Annual Report 1981

Jannock, through its subsidiaries, is in three steel-related businesses. It is a producer of building brick and manufactures electrical components and related products. Jannock is one of the leading participants in every market it serves.

jannock (jan'ok) (North. dial) a. and adv. Fair, straightforward Source: Oxford Concise Dictionary

Table of Contents

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

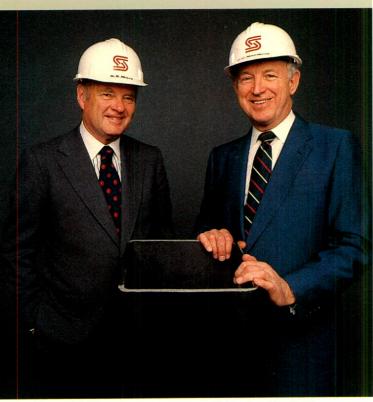
Financial Highlights

Millions of dollars*	1981	1980
Sales	474.6	520.8
Earnings from operations	36.1	53.5
Provision for income taxes	6.9	13.0
Net earnings before extraordinary items	13.1	22.4
Working capital	52.0	78.0
Earnings per Common share before extraordinary items	0.81	1.87
Equity per Common share	8.52	8.24
Dividend per Common share	0.64	0.64

^{*}Except per share figures

	Earnings Per Common Share Before Extraordinary Items	Equity Per Common Share	Dividend Per Common Share
\$2.50	\$	8.75	\$0.75
2.00		7.00	.60
1.50		5.25	.45
1.00		3.50	.30
.50		1.75	.15
0		0	0
	1977 1978 1979 1980 1981	1977 1978 1979 1980 1981	1977 1978 1979 1980 1981

Report to the Shareholders



George E. Mara, Chairman of the Board

H. Gordon MacNeill, President and Chief Executive Officer

The year was difficult and the results disappointing. Net earnings before extraordinary items were \$13,098,000 or 81 cents per share compared with earnings of \$22,442,000 or \$1.87 per share in 1980. Consolidated sales for the year were \$474,569,000 compared with \$520,822,000 in 1980. The two sales figures are not comparable as the 1981 figure includes the sales of Atlantic Sugar for only the first six months of the year. Sales of all other operations in 1981 increased over the earlier period.

The source of the disappointing results came mainly from the sugar operations and Westeel. In the first six months of the year, Atlantic Sugar lost more than \$1.4 million. Last year Atlantic Sugar had earnings from operations of \$14.1 million. On July 3, 1981 this Corporation effectively sold a majority interest in Atlantic Sugar to third parties. Sugar earnings for the last six months of the year were modest and added little to Jannock's earnings. The earnings from operations of Westeel-Rosco fell to \$16.2 million in 1981 from \$23.7 million in 1980.

The year saw the conclusion of the plan to transform Jannock from a corporation conducting several unrelated businesses, including the sugar business, to one with related or complementary operations. The sale of a majority interest in Atlantic Sugar was advantageous to the Corporation. The effect of the transaction in early July was to sell 52.5 percent of the equity of Atlantic Sugar to others, to withdraw \$13 million in cash and to take back \$7.1 million in dividend-paying preference shares which will be redeemed in annual instalments commencing in 1984 through 1995. The sale serves to give the Corporation a stronger balance sheet.

Concerted effort has been made over the past years to identify and acquire assets and businesses that will provide a superior return on the shareholders' equity. The criteria for investment has been demanding so that only opportunities with outstanding potential are seriously evaluated. In 1978 Jannock acquired a majority interest in Westeel-Rosco and two years later purchased the balance of the shares outstanding. That

The Corporation now has assets in place to significantly exceed peak profit levels when the North American economy improves.

was a substantial acquisition and it increased earnings immediately. The Corporation continues to search for investments of high earnings potential.

Meaningful additions to Jannock's earnings base have been made over the past years by expanding the existing businesses. Taken individually, these acquisitions have not yet had the impact nor gained the prominence of the Westeel-Rosco purchase; taken together they have greatly enhanced the Corporation's earnings capacity. The adverse economic conditions of the last two years have masked the increased earnings capability of Jannock. The Corporation now has assets and businesses in place to allow it to significantly exceed previous profit levels once business conditions become favorable. In 1981, the Corporation continued this disciplined asset-building approach.

In last year's report the observation was made as to the open-endedness of the Sonco business. The completion of the new \$20 million plant and the installation of the mill for the fabrication of large sizes of hollow structural sections will allow Sonco to significantly increase its earnings. Sonco now produces pipe and casings for use in the oil industry. Further processing of the pipe and casings will be carried out by a facility in Ohio which was acquired in 1981 by a corporation in which Sonco has a 50 percent interest. A \$12 million (U.S.) expansion program is presently underway at the Ohio pipe finishing facility. With accelerated efforts in both Canada and the United States for energy selfsufficiency, the demand for oil industry pipe will continue to grow.

During the year the Corporation made a modest commitment in the venture capital field. Jannock acquired a 50 percent interest in Fuelcon Systems Inc. of Toronto. Fuelcon is engaged in the development and marketing of conversion kits for vehicles which allow the vehicle to use either propane fuel or regular fuel. Fuelcon intends to own and operate certain conversion outlets and to franchise other outlets across the country.

In 1981 Westeel-Rosco sold its real-estate investment in Winnipeg and realized an extraordinary gain of \$2.6 million. Within the last month Westeel-Rosco acquired the assets and business of the agricultural division of Century Engineering Corporation of Cedar Rapids,

lowa. Century is a leading manufacturer of liquid fertilizer sprayers and related agricultural equipment. The acquisition allows for the entry of Westeel-Rosco into the North American sprayer market and other product lines will be added. Westeel will introduce into the United States and Canadian markets a newly designed Wide-Corr grain bin. A warehouse in the Chicago area has been leased to act as the distribution center for the grain bins and other products that will be added.

The Canadian brick operations recorded good earnings considering the low level of housing starts in Ontario and Quebec. The United States operations were not able to produce at a break-even rate. There is substantial capacity that is not currently being used because of the depressed construction industry in the United States. Once the housing industry recovers, the capacity is in place for worthwhile gains in earnings.

This report is written at a time of disquiet with the state of the Canadian economy. We are encouraged by the action taken by the United States Administration which appears to have produced a fundamental abatement of inflation in that country. This lowering of inflation is an essential pre-condition for any sustainable economic progress. There is evidence that, within months, business activity will start an upward swing which will be sustained for some time.

Mr. Walter Ward has advised that he does not wish his name placed in nomination for election as a director at the annual meeting of shareholders. We are very grateful for the valuable contribution he has made to the Corporation.

It is appropriate that this report concludes with a tribute to the efforts of our employees. Difficult times bring out the best in some people and our people have labored well in the service of the Corporation.

