AGRA INDUSTRIES LIMITED

1982 NINETEENTH ANNUAL REPORT

AGRA INDUSTRIES LIMITED

CORPORATE HEAD OFFICE: 1200 CN TOWERS, SASKATOON, CANADA, S7K 1J5
PHONE: (306) 653-5163 TELEX: 074-2496

1982 ANNUAL REPORT

FINANCIAL HIGHLIGHTS

	1982	1981
Sales	**$ 151,922,836**	160,007,590
Earnings Before The Following	**15,816,058**	17,702,668
Depreciation and Amortization	**3,838,535**	5,666,515
Interest	**6,662,637**	7,026,561
Income Taxes	**1,170,977**	998,878
Net Earnings		
Before Extraordinary Items	**4,143,909**	4,010,714
After Extraordinary Items	**4,143,909**	6,598,687
Net Earnings Per Share		
Before Extraordinary Items	**1.75**	1.69
After Extraordinary Items	**1.75**	2.78
Cash Flow	**8,043,656**	10,732,960
Cash Flow Per Share	**3.39**	4.52
Equity Per Share	**17.93**	16.02
Average Shares Outstanding	**2,373,125**	2,376,899
Return on Equity	**10%**	19%

CONTENTS

ANNUAL MEETING

The annual meeting of shareholders will be held at 2:30 P.M. on Tuesday, January 25, 1983 in the Sheraton West Room, Sheraton Cavalier Hotel, in Saskatoon, Saskatchewan. If you cannot be present, please vote by proxy.

Cablenet's satellite receiving dishes are poised skyward to bring an unprecedented array of video programming to the northwest Chicago suburbs.

AGRA INDUSTRIES LIMITED

BOARD OF DIRECTORS

J. M. BARRY	Regina
D. H. C. BEACH	Nipawin
S. J. HAMER	Vancouver
W. B. MANOLSON	Toronto
F. D. McCARTHY	Edmonton
T. A. McLELLAN	Saskatoon
C. ROLES	Saskatoon
H. TENENBAUM	Toronto
B. B. TORCHINSKY	Toronto

OFFICERS AND CORPORATE MANAGEMENT

B. B. TORCHINSKY	President & Chairman of the Board
T. A. McLELLAN	Executive Vice-President & Secretary
H. TENENBAUM	Vice-President, Food & Beverage Group (Foods)
W. A. SIEMENS	Vice-President, Food & Beverage Group (Beverages)
F. D. McCARTHY	Vice-President, Engineering Group (Construction)
H. SOLONINKA	Vice-President, Engineering Group (Consulting)
W. B. MANOLSON	Vice-President, Community Service Group
W. T. PARNABY	Vice-President, Community Service Group (Radio)
W. WECKERS	Vice-President, Community Service Group (Cable TV)
A. W. BEAN	Vice-President, Special Investments
R. G. DITTMER	Treasurer
A. C. RANKIN	Director of Corporate Marketing
O. P. RITTER	Corporate Counsel

COMPANY AUDITORS

Deloitte Haskins & Sells
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

B. B. Torchinsky
Chairman and
President

T. A. McLellan
Executive Vice-President
and Secretary

Fiscal year 1982 ended for AGRA on July 31st, 1982 with consolidated sales of $151,922,836 compared with last year's $160,007,590. Total earnings after allowing for full income taxes reached $4,143,909 or $1.75 per share (based on 2,373,125 shares outstanding) compared with $4,010,714 or $1.69 per share (based on 2,376,899 shares outstanding) last year. In addition, last year's earnings were increased by an extraordinary gain of $2,587,973 or $1.09 per share, whereas in the current year there were no extraordinary items.

Of our three operating groups, the Food & Beverage Group provided the most consistent results for the year with a performance that was better than original budget. All major divisions in the group, including Research Foods, W. J. Lafave and Blue Label Beverages, did their share to reach this goal. Construction of a new $15,000,000 soft-drink plant in Calgary was nearly completed by year-end and we began the move-over process early in the new year. The new plant is an important investment by AGRA in the future of the soft-drink industry in Alberta.

