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Laidlaw Transportation Limited

L A I D L A W

**Annual Report
1980**

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Ten year financial review (\$000's omitted)

Laidlaw Transportation Limited

Laidlaw Transportation Limited is a Canadian public corporation controlled by Canadians. Its shares are listed on the Toronto and Montreal Stock Exchanges.

Laidlaw and its subsidiaries conduct extensive transportation services in Canada and the United States.

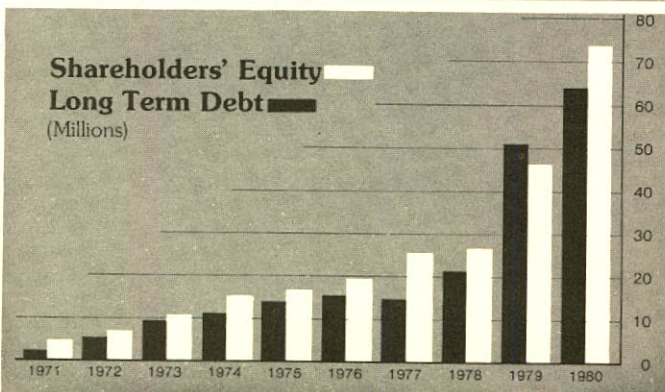
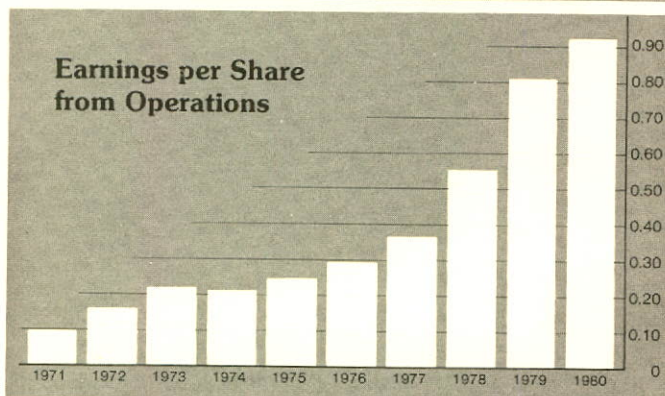
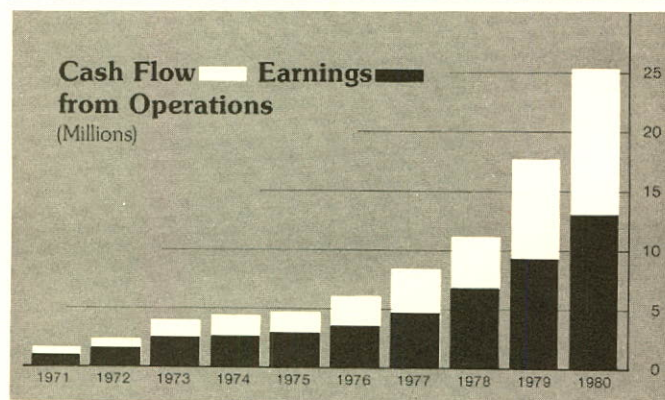
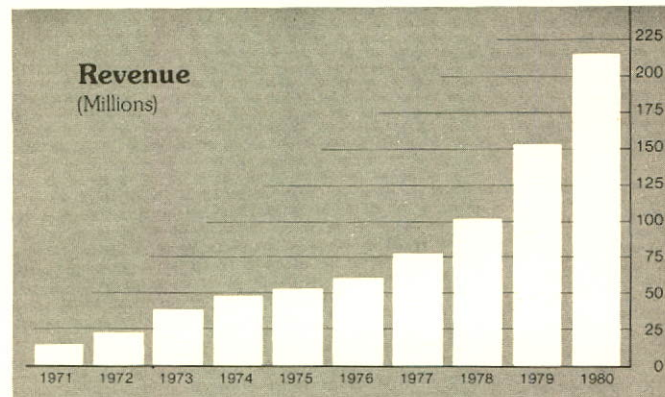
Bus passenger transportation services are provided on regular routes in Ontario, Manitoba and Alberta, and for charter and tour service originating from major points in these provinces to most areas of North America, and for the transportation of students in school buses under contracts with 47 school boards in Ontario.

Transportation and disposal services of household, commercial and industrial wastes are provided in Ontario, Manitoba, Alberta and British Columbia, Canada, and the States of Utah, Florida and Maryland, and with the acquisition of Theta Systems, Inc., effective October 1, 1980, in the States of Illinois, Indiana, Michigan and Ohio.

Road transportation services covering a variety of commodities, both truck load and less than truck load are conducted in Ontario, Quebec, Alberta, British Columbia and the Northwest Territories, Canada, and including Boss-Linco Lines, Inc., with effect from November, 1980, in 30 of the United States.

