AGRA INDUSTRIES LIMITED · 1975 TWELFTH ANNUAL REPORT

HOWARD ROSS LIBRARY
OF MANAGEMENT
JAN 8 1976
McGILL UNIVERSITY

AGRA INDUSTRIES is a diversified Canadian company which specializes in four business areas — engineering, foods, beverages and communications. The Engineering Group is engaged in the design and construction supervision of industrial process plants, recreational facilities, highways and building foundations. This includes geotechnical studies, research and development work in environmental systems and food processing equipment, as well as the construction of deep pile and caisson foundations. The Foods Group produces and distributes specialty ingredients for the snack food and baking industries. It also operates a large meat packing plant and is involved in all phases of the edible oil industry. AGRA's Beverage Group produces and distributes several nationally branded soft-drink lines and owns a custom canning plant for production of major soft-drink brands in Western Canada. Through its Communications Group, AGRA is the wholesale distributor of news magazines in Southern Alberta and operates several cable television systems. All of these activities provide employment to some 2,000 people across Canada and in the United States.

AGRA's Board of Directors during a recent meeting.
Left to right: W. B. Manolson, C. Roles, S. J. Hamer, V. Miller, T. A. McLellan, B. B. Torchinsky, J. S. Burton, P. Kozicki, R. A. Schwieder.
Missing directors are: D. H. C. Beach and R. E. Lloyd.

AGRA INDUSTRIES LIMITED

HEAD OFFICE: 1101 CN TOWERS, SASKATOON, CANADA

1975 TWELFTH ANNUAL REPORT

FINANCIAL SUMMARY

	1975	1974
Sales	**$151,278,624**	154,685,149
Net Earnings	**2,844,810**	2,956,159
Earnings Per Share	**1.34**	1.55
Average Shares Outstanding	**2,129,177**	1,896,507
Return on Equity	**16%**	21%

BOARD OF DIRECTORS

D. H. C. BEACH	Consulting Engineer
J. S. BURTON	Saskatchewan Economic Development Corporation
S. J. HAMER	Senior Vice-President
P. KOZICKI	Vice-President, Engineering Group
R. E. LLOYD	Saskatchewan Economic Development Corporation
W. B. MANOLSON	President and Chairman of the Board, Cybermedix Ltd.
T. A. McLELLAN	Executive Vice-President and Secretary
V. MILLER	President, Miltrade Limited
C. ROLES	President, Smith-Roles Ltd.
R. A. SCHWIEDER	Vice-President, Engineering Group
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
A. W. BEAN	Executive Assistant and Treasurer
H. TENENBAUM	Vice-President, Foods Group
R. A. SCHWIEDER	Vice-President, Engineering Group (Consulting)
P. KOZICKI	Vice-President, Engineering Group (Contracting)
D. S. MILAVSKY	Vice-President, Engineering Group (Marine)
S. R. TORCHINSKY	Co-ordinator, Communications Group
K. J. TAYLOR	Vice-President, Beverage Group
R. G. DITTMER	Assistant Secretary-Treasurer
O. P. RITTER	Corporate Counsel

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

Fiscal 1975 was a year of mixed blessings for AGRA. Our major division, the Foods Group, experienced several adverse developments which forced consolidation and retrenchment, while all other divisions enjoyed record increases both in sales and earnings.

The problems which beset our Foods Group were substantially beyond our control. Poor agricultural growing weather in 1974 caused unprecedented increases in world commodity prices which in turn created for us a serious working capital shortage. This was followed by a dramatic slump in edible oil prices in the spring of 1975 which created substantial inventory losses. As a result of the serious working capital shortage, we sold our rapeseed processing plant in Nipawin and later sold the assets and inventories of Viscount Foods, our margarine packaging operation in Toronto. In addition, we closed down our Agrabec operation in Montreal, and wrote off pre-engineering and development costs we incurred towards a new processing facility in Quebec.

The losses sustained by our Foods Group were offset to a large extent by the gains which resulted from the sale of our Nipawin and Toronto plants. In spite of this, with the exception of Gainers Limited and Research Foods Limited, both of which produced excellent earnings, the final operating results for the Foods Group were unsatisfactory. On the other hand, our Engineering Group increased its sales and earnings by nearly 50% over the previous year, our Communications Group maintained the steady increase in rate of sales and earnings which it has established in past years, and our Beverage Group caught up with the surge in raw material and labour costs of 1974, to turn in a record performance.

All of the above activities resulted in a year where total consolidated sales decreased slightly to \$151,278,624 compared with \$154,685,149 last year. After tax earnings for the year were \$2,844,810 or \$1.34 per share (based on 2,129,177 shares outstanding) compared with \$2,956,159 or \$1.55 per share last year (based on 1,896,507 shares outstanding). The 1975 results include \$352,471 (or 17 cents per share) of extraordinary earnings, compared with \$377,047 (or 20 cents per share) of extraordinary earnings included in the 1974 results.

This is the first time in all twelve years of reporting AGRA's consolidated annual results that a substantial increase in both sales and earnings cannot be reported. While this in itself is a disappointment, nevertheless, there are several beneficial aspects to the situation which render the outlook for AGRA brighter than ever before. For example, as a result of selling our Nipawin and Toronto plants, our balance sheet has improved considerably. Furthermore, we are no longer obliged to purchase large quantities of oil seeds and are therefore no longer susceptible to erratic and volatile world commodity price fluctuations. Of greater significance, we still have our major and key asset, namely a group of well trained senior executives who are highly motivated and who can now concentrate their energies to expand the more profitable divisions of our company.

Several new developments occurred during the past year which should be mentioned. A new permanent Western Caissons office was recently established in San Francisco to serve the southwest coast of the United States, where excellent opportunities are available for our highly specialized engineering work. I expect that this office will quickly develop into a major centre for us. During the year we also completed the purchase of 25 percent of the shares of CableVision Lethbridge Ltd., to make it a wholly-owned subsidiary, and we became involved in satellite technology for specialized communications applications which show great promise for the future.

Early in the new year we completed negotiations to purchase two new companies for our Engineering Group, namely Meredith Drilling Company Inc. and Coast Steel Fabricators Ltd. Meredith is located in Denver and is one of the largest and best established foundation engineering companies in the mid-west. Coast Steel Fabricators was founded in Vancouver in 1920 and is a highly respected steel fabricating company.

Several months ago your board of directors agreed to increase the regular annual dividend rate from 24 cents to 32 cents (8 cents per quarter) for each common share. This is a 33 percent increase and represents the fourth sizeable increase in dividend rate authorized by the board in as many years. This is a clear and direct measure of our confidence in the future of your company.

