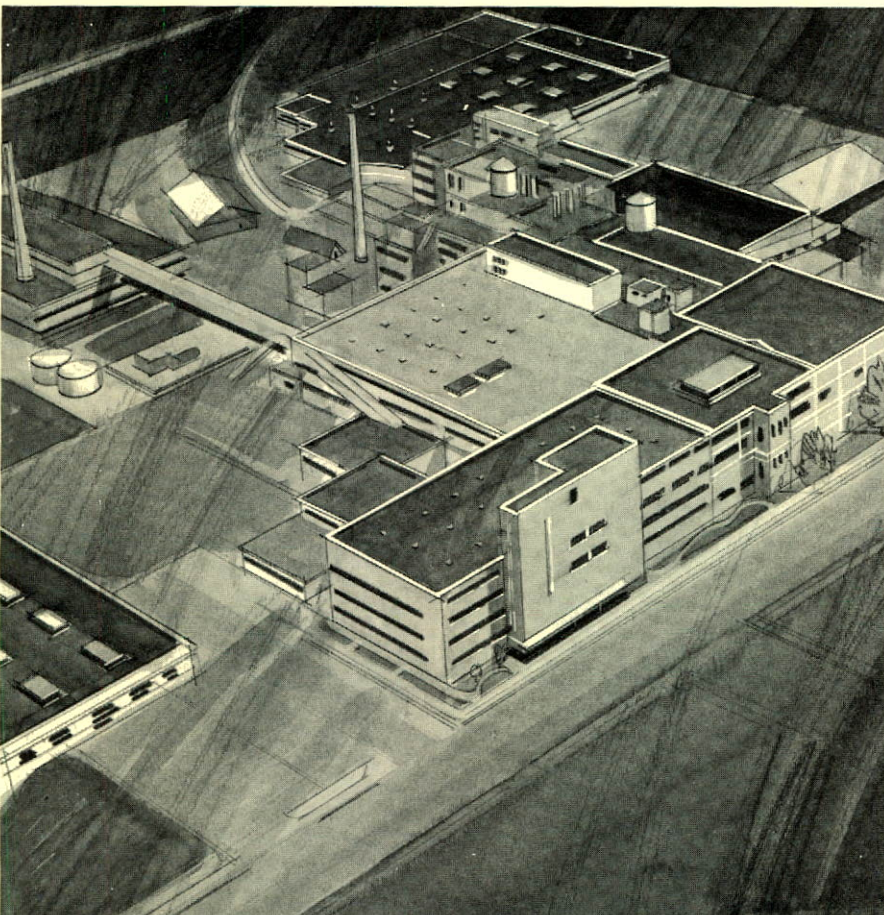
Schneiders Processed Food Plant,
Ayr, Ontario



Schneiders Cheese Factory,
Wellesley, Ontario



Schneiders, Borden Cold Storage Plant,
Kitchener, Ontario



Schneiders Main Plant, Head Office and
Distribution Centre, Kitchener, Ontario

Other meat-oriented snack foods will now enable us to get a share of this rapidly expanding market. Since there is no refrigeration required, distribution is made possible through many outlets and in vending machines.

Convenience foods are those we prepare that are normally cooked in the home or restaurant kitchen. Pre-cooked hamburger patties, for example, can be heated in microwave ovens for instant service.



Other pre-cooked convenience meat entree items will be made available to the restaurant and institutional market, providing menu variety at low unit, equipment and labour cost.



Canned Meats are closely akin to convenience foods, with emphasis on quality and attractive labelling. Canned meats are processed in sizes designed for individual or vending use, for families of various sizes and purveyors requiring fifteen or twenty servings.



Meat Balls, Chili Con Carne, Irish Stew, Hams and Picnics are quality products with pantry shelf availability and the heat and eat convenience of cans.



Pet Foods are made under the strictest conditions of sanitation and quality control. Spot Dog Food provides nutrition in an appetizing form in three flavours — real liver, beef and chicken. Whiskers Cat Food sets its own standard of quality and popularity.

