TIW INDUSTRIES LTD.
and subsidiaries

ANNUAL REPORT 1980

Mission

To manage a group of profitable businesses offering a select number of products/services of sufficient quality to allow us to assume and retain profitable niches in these markets, with evolving and appropriate response to changes in market demands.

To produce a consistent above average growth in earnings through the development and retention of outstanding management people and optimum utilization of assets.

To provide for employees' job satisfaction through challenging work environment and fair treatment thereby fostering the full development of their capabilities.

To remain conscious of our social responsibilities and consider the public interest in all our decisions.

TIW
INDUSTRIES
LTD.
and Subsidiaries

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

Contents

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 of the Corporation
T. S. Dobson, Calgary
Chairman, Easton United Securities Ltd.
R. A. Irwin, London
Company Director
R. deWolfe MacKay, Q.C., Montréal
Advocate, Barrister, Solicitor
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, Ottawa
President and Chief Executive Officer of the Corporation
M. Brian Mulroney, Montréal
President, Iron Ore of Canada Limited
Jean Simard, Montréal
Vice-President, Simcor Inc.
P. N. Thomson, Coral Harbour, Bahamas
Chairman of the Corporation

Officers

P. N. Thomson, *Chairman*
Yves J. Ménard, *President and Chief Executive Officer*
C. G. Penney, C.A., *Vice-President, Finance*
F. H. Bossons, *Secretary*
L. P. Constantin, C.A., *Comptroller*
G. M. Cullen, Adv., *General Counsel and Assistant to the President*
Claude Hélie, C.A., *Treasurer*
M. L. Clarkson, *Assistant Comptroller*
G. St-Pierre, C.A., *Assistant Treasurer*
F. P. Thomson, *Assistant Secretary*

Annual meeting of shareholders

The annual meeting of shareholders will be held on Thursday, April 23, 1981 at 2:00 p.m. in the Rideau Room, Four Seasons Hotel, 150 Albert Street, Ottawa, Ontario, Canada.

Financial highlights

	1980	1979
INCOME (in thousands)		
Total income	**$123,008**	$122,593
(Loss) Earnings before extraordinary items	**(3,051)**	1,363
Extraordinary items	**3,207**	647
Earnings for the year	**156**	2,010
PER COMMON SHARE		
(Loss) Earnings before extraordinary items	**$(1.61)**	$0.61
Total earnings	**0.02**	0.93
Dividends paid on common shares	**0.20**	0.20
FINANCIAL (in thousands)		
Working capital	**$ 14,247**	$ 18,122
Total assets	**114,328**	105,105
Long-term debt	**43,392**	42,525
Shareholders' equity	**29,459**	29,892

Directors' report to the shareholders

The difficult economic conditions in Canada during 1980 had a direct impact on our operations. At our Wimco Steel service centre, sales fell by approximately 40.1 per cent from last year because of the extremely depressed North American automotive market. The lowest level of residential construction in 14 years, combined with a rising consumer price index, caused a significant drop in the sales and earnings of our furniture group.

The resulting substantial decrease in earnings was partially offset by the improved performance of our travel agencies and resorts groups, compared to 1979.

On a consolidated basis, our operating and administrative costs were limited to an overall 1.2 per cent increase — a minimal rise considering inflationary pressures. These costs were largely in line with consolidated operating revenues which showed no growth over the previous year.

Delays in construction and poor market conditions, due to the record high cost of mortgages, caused disappointing results in a real estate development project in Florida consisting mainly in the construction and sale of single-family residential townhouses. A provision of $892,000 in the accounts for 1980 reflects the loss and decrease in equity incurred during the initial phase of this development.

The combination of record high interest rates and a highly-leveraged financial structure resulting from expansion programmes carried out during the past two years caused a substantial increase of $3,355,000 in interest expense and a corresponding decrease in total earnings compared to last year.

Over the year, we incurred a consolidated loss of $3,051,000 or $1.61 per common share before extraordinary items, compared to net earnings of $1,363,000 or 61 cents per share in 1979. However, extraordinary income of $3,207,000 or $1.63 per common share, as against $647,000 or 32 cents per share in the previous year, enabled us to offset the loss incurred on operations. Thus our total earnings for 1980 amounted to $156,000 or 2 cents per common share compared to $2,010,000 or 93 cents per share in 1979.

The extraordinary income in 1980 is made up of three items: gains realized on the sale of Garibaldi Lifts Ltd. and 75 per cent of our investment in TIW Investment Services Ltd. — reduced by a loss on the disposal of our furniture group's Royal Chesterfield division — plus an income tax recovery of $684,000 through utilization of losses incurred in prior years.

During the third quarter, we acquired the current assets of the Thurso manufacturing facility of Vilas furniture. This distinguished product line is a very compatible addition to our Radisson furniture group and reflects our confidence in the long-term potential of this market.

A good part of our strength in 1981 will come from activity which has been building up, since the third quarter of 1980, in the capital goods sector. Our sales backlog has been increasing substantially over this period and the Steel Platework division of our metals group should be working at near total shop capacity during the whole of 1981.

During 1980, the Corporation invested a total of $15,163,000 in fixed assets, mostly directed at completing projects initiated in prior years. We built a new C.K. Steel plant in Calgary, Alberta, and a Canbro metal powders facility in Ireland. At Sunshine Village in Banff, we completed the first phase of a programme which began in 1978. In addition, $1,653,000 was invested in the form of advances to the Florida real estate residential project and $1,069,000 of additional costs were borne in support of developing an on-line computer network system for travel agencies. No significant investment projects are contemplated for 1981.

We wish to report that a tentative agreement has been reached for the sale of our Wimco Steel processing centre. Disposal of this operation will have a positive impact on our earnings in 1981.

Finally, we want to express our gratitude to all our loyal and dedicated employees in this difficult year. In full co-operation we shall go on to better things in 1981, conditions and opportunities permitting.

On behalf of the Board

P.N. Thomson

P.N. Thomson
Chairman

Yves J. Ménard

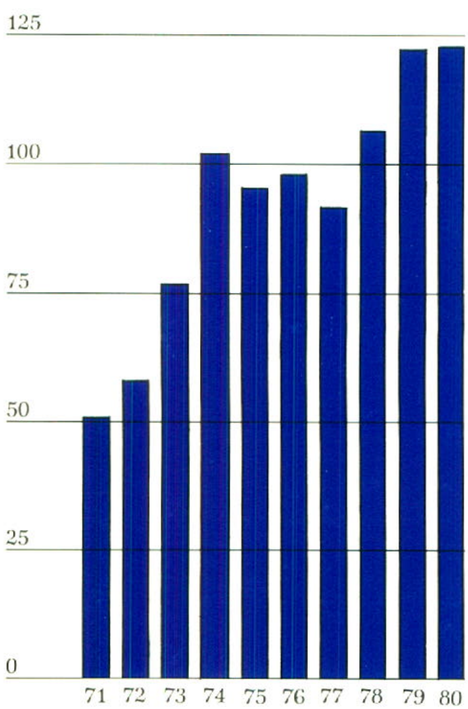
Yves J. Ménard
President and
Chief Executive Officer

