Standard Industries Ltd.

ANNUAL REPORT • December 31, 1982

Standard Industries Ltd.

1224 LAWRENCE AVENUE WEST, TORONTO, CANADA M6A 1E4 TELEPHONE (416) 781-5211

THE COMPANY

Standard Industries Ltd. is a producer of basic construction materials — sand, gravel, crushed stone, slag cement, asphalt mixes and ready-mix concrete, and is a paving and road-building contractor.

The company manufactures a variety of concrete products — pipe, block, steel-lined pressure pipe, manholes and specialty products and caters to the do-it-yourself market for bagged dry-mix materials. It manufactures "Roxul" insulation and produces concrete additives at three construction chemicals plants.

Standard is a public company whose shares are listed on the Toronto Stock Exchange. Canada Cement Lafarge Ltd. hold 73.6% of the issued shares, the remaining 26.4% being owned by 826 shareholders. Dividends have been paid in every fiscal year since 1948.

ANNUAL MEETING

The Annual General Meeting of the Shareholders will be held in the Alberta Room of the Royal York Hotel, Toronto, at 10:30 a.m. on Wednesday, April 6, 1983. All shareholders are cordially invited to attend.

VALUATION DAY

For the purpose of calculating income tax on capital gains, the value of the company's shares as established December 22, 1971 is $1.91⅔ per share.

COVER PICTURE

The site is Clinton Avenue in the Village of Monticello, New York. The project carried out by Sullivan Highway Products Inc., was for the complete reconstruction of the street including replacement of water mains, concrete sidewalks and curbs, roadbase and asphalt surface. Sullivan Highway Products Inc., became part of Standard Industries Ltd. in December 1977.

CONTENTS

REGISTRAR AND TRANSFER AGENTS

CANADA PERMANENT TRUST COMPANY
20 Eglinton Avenue West, Toronto, Ontario M4R 2E2.

AUDITORS

PRICE WATERHOUSE
Chartered Accountants
Box 51
Toronto-Dominion Centre
Toronto, Ontario M5K 1G1

BANKERS

CANADIAN IMPERIAL BANK OF COMMERCE
BANK OF NOVA SCOTIA

Highlights

	December 31 1982 12 Months	December 31 1981 9 Months
OPERATING RESULTS		
Sales	**$134,654,000**	$126,503,000
Net income before extraordinary items	**6,177,000**	9,337,000
Per share	**$0.97**	$1.47
OTHER FINANCIAL		
Working Capital	**$ 24,287,000**	$ 21,571,000
Long-term debt, including current portion	**14,213,000**	16,710,000
Shareholders' equity per share	**$9.14**	$8.79
STATISTICAL		
Number of employees —		
At end of year	**846**	1,086
Mid-season	**1,474**	1,740
Number of shareholders	**826**	898

QUARTERLY RESULTS

	Sales		Net income before extraordinary items	
	1982	1981	**1982**	1981
January to March	**$ 15,138,000**	$ 15,666,000	**$(1,523,000)**	$ (227,000)
April to June	**35,412,000**	36,950,000	**1,663,000**	2,141,000
July to September	**46,155,000**	52,339,000	**3,876,000**	4,752,000
October to December	**37,949,000**	37,214,000	**2,161,000**	2,444,000
Total for the year	**$134,654,000**	$142,169,000	**$ 6,177,000**	$ 9,110,000

DIVIDENDS DECLARED

Date Declared	Record Date	Date Paid	Amount per Common Share
March 15, 1982	April 21, 1982	May 5, 1982	12.5¢
June 24, 1982	July 21, 1982	August 5, 1982	12.5¢
September 8, 1982	October 22, 1982	November 5, 1982	12.5¢
November 25, 1982	January 25, 1983	February 4, 1983	12.5¢

Directors

DIRECTORS

KENNETH N. BAYNE
Vice-President and General Manager,
Ontario Region of Canada Cement Lafarge Ltd.

RICHARD M. COOPER
Vice-President
T.R.L. Investments Ltd.

HUGH F. GRIGHTMIRE
Chairman and Chief Executive Officer
of the Company

PETER JONGENEEL
Senior Vice-President,
Financial Control,
Lafarge Coppée, North America

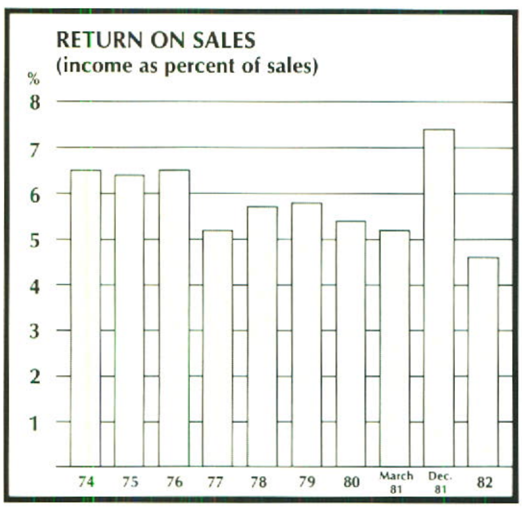
DONALD G. LAWSON
President
Moss Lawson & Co. Limited
Investment Dealers

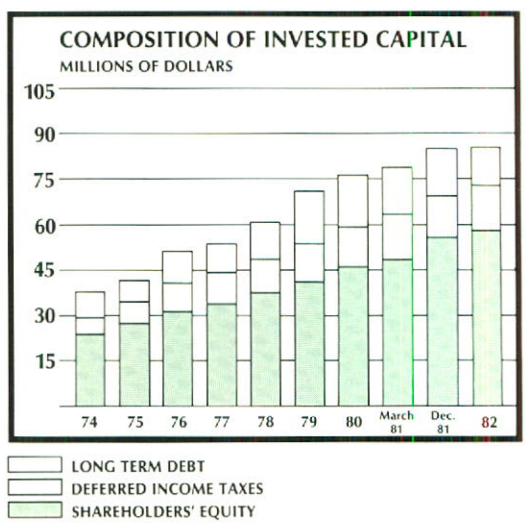
GILBERT H. LIDUENA
Executive Vice-President, Operations,
Canada Cement Lafarge Ltd.