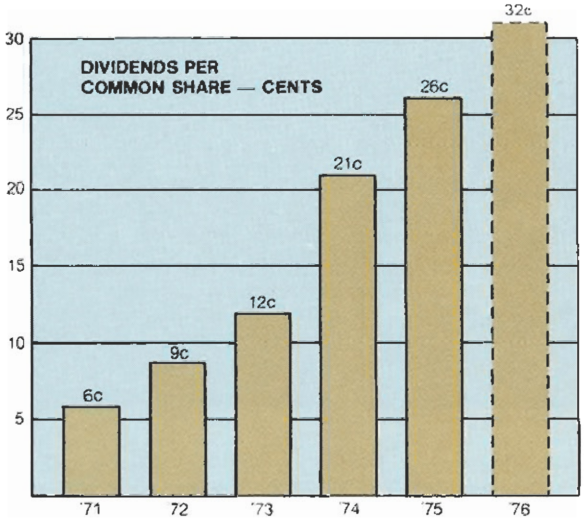
In reflecting over the events of 1975, I am convinced that the results of this somewhat hectic and most demanding year have been excellent for us, both financially and physically. With the wisdom of hindsight, it is obvious that certain items might have been handled differently to produce better results, or at least to minimize problems. In spite of this, I am satisfied that our people did overcome each and every difficulty encountered during a complex economic situation in a highly volatile market place. And we overcame the difficulties to emerge in better financial shape than ever before, ready and eager to make the most of 1976.

Submitted on behalf of the Board,

B. B. Torchinsky

B. B. TORCHINSKY
Chairman and President.

Saskatoon
December, 1975



A. Harvey Tenenbaum and Brian Ferry check formulations in Research Foods' Toronto laboratory where new products are constantly developed and tested. B. Some of the meat products produced by Gainers in Edmonton. C. Seasonings for the snack foods industry are blended and packaged by Research Foods. D. Pork boning for export to Japan by Gainers. E. Pan greases and bulk cooking oils are packaged in Montreal by W. J. Lafave and Sons for the baking industry.

Foods Group

	1975	1974
SALES	$102,907,688	$120,201,114
EARNINGS	$ 601,281	$ 1,476,780

A most difficult year for the food industry world wide was reflected in our own Foods Group in 1975. Most of our problems stemmed directly from our edible oilseed processing operations, while the other divisions, namely Gainers and Research Foods, performed admirably.

In the Fall of 1974, the combination of world crop conditions and inflationary commodity pressures combined suddenly to force the price of rapeseed to over $10 per bushel — nearly four times its long-term average price. This was followed a few months later by a precipitous fall in edible oil prices. Since we were unable to maintain a proper hedge position on our very large inventories under such sudden and volatile price fluctuations, we suffered substantial inventory losses. As a result, we sold our rapeseed processing plant in Nipawin and our Viscount Foods margarine packaging plant in Toronto. In addition, we discontinued Agrabec's operation of our old crushing plant in Montreal and cancelled our plans to construct a new crushing plant in Quebec.

Total sales for the year dropped to $102,907,688 from $120,201,114 last year, due primarily to the curtailment of our oilseed crushing activities. We avoided a loss for the year as gains from the sale of our plants and major profit contributions by Research Foods and Gainers more than offset our other losses. Net earnings for the year were $601,281 after tax compared with $1,476,780 last year.

The two bright spots in our Foods operations were Research Foods Limited of Toronto, who produces bulk, dehydrated specialty flavours and spices, and Gainers Limited of Edmonton, our completely integrated meat packing plant. Research Foods maintained the excellent sales volume and earnings pace it established last year. Gainers suffered a slight decline in sales volume from the record level established last year because of a sharp decrease in total hog marketings available in Alberta and Saskatchewan during the year. However, due to increased efficiencies created by a program of plant upgrading and expansion begun two years ago and a contract for export of pork to Japan which will continue through most of the current fiscal year, Gainers maintained its very satisfactory profit performance.

We are still involved in edible oil processing through our equal ownership with CSP Foods Limited (Saskatchewan Wheat Pool) of a company called Nipawin Edible Oils Limited, which leases and operates the edible oil refinery in Nipawin. We are also involved in margarine packaging and retail sales in western Canada, as well as shortening production and sales in the west and in eastern Canada. We are no longer involved in the crushing of rapeseed to produce crude oil, and consequently are not susceptible to volatile commodity markets. With this aspect of our business behind us, we look forward to future growth in our Foods Group on a stable and secure foundation.

A. Torchinsky Consulting's materials testing laboratory in Edmonton. B. Edmonton office of Western Caissons and Torchinsky Consulting. C. Newly completed head office of Cambrian Engineering in Saskatoon. D. The dock and loading facilities for Construction Aggregates Ltd. in Metchosin (Victoria) B.C. were installed by Greenlees Piledriving. E. Pilot plant for treating acid mine wastes was designed by Cambrian Engineering.

Engineering Group

	1975	1974
SALES	$35,937,953	$24,739,435
EARNINGS	$ 1,671,777	$ 1,239,427

A record year was achieved in fiscal 1975. Total sales reached $35,937,953 compared with $24,739,435 last year and net earnings after tax reached $1,671,777 compared with $1,239,427 in 1974.

Our Engineering Group includes the Cambrian Engineering group of companies, Torchinsky Consulting, Maxum Engineering, Greenlees Piledriving and the Western Caissons group of companies. Offices, laboratories and/or shop facilities are located in most major cities across Canada, as well as a few cities in the United States. A new office for Western Caissons was opened during the year in San Francisco. This office will enable us to serve the southwestern area of the U.S., which has excellent potential for deep piling and caisson foundations.

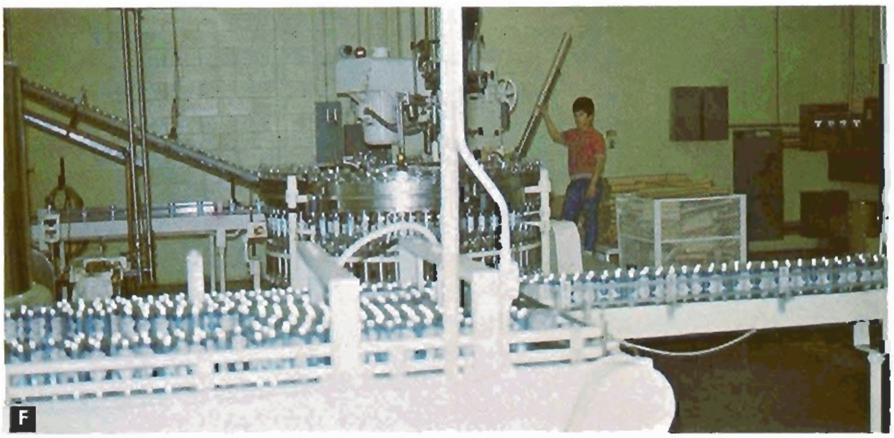
The Cambrian Engineering group is extensively involved with consulting and design engineering work. In eastern Canada, this operation has continued to expand its clientele and services to industry, with a resultant doubling of staff in the past year alone. Two new companies have been organized to market our patented CAPSUL process for prilling sulphur. Cambrian continues to provide engineering services to Texasgulf in Timmins for their multi-million dollar expansion and has recently been confirmed by Alberta Food Products (formed by the Alberta Wheat Pool and a Japanese group) as project and construction managers for a new rapeseed crushing plant to be constructed near Edmonton.

