

AGRA
INDUSTRIES
LIMITED

1988 ANNUAL REPORT

AGRA

"The Asset Builders"

Annual Meeting

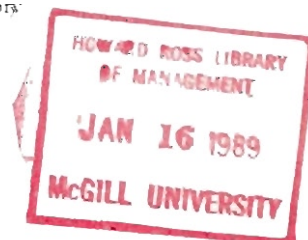
The annual meeting of shareholders will be held at 2:30 P.M. on Wednesday, January 25, 1989 in the Venice Salon at the Ramada Renaissance Hotel, 405-20th Street East, Saskatoon, Saskatchewan. If you cannot be present, please vote by proxy.

COMPANY PROFILE

A G R A Industries is a diversified Canadian company, listed on the Toronto and Montreal stock exchanges. In 25 years of operation, the company has built several broad-based operating groups with interests in a range of engineering and construction disciplines, food and pharmaceuticals, health care and communications. The company is strongly entrepreneurial, investing in growth industries and independent, aggressive management. Over a 25 year period, A G R A has developed into a global marketer, selling Canadian products and services throughout the world.

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CORPORATE HIGHLIGHTS

	1988	1987
Operations		
Revenue	\$ 231,116,392	207,797,630
Net earnings	7,774,850	7,291,023
Per Share*		
Net earnings		
<i>Before extraordinary items</i>	.46	.52
<i>After extraordinary items</i>	.58	.55
Fully diluted earnings		
<i>Before extraordinary items</i>	.43	.46
<i>After extraordinary items</i>	.52	.48
Dividends – Class A	.10	.10
– Class B	.12	.12
Equity	7.15	6.99
Other		
Average shares outstanding	13,376,952	13,262,762
Return on equity	8%	8%
Working capital	\$ 39,287,707	42,507,771

*The 1987 statistics have been restated to reflect the effect of the 1988 two-for-one share split.

TOTAL REVENUE¹

	1988	1987
Engineering, Construction & Technology	\$ 133,312,586	126,022,956
Food & Pharmaceuticals	37,208,890	31,856,446
Asset Development & Investments	44,970,717	37,387,083
Cybermedix	41,335,000	50,420,000
Total Revenue ²	\$ 256,827,193	245,686,485

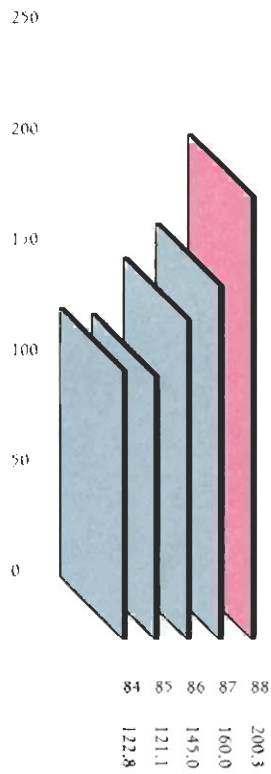
¹AGRA's proportionate share of revenue is included for companies which are not 100% owned and for companies which are treated on an investment basis in the consolidated statements.

TOTAL OPERATING INCOME³

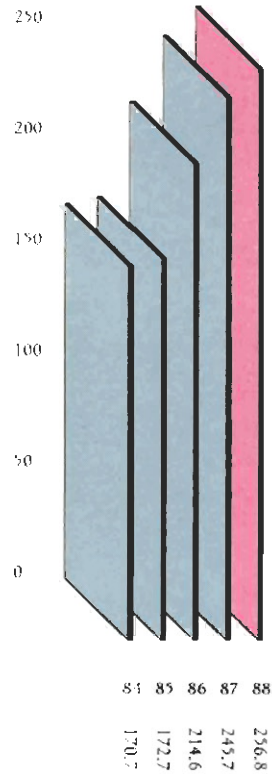
	1988	1987
Engineering, Construction & Technology	\$ 14,530,226	9,671,754
Food & Pharmaceuticals	(1,551,386)	2,895,407
Asset Development & Investments	2,790,054	1,764,095
Cybermedix	11,407,000	11,070,000
Total Operating Income ⁴	\$ 27,175,894	25,401,256

³All operating income figures shown are before interest, taxes, discontinued and extraordinary items. In cases where AGRA holds less than 100% of a company, operating income figures shown include only AGRA's proportionate share.

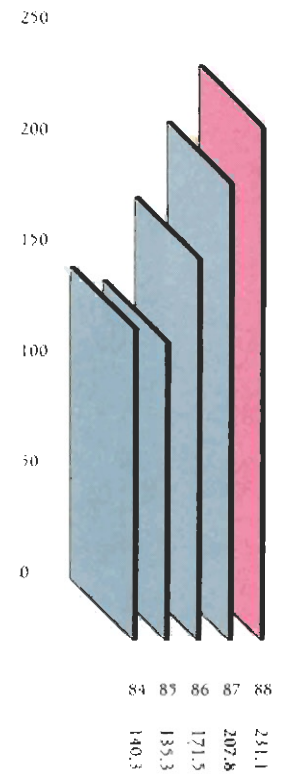
Total Assets
(millions of dollars)



Total Revenues¹
(millions of dollars)



Consolidated Revenues
(millions of dollars)



¹ AGRA's proportionate share of revenue is included for companies which are not 100% owned and for companies which are treated on an investment basis in the consolidated statements.



(Left to Right)

E.J. Kernaghan

B.B. Torchinsky

T.A. McLellan

H.M. Walker

A.Z. Torchinsky

S.J. Hamer

C. Roles

F.D. McCarthy

A. Golumbia

H. Tenenbaum

S.M. Stewart



Absent: W.F. Wettstein

This is A G R A's 25th annual report. We enter our second quarter-century as a thriving, diversified Canadian company, with assets exceeding \$200 million, annual sales of more than \$231 million in markets world-wide and a reputation for innovative entrepreneurship.

The company continues to specialize in several prime business zones – engineering, construction, food and pharmaceuticals, health care and communications – without losing sight of additional asset-building opportunities. One example is our majority interest in Allders International (Canada) Limited, which runs successful duty-free operations in Toronto, Calgary and Vancouver.

The A G R A organization has a tradition of expanding its horizons and successfully pinpointing and exploiting market opportunities, wherever they appear.

- In the late 1960s, the company pioneered production and large scale exports of vegetable oils to Asia. Today, we market patented edible oil refining equipment in China, Japan, India, and Central America.

