Standard Industries Ltd.

SUPPLIERS OF BASIC BUILDING MATERIALS

annual report

March 31, 1981

Standard Industries Ltd.

1224 LAWRENCE AVENUE WEST, TORONTO, ONTARIO 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 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 makes attachments and accessories for powered lift trucks at its U.S. subsidiary, Little Giant Products, Inc. It produces concrete additives at its construction chemical plants. It will be starting-up the manufacture of "Roxul" insulation materials early in the new fiscal year.

Standard is a public company whose shares are listed on the Toronto Stock Exchange. Canada Cement Lafarge Ltd. holds 73.6% of the issued shares, the remaining 26.4% being owned by 913 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 Quebec Room of the Royal York Hotel, Toronto, at 10:30 a.m. on Thursday, June 25, 1981. 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 $1.91²/₃ per share.

COVER PICTURE

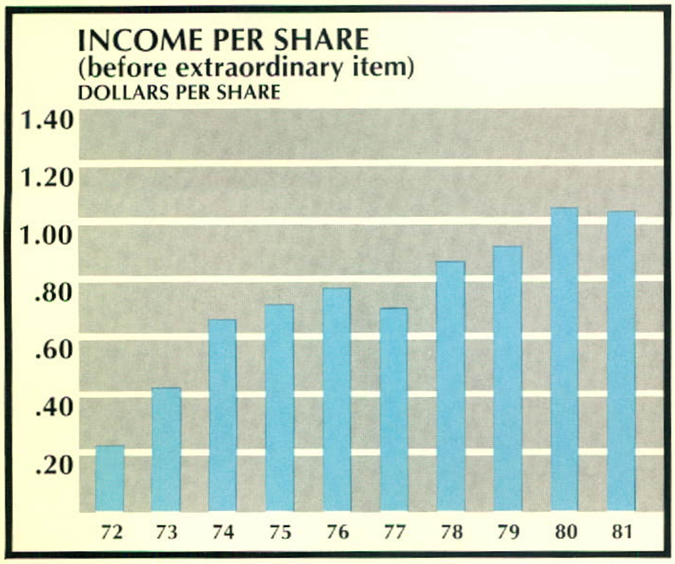
McCord & Company, one of Standard's divisions supplying 2500 cubic metres of ready-mix concrete in one continuous pour at the new headquarters of I.B.M. Canada Limited in Toronto. Ellis Don Limited was the general contractor.

Special precautions were needed to control shrinkage and prevent cracking in so great a mass of concrete. These included the addition of 30% of slag cement — made by Standard Slag Cement Company, another of Standard's divisions — to the portland cement supplied by Canada Cement Lafarge Ltd. The Standard Aggregates division supplied the high quality washed and graded aggregates required for such a project.

CONTENTS

In Brief

	March 31 1981	March 31 1980
EARNINGS AND DIVIDENDS		
Net income	**$ 6,491,000**	6,566,000
Per share	**$1.02**	$1.04
Dividends to shareholders	**2,854,000**	2,493,000
Per share	**45¢**	39.375¢
OTHER FINANCIAL		
Sales	**124,153,000**	122,592,000
Capital investment during the year	**7,430,000**	8,634,000
Working capital at year-end	**14,280,000**	12,133,000
Shareholders' equity per share	**$7.69**	$7.12
STATISTICAL		
Number of employees —		
Mid-year	**1,626**	1,706
Year-end	**1,027**	1,093
Number of shareholders, year-end	**913**	926



QUARTERLY RESULTS

		1981	1980
Net Income			
	I	**$ 1,169,000**	$ 1,427,000
	II	**2,033,000**	2,774,000
	III	**2,309,000**	1,878,000
	IV	**980,000**	487,000
		$ 6,491,000	$ 6,566,000
Sales			
	I	**$ 30,368,000**	$ 30,724,000
	II	**44,069,000**	44,685,000
	III	**34,050,000**	32,703,000
	IV	**15,666,000**	14,480,000
		$124,153,000	$122,592,000

Directors and Corporate Management

DIRECTORS

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

RICHARD M. COOPER
Investment Manager
T.R.L. Investments Ltd.

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

PETER JONGENEEL
Executive Vice-President, Finance
Canada Cement Lafarge Ltd.

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

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

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

PETER M. McENTYRE
President of Comtrust Holdings Inc. and
Chairman of the Board, Canada Cement Lafarge Ltd.

THOMAS A. WILCOX
President
of the Company

CORPORATE MANAGEMENT

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

EDWARD J. HADDEN
Assistant Secretary-Treasurer

GEORGE B. TATEM
Assistant Comptroller

REGISTRAR AND TRANSFER AGENTS

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

AUDITORS

THORNE RIDDELL
Chartered Accountants
Commercial Union Tower
Box 262
Toronto-Dominion Centre
Toronto, Ontario M5K 1J9

BANKERS

CANADIAN IMPERIAL BANK OF COMMERCE
BANK OF NOVA SCOTIA

Management of Divisions and Subsidiaries

ROSS A. EMBY
General Manager, **Standard Pressure Pipe Company,**
P.O. Box #1420, Stouffville, Ontario L0H 1L0

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

PETER B. MOLLARD — Vice-President
Red-D-Mix Concrete Company
E. V. Breckon Limited
Standard Paving Company
(E. Kee, Manager)
Victoria Avenue North, Hamilton, Ontario L8L 7V1
Standard Paving Company
(B. Boudreau, 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