Chairman of the Board

H. Gordon MacNeill,

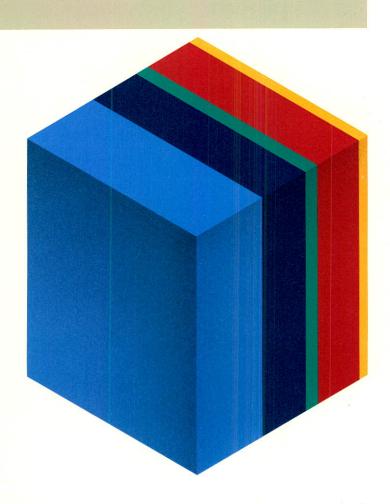
President and

Chief Executive Officer

March 19, 1982

Review of Operations

Millions of dollars	Earnings from Operations	Percent Share of Total	
Westeel-Rosco	16.2	40.4	
Sonco Steel Tube	9.9	24.7	
Jannock Tube	2.0	5.0	•
Brick Operations	10.1	25.2	
Allanson Manufacturing	1.9	4.7	



Jannock's long-run strength is its participation in basic industries—Steel, Brick and Electrical Components.

Westeel-Rosco

The year was one where there was too much capacity chasing too little demand.

he business activities carried on by Westeel-Rosco are divided into five product groups:

Agriculture-Related Products
Westeel-Rosco is best known for its grain handling and grain storage systems. Grain storage bins are the single most important product fabricated by the Corporation. Other farm equipment products include roofing and siding, tanks for the storage of bulk feeds and fertilizer equipment. Westeel-Rosco distributes other products that form part of a complete grain storage system.

Building Products

Westeel-Rosco fabricates and installs steel decking for roofs and floors and metal wall paneling for all types of institutional, commercial and industrial construction. A subsidiary has the Canadian franchise for Stran-Steel buildings and designs and manufactures a wide range of multi-purpose pre-engineered metal buildings.

Road Construction and Drainage Products

Westeel-Rosco manufactures and markets a wide range of road construction and drainage products. Corrugated steel drainage pipe and large span field-assembled culverts are sold for road underpasses.

Warehouse Services and Residential Products Westeel-Rosco operates a steel service centre in Toronto to distribute a wide range of basic metal products and to provide custom processing services. One of the principal resi-

dential products is the "Leisure

Time" pre-painted steel fencing.

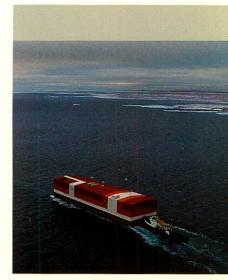
Industrial Products

Westeel-Rosco manufactures and sells fuel and chemical storage tanks, underground fuel storage tanks and specialty tanks. Metal shelving and storage racking are also manufactured for sale to industry.

Westeel-Rosco operates out of 24 manufacturing plants and warehouses across Canada and 2 locations in the United States. The operations occupy more than 900,000 square feet of manufacturing and warehouse space. The main fabricating operations are performed at the Toronto plants which have more than 200,000 square feet of manufacturing and storage area and in Winnipeg where the operations are carried on in facilities having approximately 180,000 square feet of space.

The Year in Perspective

he year was one where there was too much capacity chasing too little demand. The resulting downward pressure on gross margins caused earnings from operations to decline significantly. The difficulties of the year were com-





A complete building, prefabricated in Quebec from materials supplied by Westeel-Rosco, heads north to a base metals mine only 900 miles from the North Pole.

Westeel-Rosco supplied all of the roof, wall and deck panels for Queen Elizabeth Hospital, Charlottetown, P.E.I.

William of Golden				
	Sales	Earnings from Operations		
1977	146.0	9.2		
1978	178.0	14.5		
1979	211.5	23.9		
1980	203.4	23.7		
1981	213.2	16.2		





Westeel-Rosco is Canada's largest supplier of grain bins and other "on and off farm" storage facilities.

pounded by a 16 week strike at the Stran-Steel division and a 5 week strike at the Edmonton plant.

The year saw very little change in the product mix by major product lines with the exception that Stran-Steel sales were reduced because of the strike and the sales of the warehouse division were up as a result of the Stelco strike. The agriculture-related and building products divisions are pre-eminent and account for more than 60 percent of total sales.

Sales by region changed little from the previous year. The western Canadian market continues to be dominant with approximately 60 percent of sales made in the four western provinces. This is a strategic position for Westeel-Rosco and it is well positioned to gain from a major capital goods spending boom which many expect in western Canada in the years immediately ahead.

Grain bin sales were slow until mid-year but then, in anticipation of the bountiful crop, sales increased. Inventories at year-end were minimal and consequently grain bin sales in 1982 should reflect not only actual demand but the need of the distribution system to build up inventories to normal levels.

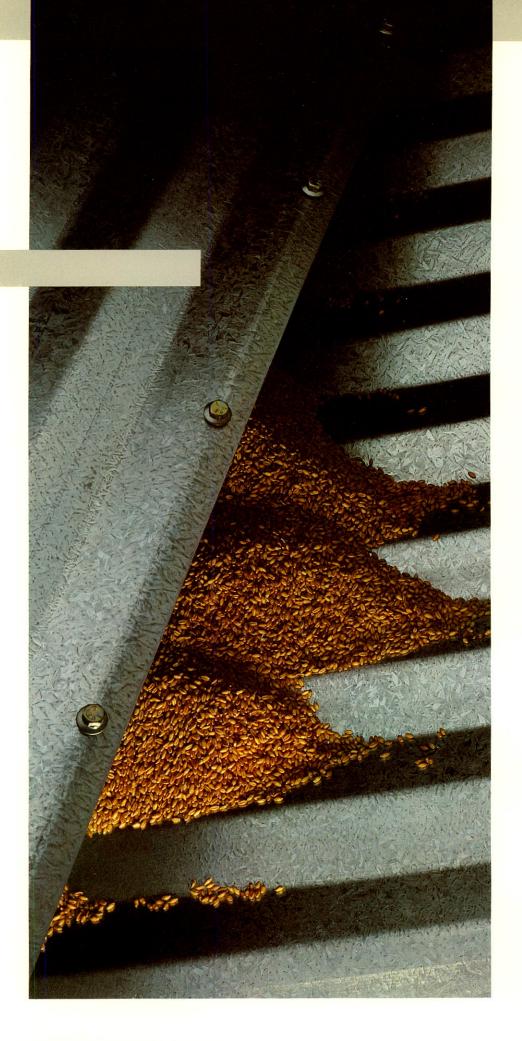
Westeel-Rosco has designed a new Wide-Corr grain bin which will be introduced to both the Canadian and United States markets in 1982. The new bins, in a variety of models, range in size from 15 to 48 feet in diameter and have capacities from 1,600 to 107,000 bushels. The bins will be fabricated in Toronto and

sold through a network of distributors, dealers and co-operatives. Warehouse facilities have been leased in the Chicago area to facilitate the entry into the rich midwest United States market.

Capital expenditures undertaken in the year included a 10,000 square foot addition to the Edmonton plant as well as a major realignment of existing facilities at that location, a new farm roofing mill at the Rexdale plant and the installation and testing of a mill at Rexdale required for the production of the Wide-Corr grain bin.

Outlook for 1982

esteel-Rosco is forecasting 1982 operations to be marginally better than those experienced in 1981. It is determined to increase its market share in the poor economic conditions forecast for the first half of the year and to be ready to take advantage of any upturn whether it occurs in the latter half of the year or in 1983. Work will continue on the development of a highly trained corporate marketing organization and overall marketing policies. Vigorous efforts will be made to successfully introduce the Wide-Corr bin so that a significant share of the United States market may be captured within the next two or three years.



