AGRA INDUSTRIES LIMITED

1970

SEVENTH ANNUAL REPORT

AGRA INDUSTRIES LIMITED

Head Office:
125 - 105th STREET - EAST
SASKATOON - SASKATCHEWAN

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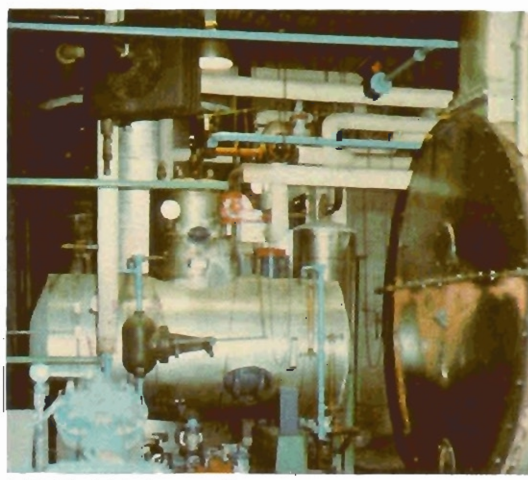
Western Caissons, Driving Pipe Piles for Overpass Structure

Tarchinsky Consulting, Checking Surface Densities

Bottling Plant in Lethbridge

Co-Ax Cable TV—Service Trucks



AGRA'S Oil Refinery in Nipawin

Corporate Structure

AGRA INDUSTRIES LIMITED

- **EDIBLE OIL DIVISION**
  - CRUSHING PLANT
  - OIL REFINERY
  - PACKAGING PLANT
- **BEVERAGE DIVISION**
  - POLAR BEVERAGES LTD.
  - POLAR CANNING LTD.
  - POLAR AERATED WATERWORKS LIMITED
  - LETHBRIDGE BOTTLING COMPANY LTD.
  - CHINOOK BOTTLING LTD.
- **COMMUNICATIONS DIVISION**
  - GENERAL NEWS COMPANY LTD.
  - CO-AX CABLE TV LIMITED
  - CABLEVISION LETHBRIDGE LTD. (75%)
- **ENGINEERING DIVISION**
  - TORCHINSKY CONSULTING LTD.
  - B. B. TORCHINSKY & ASSOCIATES LTD.
  - WESTERN CAISSONS (Alta.) LIMITED
  - WESTERN CAISSONS (Sask.) LIMITED
  - WESTERN CAISSONS (Man.) LIMITED
  - WESTERN CAISSONS (Ont.) LIMITED
  - WESTERN CAISSONS INCORPORATED (U.S.A.)

HEAD OFFICE: 125 - 105th Street East SASKATOON - Saskatchewan

EDIBLE OIL DIVISION

Divisional Manager, G. W. Neumann

Crushing Plant and Oil Refinery
P.O. Box 580
Nipawin, Saskatchewan

BEVERAGE DIVISION

Divisional Manager, K. J. Taylor

Polar Beverages Ltd.,
1010 - 42nd Street S.E.
Calgary, Alberta

Polar Canning Ltd.
1010 - 42nd Street S.E.
Calgary, Alberta

Polar Aerated Waterworks Limited
1010 - 42nd Street S.E.,
Calgary, Alberta

Lethbridge Bottling Company Ltd.
237 - 12th Street B. North
Lethbridge, Alberta

Chinook Bottling Ltd.,
2907 - 2nd Avenue South
Lethbridge, Alberto

COMMUNICATION'S DIVISION

Divisional Manager - A. Berday

General News Company Ltd.
237 - 12th Street B. North
Lethbridge, Alberta

Co-Ax Cable TV Limited
408 - 11th Avenue
Estevan, Saskatchewan

Co-Ax Cable TV Limited
117 - 2nd Street
Weyburn, Saskatchewan

CableVision Lethbridge Ltd.
1018 - 3rd Avenue South
Lethbridge, Alberta

ENGINEERING DIVISION

Divisional Manager: B. B. Torchinsky

B. B. Torchinsky & Associates Ltd.
121 - 105th Street East
Saskatoon, Saskotchewan

Torchinsky Consulting Ltd.
121 - 105th Street East
Saskatoon, Saskatchewon

Western Caissons (Alta.) Limited
9715 - 60th Avenue
Edmonton, Alberta

Western Caissons (Alta.) Limited
416 Monument Place
Calgary, Alberta

Western Caissons (Sask.) Limited
121 - 105th Street East
Saskatoon, Saskatchewan

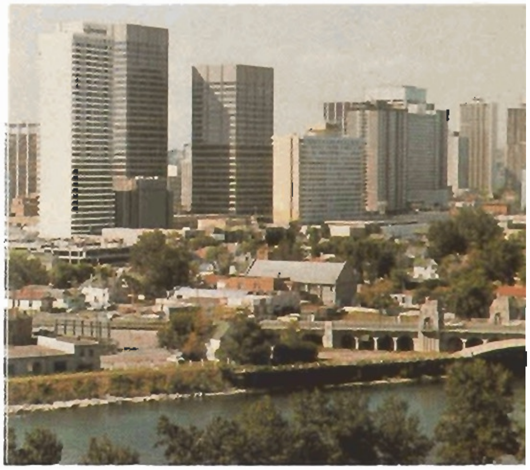
Western Caissons (Sask.) Limited
Corner 7th and Elliott
Regina, Saskatchewan

Western Caissons (Man.) Limited
961 Jarvis Avenue
Winnipeg, Manitoba

Western Caissons (Ont.) Limited
150 Creditstone Road
Maple (Toronto) Ontario

Western Caissons Incorporated
1800 First National Building
Detroit, Michigan

Richardson Tower in Downtown Winnipeg is Supported on Caissons Installed by Western Caissons.



Calgary—Headquarters City for Polar Group of Companies

Expansion in Progress for Tripling AGRA'S Oil Crushing Capacity

Western Caissons Office—Calgary

Highlights of the Year

- The fiscal year ending July 31st, 1970 was by far the most active and saw the most significant growth of AGRA since we started operations.
- The company name was changed from AGRA Vegetable Oil Products Ltd. to AGRA Industries Limited to reflect the more diversified nature of our business operations.
- Four distinctly independent operating divisions emerged during the year —the Edible Oil Division, the Beverage Division, the Communications Division and the Engineering Division.
- Gross revenue from sale of products and services rose to $14,388,899 as compared to $4,889,355 last year, for an increase of 194 per cent.
- Net earnings, including extraordinary income, and after allowing for a fully deferred tax basis, rose to $525,377, compared with a restated $140,797, which was last year's earnings determined on a similar basis. This is an increase of 273 per cent.
- Total assets increased to $10,515,559 compared with $4,705,032 last year, an increase of 124 per cent.
- The decision was made to triple the capacity of our edible oil crushing plant, and this expansion work is presently in progress, with completion scheduled for early 1971.

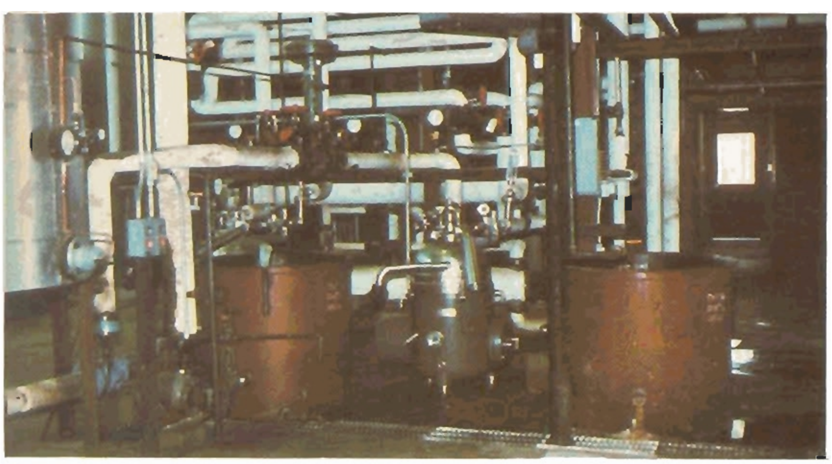
Corporate Information

OFFICERS	B. B. TORCHINSKY	President
	CLEM ROLES:	Vice-President
	DEXTER H. C. BEACH	Secretary
	GERHARDT W. NEUMANN	Treasurer
DIRECTORS	T. A. McLELLAN, C.A.	Controller, AGRA Industries Limited, Saskatoon
	HARVEY L. STEPHENS	General Manager, Saskatchewan Economic Development Corporation Ltd., Regina
	NORMAN STACEY	Farmer (Elite Grower), Nipawin
	D. H. C. BEACH, P.Eng:	Plant Manager of AGRA, Nipawin
	B. B. TORCHINSKY, P.Eng:	President, Western Caissons, Toronto
	CLEM ROLES, P.Eng:	President of Smith-Roles Ltd., Saskatoon
	LEO NILE NICHOLSON	Owner, Nicholson Real Estate, Nipawin
	G. W. NEUMANN, C.A.	General Manager of AGRA, Nipawin
	WILLIAM B. MANOLSON	Vice-President, Concordia Estates Limited, Montreal
	SAMUEL J. HAMER	President, Lethbridge Bottling Company Ltd. and General News Company Ltd., Lethbridge
	A. BERDAY	Manager, Co-Ax Cable TV Limited, Estevan
AUDITORS OF THE COMPANY	Hamilton, George, Taylor, Golumbia & Co., CN Towers, Saskatoon, Saskatchewan	
REGISTRAR AND TRANSFER AGENT	The Canada Permanent Trust Company, Saskatoon and Toronto	
EXCHANGE LISTING	Toronto Stock Exchange	

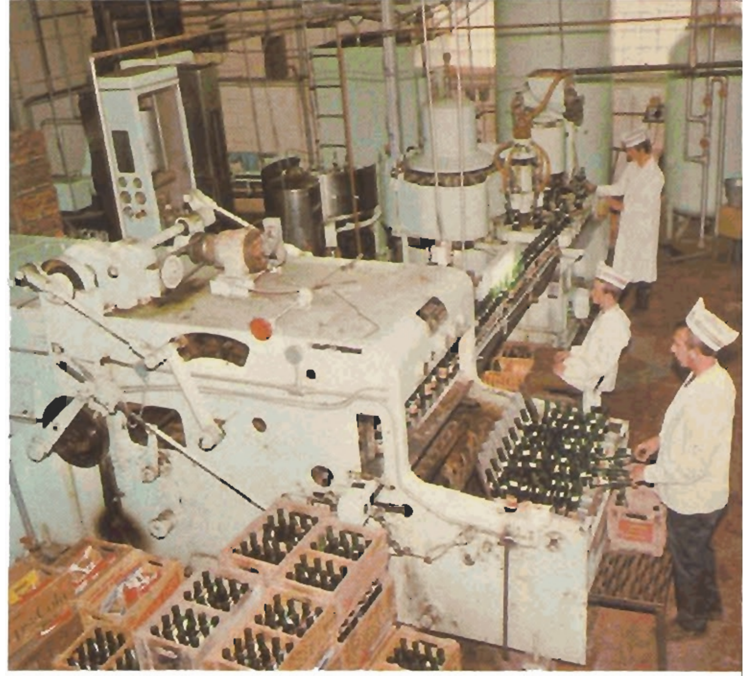
Weyburn Office for Co-Ax

Western Caissons drilled piles to almost 200 feet below ocean level, for Gulf Oil's new Super Tankers Port in Canso Strait, near Point Tupper, Nova Scotia

AGRA'S Oil and Meal Ready to Travel



AGRA'S Oil Refinery



Lethbridge Bottling—Seven-Up Production Line

Chinook Bottling—Pepsi Cola Distributor in Lethbridge

AGRA'S Quality Control Lab. for the Oil Refinery

Compact-O-Pile Installation by Western Caissons

Oil Refinery Storage Tanks

President's Report to the Shareholders

AGRA's fiscal year 1970 covers the 12 month period from August 1st 1969 to July 31st 1970. This, our seventh year of business, was by far the most active and saw the most significant growth of our company since we started operations. Many changes occurred throughout the year—our head office location was changed, our name was changed, and our company operations expanded both in scope and in size due to internal growth and to growth by acquisition.