GEORGE V. PHILLIPS — Vice-President
Roxul Company
Construction Chemicals Ltd.
(W. Grinnell, General Manager)
551 Harrop Drive, Milton, Ontario L9T 3H3
Protex Industries of Canada Ltd.
(W. Grinnell, General Manager)
8325 Pascal Gagnon, Saint-Leonard, Quebec H1P 1Y5
Standard Slag Cement Company
(P. McCallum, 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
Oaks Precast Industries Ltd.
and Oaks Transport Limited
351 Elizabeth Street, Guelph, Ontario N1H 6M6

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
(P. V. Keipp, Vice-President, Western U.S.A.)
(K. Jacobs, Director-General, Europe)

ERIC WILSON
President, **National Coupling Ltd.**
238 Trillium Drive, Kitchener, Ontario
(Jacques Lussier, Vice-President)

Report to Our Shareholders

HUGH F. GRIGHTMIRE,
Chairman and
Chief Executive Officer

T. A. WILCOX,
President

OPERATING RESULTS AND DIVIDENDS

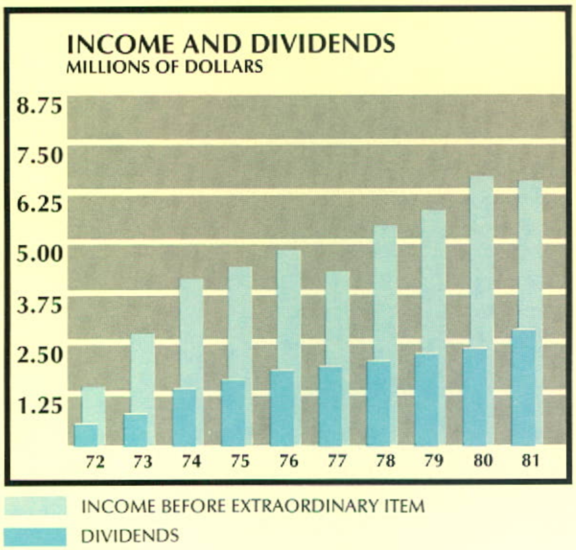
Earnings for the year amounted to $6,491,000 ($1.02 per share), fractionally lower than $6,566,000 ($1.04 per share) earned in the previous year. Sales of $124,153,000 were slightly higher than the previous year's $122,591,000.

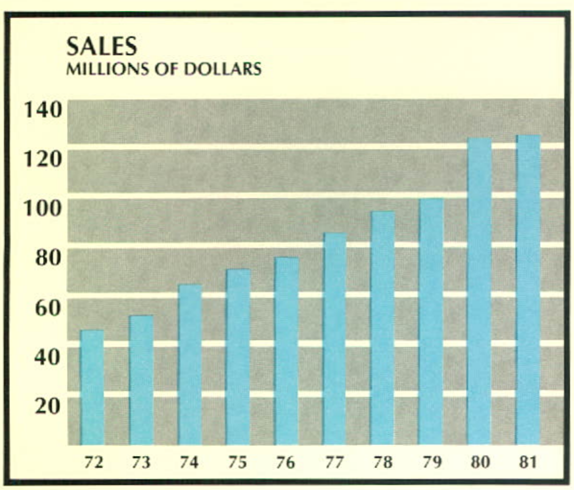
Dividends of 45¢ per share on the Class A and Class B convertible common shares amounted to 44% of earnings for the year, compared with 39.375¢ per share (38% of earnings) in the previous year. Dividends declared and paid were:

Date Declared	Record Date	Date Paid	Amount per Share
May 8/80	July 21/80	August 5/80	11.25¢
Sept. 25/80	Oct. 22/80	Nov. 5/80	11.25¢
Nov. 27/80	Jan. 22/81	Feb. 5/81	11.25¢
March 5/81	April 21/81	May 5/81	11.25¢
			45.00¢

Holders of Class A shares receive taxable cash dividends. Holders of Class B shares receive stock dividends in $10.00 par value redeemable preference shares with fractions in cash.

A dividend of 12½¢ on Class A and Class B shares was declared May 6, 1981, payable August 5, 1981.





REVIEW OF OPERATIONS

Sales dollars were maintained, mainly by price increases, and because of the inclusion in consolidation, for the first time, of the sales of National Coupling Ltd.

Profitability declined sharply in the first half of the year due to a business downturn. Strict cost controls and improved business conditions contributed to better earnings in the second half, and a surge in building activity during March, mainly in Toronto and the surrounding residential areas, contributed to the best fourth quarter earnings in many years. A tabulation of quarterly sales and earnings per share for the past 5 years is shown at page 17.

Aggregate sales tonnage and profitability declined moderately, although sales dollars increased. Ready-Mix concrete sales were also down and earnings remained inadequate in relation to the investment involved — a continuing and intractable problem of many years' standing.

Asphalt sales and margins improved and concrete block began the recovery from last year's depressed levels. The concrete pipe, pressure pipe and Oaks precast divisions showed improved results.

The slag cement division is steadily increasing sales and had a satisfactory year. Sales and profitability of "Jiffy" products for the home improvement market increased significantly. Volume of our construction operations was lower than last year with a proportionate decline in profit margins.

