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1991 ANNUAL REPORT

L

COBI FOODS INC.



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LETTER TO SHAREHOLDERS

Sales decreased by 8% from the previous year primarily due to a planned reduction in beverages sales. Operating losses before plant closures and reorganization costs decreased by \$1,002,000 to \$4,926,000.

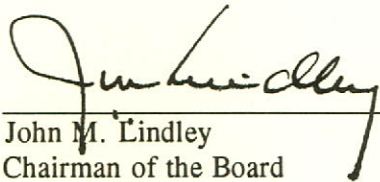
As a result of the company's plans to reorganize and rationalize its investment in plant and warehouse facilities in Ontario, a one-time provision of \$10,740,000 has been charged against operations to record the anticipated costs related in this reorganization.

Efforts are continuing to restructure Cobi into a profitable operation. The company is in the process of identifying the profitable markets and the most effective form of organization to ensure future success. We expect to finalize these initiatives during this current fiscal year.

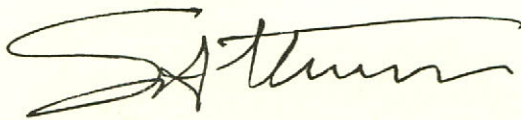
We would like to thank our major shareholders, customers, suppliers and dedicated employees for their ongoing support.

Richard Turner retired last April as President and Chief Executive Officer of Cobi Foods Inc. The Board acknowledges his many contributions to the company.

On April 15, 1991, S. Rama Atluru was appointed President and Chief Executive Officer of the company.



John M. Lindley
Chairman of the Board



S. Rama Atluru
President and Chief Executive Officer

July 24, 1991

MANAGEMENT DISCUSSION AND ANALYSIS

During Fiscal 1991 the shift away from low margin products continued. This led to the total reorganization of the Bloomfield production site which is now primarily oriented to packaging and storage.

Products formerly produced at Bloomfield are now being produced at Berwick, Nova Scotia, or co-packed where more beneficial and practical.

Plant closures and reorganization costs totalled \$10,740,000 of which \$7,922,000 is for the write-down of fixed assets to net realizable values.


The continued strength of the Canadian dollar has caused a further decrease in export volume.

Liquidity and Capital Resources

Cash utilized in operations increased from \$2.5 million to \$4.5 million primarily due to reorganization costs. The company maintained its bank line of credit within authorized limits throughout the year and rearranged its covenants under its bank line of credit agreement. All scheduled debt repayments were met.

Results of Operations

Earnings before depreciation, interest and plant closures and reorganization costs were \$3.7 million compared to \$3.8 million the previous year.



John G. O'Hara
Vice-President and Chief Operating Officer

July 24, 1991

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Cobi Foods Inc. as at April 30, 1991 and 1990 and the consolidated statements of operations and deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at April 30, 1991 and 1990 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Coopers & Lybrand

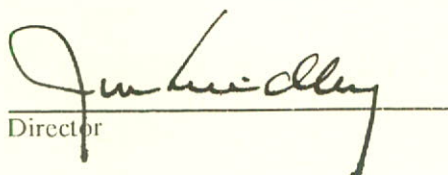
CHARTERED ACCOUNTANTS


June 24, 1991
Halifax, Nova Scotia

CONSOLIDATED BALANCE SHEETS

As at April 30,	1991 (\$000)	1990 (\$000)
ASSETS (note 2)		
Current assets		
Accounts receivable	6,104	7,489
Inventories	37,867	45,477
Prepaid expenses	542	943
Deferred closure costs	1,172	457
	45,685	54,366
Fixed assets (note 3)	24,100	34,848
Other assets	707	749
	70,492	89,963
LIABILITIES		
Current liabilities		
Bank indebtedness (note 2)	26,436	32,408
Demand debenture payable to an affiliated company, non-interest bearing (note 2)	6,000	4,500
Accounts payable and accrued liabilities	11,735	9,738
Current portion of long-term debt (note 4)	2,838	1,836
	47,009	48,482
Long-term debt (notes 2 and 4)	38,035	40,367
	85,044	88,849
SHAREHOLDERS' EQUITY		
Capital stock (note 5)	35,429	35,429
Deficit	(49,981)	(34,315)
	(14,552)	1,114
	70,492	89,963

Signed on Behalf of the Board


Director


Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

For the years ended April 30,	1991 (\$000)	1990 (\$000)
GROSS SALES	112,704	122,368
Trade discounts and freight	19,061	19,856
Net sales	93,643	102,512
COSTS AND EXPENSES		
Cost of sales, selling and administrative	89,954	98,710
Depreciation and amortization	3,399	3,915
Interest -		
Short-term debt	3,487	4,026
Long-term debt	1,729	1,789
	98,569	108,440
Loss before the following	(4,926)	(5,928)
Plant closures and reorganization costs (note 6)	(10,740)	-
LOSS FOR THE YEAR	(15,666)	(5,928)
Deficit - Beginning of Year	(34,315)	(28,387)
DEFICIT - END OF YEAR	(49,981)	(34,315)
LOSS PER SHARE	<u>(60¢)</u>	<u>(23¢)</u>

