



HARDEE FARMS INTERNATIONAL LTD.

27th Annual Report

For the Fiscal Year Ended

March 31, 1985





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 Library Room, Main Mezzanine Floor, the Royal York Hotel, 100 Front Street West, Toronto, Ontario, on Tuesday, the 23rd day of July, 1985, at the hour of 10:00 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, 1985, 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 20th day of June, 1985.

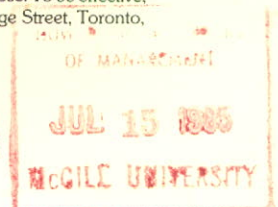
By Order of the Board.

A handwritten signature in black ink, reading "W. Ross Abbott".

W. ROSS ABBOTT
Vice-President and Secretary

Note:

Proxies are being solicited by the management of the Corporation. Holders of Common Shares who are unable to be present in person at the Meeting are requested to date, complete and sign the enclosed form of proxy and return it in the addressed envelope provided for that purpose. To be effective, proxies must be received before 5:00 P.M. (Toronto time) on Monday, July 22, 1985, by the Corporation at Suite 200, 931 Yonge Street, Toronto, Ontario M4W 2H7.



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 July 23rd, 1985, at 10:00 o'clock in the forenoon (Toronto time) in the Library Room, Main Mezzanine Floor, 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 Corporation will not reimburse shareholders' nominees or agents for any costs incurred in obtaining forms of proxy or authorization to execute such proxies.

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.

This Circular, the Notice and the form of proxy are being first mailed to holders of common shares of the Corporation on or about June 28, 1985.

The board of directors of the Corporation has not fixed a record date for the determination of shareholders of the Corporation entitled to notice of and to attend and vote at the Meeting. Accordingly, holders of Common Shares of record as at the close of business on the day immediately preceding the sending of the Circular and accompanying Notice are entitled to receive notice of and to attend at the Meeting in person or by proxy, and the holders of Common Shares of record on such date shall be entitled to vote at the Meeting except that a transferee of Common Shares acquired after such date shall be entitled to vote at the Meeting only if such transferee produces properly endorsed certificates for such Common Shares or otherwise establishes ownership thereof and demands, not later than ten (10) clear days before the Meeting, that the name of such transferee be included in the list of shareholders entitled to vote at the Meeting.

Holders of Common Shares desiring to be represented by proxy at the Meeting must deposit an executed form of proxy with the Secretary of the Corporation at the address set out above, prior to 5:00 P.M. (Toronto time) on Monday, July 22, 1985. A return envelope for this purpose is enclosed.

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. Cecil H. Franklin who

owns beneficially, directly or indirectly, 268,398, representing approximately 60.4%, of the outstanding common shares of Algonquin Mercantile Corporation which owns beneficially 3,006,000 representing approximately 60.1%, of the outstanding common shares of the Corporation. Mr. Cecil 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 June 20, 1985 (1)	
			Hardee Farms International Ltd.	Algonquin Mercantile Corporation
* Donald S. Anderson	1976	Chairman of the Board, Canada Realties Limited (Real Estate Development Consultants) Director, Algonquin Mercantile Corporation	1,000	500
* Donald E. Foyston	1971	Chairman, Foyston, Gordon & Payne Inc. (investment counsel)	2,250	30
Cecil H. Franklin (2)	1969	Chairman of the Board, Hardee Farms International Ltd. Algonquin Mercantile Corporation	3,104,677	268,398
Robert M. Franklin	1977	Vice-Chairman of the Board, Hardee Farms International Ltd. Executive Vice-President and Director Algonquin Mercantile Corporation	15,800	37,694
* Francis D. Lace	1969	Honorary Director, Dominion Securities Pitfield Limited (investment dealers) Director, Algonquin Mercantile Corporation	35,000	20,500
* James A. McKechnie	1964	Professional Engineer	10,000	—
E. Richard S. McLaughlin	1969	President Old Canada Investment Corporation Ltd., (investment fund) Director, Algonquin Mercantile Corporation	21,000	6,100
† Dalton L. Sinclair	1966	Chairman Middlefield Ventures Ltd. (venture capital)	5,028	—
William A. Stewart	1975	Farmer	1	—
* Arthur 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. Cecil H. Franklin beneficially owns, controls and directs approximately 62.1% of the votes attached to the common shares of the Corporation, as described in "Voting Shares and Principal Holder Thereof".