Annual Meeting

Laidlaw Transportation's Annual General Meeting will be held January 22nd, 1981, at 3:30 p.m. in the Toronto III Room of the Hotel Toronto.



Operating Results (Years Ended August 31)

| | |
|--|--|
| Revenue | |
| Earnings Before Income Taxes and Minority Interest | |
| Taxes on Income | |
| Net Earnings | |
| — Operations | |
| — Extraordinary Items | |
| Total Net Earnings | |
| Funds Provided from Operations | |

Financial Position (as at August 31)

| | |
|----------------------------|--|
| Working Capital | |
| Total Assets | |
| Long-Term Debt | |
| Shareholders' Equity | |

Class A and Class B Shares (Years Ended August 31)

| | |
|-------------------------------|--|
| Earnings per Share | |
| — Operations | |
| — Extraordinary Items | |
| — Net Earnings | |
| Dividends Paid | |
| — Class A Shares | |
| — Class B Shares | |
| Market Price Range | |
| — Class A Shares — High | |
| — Class A Shares — Low | |
| — Class B Shares — High | |
| — Class B Shares — Low | |
| Shares Outstanding August 31 | |
| — Class A Shares | |
| — Class B Shares | |

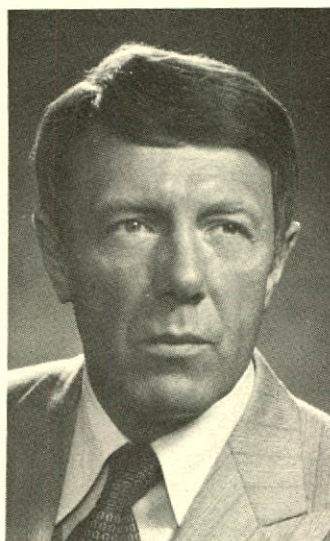
| | 1980 | 1979 | 1978 | 1977 | 1976 | 1975 | 1974 | 1973 | 1972 | 1971 |
|-----|------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| ... | \$215,855 | \$152,034 | \$100,240 | \$ 76,337 | \$ 60,555 | \$ 51,352 | \$ 46,346 | \$ 36,128 | \$ 21,767 | \$ 13,563 |
| ... | 22,789 | 18,263 | 13,515 | 9,355 | 7,224 | 6,011 | 5,299 | 5,098 | 2,950 | 1,800 |
| ... | 9,722 | 8,337 | 6,273 | 4,137 | 3,276 | 2,878 | 2,549 | 2,490 | 1,372 | 897 |
| ... | 12,618 | 9,407 | 6,832 | 4,633 | 3,483 | 2,819 | 2,533 | 2,431 | 1,578 | 904 |
| ... | 606 | 862 | 25 | (182) | 24 | 45 | 565 | 98 | 145 | 50 |
| ... | 13,223 | 10,269 | 6,857 | 4,451 | 3,507 | 2,864 | 3,098 | 2,529 | 1,723 | 954 |
| ... | 25,540 | 17,687 | 10,868 | 8,440 | 5,951 | 4,594 | 4,093 | 3,834 | 2,168 | 1,463 |
| ... | \$ 15,754 | \$ 3,126 | \$ 10,181 | \$ 10,714 | \$ 3,467 | \$ 3,190 | \$ 3,166 | \$ 3,326 | \$ 1,688 | \$ 556 |
| ... | 201,266 | 163,125 | 71,490 | 57,570 | 47,748 | 41,738 | 35,738 | 27,879 | 17,192 | 8,671 |
| ... | 64,120 | 51,404 | 21,791 | 14,156 | 15,513 | 13,396 | 11,424 | 9,392 | 4,986 | 2,192 |
| ... | 73,039 | 47,854 | 27,365 | 25,759 | 19,554 | 17,273 | 15,657 | 10,903 | 7,208 | 3,941 |
| ... | \$0.92 | \$0.81 | \$0.55 | \$0.37 | \$0.29 | \$0.23 | \$0.21 | \$0.22 | \$0.16 | \$0.09 |
| ... | 0.05 | 0.08 | 0.01 | (0.01) | 0.01 | 0.01 | 0.05 | 0.01 | 0.01 | 0.01 |
| ... | 0.97 | 0.89 | 0.56 | 0.36 | 0.30 | 0.24 | 0.26 | 0.23 | 0.17 | 0.10 |
| ... | 20.0 Cts. | 16.0 Cts. | 8.01 Cts. | 7.56 Cts. | 7.0 Cts. | 7.0 Cts. | 7.0 Cts. | 5.5 Cts. | 3.68 Cts. | 3.33 Cts. |
| ... | 24.0 Cts. | 16.0 Cts. | 8.01 Cts. | 7.56 Cts. | 7.0 Cts. | 7.0 Cts. | 7.0 Cts. | 5.5 Cts. | 3.68 Cts. | 3.33 Cts. |
| ... | \$9.88 | \$10.00 | \$4.00 | \$2.50 | \$2.00 | \$1.63 | \$3.63 | \$4.53 | \$3.66 | \$1.17 |
| ... | 5.63 | 4.63 | 1.94 | 1.38 | 1.10 | 0.73 | 1.03 | 2.53 | 0.96 | 0.63 |
| ... | 8.13 | 9.75 | | | | | | | | |
| ... | 4.85 | 9.63 | | | | | | | | |