Many Westeel-Rosco products start with roll-formed galvanized steel. Shown here is the newly developed, distinctive Wide-Corr grain bin profile.

	Sales	Earnings from Operations
1977	23.7	4.0
1978	30.6	5.3
1979	41.3	7.6
1980	38.3	7.2
1981	59.1	9.9





The higher strength-to-weight ratio of hollow structural sections allows designers to specify sections which are lighter in weight and smaller in size to carry the same load.

Hollow structural section applications are limited only by the imagination of the designer, engineer or architect.

onco Steel Tube is one of North America's major producers of mechanical steel tubing and hollow structural sections. Mechanical steel tubing in diameters from 3/8 of an inch to 3 inches is fabricated in round, square, rectangular and oval shapes. This tubing is used in a wide variety of applications ranging from swing sets and furniture to automobile exhaust systems, electrical conduits and store fixtures. Hollow structural sections, ranging in sizes from 3 inches to 15 inches in diameter with wall thicknesses up to 5% of an inch, are used in applications such as highway guard rails, structural columns in buildings and bridges and agricultural implement frames.

Sonco sells its output to more than 300 customers in a wide spectrum of industries. Sonco also acts as a custom processor of tubular products and hollow structural sections under a long-term contract with a major distributor in the United States

Sonco owns two plants, one a 145,000 square foot plant in Brampton, Ontario where both mechanical steel tubing and hollow structural sections are produced on 7 mills of various sizes and capabilities. This plant fabricates in excess of 120,000 tons of steel products annually. Sonco recently completed construction of a 150,000 square foot plant on a 15 acre site two miles from the original plant. This facility will be used for the production of

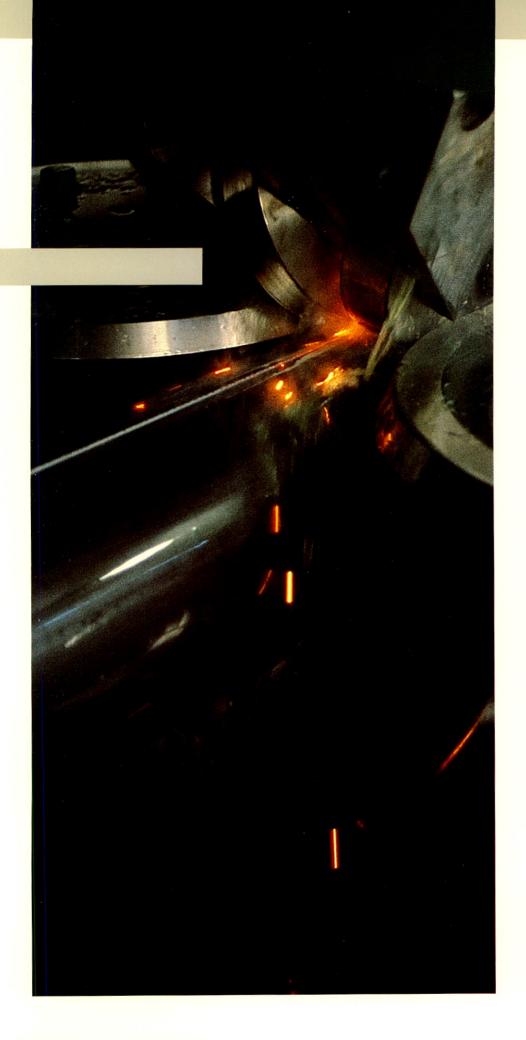
larger sizes of hollow structural sections. The new facility has an annual capacity of 170,000 tons of steel products.

Sonco has a 50 percent interest in U.S. Tubular Products, Inc., an Ohio based business which operates a pipe finishing plant for the threading, coupling and hydrotesting of pipe and tubular products used by the oil and gas industry in the United States and Canada.

The Year in Perspective

he year was one of achievement. Sonco entered the year experiencing an upswing in business and even though economic conditions deteriorated over the last half of the year, sales and earnings from operations reached record levels.

The first six months saw record high backlogs of orders as a result of strong tubular markets, the build-up of inventories to protect against possible strikes at Stelco and Algoma Steel and in anticipation of substantial price increases. The prompt settlement of the collective agreement at Algoma Steel and the high cost of carrying inventory resulted in Sonco's customers reducing orders in the last half of the year. In the markets served, the level of activity in the latter half of the year appeared to be hampered by the high interest rates. With the



Tubing is welded by a high-frequency, electric-resistance welding process. Copper electrodes make contact with the steel on each side of the open seam. Current flows along the strip edges raising them rapidly to forging temperatures. Pressure is then applied which forges the red hot edges together. No filler material is added during the process. The round tube is then cooled in a water spray tank to lower heat level.

A lot of people worked very hard to make what could have been an ordinary year into one of extraordinary achievement.

exception of a short period before the strike at Stelco, steel was in relatively free supply, with the result that there was increased price competition. Despite these conditions, Sonco was able to maintain its record pace for a number of reasons: the protracted strike at Stelco reduced the cold rolled strip steel available and Sonco, with its supply of this steel intact from Dofasco. was able to increase its market share. The start-up of the new hollow structural section mill and the promotional activity accompanying this project strengthened Sonco's position and the introduction of new products and sizes increased volume throughput.

Operations benefited from the introduction of the in-house maintenance facility constructed and the preventive maintenance program commenced early in 1981. Downtime was reduced and the response time for all maintenance and repair work was shortened.

The most notable event during the year was the opening of the \$20 million facility in Brampton for the fabrication of large sizes of hollow structural sections. The mill has a capability of producing 110,000 tons of hollow structural sections up to 15 inches square with a wall thickness up to 5% of an inch. The mill

started on schedule, within budget and is functioning at anticipated levels.

The new facility is being expanded to accommodate a project by Sonco to produce pipe and casings for the oil industry. This will serve as Sonco's entry into this growing market and the new mill will allow production of 60,000 tons annually in sizes ranging from 2% of an inch to 7 inches in diameter. The project will cost \$12 million.

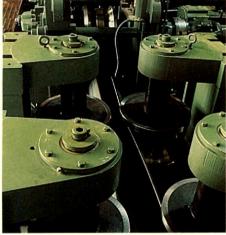
To complement the production in Canada of pipe and casings for the oil industry, Sonco made an investment in the United States. In August, U.S. Tubular Products, Inc., a corporation in which Sonco holds a 50 percent interest, acquired the assets and business of Ben-Mit Hydrotesters of Canton, Ohio. Ben-Mit is involved in the operation of a pipe finishing plant for the threading, coupling and hydrotesting of oil country tubular goods to standards specified by the American Petroleum Institute. The pipe and casings fabricated in Brampton will be upgraded and further processed by Ben-Mit. Work is underway to expand the operations through the purchase and installation of an upsetting line and complementary threading lines to process the throughput of the upsetting line. Upsetting is a forging process that expands the wall thicknesses of the ends of oil well tubing prior to the cutting of threads. Installation of the equipment will give

Sonco the most modern and efficient pipe upsetting line in the United States. When the expansion is completed early in 1983, the Ben-Mit plant will be a major threading operation for pipe producers in the United States midwest.