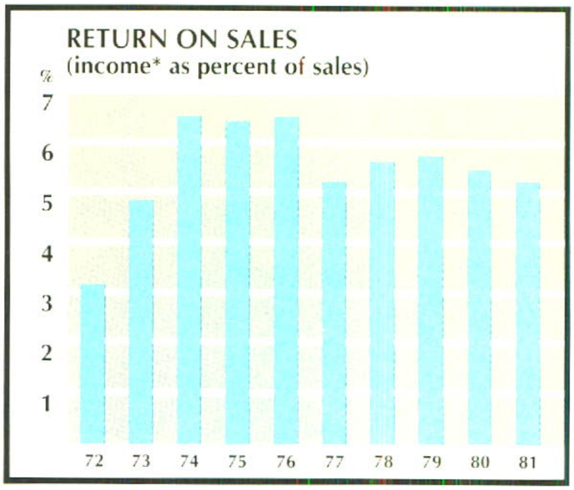
In our U.S. operations, Sullivan Highway Products had a very good year, but the Little Giant operations were severely affected by the recession in American industry and incurred a loss for the year.

CAPITAL INVESTMENTS

Capital investment was largely applied to necessary replacement of obsolete or exhausted equipment, including a new portable highway asphalt plant for the highway paving operations of Standard Paving Maritime Ltd. We also continued our regular investment programme of renewing plant and our fleet of trucks, loaders, forklifts and construction equipment.

Growth projects during the year included the acquisition of an asphalt plant at Queenston, Ontario, the modernization of the concrete batch plant at Burlington, Ontario, the addition of 27 acres of gravel reserves at Paris, relocation to Milton of an admixture plant of the construction chemicals division, the acquisition of a new admixture plant location in Montreal, and the purchase of equipment for the manufacture of interlocking concrete paving stones by the Oaks precast division. Also accomplished was the initiation of a programme for the conversion of oil-fired burners to natural gas.

Meanwhile, the "Roxul" plant for the manufacture of insulation products stands complete except for the coke-fired furnace and related equipment now being installed under the manufacturer's guarantee to supply an operating furnace. Because of the guarantee we have incurred no further capital expenditures on the plant. The carrying cost of the plant and installations is being expensed as incurred. We expect start-up in early summer.



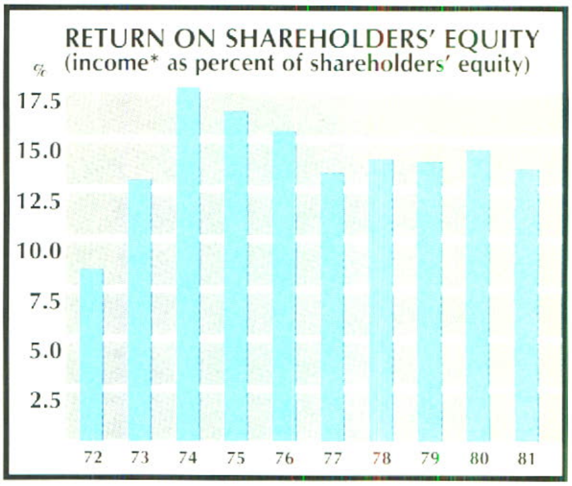
*INCOME BEFORE EXTRAORDINARY ITEM

EMPLOYEE RELATIONS

The number of employees reached 1,626 at its highest level during the year, off 5% from the previous year's high point of 1706, reflecting the general decline in sales volume experienced by the company. At year end the payrolls of our various operations included 1,027 employees, down 6% from 1,093 a year earlier.

Substantially all of our hourly-paid employees are members of labour unions having collective agreements with the company. All major bargaining units have now agreed to terms and conditions of employment which will apply for the current year. Some smaller units have still to complete negotiations; we are confident that the harmony which normally characterizes relations with our employees will continue to prevail without imposing unacceptable burdens on our operations.

The company maintains a benefit programme for our salaried staff, covering all aspects of medical and dental needs, hospitalization, disability benefits, group life insurance and retirement pensions.

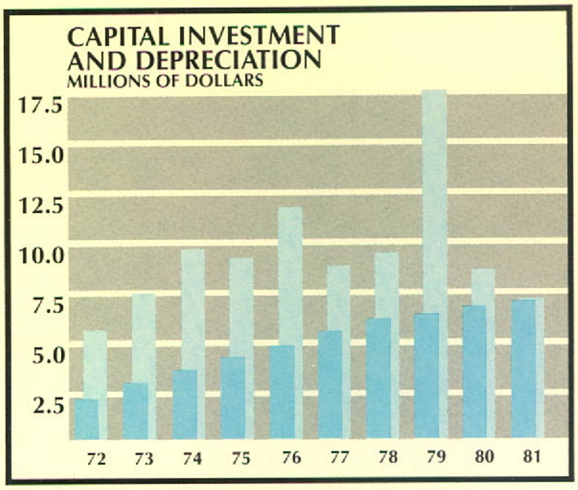


*INCOME BEFORE EXTRAORDINARY ITEM

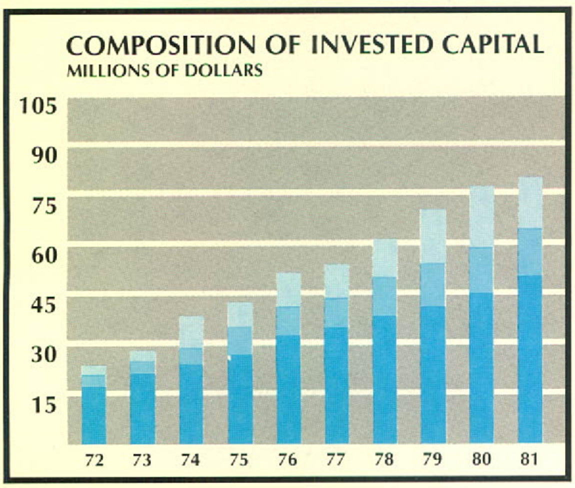
CHANGE IN FISCAL YEAR

Your company intends to change its fiscal year so as to close on December 31 instead of March 31. This means that the next fiscal period will be for the nine months ending December 31, 1981.

