Warrington Inc.

Annual Report 1980

Financial Highlights

	1980	1979
Sales	**$86,214,000**	$83,013,000
Earnings (loss) before extraordinary item	**($ 590,000)**	$ 556,000
Net earnings for the year	**$ 160,000**	$ 727,000
Working capital at end of year	**$14,540,000**	$14,100,000
Common shares outstanding	**15,771,583**	15,771,583
Earnings (loss) per common share basic and fully diluted		
—before extraordinary item	**$(0.04)**	$0.06
—after extraordinary item	**$ 0.01**	$0.08

Warrington Inc. (formerly Warrington Products Limited) is a Canadian public company which manufactures and distributes sporting goods, footwear and domestic appliances. The Company operates in both North America and Europe and employs approximately 2,000 people worldwide.

Its shares are listed on the Toronto and Montreal Stock Exchanges.

Annual Meeting

The annual meeting of the shareholders will be held on Thursday, June 18, 1981 at 10:00 a.m. at the corporate offices, 6500 Millcreek Drive, Mississauga, Ontario L5N 2W6

For a Copy in French

Si vous désirez recevoir ce rapport annuel en français veuillez vous adresser à Le Trésorier, Warrington Inc., 6500 Millcreek Drive, Mississauga, Ontario L5N 2W6

To the Shareholders

1980 In Review

During the year your company completed the restructuring and consolidation of a number of its manufacturing facilities to create a more efficient and productive operation as well as optimize the use of capital resources. The company completed the consolidation of numerous warehouses into one of the most modern and efficient distribution facilities and relocated the head office and related personnel from Kitchener to this facility located in Mississauga. Various expenses associated with these changes were incurred and charged to income during 1980. Acquisitions and agreements to acquire were undertaken and are referred to later in this report.

Although market conditions for your company's products were soft, —reflecting the widely prevailing weak economic conditions, modest profits were achieved. The continuation of the return to profitability which began in 1979, revitalized operating facilities and the substantial enhancement of product lines backed with aggressive marketing including television and other mass media promotion, encourage us to believe that your company is well positioned to achieve favourable growth in sales and profits.

Kodiak® Work'n Sport boots are the number one selling insulated boot in Canada.

Operating Results

The net earnings for 1980 were $160,000 on sales of $86,214,000 compared to $727,000 in 1979 on sales of $83,013,000. Notwithstanding the lower than anticipated sales, cost of sales showed a substantial improvement and was well within management's objectives. However, operating results were adversely affected by the costs related to the unexpected difficulties associated with the facility moves. These problems were satisfactorily resolved by year end.

Management Change

Mr. David Simpson was appointed President and Chief Operating Officer of the company.

Acquisitions and Expansions

At a special shareholders' meeting on February 13, 1981, approval was given to enter into an agreement to acquire the remaining 50% interest in Gamebridge Inc. and all of the outstanding shares of Icaro Olivieri & C.—Minuterie Metalliche SPA ("Olivieri Co."). Gamebridge, in which the company presently has a 50% interest, is based in St. Jerome, Quebec and is the world's largest manufacturer and distributor of moulded hockey, figure and recreational ice skates and roller skates. These products are distributed under the brand names Micron® and Lange®. In addition, Gamebridge manufactures Bauer® moulded ice and roller skates for the company.

The new Head Office of Warrington Inc. and distribution facility for Greb Industries.

During 1980, Gamebridge opened a manufacturing and distribution facility in Vermont at a total cost of approximately $4 million. This facility will be fully operational by Spring 1981 and provides a base for increasing market penetration in the U.S.A.

Gamebridge itself has entered into an agreement to purchase all of the outstanding shares of La Compagnie Francais d'Articles de Sport (C.F.A.S.). C.F.A.S., based in France, is the manufacturer and distributor of Trappeur® branded alpine ski boots on a world wide basis.

Performance athletic footwear by Bauer®

Olivieri Co., located in Italy, is a major supplier of specialized tooling and components to ski boot and skate manufacturers in the world markets and brings with it advanced technology and management skills.

Greb's new line of Job-Rated work boots.