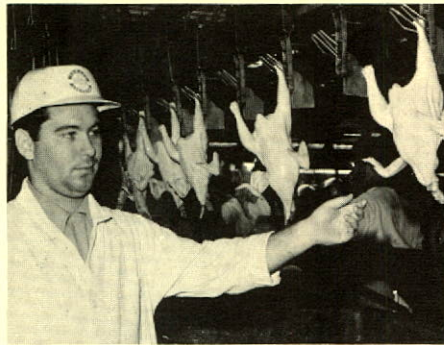
Today, Schneider's Foods ship Federally Inspected Meat Products of high quality to thousands of customers in Ontario, Quebec and the Maritimes, and continue to do a growing export business outside Canada.





The retail market is not neglected. We package popular one-pound packs of Steakettes, Country Beef Burgers and pre-cut steaks in colourful packages.

Chicken is always popular. Pre-cooked chickens, whole or pieces, are sold in packs for the restaurant or home market. Requiring only heating, they couple convenience with controlled portion cost.



To assure only the choicest, freshest chickens, Schneiders process live birds grown especially for us. Turkeys and chicken in whole or part are sold fresh and fresh frozen.

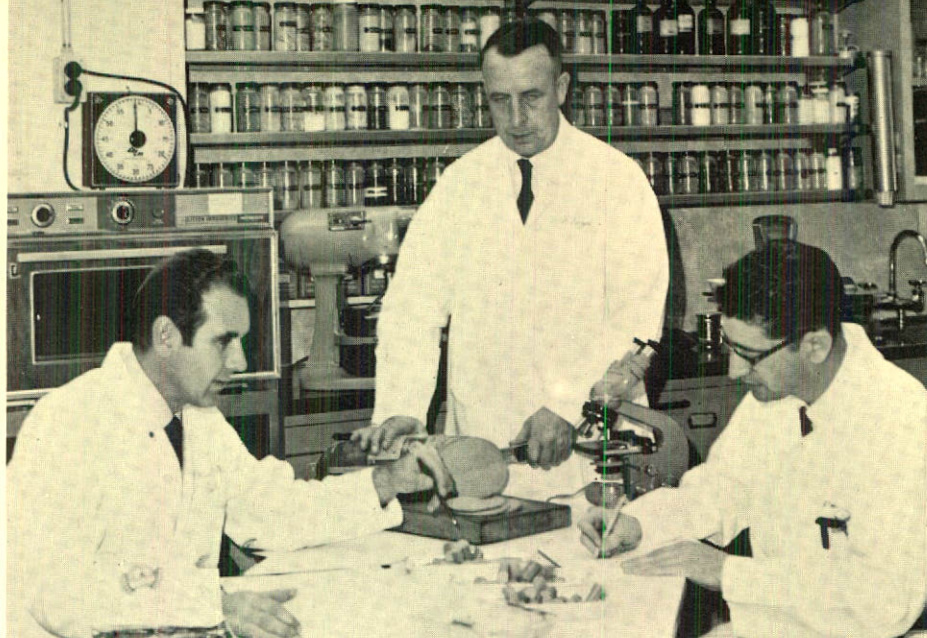
Cheese is made at our Wellesley plant from fresh whole milk. Cheddar is aged for full flavour, then cut into a variety of shapes and sizes. Soft Colby and Brick obtain their creamy texture in a shorter time.



Our Wellesley plant produces many processed cheese lines and, at Christmas, cheese items often find a place in hampers or gift packs. Our Wine and Rum Cured Old Cheddar are connoisseur products for the most discriminating.

Snack Foods, made primarily for nibbling between meals, require no special selling or storage conditions. Our first entry into this market is Hot Rods, a dried beef sausage item to be sold in variety and chain stores.





Product Development Kitchen.

Products List

PORK SAUSAGE

SIZZLERS — Ten extra-tender sausages per pound package.

MINI-SIZZLERS — New in '69, sixteen extra-tender sausage-links per pound.

SMOKIES — Different! Ten smoked links per package.

WIENERS

RED HOTS — Mild flavoured and economical. Twelve wieners per pound package.

BIG REDS — For he-men. A big bite bigger. Eight "larger than bun size" wieners per pound package.