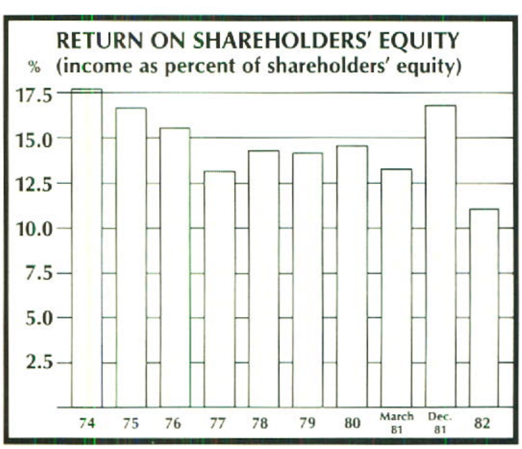
DAVID F. G. LOVETT
Vice-President and General Manager,
Atlantic Region of Canada Cement Lafarge Ltd.

ROBERT W. MURDOCH
Executive Vice-President,
Canada Cement Lafarge Ltd.

THOMAS A. WILCOX
President of the Company







Management and Officers

CORPORATE

HUGH F. GRIGHTMIRE
Chairman and Chief Executive Officer

THOMAS A. WILCOX
President

GORDON H. HAWKETT
Vice-President Finance, Secretary-Treasurer

J. CLINTON HOSKINS
Comptroller

JOHN WRAY
Safety and Labour Relations Manager

GEORGE J. DOVEY
General Credit Manager

GEORGE B. TATEM
Assistant Comptroller

JOHN A. STRATTON
Assistant Secretary

DIVISIONS AND SUBSIDIARIES

EARL F. FORD — Vice-President

McCord & Company
York Block & Building Supply
(Evan Leuty, Manager)
611 King Street East,
Toronto, Ontario M5A 1M6
Marker Building Materials
(A. Fyke, Manager)
1035 Gardiners Road,
Kingston, Ontario K7P 1M9

WILFRED A. GRAY

General Manager, **Concrete Pipe Company**
1555 Matheson Boulevard,
Mississauga, Ontario L4W 1H9

IAN M. HATTON

General Manager, **Oaks Precast Industries**
351 Elizabeth Street,
Guelph, Ontario N1E 2X9

PETER B. MOLLARD — Vice-President

Red-D-Mix Concrete Company
Standard Paving Company
(E. Kee, Manager)
Victoria Avenue North,
Hamilton, Ontario L8L 7V1
Standard Paving Company
(B. Mulvihill, Manager)
180 Sheriff Avenue,
North Bay, Ontario P1B 8J8

DONALD B. PEART — Vice-President

Standard Aggregates
Rodick Road,
Markham, Ontario L3P 3J7
Jiffy Dry-Mix Concrete Products
(W. Ellicott, General Manager)
1224 Lawrence Avenue West,
Toronto, Ontario M6A 1E4
Permanent Paving Company
(G. Brown, Manager)
163 Inkerman Street,
Guelph, Ontario N1H 6N6

GEORGE V. PHILLIPS — Vice-President

Roxul Company
Construction Chemicals
(Paul Tate, General Manager)
551 Harrop Drive,
Milton, Ontario L9T 3H3
Protex Industries of Canada Ltd.
(Roger Bellefeuille, Quebec Regional Manager)
8325 Pascal Gagnon,
Saint Leonard, Quebec H1P 1Y5
Standard Slag Cement Company
(P. McCallum, General Manager)
360 Jones Road,
Fruitland, Ontario L0R 1L0

PATRICK W. REARDON

President, **Sullivan Highway Products, Inc. and John M. Robertson, Inc.**
P.O. Box #392 Monticello,
New York, U.S.A. 12701

GEORGE K. SHIRTON — Vice-President

Standard Pressure Pipe Company
P.O. Box #1420,
Stouffville, Ontario L0H 1L0

RICHARD F. TITUS — Vice-President

President, **Standard Paving Maritime Limited**
(J. D. Arbing, Vice-President)
Kearney Lake Road,
Halifax, Nova Scotia B3J 3B7

ROY M. VERSTRAETE

President, **Little Giant Products, Inc.**
1600 N.E. Adams Street,
Peoria, Illinois, U.S.A. 61601

ERIC WILSON

President, **National Coupling Ltd.**
238 Trillium Drive,
Kitchener, Ontario N2E 1X2
(J. T. Clendenning, Vice-President)
(Jacques Lussier, Vice-President)

Report to Shareholders

HUGH F. GRIGHTMIRE, Chairman and Chief Executive Officer — G. H. HAWKETT, Vice-President, Finance — T. A. WILCOX, President

RESULTS FOR 1982

Income before extraordinary items for the year ended December 31, 1982 was $6,177,000 or 97¢ per share. Due to the recession in 1982, earnings were down substantially from the 1981 year when earnings were $9,110,000 or $1.44 per share. Sales in 1982 were $134,654,000 or 5% less than the $142,169,000 in 1981. After nine consecutive yearly increases in the dividend rate, there was no change in the dividend rate in 1982. The present quarterly dividend rate of 12½¢ per share, 50¢ for the year, is however well within the capability of the company at its present earnings level.