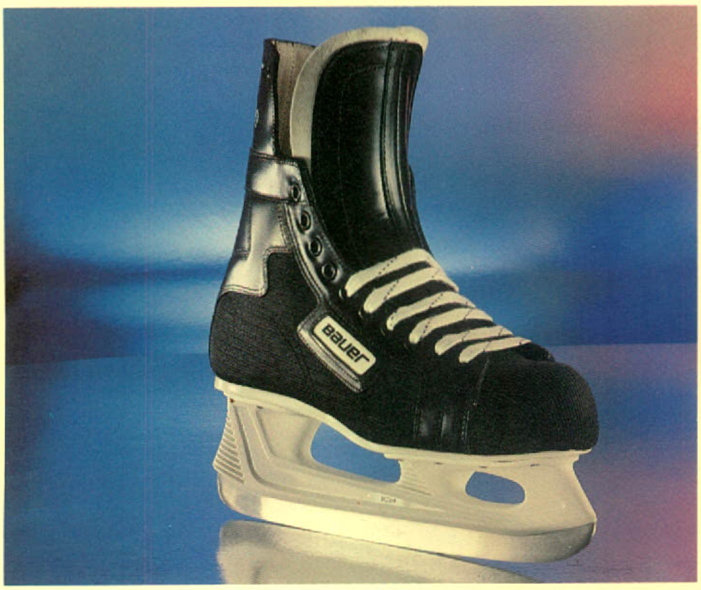
Effective November 30, 1980, the company acquired all of the outstanding shares of Caber Italia S.p.A., an Italian-based manufacturer and distributor of Caber® branded alpine and cross country ski boots and Spalding branded alpine and cross country skis. Caber is also the exclusive distributor of a broad variety of Spalding sporting goods in Italy. In addition, the company subsequently purchased Caber U.S.A., the distributor for Caber Italia products in the U.S.A.

Subsequent to the fiscal year end the company acquired Tuuk Sports Limited, a Montreal based company which manufactures and distributes the patented Tuuk® hockey and figure skate blades. The Tuuk® blade, widely used in the National Hockey League, is distributed throughout the world hockey markets.

Caber's exclusive Bio-System® gives skiers a feeling of greater comfort and control than any boot they have ever experienced.

Future Outlook

Substantial progress was achieved during the year towards revitalizing and expanding our product lines and market place penetration. The Greb "Job Rated" boot line was introduced for Spring, 1981 sales and was supported by an aggressive merchandising program including television and other mass media advertising. Early market reaction to this line has been most gratifying. Our Hush Puppies® line of casual shoes was similarly promoted and has enjoyed a very positive market reaction which augers well for a successful year. Orders for our very popular Kodiak® boot ended the year on a very strong note and the demand has carried on into 1981. Bauer® hockey and figure ice skates continue to enjoy a very prominent position in the domestic market and substantial gains were realized in export sales. The introduction of the innovative recreational skate was successful and we expect that this line will become increasingly popular.



The innovative Supreme Custom 100 is the first ice skate to utilize Flolite® padding and podiatric sockliners.

A major breakthrough in hockey skate technology has been made with the successful development of the Bauer® Supreme Custom 100. This model will be launched early in 1981 and we expect to achieve a very significant share of this high end-of-the-line hockey skate category.

Modern styles breathe new life into the Hush Puppies® shoe line.

Collins Safety Shoes through its retail stores and mobile operations, enjoyed a very successful year despite the economic weaknesses of the industrial sector.

Sperry Top-Sider® is the world's number one selling boating shoe.

Agreement was reached to launch an introductory program for Sperry Top-Siders® for 1981 which has recently become a widely popular casual as well as utility shoe.

The addition of ski boots and skis broadens our position in the sporting goods industry. Caber® ski boots together with the Trappeur® line will rank us as one of the world leaders in this product category. The Gamebridge and Olivieri technology provides us with a most advanced design and manufacturing capability for the manufacturing of these products.

We believe that the revitalized and expanded product lines, together with our modern technology and facilities and strengthened organization provide the ingredients for the profitable growth of your company.

We thank our shareholders, customers and suppliers for their support and co-operation. We acknowledge, in particular, the dedicated efforts of our many employees.