BOLOGNA

All sizes from six ounce packages of sliced to ten pound pieces.

SAUSAGE CHUBS

POLISH — made in the European style.

BRAUNSCHWEIGER — tasty, tangy.

DRY SAUSAGE

SALAMI AND SUMMER SAUSAGE — German style, with a tangy smoked flavour.

PEPPERONI — The spicy, popular pizza garnish.

PEPPERETTES AND HOT RODS — Two handy, increasingly popular snack foods.

COOKED MEAT LOAVES

Forty selections — sliced and delicatessen style.

SIDE AND BACK BACON

Thick and thin slices—famous for flavour.

SMOKED MEATS

PARTY HAM — For all festive occasions, easy to carve.

CRISPYCRUST LARD AND CRISPYFLAKE SHORTENING

For prize-winning baking.

FRESH PORK, BEEF AND LAMB

From the whole carcass to single portion servings.

CHICKEN AND TURKEY

FRIED CHICKEN — Convenient two pound boxes for home use and handy restaurant packs.

BARBECUED FRYERS — Zesty, pleasantly different.

CHEESE, EGGS AND BUTTER

CHEDDAR — For the gourmet. Naturally-aged wedges, Stiltons and wine cured.

OLD SMOOTHY — Rich and creamy. Full-bodied Cheddar flavour, spreadable, in 8 oz. packages.

PROCESSED CHEESE — Mild, sliced, spread or block packages.

BRICK AND COLBY — Country fresh flavour. A favourite with children.

CANNED FOODS

MEAT BALLS

HAMS AND PICNICS • MINCEMEAT

CHILI CON CARNE

SNACK LUNCHEON MEAT

IRISH STEW • SAUERKRAUT

CANNED PET FOODS

SPOT DOG FOOD — Liver, Chicken or Beef.

WHISKERS CAT FOOD — Liver or Chicken.



Famous for Quality



J. M. Schneider, Limited, Kitchener, Ontario.

Financial Report

Earnings Net earnings for the year increased by 16.8% from \$1,069,000 in 1968 to \$1,249,000 for the year under review. This improvement in earnings was due to the increase in sales, improved operating margins and increased productivity.

Net profit was equal to 66¢ per share compared with 56¢ a year ago. The net profit on each dollar of sales was equal to 1.77 cents compared with the 1.75 cents reported the previous year.

Dividends During the fiscal year, dividends (including tax paid on undistributed income) paid to shareholders totalled \$299,000 or 15¾¢ per share compared to 13¢ the previous year.

Dividends of 3¾¢ were paid on April 15 for the period from February 19, 1969, the date of public issue, to April 15, 1969. Quarterly dividends of 6¢ each were paid on July 15 and October 15, 1969.

Date Paid	Class of Share	Cash Dividend	Stock Dividend	Tax Paid by Company	Total Dividend
Apr. 15 1969	Common	3¾¢	—	—	3¾¢
	Class B	3¾¢	—	—	3¾¢
	Class C	3¾¢	—	—	3¾¢
July 15 1969	Common	6¢	—	—	6¢
	Class B	6¢	—	—	6¢
	Class C	—	5⅞¢	⅞¢	6¢
Oct. 15 1969	Common	6¢	—	—	6¢
	Class B	6¢	—	—	6¢
	Class C	—	5⅞¢	⅞¢	6¢

The directors have established a general dividend policy of declaring and paying dividends in each fiscal year which, in the aggregate, will amount to approximately 40% of the Company's net earnings for the preceding fiscal year. This policy will be subject at all times to the discretion of the directors having regard to the best interests of the Company under the circumstances existing at the time including the advisability of reinvesting earnings to finance capital expenditure requirements from time to time.

Sales A new high in sales volume was established in 1969. For the year ended November 1, sales amounted to \$70,181,000 compared with \$61,067,000 the previous year. This was an increase of \$9,114,000 or 14.9%.

