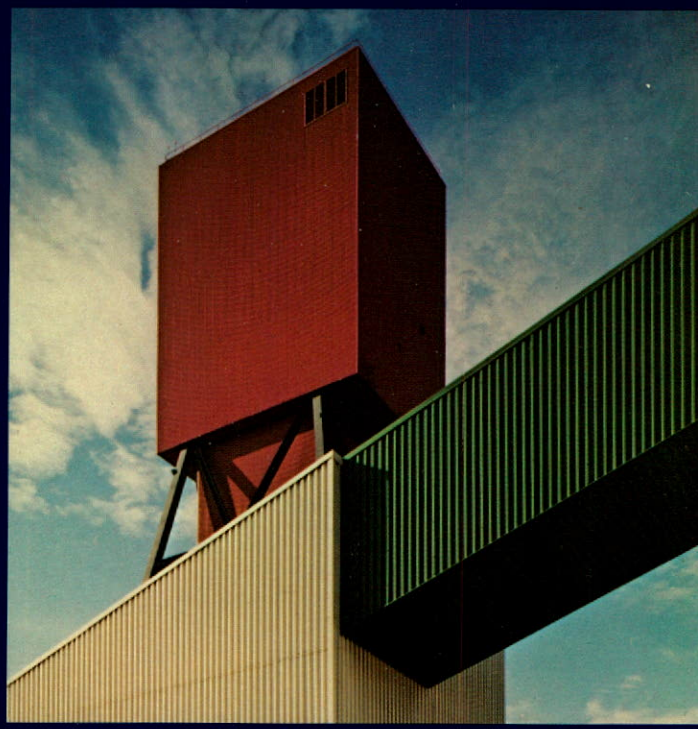
Jannock Limited

Annual Report 1980



jannock (jan' ok) (North. dial.) *a.* and *adv.* Fair, straightforward

Source: Oxford Concise Dictionary

Table of Contents

1 Financial Highlights
2 Report to the Shareholders
4 Review of Operations
17 Financial Review
20 Financial Statements
31 Five Year Financial Review
32 Corporate Directory

Jannock Limited

Jannock Limited, through its wholly-owned subsidiaries, is engaged in the manufacture and distribution of:

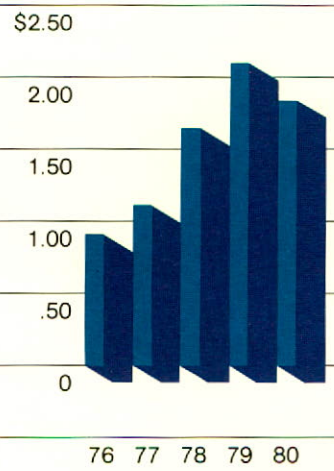
- a wide range of steel products for industrial, commercial and residential use;
- a variety of brick products produced in plants located in the U.S. and Canada;
- transformers, ballasts and other electrical components.

A subsidiary refines and markets cane sugar. Sales of $520.8 million and net earnings of $22.4 million rank it amongst the 100 largest corporations doing business in Canada.

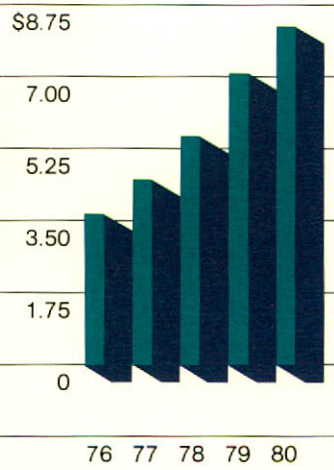
Financial Highlights

*Millions of dollars**	**1980**	1979
Sales	**520.8**	454.6
Earnings from operations	**53.5**	57.4
Provision for income taxes	**13.0**	21.6
Net earnings before extraordinary items	**22.4**	24.1
Working capital	**78.0**	73.0
Earnings per Common share before extraordinary items	**1.87**	2.10
Equity per Common share	**8.24**	7.07
Dividend per Common share	**0.64**	0.59

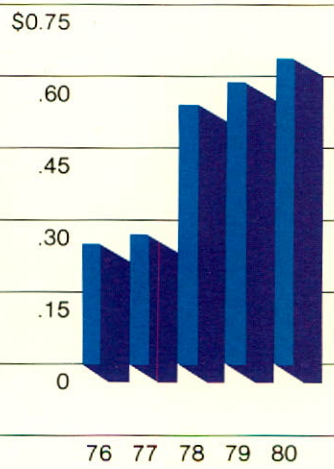
*Except per share figures.



Earnings Per Common Share Before Extraordinary Items



Equity Per Common Share



Dividend Per Common Share

The year 1980 was the second best in our history. The year was a particularly difficult one for several of our businesses and consequently the Corporation was unable to record a fifth consecutive year of improved earnings. Net earnings, before extraordinary items, were $22,442,000 or $1.87 per share compared with earnings of $24,070,000 or $2.10 per share for 1979. Consolidated sales for the year were $520,822,000 as compared with $454,647,000 in 1979.

Throughout 1980 Jannock continued to build an asset base which will increase earnings in the future. In August the Corporation acquired all of the outstanding shares of Westeel-Rosco Limited not then owned by it. The cost of the shares acquired this year was $19.3 million. Westeel-Rosco is now a wholly-owned subsidiary of Jannock and is one of the keystone businesses.

The performance of Westeel-Rosco in 1980 was outstanding. Earnings from operations were only slightly less than record 1979 levels on lower sales. Westeel-Rosco's physical plant has the capacity to handle an increased volume of business without major capital expenditures and this augurs well for improved earnings during the next upswing in business activity. The Edmonton facility, however, requires additional space and equipment to effectively handle the expanding business in northern Alberta. Work has commenced on a 10,000 square foot addition to the existing Edmonton facility and together with the purchase of additional equipment, will cost $1.9 million.

Brick operations were adversely affected by high and unpredictable interest rates, leading to expensive and sometimes unavailable mortgage money which curtailed housing starts. Brick earnings are highly leveraged and a modest decline in sales brings a significant decline in earnings. A return to an average year will allow our brick operations the opportunity to record outstanding earnings. The quick rebound of house sales and housing starts in the U.S. when mortgage rates fell last summer attests to the strong underlying demand for housing. We see the introduction of innovative schemes for providing mortgage money to the housing industry, particularly in the United States. The introduction of the shared appreciation mortgage allows the home owner to obtain mortgage funds at interest rates far below the market rate. Interest rates need not decline that much before the housing industry will have sufficient, albeit expensive, mortgage money.

We continue to position the Corporation for the next upturn in brick sales and are concentrating on the Texas market. Texas is now the third most populous state and will vie with Florida to become the leading housing market state in this decade.

In April, 1980 the first bricks were produced at the Mineral Wells, Texas plant. This plant is the most fuel and labor efficient one in its market area.

An option has been taken on land outside of Austin, Texas which we believe is suitable for a brick plant comparable to the Mineral Wells operation. This plant would be ideally situated to serve both the Houston and Dallas/Fort Worth markets and would produce a buff colored brick which would round out our product line in the east Texas market. Definite plans will be made in this regard within the next three months.

We have not overlooked the Canadian market in our plans for the future. In December we purchased a 103 acre parcel of land in the Niagara Peninsula. Studies are underway on how this property may best be used so as to maintain our competitive position in the brick markets of Ontario and Quebec.

Sonco Steel Tube had the second best year in its history. The construction of the new plant which will fabricate large sizes of hollow structural sections proceeded on schedule and we look forward to the start up of production by mid-year. Sonco is also working on additional product lines related to the oil industry which look promising. We are impressed with the open-endedness of the Sonco business.

Jannock Tube recorded lower sales than the previous year but its earnings from operations increased to record levels. Jannock Tube has recently built a new 40,000 square foot warehouse adjacent to the Edmonton airport at a cost of $1.9 million.

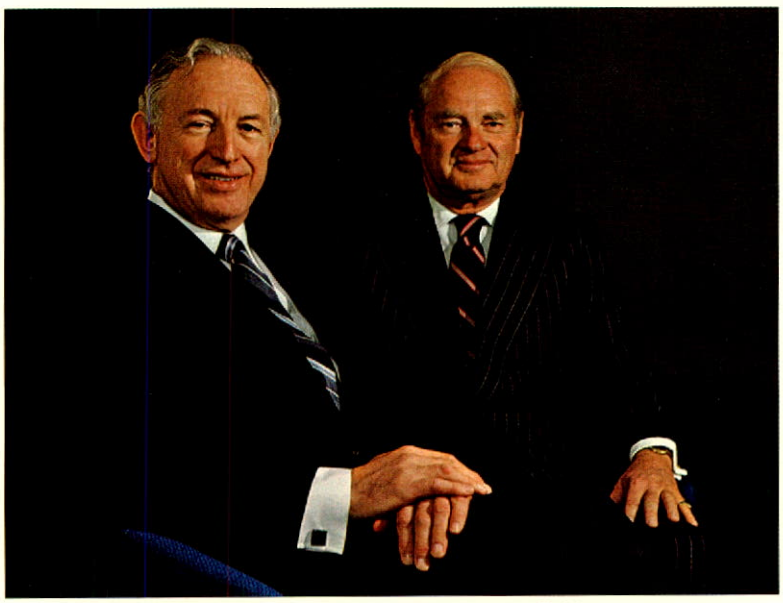
The impasse over the allocation of revenue from natural resources has deferred the implementation of several large projects in western Canada. These developments will not only benefit the particular area in which they are located but will increase the prosperity of central Canada as well. Jannock's businesses, particularly Westeel-Rosco, Sonco and Jannock Tube will be well served by an early start on these projects.

From time to time the Corporation reviews and updates its plans for the next five years. These plans serve to focus on how we can best develop the existing businesses and where and how acquisitions may be made advantageously. While we now have in place assets which will substantially increase Jannock's earnings once business conditions improve, a search is proceeding for additional assets which will further increase earnings in the future.

The potential for increased earnings naturally leads to the subject of dividends. We are cognizant of the fact that it is important to shareholders to have increased dividends on as regular a basis as possible. Dividends will be increased promptly when the earnings warrant it and when the financial condition of the Corporation allows it.

In April, 1980 Mr. William Frankenhoff was elected to the board of directors. Mr. Frankenhoff has a wide range of experience in business and industry in the United States. His knowledge has added a further dimension to the board of directors.

In last year's letter we indicated that we looked forward to the new decade. The first year was not all that we wanted and it appears this present year will be a difficult one, but we are laying the foundation for better results in the years to come.



H. Gordon MacNeill
President and Chief
Executive Officer

George E. Mara
Chairman of the Board

George E. Mara,
Chairman of the Board

H. Gordon MacNeill,
President and
Chief Executive Officer

March 20, 1981

Westeel-Rosco

Westeel-Rosco's business activity is organized into five basic product groups: Agricultural, Building, Highway and Drainage, Warehouse/Residential and Industrial.

The Agricultural product group is best known for grain storage and handling systems. The group also produces tanks for the storage of bulk feed and roofing and siding for farm buildings.