The company has used the March 31 year end since its formation in 1929 for several very practical reasons.



CAPITAL INVESTMENT
DEPRECIATION



LONG TERM DEBT
DEFERRED INCOME TAXES
SHAREHOLDERS' EQUITY

However, our status as a subsidiary of Canada Cement Lafarge Ltd. and the resulting mandatory financial reporting makes it advisable to adopt the December 31 year end of that company.

PROSPECTS FOR 1981

The consensus of economic forecasts points to a continuance of slow growth for Canada and for Ontario in 1981. We are inclined to take a more optimistic view, at least for the Toronto market and its surrounding areas, in the light of the surge in house-building already apparent. The business community and the public alike are growing more attuned to high interest rates and continuing inflation; given some confidence that the economy can recover, a resurgence of commercial and industrial building may well occur.

We are looking therefore, at least, for a modest improvement in earnings for the 1981 season, with the possibility of even better results should construction activity accelerate in our market areas. The "Roxul" operation is not expected to make any contribution to earnings in its first year, but should be an adequate profit centre in the years to come.

ACKNOWLEDGEMENTS

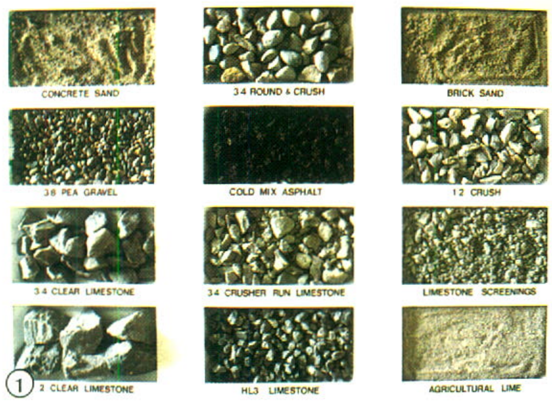
We are pleased to take this opportunity of thanking all of the company's employees for their contributions, and to acknowledge the valued support of our customers, suppliers and shareholders.

On behalf of the directors,

HUGH F. GRIGHTMIRE
Chairman and
Chief Executive Officer

T. A. WILCOX
President

Toronto, Ontario
May 6, 1981



1. Standard Aggregates produces sand, gravel and crushed stone in many different grades and sizes. Here are some of them.

2. Asphalt mix from the Halifax asphalt plant of Standard Paving Maritime Ltd. being unloaded into a spreader for resurfacing the naval dockyard in Halifax — the oldest naval yard in Canada. H.M.C.S. "NIPIGON" is berthed in the background.

3. A length of 144" diameter steel-reinforced concrete pipe, manufactured by Standard's Concrete Pipe Company at their Ottawa plant, being lowered into position. Each 7 foot length weighs 26 tons, and 950 lengths were used in this trunk sewer line for the City of Ottawa. George Wimpey & Co. Ltd. were the general contractors.

4. Standard Pressure Pipe Company manufactured the 36" pressure pipe and the special fittings for the water supply to Stelco's new steel-making complex at Nanticoke, Ontario. Some of the pipe and fittings are shown being installed.

5. A display of "Jiffy" packaged ready-mix products at Cashway Building Centre, Oakville, Ontario. Standard's Jiffy Dry-Mix Concrete Products division makes a complete line of packaged home-improvement products for the do-it-yourself market.

6. Architectural concrete block by Standard's Marker Building Materials division being used in the construction of a recreational centre for the City of Brockville. Architectural block provides an elegant finish combined with the economy and convenience of concrete block construction.

7. Oaks Precast Industries manufactures high quality precast concrete interlocking paving stones in a variety of colours and shapes. This picture shows how they can be used to beautify and enhance a garden area.

8. This Little Giant dumper/upender is one of the line of specialized lift-truck attachments manufactured by Little Giant Products Inc., Standard's Illinois-based subsidiary. The dumper/upender pours or dumps liquids, powders, chemicals, scrap or other materials from steel or fibre drums quickly, safely and economically.

Standard Industries Ltd.

CONSOLIDATED INCOME
Year ended March 31, 1981

	In Thousands of Dollars 1981	1980
REVENUE		
Sales and contract revenue	**$124,153**	$122,592
EXPENSE		
Cost of sales and operating expenses	**94,888**	95,200
Administration and selling	**9,072**	8,493
Depreciation and depletion	**7,161**	6,764
Amortization of goodwill and patents	**71**	39
Interest on long-term debt	**1,961**	2,015
Other interest, net of interest earned	**41**	124
	113,194	112,635
	10,959	9,957
Income taxes	**5,040**	4,160
INCOME BEFORE THE UNDERNOTED ITEM	**5,919**	5,797
Equity in net income of associate	**572**	769
NET INCOME	**$ 6,491**	$ 6,566
Per share	**$1.02**	$1.04

CONSOLIDATED RETAINED EARNINGS
Year ended March 31, 1981

	1981	1980
Retained earnings at beginning of year	**$ 16,177**	$ 12,104
Net income	**6,491**	6,566
Dividends on convertible common shares — 45¢ per share (1980 — 39.375¢ per share)	**(2,854)**	(2,493)
RETAINED EARNINGS AT END OF YEAR	**$ 19,814**	$ 16,177

Standard Industries Ltd.

