

TIW  
INDUSTRIES  
LTD.  
and subsidiaries  
ANNUAL  
REPORT  
1981



HOWARD ROSS LIBRARY  
OF MANAGEMENT  
JUN 11 1982  
MCGILL UNIVERSITY

TIW  
INDUSTRIES  
LTD.

and Subsidiaries

Head office  
90 Sparks Street  
Suite 1100  
Ottawa, Ontario  
K1P 5B4

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Financial highlights

	1981	1980
INCOME (in thousands)		
Total income _____	\$140,500	\$123,008
(Loss) before extraordinary items _____	(9,612)	(3,051)
Extraordinary items _____	(12,394)	3,207
(Loss) Earnings for the year _____	(22,006)	156
PER COMMON SHARE		
(Loss) before extraordinary items _____	\$(4.93)	\$(1.61)
Total (loss) earnings _____	(11.25)	0.02
Dividends paid on common shares _____	0.10	0.20
FINANCIAL (in thousands)		
Working capital _____	\$ 5,943	\$ 14,247
Total assets _____	69,752	114,328
Long-term debt _____	29,534	43,392
Shareholders' equity _____	6,974	29,459

Transfer Agents and Registrars  
Montreal Trust Company, Montréal, Toronto,  
Ottawa and Calgary

Share Listing

Common and Preferred, Montreal Stock Exchange

Auditors

Campbell Sharp, Chartered Accountants, Ottawa

Solicitors

Perley-Robertson, Panet, Hill & McDougall, Ottawa

Board of Directors

F.H. Bossons, Ottawa  
*Secretary to the Corporation*

R.A. Irwin, London  
*Company Director*

R. deWolfe MacKay, Q.C., Montreal  
*Advocate, Barrister, Solicitor*

R. James McCoubrey, Toronto  
*President, Young & Rubicam Ltd.*

John R. McLernon, Vancouver  
*President and Chief Executive Officer  
Macaulay Nicolls Maitland & Co. Ltd.*

Jean-Pierre Maurer, New York  
*Executive Vice-President,  
Metropolitan Life Insurance Company*

Yves J. Ménard, Montreal  
*Deputy Chairman of the Corporation*

Walter Morris, Toronto  
*President and Chief Executive Officer  
of the Corporation*

Jean Simard, Montreal  
*Vice-President, Simcor Inc.*

P.N. Thomson, Coral Harbour, Bahamas  
*Chairman of the Corporation*

Officers

P.N. Thomson, *Chairman*

Yves J. Ménard, B.A., *Deputy Chairman*

Walter Morris, Ph.D. Metallurgy, *President and  
Chief Executive Officer*

W.P. Petrie, C.A., R.I.A., F.S.M.A.C.,  
*Vice-President, Finance*

G.M. Cullen, B.A., B.C.L., Adv., *Vice-President,  
Corporate Planning*

F.H. Bossons, B.Comm., A.R.M., *Secretary*

G.T. Karna, M.Comm., C.A., *Comptroller*

Claude Hélie, C.A., *Treasurer*

Annual and special meeting of shareholders

The annual and special meeting of shareholders will be held on Wednesday, June 30, 1982 at 3:30 p.m. in the Queens Quay Room, Toronto Hilton Harbour Castle, One Harbour Square, Toronto, Ontario, Canada.



ERRATUM

The third paragraph of the Directors Report to Shareholders should read as follows:

"A major loss was incurred by Global Travel Computer Services Ltd. This wholly-owned subsidiary provides computerized financial and accounting services to over 300 travel agents. A sophisticated on-line computer network for these services, TCSII, was developed during the previous two years requiring substantial cash outlays by the company. TCSII, however, received only limited interest among travel agents. The Corporation has consequently discontinued TCSII and a loss of \$2,500,000 is included as an extraordinary loss in our 1981 statements. The original system, TCSI, which operates profitably, continues to be offered to travel agents."

June 09, 1982





## Directors' report to shareholders

A combination of continuing poor economic conditions and the Corporation's highly-leveraged financial structure, together with high interest rates, have resulted in heavy losses in a number of subsidiaries and divisions of the Corporation. Drastic action will be required to return the Corporation to a viable and healthy position. The Directors have approved a divestiture program for the disposal of non-productive assets.