(Market established in August 1979 after subdivision of Class A Shares)

| | | | | | | | | | | |
|-----|------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| ... | 5,292,470 | 5,292,470 | 5,436,840 | 5,707,840 | 5,856,110 | 5,942,940 | 6,015,756 | 5,425,526 | 4,789,506 | 4,354,560 |
| ... | 6,291,670 | 5,292,470 | 5,436,840 | 5,707,840 | 5,856,110 | 5,942,940 | 6,015,756 | 5,425,526 | 4,789,506 | 4,354,560 |

All information gives retroactive effect to subdivisions of shares of 3 for 1 on May 10, 1972, 2 for 1 on March 7, 1979, and 2 for 1 on August 7, 1979.

President's report to shareholders



Financial Highlights

| | 1980 | 1979 | Percentage Increase |
|----------------------------------|----------------------|---------------|---------------------|
| Revenue | \$215,855,171 | \$152,033,850 | 42 |
| Net income from operations | 12,617,635 | 9,406,828 | 34 |
| — extraordinary items | 605,726 | 861,744 | — |
| Earnings per share | | | |
| — operations | \$0.92 | \$0.81 | 14 |
| — extraordinary items | 0.05 | 0.08 | — |
| — net earnings | 0.97 | 0.89 | — |

Laidlaw's results continued to improve in fiscal year ended August 31, 1980, confirming our confidence in the transportation service sector.

The accompanying improved results were achieved during your Company's most challenging year in its history. During the year we were adversely affected by historically high interest rates coupled with the most severe recession in Eastern Canada and the U.S.A. in several decades.

Also the decline in shipments of automotive components, representing a large portion of the business for our truck transportation service, prolonged strikes affecting several of our largest customers and severe rate cutting in the whole trucking sector all had adverse effects on our operating results. Your management's determination and efforts, however, were able to offset a substantial

portion of these negative effects primarily by implementing stringent cost reduction and control programs.

During the year, substantial capital investment was made in new operating equipment throughout our transportation system, in upgrading and bringing the combined fleet to one of the most modern and fuel efficient on our highways, and providing the way for continued improvement and efficiencies, particularly in fuel and maintenance costs.

During the year emphasis was placed on improving your Company's balance sheet by the issue of 1,000,000 Class B Shares realizing a net inflow of \$7,663,000 in equity capital, and by the issue of 8% preference shares, realizing a further \$9,423,000 in capital funds, which significantly improved working capital and debt to equity ratios and leaves your

Company in a stronger financial position to finance new opportunities as they arise.

Over the past few months a substantial portion of your Company's floating interest rate long-term debt that was incurred for equipment purchasing was converted to favourable fixed interest rate debt. Currently, approximately 60% of the Company's long-term debt and lease commitments on automotive equipment is at fixed rates ranging from 6 - 12¾%.

Acquisitions

During fiscal year 1980 your Company acquired all the minority shares of Travelways Ltd., Ontario's largest school bus operator, acquired substantially all of the assets of Livingston Transportation Limited, a truck transportation company in Southwestern Ontario, acquired another waste disposal company in Jacksonville, Fla., and one in Salt Lake City, Utah, and through its wholly-owned U.S. subsidiary, Laidlaw Transportation, Inc., acquired all of the shares of Theta Systems, Inc. of Hinsdale, Illinois. 37% of the Theta shares were acquired in July and the balance in September, 1980. Theta Systems, Inc. with annual estimated 1980 revenues of \$14 million is in the residential, commercial and industrial waste removal business in the states of Illinois, Indiana, Michigan and Ohio. Theta also operates sanitary landfill

sites in these states. It is your Company's intention to use Theta as our base for further expansion in the large U.S.A. waste management market.