Operations of our Engineering Group were seriously affected by the extremely difficult economy which developed throughout Canada and other parts of the world in 1982. Softening of our work load, caused by postponements and outright cancellations of major projects, began to be felt early in the year and increased in magnitude as the year progressed. As a result, what might have been a record year for our Engineering Group became a very average one. Even so, we were fortunate that the year began with a substantial work load which helped to carry us through an increasingly difficult period with reasonably satisfactory results. For the new year we do not have the same momentum we had at the beginning of last year. Consequently, unless there is a major improvement in the economy soon, we must anticipate a lacklustre performance from our Engineering Group in 1983.

The Community Service Group ended the year showing a substantial improvement in operating performance over the previous year. This came partly from our CKO all-news radio broadcasting operations and also from our Cybermedix medical laboratories particularly in the United States. Our cable television subsidiaries performed reasonably well throughout the year. A start was made on construction of a cable system to serve the northwest suburbs of Chicago which will pass approximately 150,000 homes when completed in two years. Pay-TV is scheduled to come on stream in Canada in 1983 and while we are cautiously optimistic that this will produce incremental benefits to our basic cable systems, there are still many cloudy issues to be resolved. Another point of concern is the government policy which restricts rate increases to 6 percent. This will have a harsh and inequitable impact on certain of our cable systems which have not had a rate increase for several years.

Because of the poor economic conditions which predominate across the country, we were not encouraged to expand AGRA's operations by external acquisitions during the year. Nevertheless, certain opportunities did arise which prompted your board to seriously consider and in certain cases to proceed with modest expenditures for acquisition opportunities. Among these was a purchase through our Ellesmere Developments subsidiary of a 26 percent equity position in Executive Trust Company of Toronto. In addition, subsequent to our year-end, we purchased a 49 percent interest in Canasco-Bonham Insurance Brokers Ltd. This involvement in the insurance brokerage business was prompted because of AGRA's own extensive insurance and bonding requirements across Canada and in other parts of the world. We also purchased, through our Cambrian group of companies, a 100 percent interest in Niven Seville Engineers and Constructors Ltd. This is a young Alberta company which provides specialized engineering services to the oil and gas industry. Their expertise will integrate very well with Cambrian's engineering services to provide the group with extensive opportunities for major engineering contracts in the oil fields.

The year just ended has been a difficult and confusing one. High interest rates, continuing high inflation and a very depressed economy have all contributed to the general sense of discouragement which seems to have gripped our country. In spite of this, AGRA has managed to turn in a respectable performance for the year. I believe this is mainly due to the fact that we are so diversified both as to the types of businesses in which we are involved and as to the geographic areas in which we operate. This diversification, combined with the good management and staff which we are fortunate to have in place, has helped us to cope with the difficult times. I am confident the same combination of diversification and good people will see us through any further difficulties which may lie ahead.

Respectfully submitted,

B. B. Torchinsky
Chairman and President

Saskatoon
November, 1982

TEN YEAR REVIEW

	1982	1981
EARNINGS STATISTICS		
Revenues	**$ 151,922,836**	160,007,590
Depreciation and Amortization	**3,838,535**	5,666,515
Net Earnings	**4,143,909**	6,598,687
Cash Flow	**8,043,656**	10,732,960
Dividends Paid	**353,875**	—
BALANCE SHEET STATISTICS		
Current Assets	**46,705,258**	52,873,652
Current Liabilities	**24,900,967**	33,924,060
Working Capital	**21,804,291**	18,949,592
Fixed Assets — Net	**40,696,028**	27,551,329
Long-Term Debt	**38,739,340**	28,061,826
Shareholders' Equity	**41,379,471**	38,198,000
COMMON SHARE STATISTICS		
Earnings per Share	**1.75**	2.78
Cash Flow per Share	**3.39**	4.52
Dividends per Share	**.15**	—
Equity per Share	**17.93**	16.02
Return on Equity (average)	**10%**	19%
OTHER STATISTICS		
Average Shares Outstanding	**2,373,125**	2,376,899
Number of Shareholders	**1,300**	1,500

* 1977 and 1975 statistics are based on continuing operations.

