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AGRA INDUSTRIES LIMITED

1979 SIXTEENTH ANNUAL REPORT

AGRA INDUSTRIES LIMITED

CORPORATE HEAD OFFICE: 1101 CN TOWERS, SASKATOON, CANADA, S7K 1J5

PHONE (306) 653-5163 TELEX 074-2496

1979 SIXTEENTH ANNUAL REPORT

FINANCIAL HIGHLIGHTS

	1979	1978
Sales	**$105,629,644**	181,730,078
Net Earnings — After Taxes		
Before Extraordinary Items	**989,473**	2,579,878
After Extraordinary Items	**959,361**	6,320,883
Net Earnings Per Share		
Before Extraordinary Items	**.42**	1.09
After Extraordinary Items	**.40**	2.67
Cash Flow	**1,880,919**	9,692,023
Cash Flow Per Share	**.79**	4.09
Equity Per Share	**12.67**	12.65
Average Shares Outstanding	**2,371,552**	2,370,139
Return on Equity	**3%**	23%

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ANNUAL MEETING

The annual meeting of shareholders will be held at 2:30 P.M. on Tuesday, January 29, 1980 in the Sheraton West Room, Sheraton Cavalier Hotel, in Saskatoon, Saskatchewan. If you cannot be present, please vote by proxy.

Front Cover —

Brick faced, insulated wall panels with windows cast in the panels were manufactured by Beer Precast for Les Terrasses de la Chaudière building in Hull, Quebec.

LITHOGRAPHED BY MIDWEST LITHO LIMITED

Large diameter plastic tanks are reinforced by spun fiberglass during production at Mocoat Industries in Alberta.

AGRA INDUSTRIES LIMITED

BOARD OF DIRECTORS

D. H. C. BEACH	Nipawin	T. A. McLELLAN	Saskatoon
G. H. BEATTY	Regina	C. ROLES	Saskatoon
J. S. BURTON	Regina	R. A. SCHWIEDER	Saskatoon
S. J. HAMER	Vancouver	H. TENENBAUM	Toronto
P. KOZICKI	Toronto	B. B. TORCHINSKY	Toronto
W. B. MANOLSON	Toronto		

OFFICERS AND CORPORATE MANAGEMENT

B. B. TORCHINSKY
President and Chairman of the Board

T. A. McLELLAN
Executive Vice-President and Secretary

A. W. BEAN
Vice-President, Special Investments

H. TENENBAUM
Vice-President, Foods Group

P. KOZICKI
Vice-President, Engineering Group (Contracting)

R. A. SCHWIEDER
Vice-President, Engineering Group (Consulting)

W. B. MANOLSON
Vice-President, Community Services Group

K. J. TAYLOR
Vice-President, Beverages Group

W. V. FURBER
Vice-President, Communications Division (Radio)

R. G. DITTMER
Treasurer

O. P. RITTER
Corporate Counsel

COMPANY AUDITORS

Winspear Higgins Stevenson and Co.,
Saskatoon, Saskatchewan

REGISTRAR and TRANSFER AGENT

Common shares: Canada Permanent Trust Company
Convertible Debentures: Canada Trust Company

SECURITIES EXCHANGE LISTING

Toronto Stock Exchange
Montreal Stock Exchange

REPORT TO THE SHAREHOLDERS

With but a few exceptions, operating results proved disappointing for fiscal year 1979. Consolidated revenues reached only $105,629,644 compared with a record $181,730,078 last year. Revenues dropped considerably due to the absence of any contribution to sales from our former meat packing operation which was sold at the end of 1978. Earnings from operations, after allowing for full income taxes, reached only $989,473 or 42 cents per share (based on 2,371,552 shares outstanding) compared with $2,579,878 or $1.09 per share (based on 2,370,139 shares) last year. In addition, last year's results showed an extraordinary gain of $3,741,005 or $1.58 per share. In the current year an extraordinary loss of $30,112 reduced final earnings to $959,361 or 40 cents per share.

The year-end results proved disappointing due to reduced earnings from our Foods Group, continuing excessive start-up costs from our all-news radio network and the failure of our Engineering Group to live up to its potential. These disappointing results are nevertheless somewhat misleading because certain divisions within these groups produced excellent operating results. These were unfortunately overshadowed by serious losses in other divisions. We have been very busy in the past few months correcting the problem areas and I am pleased to report considerable progress in this effort. Several of our engineering offices have been either consolidated or shut down completely, and stricter inventory and profit margin controls in our Foods Group have been established, all of which should reduce overheads and increase operating efficiencies.

At the same time as we "de-emphasize the negative" by closing down those of our offices which have not produced satisfactorily, we are also attempting to "emphasize the positive". In this regard, we recently started a company called Ellesmere Developments Ltd. which will operate in the land assembly and property development areas. This company is located in Edmonton and the outlook for its early success appears excellent.

During the year our Communications Group concluded an agreement through its CableNet subsidiary to purchase all the shares of Citizens Cable TV Limited in Burlington, Ontario. This agreement is subject to approval by the Canadian Radio-television and Telecommunications Commission (CRTC). CableNet also purchased a 50 percent interest in South-Western Cable TV Inc. which has recently commenced installation of cable systems in several communities which form part of greater St. Louis in the U.S.A. Our Communications Group also increased its interest in Cybermedix Limited from 47 percent to approximately 73 percent. As a result, we re-named our Communications Group to reflect the broadened nature of its operations. We now refer to this group as the Community Services Group which has two major divisions, namely the Communications division and the Cybermedix division. All operations of the Community Services Group performed very well indeed during fiscal 1979 except our all-news radio network (CKO) which continued to generate excessive start-up losses. In spite of this, CKO does show steady improvements both in programming quality and in audience ratings and I remain optimistic for its eventual success.

Our Beverages Group operated very satisfactorily throughout the year and once again produced increased sales revenues and increased profits over last year. One obvious reason for this is the continued growth of the cities and other communities we serve in Alberta. Since the outlook for this part of Canada continues to be very buoyant, we can expect continued growth in the future. Another factor which should add substantial impetus to this trend is our purchase, subsequent to the year-end, of Seven-Up Montreal Ltée. which will substantially increase the size of our Beverages Group.

While results for fiscal 1979 have been disappointing, I am confident that we have a good handle on the problem areas and that the outlook is excellent for sharp improvement next year.

