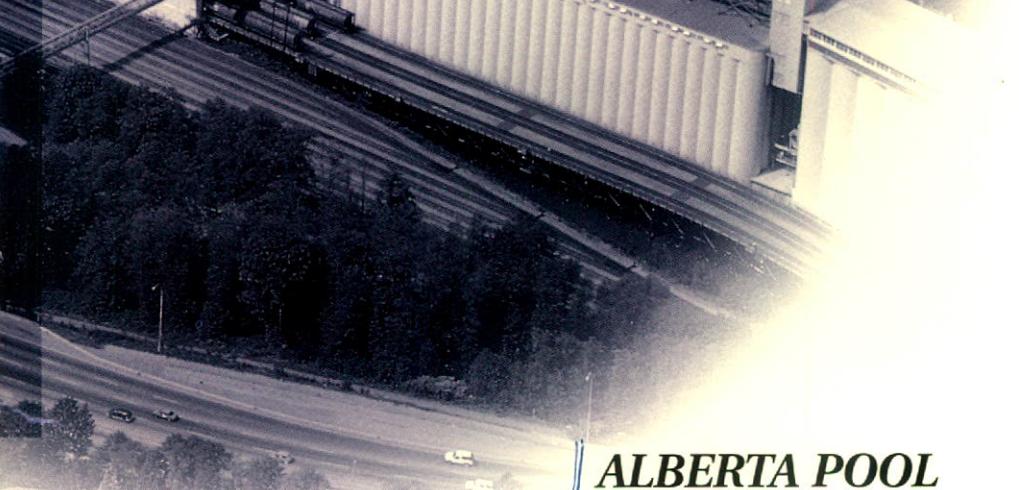
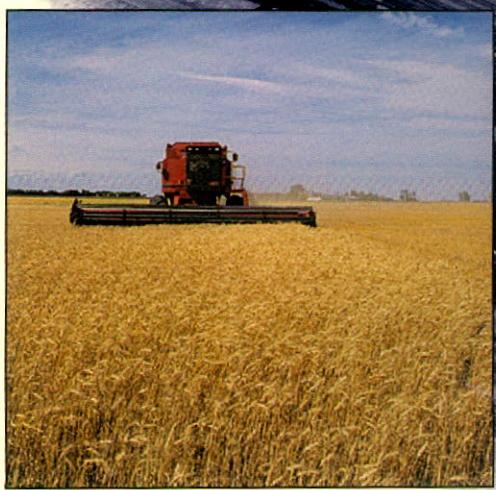




ANNUAL REPORT

1995



ALBERTA POOL

New Destinations, New Pathways

In a year characterized by tremendous change in the agricultural marketplace, Alberta Pool found itself positioning for new destinations. An evolving and ever-changing customer base, combined with dramatic changes in domestic agricultural policies, has created new market opportunities and challenges. Roads previously travelled no longer seem relevant. Different pathways have been chosen in response to a marketplace governed by new world trading rules, increased competition and more demanding customer specifications.

We've set our sights on new horizons—horizons that will challenge us to adopt a more market-driven approach, connect with customers throughout the world, and make our business, and the business of farming, more profitable.

Someone once said good work, done little by little, becomes great work. The foundation we've laid over the past year is helping us achieve our long-term goal of becoming the leader

in meeting the needs of domestic and international customers. This year's Annual Report touches on some of the progress we've made and highlights the pathways we've travelled as we work towards effectively managing change for the benefit of our customers, our farmer-owners and our business.



Table of Contents

<i>Highlights and Comparisons</i>	1
<i>Board of Directors' Report.....</i>	2
<i>Chief Executive Officer's Report</i>	4
<i>Responding to the Marketplace</i>	6
<i>Management's Discussion of Results... 12</i>	
<i>Financial Statements.....</i>	17
<i>Democratic Structure.....</i>	26
<i>1995-96 Delegates</i>	27

Annual General Meeting of Delegates
November 27, 1995
Westin Hotel
Calgary, Alberta



Corporate Profile

Alberta Pool is a farmer-owned cooperative that handles and markets grain and oilseeds both domestically and internationally. Fully integrated grain handling, marketing and agri-business services are offered to farmers through a network of grain elevators and agro centres located throughout the agricultural regions of Alberta and northeastern British Columbia. Grain is exported to

international customers through the Pool's terminals on the West Coast.

Alberta Pool is a world leader in developing grain handling technology and has introduced new, improved crop varieties to benefit its farmer-members and respond to customer demands for seed and crop expertise. The Pool is also involved in many expanding agricultural markets such as mustard, peas and beans.

Organized in 1923, Alberta Pool today has 56,902 members and employs 1,443 people at locations throughout Alberta, northeastern British Columbia, Winnipeg, Vancouver and Minneapolis. Since its creation, the Pool has handled close to 189 million tonnes and returned \$370 million to its member-owners.

Highlights & Comparisons

(\$ in 000s)

	1995	1994	1993	1992	1991
Gross Revenue	\$ 1,530,929	\$ 1,175,029	\$ 866,592	\$ 994,410	\$ 1,064,502
Net Revenue	200,546	177,410	164,797	178,405	171,673
Net Earnings	11,072	4,269	515	12,263	7,734
Capital Expenditures	38,462	21,077	14,912	24,429	25,069
Working Capital	49,102	60,437	65,240	52,954	60,765
Long-Term Debt to Equity	% 45.46	49.33	39.99	32.96	39.35
Members' Equity	\$ 163,834	155,227	151,727	157,681	147,813
Return on Equity	% 7.25	2.83	0.34	8.43	5.52
Working Capital Ratio	1.19	1.21	1.31	1.36	1.28
OTHER STATISTICS					
Grain Shipments (tonnes 000s)	6,361	6,074	4,703	6,050	5,713
Licensed Elevator Capacity					
Country	1,207	1,336	1,381	1,402	1,443
Terminals	482	482	482	482	482
Total Membership	56,902	57,497	57,429	58,493	57,967
Number of Employees	1,443	1,469	1,421	1,461	1,458

Board of Directors' Report

Strong vision and direction

World economics of supply and demand are changing the business of agriculture. Today's customers are demanding better service, more variety, improved reliability of supply, more precision in product specifications and competitive pricing.

Global trade agreements are eliminating barriers and expanding trade opportunities. In Canada, changes to transportation and agricultural policy are significantly altering the way we get products grown by our farmer-members, into the hands of our domestic and international end-use customers.

A new marketplace is emerging

Economic reform in many of the world's consuming nations has produced a new marketplace. A decade ago Canadian grain had a secure, high-volume buyer in the Former Soviet Union. Today, the Former Soviet Union is a small player in grain purchasing and there are no strong signs to indicate its quick return as a force in the world agricultural picture.

Despite the loss of this major market, the demand for agricultural products is growing. A number of countries with growing populations, increased buying power and demand for new products have emerged as consistent buyers of Canadian grain. Asia is a particularly strong market for Canadian grain and as the largest terminal operator on the West Coast, Alberta Pool is well-positioned to expand its presence as a reliable supplier to markets in Japan, China, Korea and Southeast Asia.

Accompanying the emergence of a new agricultural marketplace, are new rules governing trade. Trade agreements such as the General Agreement on Tariffs and Trade (GATT) which is now the World Trade Organization (WTO), the North American Free Trade Agreement (NAFTA) and the Canada-U.S. Free Trade Agreement (CUSTA) have clearly laid the foundation for less-regulated and more competitive trade between Canada, the U.S. and international customers.

Responding to the new environment

From left (front): A.L. Aasen, N.D. Silver, Second Vice-President; T.A. Graham, President; J.F. Pearson, First-Vice President; G.A. Groeneveld, (back) A.L. Pidruchney, B.G. Lindeman, D. Nanninga, A.L. Oberg



The underlying focus of Alberta Pool's board remains unchanged. It is our responsibility to provide the vision and strategic direction to ensure the future growth of the cooperative. Over the course of the past year, we worked diligently examining and understanding this new environment and our ability to capitalize on future business opportunities. Among the critical issues considered by

set Pool's future path

the board as we set the future direction of the cooperative were:

- *the elimination of the WGTA and the overall impact of transportation reform*
- *new customers and new, more competitive markets*
- *the emergence of a new world trading order*
- *recommendations put forth by the Canada/U.S. Joint Commission on Grains*
- *escalating pressure on the Canadian Wheat Board as Canada's sole marketer of wheat and barley*
- *the long-term funding requirements of the cooperative*
- *the need to make our procurement network more effective, less costly and service-oriented*
- *the desire of our members that the Pool remain a cooperative*

New management for a new direction

To help turn our plans into action, the board of directors completed its search for a progressive and results-driven chief executive officer.

Gordon Cummings was appointed CEO in January 1995. He is an experienced leader with the management and financial expertise required to deal with the challenging issues confronting our business. He has an impressive track record, having served as CEO with National Sea Products and United Co-operatives of Ontario. Cummings fills the vacancy created by the retirement of Garry Dewar, who was chief executive officer of Alberta Pool since 1992.

We are confident in Gordon's ability to effectively manage the use of our capital resources, position Alberta Pool to meet the long-term vision of the Canadian grain industry, and bring extensive change to Alberta Pool.

Attracting future capital

Attracting future capital is essential to implement the changes we see in store for our business. To generate the capital we need requires a viable, achievable business plan. We believe we now have that plan in place and are realistically capable of presenting our strategy to prospective investors.