1980	1979	1978	1977	1976	1975	1974	1973
139,217,043	105,629,644	181,730,078	* 146,445,214	149,831,095	* 121,104,857	154,685,149	94,613,005
3,847,289	3,184,967	3,560,953	* 2,809,913	2,242,105	* 1,594,556	1,692,307	1,163,237
1,446,784	959,361	6,320,883	* 2,139,496	3,532,528	* 2,423,107	2,956,159	2,414,082
3,713,649	1,880,919	9,692,023	* 5,841,809	6,767,819	* 5,439,024	5,774,501	4,550,487
—	924,878	835,762	761,209	685,687	553,570	397,348	210,850
49,965,343	42,980,718	37,192,909	38,157,933	30,603,645	28,860,017	39,172,620	22,585,054
32,165,852	29,217,562	26,871,633	28,592,991	23,536,967	26,142,108	37,728,360	20,817,298
17,799,491	13,763,156	10,321,276	9,564,942	7,066,678	2,717,909	1,444,260	1,767,756
30,314,630	20,444,912	26,321,703	25,572,113	22,610,704	18,492,437	25,136,753	21,149,650
36,940,363	26,261,826	21,627,655	19,220,781	15,167,565	11,661,885	15,646,934	17,434,139
31,492,232	30,028,736	30,019,197	24,465,701	22,610,191	19,316,386	16,946,808	11,132,809

Blue Label Beverages' new plant in Calgary cost $15,000,000 to build, consists of a 140,000 square foot building on 10 acres of land and is equipped with the newest state-of-the-art high speed bottling and canning facilities.

Beer Precast produced and installed the wall panels for this impressive office building in Maryland.

Coast Steel fabricated and erected all the structural steel for the Coquitlam Shopping Centre in B.C.

FINANCIAL REPORTS FOR FISCAL YEAR 1982

AUDITORS' REPORT

To the Shareholders

We have examined the consolidated balance sheet of AGRA Industries Limited as at July 31, 1982 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. 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.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at July 31, 1982 and the results of its operations and 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.

Deloitte Haskins + Sells

Chartered Accountants

SASKATOON, Canada
November 1, 1982

AGRA INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF EARNINGS
Year Ended July 31, 1982

	1982	1981
Revenue		
Sale of products, contracts and fees (Note 15)	**$ 151,922,836**	160,007,590
Expenses		
Cost of sales and services, selling, general and administrative	**137,062,684**	144,300,424
Depreciation and amortization	**3,838,535**	5,666,515
Interest on long-term debt	**5,557,005**	5,415,922
Other interest	**1,105,632**	1,610,639
	147,563,856	156,993,500
Earnings before the following	**4,358,980**	3,014,090
Income taxes (recovery)		
— current	**(93,608)**	466,592
— deferred	**1,264,585**	532,286
	1,170,977	998,878
	3,188,003	2,015,212
Minority interest	**(18,833)**	(41,909)
Earnings of non-consolidated entities	**974,739**	2,037,411
Earnings before extraordinary items	**4,143,909**	4,010,714
Extraordinary items (Note 9)	**—**	2,587,973
Net earnings	**$ 4,143,909**	6,598,687
Earnings per share (Note 13)		
Before extraordinary items	**$ 1.75**	1.69
After extraordinary items	**$ 1.75**	2.78

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
Year Ended July 31, 1982

Balance, beginning of year	**$ 28,017,007**	21,418,320
Add Net earnings	**4,143,909**	6,598,687
	32,180,916	28,017,007
Less: Dividends paid	**353,875**	—
Redemption of common shares	**318,555**	—
	672,430	—
Balance, end of year	**$ 31,488,486**	28,017,007

