

ANNUAL REPORT 1978

HOWARD ROSS LIBRARY
OF MANAGEMENT

MAR 30 1979

MCGILL UNIVERSITY

 **WESTEEL-ROSCO LIMITED**

FINANCIAL HIGHLIGHTS OF THE YEAR 1978

	1978	1977
SALES	\$ 177,962,000	\$ 145,975,000
EARNINGS FROM OPERATIONS	6,458,000	4,192,000
per share *	3.33	2.16
EXTRAORDINARY GAIN	36,000	314,000
per share02	.16
EARNINGS	6,494,000	4,506,000
per share	3.35	2.32
DIVIDENDS PAID DURING THE YEAR	2,131,000	2,131,000
per share	1.10	1.10
CAPITAL EXPENDITURES	1,923,000	4,479,000
DEPRECIATION	2,004,000	1,819,000
WORKING CAPITAL	29,823,000	29,362,000
AVERAGE NUMBER OF EMPLOYEES	2,119	2,132

* per share data in both years based on 1,938,416 common shares.

COMPANY PROFILE

Westeel-Rosco Limited is the largest manufacturer and distributor of a wide range of fabricated metal products in Canada. These products are used in industrial, commercial, institutional, and highway construction and in the agricultural industry. The Company also manufactures pre-engineered buildings and residential products in addition to providing custom metal processing services to manufacturers and contractors. Operations are conducted from a network of manufacturing plants, warehouses, and sales outlets stretching across Canada and into the United States, which service both domestic and international markets.

Westeel-Rosco Limited is the result of an amalgamation of a number of companies dating back to 1852.

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ANNUAL MEETING

The Annual Meeting of Shareholders will be held at the Holiday Inn (downtown) in Toronto, Ontario on April 25, 1979.

COVER: A shower of fiery sparks results when a helical culvert pipe is cut into lengths required by a customer.

BOARD OF DIRECTORS

H. G. MacNeill †	Toronto
Chairman of the Board, Westeel-Rosco Limited President and Chief Executive Officer, Jannock Limited	
R. M. Calhoun	Toronto
Vice-Chairman, Westeel-Rosco Limited	
N. J. Alexander ★	Winnipeg
Investment Consultant	
E. C. Bovey †	Toronto
Chairman of the Board, Norcen Energy Resources Ltd.	
W. A. Corbett, Q.C.	Toronto
Partner, Fraser & Beatty	
W. D. Dertell	Winnipeg
Vice-President, Westeel-Rosco Limited	
S. D. Elder †	Toronto
Vice-President Finance & Secretary Westeel-Rosco Limited	
G. Grodecki †	Toronto
Executive Vice-President, Westeel-Rosco Limited	
G. E. Mara ★	Toronto
Chairman of the Board, Jannock Limited	
W. S. Martin, Q.C. ★	Winnipeg
Partner, Aikins, MacAulay & Thorvaldson	
W. S. G. Shaw	Toronto
President and Chief Executive Officer, William Mara Co. Ltd.	
L. R. Wright †	Toronto
President and Chief Executive Officer Westeel-Rosco Limited	

★ Member of Audit Committee

† Member of Long-Term Planning Committee

OFFICERS

H. G. MacNeill	Chairman of the Board
R. M. Calhoun	Vice-Chairman
L. R. Wright	President
G. Grodecki	Executive Vice-President
S. D. Elder	Vice-President Finance & Secretary
W. D. Dertell	Vice-President
H. Dutton	Vice-President
A. H. Mack	Vice-President
W. P. Drysdale	Treasurer & Assistant Secretary

REPORT TO SHAREHOLDERS

General economic uncertainty and extremely competitive markets for all product lines continued during the year 1978. However, the Company was able to increase its overall market participation with a resultant substantial increase in earnings.

Earnings before extraordinary items in 1978 were \$6,458,000 or \$3.33 per share, an increase of 54% over 1977 earnings of \$4,192,000 or \$2.16 per share. Total sales increased by 22% to \$177,962,000 in 1978 from \$145,975,000 in 1977.

Not included in the above earnings for 1978 was an after-tax extraordinary gain of \$36,000, equivalent to 2¢ per share, resulting from the sale of business assets. Earnings of \$2.16 per share in 1977 did not include an after-tax extraordinary gain of \$314,000, equivalent to 16¢ per share.

During 1978 Canada's gross national product increased in real terms by approximately 3.4%. Competitive conditions for the majority of our product lines continued to be intense and gross operating ratios declined on each of our major lines. However, the 22% increase in total sales volume more than offset the decline in operating ratios with the result that our earnings improved substantially from the depressed level for the year 1977.

Considering the relatively low growth rate in Canada's economy during 1978, earnings for the year were encouraging. A large portion of our increased sales volume took place in our agricultural product line and this increase, together with a somewhat more aggressive marketing stance in our other product lines, was largely responsible for the increase in earnings. In addition, certain changes in management policy in the manufacturing, marketing, procurement and construction installation areas contributed to improved profitability.

Expenditures on fixed assets in 1978 amounted to \$1.9 million. This amount included the costs of construction of new office, warehouse and manufacturing facilities in Dartmouth, Nova Scotia to replace old facilities previously leased in Halifax, as well as costs associated with the opening of a new branch in Whitehorse, Yukon Territory. The balance of expenditures on fixed assets covered a wide variety of items in other plants across Canada and mainly involved the purchase of new equipment and modification and upgrading of other facilities.