In addition to the need for a sound plan before proceeding with any initiatives to attract new capital, we also needed the support and guidance from the delegate body. At Alberta Pool's 1994 annual meeting, the delegate body reaffirmed its desire and intent for Alberta Pool to remain a cooperative and outlined a number of guidelines for the board to follow in reviewing any proposals related to the long-term capital requirements of Alberta Pool. These guidelines included:

- *to the extent possible, the existing level of member control be maintained*
- *common voting shares sold to third parties are not the preferred option*
- *the liquidity of members' equity must be addressed*

In the spring of 1995, the financial advisory firm of Nesbitt Burns outlined the options available to Alberta Pool related to alternate capital structures. This work has continued through the summer and we will proceed with long-term financing this fall. In addition, the Equity Committee of the board will also present for approval this fall, a simplified plan for the retention of equity for financial strength and for the logical and orderly distribution of equity over time.

New Destinations

Heading for new destinations requires careful planning. Planning without implementation produces nothing. We have tried to balance the time spent on planning, with the running of the business. Some notable accomplishments have

been made over the past year to indicate we're headed in the right direction:

- *we have a strong board that is committed to working together to ensure business success*
- *our Country Development Plan is nearing completion and will drive our long-term business plan*
- *we began streamlining our country system by approving the closure of 43 elevator facilities effective Aug. 1, '95*
- *New facilities at Legacy Junction and Smoky River were built and other strategic points for expansion were identified*
- *net earnings and other key indicators of financial performance have shown marked improvement*

Alberta Pool is an evolving and changing business entity. No longer are we resigned to doing business the way we've done it in the past—the new agricultural environment demands a more focused and aggressive approach. The challenge for us as a board is to structure the Pool's business to enhance our competitiveness, maximize the financial returns required for reinvestment and continue to respect the needs and interests of our farmer-members and customers.

As we head into a new crop year, we are confident in the ability of our strategic long-term business plan to produce results and position the cooperative for what lies ahead. Change is not only crucial for our business and right for our members, but it will strengthen our position as the agricultural business of choice in domestic, North American and international markets, and allow Alberta Pool to emerge as the pre-eminent supplier of Canadian grains and oilseeds to the growing Asian market.



Alex Graham
President

Chief Executive Officer's Report

Changes in agriculture demand

In response to a newly emerging agricultural environment, Alberta Pool revisited the area of strategic planning during the 1994/95 crop year.

With rapid changes in agriculture exerting pressure on our business, it became evident the country plan developed by Alberta Pool in 1992 needed to be reconsidered. A new planning process was launched to take into account recent changes in domestic and international markets, and to ensure Alberta Pool is solidly positioned for growth in the years ahead.

The Country Development Plan — which anchors our long-term strategic business plan — calls for restructuring in our grain collection system and a new way of operating. Our business focus will shift from facilities to marketing, heightening our ability to respond to future trends in grain production and demand for agricultural products, and to reduce handling and transportation costs. The Country Development Plan is complemented by detailed financial, human resources and communications plans that will facilitate smooth implementation and position our business to capitalize on future market opportunities.

Changing the way we do business

Emphasis on strategic planning in fiscal year 1994/95 was driven by our goal to become more customer-focused, provide our customers with the very best package of products and services available anywhere, and position our business for financial growth.

Our plan calls for a sharper focus on customer relations, emerging markets, technology and fiscal responsibility but it will require some dramatic changes in the way we do business. Among these changes are:

- *a significant investment in education and development of our people to support a service orientation*
- *moving to a "just-in-time" procurement of grain to facilitate efficient movement and meet customer specifications*

- *development of a grain collection system that is low-cost and logically efficient*
- *a strong focus on cost reduction and wise management of inventories*
- *better coordination between grain, agro and terminal aspects of our business*

We've highlighted a number of philosophical shifts that need to take place for Alberta Pool to effectively respond to the demands outlined in our strategic plan. These shifts include moving our business from:

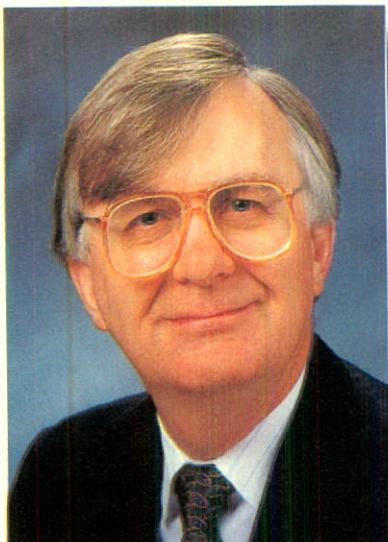
- *storage-driven to market-driven*
- *facility-focused to logistics-focused*
- *Alberta Pool-minded to customer-minded*
- *lifestyle-oriented to business-oriented*
- *low-tech to high-tech*
- *local/regional to global/international*

Over the past year, we've moved forward in achievement of many of our goals. Implementation of our Country Development Plan and strict adherence to the direction outlined in our strategic business plan will help sharpen our business focus in the months to come and produce a more favorable alignment of costs with revenues.

Positioning for the marketplace

Changes made over the past year were based on new market realities. An example of our desire to position ourselves to respond to future market opportunities lies in our decision to enter a joint partnership with General Mills to build and operate a transfer house at Sweetgrass, Montana.

This relationship with one of the major marketers in the western U.S. is positive news for our business and our end-use customers. The partnership allows us to lessen our reliance on low-volume branchlines, improve our competitive position in the southern Alberta marketplace, and bring us closer to the end-use customer of our products.



*Gordon Cummings,
Chief Executive Officer*

changes in our business

We also initiated a series of elevator trades with United Grain Growers and Pioneer Grain to help consolidate our business in strategic locations. Prospective locations were evaluated based on a number of factors that included profitability, siding lengths, potential for line abandonment, strategic long-term position, useful life and environmental sensitivity.

On the agro side of our business, we continued to adapt to a new way of doing business by offering agro products and services through fewer, but more environmentally sensitive and efficient warehouses. With farmers looking for increasingly sophisticated agro information and products at more competitive prices, Alberta Pool must have an efficient agro system, staffed with knowledgeable and highly skilled people. Managing logistics to control inventory and product distribution and investing resources in skill development and upgrading of our front-line employees are top priorities.

In addition to a number of upgrades and construction projects, Alberta Pool enhanced its agro business with the purchase of the fertilizer division of Champion Feed Services Ltd. of Barrhead. The purchase of this established and respected business makes sound, economic sense for Alberta Pool and has improved our ability to provide specialized agro services to farmers in this market.

Capital investment

Implementation of our strategic business plan calls for careful and prudent management of available capital. Alberta Pool's budget for the past crop year was capital intensive. An investment of \$38 million dollars was required to support the construction of new facilities and selected upgrading of existing structures. New high-performance facilities at Legacy Junction and Smoky River and several new agro warehouses were added at locations throughout the province.

Over the next five years, more than \$75 million is targeted for Alberta Pool's grain facilities plan and an additional \$10 million is anticipated for the agro plan.

Strong financial performance today and into the future is essential to attract the capital we need to make the major investments required to fully implement our aggressive strategic business plan. A continued focus on increasing grain volumes and improving sales growth, supported by expense control and balance sheet management, will continue to drive our day-to-day business decisions.

Becoming more profitable

Alberta Pool is committed to becoming a more profitable business and maintaining its dominant position in Alberta and northeastern B.C. Our farmer-members are demanding improved financial results and better returns as shareholders. Total volume of grain handled in 1994/95 reached 6.4 million tonnes, slightly above last year's volume of 6.1 million. Net earnings of \$11.1 million for the fiscal year ended July 31, 1995 were much improved over the previous year's net earning of \$4.3 million. While better, these results fall below our potential and well short of our desired return on equity.

A review of our earnings picture over the past five years, and the demand for capital investment, clearly highlighted the need for a sound, long-term plan to generate a profit, retain earnings and attract new capital. An aggressive approach to fiscal responsibility and cost reduction will continue to govern Alberta Pool's operations as we begin implementation of the Country Development Plan and restructure our operations and administration to support grain and agri-business.

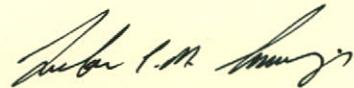
New Destinations

Alberta Pool is headed for new destinations and we're following some uncharted pathways to get there. Our front-line grain buyers and our entire

support staff are fully committed to meeting customer needs and generating positive returns for our members and our business. To be successful will require:

- *careful and prudent allocation of available capital to allow Alberta Pool to be strategically present throughout the province*
- *more efficient transportation management*
- *more power and accountability for our front-line sales people and fewer layers of management*
- *successful implementation of our Country Development Plan and a re-engineering of the way we do business*
- *development of a fully integrated system geared towards market demand*

Measurable and noticeable progress towards a goal begins a step at a time. We've only just begun to make changes, but we're entering the 1995/96 crop year with a clear strategic focus and a sound action plan that will positively position us for the new marketplace. This new direction will make our business, and the business of farming, more profitable.



Gordon Cummings
Chief Executive Officer

Responding to the Marketplace *World Demand*

"Canada is in a good position to gain world market share because everyone in the Canadian grain industry, from the farmer to the trader, to the grain inspector to the plant breeder, has the customer's requirements in mind when they make decisions."

Lorne Hehn, Chief Commissioner, Canadian Wheat Board

As Canada's largest exporters of grains, oilseeds and special crops, the Canadian Wheat Board (CWB) and XCAN Grain Pool Ltd. have a good sense of what the future holds for Canadian agriculture. In its most recent forecast, the CWB described agriculture as "entering a growth phase" over the next five to ten years. World wheat imports are projected to jump 25 per cent to 125 million tonnes by the year 2005 with China, Brazil and Egypt targeted as the top three markets for wheat. Mexico is also forecast as a growth market, with Brazil and Mexico picked to be the two fastest growing wheat markets in the world over the next decade.