B. B. Torchinsky
Chairman and President

Saskatoon
November, 1979

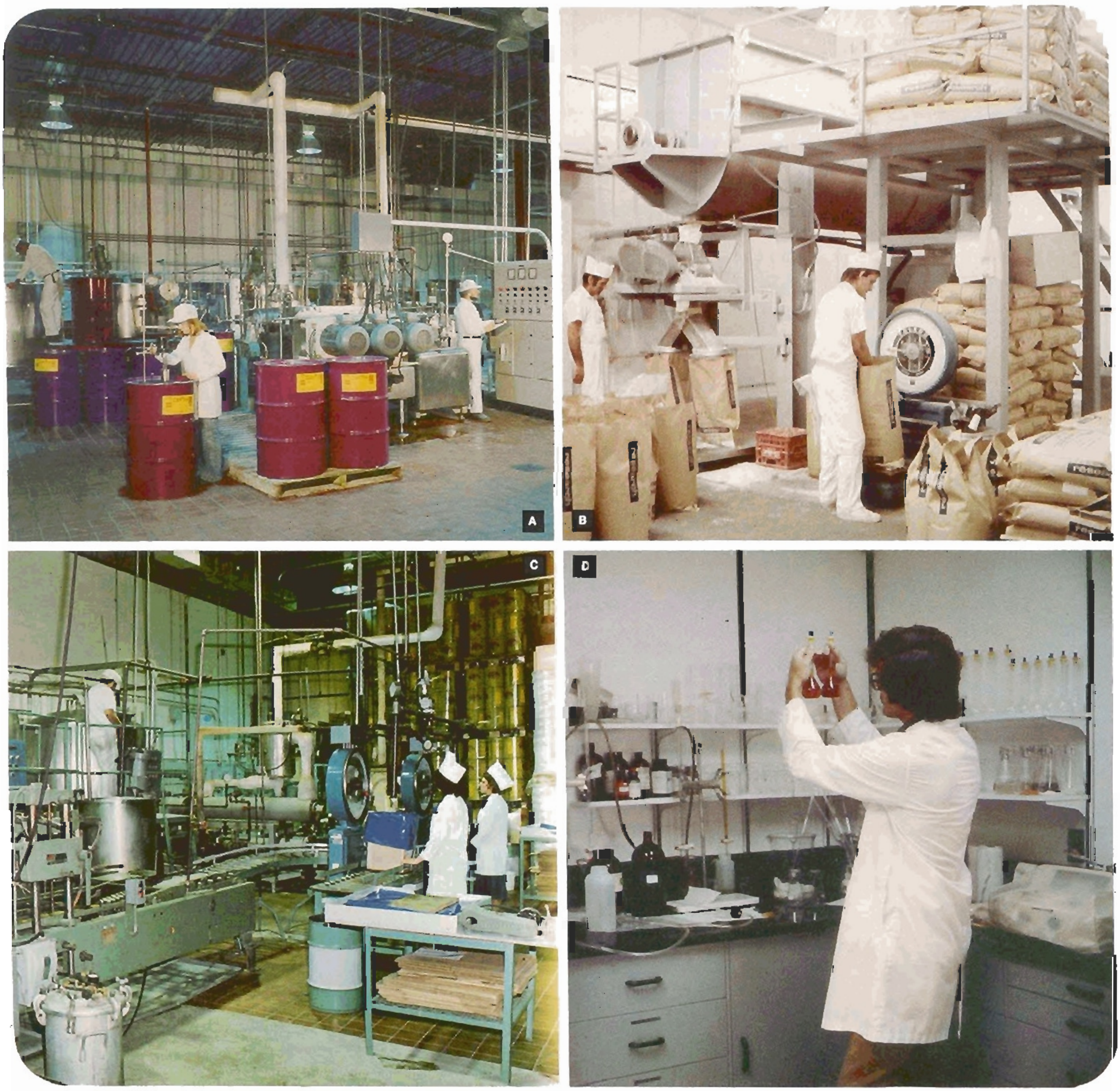
A meeting of some of Agra's head office personnel. From left to right: R.G. Dittmer, O.P. Ritter, B.B. Torchinsky, T.A. McLellan, and A.W. Bean.

A. Bulk cooking oils are packaged in Montreal by W.J. Lafave & Sons for the baking industry.

B. Manufacturing and packaging of seasoning products at Research Foods in Toronto.

C. Various specialty shortenings are packaged at the rate of approximately 120,000 pounds per day at W.J. Lafave & Sons in Montreal.

D. Stewart Terhune conducts ingredient analysis test as part of regular quality control procedures at Research Foods in Toronto.



FOODS GROUP

With the sale of our meat packing operations, which had always generated a major part of its total sales volume, our Foods Group entered a period of consolidation. For example, total sales for the current year reached only $22,592,343 compared with sales of $103,745,543 last year. After-tax earnings reached only $360,434 compared with $1,289,877 in the previous year. An extraordinary gain of $3,017,941, most of which resulted from the sale of our meat packing business, brought last year's total earnings to $4,307,818. There was no extraordinary gain in the current year.

Our W.J. Lafave & Sons division went through a considerably difficult period during the year due to the expansion of its plant facility and the increased scope of its operations. This division processes and distributes a large range of specialty ingredients to the baking industry across Canada. The expanded facilities include special equipment for grinding and blending cocoa powders and production of ice cream coatings for the dairy industry. Lafave also operates a subsidiary company, Magnani Inc., which produces a variety of pasta food products. The increase in plant operations at Lafave created an inventory and profit margin control problem during the year which adversely affected earnings but has now been overcome. Furthermore, the new product lines are now coming efficiently on stream so that we anticipate sharply improved results in the new year.

Research Foods is an ingredient supplier to the food processing industry of dehydrated cheese and dairy powder specialties, seasonings and vitamin blends. Research has also completed a program of plant modernization during the year and in spite of the disruption of its manufacturing processes was able to generate increased sales volumes and profits.

For the new year, our Foods Group will continue to expand its activities in the specialized area of ingredient supply to industry. While we are always interested in examining potential acquisitions for expansion of our Foods Group operations, the main thrust will probably come from expansion of current product lines and markets. With the enlarged operations of both Research Foods and Lafave in place, and with the organizational corrections established at Lafave, we anticipate that our Foods Group will produce a substantially improved performance next year.