(3) Audit Committee Chairman (†) and Members (*).

(4) 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, 1985 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-account- able expense allowance	Other	Total
Remuneration of Directors as such						
(A) Number of Directors: 10						
(B) Body Corporate incurring the expense:						
Hardee Farms International Ltd.	\$22,200	—	—	—	—	\$ 22,200
Remuneration of Officers as such						
(A) Number of Officers: 3						
(B) Body Corporate incurring the expense:						
Hardee Farms International Ltd.		\$230,300	—	—	—	230,300
	\$22,200	\$230,300	—	—	—	\$252,500

Algonquin Mercantile Corporation and its subsidiaries, which includes the Corporation, have purchased insurance in the face amount of \$10,000,000 (subject to a deductible of \$10,000 for 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 \$9,505 total annual premium is approximately \$1,045 in respect of directors as a group and approximately \$1,492 in respect of officers as a group.

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: June 20, 1985.



W. ROSS ABBOTT

Vice-President and Secretary



HARDEE FARMS INTERNATIONAL LTD.

BOARD OF DIRECTORS

* Donald S. Anderson	* James A. McKechnie
* Donald E. Foyston	E. Richard S. McLaughlin
Cecil H. Franklin	† Dalton L. Sinclair
Robert M. Franklin	William A. Stewart
* Francis D. Lace	* Arthur 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
D. H. Kirstine	Vice President Finance and Treasurer
W. R. Abbott	Vice President and Secretary
M. J. Gardner	Assistant Secretary

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

10:00 a.m., July 23, 1985
Library Room, Main Mezzanine Floor,
Royal York Hotel
100 Front Street West
Toronto, Ontario



HARDEE FARMS INTERNATIONAL LTD.

Report to Shareholders:

Of major significance to the future of Hardee Farms International Ltd. was the decision taken during the final quarter of the 1985 fiscal year to consolidate frozen vegetable production at the Ingersoll plant and to terminate operations at Lambeth, Ontario.

By discontinuing processing activities which had become uneconomic, Hardee's long-standing burden of bank and income debenture debt will be materially reduced over the next several months. It is also anticipated that an immediate return to profitability will result.

The important actions taken were precipitated by a sharp and permanent decline in the prospect for profitable returns from continued frozen sweet corn exports to the United Kingdom, and by intense competition for frozen french fried potato sales in Canada which made it impractical to realize profits from continued potato processing operations at Lambeth.

Hardee's performance for the year ended March 31, 1985, was heavily impacted by these events and the financial statements reflect an operating loss of \$292,731 or 6¢ per share before extraordinary items and a final net loss of \$607,871 or 12¢ per share after extraordinary items.

Included as an extraordinary charge for the year is a provision of \$900,000 to cover losses directly related to the Lambeth plant closure during the scheduled phase-out period of several months subsequent to fiscal year end.

The Lambeth real estate, production equipment, and other related assets will be offered for sale during the current year. It is anticipated that proceeds from such sales will be substantial and will exceed the book values recorded in the Company's accounts.

Properties at Mitchell and Bradford were sold during the past twelve months and the net gain of \$504,860 realized on these disposals appears as an extraordinary item in the accompanying financial statements.

Frozen Vegetable Division

It should be noted that the Lambeth plant closure will not affect Hardee's traditional production of high quality frozen peas, sweet corn, squash, turnips, carrots, and other vegetables to service major retail, food service, and reprocessor markets in Canada and the United States. A full production program to meet all requirements of customers for Hardee frozen vegetables is now in progress.

As a result of the consolidation of frozen vegetable processing operations at Ingersoll improved production and overhead efficiencies will be realized. Capacity throughput at Ingersoll and a return to satisfactory profit levels is expected for the Frozen Vegetable Division in the current year.

