1973 TENTH ANNUAL REPORT

AGRA INDUSTRIES LIMITED

Foods

Engineering

Beverage

Communications

AGRA INDUSTRIES is a young, diversified Canadian-owned company which operates in four areas — foods, engineering, beverages and communications. Through its Foods Group, AGRA operates the largest fully integrated oilseed crushing, refining and packaging facility in Canada as well as specialty food ingredient plants and a large meat packing plant. Its Engineering Group includes consulting offices which are engaged in design and construction supervision of industrial process plants, highways and foundations, as well as the only Canadian-owned company operating on an international basis, specializing in foundation piles and caissons. AGRA'S Beverage and Communication Groups provide efficient and effective service in the manufacture and/or distribution of soft drinks, home wine-making kits, news magazines and cable television.

AGRA employs some 2000 people and operates 32 plants and 48 offices located in 21 cities and towns across Canada and in the United States. In addition, AGRA conducts some of its business in other parts of the world, including the United Kingdom, South America and Asia.

1973 TENTH ANNUAL REPORT

AGRA INDUSTRIES LIMITED

HEAD OFFICE: 1101 CN TOWERS, SASKATOON, CANADA

FINANCIAL SUMMARY	1973	1972
Sales	**$94, 613,005**	32,542,237
Earnings Before Taxes	**4,252,073**	3,258,395
Corporation Income Taxes	**1,837,991**	1,511,705
Net Earnings	**2,414,082**	1,746,690
Earnings Per Share	**1.37**	1.05
Average Shares Outstanding	**1,764,390**	1,664,541
Return On Equity	**26%**	27%

BOARD OF DIRECTORS

D. H. C. BEACH	Vice-President, Crushing 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	Executive Vice-President and Secretary
V. MILLER	President, Agra Foods Limited
C. ROLES	President, Smith-Roles Ltd.
H. L. STEPHENS	Saskatchewan Economic Development Corporation
B. B. TORCHINSKY	President and Chairman of the Board

OFFICERS AND CORPORATE MANAGEMENT

B. B. TORCHINSKY	President and Chairman of the Board
T. A. McLELLAN	Executive Vice-President and Secretary
S. J. HAMER	Senior Vice-President
C. ROLES	Senior Vice-President
A. W. BEAN	Treasurer
V. MILLER	Vice-President, Foods Group
D. H. C. BEACH	Vice-President, Crushing Operations
P. KOZICKI	Vice-President, Engineering Group (Contracting Division)
R. A. SCHWIEDER	Vice-President, Engineering Group (Consulting Division)
D. S. MILAVSKY	Vice-President, Engineering Group (Marine Division)
K. J. TAYLOR	Vice-President, Beverage Group
A. BERDAY	Vice-President, Communications Group

COMPANY AUDITORS

Winspear Higgins Stevenson and Co., Saskatoon, Saskatchewan.

REGISTRAR AND TRANSFER AGENT

Canada Permanent Trust Company, Vancouver, Calgary, Saskatoon, Winnipeg, Toronto, Montreal, Halifax

SECURITIES EXCHANGE LISTING

Toronto Stock Exchange
Montreal Stock Exchange

REPORT TO THE SHAREHOLDERS

The fiscal year which ended on July 31st, 1973 marks the end of the first decade of business for AGRA — a decade in which we grew from childhood as a young agricultural processing company in Canada's midwest, to youthful maturity as a multi-divisional public corporation, operating from coast to coast. Every one of our ten years in business has been marked by major accomplishments, but in my opinion the two most memorable years occurred at mid-point (1968) when we were finally large enough to be listed on the Toronto and Montreal Stock Exchanges, and at the end of this first decade (1973) when we reached the present size and scope of operations.

For fiscal year 1973 revenues rose to $94,613,005 compared with $32,542,237 last year, an increase of 190 percent. Net earnings for the year, after depreciation and full taxes, rose to $2,414,082 or $1.37 per share (based on an average of 1,764,390 shares outstanding), compared with $1,746,690 or $1.05 per share (based on 1,664,541 shares), for an increase of 38 percent over last year.

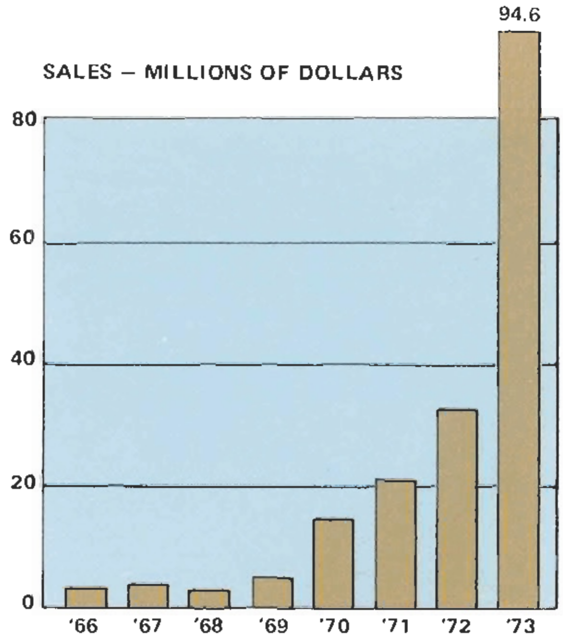
The year was a busy and exciting one, marked by many "firsts" which demanded the continuous concentration and energy of our staff. During this period we completed the acquisition and integration of several new companies into our organization. These included Vintage Craft Limited, a Toronto based company which produces and distributes home wine, liqueur and beer making kits; Blue Label Beverages (1971) Ltd., the Pepsi-Cola and Schweppes bottlers in Calgary; The Cambrian Engineering Group Limited, a consulting engineering firm with offices in Toronto, Saskatoon, Regina, Edmonton and Calgary; and Gainers Limited, a major Western meat packing company with plants in Edmonton and Vancouver and distribution warehouses in Calgary and Victoria. Furthermore, we doubled our refining capacity in Nipawin and completed construction and start-up of margarine packaging plants in both Nipawin and Montreal.