Although we can never be satisfied with a lower level of sales and earnings as we experienced in 1982, considering the severity of the present recession and its direct effect on the construction industry, we feel that it is a major accomplishment to have maintained a strong earnings position. The year started poorly with earnings off sharply in the first half, as a result of lower volumes and serious price competition. In the third quarter there was a four week strike by ready-mixed concrete drivers and that, together with work stoppages in other trades, had the effect of holding up construction activity. By September, however, with declining interest rates and the end of industry strikes, volume began to improve to the point that sales in the fourth quarter exceeded the same quarter in 1981 by a modest 2%. Certainly as the year drew to a close, there was a definite improvement in the residential housing market in the Toronto area and this activity reflects the availability of mortgage financing at approximately 12%. As was the case last year, we were fortunate in 1982 that a large proportion of our business is in the Toronto region where construction activity suffered less from the recession than most other major centres.

CAPITAL INVESTMENT

Due to the depressed level of activity, it was possible and indeed necessary to keep our capital expenditures in new plant and equipment at a low level. Most expenditures were for the replacement of older equipment or for energy conserving projects which will reduce future operating costs. Two parcels of surplus real estate were sold producing a gain of $466,000 after income taxes.

There were, however, some growth projects during the year. Notably, we have extended our Construction Chemicals business in Western Canada with the purchase of a plant and installation of equipment at Edmonton at a cost of over $750,000. This plant is now ready and the first deliveries were made to customers early in the new year. We feel this is a particularly good extension of our Construction Chemicals business which now covers all the major construction markets from Montreal to Alberta. Further projects in 1982 included the expansion of our Kingston plant to allow us to manufacture concrete brick for the commercial and residential market in that area. Also, a depot for the distribution of slag cement was installed at Pt. Anne near Belleville, to better serve customers in Eastern Ontario.

NELSON AGGREGATE CO.

Our most exciting expansion project for 1983 will not be finalized until early spring. We have formed a Partnership, Nelson Aggregate Co., with Steed and Evans Limited, well known and respected engineers and contractors in Ontario and Nova Scotia. Nelson Aggregate Co., subject to approval by the Foreign Investment Review Agency, has undertaken to purchase the aggregate and asphalt business owned by Genstar Stone Products, Inc. The four quarries, one sand and gravel pit and asphalt plants, all in Southern Ontario, are well located to serve this important market for construction materials. We expect this purchase to close early in the second quarter and we look forward to a long mutually beneficial relationship with our partner, Steed and Evans Limited.

PROSPECTS FOR 1983

We have now seen economic activity in decline in North America for over a year and a half. Interest rates have come down substantially from their record high levels in the fall of 1981 and the early summer of 1982. As we mentioned earlier, we have already seen a marked improvement in the level of residential housing starts particularly in the Toronto market, in part, because of Federal and Provincial incentives to home buyers. With interest rates at their present level or perhaps lower, we feel that this improvement will continue, although perhaps at a modest pace. Government attempts to create jobs both in Canada and the United States should also help as road, sewer and water projects are favourite targets for stimulative spending. Overall then, we look for a gradual improvement during 1983 with the fall being our busiest time. To do this, however, home buyers and builders must remain confident and of course, financing costs must be reasonable.

BOARD OF DIRECTORS

Mr. Peter M. McEntyre has resigned from our Board for personal reasons. Mr. McEntyre is Chairman of the Board of Canada Cement Lafarge Ltd. and has been a director of our company for three years. Mr. McEntyre whose knowledge of our industry has spanned many years, was an active contributor to Board matters. Nominated to fill the vacancy on the Board was Mr. Robert W. Murdoch, who is Executive Vice-President of Canada Cement Lafarge Ltd.

Messrs. Peter Jongeneel and Gilbert Liduena have indicated that they will not stand for re-election as directors at the forthcoming Annual Meeting. Both of these men are representatives on our board of Canada Cement Lafarge Ltd. Mr. Jongeneel, who will be retiring from active business later this year, has been a member of our board since 1971 and a member of the Audit Committee since its inception. Mr. Liduena has been a director for three years.

ACKNOWLEDGEMENTS

We are pleased to take this opportunity of thanking all of the Company's employees for their efforts during this difficult year. We wish also to acknowledge the valued support of our customers, suppliers and shareholders.

On behalf of the Directors,

HUGH F. GRIGHTMIRE
Chairman and
Chief Executive Officer

T.A. WILCOX
President

Toronto, Canada
February 15, 1983.

Review of Operations

Our volume sold for most products was down significantly in 1982. With only modest price increases during the year, we are pleased that we were able to continue to operate efficiently and profitably. To achieve this, it was necessary to reduce production schedules and in some cases temporarily close plants for the season. Inventory levels were thus reduced with raw material inventories down by $1,600,000 and finished goods inventories down by $400,000 or 5% in spite of the usual cost increases in the past year. Lower staff levels were also required and accordingly our mid-season staff complement was down 15%. At the year end, we had 846 employees, down 22% from last year and several of the reductions were permanent salaried staff.

Among the hardest hit products was ready-mixed concrete, where volumes were down 20% from the previous year. Some volume was undoubtedly lost during the strike of truck drivers in July, however the main reason was a general lack of construction activity particularly at locations beyond the Toronto region. Severe price competition for the work available resulted in the margin on this product being almost eliminated.

Sales of aggregate products were also lower but much of the decline in tonnage came in unprocessed products. Again, volumes outside the Toronto region were more severely affected and the lower concrete volumes were also a factor. In spite of the lower volumes margins in aggregates were maintained through substantial production cut backs and improved efficiency at the plant level.

An exception to the lower volumes was the sale of asphalt products which were actually marginally higher than last year. This reflects activity in road re-surfacing and construction which was not as severely affected by the recession as other types of construction.

Volumes at the company's pipe divisions, Concrete Pipe Co., Oaks Precast Industries and Standard Pressure Pipe Co. were also down substantially and as a result, Concrete Pipe Co.'s London plant was closed temporarily. The contribution from these Divisions suffered accordingly in spite of efforts to improve operating efficiencies.