Barley trade is expected to edge up slightly from its current level of 17 million tonnes to 18 million tonnes in 2005. An increase in malting barley import demand from two million tonnes to four million tonnes by 2005 stands out as one of the most exciting opportunities for Canadian exports. The Board predicts the Asia-Pacific region will account for over 50 per cent of the world's malting barley imports, with much of this increase hinging on developments in China where import demand is expected to more than double. The U.S., Brazil and Mexico will also become increasingly important markets for malting barley.

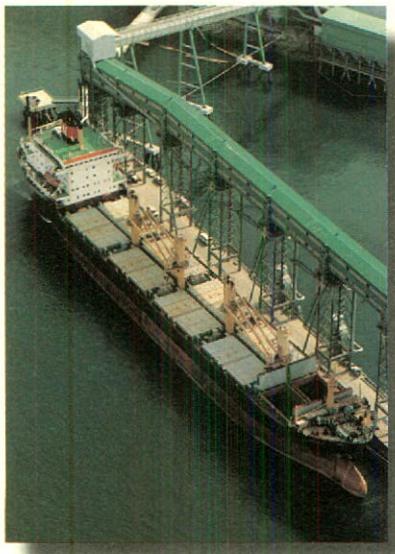
Demand for many new products, with higher and more segregated protein contents, is also expected. Although Canada Western Red Spring wheat will continue to be the dominant wheat class in Canada, real gains in production will be made in soft white, prairie spring and extra strong classes of wheat. These classes are particularly appealing for use in making frozen bread dough, producing Asian noodles, and for making flat breads consumed in the Middle East. In general, the Board predicts Canada will produce and export

more wheat and barley over the next five to ten years than ever before.

XCAN's forecast for growth in agricultural markets closely echoes that of the CWB's. Southeast Asia is expected to continue to be the major growth market over the next five years and beyond, says Ken Matchett, CEO of XCAN. In particular, continued population growth in China and a large land mass being converted for urban and industrial purposes will result in China becoming the world's largest importer of grains, oilseeds and most other raw materials and foodstuffs. In recent years, China has been the largest consumer of canola oil produced largely from Canadian and European supplies. Other countries such as Korea, Taiwan, Indonesia, Malaysia, Vietnam and the Indian sub-continent all hold potential to dramatically increase their consumption of grains, oilseeds and special crops over the next five years.

In addition to the Asian market, XCAN also forecasts growth in Latin and North America. Wheat, malting barley and special crops, including peas and lentils, have all been sold in increasing quantities to South America in recent years. Mexico has shown promise as a growing market for Canadian canola and there is a real possibility canola will gain market share from soybeans in the future. The U.S. market has traditionally been a strong market for Canadian feedgrains, malting barley, oats and canola. This trend is forecast to continue as the 21st century approaches.

Both XCAN and the CWB agree that consumers all over the world are placing greater demand on suppliers to satisfy their unique needs with regard to specific quality requirements and timely delivery. Canada's ability to effectively respond to these demands guarantees a bright future for Canadian agriculture.



Grain ships, destined for markets all over the world, dock at terminal facilities located in Vancouver. In recent years, the Asia-Pacific region has been targeted by exporters as a key emerging market.

Grain Marketing

"We operate in a very competitive business and it's important for us to get the quality and volume of product that we're asking for. Alberta Pool has earned A+ marks from us for quality, dependability and consistency of supply. If the Pool wasn't meeting our needs, we'd go somewhere else."

Joe Aitchison, ADM (Ogilvie Milling), Medicine Hat

The marketing of Alberta-grown crops is one of Alberta Pool's primary functions. Our policy is to market directly to domestic, North American and international end-users whenever possible. Because we deliver directly to the party who is purchasing the grain and oilseeds for use, we have a clear understanding of the market and the precise needs of our customers. This understanding and close relationship with both domestic and international end-use customers places us in a strong position to respond effectively to customer demands.

For instance, if Canada Malt is looking for a high quality malting barley, we have the comprehensive marketing expertise and handling system to deliver precisely what they need. In the international arena, if Japan increases its canola consumption, Alberta Pool can let farmers know the market is expanding and put the necessary procedures in place to ensure the needs of the market are met.

Consistency of supply, quality product, and reliability in meeting customer needs are trademarks of Alberta Pool's grain marketing division. "We have an obligation to provide our customers with the very best product that meets their specifications and we do everything we can to make sure our customers are happy," says John Beblow, quality control coordinator with Alberta Pool. "When you're dealing with customers who need your product to stay in business, you can't afford to give anything less than 100 per cent."

Although a large majority of Alberta-grown grain is destined for North American and international markets, a concerted focus on domestic markets in recent years has secured Alberta Pool a number of positive supply agreements with some of Alberta's largest end-users of grain.

To ensure a stable supply of grain for end-use customers, Alberta Pool's grain marketing team investigates markets, evaluates the marketability of various crops, and develops new and innovative contracting options for farmers. An efficiently managed logistics area and a quality control department to monitor all sales are also key to Alberta Pool's success. "Our entire system from grain buyers, to the grain sales marketing team to those who help get product from point A to point B, is fully committed to quality," says Beblow. "It takes a well-coordinated team effort to

ensure there are no snags in any of the sales we make."

As part of Alberta Pool's overall commitment to quality, grain marketing staff also follow up every sale to ensure customers are satisfied with the end product. "If our customers aren't satisfied, we make sure changes are made so we keep them as a customer. We basically treat our end-use customers as our most important asset," says Beblow. "If we can't supply them with what they want, they'll go looking somewhere else. Our customers rely on us for delivery and that's a responsibility we take seriously."



Responding to the Marketplace

Seed

"The greatest threats to export opportunities are inconsistency of supply and inferior quality. If a customer received a product below their requirements and standards, we could only sell to them once. The next time they needed seed, they would seek a different supplier. We have made a commitment to never let that happen."

Bert Kinner, Export Seed Marketing, Alberta Pool

Quality and dependability are the cornerstones of Alberta Pool's export seed marketing business. A strong track record in the areas of research, seed production, analysis, marketing and transportation help our end-use customers get started on the right foot towards producing a top quality crop.

Alberta Pool's export seed marketing department is a division of the larger Seed Business Unit. Together with a support system that includes production, procurement, and research, the export seed marketing group specializes in finding and servicing niche markets for certified cereals, grass seed, clovers and double re-cleaned oats for the race horse industry.

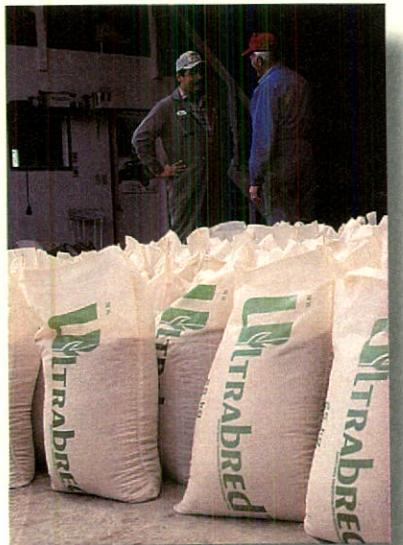
The group's aim in international markets is to meet the somewhat smaller, but very specific, needs of end-use customers. Demand for seed marketed by Alberta Pool can range from a few pounds to several hundred tonnes. "The commitment to quality found within our entire division allows us to entertain requests for very specific seed types or custom-packaged products," explains Kinner, who manages the export seed marketing activities for Alberta Pool. "Our goal is to maximize every opportunity that exists."

Like similar business units established by Alberta Pool for the marketing of beans and special crops, the advantage for end-use customers in dealing with Alberta Pool's export seed marketing group is that it is backed by an extensive support network that is capable of handling any customer request. Production, procurement, processing, quality control, marketing, research and documentation of domestic and international seed sales are coordinated entirely through the Seed Business Unit.

Alberta Pool has negotiated seed sales of rye and oats to Korea and Japan, fall rye to Hawaii, turf grass seed to a host of American states and Europe, and double re-cleaned oats for race horse markets in North America, Europe and the Pacific Rim. Recently, marketing activities have expanded to include the export of compressed hay and rye for human consumption. "Reputation and connections are critical for successful marketing," says Kinner. "Quality products, reliability, a long-term commitment to meeting specific customer needs and years of research to support our product have helped Alberta Pool expand its international presence and increase sales."

Once a sale is made — whether to a North American or overseas customer — considerable attention is given to minute details related to packaging and transportation. Everything from product description to how the product is packaged, what is printed on the package and the type of materials to be used are finalized to ensure customer specifications are met. Presently, seed is marketed to 19 different countries including the U.S., Western and Eastern Europe, Korea, Japan, Argentina, Colombia, United Arab Emirates, Hong Kong, and Malaysia.

"We serve as the key contact between Alberta producers and overseas customers, providing a wide choice of quality products to world markets. Because our primary focus is on meeting the demands of the market, there is no customer request we can't service," says Kinner. "Once we've identified what a customer needs, the challenge is to work diligently to meet those needs in every respect."



Ultrabred seed, the brandname under which Alberta Pool markets many of its private varieties, is quickly becoming recognized as the quality product of choice among domestic and international buyers.

Malting Barley

"The more quality seed produced, the better the quality of the malting barley and the more secure our supply. That's good for our business and it keeps us competitive. Without malting barley, we can't produce beer. It's that simple."

Doug Hill, Busch Agricultural Resources Inc.

Whether it's supplying top quality malting barley to end-use customers like U.S.-based Anheuser-Busch or looking overseas to emerging markets in Japan, Korea and China, Alberta Pool's research and development team knows what it takes to satisfy the needs of its buyers.