The geotechnical division of Torchinsky Consulting enjoyed a good year in 1975. Foundation investigations for several major projects in western Canada were completed and in addition, we conducted a record volume of municipal road design throughout Saskatchewan and Alberta as well as subdivision work at Fort McMurray.

The Western Caissons group of companies, including Greenlees Piledriving and Maxum Engineering, had a record year both in volume and earnings. Many major projects were undertaken across Canada including caissons for the giant Syncrude tar sands project in Fort McMurray, plant expansions for Dow Chemical in Fort Saskatchewan, the Olympic Viaduct on the Olympic site in Montreal, and many many others. Our U.S. operations have also been very busy with two new contracts on the Washington D.C. Metropolitan Area Subway, piles and caissons for a new court house in the District of Columbia, and others.

Subsequent to our year-end we completed negotiations to purchase two new companies, namely Meredith Drilling Company Inc. and Coast Steel Fabricators Ltd. Meredith is one of the largest caisson construction companies in Denver and will give our foundation pile and caisson operations a solid foothold in the midwest. Coast Steel Fabricators is a well established steel fabricating company in Vancouver and will tie in very well with our engineering companies. These two companies represent an investment of nearly two million dollars and should produce annual revenues approaching ten million dollars.

1975 was an excellent year for the Engineering Group and the outlook for 1976 is even better. Our generally enlarged service facilities, combined with potential from specialty projects such as our patented CAPSUL process for sulphur prilling, as well as our new office in San Francisco and the two newly purchased companies in Denver and Vancouver, should all contribute to another record year.



A. Beverage Group administrators examine plans for extension to Calgary plant. Left to right: Vern Siemens, Ken Taylor, Morley Chandler and Andy Wangen.
B.&C. Newly developed cart delivery system provides ease of handling and improved efficiency. D. Construction starts on extension to Blue Label plant in Calgary
E. Pre-mix tanks are filled for service to bars and soda fountains.
F. Polar Canning's high speed can line produces up to 600 cans per minute.

Beverage Group

	1975	1974
SALES	$9,189,849	$7,054,172
EARNINGS	$ 313,597	$ 18,594

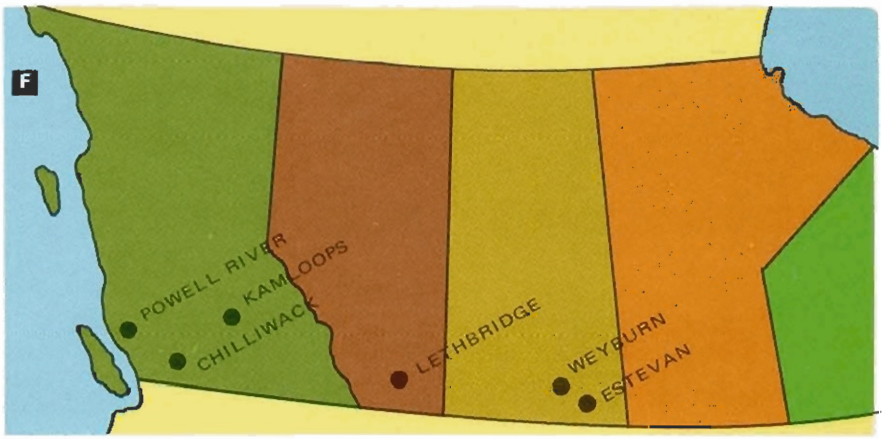
An excellent year was enjoyed by our Beverage Group which manufactures in Calgary and Lethbridge several nationally branded soft-drink lines, including Pepsi-Cola, Seven-Up, Crush and Canada Dry products, and distributes them throughout southern Alberta. Total sales increased from $7,054,172 in 1974 to $9,189,849 and after tax earnings increased to a healthy $489,860 from $18,594 last year. A write-off of $176,263 due to a shutdown of our Vintage Craft operation reduced final earnings to $313,597.

There were several reasons for the very marked improvement in our soft-drink operations. The amalgamation in Calgary of Blue Label (the Pepsi-Cola franchise) with Polar (the Seven-Up and Crush franchise), while it was substantially completed in 1974, had not settled down sufficiently in that year to reflect proper efficiencies of operations. By 1975 however, the changes and adjustments resulting from the amalgamation began to take effect, with gratifying results. In 1974, keeping up with runaway costs of raw materials and labour was most difficult, if not impossible. During that year, the price of sugar alone spiralled from 10 cents per pound to over 60 cents per pound. It was not until 1975 that our pricing policies managed to catch up to the rising costs.

In Lethbridge, Chinook Beverages was not faced with the integration problems of two major plants as was the case in Calgary. Nevertheless, operational problems did exist in 1974, and these were not clarified until the latter half of 1975. The effect of this was that fiscal 1975 was acceptable even though most of the improvement was made in the second half of the year. We look forward to a better performance by Chinook Beverages in 1976.

Contain-A-Way Ltd., our subsidiary company, operates a successful depot system throughout the Province of Alberta for collection of bottles and cans from the soft-drink industry as well as wine and liquor bottles for recycling purposes. A total of some 185 depots are operated throughout the province for the convenience of the public, as well as two major processing plants, one in Calgary and the other in Edmonton. At these plants, soft-drink cans are crushed and recycled to steel producers in Calgary and Edmonton. Bottles are sorted, cleaned and crushed, for recycling to bottle manufacturers and luminescent paint companies. Operations in 1975 were very satisfactory, and we are proud of the service we have provided to the soft-drink industry, the Alberta Liquor Board and to the general public.

Looking forward to 1976, the efficiencies which were developed in Calgary by amalgamating two soft-drink plants into one organization should continue to serve us well. Increased competition will no doubt require extra effort to maintain our base of sales, however, we are well equipped to meet such competition and will provide the extra effort. Chinook Beverages will have the benefit of operating the full year with its operational problems clarified, which should result in improved performance. All of which should result in another excellent year for 1976.