All of the foregoing was achieved during a year in which we had to accommodate the extra business volume created by the previous year's acquisitions and plant expansions. Furthermore, it was accomplished during a year of continuing inflation. That we are now able to report such satisfactory progress in spite of this, further attests to the ability of our people and to the efficiency of our organization.

Total capital spent on expansion programs during fiscal 1973 was $12,997,156. Of this amount $6,597,156 was required for the acquisition of new companies and $6,400,000 was utilized for plant expansions and purchase of operating equipment.

This very ambitious program was financed in three ways:

(1) We realized $1,399,623 by issuing 111,853 common shares from our treasury.



(2) We obtained $7,700,000 by arranging several long-term loans.

(3) Cash flow generated from our operations during the year was $4,550,487. This amount represents our earnings before allowance for depreciation, less the taxes actually paid for the year.

The financial arrangements outlined above have enabled us to maintain the rapid growth pattern which has been characteristic of AGRA throughout its history, and indications are that the growth pattern will continue on an upward trend in 1974. One reason for this is that all of our enlarged plants are presently operating profitably and at full capacity. Another is that our position as a world supplier of edible oil and meal has become well established with the sale of several shiploads of oil to Asia and South America. We are the first Canadian company to have developed such exports, and our success should lead to expansion of this business in the future. To this end, we are seriously studying the feasibility of constructing additional edible oil processing plants in both Western and Eastern Canada.

The success we enjoyed in fiscal 1973, together with a very optimistic outlook for our future, has prompted your board of directors to increase the annual dividend rate from 12 cents to 20 cents per common share. The first quarterly payment at the higher rate has already been made. It was only some 18 months ago when we increased the annual dividend rate from 6 cents to 12 cents per share, and this additional increase further reflects the successful operation of your company and the expectations for its future performance.

Our first decade is behind us, and while we can look back with pride and satisfaction at our accomplishments in that period, the real challenge still lies ahead. For there is even more to be accomplished in the next decade — so much more as to make our first decade's progress appear to have occurred at a snail's pace. I look forward eagerly and with enthusiasm to the potential and the challenge of this second decade, certain that AGRA will meet the challenge and will realize the potential.

On behalf of the Board of Directors.

B. B. Torchinsky

B. B. TORCHINSKY,
President

Saskatoon
November, 1973

AGRA

CONTRIBUTION TO:	
TOTAL SALES	72.6%
TOTAL EARNINGS	64.2%
TOTAL CASH FLOW	59.4%

FOODS GROUP

Operation of the Foods Group was greatly expanded in 1973 and is best illustrated in our sales volume which reached $68,656,157 compared with $17,874,339 in 1972. This large increase resulted from several factors, one of which was the acquisition of Gainers Limited, a major meat packing operation in Western Canada with plants located in Edmonton and Vancouver and sales warehouses in Calgary and Victoria. The Gainers operation was acquired during our fiscal year and contributed approximately $38,500,000 to our total sales volume.

Even without the benefit of Gainers, the sales volume of our Foods Group almost doubled in comparison with last year. This was accomplished because of several reasons, some of which are briefly summarized here:

(a) At the beginning of the year we exercised our option to purchase the remaining 50 percent of Research Foods Limited. We now enjoy 100 percent ownership of this very fine company which has performed extremely well throughout our association.

(b) In 1972 we tripled the rapeseed crushing capacity of our plant in Nipawin, and as a result, 1973 was the first full year during which we were able to process a substantially increased volume of rapeseed into edible oil and meal.

(c) During the year we doubled our refining capacity of edible oil. We also completed installation of margarine packaging plants in Nipawin and Montreal. We now have a total of four margarine packaging plants strategically located across Canada to ensure absolute freshness of product and maximum market penetration.

(d) Edible oil tank farms were constructed in Nipawin and Vancouver at midyear to store oil inventory for export sales in shipload quantities. Last year we exported, for the first time in Canada's history, several shiploads of rapeseed oil to Asia and South America, and our activities in such export business will increase substantially this year.

(e) Early in the year we organized a new company called AGRA Foods Limited to control and co-ordinate the operations of all the individual companies within our Foods Group. The new organization has a highly capable staff which efficiently and reliably controls all purchases, plant operations and sales. This has no doubt contributed greatly to the successful operations of our Foods Group in 1973.

All of the above factors have been instrumental in the dramatic increase in our sales volume. One other item which should not be overlooked is the effect of inflation. During 1973 the cost of raw materials increased substantially. This additional cost had to be passed on in the selling price of our products and obviously accounted for a portion of our sales increase.

Shortly after our fiscal year-end we purchased the physical assets of Canlin Ltd. in Montreal, made up primarily of a seed crushing plant capable of crushing 150 tons of rapeseed per day. A wholly-owned subsidiary, AGRABEC Limitée, was registered in Quebec to operate this plant, and we anticipate no problems in running it at maximum capacity on a year-round basis. In fact, the rapid acceptance of Canadian rapeseed oil and meal throughout world markets which AGRA has pioneered, has opened up major export business in these products. In order to take maximum advantage of this situation, additional crushing plants will have to be built. In this regard, we are presently studying the feasibility of such facilities both in Eastern and Western Canada and a start on at least one new plant before the end of fiscal 1974 is possible.

We are also examining the feasibility of extracting protein from rapeseed meal for edible utilization as a meat extender. This has already been done very successfully with soya protein and there is no doubt that it can also be done

Top Left — Batching and blending tanks for margarine production at our new packaging plant in Nipawin

Left — Seed cooking and pre-pressing machinery used in the production of vegetable oil from rapeseed

Right — Some of our branded margarine and salad oil products on display

with rapeseed protein. The soya industry is many years ahead of the rapeseed industry in such technology, however we are rapidly catching up. While commercial application is perhaps more than a year away, we anticipate making great strides in this area during the current year.

The outlook for 1974 is better than ever. For the first time we will be able to enjoy for the full year the benefits of our enlarged crushing, refining and packaging plants, as well as our tank facilities in Vancouver and the AGRABEC plant in Montreal. We will also enjoy for the full year the operations of Gainers Limited which has performed very well since we purchased it. We anticipate continued good results from Research Foods and W. J. Lafave and Sons, both of which have contributed most satisfactorily to AGRA's earnings in the past. All of the above, combined with the further possibilities of constructing new crushing plants and extracting edible protein from rapeseed meal, make our future prospects truly exciting.