Sales of Slag Cement increased during the year, due to its wider acceptance and applications in the mining industry. It also continues to maintain a price advantage over competitive products.

Construction revenues in both Ontario and the Maritime divisions were slightly higher than last year. In the Maritimes, the additional work from our new location in New Brunswick offset a decline in the amount of business in Nova Scotia. In Ontario, narrower margins on jobs resulted in unfavourable results for the year, while in the Maritimes lower volume of work in Nova Scotia and lower job margins particularly in New Brunswick resulted in a substantial reduction in division margin during 1982.

Our Roxul division had a full year of operations, however technical problems continued to prevent us from achieving the level of efficiency we had expected to achieve. Furthermore, sales volumes were adversely affected by the downturn in commercial construction and sales objectives were not met for the insulation board product supplied to this market. As a result, this division has not yet been able to achieve satisfactory returns.

Construction Chemicals and National Coupling supply customers in the concrete products industry. Sales and earnings suffered in both divisions in this depressed market.

Revenue at Sullivan Highway Products Inc. and its subsidiary, John M. Robertson Inc. was off marginally during 1982. Contribution while also off, was satisfactory.

The business of Little Giant Products continued poorly during the year causing us to make the decision to divest ourselves of this operation. The European subsidiary was sold in the second quarter and in January 1983 the United States business and substantially all of its assets were sold.

Standard Industries Ltd.

CONSOLIDATED INCOME

	Thousands of Dollars	
	12 Months Ended December 31, 1982	9 Months Ended December 31, 1981
REVENUE		
Sales and contract revenue	**$134,654**	$126,503
EXPENSE		
Cost of sales and operating expenses	**104,631**	93,563
Administration and selling	**10,650**	8,000
Depreciation, depletion and amortization	**7,846**	7,124
Interest on long-term debt	**1,623**	1,814
Interest earned, net of other interest	**(459)**	(143)
	124,291	110,358
	10,363	16,145
Income taxes	**4,505**	7,165
INCOME BEFORE THE UNDERNOTED ITEM	**5,858**	8,980
Equity in net income of associate	**319**	357
NET INCOME BEFORE EXTRAORDINARY ITEMS	**6,177**	9,337
Extraordinary loss, net of income tax (Note 7)	**839**	—
NET INCOME	**$ 5,338**	$ 9,337
EARNINGS PER SHARE		
Before extraordinary items	**$0.97**	$1.47
After extraordinary items	**$0.84**	$1.47

CONSOLIDATED RETAINED EARNINGS

Retained earnings at beginning of period	**$ 26,770**	$ 19,814
Net income	**5,338**	9,337
Dividends on convertible common shares		
Current year 50¢ per share (12½¢) quarterly)	**(3,172)**	
Previous period 37½¢ per share (12½¢ quarterly)		(2,381)
RETAINED EARNINGS AT END OF PERIOD	**$ 28,936**	$ 26,770

Standard Industries Ltd.

(incorporated under the Laws of Ontario)

CONSOLIDATED BALANCE SHEET

ASSETS	Thousands of Dollars December 31, 1982	December 31, 1981
CURRENT ASSETS		
Cash and short-term investments at cost which approximates market	**$ 9,113**	$ 6,067
Receivables	**21,355**	24,080
Inventories, valued at lower of cost and net realizable value		
Finished materials and products	**6,887**	7,291
Raw materials and supplies	**4,432**	6,087
Prepaid expenses	**1,080**	730
	42,867	44,255
PROPERTY, PLANT AND EQUIPMENT (note 2)	**58,280**	61,059
INVESTMENTS AND OTHER ASSETS		
Investment in associated company	**696**	627
Mortgages receivable	**816**	202
Goodwill, at amortized value	**724**	1,136
Deferred charges and other intangibles	**158**	391
	2,394	2,356
	$103,541	$107,670

Auditors' Report

To the Shareholders of
Standard Industries Ltd.

We have examined the consolidated balance sheet of Standard Industries Ltd. as at December 31, 1982, and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1982, 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 period.

Toronto, Canada
January 31, 1983.

Price Waterhouse
Chartered Accountants

LIABILITIES AND SHAREHOLDERS' EQUITY

	Thousands of Dollars	
	December 31, 1982	December 31, 1981
CURRENT LIABILITIES		
Accounts payable and accrued	**$ 15,026**	$ 15,969
Dividends payable	**793**	793
Income taxes	**1,287**	4,392
Long-term debt, current portion	**1,474**	1,530
	18,580	22,684
LONG-TERM DEBT (note 3)	**12,739**	15,180
DEFERRED INCOME TAXES	**14,236**	14,077
SHAREHOLDERS' EQUITY		
Capital Stock (note 4)	**28,965**	28,959
Retained earnings	**28,936**	26,770
Cumulative translation adjustment (note 5)	**85**	—
	57,986	55,729
	$103,541	$107,670

Approved by the Board:
Hugh F. Grightmire, Director
T. A. Wilcox, Director

Standard Industries Ltd.