Our head office was moved from Nipawin to Saskatoon in order to be more centrally located, and our company name was changed from AGRA Vegetable Oil Products Limited, to AGRA Industries Limited. This was done so that our name would more correctly reflect the diversified industries in which we are now involved. The company has changed because of growth. Whereas at the beginning of last year the company consisted of two major divisions, the Edible Oil Division and the Beverage Division, during the year we added two more major divisions — the Communications Division and the Engineering Division. Thus, our company is now made up of four distinct divisions, each of which encompasses a major part of Canada's economic endeavour, each distinctly independent from the other, and with each contributing to the earnings and to the stability of AGRA.

For the year 1970, gross revenue rose from $4,889,355 to $14,388,899, an increase of 194 per cent. this substantial increase was due primarily to the formation of the Engineering Division and the acquisition of the Western Caissons group of companies, whose interests were pooled with AGRA for the year.

Our fourth division, the Communications Division, existed as a relatively minor operation during the year in the form of General News Company Ltd., the news magazine and pocket book wholesale distributor for Southern Alberta. This division was strengthened and enlarged near the end of the fiscal year by the finalization of our purchase of Co-Ax Cable TV Limited, which operates cable television systems in Estevan and Weyburn, and the purchase of 75 per cent of Cablevision Lethbridge Ltd., which operates the cable television system in Lethbridge. Since all the cable system purchases were finalized near the end of our fiscal year, their earnings for the fiscal year 1970 were not included in our consolidated statement. The addition of the cable television systems to our Communications Division should enable this division to contribute substantially to earnings in the new year.

Net earnings for the year rose to $525,377, calculated after allowing for income taxes on a fully deferred tax basis and including extraordinary income. This compares with earnings last year of $140,797, which are the restated earnings determined on a similar basis. This represents an increase of 273 per cent. Earnings per share are 36.2 cents compared with a restated 11.5 cents for last year, calculated after allowing for income taxes on a fully deferred tax basis. This represents an increase of 215 per cent. Calculations for last year were based on 1,229,090 shares outstanding, whereas calculations for the current year are based on 1,449,440 shares. The increase in outstanding shares is accounted for in the following manner:

a) A private placement of 30,000 shares at $8.00 per share was made, which netted the company $232,500 after commissions. The money was used for acquisitions made during the year.

b) 200,000 shares were issued in exchange for outstanding shares of the Western Caissons group of companies as a pooling of interests.

c) 350 shares were issued for cash to satisfy applications which had been inadvertently neglected in the past.

d) 17,500 shares were issued as partial payment for 75 per cent of the outstanding shares of Cable-Vision Lethbridge Ltd.

The above shares add up to a total of 247,850 shares issued during the year, which when added to last year's 1,229,090 shares, makes a total of 1,476,940 shares outstanding for the year 1970. Of these, however, only 1,449,440 shares were considered in calculating earnings per share for the year 1970. The reason for this is that:

a) The private placement of 30,000 shares was outstanding for only ⅔ of the fiscal year, and therefore only 20,000 of these shares were considered to be outstanding for the full year.

b) The 17,500 shares were issued for partial payment of CableVision Lethbridge Ltd. at the end of our fiscal year, and since this company's earnings were not consolidated in our 1970 statement, the shares were omitted for the purpose of the earnings calculation.

This report is designed to provide information about AGRA's activities and how they fared in 1970. In addition to general financial information, we have prepared a description of each of AGRA's four divisions, and have also included a series of questions and answers which we hope will help you to know us better and thus be able to evaluate properly your investment in our company.

Sincerely

B. B. Torchinsky

B. B. Torchinsky, President.

"Last year, AGRA consisted of the vegetable oil plant in Nipawin and the Polar group of companies in Calgary. What companies comprise AGRA for the current 1970 report?"

For the purpose of this current seventh annual report (1970), in addition to the companies which made up AGRA last year, there are included the following companies:

1. Lethbridge Bottling Company Ltd. —Seven-Up and Orange Crush franchise distributor in Southern Alberta — bottling plant in Lethbridge, Alberta.

2. General News Company Ltd. — wholesale news magazine and pocket book distributor for Southern Alberta — office in Lethbridge, Alberta.

3. Western Caissons group of companies — engineering and foundation specialists — offices across Canada.

4. Chinook Bottling Ltd. — Pepsi Cola and Canada Dry franchise for Southern Alberta — bottling plant in Lethbridge, Alberta.
   This company contributed earnings to AGRA for 5 months in the year 1970.

Furthermore, AGRA now consists of two additional companies, one of which was purchased at the end of the 1970 fiscal year and the other early in the 1971 fiscal year. These are:

5. CableVision Lethbridge Ltd. — cable television distributing system in Lethbridge, Alberta. AGRA owns 75 per cent of this company.

6. Co-Ax Cable TV Limited — cable television distributing systems in Estevan and Weyburn, Saskatchewan.

In summary then, Companies 1, 2 and 3 above are new to AGRA since last year, and are included in the operations reported in this current report for 1970. Company 4 above is included in the current operations for the last 5 months of the fiscal year, and Companies 5 and 6 above have been acquired, but their earnings are not included in the current year.

"Please break down gross revenue for each division in 1970, and compare with 1969."

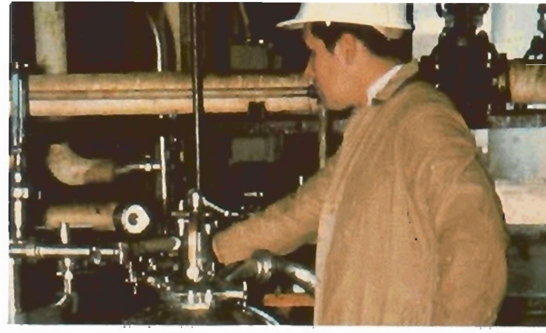
	1969	1970
1. Edible Oil Division	$4,131,375	$5,196,144
2. Beverage Division	$ 757,980	$2,290,915
3. Communications Division	—	$ 587,366
4. Engineering Division	—	$6,314,474

"Why did AGRA, which started out as an edible oil processing company, become involved in engineering and communications?"

The people who built AGRA in the first instance were already involved in Engineering and in Communications prior to their involvement with AGRA. In fact, a good portion of the risk capital which went into building AGRA originally was money which had been generated in the operation of the Engineering and Communications businesses. It was therefore only natural, when AGRA began to expand and diversify, to turn towards the fields which had sponsored AGRA in the first instance.

"With such diversified divisions as now exist in AGRA, how can they attract qualified staff to properly administer these divisions?"

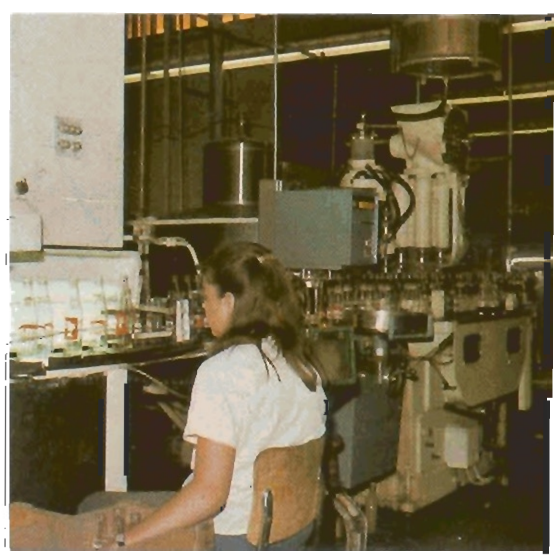
One of the major assets which AGRA now holds is its personnel. For example, the Engineering Division, while newly acquired by AGRA, is in fact 20 years old and retains the same highly trained engineers who built the company from its inception. Similarly, the Communications Division is operated by the same personnel who, in fact, pioneered in the development of cable television in Canada almost 15 years ago. The Beverage Division has an enviable history of 45 years of quality production. Many staff members in this division have had between 10-25 years of service in the same company. So it can be seen that the administration staff of AGRA's four



AGRA'S Oil Refinery

Ready to Roll with Refreshments

Western Caissons Install Compact-O-Piles in Edmonton



Inspection on Soft Drink Line

major divisions are already available and well experienced.

"What are AGRA's growth and dividend policies?"

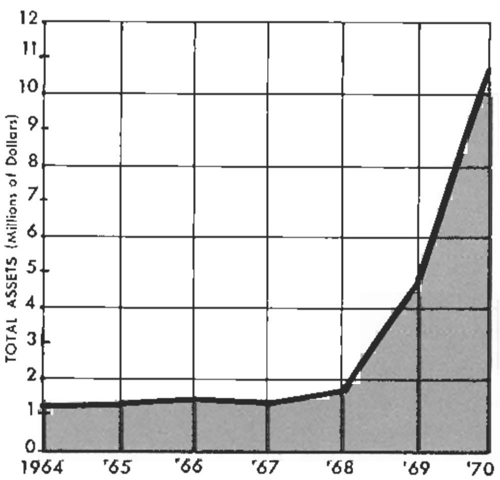
AGRA is a growth-oriented company. It is our express interest to expand our operations — not for the sake of showing larger revenues, or even showing larger overall earnings—but strictly for the purpose of developing greater per share earnings, accompanied always by financial responsibility. We are concerned primarily for our stockholders and the profitability of their investment in AGRA.

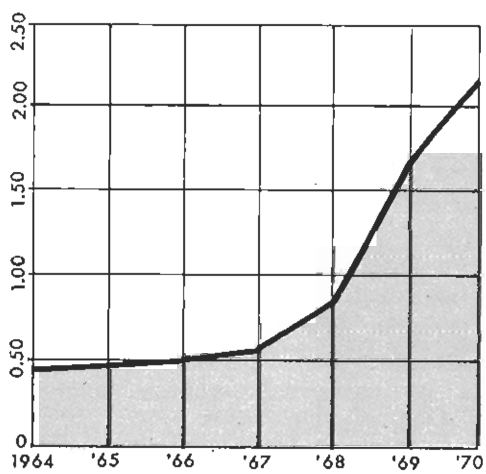
AGRA is a very young company. We started operations in 1963 and became listed on the Toronto Stock Exchange in 1968. We have not established a dividend policy as yet, simply because we have not been in business long enough to be able to do so. We did pay a 5 cent per share dividend in 1968, again in 1969, but we decided to omit paying a dividend in 1970. The decision to omit the current dividend was predicated on the belief that it is to the greatest advantage of our shareholders to re-invest a significant portion of earnings back into the company for expansion purposes.

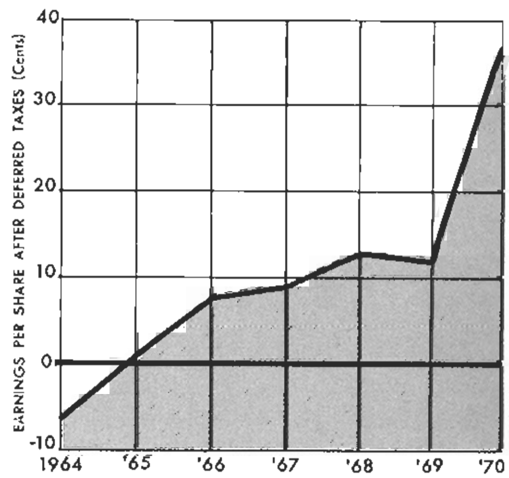
During the current year we have managed to develop AGRA into a diversified and relatively large corporation which can anticipate earnings from four major divisions which are completely independent from each other. This development will provide AGRA with considerable stability and should result in substantial earnings in the future.

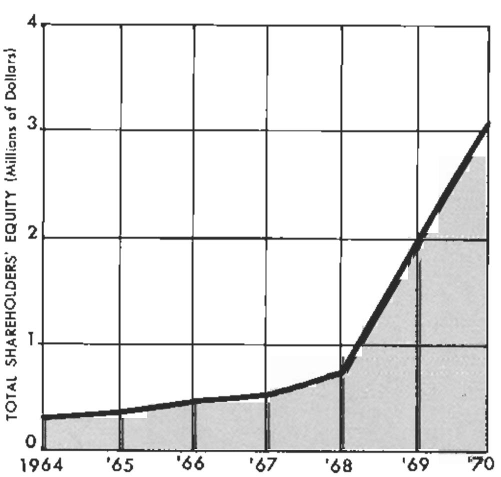
All of the above was accomplished with a minimum of dilution of AGRA common shares. In order to do this, it was necessary to utilize a major portion of AGRA's current earnings, and for this reason your Board of Directors felt it would be prudent to omit the current dividend.