Alberta Pool's crop research program is a mix of in-house breeding and joint venture work with various other Canadian partners, including the other prairie Pools, and international plant breeders. The objective of our research and development activity is two-fold. Our first aim is to identify the requirements of the marketplace and develop varieties that fit specific end-use needs. At the same time, any variety that is tested and brought to market, must also be agronomically superior so farmers can produce it profitably. B-1602 and B-1215 malting barley are two varieties that hit the mark.

Alberta Pool and Anheuser-Busch of St. Louis, Missouri have had a research and sales relationship since 1982. Alberta Pool was looking for end-use customers to expand the market for B-1602 and Busch Agricultural Resources Inc. was looking for a stable supplier of malting barley to ensure continued growth in its beer business.

Over the last ten years, the B-1602 program has provided farmers with a guaranteed market for their crop. B-1602 is a white aleurone, 6-row barley offered to farmers under contract. Dick Klaffke, manager of research and development with Alberta Pool, says B-1602 acceptance rates are three times that of regular malt barley varieties. Each year more of the B-1602 malt barley crop is accepted but there is still room for increased sales volumes to Anheuser-Busch.

"The relationship we have with Alberta Pool on the research end is just excellent and it takes a commitment from



local people to make it work," says Hill, who directs the seed operations at Anheuser-Busch. "As the end-user, we realize we have a commitment to help in the development of superior malting barley varieties. Working closely with Alberta Pool helps us do that."

B-1215 (a 2-row, white barley) is making significant inroads in many world

markets and is currently being tested in Japan and China. Chinese customers are attracted to B-1215 as a malt for use in the production of beer. Extensive work is also in progress with Japanese buyers who are interested in B-1602 for the human consumption market.

Klaffke says many Asian buyers conduct business with Alberta Pool because they can get the one-on-one contact and commitment to customer service that is desired by the Asian marketplace.

"Our ability to control the production of the malting barley and work closely with our end-use customers helps build a strong business relationship," says Klaffke. "We get to know them and the needs of their domestic market. We also work closely with our customers to evaluate product. The key is finding out what the buyer wants and then working with them to determine what varieties and characteristics will meet their needs."



Responding to the Marketplace

Mustard

"Everything we do related to the marketing of special crops has a strong customer focus. Our emphasis is on meeting the exact end-use needs of our customers and we're confident we can provide a better product than any other supplier."

Blair Roth, Special Crops Business Unit, Alberta Pool

Alberta Pool's Special Crops Business Unit (SCBU) has been a consistent, aggressive, service-oriented source for processing and marketing special crops since its establishment in August 1992. Its main function is to obtain, clean and market special crops to domestic, North American and international markets. Alberta Pool handles the marketing of a wide variety of special crops that include peas, lentils, mustard, safflower, canary seed and spice crops.

The unit's most recent expansion came in 1993 when Alberta Pool purchased the Demeter group of companies, a major contractor and processor of mustard seed. Demeter cleans mustard at Warner, Alberta for shipment to domestic and international markets. It also operates a mustard cleaning and grinding facility located in an 18,000 tonne grain terminal in Minneapolis to service its major eastern U.S. customers. Through Demeter, Alberta Pool is also a 50 per cent owner of Alberta Industrial Mustard Company (AIM). This company is co-owned with UFL Foods Ltd. of Toronto, one of Canada's leading food ingredient technology companies with six plants in Canada and sales in 30 countries.

Canada is the world's largest exporter of mustard, supplying over 200,000 metric tonnes annually to American, Asian and European markets. Roth says there are some key reasons why Alberta Pool is the largest seller in each of these markets. Top on the list are Alberta Pool's ability to manage the product from production to delivery; ensure end-use customers a food quality mustard; and guarantee supply and efficient delivery.

"When customers do business with Alberta Pool we make sure they understand we're totally focused on meeting their needs," says Roth. "Our plant in Warner is close to the farmers who grow

mustard, while the Minneapolis operation is in the heart of the U.S. grain industry and well-placed to service customers. The structure of our business is such that we most often deal directly with end-users of our products who are the largest food companies in the world such as Nestle, Unilever, Philip Morris, and Nabisco."

A significant portion of Alberta Pool's mustard sales go to the North American market which is primarily a condiment and a ground mustard (dry milling) market. The dry milling market consists of:

- *mustard flour — which is produced by our customers for use in mayonnaise and sauces*
- *mustard meal — which is used in meat products and as a binder, anti-oxidant and emulsifier*

Among the Pool's largest end-use customers is Reckitt and Coleman, makers of the well-recognized yellow bottle of French's mustard. Other strong markets for whole seed and processed mustard include Japan and Europe. Japan uses mustard as a binding agent or supplement in oriental sauces, while the European market is focused primarily on gourmet products such as Dijon mustard.

"Good business relationships are important to many of our international buyers and we work very hard to build trust and respect with our end-use customers," says Roth. "In the long run, this can only help strengthen our business and improve our overall marketing efforts in the area of mustard and the many other special crops we ship throughout the world."



Raw mustard marketed by Alberta Pool's Special Crops Business Unit is sold to processors who produce recognizable end-use products such as condiment mustard.

Beans

"Our production of beans in southern Alberta is becoming more driven by market demand. We must continue to grow varieties that meet the specific taste and quality requirements of our end-users and support consumption trends in growing world markets."

Larry Slywka, Bean Business Unit, Alberta Pool

In southern Alberta, bean production is big business. Alberta Pool's Bean Business Unit is a good example of how special dedication to supplying the needs of end-use customers also supports domestic growers.

Alberta Pool has contracted, processed and marketed edible beans at its plant in Bow Island, Alberta since 1978. Construction of a new plant in Taber, Alberta in the fall of 1994 has complemented operations and significantly expanded production and processing capabilities. For the past 17 years, Alberta Pool has nurtured its extensive network of customers, marketing beans in North America, South America, Central America, Europe and Africa. Over 90 per cent of edible bean production sold by the Bean Business Unit is destined for the export market and Alberta Pool's sales efforts have benefited customers in over 68 countries worldwide.

Production, processing, quality control, marketing and transportation are coordinated entirely by staff located in Taber and Bow Island. "Our ability to provide customers with one-stop shopping and a genuine commitment to quality and dependability are keys to our success in the international arena," says Ed White, manager of Alberta Pool's Bean Business Unit. "We devote a tremendous amount of time to supporting the needs of our buyers and positioning Alberta Pool as a prominent and reliable supplier of beans to the international marketplace."

On a recent trade mission to South America, Alberta Pool met with many end-users such as processors, restaurants, distributors and supermarkets. "When I stopped in at a supermarket in Brazil, the store manager indicated he goes through 10 to 15,000 tonnes of

black beans alone in one year," says Slywka. "Tapping into a massive market such as this holds considerable potential for expansion of our sales volumes and trade missions allow us to talk one-on-one with the end-user of our product. Back home, this information helps us monitor and guide production to ensure we're growing what the market demands."

A relatively new and innovative market for Alberta-grown beans which has received considerable attention over the past year is refried bean products which are used in many traditional Mexican foods such as tacos and burritos. Since the signing of the NAFTA agreement, North America—with its high Hispanic population and heavy reliance on beans as a staple—has become an important and accessible market for Alberta Pool.

Marketing plans tailored to get more product into this market have produced results over the past year with 20 to 25 per cent of our production now destined for U.S. customers, largely in California, Arizona and Texas.

"Alberta Pool simply has the best facilities, qualified staff, technical knowledge and experience in the business," says White. "Our network of bean growers make quality their number one priority and this same commitment to quality and customer service is guaranteed when a buyer calls Alberta Pool for beans. Our reputation is such that some end-use customers are now trying to gain sole buyer relationships for all of our production of some of our bean varieties. That's an indication our marketing efforts and commitment to customer service are producing results."



Management's Discussion and Analysis of Financial Condition and Results of Operations

Alberta Pool is Alberta's largest handler of grains, oilseeds and other crops. Its services comprise the purchasing of crops off the farm and the delivery of these to port or end-use customers.

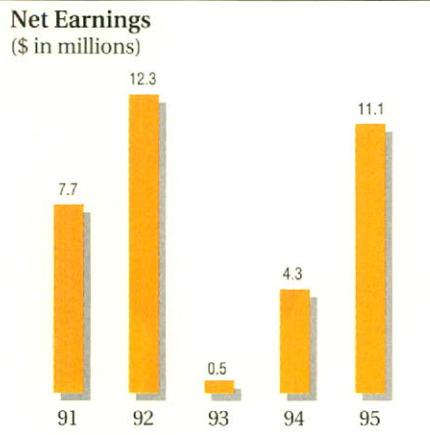
The logistics network comprises a fleet of vehicles, country elevators, and terminals in Vancouver and Prince Rupert, British Columbia. These owned assets are supplemented by transportation services contracted from the railways and trucking companies. In addition, Alberta Pool provides farmers with seed, fertilizer, crop protection products and advice.

Alberta Pool is a cooperative association of 56,902 farmers incorporated under the laws of Alberta under its own act. The Pool has carried on business continuously since 1923. The name was changed from the Alberta Wheat Pool in 1990 to reflect the broader nature of its businesses.

In fiscal 1995, the Pool's net earnings continued to increase from the low recorded in 1993. Net earnings amounted to \$11.1 million on gross revenue of \$1.531 billion.

