AGRA 1983

AGRA Industries is a diversified Canadian company which provides engineering and community services and also manufactures specialty foods and soft-drinks. The Engineering Group is engaged in both consulting and construction services as well as land development. It also operates a steel fabricating plant, an architectural precast concrete plant and a fiberglass reinforced plastics plant. The Community Service Group provides cable television and radio broadcasting services, distributes news-magazines and operates medical diagnostic laboratories and an insurance agency. The Food & Beverage Group produces specialty ingredients for the snack food and baking industries and manufactures several nationally branded soft-drink lines. All of AGRA's operating companies and their locations are listed in the directory on the last page of this report. Most subsidiaries are wholly-owned. For the few not wholly-owned, AGRA's equity interest is shown in brackets beside the company name. AGRA is a public company with shares listed on the Toronto and Montreal Stock Exchanges. It has ranked within the top 400 of Canada's largest companies for the past few years.

AGRA INDUSTRIES LIMITED

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

1983 ANNUAL REPORT

FINANCIAL HIGHLIGHTS

	1983	1982*
Sales	**$ 132,334,965**	151,922,836
Earnings Before The Following	**11,181,859**	15,816,058
Depreciation and Amortization	**4,293,092**	3,838,535
Interest	**4,687,276**	6,662,637
Income Taxes	**3,543**	1,170,977
Net Earnings		
Before Extraordinary Items	**2,197,948**	4,143,909
After Extraordinary Items	**4,509,237**	4,143,909
Net Earnings Per Share		
Before Extraordinary Items	**.48**	.87
After Extraordinary Items	**.98**	.87
Cash Flow	**7,274,952**	8,043,656
Cash Flow Per Share	**1.58**	1.69
Equity Per Share	**9.49**	8.97
Average Shares Outstanding	**4,599,915**	4,746,250
Return on Equity	**10%**	10%

* The 1982 statistics have been restated to reflect the effect of the 1983 two for one share split

CONTENTS

ANNUAL MEETING

The annual meeting of shareholders will be held at 2:30 P.M. on Tuesday, January 24, 1984 in the Kensington Room, The King Edward Hotel, at 37 King Street East in Toronto. If you cannot be present, please vote by proxy.

AGRA 1983

Western Caissons supplied over 10,000 patented Sure-Lock pile splices for the Keehi Highway Interchange in Honolulu, Hawaii.

BOARD OF DIRECTORS

J. M. BARRY	Saskatoon
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
A. Z. TORCHINSKY	Vancouver
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)
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

AGRA 1983

REPORT TO THE SHAREHOLDERS

AGRA President, B. B. Torchinsky cuts the ribbon during opening ceremonies for Allders duty-free shops at Toronto's International Airport on October 1, 1983.

Financial Results

The twelve month period from August 1, 1982 until July 31, 1983 hopefully has seen the bottoming out of a major downturn in the world economy which began almost two years ago. This same period encompassed AGRA's fiscal year 1983. While the year was difficult and frustrating for us as for most companies, we are nevertheless pleased to have come through it relatively unscathed and in good position to commence building as the world economy finally seems ready to start climbing out of a very dark period.

Total sales for the year fell to $132,334,965 compared with $151,922,836 in 1982. In spite of this drop, consolidated net earnings held steady at $4,509,237 compared with $4,143,909 last year. However, whereas last year's earnings included no special gains, more than half of the total for the current year ($2,311,289) is made up of extraordinary gains. The special gains arose primarily from two items. Firstly, mortgages taken below face value as part of the consideration for the sale of our meatpacking operations in 1978 were paid in full during the year, giving rise to an extraordinary gain. Secondly, upon completion of our new Blue Label soft-drink plant in Calgary, we sold the old building at a price greater than book value, further increasing our extraordinary gain for the year.

Near the end of the fiscal year shareholders agreed to a recommendation by your board to split our common stock on a two for one basis. Because of this, the total outstanding common shares increased from 2,350,948 shares to 4,701,896 shares. Earnings per share for fiscal 1983 therefore were 98 cents per share (based on 4,599,915 average shares outstanding) compared with a restated 87 cents per share, based on 4,746,250 shares which would have been outstanding if the split had occurred last year.

Summary of Group Performances

None of our operating groups was as seriously affected by the downturn in the economy as was our Engineering Group. Total sales took a major plunge during the year forcing our company managers into the frustrating position of having to make major staff and operating adjustments. Most of our engineering companies had already come through a major reorganization just a few years previously, so the adjustments required for the current year were more readily attained. This was fortunate for us and undoubtedly helped to prevent the entire group from sinking into a loss position for the year. In spite of the problems, a few of our engineering companies managed to come through the year with excellent performances, which helped to keep total group results in the black.

Our Food & Beverage Group was also seriously affected by the prolonged recession though this was offset by an extraordinary gain. Both the food division and the beverage division suffered shrinking sales and profit margins as consumer resistance tightened along with the economy. The beverage division was particularly affected because of its location in southern Alberta where the sudden downturn in the economy was probably more severe than in any other part of Canada.

Performance of the Community Service Group was erratic in that the medical laboratory division came through with considerably improved results over last year while the all-news radio division fell considerably below budget. The Cablenet and General News division completed the year more or less as expected.