GAINERS LIMITED

A major addition to AGRA's Foods Group was made in November of 1972 with the acquisition of Gainers Limited. Established in 1891 by John Gainer in Edmonton, the business is today a fully integrated meat processing plant with sales in excess of 50 million dollars annually. The main processing plant is located in South Edmonton overlooking the picturesque Mill Creek Valley and employs a staff of 500, processing 3500 hogs and 1200 cattle weekly to produce a wide variety of quality fresh meats, cooked meats, sausage and smoked meats. A second processing plant located in Richmond, B.C. is engaged in the production and marketing of meat products for the hotel, restaurant and institutional trade and a retail line of high quality beef steakettes, patties and corned beef under the Ranch Hand label. Ranch Hand products, developed in Vancouver, have gained wide acceptance in the major retail outlets throughout British Columbia and Alberta.

Gainers Limited and its Superior Brand products are well known to Western Canadian consumers and the success of the company has been built around its high quality sausage, cooked meats, hams, bacon and canned ham products. Distribution throughout Alberta, British Columbia and the Yukon is augmented by sales and delivery branches in Edmonton, Calgary, Vancouver and Victoria. Improvements in plant facilities, packaging, new product development and marketing techniques are presently under way and distribution has been expanded through the shipment of beef to Ontario and Quebec and the export of pork to Japan and New Zealand. The potential for the shipment of products to Eastern Canada as well as to export markets appears excellent and forms part of our future expansion plans.

Top Left — Special seasoning blends are packaged in bulk at Research Foods' Toronto plant.

Top Right — Fully automatic margarine packaging lines at our Nipawin Plant.

Left — Canada's first shipload of rapeseed oil ready to leave Vancouver for export to South America. This oil was produced and marketed by AGRA Foods.

Right — Some of Gainers' specialty meat products.

Below — Gainers' major meat packaging plant, Edmonton. A second plant is located in Vancouver.

CONTRIBUTION TO:	
TOTAL SALES	19.1%
TOTAL EARNINGS	25.4%
TOTAL CASH FLOW	24.5%

ENGINEERING GROUP

Operations of the Engineering Group continued to expand rapidly in 1973. Total revenues rose to $18,065,593 compared with $9,714,606 last year, for an increase of 86 percent. This large increase was due partly to the normal growth of the various divisions which make up the group, but primarily to the fact that for the first time, Greenlees Piledriving Co. Ltd., purchased in March of 1972, contributed to sales for the full year and The Cambrian Engineering Group Limited, purchased October 31, 1972, contributed for nine months of the year. Operating from Vancouver and Victoria, Greenlees, together with its wholly-owned subsidiary, Victoria Piledriving Co. Ltd., is well established along the Pacific Coast in the marine and heavy construction industry. The Cambrian Engineering Group is a consulting engineering firm with offices in Toronto, Saskatoon, Regina, Edmonton and Calgary which specializes in the design of industrial processing plants, pollution control equipment and other engineering works.

In Eastern Canada the consulting division of our Engineering Group has been extensively engaged in the mining and metallurgical industry. One major project undertaken during the year was the engineering for a tin recovery circuit at Kidd Creek, near Timmins, Ontario. This system was developed and designed by Ecstall Mining Limited, a subsidiary of Texasgulf Incorporated. In the West, it has been engaged in the engineering and supervision of a major steel company's expansion in Edmonton, mill and mine conversion work in the potash industry in Saskatchewan, underground liquid gas handling and storage facilities, as well as all the design for AGRA's recent crushing and refinery expansion.

In addition Cambrian, together with its subsidiary Cambrian Processes Limited (CAM-

•

Top Left — One of Greenlees' floating pile drivers. This rig has a 150 ton capacity and is seen driving precast concrete piles in Vancouver harbour.

Left — Western Caissons have over 60 pile driving rigs located across Canada and in the U.S.A. Here we see four rigs installing "Compact-O-Piles" for a special project in Calgary.