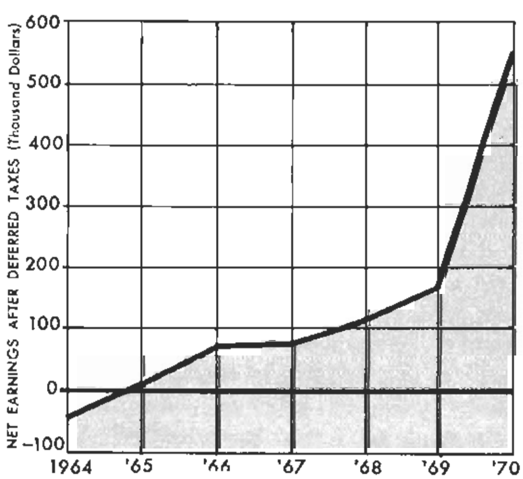
We firmly believe that our shareholders have every right to participate in our year-to-year gains. It is our sincere intention to establish a definite dividend policy and as a result of our actions in this current year, we expect to be able to institute this policy in the very near future.

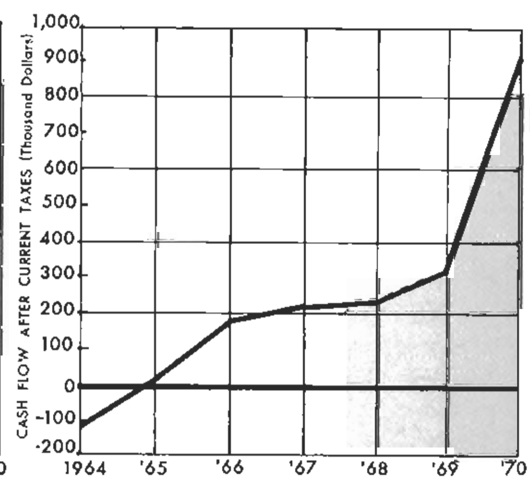












AGRA INDUSTRIES LIMITED

And Subsidiary Companies

Financial Highlights

FIVE YEAR REVIEW

	1966	1967	1968	1969	**1970**
Gross Revenue	$ 3,313,421	3,906,112	2,884,621	4,889,355	**14,388,899**
Net earnings after deferred taxes	$ 62,888	$ 78,627	$ 103,242	$ 140,797	**$ 525,377**
Earnings per share after deferred taxes	7.6c	9.5c	12.4c	11.5c	**36.2c***
Net cash flow after current taxes	$ 174,158	$ 208,512	$ 225,428	$ 337,325	**$ 933,901**
Net cash flow per share	21.0c	25.1c	27.1c	27.4c	**64.4c***
Total assets	$ 1,403,724	$ 1,375,784	$ 1,589,671	$ 4,705,032	**$10,515,559**
Total shareholders' equity ***	410,532	489,159	678,672	2,020,998	**3,105,092**
Shareholders' equity per share ***	$0.494	$0.588	$0.816	$1.644	**$2.102****
Dividends paid	—	—	5.0c	5.0c	—
Number of shareholders (approximately)	375	375	650	1,100	**1,450**
Number of shares outstanding for purposes of the above calculations	831,296	831,296	831,296	1,229,090	**1,449,440**

* Includes extraordinary income as outlined in Auditors' Note 11.

** Calculated on total shares issued and allotted - 1,476,940.

*** Restated to reflect deferred income taxes.

AUDITOR'S REPORT

To the Shareholders of
Agra Industries Limited.

We have examined the consolidated balance sheet of Agra Industries Limited and its subsidiaries as at July 31, 1970 and the consolidated statements of earnings and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at July 31, 1970 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hamilton, George, Taylor, Golumbia & Co.
Chartered Accountants.

Saskatoon, Saskatchewan,
October 30, 1970.

AGRA INDUSTRIES LIMITED

And Subsidiary Companies

CONSOLIDATED STATEMENT OF EARNINGS

For the year ended July 31, 1970 (with comparative figures for 1969)

	1970	1969
Income:		
Gross revenue from sale of products, rentals, contracts and fees	**$14,388,899**	$ 4,889,355
Expenses:		
Cost of materials, production, administration and selling—other than identified below	**$13,541,533**	$ 4,489,557
Depreciation	**315,527**	58,782
Interest on long-term debt	**184,719**	49,096
Other interest	**169,251**	17,898
Total expenses—Note 10	**$14,211,030**	$ 4,615,333
Earnings before extraordinary income and provision for corporation income taxes	**$ 177,869**	$ 274,022
Provision for corporation income taxes (recovery)—Note 7	**(71,251)**	133,225
Earnings before extraordinary income	**$ 249,120**	$ 140,797
Extraordinary income—net after provision for corporation income taxes—Note 11	**276,257**	—
Net earnings for the year	**$ 525,377**	$ 140,797

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended July 31, 1970 (with comparative figures for 1969)

	1970	1969
Balance at beginning of year	**$ 223,857**	$ 147,940
Add net earnings for the year	**525,377**	140,797
	$ 749,234	$ 288,737
Less dividends paid	**—**	51,638
	$ 749,234	$ 237,099
Adjustment to allocation for deferred income taxes in prior periods	**—**	13,242
Balance at end of year	**$ 749,234**	$ 223,857

AGRA INDUSTRIES LIMITED

And Subsidiary Companies

CONSOLIDATED BALANCE SHEET

As at July 31, 1970 (with comparative figures for 1969)

ASSETS

	1970	1969
Current		
Accounts receivable	$ 2,549,294	$ 566,018
Inventories—at the lower of cost or net realizable value	648,689	401,904
Prepaid expenses and deposits	145,825	71,733
Grant receivable—Note 2	119,183	150,000
Total current assets	$ 3,462,991	$ 1,189,655
Investments—Note 3		
Shares and bonds	$ 353,660	$ 10,000
Loans receivable	226,963	—
Grant receivable	—	100,000
Total investments	$ 580,623	$ 110,000
Fixed—at cost:		
Land	$ 169,199	$ 63,571
Buildings	1,621,587	932,163
Machinery and equipment	5,824,062	2,324,289
	$ 7,614,848	$ 3,320,023
Less accumulated depreciation	2,449,531	379,959
Total fixed assets	$ 5,165,317	$ 2,940,064
Other:		
Organization expense	$ 39,303	$ 39,303
Commissions on sale of shares	32,826	25,326
Excess of cost of assets of subsidiaries over book value	1,234,499	400,684
Total other assets	$ 1,306,628	$ 465,313
	$10,515,559	$ 4,705,032

The accompanying notes are an integral part of the Consolidated Financial Statements.
With Auditor's report dated October 30, 1970.

LIABILITIES AND SHAREHOLDERS' EQUITY

	1970	1969
Current:		
Bank indebtedness—Note 4	$ 1,616,217	$ 323,779
Accounts payable	1,601,070	403,392
Corporation income taxes payable	142,398	—
Current instalments of long-term debt	535,341	92,607
Total current liabilities	$ 3,895,026	$ 819,778
Long-term—Note 5	$ 3,374,924	$ 1,658,139
Less current instalments	535,341	92,607
Total long-term liabilities	$ 2,839,583	$ 1,565,532
Minority interest in subsidiary company—Note 6	$ 42,883	$ —
Deferred income taxes—Note 7	$ 632,975	$ 298,724
Total liabilities	$ 7,410,467	$ 2,684,034
Shareholders' equity:		
Share capital—Note 8:		
Authorized—3,000,000 common shares without nominal or par value		
Allotted and fully paid—1,476,940 shares	$ 2,078,188	$ 1,547,141
Contributed surplus—Note 9	277,670	250,000
Retained earnings	749,234	223,857
Total shareholders' equity	$ 3,105,092	$ 2,020,998
	$10,515,559	$ 4,705,032

Approved on behalf of the Board:
B. B. TORCHINSKY, *President.*
G. W. NEUMANN, *Treasurer.*

AGRA INDUSTRIES LIMITED

And Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at July 31, 1970

1. Principals of Consolidation.

The consolidated financial statements include the accounts of the Company and all subsidiaries, after elimination of inter-company transactions.

During the year the Company acquired all of the outstanding shares of the following companies in exchange for 200,000 common shares of the Company and cash in the amount of $125,000.

B. B. Torchinsky & Associates Ltd.
Torchinsky Consulting Ltd.
Western Caissons (Sask.) Limited
Daben Corporation Ltd. (formerly Western Caissons (Alta.) Limited)
Western Caissons (Alta.) 1969 Limited
Western Caissons (Man.) Limited
Benier Caissons Limited (formerly Western Caissons Limited)
Western Caissons (1969) Limited
Western Caissons Incorporated.

The above transactions have been accounted for as a pooling of interests and accordingly, the consolidated financial statements for the year ended July 31, 1970, include the results of operations for these companies for the entire year. In addition, the Company acquired all of the outstanding shares of:

a) Lethbridge Bottling Company Ltd., and General News Company Ltd. as at August 1, 1969, for a total price of $349,349.
b) Chinook Bottling Ltd. as at March 1, 1970, for a total price of $256,000.

The Company also acquired 75% of the outstanding shares of Cablevision Lethbridge Ltd. as at July 29, 1970 for a total price of $393,750. The Company has issued 17,500 common shares as partial consideration of the purchase price.

These purchases have been accounted for on an acquisition basis and accordingly, the consolidated financial statements for the year ended July 31, 1970 include only the results of operations since the dates of acquisition.

2. Grant Receivable.

The Company has received approval from the Area Development Agency of the Federal Government for the balance of the grant ($119,182) in connection with the construction of the refinery.

3. Investments

A 53% interest in R. B. McLeod & Co. Ltd., is owned by B. B. Torchinsky & Associates Ltd., the value of which is $300,000. The accounts of R. B. McLeod & Co. Ltd. are not consolidated because the operations of this company were not related to those of B. B. Torchinsky & Associates Ltd.

The loans receivable include an amount of $205,455 due from Western Caissons (Quebec) Limited. The directors are presently negotiating for the purchase of the shares of this company.

4. Bank Indebtedness.

The bank loans are secured by various combinations of the following:

a) General assignment of book debts.
b) Assignment of the proceeds of the grant receivable—Note 2.
c) Assignment of inventory under Section 88 of the Bank Act.
d) Assignment of title deeds to certain property.
e) Personal guarantees of certain directors.

5. Long-term Debt.

a) Mortgages payable:

Mortgage payable, interest at 8%, to the Saskatchewan Economic Development Corporation, together with a general assignment of book debts and a debenture secured by a floating charge on all assets. The general assignment and floating charge have been postponed in favour of a working capital loan from the bank. Terms of the mortgage restrict payment of dividends unless authorized by the mortgagor	$ 1,143,442
Other mortgages payable at interest rates varying from 7.3% to 11% maturing at various dates	801,129
Chattel mortgages payable on purchase of equipment at interest rates varying from 6½% to 7% maturing at various dates	287,573
	$ 2,232,144

b) Notes and loans payable:

Notes payable on the purchase of outstanding shares of subsidiaries at interest rates varying from 6% to 9%, maturing at various dates	$	634,775
Loans payable, interest at 8%, maturing at various dates		212,905
Loans payable, shareholders		248,522
	$	1,096,202
c) Other	$	46,578
Total long-term debt	$	3,374,924

6. Minority Interest.

The minority interest of $42,883, includes an amount of $28,500 which represents a 25% interest in the outstanding preferred shares of CableVision Lethbridge Ltd.

7. Deferred Income Taxes.

Deferred income taxes payable arise as a result of the Company and its subsidiaries exercising the provisions of the Income Tax Act which allow the claiming of capital cost allowance in excess of depreciation and the provision for contractors' holdbacks. The provision for corporation income taxes for 1969 has been restated to reflect the income taxes payable under the "deferred taxes" method as the Company had previously reported under the "taxes payable" method. This is in compliance with the recommendations of the Accounting and Auditing Research Committee of the Canadian Institute of Chartered Accountants.

8. Share Capital.

Changes in the outstanding common shares during the year:

a) Issued for cash	30,350	shares
b) Issued for the purchase of subsidiaries	17,500	shares
Total issued during the year	47,850	shares
c) Allotted, but not issued, in exchange for outstanding shares of subsidiaries accounted for as a pooling of interests	200,000	shares
Total issued and allotted during the year	247,850	shares

There are 66,667 shares held in escrow which are due to be released April 1, 1971. These shares were issued in connection with the purchase of the Polar Group of companies in 1969.