Acquisitions

During the year we purchased a 49 percent interest in Canasco-Bonham Insurance Brokers (1982) Ltd. We were interested in this acquisition because of AGRA's extensive insurance and bonding requirements across Canada and in other parts of the world as well as the potential for considerable growth in the insurance brokerage industry. The company produced a small profit in the few months since we became involved with it and we look forward to rapid expansion and increased earnings from this addition in the future.

Subsequent to our year-end we formed the CKO Partnership in which AGRA retains a 51 percent interest. This move will substantially reduce our operating costs for the new year and should help CKO to become established as a successful all-news radio broadcasting network across Canada. Another joint venture which began operations subsequent to our year-end is Allders International (Canada) Ltd. in which we also hold a 51 percent interest. This company recently won the concession from Transport Canada to operate all the duty-free shops in Toronto's International Airport for seven years starting October, 1983. Our partners in this operation are very experienced in the duty-free business and we are most enthusiastic about its prospects. We also acquired, subsequent to our year-end, a 100 percent interest in C I Power Services Inc., an engineering group which specializes in design and operation of power plants. This is a significant acquisition as it will open doors to many energy-related engineering projects for which the future outlook is especially bright.

Share Split

Near the end of the year your directors approved a split of all AGRA common shares on a two for one basis. This was subsequently authorized by the shareholders at a special meeting and on June 20, 1983, each common share was split into an AGRA A (voting) share and an AGRA B (non-voting) share. The Class B shares are entitled to a special non-cumulative extra dividend of one cent per quarter (four cents per year) before further dividends are equally divided amongst all the shares. The board may also declare further special dividends to the Class B shares at any time. The Class A shares may be converted to Class B shares at any time. However, the Class B shares cannot be converted to Class A shares except during a takeover bid for the Company, so that the Class B shares would be able to participate should a takeover offer for the voting shares be made.

As a result of the share split, the total number of common shares outstanding increased from 2,350,948 to 4,701,896. Before the split we were paying a dividend of five cents per quarter or 20 cents per year on each share. For the quarterly dividend payable at the end of September 1983, your board declared a dividend of five cents for each Class A share (20 cents per year) and six cents for each Class B share (24 cents per year). We have therefore more than doubled the annual dividend rate starting in fiscal 1984. We hope to be able to maintain this rate and even to increase it as time goes by.

Outlook for 1984

It is my opinion that the prolonged world recession has already bottomed out and that 1984 will see a gradual return to higher sales, higher profits and general growth. I am proud of the way AGRA managed to come through this extremely difficult time stronger than ever. We were able to do this by following conservative fiscal policies and maintaining widely diversified operations which were carefully controlled on the spot by excellent management and staff. We are now in an ideal position to participate in the anticipated upswing in the world economy. While we look forward to doing so, we will continue to emphasize tight controls and a conservative management approach since we do not expect the economic upswing to take off dramatically, but rather to improve gradually and on a fairly bumpy path.

Sincerely yours,

B. B. Torchinsky,
President

November, 1983

TEN YEAR REVIEW

	1983	1982	1981
EARNINGS STATISTICS			
Revenues	**$ 132,334,965**	151,922,836	160,007,590
Depreciation and Amortization	**4,293,092**	3,838,535	5,666,515
Net Earnings	**4,509,237**	4,143,909	6,598,687
Cash Flow	**7,274,952**	8,043,656	10,732,960
Dividends Paid	**460,836**	353,875	—
BALANCE SHEET STATISTICS			
Current Assets	**46,073,590**	46,705,258	52,873,652
Current Liabilities	**23,649,071**	24,900,967	33,924,060
Working Capital	**22,424,519**	21,804,291	18,949,592
Fixed Assets — Net	**40,296,745**	40,696,028	27,551,329
Long-Term Debt	**36,580,651**	38,739,340	28,061,826
Shareholders' Equity	**44,803,950**	41,379,471	38,198,000
COMMON SHARE STATISTICS*			
Earnings per Share	**.98**	1.75	2.78
Cash Flow per Share	**1.58**	3.39	4.52
Dividends per Share	**.10**	.15	—
Equity per Share	**9.49**	17.93	16.02
Return on Equity (average)	**10%**	10%	19%
OTHER STATISTICS*			
Average Shares Outstanding	**4,599,915**	2,373,125	2,376,899
Number of Shareholders	**1,100**	1,300	1,500
Total Shares Traded	**884,449**	271,269	691,603
Price (high/low)	**7.00/4.50**	9.25/6.50	10.375/5.125

* During 1983 the outstanding shares were split on a two for one basis. Statistics for prior years do not reflect the split and are therefore not directly comparable.