Building products include roof and floor decking and precoated metal wall cladding. Westeel-Rosco has the Canadian franchise for Stran-Steel buildings and manufactures a wide range of multi-purpose pre-engineered metal buildings.

Highway and drainage products include corrugated metal culvert pipe, tunnel liner, bridge deck, guide rail and structural plate used for large span arches and tunnels.

The Warehouse/Residential product group provides an extensive range of steel and aluminum products to its customers through the Corporation's branches and the service center in Toronto. Residential products include "Leisure Time" prepainted privacy fencing and other building components.

The Industrial product group manufactures material handling and racking systems, industrial feed and chemical tanks and custom fabricated products.

Sonco Steel Tube

Sonco is a major producer of tubular steel products. Hollow structural sections and mechanical steel tubing are manufactured by cold forming and electric welding steel strip purchased from the primary Canadian producers.

Mechanical steel tubing is fabricated in round, rectangular and oval shapes, ranging in size from .375 inches to 3 inches in diameter. The tubing is used in the manufacture of furniture, toys, baby carriages, snowblower and lawn mower handles, swing sets, exercise equipment and a wide variety of other products.

Hollow structural sections are fabricated in square, round and rectangular shapes up to 7 inches square with wall thicknesses up to .375 inches. These sections are produced from "hot rolled" strip steel of various metallurgical compositions to meet specific customer requirements. Typical applications include highway guardrail, industrial and agricultural equipment frames, building columns, mobile homes and racking.

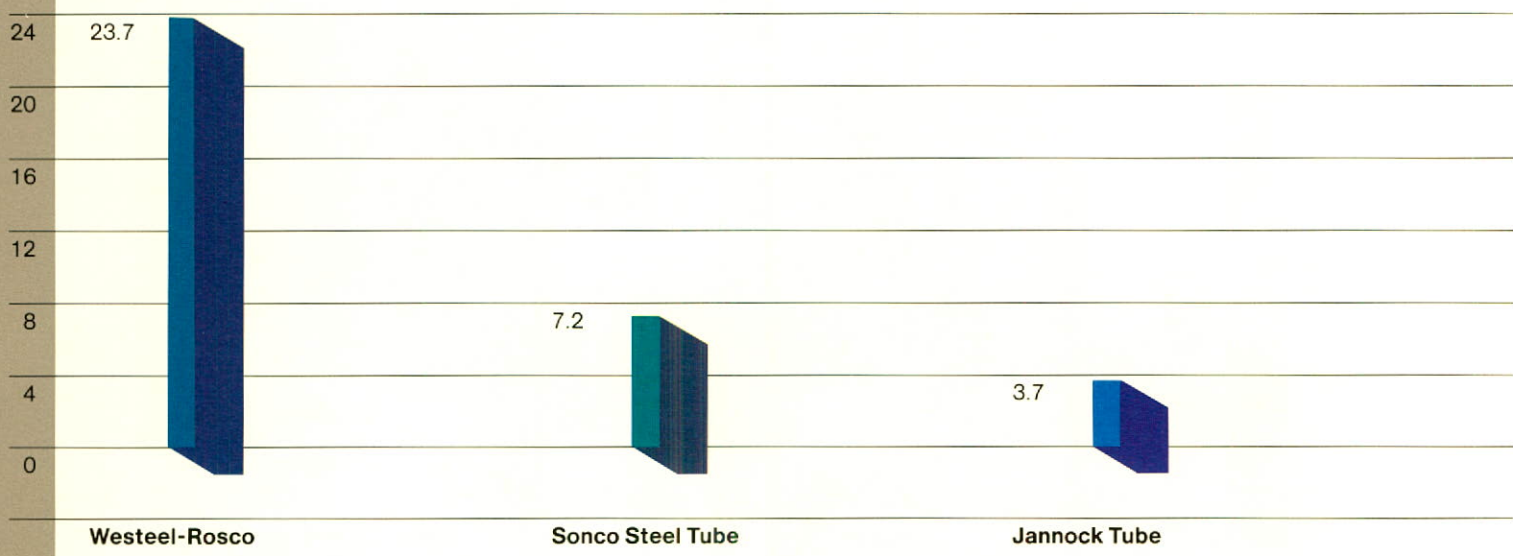
Jannock Tube

Jannock Tube distributes over 2,200 sizes of round, square and rectangular tubing and pipe products. The Corporation maintains an inventory valued in excess of $7,000,000, purchased from over fifty sources in North America and abroad. Lyman Division warehouses are located in Montreal, Oakville, Winnipeg and Saskatoon. The Tubeco Division warehouses are located in Calgary, Edmonton and Vancouver.

The Corporation sells to many different industries, and its customers range in size from one man machine shops to multi-million dollar conglomerates.

70% of the Corporation's sales and 85% of its profits are a result of its warehousing activity. Because the average order size is only approxi-

Sources of Earnings from Operations
Millions of dollars



mately $500, it must process many individual orders efficiently to maintain customer loyalty and confidence. The remaining 30% of sales volume, but only 15% of profit, is derived from the placement of customer orders directly with producing mills. In this case large quantities of tubing are shipped directly from the producing mill to the customer.

Brick Operations
Brick operations make clay and concrete brick in a wide variety of sizes, colors and textures.

Plants are located in three major geographical areas. The Canadian market is served from manufacturing facilities in Quebec and southern Ontario. The combined capacity of these locations is 250 million units annually. The United States' mid-west market is supplied from facilities located in Michigan, Ohio and Kentucky. Their combined annual capacity is 210 million units. Texas is the newest area to be served by the Corporation. Plants located at San Antonio and in the Houston area, as well as one at Mineral Wells, west of Dallas, supply the eastern part of that State. The combined capacity in Texas is 180 million units annually.

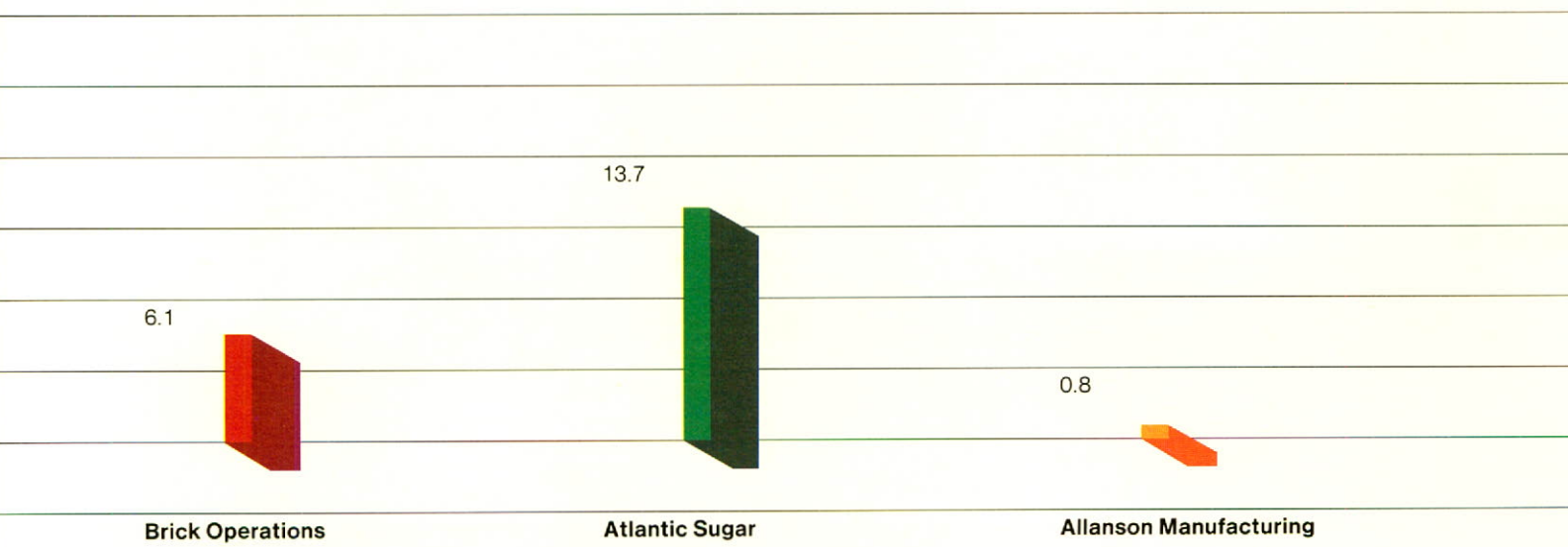
Atlantic Sugar
Atlantic Sugar Limited, Canada's second largest refiner and seller of sugar, packages a full line of high quality products at its Saint John, New Brunswick, refinery. This facility can process approximately 1,000 tonnes of cane sugar daily. Raw sugar, imported mostly from Commonwealth countries, is off-loaded at the Corporation's deep water dock the year round.

The Corporation supplies the eastern Canadian market from Newfoundland to western Ontario with granulated, brown, icing and liquid sugar in units ranging in size from 4 gram individual envelopes to 80 tonne bulk rail cars. These products are sold to chain stores, soft drink producers, bakeries, confectioners and wholesalers. Sugar is distributed from the Corporation's warehouses in Saint John, Montreal and Toronto. This distribution network is supplemented by public warehouses in other key locations in eastern Canada.

Allanson Manufacturing
Allanson produces a wide range of electrical equipment for the heating, lighting and consumer products industries.

Allanson is a prime supplier of fluorescent ballasts and neon transformers for Canada's illuminated sign industry. Its High Intensity Discharge ballasts are used for both indoor and outdoor lighting, from highway applications to shopping centres. Allanson's other product lines include power converters, which are used extensively in the recreational vehicle market and portable battery chargers and special power supplies.

The Corporation also manufactures a full line of ignition transformers and fuel pumps used on both residential and industrial oil furnaces. These transformers are exported around the world.



Operations Review

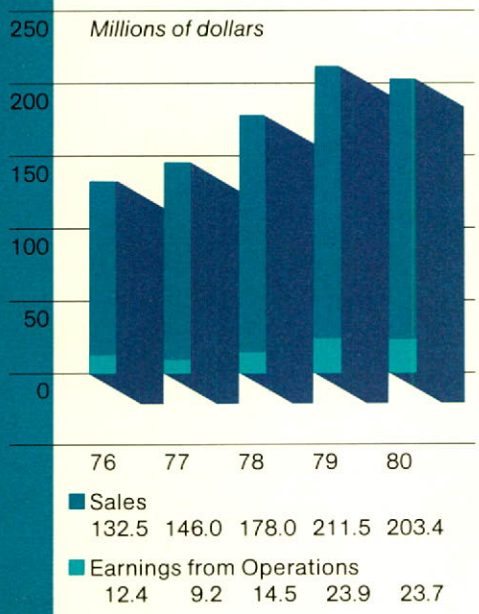
Although a sluggish economic environment during 1980 resulted in a 4% decrease in total sales, earnings from operations declined by less than 1% from the record levels achieved in 1979.