9. Contributed Surplus.

Contributed surplus arises out of a subsidy granted by the Area Development Agency of the Federal Government in connection with the construction of the refinery.

10. Remuneration to Directors.

Remuneration to directors and senior officers for the year is $76,850.

11. Extraordinary Income.

Extraordinary income is the result of a change in accounting procedure in the Western Caissons group of companies. The financial statements of these companies as at July 31, 1969, included an allowance for contractors' holdbacks in the amount of $580,493. To more accurately present the financial position and operating results of the Company it is necessary to eliminate the allowance from the records and to include it in the statement of earnings. The extraordinary income represents an earning of 19.1c per share after provision for corporation income taxes.

12. Transactions Subsequent to Year End.

Subsequent to the year end, the Company acquired all of the fixed assets of Co-Ax Television (1962) Ltd. for the purchase price of $420,002.

13. Statement of Funds.

It is the opinion of the directors that because of the material effect on the consolidated financial statements of the pooling of interests of B. B. Torchinsky & Associates Ltd., Torchinsky Consulting Ltd. and the Western Caissons group of companies, the amounts presented on the comparative balance sheet are more representative of the changes which took place during the year, than would be illustrated by a Statement of Funds.

Thrusting 750 feet from shore, in the Strait of Canso, is the 17 million dollar dock being built to serve Gulf Oil, Canada's new 60 million dollar refinery, nearing completion at Point Tupper, Nova Scotia. The dock, which provides a water depth of 100 feet, will be the first in the Western Hemisphere, capable of handling the world's largest ships. Deep piles to support this dock were socketed into bedrock up to 200 feet below water surface, by Western Caissons for Pitts Construction Limited, general contractors for the project.

Edible Oil Division

Rapeseed Plant in Bloom

AGRA's oil crushing facilities are located in Nipawin, Saskatchewan, which is right in the heart of Canada's most productive rapeseed growing area. Approximately one-quarter of Canada's entire annual production of edible oil grains is grown within a radius of less than 100 miles from Nipawin.

Prior to 1965, Canada's total acreage in rapeseed was relatively small. In the period from 1965 until 1968, about 1.5 million acres were planted each year, to produce from 20 to 25 million bushels of rapeseed. Last year, the acreage was increased to over 2 million acres, to produce about 35 million bushels of rapeseed, and in the crop year 1969-70, almost 4 million acres have been seeded to rapeseed, with an estimated production of about 70 million bushels.

Being situated in the heart of the rapeseed growing area, AGRA is in a position to take full advantage of Canada's rapid and dramatic expansion in the world edible oil market. Our plant facilities in Nipawin are equipped to crush 200 tons of seed each day, and because of rapidly increasing demands, we are presently involved in an expansion project to increase this throughput to more than three times present capacity. This will be completed early in 1971. We also have refinery and hydrogenation facilities in Nipawin, so that we can produce liquid refined vegetable oils, and hardened base stocks for shortening and margarine.

During the course of last year, in addition to increased domestic sales of both oil and meal, we began to develop several markets in various countries of the world for both crude and refined oil as well as meal. These export markets look most promising for the future, and we will continue to develop these in addition to the domestic markets. With respect to domestic markets, in conjunction with our expansion program for our crushing facilities, we are also establishing packaging facilities for liquid oil and shortening. These facilities will be completed early in 1971 and will be available to our customers primarily for custom packaging of their products.

Typical Rapeseed Field in Saskatchewan

Edible Oil Division

"How did [illegible] crushing plant perform [illegible] past [illegible]"

In spite of a high volume of production in the crushing plant, the profit performance in this department was disappointing. This was because the cost of rapeseed rose sharply and remained high throughout the year after it became apparent that rapeseed crops had failed in Europe. Proceeds from oil sales also rose, but much more gradually. The result was a severe squeeze on our crushing margins for a good part of the year. As a result of this experience, we have set up company policies which should help considerably to minimize the effects of such problems if they occur in the future.

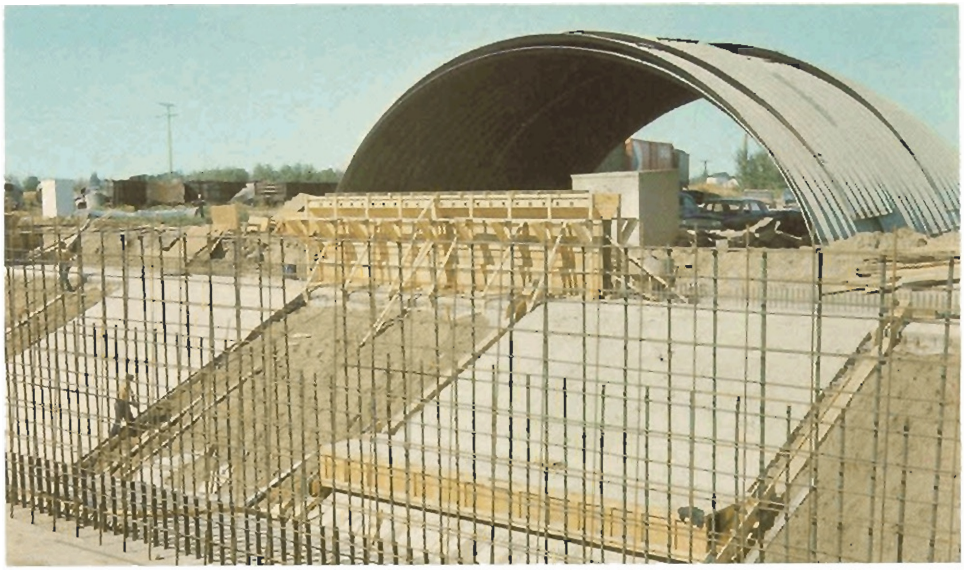
Because of a large increase in demand for our crude oil and meal, we decided to triple the output capacity of the crushing plant. This expansion, which will cost about $800,000 is well underway, and we expect to be on stream with the increased capacity early in 1971.

"Last year the new refinery had recently been completed. How did it perform in the current year?"

During the first half of the year, additional hydrogenation equipment was installed to increase our capacity for hardening the refined oil into base stock for margarine and shortening. As a result, additional adjustments were necessary and the total output from the refinery was relatively small. During the second half of the year, the refinery performed to everyone's satisfaction and we were very pleased with the quality of products produced.

"What is 'Canbra' Oil?"

"Canbra" is the term used to describe the new type of Canadian rapeseed oil which contains zero erucic acid. This new type of rapeseed oil will become more commonly known and available in the next few years, as Canadian production of rapeseed switches over to varieties whose erucic acid content is either very low or completely non-existent. Recent scientific experiments have indicated that edible oil which contains a high content of erucic acid may possibly be detrimental to experimental baby rats, whereas oil with zero erucic acid does not show this reaction. The normal varieties of rapeseed oil presently produced in Canada already contain about 40 per cent less erucic acid than do most European varieties. The new type of rapeseed recently developed in Canada which produces a zero erucic acid oil will place Canada in the forefront of all world nations in this field.



Construction of increased Grain Storage Facility — Part of the Expansion Program to Triple AGRA'S Crushing Plant Capacity

"Does AGRA package edible oil products, and if so, where can I find them?"

AGRA does not package edible oil products. Up to the present time all of our production has been sold in bulk to companies who package and distribute edible oil and meal products. Because of our geographic location, we are planning to establish a packaging operation in Western Canada primarily to serve as a custom packager for our clients. We anticipate that this packaging plant will be in operation sometime in 1971.

"What is the outlook for the crushing plant?"

For the new year our raw material is more abundant than ever. Farmers in Western Canada have doubled their production of rapeseed for the second year in a row, with the net result that we anticipate no shortage whatever of raw material.

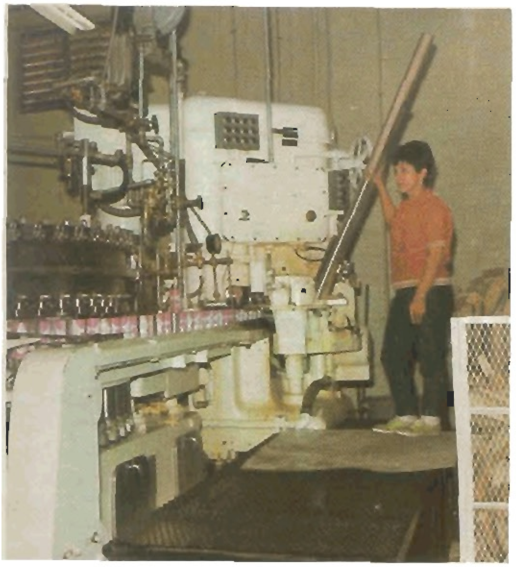
Rapeseed oil is becoming one of the world's more popular edible oils, and consequently, our potential to sell crude oil has increased substantially in the past few years. We have just begun to develop export markets for our crude oil which includes such places as Australia, Japan, United Kingdom and Europe.

Based on demand for our oil and meal and also on the general performance of our plant in the first few months of the new year, it appears that the year 1971 will see a substantial increase in business volume and in profits.

"What is the outlook for our refinery?"

Although we have already established some export business for refined oil, this is on a smaller scale than is the export business for crude oil. Consequently, the development of our refinery volume depends to a large extent on the development of markets within Canada. To this end, we will establish a custom packaging plant in Western Canada to service our customers and also a sales office in Eastern Canada. In view of the volume of refined oil business which we were successful in developing in our first year of operation, we anticipate no difficulty, with the expansion outlined above, in increasing our refined oil business to full capacity of our refinery.

Polar Office in Calgary



Polar Canning Line Produces 650 Cans Every Minute

AGRA'S Crushing Plant Expansion in Nipawin

Edible Oil Storage Tanks in Nipawin

Beverage Division

Last year was the first full year during which the Polar group of companies contributed to AGRA's earnings, and was the first full year of operations for our high speed canning line, newly installed in 1969. Last year was also the first year during which Lethbridge Bottling Company Ltd was included in AGRA's operations, and Chinook Bottling Ltd. contributed for 5 months of the year.

In general, the Beverage Division ended the year with a satisfactory contribution to AGRA's overall earnings. Most of this contribution was earned during the last few months of the year, and consequently for the new year ahead, we look forward to an even more impressive contribution from this division, for the following reasons: —

(a) Contributing to earnings for a full year, we will have Chinook Bottling Ltd., the Pepsi-Cola and Canada Dry franchise company for southern Alberta. This company will be able to work closely with Lethbridge Bottling Company Ltd., the Seven-Up and Orange Crush franchise company for the same area, to provide maximum efficiency in the new year.

(b) Our new canning line should operate at a high level of production throughout the entire year, as we will have custom canning contracts for all major brands, including Seven-Up, Coca-Cola and Pepsi-Cola, throughout the year.

"How did Polar's new canning line perform during the year?"

Last year was the first full year of operation of the new high-speed canning line operated by Polar Canning Ltd. in Calgary. During the first part of the year the canning line operated only at partial capacity. However, in the latter half of the year our business volume increased substantially due to entering the summer months and also due to our custom canning contracts for both Pepsi-Cola and Coca-Cola. The result of this is that the canning line operated at a very high capacity in the latter half of the year with very good results.

"Were there any new developments in the beverage division?"

Yes. In the latter part of the year, we completed negotiations to purchase all of the shares of Chinook Bottling Ltd. in Lethbridge, Alberta. This company has the franchise for Pepsi-Cola and Canada Dry products in Southern Alberta and Southeastern British Columbia.

"Why did AGRA purchase Chinook Bottling Ltd.?"

AGRA already owned Lethbridge Bottling Company Ltd. which has the 7 Up and Orange Crush franchises for Southern Alberta. The addition of a company with the Pepsi-Cola and Canada Dry franchises in the same general area provided the opportunity to establish numerous efficiencies both in production and distribution of product. As a consequence, we anticipate that this purchase will enhance the performance of both companies in the future.

"How did the cyclamate ban affect the beverage division?"

Fortunately, most of the product which was banned and had to be wasted was paid for by the franchise companies. As a result, our cost was limited to a few minor products which were not covered by the franchise owners and also to a minimal amount of containers and other advertising literature. Our actual cost in this was approximately $5,000.

"What is the outlook for the beverage division?"