CONSOLIDATED CHANGES IN FINANCIAL POSITION

	Thousands of Dollars	
	12 Months Ended December 31, 1982	9 Months Ended December 31, 1981
WORKING CAPITAL DERIVED FROM		
Operations:		
Net income before extraordinary items	**$ 6,177**	$ 9,337
Add (Deduct) items not involving working capital:		
Depreciation, depletion and amortization	**7,846**	7,124
Income taxes deferred	**149**	(534)
Equity earnings in excess of dividends received	**(69)**	(107)
	14,103	15,820
Increase in long-term debt	**—**	1,313
Extraordinary items, less working capital	**124**	—
	14,227	17,133
WORKING CAPITAL APPLIED TO		
Additions to property, plant and equipment, net	**5,255**	4,888
Purchase of shares of subsidiary, less working capital of $555,000 at date of acquisition	**—**	982
Capital Investment	**5,255**	5,870
Dividends	**3,172**	2,381
Reduction in long-term debt	**2,653**	1,678
Increase (Decrease) in mortgages receivable	**608**	(25)
Other	**(177)**	(62)
	11,511	9,842
INCREASE IN WORKING CAPITAL	**2,716**	7,291
Working capital at beginning of period	**21,571**	14,280
Working capital at end of period	**$24,287**	$21,571

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1982

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Standard Industries Ltd., and its subsidiaries, all of which are wholly owned.

b) Investment in Associate (Less Than 50% Owned)

The investment in associate is accounted for by the equity method. Under the equity method, the company's share of the net income of the associate is included in consolidated income each year, and the company's investment is carried in the consolidated balance sheet at the underlying fair value at the date of acquisition plus the company's share of undistributed earnings since acquisition.

c) Exchange Translation

From January 1, 1982, the accounts of the company's foreign subsidiaries have been translated to Canadian dollars using the current rate method. Under this method, assets and liabilities are translated at the year end exchange rate and revenue and expenses at the average rate for the year. Gains or losses on translation are not included in consolidated income but are accumulated and shown in shareholders' equity.

This change was not made retroactively since it does not have any material effect on consolidated net income for 1982 or prior years.

d) Fixed Assets and Depreciation

Property, plant and equipment are valued at cost to the company. Buildings, plant and equipment are depreciated over their estimated useful lives (buildings 25 years, plant and equipment 5 to 15 years) on a straight line basis. The cost of aggregate deposits is depleted on a unit-of-production method based on total estimated recoverable reserves. Depreciation is charged against operations during interim periods based on interim sales volumes expressed as a percentage of anticipated sales volumes, to reflect the seasonal pattern of business.

e) Intangible Assets

	Amortization Period
Goodwill (from the purchase of subsidiaries)	20 years
Debt issue costs	Term of debt

NOTE 2. PROPERTY, PLANT AND EQUIPMENT

	Thousands of Dollars	
	December 31, 1982	December 31, 1981
Land and aggregate properties	**$ 15,563**	$ 15,586
Buildings, plant and equipment	**110,870**	106,177
	126,433	121,763
Less accumulated depreciation and depletion	**68,153**	60,704
	$ 58,280	$ 61,059

NOTE 3. LONG-TERM DEBT

	Thousands of Dollars	
	December 31, 1982	December 31, 1981
Bank term loan secured, repayable $500,000 annually with the balance due December 31, 1985 (interest at 1% over prime)	**$ 5,500**	$ 7,000
Mortgages payable, due 1983 to 1988 (interest at 10.6% weighted average)	**1,645**	2,320
Long-term notes payable by United States subsidiaries		
Secured notes, repayable from 1988 to 1999 (interest at 6⅝%) U.S. $4,000,000	**4,918**	4,742
Unsecured note, repayable in 1983 and 1984 (interest at 7½%) U.S. $1,099,000	**1,351**	1,489
Unsecured note, repayable in 1983 and 1984 (interest at 12%) U.S. $650,000	**799**	1,159
	14,213	16,710
Less current portion	**1,474**	1,530
	$12,739	$15,180

The annual maturity of long-term debt for the years ending December 31, is as follows:

1983 - $1,474,000	1986 - $ 236,000
1984 - $2,593,000	1987 - $ 183,000
1985 - $4,802,000	

The bank term loan is replaced by Bankers Acceptances from time to time.

NOTE 4. CAPITAL STOCK

	ISSUED SHARES			Thousands of Dollars
	Total	Class A	Class B	Capital
Common Shares				
December 31, 1981	6,339,776	6,111,568	228,208	$28,945
Conversions during the year	—	22,800	(22,800)	—
December 31, 1982	6,339,776	6,134,368	205,408	28,945
Preference Shares				
December 31, 1981			1,448	14
Issued as stock dividends			11,087	111
Redeemed			(10,503)	(105)
December 31, 1982			2,032	20
Capital Stock December 31, 1982				$28,965

AUTHORIZED

a) 7,999,980 Class A and Class B convertible common shares which are convertible at the option of the holder, each into the other class on a share-for-share basis. The directors may declare dividends on Class B shares in whole or in part by way of stock dividends of fully paid preference shares, provided such dividends are equivalent to the Class A dividend.

b) 20 common shares that are unissued.

c) 200,000 non-cumulative, redeemable non-voting preference shares of $10 par value each. Such shares are redeemable at par at the option of the holder or at the option of the company. Dividends are payable at an annual rate which is 60% of the bank prime lending rate at the time of declaration.

At December 31, 1982 options to an officer to purchase 81,000 convertible common shares at $4.50 per share and 25,000 convertible common shares at $10.80 per share were outstanding. Both options expire March 31, 1985.

NOTE 5. CUMULATIVE TRANSLATION ADJUSTMENT

Accumulated exchange translation losses arising from adoption of policy effective January 1, 1982	$ (38,000)
Gain during the year	123,000
Cumulative translation gain December 31, 1982	$ 85,000

NOTE 6. PENSION PLAN

The tri-annual actuarial valuation of the company's salaried employees' pension plan was made at December 31, 1981. The investment performance of the fund since the last review eliminated most of the previous unfunded liability. Pension benefits have been improved for both active and retired employees. As a result, the unfunded past service liabilities for all of the company's pension plans amounted to $226,000 at December 31, 1982 ($526,000 at December 31, 1981) and are being expensed and funded over a period not exceeding 14 years.