Ottawa, March 24th, 1981

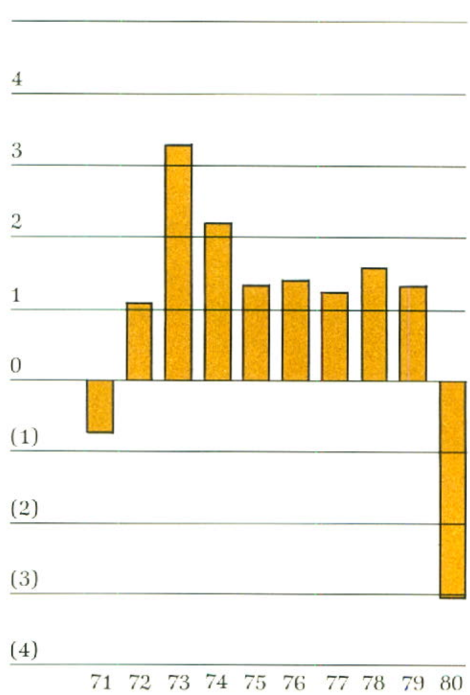
Earnings and financial review

	1980	1979	1978	1977	1976	1975
EARNINGS (in thousands)						
Total income	**$123,008**	$122,593	$107,001	$ 92,113	$ 98,658	$ 95,966
Operating and administrative expenses	**112,976**	111,479	97,460	86,310	88,438	87,052
Depreciation and amortization	**4,099**	3,560	2,870	2,671	2,737	2,726
Interest expenses	**7,786**	4,431	2,923	2,523	2,762	3,001
Income taxes	**350**	1,683	2,023	604	3,316	1,752
Minority interest	**(44)**	(28)	100	(42)	(11)	47
Gain on sale of marketable securities	**—**	—	—	(1,199)	—	—
Decrease in equity of non-consolidated subsidiaries	**892**	105	—	—	—	—
Earnings (loss) before extraordinary items	**(3,051)**	1,363	1,625	1,246	1,416	1,388
Extraordinary items	**3,207**	647	1,146	(700)	(133)	76
Total earnings (loss)	**$ 156**	$ 2,010	$ 2,771	$ 546	$ 1,283	$ 1,464
EARNINGS (LOSS) PER COMMON SHARE						
Earnings (loss) before extraordinary items	**$(1.61)**	$0.61	$0.73	$0.51	$0.68	$0.67
Total earnings (loss)	**0.02**	0.93	1.27	0.19	0.61	0.71
FINANCIAL – at year end (in thousands)						
Working capital	**$ 14,247**	$ 18,122	$ 12,079	$ 13,254	$ 15,209	$ 15,849
Net fixed assets	**46,241**	45,008	29,732	23,555	25,727	27,683
Total assets	**114,328**	105,105	78,520	69,679	75,015	71,865
Long-term debt	**43,392**	42,525	21,125	17,378	17,740	20,155
Shareholders' equity	**29,459**	29,892	29,058	26,871	27,668	25,010
NUMBER OF COMMON SHARES OUTSTANDING (in thousands)	**1,962**	1,962	2,062	2,062	2,195	1,886

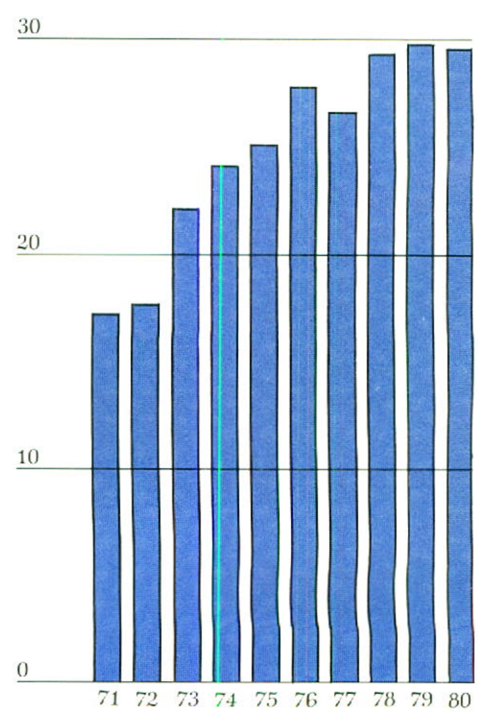
Total income
in millions of dollars



Earnings (loss) before extraordinary items
in millions of dollars

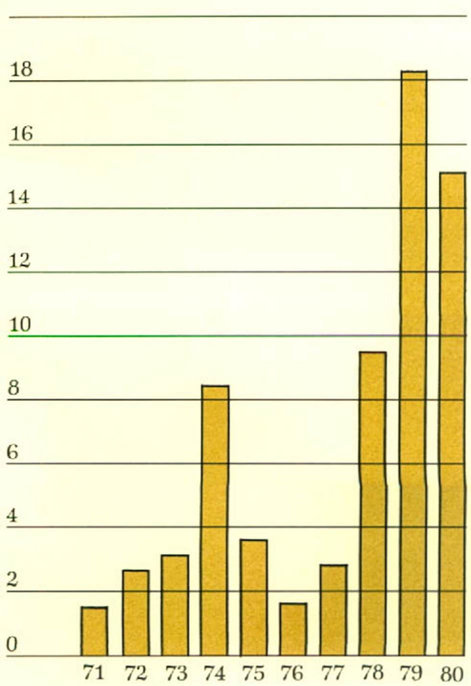


Shareholders' equity
in millions of dollars



1974	1973	1972	1971
$102,080	$ 77,584	$ 58,548	$ 50,749
91,220	67,158	53,093	48,550
2,618	2,171	1,573	1,323
3,318	2,188	1,421	1,335
2,497	2,691	1,301	293
53	35	55	38
—	—	—	—
—	—	—	—
2,374	3,341	1,105	(790)
578	1,046	132	236
$ 2,952	$ 4,387	$ 1,237	$ (554)
$1.19	$1.70	$0.51	$(0.52)
1.50	2.26	0.58	(0.39)
$ 16,217	$ 17,521	$ 11,990	$ 11,840
27,658	23,826	20,492	14,707
72,605	67,771	52,070	39,200
22,441	22,870	15,936	10,629
24,047	22,105	17,865	17,382
1,886	1,886	1,836	1,836

Investment in fixed assets
in millions of dollars



Additional information

The composition of the Corporation has undergone a substantial change during the period under review.

In 1971, investments in securities equalled 11.2% of total consolidated assets, whereas in 1980, they represented less than 1% of total consolidated assets.

In 1975, the Corporation sold the transit advertising division. During 1976, it disposed of the plastic sign division and the U.S.-based metal powders company. In 1977, it sold the Chantecler Hotel complex and proceeded to wind up the Bégin, Charland & Valiquette appraisal activity. These operations contributed individually, in the year of disposal, from 1.1% to 6.9% of consolidated gross revenue.