We are very optimistic about the outlook for the coming year. Our plants are located in Southern Alberta, which is one of the most dynamic growth areas of Canada. Our canning line is now well on its way and has sufficient contract canning to assure a high level of production throughout the year. The bottling plant has shown a steady growth of almost 10 per cent per year and we expect that this will continue, while the additional bottling facilities in Lethbridge should result in efficiencies which will add to our profit picture.

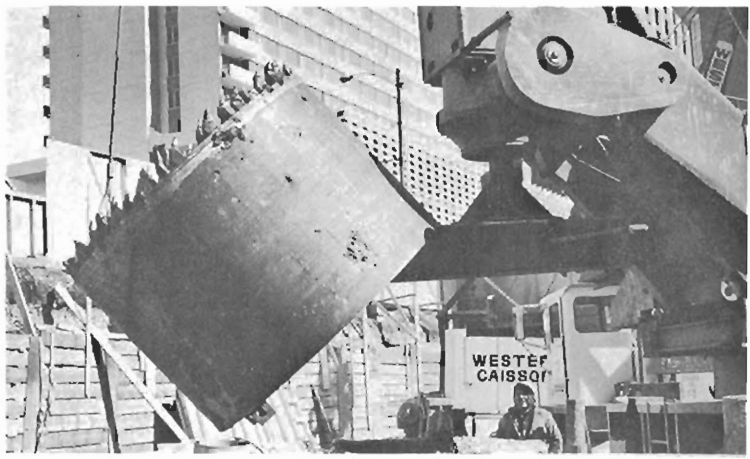
Engineering Division

Although it was not a part of AGRA at the time, this division commenced operations almost twenty years ago in Saskatoon, under the name of B. B. Torchinsky & Associates Ltd. The firm specialized initially in soil mechanics and foundation engineering, and later expanded to include complete materials testing on soils, asphalt and concrete, highway design and surveying, legal surveys and traffic studies. The company is today known as Torchinsky Consulting Ltd. and maintains fully equipped laboratories in Saskatoon, Regina and Calgary. In addition it operates regional laboratories in Prince Albert, Yorkton and Swift Current. Offices are also maintained in Edmonton, Winnipeg and Toronto.

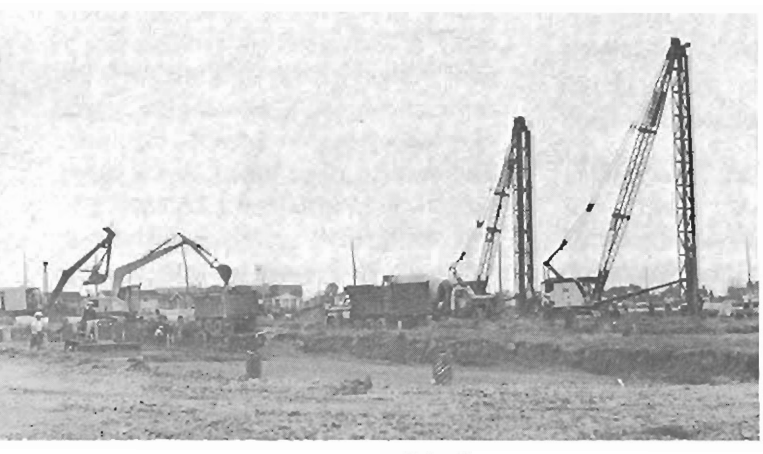
Early in the life of the consulting engineering operations, it became evident that the most desirable foundation type in Western Canada was a very deep foundation—one that would reach down below the soft alluvial overburden layers and into dense till (hardpan) or bedrock. The obvious foundation type to accomplish this is a pile or caisson foundation. Since there were no companies in Saskatchewan to install such foundations at the time, the Western Caissons group of companies was born about 15 years ago, for the express purpose of constructing pile and caisson foundations for heavy structures. Over a period of about 7 years after commencing operations, office and shop facilities were established for Western Caissons Ltd. in most major Canadian cities as well as an American subsidiary in Detroit, for work in the United States.

The Western Caissons group of companies is the only Canadian company specializing in piles and caissons on a national basis across Canada. Since the start of the company 15 years ago, the size and variety of pile and caisson types has increased to encompass every material and every size imaginable. For example materials include timber, concrete, steel or combinations of these, diameters vary from 6 inches up to 15 feet, and depths vary from a few feet to over 200 feet. Also the techniques of installation and equipment used for the installation includes every known type as well as many types developed specifically in our own shops and by our own engineers. Since the start of operations, more than three million dollars has been invested in equipment for this work.

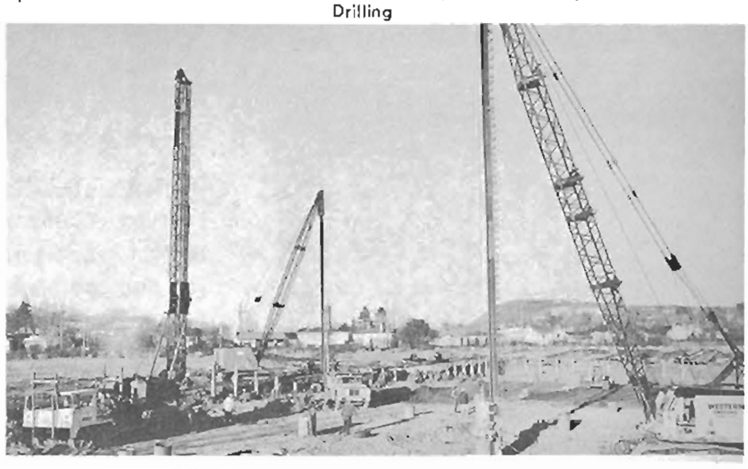
Caisson Installation for Standard Life Building, in Downtown Calgary



Special 6-Foot Bucket Drill Designed and Built by Western's Engineers for Rock Drilling



Compact-O-Pile Installation for Ecole Polyvalente Secondaire in Valleyfield, Quebec



Rock Socketed Pipe Piles for Simpsons-Sears Shopping Centre in Victoria, B.C.

Caisson Installation for Ontario Science Centre—Toronto's Centennial Project

Saskatoon's Man-Made Ski Mountain for Canada's Winter Games, was Designed and Engineered by Torchinsky Consulting Ltd.

Pavement Core Tests for City of Calgary, Conducted By Torchinsky Consulting Ltd.

Calgary Laboratory for Material Testing

Pile Driving

Compressive Strength Test on Concrete Cylinder

Pipe Piles

Caisson Load Test

Belled Caissons for Edmonton High-Rise Apartment by Western Caissons

Engineering Division

"How many individual offices are involved in this division? Is there a general manager for each office and, if so, what are his qualifications?"

This division operates eight separate offices across Canada. There is a general manager in control of each office and each manager is a graduate Civil Engineer. Some of the managers have additional post-graduate training, and most managers have been with the company since its inception over 15 years ago.

"What is the total number of employees in this division?"

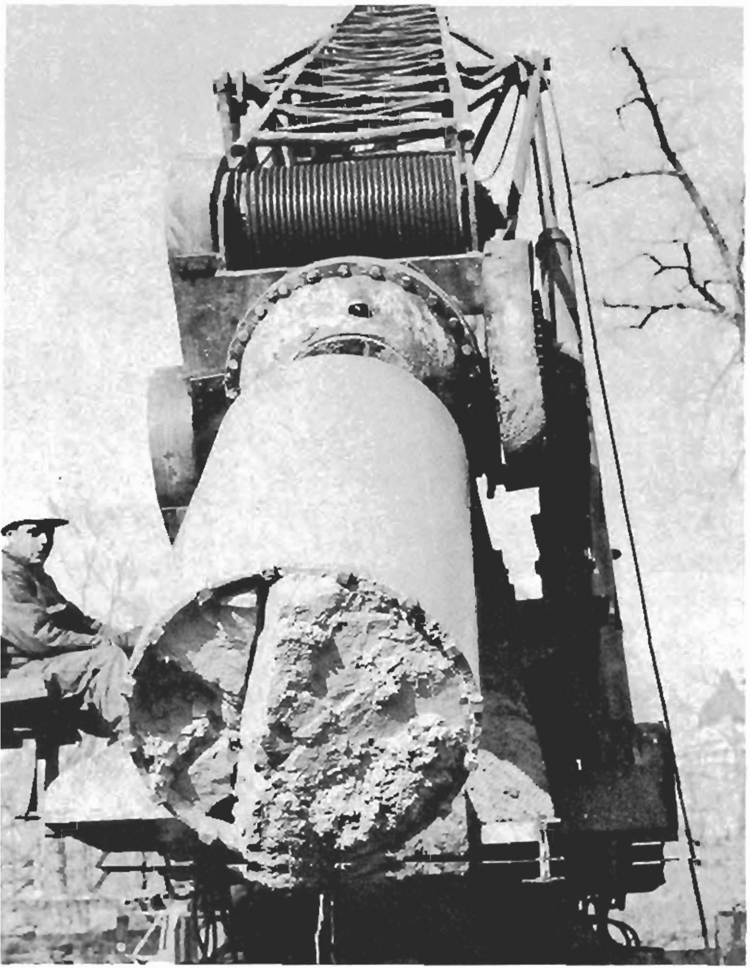
Permanent staff is over 300. This number swells to more than double during the peak summer season.

"Has not the construction industry been depressed during the last two years? How has this division made out during this time?"

While it is true that the Canadian construction industry as a whole has slowed down during the past 2 years—the major slowdown has occurred in the housing segment. Since the involvement of the Western Caissons group in housing is very minimal, this has not affected us to any extent. Construction of heavy structures, such as multi-storey buildings, schools, hospitals, highway-overpass structures and industrial plant structures has in fact not slowed down to any large extent. Furthermore, while there have been some severe slowdowns on a regional basis, this picture has not been consistent across the country. Since the Western Caissons group operate across Canada and in the United States, and our main interest is in heavy structures, we have been able to keep very busy during the past 2 years and in fact have generated substantial profits during this time.

"What is the outlook for this division?"

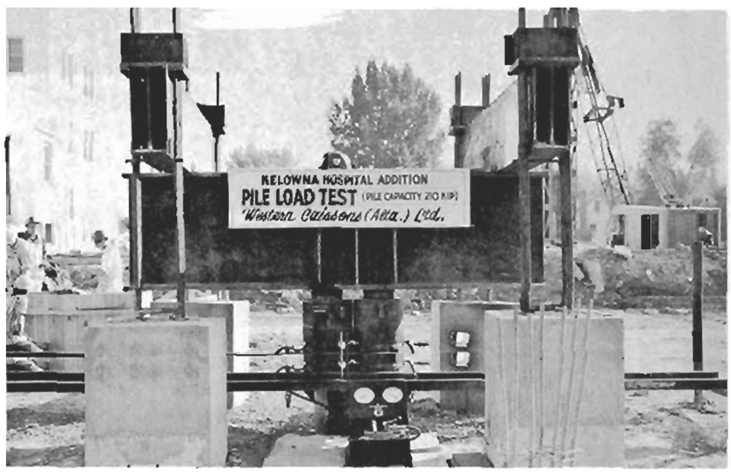
With the increased tempo of industrialization in Canada and with the continued trend towards larger buildings and heavier structures, the demand for increased consulting engineering services will continue to grow. Furthermore, as land costs increase, the necessity to utilize what was once considered marginal land because of poor foundation soil also increases, and the result is that more and more projects turn to piles and caissons as foundations in these areas. The net result is that the outlook for our Engineering Division is consequently exceptionally bright for growth and expansion in the future.