During 1978, six collective agreements covering 51% of our hourly-paid plant employees were negotiated.

On April 25, 1978, Jannock Limited of Toronto acquired 467,180 common shares of the Company from Reynolds Extrusion Company Limited. On April 27, 1978, Jannock made a tender offer of \$21.75 per share to all other shareholders of the Company. As a result of the original acquisition and subsequent offer, Jannock held 76.6% of the Company's outstanding common shares as of December 31st, 1978.

Following the above-mentioned changes in share ownership, a number of changes occurred in the composition of the Board of Directors of the Company. Mr. J. L. Reynolds, who had been elected Chairman of the Board of Directors in June of 1977, resigned and was replaced as Chairman of the Board by Mr. H. Gordon MacNeill on June 2nd, 1978. At the same time, Mr. P. H. Fox, Mr. A. Piché and Mr. A. Robertson resigned as Directors and were replaced by Mr. G. E. Mara, Mr. W. A. Corbett and Mr. W. S. G. Shaw.

On September 26th, 1978 Mr. W. P. Drysdale was appointed Treasurer and Assistant Secretary, replacing Mr. J. E. Vine who had resigned.

At a Special General Meeting of Shareholders held on September 25th, 1978 the Company was authorized to apply for continuance under the Canada Business Corporations Act and a Certificate of Continuance has since been obtained. The Certificate brings the Company under the application of the Canada Business Corporations Act and shareholders will be asked to approve necessary new by-laws for the Company at the Annual Meeting of Shareholders to be held on April 25, 1979.

In a management proxy circular dated September 1st, 1978, a proposal to amalgamate the Company with Glamorgan Investments Ltd., Jannock Tube Limited and Sonco Tube Limited was outlined to the shareholders. This proposal was withdrawn on December 7th, 1978 following the issuance of an injunction against the amalgamation by the Supreme Court of Ontario. The injunction was issued as a result of legal action initiated by certain of the Company's minority shareholders.

Our order backlog position at December 31, 1978 was \$35.4 million, an increase of 41% over the comparable figure as of December 31, 1977. However, a portion of this increase is a result of earlier than normal order booking on certain product lines and does not reflect our anticipated increase in sales volume for the entire year 1979.

As the year 1978 progressed, our raw material supplied by the basic Canadian steel producers became increasingly more difficult to obtain and at the present time your Company is on an allocation basis from all steel suppliers. It is our view that the very tight steel supply situation now existing will continue for at least the balance of 1979 and accordingly our ability to increase our market participation will be somewhat limited.

For the year 1979 we anticipate only a very modest improvement in general economic conditions as the basic Canadian economy continues to be affected by a number of uncertainties in various areas. Until such time that the economy can support a more normal level of capital expenditures, your Company will not be able to fully utilize its existing capacities.

Nevertheless, at the present time we are projecting increased sales and earnings for your Company in 1979 provided that the agricultural economy remains buoyant and provided we are able to avoid any major labour disputes.

The Company continues to have both the financial resources and the productive capacity to immediately react to any substantial upswing in the economy but, as mentioned, we do not anticipate a high level of general economic activity during 1979. The long-range outlook for the Company is sound and can be viewed with confidence.

Our employees are the true strength of your Company and we wish to express our appreciation to them for their efforts during the past year.

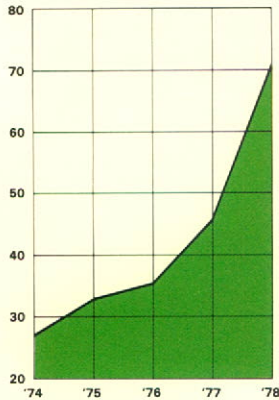
Submitted on behalf of the Board,

H. G. MacNeill,
Chairman of the Board.

L. R. Wright,
President and
Chief Executive Officer.

REVIEW OF OPERATIONS

AGRICULTURAL PRODUCTS



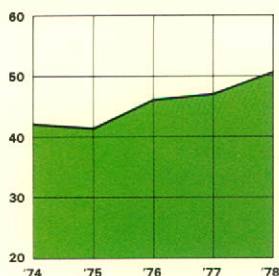
Sales of this product group totalled \$70.2 million in 1978 compared to \$45.4 million in 1977. The increase of 55% in sales volume during 1978 over that of 1977 largely reflects an abnormal demand for our grain storage facilities and systems which in turn was caused by good crop results on a national basis together with a significant shift in grain storage from central terminals back to the individual farm.

Our Agricultural product line includes grain storage bins with capacities ranging from 1,350 to 500,000 bushels, grain-handling systems, truck boxes and hoists, storage tanks for fuel and feed, anhydrous ammonia tanks, farm roofing and siding and a wide variety of other related items.

Our large capacity grain bins which were first introduced to the Canadian market in 1976 continued to be in demand as these new bins, when combined with efficient grain-handling machinery, provide a reduction in initial capital cost and yearly operating costs for grain-handling centres.

Westeel-Rosco Limited has been a leading name in grain storage and related agricultural product lines for many years and the Company continues to research and implement design improvements to our extensive product lines.