The previously announced acquisition of Boss-Linco Lines, Inc. of Buffalo, New York, was consummated on November 7th, 1980, after receiving final I.C.C. approval and after renegotiating the purchase price to U.S. \$4,440,000 from the previously announced U.S. \$5,940,000 purchase price. The results of Boss-Linco Lines, Inc. will be consolidated with your Company from November, 1980. Boss-Linco Lines, Inc. with 1980 estimated annual revenues of U.S. \$45 million, operates as a general commodity carrier from 22 terminals in the North Eastern U.S. and is closely tied in with Laidlaw's Ontario trucking operations.

During the year your Company made a modest investment in the natural resource sector by acquiring 23% of Wellore Resources Ltd. of Calgary, Alberta. Laidlaw is joined in Wellore by a group of other substantial Canadian and overseas investors. To date, results of explorations have been encouraging and we are looking forward to further successful activity.

Outlook

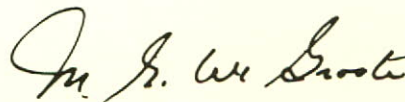
While we feel the effects of the recession and high interest rates will continue to be felt for some months to come, your Management maintains a solid hand on cost controls throughout the Company, which should auger well for improved results with the slightest upturn in the economy.

Our operations in buoyant Western Canada, bus operations throughout our system and a U.S. waste

management expansion program give us the impetus for continued growth in the 80's and I look forward to reporting this progress to you.

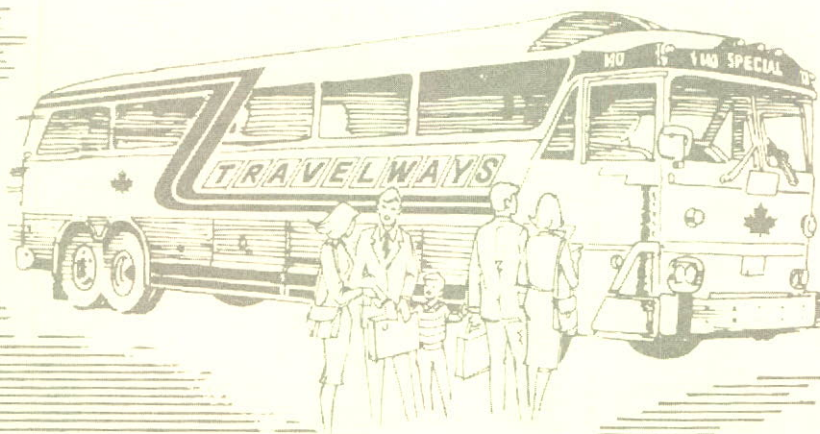
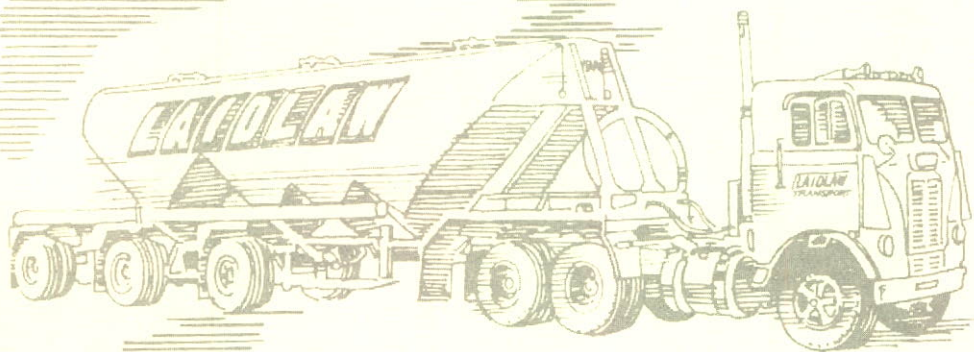
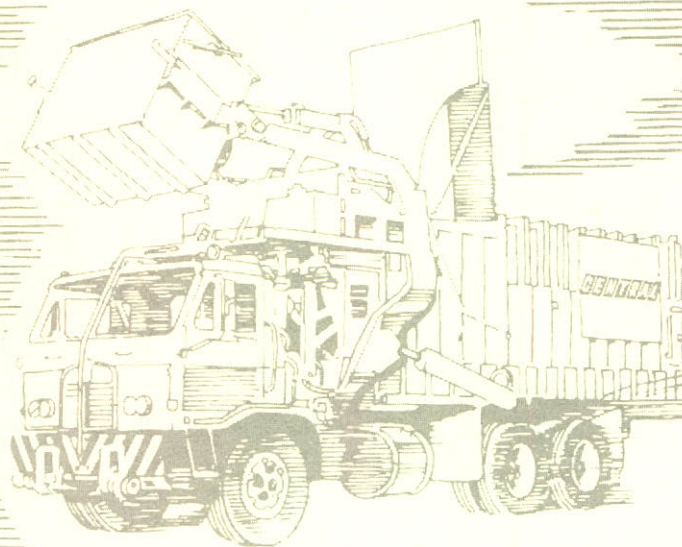
We benefitted greatly from the efforts of all our employees and their willingness to work hard and productively whatever their assignment. We extend our sincere thanks to them.

