1972 NINTH ANNUAL REPORT

AGRA INDUSTRIES LIMITED

AGRA
INDUSTRIES is a young,
diversified Canadian company which
specializes in four areas - foods, engineering,
beverages, communications. Through its Foods
Group AGRA operates the largest fully integrated oil-
seed crushing, refining and packaging facility in Canada.
Its Engineering Group includes the only Canadian-owned
company operating on an international basis, specializing
in foundation piles and caissons. AGRA'S Beverage and Com-
munications Groups, located in Western Canada, provide effi-
cient and effective service to their communities in the supply
of soft drinks, news magazines and cable television.

AGRA employs
approximately 1,000 people and operates 21 plants
and 32 offices located in 20 cities and towns across
Canada and the United States. In addition to trad-
ing in Canada, AGRA conducts some of its busi-
ness in other parts of the world, including
the United States, United Kingdom,
Australia, South America
and Asia.

AGRA INDUSTRIES LIMITED

NINTH ANNUAL REPORT 1972

HIGHLIGHTS

	1972	1971
Sales	$32,542,237	20,945,938
Earnings before Taxes	3,258,395	2,392,547
Corporation Income Taxes	1,511,705	1,100,165
Net Earnings	1,746,690	1,292,382
Earnings Per Share	1.05	.83
Average Shares Outstanding	1,664,541	1,548,570

ANNUAL MEETING

The annual meeting of shareholders will be held at 2:00 p.m. on Tuesday, December 5, 1972 in the Civic Ballroom, Four Seasons Sheraton Hotel, 123 Queen Street West in Toronto. If you cannot be present, please vote by proxy.

AGRA

(A) Greenlees' water pile driver ready to move.
(B) PolarPak filling machine.
(C) Survey Crew in Saskatchewan.
(D) Polar Beverages Plant in Calgary.
(E) Piles for the Roberts Bank Terminal near Vancouver were installed by Greenlees.

AGRA INDUSTRIES LIMITED

125 - 105th STREET, EAST, SASKATOON, CANADA

BOARD OF DIRECTORS

D. H. C. BEACH	Vice-President, Crushing and Refinery Operations
A. BERDAY	Vice-President, Communications Group
S. J. HAMER	Senior Vice-President
W. B. MANOLSON	Chairman of the Board, Cybermedix Ltd.
S. J. D. MAXWELL	Farmer (Elite Seed Grower)
T. A. McLELLAN	Vice-President, Finance, and Secretary-Treasurer
V. MILLER	Vice-President, Foods Group
C. ROLES	Senior Vice-President and President of Smith-Roles Ltd.
H. L. STEPHENS	Saskatchewan Economic Development Corporation
B. B. TORCHINSKY	President

OFFICERS AND CORPORATE MANAGEMENT

B. B. TORCHINSKY	President
C. ROLES	Senior Vice-President
S. J. HAMER	Senior Vice-President
T. A. McLELLAN	Vice-President, Finance, and Secretary-Treasurer
V. MILLER	Vice-President, Foods Group
D. H. C. BEACH	Vice-President, Crushing and Refinery Operations
J. C. BRODEUR	Vice-President, Engineering Group
K. J. TAYLOR	Vice-President, Beverage Group
A. BERDAY	Vice-President, Communications Group

COMPANY AUDITORS	Hamilton, George, Taylor, Golumbia & Co., CN Towers, Saskatoon, Saskatchewan
REGISTRAR & TRANSFER AGENT	Canada Permanent Trust Company, Vancouver, Calgary, Saskatoon, Winnipeg, Toronto, Montreal, Halifax
EXCHANGE LISTING	Toronto Stock Exchange Montreal Stock Exchange

AGRA

REPORT TO THE SHAREHOLDERS

Our ninth year of business, which ended on July 31, 1972, continued the pattern of growth and development which has characterized AGRA's operations from the beginning. All four divisions added to our performance, with major contributions derived from the Foods Group and the Enginering Group.

For fiscal year 1972, revenues increased to $32,542,237 compared with $20,945,938 in the previous year, an increase of 55 percent. Earnings for the year rose to $1,746,690 compared with $1,292,382 in 1971. Per share earnings also increased, from 83 cents last year (based on 1,548,570 shares outstanding) to $1.05 for the current year (based on 1,664,541 shares outstanding).

During the year we continued our policy of expansion, both internally and through acquisitions. In Nipawin, we have now completed construction and start-up of our new 24,000 bushel per day rapeseed crushing plant and have nearly completed a construction program to double our edible oil refinery capacity. As well, we are in the final stages of construction of complete margarine packaging facilities in both Nipawin and Montreal. Further expansion was undertaken in the Engineering Group by purchasing specialized equipment for our operations; in the Beverage Group by introducing our PolarPak drinks for the first time to Western Canada, and in the Communications Group by extending main line services to provide cable TV to additional subscribers in Lethbridge and Powell River.

Expansion by acquisition was accomplished in 1972 for the Engineering Group by purchasing Greenlees Piledriving Co. Ltd. of Vancouver, together with its wholly owned subsidiary, Victoria Piledriving Co. Ltd. of Victoria. Major additions were made to the Foods Group during the year through acquisitions of Westminster Foods Ltd., of Vancouver, Viscount Foods Limited of Toronto and W. J. Lafave & Sons Ltd. of Montreal. Westminster and Viscount are processors of margarine, shortening and edible oil products. W. J. Lafave & Sons was founded some 65 years ago and is today the largest supplier in Canada of speciality ingredients to the baking and biscuit trade. All three companies, in addition to providing a major outlet for a substantial portion of the refined oil produced by our Nipawin plant, are also capable of contributing significant sales and earnings.