A. Precast segmental bridge units for the Islington Avenue bridge in Toronto were manufactured and erected by Beer Precast.

B. Coast Steel Fabricators manufactured free standing transmission line anchor towers for the B.C. Hydro and Power Authority.

C. Bulk liquid and general cargo dock under construction by Jensen & Reynolds for the City of Richmond in California.

D. BBT Geotechnical Consultants drill test holes at site of proposed new bridge over South Saskatchewan River in Saskatoon.

ENGINEERING GROUP

The Engineering Group started out in fiscal 1979 with considerable promise but did not follow through. Consequently, even though operating results for the year were somewhat improved over last year, they nevertheless remained disappointing considering their potential. Total revenues reached a satisfactory $60,862,090 compared with $58,543,289 last year. This produced net earnings of $254,089 which was only a marginal improvement over last year's net earnings of $165,534. An extraordinary loss of $30,112 was incurred from the closing down of some of our engineering offices and this reduced final net earnings for the group to $223,977.

Serious losses were suffered primarily in those engineering divisions involved with heavy construction and firm price contracts. Items such as bad weather or field conditions and errors in correctly assessing production schedules contributed to the losses in these divisions. Exceptions to the foregoing were Jensen & Reynolds in San Francisco and our Western Caissons offices in Alberta and Saskatchewan, all of whom had an excellent year.

Those divisions involved with engineering consulting or with shop fabricating did not suffer the serious losses incurred in some of our heavy construction operations. In fact, several companies such as the Torchinsky Consulting division, BBT Geotechnical division, Coast Steel Fabricators and others all produced very good or even excellent earnings.

As a result of our experience in the current year we have taken and are continuing to take several courses of action to overcome the serious losses incurred, and to minimize the possibility of facing such losses in the future. For example, we completely shut down three operations which suffered excessive losses and which we felt could only produce a small profit at best if they continued to operate. We have also consolidated some of our operations by reducing the number of offices and hence reducing overhead. In general, we are emphasizing the positive areas of our engineering operation and backing away from those areas where high risk and bad experience have hurt us in the past.

Another direction which we are interested in pursuing is the land assembly and property development business. This area is not really new to us since our consulting engineering divisions have provided many services to such operations over the past two decades. To pursue this business we have recently established Ellesmere Developments Ltd. in Edmonton who have already become involved in several land assembly operations in western Canada and the United States.

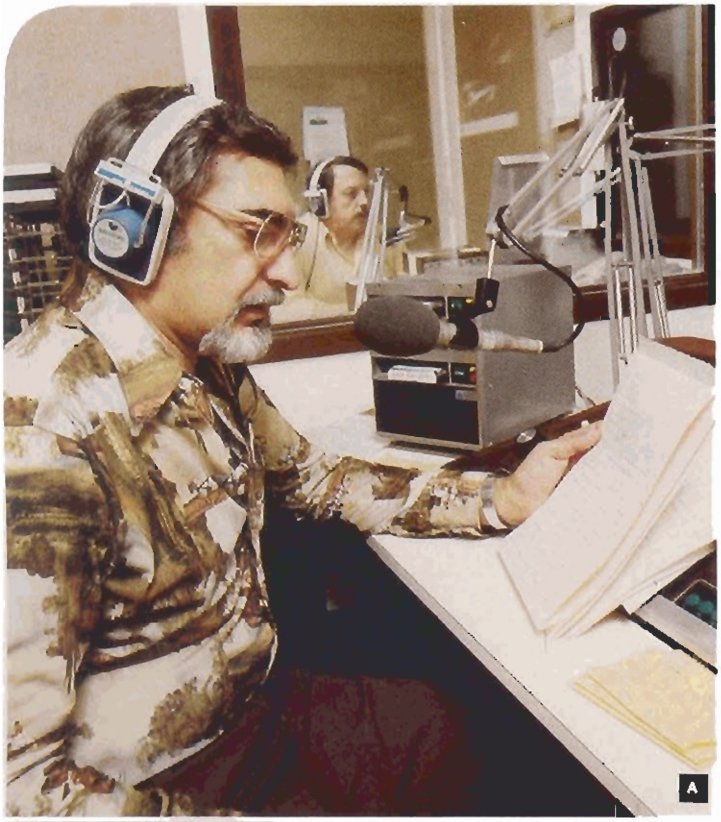
In general, we plan to re-direct the energy and strengths of our Engineering Group towards those areas that have already proven themselves to be capable of producing reasonable returns, and to de-emphasize our involvement in the high risk, low returns side of the business.

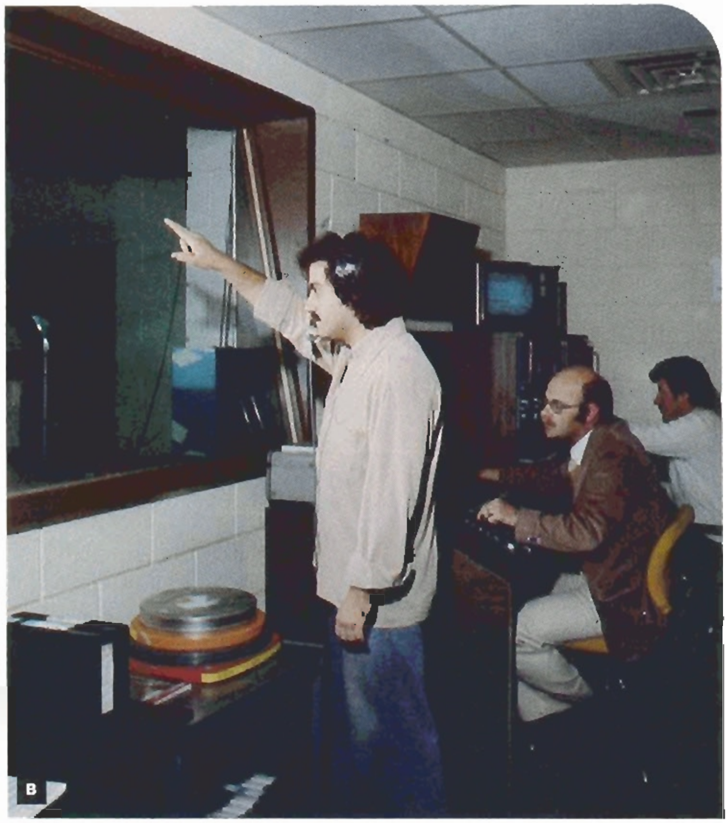
A. CKO's Frank Cantar at the network desk. In the background is CKO — Toronto's Milt Conway.