In 1978, the Corporation disposed of its subsidiary, Warnock Hersey Professional Services Ltd. which accounted for 9.6% of consolidated gross revenue for the period from 1971 to 1978. In 1980, it disposed of Garibaldi Lifts Ltd. and of the Royal Chesterfield Division of the furniture group which accounted respectively for 2.2 and 1.4% of consolidated gross revenue in 1979.

The first venture into the furniture industry was made in 1968 with the acquisition of Henderson Furniture Limited and of Princeville Furniture Limited. A number of other companies have been added in 1972, 1973 and 1980 so that the furniture group now accounts for 24.0% of total consolidated assets and for 27.9% of consolidated gross revenue.

With the acquisition of the Toronto Iron Works, Limited, the Corporation entered the field of steel fabricating in 1972. Relabelled the metals group, this sector of activity now accounts for 39.3% of total consolidated assets and for 50.3% of consolidated gross revenue. In 1977, this group expanded its activity into the fabrication of satellite communication antennae. This sector of activity accounted for 7.3% of the consolidated gross revenue in 1980.

On December 31st, 1976, the Corporation acquired the P. Lawson Travel group of companies. It now accounts for 11.9% of total consolidated assets and for 12.7% of consolidated gross revenue.

Financial review by groups

Reconciliation of operating profit (loss) to earnings (in thousands)

	Gross Revenue			Operating Profit (Loss)		
	1980	1979	1978	**1980**	1979	1978
Metals	**$ 61,643**	$ 62,211	$ 49,974	**$2,595**	$ 3,337	$3,722
Furniture	**34,222**	38,803	31,645	**2,745**	5,566	2,911
Travel	**15,521**	13,106	11,173	**737**	735	447
Resort	**7,603**	5,344	4,515	**653**	157	1,014
Operating	**118,989**	119,464	97,307	**6,730**	9,795	8,094
Discontinued operations	**3,534**	2,671	9,345	**1,145**	(145)	187
Corporate and investments	**485**	458	349	**485**	458	349
	$123,008	$122,593	$107,001	**8,360**	10,108	8,630
Less: Amortization of intangible and deferred cost				**466**	529	414
Corporate administration				**1,961**	2,025	1,545
Interest expense				**7,786**	4,431	2,923
Income taxes				**350**	1,683	2,023
Minority interest				**(44)**	(28)	100
Reduction in equity of non-consolidated subsidiaries				**892**	105	—
(Loss) Earnings before extraordinary items				**$(3,051)**	$ 1,363	$1,625

Distribution of assets
(in thousands)

	Total Assets			Capital Expenditures			Depreciation and Amortization		
	1980	1979	1978	**1980**	1979	1978	**1980**	1979	1978
Metals	**$ 44,927**	$ 36,156	$28,275	**$ 7,177**	$ 1,507	$1,728	**$1,190**	$1,192	$ 992
Furniture	**27,485**	25,139	21,313	**1,353**	1,248	594	**778**	753	667
Travel	**13,608**	12,097	8,297	**1,371**	1,192	582	**325**	323	214
Resort	**20,250**	19,148	8,626	**1,631**	11,796	5,194	**1,038**	380	216
Operating	**106,270**	92,540	66,511	**11,532**	15,743	8,098	**3,331**	2,648	2,089
Discontinued operations	**—**	6,223	4,476	**3,441**	2,502	1,449	**253**	351	320
Corporate and investments	**8,058**	6,342	7,533	**190**	150	43	**49**	32	47
Consolidated totals	**$114,328**	$105,105	$78,520	**$15,163**	$18,395	$9,590	**$3,633**	$3,031	$2,456

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

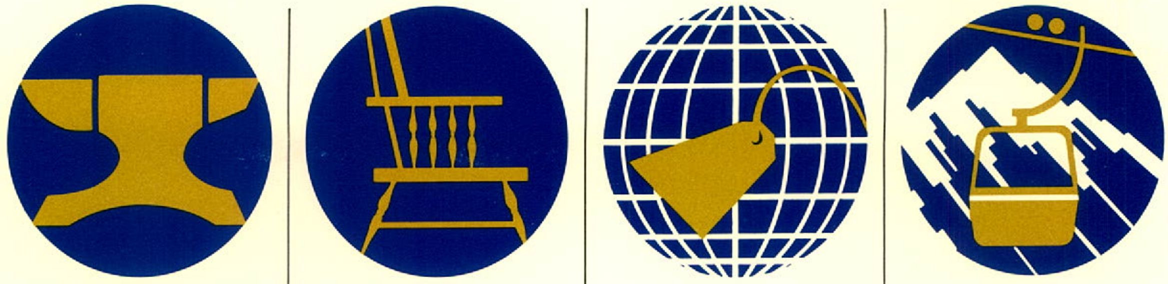
(i) The Metals Group – Manufacturers of boilers and plates, satellite communication antennae for the space industry, structural metal, and the wholesale marketing of steel and metal products.

(ii) The Furniture Group – Manufacturers of household and office furniture and operator of a hardwood sawmill.

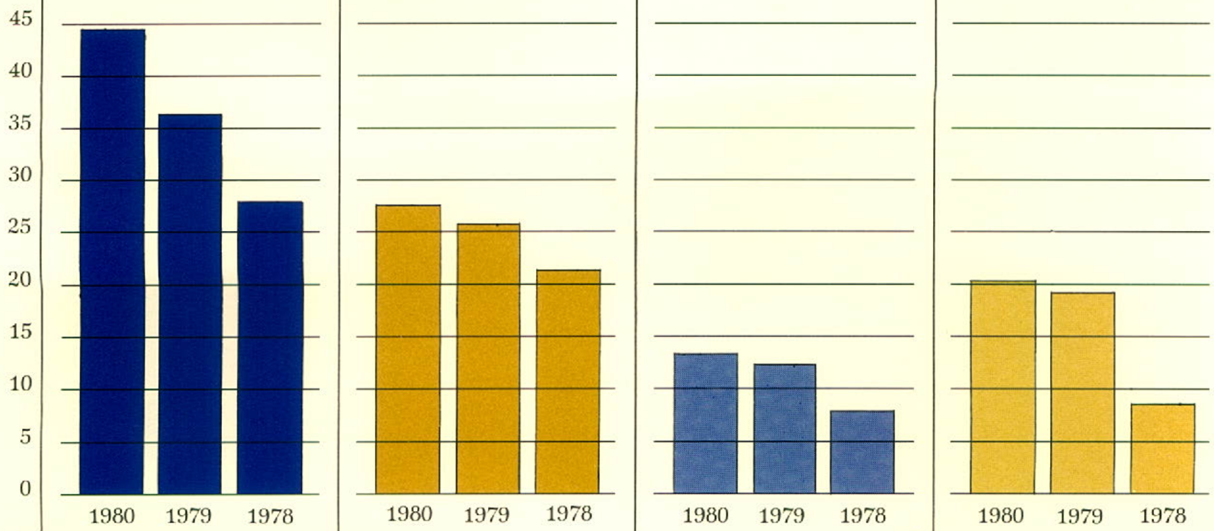
(iii) The Travel Group – National network of travel agencies and a computer centre providing financial and accounting services to the travel industry.