Expenditures for internal expansion were $3,500,000 while expenditures for acquisitions were $3,400,000 making a total of $6,900,000 spent on expansion during fiscal 1972. In order to finance this ambitious program we organized our financing during the year in the following manner:

a) We realized $469,396 by issuing 53,244 common shares from our treasury.

b) We realized $2,500,000 by issuing several long-term notes repayable over an average period of 7 years at interest rates averaging 7½ percent.

c) We realized $3,000,000 from a convertible subordinated debenture issue. This debenture issue matures in 1992, carries interest at a rate of 6½ percent and is redeemable at AGRA's option when our common shares are trading at $15⅞ or more. The debentures are also convertible into AGRA common shares at the option of the debenture holders at $13 per share, and so represent a potential issue from our treasury of a maximum of 230,769 shares, should all the debentures be converted in the future.

The financing arrangements outlined above, together with the earnings generated during the year, have substantially improved our working capital position over prior years. This improved position should assist our growth plans for fiscal 1973. These plans include expansion of our marketing and distribution facilities, particularly in the Foods Group, as well as general expansion of our other company divisions both internally and by additional acquisitions.

Several of our stated aims for 1973 are already well underway, while others are being actively pursued by your management. For example, subsequent to our 1972 year-end, we completed the purchase of Camco Merchandise Sales Limited of Toronto, which manufactures and distributes complete kits and ingredients for home wine and beer making under the brand name "Vintage Craft". This acquisition should be a particularly exciting one for our Beverage Group since the effects in North America of increasing leisure time and increasing interest in wine should combine to create an excellent market demand.

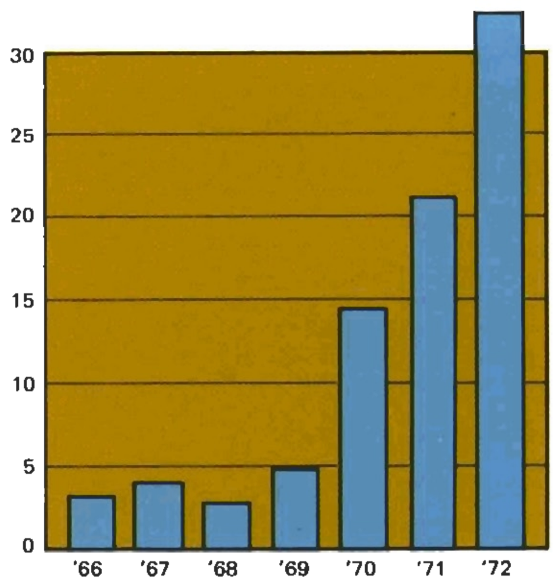
I am confident that the pattern of rapid growth and expansion which has been so clearly a part of AGRA's basic company policy during the past few years will continue as our dominant feature in the future.

On behalf of the Board of Directors.