BUILDING PRODUCTS



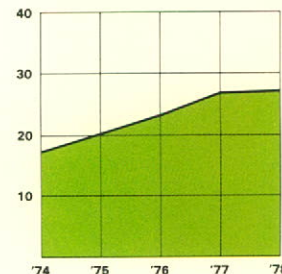
Building Products sales totalled \$50.7 million in 1978, an increase of 8% over 1977 sales of \$47.1 million. While

the Company was able to maintain its overall market share with this increase in sales volume, the total market demand continued to be sluggish as capital goods spending in Canada was relatively poor for the third consecutive year. Accordingly, markets continued to be extremely price competitive with resultant pressures on profit margins.

Building Products include steel roof and floor decking and metal wall cladding for industrial, commercial and institutional construction. This group also includes our Stran-Steel Division and P. Graham Bell Associates Limited. Stran-Steel manufactures a wide range of pre-engineered steel buildings for industrial, commercial and recreational use and markets this product line through a broad network of franchised builder-dealers located across Canada. P. Graham Bell Associates Limited manufactures porcelain enamelled panelling marketed largely to the construction industry.

Our Building Products line is cyclical and sales volume is largely related to the level of construction activity in the economy at any specific point in time. We continue to be optimistic concerning the long-term outlook for this product group as we anticipate a slight pickup in the capital goods sector in 1979 and a higher level of activity in future years.

HIGHWAY AND DRAINAGE PRODUCTS



Sales of this product line for 1978 were \$27.2 million, a nominal increase over 1977 sales of \$26.8 million.

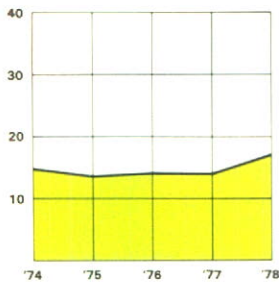
This disappointing sales growth rate of less than 2% was due principally to a lower level of activity in both provincial and municipal government road building and upgrading programs throughout most of Canada. Furthermore, there is substantial over-capacity of helical mills for the production of corrugated steel pipe located throughout the country and competition for the available business was extremely keen.

Our Highway and Drainage Product line includes both helical and rivetted culvert pipe, tunnel liner, bridge decking, highway guiderail and structural plate for bridges and underpasses.

During 1978 the Company commenced production of helical pipe with specially recorrugated ends which result in stronger joints between pipe lengths and also provide for an improved water-tight seal. Also during the past year the Company developed full capability for the manufacture of corrugated steel pipe to metric specifications in conjunction with the government implementation of the metric program.

Highway and Drainage Products are marketed to municipal and provincial governments, road-building contractors and the natural resource industries. It is our feeling that the expected long-term growth of Canada's resource industries and the need for expanded road and storm sewer facilities in Canada will result in continued sales growth for these products.

WAREHOUSE/RESIDENTIAL PRODUCTS



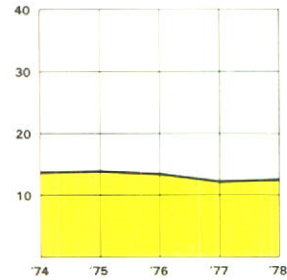
Sales of this product group in 1978 amounted to \$17.3 million, up 22% over 1977 sales volume of \$14.2 million.

Most of this sales increase is due to increased volume from the Company's metal service centre

located in Toronto and a more aggressive marketing policy to better utilize our metal service facilities.

Acceptance of our new "Leisure Time" residential steel fence, first introduced in 1977, continued to be quite good but sales volume of our eavestrough line dropped considerably from 1977 levels, mainly as a result of reduced demand and strong competition.

INDUSTRIAL PRODUCTS

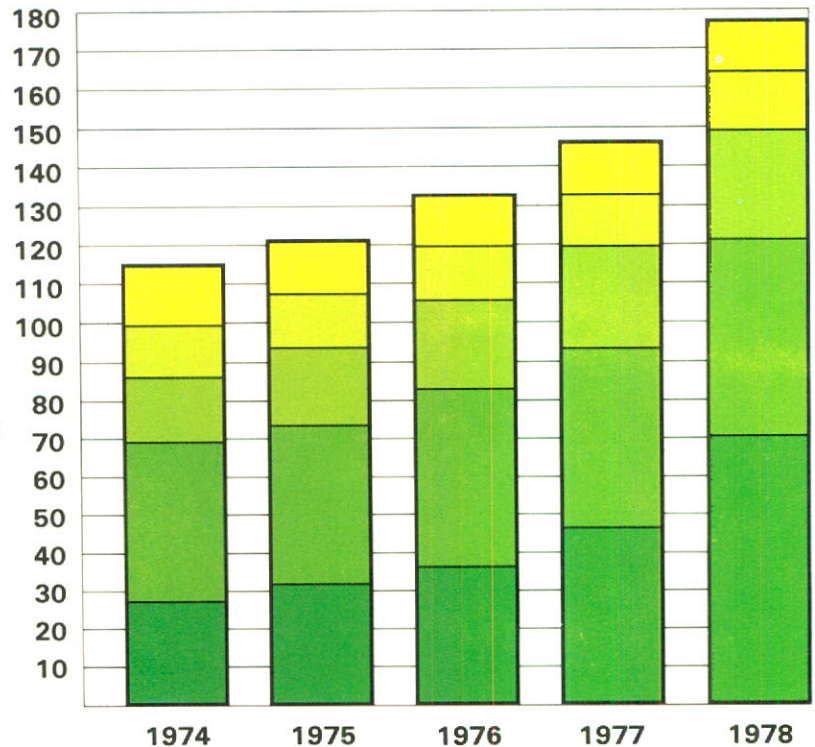
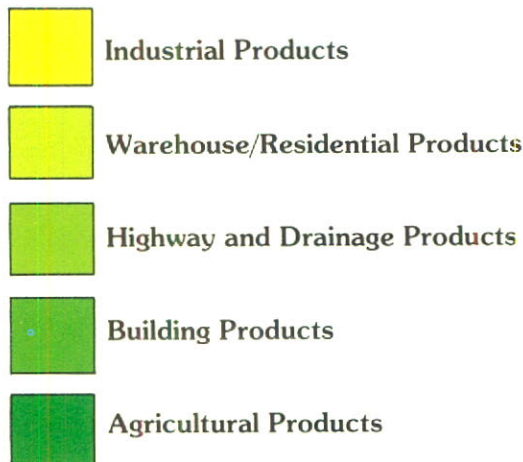