The evolution of Sonco from an operation that processed 92,000 tons of steel in 1977 to one with a capacity of 320,000 tons in 1982 has meant that the organization has had to be upgraded and expanded, Plant operations have been divided into two functions, manufacturing and engineering. This recognizes the need to distinguish day-to-day plant operations management from project engineering at Sonco and Ben-Mit. A product metallurgist and a materials manager have been appointed as well as sales personnel to service construction project sales.



Highly polished forming rolls gradually form flat steel strip into the shape of an arc.



Side rolls continue the forming process and start to close the strip into a circular shape.



The hollow structural section is cut to specified length by a traveling saw. The saw is directed by a programmable controller that calculates appropriate lengths to customer order.

Outlook for 1982

he backlog of orders is comparable with that of a year ago, but there is now greater capacity to handle the work. The increased capacity means that when markets improve Sonco will no longer be constrained by capacity limitations but will be in a position to capitalize on the opportunities and increase earnings significantly.

Sonco recognizes the year could be difficult, particularly if the predicted upturn in the second half of the year does not materialize. The recent increase in Canadian steel prices and the heavy discounting by United States mills has eroded the historical price advantage of Canadian steel. It is believed that this is a temporary situation and the price differential will be restored in 1982.

Sales of hollow structural sections will increase as a result of the operation of the new plant for a full year. A new 4 inch mill was purchased in 1981 and will commence operating in the first quarter of 1982. Pipe and casings for the oil industry will be added to the product line by the end of the first quarter and will add materially to the overall production tonnage in 1982.

We are trying to be as cost efficient as possible because 1982 does not look like an outstanding year for our industry.

	Sales	Earnings from Operations
1977	28.9	2.1
1978	36.7	3.2
1979	47.3	3.4
1980	43.5	3.7
1981	45.9	2.0

annock Tube is the largest carbon steel tubular service centre operation in Canada. The essential business is the local stocking of a wide selection of steel tubing products so that customers may obtain their requirements on short notice. The business stocks more than 2.200 different sizes of round, square and rectangular tubing and pipe products. Inventory is purchased from more than 50 sources in North America and overseas. Operations are conducted under the name "Lyman Tube" from steel service centres in Montreal, Oakville, Winnipeg and Saskatoon and under the name "Tubeco" from steel service centres in Calgary, Edmonton, Prince George and Vancouver. In total, the tube operation uses more than 190,000 square feet of service space.

Warehouse sales are made to a wide variety of industries and customers. Jannock Tube also acts as agent in the placing of customer orders directly with producing mills.

The Year in Perspective

he results of operations were disappointing. Sales were ahead of the previous year's level in spite of a soft economy but earnings from operations were lower. In Alberta, lower and less profitable activity was the result of a 9 week strike at the Edmonton centre as well as a low level of activity in the oil industry. Operating profits suffered as competition intensified

for the limited business available among a growing number of limited line competitors.

The development of a sophisticated computer system linking the branch centres to the executive offices in Oakville allowed for the consolidation of all management functions in Oakville. This development will allow much closer communication and control over the sales, inventory and operating results of each centre.

Outlook for 1982

annock Tube will emphasize its strengths in 1982. Jannock Tube's leading position in all major markets and substantial inventories of a wide range of tubing products will enable it to maintain its market penetration in all of the traditional markets. Worthwhile sales and earnings will be generated by the addition to the line of pipe and casings used in the oil and gas industry.

The Corporation's training program for its sales and support staff will be continued and upgraded. The new service centre in Prince George, opened in September, 1981, will be further developed to meet the needs of industries in the interior of British Columbia. The operations in the Edmonton facility will benefit this year from the operating efficiencies of the new 40,000 square foot warehouse completed in 1981, the anticipated upturn in business activity in northern Alberta and a full year's operation.



Induction hardened chrome shafting and micro honed tubing are two of more than 2,200 different items wholesaled to more than 10,000 accounts across Canada.

Brick Operations

Affordable mortgage rates and buyer confidence hold the key to our success in 1982. The pent-up demand is there and efficient production facilities are in place.

he Corporation is the leading producer of clay brick in the provinces of Ontario and Quebec and is one of the leading producers of clay and concrete brick in the midwestern United States and Texas. Annual capacity is 240 million units in Canada and 390 million units in the United States.

Canada Brick operates a plant on 224 acres located in Mississauga, Ontario. The facility has an annual capacity of 100 million clay bricks. In 1979, a plant and a 60 acre site in Mississauga were acquired; the plant has an annual capacity of 15 million bricks and the shale reserves will lengthen the productive life of the main plant to 15 years. Based on their location, both sites should have significant value as real estate following the exhaustion of the shale reserves. A third Ontario plant operates near Burlington and has a capacity of 75 million bricks per year with shale reserves of 15 years.

St. Lawrence Brick, located in La Prairie, Quebec, operates a facility which has an effective capacity of 50 million bricks per year. The shale deposits are sufficient for more than 80 years of production. Canada Brick also serves the western Quebec markets from its Ontario plants.

Jannock entered the United States brick market in 1976 with the purchase of brick making facilities in Corunna, Michigan. Capital expenditures of \$8.3 million were made to construct a modern fuel efficient plant at Corunna with an annual capacity of 70 million bricks. The original plant can produce 20 million bricks per year. Shale deposits on owned property are sufficient to permit 30 years of operations.

The two Richland Brick plants in Mansfield, Ohio are situated on land containing shale deposits sufficient to permit 50 years of operations. One of the plants has an annual capacity of 40 million bricks and the other facility can produce 20 million units each year.

The Sipple Brick plant is located in Stanton, Kentucky 50 miles east of Lexington. The plant has a capacity of 60 million bricks a year. Shale reserves are adequate for 25 years of operation.

Tiffany Brick owns and operates 4 facilities in Texas which have a combined capacity of 90 million concrete bricks and 10 million clay bricks. Three of the plants are located in or around San Antonio and the fourth is near Houston. Concrete brick fills an important market segment in the Texas market; it is lower priced than clay brick and competes directly with imported brick from Mexico.

Brazos Brick is located in Mineral Wells, Texas 70 miles west of Dallas. The Brazos plant is the newest and most fuel efficient in Texas. It commenced production in June 1980 and has a capacity to produce 80 million clay bricks annually.



Clay brick is used whenever character and longlasting value are important to builders.

	Sales	Earnings from Operations
1977	29.4	8.6
1978	40.2	12.0
1979	55.3	14.8
1980	52.6	6.1
1981	62.4	10.1

The Year in Perspective

ousing starts in Ontario and Quebec lagged expected levels, but a short-lived phenomenon early in the year permitted the Canadian divisions to record good earnings. During a period early in the year, when mortgage rates were relatively low, house builders embarked on an extensive building program which resulted in a mini boom in house building in the Toronto and Montreal metropolitan areas. Canada Brick and St. Lawrence Brick reacted quickly to this situation and were able to increase sales and market penetration in these two important markets.

The United States operations again labored under exceptionally difficult circumstances. The midwestern United States has suffered the brunt of the 1980 and 1981 recessions and the brick plants in Michigan, Ohio and Kentucky have accordingly been adversely affected. Texas fared better but this was due largely to activity early in the year in the Houston area. Competition over the past year has been intense, particularly in the upper midwest. Large quantities of brick were sold at prices only slightly above the cash costs of manufacturing.