James D. Raymond
Chairman

David E. Simpson
President

Consolidated Balance Sheet

DECEMBER 31
(thousands)

	1980	1979
Assets		
Current assets:		
Accounts and notes receivable	**$38,073**	$12,176
Inventories (Note 2)	**29,621**	21,240
Prepaid expenses	**529**	457
	68,223	33,873
Long-term investment (Note 3)	**2,675**	2,168
Loan receivable (Note 4)	**1,167**	1,167
Property, plant and equipment (Note 5)	**16,036**	7,271
Goodwill (Note 6)	**2,303**	2,348
	$90,404	$46,827
Liabilities		
Current liabilities:		
Bank indebtedness (Note 7)	**$30,884**	$12,630
Accounts payable and accrued liabilities	**22,391**	7,097
Current portion of long-term debt	**231**	—
Current portion of obligations under capital leases	**177**	46
	53,683	19,773
Long-term debt (Note 8)	**21,393**	20,463
Obligations under capital leases, net of current portion (Note 11)	**3,819**	312
Excess of net assets acquired over purchase price (Note 1)	**5,070**	—
Contingencies (Notes 3 and 12)		
Shareholders' equity		
Capital stock (Note 9)	**20,911**	20,911
Deficit	**14,472**	14,632
	6,439	6,279
	$90,404	$46,827

On behalf of the Board:

James Raymond, Director

David Simpson, Director

Consolidated Statement of Earnings and Deficit

YEAR ENDED DECEMBER 31
(thousands)

	1980	1979
Sales	$86,214	$83,013
Cost of sales	62,916	61,613
	23,298	21,400
Expenses (Note 14(a)):		
Distribution and marketing	10,059	9,316
Administrative	8,308	6,573
Interest	5,278	5,287
	23,645	21,176
Earnings (loss) from operations before income taxes	(347)	224
Provision for income taxes	750	171
	(1,097)	53
Share of earnings on long-term investment (Note 3)	507	503
Earnings (loss) before extraordinary item	(590)	556
Extraordinary item:		
Realization of prior years' income tax losses	750	171
Net earnings for the year	160	727
Deficit at beginning of year	14,632	15,359
Deficit at end of year	$14,472	$14,632
Earnings (loss) per common share before extraordinary item, basic and fully diluted (Note 14(c))	$(0.04)	$0.06
Earnings per common share after extraordinary item, basic and fully diluted (Note 14(c))	$ 0.01	$0.08

Consolidated Statement of Changes in Financial Position

YEAR ENDED DECEMBER 31
(thousands)

	1980	1979
Source of funds:		
Operations	$ —	$ 1,117
Working capital on acquisition of subsidiary (Note 1)	2,780	—
Realization of prior years' income tax losses	750	171
Proceeds on sale of property, plant and equipment	486	293
Common shares issued	—	11,665
Liquidation of investments and joint venture partnerships	—	199
	4,016	13,445
Use of funds:		
Operations	968	—
Purchase of property, plant and equipment	2,582	856
Reduction of long-term debt	26	—
Loan to former subsidiary company	—	1,167
	3,576	2,023
Increase in working capital	440	11,422
Working capital at beginning of year	14,100	2,678
Working capital at end of year	$14,540	$14,100

Auditors' Report

To the Shareholders of
Warrington Inc.:

We have examined the consolidated balance sheet of Warrington Inc. (formerly Warrington Products Limited) as at December 31, 1980 and the consolidated statements of earnings and deficit 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, 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.

Price Waterhouse & Co.
Chartered Accountants

Mississauga, Ontario
March 26, 1981

Summary of Significant Accounting Policies

Basis of consolidation:
The accompanying financial statements consolidate the accounts of all subsidiary companies and all significant inter-company transactions are eliminated. Subsidiary companies are accounted for on the purchase method and are consolidated from the effective date of their acquisition.

Goodwill:
Upon the acquisition of subsidiary companies, the excess of the purchase price over the value of the net assets acquired is included in goodwill.

Goodwill arising in 1974 and subsequent years is amortized on the straight-line method over periods not exceeding forty years. Goodwill arising prior to 1974 is not amortized.

Goodwill not considered to have continuing economic value is charged against earnings in the year the decline in value is discerned.

Inventories:
Inventories of raw materials, work-in-process and finished goods are valued at the lower of cost, on the first-in, first-out method, and net realizable value. Cost consists of laid down material costs, direct labour and appropriate overheads as applicable.