(iv) Resort – Recreational and accommodation services at a resort and ski centre.

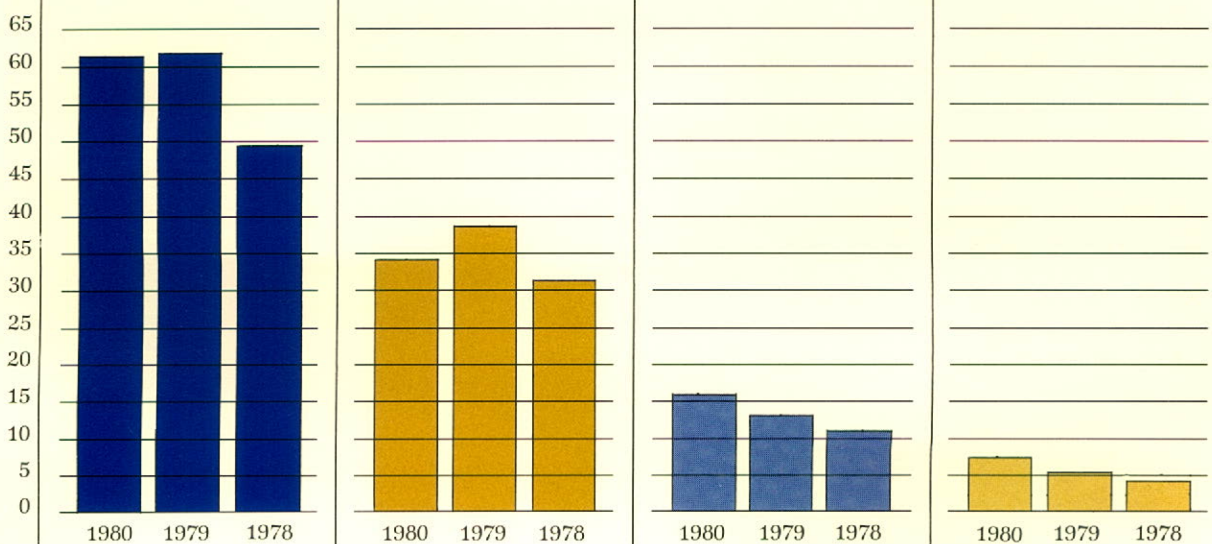
Over 90% of the Corporation's sales are derived from operations in Canada and are made to customers in Canada.



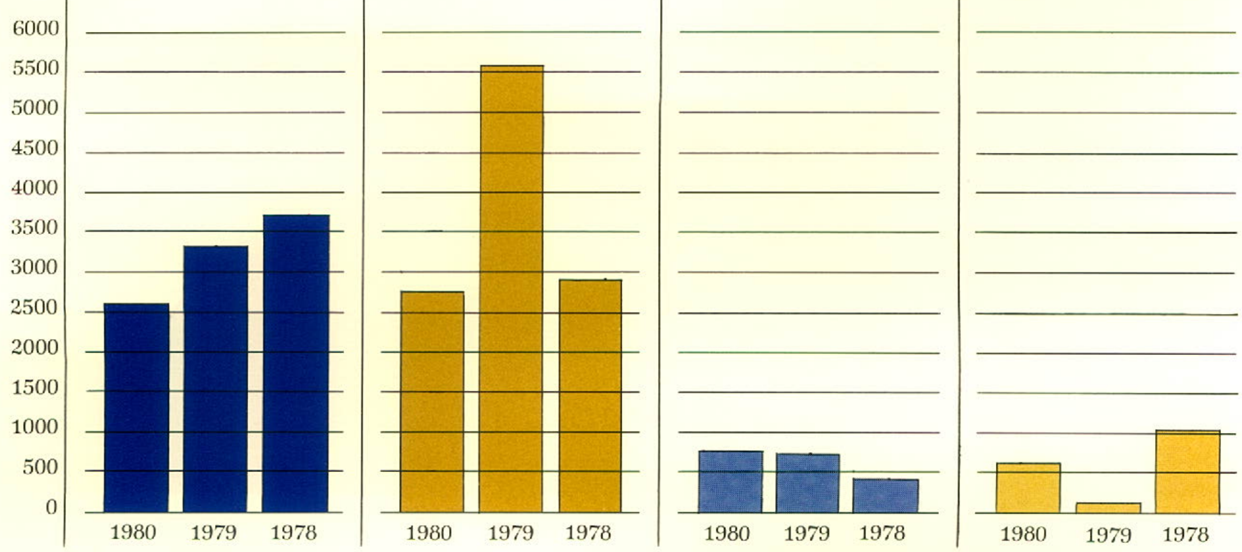
Operating
assets
in millions
of dollars



Operating
revenue
in millions
of dollars



Operating
profit
in thousands
of dollars



Walter Morris,
President

The Metals Group

The Metals Group, which is heavily dependent upon projects related to energy production, continued to be adversely affected by the prolonged jurisdictional disputes between the federal and provincial governments. Resultant delays in what have become known as energy mega-projects, as well as in several smaller projects, have seriously impaired business volume of the steel plate fabrication plant in Toronto and the new C.K. Steel plant and the Struthers-TIW operation in Calgary. Thus, business volume in the Toronto plant was down approximately 10 per cent from the previous year but this was more than offset by improved margins on jobs closed during 1980. Also, orders on hand at the start of 1981 are up substantially from levels at the same time last year.

By year's end, C.K. Steel had built and brought on stream a 65,000 square foot plant in Calgary at a cost of $4,500,000. In addition to manufacturing the traditional C.K. Steel product lines of heat exchangers and structural steel, this new facility is specifically designed for the production of oilfield injection steam generators. This new product is being marketed by Struthers-TIW Ltd., a joint venture combining our Metals Group with Struthers Thermo-Flood Corporation, the well-known U.S. company which originated the product. Incidentally, oilfield steam injection has become the preferred method of enhanced extraction of oil. It is being applied in the secondary recovery from oilfields no longer responding to conventional pumping and in the primary recovery of in situ heavy oil and tar sands.

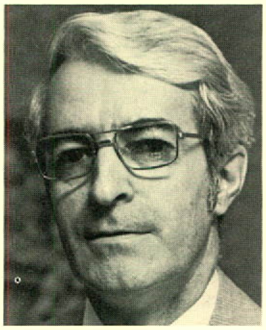
The Trenton, Ontario, facility of Central Bridge is also involved in exciting new product development. To capitalize on technology perfected in the production of antenna panels for TIW Systems Inc., consideration is being given to the development of a multi-product aluminium fabrication operation. Product opportunities include several components for the Canadian and U.S. military, as well as the rapid transit system of Ontario's Urban Transport Development Corporation which has its test site in nearby Kingston.