A. Mainline Cablevision's new office, head-end and studio facilities in Kamloops, B.C.
B. A community cablecasting interview in progress in Chilliwack, B.C.
C. Weather equipment continuously monitors weather information which is carried on one of our community channels. **D.** Cable system managers at one of their regular meetings. Left to right: Doug Robinson, Noel Sherman, Morley Chandler, Walter Weckers, Gordon Turner and Bill Wolfe. **E.** Microwave repeater station on top of Mount Lolo. **F.** Our cable systems serve six communities in western Canada.

Communications Group

	1975	1974
SALES	$3,243,134	$2,690,428
EARNINGS	$ 258,155	$ 221,358

Total revenues of our Communications Group reached $3,243,134 compared with $2,690,428 last year and earnings reached $258,155 after tax compared with $221,358 in 1974. Our Communications Group consists of General News Company, a newsmagazine wholesale distributor for southern Alberta, as well as a number of cable television systems serving several cities in western Canada including Estevan, Weyburn, Lethbridge, Powell River, Chilliwack and Kamloops. Total number of subscribers served at year-end numbered approximately 29,000 compared with 24,000 last year, for an increase of over 20 percent.

During the year we purchased from Selkirk Holdings their 25 percent interest in Cablevision Lethbridge for $350,000, giving us complete ownership of this company.

Last year the Canadian Radio-Television Commission granted us a license to construct the cable television system in Kamloops, British Columbia. A condition of the license was that AGRA would own only 50 percent of the shares in the Kamloops cable company (called Mainline Cablevision of Kamloops Ltd.) and that the other 50 percent would be sold to the public in Kamloops and other parts of British Columbia. Sale of shares in Mainline Cablevision was very sluggish because of poor market conditions generally, and as a result, we obtained permission from the CRTC to purchase the balance of shares which the public had not taken up. This increased our holdings in Mainline Cablevision to 75 percent of the outstanding shares issued. A condition of this special permission by the CRTC is that we must reduce our holdings back down to 50 percent within seven years.

Construction of the cable system in Kamloops was almost completed at year-end, and over 3,000 subscribers have already been hooked up. Our total potential in Kamloops is now over 15,000 subscribers, and we anticipate a substantial subscriber growth in the current year.

During the year we received license renewals from the CRTC for a further five year period for our cable systems in Chilliwack, Powell River and Lethbridge. In addition, the CRTC approved a rate increase of one dollar per subscriber per month for our Chilliwack system. This will help offset the cost of community programming which was instituted on a regular basis during the year in Chilliwack.

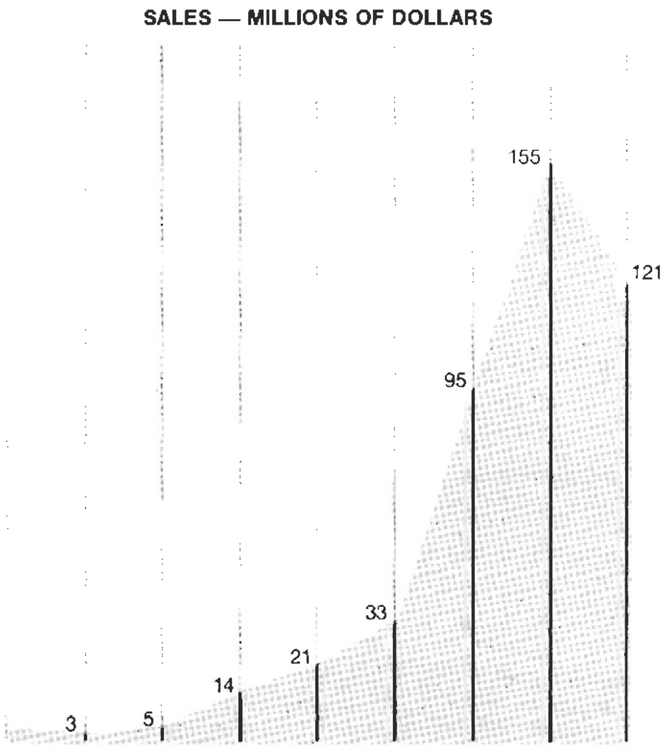
An interesting project was begun near the end of the year to lease space on the Anik satellite, and to transmit various television signals across Canada, such as Pay TV, for cable television systems. While this project has substantial potential for exciting growth and development, it is dependent on CRTC policy regarding Pay TV which may be delayed for some time. In the meantime, subsequent to our year-end, we further extended our involvement in satellite communications technology by agreeing to purchase a 50 percent interest in a company called Integrated Satellite Information Services Limited (ISIS). This company produces and distributes throughout Canada all the photographic imagery obtained from the U.S. Landsat satellite as it passes over the country. The utilization of satellite imagery is relatively new, however its potential for detecting forest fires, aiding navigation by detecting the presence and movements of ice jams in the Arctic, surveying resources and forecasting agricultural crops, etc., make it a most exciting prospect for future development.

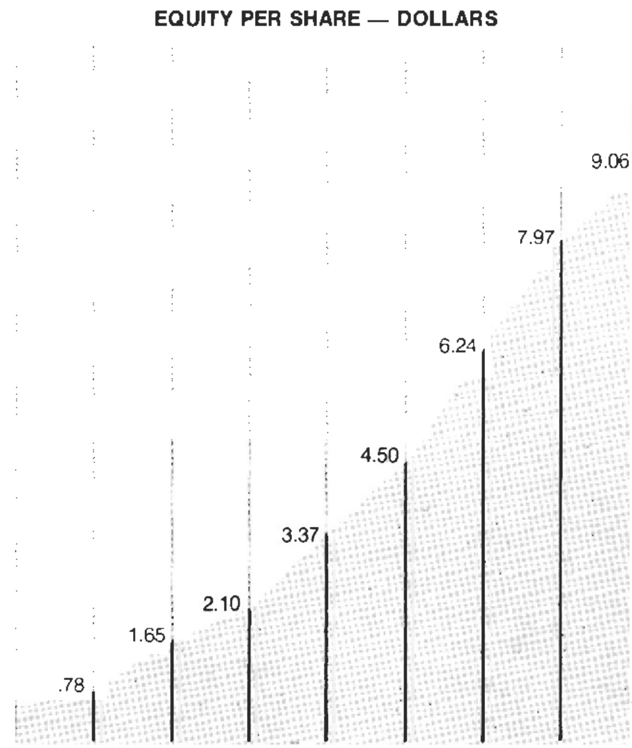
With the growth potential of our new cable system in Kamloops, as well as the promise of exciting developments from our involvement in satellite communications technology, we look forward to continued expansion for our Communications Group in the years ahead.