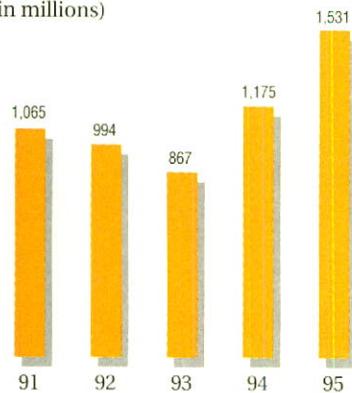


New, environmentally safe agro product warehouses provide farm customers with access to a wide range of agricultural inputs such as seed, fertilizer and crop protection products.



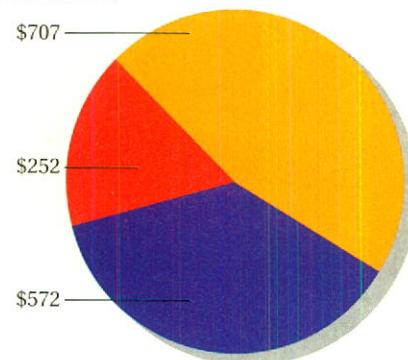
The gross revenue of \$1.531 billion is the highest level ever attained, surpassing the previous high in 1984 at a time of abundant crops and strong exports to the U.S.S.R. and China. Gross revenue reflects higher prices for agriculture outputs and inputs.

Gross Revenue
(\$ in millions)



The primary determinant of gross revenue, and the most valuable component, is grain sales of wheat and barley through the Canadian Wheat Board. Sales are driven by the size of crop in the summer season ending at the commencement of the fiscal year and by the timing of major overseas export contracts. The next most significant portion of gross revenue is derived largely from the sales of oilseeds and other grains through XCAN Grain Pool Ltd. XCAN is jointly owned by the three prairie Pools in Manitoba, Saskatchewan and Alberta. Based in Winnipeg, its primary focus is on the marketing and sale of canola.

Source of Gross Revenue
(\$ in millions)

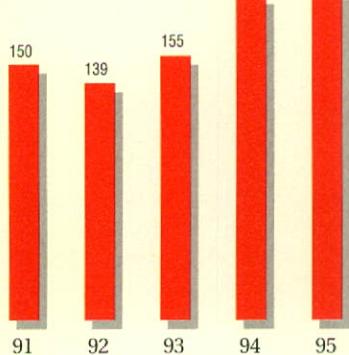


■ Grain Operations
■ Non-board Marketing
■ Agri-businesses

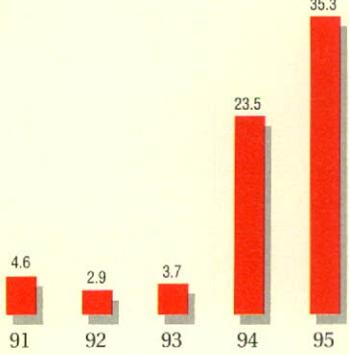


The businesses entirely controlled by Alberta Pool include the sale of agricultural inputs, seed for export, beans and specialized crops such as peas, lentils, and mustard. These businesses are managed as separate profit centres and show strong growth and opportunity. In 1995, these businesses accounted for 16% of gross revenues or a total of \$252 million.

Gross Revenue - Agro
(\$ in millions)



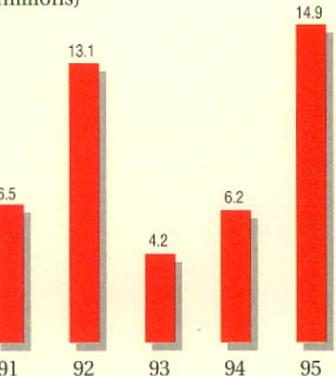
Gross Revenue - Special Crops
(\$ in millions)



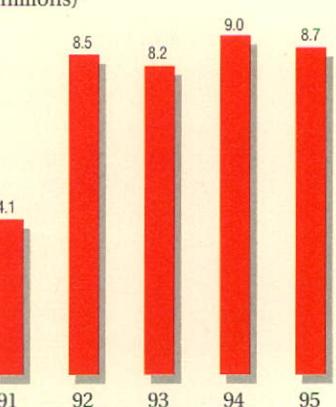
Fiscal Years Ended July 31, 1995 and July 31, 1994

During fiscal 1995, gross revenue grew 30% to \$1.531 billion from \$1.175 billion the previous year. Tonnage of grain shipped increased 5% to 6.4 million tonnes from 6.1 million tonnes in fiscal 1994. Price increases in grains accounted for a significant portion of dollar growth.

Gross Revenue - Bean Business
(\$ in millions)



Gross Revenue - Seed Business
(\$ in millions)



Gross revenues derived from the other businesses of agricultural inputs, seed for export, beans and specialized crops increased by 10% year over year and were less influenced by price increases, with the exception of fertilizer.

Gross margin obtained on sales and other operating revenue increased to \$201 million in fiscal 1995, up 13% from \$177 million a year earlier. Gross margin as a percentage of sales and other operating revenue declined to 13.1% for fiscal 1995 from 15.1% the previous year. This is principally because much of the earnings generation is in the form of tariffs expressed as dollars per tonne.

Despite the increases in volume, the working capital required to finance

accounts receivable and inventories declined to \$292 million as at July 31, 1995, from \$333 million as at July 31, 1994. This resulted from the discontinuance of certain delayed delivery terms on agricultural input sales, improved inventory turnover and low year-end grain inventory.

Expenses, which are predominantly fixed in nature, increased 9% to \$180 million in fiscal 1995 from \$164 million in the previous year. The most significant cost increases resulted from human resource costs required to handle higher volumes and interest costs which experienced higher rates and higher levels of absolute borrowing to support more business throughput and fixed asset additions.

Earnings attributable to others relate to the minority interest held in the Pacific Elevators terminal in Vancouver by the Manitoba and Saskatchewan Pools. The higher volumes of throughput and, therefore, tariff generation improved Pacific's earnings, and correspondingly increased the earnings attributable to others.

At the end of fiscal 1995, it became evident that the prospects for the survival of 50% owned Drummond Brewing Company Ltd. of Red Deer, Alberta, were poor. Accordingly, the shareholders approached Drummond's bankers and voluntarily appointed an interim receiver to sell or liquidate the brewery. The Pool has written down its investment by \$3.4 million (net of tax recoveries) to a modest \$0.6 million which is the conservative estimate of proceeds provided by the receiver.

In June 1995, the improving cash flow of affiliate, Western Co-operative Fertilizers Limited, allowed it to repay \$5.1 million of advances made by the Pool from 1968 to 1985. This, together with the Drummond matter, was treated as an unusual item.

In fiscal 1995, Western Co-operative Fertilizers Limited recorded a provision for environmental site restoration costs in the amount of \$61.5 million. This provision did not impact the results of the Pool in 1995, as the Pool had previously written down its investment to nominal value.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Fiscal Years Ended July 31, 1994 and July 31, 1993

During fiscal 1994, gross revenue grew 35% to \$1.175 billion from \$867 million the previous year. Tonnage of grain shipped increased 26% to 6.1 million tonnes from 4.7 million tonnes in fiscal 1993. This improvement in total volume of grain handled resulted from a return to a more normal crop and improved marketshare of 58%, up from the previous year's 56.2%.

Gross revenues derived from the other businesses of agricultural inputs, seed for export, beans and specialized crops increased by 34% year over year. The demand for agricultural inputs was particularly strong in 1994 and agro sales of \$190 million showed exceptional growth over the Pool's previous agro sales record of \$163 million set in fiscal 1990. The other business segment that contributed significantly to growth in fiscal 1994 was in the specialized crops area where new investment in the Demeter group of companies increased gross revenues by \$17.5 million in fiscal 1994.

The gross margin on sales and other operating revenue increased to \$177 million in fiscal 1994, up 7% from \$165 million a year earlier. Gross margin as a percentage of sales and other operating revenue declined to 15.1% in fiscal 1994 from 19.0% the previous year. This decline was largely due to the poor quality of the crop coming out of the 1993 harvest creating significant grade losses on wheat and barley with insufficient volumes of higher grade stocks to allow for blending up. In addition, the record volume of agro business, while contributing significantly to the bottom line, was achieved through a slight decrease of margin percentage.

Because of the very large increases in volume, the working capital required to finance accounts receivables and inventories increased by \$63 million to \$333 million as at July 1994 from \$270 million as at July 1993. This increase was necessi-

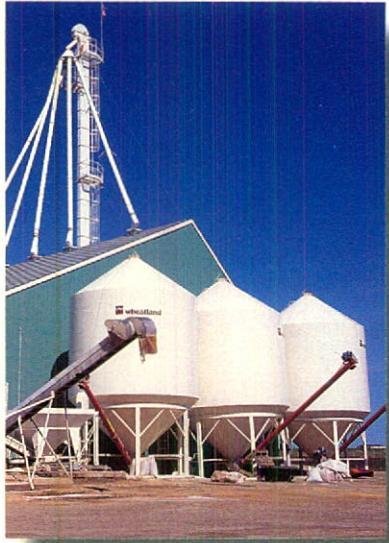
tated not only by volume increase, but also by the competitive requirements of delayed delivery terms on agricultural input sales and the requirement to carry large inventories to meet the seasonal demands and quick supply requirements of our farmer members.

Expenses increased 4% to \$164 million in fiscal 1994 from \$158 million in the previous year. The most significant cost increases were in the area of other operating costs where promotional programs increased by 36% to \$3.3 million, together with significant increases in freight and insurance costs. In addition, general and administration expenses rose by 10%, largely related to increased communication costs. Offsetting these cost increases was the significant reduction year over year in interest expense, attributable to significantly improved cash management, where the cash provided by operating activities increased by \$54 million in 1994.