Sales of Industrial Products were \$12.6 million in 1978 as compared to 1977 sales of \$12.5 million

This product line includes tanks for storing fuel and chemicals, custom fabricated metal items for a wide variety of end uses, and material handling and racking systems manufactured by our Cubic Storage Systems Division.

Market activity during 1978 for this product line continued to be depressed as the bulk of the products involved are directly tied to the demand in the capital goods and construction sector of the economy.

SALES BY PRODUCT GROUPS IN MILLIONS OF DOLLARS



FINANCIAL POSITION

The earnings increase reported for the year improved the return on January 1, 1978 shareholders' equity to 15.3% before extraordinary items, compared with a 10.6% return on the same basis as in 1977. Shareholders' equity grew by \$4.4 million to \$46.5 million during 1978, producing a year-end book value per share of \$23.97.

The Company maintained its strong financial position, with working capital of \$29.8 million as of December 31, 1978, an increase of \$0.5 million during the year. Inventories grew by \$8.3 million during the year to \$45.1 million at the year-end. Receivables, which reflected above average sales towards year-end, were \$35.5 million at December 31, 1978, \$7.8 million higher than at the 1977 year-end. The year-end working capital ratio was 1.58, compared with 1.82 in 1977.

The Company's healthy financial position allowed it to pay off \$4.1 million in long-term debt. Accordingly, long-term debt at December 31, 1978 was \$3.2 million compared to \$7.3 million a year earlier.

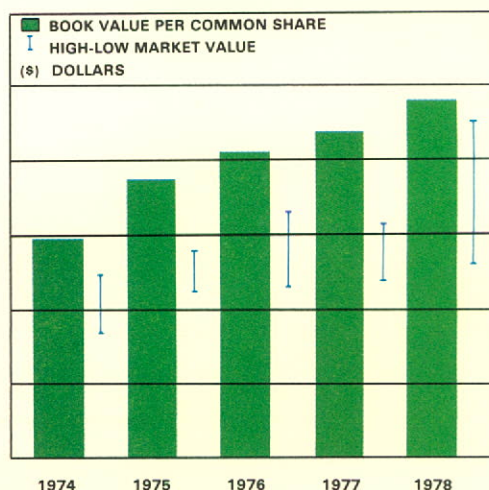
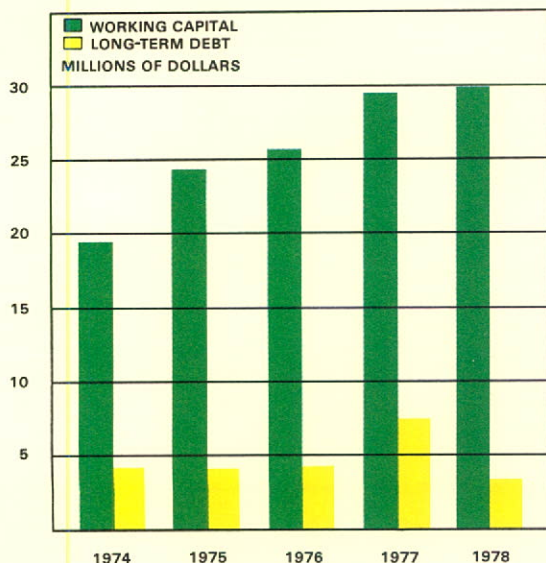
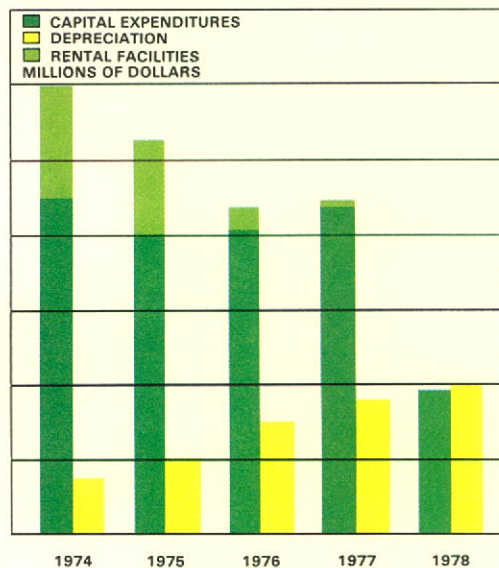
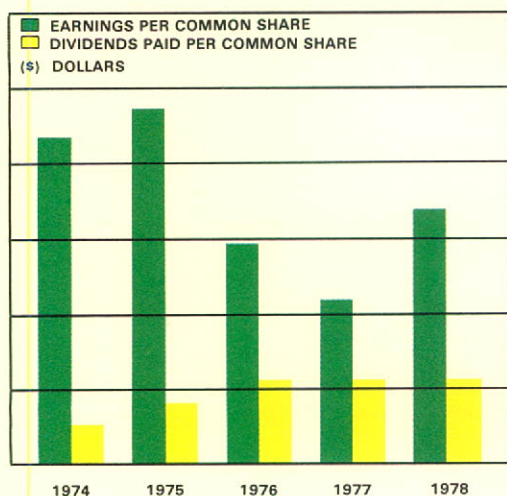
Because of the increases in inventory and receivables, bank borrowings grew by \$11.6 million during the year, to a December 31, 1978 level of \$27.8 million.

