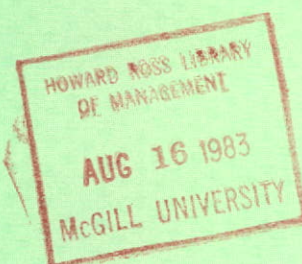




HARDEE FARMS INTERNATIONAL LTD.

25th Annual Report
For the Fiscal Year Ended
March 31, 1983





HARDEE FARMS INTERNATIONAL LTD.

Suite 200, 931 Yonge Street,
Toronto, Ontario M4W 2H7

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Shareholders of Hardee Farms International Ltd. will be held in the British Columbia Room, the Royal York Hotel, 100 Front Street West, Toronto, Ontario, on Wednesday, the 29th day of June, 1983, at the hour of 9:30 o'clock in the forenoon (Toronto time) for the following purposes:

1. To receive the financial statements of the Corporation for its financial year ended March 31, 1983, together with the report of the auditors thereon;
2. To elect ten directors;
3. To appoint auditors and to authorize the directors to fix their remuneration;
4. To transact such further or other business as may properly come before the meeting or any adjournment or adjournments thereof.

DATED at Toronto this 30th day of May, 1983.

By Order of the Board.

W. ROSS ABBOTT
Vice-President and Secretary

Note:
Shareholders who are not able to be personally present at the meeting are requested to sign and return, in the envelope provided for that purpose, the accompanying form of proxy for use at the meeting.

HARDEE FARMS INTERNATIONAL LTD.

MANAGEMENT PROXY CIRCULAR

Management Solicitation

This management proxy circular is furnished in connection with the solicitation of proxies by Management of Hardee Farms International Ltd. (the "Corporation") for use at the annual meeting of the shareholders of the Corporation to be held on June 29th, 1983, at 9:30 o'clock in the forenoon (Toronto time) in the British Columbia Room, the Royal York Hotel, 100 Front Street West, Toronto, Ontario and at any adjournment thereof for the purposes set forth in the foregoing notice of meeting. This solicitation is made by Management of the Corporation. It is expected that the solicitation will primarily be by mail. Proxies also may be solicited personally by regular employees of the Corporation. The cost of the solicitation will be borne directly by the Corporation.

The form of proxy forwarded to shareholders with the notice of the meeting confers discretionary authority upon the proxy nominee with respect to amendments or variations of matters identified in the notice of meeting or other matters which may properly come before the meeting. At the date of this circular, Management of the Corporation knows of no such amendments, variations or other matters.

All properly executed proxies will be voted at the meeting and, if a choice is specified in respect to any matters to be acted upon, will be voted in accordance with the direction given. In the absence of such direction, such proxies will be voted for the election of directors and for the appointment of auditors.

Proxies given by shareholders for use at the meeting may be revoked prior to their use. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal, or by an officer or attorney thereof duly authorized, and deposited either at the head office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of such meeting on the day of the meeting, or adjournment thereof, and upon either of such deposits the proxy is revoked.

Voting Shares and Principal Holder Thereof

The share capital of the Corporation consists of Common Shares without nominal or par value. As at the date hereof 5,001,201 Common Shares of the Corporation are outstanding. All registered holders of Common Shares of the Corporation at the time of the meeting will be entitled to vote at the meeting or any adjournments thereof and shall be entitled to one vote in respect of each Common Share held.

To the knowledge of the management of the Corporation, the only person who beneficially owns or exercises control or direction over shares of the Corporation carrying more than 10% of the voting rights attached thereto is Mr. C. H. Franklin who owns beneficially, directly or indirectly, 266,398, representing approximately 60%, of the outstanding common shares of Algonquin Mercantile Corporation which owns beneficially 2,884,769 representing approximately 57.7%, of the outstanding common shares of the Corporation. Mr. C. H. Franklin, personally and through an affiliate, also owns 98,677, representing approximately 2.0%, of the outstanding common shares of the Corporation.