NOTE 7. EXTRAORDINARY LOSS

Loss on sale of business and assets of Little Giant Products, Inc. and European subsidiary, net of income tax of $143,000	$959,000
Write off of goodwill attributable to Little Giant Products, Inc. and European subsidiary	346,000
Gain on property disposals, net of income tax of $130,000	(466,000)
	$839,000

NOTE 8. RELATED PARTY TRANSACTIONS

The company buys a substantial portion of its cement from its parent company, Canada Cement Lafarge Ltd. and also sells materials and services to them. Some raw materials are purchased from National Slag Limited, an associated company. These transactions take place at prevailing market prices and on normal trade credit terms. The amounts of these transactions were:

	Thousands of Dollars	
	12 Months Ended December 31, 1982	9 Months Ended December 31, 1981
With Canada Cement Lafarge Ltd.:		
Purchase of Cement	**$12,046**	$12,106
Sale of materials and services	**2,645**	2,073
With National Slag Limited:		
Purchases	**1,685**	1,223

The above transactions resulted in net accounts payable at December 31, 1982 to Canada Cement Lafarge Ltd. of $1,602,000 and to National Slag Limited of $69,000.

NOTE 9. SEGMENTED INFORMATION

The company operates in two industry segments, namely the manufacture and sale of building materials and construction. The building material business is conducted in Canada and the United States, while the construction operations are conducted in Canada.

Inter-segment sales in Canada are made at market prices. There are no sales between Canadian and foreign operations.

	Thousands of Dollars 12 Months Ended December 31, 1982	 9 Months Ended December 31, 1981
REVENUE		
Sales of building materials:		
Canada	**$ 96,912**	$ 91,961
Elimination of inter-segment sales	**(2,456)**	(1,995)
Foreign	**14,202**	13,518
	108,658	103,484
Construction revenue (Canada only)	**25,996**	23,019
	$134,654	$126,503
CONTRIBUTION TO EARNINGS		
From building materials:		
Canada	**$ 11,927**	$ 15,819
Foreign	**609**	889
From construction (Canada only)	**477**	2,187
	13,013	18,895
Less: Interest and other common expenses	**(2,650)**	(2,750)
Income taxes	**(4,505)**	(7,165)
Add: Equity in net income of associate	**319**	357
NET INCOME BEFORE EXTRAORDINARY ITEMS	**$ 6,177**	$ 9,337

	Thousands of Dollars December 31, 1982	 December 31, 1981
IDENTIFIABLE ASSETS		
Building Materials:		
Canada	**$ 78,716**	$ 82,026
Foreign	**10,907**	12,560
Construction (Canada only)	**13,918**	13,084
TOTAL ASSETS	**$103,541**	$107,670
ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT		
Building materials segment	**$ 3,853**	$ 3,752
Construction segment	**1,402**	1,136
DEPRECIATION, DEPLETION AND AMORTIZATION		
Building materials segment	**6,684**	6,166
Construction segment	**1,162**	958

Financial Review

OPERATING RESULTS

This table of quarterly sales and earnings is presented to assist in the comparison of 1982 results with those of 1981.

Results for the quarter ending	Sales $000		Income before Extraordinary Items $000	
	1982	1981	**1982**	1981
March 31	**$ 15,138**	$ 15,666	**$(1,523)**	$ (227)
June 30	**35,412**	36,950	**1,663**	2,141
September 30	**46,155**	52,339	**3,876**	4,752
December 31	**37,949**	37,214	**2,161**	2,444
Nine Month Totals	**$119,516**	$126,503	**$ 7,700**	$9,337
Nine Month % of Sales			**6.4%**	7.4%

Sales for the nine months ended December 31, 1982 were down by 6% from the comparable period in 1981. Much of this decline can be attributed directly to the low level of activity in the construction industry which existed throughout the year. This condition affected all of our major market areas and resulted in lower volumes for most of the company's products. Aggravating this situation was the strike by the ready-mixed concrete truck drivers during July, which contributed to a drop of 12% in sales for the September quarter. Price increases were also restricted during the year due to severe competitive conditions in the marketplace.

Sales for the Slag Cement Division continued their growth, while sales of asphalt products resulted in volumes which were slightly greater than a year ago. The Roxul Division improved output substantially although the demand for its product is still slow and below normal as a result of economic conditions. Aided by the formation of Permanent Paving Co., construction revenues were up in Ontario.

Earnings for each of the fiscal quarters were below those of 1981. Generally, margins suffered as a result of rising costs which were not entirely recovered through price increases. In addition, the diminished utilization of manufacturing capacity experienced by most of our plants meant that fixed operating costs were absorbed over a much smaller base. Administration and selling expenses were closely controlled throughout 1982 with the result that increases in costs were below those caused by inflationary factors. The company's strong cash position, lower levels of long-term debt and the general decline in interest rates, combined to significantly reduce net interest expense in 1982. The lower interest cost substantially offset the effect of the lower operating margins which were reported for 1982.

INCOME TAXES

Income taxes for the year ended December 31, 1982 were 43.5% of income before taxes and equity of our associate. This compares to the 44.4% applicable to the nine month period ended December 31, 1981. The lower rate in the current year resulted from the recovery of income taxes assessed in 1976 and 1977. These recoveries came about as a result of the reclassification of certain of our business activities as manufacturing and processing, the income from which attracts a lower rate of tax. These reassessments also resulted in the income tax deferment of $149,000 in 1982.

EXTRAORDINARY ITEMS

During the course of the year the company negotiated the sale of the business and assets of Little Giant Products, Inc. and the European subsidiary. This step was taken due to the losses experienced by this division over the past three years and the poor outlook for their future prospects.

Two properties which were in excess of our needs were also disposed of in 1982. As has been the company's practice, the gain on these disposals has been treated as extraordinary income. We took back and are holding a $400,000 mortgage on one of these properties.