Changes in economic conditions during 1980 caused significant shifts in the relative importance of Westeel-Rosco's major product lines. Agricultural product sales and warehouse/residential product sales showed substantial declines from 1979 levels but were replaced to a large extent by sales increases in building products, highway and drainage products and industrial products. Sales were also adversely affected by the 6 week strikes at the Winnipeg tank plant and the main Rexdale manufacturing facility.

"Our general strategy in 1981 is to hold or better our overall market share in what we expect will be a very competitive market."

Agricultural product sales decreased by 27% from record levels achieved in 1979. High interest rates together with unusually dry weather conditions resulted in a sharp decline in demand for the Corporation's grain handling and storage systems in certain market areas both in Canada and the U.S. Lower sales volumes were recorded for most other agricultural product lines as well. Agricultural products are cyclical in demand and sales potentials always subject to adverse weather conditions. In spite of this the Corporation believes in the long-term viability of this portion of its business and is committed to further expansion in these markets.

Building product sales during 1980 were at a record level, 18% higher than that achieved in 1979. Westeel-Rosco entered 1980 with a substantial backlog of orders and was able to sustain a satisfactory level of activity in these products during the year. Industry demand was strengthened by the better than average growth of non-residential construction, which outperformed most other sectors of the economy during 1980. Building products includes Stran-Steel and P. Graham Bell Associates and sales volumes in both these divisions were also strong during the year.

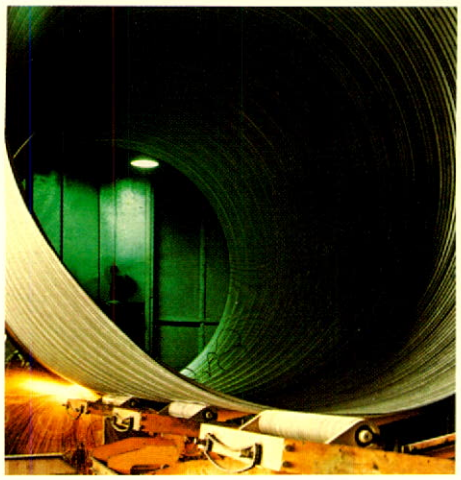


Sales of highway and drainage products increased by 20% over 1979 levels. Sales increases were spread over practically all products which fall into this category despite strong market competition in all parts of the country.

Warehouse/Residential product sales declined by 26% from 1979 levels. Warehouse product sales fell because of generally lower levels of activity in the marketplace and free availability of steel supplies while lower residential product sales were attributable to a decline in the levels of residential housing starts.

Sales of industrial products were 10% higher in 1980 and the Corporation was able to maintain its market share position despite strong competition.

Total capital expenditures for the year 1980 were $5.1 million. Included in the 1980 expenditures were a major expansion of office and warehouse facilities at the main Rexdale plant, the completion of a new helical culvert manufacturing facility in Burlington, Ontario, an expansion of the Vancouver plant and the construction of additional office space in Edmonton. Also included was the purchase of a variety



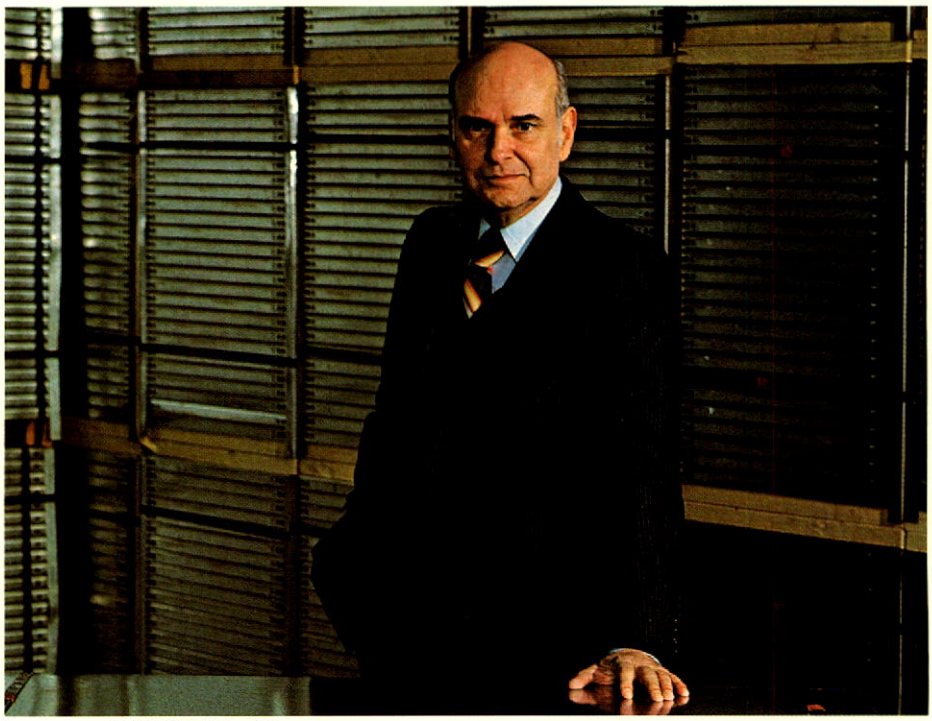
of production equipment for a number of locations across the country. During 1981 the Corporation will complete a major expansion of plant and material handling facilities at its Edmonton branch.

Outlook for 1981

Economic projections for 1981 indicate minimal economic growth, weakness in the non-residential construction and capital goods sectors of the economy, a continuation of high interest rates and an increase in inflationary pressures. The Corporation entered the year 1981 with a total order position 17% lower than that of the previous year. In addition, current pricing levels on most product lines in the marketplace indicate that the year 1981 will be one of intense price competition.

Nevertheless, it is anticipated that the 1981 sales volume will show a nominal increase over 1980. The Corporation intends to maintain its market share despite the severe price competition. Based on current projections for the year 1981, the Corporation anticipates that earnings from operations will decline from the record levels achieved in 1979 as profit margins will be under strong pressure.

Westeel-Rosco is confident that the capital goods sector of the Canadian economy will begin to accelerate late in the year and the Corporation has the resources available to permit it to take full advantage of that recovery.

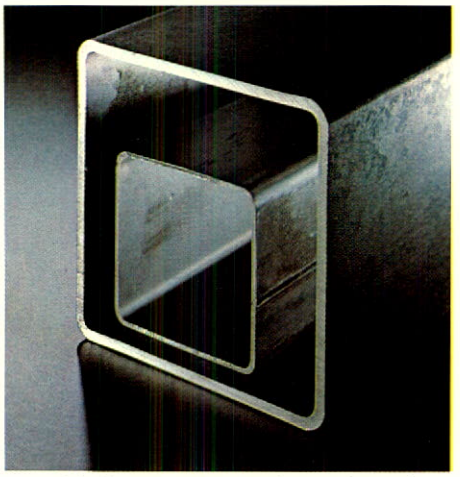


Lawrence R. Wright President

Operations Review

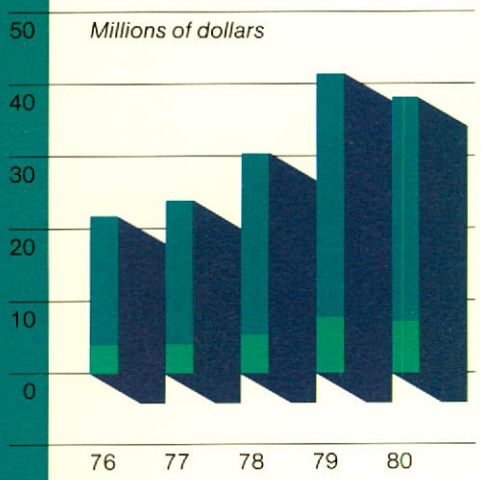
Major problems in the agricultural equipment and automotive industries caused the demand for tubular steel products to fall from the very high levels experienced in 1979. The downturn was both longer and more severe than originally forecast. Increased availability of steel from producing mills and excess tube manufacturing capacity resulted in heightened competition with lower price levels throughout most of the year.

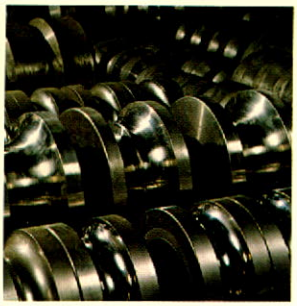
Sonco entered 1980 with the largest backlog in history which resulted in a strong first quarter. Reacting to the downturn in its traditional markets the Corporation made adjustments to its marketing program including increasing emphasis on distribution through steel service centers. Participation in the western Canadian market improved in the second half of the year with the opening of a western sales office. As a consequence of this increased effort, the Corporation was able to show a significant improvement in its share of the hollow structural section market. These sections account for approximately 75% of Sonco's tonnage production.



Hollow structural sections have experienced rapid growth because of their superior physical properties as compared with other building products. They have higher strength to weight ratios with improved buckling resistance, compressive strength and torsional stiffness. It is expected that these products will be used in increasing quantities as these advantages become better known and new end use applications are developed.

In late 1979 approval was given for a $20 million expansion to increase the hollow structural section manufacturing capacity. The new facility on a 15 acre site in Brampton will contain the most modern structural tube mill in North America. It will be capable of producing sections twelve inches square with wall thicknesses up to 5/8". The





new facility will be equipped with heat treating equipment to stress relieve products as required by construction specifications. The 91,000 square foot building was completed in December 1980. Hollow structural section members were used for the framing, resulting in a 28% saving in total weight over standard construction methods. Equipment installation is proceeding on schedule and start up of the new facility will take place in mid 1981. The addition of this mill will double Sonco's tonnage capacity as the new mill will have an output equal to the existing four mechanical and two structural mills currently operated by the Corporation.

"To run a business in a very tough year...build an operation that's going to double the plant throughput, and develop a few new products at the same time...it's made for a very busy year."

Modernization programs begun in 1979 were continued throughout 1980. Included were major modifications and repair of existing equipment, the construction of a new maintenance facility and renovation of offices and plant facilities. The results of these programs are evident in increased operating efficiency, higher machine productivity and more effective control of inventories. Taken together, they have helped maintain overall gross margins in spite of declines in production tonnages.

In 1980 Sonco expanded its engineering and metallurgical capabilities to satisfy the more demanding technical requirements of customers. In addition, research was conducted in several product areas which resulted in new product offerings during the year.

John G. MacKay President

Outlook for 1981

The demand for tubular steel products is expected to continue to improve throughout 1981. However, it is also expected that the recovery will be slow and inconsistent. Industry inventories are down relative to normal stocking levels but service centers are cautious because of high interest costs.

Sonco expects to operate at capacity in 1981 with increased tonnage throughput. The major part of the increase will result from Sonco's increased capacity and size range availability due to the opening of the new plant in mid-year.

In spite of limited availability of steel during the early months of 1981 sufficient supplies of steel are available for current operations and planned expansions.

The long range prospects for Sonco are particularly good since the demand for its products is continually expanding. Sonco has developed a reputation as a leading producer of tubular products for North American markets. Continued technical development will allow Sonco to take advantage of future opportunities in expanding capital goods, construction and energy markets.