Election of Directors

A board of ten directors is to be elected at the meeting to serve until the next Annual Meeting or until their successors are appointed. **Unless otherwise directed, the persons named in the enclosed proxy intend to vote for the election of the nominees named below** who are the present directors of the Corporation. In case any of the nominees should become unavailable for election for any presently unforeseen reason, the persons named in the proxy will have the right to use their discretion in selecting a substitute. The following information is submitted with respect to the nominees for director.

Nominees	Director Since	Principal Occupation and Position with Affiliated Corporations	Common Shares Beneficially Owned as at May 30, 1983 (1)	
			Hardee Farms International Ltd.	Algonquin Mercantile Corporation
* D. S. Anderson	1976	Chairman of the Board, Canada Realities Limited (Real Estate Development Consultants) Director, Algonquin Mercantile Corporation	1,000	500

Nominees	Director Since	Principal Occupation and Position with Affiliated Corporations	Common Shares Beneficially Owned as at May 30, 1983 (1)	
			Hardee Farms International Ltd.	Algonquin Mercantile Corporation
* D. E. Foyston	1971	President, Foyston, Gordon & Payne Inc. (investment counsel)	2,250	30
C. H. Franklin (2)	1969	Chairman of the Board, Hardee Farms International Ltd. Algonquin Mercantile Corporation	2,983,446	266,398
R. M. Franklin	1977	Vice-Chairman of the Board, Hardee Farms International Ltd. Executive Vice-President and Director Algonquin Mercantile Corporation	15,800	36,210
* F. D. Lace	1969	Honorary Director, Dominion Securities Ames Limited (investment dealers) Director, Algonquin Mercantile Corporation	35,000	20,500
* J. A. McKechnie	1964	Professional Engineer	10,000	—
E. R. S. McLaughlin	1969	President Old Canada Investment Corporation Ltd., (Investment Fund) Macel Transportation Limited (Distribution Corporation) Director, Algonquin Mercantile Corporation	26,000	6,100
** D. L. Sinclair	1966	Financial Consultant	5,028	—
W. A. Stewart	1975	Farmer	1	—
* A. W. Walker	1973	President Hardee Farms International Ltd. Algonquin Mercantile Corporation	11,600	4,285

(1) The information as to shares owned by each nominee, not being within the knowledge of the company, has been furnished by such nominees.

(2) Mr. C. H. Franklin beneficially owns, controls and directs approximately 59.5% of the votes attached to the common shares of the Corporation, as described in "Voting Shares and Principal Holder Thereof".

** Audit Committee Chairman

* Audit Committee Members

(3) The Corporation is required to have an audit committee and does not have an executive committee.

Directors' and Officers' Remuneration

The following table shows the aggregate direct remuneration paid or payable during the fiscal year ended March 31, 1983 by the Corporation and its subsidiaries to the directors, and separately to the officers who received in excess of \$40,000.00:

	Directors' fees	Salaries	Bonuses	Non-accountable expense allowance	Other	Total
Remuneration of Directors as such						
(A) Number of Directors: 10						
(B) Body Corporate incurring the expense:						
Hardee Farms International Ltd.	\$11,800	—	—	—	—	\$ 11,800
Remuneration of Officers as such						
(A) Number of Officers: 3						
(B) Body Corporate incurring the expense:						
Hardee Farms International Ltd.	—	\$191,906	—	—	—	191,906
	<u>\$11,800</u>	<u>\$191,906</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>\$203,706</u>

Algonquin Mercantile Corporation and its subsidiaries, which include the Corporation, have purchased insurance in the face amount of \$3,000,000 (subject to deductibles of \$20,000 and 5% of each loss) to protect the corporations and their directors and officers from liability arising from the activities of their directors and officers as such. The Corporation's portion of the \$4,792 total annual premium is approximately \$2,464 in respect of directors as a group and approximately \$1,848 in respect of officers as a group. The directors and officers personally pay 10% of the total annual premium.

Appointment of Auditors

Unless otherwise directed, the persons named in the enclosed proxy intend to vote for the appointment of Messrs. Coopers & Lybrand as auditors of the Corporation to hold office until the next Annual Meeting of shareholders or until their successors are appointed.