AGRA INDUSTRIES LIMITED

CONSOLIDATED BALANCE SHEET
July 31, 1982

ASSETS	1982	1981
Current		
Accounts receivable	$ 25,855,349	29,101,447
Inventory and contracts in progress	15,178,291	19,442,390
Prepaid expenses	689,663	584,659
Other	4,981,955	3,745,156
	46,705,258	52,873,652
Investments		
Equity in non-consolidated entities	13,716,552	11,924,257
Other — at cost	320,637	3,009,978
	14,037,189	14,934,235
Fixed		
Land	3,439,403	2,669,942
Buildings	17,501,089	9,348,237
Equipment	37,972,977	30,496,490
	58,913,469	42,514,669
Less accumulated depreciation	18,217,441	14,963,340
	40,696,028	27,551,329
Other		
Excess cost of shares in subsidiaries and acquired goodwill	6,061,730	6,028,722
	$ 107,500,205	101,387,938

ON BEHALF OF THE BOARD

B. B. TORCHINSKY — Director

T. A. McLELLAN — Director

LIABILITIES	1982	1981
Current		
Bank indebtedness (Note 3)	$ 5,790,757	10,360,354
Accounts payable	13,565,203	18,115,232
Income taxes payable	—	316,535
Current portion of long-term debt (Note 5)	3,894,096	3,385,337
	23,250,056	32,177,458
Deferred income taxes	1,650,911	1,746,602
	24,900,967	33,924,060
Long-term debt (Note 5)	38,739,340	28,061,826
Deferred income taxes	2,480,427	1,133,930
	66,120,734	63,119,816
Minority interest	—	70,122
SHAREHOLDERS' EQUITY		
Share capital (Note 7)		
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		
1,762,041 Class A shares		
545,403 Class B shares		
2,307,444	9,890,985	10,180,993
Retained earnings	31,488,486	28,017,007
	41,379,471	38,198,000
	$ 107,500,205	101,387,938

AGRA INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
Year Ended July 31, 1982

	1982	1981
Source of Working Capital		
Operations		
Net earnings before extraordinary items	$ 4,143,909	4,010,714
Items not affecting working capital	3,899,747	4,134,273
	8,043,656	8,144,987
Proceeds from		
Investments	2,939,591	801,309
Disposal of fixed assets	737,862	1,288,659
Long-term debt	14,433,238	2,300,577
Issue of share capital and options	73,638	107,081
Sale of subsidiary companies	—	8,082,925
	26,227,985	20,725,538
Use of Working Capital		
Investments	1,067,806	—
Purchase of fixed assets	17,497,152	9,004,642
Retirement of long-term debt	3,727,944	10,906,729
Acquisition of shares of subsidiary company	140,000	—
Redemption of share capital	682,200	—
Payment of dividends	353,875	—
	23,468,977	19,911,371
Increase in working capital	2,759,008	814,167
Working capital, beginning of year	20,696,194	19,882,027
Working capital, end of year, excluding deferred income taxes	23,455,202	20,696,194
Deferred income taxes	1,650,911	1,746,602
Working capital, end of year, including deferred income taxes	$ 21,804,291	18,949,592
Represented by		
Current assets	$ 48,705,258	52,873,652
Current liabilities, excluding deferred income taxes	23,250,056	32,177,458
Working capital, excluding deferred income taxes	23,455,202	20,696,194
Deferred income taxes	1,650,911	1,746,602
	$ 21,804,291	18,949,592

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.

Inventory

Inventories used in determining cost of sales are valued at the lower of cost and net realizable value, using the first in, first out method. 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 stated 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.

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 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

During the year, Ellesmere Developments Ltd., in which the Company holds an 80% interest, acquired 26.25% of the common shares and 18.6% of the preferred shares of Execuhold Investments Limited, a holding company which owns 100% of Executive Trust Company, for $520,438 cash.

3. Bank Indebtedness

The bank indebtedness includes:

	1982	1981
Secured bank loans	$ 4,845,650	8,078,802
Cheques issued and uncashed	945,107	2,281,552
	$ 5,790,757	10,360,354

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

4. 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, 1982 the Company redeemed $92,000 of these debentures to complete its obligation for the year.