1980	1979	1978	1977	1976	1975	1974
139,217,043	105,629,644	181,730,078	146,445,214	149,831,095	121,104,857	154,685,149
3,847,289	3,184,967	3,560,953	2,809,913	2,242,105	1,594,556	1,692,307
1,446,784	959,361	6,320,883	2,139,496	3,532,528	2,423,107	2,956,159
3,713,649	1,880,919	9,692,023	5,841,809	6,767,819	5,439,024	5,774,501
—	924,878	835,762	761,209	685,687	553,570	397,348
49,965,343	42,980,718	37,192,909	38,157,933	30,603,645	28,860,017	39,172,620
32,165,852	29,217,562	26,871,633	28,592,991	23,536,967	26,142,108	37,728,360
17,799,491	13,763,156	10,321,276	9,564,942	7,066,678	2,717,909	1,444,260
30,314,630	20,444,912	26,321,703	25,572,113	22,610,704	18,492,437	25,136,753
36,940,363	26,261,826	21,627,655	19,220,781	15,167,565	11,661,885	15,646,934
31,492,232	30,028,736	30,019,197	24,465,701	22,610,191	19,316,386	16,946,808
.61	.40	2.67	.91	1.62	1.14	1.55
1.57	.79	4.09	2.49	3.10	2.55	3.04
—	.39	.36	.34	.32	.26	.21
13.29	12.67	12.65	10.32	10.18	9.06	7.97
5%	3%	23%	9%	17%	13%	21%
2,370,002	2,371,552	2,370,139	2,344,840	2,186,010	2,129,177	1,896,507
1,900	1,900	1,950	1,900	1,900	2,000	1,950
407,713	511,651	340,729	226,698	364,134	241,918	392,998
6.25/4.60	7.375/5.875	7.00/4.75	7.625/5.125	8.625/4.50	7.25/4.55	12.875/6.125

Beer Precast supplied and installed insulated architectural wall panels for the National Revenue Taxation Centre in Sudbury.

Technician Laurie Edmunds of BBT Geotechnical Consultants monitors progress of service tunnel construction on new campus of Athabasca University, north of Edmonton. ▶

Ellesmere Developments is the major partner for a comprehensive resort development in Grand Cayman, B.W.I. Maurice Cullen, Ellesmere's project manager, checks with Jack Nicklaus who is designing the golf course.

Heavy duty trucks distribute soft-drinks throughout southern Alberta and parts of B.C. and Saskatchewan.

FINANCIAL REPORTS

AGRA 1983

AUDITORS' REPORT

To the Shareholders

We have examined the consolidated balance sheet of AGRA Industries Limited as at July 31, 1983 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, 1983 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
October 28, 1983

AGRA INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF EARNINGS
Year Ended July 31, 1983

	1983	1982
Revenue		
Sale of products, contracts and fees (Note 17)	$ 132,334,965	151,922,836
Expenses		
Cost of sales and services, selling, general and administrative	122,653,035	137,062,684
Depreciation and amortization	4,293,092	3,838,535
Interest on long-term debt	3,809,643	5,557,005
Other interest	877,633	1,105,632
	131,633,403	147,563,856
Earnings before the following	701,562	4,358,980
Income taxes (recovery) (Note 14)		
— current	(38,753)	(93,608)
— deferred	42,296	1,264,585
	3,543	1,170,977
	698,019	3,188,003
Minority interest	—	(18,833)
Earnings of non-consolidated entities	1,499,929	974,739
Earnings before extraordinary items	2,197,948	4,143,909
Extraordinary items (Note 10)	2,311,289	—
Net earnings	$ 4,509,237	4,143,909
Earnings per share (Notes 8 and 15)		
Before extraordinary items	$ .48	.87
After extraordinary items	$ .98	.87

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
Year Ended July 31, 1983

	1983	1982
Balance, beginning of year	$ 31,488,486	28,017,007
Add Net earnings	4,509,237	4,143,909
	35,997,723	32,160,916
Less: Dividends paid	460,836	353,875
Redemption of common shares	—	318,555
	460,836	672,430
Balance, end of year	$ 35,536,887	31,488,486

AGRA INDUSTRIES LIMITED

CONSOLIDATED BALANCE SHEET
July 31, 1983

	1983	1982
ASSETS		
Current		
Accounts receivable	**$ 22,939,003**	25,855,349
Inventory and contracts in progress	**14,184,428**	15,178,291
Prepaid expenses	**824,391**	689,663
Other (Note 3)	**8,125,768**	4,981,955
	46,073,590	46,705,258
Investments		
Equity in non-consolidated entities	**14,180,880**	13,716,552
Other — at cost	**1,385,694**	320,637
	15,566,574	14,037,189
Fixed		
Land	**3,453,532**	3,439,403
Buildings	**17,245,207**	17,501,089
Equipment	**39,755,649**	37,972,977
	60,454,388	58,913,469
Less accumulated depreciation	**20,157,643**	18,217,441
	40,296,745	40,696,028
Other		
Excess cost of shares in subsidiaries and acquired goodwill	**6,187,717**	6,061,730
	$ 108,124,626	107,500,205

ON BEHALF OF THE BOARD

B. B. TORCHINSKY — Director

T. A. McLELLAN — Director

	1983	1982
LIABILITIES		
Current		
Bank indebtedness (Note 4)	**$ 3,429,673**	5,790,757
Accounts payable	**14,371,867**	13,565,203
Current portion of long-term debt (Note 6)	**4,352,952**	3,894,096
	22,154,492	23,250,056
Deferred income taxes	**1,494,579**	1,650,911
	23,649,071	24,900,967
Long-term debt (Note 6)	**36,580,651**	38,739,340
Deferred income taxes	**3,090,954**	2,480,427
	63,320,676	66,120,734
SHAREHOLDERS' EQUITY		
Share capital (Note 8)		
Authorized		
Class A voting convertible shares, without nominal or par value		
Class B non-voting shares, without nominal or par value		
Issued and outstanding		
2,351,003 Class A shares		
2,371,003 Class B shares		
4,722,006	**10,314,436**	9,890,985
Retained earnings	**35,536,887**	31,488,486
	45,851,323	41,379,471
Shares held by affiliate	**1,047,373**	—
	44,803,950	41,379,471
	$ 108,124,626	107,500,205