Property, plant and equipment:
Additions to fixed assets are recorded at cost. Depreciation and amortization are provided on the various classes of assets principally on the straight-line method at rates designed to write off the cost of the assets over their estimated useful lives. On retirement or disposal, the Company removes from the accounts the cost of the assets and related depreciation and the resulting gains and losses are reflected in earnings.

Leases entered into which transfer substantially all the benefits and risks incident to ownership of property have been accounted for as an acquisition of an asset and the incurrance of an obligation by the Company. Under this method of accounting for leases, the asset is amortized in accordance with the Company's depreciation and amortization policies and the obligation, including interest thereon, is liquidated over the life of the lease.

Foreign currency translations:
Current assets and current liabilities in foreign currencies are translated into Canadian dollars at the rates of exchange in effect as at the balance sheet dates, non-current assets at rates in effect at the dates of acquisition, and income and expense transactions at average rates of exchange during the year in which the transactions arose, except for depreciation and amortization which are on the same basis as the related assets. Translation gains and losses are reflected in earnings.

Income taxes:
The Company follows the tax allocation method of providing for income taxes.

Pension plans:
Pension plans for employees are cost based, contributory and trusteed. The Company's contributions during the year are charged to earnings.

Earnings per share:
The earnings per share are computed using the weighted average number of common shares outstanding during the year. There are no conditions which would cause a dilution of earnings per share.

Notes to Consolidated Financial Statements

DECEMBER 31, 1980

(Tabular amounts expressed in thousands except shares and share amounts)

1. Acquisition:

Effective November 30, 1980, the Company acquired, for nominal consideration, all the outstanding shares of Caber Italia SpA, an Italian-based manufacturer and distributor of Caber branded alpine and cross country ski boots and Spalding branded golf and tennis equipment and alpine and cross country skis. The acquisition has been treated as a purchase and accordingly the results of operations for the month of December, 1980 have been included in the consolidated financial statements.

The transaction is as follows:

Current assets	$34,758
Current liabilities	(31,978)
Working capital acquired	2,780
Fixed assets	4,563
Non-current liabilities	(1,052)
Excess of net assets acquired over purchase price at November 30, 1980, intended to compensate the Company for post-acquisition losses	6,291
Less: Applied against losses for the month of December, 1980	1,221
Excess of net assets acquired over purchase price at December 31, 1980	$ 5,070

The excess remaining at December 31, 1980 is to be applied against 1981 operating losses of the subsidiary. The disposition of the balance of the excess, if any, will be determined by December 31, 1981.

2. Inventories:

	1980	1979
Raw materials	**$ 5,695**	$ 6,143
Work-in-process	**3,612**	2,084
Finished goods	**20,314**	13,013
	$29,621	$21,240

3. Long-term investment:

The long-term investment represents a 50% interest in Gamebridge Inc. a supplier of ice skate blades and molded ice and roller skates to the Company. Purchases in 1980 amounted to $5,744,000 (1979—$3,202,000) and unpaid purchases at year end amounted to $995,015 (1979—$470,018).

The investment in Gamebridge Inc. consists of:

	1980	1979
Cost	**$ 1,750**	$ 1,750
Net earnings from date of acquisition	**925**	418
	$ 2,675	$ 2,168

The Company is contingently liable for further consideration as to the purchase price of Gamebridge Inc. which will be based on the average annualized net after-tax consolidated earnings of Gamebridge Inc. for the period from January 1, 1979 to December 31, 1981. The additional consideration based on the average annual consolidated earnings of Gamebridge Inc. from January 1, 1979 to December 31, 1980 is approximately $3,389,000 to date. In addition the Company may also be liable to pay Gamebridge an amount which management estimates to be approximately $1,000,000.

As referred to in Note 10, a general meeting of the shareholders on February 13, 1981 approved:

(a) the purchase of an additional 47% interest in Gamebridge and,

(b) the cancellation of the above-noted contingent liabilities

in consideration for $3,000,000 cash and the issue of an aggregate of 9,000,000 common shares. This transaction had not been finalized at March 26, 1981.

4. Loan receivable:

The loan receivable is interest-bearing, repayable on or after December 31, 1988, and is secured by a bank guarantee.