The Company generated \$8.4 million in cash flow, most of which was used to pay \$2.1 million in dividends, to finance \$1.9 million in capital spending, and to repay long-term borrowings of \$4.1 million.

The 1978 dividend payment was equivalent to \$1.10 per share, unchanged from 1977 and 1976.

The effective income tax rate in 1978 was 44% as compared to the 1977 rate of 41%. The higher rate of tax is attributable to reduced impact of inventory allowances, increased provincial tax rates, the proportion of earnings subject to higher applicable corporate tax rates, and a smaller investment tax credit.

Through ongoing programs of development of both computer systems and field administration, the Company is continuing to update and improve its financial reporting and control procedures.



**WESTEEL-ROSCO LIMITED
AND SUBSIDIARIES**

(Under the Canada Business Corporations Act)

Consolidated Balance Sheet
As at December 31, 1978
(with prior year's figures for comparison)

ASSETS

	1978	1977
Current:		
Accounts receivable	\$ 35,520,000	\$ 27,765,000
Inventories	45,054,000	36,759,000
Prepaid expenses	386,000	319,000
Income taxes recoverable	—	264,000
	<hr/>	<hr/>
Total current assets	80,960,000	65,107,000
	<hr/>	<hr/>
Mortgages receivable	710,000	793,000
	<hr/>	<hr/>
Property, Plant and Equipment:		
Land	3,249,000	2,831,000
Buildings	17,179,000	16,675,000
Machinery and equipment	21,076,000	20,204,000
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	41,504,000	39,710,000
	<hr/>	<hr/>
Less accumulated depreciation	19,316,000	17,402,000
Net property, plant and equipment	22,188,000	22,308,000
	<hr/>	<hr/>
Total	<u>\$103,858,000</u>	<u>\$ 88,208,000</u>

The accompanying notes are an integral part of the financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	1978	1977
Current:		
Bank indebtedness — secured	\$ 27,836,000	\$ 16,203,000
Accounts payable and accrued charges	18,595,000	17,028,000
Taxes payable	3,040,000	548,000
Deferred income taxes	1,666,000	1,966,000
Total current liabilities	<u>51,137,000</u>	<u>35,745,000</u>
Long-term debt (Note 2)	<u>3,236,000</u>	7,286,000
Deferred income taxes	<u>3,024,000</u>	3,079,000
Shareholders' equity:		
Capital stock (Note 3)	1,573,000	1,573,000
Contributed surplus	500,000	500,000
Retained earnings	<u>44,388,000</u>	<u>40,025,000</u>
Total shareholders' equity	<u>46,461,000</u>	<u>42,098,000</u>
Total	<u><u>\$103,858,000</u></u>	<u><u>\$ 88,208,000</u></u>

Approved by the Board: H. G. MacNeill, Director

L. R. Wright, Director

**WESTEEL-ROSCO LIMITED
AND SUBSIDIARIES**

Consolidated Statement of Earnings
Year Ended December 31, 1978
(with prior year's figures for comparison)

	1978	1977
Sales	\$177,962,000	\$145,975,000
Cost of sales, selling and administrative expenses before the following	161,442,000	134,959,000
Depreciation	2,004,000	1,819,000
Interest expense (including, 1978 - \$735,272 1977 - \$369,973 on long-term debt)	2,932,000	2,086,000
	166,378,000	138,864,000
Earnings before income taxes and extraordinary gain	11,584,000	7,111,000
Income taxes:		
Current	5,211,000	2,558,000
Deferred - non current	(85,000)	361,000
	5,126,000	2,919,000
Earnings before extraordinary gain	6,458,000	4,192,000
Extraordinary gain (Note 4)	36,000	314,000
Earnings for the year	\$ 6,494,000	\$ 4,506,000
Earnings per share, before extraordinary gain	\$ 3.33	\$ 2.16
Earnings per share, after extraordinary gain	\$ 3.35	\$ 2.32

Consolidated Statement of Retained Earnings
Year Ended December 31, 1978
(with prior year's figures for comparison)

	1978	1977
Retained Earnings at beginning of the year	\$ 40,025,000	\$ 37,650,000
Earnings for the year	6,494,000	4,506,000
	46,519,000	42,156,000
Deduct:		
Dividends	2,131,000	2,131,000
Retained Earnings at end of the year	\$ 44,388,000	\$ 40,025,000

The accompanying notes are an integral part of the financial statements.