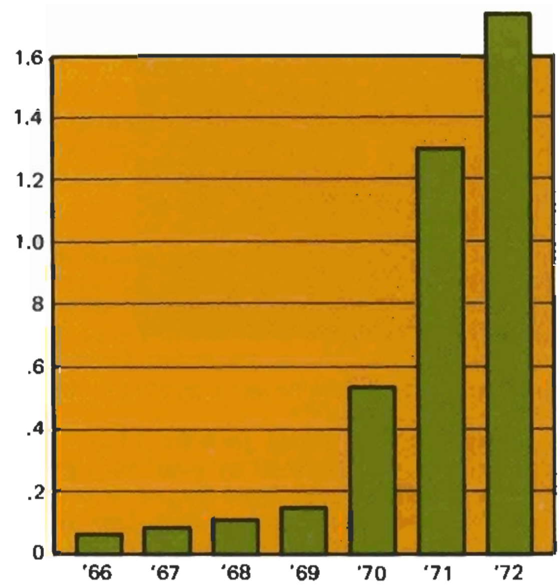
B. B. TORCHINSKY,
President

Saskatoon,
October, 1972

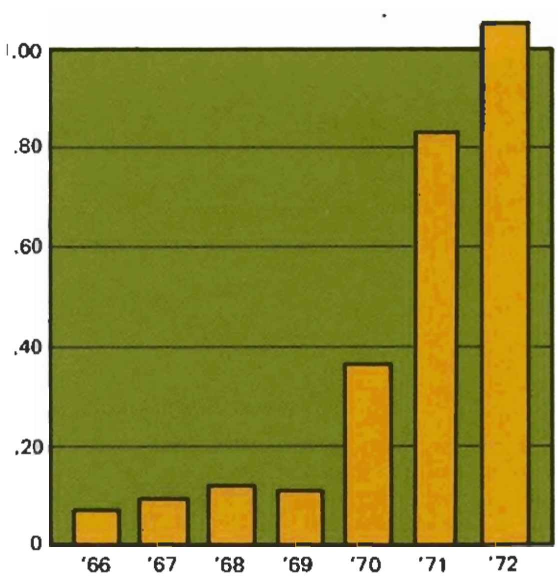
SALES – MILLIONS OF DOLLARS



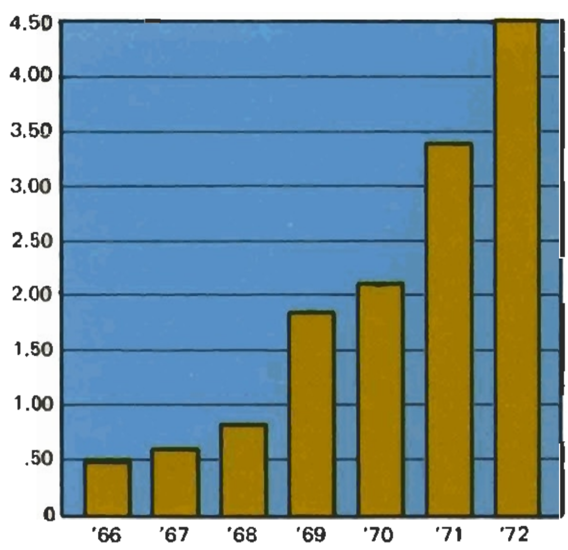
NET EARNINGS – MILLIONS OF DOLLARS



EARNINGS PER SHARE – DOLLARS



EQUITY PER SHARE – DOLLARS



FIVE YEAR REVIEW

EARNINGS STATISTICS	1972	1971	1970	1969	1968
Revenues	**$32,542,237**	20,945,938	14,388,899	4,889,355	2,884,621
Depreciation	**647,896**	484,614	315,527	58,782	43,273
Pre-Tax Earnings	**3,258,395**	2,392,547	758,361	274,022	194,919
Current Taxes	**533,177**	275,389	139,851	2,217	12,764
Deferred Taxes	**978,528**	824,776	93,133	131,008	78,029
Net Earnings	**1,746,690**	1,292,382	525,377	140,797	104,126
Cash Flow	**3,373,114**	2,601,772	933,901	337,325	225,428
Dividends Paid	**150,493**	97,204	nil	51,638	41,565
BALANCE SHEET STATISTICS					
Current Assets	**$11,184,643**	7,076,106	3,462,991	1,189,655	739,623
Current Liabilities	**8,265,418**	6,279,055	3,895,026	819,778	447,821
Working Capital	**2,919,225**	797,051	(432,035)	369,877	291,802
Fixed Assets	**12,752,947**	8,177,940	5,165,317	2,940,064	810,745
Long–Term Debt	**10,032,670**	3,993,232	2,839,583	1,565,532	302,200
Shareholders' Equity	**7,529,954**	5,459,833	3,105,092	2,020,998	691,914
COMMON SHARE STATISTICS					
Earnings per Share	**$ 1.05**	.83	.36	.12	.12
Cash Flow per Share	**2.03**	1.68	.64	.27	.27
Dividends per Share	**.09**	.06	nil	.05	.05
Equity per Share	**4.50**	3.37	2.10	1.65	.78
OTHER STATISTICS					
Average Shares Outstanding	**1,664,541**	1,548,570	1,449,040	1,229,090	831,296
Number of Shareholders	**1,600**	1,550	1,450	1,100	650

AGRA

FOODS GROUP

Some of the products manufactured by Viscount Foods in Toronto and Westminister Foods in Vancouver.

VAN MILLER
Vice-President
Foods Group

Revenues for the Foods Group in 1972 more than doubled those for the previous year, reaching \$17,874,339 compared with \$7,881,932 in 1971. This marked increase in sales volume was attained due to starting up our enlarged rapeseed crushing plant in Nipawin and the acquisition of several companies during the year.

Our rapeseed crushing facilities were expanded to crush up to 24,000 bushels (600 tons) per day, compared with a previous capacity of 8,000 bushels (200 tons) per day. This increased crush capacity enables us to produce up to 150,000,000 pounds of crude vegetable oil per year. Start-up of the new plant commenced in the early part of fiscal 1972. While we did experience some difficulties initially in the operations, by the latter half of the year these were rectified and our new facilities are now working most satisfactorily.

Several new companies were purchased by AGRA during the year to increase the size and scope of the Foods Group. All the companies purchased are involved in the manufacture and sale of vegetable oil and related food products. The companies purchased are summarized below:

a) A 50 percent interest in Research Foods Limited was purchased late in fiscal 1971, so that it contributed to our Foods Group's performance for the first time throughout 1972. Research Foods is located in Toronto and produces bulk dehydrated specialty ingredients for snack foods and convenience dinners, shortening powders for cake mixes, spice and seasoning blends for potato chips and sauces, as well as a variety of other specialties. This company has performed very well and we have recently exercised our option to purchase the remaining 50 percent to make it a wholly owned subsidiary.
b) Westminster Foods Ltd. is a margarine packaging and distribution company located in Vancouver. It is the largest custom packager of margarine west of Toronto, and in addition produces its own brand name products, which include "Saffsweet", "Twinkle", "Harvest", "Quartet" and "Softie" brands. This company was purchased in the first quarter of 1972, and therefore contributed to the Foods Group income throughout a major portion of the year.
c) Viscount Foods Limited is a margarine and vegetable oil packaging and distribution company located in Toronto. In addition to custom packaging, it produces its own brands, of which the two best known are "Village" and "Kismet". This company was purchased in the second quarter and contributed to the Foods Group income during the second half of the year.
d) W. J. Lafave & Sons Ltd. is located in Montreal and is a major manufacturer and distributor of specialty ingredients to the baking and biscuit industry. Its products include specialty fats and oils, shortenings, industrial chocolate coatings, stabilizers, emulsifiers, etc. This company was established 65 years ago and is a leader in its field. Its contribution to our Foods Group income for this year was minimal as it was purchased in the last quarter of fiscal 1972, but it will be a healthy contributor in 1973.
e) During 1972 our Foods Group was appointed as exclusive agent in Canada for distribution of all chocolate products of the famous C. J. Van Houten and Son Limited, headquartered in Holland. This company is one of the largest and oldest chocolate companies in the world with its beginning dating back to 1815. We are proud to have been selected to represent such a prestigious company in Canada.

In order to properly integrate all the newly purchased companies into AGRA, we recently organized a new over-all marketing company named AGRA Foods Limited which will control and co-ordinate the operations of all the individual companies within our Foods Group. This new organization is now functioning and has already demonstrated its effectiveness very well.

For the new year, we remain very much occupied with further expansion. We are doubling our oil refining capacity in Nipawin and installing complete vegetable oil and margarine packaging plants in Nipawin and Montreal. We will therefore soon be organized to strategically produce fresh products in Vancouver, Nipawin, Toronto and Montreal. In addition, we have recently installed unique Danish equipment in our Toronto plant which enables us to make specialized all-vegetable puffed pastry shortening — the first and only operation of its kind in Canada.

The various companies which make up our Foods Group are constantly exploring new product ideas and striving to develop new market areas. Several bright prospects are presently emerging from these efforts, and with the physical expansions to our plant facilities soon completed across Canada, we look forward to a rapid and substantial increase in sales and earnings for the Foods Group in the new year.

AGRA

ENGINEERING GROUP

Western Caissons install caissons for Harbor Square Project in downtown Toronto where Bay Street meets the lakefront.