AGRA INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
Year Ended July 31, 1983

	1983	1982
Source of Working Capital		
Operations		
Net earnings before extraordinary items	$ 2,197,948	4,143,909
Items not affecting working capital	2,765,715	3,899,747
	4,963,663	8,043,656
Proceeds from		
Investments	127,483	2,939,591
Disposal of fixed assets	484,456	737,862
Long-term debt	1,950,372	14,433,238
Issue of share capital and options	423,451	73,638
Extraordinary items	4,381,992	—
	12,331,417	26,227,985
Use of Working Capital		
Investments	1,166,755	1,067,806
Purchase of fixed assets	5,998,469	17,497,152
Retirement of long-term debt	4,091,461	3,727,944
Acquisition of subsidiary	150,000	140,000
Redemption of share capital	—	682,200
Payment of dividends	460,838	353,875
	11,867,521	23,468,977
Increase in working capital	463,896	2,759,008
Working capital, beginning of year	23,455,202	20,696,194
Working capital, end of year, excluding deferred income taxes	23,919,098	23,455,202
Deferred income taxes	1,494,579	1,650,911
Working capital, end of year, including deferred income taxes	$ 22,424,519	21,804,291
Represented by		
Current assets	$ 46,073,590	46,705,258
Current liabilities, excluding deferred income taxes	22,154,492	23,250,056
Working capital, excluding deferred income taxes	23,919,098	23,455,202
Deferred income taxes	1,494,579	1,650,911
	$ 22,424,519	21,804,291

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — July 31, 1983

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 the Company acquired the following:

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

49% of the shares of a new company which purchased the assets of Canasco-Bonham Insurance Brokers for $400,000 in cash and promissory notes for $500,000 for a total consideration of $900,000.

3. Other Current Assets

The other current assets include:

	1983	1982
Loans to affiliates	$ 7,400,000	2,300,000
Mortgage receivable	600,000	2,434,519
Other	125,768	247,436
	$ 8,125,768	4,981,955

4. Bank Indebtedness

The bank indebtedness includes:

	1983	1982
Secured bank loans	$ 2,587,345	4,845,650
Cheques issued and uncashed	842,328	945,107
	$ 3,429,673	5,790,757

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 Class A shares and 76.923 Class B shares per $1,000 principal amount of debentures, equivalent to a conversion price of $6.50 per Class A share and $6.50 per Class B 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 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, 1983 the Company redeemed $44,000 of these debentures to complete its obligation for the year.

6. Long-Term Debt

	1983	1982
Mortgages and chattel mortgages payable with interest rates averaging 13% (maturity dates to 1997)	$ 2,869,484	2,920,381
Notes, agreements and loans payable with interest rates averaging 1% over prime (maturity dates to 1994)	36,203,119	37,669,055
6½% Convertible Subordinated Debentures (Note 5)	1,861,000	2,044,000
	40,933,603	42,633,436
Less current portion	4,352,952	3,894,096
	$36,580,651	38,739,340

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

On June 21, 1983 the company subdivided each of its outstanding Class A and Class B common shares into two new shares, of which one is a Class A voting share and one is a Class B non-voting share. The new Class A voting shares are convertible into the new Class B non-voting shares on a one for one basis. The new Class B non-voting shares are not convertible into the new Class A voting shares except under certain circumstances. The new Class B non-voting shares carry a quarterly non-cumulative preferential dividend of one cent per share.

Changes in outstanding shares during the year (based on new shares):

	Class A	Class B
Converted from debentures	10,684	10,684
Issued for cash	32,875	52,875
	43,559	63,559

9. Stock Option Plan

Under a Company stock option plan, dated November 6, 1979, options for 284,550 shares of the Company have been accepted by employees of the Company as at July 31, 1983. The plan provides that employees shall pay to the Company 25 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, 1983, 116,200 shares have been issued to employees of the Company under the plan.

10. Extraordinary Items

	1983	1982
Gain on assets sold net of income tax of $418,765	$2,311,289	—

11. Lease Commitments

Minimum annual payments under long-term operating leases, the longest of which will expire in 1994, for the five succeeding years are: $1,148,750; $967,429; $855,214; $764,401 and $639,556, totalling $4,375,350.

12. Contingent Liabilities

The Company has guaranteed certain indebtedness of related companies in the amount of $26,257,000 and has undertaken to fund any cost overrun which may occur in the construction of a cable television system.

13. 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.

14. Income Taxes

The average tax rate for the company and its subsidiaries is approximately 49%. However, the provision for tax is affected by the inclusion of items which are non-taxable or non-deductible for income tax purposes and by items such as the manufacturing and processing profits deduction, investment tax credits, scientific research allowance and the 3% inventory allowance.

