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Louis Bregman
President & Director

Elvio Del Zotto
Secretary & Director

Kenneth Silverberg
Vice-President, Marketing

Harvey Fruitman
Director

Leo Del Zotto
Director

AUDITORS
Clarkson, Gordon & Co.

LAWYERS
Del Zotto, Zorzi, Applebaum

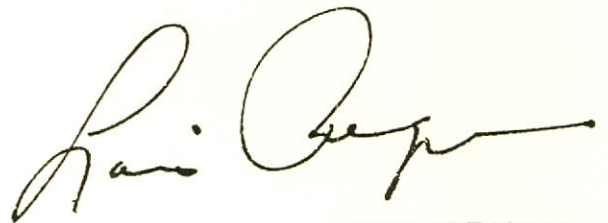
TRANSFER AGENTS
Crown Trust Company, Toronto,

HEAD OFFICE
67 Walker Ave., Toronto, Ont.
M4V 1G4

President's Report

The Corporation is pleased with the progress made, notwithstanding, that during the year 1973 it suffered a serious setback in regard to long term plans. This was due to the increased costs of ingredients which caused the unexpected loss in net income. At this time costs seem to have stabilized and it would appear that if the marketplace remains stable as well, during 1974, the corporation will show an improvement.

June 24, 1974

A handwritten signature in cursive script, appearing to read "Louis Bregman". The signature is written in dark ink and is positioned above the printed name and title.

LOUIS BREGMAN
President

Canadian Food Products Limited

and its subsidiary companies
(Incorporated under the laws of Ontario)

Consolidated Balance Sheet

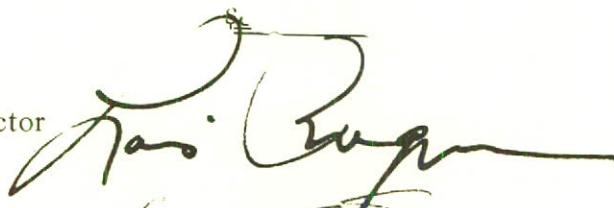
DECEMBER 29, 1973
(with comparative figures for 1972)

Assets

	<u>December 29</u> 1973	<u>December 30,</u> 1972
Current:		
Cash and short-term deposits.....	\$ 205,213	\$ 19,865
Accounts receivable (note 5).....	1,181,220	1,191,220
Inventories, at lower of cost and net realizable value —		
Raw materials and supplies.....	446,187	409,352
Finished goods and materials in process.....	135,277	114,786
Prepaid expenses.....	22,005	31,334
Current portion of mortgages receivable.....	<u>30,069</u>	<u> </u>
Total current assets.....	<u>2,039,971</u>	<u>1,766,557</u>
Mortgages receivable and sundry investments.....	414,612	53,201
Less current portion due within a year.....	<u>30,069</u>	<u> </u>
	384,543	53,201
Land, buildings, equipment and leasehold interests (note 4).....	4,106,319	4,957,753
Goodwill (note 2).....	<u>2,038,396</u>	<u>2,038,396</u>
	<u>\$8,569,229</u>	<u>\$8,815,907</u>

On behalf of the Board:

Director



Director



(See accompanying notes)

Liabilities and Shareholders' Equity

	December 29, 1973	December 30, 1972
Current:		
Bank loan (secured).....	\$ 310,000	\$ 860,000
Accounts payable and accrued liabilities.....	1,650,557	1,601,967
Dividends payable.....	4,701	1,952,867
Income and other taxes payable.....	156,529	160,862
Due to parent company, Aneas Investments Incorporated.....	118,962	249,862
Current portion of term bank loan.....	<u>700,000</u>	
Total current liabilities.....	<u>2,940,749</u>	<u>4,825,558</u>
Term bank loan (note 5).....	3,947,000	
Less current portion due within a year.....	<u>700,000</u>	
	<u>3,247,000</u>	
Deferred income taxes.....		<u>246,551</u>
Shareholders' equity (note 5):		
Share capital –		
First preference shares.....	120,050	317,950
Second preference shares.....	193,350	637,400
Common shares.....	<u>1,219,700</u>	<u>1,219,700</u>
	1,533,100	2,175,050
Contributed surplus.....	307,151	242,378
Retained earnings.....	<u>541,229</u>	<u>1,326,370</u>
Total shareholders' equity.....	<u>2,381,480</u>	<u>3,743,798</u>
	<u>\$8,569,229</u>	<u>\$8,815,907</u>