- The company has built significant markets in the United States, as an exporter of manufactured goods, and as owner of a number of U.S. engineering operations. As a result, A G R A is in an excellent position to benefit from new bilateral trade agreements.

- This year, total revenue from A G R A foreign operations was almost \$45 million.

- We led in the development of Canada's first vanadium extraction plant, now under construction at Fort McMurray, Alberta. The rare mineral, now totally imported, is used in steel manufacturing.

- Vadeco International Inc, a Toronto company in which we hold a 50 per cent interest, is one of North America's most sophisticated high-tech companies, specializing in automation and large-scale robotic systems.

Diversity is key to our success. Under aggressive local management, our groups operate independently, with the guidance and financial expertise of a small central management team. It gives us the flexibility to move and adjust quickly.

This year we have renamed our three major operating groups to better reflect the strategic direction in which they are moving. The Foods group has been renamed Food & Pharmaceuticals to reflect an increasing market emphasis on pharmaceutical and chemical research, production and marketing.

Engineering operations are grouped under Engineering, Construction & Technology while Community Service has been renamed Asset Development & Investments to more accurately reflect the direction of the group. The Cybermedix group has strengthened its position as an industry leader in medical diagnostic laboratories and cable television.

From its earliest days, A G R A has been a growth-oriented company, building to ensure a profitable return for investors.

The result is a strong combination of asset development, flexibility, innovation and management skill, carefully fashioned to take us confidently into the 1990s and beyond.

What We Do

Engineering, Construction & Technology



This group is distinctive in terms of the range of its services, markets and technical disciplines. For decades, the group's geotechnical strengths have been demonstrated in foundation work and road building, dam sites and subway systems across the continent. Major buildings on the eastern

seaboard use precast claddings from our Toronto manufacturing plant. Consulting engineers from A G R A companies are involved in projects in Europe, Asia and the Caribbean. Land development and high-tech robotic systems add to the group's diversity and depth of talent.

Food & Pharmaceuticals



With the purchase, after year end, of an interest in an Ontario pharmaceutical distribution company, A G R A signalled a stronger presence in this market. Companies in the group continue to research and produce food coatings and essences for manufacturers. In addition, the group is

developing its presence in the retail market with a North American franchise operation as well as a U.S. based consumer recycling operation.

Asset Development & Investments



A G R A continues to make investments in business sectors which offer long-term growth opportunities. These include communications, the retail sector and health care. A good example of this type of development is Cybermedix Inc. – formerly part of this group – which went public a year

ago and adapted extremely successfully as a public company on the Toronto Stock Exchange. Cybermedix operates health care services in Canada and the U.S. as well as cable television operations in Canada.

The Markets

The group's diversity gives it a broad customer base which cuts across geographic boundaries and market sectors. All levels of government – municipal, provincial and federal – in all provinces are among A G R A clients. Building on this base, the group has established a significant

The addition of 'Pharmaceuticals' to the title, points to an innovative direction for this group of companies. Using its traditional R&D expertise, the group is moving into the chemical and pharmaceutical sectors, developing, manufacturing and marketing a range of health

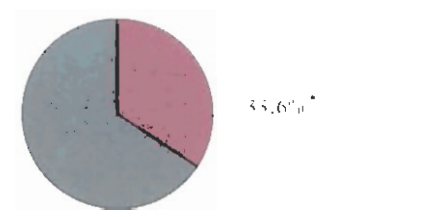
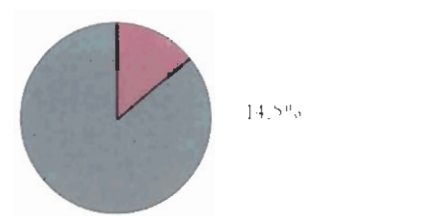
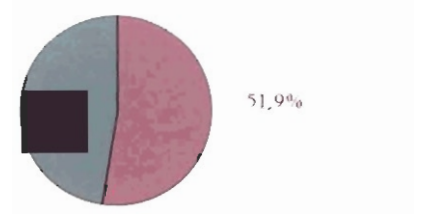
These growth companies concentrate on serving the public. CKO Radio broadcasts news, 24 hours a day, across Canada. W.T. McMullen & Associates brings A G R A into the insurance brokerage field. The company shows consistently good results. The travelling public is the

presence in the United States, as an exporter of Canadian products, and as owner of U.S. specialist engineering companies. As its U.S. foothold strengthened into a solid base, A G R A began turning its attention to offshore markets.

care products. The food companies continue to concentrate in specialized market niches – serving manufacturers, wholesalers, retailers and consumers.

exclusive market of Alders, an aggressive and successful duty-free retailer in Vancouver, Calgary and Toronto. The Cybermedix group of companies is active in health care and cable television.

Contribution To Total Revenue



*AGRA's proportionate share of revenue is included for companies which are not 100% owned and for companies which are treated on an investment basis in the consolidated statements.



(Left to Right) E.D. Redden, Corporate Controller.

O.P. Ritter, Corporate Counsel.

T.A. McLellan, Executive Vice-President and Secretary.

R.G. Dittmer, Vice-President-Finance and Treasurer.

A.C. Rankin, Vice-President-Corporate Development.

W.S. Kanigan, Corporate Taxation Manager.

Fiscal 1988 was a springboard year for A G R A as we prepared to enter our 26th year of operation. At year end (July 31, 1988) the company demonstrated its long-term strength—new business development; the ability to adapt quickly and efficiently to changing business climates while building its diversified revenue and asset base.

Revenues grew 11.2 per cent to more than \$231 million, compared with \$207.8 million in 1987 and shareholders earned \$7.8 million (58 cents per share) compared with \$7.3 million (55 cents per share) in 1987.

Annual earnings were influenced by unexpected costs associated with the start-up of a dramatic new venture in California. Contain-A-Way Inc. - part of our Food & Pharmaceuticals group—recently began recycling beverage containers throughout California. A G R A has almost 17 years' experience in recycling and there is little doubt the California opportunity has excellent long-term profit potential. Start-up costs were much higher than anticipated, due to flaws in state legislation covering assistance to operators, however an emergency bill was passed recently to correct the problems. A substantial portion of the costs will be amortized over the next five years and about \$2.4 million—18 cents per share—was written off in the current year.

While Food & Pharmaceuticals fell short of anticipated goals, A G R A's diversified strength led to a good year, building on 1987 performances. Our Engineering, Construction & Technology group as well as Asset Development & Investments, met sales and earnings targets, while the Cybermedix operation surpassed targets by a healthy margin.