**WESTEEL-ROSCO LIMITED
AND SUBSIDIARIES**

Consolidated Statement of Changes in Financial Position
Year Ended December 31, 1978
(with prior year's figures for comparison)

	1978	1977
WORKING CAPITAL PROVIDED:		
Earnings before extraordinary gain	\$ 6,458,000	\$ 4,192,000
Items not affecting working capital:		
Depreciation	2,004,000	1,819,000
Deferred income taxes — non current	(85,000)	361,000
Gain on disposal of fixed assets	(22,000)	—
Provided from operations	<u>8,355,000</u>	<u>6,372,000</u>
Proceeds from disposal of fixed assets	127,000	513,000
Decrease in mortgages receivable	83,000	149,000
Proceeds from mortgage payable	—	3,300,000
Total	<u>8,565,000</u>	<u>10,334,000</u>
WORKING CAPITAL APPLIED:		
Purchase of fixed assets	1,923,000	4,479,000
Decrease in long-term debt	4,050,000	26,000
Dividends	2,131,000	2,131,000
Total	<u>8,104,000</u>	<u>6,636,000</u>
Increase in working capital for the year	<u>\$ 461,000</u>	<u>\$ 3,698,000</u>

AUDITORS' REPORT

To the Shareholders of
Westeel-Rosco Limited:

We have examined the consolidated balance sheet of Westeel-Rosco Limited as at December 31, 1978 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 December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DELOITTE HASKINS & SELLS
Chartered Accountants

February 16, 1979
Toronto, Ontario

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — DECEMBER 31, 1978.

1. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. The operating subsidiaries are P. Graham Bell Associates Limited, W R L Properties Ltd., Westeel Inc., and Northern Culverts and Metal Products Limited.

Inventories

Finished goods and work in progress are stated at the lower of standard cost and net realizable value. Raw materials and supplies are stated at the lower of cost and replacement cost.

Revenue Recognition

Revenues from the sale of products are recognized when title passes to the customer, which generally coincides with their delivery and acceptance. Revenues from supply-and-install contracts are recognized on the percentage of completion basis.

Foreign Currency Translation

Foreign currency amounts have been translated to Canadian dollars as follows. Assets and liabilities carried at current prices are translated at the approximate exchange rate at year end. Assets, liabilities and transactions stated at past prices are translated at applicable historical rates.

Translation gains or losses related to non-current monetary assets and liabilities with fixed or ascertainable terms, are deferred and taken to profit and loss over the term of the instrument. Other translation gains and losses are taken to profit and loss as they arise.

Depreciation

Depreciation is computed at rates based upon the estimated useful lives of classes of assets, generally using the straight-line method for assets acquired after 1972 and the declining-balance method for assets acquired prior to 1973. One-half of the applicable depreciation rate is used in the years that assets are disposed of or put into use, except for tooling and dies.

The rates of depreciation used for the major classes of assets are as follows:

	Straight-Line Rates	Declining-Balance Rates
Buildings	2½% and 5%	5% and 10%
Machinery & Equipment	10%	20%
Automotive Equipment	25%	30%
Tooling & Dies	33 1/3% to 100%	100%
Rental Buildings	Depreciation is computed on a 5% forty-year sinking fund basis.	

Income Taxes

The Company accounts for income taxes using the deferral method of tax allocation, under which income taxes are provided in the year transactions affect net income regardless of when such items are recognized for tax purposes. Timing differences giving rise to deferred income taxes relate primarily to:

Depreciation, as the cumulative amounts claimed for tax purposes exceed the amount of depreciation booked.

Accounts receivable holdbacks and profit on uncompleted contracts, as these amounts are not taxed until either the holdback is actually received or the contract is completed.

2. Long-Term Debt

	1978	1977
Long-term debt consists of the following:		
Bank term loan		
at $\frac{3}{4}\%$ over bank prime rate	\$ —	\$4,000,000
Non-interest-bearing Note	5,000	9,000
10 $\frac{1}{2}\%$ mortgage secured on West Row Industrial Mall, payable in equal monthly instalments of principal and interest of \$30,635, balance due in 1992	<u>3,265,000</u>	<u>3,300,000</u>
	<u>3,270,000</u>	<u>7,309,000</u>
Less current portion included in accounts payable & accrued charges	<u>34,000</u>	<u>23,000</u>
Long-term debt	<u><u>\$3,236,000</u></u>	<u><u>\$7,286,000</u></u>

3. Capital Stock

	1978	1977
Common shares without par value:		
Issued and fully paid	1,938,416	1,938,416

During the year ended December 31, 1978 the Company was granted continuance under the Canada Business Corporations Act. Under the Act the Company is authorized to issue an unlimited number of common shares.

4. Extraordinary Gain

	1978	1977
Gain on sale of business assets	\$ 66,000	\$ —
Gain on sale of land and building	—	395,000
Income taxes	<u>30,000</u>	<u>81,000</u>
Extraordinary gain, net of tax	<u><u>\$ 36,000</u></u>	<u><u>\$314,000</u></u>

5. Pension Plans

Based on an actuarial estimate as of December 31, 1977, the Company's pension plans were fully funded.