(See accompanying notes)

Canadian Food Products Limited

and its subsidiary companies

Consolidated Statement of Income, Retained Earnings and Contributed Surplus

FOR THE YEAR ENDED DECEMBER 29, 1973

(with comparative figures for 1972)

	<u>1973</u> (52 weeks)	<u>1972</u> (53 weeks)
<u>INCOME</u>		
Sales.....	<u>\$21,518,819</u>	<u>\$22,383,518</u>
Income from operations before the undernoted items.....	<u>\$ 366,496</u>	<u>\$ 724,547</u>
Deduct:		
Provision for depreciation and amortization.....	557,214	681,871
Interest on term bank loan.....	<u>313,947</u>	
	<u>871,161</u>	<u>681,871</u>
Income (loss) before income taxes and extraordinary items.....	(504,665)	42,676
Income taxes (recovered)	<u>(196,836)</u>	<u>20,500</u>
Income (loss) before extraordinary items.....	<u>(307,829)</u>	<u>22,176</u>
Extraordinary items:		
Net gain on disposals (note 3).....	86,394	
Income taxes recovered by the application of prior year's losses....	<u>13,265</u>	
	<u>99,659</u>	
Net income (loss) for the year.....	<u>\$ (208,170)</u>	<u>\$ 22,176</u>
<u>RETAINED EARNINGS</u>		
Balance, beginning of the year.....	\$ 1,326,370	\$ 4,410,531
Net income (loss) for the year.....	<u>(208,170)</u>	<u>22,176</u>
	<u>1,118,200</u>	<u>4,432,707</u>
Dividends:		
First preference shares — \$3.00 a share	7,425	19,077
Second convertible preference shares — \$3.00 a share.....	11,795	41,183
Common shares — \$0.75 a share.....	<u>557,751</u>	<u>3,046,077</u>
	<u>576,971</u>	<u>3,106,337</u>
Balance, end of the year.....	<u>\$ 541,229</u>	<u>\$ 1,326,370</u>
<u>CONTRIBUTED SURPLUS</u>		
Balance, beginning of the year.....	\$ 242,378	\$ 242,378
Discount on preference shares purchased for cancellation.....	<u>64,773</u>	
Balance, end of the year.....	<u>\$ 307,151</u>	<u>\$ 242,378</u>

(See accompanying notes)

Canadian Food Products Limited

and its subsidiary companies

Consolidated Statement of Source and Application of Funds

FOR THE YEAR ENDED DECEMBER 29, 1973

(with comparative figures for 1972)

	<u>1973</u> (52 weeks)	<u>1972</u> (53 weeks)
Source of funds:		
From operations —		
Net income (loss) for the year.....	\$ (208,170)	\$ 22,176
Add items not requiring an outlay of funds:		
Depreciation and amortization.....	557,214	681,871
Deferred income taxes.....	(246,551)	16,900
Gain on sale of fixed assets and leasehold interests.....	(69,114)	
	<u>33,379</u>	<u>720,947</u>
Proceeds on disposals (note 3)	777,337	27,898
Reduction in mortgages receivable		41,795
Decrease in goodwill related to future tax savings		3,600
Term bank loan.....	<u>3,247,000</u>	
	<u>4,057,716</u>	<u>794,240</u>
Application of funds:		
Acquisition of businesses —		
Total consideration		166,000
Less working capital (deficiency) acquired.....		<u>10,169</u>
		155,831
Additions to fixed assets and leasehold interests	414,003	434,576
Dividends	576,971	3,106,337
Mortgages taken back on sale of fixed assets	331,342	
Purchase of preference shares for cancellation (note 6).....	<u>577,177</u>	
	<u>1,899,493</u>	<u>3,696,744</u>
Increase (decrease) in working capital	<u>2,158,223</u>	<u>(2,902,504)</u>
Deficit, beginning of the year.....	<u>3,059,001</u>	<u>156,497</u>
Deficit, end of the year	<u>\$ 900,778</u>	<u>\$3,059,001</u>

(See accompanying notes)

Clarkson, Gordon & Co.