Operations Review

Record profits resulted from the maintenance of total gross margin levels and a reduction in operational expenses. Tubing sales opened strongly during the early months of 1980 but then dropped sharply following the general pattern experienced by the steel service center industry in the United States and Canada.

Declines in sales volumes were anticipated and to some extent brought about by a deliberate change in marketing strategy. Last year's results saw large scale gains in sales but only modest increases in profitability. The 1980 sales strategy focused attention on the lower volume but more profitable sales made from warehouse stocks.

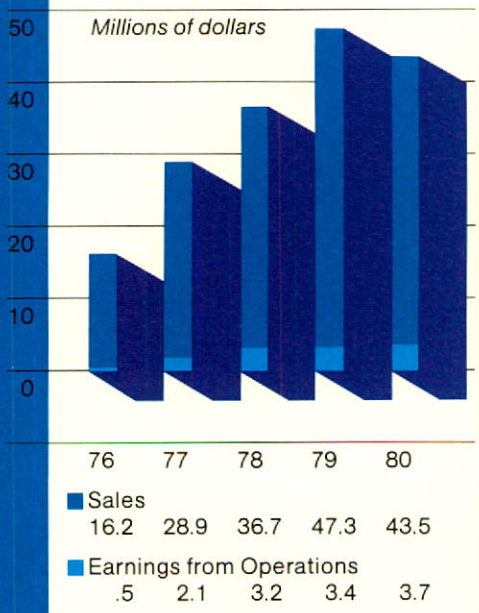
Early forecasts predicting an economic downturn enabled the Corporation to reduce inventory levels by approximately 10% and effect savings in interest costs as interest rates rose.

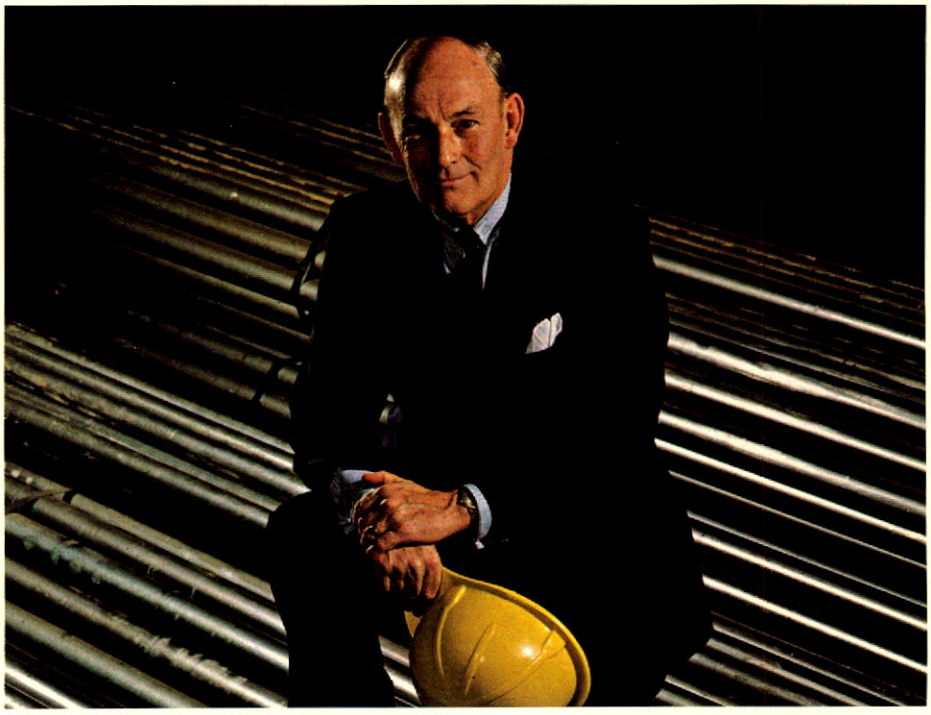
"We've walked away from business simply because it was unprofitable ...Profit is the key...if you don't have profit you're not around."

Efficiency was improved throughout the operation and major savings were effected in Ontario with the closure of the Mississauga warehouse and Ontario branch sales office. These activities were accommodated in an expanded warehouse facility at the Corporation's head office in Oakville. Anticipating lower sales volumes, the Corporation reduced the number of employees through normal attrition, eliminating the need for layoffs.

Outlook for 1981

The business strategy for 1981 will be similar to that of 1980 with continued emphasis on gross margin improvement rather than increased sales volumes. The Corporation is anticipating a modest growth in real tonnages shipped from warehouse stock. Further improvement in operational efficiency will be realized early in 1981 as the Corporation combines two warehouse facilities located in Edmonton into one new 40,000 sq. ft. warehouse currently under construction.



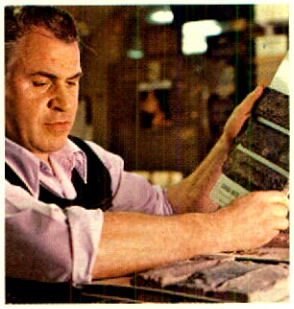


Douglas G. Sinclair President

Operations Review

The past year was difficult for the brick industry in the United States and Canada. Although total sales of Jannock's brick operations were down only modestly from last year, the results include a full twelve months' sales of Tiffany Brick in San Antonio, which was purchased in September 1979, and the start up of the Brazos Brick operation at Mineral Wells in April 1980.

During 1980 all U.S. divisions experienced a sharp drop in demand due to the uncertain economic climate and high mortgage rates. Housing starts declined by 21% in the U.S. with the midwestern areas served by the Corporation's northern U.S. operations declining at twice the national average. Major metropolitan markets such as Detroit and Chicago were particularly soft. Non-residential construction fared better but followed a downward trend throughout the year.

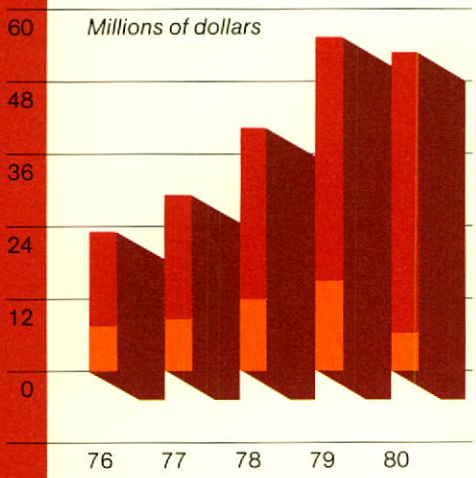


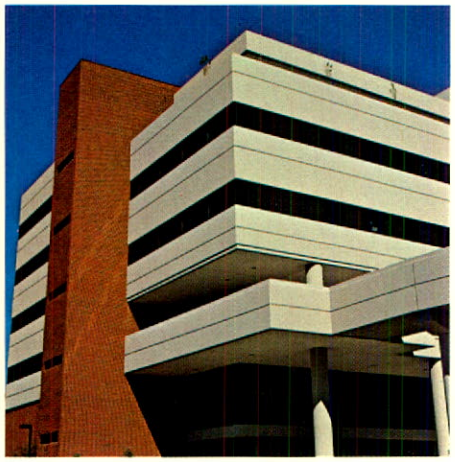
Each operating division in the U.S. increased selling prices in an attempt to recover increases in costs, but a substantial portion of this potential income was sacrificed to discounting. Discount activity was particularly heavy in the midwestern areas as local competition attempted to clear heavy inventories caused by the rapid decline in available business. However, all U.S. divisions were able to increase their market share and the trading areas served by some operations were enlarged. In spite of this it was necessary to curtail production and operate all plants at somewhat less than capacity to keep inventories within reasonable levels.

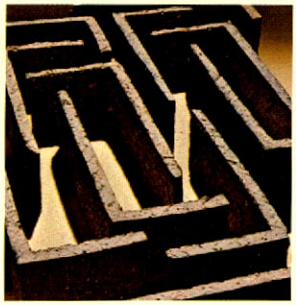
"The targets for 1981 are ambitious but attainable if interest rates stabilize and the projected upturn in the latter part of the year actually develops."

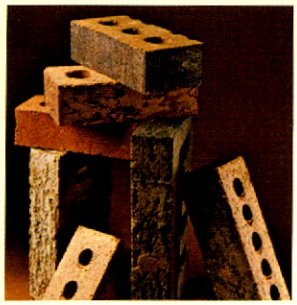
Operating at less than optimum levels had a serious effect on profit: in brick operations a modest reduction in production levels results in a major decline in profitability.

The Mineral Wells plant, located about 70 miles west of Dallas, was completed on schedule and production commenced in April. Aggressive product development has given the division a wide









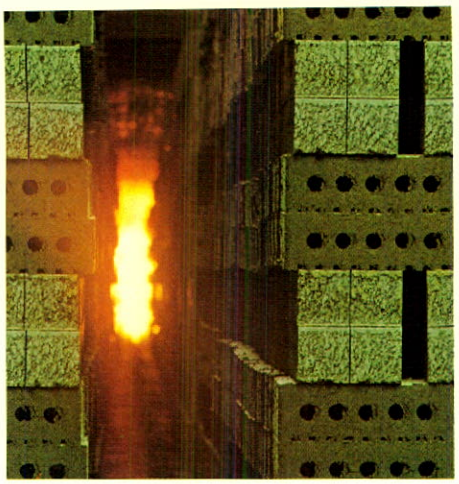
variety of colors and textures to meet the needs of both the residential and commercial building markets in east Texas. The name of Michigan Brick, Inc. was changed to U.S. Brick, Inc. to more accurately reflect the multi-state nature of the Corporation's operations in the midwestern market.

The Canadian construction industry was less severely hurt by economic uncertainty and interest rate problems. Ontario and Quebec residential starts dropped by 20%, but in both provinces non-residential construction held up better than residential construction. The reduction in industry demand, however, did result in a lower volume of sales in these areas. Selling prices advanced to recover increased costs and while some discounting did take place in the Quebec and Ontario markets, it was not nearly as severe as in the United States.

Lower demand levels and extreme price competition in the concrete brick product line prompted the decision late in the year to temporarily suspend operations at the Mississauga concrete brick facility. Canada Brick's main plant in Streetsville, Ontario, and St. Lawrence Brick's plant in La Prairie, Quebec, signed 2 year labor contracts. Unfortunately, the contract was preceded by a 10 week strike at the St. Lawrence operation.

In December the Corporation purchased 103 acres of land at Niagara-on-the-Lake. The acreage is fully licensed for the extraction of shale and contains sufficient reserves to supply a plant of 100 million units annual capacity. The acquisition of this choice shale deposit will give the Corporation the flexibility required in planning for a continuing strong presence in the Ontario market.

E. Yngve Carlson President

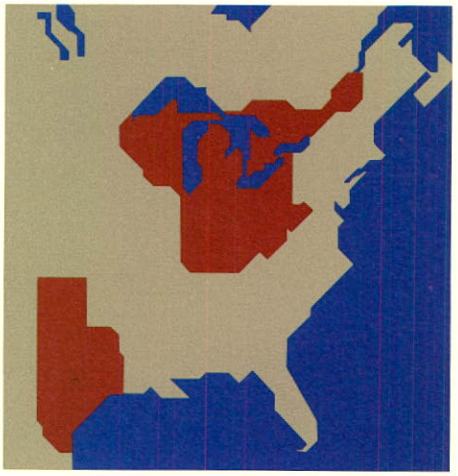


Outlook for 1981

The industry is once again entering a year in which there is a great deal of uncertainty. Neither the Canadian nor the American economy is expected to be strong, although gradual improvement is anticipated in the latter part of 1981.