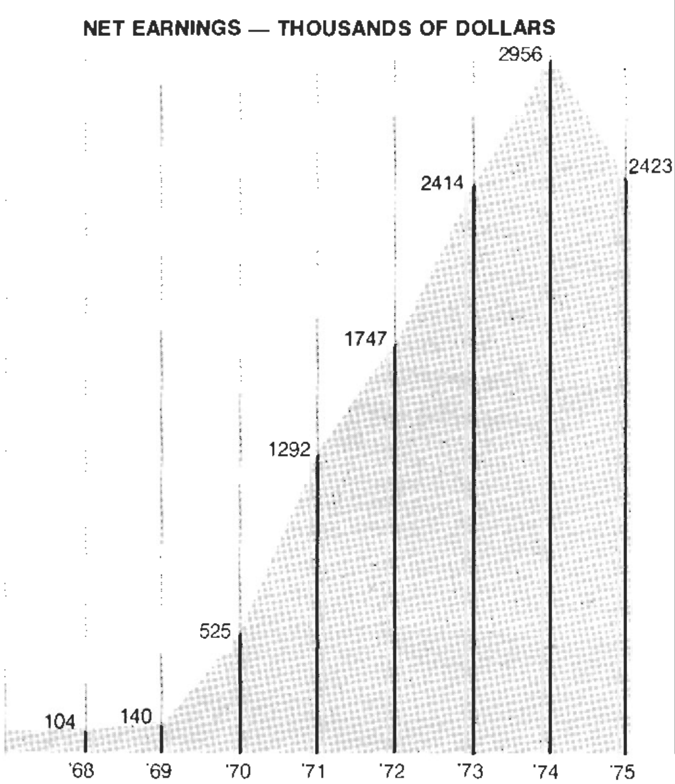
Five Year Review

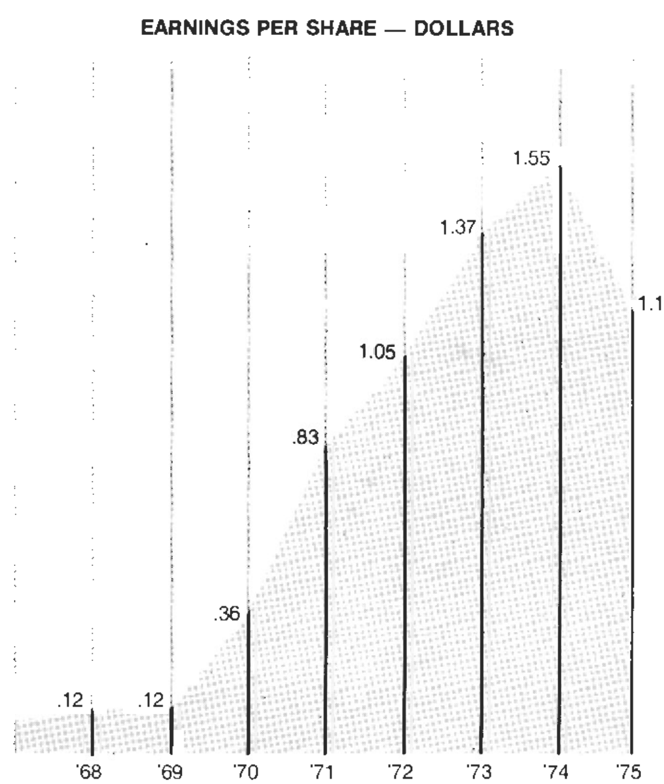
EARNINGS STATISTICS	1975	1974	1973	1972	1971
*Revenues	**$121,104,857**	154,685,149	94,613,005	32,542,237	20,945,938
*Depreciation	**1,594,556**	1,692,307	1,163,237	647,896	484,614
*Pre-Tax Earnings	**4,820,837**	5,270,429	4,252,073	3,258,395	2,392,547
*Income Taxes	**2,397,730**	2,314,270	1,837,991	1,511,705	1,100,165
*Net Earnings	**2,423,107**	2,956,159	2,414,082	1,746,690	1,292,382
*Cash Flow	**5,439,024**	5,774,501	4,550,487	3,373,114	2,601,772
Dividends Paid	**553,570**	397,348	210,850	150,493	97,204
BALANCE SHEET STATISTICS					
Current Assets	**$ 28,860,017**	39,172,620	22,585,054	11,184,643	7,076,106
Current Liabilities	**26,142,108**	37,728,360	20,817,298	9,001,735	6,279,055
Working Capital	**2,717,909**	1,444,260	1,767,756	2,182,908	797,051
Fixed Assets — Net	**18,492,437**	25,136,753	21,149,650	12,752,947	8,177,940
Long-Term Debt	**11,661,885**	15,646,934	17,434,139	10,032,670	3,993,232
Shareholders' Equity	**19,316,386**	16,946,808	11,132,809	7,529,954	5,459,833
COMMON SHARE STATISTICS					
*Earnings per Share	**$ 1.14**	1.55	1.37	1.05	.83
*Cash Flow per Share	**2.55**	3.04	2.58	2.03	1.68
Dividends per Share	**.26**	.21	.12	.09	.06
Equity per Share	**9.06**	7.97	6.24	4.50	3.37
*Return on Equity (average)	**13%**	21%	26%	27%	30%
OTHER STATISTICS					
Average Shares Outstanding	**2,129,177**	1,896,507	1,764,390	1,664,541	1,548,570
Number of Shareholders	**2,000**	1,950	1,650	1,600	1,550

*1975 statistics are based on continuing operations.









Note: 1975 statistics are based on continuing operations.

Auditors Report

To the Shareholders

We have examined the consolidated balance sheet of Agra Industries Limited and its subsidiaries as at July 31, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position 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, 1975 and the results of their operations and changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Winspear Higgins Stevenson & Co.
Chartered Accountants

SASKATOON, Canada
October 31, 1975

AGRA INDUSTRIES LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS

Year ended July 31, 1975

	1975	1974
Revenue		
Sale of products, contracts and fees (Note 12)	**$151,278,624**	154,685,149
Expenses		
Cost of sales and services, selling, general and administrative (Note 14)	**141,817,544**	145,401,610
Depreciation	**1,787,531**	1,692,307
Interest on long-term debt	**1,604,716**	1,676,461
Other interest	**1,187,746**	1,145,898
	146,397,537	149,916,276
Earnings before income taxes and extraordinary items	**4,881,087**	4,768,873
Income taxes	**2,374,189**	2,174,176
	2,506,898	2,594,697
Minority interest	**14,559**	15,585
Net earnings before extraordinary items	**2,492,339**	2,579,112
Extraordinary items (Note 13)	**352,471**	377,047
Net earnings	**$ 2,844,810**	2,956,159
Earnings per share		
Before extraordinary items	**$ 1.17**	1.35
After extraordinary items	**$ 1.34**	1.55

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended July 31, 1975

	1975	1974
Balance, beginning of year	**$ 8,574,373**	6,166,039
Add net earnings	**2,844,810**	2,956,159
	11,419,183	9,122,198
Less dividends paid	**553,570**	397,348
share issue costs	**—**	150,477
	553,570	547,825
Balance, end of year	**$ 10,865,613**	8,574,373

The accompanying notes form part of these statements.