5. Property, plant and equipment:

	1980			1979
	Cost	Accumulated depreciation and amortization	Net	Net
Land	**$ 973**	**$ 20**	**$ 953**	$ 770
Buildings and leasehold improvements	**8,557**	**2,436**	**6,121**	4,137
Buildings and leasehold improvements under capital leases	**3,394**	**85**	**3,309**	—
Equipment	**16,411**	**11,364**	**5,047**	2,005
Equipment under capital leases	**864**	**258**	**606**	359
	$30,199	**$14,163**	**$16,036**	$ 7,271

The following rates of depreciation and amortization calculated on the straight-line method apply to substantially all of the depreciable assets:

Buildings and leasehold improvements and buildings and leasehold improvements under capital leases	2½-3½%
Equipment	10-30%
Equipment under capital lease	20%

6. Goodwill:

	1980			1979
	Prior to 1974	1974 and subsequent years	Total	Total
Balance at beginning of year	**$ 706**	**$ 1,642**	**$ 2,348**	$ 2,404
Current year's amortization	**—**	**(45)**	**(45)**	(46)
Reduction in purchase price of subsidiary	**—**	**—**	**—**	(10)
Balance at end of year	**$ 706**	**$ 1,597**	**$ 2,303**	$ 2,348

7. Bank indebtedness:

Bank indebtedness is secured by a general assignment of accounts receivable and inventories and a trust deed, ranking second to the income debenture, giving a fixed charge on all fixed assets of the Company and a floating charge on the remaining assets.

8. Long-term debt:

	1980	1979
Term bank loans (a)	**$10,161**	$12,000
Deposits in trust (b)	**3,000**	—
Income debenture, due December 31, 1982 (c)	**8,463**	8,463
	$21,624	$20,463
Less: Current portion of Italian bank loans	**231**	—
	$21,393	$20,463

(a) $9,000,000 of the term bank loans bear interest at rates above prime of ½% on $2,000,000 and 2½% on $7,000,000. This amount is secured by a trust deed giving a fixed charge on all fixed assets of the Company ranking second to the income debenture, and a floating charge on all remaining assets. In addition, there is a guarantee by a principal shareholder in the amount of $2,000,000. This loan is repayable in seven consecutive semi-annual payments of $1,200,000 starting June 30, 1982 with the final payment of $600,000 due December 31, 1985.

$1,161,000 of the term bank loans is represented by loans payable in Italian lire and is secured by charges on fixed assets; interest rates vary from 3% to 18%.

(b) During the year deposits in trust were received relating to the subsequent sale of property, plant and equipment concluded on February 27, 1981, pursuant to the transaction described in Note 10 (d).

(c) The income debenture is held by a shareholder of the Company. Interest is accrued at the rate of 2¾% per annum plus one-half of the prime rate of interest on bank loans. Interest is to be paid only to the extent of cumulative profits earned as defined by the agreement.

The income debenture is secured by a debenture on the assets of the Company and of certain subsidiary companies and is subject to prior security given on certain bank indebtedness. As well, the shares of these subsidiary companies and a security interest on these subsidiary companies have been pledged as collateral.

9. Capital stock:

Common shares—	**1980 and 1979**
Authorized	20,000,000
Issued	15,771,583
Amount	$20,911,000

10. Subsequent events:

(a) Effective January 1, 1981 the Company acquired for U.S. $5,212,000 cash the current assets and business of Caber, U.S.A., the distributor of Caber Italia SpA products in the United States.

(b) A general meeting of shareholders on February 13, 1981 approved the following transactions which at March 26, 1981 have not been finalized—

(i) The purchase by the Company of an additional 47% of the shares of Gamebridge Inc. and the cancellation of certain financial and other obligations of the Company pursuant to the agreement dated December 18, 1978 between the Company, Norcim Holdings b.v. and Gamebridge Inc. Consideration will consist of $3,000,000 cash and the issuance of 9,000,000 common shares to Norcim, all as provided pursuant to the agreement dated December 30, 1980 between the Company and Norcim, among others.

(ii) The issuance to Cemp Investments Ltd. by way of private placement of 2,000,000 common shares for a consideration of $1.20 per share, as provided pursuant to a subscription agreement dated January 14, 1981 made between the Company and Cemp.