Other Business

The enclosed proxy confers discretionary authority upon the persons named therein with respect to other matters which may properly come before the meeting. At the present time the management of the Corporation knows of no such other matters to come before the meeting. However, if any such matters properly come before the meeting, it is the intention of the persons named in the enclosed proxy to vote in accordance with their judgment on such matters.

Approval by Directors

The contents and sending of this management proxy Circular have been approved by the directors of the Corporation.

Dated: May 30, 1983.



W. ROSS ABBOTT

Vice-President and Secretary
Hardee Farms International Ltd.



HARDEE FARMS INTERNATIONAL LTD.

BOARD OF DIRECTORS

* D. S. Anderson	* J. A. McKechnie
* D. E. Foyston	E. R. S. McLaughlin
C. H. Franklin	W. A. Stewart
R. M. Franklin	** D. L. Sinclair
* F. D. Lace	* A. W. Walker

Audit Committee Chairman (**) and Members (*)

EXECUTIVE OFFICERS

C. H. Franklin	Chairman of the Board and Chief Executive Officer
R. M. Franklin	Vice Chairman
A. W. Walker	President
R. W. McDannold	Executive Vice President
W. R. Abbott	Vice President and Secretary
D. H. Kirstine	Vice President Finance and Treasurer

HEAD OFFICE

Suite 200, 931 Yonge Street
Toronto, Ontario
M4W 2H7
Telephone 416-962-8600
Telex 0622891

AUDITORS

Coopers & Lybrand
Toronto, Ontario

TRANSFER AGENTS AND REGISTRAR

Guaranty Trust Company of Canada
Toronto, Ontario

BANKERS

The Royal Bank of Canada
Canadian Imperial Bank of Commerce

STOCK LISTING

Toronto Stock Exchange

ANNUAL SHAREHOLDERS' MEETING

9:30 a.m., June 29, 1983
British Columbia Room
Royal York Hotel
100 Front Street West
Toronto, Ontario



Chairman's Report to Shareholders:

The 1983 fiscal year end was altered to March 31st to conform with the necessity for Hardee's parent company, Algonquin Mercantile Corporation, to change its fiscal year end to that date.

Operations are covered elsewhere in this Annual Report, but as stated many times, it is mainly the reduction of interest rates that permits Hardee to produce a profit. This amounted to 14¢ per share compared to 15¢ per share for the full twelve month period in fiscal 1982. It is gratifying to note that earnings before extraordinary items trebled; namely, from 2¢ per share to 6¢ per share in the 1983 fiscal year. In spite of the foregoing, the seasonal food processing industry in Ontario is still in dire straits.

The problem of single annual inventory turnover of processed agricultural produce continues to plague virtually all Ontario producers. As a matter of fact, considerable attrition has set in at various competitors' plants and several are in course of being closed or reduced in capacity. Unfortunately, the provincial government apparently does not recognize this as an economic circumstance, but continually pumps new money into expanding various facets of the same oversupplied industry which can only result in increasing the economic problem of farm produce processing in Ontario.

The federal government has recognized the problem of offshore subsidized competition in respect to the whole tomato canning industry and during the year purchased some 500,000 cases of this commodity from canners as well as imposing additional duties on imports from countries where subsidies are totally inequitable.

In general the company's operations have been satisfactory and the loyalty and dedication of operating personnel is again acknowledged, together with an expression of sincere appreciation for the continued support of Hardee's many valued customers and suppliers.

On behalf of the Board,

A handwritten signature in dark ink, appearing to read "C. H. Franklin".

C. H. Franklin, Chairman.

President's Report to Shareholders:

In view of prevailing recessionary conditions Hardee's overall operating performance for the abbreviated 1983 fiscal year was very gratifying despite being somewhat static in relation to major advances of the previous twelve months. The substantial gains achieved during that interval were maintained throughout the recently completed year and important foundations toward future progress were established within each segment of the Company.

Earnings from operations amounted to \$294,390 for an increase of \$218,100 over 1982 results. The welcome decline of interest rates toward more normal levels produced this significant improvement.

Results of the Frozen Vegetable Division were once again better than those of the preceding year. Relatively abundant harvests produced favourable earnings from agriculture while trading margins for frozen vegetables stayed generally firm despite disappointing evidences of weakness in the final quarter.