15. Fully Diluted Earnings per Share

	1983	1982
Before extraordinary items	$ .45	.81
After extraordinary items	.91	.81

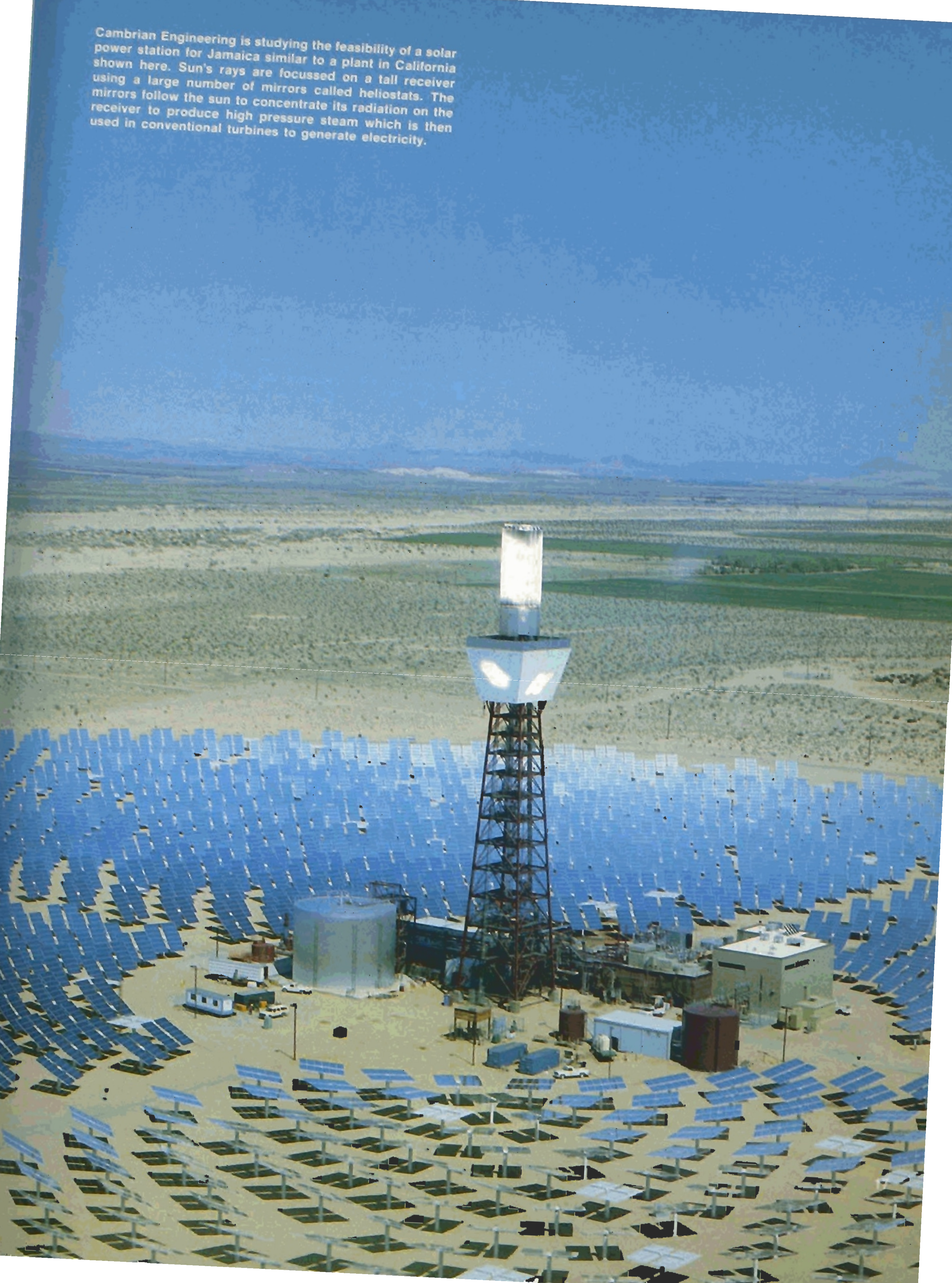
The fully diluted earnings per share reflect earnings that would have been reported had all conversion rights been exercised.

16. Transactions Subsequent To Year-End

The assets of the CKO Radio division were sold for $2,000,000 to a partnership in which the Company holds a 51% interest.

17. Segmented Information (in thousands of dollars)

	Engineering		Food and Beverage		Community Service		Consolidated Total	
	1983	1982	1983	1982	1983	1982	1983	1982
Revenue	$72,622	88,681	52,894	57,097	6,819	6,145	132,335	151,923
Earnings								
Earnings before the following	420	1,552	1,663	2,465	(1,385)	(829)	698	3,188
Earnings of non-consolidated entities	759	360	—	—	741	615	1,500	975
Minority interest	—	(19)	—	—	—	—	—	(19)
Earnings before extraordinary items	1,179	1,893	1,663	2,465	(644)	(214)	2,198	4,144
Extraordinary items	—	—	2,311	—	—	—	2,311	—
Net earnings	$ 1,179	1,893	3,974	2,465	(644)	(214)	4,509	4,144
Assets	$50,095	51,476	44,009	42,717	14,021	13,307	108,125	107,500
Depreciation and Amortization	$ 2,359	2,233	1,607	1,350	327	256	4,293	3,839
Capital Expenditures	$ 940	3,953	4,768	13,072	290	472	5,998	17,497