(incorporated under the Laws of Ontario)

CONSOLIDATED FINANCIAL POSITION
March 31, 1981

	1981	1980
	In Thousands of Dollars	
CURRENT ASSETS		
Cash and short-term investments at cost which approximates market	**$ 6,458**	$ 1,727
Receivables	**12,471**	11,900
Inventories, valued at lower of cost and net realizable value —		
Finished materials and products	**6,305**	7,779
Raw materials and supplies	**4,957**	5,045
Prepaid expenses	**1,018**	1,101
	31,209	27,552
CURRENT LIABILITIES		
Accounts payable and accrued	**13,059**	13,153
Dividends payable	**712**	634
Income taxes	**1,988**	397
Long-term debt, current portion	**1,170**	1,235
	16,929	15,419
WORKING CAPITAL	**14,280**	12,133
MORTGAGES RECEIVABLE, less current portion included with receivables	**227**	201
INVESTMENT IN ASSOCIATE	**520**	549
PROPERTY, PLANT AND EQUIPMENT (note 2)	**62,066**	61,767
PLANT ACQUISITION FUND	**—**	85
GOODWILL	**1,185**	1,065
DEFERRED CHARGES AND OTHER INTANGIBLES	**449**	418
CAPITAL EMPLOYED	**78,727**	76,218
Deduct:		
Long-term debt (note 3)	**15,544**	16,812
Deferred income taxes	**14,413**	14,279
	29,957	31,091
SHAREHOLDERS' EQUITY	**$48,770**	$45,127
Derived from:		
Capital stock (note 5)		
Authorized — 200,000 redeemable preference shares of $10.00 par value each		
8,000,000 common shares without par value		
Issued — 1,055 preference shares (543 shares in 1980)	**$ 11**	$ 5
6,096,468 Class 'A' convertible common shares		
243,308 Class 'B' convertible common shares		
6,339,776	**28,945**	28,945
Retained earnings	**19,814**	16,177
Total Shareholders' Equity	**$48,770**	$45,127

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

Standard Industries Ltd.

CONSOLIDATED CHANGES IN FINANCIAL POSITION
Year ended March 31, 1981

	In Thousands of Dollars	
	1981	1980
WORKING CAPITAL DERIVED FROM		
Operations:		
Net income	**$ 6,491**	$ 6,566
Add (Deduct) items not involving working capital:		
Depreciation, depletion and amortization	**7,232**	6,803
Income taxes deferred	**159**	1,771
Dividends received less equity in net income of associate	**28**	(219)
	13,910	14,921
Increase in long-term debt	**58**	1,140
Plant acquisition fund	**85**	247
Exercise of officer's share purchase option	**—**	198
	14,053	16,506
WORKING CAPITAL APPLIED TO		
Additions to property, plant and equipment, net	**7,326**	8,604
Purchase of shares of subsidiary companies, less working capital $44,000 at the date of acquisition (Note 8 (a))	**104**	30
Capital Investment	**7,430**	8,634
Dividends	**2,854**	2,493
Reduction in long-term debt	**1,556**	1,980
Increase in mortgages receivable	**26**	110
Other	**40**	(93)
	11,906	13,124
INCREASE IN WORKING CAPITAL	**2,147**	3,382
Working capital at beginning of year	**12,133**	8,751
Working capital at end of year	**$14,280**	$12,133

Auditors' Report

To the Shareholders of
Standard Industries Ltd.

We have examined the consolidated statement of financial position of Standard Industries Ltd. at March 31, 1981 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 March 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
May 1, 1981

THORNE RIDDELL
Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1981

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. The operations of Sullivan Highway Products, Inc. and National Coupling Ltd., whose fiscal years end in December, are included in these statements for their years ended in the previous December.

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 financial position at the underlying fair value at the date of acquisition plus the company's share of undistributed earnings since acquisition.

c) Exchange Translation

Assets, liabilities, revenues and expenses of the company's foreign subsidiaries have been translated into Canadian dollars as follows:

i) Current assets, other than inventories, and all liabilities at the rates of exchange prevailing at their fiscal year-end.
ii) Non-current assets and inventories at rates prevailing when they were acquired.
iii) Revenues and expenses at average rates for the period except for depreciation, depletion and amortization which are at the rates used for translation of the related assets.

Gains or losses resulting from changes in the translation rate of long-term debt are deferred and included in income over the term of the debt. All other translation gains and losses are included in income in the current year.

d) Deferred Income Taxes

The company uses the tax allocation method of providing for income taxes. Under this method, timing differences between reported and taxable income (which occur when revenue and expenses reflected in the financial statements in one year are considered for tax purposes in another year) result in increases or decreases in deferred income taxes.

e) Interim Financial Reports

Depreciation, repair and overhaul and other fixed overhead costs are provided for on an annual basis in relation to anticipated sales volume for the year and are charged against operations based on the sales volume during each interim period.

f) 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 costs of aggregate deposits are depleted on a unit-of-production method based on total estimated recoverable reserves.

g) Intangible Assets

	Amortization Period
Goodwill (from the purchase of subsidiaries)	20 years
Deferred charges and other intangibles —	
Debt issue costs and deferred exchange loss on long-term debt	Term of debt
Patent costs	Remaining Life

Standard Industries Ltd.