Baxter Canning Division

Results of the Baxter Canning Division for the past year were unfavourable and primary food processing margins remain under extreme pressure. Recently

announced closures of several Ontario canning plants indicate that some rationalization of excess capacity is taking place.

Baxter continues to pursue completion of a major year round custom canning contract and it was for this purpose that warehouse and other facilities were expanded at Bloomfield during the past year. Completion of such a custom canning contract would significantly improve future earnings prospects of this Division.

HONEYDEW Beverages

Another good increase in sales volume and record operating results were achieved during the past fiscal year by the HONEYDEW Beverages Division.

Marketing programs for the current year will continue to emphasize the variety of high quality citrus-based drinks available across Canada under the familiar HONEYDEW label. The image of HONEYDEW products is strong and further market penetration is expected in the year ahead.

Freeze-Dry Foods

Increased sales volume and an excellent improvement in operating results were recorded by the Freeze-Dry Foods Division over the past twelve months.

Positive trends at the outset of the year indicate that satisfactory progress will again be realized by this Division.

Summary

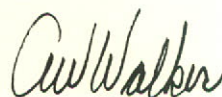
With major debt reduction assured, unprofitable activities eliminated, and positive operating performance in prospect for all Divisions of the Company, we look forward to the realization of profitable results by Hardee in the current year.

The loyalty and commitment of Hardee's many dedicated employees is acknowledged with gratitude. We also thank our valued customers and suppliers for their continued support and goodwill.

On behalf of the Board,



Cecil H. Franklin
Chairman and Chief Executive Officer



Arthur W. Walker
President and Chief Operating Officer

June 20, 1985



CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 1985

ASSETS

	1985 \$	1984 \$
CURRENT ASSETS		
Accounts receivable	4,416,477	3,301,914
Inventories	12,598,591	13,064,651
Prepaid crop and other expenses	417,436	1,247,804
Current portion of mortgages receivable	60,000	222,060
Land held for sale	218,140	218,140
	<u>17,710,644</u>	<u>18,054,569</u>
MORTGAGES RECEIVABLE (note 2)	492,500	224,514
FIXED ASSETS (note 3)	7,225,607	6,921,719
HONEYDEW TRADEMARKS	492,970	492,970
GOODWILL	473,547	473,547
	<u>26,395,268</u>	<u>26,167,319</u>

SIGNED ON BEHALF OF THE BOARD

C. H. Finklin, Director

D. S. Quinlan, Director

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Hardee Farms International Ltd. as at March 31, 1985 and the consolidated statements of earnings, retained earnings and changes in financial position for the year 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

	1985 \$	1984 \$
CURRENT LIABILITIES		
Bank advances (note 4)	4,608,302	3,694,878
Accounts payable and accrued liabilities	7,179,402	6,080,444
Current portion of long-term debt	1,080,934	1,369,419
	<u>12,868,638</u>	<u>11,144,741</u>
LONG-TERM DEBT (note 5)	7,804,087	9,135,021
DEFERRED REVENUE (note 6)	228,571	285,714
MINORITY INTEREST IN THE BAXTER CANNING CO. LIMITED	500,000	—
	<u>21,401,296</u>	<u>20,565,476</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 7)		
Issued and fully paid — 5,001,201 common shares	4,346,413	4,346,413
RETAINED EARNINGS	647,559	1,255,430
	<u>4,993,972</u>	<u>5,601,843</u>
	<u>26,395,268</u>	<u>26,167,319</u>

In our opinion, these consolidated financial statements present fairly the financial position of the company as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
May 15, 1985