Total revenue from the Engineering Group reached $9,714,606 in 1972 compared with $8,918,016 last year, for an increase of 11 percent. During the year the consulting division of the Engineering Group surveyed and designed 900 miles of provincial and municipal highways, conducted more than 350 foundation investigations, completed traffic counting surveys on highway networks numbering more than 25,000 miles, and completed numerous other engineering services. The Construction Division, through the Western Caissons group of companies, completed a total of 950 foundation piling or caissons contracts, varying in value from a low of $2,000 to a high of $500,000.

J. C. BRODEUR
Vice-President
Engineering Group

In 1972, the Engineering Group invested some $650,000 in specialized equipment. It also purchased Greenlees Piledriving Co. Ltd. of Vancouver, together with its wholly owned subsidiary, Victoria Piledriving Co. Ltd.

Greenlees Piledriving is very well established in the marine and heavy construction industry on the Pacific Coast. It began operations in 1910 and since then has grown steadily both in volume of business and in earnings. In the year just prior to our purchase, the company's sales approximated $3,000,000. Some recent projects in which Greenlees is involved include a deep sea wharf and barge ramp for Island Copper at Rupert Inlet, B.C., cofferdams for the Wardner Bridge, a deep sea wharf for Squamish Terminals at Squamish, B.C., and falsework for the Mission Bridge at Mission, B.C.

The Greenlees companies contributed very little to our 1972 performance since their shares were purchased in April and our year-end is July 31. Furthermore, all construction in British Columbia was shut down during the month of May and part of June due to a general strike. However, since the strike ended, Greenlees have been very busy and we anticipate an active and most satisfactory contribution from them to our Engineering Group in the future.

During the past year, Dr. Bengt H. Fellenius, formerly department director of the Swedish Geotechnical Institute and secretary of the Pile Commission of the Royal Swedish Academy of Engineering Sciences, joined our Engineering Group. Dr. Fellenius is well known throughout the world as a leading engineer and researcher in the piling industry, and we welcome him to Canada and to AGRA as a special consultant to our Engineering Group.

Since our 1972 year-end, the Engineering Group has continued to be busy. Some major projects on which we are presently working include installation of caissons and piling for the Major Postal Plant in Metro Toronto; caissons, shoring and underpinning for the Ontario Art Gallery in downtown Toronto; sheet piling for the City Centre Redevelopment Project for downtown London, Ontario; caissons and piling for the Harbour Square Project, a major development on Toronto's lakeshore; installation of caissons for the new super-port at Come-By-Chance in Newfoundland, for the Federal Department of Public Works' Oil Terminal Wharf; construction of the first concrete slurry wall in Western Canada for the South End Water Pollution Control Centre in Winnipeg; and installation of caissons for a bridge on the Rivière Bell at Matagami, Quebec. This bridge is the jumping off point to the James Bay Power Project, one of the giant Canadian construction undertakings of all time. In addition, we have already completed 5 separate contracts for soldier pile installations in connection with Metro-Washington's Rapid Transit System and are just starting on a sixth.

In general, the outlook for 1973 is excellent for the Engineering Group. We will have the benefit of the Greenlees acquisition for the entire year, and with major projects proposed in all regional areas of the country, we anticipate a substantial increase in total sales and earnings for the year.

AGRA

BEVERAGE GROUP

Products manufactured by Polar Beverages in Calgary

One of the major developments during the year for our Beverage Group, and for the Alberta soft drink industry in general, was the passing by the Alberta government of its litter control act, making it mandatory for all soft drink containers (both reusable and non-reusable) to be subject to a minimum 2 cent deposit when purchased and a refund of the deposit when returned. Complications occurred when many retail stores, particulary the large chains, refused to handle the returns.

K. J. TAYLOR
Vice-President
Beverage Group

In order to cope with the problems, Polar Beverages, on behalf of the major soft drink manufacturers and distributors in Alberta, organized a new company called Contain-A-Way Ltd. to handle the returned containers. Contain-A-Way set up over 130 depots throughout Alberta to accept empties and refund the deposit charges. Contain-A-Way collects and crushes empty cans returned to the depots and re-cycles them through the local steel mills in Calgary and Edmonton. Contain-A-Way has maintained a close liaison with the government's Ministry of the Environment and is striving to provide a practical service in this field that will work for all concerned.

At the end of the 1971 fiscal year we consolidated the operations of Chinook Bottling and Lethbridge Bottling into one company called Chinook Beverages Limited. The combined company produces Seven-Up, Pepsi-Cola, Crush, Hires Root Beer and Canada Dry products in one plant for joint distribution throughout Lethbridge and Southern Alberta. The consolidated production and distribution operation now works very well, but we did not receive full benefit from it in 1972 as there were some initial start-up costs to recover.

During the latter part of 1972 we commenced production and marketing of our "PolarPak" drinks. These are non-carbonated fruit drinks packaged in a unique tetrahedron shaped container made from plasticized paper which can be burned after use like a paper cup, to leave nothing but a trace of ashes. The PolarPak drinks are not subject to the government's mandatory container deposit and consequently this high quality drink can be offered at a lower price than carbonated soft drinks. Our experience with PolarPak in 1972 was most encouraging and we expect to see a substantial increase in sales of this product in 1973.

Total sales for the Beverage Group in 1972 reached \$3,153,048 compared with \$2,826,703 in 1971, an increase of about 11 percent, and total earnings exceeded those for 1971 by an even greater percentage. We look forward to a continued improvement in performance statistics for 1973.

COMMUNICATIONS GROUP

(A) Another satisfied family viewing cable TV
(B) Cablecasting an interview in Lethbridge.