In the United States in particular there is unsatisfied demand as a result of two years' underbuilding in residential construction. The 25-45 year age group, the prime house buying group, is increasing faster than in any previous period and the current rate of family formation is the highest ever. In both countries unsold houses and vacancy rates in rental units are at relatively low levels. If mortgage rates drop to levels which the buying public perceives as being affordable, the effect of this underbuilding in the housing market will make itself felt.

Sales levels are expected to increase, although not at the same rates as in previous years. Profits are expected to show an appreciable improvement as plants move toward optimal production levels.



Operations Review

The dollar value of sugar sales rose dramatically over the previous year because of an increase in the cost of raw sugar. In January 1980, raw sugar was quoted on the London market at £170 per tonne. In January 1981, it was selling at £305 per tonne. Figures on the chart below indicate an increase in operating profits. Financial costs, however, are not included. Increased value of inventories taken together with higher interest rates combined to bring about a greater interest expense which eliminated all profit gains over the previous year.

The per capita consumption of sugar and other sweeteners in Canada remained stable, but the traditional cane sugar market has been eroded by High Fructose Corn Syrup. H.F.C.S. has many industrial uses and its rapid market share growth has been a result of the dramatic rise in the world price of raw sugar. Total industry refined sugar sales, measured in tonnes, declined by approximately 5% over the previous year. Atlantic Sugar's tonnage sales were reduced by a comparable percentage.

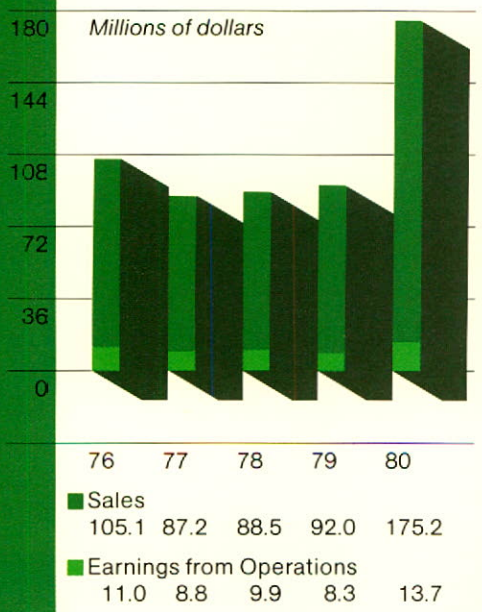
"Our strategy is to buy well...to take advantage of buying opportunities and then refine it efficiently. In 1980 we've held our own reasonably well."

The reduced domestic and export markets resulted in intense competition among the various sugar refiners in eastern Canada as each attempted to maintain plant throughput efficiencies. Discounting reached new highs and effectively eliminated the gains made in sugar buying and hedging.

Atlantic experienced major cost increases during the year. The cost of fuel oil, which is consumed at the rate of 25,000 gallons per day, rose approximately 36%. Labor costs were up 12% and packaging costs 18%. Transportation and warehouse costs also increased.

Outlook for 1981

Per capita demand for sugar will continue to decline due to increasing sales of H.F.C.S. Lower sales estimates have forced the refinery to reduce its operation to a 4 day, 32 hour work week.



Leo E. Labrosse President

Operations Review

Increased public awareness and concern over energy conservation had dramatic impact on the Corporation's results during 1980.

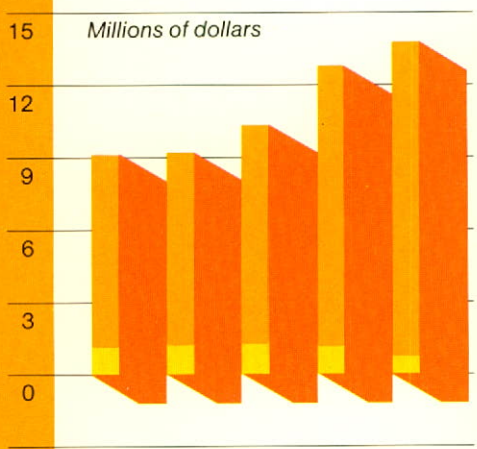
The Corporation experienced growth in its largest volume line, lighting products, but profits changed little. Increased energy concerns made obsolete many of the products and the Corporation had to underwrite substantial design and development activity to convert the large line of individual products to more energy efficient ones. This rapid change-over created many problems in balancing inventories along with the need to introduce new manufacturing techniques. As a result the Corporation was not able to reach full production capability. Sales of the Corporation's line of consumer products increased by approximately 40% over the previous year as markets for these products expanded.

"Lighting products offer more scope for growth than other business segment...with design and manufacturing problems behind us profitability levels should return to normal."

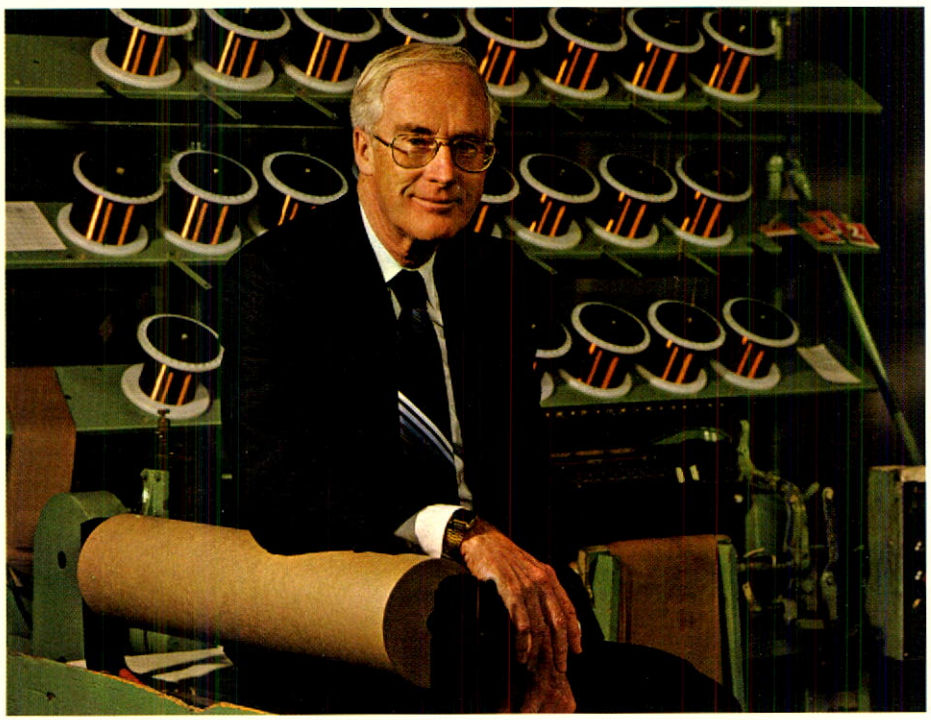
Canadian sales of heating products were below levels originally forecast. The sales of ignition transformers and fuel pumps fell by over 25% from last year's levels. Selling prices and gross margins were badly depressed as all manufacturers scrambled to maintain volumes in a market that had shrunk significantly as a result of the rapid increase in the price of heating oil. Export sales of these products, however, increased by 35% over the previous year's level, capitalizing on the market development work started earlier by the Corporation in the U.S.

Outlook for 1981

The outlook for 1981 is optimistic. In lighting products demand remains strong and with the majority of design and manufacturing problems in the past, the Corporation expects to improve profit by an aggressive pricing policy. Additional opportunities are available to improve profit through rationalization of the product line. Small quantity, uneconomic production orders will be reduced. The Corporation also anticipates increases in sales and profits as it expands its penetration of the U.S. market.



	76	77	78	79	80
Sales	9.1	9.2	10.3	12.8	13.8
Earnings from Operations	1.1	1.2	1.2	1.1	0.8



Roy A. Crolly President

Sales and Net Earnings

The sales increase from $455 million to $521 million was all due to the higher cost of raw sugar which boosted refined sugar sales by some $83 million. Other operations remained at or slightly below the previous year.

Earnings before extraordinary decreased from $24.1 million to $22.4 million, while earnings from operations decreased by 7% in spite of improved margins in some areas and strict control of expenses. This decrease was compounded by higher interest costs which, in the case of Atlantic Sugar, increased from $.5 million to $4.5 million. A reduced tax rate (discussed later in this review) resulted in the earnings before extraordinary showing an overall decrease of 7%. A creditable performance in a year of high interest and inflation rates.

The minority interest in Westeel-Rosco was acquired in August, 1980. Thus, the amount shown as minority interest in the earnings statement relates to the first eight months of earnings. All operations are now wholly owned.

Review of Quarterly Sales and Earnings

*Millions of dollars**	Net Sales		Net Earnings		Earnings Per Share	
Quarter	**1980**	1979	**1980**	1979	**1980**	1979
First	**110.8**	83.2	**4.0**	3.2	**0.30**	0.23
Second	**139.3**	119.5	**7.4**	8.3	**0.65**	0.77
Third	**129.6**	126.5	**5.6**	7.7	**0.48**	0.72
Fourth	**141.1**	125.4	**5.4**	4.9	**0.44**	0.38
	520.8	454.6	**22.4**	24.1	**1.87**	2.10

*Except per share figures.

The earnings per share calculations are based on the weighted number of shares outstanding–1980-9,617,123 1979-9,457,464.

Except for Brick, the first quarter was strong in most operations, particularly Westeel-Rosco due to construction contracts carried over from 1979. The second quarter showed a definite slackening in the economy for most operations which deepened in the third quarter. However, while it is perhaps too early to predict a strong renewal of the economy, all operations appear to have "bottomed out" in the fourth quarter with modestly improved sales and earnings.

Earnings

In reviewing the earnings picture for the year, consideration should be given to some of the major elements which affected this year's results.

Financial Costs

Short-Term

The prime rate opened at 15¼%, dropped to 12¼% in July and closed at 18¼%. Without Sugar's increase due to the high cost of raw sugar, interest costs would have been reduced due to strong controls on working capital.

Long-Term

The increase is due to both higher rates and increased debt in Brick and head office, the latter for the acquisition of the minority in Westeel-Rosco.

Other Income and Expense

Increased foreign exchange hedging costs were largely responsible for the year's net expenses.

Depreciation

Depreciation increased from $7.2 million to $8.5 million due mainly to Brick operations where the Brazos plant commenced production in April and the Tiffany operation, acquired in September, 1979, operated for a full year in 1980.