The fabrication of satellite communication systems have yielded improved margins over the previous period but rapid growth over the last few years, in this area, required a reorganization of TIW Systems' operating and administrative structures in order to take full advantage of its market capabilities. This entailed additional costs of operation and caused a net reduction of profits compared to 1979.

Conditions in the automotive market, resulting in part from a drop in consumer purchases of new North American cars, have created great difficulties for the Wimco Steel processing operation in 1980. Its sales were some 40 per cent lower than during the previous year, resulting in an unfavourable profit variance of approximately $1,500,000 compared to 1979. Negotiations are currently underway for the sale of this operation. In contrast, our presence in the dish head market through the C.E. Macpherson operation continued to generate good earnings for this group despite a strike which lasted seven weeks. Expansion of this facility in building and equipment amounted to $350,000 in 1980.

In the Metal Powders manufacturing sector the difficulties experienced in the U.K. and European markets resulted in a loss for our U.K. operation. The results of the Canadian Canbro operation were approximately in line with last year, despite the fact that market conditions have become less favourable in Canada in the latter part of the year. An explosion occurred in late 1980 at our Valleyfield Québec, plant causing some disruption to the operation which will extend into 1981.

The construction of a new aluminium paste fabricating plant in Ireland is near completion and should be ready for production by the end of the first quarter of 1981. This will assure our Canadian Canbro operation, which celebrated its 75th anniversary in 1980, of a base for the distribution of its aluminium products. It will complement the U.K. base of distribution for copper powder products.



A. Labbé,
President

The Furniture Group

In the first quarter of 1980, most of the Radisson divisions suffered a severe decrease in sales, attributable to the significant decrease, during the latter part of 1979, in consumer spending for durable goods brought on by record high interest rates, combined with a determination to reduce inventories at the retail level. Continued high interest rates throughout the year prevented a market recovery. At best, conditions steadied but remained difficult for this Group at a time when production difficulties in two divisions also created serious pressures on profits.

The Bourassa sawmill operation, also part of Radisson, was able to offset unfavourable market conditions because of the improved quality of logs processed, compared to the previous period.

The Radisson group is determined to convert this period of stagnation in the furniture market to its advantage, making adjustments as necessary to its production methods in order to achieve greater productivity. Its marketing strategy will continue to concentrate on increasing its market share in segments offering the greatest potential. Acquisition of the distinguished Vilas colonial furniture line, during the third quarter, fits into the category of measures related to continually improving the product lines. This late acquisition, however, had a negligible impact on earnings for 1980.

The disposal of Royal Chesterfield upholstery division, which had incurred losses in the last few years, will in itself have a positive impact on earnings for 1981. Its total loss was $445,000 in 1980 including a final write-off of $133,000 of intangible assets.

Consolidating the production facilities of the Henderson Division into a single plant operation was completed at mid-year and brought about some positive, though limited, improvements; unfortunately, advantages gained were offset by a five-week strike in the last quarter.

Sustained strength and market recognition of the Princeville, Marius Ouellet and Thibault lines are additional factors which lead us to a degree of optimism for 1981, despite continued soft market conditions.

J. A. Powell,
President

The Travel Agency Group

1980 was a most rewarding year for this Group. Both revenues and profit were higher than in any previous year. Continuation of the consolidation programme introduced in 1978 is generating the anticipated overall improvement in efficiency and earnings. Our basic strategy over the last two years has been directed at the addition of large commercial accounts to secure a constant base of operation. It has been implemented successfully without any detrimental impact on the vacation and holiday business which remains a prime sector of activity and equal in importance. This programme was carried out in such a way as to enable us to continue to provide top quality service in both sectors.

In the vacation and holiday area, we have noted a reduction in travel to Europe which has been compensated by an increase in travel to the southern destinations. We have also noted a shortening of the duration of holidays taken but an increase in the frequency of travel, resulting in some benefit to our organization.

Two new offices were opened in the latter part of the year; one at the University of Ottawa, a second at the Toronto South Common Shopping Centre, bringing the total number of agency locations to 68.

The North American travel industry is currently undergoing significant changes due to the deregulation of airfares in the U.S. and economic pressures on airlines as a result of the substantial increase in energy costs. In the process, the consumer has also been adversely affected by the increase in cost of travel. The pricing structure introduced by the airlines in favour of long-haul trips however makes holiday travel propitious. This development, combined with the increasing emphasis being placed on vacation travel by the consumer will continue to benefit the retail travel industry.

J. R. Gow,
Executive
Vice-President

The Resorts Group

The Resorts Group consisted last year of two ski centres,both located in Western Canada – Whistler Mountain in British Columbia and Sunshine Village in Banff, Alberta.

Two years ago, the Corporation undertook a $17 million expansion programme at Sunshine Village including the construction of a gondola lift transportation system. Additional investments are also contemplated once the first phase of the development is brought to the most efficient operating standards. Our total investment in ski centres then amounted to $25,371,000 at the end of 1979 accounting for some 24.1 per cent of our total consolidated assets compared to 17.6 per cent in 1978 and 8.5 per cent in 1977.

Whistler Mountain would have required substantial additional investment in order to remain competitive with a new ski development nearby; thus, too high a proportion of our total assets would be tied up in this sector of activity than what was judged acceptable under prevailing economic conditions and high interest rates. The Corporation therefore disposed of Whistler Mountain in June of 1980.

During the summer of 1980 Sunshine Village completed the first phase of its development, including such modifications to the gondola as were required to remedy the delays and stoppages experienced in the previous winter. At the time, these problems seriously disrupted the entire operation, with adverse consequences on both revenues and costs. The much improved performance of the gondola system during the current winter of 1980/81, the high degree of interest generated by this new transportation system, combined with excellent snow conditions and an increased skiers' market, will surely result in better Resorts earnings in 1981.

Sunshine Village is about to come to fruition: it has now acquired a world-wide reputation as being one of the major ski centres in North America.

E. J. Bryant,
President

Global Travel Computer Services Ltd.

This Group, which provides computerized accounting and financial services to some 300 travel agents in Canada, has been in operation for fourteen years. It undertook, some three years ago, the development of an on-line computer network, the TCSII system, to automate most of the functions carried out in a retail travel agency; said functions include reservations with airlines and other suppliers of travel services and the preparation of all related documents, in addition to the traditional accounting and financial services to which the travel agents have been accustomed under the present system.

Two pilot projects have been under way for some time, and a further 17 agencies have been added to the TCSII system during the month of December 1980. These initial installations include agencies from Ontario to British Columbia; they will provide actual, hands-on experience needed to determine the final modifications to the system, and will enable us to optimize the response time and load factors. 1981 should therefore see the successful market implementation of this new powerful tool for the travel agents.

Although considerable interest exists for this system in the U.S., all of our present human and financial resources will be concentrated in Canada. Consideration is being given to the search for partners in order to solidify the financial and marketing base for this operation in 1981.

A sales order and inventory control system has also been marketed successfully in 1980 in an effort to add a certain degree of diversification to Global's traditional line of business in the travel sector. Interest is building very nicely for this system and we are looking forward to a successful future for this new product.