The shrinking of the housing market has prompted additional efforts to sell into the commercial, industrial and institutional markets. At Michigan Brick, which has traditionally relied on residential construction, extra effort has been made to diversify the markets for its brick. Early in the year, Michigan Brick was successful in being awarded the contract for brick for a sound barrier wall system adjacent to an interstate highway in the Flint, Michigan area. The system was to have been built from concrete. Michigan Brick produced a utility sized brick for this project which was used in the first 1.5 miles of the project. The results were excellent and have given this project national publicity in the United States.

The slowdown in housing starts in the United States has meant increased home renovation and improvement. Over the past year added emphasis and strength has been given to the marketing program for "Real Brick". This product is ideal for the renovation and upgrading of existing houses, both for interior and exterior applications. Real Brick is 1/2 inch thick, kiln-fired clay brick with the same length and width as conventional brick. It is light and easy to handle and made with the do-it-yourselfer in mind. It is simple to apply and gives the same aesthetically pleasing appearance as a conventional brick application.

Outlook for 1982

he prospects for the year are linked closely with the level of interest rates and the degree of consumer confidence. The unsatisfied demand for housing is becoming acute but will only be met when interest rates decline to more affordable levels.

It is anticipated that unit sales of the Canadian operations will decline marginally while the United States operations will improve from their depressed levels. This is in keeping with the predicted upturn in United States business activity in the latter half of 1982. The first evidence of improvement should come in Texas, where any increase in housing starts will be reflected in an improved performance by the Corporation's Texas divisions. No problems are expected with the availability of natural gas, although such gas will be more expensive.



Canada Brick markets a special paving brick used by cities to recreate the character and charm of early Canadian streets.

Allanson Manufacturing

Even with the current economic climate we should show modest gains in 1982. They will be achieved by increased exports and improved manufacturing efficiencies.

	Sales	Earnings from Operations
1977	9.2	1.2
1978	10.3	1.2
1979	12.8	1.1
1980	13.8	0.8
1981	18.8	1.9

llanson Manufacturing produces a wide range of electrical equipment for the heating, lighting and consumer products markets. Allanson is a leading supplier of ballasts for fluorescent lights and neon transformers for Canada's illuminated sign industry. Included in Allanson's product line are ballasts that power the energy efficient high pressure sodium and mercury lamps that are being used in increasing numbers for highway and street lighting. The product line also includes oil burner transformers and fuel pumps. Allanson produces a popular line of battery chargers and power converters.

Manufacturing operations are carried on from four leased Metropolitan Toronto locations with a total floor area of 140,000 square feet.

The Year in Perspective

major increase in sales volume, a cost increase pass-through and a program of product rationalization combined to allow Allanson to achieve record operating profits.

Allanson's line of battery chargers was a major contributor to the overall increase in sales for the year. Sales of ballasts and transformers for the sign business in Canada were also strong. Allanson identified an opportunity to move into the United States neon transformer market and began to capitalize on this opportunity during 1981. Domestic sales of heating products continued slow but export sales into the United States increased as planned. The market in the United States for these products is expected to remain relatively stable over the next few years.

Outlook for 1982

he task continues to offset the impact on earnings caused by the decline of the domestic oil heating products line. Allanson expects to continue to improve its levels of profitability by increasing sales penetration in a number of export markets and by improving overall manufacturing efficiencies. A series of new operating programs integrating most of the Corporation's activity from sales forecasting through to production scheduling will not only lower production costs but result in improved service to its many customers.



Allanson supplies almost all the transformers for neon signs manufactured in Canada.

Acquisitions and Reorganization

A change in the corporate policy of owning 100% of all subsidiaries took place in 1981. The acquisition, for shares, of Cartier Sugar in Montreal by Atlantic Sugar reduced Jannock's common share ownership of Atlantic Sugar to 47½%. A financial reorganization of Atlantic Sugar resulted in \$13 million of intercompany debt being replaced by outside lenders. Jannock also received \$7.1 million of redeemable preference shares of Atlantic Sugar.

Expansion of Sonco's Canadian facilities by the addition of two new mills was matched by the acquisition of pipe finishing facilities in the United States. The U.S. acquisition is a 50/50 joint venture with Sonco's major distributor. An expansion costing \$12 million (U.S.) has now been approved.

A 50% interest was purchased in a propane conversion operation in Ontario.

All three operations will be accounted for on an equity basis rather than being consolidated with other Jannock operations.

Accounting Policies

Policies were expanded to allow for the equity accounting treatment for the three operations in which Jannock has significant influence. In addition, the special reference to Atlantic Sugar's inventories has been deleted as the Atlantic balance sheet was not consolidated at year-end. It should be remembered that the comparative 1980 balance sheet does include Atlantic Sugar and that the first six months' results are also consolidated.

Even though there are now different methods implemented in other countries for the translation of foreign currencies, the temporal method, which the Corporation adopted in 1978, will continue to be used, pending a final pronouncement by the C.I.C.A. as to its position on this matter.

Sales and Net Earnings

Sales decreased to \$475 million from \$521 million due to the elimination of Atlantic Sugar's sales in the second half of 1981. All other operations exceeded the previous year's sales results.

Earnings from operations were severely affected by Sugar's results which showed an operating loss in the first half. In fact, of the \$17.5 million decline, Sugar accounted for \$15.5 million. It is important to note that this downturn in Sugar was reversed in the second half and a small but nevertheless, positive result for that period is included in "Equity in earnings of investments," shown in the Statement of Earnings.

The remaining shares of Westeel-Rosco were acquired in August, 1980 thus eliminating the "minority interest" in that company.

The effective tax rates remained the same as 1980 and details are given later in this report.



C. W. Leonardi Executive Vice President, Finance

Review of Quarterly Sales and Earnings

Millions of dollars	1	Net Sales N		Earnings*	Earnings Pe	er Share*
Quarter	1981	1980	1981	1980	1981	1980
First Second Third Fourth	115.0 153.2 107.4 99.0	110.8 139.3 129.6 141.1	0.4 5.2 3.9 3.6	4.0 7.4 5.6 5.4	(0.09) 0.41 0.26 0.23	0.30 0.65 0.48 0.44
	474.6	520.8	13.1	22.4	0.81	1.87

*before extraordinary

The earnings per share calculations are based on the weighted number of shares outstanding in 1981 of 9,838,000 compared with 9,617,000 shares in 1980.

The decrease in net earnings for the first, second and third quarters is mainly due to the shortfall in Sugar's results. The fourth quarter reduction was due to a slowing down in the steel group. In 1980 there was a strengthening in the fourth quarter which appeared to indicate that the business downturn had bottomed out. Unfortunately 1981 proved these predictions wrong.

Major Elements that Affected Operations in 1981

Financial Costs

The year 1981 saw the highest prime rate in Canadian history, reaching 22¾% in August, and creating an average rate for the year of approximately 19½%. This same phenomenon happened in the United States. This increased interest costs and in addition, dampened business activity, particularly in the housing industry.

The increase in long-term interest resulted from the borrowing to finance the purchase of minority

shares in Westeel. This cost was only included for four months in 1980 compared with a full year in 1981. The debt incurred was reduced for part of the year by the funds received on the refinancing of Atlantic Sugar. The reduction in short-term interest is due to the absence of Sugar interest cost in the second half. This was offset in part by higher short-term interest costs of the other Jannock businesses.