Income Taxes

There was a substantial reduction in income tax rates as detailed below–

Percentage	**1980**	1979
Tax at statutory rates (Federal, Provincial and Surtax)	**50.7**	49.3
Manufacturing and processing credit	**(3.6)**	(3.8)
Inventory allowance	**(3.7)**	(2.1)
Re-organization of operations	**(3.2)**	–
Inter-unit interest income at reduced rates	**(3.5)**	–
Reversal of non-taxable provisions	**(1.1)**	–
Amortization of investment tax credits	**(0.9)**	(0.2)
Other	**0.3**	1.6
	35.0	44.8

The continuing use of international finance subsidiaries for expansion into U.S. markets will be a major factor in maintaining a below normal tax rate projected at 40% in 1981.

Balance Sheet

Receivables

The marginal increase in receivables was due to the high price of sugar. Other operations kept receivables in line despite the current economic climate which makes collections difficult.

Inventories

While inventories were up marginally, if one eliminates Sugar inventories, there was a dramatic decrease from the 1979 levels. All steel operations had reduced levels, especially Westeel-Rosco where the reduction exceeded $12 million.

Working Capital

Control of the above areas reduced financial costs which have become a major factor at the current levels of interest rates. Working capital improved marginally and the current ratio remained relatively constant.

Capital Items

The Corporation spent $52 million in 1980 with a carry-over of approved expenditures of $12.7 million in 1981. The major expenditures were–

Millions of dollars **Nature of Expenditure**	**1980 Actual**	1981 Estimated
Westeel-Rosco		
Acquisition of 23.4% minority interest	**19.3**	–
Toronto manufacturing facility renovations and new helical plant in Burlington	**2.6**	–
Expansion of Edmonton facility	**–**	1.9
Sonco Steel Tube		
Large tube mill due on stream June, 1981	**13.5**	6.5
Brick Operations		
Completion of Brazos plant	**4.3**	–
Acquisition of Niagara shale land	**1.6**	–
Jannock Tube		
New Edmonton warehouse	**1.4**	.4
Atlantic Sugar		
Replacement of char vessels and renovation of char house	**1.9**	.6

These new facilities and expansion of existing plants will place the Corporation in a good position to take advantage of the economic recovery later this year. While these costs, almost 42% of which were covered by internally generated funds, are being borne at this time of depressed economic conditions, the rewards will come when the economy recovers.

Long-Term Debt

Brick's debt was increased by $10 million net with terms extended so that no repayments are scheduled until 1982 and maturity was changed from 1984 to 1988. In addition, $19.3 million was borrowed on a bridging basis until 1982 for acquisition of the Westeel-Rosco minority.

Shareholders' Equity and Retained Earnings
In reviewing the Statement of Changes in Financial Position, the amounts shown as the issue and reduction of capital include $1.2 million for shares issued and redeemed relating to the Optional Dividend Plan. In addition, there was the usual reduction of Second Preference shares by means of the sinking fund and an increase in Common shares due to exercise of Warrants, all as detailed in note 7.

The First Preference share dividends have increased as the dividend formula is based on the prime rate. The increase in Common dividends is due to a full fiscal year at the 64¢ rate.

Accounting Policies and Notes
There were no changes in accounting policies during 1980. The Corporation is continuing to employ the "temporal" method for translating the accounts of foreign subsidiaries pending final resolution by the various accounting bodies.

The only new note this year involves Segmented Data (note 12) which although useful, suffers from an inherent weakness; that being the failure to relate the timing of acquisitions or capital expenditures with the revenue generated. In the case of Jannock, over $26 million of construction in progress and recent capital expenditures involving the Steel and Brick groups is included in identifiable assets which contributed little or no income. This should be considered in reviewing the performance for the past year.

Inflation accounting is under constant review by many accounting bodies but no real solutions have been found as to how the information can be properly presented to shareholders or indeed whether it should due to the confusion it will undoubtedly cause. The cost to provide this data, useful or otherwise, could be substantial.

Summary
The past year has been a most difficult one. Operations have responded with maintenance of minimum inventories and strong control over receivables. Capital expenditures have continued in those areas of further growth and development even though there is a cost to be incurred during these uncertain times. However, to have waited would have resulted, in these periods of high inflation, in still higher costs and not being prepared for the anticipated recovery in the economy in the latter part of 1981.

Even under these conditions, the return on capital employed is at 15.9% down from 18.5% last year. Working capital remains strong despite the substantial capital spending program.

While the return on common shareholders' equity has dropped, it is still a very respectable 23.7%. The long-term debt/equity ratio (considering the First Preferred as debt) stands at 46% debt/54% equity, a slight increase from the previous year.

Thus, the Corporation has been able to withstand this difficult year and is prepared with available capacity to participate in the renewed growth of the North American economy from a strong financial base.

C. W. Leonardi
Executive Vice President, Finance

Consolidated Statement of Earnings

For the year ended December 31, 1980 *Dollars*	**1980**	1979
Sales	**520,822,188**	454,647,094
Cost of sales, selling, distribution and general expenses	**458,850,330**	390,036,081
Depreciation	**8,516,110**	7,187,213
	467,366,440	397,223,294
Earnings from Operations	**53,455,748**	57,423,800
Interest on long-term debt	**5,344,261**	3,562,051
Interest on short-term debt	**10,410,210**	6,381,187
	15,754,471	9,943,238
Other income (expense)	**(536,895)**	808,786
	16,291,366	9,134,452
Earnings Before Income Taxes	**37,164,382**	48,289,348
Provision for Income Taxes		
Current	**8,408,323**	21,161,801
Deferred	**4,612,280**	481,524
	13,020,603	21,643,325
Earnings Before Minority Interest and Extraordinary Items	**24,143,779**	26,646,023
Minority Interest	**1,701,648**	2,576,340
Earnings Before Extraordinary Items	**22,442,131**	24,069,683
Extraordinary Items (note 8)	**(483,745)**	51,216
Net Earnings for the Year	**21,958,386**	24,120,899
Earnings per share (note 7(d))		
Before extraordinary items	**1.87**	2.10
After extraordinary items	**1.82**	2.10

See accompanying statement of accounting policies and notes to financial statements.

Consolidated Statement of Retained Earnings

For the year ended December 31, 1980 *Dollars*	**1980**	1979
Balance–Beginning of Year	**31,356,169**	17,028,600
Net earnings for the year	**21,958,386**	24,120,899
	53,314,555	41,149,499
Dividends–		
First Preference shares	**2,523,756**	2,277,357
8% Second Preference shares	**1,919,710**	1,945,315
6% Third Preference shares	**399**	1,665
Common shares	**6,169,304**	5,588,499
	10,613,169	9,812,836
Cost under the stated book value of preference shares purchased for cancellation	**95,139**	19,506
	10,518,030	9,793,330
Balance–End of Year	**42,796,525**	31,356,169

See accompanying statement of accounting policies and notes to financial statements.

Consolidated Balance Sheet

As at December 31, 1980 *Dollars*	**1980**	1979
Assets		
Current Assets		
Cash and short-term investments	**7,357,050**	13,243,294
Accounts receivable	**83,521,553**	76,270,197
Inventories (note 2)	**109,506,391**	102,875,658
Prepaid expenses and other assets	**5,397,510**	8,141,029
	205,782,504	200,530,178
Fixed Assets–at cost (note 3)	**186,085,273**	149,448,324
Less: Accumulated depreciation and amortization	**67,918,911**	59,654,101
	118,166,362	89,794,223
Other Assets (note 4)	**1,361,732**	1,126,066
Intangibles	**12,615,227**	12,659,284
	337,925,825	304,109,751

See accompanying statement of accounting policies and notes to financial statements.

Signed on behalf of the board

George E. Mara, Director

H. Gordon MacNeill, Director

As at December 31, 1980 *Dollars*	**1980**	1979
Liabilities		
Current Liabilities		
Bank indebtedness (note 5)	**74,830,870**	64,801,709
Accounts payable and accrued liabilities	**41,200,262**	44,583,027
Income taxes payable	**4,323,151**	8,752,997
Current instalments of long-term debt (note 6)	**1,228,819**	4,032,657
Dividends payable	**2,033,280**	2,007,769
Deferred income taxes	**4,130,465**	3,365,902
	127,746,847	127,544,061
Long-Term Debt (note 6)	**59,879,211**	30,261,510
Deferred Income Taxes	**16,433,553**	11,821,273
Minority Interest	**-**	12,951,351
	204,059,611	182,578,195
Shareholders' Equity		
Share Capital (note 7)		
Issued and fully paid–		
1,500,000 First Preference shares, Series One	**30,000,000**	30,000,000
1,577,858 8% Second Preference shares	**23,667,870**	24,065,370
763 6% Third Preference shares	**7,630**	5,030
9,732,486 Common shares	**37,394,189**	36,104,987
Retained Earnings	**42,796,525**	31,356,169
	133,866,214	121,531,556
	337,925,825	304,109,751

See accompanying statement of accounting policies and notes to financial statements.

Auditors' Report to the Shareholders
We have examined the consolidated balance sheet of Jannock Limited as at December 31, 1980 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the 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.

Coopers & Lybrand

Chartered Accountants
Toronto, Ontario
February 18, 1981

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1980 *Dollars*	**1980**	1979
Source of Working Capital		
Net earnings for the year before extraordinary items	**22,442,131**	24,069,683
Items not affecting working capital –		
Depreciation	**8,516,110**	7,187,213
Deferred income taxes	**4,612,280**	481,524
Amortization of other assets	**125,300**	93,688
Amortization of goodwill	**44,057**	14,419
Loss (gain) on sale of fixed assets	**(455,116)**	(150,550)
Minority interest in earnings	**1,701,648**	2,576,340
Provided from operations	**36,986,410**	34,272,317
Proceeds from disposal of fixed assets	**1,163,231**	1,176,680
Proceeds on disposal of other assets	**72,034**	3,447,923
Issue of share capital	**2,464,162**	1,787,755
Increase in long-term debt	**33,050,000**	4,866,030
Reversal of excess provision on outstanding lawsuit	**489,314**	—
Current income taxes applicable to extraordinary items	**796,139**	367,810
	75,021,290	45,918,515
Use of Working Capital		
Acquisition of subsidiaries	**–**	6,493,000
Less: working capital acquired	**–**	(290,151)
	–	6,783,151
Acquisition of minority interest in subsidiary	**19,275,747**	—
Additions to fixed assets	**32,724,293**	15,140,266
Reduction of long-term debt	**3,865,299**	5,758,535
Reduction of preference share capital	**1,474,721**	1,225,224
Dividends to shareholders	**10,613,169**	9,812,836
Dividends to minority shareholders of subsidiary	**249,323**	497,027
Loss from non-delivery of hedged raw sugar (note 8)	**1,769,198**	—
	69,971,750	39,217,039
Increase in Working Capital	**5,049,540**	6,701,476
Working Capital – Beginning of Year	**72,986,117**	66,284,641
Working Capital – End of Year	**78,035,657**	72,986,117

See accompanying statement of accounting policies and notes to financial statements.

Statement of Accounting Policies

For the year ended December 31, 1980

Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiaries. Intercompany transactions and account balances have been eliminated on consolidation. Acquisitions are accounted for by the purchase method and accordingly the results of operations of subsidiaries are included from the dates of acquisition.