Financial statements

Consolidated statement of earnings

for the year ended December 31, 1980
(in thousands)

	1980	1979
Income		
Gross revenue from operations	$122,523	$122,135
Income from investments	485	458
	123,008	122,593
Expenses		
Operating and administrative	112,976	111,479
Depreciation and amortization	3,633	3,031
Amortization of intangible and deferred cost	466	529
Interest long-term	5,769	2,916
Other interest	2,017	1,515
Income taxes	350	1,683
Minority interest	(44)	(28)
Reduction in equity of non-consolidated subsidiaries (Note 8)	892	105
	126,059	121,230
(Loss) Earnings before extraordinary items	(3,051)	1,363
Extraordinary items (Note 5)	3,207	647
Earnings for the year	$ 156	$ 2,010
Earnings (Loss) per common share (Note 13)		
Before extraordinary items	$(1.61)	$0.61
After extraordinary items	$ 0.02	$0.93

Consolidated statement of retained earnings

for the year ended December 31, 1980
(in thousands)

	1980	1979
Retained earnings, January 1	$ 15,839	$ 14,284
Earnings for the year	156	2,010
Gain on redemption of shares	56	68
Dividends paid – preferred shares	(108)	(116)
– common shares	(392)	(407)
Retained earnings, December 31	$ 15,551	$ 15,839

Consolidated statement of changes in financial position

for the year ended December 31, 1980
(in thousands)

	1980	1979
Working capital increased by		
(Loss) Earnings before extraordinary items	**$ (3,051)**	$ 1,363
Items not requiring an outlay of funds:		
Depreciation and amortization	**3,633**	3,031
Amortization of intangible and deferred cost	**466**	529
Deferred income taxes	**(617)**	708
Minority interest in earnings	**(44)**	(28)
Loss (Gain) on disposal of fixed assets	**39**	(95)
Reduction in equity of non-consolidated subsidiaries	**892**	105
Working capital increased by operations, exclusive of extraordinary items	**1,318**	5,613
Extraordinary items	**(29)**	647
	1,289	6,260
Proceeds on issue of long-term debt (net of amounts used to finance fixed asset additions of $7,100 and retire existing long-term debt of $17,704 in 1979)	**5,659**	6,699
Increase in obligations under capital leases	**667**	—
Proceeds on disposal of fixed assets	**814**	535
Reduction in mortgages and notes receivable	**199**	283
Proceeds on sale of subsidiaries deficiency at date of disposition of $2,285	**7,582**	—
Investment by minority interest in a subsidiary	**147**	—
	16,357	13,777
Working capital decreased by		
Reduction in long-term debt	**886**	235
Purchase of fixed assets and capital leases (net of amounts financed by long-term debt of $15,050 in 1979)	**15,163**	3,345
Payment of dividends	**500**	523
Purchase of shares for cancellation (net of reductions in executive stock purchase plan of $468 in 1979)	**89**	185
Increase in other investments	**1,676**	727
Investment in mortgages and notes receivable	**15**	122
Purchase of goodwill	**14**	597
Increase in deferred cost	**1,320**	1,482
Reduction in obligations under capital leases	**497**	518
Advances to affiliated company	**72**	—
	20,232	7,734
(Decrease) Increase in working capital	**(3,875)**	6,043
Working capital, January 1	**18,122**	12,079
Working capital, December 31	**$ 14,247**	$ 18,122

TIW INDUSTRIES LTD.
and Subsidiaries

Consolidated balance sheet

as at December 31, 1980
(in thousands)

Assets	1980	1979
Current		
Cash and deposit receipts	$ 1,023	$ 1,833
Accounts receivable	32,419	27,438
Inventories (Note 1)	19,790	17,799
Prepaid expenses and other current assets	1,449	1,190
	54,681	48,260
Investments		
Mortgages and notes receivable (Note 2)	2,916	3,114
Other (Note 1)	3,013	2,001
	5,929	5,115
Fixed		
Land, buildings and equipment (Note 1)	74,116	72,188
Less: Accumulated depreciation	27,875	27,180
	46,241	45,008
Deferred cost (Note 1)	3,033	1,819
Intangible		
Excess of cost of subsidiaries over the values assigned to the net assets (Note 1)	6,185	6,378
Less: Accumulated amortization	1,741	1,475
	4,444	4,903
	$114,328	$105,105

On behalf of the Board

John R. McLernon, Director
Yves J. Ménard, Director

Liabilities

	1980	1979
Current		
Bank indebtedness (Note 3)	**$ 18,674**	$ 10,010
Accounts payable and accrued liabilities	**19,246**	18,140
Dividends payable	**26**	28
Income and other taxes payable	**869**	1,022
Long-term debt due within one year	**983**	256
Obligations under capital leases due within one year	**636**	472
Deferred income taxes	**—**	210
	40,434	30,138
Long-term debt (Note 3)	**33,462**	32,765
Obligations under capital leases (Note 3)	**9,930**	9,760
Deferred income taxes	**1,010**	2,272
Minority interest	**33**	278

Shareholders' equity

	1980	1979
Capital stock (Note 4)		
Preferred shares	**1,727**	1,872
Common shares	**12,181**	12,181
	13,908	14,053
Retained earnings	**15,551**	15,839
	29,459	29,892
	$114,328	$105,105

Auditors' report

To the Shareholders,
TIW Industries Ltd.

We have examined the consolidated balance sheet of TIW Industries Ltd. as at December 31, 1980 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 corporation as at December 31, 1980 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.

CAMPBELL SHARP
Chartered Accountants

Ottawa, February 16, 1981

TIW INDUSTRIES LTD.
and Subsidiaries

Notes to the consolidated financial statements

December 31, 1980

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Principles of consolidation:

The consolidated financial statements include the accounts of the Corporation and all subsidiaries except for subsidiaries operating in the real estate sector which are accounted for on the equity basis.

This basis of presentation is more informative than full consolidation as it recognizes the basic difference that exists with respect to the financing of a real estate operation compared to manufacturing and trading operations and the fact that there are substantially greater restrictions on the transfer of assets. Financial statements of these subsidiaries are presented in note 8.

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 $6,185,000 accumulated to date as an intangible asset, $5,356,000 is being amortized over a twenty year period and $829,000 is being amortized over a ten year period.

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:

	1980	1979
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. Earnings, including revenues from the production of oil and gas wells, will only be recognized in the accounts upon full recovery of the original investment. Certain of these investments are in the form of common shares	**$ 1,873,000**	$ 1,869,000
Affiliated company – at equity	**228,000**	—
Investment in non-consolidated real estate subsidiaries, at equity (Note 8)		
– Investment	**237,000**	237,000
– Advances	**1,653,000**	—
	1,890,000	237,000
– Less: decrease in equity to date	**997,000**	105,000
	893,000	132,000
Other, at cost	**19,000**	—
	$ 3,013,000	$ 2,001,000

E) Fixed Assets:

The major categories of fixed assets are as follows:

	1980 Cost	1980 Accumulated Depreciation	1980 Net book Value	1979 Net book Value
Land	**$ 4,176,000**	**—**	**$ 4,176,000**	$ 3,522,000
Buildings	**18,696,000**	**$ 6,077,000**	**12,619,000**	11,466,000
Machinery and equipment:				
– Capital leases	**11,339,000**	**1,001,000**	**10,338,000**	10,193,000
– Other	**34,000,000**	**19,875,000**	**14,125,000**	12,505,000
Construction in progress	**3,367,000**	**—**	**3,367,000**	6,010,000
Other	**2,538,000**	**922,000**	**1,616,000**	1,312,000
	$74,116,000	**$27,875,000**	**$46,241,000**	$45,008,000

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 at rates varying from 5% to 12½%.