Revenues in 1972 reached $1,800,244 compared with $1,319,287 last year, for an increase of 36 percent. This substantial increase is in part due to the growth of subscribers to our cable television systems in Powell River, Estevan, Weyburn and Lethbridge. During the year, we added 1,800 subscribers for a total in excess of 15,000. Another reason for the increase in sales revenue is that General News Company Ltd., our wholesale news agency in Lethbridge, enjoyed a healthy increase in sales volume, particularly in their paperback books department. Earnings for the Communications Group were also substantially improved as a result of the increased sales, thus making 1972 a very satisfactory year.

A. BERDAY
Vice-President
Communications Group

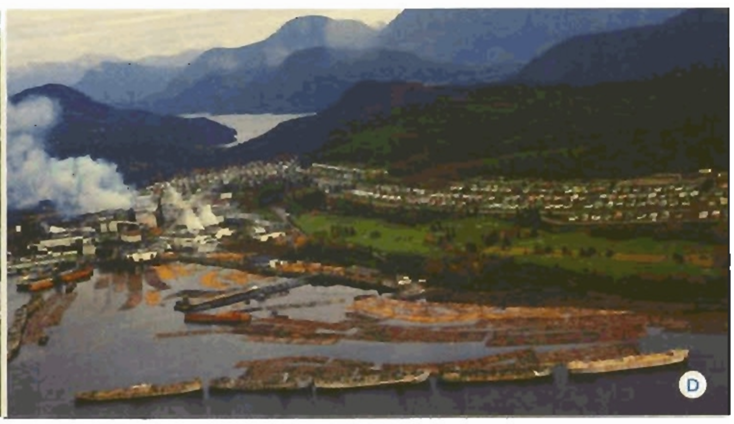
The major growth in cable television subscribers occurred in Lethbridge which recently surpassed the 6,000 subscriber mark and is still climbing at a good rate towards its ultimate potential of 10,000. We recently applied for a license from the Canadian Radio-Television Commission to construct a cable television distribution system in Taber, Alberta. Taber is a community of 6,000 people located 30 miles from Lethbridge. We plan to serve this community of 1,500 households through CableVision Lethbridge for maximum efficiency. We also have applications on file with the CRTC for cable TV licenses in Regina, Moose Jaw and Saskatoon. Unfortunately, none of these applications have been considered nor have we been able to determine when hearings to consider them will be held.

Announcements have recently been made by some of the provincial governments in Western Canada indicating their interest in cable television. The jurisdiction of the provincial governments in this field will no doubt have to be clarified before the CRTC will be able to finalize licenses for the cities in question.

The outlook for our Communications Group in 1973 is for a reasonable amount of growth in all of our companies, leading to performance increases similar to those experienced in the past year.

C A Co-ax technician uses a "giraffe" to quickly connect a new subscriber to our cable system.

D Aerial view of Powell River, B.C., home of Powell River Television Company Ltd.



AUDITORS 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, 1972 and the consolidated statements of earnings, retained earnings and funds 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, 1972 and the results of their operations and the source and use of their funds 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 and Co.
Chartered Accountants

Saskatoon, Saskatchewan
October 24, 1972.

AGRA INDUSTRIES LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS

For the year ended July 31, 1972 (With comparative figures for 1971)

	1972	1971
Income:		
Gross revenues from sale of products, rentals, contracts and fees — Note 10	$32,542,237	20,945,938
Expenses:		
Cost of materials, production, administration and selling — other than identified below	$27,962,306	17,607,757
Depreciation — Note 3	647,896	484,614
Interest on long-term debt	396,232	296,214
Other interest	147,819	123,923
Total expenses	$29,154,253	18,512,508
Earnings before provision for corporation income taxes	$ 3,387,984	2,433,430
Provision for corporation income taxes — Note 8	1,511,705	1,100,165
	$ 1,876,279	1,333,265
Minority interest in earnings of subsidiaries	129,589	40,883
Net earnings for the year	$ 1,746,690	1,292,382
Earnings per share — Note 18	$ 1.05	.83

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended July 31, 1972 (With comparative figures for 1971)

	1972	1971
Balance at beginning of year	$ 1,944,412	749,234
Add net earnings for the year	1,746,690	1,292,382
	$ 3,691,102	2,041,616
Less dividends paid	150,493	97,204
Balance at end of year	$ 3,540,609	1,944,412

AGRA INDUSTRIES LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

As at July 31, 1972 (With comparative figures for 1971)

ASSETS	1972	1971
Current:		
Accounts receivable	$ 5,708,975	4,231,900
Inventories - at lower of cost or net realizable value	4,676,893	2,277,159
Prepaid expenses and deposits	438,249	332,163
Investments and grant receivable	360,526	234,884
Total current assets	$11,184,643	7,076,106
Fixed - at cost:		
Land	$ 225,983	190,930
Buildings	3,276,213	2,193,096
Machinery and equipment	14,069,619	9,217,643
	$17,571,815	11,601,669
Less accumulated depreciation	4,818,868	3,423,729
Total fixed assets	$12,752,947	8,177,940
Other:		
Deferred charges and other	$ 453,351	72,129
Excess of cost of shares in subsidiaries over net book value of underlying assets at dates of acquisition	4,588,033	2,158,792
Total other assets	$ 5,041,384	2,230,921
	$28,978,974	17,484,967

The accompanying notes are an integral part of the Consolidated Financial Statements.

With auditor's report dated October 24, 1972.