The Baxter Canning Division continues to hold Hardee's greatest potential for immediate growth and diversification into a broader range of non-seasonal food processing activities. The modern, efficient, and unusually varied production lines at the Bloomfield plant, in combination with the expertise of its highly qualified technical and production staffs make this Canada's foremost food processing facility providing confidential custom canning services to a widening circle of leading Canadian and U.S. retailers, wholesalers, formulators, and national brand marketers. In an era of intense competition for scarce retail shelf space between branded and no-name products, and in a marketplace where quality management and related control assurances are vital to the gaining of consumer loyalties, the Baxter Canning Division is uniquely equipped to participate advantageously and in scale. In the 1983 fiscal year sales volume of this division increased by almost 12% over the level achieved during the 1982 year. Progress and outlook remain encouraging.

Generally favourable Canning Division earnings were impacted during the recent year by reduced

May 30, 1983



margins on canned whole tomatoes. This problem resulted from the inadequacy of tariff protection to prevent substantial imports into Canada from heavily subsidized European tomato canning plants. The federal government has since imposed countervailing duties and has purchased 500,000 cases of canned tomatoes from Canadian processors to ensure adequate current returns and orderly future markets for Canadian tomato growers. It is hoped that federal government intervention in this important segment of Hardee's operations will soon restore normal conditions to this troubled market scene.

Volume and results of the Freeze Dry Foods Division declined during fiscal 1983 reflecting the deep economic recession which adversely affected the entire western world. Hardee's freeze drying activities tend to move in harmony with general business conditions and recent evidences of improvement across the North American economy provide encouragement in assessing current prospects for this division.

HONEYDEW Beverage Division operations were again disappointing. Reference was made a year ago to the highly competitive circumstance then existing at the retail level for frozen citrus concentrates. Unfortunately, those conditions continued throughout the entire 1983 fiscal year. However, very significant strides were made internally so that HONEYDEW products are now keenly price competitive and increased market prominence may now be more aggressively pursued. The opportunities open to HONEYDEW products and their placement in the market spectrum were very thoroughly researched and identified during the past year. As a result, consumer oriented television advertising and promotional materials emphasizing the role of natural honey as a distinctly special ingredient in HONEYDEW products are presently being featured. It is anticipated that the animated HONEYDEW honey bee with the related slogan "Be A HONEYDEW'ER" will become familiar symbols in the Canadian marketplace over the next few months. Stronger marketing and increased promotional support are expected to improve the performance of this division in the current year.

Capital outlays on fixed assets were unusually high because of two major projects undertaken during the past year. A complete frozen beverage concentrate canning line was installed at the Bloomfield plant to achieve significant cost improvements through formulation and production of our own frozen HONEYDEW beverages and to permit the custom manufacture of similar frozen concentrates for others. In addition, a major environmental installation was completed at the Lambeth frozen vegetable/french fry processing plant. Through new technology incorporated into this facility it is anticipated that previous environmental problems will be overcome, waste water treatment will be accelerated, valuable land formerly held solely for disposal of waste water by irrigation will be released for other uses, and the processing plant's future natural gas energy costs will be reduced through utilization of methane gas generated as a by-product in the new anaerobic waste conversion process. These two relatively large Bloomfield/Lambeth plant projects involved capital outlays aggregating approximately \$630,000 during the 1983 fiscal year. Both projects are qualified for cost recoveries in the current year under various government grant programs. Related applications totalling some \$300,000 are presently being processed through government offices.

Results of the past two years indicate that actions taken following the difficult preceding five year period have established a basis for confidence in Hardee's future performance within the Canadian food processing industry. A better economy should produce better results and present fundamentals appear to be oriented toward a recovery. Hardee is well-positioned to take advantage of improved conditions.

A handwritten signature in dark ink, appearing to read "A. W. Walker".

A. W. Walker, President.

May 30, 1983.



CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 1983

ASSETS

	1983 \$	May 29, 1982 \$
CURRENT ASSETS		
Cash	—	872,329
Accounts receivable	4,437,779	3,038,076
Inventories	12,078,599	11,344,290
Prepaid crop and other expenses	656,302	1,439,792
Current portion of mortgages receivable	172,806	72,374
Fixed assets from discontinued operations held for sale	218,140	218,140
	<u>17,563,626</u>	<u>16,985,001</u>
MORTGAGES RECEIVABLE (note 2)	446,575	610,486
FIXED ASSETS (note 3)	7,071,062	6,454,973
HONEYDEW TRADEMARKS	485,403	478,055
GOODWILL	473,547	473,547
	<u>26,040,213</u>	<u>25,002,062</u>

SIGNED ON BEHALF OF THE BOARD

C. H. Finklin, Director

D. S. Quisenberry, Director

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Hardee Farms International Ltd. as at March 31, 1983 and the consolidated statements of earnings, retained earnings and changes in financial position for the ten months 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.

LIABILITIES

	1983 \$	May 29, 1982 \$
CURRENT LIABILITIES		
Bank advances (note 4)	3,251,375	2,741,357
Accounts payable and accrued liabilities	5,602,580	6,089,992
Current portion of long-term debt	1,141,980	423,845
	<u>9,995,935</u>	<u>9,255,194</u>
LONG-TERM DEBT (note 5)	10,554,441	10,971,421
	<u>20,550,376</u>	<u>20,226,615</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 6)		
Issued and fully paid —		
5,001,201 common shares of no par value	4,346,413	4,346,413
RETAINED EARNINGS	1,143,424	429,034
	<u>5,489,837</u>	<u>4,775,447</u>
	<u>26,040,213</u>	<u>25,002,062</u>

In our opinion, these consolidated financial statements present fairly the financial position of the company as at March 31, 1983 and the results of its operations and the changes in its financial position for the ten months then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
May 20, 1983

COOPERS & LYBRAND
Chartered Accountants



CONSOLIDATED STATEMENT OF EARNINGS

FOR THE TEN MONTHS ENDED MARCH 31, 1983

	1983	Year ended May 29, 1982
	\$	\$
SALES	28,004,317	30,152,580
COST OF SALES AND OTHER EXPENSES	25,179,324	26,824,860
DEPRECIATION	556,513	593,958
	<u>25,735,837</u>	<u>27,418,818</u>
EARNINGS FROM OPERATIONS BEFORE INTEREST ..	2,268,480	2,733,762
INTEREST — TAX DEDUCTIBLE (note 5)	936,028	1,263,491
EARNINGS FROM OPERATIONS BEFORE INCOME TAXES AND INTEREST ON INCOME DEBENTURES ..	1,332,452	1,470,271
PROVISION FOR INCOME TAXES	420,000	503,000
	<u>912,452</u>	<u>967,271</u>
INTEREST ON INCOME DEBENTURES (note 5)	618,062	890,981
EARNINGS FOR THE PERIOD BEFORE EXTRAORDINARY ITEMS	294,390	76,290
EXTRAORDINARY ITEMS		
Reduction of income taxes resulting from utilization of prior years' losses	420,000	503,000
Net gain on disposal of fixed assets and mortgages	—	177,288
	<u>420,000</u>	<u>680,288</u>
NET EARNINGS FOR THE PERIOD	<u>714,390</u>	<u>756,578</u>
PER SHARE (note 6)		
Earnings before extraordinary items	6¢	2¢
Net earnings for the period	<u>14¢</u>	<u>15¢</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE TEN MONTHS ENDED MARCH 31, 1983

	1983	Year ended May 29, 1982
	\$	\$
RETAINED EARNINGS (DEFICIT) — BEGINNING OF PERIOD	429,034	(327,544)
Net earnings for the period	714,390	756,578
RETAINED EARNINGS — END OF PERIOD	<u>1,143,424</u>	<u>429,034</u>