B. Control room for community programming studio in Wired City Cable TV, Scarborough. From left to right: R. Dominic (standing), L. Johnston, and G. Kirkby.

C. Some popular titles distributed by General News in southern Alberta.

D. Matrina Cruickshank checks the Coulter S machine which automatically determines many different haematology parameters in Cybermedix's central reference laboratory in Toronto.





COMMUNITY SERVICES GROUP

We have re-named our former Communications Group to reflect the broadened scope of activities in which the group is involved since it acquired 73 percent of Cybermedix Limited. Our Community Services Group is now made up of two divisions. The Communications division is involved in cable television, radio broadcasting and wholesale distribution of magazines and paperback books. The Cybermedix division operates medical diagnostic laboratories in eastern Canada and the United States.

Operating results for the entire group, except our all-news radio network (CKO), were very satisfactory. Total sales for the year reached a record $12,685,491. Included in this amount is $6,857,595 which is our share of Cybermedix's sales for the year. This is not included in AGRA's consolidated sales figure since our interest in Cybermedix is accounted for on an equity investment basis. Last year our group sales totalled $6,133,447. Consolidated operations for the year produced a net loss of $309,280 compared to a net profit last year of $1,146,344. This sharp deterioration is explained partly because last year's results included an extraordinary gain of $569,403 while this year there was no such extraordinary gain. Furthermore, last year we were minority shareholders of CKO and all its start-up costs were deferred, thus not affecting our operating results. This year we acquired 100 percent of CKO and all its losses for the year are included in our consolidated report. For the current year CKO's net loss of $1,437,967 accounts for a loss of 61 cents for each outstanding AGRA share. Obviously we cannot absorb such heavy losses indefinitely. We are optimistic that a turnaround trend will become evident in the new year and in the meantime we are monitoring our position carefully.

The balance of our Communications division produced excellent results for the year. Our General News subsidiary in southern Alberta again generated increased sales volume and profits for the tenth year in a row. CableNet, our cable television subsidiary, continued to expand and prosper during the year. We now serve nearly 84,000 subscribers compared with less than 70,000 last year. This was accomplished through natural growth and by the acquisition of Comox Valley Cablevision Limited which serves a growing area on Vancouver Island. We are also pleased with the progress of South-Western Cable TV Inc., a new cable system currently being constructed near St. Louis in southwestern Illinois. CableNet holds a 50 percent interest in this company which is already franchised to serve some 40,000 homes and continues to expand. We are also awaiting CRTC approval of our acquisition of Citizens Cable TV Ltd. which serves nearly 15,000 subscribers in Burlington, Ontario.

The Cybermedix division experienced an excellent year with continued growth in revenues and profits. Studies are currently underway to introduce a computerized billing and reporting system which should result in improved service to doctors and a major reduction in operating expenses. Subsequent to our fiscal year-end several medical laboratories were acquired. These are located in Montreal and in Buffalo and should increase total sales for the Cybermedix division by more than 5 percent.

A. Seven-Up Montreal's new executive. From left to right: A.E. Bowker, V.P. Marketing; W.K. Wallace, Exec. V.P.; P.M. Dufour, V.P. and General Manager; B.B. Torchinsky, Chairman; K.J. Taylor, President; and H.P. Demers, V.P. Finance.

B. First production run of the new two-litre all plastic bottle at Blue Label's plant in Calgary.

C. Seven-Up Montreal's general business office.

D. Part of the delivery fleet utilized by Seven-Up Montreal.

BEVERAGES GROUP

Fiscal 1979 was a solid year of achievement and sales growth for our Beverages Group. In spite of continued strong competition both within and outside the soft-drink industry, case sales in our franchised territory advanced by over ten percent and custom can volume was up by more than 25 percent over last year. Total sales reached a record $16,347,315 compared with $13,307,799 last year. After-tax earnings reached $684,230 compared with $516,211 in the previous year. An extraordinary gain of $184,976 from the sale of a surplus building increased last year's earnings to $701,187. There was no extraordinary gain in the current year.

A new franchise, Doctor Pepper, was acquired early in the year and has proven to be a valuable asset to our product line-up. Also, the non-carbonated lines of drinks, which are now in their second year of distribution, have helped to build our increased can volume.

Late in the year we suffered considerable problems with the sudden ban by government of our 1½ litre packages. We had to scramble to replace the sales gallonage of this very popular bottle size with other packages. The economic effect of this problem was slight in fiscal 1979 since it occurred very near our year-end. We must face this problem in the new year, however we are optimistic that a plastic coating process will enable us to salvage our large inventory of containers. Meanwhile, we have recently introduced a 2 litre plastic bottle and this should help offset the loss of the 1½ litre package.

In addition to manufacturing and distributing nationally branded soft-drink lines (such as Seven-Up, Pepsi-Cola and Crush products) in southern Alberta, our Beverages Group also operates Stampede Vending and Contain-A-Way. Stampede Vending supplies industrial accounts with a full service line of soft-drinks, coffee and snacks from vending machines and this business has shown respectable growth throughout the year. Contain-A-Way operates a depot system throughout Alberta to serve both the Alberta Liquor Control Board and the Alberta Soft-Drink Association in handling containers under the Alberta Beverages Container Act. Operations of Contain-A-Way were satisfactory for the year.

Subsequent to our year-end, AGRA purchased Seven-Up Montreal Ltée., which should have the effect of tripling the size of our Beverages Group operations. Seven-Up Montreal holds the 7-Up, Royal Crown Cola, Nesbitts and Welches Grape franchises for Montreal. It also holds master 7-Up franchises for most of the province of Quebec excluding only Quebec City and the Hull/Ottawa area. The company operates from a modern plant in St. Laurent which encloses 235,000 square feet — over 5 acres under one roof! It services a metropolitan area of more than 2,500,000 people utilizing a fleet of over 100 delivery and service vehicles, with a total staff of some 420 people. We expect to accomplish impressive progress in Montreal from an already strong base to make the Beverages Group truly a major part of the AGRA family.