Respectfully submitted,



M. G. DeGroot
President

Operations



Our business is providing efficient, prompt and economical transportation services to a variety of users in five provinces and the Northwest Territories, Canada and more than thirty states of the U.S.A. Our expansion into new service areas, through acquisitions, extensions of and applications for operating licences and competitive contract bidding is a continuous process, throughout the many subsidiary companies.

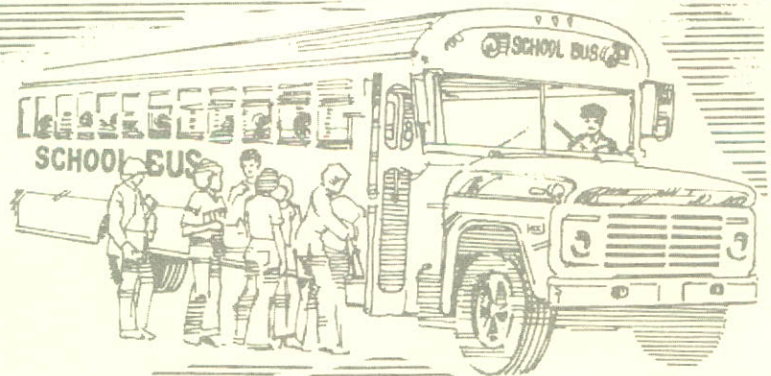
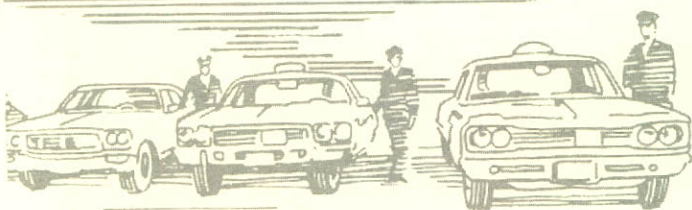
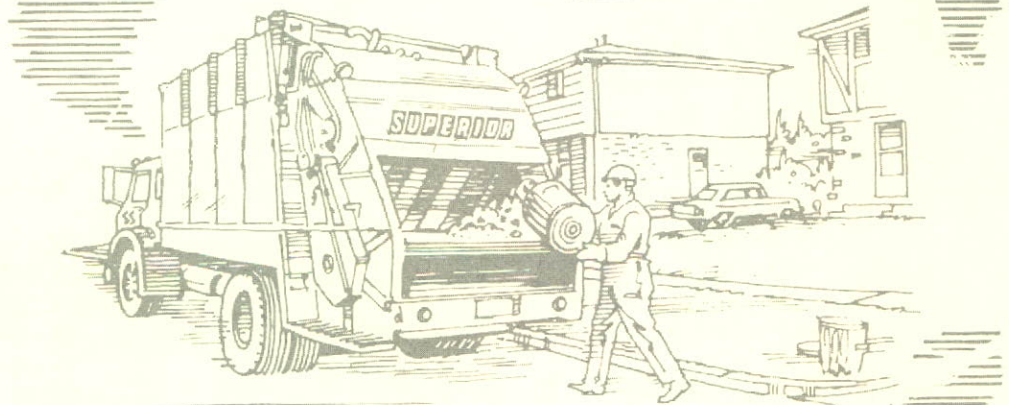
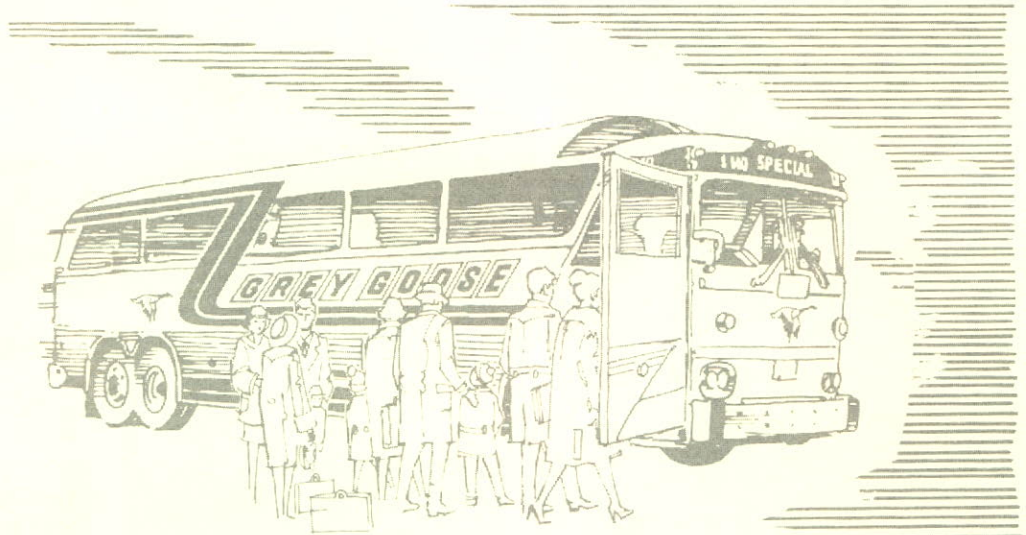
The ingredients of a first class service include not only providing modern and efficient operating equipment, maintained in top condition and appearance at all times, but also the concerted and loyal efforts of all our drivers, helpers, mechanics, dispatchers and administrative and other support personnel. It is these people that create a successful service business and are proud to be a part of a growing transportation system. We currently employ in excess of 4,700 full-time and 3,500 part-time people, and from a total of 114 terminals, operate more than 8,000 vehicles.