Chartered Accountants

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AUDITORS' REPORT

To the Shareholders of
Canadian Food Products Limited:

We have examined the consolidated balance sheet of Canadian Food Products Limited and its subsidiary companies as at December 29, 1973 and the consolidated statements of income, retained earnings and contributed surplus 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 consolidated financial statements present fairly the financial position of the companies as at December 29, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.

Toronto, Canada,
April 30, 1974.

Chartered Accountants

Canadian Food Products Limited

Notes to the Consolidated Financial Statements

DECEMBER 29, 1973

1. Financial statement presentation

The consolidated financial statements include the financial position of the company and all its subsidiaries at December 29, 1973 and the results of their operations for the year then ended.

2. Goodwill

Goodwill will be reflected in the books of the company at cost less any future tax savings resulting from the deduction of such goodwill from the taxable income of the company.

It is not the company's intention to amortize the amounts carried in the balance sheet for goodwill unless their value is impaired.

3. Net gain on disposals

During the year the company disposed of part of its restaurant division and bakery operations in Montreal. The gain (net of income taxes recoverable of \$17,280) on the disposal of fixed assets and leasehold interest of \$86,394 has been reflected as an extraordinary item on the attached consolidated statement of income.

4. Fixed assets

Fixed assets at cost, accumulated depreciation and amortization, and depreciation rates applied on a straight-line basis, are as follows:

	<u>1973</u>	<u>1972</u>	Rates of depreciation
Land.....	\$ 430,969	\$ 505,929	
Buildings.....	2,454,498	2,792,056	2 1/2% - 4%
Equipment.....	6,658,693	7,053,958	10% - 30%
Leasehold interest.....	<u>726,777</u>	<u>903,350</u>	Term of the lease
	10,270,937	11,255,293	
Less accumulated depreciation and amortization....	<u>6,164,618</u>	<u>6,297,540</u>	
	<u>\$ 4,106,319</u>	<u>\$ 4,957,753</u>	

5. Term bank loan

The term bank loan is secured by a general assignment of book debts and a first floating charge on the undertaking and remaining assets of the companies. This loan is repayable as follows:

<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
\$700,000	\$950,000	\$1,050,000	\$1,100,000	\$147,000

6. Share capital

Details relating to authorized and issued share capital are as follows:

Authorized less redeemed –
 2,401 First, 6% cumulative, voting preference
 shares of a par value of \$50 redeemable
 at a 20% premium
 3,867 Second, convertible 6% cumulative, voting
 preference shares of a par value of \$50
 1,007,428 Common shares without par value
 Issued –

	<u>1973</u>	<u>1972</u>
2,401 First preference shares (1972 – 6,359)	\$ 120,050	\$ 317,950
3,867 Second preference shares (1972 – 12,748)	193,350	637,400
743,668 Common shares	<u>1,219,700</u>	<u>1,219,700</u>
	<u>\$1,533,100</u>	<u>\$2,175,050</u>

The Second preference shares are convertible at any time into six common shares. During the year ended December 29, 1973, no Second convertible preference shares were converted into Common shares but, 3,958 First preference shares and 8,881 Second preference shares were purchased for \$577,177 cash and cancelled.

7. Lease commitments

The minimum rentals under lease agreements, which extend for more than five years from December 29, 1973, aggregate approximately:

1974 – 1978	\$2,233,400
1979 – 1983	\$ 837,672
1984 – 1987	\$ 136,359

These leases are principally for retail outlets where rent is calculated on a percentage of sales basis.

8. Foreign exchange

Current assets and liabilities in U.S. dollars have been translated into Canadian dollars at the approximate rate of exchange December 29, 1973. Long-term debt has been translated at the rates prevailing on the dates the original borrowings. Transaction during the period have been translated at the rate prevailing on the respective dates of the transactions.

9. Statutory information

The aggregate direct remuneration paid by the company and its subsidiaries to its directors and senior officers (as defined under The Business Corporations Act, 1970, Ontario) which do not include any member of management, amounted to approximately \$64,000 for the year ended December 29, 1973 (1972 – \$56,000).

10. Earnings per share

Earnings for the year per common share, based on the average number of common shares outstanding during the year, after deducting dividends paid on Preference shares, are shown below. The full conversion of all Second Preference shares produces no dilution of earnings.

	<u>Based on shares outstanding</u>	
	<u>1973</u>	<u>1972</u>
Net loss before extraordinary items.....	\$ 0.44	\$ 0.05
Net loss.....	\$ 0.31	\$ 0.05