Product sales volume for the fiscal year exceeded 115,000,000 pounds. The breakdown of this sales volume was as follows:

Product Classification		Customer Classification	
Sausages and Cooked Meats	31%	Independents	41%
Fresh and Processed Pork	23%	Corporate Chains	20%
Poultry, Butter, Eggs and Cheese	19%	Hotels and Restaurants	14%
Beef, Veal and Lamb	15%	Independent Chains	8%
Lard and Shortening	10%	Voluntary Groups	6%
Canned Goods	2%	Institutions	2%
		Export	1%
		Other	8%
	100%		100%

Taxes Income taxes payable for the year amounted to \$1,341,000 compared to \$1,444,000 charged against earnings. The difference of \$103,000 by which Deferred Income Taxes were increased, arose mainly from claiming for income tax purposes maximum capital cost allowance which exceeded depreciation recorded in the accounts.

Financial Resources Working capital declined from \$4,800,000 to \$4,348,000 in the face of record capital expenditures. These amounted to \$2,413,000 compared with \$1,355,000 the previous year. The largest single items were the completion of the primary sewage treatment facility, expanded office space and the start of the new convenience food plant at Ayr, Ontario. There were some other items of necessity, but in the main the capital expenditures were for expansion, improvement of facilities, and reduction of costs.

During the year, Shareholders' Equity increased by \$950,000 to \$12,219,000; or from \$5.93 to \$6.43 per share.

Balance Sheet
November 1, 1969
(with comparative figures at November 2, 1968)

Assets

	<u>1969</u>	<u>1968</u>
CURRENT ASSETS		
Cash	\$ —	\$ 403,000
Marketable securities, at cost plus accrued interest (quoted market value 1969, \$367,000; 1968, \$1,174,000)	391,000	1,194,000
Accounts receivable	2,671,000	2,071,000
Inventories (note 1)	4,550,000	3,673,000
Other	<u>276,000</u>	<u>229,000</u>
TOTAL CURRENT ASSETS	<u>\$ 7,888,000</u>	<u>\$ 7,570,000</u>
 FIXED ASSETS (note 2)		
Land and improved areas, buildings, machinery and equipment, at cost	\$ 16,157,000	\$ 13,873,000
Less accumulated depreciation	<u>7,315,000</u>	<u>6,536,000</u>
TOTAL FIXED ASSETS	<u>\$ 8,842,000</u>	<u>\$ 7,337,000</u>
TOTAL ASSETS	<u><u>\$ 16,730,000</u></u>	<u><u>\$ 14,907,000</u></u>

Approved by the Board:

F. P. Schneider, Director

D. C. Jamieson, Director

J. M. Schneider, Limited
(Incorporated under the laws of Ontario)

Liabilities

	<u>1969</u>	<u>1968</u>
CURRENT LIABILITIES		
Bank advances	\$ 338,000	\$ —
Accounts payable and accrued liabilities	2,845,000	2,191,000
Income taxes payable	<u>357,000</u>	<u>579,000</u>
TOTAL CURRENT LIABILITIES	<u>\$ 3,540,000</u>	<u>\$ 2,770,000</u>
DEFERRED INCOME TAXES	<u>\$ 971,000</u>	<u>\$ 868,000</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 3)	\$ 1,190,000	\$ 1,190,000
CONTRIBUTED SURPLUS	218,000	218,000
RETAINED EARNINGS	<u>10,811,000</u>	<u>9,861,000</u>
TOTAL SHAREHOLDERS' EQUITY	<u>\$ 12,219,000</u>	<u>\$ 11,269,000</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>\$ 16,730,000</u></u>	<u><u>\$ 14,907,000</u></u>

Auditors' Report

To the Shareholders of J. M. Schneider, Limited

We have examined the balance sheet of J. M. Schneider, Limited as at November 1, 1969 and the statements of earnings, retained earnings and source and application 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 financial statements present fairly the financial position of the company as at November 1, 1969 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Kitchener, Ontario
November 26, 1969

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

J. M. Schneider, Limited
(Incorporated under the laws of Ontario)

Statement of Earnings

Year ended November 1, 1969

(with comparative figures for 1968)