TEN YEAR REVIEW

	1979	1978	1977
EARNINGS STATISTICS			
Revenues	**$105,629,644**	181,730,078	*146,445,214
Depreciation	**3,184,967**	3,560,953	*2,809,913
Net Earnings	**959,361**	6,320,883	*2,139,496
Cash Flow	**1,880,919**	9,692,023	*5,841,809
Dividends Paid	**924,878**	835,762	761,209
BALANCE SHEET STATISTICS			
Current Assets	**$ 42,980,718**	37,192,909	38,157,933
Current Liabilities	**29,217,562**	26,871,633	28,592,991
Working Capital	**13,763,156**	10,321,276	9,564,942
Fixed Assets — Net	**20,444,912**	26,321,703	25,572,113
Long-Term Debt	**26,261,826**	21,627,655	19,220,781
Shareholders' Equity	**30,028,736**	30,019,197	24,465,701
COMMON SHARE STATISTICS			
Earnings per Share	**$ .40**	2.67	*.91
Cash Flow per Share	**.79**	4.09	*2.49
Dividends per Share	**.39**	.36	.34
Equity per Share	**12.67**	12.65	10.32
Return on Equity (average)	**3%**	23%	*9%
OTHER STATISTICS			
Average Shares Outstanding	**2,371,552**	2,370,139	2,344,840
Number of Shareholders	**1,900**	1,950	1,900

* 1977 and 1975 statistics are based on continuing operations.

1976	1975	1974	1973	1972	1971	1970
149,831,095	•121,104,857	154,685,149	94,613,005	32,542,237	20,945,938	14,388,899
2,242,105	•1,594,556	1,692,307	1,163,237	647,896	484,614	315,527
3,532,528	•2,423,107	2,956,159	2,414,082	1,746,690	1,292,382	525,377
6,767,819	•5,439,024	5,774,501	4,550,487	3,373,114	2,601,772	933,901
685,687	553,570	397,348	210,850	150,493	97,204	nil
30,603,645	28,860,017	39,172,620	22,585,054	11,184,643	7,076,106	3,462,991
23,536,967	26,142,108	37,728,360	20,817,298	9,001,735	6,279,055	3,895,026
7,066,678	2,717,909	1,444,260	1,767,756	2,182,908	797,051	(432,035)
22,610,704	18,492,437	25,136,753	21,149,650	12,752,947	8,177,940	5,165,317
15,167,565	11,661,885	15,646,934	17,434,139	10,032,670	3,993,232	2,839,583
22,610,191	19,316,386	16,946,808	11,132,809	7,529,954	5,459,833	3,105,092
1.62	•1.14	1.55	1.37	1.05	.83	.36
3.10	•2.55	3.04	2.58	2.03	1.68	.64
.32	.26	.21	.12	.09	.06	nil
10.18	9.06	7.97	6.24	4.50	3.37	2.10
17%	•13%	21%	26%	27%	30%	19%
2,186,010	2,129,177	1,896,507	1,764,390	1,664,541	1,548,570	1,449,040
1,900	2,000	1,950	1,650	1,600	1,550	1,450

AUDITORS' REPORT

To the Shareholders

We have examined the consolidated balance sheet of Agra Industries Limited as at July 31, 1979 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. For Agra Industries Limited and those companies of which we are the auditors and which are consolidated or accounted for by the equity method in these financial statements, our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. For other companies consolidated or accounted for by the equity method we have relied on the reports of the auditors who have examined their financial statements.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at July 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Winspear Higgins Stevenson and Co.
Chartered Accountants

SASKATOON, Canada
October 10,1979

AGRA INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF EARNINGS

Year Ended July 31, 1979

	1979	1978
Revenue		
Sale of products, contracts and fees (Note 10)	$105,629,644	181,730,078
Expenses		
Cost of sales and services, selling, general and administrative	99,169,328	171,019,800
Depreciation	3,184,987	3,560,953
Interest on long-term debt	3,096,027	2,331,892
Other interest	956,404	956,948
	106,406,726	177,869,593
Earnings (loss) before income taxes, minority interest and extraordinary items	(777,082)	3,860,485
Income taxes (recovery)		
— current	722,558	943,022
— deferred	(1,419,300)	706,029
	(696,742)	1,649,051
	(80,340)	2,211,434
Minority interest	(57,762)	(49,611)
Earnings of non-consolidated entities	1,127,575	418,055
Earnings before extraordinary items	989,473	2,579,878
Extraordinary items (Note 11)	(30,112)	3,741,005
Net earnings	$ 959,361	6,320,883
Earnings per share (Note 16)		
Before extraordinary items	$ .42	1.09
After extraordinary items	$ .40	2.67

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year Ended July 31, 1979

	1979	1978
Balance, beginning of year	$ 19,947,352	14,430,506
Add Net earnings	959,361	6,320,883
	20,906,713	20,751,389
Less: Dividends paid	924,878	835,762
Tax paid on undistributed income (refund)	—	(31,725)
Redemption of common shares	10,299	—
	935,177	804,037
Balance, end of year	$ 19,971,536	19,947,352

See accompanying notes.

AGRA INDUSTRIES LIMITED

CONSOLIDATED BALANCE SHEET

July 31, 1979

	1979	1978
ASSETS		
Current		
Accounts receivable	$ 23,831,082	23,779,429
Inventory and contracts in progress	13,928,134	12,380,706
Prepaid expenses	511,427	500,469
Other (Note 3)	4,710,075	532,305
	42,980,718	37,192,909
Investments		
Equity in non-consolidated entities	10,022,905	5,940,442
Other — at cost	3,881,913	5,248,722
	13,904,818	11,189,164
Fixed		
Land	1,568,929	1,391,156
Buildings	6,036,941	5,792,200
Equipment	25,315,591	34,671,287
	32,921,461	41,854,643
Less accumulated depreciation	12,476,549	15,532,940
	20,444,912	26,321,703
Other		
Excess cost of shares in subsidiaries and acquired goodwill	5,866,261	7,180,926
Deferred charges	2,606,132	502,886
	8,472,393	7,683,812
	$ 85,802,841	82,387,588

ON BEHALF OF THE BOARD

B. B. TORCHINSKY — Director
T. A. McLELLAN — Director

See accompanying notes.