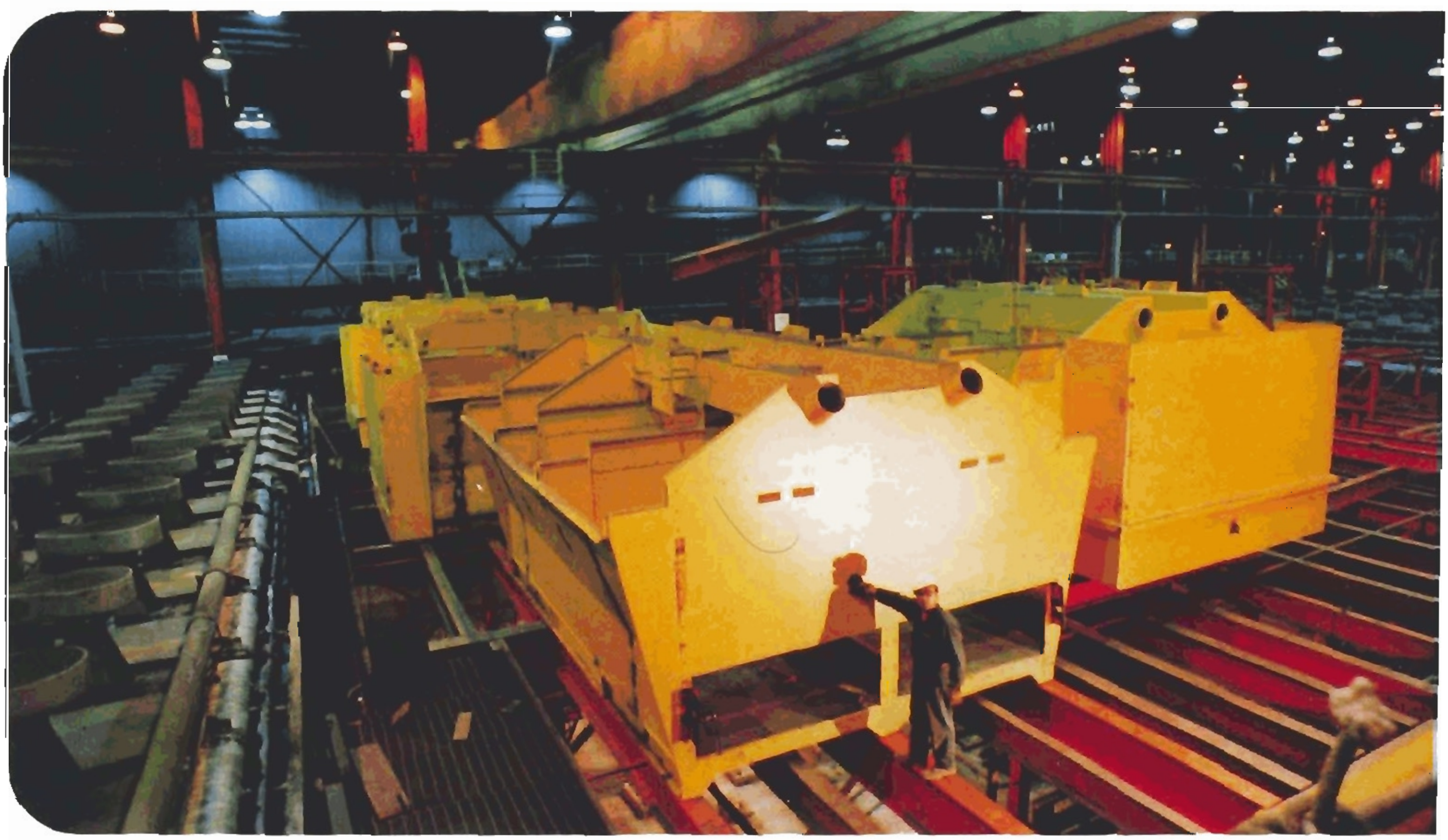
Right — Flotation equipment in Tin Recovery Circuit, engineered by The Cambrian Group and designed by Ecstall Mining Limited, a subsidiary of Texasgulf Inc.

PRO), has been active in developing pollution and environmental control processes as well as other technologies for the mining, chemical, metal processing and foods industries. Specifically, this group has either developed or is presently engaged in developing processes and package systems for: heavy metal removal and control in treatment of waste for the metal processing industries; treatment of latex waste in the carpet industry; treatment and recovery of spent pickling acid for recycling in the metals industry; protein extraction and upgrading of rapeseed meal; and production of patented edible oil deodorizers.

Growing with the demand for its services, Torchinsky Consulting Ltd. expanded its soil mechanics and materials testing division in 1973 by establishing an office and laboratory in Edmonton to provide complete geotechnical engineering services in the Northwest. The company purchased specialized exploration equipment during the year, and some 400 site investigations were completed across the country. One of these was a geotechnical investigation at the site of a proposed base metals mine development for the Sturgeon Lake project of Falconbridge Copper Limited, near Ignace, Ontario. Other work included survey and design for some 1000 miles of municipal and provincial highways and traffic counting surveys over a highway network covering some 27,000 miles and 50 towns and villages.

The contracting division of our Engineering Group has also been very busy during fiscal 1973. A total of some 1000 projects were completed across Canada. In the West these include: cofferdams and caissons for the new Hudson Street Bridge in Vancouver; a ferry slip for the Canadian Pacific Railway; foundation piles for the new Imperial Oil Refinery in Edmonton; caissons for the new sports coliseum in Edmonton; as well as shoring and caissons for a multi-million dollar Convention Centre in downtown Winnipeg.

In Eastern Canada we installed foundation caissons for the Harbor Square project in downtown Toronto; foundations for the Algoma Central Railway project in Sault Ste. Marie; shoring for the Western International Hotel and Guardian Royal Exchange Towers in downtown Toronto; piling for the Dufferin-Montmorency autoroute through Quebec City; and piling on the deep sea port at Come-by-Chance in Newfoundland. We also conducted pile testing for a proposed wharf in Sidney, Nova Scotia, and a bridge over Riviere aux Sables. We conducted special sub-surface rock tests required for the foundation design of the CN Com-



Top — Greenlees Piledriving installed the foundation piles for the approaches of the Knight Street Bridge shown under construction in Vancouver.

Left — Western Caissons are seen installing soldier piles for the new subway system in Washington, D.C. near the Smithsonian Institute. In the background is the U.S. Capital Building.

Top Right — Structural steel was designed by The Cambrian Engineering Group for Stelco's multi-million dollar expansion at their Edmonton Plant.

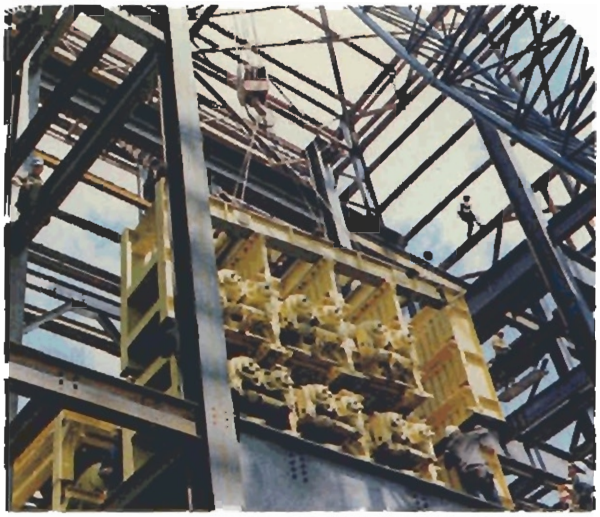
Right — The CN Communications Tower in downtown Toronto. Western Caissons performed special sub-surface rock tests required for the foundation design of this structure.