LIABILITIES AND SHAREHOLDERS' EQUITY	1972	1971
Current:		
Bank indebtedness - Note 4	$ 2,634,871	3,262,400
Accounts payable	4,207,132	2,114,460
Corporation income taxes payable	265,620	255,538
Current instalments of long-term debt	1,157,795	646,657
Total current liabilities	$ 8,265,418	6,279,055
Long-term — Note 6	$11,190,465	4,639,889
Less current instalments	1,157,795	646,657
Total long-term liabilities	$10,032,670	3,993,232
Minority interest in subsidiary companies — Note 7	$ 588,487	490,389
Deferred income taxes — Note 8	$ 2,562,445	1,262,458
Total liabilities	$21,449,020	12,025,134
Shareholders' equity:		
Share capital - Note 9		
Authorized — 3,000,000 common shares without nominal or par value		
Allotted and fully paid — 1,673,317 shares	$ 3,567,147	3,097,751
Contributed surplus — Note 11	422,198	417,670
Retained earnings	3,540,609	1,944,412
Total shareholders' equity	$ 7,529,954	5,459,833
	$28,978,974	17,484,967

Approved on behalf of the Board:
B. B. TORCHINSKY — Director
T. A. McLELLAN — Director

AGRA INDUSTRIES LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF FUNDS

For the year ended July 31, 1972 (With comparative figures for 1971)

	1972	1971
Source of funds:		
Operations:		
Net earnings for the year	**$ 1,746,690**	1,292,382
Charges to earnings not requiring an outlay of funds:		
Depreciation	**647,896**	484,614
Deferred income taxes	**978,528**	824,776
	$ 3,373,114	2,601,772
Decrease in investments	**—**	580,623
Increase in long-term liabilities — net of payments	**6,039,438**	1,153,649
Increase in minority interest in subsidiary companies	**108,098**	447,506
Deferred income taxes in companies acquired	**311,459**	—
Shares issued for the acquisition of subsidiary companies	**444,996**	1,014,563
Sale of shares	**24,400**	5,000
Grant	**4,528**	140,000
Total source of funds	**$10,306,033**	5,943,113
Use of funds:		
Purchase of fixed assets — net of disposals	**$ 5,222,903**	3,497,237
Increase in deferred charges	**381,222**	—
Increase in excess cost of shares in subsidiaries over net book value of underlying assets acquired	**2,429,241**	1,119,586
Payment of dividends	**150,493**	97,204
Total use of funds	**$ 8,183,859**	4,714,027
Increase in net working capital	**$ 2,122,174**	1,229,086
Working capital — beginning of year	**797,051**	(432,035)
Working capital — end of year	**$ 2,919,225**	797,051
Represented by:		
Current assets	**$11,184,643**	7,076,106
Current liabilities	**8,265,418**	6,279,055
	$ 2,919,225	797,051

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at July 31, 1972

1. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries with the exception of Contain-A-Way Ltd., after elimination of inter-company transactions. The fiscal year-end of all subsidiary companies is July 31, except R. B. McLeod & Co. Ltd., the year-end of which is April 30.

Contain-A-Way Ltd., a wholly owned subsidiary, was incorporated during the year and is presently operating as a non-profit association. It has no earnings or losses, assets or liabilities, which would have any effect on the consolidated financial statements.

2. Acquisitions

During the year the Company acquired the following:

a) Westminster Foods Ltd., Vancouver, British Columbia — 100% of the outstanding shares were acquired on October 13, 1971.

b) Viscount Foods Limited, Toronto, Ontario — 100% of the outstanding shares were acquired on November 16, 1971.

c) Greenlees Piledriving Co. Ltd., Vancouver, British Columbia together with its wholly owned subsidiary Victoria Piledriving Co. Ltd., Victoria, British Columbia and Greenlees Equipment Ltd., Vancouver, British Columbia — 100% of the outstanding shares were acquired on March 28, 1972.

d) W. J. Lafave & Sons Ltd., Montreal, Quebec — 100% of the outstanding shares were acquired on April 25, 1972.

3. Depreciation of Fixed Assets

Depreciation of fixed assets has been provided in the accounts on a straight line basis at rates estimated to provide for the amortization of the cost of the fixed assets over their estimated useful life.

4. Bank Indebtedness

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

a) General assignment of book debts.

b) Assignment of inventory under Section 88 of the Bank Act.

c) Assignment of fixed assets of certain subsidiaries by way of floating charge debentures.

5. 6½% Convertible Subordinated Debentures

During the year the Company issued $3,000,000 in 6½% Convertible Subordinated Debentures to mature March 15, 1992. The debentures are direct obligations of the Company but are not secured by any charge on the assets of the Company and are specifically subordinated to the senior indebtedness of the Company.

The debentures are redeemable at any time at the option of the Company at their principal amount plus accrued interest provided that the average price at which the common shares of the Company have traded in the 30-day period prior to giving notice of redemption is at least 120% of the conversion price.

The debentures are convertible until March 15, 1992 on the basis of 76.923 common shares per $1,000 principal amount of debentures, equivalent to a conversion price of $13.00 per share.

6. Long-term Debt

a) Mortgages payable:

Mortgages payable to the Saskatchewan Economic Development Corporation, further secured by a general assignment of book debts and a floating charge debenture on all assets at Nipawin, Saskatchewan. The general assignment and floating charge have been postponed in favour of a working capital loan from the bank $1,454,155

Other mortgages payable maturing at various dates 779,881

Chattel mortgages payable on purchase of equipment 278,718

$2,512,754

b) *Note payable:*

Note payable to the Mercantile Bank of Canada, secured by the undertakings and assets of its subsidiaries, B. B. Torchinsky & Associates Ltd., Powell River Television Company Ltd. and Co-Ax Cable TV Limited, through the issuance of a first fixed and first floating charge debenture in the amount of $2,000,000 by each subsidiary, but limited to the *amount owing to the* bank. This note does not hinder or prevent the subsidiary companies above from borrowing from bankers and others upon the security of their accounts receivable or inventories .... $2,000,000.

c) Notes, agreements and loans payable:

Notes and agreements payable on the purchase of fixed assets and outstanding shares of subsidiaries, maturing at various dates $2,336,663

Loans payable, other 841,048

$3,177,711

The above notes and agreements include an amount payable of $600,000 due in 1975, regarding the acquisition of W. J. Lafave & Sons Ltd. This amount may be reduced by a *penalty which will be applied should* this company not produce certain earnings during the period August 1, 1972 to July 31, 1975.

d) 6½% Convertible Subordinated Debentures — Note 5 .... $3,000,000

e) Other:

Current liabilities have been reduced by $500,000 to provide for the conversion of current indebtedness to long-term debt in connection with the outlay of funds expended for plant expansion at Nipawin. The Company received approval in May, 1972 for a $500,000 mortgage loan from the Saskatchewan Economic Development Corporation $500,000

Total long-term debt $11,190,465

7. Minority Interest

The minority interest of $598,487 as at July 31, 1972, includes: $28,500 which represents a 25% interest in the outstanding preferred shares of CableVision Lethbridge Ltd.; $35,360 which represents a 79% interest in the outstanding preferred shares of *Powell River Television Company Ltd. The balance of* $534,627 represents the minority interest of the common shareholders in the equity of certain subsidiaries.