Earnings from operations in fiscal 1994 at \$13.2 million reflect a 51% increase over the prior year's \$8.8 million in operating earnings. In 1993, an unusual gain of \$2.1 million was recorded on the disposition of a long-term investment in shares of Co-enerco.

Earnings attributable to others relate to the minority interest held in the Pacific Elevators terminal in Vancouver by the Manitoba and Saskatchewan Pools. The volume of shipping in 1994 at Pacific Elevators at 2.6 million tonnes was 13% less than the 3.0 million tonnes shipped in 1993, resulting in lower tariff generations and less earnings for all stakeholders, including Alberta Pool, in the terminal.

Net earnings for fiscal 1994 at \$4.3 million showed a large improvement over the \$0.5 million reported in fiscal 1993. While 1994 was impacted by the severe underutilization of available West Coast capacity, this was more than offset by the large increase in grain volumes handled through the country elevator system and the growth in sales volume of agricultural inputs.



The upgrading and addition of new fertilizer equipment at many Pool locations has expanded the range of products and services available to farm customers.

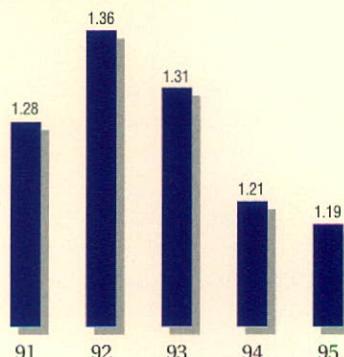
Liquidity and Capital Resources

At July 31, 1995, cash and cash equivalents had increased by \$10.8 million over the previous year. This reflected the net of cash provided from operating activities of \$48.0 million less net cash expended on the purchase of property and equipment of \$37.7 million and the reduction in debt of \$2.1 million. Also, during the year the Pool recovered \$5.1 million in advances made to an affiliate from 1968 to 1985 and made payments to deceased members and members who had ceased farming totalling \$2.5 million.

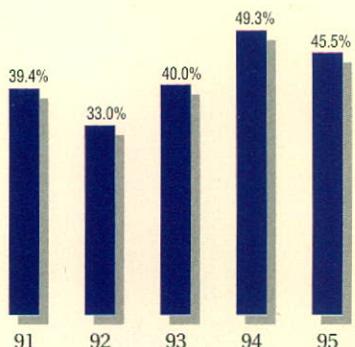
The strong cash inflow from operations reflects positive earnings together with improved management of accounts receivable and inventories. Nevertheless, in 1995 as in previous years, the Pool continued to rely on the cash generated

from operations and borrowing from its working lines of credit to finance the renewal and improvements to its property and equipment. The cumulative effect of this practice over recent years has been to reduce the Pool's level of working capital.

Working Capital Ratio



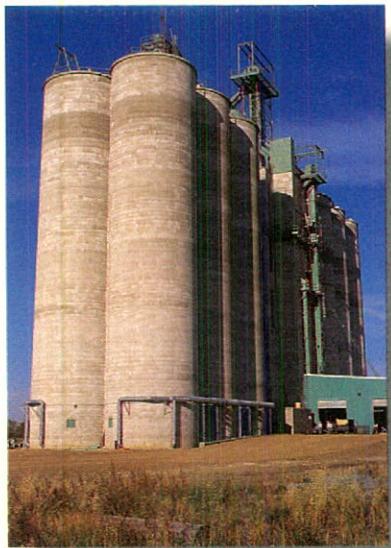
Long-Term Debt to Equity



During the past five years, the Pool has been required to conserve equity to retain financial strength. Earnings have not been sufficient to justify significant repatriation of equity to members in the form of cash. Growth in equity has been required to support a growing business.



Management's Discussion and Analysis of Financial Condition and Results of Operations



The new Legacy Junction terminal is Alberta Pool's fastest and largest facility and is strategically located to capitalize on future grain flow patterns and production trends.

The assets of Alberta Pool are largely unencumbered, consequently the Pool has the ability to borrow. The Pool enjoys excellent relations with its bankers and its commercial paper is rated R-2 (Middle) by independent rating services. In fiscal 1996, the Pool will go to Canada's debt market to raise up to \$70 - \$80 million by way of a term note offering. This will have the effect of more closely matching longer term expenditure for investment in facilities with long-term borrowing. The effect of the financing will be to improve the working capital ratio sharply but to increase the long-term debt to equity ratio.

The strengthening of the Pool's liquidity and capital resources will be driven by earnings. The management and directors of the Pool are confident that implementation of strategies being put in place in the fall of 1995 will achieve superior long-term profitability. The focus of improvement is on logistics management, field marketing and sales skills. The Pool is investing heavily in training and developing people. Investment in property and equipment is not expected to exceed an average of \$35 million annually over the next three years. Rationalization of the Pool's country elevator system will occur only as marketshare is securely in place and as improved logistics management enables elevator closure. It is expected that elevator closure will occur as part of the normal course of business over the next three years. A provision of \$1.5 million has been included in 1995 fiscal earnings for the costs of steps taken during the summer of 1995.

At the Annual Meeting of delegates in November 1995, improvements to the members' equity plans will be proposed. If approved, these improvements will clarify the Pool's process of retaining and paying out earnings. The objective is to build equity and provide incentive to members to reinvest cash payouts back into the Pool for a competitive dividend investment return.

The Pool believes that the funds provided from operations, coupled with the Pool's available lines of credit, are sufficient to meet its foreseeable cash requirements.

Risks Inherent in the Business

The Pool purchases grain and other crops in Canadian dollars at prices determined by the market. These prices take into account the "basis" of shipping which makes a deduction for the costs of freight, storage and interest which will be incurred after receipt of the grain or other crop to the Pool has occurred. The market for grains and other crops is principally established in U.S. dollars; consequently, it reflects a view of forward exchange rates.

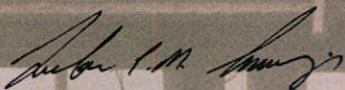
The Pool, through its partnership with the Canadian Wheat Board and XCAN Grain Pool Ltd. and utilizing its own policies of protecting against commodity and foreign exchange risk, endeavors to minimize exposure.

Management Report

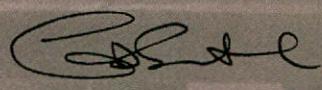
The accompanying consolidated financial statements of Alberta Wheat Pool and its subsidiaries together with other information contained in this annual report have been prepared by Management, who have full responsibility for them, and approved by the Board of Directors. The statements reflect the results for the year ended July 31, 1995, and the financial status of the organization as at that date.

Management's responsibility includes ensuring that the financial statements are presented in accordance with generally accepted accounting principles, and that appropriate systems of internal control are in place to provide reasonable assurance as to the reliability of the financial information, as well as the safety of all of the organization's assets. The Board of Directors' approval of the financial statements and related information is carried out principally through its Audit and Finance Committee which reviews them with Management and recommends their approval by the Board.

These consolidated financial statements have been examined by the Members' auditors, Deloitte & Touche, whose report is presented separately. Concurrent with their examination, the auditors had full access to the Audit and Finance Committee on all matters pertaining to the financial presentation and internal controls, as well as other related issues.



G.E. Cummings
Chief Executive Officer



G.D. Southwood
Chief Financial Officer

Auditors' Report

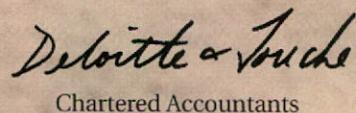
To the Members of Alberta Wheat Pool:

We have audited the consolidated balance sheet of Alberta Wheat Pool as at July 31, 1995 and the consolidated statements of operations and retained earnings and changes in cash for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 Association as at July 31, 1995 and the results of its operations and the changes in cash for the year then ended in accordance with generally accepted accounting principles.

Calgary, Alberta
October 4, 1995

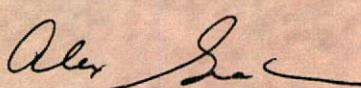

Chartered Accountants

Consolidated Balance Sheet

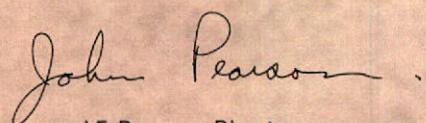
As At July 31, 1995

	1995 \$(000s)	1994 \$(000s)
ASSETS		
Current Assets		
Cash	2,182	6,908
Accounts receivable	155,334	175,980
Inventories (Note 3)	137,190	157,186
Prepaid expenses	7,547	7,177
	<hr/> 302,253	<hr/> 347,251
Property and Equipment (Note 4)	174,298	152,221
Investments and Memberships (Note 5)	18,276	22,149
Other Assets	1,260	556
	<hr/> 496,087	<hr/> 522,177
LIABILITIES		
Current Liabilities		
Cash tickets outstanding	41,247	38,321
Short-term loans	146,823	165,271
Accounts payable	63,366	82,769
Taxes Payable	1,076	71
Current maturity of long-term debt	639	382
	<hr/> 253,151	<hr/> 286,814
Loans from Members, Staff and Cooperatives (Note 6)	47,073	49,945
Long-Term Debt (Note 7)	27,403	26,636
Minority Interest	4,626	3,555
	<hr/> 332,253	<hr/> 366,950
MEMBERS' EQUITY		
Equity Allocated to Members (Note 8)	115,902	118,367
Retained Earnings	36,860	32,591
Net Earnings	11,072	4,269
	<hr/> 163,834	<hr/> 155,227
	<hr/> 496,087	<hr/> 522,177