**CONSOLIDATED STATEMENT OF
CHANGES IN FINANCIAL POSITION
FOR THE TEN MONTHS ENDED MARCH 31, 1983**

	1983 \$	Year ended May 29, 1982 \$
SOURCE OF FUNDS		
Earnings for the period before extraordinary items	294,390	76,290
Depreciation and other items not requiring an outlay of funds	504,294	862,493
Provided from operations	798,684	938,783
Long-term debt incurred	725,000	1,499,993
Proceeds on disposal of fixed assets	71,967	220,313
Reduction in mortgages receivable	163,911	54,979
Reduction of income taxes resulting from utilization of prior years' losses	420,000	503,000
Proceeds on disposal of mortgages (less current portion) . .	—	694,714
Proceeds on issue of income debentures net of long-term debt repaid	—	5,300,000
	<u>2,179,562</u>	<u>9,211,782</u>
USE OF FUNDS		
Purchase of fixed assets	1,199,698	702,570
Retirement of income debentures	625,000	662,500
Retirement of other long-term debt	516,980	111,344
Mortgages receivable on disposal of fixed assets	—	428,847
Purchase of minority interest shares in subsidiary	—	5,000
	<u>2,341,678</u>	<u>1,910,261</u>
(DECREASE) INCREASE IN WORKING CAPITAL	(162,116)	7,301,521
WORKING CAPITAL — BEGINNING OF PERIOD	7,729,807	428,286
WORKING CAPITAL — END OF PERIOD	<u>7,567,691</u>	<u>7,729,807</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE TEN MONTHS ENDED MARCH 31, 1983

1. SUMMARY OF ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements include the accounts of the company and all subsidiary companies. With the change in its year-end to March 31, the company's year-end coincides with that of its principal subsidiary, The Baxter Canning Co. Limited ("Baxter"). Consequently, these financial statements include the results of operations of Baxter for twelve months.

(b) Inventories

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

(c) Prepaid crop expenses

Crop expenses attributable to the current farm program are included in prepaid crop expenses.

(d) Fixed assets

Fixed assets are depreciated principally on a straight-line basis over their estimated useful lives as follows:

Buildings	— 20 to 40 years
Equipment	— 7 to 17 years

(e) HONEYDEW trademarks

This asset is carried at cost, since it is not anticipated that its inherent worth will decline below cost.

(f) Goodwill

Upon the acquisition of each purchased subsidiary, which is now a division, the acquisition costs were allocated to that subsidiary's identifiable net assets on the basis of estimated fair values at the date of acquisition, with any excess being carried as goodwill. All such goodwill arose prior to April, 1974 and is not being amortized so long as there is no evidence of impairment in value.

2. MORTGAGES RECEIVABLE

Mortgages receivable are as follows:

	Current \$	Long-term \$	1983 Total \$	May 29, 1982 Total \$
Sundry mortgages, at interest rates between 11½% and prime plus 2%, due between September 10, 1984 and September 30, 1986	172,806	446,575	619,381	682,860

3. FIXED ASSETS

Fixed assets are as follows:

	1983 \$	May 29, 1982 \$
Buildings and equipment — at cost	11,676,335	10,564,051
Accumulated depreciation	<u>5,522,678</u>	<u>5,026,483</u>
	6,153,657	5,537,568
Land — at cost	317,405	317,405
Other lands (approximately 4,600 acres) — at values assigned by the directors in 1971	<u>600,000</u>	<u>600,000</u>
	917,405	917,405
	<u><u>7,071,062</u></u>	<u><u>6,454,973</u></u>

4. BANK INDEBTEDNESS

Bank indebtedness, including advances, long-term loans and income debentures, is secured by a pledge of shares in a subsidiary, assignment of book debts, inventories, fire insurance policies, mortgages receivable and debentures on the assets of the company and the above subsidiary.

5. LONG-TERM DEBT

Long-term debt is as follows:

	Current \$	Long-term \$	1983 Total \$	May 29, 1982 Total \$
Bank loan (note 4), at an interest rate of prime plus 1%, due April 30, 1987	100,000	400,000	500,000	—
Income debentures (notes 4 and 6) at interest rates ranging from one-half of prime plus 1% to one-half of prime plus 1½%, due May 31, 1986	625,000	8,127,500	8,752,500	9,065,000
Sundry mortgages and notes, at interest rates between 6% and 16¾% due between June 30, 1984 and September 23, 1991 .	<u>416,980</u>	<u>2,026,941</u>	<u>2,443,921</u>	<u>2,330,266</u>
	<u><u>1,141,980</u></u>	<u><u>10,554,441</u></u>	<u><u>11,696,421</u></u>	<u><u>11,395,266</u></u>

Repayments required on long-term debt in fiscal 1985 are \$1,355,135, in fiscal 1986 \$1,541,642, in fiscal 1987 \$7,105,033 and in fiscal 1988 \$239,739.