It has been decided to dispose of Radisson Furniture Limited as quickly as possible. Although this subsidiary was continually profitable until the current economic recession, it incurred a substantial loss in 1981 and the Corporation can no longer support its cash requirements. The bank which finances the operating line of credit has notified Radisson that it intends to realize on its security (accounts receivable and inventories). The Corporation and the bank are discussing alternative solutions. We anticipate a significant loss on the sale of this company and a provision of \$9,160,000 is included as an extraordinary loss in our 1981 financial statements.

A major loss was incurred by Global Travel Computer Services Ltd. This wholly-owned subsidiary provides computerized financial and accounting services to over 300 travel agents. A sophisticated on-line computer network for these services, TCSII, was developed during the previous two years requiring substantial cash outlays by the company. The Corporation has consequently discontinued TCSII and a loss of \$2,500,000 is included as an extraordinary loss in our 1981 statements. The original system, TCSI, which operates profitably, continues to be offered to travel agents.

Owing to high mortgage interest rates and poor economic conditions in the United States, the Corporation's Pelican Harbor real estate development in Florida has suffered heavy losses. The Directors have decided to dispose of this investment as soon as possible and have included a writedown of \$3,010,000 as an extraordinary loss in our Statement of Earnings.

The soft market for aluminum powders in the paint and printing industries in Europe has resulted in serious problems in the start-up of our new plant in Ireland. Although the Canadian operations of the Metal Powders Division remain profitable, the Corporation can no longer sustain the losses incurred by the Ireland and U.K. subsidiaries. Accordingly, the Metal Powders Division will also be sold if a suitable offer is received. The investment in these two subsidiaries has been written down resulting in a loss of \$2,655,000 which has been included as an extraordinary loss.

In August, 1981 the Corporation sold the Sunshine Village Division for \$13,470,000 of which \$5,227,000 was received in cash and the balance in securities of the purchaser. An extraordinary profit of \$3,786,000 was realized on this sale and is included in the 1981 financial statements.

It has been decided to close our Corporate offices in Ottawa and consolidate their functions in the Toronto office. The resulting severance pay, relocation expenses and anticipated losses on the sale of other assets have likewise been provided for.

The Metals Group of the Corporation was profitable in 1981 and this satisfactory performance is expected to continue in 1982. Concurrent with the divestiture program, maximum efforts will be directed towards building on the strengths of the metal activities as a basis for continuing future profitability.

The Steel Platework Division is expected to maintain its record of profitable operations.

TIW Systems Inc., a wholly-owned subsidiary, which designs, fabricates and installs satellite communication systems has orders amounting to \$18,000,000 in the first five months of 1982. These sales will not be reflected in our 1982 financial statements since the completed contract basis of accounting is used. The beneficial impact on cash and profits will be realized in 1982 and 1983 respectively.

C.K. Steel Division opened its new plant in Calgary in December 1980. It had substantial losses in 1981 due mainly to significantly reduced capital spending in the petroleum industry. Action is being taken to reduce the losses and it is anticipated that there will be an operating profit in 1982 despite the continuing depressed market in Alberta.

The Travel Group of the Corporation headed by P. Lawson Travel Ltd. operated profitably in 1981 and we anticipate that earnings will be higher in 1982.

During 1981, the Corporation and Urban Transportation Development Corporation Limited became equal shareholders in a new company named "VentureTrans Manufacturing Inc." VentureTrans will fabricate and assemble the intermediate capacity transit vehicles for use on Urban Transportation Development Corporation's transit systems which have been sold to date to Vancouver, Scarborough and Detroit. VentureTrans is currently erecting a new plant in Millhaven, Ontario to fabricate these vehicles.

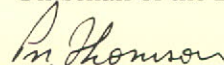
As will be seen from the financial statements, the Corporation incurred substantial losses in 1981. Nevertheless, the Corporation anticipates a net profit in 1982 due to major corporate restructuring and consolidation, the divestiture program and the positive cash flow contributed by the Metals Group.