(iii) An increase to the authorized capital of the Company by creating an additional 10,000,000 common shares without par value and by creating 4,000,000 special shares without par value, issuable in series, designated as Preference Shares, in the capital of the Company.

(iv) The authorization for the Company to apply to continue the Company under the Canada Business Corporations Act.

(c) On March 6, 1981 the Company acquired all of the outstanding shares of Tuuk Sports Limited, which produces and distributes the patented Tuuk hockey and figure skate blades. The acquisition will be accounted for as a purchase in 1981 with the net assets acquired and consideration given summarized as follows:

Total assets	$3,053
Less: Total liabilities	2,190
Fair value of net assets acquired	863
Goodwill	1,157
Purchase price	$2,020
Consideration—	
Cash	$ 940
900,000 common shares	1,080
	$2,020

(d) As part of the consolidation plan of facilities, the sale of land and buildings in Kitchener, Ontario, was finalized on February 27, 1981. The proceeds of sale amounted to $3,250,000 cash which will result in a profit.

(e) On March 17, 1981, the Company was granted a Certificate of Continuance under the Canada Business Corporations Act and changed its name to Warrington Inc.

11. Lease obligations:

Future minimum payments under capital and operating leases are as follows:

	Capital leases	Operating leases
1981	$ 632	$ 517
1982	635	435
1983	542	238
1984	589	149
1985	425	72
Later years	6,972	—
Total minimum lease payments	9,795	$1,411
Less: Amount representing interest	5,799	
	3,996	
Less: Current portion	177	
Long-term obligations under capital leases	$3,819	

12. Contingency:

The Company is presently engaged in a series of legal actions being brought against it and by it against the individuals who sold the Banner Division to the Company in 1973. The disposition and effects of these legal actions cannot be determined at this time.

13. Segmented information:

The Company operates in two industry segments: sporting goods and footwear, which is the dominant segment, and consumer appliances. The Company does business in two geographic segments: Europe and North America.

Industry segments—

			1980		
	Revenue	Depreciation	Operating Income (loss)	Assets	Capital Expenditures
Sporting goods and footwear	**$69,614**	**$ 1,092**	**$ 1,186**	**$78,812**	**$ 5,800**
Consumer appliances	**16,600**	**139**	**(357)**	**8,030**	**193**
	86,214	**1,231**	**829**	**86,842**	**5,993**
General corporate	**—**	**—**	**(1,419)**	**3,562**	**—**
	$86,214	**$ 1,231**	**$ (590)**	**$90,404**	**$ 5,993**

			1979		
	Revenue	Depreciation	Operating Income (loss)	Assets	Capital Expenditures
Sporting goods and footwear	$66,228	$ 953	$ 2,904	$34,014	$ 875
Consumer appliances	16,785	65	(430)	9,228	293
	83,013	1,018	2,474	43,242	1,168
General corporate	—	—	(1,918)	3,585	—
	$83,013	$ 1,018	$ 556	$46,827	$ 1,168

Geographic area—

		1980	
	Revenue	Income (loss)	Assets
North America	**$85,401**	**$ 829**	**$51,569**
Europe	**813**	**—**	**35,273**
	86,214	**829**	**86,842**
General corporate	**—**	**(1,419)**	**3,562**
	$86,214	**$ (590)**	**$90,404**

In 1979 the Company operated only in North America.

Export Sales—

Sales to customers in countries outside North America amounted to $4,509,000 in 1980 (1979—$2,996,000).

14. Other information:

(a) Charges to earnings—

	1980	1979
Depreciation and amortization including amortization of property, plant and equipment under capital lease of $148,000 (1979—$4,000)	**$1,231**	$1,018
Interest expense—		
Long-term debt	**$1,857**	$1,697
Income debenture	**858**	775
Other	**2,563**	2,815
	$5,278	$5,287

(b) Income taxes—

At December 31, 1980 the Company and certain of its subsidiaries had accumulated losses for income tax purposes of approximately $9,179,000, which may be carried forward to reduce taxable income in future years. The effect of the tax benefits of these losses has not been reflected in the financial statements.