F) Deferred Cost:

	Period of Amortization		1980			1979
	Maximum number of years	Expiry Date	Cost	Accumulated Amortization	Net book Value	Net book Value
Computer Development	8 years	1988	**$2,364,000**	**$ 24,000**	**$2,340,000**	$1,295,000
Refinancing Expenses	15 years	1994	**439,000**	**28,000**	**411,000**	350,000
Other	various		**580,000**	**298,000**	**282,000**	174,000
			$3,383,000	**$ 350,000**	**$3,033,000**	$1,819,000

Amortization of deferred cost commences upon completion of the individual projects.

2. MORTGAGES AND NOTES RECEIVABLE

	1980	1979
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 six employees	**$ 389,000**	$ 375,000
B) 9% first mortgage, receivable in monthly instalments of $5,000 plus interest with the balance becoming due August 31, 1987	**2,455,000**	2,510,000
C) Note receivable bearing interest at bank prime rate plus 1½% repayable in two equal consecutive annual instalments	**290,000**	435,000
D) Other	**15,000**	20,000
	3,149,000	3,340,000
Less: Amounts due within one year included in current assets	**233,000**	226,000
	$ 2,916,000	$ 3,114,000

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

	1980	1979
A) Bank Syndicated Loan	**$29,060,000**	$29,060,000
B) Term Bank Loan of a former subsidiary	**—**	2,711,000
C) Bank Bridging Loan maturing on February 28, 1981 to be replaced by an increase in the Bank Syndicated Loan of $3,350,000	**3,111,000**	—
The above loans are repayable over twelve years commencing in 1983 and bearing interest at bank prime rate plus 1½%		
D) Term Bank Loan repayable over four years bearing interest at rates ranging from 8½% to 10½% – secured	**845,000**	—
E) 11% mortgages of a former subsidiary	**—**	637,000
F) Other loans – secured	**446,000**	357,000
	33,462,000	32,765,000
G) 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**	8,822,000
— repayable over four to six years and bearing interest at rates ranging from 9% to 14%	**1,392,000**	938,000
	9,930,000	9,760,000
	$43,392,000	$42,525,000

As collateral for the bank syndicated loan, the Corporation has issued series A to E debentures in the amount of $37,560,000 secured by a fixed and floating charge on the fixed assets of certain divisions and a subsidiary. The series "E" debenture of $8,500,000 which ranks pari passu with the series A to D debentures has been issued as collateral security with respect to a capital lease.

Current bank indebtedness is secured by certain accounts receivable and inventories.

Capital repayments are as follows:	Term and Other Loans	Capital Leases
1981	$ 983,000	$ 1,786,000
1982	440,000	1,795,000
1983	2,924,000	1,676,000
1984	2,985,000	1,594,000
1985	3,033,000	1,412,000
	$10,365,000	8,263,000
1986 to 1994		11,457,000
		19,720,000
Less interest portion		9,154,000
		$10,566,000

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

	1980	1979
69,075 preferred shares (1979 — 74,875 shares)		
$1.50 series "A" redeemable at $26.25	$ 1,727,000	$ 1,872,000
1,961,847 common shares	12,181,000	12,181,000
	$13,908,000	$14,053,000

C) During the year the corporation purchased for cancellation 5,800 preferred shares.

5. EXTRAORDINARY ITEMS

	1980	1979
Net gain on disposal of investments in subsidiaries, net of income taxes of $752,000	$ 2,523,000	—
Reduction in income taxes through utilization of loss-carry-forward	684,000	$ 647,000
	$ 3,207,000	$ 647,000

Losses for tax purposes accumulated in the current and prior years by subsidiaries which have not been reflected in these financial statements amount to approximately $2,486,000 and expire as to $236,000 in 1982, $453,000 in 1983, $199,000 in 1984 and 1,598,000 in 1985.

6. CONTINGENT LIABILITIES

On August 16, 1974, an action was instituted in the Superior Court, District of Montreal, against the Corporation and a former subsidiary, by Lockheed Aircraft Corporation, claiming $7,949,000 arising from the cancellation of a supply contract by the subsidiary. Lockheed Aircraft Corporation filed on February 14, 1977, an amended action reducing its claim from $7,949,000 to $2,721,000. This action continues to be contested vigorously. A counterclaim against Lockheed Aircraft Corporation in the amount of $2,000,000 in relation to the same matter is likewise being pursued actively.

Capital Management Limited, a subsidiary company, and its subsidiary All-Canadian Group Distributors Limited, are defendants in various lawsuits arising out of a management agreement. The trial took place in 1978; however, a decision has not yet been rendered. Legal counsel is of the opinion that such lawsuits are not well founded. Management and legal counsel are of the opinion that adequate provision has been made in the accounts for the foregoing matters.

The Corporation is contingently liable as guarantor for a bank loan, amounting to $3,395,000 US, to its non-consolidated real estate joint venture.

7. INFORMATION BY GEOGRAPHIC AREAS AND CLASSES OF BUSINESS

This information is contained in the summary on page 6.

8. NON-CONSOLIDATED REAL ESTATE SUBSIDIARIES AND JOINT VENTURE

The Corporation has a 83.4% controlling interest (50% in 1979) in real estate companies and in a joint venture organized May 1, 1978, for the purpose of acquiring certain land in Delray Beach, Florida, developing the land and constructing and selling single family and townhouse residential units.

The following is a summary of the unaudited financial position and operations of these companies and joint venture for the year ended December 31, 1980. Audited financial statements are available for the year ended March 31, 1980.

(Expressed in US dollars)

Financial position
(Expressed in US dollars)

	1980	1979
Assets		
Cash and accounts receivable	$ 202,000	$ 666,000
Subdivision development and deferred expenses – at cost	6,556,000	5,981,000
	$6,758,000	$6,647,000
Liabilities		
Bank loan bearing interest at prime plus 2%	$3,395,000	$3,210,000
Accounts payable, customers deposits and other liabilities	709,000	1,509,000
Construction loans payable	1,341,000	1,524,000
8% mortgage notes payable	341,000	426,000
	5,786,000	6,669,000
Advances from shareholders:		
Parent company — bearing interest at 15%	1,206,000	—
— non-interest bearing	200,000	—
Minority interest — non-interest bearing	200,000	—
	1,606,000	—
Shareholders' deficiency		
Capital	80,000	80,000
Contributed surplus	320,000	320,000
Accumulated deficit	(1,034,000)	(422,000)
	(634,000)	(22,000)
	$6,758,000	$6,647,000
Operations		
Revenues	$2,302,000	$ 545,000
Expenses	2,914,000	763,000
Net loss	$ 618,000	$ 218,000

The bank loan is guaranteed by the Corporation on a joint and several basis with the minority shareholders.