NOTE 2. PROPERTY, PLANT AND EQUIPMENT

	In Thousands of Dollars 1981	1980
Land and aggregate properties	$ 15,355	$ 14,970
Buildings, plant and equipment	102,248	96,590
Construction in progress	—	1,034
	117,603	112,594
Less accumulated depreciation and depletion	55,537	50,827
	$ 62,066	$ 61,767

NOTE 3. LONG-TERM DEBT

	In Thousands of Dollars 1981	1980
Bank term credit secured, repayable $500,000 annually with the balance due December 31, 1985 (interest at 1% above prime rate)	$ 7,500	$7,500
Bank term loans due 1982 (interest at 1/2% above prime rate)	400	1,200
Mortgages payable, due 1981/1988 (interest at 10.4% weighted average)	2,524	2,952
Long-term notes payable by United States subsidiaries —		
secured notes due 1988/1999 (interest at 6 5/8%) — U.S. $4,000,000	4,768	4,672
unsecured note due 1982/1984 (interest at 7 1/2%) U.S. $1,256,000	1,490	1,571
unsecured note due 1981 (interest at 10 1/2%) U.S. $27,000	32	152
	16,714	18,047
Less current portion	1,170	1,235
	$15,544	$16,812

Long-term debt matures as follows in the years ending March 31, 1982 $1,170,000; 1983 $1,499,000; 1984 $2,011,000; 1985 $960,000; 1986 $5,716,000.

NOTE 4. INCOME TAXES

The reduced rate of federal income tax and the accelerated depreciation write-offs available to Canadian manufacturers and processors have been used throughout 1980 and 1981. The lower federal tax rate on manufacturing and processing income reduced the 1981 provision by approximately $440,000 (1980 — $343,000).

Through the application of investment tax credits based on the acquisition of new plant and equipment the 1981 income taxes were reduced by $96,000 (1980 — $243,000).

NOTE 5. CAPITAL STOCK

The authorized capital consists of:

a) 7,999,980 Class 'A' and Class 'B' convertible common shares which are convertible each into the other class on a share-for-share basis. Class 'B' shareholders are entitled to receive stock dividends in fully paid preference shares.

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 and after 1981 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.

An officer's option to purchase 81,000 convertible common shares at $4.50 per share expires March 31, 1983.

NOTE 6. PENSION PLAN

The unfunded past service liabilities of the company's pension plans amount to $610,000 at March 31, 1981 ($721,000 at March 31, 1980). The unfunded past service liabilities result from the increased past service benefits provided at December 31, 1978. They are being expensed and funded over not more than 13 years.

NOTE 7. REMUNERATION

Total direct remuneration of directors and senior officers amounted to $653,000 ($677,000 in 1980).

NOTE 8. ACQUISITION OF SUBSIDIARIES

a) On August 29, 1980, the company purchased all the outstanding shares of Construction Chemicals Limited and Protex Industries of Canada Ltd. The purchase method has been used to account for these acquisitions and their operations have been included in these financial statements from the acquisition date. The following relates to the purchase of the shares of these companies:

Assets acquired, at book value which approximates fair market value	$543,000
Liabilities	(571,000)
Goodwill arising from the purchase	176,000
Total consideration paid in cash	$148,000

b) Subsequent to the year-end, on April 1, 1981, the company purchased all the outstanding shares of John M. Robertson Inc., which produces and sells asphaltic cement mixes in Oneonta in the State of New York. The purchase price was $1,250,000 U.S. funds, payable $300,000 on closing and the balance in annual installments in the next three years.

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, the United States and Europe, while the construction operations are conducted in Ontario and Nova Scotia.

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

The lower contribution by foreign operations is the result of:

1. The recession's effect on sales and earnings at Little Giant Products, Inc.
2. Smaller business units which do not benefit from the economies of scale and integration as exist in the Canadian operations.

Management cautions that this information may be of limited usefulness because of the seasonal nature of the company's business which causes the book value of assets, particularly receivables and inventories, to vary during the year. Also, the recently acquired foreign assets more closely reflect replacement cost than do the assets attributable to the Canadian operations.

Standard Industries Ltd.

NOTE 9. SEGMENTED INFORMATION (continued)

	In Thousands of Dollars 1981	1980
REVENUE		
Sales of building materials:		
Canada	$ 92,292	$ 86,539
Elimination of inter-segment sales	(1,662)	(1,305)
Foreign	11,993	11,709
	102,623	96,943
Construction revenue (Canada only)	21,530	25,649
	$124,153	$122,592
CONTRIBUTION TO EARNINGS		
From building materials:		
Canada	11,954	9,871
Foreign	424	1,140
From construction (Canada only)	1,876	2,504
	14,254	13,515
Less: Interest and other common expenses:	(3,295)	(3,558)
Income taxes	(5,040)	(4,160)
Add: Equity in net income of associate	572	769
NET INCOME	$ 6,491	$ 6,566
IDENTIFIABLE ASSETS (includes current and fixed assets)		
Building materials:		
Canada	75,812	74,023
Foreign	9,946	10,178
Construction (Canada only)	9,898	7,436
TOTAL ASSETS	$ 95,656	$ 91,637

For the industry segments of building materials and construction, capital expenditures amounted to $4,619,000 and $2,707,000 (1980 $7,405,000 and $1,199,000) and depreciation, depletion and amortization amounted to $6,374,000 and $858,000 (1980 $6,050,000 and $753,000) respectively.