Tax losses as filed expire as follows:

1981	$ 95
1982	1,396
1983	2,209
1984	2,572
1985	2,900
1986	21
	9,193
Add: Items expensed in the financial statements not yet claimed for tax purposes	455
Deduct: Excess of net book value of depreciable assets over undepreciated capital cost	(469)
	$9,179

Capital losses allowable against capital gains amount to $2,939,000 at December 31, 1980.

(c) Weighted average number of shares outstanding—

The weighted average number of common shares outstanding used in the calculation of both basic and fully diluted earnings per share was 15,771,583 in 1980 and 9,669,268 in 1979.

(d) Comparative amounts—

The amounts as at December 31, 1979 and for the year then ended, which are presented for comparative purposes, are based upon financial statements which were reported on by other auditors.

Quality, function and good design are the hallmark of Danby appliances.

Warrington
Report to Shareholders

For more information
Contact:
Warrington Inc.
6500 Millcreek Drive
Mississauga, Ontario
L5N 1Y6
Telephone (416) 821-4600
Telex - 06-522789

August 19, 1981

PRESS RELEASE

WARRINGTON Inc. today announced net earnings for the first half of $2,972,000 on sales of $61,488,000 compared with a net loss for the same period in 1980 of $1,023,000 on sales of $34,757,000. Net earnings per share for the period are $0.12 compared with a loss of $0.06 per share in 1980. Earnings from continuing operations before income taxes were $3,306,000 compared to a loss of $960,000.

Included in the period results, net of a tax recovery, is a divestment loss of $644,000 which includes the operating losses to date from discontinued operations and a provision for loss on the present investment in the Danby Canada division. Also included is the extraordinary gain on the sale of land and buildings amounting to $1,024,000 which was reported in the first quarter results, and a recovery of prior years' income tax losses in the amount of $900,000. The operating losses of the Caber® and Trappeur® ski and ski boot divisions have been offset against the excess value of net assets acquired on the purchase of these divisions.

As evidenced by the dramatically improved results, substantial progress is being made in the Company's objectives to improve both sales and profits. Cost control and efficiency improvement programs continue to be effective. Sales objectives were achieved, including wide distribution of the Company's products to retailers, followed by strong acceptance at the consumer level.

The present order book position supports expectations that the favourable profit trend will continue for the balance of 1981.

Warrington Inc., Toronto based, manufactures and distributes the popular Greb Hush Puppies® casual shoes, Kodiak® work and wilderness boots in the Canadian and North American markets, and through various divisions manufactures and distributes Bauer, Micron and Lange hockey, ice and roller skates, and Caber® and Trappeur® ski boots and Spalding® skis throughout the world markets.

Corporate Directory

As of December 31, 1980

Directors

H. L. Beck
H. N. Borts
V. E. Daughney
E. L. Kolber
A. M. Ludwick
J. A. Pollock
J. D. Raymond
L. H. Ritchie
A. S. Schacter
D. E. Simpson

Officers

J. D. Raymond
Chairman

D. E. Simpson
President and Chief Operating Officer

H. L. Beck
Secretary

A. M. Ludwick
Assistant Secretary

R. D. Rogers
Vice-President Finance, Treasurer

Head Office

6500 Millcreek Drive
Mississauga, Ontario L5N 2W6

Divisions

Greb Industries
6500 Millcreek Drive
Mississauga, Ontario L5N 2W6

Danby Canada
5770 Ferrier Street
Montreal, Quebec H4P 1M9

Subsidiaries

Bauer Canadian Skate, Inc.
2060 Sheridan Dr., Kenmore, N.Y. 14223

Caber Italia S.p.A.
125 Via S. Gaetano
31044 Montebelluna
(Treviso) Italy

Collins Safety Shoes Limited
6500 Millcreek Drive
Mississauga, Ontario L5N 2W6

Danby U.S.A. Appliance Corp.
133-50 41st Avenue, Flushing, New York 11355

Tuuk Sports Limited*
4425 Boulevard Poirier
Ville St. Laurent, Quebec H4B 2A4

Registrar & Transfer Agent

The Canada Trust Company
Montreal, Toronto, Winnipeg, Calgary and Vancouver

Auditors

Price Waterhouse & Co.

*Effective March 6, 1981