Changes were made in Food & Pharmaceuticals which will help redirect the future course of the group. We completed the complex integration of the Dixie Lee franchise operation and Research Foods was reorganized in light of the purchase after year end, of a one-third share of Viaguard Pharmaceuticals Limited with options to double our holding. Viaguard markets an extensive range of health care and related products. Research Foods is a major supplier to Viaguard.

W.J. Lafave, the baking ingredient processing company in St. Jerome, Quebec, was sold at the end of the year. We felt we had taken the company as far as it could go and it was time for Food & Pharmaceuticals to concentrate on more rewarding operations. The purchase offer for Lafave was preceded by an excellent offer for General News, the magazine distribution organization in southern Alberta. Operating results have been consistent over the years but geographic operating restrictions have limited the company's potential. Sale of the two companies resulted in a net extraordinary gain of \$1.6 million (12 cents per share), which is included in the current year's earnings.

The two-for-one share split, approved by shareholders at last year's annual meeting, was formally completed February 26, 1988. As a result, total Class A and Class B (non-voting) shares outstanding increased to 13,350,862. A second resolution authorized the company to reduce preferential Class B dividends from one cent to one-half cent per share. Annual dividend payments have been adjusted accordingly—Class A to 10 cents and Class B to 12 cents, both paid quarterly.



Samuel J. Hamer, an A G R A board member since 1969 will retire in January, 1989. A G R A benefited from Sam's experience and good humour in the two decades since he sold us the beverage and news magazine operations he spent his business life developing. I would like to thank Sam for all his help and wish him every success for the future.

Thomas A. McLellan, Executive Vice-President and Company Secretary, will retire in December, 1988. Tom worked with A G R A for almost 30 years. For much of that time he served as chief operations officer and a member of the board. His loyalty and dedication made significant contributions to A G R A's growth. On behalf of all shareholders, I thank Tom and wish him well in his new endeavors.

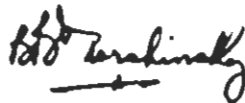
Robert G. Dittmer, Financial Vice-President and Company Treasurer will replace Tom McLellan. Bob has been intimately involved in company operations for 20 years and the transition will be a smooth one.

I regret to announce the sudden death, on July 20, 1988, of Harry Soloninka. Harry was Vice-President in charge of consulting engineering operations. He spearheaded some of the major strides made by our consulting group—especially in the difficult economy between 1981 and 1984—and served on the board for many years. I would like to record my heartfelt sympathy to his family and sincere thanks for his devoted service to the company.

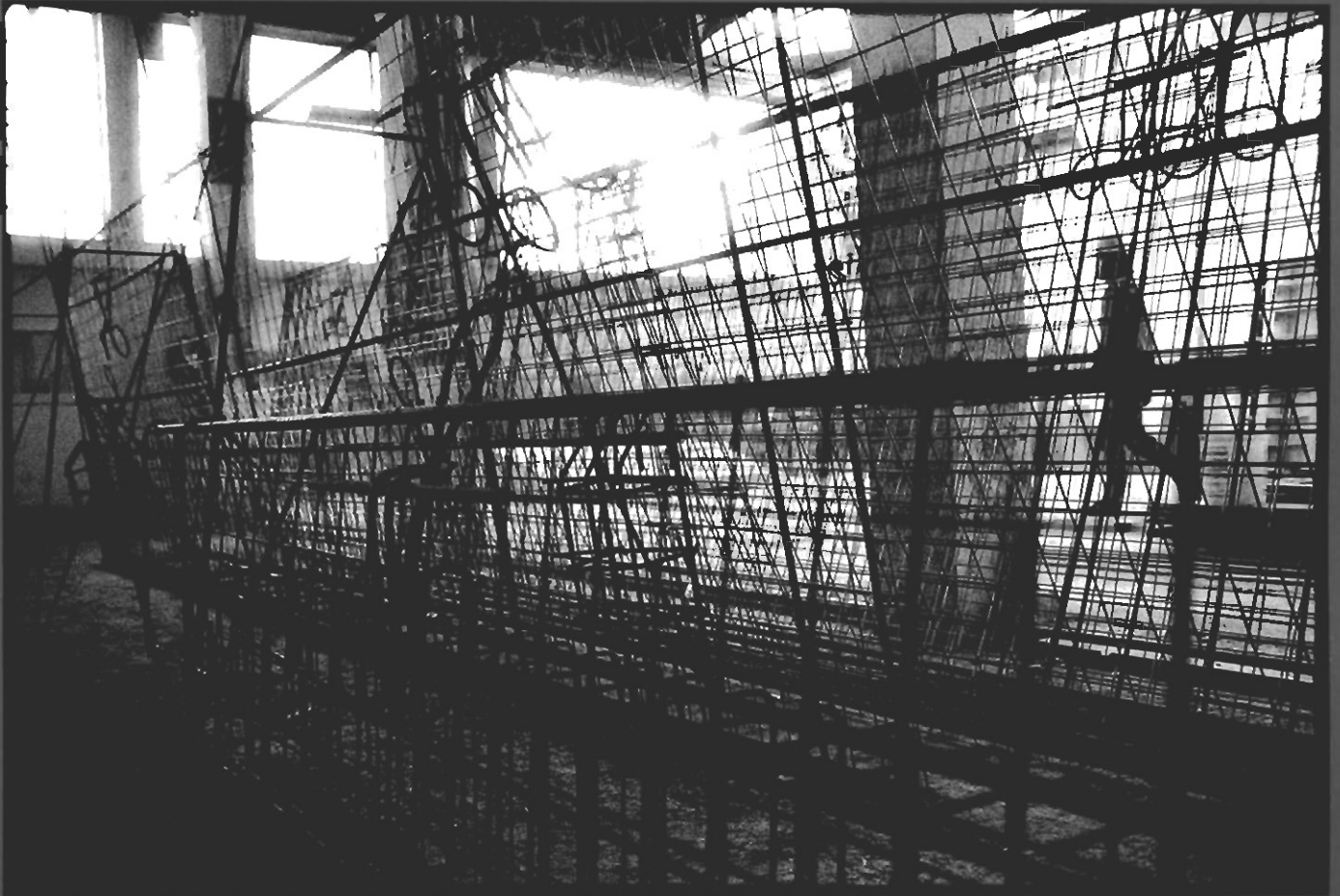
During 1989, we plan to complete our vanadium extraction plant (Canada's first) in Fort McMurray, Alberta; move the reorganized Food & Pharmaceuticals group in new directions; set the California recycling operation on a profitable base; organize the next expansion phase of the resort development in the Cayman Islands and continue to develop A G R A's growing international ventures.