Inventories

Inventories, other than commodity inventories, are stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

Commodity inventories are stated at the lower of cost and replacement cost. Cost is determined on a first-in, first-out basis with the exception of refined sugar, which is determined on the average cost for the year.

Fixed Assets

Fixed assets are carried at cost. Interest expense relating to major capital expenditures is capitalized by a charge to fixed asset additions where significant interest costs will be incurred before the capital facility commences actual production.

Depreciation of fixed assets, which is based on management's estimate of the useful life, is calculated on a straight-line basis.

Profits and losses on the sale of fixed assets are charged to operations unless of an extraordinary nature.

Deferred Income Taxes

Deferred income taxes are provided for all differences between the income and expenses reflected in the statements and the amounts included in the computation of income for tax purposes for the current year, provided that such differences will be included in the computation of income for tax purposes in future years. These timing differences are primarily comprised of:

- the excess of capital cost allowance for income tax purposes over depreciation expense.
- accounts receivable holdbacks and profit on uncompleted contracts which are not yet subject to income taxes.

Investment tax credits are deferred and amortized over the useful life of the related fixed assets. The unamortized balance is included with deferred income taxes.

Intangibles

Intangibles comprise principally goodwill, being the excess of cost of investment in subsidiaries over the assigned value of net assets acquired. The amount arising prior to March 31, 1974 is not being amortized as management believes it has a continuing value. In accordance with generally accepted accounting principles, the amount relating to acquisitions after March 31, 1974 is being amortized on a straight-line basis over the lesser of its estimated useful life and forty years. Goodwill is written down by a charge to earnings as an extraordinary item when, in the opinion of management, there has been a permanent impairment in value.

Translation of Foreign Currencies

Accounts in foreign currencies have been translated into Canadian dollars using the "temporal" method. Under this method, current assets (except inventories), current liabilities and long-term debt are translated at the year-end exchange rate. The other assets and liabilities, including inventories and fixed assets, and the related charges to reflect cost of inventories sold and depreciation, are translated at the historical rate of exchange prevailing at the date of acquisition. All other revenue and expense accounts are translated at the average rate of exchange during the year, calculated on a monthly basis.

Exchange gains or losses on translation of long-term debt are amortized on a straight-line basis over the term of the debt. The amortization for the period and all other foreign exchange gains and losses are included in the determination of net earnings for the year.

Contract Revenues

Revenues from construction supply-and-install contracts are recognized on the percentage of completion basis.

Notes to Consolidated Financial Statements

For the year ended December 31, 1980

1. Significant Changes in Operations

Effective August 31, 1980, the Corporation acquired the outstanding shares of Westeel-Rosco Limited not previously owned. This minority interest represented 23.4% of the total outstanding shares of Westeel-Rosco Limited thereby giving the Corporation a 100% interest in the company. Details of this acquisition are as follows:

Dollars	
Minority interest at book value	14,403,676
Minority interest in the assigned value of net fixed assets acquired in excess of book value	4,872,071
Total purchase price	19,275,747
Consideration–cash	19,275,747

On April 2, 1979 the Corporation purchased all the outstanding shares of F.B. McFarren, Limited, a brick manufacturer in Streetsville, Ontario.
On September 6, 1979 the Corporation purchased all the outstanding shares of Tiffany Brick, Inc. of San Antonio, Texas. Cost of these acquisitions was $6,493,000.

2. Inventories

Dollars	**1980**	1979
Raw materials and supplies	**38,451,572**	35,803,277
Work in process	**5,433,950**	4,758,673
Finished goods	**65,620,869**	62,313,708
	109,506,391	102,875,658

3. Fixed Assets

		1980	Depreciation		1979
Dollars	**Cost**	**Net**	rates %	Cost	Net
Land	**16,873,225**	**16,514,282**	–	12,087,365	11,548,145
Buildings	**47,420,510**	**31,310,798**	2½– 5	39,254,666	25,252,869
Plant equipment	**93,541,753**	**49,806,449**	5–20	78,354,653	40,168,937
Mobile equipment	**5,486,702**	**2,189,567**	20–33	4,950,746	2,251,109
Furniture and fixtures	**5,495,133**	**1,539,149**	10–20	4,972,638	1,531,052
Leasehold improvements	**975,801**	**513,968**	5–10	1,845,129	1,058,984
Construction in progress	**16,292,149**	**16,292,149**	–	7,983,127	7,983,127
	186,085,273	**118,166,362**		149,448,324	89,794,223

Interest capitalized during the year amounted to $1,168,774 (1979–$185,488).

Insured value on the basis of replacement cost as at December 31, 1980 was $310,900,000.

4. Other Assets

Other assets includes a long-term loan receivable from an officer of $283,322 (1979–$352,356).

5. Bank Indebtedness

Bank loans aggregating $49,398,870 are secured by inventories and a general assignment of book debts.

6. Long-Term Debt

Dollars	**1980**	1979
Jannock Limited		
Term bank loan–prime rate maturing January 31, 1982	**20,000,000**	–
Sinking fund debentures 6¾% Series 'A' maturing 1985	**882,730**	1,014,390
Jannock Industries Limited		
Sinking fund bonds 6¾% Series 'A' maturing 1984	**1,317,000**	1,508,000
Secured by guarantee of Jannock Limited		
Westeel-Rosco Limited		
Mortgage–10½% maturing 1992	**3,197,000**	3,231,000
Secured by certain fixed assets		
Canada Brick Company Limited		
Term loan–commercial paper rate plus 1¼% maturing 1988	**12,300,000**	8,300,000
Term loan–"Libor" rate plus 1¼% maturing 1988.	**20,468,000**	13,747,500
The principal amount is $17,200,000 U.S. These two loans are secured by a first mortgage on the fixed assets of Canada Brick Company Limited and other collateral		
U.S. Brick, Inc.		
Notes payable–10% maturing January 1, 1982		
The principal amount is $1,372,667 U.S.	**1,633,000**	2,419,325
Secured by guarantee of Jannock Limited		
Tiffany Brick, Inc.		
Term bank loan–U.S. prime rate plus 1½%	**–**	2,350,000
Other–the principal amount is $72,500 U.S.	**86,000**	404,155
St. Lawrence Brick Co. Limited		
First mortgage sinking fund bonds 9⅜% Series 'A' maturing 1990. Secured by fixed assets	**992,000**	1,060,000
Sonco Steel Tube Limited		
First mortgage 7¾% maturing 1987	**232,300**	259,797
Secured by land and buildings		
	61,108,030	34,294,167
Less: Sinking fund and principal payments due within one year	**1,228,819**	4,032,657
	59,879,211	30,261,510

Payments of principal and interest (calculated, where applicable, on exchange and interest rates existing at December 31, 1980) required during the next five years to meet long-term debt instalments and sinking fund provisions are:

Dollars	Principal	Interest
1981	1,228,819	8,693,606
1982	24,796,013	5,107,574
1983	3,992,542	4,331,820
1984	4,032,271	3,810,696
1985	4,113,796	3,286,260

7. Share Capital

(a) Authorized

3,000,000 First Preference shares with a par value of $20 each, issuable in series. The first series, consisting of 1,500,000 shares, are designated as Cumulative Redeemable First Preference shares, Series One and are non-voting unless six quarterly dividends are in arrears. The dividend rate for these shares is a rate equal to one-half the Canadian prime bank rate plus 1¼%. The Corporation must redeem 250,000 of these shares in each of the years 1985 to 1987 inclusive and the balance in 1988. The provisions attaching to these shares provide for early retirement in certain events and contain restrictions on the issuance of additional debt.

1,657,710 8% Cumulative Redeemable Second Preference shares with a par value of $15 each. These shares may be purchased for cancellation from a $300,000 annual purchase fund and carry no voting rights until six quarterly dividends are in arrears.

805,316 6% Cumulative Non-voting Third Preference shares with a par value of $10 each. These shares may be redeemed at the option of the Corporation or the holder at par.

20,000,000 Common shares, without par value.

7. Share Capital *(continued)*

(b) Changes during the year

There were 26,500 Second Preference shares redeemed during the year at a cost of $302,360.

There were 117,496 Third Preference shares issued to common shareholders as dividends under the Optional Dividend Plan at a stated value of $1,174,960. During the year, 117,236 Third Preference shares were redeemed for $1,172,360 cash.

There were 169,764 Common shares issued during the year for a cash consideration of $1,018,584 as the result of the exercise of Warrants. In addition, 22,809 Common shares were issued to common shareholders as dividends under the Optional Dividend Plan for a stated value of $270,617.

(c) Reservations of capital stock–

(i) Warrants

The following share purchase warrants are outstanding:

Name	Number	Number and class of shares	Exercise price	Expiry date
1977 Warrants	639,733	2 Common shares	$12.00 per 2 shares	July 31, 1982
			$15.00 per 2 shares	July 31, 1987

As a result of the share subdivision during 1979, a Warrant now carries the right to purchase two Common shares for an aggregate consideration as detailed above. The unit of trading on The Toronto Stock Exchange and the Montreal Stock Exchange represents the right to purchase one Common share. One Warrant therefore represents two trading units.

(ii) Options

193,500 Common shares have been reserved under a stock option plan for officers and employees. There are options outstanding for 12,000 shares dated April 19, 1972 exercisable at $3.50 and expiring April 19, 1982.

250,000 Common shares are reserved under a share purchase plan for officers and employees. The purchase price is market value at the date of issue of shares under the plan.

(iii) Optional Dividend Plan

65,894 Common shares have been reserved for issuance under the Corporation's Optional Dividend Plan whereby common shareholders can receive Common shares as dividends in lieu of cash at the average quoted market value of the shares for the ten trading days following the dividend record date. An initial total of 100,000 Common shares were reserved for issuance, which amount was reduced by shares issued under the Plan. Additional Common shares can be reserved by board resolution if there is a need to increase the number of shares reserved for the Plan.

(d) Earnings per share

Earnings per share were calculated on the following basis:

Dollars (except number of shares)	**1980**	1979
Earnings for the year before extraordinary items	**22,442,131**	24,069,683
Earnings before extraordinary items applicable to Common shares	**17,998,266**	19,845,346
Weighted average number of Common shares outstanding during the year	**9,617,123**	9,457,464
Earnings per share–before extraordinary items	**1.87**	2.10
The exercise of warrants and options would result in dilution of earnings per share as follows:		
Earnings per share–before extraordinary items	**1.87**	2.10
Exercise of options	**–**	–
Exercise of warrants	**(0.17)**	(0.23)
Fully diluted earnings per share–before extraordinary items	**1.70**	1.87
Fully diluted earnings per share–after extraordinary items	**1.66**	1.87

8. Extraordinary Items

Dollars	**1980**	1979
Loss from non-delivery of hedged raw sugar (net of current income taxes of $796,139)	**(973,059)**	–
Reversal of excess provision on settlement of outstanding lawsuit	**489,314**	–
Profit on disposal of investments (net of current and deferred income taxes of $328,025)	–	1,442,884
Write-down of goodwill	–	(1,391,668)
	(483,745)	51,216

9. Commitments

Operating lease commitments are as follows:

Dollars	
1981	2,181,997
1982	1,454,376
1983	637,056
1984	442,917
1985	404,665
1986-1990	729,243
1991-1995	291,003

Capital expenditures committed at December 31, 1980 amounted to $9,106,000. In addition, the board of directors has approved a further $3,608,000 of capital expenditures.