5. Long-Term Debt

	1982	1981
Mortgages and chattel mortgages payable with interest rates averaging 13% (maturity dates to 1997)	$ 2,920,381	3,521,308
Notes, agreements and loans payable with interest rates averaging 1% over prime (maturity dates to 1993)	37,669,055	25,789,855
6½% Convertible Subordinated Debentures (Note 4)	2,044,000	2,136,000
	42,633,436	31,447,163
Less current portion	3,894,096	3,385,337
	$38,739,340	28,061,826

6. 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.

7. Share Capital

Changes in outstanding shares during the year

	Shares
Redeemed for cash (Class A)	85,275
Issued for cash (Class A)	8,550
	76,725

8. Stock Option Plans

Under a Company stock option plan, dated November 27, 1969, options for 19,200 common shares of the Company have been granted to employees of the Company as at July 31, 1982. 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 at July 31, 1982, 19,200 shares have been issued to employees of the Company under the plan.

Under a Company stock option plan dated November 6, 1979, options for 116,325 common shares of the Company have been accepted by employees of the Company as at July 31, 1982. The plan provides that employees shall pay to the Company 50 cents for each option, which shall be credited to the purchase price when validly exercised. The options are exercisable for a five year period at a price not less than 90% of the market price at the time the options are granted. As at July 31, 1982, 15,225 shares have been issued to employees of the Company under the plan.

9. Extraordinary Items

	1982	1981
Gain on operations sold or discontinued	$ —	2,587,973

10. Lease Commitments

Minimum annual payments under long-term operating leases, the longest of which will expire in 1994, for the five succeeding years are: $1,178,967; $859,857; $702,459; $652,239 and $500,867, totalling $3,894,389.

11. Contingent Liabilities

The Company has guaranteed certain indebtedness of related companies in the amount of $36,712,000 and has undertaken to fund any cost overrun which may occur in the construction of a cable television system.

12. 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.

13. Fully Diluted Earnings per Share

	1982	1981
Before extraordinary items	$ 1.62	1.59
After extraordinary items	1.62	2.59

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

14. Transactions Subsequent To Year-End

The Company acquired the assets and work to be performed of Niven Seville Engineers and Constructors Ltd. for $205,000 cash.

The Company acquired 49% of the shares of a new company which purchased the assets of Canasco-Bonham Insurance Brokers for $430,000 in cash and promissory notes for $387,000 for a total consideration of $817,000.

15. Segmented Information (in thousands of dollars)

	Engineering		Food and Beverage		Community Service		Consolidated Total	
	1982	1981	1982	1981	1982	1981	1982	1981
Revenue	$88,681	86,746	57,097	68,062	6,145	5,200	151,923	160,008
Earnings								
Earnings before the following	1,552	1,961	2,465	2,042	(829)	(1,988)	3,188	2,015
Earnings of non-consolidated entities	360	1,294	—	—	615	744	975	2,038
Minority interest	(19)	(42)	—	—	—	—	(19)	(42)
Earnings before extraordinary items	1,893	3,213	2,465	2,042	(214)	(1,244)	4,144	4,011
Extraordinary items	—	—	—	2,588	—	—	—	2,588
Net earnings	$ 1,893	3,213	2,465	4,630	(214)	(1,244)	4,144	6,599
Assets	$51,476	56,701	42,717	32,549	13,307	12,138	107,500	101,388
Depreciation and Amortization	$ 2,233	2,287	1,350	1,527	256	1,853	3,839	5,667
Capital Expenditures	$ 3,953	5,049	13,072	3,888	472	68	17,497	9,005

A pastel rendering of the CKO news microphone by Canadian artist Dave Beckett. This is the visual impression by which most people see CKO.

Torchinsky Consulting Party Chief Rick Lisitza and Supervisor Jim Kruse prepare to set survey stakes for Amoco's wellsite development at the Pointed Mountain gas field in the Northwest Territories.

Jensen & Reynolds erecting 135' long, 82 ton concrete girders at Hess Creek, Alaska, for their bridge project 30 miles south of the Arctic Circle. The transportation and erection of the girders represented the longest and heaviest loads ever moved over the North Slope haul road.