Margins

The stagnating economy increased competition, thus reducing margins. In addition, the cut-back in demand for products created lower volumes to absorb fixed costs.

Income Taxes

The effective income tax rates remained constant, the details of which are given below:

Extraordinary Items

These are detailed in Note 9 to the financial statements. The principal item was a gain on the sale of an industrial mall in Winnipeg.

Balance Sheet

All major categories are affected by the change in status of Atlantic Sugar from a consolidated subsidiary to an unconsolidated investment.

Receivables and Inventories
Excluding Sugar, other operations
remained in line except for steel
inventories which ended the year at
a level above immediate requirements. This was due to heavy
purchases in the latter part of the
year coupled with a subsequent
downturn in business. Inventories
are expected to be at normal levels
by the end of the first quarter.

Working Capital

There was a decrease in working capital due, in part, to the Sugar transaction which eliminated some \$10 million. The balance of the decrease is attributable to the capital program at Sonco which was financed on a short-term basis because of the anticipated cash flows in the near future from recovery

1001

1000

	1901	1900	
Tax at statutory rates (Federal, Provincial and Surtax)	50.6%	50.7%	
Manufacturing and processing credit	(3.2%)	(3.6%)	
Inventory allowance	(6.6%)	(3.7%)	
Inter-unit interest income at reduced rates	(4.1%)	(3.5%)	
Amortization of investment tax credits	(1.8%)	(0.9%)	
Equity earnings	(1.0%)		
Reorganization of operations	- 1	(3.2%)	
Reversal of non-taxable provision	_	(1.1%)	
Other	0.6%	0.3%	/
	34.5%	35.0%	/18

of C.C.A. allowances. The working capital ratio is a satisfactory 1.5:1.

Capital Expenditures
Capital spending in 1981 was \$27
million with carry-over to 1982 of an additional \$4.7 million. The major expenditures were as follows-

Millions of dollars

Sonco	18.1
Completion of the large tube mill plus	
partial completion of a 7" and a 4" mill.	
Additional carry-over to 1982 will be	
\$3 million.	

Westeel 3.4 Includes expansion of the Edmonton facility with carry-over to 1982 of \$1 million.

The current program for 1982 calls for a substantial reduction in capital spending so that most expenditures will be met from depreciation cash flow. The major expansion in the 50% U.S. venture mentioned previously is expected to be financed internally and therefore should not require additional financing from the partners.

Investments

This classification, which is new this year, comprises the three equity accounted investments.

Long-Term Debt This has been reduced to \$38.9 million from \$59.8 million.

Millions of dollars

Use of proceeds from Sugar transaction Assumption of mortgage by the	13.0
purchaser of the West Row Mall Current Instalment –1982	3.3 4.6
	20.9

Shareholders' Equity and Retained Earnings

Common share capital was increased by \$1.1 million or 151,361 shares due to the exercise of warrants and the issuance of shares as dividends under the optional dividend plan. This increased the shares outstanding to 9,883,847.

The First Preference share dividend increased due to its floating rate structure while Common dividends remained at the 1980 level of 64¢ per annum.

Statement of Changes in Financial Position

It is not possible to trace the movement of certain balance sheet classifications due to the change in the status of Atlantic Sugar.

Notes to the Financial Statements

The notes follow the format of previous years. Comments were made in the 1980 report covering the inherent weakness of the segmented data (note 13) due to the failure to relate the timing of acquisitions or capital expenditures with the revenue generated. This is illustrated by the Sugar results which were consolidated up to June 30 and appear in the earnings breakdown for the first half but have no identifiable assets at year-end.

Summary

Interest rates are still at a level which frustrates economic recovery. Considering this economic climate. the net earnings of the operations, excluding Sugar, did well to register a drop of only 12% compared with the previous year. Some improvement is expected in 1982 and the investment in Sugar is expected to be a contributor to those results. While the working capital ratio decreased marginally to 1.5:1, the long-term debt to equity ratio (including the First Preferred as debt) improved from 46:54 to 39:61. This must be viewed from the perspective that in both the steel and brick operations, the capital expenditures of the past few years have put in place modern, efficient production capacity which now awaits the economic upturn. No additional capital is required to produce a substantial increase over 1981 business.

The balance sheet remains strong, with operating bank loans being well covered by receivables alone. With earnings ratios down temporarily, importance must be placed on a strong balance sheet to carry the operations through to the recovery period. This has been achieved.

C. W. Leonardi

Executive Vice President, Finance

Consolidated Statement of Earnings

For the year ended December 31, 1981 Thousands of dollars	1981	1980
Sales	474,569	520,822
Cost of sales, selling, distribution and general expenses Depreciation	429,522 8,955	458,850 8,516
	438,477	467,366
Earnings from Operations	36,092	53,456
Interest on long-term debt Interest on short-term debt	8,470 8,989	5,344 10,410
Equity in earnings of investments	17,459 328	15,754
Other income (expense)	1,062 16,069	(537) 16,291
Earnings Before Income Taxes	20,023	37,165
Provision for Income Taxes Current Deferred	5,102 1,823	8,409 4,612
Deterred	6,925	13,021
Earnings Before Minority Interest and Extraordinary Items Minority Interest	13,098	24,144 1,702
Earnings Before Extraordinary Items Extraordinary Items (note 9)	13,098 1,108	22,442 (483)
Net Earnings for the Year	14,206	21,959
Earnings per share (note 8(d)) Before extraordinary items	\$0.81	\$1.87
After extraordinary items	\$0.92	\$1.82
		AND DESCRIPTION OF THE PARTY OF

Consolidated Statement of Retained Earnings

For the year ended December 31, 1981 Thousands of dollars	1981	1980
Balance-Beginning of Year Net earnings for the year	42,797 14,206	31,356 21,959
	57,003	53,315
Dividends- First Preference shares 8% Second Preference shares 6% Third Preference shares Common shares	3,292 1,881 1 6,300	2,524 1,919 1 6,169
Cost under the stated book value of preference shares purchased for cancellation	11,474	10,613
	11,312	10,518
Balance-End of Year	45,691	42,797

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

Consolidated Balance Sheet

As at December 31, 1981	1981	1980
Thousands of dollars		
Assets		
Current Assets Cash and short-term investments Accounts receivable Inventories (note 2) Prepaid expenses and other assets	1,992 66,286 90,971 1,822 161,071	7,357 83,522 109,506 5,398 205,783
Fixed Assets – at cost (note 3) Less: Accumulated depreciation and amortization	174,506 58,221 116,285	186,085 67,919 118,166
Investments (note 4)	11,528	
Other Assets (note 5)	1,015	1,362
Intangibles	11,599	12,615
	301,498	337,926

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, 1981 Thousands of dollars	1981	1980
Liabilities		
Current Liabilities Bank indebtedness (note 6) Accounts payable and accrued liabilities Income taxes payable Current instalments of long-term debt (note 7) Dividends payable Deferred income taxes	46,001 49,787 3,710 4,648 2,046 2,878	74,831 41,200 4,323 1,229 2,033 4,131
Long-Term Debt (note 7) Deferred Income Taxes	109,070 38,879 16,176 164,125	127,747 59,879 16,434 204,060
Shareholders' Equity		
Share Capital (note 8) Issued and fully paid – 1,500,000 First Preference shares, Series One	30,000	30,000
1,546,358 8% Second Preference shares 568 6% Third Preference shares 9,883,847 Common shares Retained Earnings	23,195 6 38,481 45,691	23,668 7 37,394 42,797
	137,373	133,866
	301,498	337,926

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, 1981 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, 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.