	<u>1969</u>	<u>1968</u>
Sales	\$ 70,181,000	\$ 61,067,000
Expenses		
Raw materials	\$ 44,432,000	\$ 37,863,000
Packaging materials	3,232,000	3,061,000
Manufacturing	12,405,000	11,224,000
Marketing and distribution	4,584,000	4,107,000
Administrative and general	1,947,000	1,689,000
Depreciation	888,000	859,000
	<u>\$ 67,488,000</u>	<u>\$ 58,803,000</u>
Income before income taxes	\$ 2,693,000	\$ 2,264,000
Income taxes	<u>1,444,000</u>	<u>1,195,000</u>
NET EARNINGS FOR THE YEAR	<u>\$ 1,249,000</u>	<u>\$ 1,069,000</u>
Net earnings per share of capital stock (the 1968 figure is based on 1969 capitalization)	66¢	56¢

Statement of Retained Earnings

Year ended November 1, 1969

(with comparative figures for 1968)

	<u>1969</u>	<u>1968</u>
Balance at beginning of year	\$ 9,861,000	\$ 9,036,000
Net earnings for the year	1,249,000	1,069,000
	<u>\$ 11,110,000</u>	<u>\$ 10,105,000</u>
Dividends on		
Class B preference shares, in cash	\$ 143,000	\$ —
Common shares, in cash	60,000	—
Class C preference shares, in Class A preference shares including tax paid on undistributed income	96,000	—
Old Class B preference shares, in cash	—	5,000
Old Common shares, in cash	—	127,000
Old Class B preference shares, in Class A preference shares including tax paid on undistributed income	—	5,000
Old Common shares, in Class A preference shares including tax paid on undistributed income	—	107,000
	<u>\$ 299,000</u>	<u>\$ 244,000</u>
BALANCE AT END OF YEAR	<u>\$ 10,811,000</u>	<u>\$ 9,861,000</u>

J. M. Schneider, Limited
(Incorporated under the laws of Ontario)

**Statement of Source
and Application of Funds**

Year ended November 1, 1969
(with comparative figures for 1968)

Source of Funds

	<u>1969</u>	<u>1968</u>
Operations		
Net earnings for the year	\$ 1,249,000	\$ 1,069,000
Items not involving current funds		
Depreciation	888,000	859,000
Deferred income taxes	103,000	(37,000)
	<u>\$ 2,240,000</u>	<u>\$ 1,891,000</u>
Sale of fixed assets	20,000	117,000
Special refundable tax	—	92,000
Issue of Class B preference shares	—	16,000
	<u>\$ 2,260,000</u>	<u>\$ 2,116,000</u>

Application of Funds

Additions to fixed assets	\$ 2,413,000	\$ 1,355,000
Dividends, including tax paid on undistributed income	299,000	244,000
	<u>\$ 2,712,000</u>	<u>\$ 1,599,000</u>
INCREASE (DECREASE) IN WORKING CAPITAL	\$ (452,000)	\$ 517,000
WORKING CAPITAL AT BEGINNING OF YEAR	4,800,000	4,283,000
WORKING CAPITAL AT END OF YEAR	<u>\$ 4,348,000</u>	<u>\$ 4,800,000</u>

Notes to Financial Statements

Year ended November 1, 1969

1. INVENTORIES

	1969	1968
Products	\$4,145,000	\$3,399,000
Supplies	405,000	274,000
	<u>\$4,550,000</u>	<u>\$3,673,000</u>

Products are valued at lower of cost and net realizable value.
Supplies are valued at lower of cost and replacement cost.

2. FIXED ASSETS

	1969		1968	
	Cost	Accumulated depreciation	Net	Net
Land and improved areas	\$ 496,000	\$ 18,000	\$ 478,000	\$ 248,000
Buildings	6,691,000	2,399,000	4,292,000	3,448,000
Machinery and equipment	8,970,000	4,898,000	4,072,000	3,641,000
	<u>\$16,157,000</u>	<u>\$7,315,000</u>	<u>\$8,842,000</u>	<u>\$7,337,000</u>

Depreciation is charged at straight line rates to amortize cost over the estimated useful life of the assets.

Additional outlays of approximately \$3,100,000 are required for the completion of capital projects. The Ontario Development Corporation has agreed to loan \$250,000 for these additional outlays and it is expected that this will be a forgiveable loan.