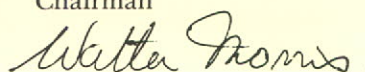
The payment of dividends on the Corporation's shares was discontinued in 1981. Due to the heavy debt load it is doubtful that dividends will be paid in the foreseeable future.

In January 1982, Mr. Walter Morris, President of the Metals Group, was appointed President and Chief Executive Officer of the Corporation succeeding Mr. Yves Ménard who continues as Deputy Chairman. In April 1982, Mr. W.P. Petrie and G.T. Karna were appointed Vice-President, Finance and Comptroller respectively of the Corporation.

The Corporation continues to enjoy the strong support of its employees at all levels and the Directors wish to record their appreciation.

On behalf of the Board

  
P.N. Thomson  
Chairman



Walter Morris  
President and Chief Executive Officer

Ottawa, June 1, 1982



TIW INDUSTRIES LTD.  
and Subsidiaries

**Consolidated Statement of Earnings**

for the year ended December 31, 1981

(In Thousands of Dollars)

	<u>1981</u>	<u>1980</u>
<b>Income</b>		
Gross revenue from operations _____	\$139,869	\$122,523
Income from investments _____	631	485
	<u>140,500</u>	<u>123,008</u>
<b>Expenses</b>		
Operating and administrative _____	130,920	112,976
Depreciation and amortization _____	3,243	3,633
Amortization of intangible and deferred cost _____	952	466
Write-off of deferred cost (Note 1) _____	3,278	—
Interest long-term _____	7,062	5,769
Other interest _____	3,758	2,017
Income taxes (recovery) _____	(830)	350
Minority interest _____	(97)	(44)
Reduction in equity of non-consolidated real estate subsidiaries _____	1,826	892
	<u>150,112</u>	<u>126,059</u>
<b>(Loss) Before extraordinary items</b> _____	(9,612)	(3,051)
<b>Extraordinary items</b> — operational (Note 5) _____	4,233	3,207
— divestiture plan (Note 11) _____	(16,627)	—
<b>(Loss) Earnings for the year</b> _____	<u>\$(22,006)</u>	<u>\$ 156</u>
<b>(Loss) Earnings per common share</b>		
Before extraordinary items _____	\$ (4.93)	\$ (1.61)
After extraordinary items _____	\$(11.25)	\$ 0.02

**Consolidated statement of retained earnings (deficit)**

for the year ended December 31, 1981

(In Thousands of Dollars)

	<u>1981</u>	<u>1980</u>
<b>Retained earnings, January 1</b> _____	15,551	15,839
(Loss) earnings for the year _____	(22,006)	156
Gain on redemption of shares _____	166	56
Dividends paid — preferred shares _____	(40)	(108)
— common shares _____	(196)	(392)
<b>Retained earnings, December 31</b> _____	<u>\$ (6,525)</u>	<u>\$ 15,551</u>

**Auditors' report**

To the Shareholders of  
TIW Industries Ltd.

We have examined the consolidated balance sheet of TIW Industries Ltd. as at December 31, 1981 and the consolidated statements of earnings, retained earnings (deficit) and changes in financial position for the year 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 corporation as at December 31, 1981 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.

Chartered Accountants.

Ottawa, February 15, 1982.

(Except as to Note 11 which is as of May 27, 1982)

TIW INDUSTRIES LTD.  
and Subsidiaries

**Consolidated statement of changes in financial position**  
for the year ended December 31, 1981  
(In Thousands of Dollars)