AGRA INDUSTRIES LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

July 31, 1975

ASSETS	1975	1974
Current		
Accounts receivable	**$17,091,109**	15,841,611
Inventories and contracts in progress	**10,955,168**	20,393,441
Prepaid expenses	**312,004**	325,357
Other	**501,736**	2,612,211
	28,860,017	39,172,620
Investments		
Equity in non consolidated subsidiary (Note 3)	**763,670**	400
Other — at cost	**1,031,808**	—
	1,795,478	400
Fixed		
Land	**704,340**	762,759
Buildings	**4,958,947**	6,903,886
Equipment	**23,458,393**	28,168,843
	29,121,680	35,835,488
Less accumulated depreciation	**10,629,243**	10,698,735
	18,492,437	25,136,753
Other		
Excess cost of shares in subsidiaries	**8,614,493**	8,677,170
Deferred charges	**397,052**	737,001
	9,011,545	9,414,171
	$58,159,477	73,723,944

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

The accompanying notes form part of this statement.

LIABILITIES	1975	1974
Current		
Bank indebtedness (Note 4)	**$ 8,179,877**	16,144,974
Loan payable	**—**	2,963,345
Accounts payable	**11,879,648**	13,612,880
Income taxes payable	**574,753**	135,348
Current portion of long-term debt	**2,996,957**	2,899,970
	23,631,235	35,756,517
Deferred income taxes (Note 8)	**2,510,873**	1,971,843
	26,142,108	37,728,360
Long-term (Note 6)	**11,661,885**	15,646,934
Minority interest	**13,333**	98,319
Deferred income taxes (Note 8)	**1,025,765**	3,303,523
	38,843,091	56,777,136
SHAREHOLDERS' EQUITY		
Share capital (Note 9)		
Authorized		
5,000,000 common shares without nominal or par value		
Issued and outstanding		
2,132,151 shares	**8,450,773**	8,372,435
Retained earnings (Note 11)	**10,865,613**	8,574,373
	19,316,386	16,946,808
	$58,159,477	73,723,944

AGRA INDUSTRIES LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended July 31, 1975

	1975	1974
Source of working capital		
Operations		
Net earnings	$ 2,844,810	2,956,159
Non-cash charges (credits)		
Depreciation	1,787,531	1,692,307
Amortization of deferred charges	389,400	92,181
Amortization and write down of excess cost of shares in subsidiaries	546,540	—
Deferred income taxes — non-current portion (recovery)	(2,277,758)	347,235
Gain on sale of fixed assets and goodwill	(4,457,802)	(535,914)
Earnings — equity basis	3,610	—
	(1,163,669)	4,551,968
Proceeds from		
Issue of share capital		
For cash	78,338	3,005,700
For acquisition of subsidiary company	—	399,965
Long-term debt	2,640,620	1,251,490
Disposal of fixed assets	13,803,592	1,858,672
Other	14,559	35,228
Long-term debt in companies acquired	—	133,110
Disposal of goodwill	499,033	—
	15,872,473	11,236,133
Use of working capital		
Investment in non-consolidated subsidiary	766,880	400
Investments — other	1,031,808	—
Purchase of		
Fixed assets	4,988,038	6,072,934
Fixed assets allocated on acquisition of subsidiaries	—	431,193
Fixed assets in companies acquired	—	498,036
Deferred income taxes in companies acquired	—	60,700
Excess cost of subsidiaries and purchased goodwill	483,865	612,497
Retirement of long-term debt	6,625,669	3,171,805
Payment of dividends	553,570	397,348
Share issue costs	—	150,477
Deferred expenses	49,449	143,357
Decrease in minority interest	99,545	20,882
	14,598,824	11,559,629
Increase (decrease) in working capital	1,273,649	(323,496)
Working capital, beginning of year	1,444,260	1,767,756
Working capital, end of year	$ 2,717,909	1,444,260
Represented by		
Current assets	$28,860,017	39,172,620
Current liabilities	26,142,108	37,728,360
	$ 2,717,909	1,444,260

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS July 31, 1975

1. Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries other than as outlined in Note 3. The equity method of accounting is applied to the investment in other companies.

The comparative figures for 1974 have been restated giving effect to the non-consolidation of Mainline Cablevision of Kamloops Ltd. In 1974 the Company owned 50% of Mainline.

Inventories

Inventories used in determining cost of sales are priced at the lower of cost and net realizable value. Engineering and construction contracts in progress are recorded at estimated realizable values.

Fixed Assets

Land, buildings and equipment are carried at cost.
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.
Profits and losses on the sale of fixed assets are charged to operations unless of an extraordinary nature.

Excess Cost of Shares in Subsidiaries

This represents the amount by which the purchase price of acquired shares of subsidiaries exceeded the net book value of underlying assets at date of acquisition for companies acquired prior to August 1, 1973. No amortization of this amount, other than for those companies for which the excess is no longer applicable, has been reflected in the accounts, since in the opinion of management, no diminution of value has occurred. The excess of the purchase price over the net fair value of identifiable assets at date of acquisition for companies acquired subsequent to August 1, 1973 is being amortized on a straight line basis over forty years.

Deferred Charges

Deferred financing, development and other similar costs are amortized over the period of the related obligation or over a reasonable pre-determined period.

Deferred Income Taxes

The Company records the estimated future tax benefit from operating losses, when, in the opinion of management, the realization of such benefits is virtually assured. In addition, the Company records the estimated future tax liability that may arise as a result of timing differences between recording for accounting purposes and recording for income tax purposes.

Discontinued Operations

Net profit (loss) on sale and discontinuance of operations is included in the statement of earnings as an extraordinary item (Notes 13 and 14).

2. Acquisitions

During the year the Company acquired the following:
a) the 25% minority interest in CableVision Lethbridge Ltd. for $350,000 in cash.
b) 756,880 common shares of Mainline Cablevision of Kamloops Ltd. for $756,880 in cash (Note 3).

3. Non-consolidated Subsidiary

The Company is the registered owner of 75% of the voting shares of Mainline Cablevision of Kamloops Ltd.; however, as a condition of the license issued by the Canadian Radio and Television Commission the Company must divest itself of its equity in excess of 50% within a seven year period.