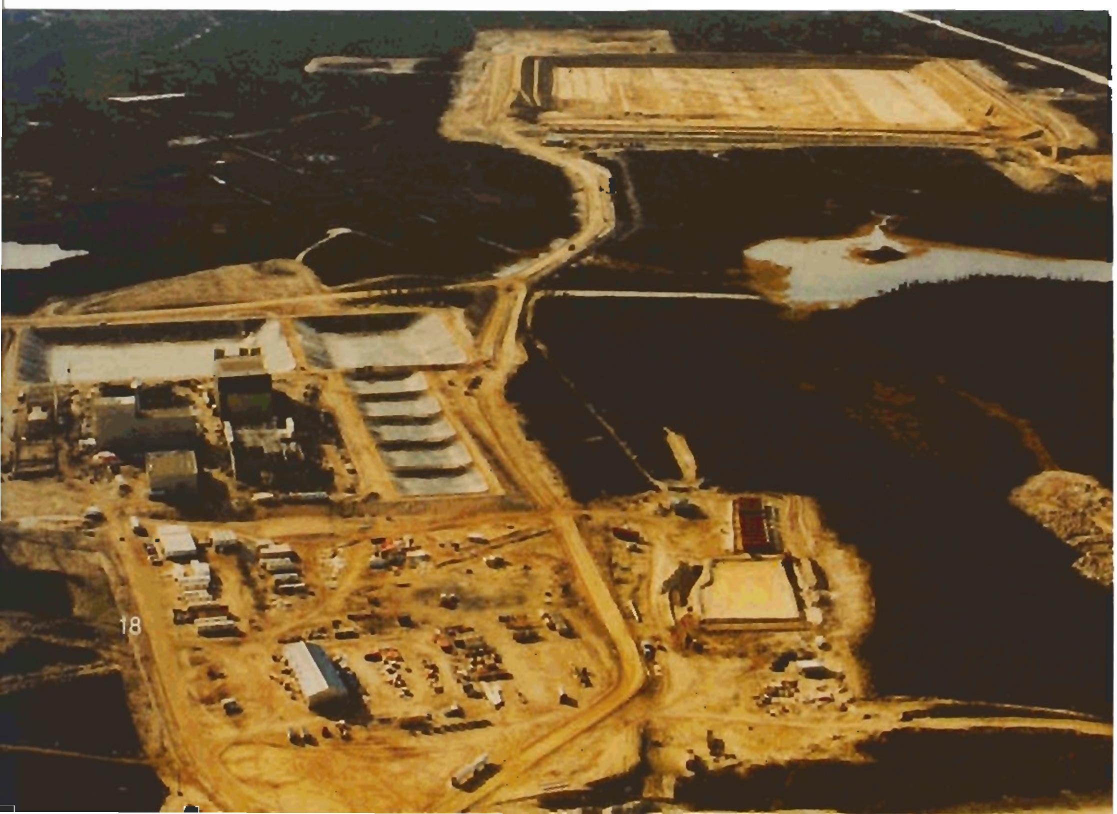
Cambrian Engineering is studying the feasibility of a solar power station for Jamaica similar to a plant in California shown here. Sun's rays are focussed on a tall receiver using a large number of mirrors called heliostats. The mirrors follow the sun to concentrate its radiation on the receiver to produce high pressure steam which is then used in conventional turbines to generate electricity.

Torchinsky Consulting are project managers for highway construction west of Calgary, providing access to Alpine Game sites for the XVth Winter Olympics in 1988

◀ Mocoat operates mobile rigs which provide corrosion protection to large vessels by coating them with plastic, epoxy or phenolics

ENGINEERING GROUP

The year began with a relatively small backlog of work for most of our engineering companies and continued this way throughout the year. Total sales dropped to $72,622,298 from $88,681,172 and after-tax profits fell to $1,178,806 from $1,893,542. Most of the jobs undertaken were done on an extremely competitive basis because too many companies were chasing too few jobs. We were often happy to land a job with no real profit in it as long as it helped offset our fixed overheads.



BBT Geotechnical Consultants provided quality control testing for the Key Lake uranium mine in northern Saskatchewan. This is the largest uranium mine in the free world

Despite very tight and difficult operating conditions, most of our engineering companies managed to come through the year without suffering excessive losses by carefully controlling their overheads. A few companies even managed to turn in very good results. For example, of all our consulting companies, Torchinsky Consulting, our highway design company, ended the year with fine results. The same company also did well last year. Of our engineering contracting companies, Beer Precast Concrete, our architectural precast concrete manufacturing plant in Toronto, came through once again with excellent results for the year as did Western Caissons, our deep foundation construction company in western Canada.