These are great challenges and A G R A people have proven equal to the task for more than two decades. We enter our 26th year of operations with anticipation and enthusiasm, confident of our ability to do the job well.

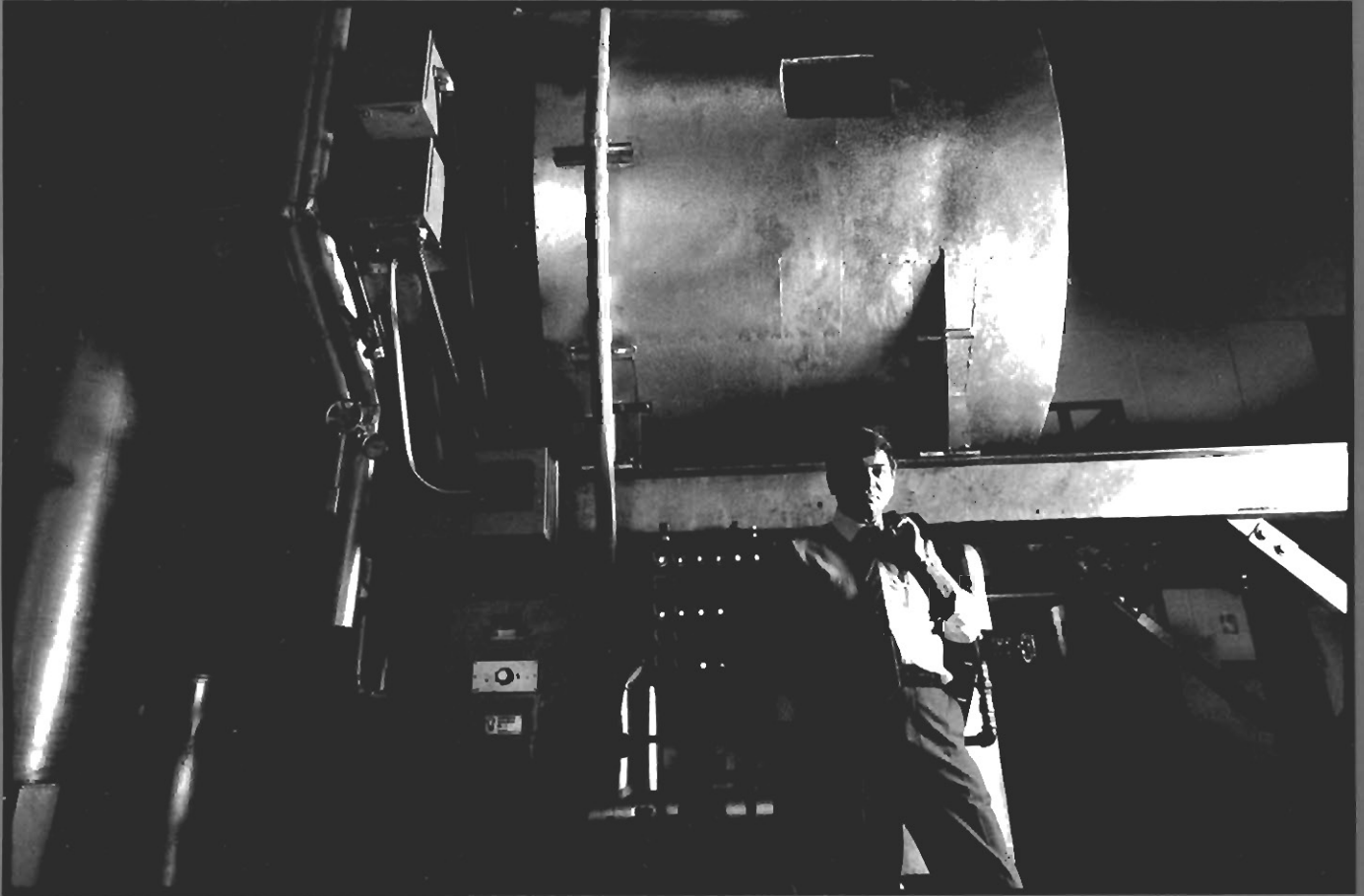
Sincerely yours,

A handwritten signature in black ink, appearing to read "B.B. Torchinsky". The signature is stylized and includes a horizontal line underneath the name.

B.B. Torchinsky,
President



A complex pattern of reinforcing rods forms the skeleton for a concrete wall section under construction at Beer Precast in Toronto, an AGRA manufacturing company.



Mony Daniel, President,
Cambrian Engineering,
framed by the patented Campro
vegetable oil processing system
now widely used in Japan,
China, India and Central
America.

Renamed this year, the group built on the record pace of fiscal 1987 with increased revenues and net earnings, despite a significant reduction in construction projects in and around Calgary following the winter Olympics of 1988.

The consulting engineering companies continued to show significant results. Highway design company Torchinsky Engineering had an excellent year with work in Alberta and Saskatchewan.

Hardy BBT Limited, with offices across Western Canada, was particularly active. The company purchased Hydrocon Ltd. in Calgary and Aquaterre Ltd. in Kamloops to strengthen its expertise in groundwater and river engineering. In addition, coverage of Vancouver Island was expanded with the purchase of two more engineering companies – Island Geotechnical Services (Nanaimo) and West-Tech Inspection Ltd. (Victoria).

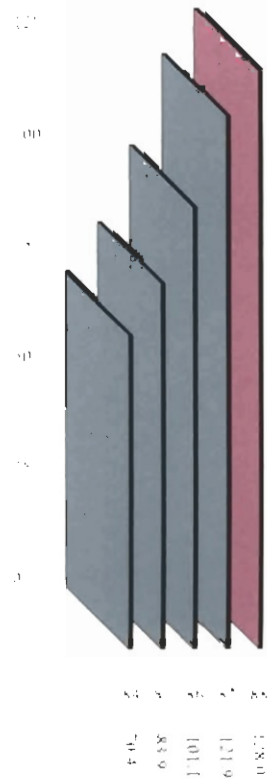
Hardy BBT also opened offices in Winnipeg and Yellowknife during the year and is now represented in 19 centres in B.C., Alberta, Saskatchewan, Manitoba and the Northwest Territories. Yet the company's operations were not limited to Western Canada. During the year, Hardy BBT participated in projects in Sri Lanka, Tanzania, Thailand and Norway.