WORKING CAPITAL

Our working capital increased by $2,716,000 during the year ended December 31, 1982. This increase compares favourably with those that have been generated in prior fiscal years. It cannot however be compared to the nine month 1981 period, since those results were inflated due to the exclusion of the first quarter.

Capital expenditures were modest during the year, as a result of efforts to align the levels of spending with those of earnings.

The balance sheet shows a cash position of $9,113,000 at December 31, 1982, an increase of over $3,000,000 from a year ago. This improvement reflects the lower levels of accounts receivable and inventories. Reductions in accounts receivable were achieved through better collection results the nature of the project work performed during the year and slightly lower contract holdbacks at year end. Close attention was given to inventory quantities in order to match requirements to the lower sales levels, including in some cases, plant closings which were earlier than those normally experienced.

AGGREGATES

The Company's Aggregates Division has been supplying sand and stone to customers in southern Ontario since 1929. In addition to its six sand and gravel operations and two quarries, this division also has five asphalt plants and a dry mix bagging plant. The materials produced are the basic ingredients for concrete and asphalt products and all types of construction.

The division has a highly developed land-use program which allows it to make the best use of its resources. This includes detail plans for extracting the useable material and then rehabilitating the land to a useful purpose when mining is complete.

The pictures which follow will show you some of the various steps which must be taken to produce aggregate products. It will give you an idea of the sizeable investment that is required in land, plant and equipment in order to produce five million tons of aggregate each year.

Removal of overburden to allow extraction of useable material.

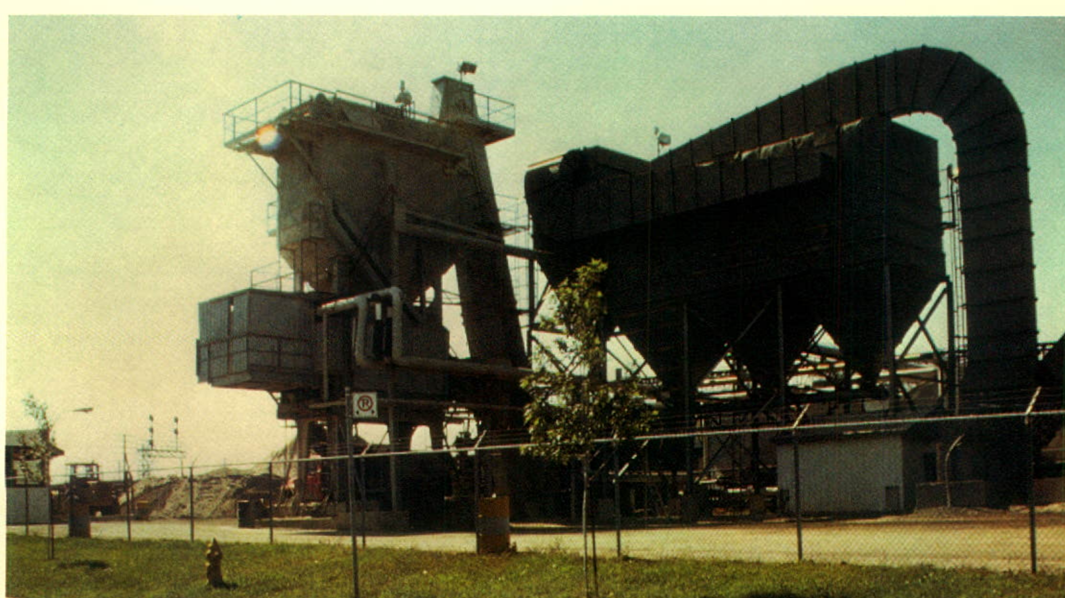
Raw feed material must be transported to the processing plant.

Processing stone requires the reduction of particle size, in this case using a cone crusher.

This view of the Guelph plant shows a typical layout for a sand and gravel operation.

Progressive rehabilitation is taking place at the Brechin Quarry while extraction operations continue in the background.

The Division's Weston Asphalt Plant in Toronto uses many of the finished aggregate products to make asphalt mixes for paving roads and parking lots.



Financial Statistics — 1974 to 1982

(in thousands of dollars — except per share amounts)

	1982	1981 (Note)	1981	1980
	$	$	$	$
INCOME				
Sales and contract revenue	**134,654**	126,503	124,153	122,592
Income before extraordinary items	**6,177**	9,337	6,491	6,566
Extraordinary items	**(839)**	—	—	—
Net income	**5,338**	9,337	6,491	6,566
FINANCIAL POSITION				
Working Capital	**24,287**	21,571	14,280	12,133
Fixed assets — net	**58,280**	61,059	62,066	61,767
Other assets	**2,394**	2,356	2,381	2,318
	84,961	84,986	78,727	76,218
Long-term debt	**12,739**	15,180	15,544	16,812
Deferred income taxes	**14,236**	14,077	14,413	14,279
	26,975	29,257	29,957	31,091
Shareholders' equity	**57,986**	55,729	48,770	45,127
CHANGES IN FINANCIAL POSITION				
Income before extraordinary items	**6,177**	9,337	6,491	6,566
Depreciation, depletion and amortization	**7,846**	7,124	7,232	6,803
Deferred income taxes	**149**	(534)	159	1,771
Funds from operations	**14,172**	15,927	13,882	15,140
Gain on disposal of properties and shares	**466**	—	—	—
Long-term debt increase (decrease)	**(2,653)**	(365)	(1,498)	(840)
	11,985	15,562	12,384	14,300
Capital investment	**5,255**	5,870	7,430	8,634
Dividends	**3,172**	2,381	2,854	2,493
Mortgages receivable increase (decrease)	**608**	(25)	26	110
Other	**234**	45	(73)	(319)
	9,269	8,271	10,237	10,918
Increase (decrease) in working capital	**2,716**	7,291	2,147	3,382
PER SHARE EARNINGS, RETURN AND PRICE				
Income before extraordinary item	**.97**	1.47	1.02	1.04
Extraordinary items	**(.13)**	—	—	—
Net income	**.84**	1.47	1.02	1.04
Dividends on A shares and previous common shares	**.50**	.37½	.45	.39⅜
Shareholders' equity	**9.14**	8.79	7.69	7.12
Return* on sales	**4.6%**	7.4%	5.2%	5.4%
Return* on shareholders' equity	**10.7%**	16.8%	13.3%	14.6%
Price range on common shares	**13¼-8½**	13½-11⅜	12-6¾	8⅞-6⅝

* Income before extraordinary items.