Cambrian Engineering grants a marketing franchise covering Asia and the Pacific rim countries for their patented Campro Vegetable Oil Refinery System to Toyo Menka Kaisha and Miura Engineering Co. of Tokyo. *(l. to r.)* Mr. Makio Miura, President of Miura, S.M. Daniel, Cambrian's President, and Mr. Isao Taguchi, Deputy Manager of Toyo Menka Kaisha, Machinery Division.

ENGINEERING GROUP

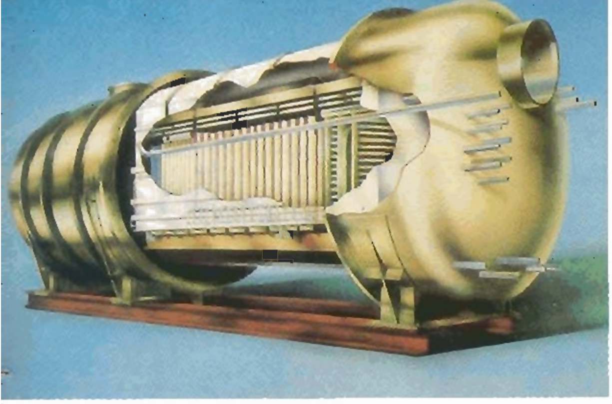
	1982	1981
SALES	**$ 88,681,172**	86,745,499
EARNINGS	**$ 1,893,542**	3,212,630

The promise of continued improvement in *performance* of our Engineering Group which was indicated at the beginning of the year failed to materialize. This was caused by a gradual "drying up" of work load across the country created by continuing high interest rates and high inflation. These problems were exacerbated by federal budgetary changes which left most people bewildered and discouraged, with the result that many expansion plans were either postponed or cancelled outright. In the competitive rush to replace cancelled jobs, work was taken on at reduced mark-ups. This provided the necessary sales volume to maintain operations through the year, but with disappointing returns. Nevertheless under the circumstances, the fact that our Engineering Group managed to end the year with at least some profit is commendable and illustrates that they have the administrative ability to cope with difficult conditions. Total sales increased to a record $88,681,172 compared with $86,745,499 last year, but after-tax profits fell to $1,893,542 compared with $3,212,630 in the previous year.

In the construction division Beer Precast Concrete our architectural precast concrete manufacturing plant in Toronto, came through with excellent results for the year. Since some 80 percent of Beer's products are sold in the U.S.A., the falling value of the Canadian dollar against the American dollar served to stimulate both Beer's sales and earnings. Most other companies which make up our contracting division managed to complete the year in the black but with operating results below budget.

We are pleased to record here that Jensen & Reynolds, our marine construction subsidiary, was honored during the year when they were nominated for the prestigious 1982 U.S. Contractor of the Year Award for construction of the Sandpoint Bridge over Pend Orielle Lake near Sandpoint, Idaho.

The consulting engineering division also was hit by a lack of work created by our faltering economy. Here again management was faced with the difficult task of coping with the problems by cutting expenses as much



Cambrian's patented Campro Deodorizer can physically deodorize and refine up to 360 tonnes per day of edible oils. A 180 tonne per day unit was recently fabricated in Toronto for Unilever overseas, and a second unit is presently on order.

BBT Geotechnical Consultants provided comprehensive geotechnical services for this $350 million natural gas processing complex for Gulf Canada Resources Inc. in the foothills of the Rocky Mountains near Robb, Alberta.

Concrete wall panels manufactured by Beer Precast in Toronto are trucked to New York, where they will become part of an office skyscraper at Broad & Wall Streets in Manhattan.

as possible and going after the dwindling work potential on a sharply competitive basis. Of all our consulting subsidiaries, Torchinsky Consulting, our highway design company and Camrec Facilities Consultants, which specializes in designing arenas, stadiums and other community facilities, ended the year with excellent results. Most other consulting subsidiaries managed to complete the year profitably but below budget.

Two acquisitions were made during the year which fall within the Engineering Group. Ellesmere Developments, our land development company in Edmonton, purchased a 26 percent interest in Executive Trust Company. This young, Toronto based company is involved in financial investments and other trust company operations. Ellesmere's equity in the company should prove fruitful and valuable because of their related interests. The Cambrian Engineering Group purchased a 100 percent interest in Niven Seville Engineers and Constructors which is a young, Calgary based company providing professional engineering services to the oil and gas industry. Niven Seville have already moved into Cambrian's offices in Calgary and their expertise will integrate very well with Cambrian's to provide an enlarged scope of operations in a most exciting field.