Canadian International Power Services (CIPS) and the Cambrian Engineering operation both increased workload substantially during the year and began to make more significant contributions to the bottom line. Both companies continue to carry Canadian expertise into foreign markets. CIPS operates in the Caribbean and South America, consulting on power generation, transmission and utility management. A Cambrian subsidiary, Campro Processes, has patented a vegetable oil refining system that today refines more than 20 per cent of all the vegetable oil produced in Japan. Every system sold in Japan during the past five years was based on Campro technology. In addition, A G R A has negotiated joint ventures with organizations in India, China and Central America to engineer and build vegetable oil refineries using our patented process technology.

U.S. consulting companies – Sargent, Hauskins & Beckwith (SHB) in Arizona, Utah and Texas and Moore & Taber in California – had active and profitable years. SHB expanded its geotechnical and materials testing capabilities as a result of acquiring Engineering Testing Associates in Nevada. The company's major projects during the year related to freeway development, airport expansion, commercial high-rise construction and the mining industry. Moore & Taber set records in fiscal 1988. Revenues increased 20 per cent and pre-tax earnings increased 36 per cent over the previous year. Both companies are cautiously optimistic for the 1989 fiscal year, with good backlogs of work.

Vadeco International Inc. is a young (1981) high-technology company, specializing in automation and robotic systems. A G R A holds a 50 per cent interest in the Toronto-based operation. A highlight of the year is Vadeco's robotic system to paint the inside and outside of railway hopper cars. The system began operating this year at the Canadian National repair facilities in Winnipeg. Studies are underway to adapt the technology to painting aircraft. The company is also involved in developing automated recycling equipment for A G R A's Contain-A-Way recycling company as well as automated compact disc manufacturing equipment.

Revenue (millions of dollars)



Earnings Before Extraordinary Items	
1988	8,729,000
1987	3,029,000
Net Earnings	
1988	3,729,000
1987	1,054,000

- Hardy BBT Limited purchased four engineering companies to strengthen its coverage of Alberta and British Columbia. The company also opened offices in Winnipeg and Yellowknife.
- Canada's first vanadium extraction plant is under construction in Fort McMurray, Alberta. A G R A spearheaded this development which, when complete, will be able to supply Canada's total needs for this rare mineral used in steel production.



A G R A Vice-President

Dennis McCarthy with deep
foundation casings manufac-
tured by Western Caissons
and installed across Canada.

The group's manufacturing companies were led by Beer Precast, which had an excellent year. Beer is recognized as the most innovative precast concrete operation in North America, and about 90 per cent of the company's sales are made to the United States. All products are manufactured at the company's eight-acre site in suburban Toronto and shipped by road as far as Washington D.C., where a recent project, the Washington Civic Center was featured on the cover of the D.C. telephone directory.

In Canada, Beer products are used on major structures throughout Ontario and Quebec. The company's patented "Total Wall" system has attracted interest across North America. The precast unit is manufactured with all the elements necessary to install a completely finished wall section in a single operation. This includes window and glazing; brick, granite or concrete face and insulation. Using this system, Beer is planning to enter the burgeoning home construction market.

Workload of the construction companies was reduced about 25 per cent during the year, mainly due to the reduction of activities in Alberta after the Olympics. Yet the organizations carried out more than 1,000 projects across Canada and the United States. The largest, by Frontier Foundations, was an \$8.5 million installation of a series of large caissons and piles during construction of a subway tunnel in Seattle, Washington.

The first high season of the Britannia Resort, our new hotel, golf course and condominium development in Grand Cayman was very satisfactory. Sales and earnings through the winter months exceeded budget. The first phase of the associated condominium development (facing the golf course) was sold out and plans are being developed for the second phase.

Late in the year construction started on the Carbovan project in Fort McMurray which had been delayed pending completion of financial arrangements. The \$10 million plant, 50 per cent owned by A G R A, will extract vanadium from the Alberta tar sands. All supplies of this rare element – used to toughen and increase shock resistance of steel – are imported, mostly from South Africa. With completion expected in late summer, 1989, the Carbovan plant alone will be able to supply all of Canada's needs.

- Plans are under way for the second phase of the Britannia condominium resort project in the Cayman Islands. The first phase has been sold out.
- The group's construction division carried out more than 1,000 projects during the year.
- The first robotic system to automatically paint the inside and outside of hopper rail cars began operation in Winnipeg this year. The project was developed by Videko International Inc.
- Beer Precast led the manufacturing division with strong results. About 90 per cent of the company's sales are to the United States.



Harvey Tenenbaum, Vice-President, Food & Pharmaceuticals, leads the group as it begins to concentrate more heavily on specialty product development in the pharmaceutical field.

While revenues improved significantly over fiscal 1987, earnings were disappointing in both Research Foods and the new Contain-A-Way recycling operation in California.

For Research Foods, fiscal 1988 has been a year of transition and consolidation. The company has been reorganized to concentrate on specialty product development and, through its Canpro Laboratories subsidiary, is dramatically expanding the manufacture of high value-added health care and chemical products.

This reorganization will better exploit the group's excellent R&D talents. Research Foods reinforced its strategy subsequent to year-end with the purchase of 32 per cent of Viaguard Pharmaceuticals Limited. Options, if exercised, will increase holdings to 68 per cent. Viaguard is an unlisted public Ontario company which distributes retail products to drug and department stores as well as health care and dental specialty products to hospitals, medical and dental laboratories.

The group strategy also led to the sale of W.J. Lafave, the baking ingredient processing company in St. Jerome, Quebec. In an extremely competitive and shrinking market, it would take significant resources to boost the company's earnings and profits. The sale meant the group could concentrate on its new marketing and manufacturing direction.

On the Food side, the operation of Dixie Lee Food Systems Inc. was restructured. The Canadian chicken and seafood franchiser was acquired early in fiscal 1988.