Shippers of both truck load and less than truck load shipments of various commodities, including components for automotive and farm machinery manufacture, abrasives, electrical equipment, feeds and fertilizers, glass, lumber, non-ferrous metals, paper and paper products, salt, silicates, clays, grains, building products, containerized freight, steel, foodstuffs, tires, chemicals, ores, coal, coke, aggregates, cement, oxides, sulphur, flour and lime, requiring a variety of general purpose and specialized equipment, utilize our services in Ontario, Quebec, Alberta, British Columbia and Northwest Territories, Canada, and in thirty of the eastern states of the U.S. A courier service is provided in Edmonton and Calgary, Alberta, and bus parcel

express services are provided on scheduled routes to and from most points in Manitoba and on certain routes in Ontario.

Passengers use our bus transportation service on regularly scheduled routes in Ontario, Manitoba and Alberta and our bus charter and tour services from most major points in these provinces to virtually anywhere in North America. Our assurance of the highest quality of service to our diverse clientele earns us repeat business year after year. In Ontario, 47 school boards have currently contracted to use our school bus transportation services. Passenger demand continues to grow for our taxi and limousine fleets in Calgary and Edmonton, Alberta, which we believe to be second to none in Canada.

In Canada, we are the largest Canadian owned waste management business, primarily in the transportation and disposal of solid waste materials, servicing industrial and commercial accounts and, under 3 - 5 year contracts, serving many municipalities in Ontario, Manitoba, Alberta and British Columbia. Recent expansion has now extended these services to the States of Utah, Michigan, Ohio, Illinois, Indiana, Maryland and Florida and we look for further growth in these and other states, where the conversion by municipalities to private contracting for waste removal service is still increasing. In addition, we operate seven sanitary landfill sites, four of which are owned by the Company.



Laidlaw Transportation Limited Consolidated balance sheet

as at August 31

Assets

| | 1980 \$ | 1979 \$ |
|--|--------------------|-------------|
| CURRENT ASSETS | | |
| Cash and short-term deposits | 2,948,733 | 1,904,335 |
| Marketable securities (Market Value: 1980 — \$3,852,425 1979 — \$4,605,198 (Note 2) | 3,287,654 | 3,287,654 |
| Accounts receivable | | |
| Trade (Note 2) | 25,936,042 | 23,901,361 |
| Other | 8,671,290 | 2,150,010 |
| Inventories — Parts and supplies | 5,870,399 | 4,844,991 |
| Buses and properties for resale | 4,657,579 | 2,717,299 |
| Prepaid expenses | 3,916,344 | 3,938,471 |
| Current portion of conditional sales agreements and mortgages receivable | 479,065 | 513,416 |
| | 55,767,106 | 43,257,537 |
| LONG-TERM INVESTMENTS | | |
| Conditional sales agreements and mortgages receivable | 944,720 | 705,491 |
| Other investments (Note 3) | 2,674,943 | — |
| | 3,619,663 | 705,491 |
| FIXED ASSETS | | |
| Land and improvements | 20,474,246 | 18,649,244 |
| Buildings | 22,040,835 | 17,649,043 |
| Automotive and other equipment | 114,063,052 | 98,025,380 |
| Equipment under long-term capital leases (Note 4) ... | 3,066,133 | — |
| | 159,644,266 | 134,323,667 |
| Less: Accumulated depreciation | 43,416,874 | 40,029,293 |
| | 116,227,392 | 94,294,374 |
| OTHER ASSETS | | |
| Excess cost of shares of subsidiaries over book value of net assets | 13,680,601 | 13,680,497 |
| Operating authorities | 11,132,371 | 10,610,768 |
| Unamortized bond discount and deferred charges | 838,922 | 576,251 |
| | 25,651,894 | 24,867,516 |
| | 201,266,055 | 163,124,918 |

Signed on behalf of the Board

Director Michael G. DeGroote

Director Donald M. Green, C.M.