Limestone Rock Core—4-Foot Diameter, Extracted from a Depth of 80-Feet Below Surface, in Winnipeg

Compacto-Piles for Civil Engineering Building, University of Calgary

Foundation Piles for 20-Story Apartment in Edmonton



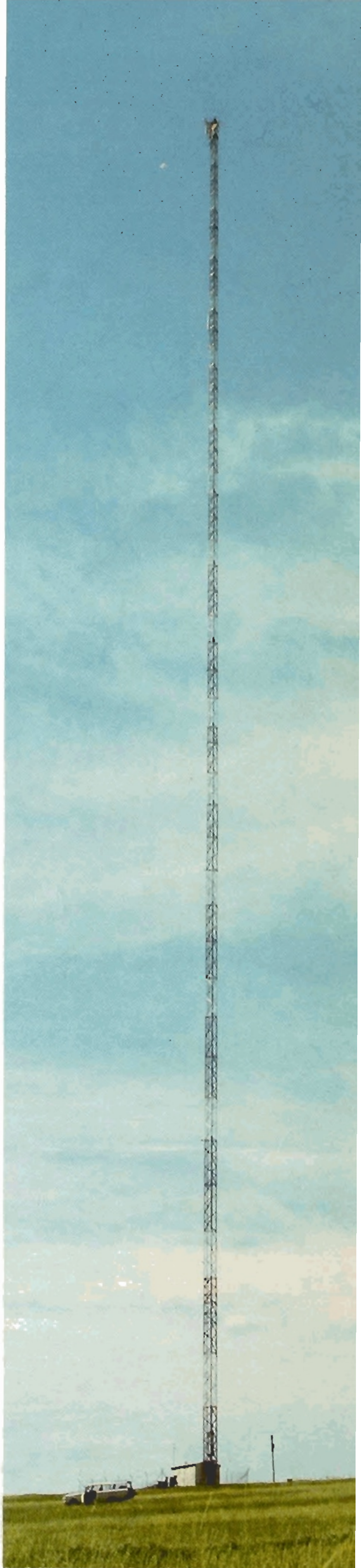
Caisson Load Test

Communications Division

The cable system owned by Co-Ax Cable TV Limited was started in 1958 in Estevan. The company utilizes sophisticated antennae systems to capture distant American and Canadian television signals and distributes them throughout the city on co-axial cable. This was one of the first cable systems in Western Canada, and in 1963 it expanded into the city of Weyburn. To capture adequate signals in Weyburn, a 1,000 foot tower was constructed, which is one of the tallest towers in Canada. An interesting sidelight of this is the fact that the tower was fabricated and its foundations were installed by one of the Western Caissons group of companies. In 1964 Co-Ax became a partner in Cable-Vision Lethbridge Ltd., and constructed a cable system in that city. Householders who subscribe to the cable systems are connected to the mainline cable by means of a very thin co-axial cable connection, similar in size to a telephone line connection. In addition to television signals from distant Canadian and American centres the cable systems also provide a weather service channel which gives complete weather information on a 24 hour a day basis, and an FM music channel. A new feature of these companies is local programming which the Canadian Radio-Television Commission have encouraged cable systems to originate. CableVision Lethbridge Ltd. has recently purchased a mobile camera and video-tape system and is presently telecasting a few hours of local events every week in Lethbridge. A similar program will eventually be undertaken for Weyburn and Estevan. While local programming does increase capital investment and operating expenses, it also enables the cable systems to become more stable and to increase their income because of the additional service.

The advent of color broadcasting will help cable systems to develop and expand more rapidly, since the requirement of a fully adequate TV signal is much more necessary for a proper color picture than it is for a black and white picture. The number of potential subscribers in our three systems totals approximately 16,000 of which only 8,000 are presently serviced. We therefore have a considerable internal growth potential to develop in our communications division in the near future.

Miniaturization in Communications by Cable TV is Shown in this Small Hybrid Thin-Film Amplifier Which is Almost as Small as a Penny

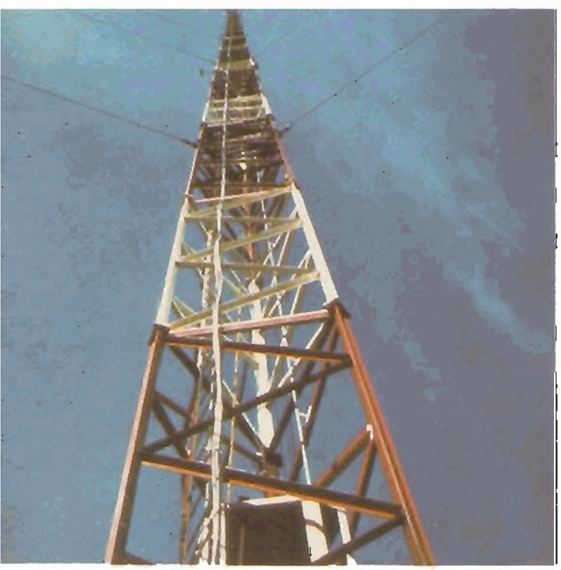


Reaching Skyward for Maximum TV Reception is Our 1000 Foot Tower in Weyburn

Maintenance Shop

Co-Ax Head End Amplifier Strips

Connectors for Co-Ax Cable Installations



Our 1000 Foot TV Reception Tower in Weyburn—One of Canada's Tallest

Parabolic Antenna System—Designed, Constructed and Erected for Metro Cablevision in Winnipeg, By Western Caissons

Communications Division

"Has there been a communications division in AGRA in the past year?"

Not really. However, we did have General News Company Ltd., which is a news magazine and pocket book wholesale distributor operating throughout Southern Alberta. To this has been added, during the last year, the cable television systems in Estevan, Weyburn and 75 per cent of the system in Lethbridge. The company operating the Estevan and Weyburn systems is Co-Ax Cable TV Limited, and the company in Lethbridge is CableVision Lethbridge Ltd. These companies will contribute to earnings for all of next year.

"If AGRA owns only 75% of CableVision Lethbridge Ltd., who owns the other 25%?"

Lethbridge Television Limited, a subsidiary of Selkirk Holdings Limited, who also own the local television station in Lethbridge.

"What is the outlook for the Communications division?"

The cable systems which AGRA has purchased are well established and have already demonstrated their ability to earn reasonable profits. Based on past performance, these companies should contribute about 10c per share to cash flow after allowing for full dilution of shares issued in payment for the cable companies. In addition, the companies have substantial room for growth by attracting additional subscribers.

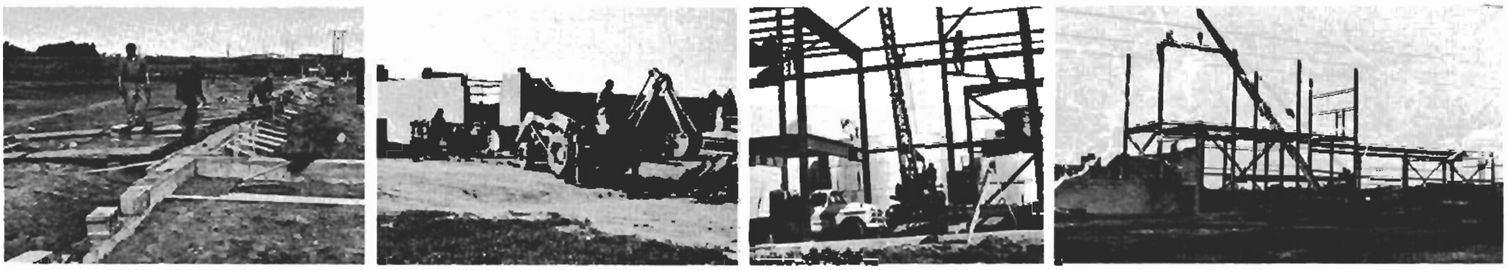
General News Company Ltd. has shown considerable growth since it was purchased. Part of this is due to the population growth of the area it serves and part is due to the fact that it services Southeastern British Columbia where a large economic boom is presently underway, sparked primarily by the agreements between Canada and Japan whereby Canada is delivering tremendous quantities of coal to feed Japan's industrial complex. Since these agreements are presently written for a 15 year term, we expect this economic boom to continue.

"Do you expect to expand the Communications division in the near future?"

We have completed negotiations with Powell River Television Company Limited to purchase the shares of this company. This purchase is to be made partly with cash and partly with AGRA shares. Before the purchase can be finalized, however, the agreements must be approved by the Canadian Radio-Television Commission. Application for C.R.T.C. approval has been made, and we anticipate that the hearing will be held within the next few months.

AGRA

FIFTH ANNUAL REPORT '68



. . . New refinery buildings begin to take shape

HIGHLIGHTS OF THE YEAR

—The fiscal year ending July 31, 1968 marked the fourth consecutive year of improvement in earnings record of the company.

—Net Earnings climbed to $182,155, an increase of 10% over earnings of previous year.

—Working capital more than doubled.

—The Company's first dividend (5c per share) was declared and paid.

—Construction of the second major phase of our plant, the edible oil refinery was begun, and is proceeding on schedule.

—Indications are that the total cost of the refinery will be well within the original estimate of $1,250,000.00.

—Financing for the refinery has been virtually completed, as follows:

a) Loan documents for an additional $700,000.00 loan from SEDCO have been executed.

b) A firm commitment from The Federal Government for an Area Development Grant of up to $300,000.00 is in hand.

c) Sale of our current issue of 125,000 company shares at $2.00 per share has now been completed.

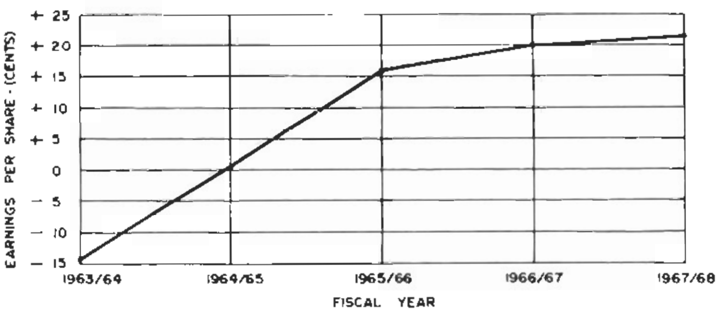
Rapeseed "as high as an elephant's eye!", growing in a field near our plant in Nipawin.

FIVE YEAR REVIEW

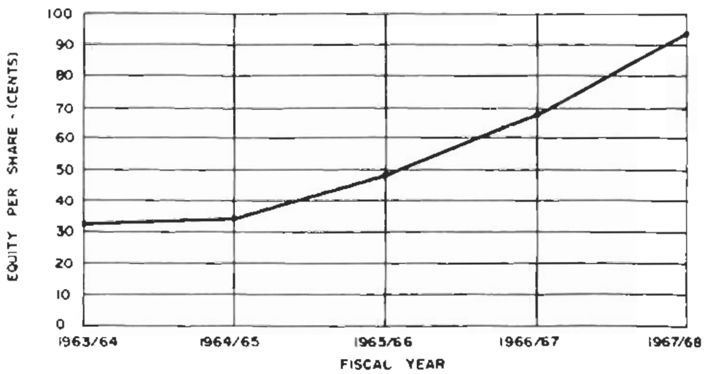
	1963/4	*1964/5*	*1965/6*	*1966/7*	*1967/8*
Net earnings	$ (105,258)	$ 1,878	$ 132,388	$ 165,433	$ 182,155
Working capital	$ (157,423)	$ (153,680)	$ (134,067)	$ 129,035	$ 291,802
Total assets	$1,113,583	$1,283,676	$1,403,724	$1,375,784	$1,589,671
Shareholders' equity	$ 221,375	$ 273,403	$ 405,791	$ 571,224	$ 839,650
Net earnings per share	(14.4c)	0.2c	15.9c	19.9c	*21.9c
Equity per share	30.3c	32.9c	48.8c	68.7c	91.8c
Dividends paid per share	—	—	—	—	5.0c

*Calculated on the basis of 831,296 shares as proceeds of shares issued during the year were applied to assets still under construction and not yet in production.

GRAPH OF NET EARNINGS PER SHARE FOR LAST FIVE YEARS



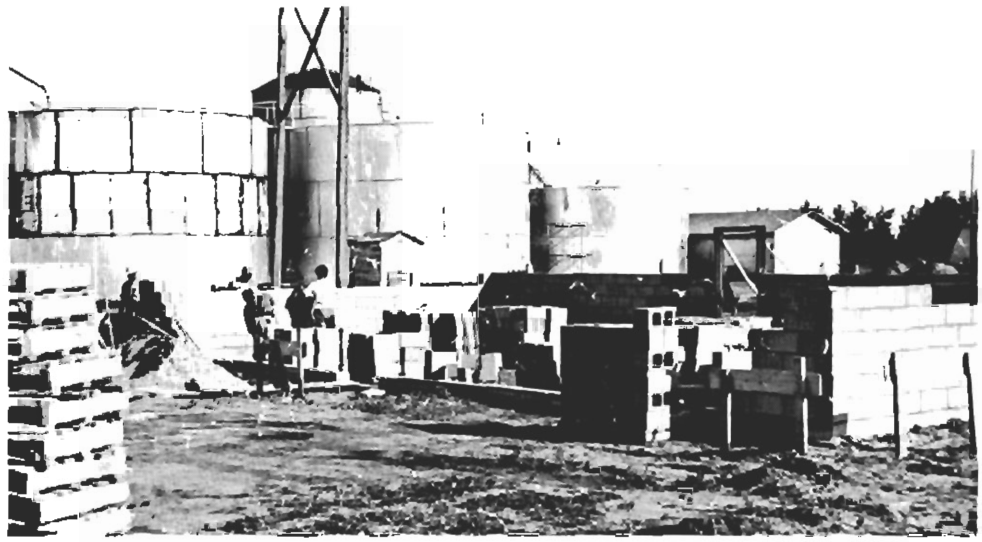
GRAPH OF EQUITY PER SHARE FOR LAST FIVE YEARS



Site of our new refinery presently under construction.