	1981	1980
<b>Working capital increased by</b>		
(Loss) before extraordinary items _____	—	\$ (3,051)
Items not requiring an outlay of funds		
Depreciation and amortization _____	—	3,633
Amortization of intangible and deferred cost _____	—	466
Deferred income taxes _____	—	(617)
Minority interest in earnings _____	—	(44)
Loss on disposal of fixed assets _____	—	39
Reduction in equity of non-consolidated real estate subsidiaries _____	—	892
Working capital increased by operations, exclusive of extraordinary items _____	—	1,318
Extraordinary items _____	—	(29)
	—	1,289
Proceeds on sale of divisions and net working capital deficiency of \$650 _____	\$ 9,732	—
Proceeds on issue of long-term debt _____	852	5,659
Increase in obligations under capital leases _____	1,991	667
Proceeds on disposal of fixed assets _____	608	814
Reduction in mortgages and notes receivable _____	293	199
Reduction in other investments _____	157	—
Proceeds on sale of subsidiaries and working capital deficiency of \$2,285 _____	—	7,582
Investment by minority interest in a subsidiary _____	74	147
Current portion of other investments _____	3,369	—
	<u>17,076</u>	<u>16,357</u>
<b>Working capital decreased by</b>		
Loss before extraordinary items _____	9,612	—
Items not requiring an outlay of funds		
Depreciation and amortization _____	(3,243)	—
Amortization of intangible and deferred cost _____	(952)	—
Write-off of deferred cost _____	(3,278)	—
Deferred income taxes _____	982	—
Minority interest in earnings _____	97	—
Loss on disposal of fixed assets _____	(13)	—
Reduction in equity of non-consolidated real estate subsidiaries _____	(1,826)	—
Other _____	(24)	—
Working capital decreased by operations, exclusive of extraordinary items _____	1,355	—
Extraordinary items — operational _____	329	—
— divestiture plan _____	5,919	—
	<u>7,603</u>	<u>—</u>
Reduction in long-term debt _____	4,733	886
Purchase of fixed assets and capital leases _____	4,904	15,163
Payment of dividends _____	236	500
Purchase of shares for cancellation _____	243	89
Increase in advances to non-consolidated real estate subsidiaries _____	3,693	1,676
Investment in mortgages and notes receivable _____	65	15
Purchase of goodwill _____	82	14
Increase in deferred cost _____	1,459	1,320
Reduction in obligations under capital leases _____	2,362	497
Advances to affiliated company _____	—	72
	<u>25,380</u>	<u>20,232</u>
<b>Decrease in working capital</b> _____	<b>8,304</b>	<b>3,875</b>
<b>Working capital, January 1</b> _____	<b>14,247</b>	<b>18,122</b>
<b>Working capital, December 31</b> _____	<b>\$ 5,943</b>	<b>\$ 14,247</b>



TIW INDUSTRIES LTD.  
and Subsidiaries

**Consolidated balance sheet**

as at December 31, 1981  
(In Thousands of Dollars)

	1981	1980
<b>Assets</b>		
<b>Current</b>		
Cash and deposit receipts _____	\$ 1,719	\$ 1,023
Accounts receivable _____	28,217	32,419
Inventories (Note 1) _____	5,144	19,790
Prepaid expenses and other current assets _____	700	1,449
Current portion of other investments (Note 1) _____	3,369	—
	<b>39,149</b>	<b>54,681</b>
<b>Investments</b>		
Mortgages and notes receivable (Note 2) _____	2,681	2,916
Other (Note 1) _____	11,243	3,013
	<b>13,924</b>	<b>5,929</b>
<b>Fixed (Note 1)</b>		
Land, buildings and equipment _____	27,305	74,116
Less: Accumulated depreciation _____	13,882	27,875
	<b>13,423</b>	<b>46,241</b>
<b>Deferred Cost (Note 1)</b> _____	<b>653</b>	<b>3,033</b>
<b>Intangible (Note 1)</b>		
Excess of cost of subsidiaries over the values assigned to the net assets _____	4,444	6,185
Less: Accumulated amortization _____	1,841	1,741
	<b>2,603</b>	<b>4,444</b>
	<b>\$ 69,752</b>	<b>\$114,328</b>
<b>Liabilities</b>	<b>1981</b>	<b>1980</b>
<b>Current</b>		
Bank indebtedness (Note 3) _____	10,785	18,674
Accounts payable and accrued liabilities _____	19,201	19,246
Dividends payable _____	—	26
Income and other taxes payable _____	1,207	869
Long-term debt due within one year _____	231	983
Obligations under capital leases due within one year _____	1,782	636
	<b>33,206</b>	<b>40,434</b>
<b>Long-term debt (Note 3)</b> _____	<b>29,168</b>	<b>33,462</b>
<b>Obligations under capital leases (Note 3)</b> _____	<b>366</b>	<b>9,930</b>
<b>Deferred income taxes</b> _____	<b>28</b>	<b>1,010</b>
<b>Minority interest</b> _____	<b>10</b>	<b>33</b>
<b>Shareholders' equity</b>		
<b>Capital stock (Note 4)</b>		
Preferred shares _____	1,318	1,727
Common shares _____	12,181	12,181
	<b>13,499</b>	<b>13,908</b>
<b>Retained earnings (Deficit)</b> _____	<b>(6,525)</b>	<b>15,551</b>
	<b>6,974</b>	<b>29,459</b>
	<b>\$ 69,752</b>	<b>\$114,328</b>