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

For the years ended April 30,	1991 (\$000)	1990 (\$000)
OPERATING ACTIVITIES		
Loss for the year	(15,666)	(5,928)
Charges (credits) to loss not involving cash -		
Depreciation and amortization	3,399	3,915
Plant closures and reorganization costs	7,922	-
Other	(120)	(531)
	(4,465)	(2,544)
Settlement of lawsuit	-	(1,148)
Net change in non-cash working capital balances related to operations	10,678	361
	6,213	(3,331)
FINANCING ACTIVITIES		
Short-term borrowings from an affiliated company	1,500	4,500
Repayment of long-term debt	(1,330)	(1,358)
	170	3,142
INVESTING ACTIVITIES		
Proceeds on disposal of fixed assets	907	1,068
Purchase of fixed assets	(1,318)	(2,386)
	(411)	(1,318)
DECREASE (INCREASE) IN BANK INDEBTEDNESS DURING THE YEAR	5,972	(1,507)
Bank Indebtedness - Beginning of Year	(32,408)	(30,901)
BANK INDEBTEDNESS - END OF YEAR	(26,436)	(32,408)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended April 30, 1991 and 1990

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the accounts of the company and all subsidiary companies. The purchase method has been used to account for all acquisitions.

Inventories

Inventories are valued at the lower of cost and net realizable value, with cost determined on a first-in, first-out basis.

Prepaid expenses

Prepaid expenses include advances to growers and cost of growing crops which are deferred until the crops are harvested.

Deferred closure costs

Deferred closure costs will be charged against the anticipated gain to be realized on the sale of the property.

Depreciation

Depreciation of fixed assets is calculated using the straight-line basis over their estimated useful lives. The estimated useful lives for buildings and improvements range from 20 to 40 years and for machinery and equipment range from 4 to 12 years.

2. SECURITY FOR DEBT

All of the company's assets have been pledged as security, either directly or through floating charge debentures, for the bank indebtedness, the demand debenture and the long-term debt.

3. FIXED ASSETS

	1991			1990
	Cost (\$000)	Accumulated depreciation (\$000)	Net (\$000)	Net (\$000)
Land	1,187	-	1,187	1,525
Buildings and improvements	18,119	6,246	11,873	12,237
Machinery and equipment	27,214	16,174	11,040	21,086
	46,520	22,420	24,100	34,848

4. LONG-TERM DEBT

	1991 (\$000)	1990 (\$000)
Loans, mortgages and debentures, bearing interest at rates ranging from 5 7/8% to 13 1/4%, due at various dates through 2004	7,128	8,061
Amounts payable to affiliated companies -		
Income debentures, repayable within 366 days upon receiving written notice demanding repayment and which have been subordinated to the banks' position	20,000	20,000
Advances bearing interest at rates ranging from 11.74% to 12.55% and a non-interest bearing advance, all with no fixed terms of repayment and of which \$6,770,000 has been subordinated to the banks' position	7,370	7,370
Non-interest bearing debenture, due April 1994, with interim payment requirements	5,475	5,475
Other - non-interest bearing	900	1,297
	<hr/> 40,873	42,203
Less: Current portion	2,838	1,836
	<hr/> 38,035	40,367

The income debentures may bear interest at one-half of bank prime plus 2%. It is unlikely that interest on these debentures will be payable with respect to the current and previous years.

The aggregate amount of payments required in each of the next five years to meet retirement provisions (assuming no repayment of the income debentures is required) is as follows:

	(\$000)
Year ending April 30, 1992	2,838
1993	3,532
1994	6,140
1995	143
1996	141

5. CAPITAL STOCK

(a) Authorized -

An unlimited number of common shares without nominal or par value

An unlimited number of non-voting equity shares without nominal or par value which rank equally with the common shares

An unlimited number of preference shares which shall be issued in series by the directors, each such series carrying such rights and conditions as the directors may determine.

(b) Issued and fully paid -

	shares	(\$000)
Common shares	<u>26,125,255</u>	<u>35,429</u>

(unchanged during each of the years)

(c) Stock Option Agreements -

The company has outstanding options to certain employees and directors to purchase common shares of the company for prices ranging from 62¢ to \$1.04 per share. The options are effective to December 1994 and a total of 419,500 shares are available for purchase under the terms of these agreements.