COOPERS & LYBRAND
Chartered Accountants



CONSOLIDATED STATEMENT OF EARNINGS FOR THE YEAR ENDED MARCH 31, 1985

	1985 \$	1984 \$
SALES	32,220,282	28,269,200
COST OF SALES AND OTHER EXPENSES	30,219,928	26,066,060
DEPRECIATION	709,501	666,186
	<u>30,929,429</u>	<u>26,732,246</u>
EARNINGS FROM OPERATIONS BEFORE INTEREST ..	1,290,853	1,536,954
INTEREST — TAX DEDUCTIBLE (note 5)	979,255	880,687
EARNINGS FROM OPERATIONS BEFORE INCOME TAXES AND INTEREST ON INCOME DEBENTURES ..	311,598	656,267
PROVISION FOR INCOME TAXES	80,000	185,000
	<u>231,598</u>	<u>471,267</u>
INTEREST ON INCOME DEBENTURES (note 5)	524,329	544,261
LOSS FOR THE YEAR BEFORE EXTRAORDINARY ITEMS	<u>(292,731)</u>	<u>(72,994)</u>
EXTRAORDINARY ITEMS		
Reduction of income taxes resulting from utilization of prior years' losses	80,000	185,000
Gain on disposal of fixed assets	504,860	—
Provision for loss on closure of Lambeth plant	<u>(900,000)</u>	<u>—</u>
	<u>(315,140)</u>	<u>185,000</u>
NET (LOSS) EARNINGS FOR THE YEAR	<u>(607,871)</u>	<u>112,006</u>
PER SHARE (note 7)		
Loss before extraordinary items	<u>(6¢)</u>	<u>(1¢)</u>
Net (loss) earnings for the year	<u>(12¢)</u>	<u>2¢</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED MARCH 31, 1985

	1985 \$	1984 \$
RETAINED EARNINGS — BEGINNING OF YEAR	1,255,430	1,143,424
Net (loss) earnings for the year	<u>(607,871)</u>	<u>112,006</u>
RETAINED EARNINGS — END OF YEAR	<u>647,559</u>	<u>1,255,430</u>

**CONSOLIDATED STATEMENT OF
CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1985**

	1985 \$	1984 \$
SOURCE OF FUNDS		
Loss for the year before extraordinary items	(292,731)	(72,994)
Depreciation and other items not requiring an outlay of funds	633,759	610,727
Provided from operations	341,028	537,733
Issue of preferred shares by a subsidiary to an affiliated company	500,000	—
Long-term debt incurred	275,000	100,000
Proceeds on disposal of fixed assets	906,109	8,400
Reduction in mortgages receivable	267,014	222,061
Deferred revenue (note 6)	—	342,857
Reduction of income taxes resulting from utilization of prior years' losses	80,000	185,000
	<u>2,369,151</u>	<u>1,396,051</u>
USE OF FUNDS		
Purchase of fixed assets	1,396,039	534,494
Retirement of income debentures	1,375,000	775,000
Retirement of other long-term debt	230,934	744,420
Mortgage receivable on disposal of fixed assets	535,000	—
Provision for loss on closure of Lambeth plant	900,000	—
	<u>4,436,973</u>	<u>2,053,914</u>
DECREASE IN WORKING CAPITAL	2,067,822	657,863
WORKING CAPITAL — BEGINNING OF YEAR	6,909,828	7,567,691
WORKING CAPITAL — END OF YEAR	<u>4,842,006</u>	<u>6,909,828</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1985

1. SUMMARY OF ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements include the accounts of the company and all subsidiary companies.

(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 \$	1985 Total \$	1984 Total \$
Sundry mortgages, at interest rates between 10% and prime plus 2%, due between September 30, 1986 and October 30, 1987	<u>60,000</u>	<u>492,500</u>	<u>552,500</u>	<u>446,574</u>

3. FIXED ASSETS

Fixed assets are as follows:

	1985 \$	1984 \$
Buildings and equipment — at cost	12,679,919	12,170,420
Accumulated depreciation	<u>6,363,249</u>	<u>6,166,106</u>
	6,316,670	6,004,314
Land — at cost	173,630	317,405
Other lands (approximately 4,600 acres) — at values assigned by the directors in 1971, plus amounts subsequently expended	<u>735,307</u>	<u>600,000</u>
	<u>908,937</u>	<u>917,405</u>
	<u>7,225,607</u>	<u>6,921,719</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 \$	1985 Total \$	1984 Total \$
Bank loan (note 4), at an interest rate of prime plus 1%, due April 30, 1987	100,000	200,000	300,000	400,000
Income debentures (notes 4 and 7) at interest rates of one-half of prime plus 1% and 1½%, due May 31, 1986	625,000	5,977,500	6,602,500	7,977,500
Sundry mortgages and notes, at interest rates between nil and 16¾% due between June 15, 1989 and September 23, 1991 . .	<u>355,934</u>	<u>1,626,587</u>	<u>1,982,521</u>	<u>2,126,940</u>
	<u>1,080,934</u>	<u>7,804,087</u>	<u>8,885,021</u>	<u>10,504,440</u>

Repayments required on long-term debt in fiscal 1987 are \$6,444,319, in fiscal 1988 \$479,025, in fiscal 1989 \$392,717 and in fiscal 1990 \$343,090.

Interest on long-term debt for the current year amounted to \$806,334.

Interest on income debentures is not deductible for tax purposes.

6. DEFERRED REVENUE

In fiscal 1984 a subsidiary received an interest free forgivable loan which is forgivable at the rate of \$57,143 per annum to December 16, 1989.

	Current	Long-Term	1985 Total	1984 Total
	\$	\$	\$	\$
Deferred revenue . . .	<u>57,143</u>	<u>228,571</u>	<u>285,714</u>	<u>342,857</u>

7. CAPITAL STOCK

The common shares of the company 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 \$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.

8. 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 1986	42,000	—
expiring in fiscal 1992	<u>124,000</u>	<u>159,000</u>
	166,000	159,000
Excess of depreciation recorded in the accounts over capital cost allowance claimed for tax purposes	<u>2,688,000</u>	<u>1,201,000</u>
The tax effects of the above have not been reflected in the accounts	2,854,000	1,360,000
In addition, future income tax payments could be deferred by refiling tax returns and claiming additional capital cost allowance in the amount of approximately	<u>985,000</u>	<u>1,422,000</u>
	<u>3,839,000</u>	<u>2,782,000</u>

9. RELATED PARTY TRANSACTIONS

- (a) The company is 60.1% owned by Algonquin Mercantile Corporation, the parent.
- (b) The parent pays certain direct costs on behalf of the company and is reimbursed by the company. The amount due to the parent in respect of these costs at March 31, 1985 is approximately \$1,100,000. The parent also 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 of these costs at March 31, 1985 is approximately \$100,000.

The aggregate of the amounts due to the parent is included in accounts payable and accrued liabilities.

10. 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 13% of sales.



HARDEE FARMS INTERNATIONAL LTD.

THREE YEAR REVIEW

	1985	1984	1983 (10 months)
	\$	\$	\$
OPERATING RESULTS			
Sales	<u>32,220,282</u>	<u>28,269,200</u>	<u>28,004,317</u>
EARNINGS			
BEFORE THE FOLLOWING	2,000,354	2,203,140	2,824,993
Depreciation	709,501	666,186	556,513
Interest	1,503,584	1,424,948	1,554,090
Income taxes	<u>80,000</u>	<u>185,000</u>	<u>420,000</u>
(LOSS) EARNINGS BEFORE EXTRAORDINARY ITEMS	(292,731)	(72,994)	294,390
Extraordinary items	<u>(315,140)</u>	<u>185,000</u>	<u>420,000</u>
NET (LOSS) EARNINGS	<u>(607,871)</u>	<u>112,006</u>	<u>714,390</u>
FINANCIAL POSITION			
Total Assets	26,395,268	26,167,319	26,040,213
Total Liabilities	<u>21,401,296</u>	<u>20,565,476</u>	<u>20,550,376</u>
Shareholders' Equity	<u>4,993,972</u>	<u>5,601,843</u>	<u>5,489,837</u>
PER SHARE			
(Loss) earnings before extraordinary items	(6¢)	(1¢)	6¢
Net (loss) earnings for the year	(12¢)	2¢	14¢
Book value	\$1.00	\$1.12	\$1.10
Total shares outstanding	5,001,201	5,001,201	5,001,201



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