Aerial view of Agra plant, near Nipawin, Sask.

Block laying for new boiler room to service the refinery.



TO THE SHAREHOLDERS

For the fiscal year 1967-68, your Company has established new earnings and growth records for the fourth consecutive year, or since our first year of operations. This was accomplished in spite of a reduction in sales volume, and is due to improved productivity in our plant, and other circumstances which will be described later in this report.

FINANCIAL:

Our net income for the fiscal year 1967-68 climbed to $182,155.00 which is an increase of 10 percent over the previous year. This is equivalent to 21.9 cents per share, as compared to 19.9 cents in 1966-67 and 15.9 cents in 1965-66. The steady earnings of your Company have enabled us to improve our working capital position substantially. For example, operations contributed $225,429.00 to the current funds of the Company in the past year. Our working capital position improved from a minus position of $134,067.00 as at July 31, 1966 to a plus position of $291,802.00 as at July 31, 1968. Lower interest charges in the past year reflect our ability to operate with less borrowed funds than were previously necessary.

Our steady growth is further reflected in each shareholder's equity in the book value of the Company. This now amounts to 91.8 cents per share, which compares with 68.7 cents per share last year and 33.0 cents after our first year of operations.

The first dividend in the history of the Company was declared and paid out during the past year. This dividend amounted to 5 cents per share.

Past earnings have attracted very little income tax. This has been due partly to the sizeable loss during our first year of operation which has been offset against subsequent profits. It has also been due to the tax saving which has resulted from our policy of claiming capital cost allowances for tax purposes in excess of actual depreciation recorded in our books. The tax saving which has been accumulated in past years due to our treatment of capital cost allowances now totals $147,736.00. This amount has been set aside from unallocated earned surplus to apply against future tax charges which would be incurred when depreciation expense exceeds capital cost allowances.

PRODUCTION AND SALES :

In spite of a 26% drop in value of sales and an 11% drop in volume of physical output compared with last year, our earnings actually increased by 10%. This was achieved due to improved productivity in our plant as well as due to other circumstances described below.

Three developments materially aided the performance of your company in the second half of the past fiscal year.

1. The Federal Government placed a duty of 10% on foreign rapeseed oil entering Canada. This duty became effective as of January 1, 1968, and places rapeseed oil on the same basis as other edible oils.
2. The price of rapeseed declined materially in the second half of our year, and while the products of rapeseed also declined in value, the rate of decline in product value was slower than the decline in the seed costs.
3. Western Oil Crushers obtained a substantial reduction in freight rates on jumbo cars of oil moving to Toronto and Montreal.

Freight rates continue to be an area of concern to your management. Even with the recent reductions in rates on oil, it still costs much more to ship rapeseed products to Eastern Canada than it does to ship the seed itself. As long as this situation exists, Western Crushers remain vulnerable to competition from processors in Eastern Canada and in other countries.

The case for more equitable freight rates has been presented to the Prairie Economic Council, which consists of the Premiers of the three Prairie Provinces. Their response was most encouraging, and they have pledged their full support and assistance in our efforts to obtain better freight rates. Furthermore, the declared interest of the Federal Government in regional development, together with their new National Transportation Act, which aims to eliminate inequities such as we are suffering, should result in co-operation from the federal level as well in our efforts to reduce freight rates. We therefore fully expect to be able to report material progress in this regard within the next year.

Our oil and meal is sold through brokerage firms who specialize in such commodities. These firms provide good service at low cost and we appreciate very much their efforts on our behalf. They have contributed considerably to the profitability of our operations.

Our own employees have also worked hard and faithfully during the past year. Most of our staff is now well experienced, and even though the average hourly earnings of our employees have increased by more than 30% in the past three years, the cost of labor per unit of production has remained constant. This is the type of productivity improvement on which so much emphasis is placed these days. Our Company employees can take pride in their performance.

Our crushing plant continues to operate well, and has been maintained in good condition. To prepare for an expected increase in throughput when the refinery addition becomes operational, we have installed an additional expeller unit as standby equipment. This addition should contribute to a further increase in our productivity during the coming year.

RAPESEED PURCHASES:

The 1967 crop of rapeseed was of excellent quality. While acreage in the Prairies declined slightly, yield improved and total production remained constant. Some export marketing difficulties caused a cutback in acreage sown to rapeseed this spring. However, in spite of the recent bad weather which has slowed down the harvest, there should again be adequate supplies for the coming year.

A feature of the past year was the extent to which rapeseed producers subscribed for our new issue of common shares. As a result, the Company will have approximately 400 shareholders who are also rapeseed producers. We believe it is most desireable to have shareholders who are also rapeseed producers, since they have an opportunity to share in the earnings generated from processing their products. This situation should provide an element of stability into rapeseed production available to our plant, and consequently, shareholder producers will be given preference with respect to the buying policies of the Company.

PRODUCT DEVELOPMENT:

The Company is participating in a research project which is sponsored jointly by the Rapeseed Association of Canada and the Federal Department of Industry. This project is directed towards a comprehensive analysis of the products of rapeseed, with a view to expanding the markets presently enjoyed by these products. It is a pleasure also to acknowledge the fine work which is being done by the research personnel of the Department of Agriculture and the National Research Council to improve rapeseed and its products. We are, of course, most interested in this work and will do everything we can to assist and encourage it.

REFINERY PROJECT:

The Company has commenced construction of the edible oil refining plant announced in last year's Annual Report to the Shareholders. The refinery building is nearing completion and installation of equipment is proceeding on schedule. Start-up of production is estimated to take place early in 1969.

All major items of equipment have now been ordered. Equipment costs have not exceeded our estimates, so that the cost of the project should be well within the expected sum of $1,250,000.00. Financing of our expansion program is well in hand. A loan of $700,000.00 has been secured from the Saskatchewan Economic Development Corporation. Our project has been officially approved as eligible for a grant of up to $300,000.00 from the Area Development Agency of the Federal Department of Industry. Payment of this grant will begin when the new plant commences production, and will be completed two years later. The balance of financing has now been raised by the sale of 125,000 shares of company stock at $2.00 per share. This sale has been successfully completed.

OUTLOOK:

Prospects for continued progress in the coming year are very good. We look forward to a substantial increase in total volume of seed processed. This is expected due to an increased demand for our crude oil and meal, as well as due to a start in the operation of our refinery. The increased volume should result in a marked increase in our profits, since we expect our overhead and operating costs will increase only slightly for the considerable increase in business volume. We therefore look forward to the future with great optimism.

Respectfully submitted on
behalf of the Board

B B Torchinsky

September 30th, 1968.

B. B. Torchinsky, *President*

STATEMENT A

AGRA VEGETABLE OIL PRODUCTS LTD.

BALANCE SHEET

JULY 31, 1968

(With Comparative Figures as at July 31, 1967)

ASSETS

		1968	1967
CURRENT ASSETS:			
Cash on hand		$ 709	$ 68
Accounts receivable	$482,945		
Less allowance for doubtful accounts	2,788	480,157	253,992
Inventories, at the lower of cost or market:			
Rapeseed		71,903	158,841
Rapeseed oil and meal		140,471	130,620
Plant supplies and other		2,765	5,907
Deposits on rapeseed for future delivery—Note 6		23,657	23,114
Prepaid expenses		3,175	2,912
Hedging deposits		9,650	28,509
Corporation special refundable tax		7,136	6,632
TOTAL CURRENT ASSETS		$739,623	$610,595
FIXED ASSETS, at cost:			
Land		$ 3,571	$ 3,571
Refinery project costs to date—Note 5		97,064	—
Other buildings		176,678	170,752
Other machinery and equipment		657,381	636,411
		$934,694	$810,734
Less accumulated depreciation		123,949	84,848
TOTAL FIXED ASSETS		$810,745	$725,886
ORGANIZATION EXPENSE		$ 39,303	$ 39,303
		$1,589,671	$1,375,784

LIABILITIES AND SHAREHOLDERS' EQUITY

		1968	1967
CURRENT LIABILITIES:			
Bank loans and overdrafts—Note 4		$ 261,384	$ 116,787
Trade accounts payable		151,090	173,888
Income taxes payable		12,764	—
Saskatchewan Economic Development Corp.—Note 4			
Working capital loan and accrued interest		1,783	150,892
Portion of mortgage loans due within one year		20,800	39,993
TOTAL CURRENT LIABILITIES		$ 447,821	$ 481,560
LONG-TERM LIABILITIES:			
Saskatchewan Economic Development Corporation:			
6½% mortgage loan—Notes 2 and 4	$ 63,750		
Less portion payable within one year	7,500	$ 56,250	$ 323,000
8% mortgage loan—Notes 3 and 4	$259,250		
Less portion payable within one year	13,300	245,950	—
TOTAL LONG-TERM LIABILITIES		$ 302,200	$ 323,000
SHAREHOLDERS' EQUITY:			
Share capital:			
Authorized — 3,000,000 common shares without nominal or par value.			
Issued and fully paid — 881,531 shares of which 50,235 were issued for cash during 1968	$536,679		$ 436,209
Received for 19,242 shares subscribed but not issued	30,452	$ 567,131	
Less commissions on shares sold		23,157	20,071
		$ 543,974	$ 416,138
Earned Surplus:			
Allocated to apply to future income taxes—Note 1	$147,736		69,707
Unallocated earnings—Statement B	147,940	295,676	85,379
TOTAL SHAREHOLDERS' EQUITY		$ 839,650	$ 571,224
		$1,589,671	$1,375,784

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

B. B. TORCHINSKY, President D. H. C. BEACH, Secretary

STATEMENT OF UNALLOCATED EARNED SURPLUS

For the year ended July 31, 1968

(With comparative figures for the preceding year)

	1968	1967
Unallocated surplus at the beginning of the year	$ 85,379	$(10,347)
Add net profit for the year—Statement C	182,155	165,433
	$267,534	$155,086
Less dividend declared	41,565	—
	$225,969	$155,086
Less allocation of surplus to cover future income tax charges arising from policy of claiming capital cost allowance in excess of depreciation expense—Note 1	78,029	69,707
Unallocated surplus at the end of the year—to Statement A	$147,940	$ 85,379

STATEMENT OF EARNINGS

For the year ended July 31, 1968

(With comparative figures for the preceding year)

	1968	1967
NET REVENUE FROM SALE OF PRODUCTS	$2,873,024	$3,887,578
EXPENSES:		
Cost of rapeseed and cash production costs	$2,542,850	$3,570,481
Depreciation charged during the year	43,273	43,079
Interest and bank charges	38,900	51,145
Directors' fees and expenses	1,868	767
Other administrative costs	62,811	75,207
TOTAL EXPENSES	$2,689,702	$3,740,679
PROFIT ON CRUSHING OPERATIONS	$ 183,322	$ 146,899
OTHER INCOME	11,597	18,534
PROFIT BEFORE INCOME TAXES	$ 194,919	$ 165,433
PROVISION FOR INCOME TAXES PAYABLE WITHIN THE NEXT CURRENT YEAR	12,764	—
NET PROFIT FOR THE YEAR—to Statement B	$ 182,155	$ 165,433

STATEMENT OF FUNDS

For the year ended July 31, 1968

(With comparative figures for the preceding year)

	1968	1967
FUNDS PROVIDED BY:		
Operations (net profit plus depreciation)	$ 225,429	$ 208,511
Sale of equipment	6,025	135
Sale of shares	127,836	—
Renegotiation of mortgage loans—Note 3	19,193	91,504
TOTAL FUNDS PROVIDED	$ 378,483	$ 300,150
FUNDS APPLIED TO:		
Refinery project	$ 97,064	$ —
Purchase of other fixed assets	37,094	11,785
Payments on mortgage loans	39,993	25,263
Payment of dividend	41,565	—
TOTAL FUNDS APPLIED	$ 215,716	$ 37,048
NET INCREASE IN WORKING CAPITAL FUNDS	$ 162,767	$ 263,102
FUNDS AVAILABLE AT BEGINNING OF YEAR	129,035	(134,067)
WORKING CAPITAL FUNDS AT END OF YEAR	$ 291,802	$ 129,035
REPRESENTED BY:		
Current assets	$ 739,623	$ 610,595
Less current liabilities	447,821	481,560
	$ 291,802	$ 129,035

NOTES TO FINANCIAL STATEMENTS JULY 31, 1968

1. In the Statement of Unallocated Earned Surplus—Statement B, the Company indicates that it has allocated $78,029 in the current year and $69,707 in the previous year to cover future income taxes arising from its policy of claiming capital cost allowances in excess of depreciation expense. No allocation was actually made in the accounts of the previous year, but the tax saving resulting from this policy was disclosed in Note 3 to the Financial Statements of last year. For comparative purposes, it was deemed that the total of $147,736 now allocated should be applied in the financial statements to the year in which the tax saving took place.