Mainline Cablevision of Kamloops Ltd. is a public company, incorporated under the laws of the Province of British Columbia and is listed on the Vancouver Curb Exchange.

The Company is accounted for on an equity basis.

4. Bank Indebtedness

The bank indebtedness includes:	1975	1974
Secured bank loans	$7,337,500	$13,690,800
Cheques issued and uncashed	842,377	2,454,174
	$8,179,877	$16,144,974

The bank loans are secured by various combinations of the following: (a) General assignment of accounts receivable. (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. 6-1/2% Convertible Subordinated Debentures

During the year ended July 31, 1972 the Company issued $3,000,000 of 6-1/2% Convertible Subordinated Debentures to mature March 15, 1992. The debentures are unsecured, direct obligations of the Company subordinated to the senior indebtedness of the Company.

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.

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 Company covenants that so long as any debentures remain outstanding it will use all reasonable effort to purchase in the market at such time or times in each 12 month period ending March 15, a total of at least $90,000 principal amount of debentures outstanding at a price not exceeding 100% of the principal amount plus accrued interest. In the event debentures are not available for purchase in any 12 month period, the obligation is nullified in that period.

During the year ended July 31, 1975 the Company redeemed $57,000 of these debentures.

6. Long-Term Debt

	1975	1974
a) Mortgages payable Mortgages and chattel mortgages payable with interest rates averaging 11-3/4% (maturity dates from 1976 to 1987)	$ 1,912,112	$ 5,133,273
b) Notes, agreements and loans payable with interest rates averaging 10-1/4% (maturity dates from 1976 to 1983)	10,016,730	10,626,631
c) 6-1/2% Convertible Subordinated Debentures (Note 5)	2,730,000	2,787,000
	14,658,842	18,546,904
Less current portion	2,996,957	2,899,970
	$11,661,885	$15,646,934

7. Restrictive Covenants

The Company is subject to certain restrictions on the payment of dividends contained in the Trust Deed providing for the 6-1/2% Convertible Subordinated Debentures and a loan agreement with a Canadian chartered bank.

8. Deferred Income Taxes

Deferred income taxes recoverable in the amount of $2,381,767 recorded as a result of operating losses have been netted against deferred income taxes payable of $5,918,405. The amount of the recovery deemed current is $522,000.

9. Share Capital

During the year the Company increased its authorized share capital from 3,000,000 common shares of no par value to 5,000,000 common shares of no par value.

During the year the Company issued 6,545 common shares for cash.

The Company has reserved 210,000 common shares for conversion of the 6-1/2% Convertible Subordinated Debentures.

The Company has, pursuant to a trust indenture referred to in Note 17(b), granted a right to the noteholder to purchase 160,000 common shares at $12.50 per share. This right is exercisable until April 15, 1979. In addition, the interest earned to December 31, 1975 from the investment of the trust funds is committed to purchase shares of the Company at $12.50 per share. As of July 31, $180,838 of earned interest was held in trust and is committed to purchase 14,467 common shares.

10. Stock Option Plan

Under the Company's stock option plan, dated November 27, 1969, options for 21,750 common shares of the Company have been granted to employees of the Company as at July 31, 1975. The plan provides that options are exercisable for a five year period and the price at which the options can be exercised may be no less than 90% of the market value of such shares at the time the options are granted. As of July 31, 1975 8,400 shares have been issued to employees of the Company under the plan. Additional options for 7,300 shares have been granted to employees of the Company subsequent to the year-end.

11. Retained Earnings

Retained earnings include $422,198 of contributed surplus arising from subsidies granted by the Federal Government in connection with the construction of plant facilities.

12. Segmented Revenue

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

	1975	%	1974	%
Foods Group				
Continued operations	$ 72,733,921	48.1	$ 74,347,563	48.1
Discontinued operations	30,173,767	19.9	45,853,551	29.6
Engineering Group	35,937,953	23.8	24,739,435	16.0
Beverage Group	9,189,849	6.1	7,054,172	4.6
Communications Group	3,243,134	2.1	2,690,428	1.7
	$151,278,624	100.0	$154,685,149	100.0

13. Extraordinary Items

	1975	1974
Gain on sale of fixed assets — continuing operations (net of income taxes)	$ 107,031	$487,922
Loss on investments	(176,263)	(110,875)
Discontinued operations (Note 14) Loss on operations (net of income tax recoveries of $3,016,211)	(3,374,012)	—
Gain on sale of fixed assets and goodwill (net of income taxes)	3,795,715	—
	421,703	—
	$ 352,471	$377,047

14. Discontinued Operations

During the year ended July 31, 1975 the Company sold and discontinued certain of its operating plants and branches within the Foods Group because of the unusual conditions in the edible oil market. The excess of operating expenses over operating revenues pertaining to sold and discontinued operations has been deducted from cost of sales and services in the consolidated statement of earnings. The result reflects the earnings from continuing operations before income taxes and extraordinary items.

15. Remuneration to Directors

Remuneration to directors and senior officers for the year amounted to $561,197.

16. Lease Commitments

Minimum annual rental expense under long-term leases, the longest of which will expire in 1985, for the five succeeding years average approximately $451,193 per annum.

17. Contractual Obligations and Commitments

a) Mainline Cablevision of Kamloops Ltd.

During the year the Company acquired 75% of the outstanding shares of Mainline Cablevision of Kamloops Ltd., with the approval of the Canadian Radio and Television Commission. Agra is committed to reduce its ownership of shares to 50% within a seven year period.

b) Pursuant to a financing agreement with a lendor, the lendor agreed to deposit $2,000,000 in cash with a Trustee for the purpose of future development of plant facilities by the Company in the Province of Saskatchewan. All interest earned by the investment of the funds is the property of the lendor. However, it must be invested in shares of the Company at $12.50 per share. As of July 31, 1975 the lendor was committed to purchase 14,467 common shares. The Company has issued a $2,000,000 non-negotiable, non-interest bearing promissory note due April 15, 1979. This note is non-callable and the Company has no contractual obligation other than as outlined in Note 9. Therefore, the funds on deposit with the Trustee and the note issued are not reflected in the consolidated financial statements.

c) The Company is a 50% owner in a corporate entity, Nipawin Edible Oil Products Ltd. Agra is committed to guarantee 50% of any loans incurred by this company.

18. 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.

19. Net Earnings per Share

No dilution	$ 1.34
Full dilution	$ 1.21

The fully diluted net earnings per share reflect earnings that would have been reported had all conversion rights been exercised.

20. Transactions Subsequent to Year-End

The Company acquired 100% of the outstanding shares of Meredith Drilling Company Inc., Denver, Colorado for a total consideration of $900,000.