NOTE 10. RELATED PARTY TRANSACTIONS

The company buys a substantial portion of its cement requirements 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 in the past two years were:

	In Thousands of Dollars 1981	1980
With Canada Cement Lafarge Ltd.:		
Purchase of cement	$ 12,263	$ 13,101
Sale of materials and services	1,440	579
With National Slag Limited		
Purchases	992	734

The above transactions resulted in net accounts payable at March 31, 1981 to Canada Cement Lafarge Ltd. of $1,334,000 and to National Slag Limited of $69,000.

Financial Review

QUARTERLY SALES AND EARNINGS

Quarterly sales and earnings, which fluctuate because of the seasonal nature of the company's business, are shown in the tabulations at right for the past five years.

Quarterly sales ($'000)	1981	years ended March 31 1980	1979	1978	1977
June 30	**30,368**	30,724	23,903	25,859	22,668
September 30	**44,069**	44,685	36,872	32,594	29,548
December 31	**34,050**	32,703	28,004	23,649	22,334
March 31	**15,666**	14,480	11,609	11,880	9,529
Year	**124,153**	122,592	100,388	93,982	84,079

Quarterly earnings* (cents per share)	1981	years ended March 31 1980	1979	1978	1977
June 30	**18¢**	22¢	19¢	23¢	19¢
September 30	**32**	45	40	31	27
December 31	**37**	29	26	23	17
March 31	**15**	8	7	8	7
Year	**$1.02**	$1.04	92¢	85¢	70¢
Earnings*/sales	**5.2%**	5.4%	5.8%	5.7%	5.2%

(*before extraordinary item)

The 1% increase in sales over last year resulted from an average product price increase of 9%, offset by an 8% decrease in volume. Reflecting the affect of the recession, most products experienced a reduction in volumes sold, particularly in the first two quarters of the fiscal year. The volume of ready-mix concrete was lower during the year as was volume at the pipe and manhole divisions. Moreover, the major sewer project in Halifax, Nova Scotia, was completed early in the current year. While sales increased 1%, there was a small decrease in cost of sales from last year, when costs included a large amount of construction sub-contract work. Administration and selling expenses were 7.3% of sales, compared with 6.9% last year. While substantial reductions in these expenses were made due to the lower volume of business, a proportionate reduction was not possible due to the fixed nature of some expenses. Depreciation's increase of 6% shows the effect of major capital additions in the past two years. Interest costs, net of short term interest income, decreased in the year due to lower average long-term interest debt outstanding and our improved cash position throughout most of the year. On the other hand, interest rates paid which are tied to the bank prime, were higher throughout most of the year.

INCOME TAXES

Income taxes for the year to March 31, 1981 were 46% of income before taxes and equity of our associate compared with 41.8% in the year to March 31, 1980. The higher percentage in the current year reflects the higher rate of Federal and Provincial taxes in Canada and a decrease of $147,000 in the investment tax credit applicable to capital additions during the year. The tax deferment of $159,000 arising from capital cost allowance, was substantially below deferments in recent years. This results because a large part of our capital spending in 1981 was on mobile equipment which does not qualify for the fast two-year write-off available on manufacturing and processing facilities.

WORKING CAPITAL

At March 31, 1981, the company's working capital was $14,280,000, an increase of $2,147,000 over the preceding year. Funds generated from operations continued at a high level, in spite of the lower tax deferral. This flow of funds together with a reduced level of capital investments, resulted in the increase in working capital.

Accounts receivable have risen in line with the greater sales in the final quarter. Inventories, on the other hand, have been substantially reduced from last year as inventory quantities have been brought into line with the lower volume of business experienced by most divisions. This liquidation of inventories accounts for our much improved cash position.

Income taxes currently payable have increased due to higher tax rates in Canada and the lower deferral of income taxes as discussed above.

Financial Statistics — 1972 to 1981

(in thousands of dollars — except per share amounts)

Years ended March 31	1981	1980	1979	1978
INCOME				
Sales and contract revenue	124,153	122,592	100,388	93,982
Income before extraordinary item	6,491	6,566	5,782	5,342
Gain on disposal of properties and shares	—	—	—	641
Net income	6,491	6,566	5,782	5,983
FINANCIAL POSITION				
Working capital	14,280	12,133	8,751	8,051
Fixed assets — net	62,066	61,767	60,145	48,977
Other assets	2,381	2,318	2,081	3,335
	78,727	76,218	70,977	60,363
Long-term debt	15,544	16,812	17,653	11,816
Deferred income taxes	14,413	14,279	12,464	11,157
	29,957	31,091	30,117	22,973
Shareholders' equity	48,770	45,127	40,860	37,390
CHANGES IN FINANCIAL POSITION				
Income before extraordinary item	6,491	6,566	5,782	5,342
Depreciation, depletion and amortization	7,232	6,803	6,367	6,102
Deferred income taxes	159	1,771	1,307	410
Funds from operations	13,882	15,140	13,456	11,854
Gain on disposal of properties and shares	—	—	—	641
Long-term debt increase (decrease)	(1,498)	(840)	5,837	2,412
	12,384	14,300	19,293	14,907
Capital investment	7,430	8,634	17,534	9,554
Dividends	2,854	2,493	2,322	2,125
Mortgages receivable increase (decrease)	26	110	(1,024)	346
Other	(73)	(319)	(239)	1,294
	10,237	10,918	18,593	13,319
Increase (decrease) in working capital	2,147	3,382	700	1,588
PER SHARE* EARNINGS, RETURN AND PRICE				
Income before extraordinary item	1.02	1.04	.92	.85
Gain on disposal of properties and shares	—	—	—	.10
Net income	1.02	1.04	.92	.95
Dividends on A shares and previous common shares	.45	.39 3/8	.36 5/8	.33 3/4
Shareholders' equity	7.69	7.12	6.49	5.94
Return** on sales	5.2%	5.4%	5.8%	5.7%
Return** on shareholders' equity	13.3%	14.6%	14.2%	14.3%
Price range on common shares	12-6 3/4	8 7/8-6 5/8	8 5/8-5 1/4	5 3/8-4 1/4

*Per share amounts reflect the 2-for-1 split approved August 27, 1979.
**Income before extraordinary item.