3. CAPITAL STOCK

By supplementary letters patent dated January 10, 1969 the company's capital stock was altered and increased as follows:

- a) the authorized 890,968 6% non-voting non-cumulative Class A preference shares with a par value of \$1 per share were subdivided into 4,454,840 shares with a par value of 20¢ per share and were increased to 5,000,000 by creating an additional 545,160 shares;
- b) the 60,000 authorized and 15,519 issued 45¢ non-voting non-cumulative participating Class B preference shares were converted into 60,000 authorized and 15,519 issued common shares thereby increasing the authorized and issued common shares to 580,825 and 379,799 shares respectively;
- c) the 379,799 issued common shares were subdivided into 1,519,196 cumulative participating Class B preference shares and 379,799 "new" common shares on the basis of 4 Class B shares and 1 "new" common share for each "old" common share;
- d) the authorized number of cumulative participating Class B preference shares was increased to 2,500,000 by the creation of an additional 980,804 shares;
- e) the creation of 1,000 24¢ cumulative participating Class C preference shares without par value.

During the year 407,598 Class A preference shares were issued as stock dividends and were subsequently redeemed.

The cumulative participating Class B preference shares and the cumulative participating Class C preference shares are convertible one into the other at any time at the option of the holder. By virtue of The Corporations Act (Ontario), upon any such conversion, the number of authorized and outstanding shares of each class affected by such conversion is changed accordingly.

The authorized and issued capital as at November 1, 1969 after giving effect to the changes referred to above is as follows:

Authorized

- 4,592,402 6% Non-voting non-cumulative Class A preference shares redeemable at par value of 20¢ per share
- 1,699,886 24¢ Cumulative participating Class B preference shares without par value
- 801,114 24¢ Cumulative participating Class C preference shares without par value
- 580,825 Common shares

Issued

719,082 Class B preference shares	\$ 451,000
800,114 Class C preference shares	501,000
379,799 Common shares	238,000
	<u>\$1,190,000</u>

Under the J. M. Schneider Limited Employees Payroll Deduction Capital Stock Purchase Plan the company has reserved 65,000 Class B shares to be offered, from time to time, to employees of the company. Such shares are to be issued at a price not less than 90% of the market price (as defined) on the day the employee entered the plan. No options to purchase Class B shares under this plan were granted during the year.

The company has also reserved under its Stock Option Plan, 25,000 Class B shares for issuance upon the exercise of options which may be granted at the discretion of the Board of Directors to executives and key employees of the company. Such shares are to be issued at a price not less than the greater of (a) the average of the high and low sale price for such shares as reported by The Toronto Stock Exchange for the week previous to the time of the granting of the option or (b) 90% of the market price (as defined) of such shares at the time of granting the option. The option period may extend up to five years from date of grant and such option may be exercised in full at any time during such period. Options to purchase 3,358 shares under this plan were granted to executives during the year which expire July 23, 1974.

4. PENSION COMMITMENT

It is estimated that the unfunded obligation under pension plans amounts to \$484,000. The annual payment required to liquidate this obligation within nineteen years is \$40,000. The company intends to pay this amount within the time permitted or earlier as the cash position of the company permits. The related costs will be charged against income in the year of payment.

5. LEASE AGREEMENTS

The company is committed under lease agreements, all of which terminate within five years, to pay approximately \$350,000 annually to termination.