Chartered Accountants
Toronto, Ontario
February 16, 1982

Consolidated Statement of Changes in Financial Position

For the year ended December 31, 1981 Thousands of dollars	1981	1980
Source of Working Capital Net earnings for the year before extraordinary items Items not affecting working capital— Depreciation Deferred income taxes—long-term portion Amortization of other assets Amortization of goodwill Loss (gain) on sale of fixed assets Equity in earnings of investments Minority interest in earnings	13,098 8,955 3,002 133 43 (281) (328)	22,442 8,516 4,612 125 44 (455) - 1,702
Provided from operations Proceeds from disposal of fixed assets Proceeds from disposal of other assets Issue of share capital Repayment of advances to previously consolidated subsidiary (note 1) Increase in long-term debt Reversal of excess provision on outstanding lawsuit Current income taxes applicable to extraordinary items	24,622 6,986 111 2,133 13,000 - - - 46,852	36,986 1,163 71 2,464 - 33,050 490 797 75,021
Use of Working Capital Elimination of working capital of previously consolidated subsidiary (note 1) Acquisition of minority interest in subsidiary Increase in investments Additions to fixed assets Reduction of long-term debt Reduction of preference share capital Dividends to shareholders Dividends to minority shareholders of subsidiaries Loss from non-delivery of hedged raw sugar	9,668 - 2,523 26,966 20,897 1,359 11,474 - - 72,887	19,276 - 32,724 3,865 1,475 10,613 249 1,769 69,971
Increase (Decrease) in Working Capital Working Capital Beginning of Year	(26,035) 78,036	5,050 72,986
Working Capital-End of Year	52,001	78,036

Statement of Accounting Policies

For the year ended December 31, 1981

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries, all of which are wholly-owned. 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.

Investments in other companies over which the Corporation exercises significant influence are accounted for by the equity method whereby the Corporation includes its proportionate share of earnings and losses of such companies in consolidated income.

Inventories

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

Fixed Assets

Fixed assets are carried at cost. Interest expense relating to major capital expenditures is capitalized by a charge to fixed asset auditions 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 year 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, 1981

1. Significant Changes in Operations

Effective July 3, 1981, Atlantic Sugar Limited, a subsidiary of the Corporation, acquired the operating assets of Cartier Sugar Limited in consideration for common and preference shares of Atlantic Sugar Limited valued at \$5,000,000. As a result of this transaction, and the concurrent issue of additional common shares to a term lender, the Corporation's investment in common shares of Atlantic Sugar Limited decreased to 47.5% and accordingly such investment is accounted for by the

equity method since that date. These transactions resulted in no gain or loss to the Corporation.

Effective August 31, 1980, the Corporation acquired the outstanding shares of Westeel-Rosco Limited not previously owned for a cash consideration of \$19,276,000. 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.

2. Inventories

Thousands of dollars	1981	1980
Raw materials and supplies Work-in-process Finished goods	39,125 5,470 46,376	38,451 5,434 65,621
	90,971	109,506

3. Fixed Assets

		1981	Deprecia- tion rates		1980
Thousands of dollars	Cost	Net	%	Cost	Net
Land	16,733	16,268		16,873	16,514
Buildings	43,009	30,780	21/2-5	47,420	31,311
Plant equipment	93,360	54,658	5-20	93,542	49,806
Mobile equipment	6,388	2,570	20-33	5,487	2,190
Furniture and fixtures	4,238	1,781	10-20	5,495	1,539
Leasehold improvements	1,029	479	5-10	976	514
Construction in progress	9,749	9,749	-	16,292	16,292
	174,506	116,285		186,085	118,166

Interest capitalized during the year amounted to \$2,243,000 (1980-\$1,169,000).

Insured value on the basis of replacement cost as at December 31, 1981 was \$317,000,000.

4. Investments

Investments comprise shares in companies accounted for by the equity method.

5. Other Assets

Other assets include a long-term loan receivable from an officer of \$209,000 (1980–\$283,000).

6. Bank Indebtedness

Bank loans aggregating \$19,918,000 are secured by inventories and a general assignment of book debts.

7. Long-Term Debt

Thousands of dollars	1981	1980
Jannock Limited Term bank loan-prime rate maturing January 31, 1983 Sinking fund debentures 6¾% Series 'A' maturing 1985 Sinking fund bonds 6¾% Series 'A' maturing 1984	7,000 817 1,057	20,000 883 1,317
Westeel-Rosco Limited Mortgage –10½% maturing 1992 Secured by certain fixed assets	-	3,197
Canada Brick Company Limited Term loan-commercial paper rate plus 11/4% maturing 1988 Term loan-"Libor" rate plus 11/4% maturing 1988. 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.	12,300 20,365	12,300 20,468
U.S. Brick, Inc. Notes payable –10% maturing January 1, 1982 The principal amount is \$686,000 U.S. Secured by guarantee of Jannock Limited Other–the principal amount is \$48,000 U.S.	812 56	1,633 86
St. Lawrence Brick Co. Limited First mortgage sinking fund bonds 93/8% Series 'A' maturing 1990 Secured by fixed assets	917	992
Sonco Steel Tube Limited First mortgage 73/4% maturing 1987 Secured by land and buildings	203	232
Less: Sinking fund and principal payments due within	43,527	61,108
one year	4,648	1,229
	38,879	59,879

Payments of principal and interest (calculated, where applicable, at exchange and interest rates existing at December 31, 1981) required during the next five years to meet long-term debt instalments and sinking fund provisions are:

Thousands of dolla	ars Principal	Interest
1982	4,648	6,973
1983	10,931	5,252
1984	3,965	4,531
1985	4,041	3,933
1986	3,491	3,305

8. 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 nonvoting 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.

1,626,210 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.

700,484 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.

(b) Changes during the year There were 31,500 Second Preference shares redeemed for \$311,000 cash.

There were 104,637 Third Preference shares issued to common shareholders as dividends under the Optional Dividend Plan at a stated value of \$1,046,000. There were 104,832 Third Preference shares redeemed for \$1,048,000 cash.

There were 122,530 Common shares issued for a cash consideration of \$735,000 as the result of the exercise of Warrants. In addition, 28,831 Common shares were issued to common shareholders as dividends under the Optional Dividend Plan for a stated value of \$352,000.

(c) Reservations of capital stock-

(i) Warrants

The following share purchase Warrants are outstanding:

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

37,063 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.