The outlook for 1983 at present is not good. Whereas we began fiscal 1982 with a good work load momentum which gradually faded away as the year progressed, for 1983 we are beginning the year at a much slower pace. We have taken the necessary steps to trim costs as much as possible, however we must anticipate fiscal 1983 will be a year wherein just the avoidance of serious operating losses for our Engineering Group will represent a satisfactory performance. On the other hand, in the event of an upturn in the economy, our engineering subsidiaries are in position to quickly swing into full steam and to generate record earnings.

Some of the products manufactured by W.J. Lafave and Magnan for sale to hotels and restaurants.

Operator Phil Pitts observes high speed bottle line in Blue Label Beverages' new Calgary plant as it fills soft-drink bottles at a rate up to 500 bottles per minute.

	1982	1981
SALES	**$ 57,096,524**	68,062,413
EARNINGS	**$ 2,464,707**	4,630,312

FOOD & BEVERAGE GROUP

In spite of an indicated decrease in total sales volume and in earnings, a very successful year of operation was recorded by our Food & Beverage Group for fiscal 1982. While total sales dropped to $57.096.524 compared with $68,062.413 last year, this anomaly is due to the fact that 1981 sales were inflated by including revenues from the Montreal Seven-Up plant for a period of about half a year before the plant was sold. Total annual sales for all our continuing operations in fact increased somewhat over the previous year. After-tax earnings reached $2.464,707 compared with $4.630.312 last year. This comparison is misleading however, since last year's earnings included a very substantial extraordinary gain of $2.587.973 realized from the sale of our Montreal Seven-Up plant. In the current year there was no such extraordinary gain.

Blue Label Beverages once again came through with a very satisfactory performance in line with their budgeted plans. Blue Label operates a large soft-drink bottling and canning facility in Calgary which produces and distributes name brand products such as Pepsi-Cola, 7-Up, Orange Crush, Dr. Pepper and Perrier Water throughout southern Alberta. The company has just moved into a large new $15.000.000 soft-drink bottling and canning plant which is one of the most modern and efficient in the country. Blue Label also has two subsidiary companies. Stampede Vending operates vending machines for soft-drinks, coffee and snacks in southern Alberta and Contain-A-Way operates a depot system throughout Alberta for recycling of soft-drink, wine and liquor containers. Both of these companies also operated satisfactorily throughout the year. As a matter of interest, during the course of the year, Contain-A-Way recycled some 40.000 tons of glass bottles, 3,500 tons of steel and aluminum cans and 1.200 tons of plastic bottles. The operation provides permanent jobs for 85 people and services 176 depots throughout Alberta which are independently owned and employ an estimated 600 to 700 people.

A modern garage area is included in Blue Label's new Calgary plant where their fleet of 100 service and delivery vehicles are maintained.

All products manufactured by W.J. Lafave are subjected to careful quality control tests in their own laboratory.

W. Sywanyk does quality control check on food products at Research Foods.

Contain-A-Way's plastic bailer crushes 7000 plastic bottles to produce a 700 pound bale which is shipped to South Carolina for recycling.

Research Foods is an ingredient supplier to the food processing industry. The company produces dehydrated cheese and shortening powders in very specialized flavorful forms, as well as an extensive variety of seasonings and vitamin blends and other convenience food products. Once again Research Foods came through with excellent operating results. This was due in part to their continuing program of upgrading plant and production facilities and in part to an extensive research and development program for the creation of new products.

W.J. Lafave & Sons together with their subsidiary Magnani Inc. continued, with encouraging results, their reorganization and streamlining program started last year. Although the program caused some reduction in sales, it clearly established the companies on a profitable foundation from which a sound building process will continue. Lafave is based in Quebec and supplies the baking industry across Canada with a range of shortening, chocolate and other specialty products, many of which are produced in their own plant in St. Jerome.