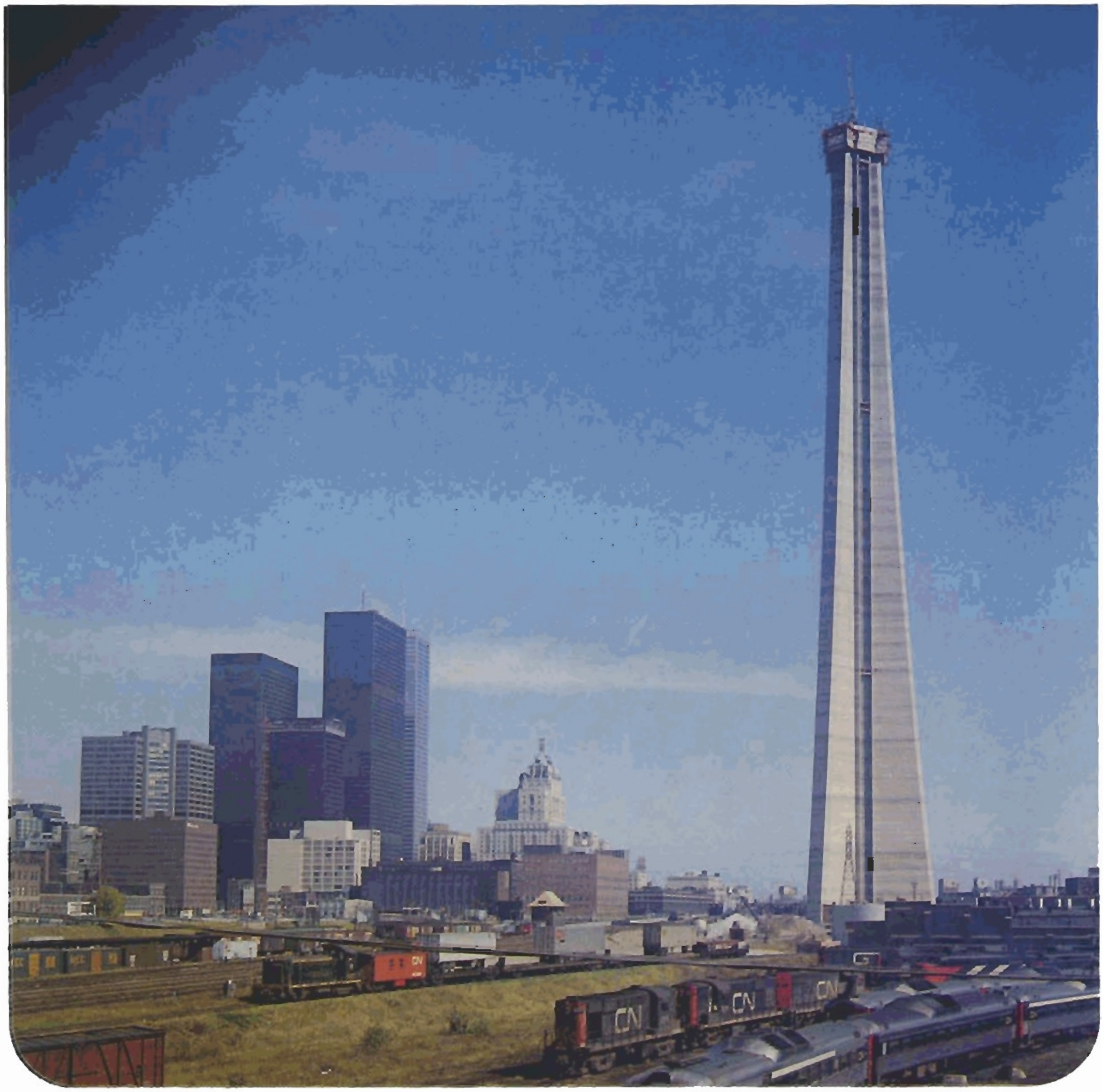
Bottom — One of the field engineers with Cambrian Processes, commissions the pollution abatement facilities designed and built by Cambrian for treating acid pickling wastes at Ontario Malleable Iron Division, ITT Grinnell Company of Canada Ltd. in Oshawa.

munications Tower in Toronto. This tower is presently under construction and will rise 1805 feet to become the world's tallest self-supported structure and the focal point of Toronto's billion dollar Metro Centre Complex.

Internationally, we completed three new soldier pile contracts for the Washington, D.C. subway system; foundation piles for several buildings in Washington and Pittsburgh; and are presently working on the foundations for a deep sea wharf for the Yemen Salt Corporation in Yemen.

The accelerated capital spending programs which have recently developed throughout the country should result in continued demand for services from our Engineering Group.





AGRA

CONTRIBUTION TO:	
TOTAL SALES	6.1%
TOTAL EARNINGS	4.0%
TOTAL CASH FLOW	8.1%

BEVERAGE GROUP

Sales of the Beverage Group in 1973 reached $5,793,925 compared with $3,153,048 the previous year, for a total increase of 84 percent. This was due partly to the natural growth in sales of our existing soft drink operations, and partly to the added volume obtained when we purchased Camco Merchandise Sales Limited and Blue Label Beverages (1971) Ltd. These newly purchased companies contributed to sales and earnings for only part of the year.

Soon after the acquisition of Blue Label Beverages in Calgary, we commenced a program to integrate its operations with those of the soft drink bottling and distribution operations of Polar Beverages. Having combined the manufacturing and distribution of Blue Label's Pepsi-Cola and Schweppes products with Polar's Seven-Up and Crush, we were provided an opportunity to institute many cost saving efficiencies. The integration process required a few months to accomplish so the benefits were not entirely available for 1973. Nevertheless, these benefits are now available for 1974, and we know from experience in other areas that they can be substantial.

Shortly after purchasing Camco Merchandise Sales Limited, the company's name was changed to Vintage Craft Limited, and its operations in

Top Left — PolarPak filling machine in operation at our Calgary plant

Left Center — A display of products produced and marketed by our soft drinks plants in Calgary and Lethbridge

Left — Blue Label's high speed bottling machine produces 240 bottles every minute

Top Right — One of the posters utilized to promote the sale of our Vintage Craft wine making kits

Right — The beginning of AGRA's Beverage Group — a 1928 photo of Polar Aerated Water Works fleet and its president, the late Mr. Pearlman

Toronto were modified to provide many efficiencies and improvements. The company distributes wine making, beer making and liqueur kits in Canada and the United States. With the improvements we have made both in the manufacturing and distribution processes, we are confident that this subsidiary will contribute considerably to AGRA's earnings in 1974.