On behalf of the Board  
John R. McLennon, Director  
Walter Morris, Director



**Notes to the consolidated financial statements**

December 31, 1981

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A) Principles of consolidation**

The consolidated financial statements include the accounts of the corporation and all its subsidiaries other than the following which are planned for disposal under a divestiture plan described in Note 11 and are therefore stated in the consolidated balance sheet at estimated realizable value.

Radisson Furniture Limited  
Canbro (U.K.) Limited  
Canbro (Ireland) Limited  
Subsidiaries operating in the real estate sector.

However, the consolidated statement of earnings includes revenue and expenses of all the subsidiaries except for subsidiaries operating in the real estate sector which are accounted for on the equity basis.

The excess of the cost of acquiring a new business, over the underlying book value of net assets acquired, is allocated first to such of the acquired assets as may be undervalued in the accounts of the new business. Any excess is carried in the consolidated balance sheet as an intangible asset and amortized over a reasonable period of time depending on the nature and size of the operations acquired.

Of the total amount of \$4,444,000 accumulated to date as an intangible asset, \$3,615,000 is being amortized over a twenty year period and \$829,000 is being amortized over a ten year period. During the year \$135,000 of intangible assets were written off due to losses incurred by a division of a subsidiary, and a further \$500,000 was written off as a result of the divestiture plan.

**B) Translation of foreign currencies**

The accounts of the foreign subsidiaries are translated into Canadian dollars on the following basis:

- (i) Current assets and current liabilities at the year end rates of exchange;
- (ii) Fixed assets (and related depreciation) and other balance sheet accounts at the rate of exchange prevailing when the assets were acquired or liabilities assumed;
- (iii) Revenues and expenses (other than depreciation) at the average rate for the year; and
- (iv) Gains and losses on translation of foreign currencies are included in earnings.

**C) Inventories**

Inventories, including construction contracts in progress have been consistently valued at the beginning and end of the year at the lower of cost and net realizable value. Cost in the case of products manufactured consists of direct material and labour costs together with the relevant factory overheads. The "completed contract" method of accounting is followed for construction contracts in progress, and accordingly, profits on contracts are only recognized when the final stage of completion has been reached, any losses on contracts are provided for as soon as such become apparent.

**D) Other Investments**

	<u>1981</u>	<u>1980</u>
Investments in joint ventures, for the purpose of carrying out oil and gas exploration programmes are carried at the lower of cost and estimated market value. Certain of these investments are in the form of common shares _____	\$ 1,650,000	\$ 1,873,000
82,430 7½% Class "B" cumulative preferred shares of Ninga Enterprises Ltd. at cost, redeemable at \$100 per share as follows:		
July 1983, 10,000 shares at \$100 = 1,000,000		
July 1984, 20,000 shares at \$100 = 2,000,000		
July 1985, 20,000 shares at \$100 = 2,000,000		
July 1986, 32,430 shares at \$100 = 3,243,000		
	8,243,000	—
Investment in consolidated subsidiaries and fixed assets of certain subsidiaries at estimated realizable value. (Note 11) _____	4,450,000	—
Other, at cost _____	269,000	19,000
Affiliated company, at equity _____	—	228,000
Investment in non-consolidated real estate subsidiaries, at equity in 1980 (1981 Note 11) _____	—	893,000
	<b>14,612,000</b>	<b>3,013,000</b>
Less: included in current assets _____	3,369,000	—
	<b>\$11,243,000</b>	<b>\$ 3,013,000</b>

The realizable value of the wholly-owned subsidiary is not shown as part of current assets as the proceeds will be use to reduce long-term debt payable to the banking syndicate.