Liabilities

| | 1980 \$ | 1979 \$ |
|---|--------------------|--------------------|
| CURRENT LIABILITIES | | |
| Bank advances (Note 2) | 3,353,393 | 4,721,842 |
| Accounts payable and accrued liabilities | 19,497,073 | 20,030,304 |
| Accounts payable secured by new buses for resale | 2,893,686 | 2,376,845 |
| Income taxes payable | 5,261,059 | 4,043,497 |
| Current portion of long-term debt | 9,008,235 | 8,958,724 |
| | <u>40,013,446</u> | <u>40,131,212</u> |
| LONG-TERM DEBT (Note 4) | 64,119,556 | 51,403,561 |
| DEFERRED INCOME TAXES | 14,635,805 | 11,012,401 |
| MINORITY INTEREST (Note 5) | 9,458,269 | 12,723,292 |
| | <u>128,227,076</u> | <u>115,270,466</u> |

Shareholders' Equity

| | | |
|--|--------------------|--------------------|
| CAPITAL STOCK (Note 6) | 36,020,886 | 18,850,152 |
| EXCESS OF APPRAISED VALUE OF LAND AND BUILDINGS OVER BOOK VALUE | 4,074,899 | 5,181,915 |
| RETAINED EARNINGS | 32,943,194 | 23,822,385 |
| | <u>73,038,979</u> | <u>47,854,452</u> |
| | <u>201,266,055</u> | <u>163,124,918</u> |

Consolidated statement of earnings and retained earnings

for the year ended August 31

| | 1980 \$ | 1979 \$ |
|---|-------------|-------------|
| REVENUE | 215,855,171 | 152,033,850 |
| OPERATING EXPENSES | 174,053,745 | 124,118,687 |
| EARNINGS BEFORE THE FOLLOWING | 41,801,426 | 27,915,163 |
| Depreciation | 12,218,473 | 6,413,328 |
| Interest on long-term debt | 7,208,443 | 3,794,012 |
| Interest and dividend income | (616,723) | (683,620) |
| Amortization of other assets less gain on debenture dedemption | 202,176 | 128,001 |
| | 19,012,369 | 9,651,721 |
| EARNINGS BEFORE INCOME TAXES | 22,789,057 | 18,263,442 |
| PROVISION FOR INCOME TAXES | | |
| Current | 6,247,937 | 5,937,414 |
| Deferred | 3,474,123 | 2,399,234 |
| | 9,722,060 | 8,336,648 |
| EARNINGS BEFORE MINORITY INTEREST AND EXTRAORDINARY ITEMS | 13,066,997 | 9,926,794 |
| Minority Interest | 449,362 | 519,966 |
| EARNINGS BEFORE EXTRAORDINARY ITEMS | 12,617,635 | 9,406,828 |
| EXTRAORDINARY ITEMS (Note 7) | 605,726 | 861,744 |
| NET EARNINGS FOR THE YEAR (Note 8) | 13,223,361 | 10,268,572 |
| RETAINED EARNINGS — BEGINNING OF YEAR ... | 23,822,385 | 17,465,440 |
| | 37,045,746 | 27,734,012 |
| Appraisal increase realized on sale of land and buildings and depreciation | (1,084,404) | — |
| Cost of shares cancelled in excess of paid up value ... | 2,709 | 1,290,812 |
| (Gain) Premium on purchases of Preference shares | (86,355) | 2,689 |
| Expense of share issues and capital reorganization | 602,268 | 223,753 |
| Dividends — Preference shares | 2,099,737 | 691,663 |
| — Class A and Class B shares | 2,568,597 | 1,702,710 |
| | 4,102,552 | 3,911,627 |
| RETAINED EARNINGS — END OF YEAR | 32,943,194 | 23,822,385 |