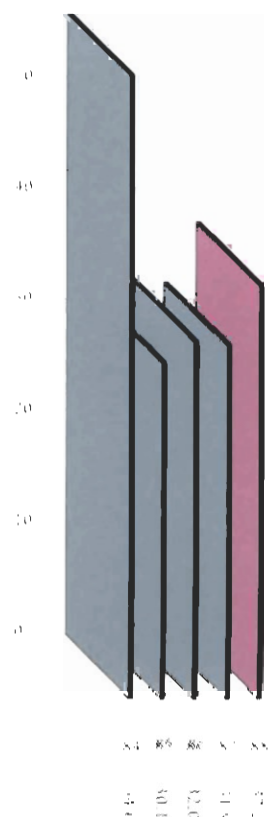
The major bottom-line impact during the year was the high costs incurred by Contain-A-Way Inc. while starting container recycling operations in California. Despite the decision to amortize start-up costs over five years and take a \$2.4 million write off this year, the company's confidence in the tremendous potential of the operation is unchanged. Contain-A-Way has the background and experience to make it work.

The original Contain-A-Way operation was set up in Alberta in 1972 to protect the company's soft-drink canning plant - then the only one in the province. Contain-A-Way responded to the provincial government which threatened to 'ban the can' unless the soft drink industry set up a system to collect cans, refund deposits and recycle. To this day, Contain-A-Way supervises the entire Alberta recycling system which now includes soft drink cans, glass and plastic bottles, liquor and wine bottles and other food and beverage containers.

The move to California was made last year after unique state legislation called for more than 2,000 container recycling depots in supermarket parking lots. It provides heavy fines for chain store non-compliance and financial assistance for depot operators. Contain-A-Way is the major operator in California - under the name '20/20 Recycle Centers' - with an investment of more than US\$20 million in equipment and start-up. Defective legislation dealing with financial assistance to operators was corrected in September 1988 and the operation should be in the black early in the new year.

State governments across the U.S. are observing California's efforts with great interest and we believe that Contain-A-Way is positioned for dramatic expansion. In addition, the new production and marketing directions for the Research Foods and Dixie Lee components have prepared Food & Pharmaceuticals for a profitable and energetic year.

Revenue (millions of dollars).



Earnings Before Extraordinary Items	
1988	45,591,000
1987	1,413,000

Net Earnings	
1988	(3,168,000)
1987	1,413,000

- Research Foods was reorganized to broaden its business base and concentrate even more on specialty product development.
- Research Foods purchased 32 per cent of Viaguard Pharmaceuticals Ltd. at year end. Options, if exercised, will increase holdings to 68 per cent. Viaguard is an Ontario health care products distribution company.
- W.J. Lafave, the baking ingredients processing company in St. Jerome, Quebec, was sold.



Allers International's Scott McMaster at the company's duty-free store at Terminal 1 in Toronto. Duty-free operations in Toronto, Calgary and Vancouver are a major contributor to group revenues.

ASSET DEVELOPMENT & INVESTMENTS

This year, the former Community Service Group becomes known as Asset Development & Investments, a name which more accurately describes A G R A strategies and growth directions. The group consists of Allders International (Canada) Ltd. (duty-free retail stores); W.T. McMullen & Associates Inc. (insurance brokerage); The CKO Partnership (Canada-wide radio network) and, until year end, General News (newsmagazine distribution in southern Alberta).

We accepted an excellent offer for General News near year end. Although it has been a steady income earner, the company's distribution boundaries were limited, restricting expansion and growth. The sale allows the group to concentrate on new opportunities with greater growth potential.

Group revenues were \$65.9 million in fiscal 1988, an increase of more than \$11 million over the 1987 figures. The single largest contributor was the Allders group, in which we hold a 51 per cent interest. Allders operates duty-free stores in Vancouver, Calgary and Toronto.

Growth in Vancouver has been particularly gratifying. In addition to expanding airport operations, the company established Canada's first off-airport duty-free store in downtown Vancouver and first year results have been excellent. This operation markets almost exclusively to Japanese tourists who dominate the duty-free market. More than 60 Japanese-speaking employees assist tourists. For the convenience of Japanese customers, signage and promotions are in Japanese. As a result of this rapid development, the company has renegotiated its franchise contract with Transport Canada, which now extends to October 1995.

Allders won a five year contract at Calgary International Airport on October 16, 1987. Just two months later, the doors opened on a 2,000 square foot luxury store. Travellers have reacted very positively, and sales increased significantly when compared with results by previous concessionaires.

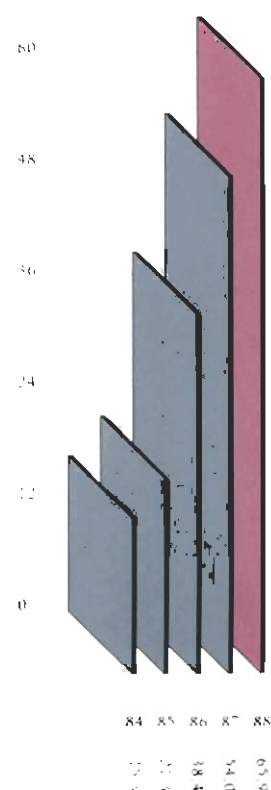
At Pearson International Airport in Toronto, the company operates two stores in Terminal 2 and a single operation at Terminal 1. Responding to the massive increase in passenger traffic at Terminal 1, the company renovated and expanded its store and has approval to build a second major outlet in 1989.

Consistent earnings from W.T. McMullen, the insurance brokerage in which we hold a 49 per cent interest, and General News contributed to net earnings of the group—before extraordinary items—of \$1.08 million compared with \$433,000 in 1987. The single extraordinary item was the sale of General News which brought final net earnings for 1988 to over \$3.5 million.

While revenues grew significantly for CKO Radio, a major purchase during 1988 affected bottom line performance. In August, CKO acquired Maclean Hunter's Newsradio division which provides a voice and news-wire service to more than 110 stations across Canada.

Potential for significantly increased revenues was revealed during the year with the results of a survey undertaken in cooperation with the Bureau of Broadcast Measurement. (Advertising rates are based on listenership as surveyed by BBM). The survey showed our audiences in the vital Toronto market have been substantially underestimated. Preliminary indications are that the reported increase in audience could lead to revenue gains—across the CKO system—of at least 30 per cent.