Operations of Contain-A-Way Ltd. have developed satisfactorily during the year. This company was organized by Polar Beverages to collect empty soft drink bottles and cans for recycling purposes, and is sponsored by the major soft drink manufacturers and distributors in Alberta. Contain-A-Way now operates over 150 depots throughout the province, each of which accepts empties and refunds deposits. In addition, Contain-A-Way provides a similar service to the Alberta Liquor Control Board for the collection and recycling of liquor and wine bottles. The Contain-A-Way system is the first and only successful depot operation of its kind in North America, and we are proud of the part we have played in co-operation with the Alberta Department of the Environment to make it work.

We expect a substantial increase in volume of business next year. This will result from including the full year operations of Vintage Craft and Blue Label Beverages, as well as from the natural growth of our business area. With this increased volume and the improvements and efficiences recently instituted, we anticipate that the Beverage Group will exhibit excellent performance statistics in 1974. •

AGRA

CONTRIBUTION TO:	
TOTAL SALES	2.2%
TOTAL EARNINGS	6.4%
TOTAL CASH FLOW	8.0%

COMMUNICATIONS GROUP

A total of some 1500 subscribers were added to our cable systems during the year, bringing the subscriber count to approximately 16,500. The major growth continued to occur in Lethbridge, where we now have more than 7000 subscribers.

Total revenues in 1973 were $2,097,330 compared with $1,800,244 last year, for an increase of 16 percent. This is due partly to the

•

Top — A parabolic antennal structure, used to capture television signals which originated many miles away.

Top Center — A typical newsmagazine display rack, prepared and serviced by General News Company Ltd.

Bottom Center — A community cablecasting program in session.

Bottom Left — A lineup of service vehicles used in one of AGRA's cable systems.

Bottom — Interior view of mobile cablecasting van showing control panel and TV monitors.

Top Right — Quality cablecasting begins with quality controls.

Bottom Right — AGRA's television receiving tower in Weyburn stands 1000 feet high in order to capture very distant signals. This is one of the tallest communications towers in Canada.

Bottom — Cable TV monitors in Lethbridge.

growth of subscribers and partly to a continuing healthy increase in sales enjoyed by General News Company Ltd., our wholesale news distributor in Southern Alberta. Net earnings of our Communications Group increased at a slightly higher rate than did the revenues, and were most satisfactory.

In addition to our applications to the Canadian Radio-Television Commission (CRTC) for cable TV licenses in Regina, Saskatoon, Moose Jaw and Taber, we also recently applied for permission to construct cable TV systems in Prince George and in Kamloops, B.C. The Kamloops application was considered at a CRTC hearing in mid-October, and we can therefore anticipate receiving a firm answer to this application before the end of December, 1973.

We have recently completed an agreement to purchase all the shares of Valley Televue Ltd., which operates a cable television system in Chilliwack, British Columbia. The purchase agreement is subject to approval by the CRTC, and our application was heard in mid-October. Provided CRTC permission is given, we anticipate finalization of this purchase by the end of December, 1973.

Valley Televue presently has over 6000 subscribers, and since Chilliwack is located only 60 miles east of Vancouver on the Trans Canada Highway, its growth potential is excellent. Consequently we are very pleased to have made the purchase agreement.

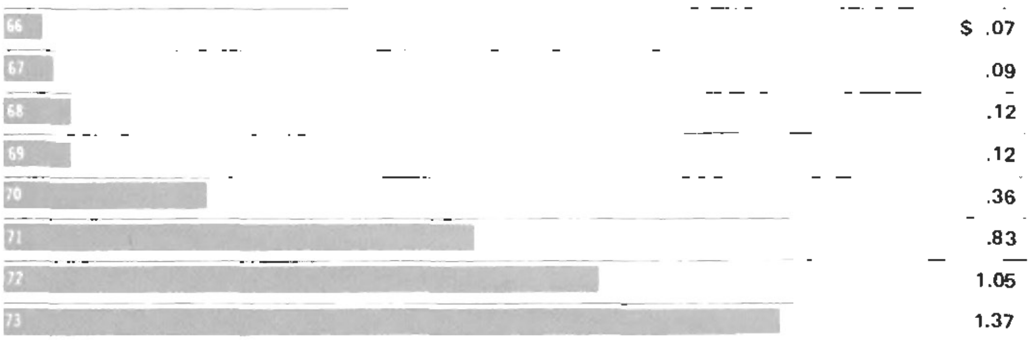
For 1974 we look forward to continued expansion of our cable systems and newsmagazine operations. We hope to finalize our purchase of Valley Televue, to obtain permission to construct a new cable system in at least one of the cities for which we have applied, and possibly to arrange the purchase of at least one more existing cable system. All of which should make 1974 the best year on record for our Communications Group.