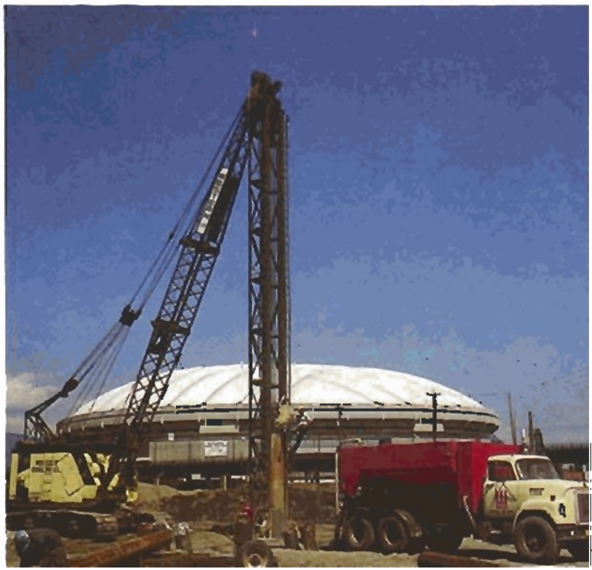
Our land development company, Ellesmere Developments (which includes Ellesmere's 26 percent interest in Executive Trust), maintained a cautious investment strategy in order to minimize debt for the short term and consequently recorded a profit for the year. During the year Ellesmere sold a half interest in its Palm Desert property to a joint venture partner, secured a major renovation and property management contract for a 300 unit apartment complex in Grande Prairie, and acquired the majority joint venture interest in an 80 acre parcel of land in Grand Cayman. Planning for a Jack Nicklaus designed golf course and a comprehensive resort development is proceeding. Ellesmere also formed a joint venture company called Epicon Properties Inc. with the Northland Bank. Epicon has already acquired a number of properties from the bank and is acting in an advisory capacity on others. While the outlook for 1984 remains uncertain, Ellesmere is well positioned to take advantage of the unique opportunities arising from the extended slump in the industry.

	1983	1982
SALES	**$ 72,622,298**	88,681,172
EARNINGS	**$ 1,178,806**	1,893,542

Subsequent to our year-end we acquired C I Power Services Inc. which specializes in the design and operational management of power plants. This company traces its roots back to the turn of the century when Max Aitken (Lord Beaverbrook) founded Canadian International Power Company Limited to develop energy related industries in the Caribbean and Latin American countries. Its current move to join AGRA will provide C I Power with additional resources which will enable it to retain a competitive position and to expand. AGRA's interest in this merger is that it will provide our consulting engineering group with a solid, well established foundation in the power and energy field, and will significantly round out our expertise in plant processes and infrastructure design.

While operating results for fiscal 1983 have not been satisfactory, we are nevertheless pleased to have come through this most difficult period in a strong and healthy position. We have tuned up our engineering operations so that they are well managed and tightly run; we have focused our directions and objectives more clearly; and we are ready to take full advantage of the heavy workload which should develop as the world economy turns around.

Western Caissons installed 985 compacto piles for the Connaught Bridge on Cambie St. near the new B.C. Place domed stadium in Vancouver.



Coast Steel Fabricators manufactured and is erecting the prototype building which will be used as the Exhibitors' Pavilion for Expo '86 in Vancouver.

Dr. A. Khan works on complex analysis at Research Foods

Jeanette Lavoie checks Blue Label's fully integrated computer system which controls inventories, monitors production and provides a complete financial package.

FOOD & BEVERAGE GROUP

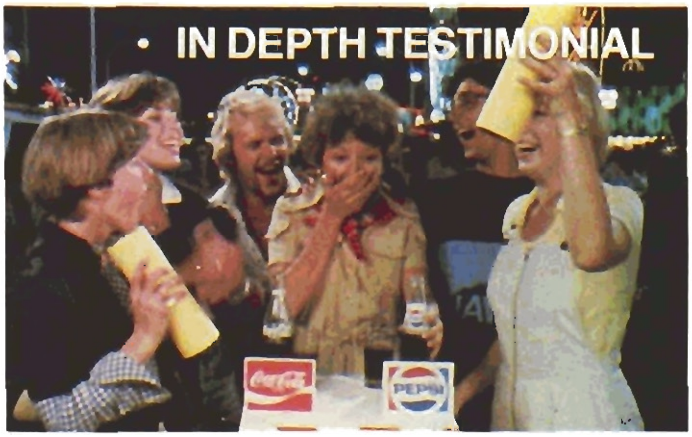
Total sales volume dropped to $52,893,753 compared with $57,096,524 last year. In spite of this, after-tax earnings increased to $3,974,206 compared with $2,464,707 last year. These figures are misleading however, since the current year's earnings include an extraordinary gain of $2,311,289 whereas last year's earnings were not affected by any extraordinary items. The extraordinary gain for the current year is made up of two major items. As part of the consideration for the sale of our meatpacking operations in 1978 we received mortgages at amounts below face value. Upon their maturity in the current year the full face amounts of the mortgages were received, giving rise to an extraordinary gain of $1,336,766. The balance was obtained

Blue Label's new $15,000,000 soft-drink bottling and canning plant in Calgary is now in full operation.

from the sale of our old Blue Label building in Calgary which was sold at a price in excess of its recorded book value.

When the effect of the extraordinary gains are discounted from the year's total earnings, it can be seen that operating results for the current year were substantially below last year's performance. One reason for this is that our beverage division fell substantially below targets for both sales and earnings. The sales drop was caused by a sudden reversal in Alberta's economic climate which suddenly stopped all population growth and in fact caused it to shrink slightly. Furthermore, excessive competition to maintain market share made price discounting a major factor for the first time in southern Alberta. Our problems were further aggravated by startup costs for our new Blue Label soft-drink plant in Calgary which had recently been completed at a cost in excess of $15,000,000. The new plant is now operating very well and we have managed to recover some of the sales volume by mounting several aggressive sales campaigns. As the sales volumes return to more normal levels, which we expect they eventually will, the inherent operating efficiencies of our new plant should make it very profitable.