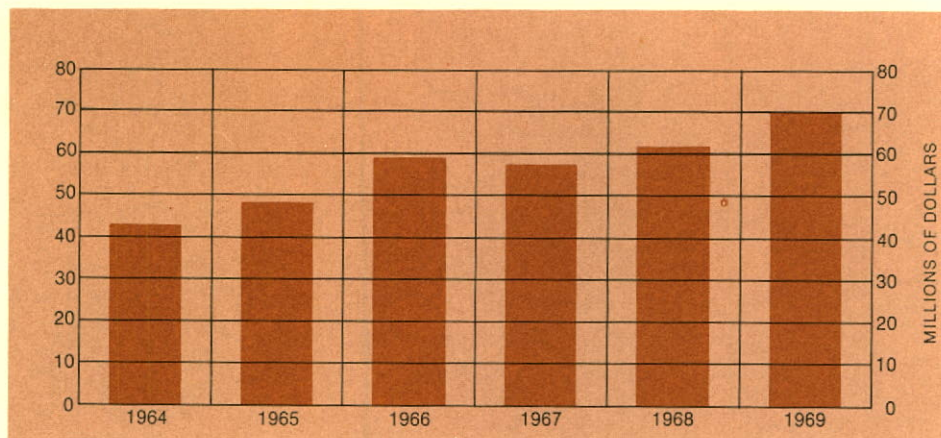
6. COMPARATIVE FIGURES

Comparative figures for 1968 have in some instances been restated in order to present them in form comparable to the financial statement presentation adopted for 1969.

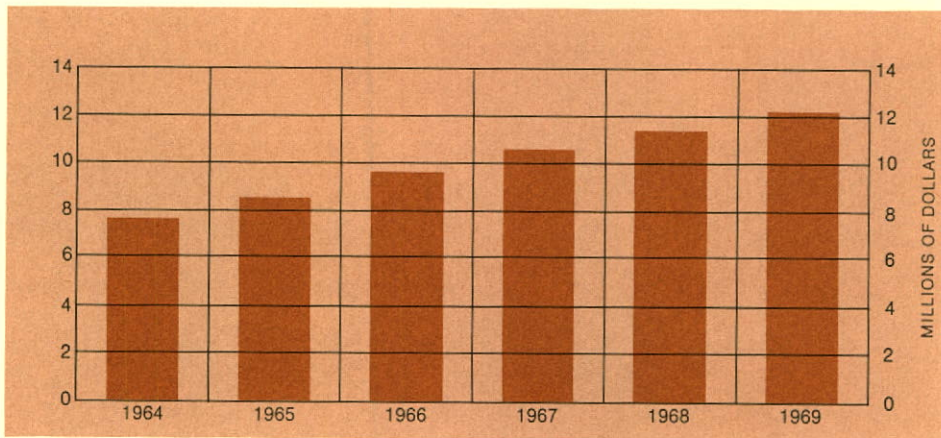
7. OTHER STATUTORY INFORMATION

Remuneration of directors and senior officers (as defined by The Corporations Act) for the year amounted to \$319,000 (\$313,000 in 1968).

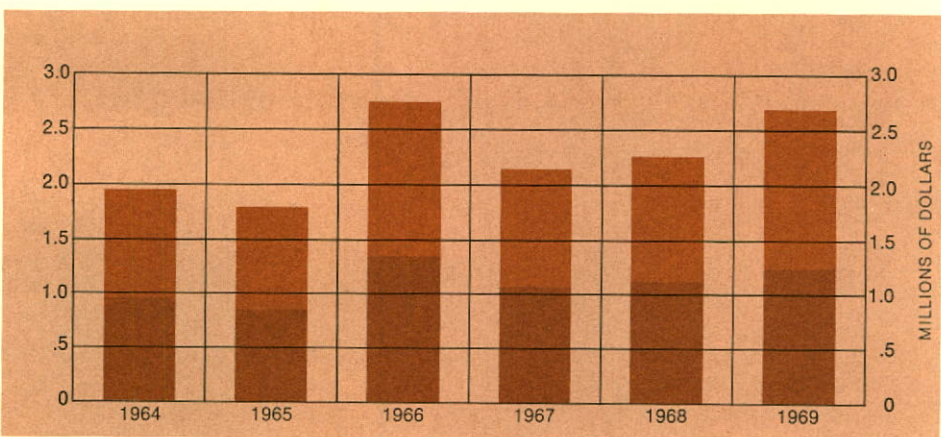
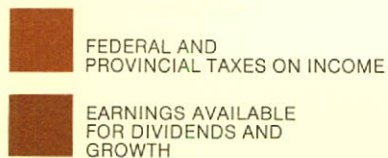
Growth of Sales



Growth of Shareholders' Equity



Allocation of Earnings between Government and Shareholders



How each Sales Dollar was used in 1969

SHAREHOLDERS: For dividend payments to shareholders as a return on their investment in the business **.4¢**