FIVE YEAR REVIEW

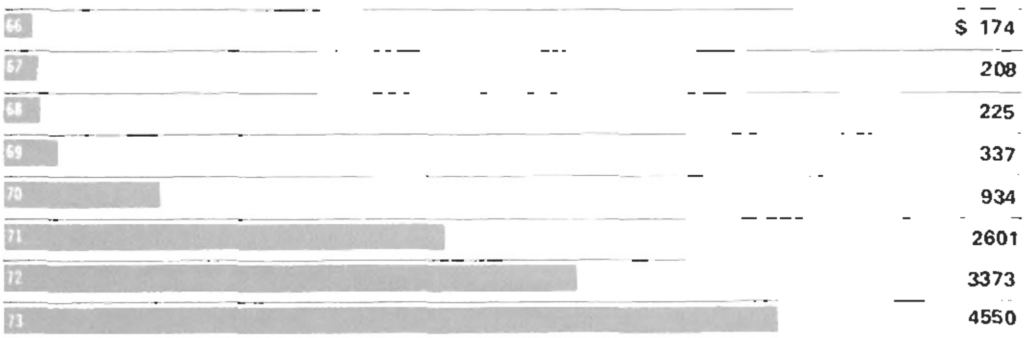
EARNINGS STATISTICS	1973	1972	1971	1970	1969
Revenues	**$94,613,005**	32,542,237	20,945,938	14,388,899	4,889,355
Depreciation	**1,163,237**	647,896	484,614	315,527	58,782
Pre-Tax Earnings	**4,252,073**	3,258,395	2,392,547	758,361	274,022
Current Taxes	**864,823**	533,177	275,389	139,851	2,217
Deferred Taxes	**973,168**	978,528	824,776	93,133	131,008
Net Earnings	**2,414,082**	1,746,690	1,292,382	525,377	140,797
Cash Flow	**4,550,487**	3,373,114	2,601,772	933,901	337,325
Dividends Paid	**210,850**	150,493	97,204	nil	51,638
BALANCE SHEET STATISTICS					
Current Assets	**$22,585,054**	11,184,643	7,076,106	3,462,991	1,189,655
Current Liabilities	**20,078,430**	8,265,418	6,279,055	3,895,026	819,778
Working Capital	**2,506,624**	2,919,225	797,051	(432,035)	369,877
Fixed Assets — Net	**21,149,650**	12,752,947	8,177,940	5,165,317	2,940,064
Long-Term Debt	**17,434,139**	10,032,670	3,993,232	2,839,583	1,565,532
Shareholders' Equity	**11,132,809**	7,529,954	5,459,833	3,105,092	2,020,998
COMMON SHARE STATISTICS					
Earnings per Share	**$ 1.37**	1.05	.83	.36	.12
Cash Flow per Share	**2.58**	2.03	1.68	.64	.27
Dividends per Share	**.12**	.09	.06	nil	.05
Equity per Share	**6.24**	4.50	3.37	2.10	1.65
Return on Equity (average)	**26%**	27%	30%	20%	10%
OTHER STATISTICS					
Average Shares Outstanding	**1,764,390**	1,664,541	1,548,570	1,449,040	1,229,090
Number of Shareholders	**1,650**	1,600	1,550	1,450	1,100

NET EARNINGS — THOUSANDS OF DOLLARS

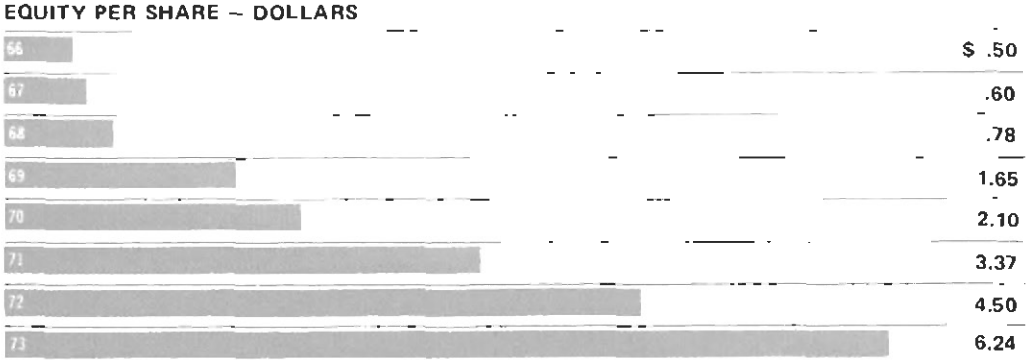
EARNINGS PER SHARE — DOLLARS



CASH FLOW — THOUSANDS OF DOLLARS



EQUITY PER SHARE — DOLLARS



AUDITORS REPORT

To the Shareholders

We have examined the consolidated balance sheet of Agra Industries Limited as at July 31, 1973 and the consolidated statements of earnings, retained earnings and funds for the year then ended. Our examination of the financial statements of Agra Industries Limited and those subsidiaries of which we are the auditors 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 relied on the reports of the auditors who have examined the financial statements of two subsidiaries, namely, W. J. LaFave & Sons Ltd. and Contain-A-Way Ltd.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at July 31, 1973 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.

Winspear Higgins Stevenson & Co.
Chartered Accountants

SASKATOON, Canada
November 7, 1973.

AGRA INDUSTRIES LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS

Year ended July 31, 1973

	1973	1972
Income		
Gross revenues from sale of products, rentals, contracts and fees (Note 11)	**$94,613,005**	32,542,237
Expenses		
Cost of materials, production, administration and selling, other than identified below	**$87,731,491**	27,962,306
Depreciation (Note 3)	**1,163,237**	647,896
Interest on long-term debt	**1,059,088**	396,232
Other interest	**386,477**	147,819
	$90,340,293	29,154,253
Earnings before income taxes	**$ 4,272,712**	3,387,984
Income taxes (Note 8)	**1,837,991**	1,511,705
	$ 2,434,721	1,876,279
Minority interest in earnings of subsidiaries	**20,639**	129,589
Net earnings	**$ 2,414,082**	1,746,690
Earnings per share (Note 19)	**$ 1.37**	1.05

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended July 31, 1973

	1973	1972
Balance, beginning of year	**$ 3,540,609**	1,944,412
Add net earnings	**2,414,082**	1,746,690
	$ 5,954,691	3,691,102
Less dividends paid	**210,850**	150,493
Balance, end of year	**$ 5,743,841**	3,540,609

The accompanying notes form part
of these statements

AGRA INDUSTRIES LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

July 31, 1973

ASSETS	1973	1972
Current		
Accounts receivable	**$12,112,954**	5,708,975
Inventories, at lower of cost or net realizable value	**10,047,796**	4,676,893
Prepaid expenses and deposits	**310,661**	438,249
Other	**113,643**	360,526
	$22,585,054	11,184,643
Fixed, at cost		
Land	**$ 982,432**	225,983
Buildings	**6,074,223**	3,276,213
Machinery and equipment	**23,126,932**	14,069,619
	$30,183,587	17,571,815
Less accumulated depreciation	**9,033,937**	4,818,868
	$21,149,650	12,752,947
Other		
Deferred charges and intangibles	**$ 685,826**	453,351
Excess of cost of shares in subsidiaries over net book value of underlying assets at dates of acquisition	**8,064,677**	4,588,033
	$ 8,750,503	5,041,384
	$52,485,207	28,978,974

The accompanying notes form part of this statement.