	1979	1978
LIABILITIES		
Current		
Bank indebtedness (Note 4)	$ 10,331,816	8,745,161
Accounts payable	12,506,953	11,832,854
Income taxes payable	161,077	385,251
Current portion of long-term debt (Note 6)	3,468,998	3,623,106
	26,488,844	24,586,372
Deferred income taxes	2,728,718	2,285,261
	29,217,562	26,871,633
Long-term (Note 6)	26,261,826	21,627,655
Deferred income taxes	294,717	3,132,253
	55,774,105	51,631,541
Minority interest	—	736,850
SHAREHOLDERS' EQUITY		
Share capital (Note 8)		
Authorized		
Class A common voting convertible shares, without nominal or par value		
Class B common voting convertible shares, without nominal or par value		
Issued and outstanding		
1,587,565 Class A shares		
782,054 Class B shares		
2,369,619	10,057,200	10,071,845
Retained earnings	19,971,536	19,947,352
	30,026,736	30,019,197
	$ 85,802,841	82,387,588

AGRA INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended July 31, 1979

	1979	1978
Source of Working Capital		
Operations		
Net earnings before extraordinary items	$ 989,473	2,579,878
Items not affecting working capital	408,544	4,049,033
	1,398,017	6,628,911
Proceeds from		
Investments	1,770,419	623,112
Disposal of fixed assets	2,144,815	946,112
Long-term debt	9,080,649	5,233,123
Long-term debt and minority interest in companies acquired	—	2,244,089
Issue of share capital	5,300	36,650
Sale of subsidiary companies	6,067,824	2,786,730
Refund of tax paid on undistributed income	—	31,725
	20,467,024	18,530,452
Use of Working Capital		
Investments	6,447,947	3,137,518
Purchase of		
Fixed assets	3,886,008	5,749,713
Fixed assets in companies acquired	—	3,065,246
Deferred expenses	93,973	149,858
Excess cost of subsidiaries and acquired goodwill	—	266,573
Retirement of long-term debt	3,384,177	4,059,101
Acquisition of subsidiary company	1,783,789	—
Payment of dividends	924,878	835,762
Repurchase of share capital	30,803	—
Extraordinary item	30,112	131,443
	16,581,687	17,395,214
Increase in working capital	3,885,337	1,135,238
Working capital, beginning of year	12,606,537	11,471,299
Working capital, end of year, excluding deferred income taxes	16,491,874	12,606,537
Deferred income taxes	2,728,718	2,285,261
Working capital, end of year, including deferred income taxes	$ 13,763,156	10,321,276
Represented by		
Current assets	$ 42,980,718	37,192,909
Current liabilities, excluding deferred income taxes	26,488,844	24,586,372
Working capital, excluding deferred income taxes	16,491,874	12,606,537
Deferred income taxes	2,728,718	2,285,261
	$ 13,763,156	10,321,276

The 1978 amounts have been restated to conform with 1979 presentation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — July 31, 1979

1. **Summary of Accounting Policies**

Principles of Consolidation

The consolidated financial statements include the accounts of all companies in which the Company holds a controlling interest.

The equity method of accounting is applied to investments in other entities.

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 value on the percentage of completion basis.

Fixed Assets

Land, buildings and equipment are carried at cost. Depreciation of buildings and equipment has been recorded in the accounts on a straight-line basis at rates providing for the amortization of cost of the buildings and equipment over their estimated useful life.

Profits and losses on the sale of fixed assets are included in earnings from operations unless of an extraordinary nature.

Excess Cost of Shares of Subsidiaries Acquired

For those companies acquired subsequent to August 1, 1973, the excess of the purchase price over the net fair value of identifiable assets is amortized on a straight-line basis over forty years.

For those companies acquired prior to August 1, 1973, the excess of the purchase price over the net book value of the underlying assets at date of acquisition is not being amortized, since in the opinion of management, no diminution of value has occurred.

Deferred Charges

Deferred financing, development and other similar costs are amortized over a reasonable predetermined 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 certain. 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.

2. **Acquisitions and Disposals**

During the year the Company acquired 1,163,817 non-voting convertible shares of Cybermedix Limited, convertible into voting common shares at the Company's option, in exchange for all of its interest in CableNet Limited, Mainline Cablevision of Kamloops Limited and Wired City Communications Limited, thus increasing its total equity to 73% of the outstanding shares, including 47% of the voting shares.

The Company has invested a further $1,460,000 in Canada All-News Radio Limited and has acquired all its outstanding shares.

3. **Other Current Assets**

The other current assets includes:

	1979	1978
Current portion of long-term investments	$ 2,129,067	532,305
Short-term investments	2,581,008	—
	$ 4,710,075	532,305

4. **Bank Indebtedness**

The bank indebtedness includes:

	1979	1978
Secured bank loans	$ 9,014,428	6,260,331
Cheques issued and uncashed	1,317,388	2,484,830
	$10,331,816	8,745,161

The bank loans are secured by general assignments of accounts receivable, inventories and fixed and floating charge debentures on certain fixed assets.

5. **6½% Convertible Subordinated Debentures**

During 1972 the Company issued $3,000,000 of 6½% Convertible Subordinated Debentures to mature March 15, 1992. The debentures are unsecured, direct obligations of the Company and are 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, 1979 the Company redeemed $20,000 of these debentures to complete its obligation for the year.

6. **Long-Term Debt**

	1979	1978
Mortgages and chattel mortgages payable with interest rates averaging 12.8% (maturity dates from 1980 to 1988)	$ 2,801,446	2,179,990
Notes, agreements and loans payable with interest rates averaging 13.4% (maturity dates from 1980 to 1989)	24,507,378	20,608,771

	1979	1978
6½% Convertible Subordinated Debentures (Note 5)	2,442,000	2,462,000
	29,750,824	25,250,761
Less current portion	3,488,998	3,623,106
	$26,261,826	21,627,655

7. Dividend Restrictions

The Company is subject to certain restrictions on the payment of dividends as contained in the Trust Deed providing for the 6½% Convertible Subordinated Debentures and a loan agreement with a Canadian chartered bank.

8. Share Capital

Changes in the outstanding shares during the year

	Shares
Redeemed for cash (Class A)	4,700
Issued for cash (Class A)	1,000
	3,700

The Company has, pursuant to an agreement with a former lender, granted a pre-emptive right to maintain its percentage ownership in the Company. During the year no shares were issued under this agreement.

9. Stock Option Plan

Under the Company's stock option plan, dated November 27, 1969, options for 25,500 common shares of the Company have been granted to employees of the Company as of July 31, 1979. 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, 1979, 15,400 shares have been issued to employees of the Company under the plan.