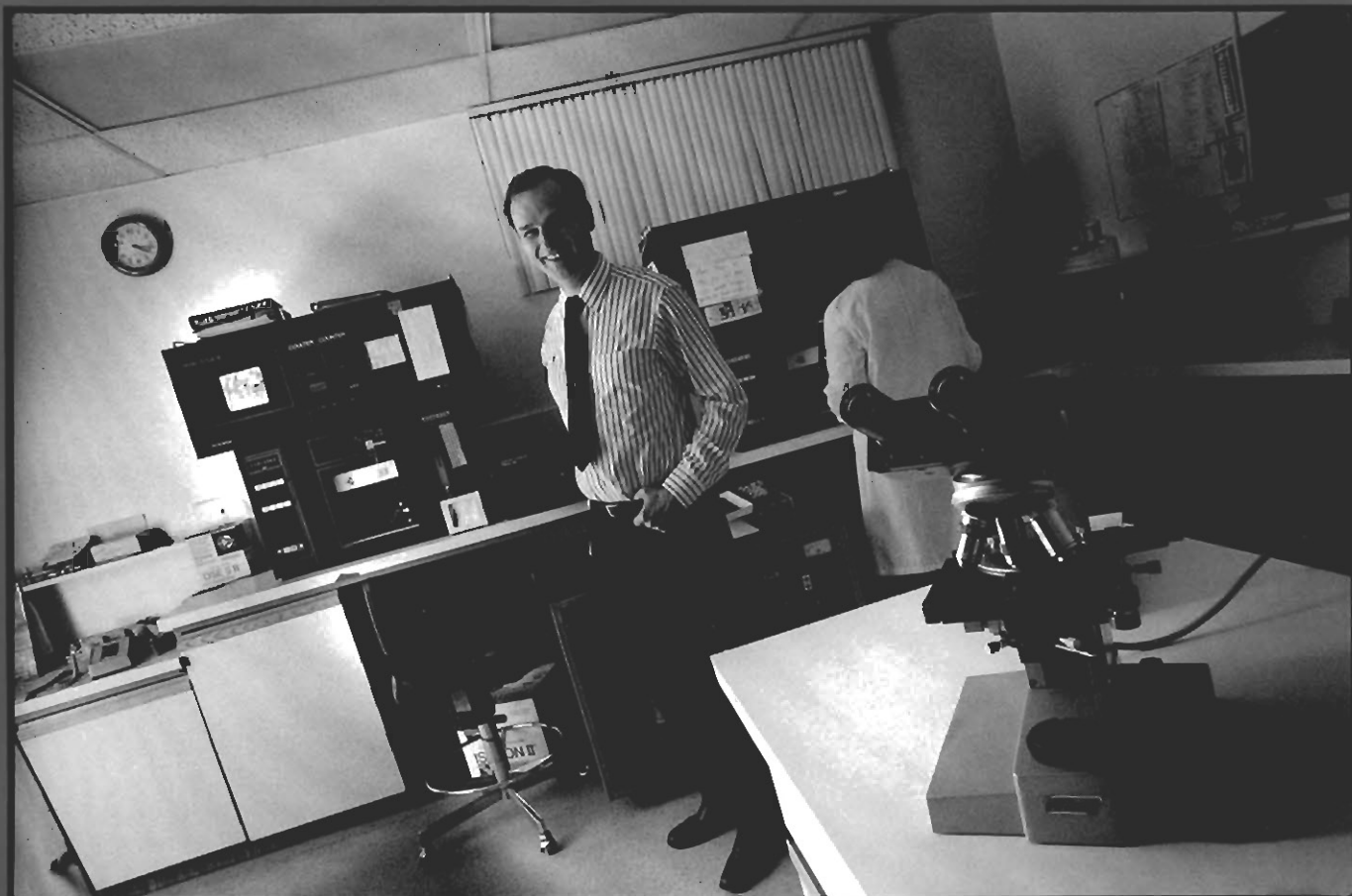
Revenue
(millions of dollars)



Earnings Before Extraordinary Items	
1988	\$1,078,000
1987	\$ 433,000

Net Earnings	
1988	\$3,506,000
1987	\$ 433,000

- *General News was sold during the year. The company's distribution boundaries were limited, restricting expansion and growth.*
- *Developed by Allders International (Canada) Ltd., Canada's first off-airport duty-free store in downtown Vancouver has been extremely successful. The operation caters almost exclusively to Japanese tourists who dominate the market.*
- *A new survey shows audiences of CKO Radio in Toronto have been significantly underestimated. As a result, revenue gains across the Canada-wide system are expected to be at least 30 per cent.*



Malcolm Seath, President
of Cybermedix Health
Services Ltd., the medical
diagnostic laboratory arm of
Cybermedix Inc. which oper-
ates one of the largest private
clinical laboratory groups
in Canada.

Cybermedix Inc. was spun off A G R A's Asset Development & Investments group last year to form a public company which operates medical diagnostic laboratories through Cybermedix Health Services Ltd. in Canada and CMX Laboratories Inc. in the United States. In addition, its Cablenet Limited subsidiary operates nine cable television systems in Canada. The group had a strong year, and A G R A, as a 52.2 per cent shareholder, benefited accordingly.

Since we treat Cybermedix as a non-consolidated investment in our financial reports, A G R A's \$41.3 million share of Cybermedix revenues for fiscal 1988 is not included in our total revenue figure of \$231 million. Our share of Cybermedix final net earnings was \$3.71 million compared with \$2.49 million in 1987.

Last year's results were significantly influenced by the decision to go public and the sale of a 50 per cent interest in a Chicago cable television system.

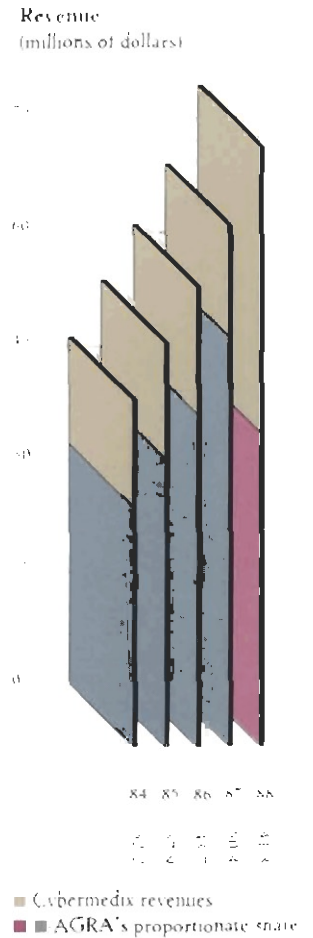
This year, results were particularly encouraging in the U.S. health care and Canadian cable operations. There was continuing pressure during the year on the Canadian laboratory operations, with less than adequate fee increases to offset rising operating costs. To help reverse the trend of declining margins, Cybermedix Health Services has taken several steps to improve productivity, including changes at the senior management level and the purchase of additional automated equipment.