E) Fixed Assets:

The major categories of fixed assets are as follows:

	1981			1980
	Cost	Accumulated Depreciation	Net book Value	Net book Value
Land	\$ 3,020,000	—	\$ 3,020,000	\$ 4,176,000
Buildings	7,505,000	\$ 2,732,000	4,773,000	12,619,000
Machinery and equipment				
— Capital leases	360,000	9,000	351,000	10,338,000
— Other	14,608,000	10,293,000	4,315,000	14,125,000
Construction in progress	—	—	—	3,367,000
Other	1,812,000	848,000	964,000	1,616,000
	<u>\$27,305,000</u>	<u>\$13,882,000</u>	<u>\$13,423,000</u>	<u>\$46,241,000</u>

Leasehold improvements are amortized over the terms of the related leases. Depreciation of buildings is provided at rates varying from 2½% to 10% and depreciation of machinery and equipment and other assets is provided at rates varying from 5% to 30%. Equipment under capital leases is amortized on a straight-line basis over 5 years.

F) Deferred Cost

	Period of Amortization		1981			1980
	Maximum number of years	Expiry Date	Cost	Accumulated Amortization	Net book Value	Net book Value
Computer Development	8 years	1988	—	—	—	\$2,340,000
Refinancing Expenses	15 years	1994	\$ 580,000	\$ 60,000	\$ 520,000	\$ 411,000
Other	various		392,000	259,000	133,000	282,000
			<u>\$ 972,000</u>	<u>\$ 319,000</u>	<u>\$ 653,000</u>	<u>\$3,033,000</u>

Amortization of deferred cost commences upon completion of the individual projects. During the year, the Corporation wrote-off all deferred computer development cost and other deferred cost amounting to \$3,278,000 due to continued operating losses of certain divisions.

2. MORTGAGES AND NOTES RECEIVABLE

	1981	1980
A) Advances to employees and officers Second mortgage loans, interest free, receivable in equal monthly instalments to 1997, granted to six officers (including two who are also directors) and eight employees	\$ 427,000	\$ 389,000
B) 9% first mortgage, receivable in monthly instalments of \$5,000 plus interest with the balance becoming due on August 31, 1987	2,328,000	2,455,000
C) Note receivable bearing interest at bank prime rate plus 1½% repayable in 1982	290,000	290,000
D) Other	4,000	15,000
	3,049,000	3,149,000
Less: Amounts due within one year included in current assets	368,000	233,000
	<u>\$2,681,000</u>	<u>\$2,916,000</u>

3. LONG-TERM DEBT AND OBLIGATIONS UNDER CAPITAL LEASES, net of current portion

	1981	1980
A) Bank Syndicated Loan	\$27,910,000	\$29,060,000
B) Bank Bridging Loan maturing on February 28, 1981 The above loan is repayable over twelve years commencing in 1983 and bearing interest at bank prime rate plus 1½%	—	3,111,000
C) Term Bank Loan repayable over four years bearing interest at rates ranging from 8½% to 10% — secured	—	845,000
D) Other loans — secured	160,000	446,000
— unsecured	1,098,000	—
	<u>29,168,000</u>	<u>33,462,000</u>



E) Obligations under capital leases		
— repayable over fourteen years and bearing interest at fixed interest rates renewable every five years currently averaging 10.6%	—	8,538,000
— repayable over five years and bearing interest at rates ranging from 18% to 20%	<u>366,000</u>	<u>1,392,000</u>
	<u>366,000</u>	<u>9,930,000</u>
	<u>\$29,534,000</u>	<u>\$43,392,000</u>