10. Segmented Revenue

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

	1979	%	1978	%
Foods Group	$ 22,592,343	21.4	103,745,543	57.1
Engineering Group	60,862,090	57.6	58,543,289	32.2
Beverages Group	16,347,315	15.5	13,307,799	7.3
Community Services Group	5,827,896	5.5	6,133,447	3.4
	$105,629,644	100.0	181,730,078	100.0

11. Extraordinary Items

	1979	1978
Gain on operations sold (1978 — net of income taxes of $129,807)	$ —	3,017,941
Gain on exchange of CableNet Limited shares	—	569,403
Gain on sale of building (1978 — net of income taxes of $45,042)	—	184,976
Other (net of income taxes (recovery) of ($251,657); 1978 — ($10,718))	(30,112)	(31,315)
	$(30,112)	3,741,005

12. Remuneration to Directors and Senior Officers

Remuneration to 20 directors and senior officers amounted to $845,300 for the year.

13. Lease Commitments

Minimum annual rental expense under long-term leases, the longest of which will expire in 1994, for the five succeeding years averages approximately $415,000 per annum.

14. Contingent Liabilities

The Company has guaranteed certain indebtedness of affiliated companies in the amount of $3,600,000.

15. 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.

16. Fully Diluted Net Earnings per Share

	1979	1978
Before extraordinary	$ .42	1.04
After extraordinary	.40	2.49

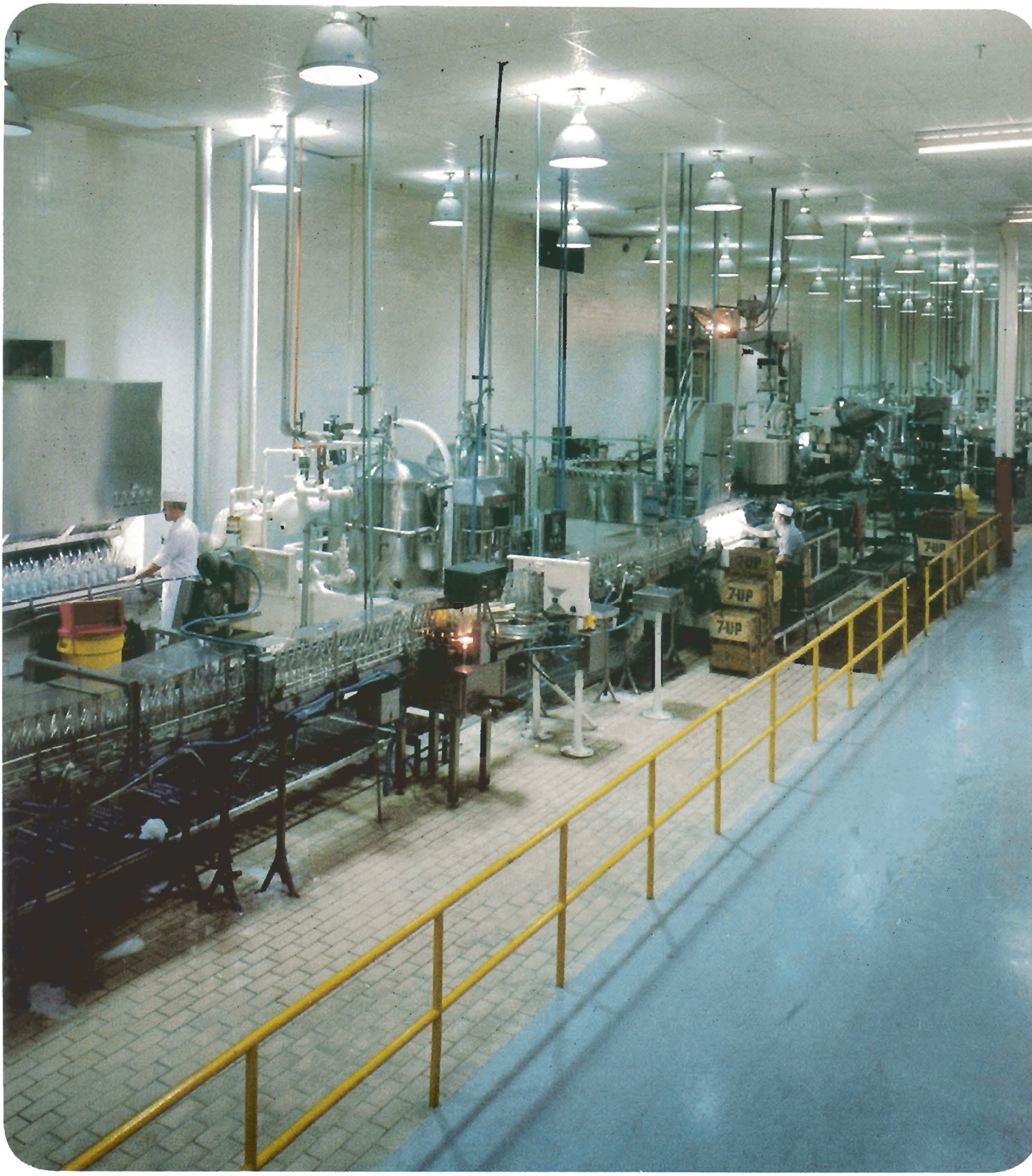
The fully diluted net earnings per share reflects earnings that would have been reported had all conversion rights been exercised.

17. Transactions Subsequent to Year-End

The Company sold its 24% interest in Fraser River Pile Driving Company Limited at book value for $2,355,000 cash.

The Company acquired 100% of the outstanding shares of Seven-Up Montreal Ltée. The purchase was financed by a bank loan to be amortized over a fifteen year period.

Seven-Up Montreal's three high speed production lines.



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1101 CN TOWERS, SASKATOON, CANADA S7K 1J5
PHONE (306) 653-5163 TELEX 074-2496

OFFICE OF THE PRESIDENT:
1201 OLD MILL TOWERS, 39 OLD MILL ROAD, TORONTO, CANADA M8X 1G6
PHONE (416) 231-1946

ENGINEERING GROUP

BBT Geotechnical Consultants Ltd.