8. Deferred Income Taxes

Deferred income taxes arise as a result of timing differences between recording for accounting purposes and recording for income *tax purposes. These taxes may become payable in future years* when deductions for accounting purposes are in excess of those reported for income tax purposes.

9. Share Capital

Changes in the outstanding shares during the year:

Issued for cash	3,800 shares
Issued for subsidiary companies acquired in the year	49,444 shares
Total issued during the year	53,244 shares

The Company has reserved 230,769 common shares for conversion of the *6½% Convertible Subordinated Debentures.*

10. Segmented Sales

Sales by classification of business and percentages of the total were as follows:

Foods Group	$17,874,339	54.9%
Engineering Group	9,714,606	29.9
Beverage Group	3,153,048	9.7
Communications Group	1,800,244	5.5
	$32,542,237	100%

11. Contributed Surplus

Contributed surplus arises out of subsidies granted by the Federal Government in connection with the construction of plant facilities.

12. Change in Accounting Policy

During the year ended July 31, 1972, the Company made a change in their application of accounting policies with respect to the Beverage Group. The Company has valued the inventory of returnable bottles and shells in the trade at replacement cost. In prior years, returnable bottles and shells in the trade were not valued for statement purposes. The above change has resulted in additional net earnings of $129,062.

13. Remuneration to Directors

Remuneration to directors and senior officers for the year amounted to $283,814.

14. Dividend Restrictions

The Indenture under which the Convertible Debentures were issued provides that, so long as any debentures are outstanding, the Company will not make any dividend distribution which would have the effect of reducing the consolidated shareholders' equity below that as of July 31, 1971.

The Company is restricted as to the payment of cash dividends by a covenant contained in the Loan Agreement with the Mercantile Bank of Canada. The restrictive covenant requires the Company to obtain written consent from the Mercantile Bank if the payment of cash dividends exceeds 25% of the consolidated net earnings in any year, so long as the indebtedness is outstanding.

The Company is restricted as to the payment of cash dividends by a covenant contained in the mortgage agreement with the Saskatchewan Economic Development Corporation. The restrictive covenant requires the Company to obtain written consent from SEDCO if the payment of dividends results in a reduction of its working capital below $1,000,000.

15. Lease Commitments

Aggregate rental expense for the year ended July 31, 1972, amounted to $271,000. Minimum annual rental expense under long-term leases, the longest of which will expire in 1981, for the five succeeding years will aggregate approximately $250,000 annually.

16. Transactions Subsequent to Year-end

Subsequent to the year-end the Company exercised its option to purchase the remaining 50% of the outstanding common shares of Research Foods Limited.

17. Pending Legal Proceedings

Agra Industries Limited and its subsidiaries are defendants in lawsuits involving various amounts. The results of these actions should not have any material effect on the financial position of the Company.

18. Net Earnings per Share

Per common share — assuming no dilution	$1.05
Per common share — assuming full dilution	$1.02

The fully diluted net earnings per share reflects earnings that would have been reported had the 6½% subordinated convertible debentures been converted on the date of issue.

(A) Viaduct supported on piles.
(B) Harvest Margarine on sale in Western Canada.
(C) Newsmagazine Display by General News.
(D) Cable TV monitors in Lethbridge.
(E) Interior of Mobile Cablecasting Van.
(F) W. J. Lafave & Sons Plant in Montreal.

AGRA in Profile

AGRA's President, B. B. TORCHINSKY,
answers some pertinent questions about AGRA

Q. **AGRA's four operating divisions have been described as an "improbable mix". Do you agree, or is there a common denominator?**

A. On the surface, AGRA may seem to consist of a widely assorted group of companies with no common ground, but there are in fact two common denominators. Firstly, all four of our operating divisions represent areas of activity where my associates and I, or my family, had established profitable operations long before these activities became part of AGRA. In bottling, for example, my father-in-law obtained the original Seven-Up franchise in Calgary in 1936. In cable television, I was involved in a company which built one of the first cable TV systems in Canada - - - at Prince Albert in 1955. Similar previous involvements apply also to our rapeseed crushing operations and our engineering divisions.

My second point is that, without underrating the fact that special knowledge and skills are required in various commercial areas, I have found that successful results can be achieved in any business - - - if sound principles are followed. Basically, results depend on people. In each of our divisions, management personnel are given authority and responsibility to conduct their own operations. On this basis, I would argue that the second common denominator in AGRA consists of business methods rather than type of operation.

Q. **Describe Management's Controls and Incentives**

A. *Controls begin with monthly reporting* by each individual office to our central head office. Returns are checked against projections and budgets. In addition to our external auditors, we have an internal audit staff carrying out regular visits to each office. We also hold regular division meetings and once a year we hold a conference involving total management.

Incentives centre on 20 to 25 key people. In addition to their regular salaries, they have the prospect, within their various divisions, of receiving a share of the profits as a bonus - - - together with share option benefits. I have found that under this system our management personnel are increasingly motivated toward improved performance.

Q. **What is AGRA's philosophy towards acquisitions?**

A. We are definitely attracted to outside expansion, particularly in our operating fields. We prefer prospects that are making money, simply because *turnarounds are more complicated* and costly. Up to the present time we have been very pleased with the acquisitions we have made.