With auditors' report dated November 7, 1973.

LIABILITIES	1973	1972
Current		
Bank indebtedness (Note 4)	**$10,488,224**	2,634,871
Accounts payable	**6,406,217**	4,207,132
Income taxes payable	**235,327**	265,620
Current instalments of long-term debt	**2,948,662**	1,157,795
	$20,078,430	8,265,418
Long-term (Note 6)	**$20,382,801**	11,190,465
Less current instalments	**2,948,662**	1,157,795
	$17,434,139	10,032,670
Minority interest in subsidiary companies (Note 7)	**$ 119,201**	598,487
Deferred income taxes (Note 6)	**$ 3,720,628**	2,552,445
	$41,352,398	21,449,020
SHAREHOLDERS' EQUITY		
Share capital (Note 9)		
Authorized, 3,000,000 common shares without nominal or par value		
Issued and outstanding, 1,785,170 shares	**$ 4,966,770**	3,567,147
Contributed surplus (Note 12)	**422,198**	422,198
Retained earnings	**5,743,841**	3,540,609
	$11,132,809	7,529,954
	$52,485,207	28,978,974

On behalf of the Board
B. B. TORCHINSKY — Director
T. A. McLELLAN — Director

AGRA INDUSTRIES LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF FUNDS

Year ended July 31, 1973

	1973	1972
Source of funds		
Operations		
Net earnings	**$ 2,414,082**	1,746,690
Non-cash charges		
Depreciation	**1,163,237**	647,896
Deferred income taxes	**973,168**	978,528
	$ 4,550,487	3,373,114
Increase in long-term liabilities, net of payments	**7,401,469**	6,039,438
Increase in minority interest in subsidiary companies	**—**	108,098
Deferred income taxes in companies acquired	**195,015**	311,459
Shares issued for the acquisition of subsidiary companies	**1,377,273**	444,996
Sale of shares	**22,350**	24,400
Grant	**—**	4,528
	$13,546,594	10,306,033
Use of funds		
Purchase of fixed assets, net of disposals	**$ 9,559,940**	5,222,903
Increase in deferred charges and intangibles	**232,475**	381,222
Increase in excess cost of shares in subsidiaries over net book value of underlying assets acquired	**3,476,644**	2,429,241
Decrease in minority interest in subsidiary companies	**479,286**	—
Payment of dividends	**210,850**	150,493
	$13,959,195	8,183,859
Increase (decrease) in net working capital	**$ (412,601)**	2,122,174
Working capital, beginning of year	**2,919,225**	797,051
Working capital, end of year	**$ 2,506,624**	2,919,225
Represented by		
Current assets	**$22,585,054**	11,184,643
Current liabilities	**20,078,430**	8,265,418
	$ 2,506,624	2,919,225

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

July 31, 1973

1. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries after elimination of inter-company transactions. The fiscal year-end of all subsidiary companies is July 31st except R. B. McLeod & Company Limited, the year-end of which is April 30, and Vintage Craft Limited, the year-end of which is June 30.

2. Acquisitions

During the year the Company acquired the following:

a) Research Foods Limited, 50% of the outstanding shares were purchased on August 1, 1972 for a total price of $1,132,156 by exercising an option which had been granted to the Company at the time of its initial purchase of 50% on April 28, 1971. As consideration for the purchase price the Company issued 29,312 common shares, cash of $377,385 and 6% promissory notes of $377,385.

b) Vintage Craft Limited, 100% of the outstanding shares were purchased on September 23, 1972 for a total cash consideration of $140,000.

c) The Cambrian Engineering Group Limited together with its wholly-owned subsidiaries CEL Contracting Ltd., Cambrian Project Management Limited and Cambrian Processes Limited, 100% of the outstanding shares were purchased on October 31, 1972 for a total price of $1,000,000. The Company issued 79,991 common shares and paid $112 in cash as consideration for the purchase price.

d) Blue Label Beverages (1971) Ltd., 100% of the outstanding shares were purchased on November 27, 1972 for a total price of $900,000. The Company paid $500,000 in cash and entered into an agreement for the balance of the purchase price.

e) Gainers Limited, 100% of the outstanding shares were purchased on November 29, 1972 for a total price of $3,100,000. The Company paid $2,000,000 in cash and entered into an agreement for the balance of the purchase price.

f) R. B. McLeod & Company Limited: 47% of the outstanding shares were purchased on February 28, 1973 by B. B. Torchinsky & Associates Ltd., a wholly-owned subsidiary of the Company, for a total cash consideration of $325,000. B. B. Torchinsky & Associates Ltd. now own 100% of R. B. McLeod & Company Limited.

These purchases have been accounted for on an acquisition basis and accordingly the consolidated financial statements for the year ended July 31, 1973 include the results of operations since the dates of acquisition.

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 inventories 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 ended July 31, 1972 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 per share.

During the year the Company redeemed $90,000 of these debentures.

6. Long-term Debt

	1973	1972
a) Mortgages payable		
Mortgages payable to the Saskatchewan Economic Development Corporation with interest at an average rate of 8.6% (maturity dates to 1981) secured by mortgages on the real property, chattel mortgages and floating charge debentures on the assets and undertakings of the Company at Nipawin, Saskatchewan	$ 3,721,505	1,454,155
Other mortgages payable with interest rates ranging from 7.3% to 10% (maturity dates to 1987)	1,760,714	779,881
Chattel mortgages payable on the purchase of equipment	300,366	278,718
	$ 5,782,585	2,512,754
b) Notes, agreements and loans payable		
Notes and agreements payable on the purchase of fixed assets and outstanding shares of subsidiaries and to provide working capital, at interest rates ranging from 6% to 9½% (maturity dates to 1983)	$10,690,216	5,177,711
c) 6½% Convertible Subordinated Debentures (Note 5)	$ 2,910,000	3,000,000
d) Other		
Current liabilities have been reduced to provide for the conversion of current indebtedness to long-term debt. The funds were received subsequent to the year-end (Note 16a)	$ 1,000,000	500,000
Total long-term debt	$20,382,801	11,190,465