6. Remuneration of Directors and Officers

Information relative to directors and officers, as required by the Ontario Securities Act, is as follows:

	1978	1977
Remuneration of Directors, as Directors	\$ 59,600	\$ 55,600
Remuneration of Officers, as Officers	\$473,957	\$523,600
Number of Directors	12	12
Number of Officers *	10	10
Number of Officers who are Directors	6	6

* Officers include the five highest paid employees of the corporation

7. Anti-Inflation Legislation

The Company was subject to the provisions of the Anti-Inflation Act and Regulations relating to the restraint of prices, profit margins, compensation and dividends. In management's opinion, the Company complied in all material respects with the Anti-Inflation Act during 1978.

8. British Columbia Companies Act

The consolidated financial statements of the Company have been prepared in accordance with the Canada Business Corporations Act and do not comply with every provision of the British Columbia Companies Act.

TEN YEAR COMPARISON

(In Thousands of Dollars — Except Sales and Per Share Statistics)

(Bracketed Numbers Indicate a Negative)

OPERATIONS	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969
Sales (\$ Millions)	\$ 178.0	\$ 146.0	\$ 132.5	\$ 121.0	\$ 115.0	\$ 92.2	\$ 69.7	\$ 69.8	\$ 70.0	\$ 72.5
Earnings Before Taxes	\$ 11,584	\$ 7,111	\$ 10,234	\$ 16,329	\$ 15,681	\$ 7,947	\$ 3,462	\$ 3,524	\$ (83)	\$ 1,621
Return on Sales	6.5%	4.9%	7.7%	13.5%	13.6%	8.6%	5.0%	5.1%	(.1%)	2.2%
Income Taxes	\$ 5,126	\$ 2,919	\$ 4,566	\$ 7,230	\$ 7,300	\$ 3,558	\$ 1,485	\$ 1,741	\$ (47)	\$ 860
Net Earnings - After Tax	\$ 6,458	\$ 4,192	\$ 5,668	\$ 9,099	\$ 8,381	\$ 4,389	\$ 1,977	\$ 1,783	\$ (36)	\$ 761
Per Share	3.33	2.16	2.92	4.69	4.32	2.26	1.02	.92	(.02)	.39
Return on Sales	3.6%	2.9%	4.3%	7.5%	7.3%	4.8%	2.8%	2.7%	(.1%)	1.1%
Return on January 1 Shareholders' Equity	15.3%	10.6%	15.7%	32.0%	39.9%	25.6%	12.8%	12.9%	(0.3%)	5.6%
Dividends	\$ 2,131	\$ 2,131	\$ 2,131	\$ 1,551	\$ 969	\$ 485	\$ 349	\$ 290	\$ 290	\$ 290
Per Share	1.10	1.10	1.10	.80	.50	.25	.18	.15	.15	.15
Cash Flow From Operations	\$ 8,355	\$ 6,372	\$ 7,745	\$ 11,289	\$ 9,590	\$ 5,254	\$ 2,733	\$ 2,299	\$ 677	\$ 1,597
Per Share	4.31	3.29	4.00	5.82	4.95	2.71	1.41	1.19	.35	.82
CAPITAL EXPENDITURES	\$ 1,923	\$ 4,479	\$ 4,345	\$ 5,249	\$ 5,970	\$ 2,112	\$ 776	\$ 323	\$ 702	\$ 1,330
FINANCIAL POSITION-YEAR-END										
Working Capital	\$ 29,823	\$ 29,362	\$ 25,664	\$ 24,236	\$ 19,394	\$ 16,541	\$ 14,092	\$ 12,360	\$ 10,324	\$ 10,720
Working Capital Ratio	1.58	1.82	1.80	1.78	1.62	1.72	1.74	1.75	1.48	1.48
Fixed Assets	\$ 22,188	\$ 22,308	\$ 19,801	\$ 16,947	\$ 12,842	\$ 7,895	\$ 6,748	\$ 6,749	\$ 7,468	\$ 7,752
Long-term Debt	\$ 3,236	\$ 7,286	\$ 4,012	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,333	\$ 4,500	\$ 4,698	\$ 4,894
Shareholders' Equity	\$ 46,461	\$ 42,098	\$ 39,723	\$ 36,186	\$ 28,434	\$ 21,020	\$ 17,115	\$ 15,487	\$ 13,854	\$ 14,180
Per Share	23.97	21.72	20.49	18.67	14.67	10.84	8.83	7.99	7.15	7.32
Ratio of Equity to Long-term Debt	14.4	5.78	9.90	9.05	7.11	5.26	3.95	3.44	2.95	2.90
COMMON SHARES OUTSTANDING	1971	—	1978	1,938,416						
	1969	—	1970	1,936,816						

Per share data and shares outstanding have been adjusted to reflect a two for one stock split effective May 7, 1973 and March 19, 1975.

Earnings and related data exclude extraordinary items.

Valuation day value of shares at December 22, 1971 for purposes of calculating capital gain taxes \$3.47.