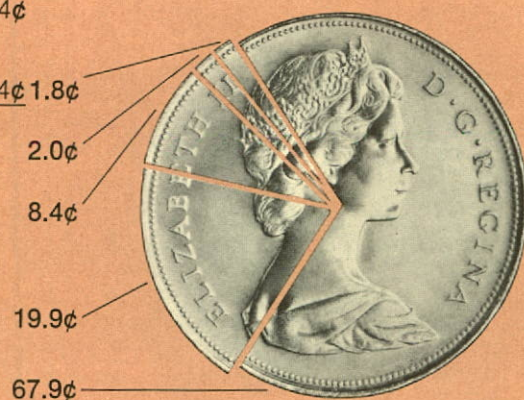
For use in the business to provide for continuous operations and future growth **1.4¢ 1.8¢**

GOVERNMENT: For income tax payments to Federal and Provincial Governments **2.0¢**

OPERATING EXPENSES: For operating supplies, utilities, business services and selling and administrative expenses (including depreciation and maintenance) **8.4¢**

EMPLOYEES: For wages, salaries, and benefits **19.9¢**

MERCHANDISE: For livestock, dressed meat, food products and packaging supplies **67.9¢**



Six Year Statistical Review

	<u>1969</u>	<u>1968</u>	<u>1967</u>	<u>1966</u>	<u>1965</u>	<u>1964</u>
Sales	\$70,181,000	\$61,067,000	\$57,902,000	\$58,898,000	\$48,127,000	\$42,526,000
Earnings						
Earnings – Before income taxes ..	\$ 2,693,000	\$ 2,264,000	\$ 2,140,000	\$ 2,745,000	\$ 1,808,000	\$ 1,968,000
Income taxes	\$ 1,444,000	\$ 1,195,000	\$ 1,109,000	\$ 1,399,000	\$ 956,000	\$ 1,003,000
Net earnings	\$ 1,249,000	\$ 1,069,000	\$ 1,031,000	\$ 1,346,000	\$ 852,000	\$ 965,000
– Per share	66¢	56¢	54¢	73¢	46¢	53¢
– Percent of sales	1.77%	1.75%	1.78%	2.29%	1.77%	2.27%
Dividends (including tax paid on undistributed income)	\$ 299,000	\$ 244,000	\$ 688,000	\$ 166,000	\$ 155,000	\$ 146,000
– Per share	15¾¢	13¢	36¢	09¢	08½¢	08¢
Capital expenditures	\$ 2,413,000	\$ 1,355,000	\$ 1,398,000	\$ 1,477,000	\$ 829,000	\$ 1,399,000
Depreciation	\$ 888,000	\$ 859,000	\$ 776,000	\$ 626,000	\$ 571,000	\$ 525,000
Salaries, wages and employee benefits	\$13,953,000	\$12,270,000	\$11,466,000	\$ 9,978,000	\$ 8,840,000	\$ 8,031,000
Average number of employees	1,731	1,733	1,688	1,551	1,438	1,356
Working capital	\$ 4,348,000	\$ 4,800,000	\$ 4,283,000	\$ 4,391,000	\$ 3,962,000	\$ 3,235,000
Working capital ratio	2.23 to 1	2.73 to 1	3.09 to 1	3.29 to 1	4.82 to 1	3.82 to 1
Total assets	\$16,730,000	\$14,907,000	\$13,381,000	\$12,734,000	\$10,795,000	\$10,094,000
Shareholders' equity	\$12,219,000	\$11,269,000	\$10,428,000	\$ 9,739,000	\$ 8,523,000	\$ 7,773,000
Percent return on equity	10.22%	9.49%	9.89%	13.82%	9.99%	12.41%
Equity per share	\$ 6.43	\$ 5.93	\$ 5.50	\$ 5.28	\$ 4.64	\$ 4.27
Number of shares outstanding	1,899,000	1,899,000	1,897,000	1,843,000	1,836,000	1,821,000
Number of shareholders	1,995	506	455	422	322	272

NOTE: The number of shares outstanding and per share earnings and dividends have been recalculated to give effect to the stock split in 1969.

Organization Chart