10. Pension Plans

The Corporation and its subsidiaries have a number of pension plans for employees. There are no unfunded liabilities in respect of these pension plans.

11. Remuneration of Directors and Officers

The aggregate direct remuneration paid to the directors and officers during 1980 totalled $725,740 (1979–$626,025).

12. Segmented Data

The Corporation operates principally in Canada in three industries–the manufacturing and distribution of a wide variety of steel products, the refining of sugar and the manufacturing of bricks. Steel products include tubing and a wide range of fabricated metal products used in industrial, commercial and highway construction and the agricultural industry. Refined sugar is sold to commercial bakeries, soft drink bottlers and retail outlets. Bricks are sold in Canada and the United States for use in commercial and residential construction.

Dollars

1980	Canada	United States	Elimination	Consolidated
Sales				
Steel				
Customers	276,832,930	2,383,959	–	279,216,889
Intercompany	5,894,694	–	(5,894,694)	–
Brick	26,281,574	26,270,000	–	52,551,574
Sugar	175,236,409	–	–	175,236,409
Other	13,817,316	–	–	13,817,316
	498,062,923	28,653,959	(5,894,694)	520,822,188
Earnings from Operations				
Steel	34,691,827	(43,157)	–	34,648,670
Brick	7,000,179	(908,000)	–	6,092,179
Sugar	14,090,674	–	–	14,090,674
Other	770,837	–	–	770,837
	56,553,517	(951,157)	–	55,602,360
Corporate				(2,146,612)
				53,455,748

12. Segmented Data
(continued)

Dollars	Canada	United States	Elimination	Consolidated
Identifiable Assets				
Steel	180,182,714	2,102,950	–	182,285,664
Brick	28,463,712	42,355,060	–	70,818,772
Sugar	67,127,778	–	–	67,127,778
Other	9,081,334	–	–	9,081,334
	284,855,538	44,458,010	–	329,313,548
Corporate				8,612,277
				337,925,825
Capital Expenditures				
Steel	20,988,642	–	–	20,988,642
Brick	2,175,825	5,852,000	–	8,027,825
Sugar	3,483,042	–	–	3,483,042
Other	224,784	–	–	224,784
	26,872,293	5,852,000	–	32,724,293
Depreciation and Amortization				
Steel	2,960,776	20,720	–	2,981,496
Brick	1,708,811	2,485,000	–	4,193,811
Sugar	1,235,071	–	–	1,235,071
Other	105,732	–	–	105,732
	6,010,390	2,505,720	–	8,516,110
1979				
Sales				
Steel				
Customers	284,876,511	9,590,865	–	294,467,376
Intercompany	5,574,000	–	(5,574,000)	–
Brick	30,527,957	24,790,200	–	55,318,157
Sugar	92,027,979	–	–	92,027,979
Other	12,833,582	–	–	12,833,582
	425,840,029	34,381,065	(5,574,000)	454,647,094
Earnings from Operations				
Steel	34,539,607	377,616	–	34,917,223
Brick	9,716,510	5,103,730	–	14,820,240
Sugar	8,714,427	–	–	8,714,427
Other	1,099,447	–	–	1,099,447
	54,069,991	5,481,346	–	59,551,337
Corporate				(2,127,537)
				57,423,800
Identifiable Assets				
Steel	170,982,684	2,733,214	–	173,715,898
Brick	24,485,031	40,714,898	–	65,199,929
Sugar	41,305,304	–	–	41,305,304
Other	8,584,423	–	–	8,584,423
	245,357,442	43,448,112	–	288,805,554
Corporate				15,304,197
				304,109,751
Capital Expenditures				
Steel	4,477,020	–	–	4,477,020
Brick	1,540,661	8,278,000	–	9,818,661
Sugar	663,471	–	–	663,471
Other	181,114	–	–	181,114
	6,862,266	8,278,000	–	15,140,266
Depreciation and Amortization				
Steel	2,855,355	14,992	–	2,870,347
Brick	1,590,529	1,539,000	–	3,129,529
Sugar	1,099,155	–	–	1,099,155
Other	88,182	–	–	88,182
	5,633,221	1,553,992	–	7,187,213

		1980	1979	1978	1977	1976
Operating Results *Millions of dollars*	Sales	**520.8**	454.6	323.3	175.8	174.6
	Earnings from Operations	**53.5**	57.4	40.9	23.6	22.0
	Earnings before Extraordinary Items	**22.4**	24.1	18.2	12.8	11.2
	Net Earnings	**22.0**	24.1	18.2	12.8	11.2
	Funds provided from Operations	**37.0**	34.3	25.0	17.0	15.4
	Interest Expense					
	Long-Term	**5.3**	3.6	3.3	2.2	2.6
	Short-Term	**10.4**	6.4	3.1	1.0	1.1
	Dividends Paid on Common shares	**6.2**	5.6	5.4	2.4	2.4
	Dividends Paid on Preference shares	**4.4**	4.2	2.6	1.8	1.9
	Capital Expenditures	**32.7**	15.1	9.0	8.8	3.6
	Depreciation	**8.5**	7.2	5.2	3.1	2.6
Financial Position *Millions of dollars*	Intangibles	**12.6**	12.7	12.3	12.3	12.4
	Working Capital	**78.0**	73.0	66.3	32.7	41.1
	Fixed Assets–Net	**118.2**	89.8	75.9	42.9	35.2
	Total Assets	**337.9**	304.1	250.4	123.3	118.5
	Long-Term Debt	**59.9**	30.3	29.6	16.5	25.6
	Common Shareholders' Equity	**80.2**	67.5	52.1	41.7	36.5
	Preference Shareholders' Equity	**53.7**	54.0	54.5	25.0	24.7
Financial Ratios	Working Capital	**1.6:1**	1.6:1	1.7:1	2.0:1	2.7:1
	Return on Common Shareholders' Equity *(%)*	**23.7**	33.3	33.2	28.1	28.4
	Return on Capital Employed *(%)*	**15.9**	18.5	18.7	16.7	15.0
	Long-Term Debt to Shareholders' Equity	**31:69**	22:78	22:78	20:80	19:81
Share Data *Dollars per share*	Basic Earnings before Extraordinary Items	**1.87**	2.10	1.67	1.13	.92
	Basic Earnings after Extraordinary Items	**1.82**	2.10	1.67	1.13	.93
	Fully Diluted Earnings	**1.66**	1.87	1.47	1.00	.84
	Dividends Paid	**.64**	.59	.54	.27	.25
	Equity	**8.24**	7.07	5.56	4.48	3.61
	Shares Outstanding					
	Common *(000's)*	**9,732**	9,540	9,379	9,326	10,134
	Second Preference *(000's)*	**1,578**	1,604	1,636	1,666	(1)
	Number of Common shareholders	**5,297**	5,616	5,152	5,635	5,764
	Price Range					
	Common shares					
	High	**15.00**	14.63	10.75	6.38	3.75
	Low	**9.38**	9.25	5.88	3.38	2.50
	Second Preference Shares					
	High	**14.00**	15.50	15.63	14.63	
	Low	**10.25**	13.00	13.75	13.00	(1)
	1977 Warrants					
	High	**8.75**	8.75	7.63	1.75	
	Low	**4.50**	4.75	1.60	.75	(1)

(1) Not applicable due to effect of 1977 Share Capital Reorganization. Class A and Class B share were reclassified as Common shares on January 3, 1979.

Data for all years has been restated to reflect the two-for-one share subdivision effective September 12, 1979.

Certain figures have been reclassified for comparative purposes.

The Directors

****Jack C. Barrow**
Toronto, Ontario
Director
Simpsons-Sears Limited

*** **J. Allan Boyle**
Toronto, Ontario
President
The Toronto-Dominion Bank

L. Yves Fortier
Montreal, Quebec
Partner
Ogilvy, Renault

William P. Frankenhoff
New York, New York
President
William P. Frankenhoff, Inc.

***William M. Hatch**
Toronto, Ontario
Chairman
Hatchwill Investments Limited

****J. Howard Hawke**
Toronto, Ontario
Chairman
Bache, Halsey, Stuart Canada Ltd.

***H. Gordon MacNeill**
Toronto, Ontario
President and Chief Executive Officer
Jannock Limited

***George E. Mara**
Toronto, Ontario
Chairman of the Board
Jannock Limited

William J. R. Paton
Thunder Bay, Ontario
Chairman of the Board
The Northern Engineering & Supply Co. Limited

****Donald R. Sobey**
Stellarton, Nova Scotia
President
Empire Company Limited

Walter G. Ward
Toronto, Ontario
Chairman of the Board
Algoma Steel Corporation Limited

***Donald G. Willmot**
Toronto, Ontario
Chairman of the Board
The Molson Companies Limited

*Member of the Executive Committee
**Member of the Audit Committee

Corporate Directory

Corporate Management

H. Gordon MacNeill
President and Chief Executive Officer

C. W. (Leo) Leonardi
Executive Vice President, Finance

R. Jay Atkinson
Vice President, Corporate Development

R. Harold Weir
Vice President and Secretary

Peter S. Hayward
Treasurer

R. Keith McAlpine
Controller

Operating Management

E. Yngve Carlson
President
Canada Brick Company Limited
P.O. Box 668, Britannia Road West, Streetsville, Ontario L5M 2C3
Tel: (416) 277-2794

Roy A. Crolly
President
Allanson Manufacturing Company Limited
33 Cranfield Road, Toronto, Ontario M4B 3H2
Tel: (416) 755-1191

Leo E. Labrosse
President
Atlantic Sugar Limited
P.O. Box 7, 5660 Ferrier Street, Montreal, Quebec H3C 1C5
Tel: (514) 342-5660

John G. MacKay
President
Sonco Steel Tube Limited
14 Holtby Avenue, Brampton, Ontario L6X 2M1
Tel: (416) 451-2400

Douglas G. Sinclair
President
Jannock Tube Limited
837 Fourth Line, Oakville, Ontario L6L 5B8
Tel: (416) 845-1642

Lawrence R. Wright
President
Westeel-Rosco Limited
1 Atlantic Avenue, Toronto, Ontario M6K 1X7
Tel: (416) 537-4411

Head Office
P.O. Box 43, Toronto-Dominion Centre, Toronto, Ontario M5K 1B7
Tel: (416) 364-8586

Bankers
The Toronto-Dominion Bank

Auditors
Coopers & Lybrand

General Counsel
Fraser & Beatty, Toronto
McCarthy & McCarthy, Toronto

Incorporation
Province of Ontario

Stock Listing
The Toronto Stock Exchange
Montreal Stock Exchange

Transfer Agent & Registrar
Canada Permanent Trust Company
Montreal, Toronto, Winnipeg, Calgary and Vancouver