2. Under the terms of an agreement dated October 25, 1962, and reaffirmed on January 1, 1967 for a loan of $75,000, the Saskatchewan Economic Development Corporation has been given an option to purchase common shares of the Company in full satisfaction of that part of the principal sum and interest that may be outstanding and unpaid at the date of such election. In the event of such election, the purchase price is to be $1.00 per share, less 15% commission.

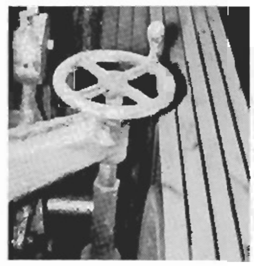
3. On August 8, 1968, the Company entered into a mortgage loan agreement with the Saskatchewan Economic Development Corporation for the provision of funds totalling $990,000, and bearing interest at the rate of 8% per year. $700,000 is to be used in the financing of the construction of an edible oil refining plant, and the balance is to be used to provide working capital and to refinance the mortgage loans previously outstanding other than the loan for $75,000 described in Note 2.

4. The Saskatchewan Economic Development Corporation has as security for its loans a general assignment of book debts together with a debenture secured by a floating charge on all assets of the Company and mortgages on all chattels and fixed assets. The terms of the loans also restrict the payment of dividends, unless authorized by the Saskatchewan Economic Development Corporation, until such time as the loans are repaid in full. The general assignment of book debts along with the floating charge against inventories has been postponed in favor of the Royal Bank of Canada for a working capital loan.

5. The Company has begun construction of an edible oil refining plant at Nipawin, Saskatchewan, which it is estimated will cost $1,250,000. To finance this project, application has been made to the Area Development Agency of the federal Government for a grant approximating $300,000, the Saskatchewan Economic Development Corporation will provide $700,000 through a mortgage loan, and $250,000 is to be raised through the issue of 125,000 common shares of the Company at $2.00 each.

6. The Company has instituted legal proceedings to recover $18,876 shown on the Balance Sheet as "Deposits on Rapeseed for future Delivery." Various examinations for discovery have been completed to date.



AUDITOR'S REPORT

To the Shareholders of
Agra Vegetable Oil Products Ltd.

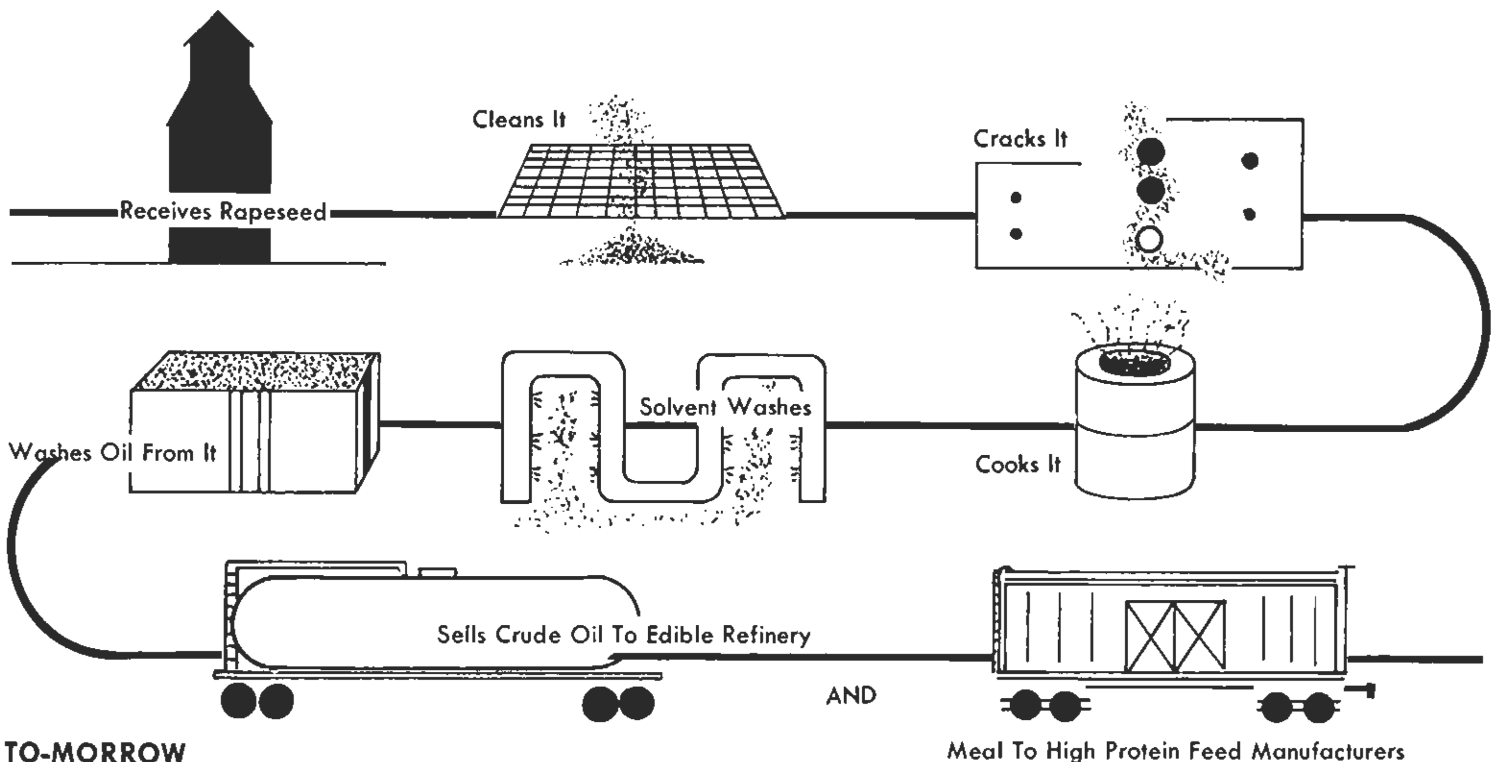
We have examined the balance sheet of Agra Vegetable Oil Products Ltd., as at July 31, 1968 and the statements of unallocated earned surplus, earnings and funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have obtained all the information and explanations we have required.

In our opinion and according to the best of our information and the explanations given to us, and as shown by the books of the Company, the accompanying balance sheet and statements of unallocated earned surplus, earnings and funds are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company as at July 31, 1968, and the results of its operations and the source and application of its funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Melfort, Saskatchewan.
October 4, 1968

Hamilton, George, Taylor, Golumbia & Co.,
Chartered Accountants.

AGRA NOW



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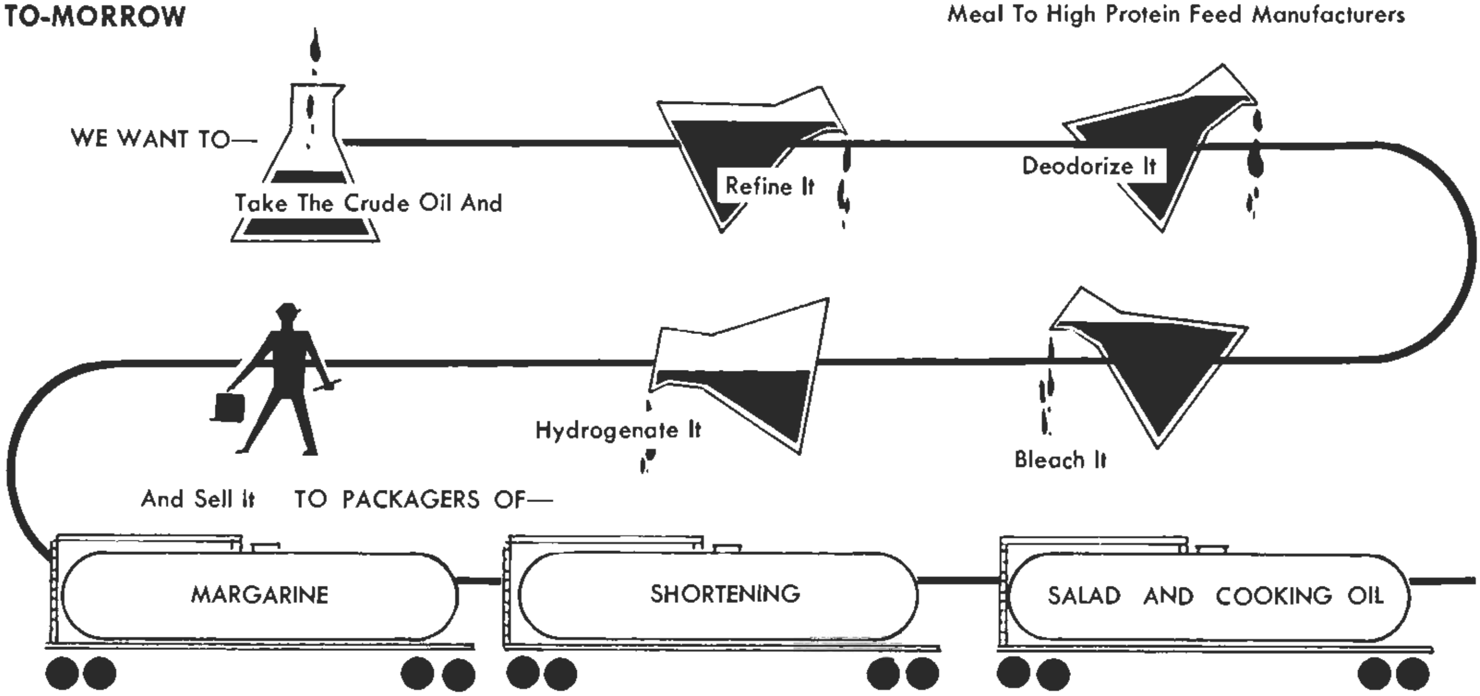

OFFICERS

B. B. TORCHINSKY: President

CLEM ROLES: Vice-President

DEXTER H. C. BEACH: Secretary

GERHARDT W. NEUMANN: Treasurer

DIRECTORS

1. HARVEY L. STEPHENS
   General Manager, Saskatchewan Economic Development Corporation Ltd., Regina
2. NORMAN STACEY
   Farmer (Elite Grower), Nipawin
3. DEXTER H. C. BEACH, B.E., M.Sc., P.Eng.
   Plant Manager of Agra, Nipawin
4. B. B. TORCHINSKY, B.Sc., M.Sc., P.Eng.
   President, Western Caissons Limited, Montreal
5. CLEM ROLES, B.Sc., P.Eng.
   President of Smith-Roles Ltd., Saskatoon
6. LEO NILE NICHOLSON
   Owner, Nicholson Real Estate, Nipawin
7. G. W. NEUMANN, B.Comm., C.A.
   General Manager of Agra, Nipawin

AUDITORS OF THE COMPANY

Hamilton, George, Taylor, Golumbia & Co.,
402 Main Street,
Melfort, Saskatchewan

REGISTRAR AND TRANSFER AGENT

The Canada Permanent Trust Company,
Saskatoon, Saskatchewan

AGRA VEGETABLE OIL PRODUCTS LTD.

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Telex No.: 034-29139

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