WESTEEL-ROSCO PRODUCTS ARE USED THROUGHOUT THE LAND

FOR ROAD CONSTRUCTION & DRAINAGE: Corrugated Steel Drainage Pipe—in full range of sizes, shapes and coating finishes • Steel Decking for Bridges—for permanent stay-in-place concrete forms • Earth Retaining Structures—steel crib type systems to control erosion of earth embankments; interlocking panel type, for trench and retaining walls • Highway Guiderail—safety barrier protects property and motorists • Highway Fencing—provides privacy and noise abatement for adjacent residents • Traffic Control Signs and Sign Posts • Liner Plates for Tunnel and Shaft Excavations • Large Span, Field-Assembled Steel Pipes and Arches—for road and railway underpasses, river crossings and tunnel construction.

FOR BUILDING CONSTRUCTION: Steel Decking for Roofs—plain & acoustic • Steel Decking for Floors—of designs for use with concrete and to accommodate utility services and electrical wiring • Surface Panels for Walls—pre-painted steel or aluminum, insulated or non-insulated • Toilet Partitions • Steel Framing for Doors • Steel Doors • Pre-Engineered Steel Buildings—for commercial, recreational & industrial use • Porcelain Enamel Products—column covers, panels for under roof eaves, chalkboards.

FOR THE FARM: Circular Steel Grain Storage Bins • Grain Handling, Testing, Drying & Aeration Equipment • Circular Steel Vertical Tanks for Storage of Bulk Feed • Steel or Aluminum Sheets for Farm Building Roofing and Siding—plain or prepainted • Watering Troughs for Livestock • Steel Farm Gates • Grain or Equipment Storage Buildings • Pipe Framing for Water Well Openings • Boxes & Lifting Hoists for Trucks—for haulage of grain and livestock • Fuel Storage Tanks & Elevated Stands • Portable Water Tanks • Liquid and Gas Fertilizer Injection Tanks • Liquid Fertilizer Storage Tanks • Portable Fuel Tanks.

FOR INDUSTRY: Propane Tanks • Fuel Pumps • Underground Fuel Storage Tanks • Air Receiver Tanks—for industrial compressors • Tanks for Mineral & Brine Storage • Special Tanks for Various Applications • Industrial Shelving & Storage Racking • Clothes Lockers • Security Enclosure Partitions • Flooring for Mezzanine Areas • Complete Custom Sheetmetal & Plate Fabrication • Complete Metal Service—shearing, slitting, etc. • Complete Metal Supply—in coil and/or sheet form.

FOR THE HOME: Pre-painted Residential Fencing • Eavestrough, Rain Pipes & Fittings—galvanized or pre-painted • Fuel Oil Tanks • Hot Water Storage Tanks • Earth Retainers for Below Ground Windows.



WESTEEL-ROSCO LIMITED

BANKERS

The Toronto-Dominion Bank

AUDITORS

Deloitte Haskins & Sells

INCORPORATION

By letters patent of amalgamation issued under the laws of Canada and dated December 31, 1965, Westeel Products Limited and Rosco Metal Products Ltd., a wholly owned subsidiary, were amalgamated to form Westeel-Rosco Limited.

EXECUTIVE OFFICES

1 Atlantic Avenue,
Toronto, Ontario. M6K 1X7

SUBSIDIARIES

Island Culverts Limited
P. Graham Bell Associates Limited
Northern Culverts and Metal Products Ltd.
Stran-Steel (Canada) Limited
W R L Properties Ltd.
Westeel Incorporated

STOCK EXCHANGE LISTINGS

Montreal
Toronto
Winnipeg
Vancouver

TRANSFER AGENTS AND REGISTRAR

National Trust Company
Montreal, Toronto, Winnipeg, Calgary, Vancouver
and its agent Canada Permanent Trust Company,
Regina.

BRANCHES AND DIVISIONS

MARITIME PROVINCES

Halifax-Dartmouth

QUEBEC

Quebec City
Montreal

ONTARIO

Ottawa
Toronto
London
Sudbury
Thunder Bay
Stoney Creek

PRAIRIE PROVINCES

Winnipeg
Saskatoon
Regina
Edmonton
Calgary

UNITED STATES

Fargo, North Dakota

BRITISH COLUMBIA

Vancouver
Nanaimo
Prince George
Terrace

YUKON TERRITORY

Whitehorse

CUBIC STORAGE SYSTEMS DIVISION

Toronto, Ontario

Montreal, P.Q.

STRAN-STEEL BUILDING SYSTEMS DIVISION

Richmond Hill, Ontario

P. GRAHAM BELL ASSOCIATES LIMITED

Georgetown, Ontario

Westeel-Rosco protecting the country's wealth

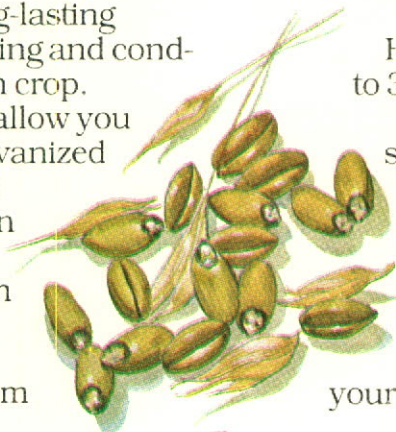


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Sensible, economical, long-lasting systems for storage, handling and conditioning of Canada's grain crop.

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Westeel-Rosco bins are available in a full range from



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We'll help you plan your system all the way. You can call upon our agri-engineering expertise for the very best protection your grain crops can have, both today and in the future.

Contact us directly or see your nearest Westeel-Rosco dealer.



WESTEEL-ROSCO LIMITED

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