The depressed state of the economy is creating considerable uncertainty for next year as manufacturers tend to hold off on costly new product introductions during difficult times. Furthermore, the start-up process of our new soft-drink plant in Calgary will obviously affect earnings initially to some extent. However, the substantial planning which went into the design of the plant should help us to minimize start-up costs, and the excellent operating efficiencies which have been built into the design should serve us in good stead for a long time.

The heart of CKO — Master Controller Doug Cannon assigns programs to network announcers from Montreal to Vancouver.

Barbara Skipper performing therapeutic drug monitoring analyses on patients' sera at Cybermedix's laboratory in Buffalo.

More than 275 book and magazine retailers in southern Alberta and eastern B.C. are serviced by General News' vehicles.

Mainline coaxial cable bundles are placed underground to form part of Cablenet's 120 channel cable system in suburban Chicago.

	1982	1981
SALES	**$ 28,117,767**	25,021,199
EARNINGS	**$ (214,340)**	(1,244,255)

COMMUNITY SERVICE GROUP

Operating results of our Community Service Group fell below budget but were substantially improved over the previous year. Total sales reached a record $28,117,767 compared with $25,021,199 last year. The sales figures include $21,972,627 for the current year ($19,821,521 for last year) which constitutes our share (73%) of Cybermedix's sales that is not included in AGRA's consolidated sales figures since our interest in Cybermedix is accounted for on an equity basis. Operations produced a disappointing $214,340 consolidated loss which nevertheless represents a substantial improvement over last year's loss of $1,244,255.

The Community Service Group is made up of two divisions, the communications division and the medical laboratory division. The communications division is comprised of three subdivisions as follows:

a) *Magazines:* General News is our wholesale distributor in southern Alberta of magazines, paperback and educational books. Once again, for the thirteenth year in a row, General News operated very satisfactorily and produced a respectable increase in sales volume and profit.

Pay TV commercials are being shot for the introduction of this new service in Canada.

Cablenet's new office, head-end and main studio building was built in Mount Prospect, Illinois to serve the northwestern suburban communities of Chicago.

b) *Cable Television:* Our cable television business operates primarily as *Cablenet in Canada* and the United States. We hold a 73 percent interest in this company which serves approximately 144,000 subscribers in 10 different locations in Canada including Chilliwack, Lethbridge, Estevan, Weyburn, Powell River, Kamloops, Comox Valley, Oakville, Burlington and Kingston. In addition, Cablenet has a 50 percent interest in South-Western Cable TV Inc. which presently provides cable service to about 15,000 subscribers in the suburbs of St. Louis. Cablenet is now very busy constructing a cable television system in the northwestern suburban communities of Chicago which will eventually pass approximately 150,000 homes. This system will be the most modern state-of-the-art cable system ever built anywhere in the world with a capacity of 120 channels for entertainment, education and business purposes.

c) *Radio:* CKO Inc. is our radio broadcasting operation which presently broadcasts all-news radio in seven major cities across Canada including Vancouver, Calgary, Edmonton, London, Toronto, Ottawa and Montreal. In addition, CKO is licensed to complete the national news network across Canada with radio stations in Regina, Winnipeg, St. John, Halifax and St. John's. These will be activated over the next few years. After suffering a very shaky start-up with excessive operating losses, CKO is now definitely on the road to recovery. The convalescent stage remains slower than desired, but nevertheless the improvements both in operating sound and in bottom line numbers are increasingly more evident.

The second division in our Community Service Group is the medical laboratory division of which we hold a 73 percent interest and which provides medical diagnostic laboratory services in Canada and the United States under the principal name of Cybermedix. In Canada, Cybermedix's revenues showed a satisfactory increase during the 1982 fiscal year but profits remained comparable to the previous year due to escalating costs. Steps taken to reduce costs, including test reporting to doctors by computer, should provide an increase in profits for the new year. In the United States, earlier efforts to improve operating efficiencies were well rewarded with a marked increase in profits over the previous year. Plans are now afoot to expand our U.S. operations by internal growth and by acquisitions.

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