At year end, the company acquired Regional Niagara Biomedical Laboratories which holds two licences in the Niagara Falls, Ont. market. Cybermedix had been seeking a presence in the fast-growing Niagara Peninsula market for some time. The proximity of the laboratory to the main Cybermedix operation in Toronto, offers economies of scale and operating efficiency.

CMX in the United States had a particularly good year, reflecting strong management efforts to reduce costs and assimilate acquisitions made during the previous year.

The Canadian cable division now serves more than 190,000 customers. The growth in subscribers, revenues and earnings is an indication of the company's growing sophistication in acquiring, marketing and delivering a growing range of viewing packages. The division is expanding into non-broadcast services for subscribers, starting with the development of home security networks.

At year end, Cybermedix Inc. invested in Matrix Medical Inc., based in Orchard Park, New York. The company manufactures and distributes a range of emergency care products. This opens a new market for Cybermedix, one with strong growth potential internationally. Matrix products have been marketed for more than 30 years in the U.S. New licencing and joint venture agreements have been completed to take Matrix products into Europe and the Far East.



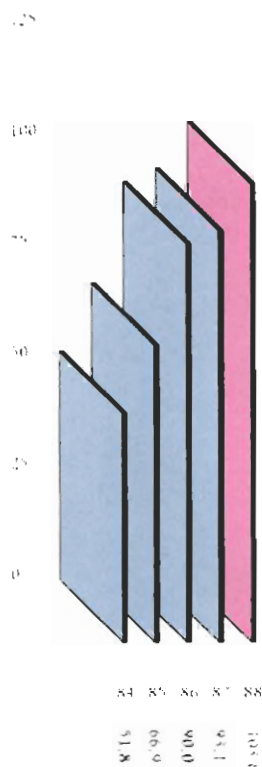
Earnings Before Extraordinary Item	
1988	\$4,708,000
1987	\$2,045,000

Net Earnings	
1988	\$3,708,000
1987	\$2,491,000

These figures represent only AGRA's interest in Cybermedix which was 72% up to 1987 and 52% in 1988.

- The company established a presence in the fast-growing Niagara Peninsula market with the acquisition of Regional Niagara Biomedical Laboratories.
- Cablenet is expanding into non-broadcast services for subscribers, starting with the development of home security networks.
- Cybermedix Inc. has invested in Matrix Medical Inc., based in Orchard Park, New York. The company manufactures and distributes a range of emergency care products with potential for global sales.

Shareholders' Equity
(millions of dollars)



Operating Results

Net earnings for the year reached \$7,775,000 compared with \$7,291,000 last year. Earnings per share reached 58 cents (based on 13,377,000 shares outstanding) compared with 55 cents per share last year (based on 13,263,000 shares outstanding as restated to reflect the share split during the year). The sale of W.J. Lafave & Sons and General News produced a net extraordinary gain of \$1,651,000 (12 cents per share) which is included in the results, compared with a net extraordinary gain of \$371,000 (3 cents per share) last year. Losses of \$2,447,000 (18 cents per share) arising from the start up of our California recycling operation are also included in this year's results.

Consolidated revenue increased to \$231,116,000 from \$207,798,000 last year. Engineering, Construction & Technology revenues increased to \$128,019,000 from \$121,939,000 and produced net earnings of \$3,729,000 compared with \$2,954,000. Asset Development & Investments produced revenues of \$65,889,000 compared with \$54,003,000. Earnings from operations reached \$4,786,000, up sharply from \$2,478,000 last year. A net extraordinary gain of \$2,428,000 from the sale of General News increased final net earnings of the group to \$7,214,000 (which includes our share of Cybermedix earnings). Revenues from Food & Pharmaceuticals increased to \$37,208,000 from \$31,856,000 last year, however earnings before extraordinary and unusual items were only \$56,000 compared with \$1,413,000 last year. A net loss of \$777,000 on the sale of W.J. Lafave & Sons, together with start up losses of \$2,447,000 in our California operations, produced a net loss of \$3,168,000 in this group.

Financial Position

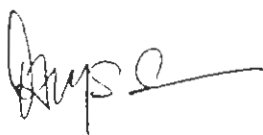
Working capital was \$39,288,000 at year-end compared with \$42,508,000 last year. Operations produced cash flow of \$7,638,000 during the year compared with \$9,780,000 last year. Through a series of transactions during the year, A G R A restructured its investment in Ellesmere Developments, a non-consolidated company. Ellesmere purchased the partnership units in the Cayman Hotel and Golf Partnership which the company had acquired for \$6,375,000 of its share capital, repaid loans, issued preferred shares and a loan. The result was an increase of \$19,917,000 in our equity investment in Ellesmere, a reduction of \$7,504,000 in loans receivable from Ellesmere and a \$13,000,000 long-term loan payable to Ellesmere.

The company also invested nearly \$23,000,000 to establish a recycling operation in California. Funds were provided by a long-term loan of \$10,000,000 and cash from treasury. This investment contributed to the reduction of cash during the year. However, cash balances were restored early in the new year by the collection of proceeds from the sale of General News and W.J. Lafave & Sons near our year-end.

As I mentioned in my report last year, A G R A holds an equity investment of 6,258,000 shares of Cybermedix Inc. recorded on our books at nearly \$22,000,000. After a successful year of operations since obtaining listing on the Toronto Stock Exchange, the shares of Cybermedix have increased from the listing price of \$7.75 a share to \$10.00 at the time of writing. This provides a market value of nearly \$62,000,000 for our investment in Cybermedix, some \$40,000,000 above the recorded book value.

A G R A moves into its 26th year with assets of over \$200,000,000, shareholders' equity of \$103,000,000 and working capital of \$39,000,000. This certainly places the company in a very strong position to begin its next quarter century.

This is my final report to shareholders. After nearly 30 years with A G R A, I have decided to retire at the end of December. Building the company from scratch to the size it is today has been hard work for many of us. It has also been a lot of fun. I would like to thank Ben Torchinsky for his guidance and his confidence in allowing me and many others to participate so intimately in the development of the company. I would also like to thank my Head Office staff for their hard work and dedication. I have always been proud of them. Finally, I wish Bob Dittmer, my very capable right-hand man for 20 years, the best of luck in assuming this role.



T.A. McLellan,
Executive Vice-President

Working Capital
(millions of dollars)