6. PLANT CLOSURES AND REORGANIZATION COSTS

As a result of the company's plans to reorganize and rationalize its investment in plant and warehouse facilities in Ontario, a one-time provision of \$10,740,000 has been made in the accounts to record the anticipated costs related to this reorganization. The provision includes the following:

	(\$000)
Write-down of fixed assets to net realizable values	7,922
Other costs	3,990
	<hr/>
	11,912
Less: Deferred closure costs	(1,172)
	<hr/>
	10,740

7. PENSION PLANS

The company sponsors defined-benefit pension plans covering substantially all salaried and hourly employees, except executives. The pension plan for executives was converted from a defined benefit plan to a money purchase plan effective January 1, 1991. An actuarial valuation was made on December 31, 1987 by Alexander Consulting Group Limited and was then extrapolated to April 30, 1991. The company's actuarial obligations for pension benefits arising from service prior to April 30, 1991 are estimated to be \$5,979,000 (1990 - \$6,770,000). The actuarial estimate of the market value of the assets available to meet these obligations at April 30, 1991 is \$6,012,000 (1990 - \$6,723,000). The regular three-year actuarial evaluation of the plans as at December 31, 1990 is in process.

8. RELATED PARTY TRANSACTIONS

During the year, the company was charged approximately \$4,400,000 (1990 - \$6,200,000) by related companies for supplies, services, and interest.

9. FUTURE INCOME TAXES

The company and its subsidiaries have accumulated losses for tax purposes of approximately \$24,400,000 which may be carried forward and used to reduce taxable income in future years. These losses may be claimed no later than:

	(\$000)
Year ending April 30, 1992	1,700
1993	5,500
1994	500
1995	3,200
1996	8,600
1997	2,600
1998	2,300

In addition, the undepreciated capital cost of fixed assets as at April 30, 1991 exceeded their net book value by approximately \$20,500,000.

The potential income tax benefits associated with the above items have not been recorded in the accounts.

DIRECTORS

George E. Bishop
Gaspereau, N.S.
President
Scotia Investments Limited

†**Bernardin J. Comeau**
Saulnierville, N.S.
Chairman of the Board
Comeau's Sea Foods Limited

Gordon E. M. Cummings
Oakville, Ontario
Executive Vice-President
United Co-operatives of Ontario

†**David J. Hennigar**
Bedford, N.S.
Atlantic Regional Director
Burns Fry Limited

John J. Jodrey
Hantsport, N.S.
Chairman of the Board
Scotia Investments Limited

Frederik B. Ladly
Toronto, Ontario
President and Chief Executive Officer
Extendicare Health Services Inc.

John M. Lindley
Campbellville, Ontario
Chairman of the Board
Cobi Foods Inc.

†**J. Thomas MacQuarrie, Q.C.**
Halifax, N.S.
Senior Partner
Stewart McKelvey Stirling Scales

†**Angela Peters**
Halifax, N.S.
Corporate Director and Consultant

Richard J. Turner
Canning, N.S.
Corporate Director

†Member of Audit Committee

OFFICERS

John M. Lindley
Chairman of the Board

John J. Jodrey
Vice-Chairman of the Board

S. Rama Atluru
President and Chief Executive Officer

John G. O'Hara, C.G.A.
Vice-President and Chief Operating Officer

Colin M. Lang, C.G.A.
Vice-President Administrative Services

Leonard D. McCully, F.C.A.
Corporate Secretary

GENERAL INFORMATION

Banks

The Canadian Imperial Bank of Commerce
The Royal Bank of Canada
The Bank of Nova Scotia

Transfer Agent

Central Guaranty Trust Company
Principal: 1645 Granville Street, Halifax, N.S.
Branch: 88 University Avenue, Toronto, Ont.

Listed

Common Shares
The Toronto Stock Exchange
Symbol CFJ

Head Office

P. O. Box 1000, Collins Road
Port Williams, N.S.
BOP 1TO

Auditors

Coopers & Lybrand

Solicitors

Stewart McKelvey Stirling Scales

NATIONAL AND REGIONAL BRANDS

Retail

Avon
Graves
Hardee Farms
Honeydew
Libby's
Nature's Best
Stokely Van Camp's

Foodservice

Cobi
Honeydew
Kirkwood

MAJOR PRODUCT GROUPS

Beverages

Apple Juice
Cranberry Cocktail
Drinks
Orange Juice
Pure Juice Blends
Tomato Juice

Fruit

Apples
Blueberries
Pears
Pie Filling
Pumpkin

Vegetables

Baked Beans
Blends & Mixes
Brussels Sprouts
Carrots
Cauliflower
Corn
Kidney Beans
Lima Beans
Peas
Potatoes
Sauerkraut
Tomatoes
Wax & Green Beans



Cobi Foods Inc. Aliments Cobi Inc.
P.O. Box 1000, Port Williams
Nova Scotia, Canada, B0P 1T0
Tel (902) 542-5722 Fax (902) 542-4444