As collateral for the Bank Syndicated Loan, the Corporation, jointly with one of its subsidiaries, has issued Series A to F Debentures in the aggregate amount of \$67,560,000 secured by fixed charges on the fixed assets of certain divisions and of the subsidiary and floating charges on all of the undertaking, property and assets of the Corporation and of the subsidiary. The Series E Debentures of \$8,500,000 rank pari passu with the Series A to D Debentures and have been issued as collateral security with respect to a capital lease of assets of the former Sunshine Village Division. The Series F Debentures are Demand Debentures, subordinated to the Series A to E Debentures inclusive. The Series F Debentures are in the aggregate principal amount of \$30,000,000 and have been issued as collateral security in respect of certain working capital requirements, short term indebtedness and long term debt obligations.

Current bank indebtedness is secured by certain accounts receivable and inventories

Capital repayments are as follows:	Term and Other loans	Capital leases
1982	\$ 231,000	\$ 1,858,000
1983	3,000,000	129,000
1984	2,736,000	129,000
1985	2,666,000	126,000
1986	2,542,000	124,000
	<u>\$11,175,000</u>	<u>2,366,000</u>
1987		28,000
		<u>2,394,000</u>
Less: Interest portion		<u>246,000</u>
		<u>\$ 2,148,000</u>

#### 4. CAPITAL STOCK

##### A) Authorized

The authorized capital stock of the Corporation consists of an unlimited number of cumulative, no par value preferred shares issuable in series and an unlimited number of no par value common shares.

##### B) Issued

	<u>1981</u>	<u>1980</u>
52,725 preferred shares (1980 — 69,075 shares)		
\$1.50 series "A" redeemable at \$26.25	\$ 1,318,000	\$ 1,727,000
1,961,847 common shares	<u>12,181,000</u>	<u>12,181,000</u>
	<u>\$13,499,000</u>	<u>\$13,908,000</u>

During the year the Corporation purchased for cancellation 16,350 preferred shares.

C) Dividends on the preferred shares are in arrears for the period October 31, 1981 to December 31, 1981 to the extent of 37.5¢ per share, totalling \$20,000.

#### 5. EXTRAORDINARY ITEMS

	<u>1981</u>	<u>1980</u>
Net gain on disposal of investments in subsidiaries and divisions, net of income taxes of \$1,995,000 in 1981 and \$752,000 in 1980	\$ 2,597,000	\$ 2,523,000
Reduction in income taxes through utilization of loss-carry-forward	<u>1,636,000</u>	<u>684,000</u>
	<u>\$ 4,233,000</u>	<u>\$ 3,207,000</u>

Losses for tax purposes accumulated in the current and prior years by the Corporation and subsidiaries which have not been reflected in these financial statements amount to approximately \$4,556,000 and expire in 1986. The extraordinary loss of \$16,127,000 arising from the divestiture plan includes some non capital losses which are not included in the total shown above as the amounts are estimated and can only be claimed in 1982.

#### 6. CONTINGENT LIABILITIES

\*The Corporation is contingently liable as guarantor of the following:

- A) Bank loans of the non-consolidated real estate subsidiaries to a maximum of 50% of 3,800,000 U.S. As at December 31, 1981, these bank loans amounted to \$3,125,000 U.S.
- B) Bank loans of an affiliated company to a maximum of \$200,000 U.S. As at December 31, 1981 these bank loans amounted to \$312,000 U.S.

C) Bank loans and capital leases of non-consolidated subsidiaries, Canbro (U.K.) Limited and Canbro (Ireland) Limited, of which guaranteed loans amounted to U.K. £526,000 and Irish £73,000 at December 31, 1981.