APPROVED ON BEHALF OF THE BOARD



T.A. Graham, Director



J.F. Pearson, Director

Consolidated Statement of Operations and Retained Earnings

For the Year Ended July 31, 1995

	1995 \$(000s)	1994 \$(000s)
Revenue		
Sales and other operating revenue	1,530,929	1,175,029
Cost of Sales	1,330,383	997,619
	<hr/> 200,546	<hr/> 177,410
Expenses		
Human Resources	88,398	82,197
Other Operating	19,500	17,680
General and administrative	15,179	13,386
Depreciation and amortization	14,713	15,137
Repairs and maintenance	12,987	12,017
Interest	11,395	7,555
Property Taxes	10,283	9,588
Rentals	7,113	6,608
	<hr/> 179,568	<hr/> 164,168
Earnings from operations	20,978	13,242
Earnings attributable to others (Note 9)	(10,763)	(8,753)
Earnings before the following:		
Provision for taxes	(813)	(220)
Unusual items (Note 10)	1,670	—
NET EARNINGS	<hr/> 11,072	<hr/> 4,269
Retained earnings, beginning of year	32,591	32,076
Allocation of earnings	4,269	515
Retained earnings, end of year	<hr/> 36,860	<hr/> 32,591

Consolidated Statement of Changes in Cash

For the Year Ended July 31, 1995

	1995 \$(000s)	1994 \$(000s)
Cash provided by (used in):		
Operating Activities		
Earnings from operations	20,978	13,242
Items not affecting cash		
Depreciation and amortization	14,713	15,137
Earnings attributable to others	(10,763)	(8,753)
Loss (gain) on sale of property and equipment	1,605	(48)
Provision for taxes	(813)	(220)
Minority interest	1,071	(622)
Equity earnings from investments	(951)	(120)
Write down in investment	—	1,000
	25,840	19,616
Change in non-cash working capital items	22,131	(26,010)
	47,971	(6,394)
Financing Activities		
Increase in long-term debt	767	15,437
(Decrease) increase in loans from members, staff and cooperatives	(2,872)	490
Members' equity payments	(2,465)	(769)
Payment of obligation under loan guarantee	—	(16,000)
	(4,570)	(842)
Investing Activities		
Purchase of property and equipment	(38,462)	(21,077)
Recovery of loan to an affiliate	5,113	—
Proceeds on disposition of property and equipment	679	274
Decrease (increase) in investments and memberships	65	(2,604)
Increase in other assets	—	(146)
	(32,605)	(23,553)
INCREASE (DECREASE) IN CASH		
Cash, beginning of year	10,796	(30,789)
Cash, end of year	(185,888)	(196,684)

Cash is defined as cash tickets outstanding and short-term loans, net of cash.

Notes to the Consolidated Financial Statements

For the Year Ended July 31, 1995

1. NATURE OF BUSINESS

Alberta Wheat Pool ("the Association") is incorporated by a special Act of the Alberta Legislature and is primarily engaged in the supply of services to the agriculture industry. A significant portion of its transactions is with members of the Association.

2. ACCOUNTING POLICIES

In preparing its financial statements the Association follows generally accepted accounting principles. The following is a summary of the significant accounting policies adopted by the Association:

Principles of consolidation

These consolidated financial statements include the accounts of Alberta Wheat Pool and its subsidiaries:

	Percentage Ownership
Western Pool Terminals Ltd.	60%
Pacific Elevators Limited	60%
Alberta Wheat Pool Financial Corporation	100%
Prairie Food Holdings Inc.	100%
Demeter (1993) Inc.	100%
Alberta Industrial Mustard Company Limited	50%

All significant inter-company transactions have been eliminated.

Investments and memberships

The Association uses the equity accounting method for recording the carrying value of its investments in certain affiliated companies over which it has significant influence.

Portfolio investments are stated at cost less provisions for permanent decline in value when appropriate.

Property and equipment

Property and equipment are recorded at cost less investment tax credits earned. Depreciation is charged on either a straight-line or a declining balance basis at annual rates varying from 4% to 30%, designed to amortize the cost of the assets over their useful lives.

Other assets

Goodwill and patent rights are amortized on a straight-line basis over five years.

Recognition of income

Handling revenues related to country and terminal elevators are considered earned at the time that shipments are made from the facilities.

Revenues from grain overages registered in advance at the terminal elevators are recorded at the time of registration.

Foreign currency translation

The Association has an investment in an integrated foreign operation in the United States. The temporal method is used to translate the financial statements of the foreign operation.

Net earnings

Net earnings are allocated by way of patronage refunds according to the equity targets established by the Board.

Income taxes

The Association follows the tax allocation method of accounting. Taxes otherwise payable for the year have been reduced primarily through the provision of estimated patronage dividends.

Notes to the Consolidated Financial Statements

For the Year Ended July 31, 1995

3. INVENTORIES

	1995	1994
	\$(000s)	
Grain purchased for delivery to the Canadian Wheat Board, valued at established delivery prices, after deferral of unearned handling revenues	70,050	96,477
Grain valued at cost, with unrealized gains or losses on contracts being deferred until the contracts are closed	13,573	11,773
Other inventories, including special crops, seed and agro supplies, valued at the lower of cost and net realizable value	53,567	48,936
	<u>137,190</u>	<u>157,186</u>

4. PROPERTY AND EQUIPMENT

Property and equipment are classified by operating division as follows:

	1995		1994	
	\$(000s)			
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Country facilities	232,037	132,251	99,786	76,457
Terminal operations	145,602	84,620	60,982	62,300
Other	30,224	16,694	13,530	13,464
	<u>407,863</u>	<u>233,565</u>	<u>174,298</u>	<u>152,221</u>

During 1995, interest of \$935,000 (1994 - \$73,000) was capitalized on major projects under construction.

5. INVESTMENTS AND MEMBERSHIPS

	1995		1994	
	% Ownership	\$ (000s)	% Ownership	\$ (000s)
Equity investments				
Ridley Grain Ltd.	26.2%	5,341	29.1%	7,081
XCAN Grain Pool Ltd.	33.3%	5,238	33.3%	4,444
Lloydminster Joint Venture	50.0%	3,227	50.0%	3,009
Drummond Brewing Company Ltd.	50.0%	599	50.0%	4,373
Other	—	2,954	—	2,450
		<u>17,359</u>		<u>21,357</u>
Portfolio investments and memberships	—	917	—	792
		<u>18,276</u>		<u>22,149</u>

6. LOANS FROM MEMBERS, STAFF AND COOPERATIVES

Substantially all loans from members, staff and cooperatives are on a demand basis. However, experience has shown that such obligations are outstanding for longer than one year and accordingly they are not included in current liabilities. Interest paid during the year amounted to \$3,359,000 (1994 - \$2,665,000).

7. LONG-TERM DEBT

	1995	1994
	\$(000s)	
Alberta Wheat Pool term loan	27,201	25,795
Western Pool Terminals Ltd. 6 $\frac{5}{8}$ % mortgage	841	1,223
	28,042	27,018
Less current maturity	639	382
	27,403	26,636

Long-term debt is comprised of three term facilities totalling \$27,201,000 which are all fully drawn as of July 31, 1995.

The first facility is a \$15,000,000 revolving term loan. This facility has a one-year revolving period during which interest is payable at prime, bankers' acceptances plus 5/8% or London Inter-Bank Offer Rate plus 5/8%. On an annual basis the revolving period may be extended an additional year or converted to a reducing four-year term loan. Upon conversion to a reducing term loan, interest is payable at prime, bankers' acceptances plus 3/4% or London Inter-Bank Offer Rate plus 3/4%. The loan, upon conversion, is repayable in quarterly installments of \$562,500 with the balance due at the end of the four-year term.

A second facility for \$10,000,000 represents a five-year term loan. The loan was converted to a fixed rate four year term in January 1995. Principal is due in January 1999.

The third facility is a \$2,201,000 interest free five-year term loan which was fully drawn as of July 31, 1995. Installment payments of varying amounts are due in each of the years 1996 through 1999.

The mortgage is secured by the property and equipment of Western Pool Terminals Ltd. and is payable in annual installments of \$463,000, including interest, to 1997.

Interest on long-term debt was \$2,036,000 (1994 - \$1,205,000).

Assuming that the loan is converted to a reducing term loan at the end of the current one-year revolving period, repayments of long-term debt for the next five years ending July 31 are as follows:

1996.....	\$ 639,000
1997.....	\$ 3,108,000
1998.....	\$ 3,603,000
1999.....	\$12,442,000
2000.....	\$ 8,250,000

Notes to the Consolidated Financial Statements

For the Year Ended July 31, 1995

8. EQUITY ALLOCATED TO MEMBERS

Members' equity is comprised of reserve and surplus plans. The reserve plan consists of the members' initial membership fees plus any earnings allocated to members that have not been paid in cash. Surplus plan accounts include the amount by which each member's equity exceeds their individual reserve target amount. These accounts are eligible to be paid out in any year when the Association has distributable equity.

	1995	1994
	\$(000s)	
Members' equity at beginning of year	118,367	119,136
Deduct members' equity purchased	2,465	769
Members' equity at end of year	115,902	118,367

As at July 31, members' equity is comprised of the following balances:

	1995	1994
	\$(000s)	
Reserve plan	63,364	70,463
Surplus plan	52,538	47,904
	115,902	118,367

9. EARNINGS ATTRIBUTABLE TO OTHERS

The Association has investments in companies for which it is the majority shareholder but not the sole owner. The pro rata income of these affiliated companies attributable to other shareholders is allocated to the other shareholders as minority interest. In the case of Pacific Elevators Limited, the earnings are not distributed on the basis of share ownership but rather are distributed pursuant to a signatory shippers agreement which distributes earnings on the basis of volumes handled through the terminal.