Q. **What about international operations?**

A. We trade oil and its products around the world and we have agents in Chile, Peru, England, Australia, Venezuela, Hong Kong, Morocco, Brazil, Ecuador and Bolivia. We also have engineering operations in the United States and I expect these to develop and increase in size and number. We are most interested in trade with foreign countries but at the present time are not interested in establishing plants in these countries, even though we have been invited in some cases to do so. This area of expansion will be given consideration in the future.

Q. **What's your forecast for AGRA?**

A. I look for continued growth at an accelerated rate. Within less than five years I have every confidence AGRA's sales will exceed $100 million and profits will rise accordingly.

I believe this optimism is solidly based. Firstly, we have a young, ambitious management team, with average age around 40. Secondly, we have broken away from being just a Western Canadian company and have *developed managerial confidence so that no* matter where opportunities arise, we have the skills and knowledge to benefit from them.

Not that AGRA will have completely clear sailing. I doubt that all our ventures will succeed, or that all our present companies and divisions will continue to function without some letdowns or disappointments. Fluctuations and changes are part of business. But AGRA has developed a scope and flexibility which I believe will be most valuable in the coming years. Dramatic growth should result.

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FOODS GROUP

Head Office:
Agra Foods Limited,
40 Fenmar Drive,
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V. Miller, Manager
(416) 749-8500

Agra Foods Limited,
Place Bonaventure,
2 Farnham, F Floor,
Montreal 114, Quebec
P. Vezina, Manager
(514) 871-9353

Agra Foods Limited,
P.O. Box 580,
Nipawin, Saskatchewan
D. Beach, Manager
(306) 862-4686

Agra Foods Limited,
125 - 105th Street East,
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(306) 374-3922

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7851 Enterprise Street,
Lake City, Burnaby,
Vancouver, B.C.
G. Ritz, Manager
(604) 291-6484

Westminster Foods Ltd.,
7851 Enterprise Street,
Lake City, Burnaby,
Vancouver, B.C.
L. Swindells, Manager
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Research Foods Limited,
77 Champagne Drive,
Downsview 462, Ontario
H. Tenenbaum, Manager
(416) 635-8434

W. J. Lafave & Sons Ltd.
950 Rue d'Industrie,
St. Jerome, Quebec
R. Lafave, Manager
(514) 438-4131

Viscount Foods Limited,
40 Fenmar Drive,
Weston, Ontario
F. Herman, Manager
(416) 749-3555

ENGINEERING GROUP

Head Office:
Western Caissons Limited,
1950 Fortin Boulevard,
Chomedey (Laval), Quebec
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Torchinsky Consulting Ltd.,
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Regina, Saskatchewan
G. Holoboff, Manager
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G. Rohr, Manager
(403) 435-3191

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105 - 15th Street East,
Prince Albert, Saskatchewan
F. Vick, Manager
(306) 764-2498

Torchinsky Consulting Ltd.,
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Yorkton, Saskatchewan
W. Arnesen, Manager
(306) 783-8563

Torchinsky Consulting Ltd.,
5734 - 35th Street West Park,
Red Deer, Alberta
V. Molloy, Manager
(403) 346-5895

Torchinsky Consulting Ltd.,
1018 - 3rd Avenue South,
Lethbridge, Alberta
(403) 328-5068

Torchinsky Consulting Ltd.,
No. 1 Highway West,
Swift Current, Saskatchewan
W. Yuzdepski, Manager
(306) 773-4882

Greenlees Piledriving Co. Ltd.,
630 Taylor Street,
Vancouver 3, B.C.
D. Milavsky, Manager
(604) 681-7142

Victoria Piledriving Co. Ltd.,
Store Street,
Victoria, B.C.
J. Brander, Manager
(604) 383-8114

Western Caissons (Alta.) Limited,
9715 - 60th Avenue,
Edmonton, Alberta
D. McCarthy, Manager
(403) 434-8796

Western Caissons (Alta.) Limited,
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Calgary, Alberta
J. Bishop, Manager
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Western Caissons (Sask.) Limited,
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L. Lashyn, Manager
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Western Caissons (Sask.) Limited,
Corner 7th & Elliott,
Regina, Saskatchewan
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Winnipeg, Manitoba
C. Lee, Manager
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Western Caissons (Ont.) Limited,
150 Credit Stone Road,
Maple (Toronto), Ontario
P. Kozicki, Manager
(416) 889-7383

Western Caissons (Quebec) Limited,
1950 Fortin Boulevard,
Chomedey (Laval), Quebec
B. St. Aubin, Manager
(514) 669-3581

Western Caissons Incorporated,
1800 First National Building,
Detroit, Michigan

Western Caissons Incorporated,
12000 Piney Glen Lane,
Potomac, Maryland
R. Armstrong, Manager
(202) 296-0458

BEVERAGE GROUP

Polar Beverages (1970) Limited,
1010 - 42nd Avenue S.E.,
Calgary, Alberta
K. Taylor, Manager
(403) 287-0723

Chinook Beverages Limited,
2907 - 2nd Avenue South,
Lethbridge, Alberta
P. Enns, Manager
(403) 327-1310

Contain-A-Way Ltd.,
1010 - 42nd Avenue S.E.,
Calgary, Alberta
D. Beck, Manager
(403) 243-0427

COMMUNICATIONS GROUP

General News Company Ltd.,
237 - 12th Street B North,
Lethbridge, Alberta
L. Herring, Manager
(403) 327-4220

Co-Ax Cable TV Limited,
1131 - 5th Street,
Estevan, Saskatchewan
A. Berday, Manager
(306) 634-3822

Co-Ax Cable TV Limited,
117 - 2nd Street,
Weyburn, Saskatchewan
A. Berday, Manager
(306) 842-4236

CableVision Lethbridge Ltd.,
1018 - 3rd Avenue South,
Lethbridge, Alberta
D. Robinson, Manager
(403) 328-1222

Powell River Television Company Ltd.,
4706 Marine Avenue,
Powell River, B.C.
G. Turner, Manager
(604) 485-4295

AGRA INDUSTRIES LIMITED

MIDWEST LITHO LTD., SASK