## 7. INFORMATION BY GEOGRAPHIC AREAS AND CLASSES OF BUSINESS

### Reconciliation of operating profit to (loss) (In thousands)

	Gross Revenue		Operating profit (Loss)	
	1981	1980	1981	1980
Metals _____	\$ 74,785	\$ 60,243	\$ 4,938	\$ 2,781
Travel _____	14,681	13,208	1,168	1,312
Operating _____	89,466	73,451	6,106	4,093
Discontinued operations _____	50,403	49,072	1,252	3,782
Corporate and investments _____	631	485	631	485
	<u>\$140,500</u>	<u>\$123,008</u>	<u>7989</u>	<u>8,360</u>
Less: Amortization of intangible and deferred cost _____			952	466
Corporate administration _____			1,652	1,961
Interest expense _____			10,820	7,786
Income taxes (recovery) _____			(830)	350
Minority interest _____			(97)	(44)
Reduction in equity of non-consolidated real estate subsidiaries _____			1,826	892
Write off of deferred expenses _____			3,278	—
(Loss) before extraordinary items _____			<u>\$ (9,612)</u>	<u>\$ (3,051)</u>

### Distribution of assets (In thousands)

	Total assets		Capital expenditures		Depreciation and Amortization	
	1981	1980	1981	1980	1981	1980
Metals _____	\$ 38,517	\$ 41,452	\$ 1,741	\$ 5,273	\$ 988	\$ 1,135
Travel _____	8,060	8,245	460	400	290	228
Operating _____	46,577	49,697	2,201	5,673	1,278	1,363
Discontinued operations _____	2,124	56,573	2,699	9,300	1,914	2,221
Corporate and investments _____	21,051	8,058	4	190	51	49
Consolidated totals _____	<u>\$ 69,752</u>	<u>\$114,328</u>	<u>\$ 4,904</u>	<u>\$ 15,163</u>	<u>\$ 3,243</u>	<u>\$ 3,633</u>

There are two dominant segments which most accurately disclose the diversity of operations of the Corporation and its subsidiaries

- (i) The Metals Group — Manufacturers of pressure vessels, satellite communication antennae for the space industry and structural metal.
- (ii) The Travel Group — National network of travel agencies and a computer centre providing financial and accounting services to the travel industry. (Note 11)

Over 90% of the Corporation's sales are derived from operations in Canada and are made to customers in Canada.

## 8. COMMITMENTS

- A) The minority shareholders of a subsidiary, Struthers/TIW Ltd. have an option, exercisable between August 1, 1982 and July 31, 1983 to purchase 49% of the business of the C.K. Steel & Machinery Division of the Corporation for \$500,000 plus 49% of the equity in that division which is to be not less than zero.
- B) During the year, the Corporation entered into a joint venture with Urban Transportation Development Corporation on a 50-50 basis to set up a manufacturing facility for the fabrication and assembly of cars for rapid transit rail systems. The joint venture, VentureTrans Manufacturing Inc. will be initially capitalized with 3 million dollars during 1982. In addition, a line of credit of 2 million dollars will be established which will be guaranteed by both parties.

## 9. CONTRACTUAL OBLIGATIONS

Average annual minimum rentals currently under long-term leases are as follows:

1982 — \$1,656,000	1985 — \$1,185,000
1983 — \$1,509,000	1986 — \$ 903,000
1984 — \$1,338,000	



## 10. EARNINGS (LOSS) PER SHARE

Net earnings (loss) per common share is based on the average number of shares outstanding during the year after deduction of the preferred dividend.

## 11. SUBSEQUENT EVENTS

- (i) During the last quarter of 1981, the Corporation realized that due to many operating losses in 1981 certain covenants of the debenture described in note 3 would not be complied with at the year end. A plan of divestiture of unprofitable operations and a corporate reorganization was presented to the banking syndicate which is the holder of these debentures. Subsequent to the year end, the divestiture plan was approved by the syndicate and a waiver of default in the debenture covenants was obtained.

These financial statements include an extraordinary loss anticipated to be realized on the disposal of these operations as follows:

Divestiture of operations and other assets	
Write-down of investments in subsidiaries, real estate venture and fixed assets of certain subsidiaries _____	\$17,825,000
Write-down of other investments _____	506,000
Corporate reorganization costs _____	796,000
	<u>19,127,000</u>
Less surplus to be realized from discontinuance of the key employee pension plan net of subsequent purchase of annuity contract equal to the accrued benefits under the plan _____	(2,500,000)
	<u>\$16,627,000</u>

- (ii) The Corporation has pledged its portfolio of oil and gas investments as security for a short-term bank loan received after the year end.