NOTE: The reported figures for the periods 1974 to 1981 are based on a March 31 fiscal year end. As a result of the change to a December 31 year end, figures have also been reported for the nine months ended December 31, 1981; all reported figures thereafter, are based on a December 31 fiscal year end.

1979	1978	1977	1976	1975	1974
$	$	$	$	$	$
100,388	93,982	84,079	74,854	69,694	63,432
5,782	5,342	4,404	4,830	4,466	4,121
—	641	—	1,217	366	16
5,782	5,983	4,404	6,047	4,832	4,137
8,751	8,051	6,463	7,111	5,761	6,234
60,145	48,977	45,525	42,193	35,323	30,339
2,081	3,335	1,696	1,705	1,717	1,272
70,977	60,363	53,684	51,009	42,801	37,845
17,653	11,816	9,405	10,315	8,447	8,532
12,464	11,157	10,747	9,566	7,390	5,969
30,117	22,973	20,152	19,881	15,837	14,501
40,860	37,390	33,532	31,128	26,964	23,344
5,782	5,342	4,404	4,830	4,466	4,121
6,367	6,102	5,468	4,988	4,369	3,643
1,307	410	1,181	2,151	1,421	1,213
13,456	11,854	11,053	11,969	10,256	8,977
—	641	—	1,217	366	16
5,837	2,412	(911)	1,868	(85)	3,541
19,293	14,907	10,142	15,054	10,537	12,534
17,534	9,554	8,799	11,833	9,353	9,871
2,322	2,125	2,000	1,883	1,574	1,266
(1,024)	346	(149)	(145)	(31)	(305)
(239)	1,294	140	133	114	(329)
18,593	13,319	10,790	13,704	11,010	10,503
700	1,588	(648)	1,350	(473)	2,031
.92	.85	.70	.77	.72	.66
—	.10	—	.19	.05	—
.92	.95	.70	.96	.77	.66
.36⅝	.33¾	.31⅞	.30	.25	.20¼
6.49	5.94	5.33	4.95	4.28	3.71
5.8%	5.7%	5.2%	6.5%	6.4%	6.5%
14.2%	14.3%	13.1%	15.5%	16.6%	17.6%
8⅝-5¼	5⅜-4¼	5¼-4½	5¼-3½	4½-3	4⅝-3⅜

A display of pipe sizes from 6 inches to 12 feet, manufactured at Concrete Pipe Company's Mississauga Plant.

Standard Paving company's "curb" machine is shown extruding a concrete median barrier on Burlington Street, Hamilton, Ontario.

The mixing tanks and batching platform at Construction Chemicals new Edmonton, Alberta plant which is now serving the Prairie Provinces.

The modern landscaped scene is on King Street, Saint John, New Brunswick where the Maritimes Division recently undertook the entire street reconstruction placing asphalt roadway, brick sidewalks and precast planters.

Products and Locations

BASIC MATERIALS

ONTARIO

SAND AND GRAVEL
Paris
Guelph
London
Mono Mills
Stouffville
Pickering
North Bay
Durham

CRUSHED STONE
Brechin
Hagersville
Stouffville

ASPHALT MIXES
Brantford
Dundas
Guelph
Hagersville
Pickering
Queenston
St. Catharines
Toronto (2 plants)
Hamilton (2 plants
North Bay

READY-MIXED CONCRETE
McCord & Company —
Metro Toronto (3 plants)
Mississauga
Richmond Hill
Barrie
Oshawa
Ajax

Red-D-Mix Concrete Company —
Hamilton (2 plants)
Brantford
Burlington
Fort Erie
Georgetown
Guelph
Hagersville
London
Milton
Niagara Falls
North Bay
Sarnia
St. Catharines
St. Thomas
Strathroy
Welland
Windsor

SLAG CEMENT
Stoney Creek

"JIFFY" DRY-MIX CONCRETE
Toronto

NEW BRUNSWICK

ASPHALT MIXES
Saint John

NOVA SCOTIA

ASPHALT MIXES
Halifax
Kentville

NEW YORK STATE (U.S.A.)

CRUSHED STONE
Bridgeville
Hancock
Fosterdale

SAND AND GRAVEL
Masten Lake

ASPHALT MIXES
Bridgeville
Fosterdale
Liberty
Cuddebackville
Hancock
Oneonta

PAVING AND ROAD BUILDING

ONTARIO

Hamilton
Guelph
North Bay

NEW BRUNSWICK

Saint John

NOVA SCOTIA

Halifax
Kentville

NEW YORK STATE (U.S.A.)

Bridgeville

CONCRETE PRODUCTS

ONTARIO

CONCRETE BLOCK
Kingston
Richmond Hill
Sarnia

CONCRETE PIPE
Mississauga (Toronto)
Ottawa
London

PRECAST CONCRETE MANHOLES AND SPECIALTY ITEMS
Guelph
Markham (Toronto)

PRESTRESSED CONCRETE PRESSURE PIPE
Stouffville

OTHER MANUFACTURING

"ROXUL" INSULATION
Milton, Ontario

CONSTRUCTION CHEMICALS
Edmonton, Alberta
Montreal, Quebec
Milton, Ontario

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