7708 Wagner Road,
Edmonton, Alta. T6E 5B2
(403) 465-9854

6423A Burbank Road S.E.,
Calgary, Alta. T2H 2E1
(403) 252-1106

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

1550 Park Street,
Regina, Sask. S4N 2G1
(306) 352-9626

Torchinsky Consulting (1976) Ltd.

310 Athabascan Avenue,
Edmonton, Alta. T8A 3X7
(403) 464-4550

1-2310-50th Avenue,
Red Deer, Alta. T4R 1C5
(403) 346-5895

6423A Burbank Road S.E.,
Calgary, Alta. T2H 2E1
(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

P.O. Box 62,
Swift Current, Sask. S9H 3V5
(306) 773-4882

The Cambrian Group

The Cambrian Engineering Group Limited
Cambrian Facilities Consultants Limited
Cambrian Processes Limited

112-2465 Cawthra Road,
Mississauga, Ont. L5A 3P2
(416) 272-1400

119-105th Street East,
Saskatoon, Sask. S7N 1Z2
(306) 372-8242

10554-82nd Avenue,
Edmonton, Alta. T6B 2A4
(403) 432-7478

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

The Western Caissons Group

Western Caissons Limited
Western Caissons Inc.

6700 Finch Ave. West,
Rexdale, Ont. M9W 5P5
(416) 675 1470

7708 Wagner Road,
Edmonton, Alta. T6E 5B2
(403) 465-0231

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

121-105th Street East,
Saskatoon, Sask. S7N 1Z2
(306) 373-3762

515 Dewdney Ave. E.,
Regina, Sask. S4N 4E9
(306) 525-1379

776 Municipal Rd.,
Winnipeg, Man. R3R 1J4
(204) 885-5271

P.O. Box 2567,
Hyattsville, Maryland 20784
(301) 459-7560

P.O. Box 129,
Clayton, California
(415) 689-5521

MEREDITH DRILLING COMPANY INC.
945 South Huron Street,
Denver, Colorado 80223
(303) 722-8926

JENSEN & REYNOLDS CONSTRUCTION CO. (50%)
675 East H Street,
Benicia, Ca. 94510
(707) 745-8300

WESTERN FOUNDATION & MARINE CONSTRUCTION (49%)
P.O. Box 36059,
Raas Salmieh, Kuwait,
Arabian Gulf, 616695

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

COAST STEEL FABRICATORS LTD.
7950 Venture Street,
Lake-City Industrial Park,
Burnaby, B.C. V5A 1V4
(604) 420-4600

RIDGEWAY FABRICATORS
23416 River Road, R.R. 1,
Maple Ridge, B.C. V2X 7E6
(604) 467-1571

BEER PRECAST CONCRETE LIMITED
110 Manville Road,
Scarborough, Ont. M1L 4J4
(416) 759-4151

BEER PREFAC LIMITED (50%)
8916-48th St. S.E.,
Calgary, Alta.
(403) 279-7461

WINKRETE PRE-CAST CORP. (50%)
300 Longbranch Road,
Liverpool, New York
(315) 457-9116

MOCOAT INDUSTRIES LTD.
P.O. Box 640,
Okotoks, Alta. T0L 1T0
(403) 938-4423

SANDISLE STRUCTURES LIMITED (50%)
304 The East Mall,
Toronto, Ont. M9B 6E2
(416) 239-9334

ELLESMERE DEVELOPMENTS LTD. (80%)
2150 Sun Life Place,
10123-99th Street,
Edmonton, Alta. T5J 3J7
(403) 428-0890

FOODS GROUP

RESEARCH FOODS (1976) LIMITED
77 Champagne Drive,
Downsview, Ont. M3J 2C6
(416) 635-8434

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

1591 Matheson Blvd.,
Mississauga, Ont. L4W 1H9
(416) 625-5202

MAGNANI INC.
6550 Bombardier Street,
St. Leonard (Montreal), Que.
(514) 326-8640

BEVERAGES GROUP

BLUE LABEL BEVERAGES (1971) LTD.
POLAR BEVERAGES (1970) LIMITED
1010-42nd Ave. S.E.,
Calgary, Alta. T2G 1Z4
(403) 287-0723

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

STAMPEDE VENDING
6814R 6th Street S.E.,
Calgary, Alta. T2K 2K4
(403) 287-0723

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

SEVEN-UP MONTREAL LTEE.
3700 Thimens Blvd.,
St. Laurent, Que. H4R 1T8
(514) 332-3770

COMMUNITY SERVICES GROUP

CABLENET LIMITED (73%)
78 Oakdale Road,
Downsview, Ont. M3N 1V9
(416) 745-3940

VALLEY TELEVUE (73%)
62 Yale Road East,
Chilliwack, B.C. V2P 2P1
(604) 792-4626

CABLEVISION LETHBRIDGE (73%)
728-13th Street North,
Lethbridge, Alta. T1H 2T1
(403) 328-4909

CO-AX CABLE TV (73%)
1229-4th Street,
Estevan, Sask. S4A 0W8
(306) 634-3822

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

POWELL RIVER TELEVISION COMPANY LTD. (73%)
4706 Marine Avenue,
Powell River, B.C. V8A 2L4
(604) 485-4295

MAINLINE CABLEVISION OF KAMLOOPS LTD. (55%)
180 Briar Avenue,
Kamloops, B.C. V2B 1C1
(604) 376-7204

COMOX VALLEY CABLEVISION LIMITED (73%)
1591 McPhee Avenue,
Courtenay, B.C. V9N 3A6
(604) 334-4741

WIRED CITY COMMUNICATIONS LTD. (69%)
4242 Kingston Road,
Scarborough, Ont. M1E 2M5
(416) 284-8484

SOUTH-WESTERN CABLE TV INC. (36%)
P.O. Box 177,
Maryville, Illinois 62062
(618) 288-6177

GENERAL NEWS
2907-2nd Avenue South,
Lethbridge, Alta. T1J 0G8
(403) 327-4220

INTEGRATED SATELLITE INFORMATION SERVICES (50%)
P.O. Box 1630,
Prince Albert, Sask. S6V 5T2
(306) 764-3602

CANADA ALL-NEWS RADIO LIMITED
65 Adelaide Street E.,
Toronto, Ont. M5C 1K6
(416) 862-7200

CYBERMEDIX LIMITED (73%)
78 Oakdale Road,
Downsview, Ont. M3N 1V9
(416) 745-3940

AGRA INDUSTRIES LIMITED