	1995	1994
	\$(000s)	
Net earnings (loss)		
Pacific Elevators Limited		
Allocation to signatory shippers	10,670	8,652
Minority interest		
Alberta Industrial Mustard Company Limited	97	117
Western Pool Terminals Ltd.	(4)	(16)
	10,763	8,753

10. UNUSUAL ITEMS

	1995	1994
	\$(000s)	
Recovery of loan to affiliate	5,113	—
Provision for write down of the carrying value of the investment in an associated company, net of tax effect, included in other assets, of \$830,000	(3,443)	—
	1,670	—

11. COMMITMENTS AND CONTINGENCIES

The Association leases a variety of property and equipment under various operating leases which expire at various dates up to 2000. Future lease payments in each of the next five years are as follows:

1996.....	\$ 3,135,000
1997.....	\$ 2,472,000
1998.....	\$ 2,159,000
1999.....	\$ 1,416,000
2000.....	\$ 1,461,000

Incident to the operation of its business, various lawsuits and claims are pending by and against the Association. It is the opinion of management that final determination of these claims will not materially affect the financial position or operating results of the Association.

12. PENSION PLANS

The Association has defined benefit pension plans covering substantially all of its employees. The most recent actuarial valuation of the Association's obligation was made as of January 1, 1995 and indicated an obligation of \$66,321,000. Based on the January 1, 1995 valuation, an actuarial projection of the obligation at July 31, 1995 was set at \$66,164,000 (1994 - \$66,387,000). The market value of the assets at July 31, 1995 is \$69,526,000 (1994 - \$66,012,000).

13. RELATED PARTY TRANSACTIONS

The Association operates as a cooperative and, as such, conducts a substantial portion of its business activities with related parties consisting primarily of the Association's shareholder members and companies owned or significantly influenced by the Association together with other western Canadian cooperatives. In addition to transactions with members, including grain purchases and sale of farm products, the Association acquires from and sells to other related parties certain other goods and services in the normal course of business.

14. SUBSEQUENT EVENT

Subsequent to year-end, the Association retained an investment dealer to prepare an offering memorandum and execute a sales strategy toward the successful issuance of up to \$80 million in 15-year term notes. It is intended that this issue will be subscribed prior to December 31, 1995 and will bear a fixed market rate of interest. The proceeds of the issue are intended to fund future fixed asset additions and a partial reduction in short-term loans.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's method of presentation.

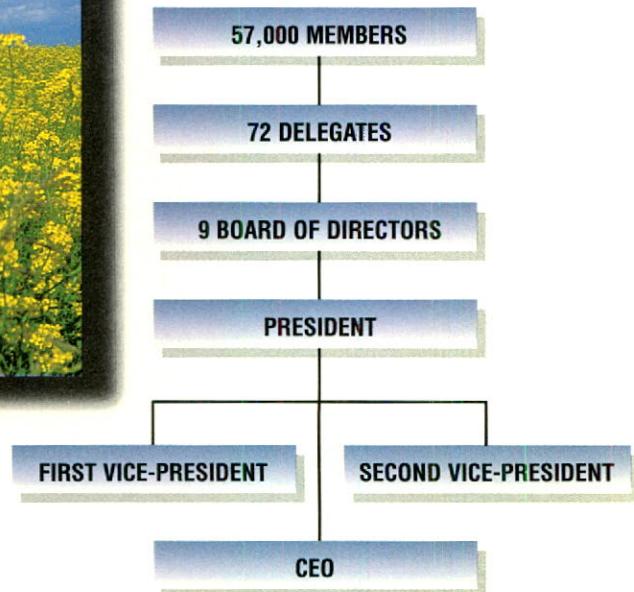
Democratic Structure

As a cooperative, Alberta Pool is a democratic organization controlled by its members. The vast majority of Alberta Pool members are farmers who own or rent land. Members actively participate in setting policies and making decisions about the cooperative and are solely responsible for electing a delegate to represent their sub-district for a three-year term.

Alberta Pool's 72 delegates meet at least twice a year to make decisions and establish policies which govern the operation of Alberta Pool's business. These policies are then implemented by a nine-member board of directors who are elected as directors by the delegates within their region.



The board of directors hires Alberta Pool's chief executive officer, and elects members of the board to serve as president, first vice-president and second vice-president. The president and first vice-president are the only elected officials who hold full-time, paid positions. The board of directors is responsible for providing overall guidance to the CEO and senior management team and is accountable to the membership for the successful operation of Alberta Pool.



Delegates 1995-96

District One

101	Richard Sauer	Maleb
102	Ross H. Ford.	Coutts
103	Gary P. Schneider	Raymond
104	Thomas Neilson	Cardston
105	Mutt Tsukishima	Coaldale
106	Bryan R. Dillenbeck	Foremost
107	John Zeinstra	Picture Butte
108	Lynn Jacobson	Enchant

District Four

401	Terry Lee Degenhardt	Hughenden
402	Edward Jackson	Irma
403	Richard Haydu	Paradise Valley
404	Walter Ulan	Blackfoot
405	Michael Bury	Mannville
406	Kevin Loveseth	Viking
407	Robert Ponto	Galahad
408	Harvey R. Thomas	Alliance

District Seven

701	Donald W. Lunt	Forestburg
702	James S. Holmberg	Rosalind
703	Earl Rasmussen	Gwynne
704	Bill Loov	Bluffton
705	Lars E. Rude	Tofield
706	Kenneth Appleby	Tofield
707	Richard Besler	Thorsby
708	Earl Hagman	Mayerthorpe

District Two

201	Howard Paulsen	Stavely
202	Alan K. Pasolli	Champion
203	Michael Monner	Milo
204	Gary Smith	High River
205	Daryl J. Winkler	Calgary
206	Gordon Moulton	Hussar
207	Lionel M. Bird	Carstairs
208	Robert L. Duhn	Delacour

District Five

501	Richard Farmer	Acme
502	Brian Parry	Three Hills
503	George Steckler	Didsbury
504	Dennis Hoppins	Huxley
505	Douglas Scheerschmidt	Stettler
506	Robert E. Northey	Red Deer
507	Perry Hilman	Red Deer
508	Dick Wymenga	Leslieville

District Eight

801	Robert Feniak	Warspite
802	Russel F. Ewaskow	Thorhild
803	Charles L. Jenkins	Grassland
804	Brian Trueblood	Dapp
805	Lawrence L. Miller	Barrhead
806	William Marx	High Prairie
807	Rene Blanchette	Girouxville
808	Raymond D. Larison	Peace River

District Three

301	Marvin A. Fischer	Hilda
302	Dean Evens	Oyen
303	Michael F. Gyorfi	Bow Island
304	Gordon R. Smillie	Bassano
305	Laurie A. Reiffenstein	Drumheller
306	Mel McNaughton	Rumsey
307	Maxwell Gordon	Craigmyle
308	Donald J. Anderson	Consort

District Six

601	John A. Lawrence	Clandonald
602	Pat Gordeyko	Two Hills
603	Arden Ziegler	Vegreville
604	David Fedun	Andrew
605	Peter W. Galloway	Ft. Saskatchewan
606	Leonard Forcade	Legal
607	Dwayne M. Severin	St. Paul
608	Kenneth R. Shalka	Fort Kent

District Nine

901	Bryan Woronuk	Rycroft
902	Gilbert Balderston	Sexsmith
903	Wayne Longson	Beaverlodge
904	Garry Smolik	Dawson Creek
905	Doug J. Parker	Cecil Lake
906	Ralph G. Moskalyk	Fairview
907	Leonard Anderson	Grimshaw
908	William S. Fedeyko	High Level

Corporate Information

Board of Directors

President	
T.A. Graham.....	Spirit River
First Vice-President	
J.F. Pearson.....	Donald
Second Vice-President	
N.D. Silver	Huxley
A.L. Aasen	Brooks
G.A. Groeneveld.....	High River
B.G. Lindeman.....	Milk River
D. Nanninga.....	Barrhead
A.L. Oberg	Forestburg
A.L. Pidruchney.....	Myrnam
Corporate Secretary	
J.R. Anderson	

Management Executive

G.E. Cummings, FCMA	
Chief Executive Officer	
B.D. DuPont	
Director, Human Resources	
R.E. Gorst	
General Manager, Grain Division	
J.N. Petruic	
Acting Director, Corporate Affairs	
D.V. Riddell	
Acting General Manager, Agri-Business	
Division	
G.D. Southwood, C.A.	
Chief Financial Officer	

Financial Executive

L.J. Gracie, C.A.	
Controller	
B.A. Heinrich, CMA	
Treasurer	

Subsidiaries/Affiliates

Alberta Industrial Mustard Company Limited	
Canadian Pool Agencies Limited	
Demeter (1993) Inc.	
Maalsa Investments Limited	
Pool Commodity Trading Services	
Pool Insurance Company	
Pacific Elevators Limited	
Prairie Sun Grains Ltd.	
Prince Rupert Grain Ltd.	
RADSS Technologies	
Western Co-operative Fertilizers Limited	
XCAN Grain Pool Ltd.	

Joint Venture Partners

General Mills Inc.	
UFL Foods Ltd.	
Wilbur-Ellis Company of Canada Ltd.	

Legal Counsel

MacKimmie Matthews

Auditors

Deloitte & Touche

Bankers

Bank of Montreal
Toronto Dominion Bank



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Our Commitment to the Environment - To support our corporate commitment to environmental responsibility and conservation of our resources, this year's Annual Report is printed on recycled paper. It was printed with a vegetable-based ink containing canola oil that performs exceptionally well and produces brighter, cleaner colours. At Alberta Pool, we incorporate environmental considerations into all our operations, including the production of this Annual Report.



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