The Company deposited $100,000 to acquire an option to purchase 100% of the outstanding shares of Coast Steel Fabricators Ltd., Vancouver, B.C.

Head Office:
1101 CN TOWERS,
SASKATOON, CANADA. S7K 1J5
(306) 653-5163

AGRA
INDUSTRIES LIMITED

Office of the President:
1201 OLD MILL TOWERS,
39 OLD MILL ROAD,
TORONTO, CANADA. M8X 1G6
(416) 231-1946

FOODS GROUP

RESEARCH FOODS LIMITED,
77 Champagne Drive,
Downsview 462, Ont. M3J 2C6
(416) 635-8434

GAINERS LIMITED.
80th Avenue & 96th Street,
Edmonton, Alta. T6E 4T4
(403) 439-2011

1221 Vulcan Way,
Richmond, B.C. V6V 1J7
(604) 278-8491

RANCH HAND FOODS,
1221 Vulcan Way,
Richmond, B.C. V6V 1J7
(604) 278-8491

W. J. LAFAVE & SONS LTD.,
MAGNANI INC.,
950 Rue d'Industrie,
St. Jerome, Que. J7Z 5V9
(514) 866-1777

AGRA FOODS LIMITED,
7966 Winston Street,
Burnaby, B.C. V5A 2H5
(604) 291-6484

1101 CN Towers,
Saskatoon, Sask. S7K 1J5
(306) 653-5163

NIPAWIN EDIBLE OILS LIMITED,
Box 580,
Nipawin, Sask. S0E 1E0
(306) 862-4686

6700 Finch Ave. West,
Rexdale, Ontario. M9Q 5P2
(416) 678-7523

BEVERAGE GROUP

BLUE LABEL BEVERAGES (1971) LTD.,
1010 - 42nd Avenue S.E.,
Calgary, Alta. T2G 1Z4
(403) 287-0723

POLAR BEVERAGES (1970) LIMITED,
1010 - 42nd Avenue S.E.,
Calgary, Alta. T2G 1Z4
(403) 287-0723

CONTAIN-A-WAY LTD.,
1324 - 44th Avenue N.E.,
Calgary, Alta. T2E 2N8
(403) 277-8591

L B RECYCLING LTD.,
1324 - 44th Avenue N.E.,
Calgary, Alta. T2E 2N8
(403) 277-8591

CHINOOK BEVERAGES LIMITED,
2907 - 2nd Avenue South,
Lethbridge, Alta. T1J 0G8
(403) 327-1310

COMMUNICATIONS GROUP

VALLEY TELEVUE LTD.,
62 Yale Road, East,
Chilliwack, B.C. V2P 2P2
(604) 792-4626

POWELL RIVER TELEVISION COMPANY LTD.,
4706 Marine Avenue,
Powell River, B.C. V8A 2L4
(604) 485-4295

MAINLINE CABLEVISION OF KAMLOOPS LTD.,
180 - Briar Avenue,
Kamloops, B.C. V2B 1C1
(604) 376-7204

CABLEVISION LETHBRIDGE LTD.,
728 - 13th Street North,
Lethbridge, Alta. T1H 2T1
(403) 328-1222

CO-AX CABLE TV LIMITED,
1131 - 5th Street,
Estevan, Sask. S4A 0Z3
(306) 634-3822

117 - 2nd Street,
Weyburn, Sask. S4H 0T7
(306) 842-4236

GENERAL NEWS COMPANY LTD.,
237 - 12th Street B North,
Lethbridge, Alta. T1H 2K8
(403) 327-4220

ENGINEERING GROUP

The Cambrian Group

The Cambrian Engineering Group Limited
CEL Contracting Ltd.
Cambrian Facilities Consultants Limited
Cambrian Processes Limited
Cambrian Project Management Limited
Cambrian-Frit Industries Limited

10554 - 82nd Avenue,
Edmonton, Alta. T6E 2A4
(403) 432-7478

6012 - 82nd Avenue,
Edmonton, Alta. T6B 0E7
(403) 465-0319

5925 - 3rd Street S.E.,
Calgary, Alta. T2H 1K3
(403) 253-7631

115 - 105th Street East,
Saskatoon, Sask. S7N 1Z2
(306) 373-3811

119 - 105th Street East,
Saskatoon, Sask. S7N 1Z2
(306) 374-8242

1550 Park Street,
Regina, Sask. S4N 2G1
(306) 525-1345

112 - 2465 Cawthra Road,
Mississauga, Ont. L5A 3P2
(416) 270-1455

P.O. Box 907,
Timmins, Ont. P4N 7H1
(705) 267-2161

Torchinsky Consulting Ltd.

7708 Wagner Road,
Edmonton, Alta. T6E 4N5
(403) 465-0251

56 Sherwood Cresc.,
Red Deer, Alta. T4N 0A6
(403) 346-5895

1 - 5632 Burbank Road S.E.,
Calgary, Alta. T2H 1Z4
(403) 252-1106

P.O. Box 610,
Prince Albert, Sask. S6V 5S2
(306) 764-4154

121 - 105th Street East,
Saskatoon, Sask. S7N 1Z2
(306) 374-6121

160 Myrtle Avenue,
Yorkton, Sask. S3N 1R1
(306) 783-8563

1550 Park Street,
Regina, Sask. S4N 2G1
(306) 523-9626

No. 1 Highway West,
Swift Current, Sask. S9H 3V5
(306) 773-4882

The Western Caissons Group

Western Caissons Limited
Western Caissons Incorporated
Greenlees Piledriving Co. Ltd.
Maxum Engineering Enterprises Ltd.

630 Taylor Street,
Vancouver 3, B.C. V6B 4H3
(604) 681-7142

7708 Wagner Road,
Edmonton. Alta. T6E 4N5
(403) 465-0231

416 Monument Place,
Calgary, Alta. T2A 1X3
(403) 272-5531

121 - 105th Street East,
Saskatoon, Sask. S7N 1Z2
(306) 374-6121

1925 - 7th Avenue,
Regina, Sask. S4R 1C1
(306) 525-1379

961 Jarvis Avenue,
Winnipeg, Man R2X 0A1
(204) 586-8295

150 Creditstone Road,
Maple (Toronto), Ont. L0J 1E0
(416) 669-1663

1950 Fortin Boulevard,
Chomedey (Laval), Que. H7S 1P3
(514) 667-5024

1800 First National Building,
Detroit, Michigan. 48226

4055 Garden City Drive,
Landover, Maryland. 20784
(301) 577-8388

24 - 28 Mariners Circle,
Belvedere Tiburon,
California. 94920
(415) 435-2341

AGRA INDUSTRIES LIMITED · 1975 TWELFTH ANNUAL REPORT