	1977	1976	1975	1974	1973	1972
	84,079	74,854	69,694	63,432	53,377	45,251
	4,404	4,830	4,466	4,121	2,590	1,381
	—	1,217	366	16	2,325	545
	4,404	6,047	4,832	4,137	4,915	1,926
	6,463	7,111	5,761	6,234	4,203	4,567
	45,525	42,193	35,323	30,339	23,383	18,866
	1,696	1,705	1,717	1,272	1,272	(25)
	53,684	51,009	42,801	37,845	28,858	23,408
	9,405	10,315	8,447	8,532	4,085	3,408
	10,747	9,566	7,390	5,969	4,357	3,467
	20,152	19,881	15,837	14,501	8,442	6,875
	33,532	31,128	26,964	23,344	20,416	16,533
	4,404	4,830	4,466	4,121	2,590	1,381
	5,468	4,988	4,369	3,643	2,908	2,351
	1,181	2,151	1,421	1,213	752	807
	11,053	11,969	10,256	8,977	6,250	4,539
	—	1,217	366	16	2,325	545
	(911)	1,868	(85)	3,541	676	495
	10,142	15,054	10,537	12,534	9,251	5,579
	8,799	11,833	9,353	9,871	7,610	5,562
	2,000	1,883	1,574	1,266	772	538
	(149)	(145)	(31)	(305)	700	366
	140	133	114	(329)	533	(598)
	10,790	13,704	11,010	10,503	9,615	5,868
	(648)	1,350	(473)	2,031	(364)	(289)
	.70	.77	.72	.66	.42	.22
	—	.19	.05	—	.38	.09
	.70	.96	.77	.66	.80	.31
	$.31\frac{7}{8}$	.30	.25	$.20\frac{1}{4}$	$.12\frac{1}{2}$	$.08\frac{3}{4}$
	5.33	4.95	4.28	3.71	3.30	2.69
	5.2%	6.5%	6.4%	6.5%	4.9%	3.1%
	13.1%	15.5%	16.6%	17.6%	12.7%	8.4%
	$5\frac{1}{4}$-$4\frac{1}{2}$	$5\frac{1}{4}$-$3\frac{1}{2}$	$4\frac{1}{2}$-3	$4\frac{5}{8}$-$3\frac{3}{8}$	$4\frac{1}{8}$-$2\frac{1}{8}$	$2\frac{3}{8}$-$1\frac{1}{2}$

Corporate Organization

Standard Industries Ltd.

Red-D-Mix Concrete Company
Ready-mixed concrete, concrete block and asphalt mixes

***E. V. Breckon Limited**
haulage of materials

Standard Paving Company
paving and road building, sand, gravel, asphalt mixes

***Construction Chemicals Ltd.**
***Protex Industries of Canada Ltd.**
manufacturer of construction chemicals

Standard Slag Cement Company
manufacture of slag cement

Roxul Company
manufacture of insulation products

McCord & Company
ready-mixed concrete

York Block and Building Supply
concrete block and builders' supplies

Marker Building Materials
concrete block

***Standard Paving Maritime Limited**
paving and road building, sand, gravel, asphalt mixes

Concrete Pipe Company
concrete pipe and related products

Oaks Precast Industries
***Oaks Transport Limited**
precast concrete manholes and specialty items

Standard Pressure Pipe Company
prestressed concrete pressure pipe

STANDARD AGGREGATES

Consolidated Sand & Gravel Company
sand, gravel and asphalt mixes

Brechin Crushed Stone
Point Anne Quarry Company
***Haldimand Quarries & Construction Limited**
crushed stone

J. F. Marshall & Sons
sand and gravel

***Jiffy Dry Mix Concrete Products**
bagged dry-mix concrete and other products

***S.I.L. Corp.**
U.S. holding company

***Sullivan Highway Products, Inc.**
John M. Robertson Inc.
crushed stone, sand, gravel, asphalt mixes, paving and road building

***Little Giant Products, Inc.**
manufacture of specialized attachments for powered lift trucks

***National Coupling Ltd.**
manufacture of pipe gaskets

*Subsidiaries — wholly-owned by Standard Industries Ltd. (except Sullivan and Little Giant which are wholly-owned by S.I.L. Corp. and John M. Robertson, Inc. which is wholly-owned by Sullivan).

Products and Locations

BASIC MATERIALS

ONTARIO

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

CRUSHED STONE
Brechin
Hagersville
Point Anne
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

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
North Bay

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

"LITTLE GIANT" ATTACHMENTS FOR POWERED LIFT TRUCKS
Peoria, Illinois (U.S.A.)
Fountain Valley, California (U.S.A.)
Beerse, Belgium (Europe)

CONSTRUCTION CHEMICALS
Milton, Ontario
Montreal, Quebec

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