Name	Number	Number and class of shares	Exercise price	Expiry date
1977 Warrants	578,468	2 Common shares	\$12.00 per 2 shares \$15.00 per 2 shares	July 31, 1982 July 31, 1987

8. Share Capital (continued)

(d) Earnings per share

Earnings per share were calculated on the following basis:

	1981	1980
Earnings for the year before extraordinary items	\$13,098,000	\$22,442,000
Earnings before extraordinary items applicable to Common shares	\$ 7,925,000	\$17,998,000
Weighted average number of Common shares outstanding during the year	9,838,000	9,617,000
Earnings per share-before extraordinary items	\$0.81	\$1.87
Earnings per share - after extraordinary items	\$0.92	\$1.82
Fully diluted earnings per share – before extraordinary items	\$0.78	\$1.70
Fully diluted earnings per share – after extraordinary items	\$0.88	\$1.66
9. Extraordinary Items		
Thousands of dollars	1981	1980
Gain on sale of rental property (income taxes of \$672,000 offset by utilization of prior years' capital losses) Write-off of concrete brick plant	2,602	-
(net of deferred taxes of \$341,000) Write-down of goodwill	(400) (973)	-

(121)

1,108

10. Commitments

outstanding lawsuit

Operating lease commitments are as follows:

Equity in extraordinary earnings (loss) of investments

Loss from non-delivery of hedged raw sugar (net of current income taxes of \$797,000)

Reversal of excess provision on settlement of

Thousands of dollars	
1982	1,845
1983	868
1984	672
1985	342
1986	250
1987-1991	683
1992-1996	79

Capital expenditures committed at December 31, 1981 amounted to \$3,429,000. In addition, the Board of Directors has approved a further \$1,237,000 of capital expenditures.

11. 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.

12. Remuneration of Directors and Officers

The aggregate direct remuneration paid to the directors and officers during the year totalled \$733,000 (1980-\$726,000).

(973)

490

(483)

13. Segmented Data

The Corporation operates principally in Canada in two industries—the manufacturing and distribution of a wide variety of steel products 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. Bricks are

1981 1980 Thousands of dollars **Industry Segments** Sales to customers outside the enterprise 310,022 279,217 Steel 175,236 83,267 Sugar 62,445 52,552 Brick 13,817 18,835 Other 474,569 520.822 **Earnings from operations** Steel 28,167 34,649 (1,444)14,091 Sugar 10,125 6,092 Brick 1,905 771 Other 38,753 55,603 (2,661)(2,147)Corporate expenses 36,092 53,456 Identifiable assets 208,677 182,286 Steel Sugar 67,128 69,808 Brick 70,819 Other 9,020 9,081 287,505 329,314 Corporate 13,993 8,612 301,498 337,926 Capital expenditures 22,587 20.988 Steel Sugar 1,548 3,483 Brick 2,539 8,028 Other 244 94 26,918 32,593 Corporate 48 131 26,966 32,724 **Depreciation and amortization** Steel 3,561 2.982 Sugar 640 1,235 Brick 4,618 4,194 Other 106 80 8,925 8,491 Corporate 25 30 8,955 8,516

sold in Canada and the United States for use in commercial and residential construction. To July 3, 1981 the Corporation also was engaged in the refining and marketing of sugar in Canada through Atlantic Sugar Limited, which is now 47.5% owned and accounted for by the equity method.

Thousands of dollars	1981	1980
Geographic Segments		
Sales from operations Canada	444,595	492,168
United States	29,974	28,654
	474,569	520,822
Earnings from operations		
Canada United States	40,028 (1,275)	56,554 (951)
	38,753	55,603
Corporate expenses	(2,661)	(2,147)
	36,092	53,456
Identifiable assets		
Canada United States	243,447 44,058	284,856 44,458
Jinted States		
Corporate	287,505 13,993	329,314 8,612
SEVALUE DE SECULO DE LA CONTRACTOR DE LA		
	301,498	337,926

Five Year Financial Review

Operating Results Millions of dollars	1981	1980	1979	1978	1977
Sales	474.6	520.8	454.6	323.3	175.8
Earnings from Operations	36.1	53.5	57.4	40.9	23.6
Earnings before Extraordinary Items	13.1	22.4	24.1	18.2	12.8
Net Earnings	14.2	22.0	24.1	18.2	12.8
Funds provided from Operations	24.6	37.0	34.3	25.0	17.0
Interest Expense Long-Term	8.5	5.3	3.6	3.3	2.2
Short-Term	9.0	10.4	6.4	3.1	1.0
Dividends Paid on Common shares	6.3	6.2	5.6	5.4	2.4
Dividends Paid on Preference shares	5.2	4.4	4.2	2.6	1.8
Capital Expenditures	27.0	32.7	15.1	9.0	8.8
Depreciation	9.0	8.5	7.2	5.2	3.1
Financial Position Millions of dollars					
Intangibles	11.6	12.6	12.7	12.3	12.3
Working Capital	52.0	78.0	73.0	66.3	32.7
Fixed Assets-Net	116.3	118.2	89.8	75.9	42.9
Total Assets	301.5	337.9	304.1	250.4	123.3
Long-Term Debt	38.9	59.9	30.3	29.6	16.5
Common Shareholders' Equity	84.2	80.2	67.5	52.1	41.7
Preference Shareholders' Equity	53.2	53.7	54.0	54.5	25.0
Financial Ratios					
Working Capital	1.5:1	1.6:1	1.6:1	1.7:1	2.0:1
Return on Common Shareholders' Equity (%)	11.0	23.7	33.3	33.2	28.1
Return on Capital Employed (%)	10.6	15.9	18.5	18.7	16.7
Long-Term Debt to Shareholders' Equity	22:78	31:69	22:78	22:78	20:80
Share Data Dollars per share					
Basic Earnings before Extraordinary Items	0.81	1.87	2.10	1.67	1.13
Basic Earnings after Extraordinary Items	0.92	1.82	2.10	1.67	1.13
Fully Diluted Earnings	0.88	1.66	1.87	1.47	1.00
Dividends Paid	.64	.64	.59	.54	.27
Equity	8.52	8.24	7.07	5.56	4.48
Shares Outstanding Common (000's) Second Preference (000's) Number of Common shareholders	9,884 1,546 4,648	9,732 1,578 5,297	9,540 1,604 5,616	9,379 1,636 5,152	9,326 1,666 5,635
Price Range Common shares High Low	16.00 8.75	15.00 9.38	14.63 9.25	10.75	6.38 3.38
Second Preference shares High Low	11.50 7.75	14.00 10.25	15.50 13.00	15.63 13.75	14.63 13.00
1977 Warrants High Low	9.75 3.60	8.75 4.50	8.75 4.75	7.63 1.60	1.75 .75
Data for all years has been restated to reflect	Cortain fin	uros bayo ba	on rooleasif	nd for	

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.

Jack C. Barrow**

Toronto, Ontario Director Simpsons-Sears Limited

J. Allan Boyle* **

Toronto, Ontario Director The Toronto-Dominion Bank President

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 **Empire Company Limited**

Walter G. Ward

Toronto, Ontario Corporate Director

Donald G. Willmot*

Toronto, Ontario Chairman of the Board The Molson Companies Limited

Corporate Management

H. Gordon MacNeill President and Chief **Executive Officer**

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

David C. Gore Vice President.

R. Harold Weir Vice President and Secretary

Human Resources

Peter S. Hayward

Treasurer

R. Keith McAlpine Controller

John C. Annett Manager,

Corporate Development

Operating Management

R. Jay Atkinson

President Sonco Steel Tube Limited 14 Holtby Avenue, Brampton, Ontario L6X 2M1

Tel: (416) 451-2400

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

John G. MacKay

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

Douglas G. Sinclair

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

*Member of the Executive Committee

**Member of the Audit Committee

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

Solicitors

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