	1983	1982
SALES	**$ 52,893,753**	57,096,524
EARNINGS	**$ 3,974,206**	2,464,707



The balance of our beverage division includes Stampede Vending which distributes soft-drinks, coffee and snacks through vending machines in southern Alberta and Contain-A-Way which manages a depot system throughout Alberta for recycling of soft-drink, wine and liquor containers. These companies performed reasonably well and fairly close to budget in fiscal 1983.

Our food division includes Research Foods, an ingredient supplier to the convenience food industry, and W.J. Lafave & Sons who supplies the baking industry across Canada with a range of shortening, chocolate and other specialty products. Lafave also manufactures a variety of specialty Italian foods under various private labels through their wholly-owned subsidiary, Magnani, Inc.

The past year has been a difficult one for both Research Foods and W.J. Lafave as consumers tended to purchase basic staples rather than more expensive convenience foods. Increased operating costs, higher levels of research and development, and increased competition have all contributed to lower operating margins. The same pattern is evident as the new year commences and consequently operating costs will have to be tightly controlled. We are planning to introduce several new products in the new year. These include coffee whiteners, low-calorie desserts and a new line of popcorn flavorings. As long as we can keep these and all our products cost competitive, we should be able to show a reasonable performance in fiscal 1984.

Contain-A-Way employees James Pieters, Michelle Aitken, Bill Freure and John Lynett pose behind one of our trucks displaying our new slogan. ▼

Mike Lemieux, Blue Label's syrup room operator, prepares a new batch

General News displays magazines in impulse buying racks along supermarket checkout counters

Control Room for local origination and public access in Cablenet's suburban Chicago studios.

Cybermedix's operator Carol Roach checks the IBM System 38 computer in data processing department

COMMUNITY SERVICE GROUP

The Community Service Group is made up of three divisions, the communications division (General News, Cablenet, CKO), the medical laboratory division (Cybermedix) and the insurance division (Canasco-Bonham). Consolidated sales for the year reached a record $33,123,724 compared with $28,117,767 last year. Included in the sales figures are $26,304,810 for the current year and $21,972,627 for last year which constitute our share (74%) of Cybermedix's sales. The Cybermedix figures are not included in AGRA's consolidated sales figures since our interest in Cybermedix is accounted for on an equity basis. Operations of the group produced a consolidated loss of $643,775 compared with a loss of $214,340 last year.

The insurance division is a new addition to the Community Service Group which was created early in the year with the acquisition of a 49 percent interest in Canasco-Bonham Insurance Brokers (1982) Ltd. This division contributed a small profit during the few months it was part of AGRA and should perform well in 1984.

The Cybermedix (medical laboratory) division enjoyed an excellent year in 1983. Efforts which began two years ago to improve efficiencies started to affect final results and operations continued to show growth and improvement throughout the year both in the United States and in Canada.

The performance of our communications division was spotty. General News, our wholesale magazine distributor in southern Alberta, had a good year. Cablenet, our cable television operation, had a reasonable year but began to feel the pinch of the 6&5 restraint policy in

Canada as operating costs continued to creep ahead. Furthermore in the U.S., Cablenet experienced some cost overruns as construction of the cable system to serve the northwestern communities in Chicago neared completion.

CKO, our all-news radio network, had a disappointing year. By year-end we could no longer justify absorbing additional development costs, yet we remained convinced that CKO will eventually become very successful. We therefore formed the CKO Partnership subsequent to our year-end. In the new structure AGRA retained a 51 percent interest in CKO and became the general partner who controls and operates the news-radio stations across Canada. A group of private Canadian citizens became the limited partners, taking over a 49 percent interest by agreeing to underwrite further operating losses. The limited partners have injected sufficient money to hopefully fund CKO until it produces a positive cash flow which we anticipate will occur within the next two years.

Subsequent to our year-end we also formed Allders International (Canada) Ltd., which tendered and won the concession rights from Transport Canada to operate all the duty-free shops in Toronto's International Airport for the next seven years, starting October 1, 1983. We hold a 51 percent interest in the company and our partners are Allders International Ltd., a division of Hanson Trust, which is a very large diversified public company in the United Kingdom. Our partners are well experienced in the duty-free business, since they operate such shops in London's Heathrow and Gatwick airports as well as in Sydney, Rio de Janiero, Sao Paulo and many other locations including luxury cruise ships such as the Queen Elizabeth II.

	1983	1982
SALES	**$ 33,123,724**	28,117,767
EARNINGS	**$ (643,775)**	(214,340)

In spite of the possibility that Cablenet may experience some startup difficulties in Chicago next year, we look forward to a good year for the Community Service Group in 1984. All divisions are now operating well and with our new acquisitions as well as new financing for CKO in place, the new year should be very interesting.

Cablenet's local origination studio in Oakville, Ontario.

CKO's Toronto newsroom.

AGRA INDUSTRIES LIMITED

HEAD OFFICE:
1200 CN TOWERS, SASKATOON, CANADA S7K 1J5
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