Interest on long-term debt for the current year amounted to \$932,491.

Interest on income debentures is not deductible for tax purposes.

6. CAPITAL STOCK

The common shares of the company are without nominal or par value and are authorized in unlimited number.

As a condition of issuing the income debentures, the holders of these debentures received options to acquire 333,000 common shares of the company at 75¢ per share to May 31, 1983, \$1.00 per share to May 31, 1984, \$1.25 per share to May 31, 1985 and \$1.50 per share to May 31, 1986. No material dilution of earnings per share would result if all outstanding options were exercised.

Under the terms of the income debentures, permission of the income debenture holders is required to pay dividends.

7. FUTURE INCOME TAXES

The following amounts are available to reduce future income taxes:

	Hardee Farms International Ltd. \$	Subsidiary \$
Losses available for tax purposes —		
expiring in fiscal 1984	—	436,000
expiring in fiscal 1985	—	184,000
expiring in fiscal 1986	42,000	—
	<u>42,000</u>	<u>620,000</u>
Excess of depreciation recorded in the accounts over capital cost allowance claimed for tax purposes	2,018,000	820,000
The tax effects of the above have not been reflected in the accounts	2,060,000	1,440,000
In addition, future income tax payments could be deferred by refiling tax returns and claiming additional capital cost allowance in the amount of approximately	941,000	1,357,000
	<u>3,001,000</u>	<u>2,797,000</u>

8. RELATED PARTY TRANSACTIONS

- (a) The company is 57.7% owned by Algonquin Mercantile Corporation, the parent.
- (b) The parent pays certain joint costs of the company, and is reimbursed by the company for its proportionate share thereof. The amount due to the parent in respect thereof at March 31, 1983 amounted to approximately \$500,000, which is included in accounts payable and accrued liabilities.

9. SEGMENTED INFORMATION

As a food processor engaged in the canning, freezing and freeze-drying of vegetables, other food products and beverages, the company operates in only one line of business. Export sales during the period amounted to approximately 10% of sales.



HARDEE FARMS INTERNATIONAL LTD.

THREE YEAR REVIEW

	1983 (10 months) \$	1982 \$	1981 \$
OPERATING RESULTS			
Sales	<u>28,004,317</u>	<u>30,152,580</u>	<u>27,182,956</u>
EARNINGS			
BEFORE THE FOLLOWING	2,824,993	3,327,720	1,959,190
Depreciation	556,513	593,958	589,872
Interest	1,554,090	2,154,472	2,301,556
Income taxes	<u>420,000</u>	<u>503,000</u>	—
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEMS	294,390	76,290	(932,238)
Extraordinary items	<u>420,000</u>	<u>680,288</u>	<u>95,727</u>
NET EARNINGS (LOSS)	<u>714,390</u>	<u>756,578</u>	<u>(836,511)</u>
FINANCIAL POSITION			
Total Assets	26,040,213	25,002,062	24,081,549
Total Liabilities	<u>20,550,376</u>	<u>20,226,615</u>	<u>20,062,680</u>
Shareholders' Equity	<u>5,489,837</u>	<u>4,775,447</u>	<u>4,018,869</u>
PER SHARE			
Earnings (loss) before extraordinary items	6¢	2¢	(19¢)
Net earnings (loss) for the year	14¢	15¢	(17¢)
Book value	\$1.10	95¢	80¢
Total shares outstanding	5,001,201	5,001,201	5,001,201



HARDEE FARMS INTERNATIONAL LTD.

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OPERATING DIVISIONS AND MARKET AREAS

Lambeth/Ingersoll Frozen Division

P.O. Box 518
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519/652-3584
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Baxter Canning Division

7 Stanley Street
Bloomfield, Ontario
K0K 1G0
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Freeze Dry Foods Division

579 Speers Road
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579 Speers Road
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