9. COMMITMENTS

A) Additional purchase consideration for C.K. Steel & Machinery Ltd., purchased in 1977, is to be computed annually as a percentage of net equity, payable in 1981 and 1982 in varying instalments at the option of the vendor. Any additional purchase consideration up to an amount of $386,000 will be allocated to tangible assets and any excess carried as an intangible asset.

B) 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 outstanding shares of C.K. Steel & Machinery Ltd. for $500,000 plus 49% of the shareholders' equity which is to be not less than zero.

10. RELATED PARTY TRANSACTION

During the year, the Corporation sold at fair market value 75% of its investment in a wholly owned subsidiary, TIW Investment Services Ltd. for $53,000 resulting in a gain of $30,000. One of the parties to the transaction is a director of the Corporation's parent company.

11. CONTINGENT ASSET

Additional costs of operation were incurred by a division of the Corporation in 1980 as a result of delays with respect to the delivery of certain equipment by a supplier. A receivable has been set up in the accounts to cover these costs. Negotiations continue with the supplier with respect to the recovery of other related costs and loss of revenue resulting from this event. Any additional revenues resulting from the successful settlement of this claim will be credited to retained earnings.

12. CONTRACTUAL OBLIGATIONS

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

1981 — $1,905,000	1984 — $1,094,000
1982 — $1,815,000	1985 — $ 944,000
1983 — $1,220,000	

13. EARNINGS PER SHARE

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

Principal operating companies or divisions

Metals

(Head Office)
629 Eastern Avenue
Toronto, Ontario M4M 1E4
(416) 461-8111

Walter Morris, President
W. P. Petrie, Vice-President/ Finance
R. B. McIntyre, Vice-President, Group Development
G. T. Karna, Comptroller

Steel Platework Division
629 Eastern Avenue
Toronto, Ontario M4M 1E4
(416) 461-8111

D. M. Cameron, President

C. E. Macpherson Company
468 Rideau Street
Kingston, Ontario K7L 4W2
(613) 549-2001

R. B. McIntyre, President

Central Bridge Company
300 West Street
Trenton, Ontario K8V 5R8
(613) 392-2851

A. E. Paine, President

Wimco Steel Sales Co.
1218 South Service Road
Oakville, Ontario L6L 5J9
(416) 827-9855

Walter Morris, Chairman, Operating Board

TIW Systems Limited
629 Eastern Avenue
Toronto, Ontario M4M 1E4
(416) 461-8111

D. M. Cameron, President

TIW Systems Inc.
1284 Geneva Drive
Sunnyvale, Calif. 94086
(408) 734-3900

Rein Luik, President
L. E. Becker, Vice-President

Les Constructeurs d'Acier TIW Limitée
43 Westminster Avenue North
Montréal, Québec H4X 1Y8
(514) 481-6334

D. M. Cameron, Vice-President and General Manager

C. K. Steel & Machinery Ltd.
7770 - 44 Street S. E.
Calgary, Alberta T2C 2L5
(403) 279-8310

S. L. Kerby, President

Struthers - TIW Ltd.
7770 - 44 Street S. E.
Calgary, Alberta T2C 2L5
(403) 279-8310

S. L. Kerby, President

Canbro International Division
29 East Park Street
Valleyfield, Québec J6S 1P8
(514) 373-0233
Montréal direct: 866-8514

E. T. Stanger, President

Canbro Division
29 East Park Street
Valleyfield, Québec J6S 1P8
(514) 373-0233
Montréal direct: 866-8514

R. A. Learn, Vice-President and Acting General Manager

Canbro (U.K.) Limited
Willowside Industrial Estate
York Way, Royston, Herts
England SG8 5HJ
Tel: (0763) 41244

G. B. Nelson, Managing Director

Canbro (Ireland) Limited
Granny Ferry County
Kilkenny, Ireland
Tel: (051) 55511

T. A. Barry, General Manager

Furniture

(Head Office)
Radisson Furniture Limited
465 Victoria Street
St. Lambert, Québec J4P 2J2
(514) 672-0313

A. Labbé, President
C. Bourdeau, Comptroller
A. Thouin, General Sales Manager

Henderson Division
199 Upper Edison Avenue
St. Lambert, Québec J4R 2R3
(514) 671-7221

C. Pothier, Executive Vice-President

Princeville Division
55 des Erables Street
Princeville, Québec G0P 1E0
(819) 364-5506

R. Fauteux, Executive Vice-President

Thibault Division
6 Alphonse Street
Ste. Thérèse, Québec J7E 1G3
(514) 430-2710

H. Choquet, Executive Vice-President

Marius Ouellet Division
Disraéli, Québec G0N 1E0
(418) 449-2530

D. Ouellet, Executive Vice-President

Vilas Furniture Division
Nash Street
P.O. Box 1080
Thurso, Québec J0X 3B0
(819) 985-2267

M. Decelles, Executive Vice-President

Industries Bourassa Division
St. Raymond, Québec G0A 4G0
(418) 337-2233

G. Potvin, Executive Vice-President

Travel agencies

(Head Office)
P. Lawson Travel Ltd.
1817 - 2 Carlton Street
Toronto, Ontario M5B 1K2
(416) 977-7581

J. A. Powell, President
D. W. Collett, Vice-President
J. B. MacDougald, Vice-President
M. T. Nicholson, Vice-President

68 offices across Canada in conjunction with:
Voyages Bel-Air Inc.
P. Lawson Travel (B.C.) Ltd.

Resort

Sunshine Village Division
P.O. Box 1510
Banff, Alberta T0L 0C0
(403) 762-3383

J. R. Gow, Executive Vice-President
N. Crerar, Vice-President
J. P. Layman, Vice-President
C. W. Oseen, Vice-President/Finance
R. Kowalewich, Controller

Computer services

Global Travel Computer Services Ltd.
Suite 2000
365 Bloor Street East
Toronto, Ontario M4W 3L4
(416) 928-1100

E. J. Bryant, President
R. J. Christopher, Vice-President
B. J. Crombleholme, Vice-President
D. R. Delamere, Vice-President
J. B. Harper, Vice-President
A. L. Taylor, Vice-President

&

Global Coatings Limited
One Lane Hill
P.O. Box No. 776
Hamilton 5, Bermuda
(809) 292-2195

J.H. Kaufmann, President

TIW
INDUSTRIES
LTD.

Si vous préférez posséder ce rapport en français, prière d'en faire la demande à l'adresse suivante:

Les Industries TIW Ltée
90 rue Sparks
suite 1100
Ottawa (Ontario)
K1P 5B4

Ou appelez-nous au
(613) 238-1888