Consolidated statement of changes in financial position

for the year ended August 31

| | 1980 \$ | 1979 \$ |
|---|-------------------|--------------------|
| SOURCE OF FUNDS | | |
| Provided from operations | 25,540,396 | 17,686,587 |
| Net proceeds from issues of preference shares | 9,423,250 | 11,830,445 |
| Net proceeds from issue of Class B shares | 7,663,962 | — |
| Obligation to issue preference shares | — | 3,239,470 |
| Proceeds of long-term debt | 38,473,237 | 48,351,771 |
| Proceeds of sale of fixed assets | 13,407,584 | 4,258,338 |
| Proceeds from conditional sales agreements and other investments | 539,984 | 654,358 |
| Extraordinary items | 478,271 | 861,744 |
| Minority interest introduced | 14,041 | 2,462,972 |
| Proceeds of conversion of warrants and preference shares to Class A and Class B shares ... | — | 71,621 |
| | <u>95,540,725</u> | <u>89,417,306</u> |
| USE OF FUNDS | | |
| Purchase of fixed assets | 38,344,088 | 61,361,703 |
| Reduction in long-term debt | 25,757,242 | 18,738,995 |
| Purchase of minority interests in subsidiaries | 4,875,049 | 418,816 |
| Dividends | 4,913,419 | 2,576,062 |
| Purchase of other assets | 7,051,812 | 10,980,830 |
| Capital stock acquired | 4,120 | 1,484,166 |
| Increase in conditional sales agreements receivable | 727,745 | 835,948 |
| Purchase of preference shares for redemption | 1,239,915 | 28,439 |
| Capital reorganization costs | — | 46,788 |
| | <u>82,913,390</u> | <u>96,471,747</u> |
| INCREASE (DECREASE) IN FUNDS | 12,627,335 | (7,054,441) |
| WORKING CAPITAL — BEGINNING OF YEAR | 3,126,325 | 10,180,766 |
| — END OF YEAR | <u>15,753,660</u> | <u>3,126,325</u> |
| FUNDS REPRESENTED BY | | |
| Current Assets | 55,767,106 | 43,257,537 |
| Current Liabilities | 40,013,446 | 40,131,212 |
| WORKING CAPITAL — END OF YEAR | <u>15,753,660</u> | <u>3,126,325</u> |

Notes to consolidated financial statements

for the year ended August 31, 1980

1. Significant accounting policies

Consolidation

The purchase method of accounting for business combinations has been used and the accounts of all subsidiaries have been consolidated.

Inventories

Inventories are recorded at the lower of cost or replacement cost.

Fixed assets

The company revalued all land and buildings except those acquired directly or through acquisitions of corporations during the year ended August 31, 1979, to fair market value as of August 31, 1979, based on appraisals made substantially by A. E. LePage Limited, independent appraisers.

Depreciation

Depreciation of fixed assets is provided from the date assets are put into service over their estimated useful lives substantially as follows:

On a straight line basis for

Trucks over 5 years

Trailers over 8 years

Buses over 15 years

School buses over 10 years

Taxicabs over 4 years

Containers over 10 years

Buildings either over 20 years or 40 years depending on their structure

On a declining balance basis at annual rates for

Service vehicles 30%

Other equipment 20%

Income taxes

The company follows the tax allocation method of providing for income taxes. Under this method, the provision for income taxes is determined from the earnings reported in the statement of earnings, rather than from the company's income for tax purposes.

Deferred taxes on the balance sheet arise principally from depreciation allowable for tax purposes being in excess of depreciation charged to earnings.

The company is entitled to a 7% investment tax credit on certain purchases of equipment. The company has given effect to this credit using the flow-through method.

Other assets

For acquisitions made prior to April 1, 1974, it is the policy of the company not to amortize excess cost of shares of subsidiaries over book value of net tangible assets and operating authorities as, in the opinion of management, there is no reason to expect a decline in the value of these assets. For acquisitions after March 31, 1974, the excess cost of shares over fair value of net tangible assets acquired is amortized on a straight line basis over forty years.

Marketable securities

177,123 Canada Permanent Mortgage Corporation 8% Preferred Series B shares of a par value of \$25 per share, for a total par value of \$4,428,075 are owned by the Company and carried at the average effective cost per share to the company, as established by using the equity method of accounting for an interest in a previously affiliated company up to the date of exchange of such shares at December 31, 1977.

Leases

Effective September 1, 1979, the company changed its method of accounting for long-term capital leases. Capital leases entered into after this date are being accounted for as purchases of equipment. Assets recorded under capital leases are amortized over their useful lives in accordance with existing depreciation policies. Obligations recorded under capital leases are reduced by rental payments net of interest. Capital leases existing at August 31, 1979, are accounted for as operating leases. The effect of not applying this change retroactively is disclosed in Note 10.

2. Security for bank loans

Book debts of certain subsidiaries in the amount of \$17,628,394 (August 31, 1979 — \$15,415,627) and marketable securities have been pledged as security for bank loans and advances.

3. Other investments

The other investments are recorded at cost and include the following:

| | | |
|-------|---|------------------|
| (i) | Deposit on purchase price of shares of Boss-Linco Lines, Inc. (See Note 11) | 620,037 |
| (ii) | Investment in 860,334 common shares representing 37% of the total issued and outstanding shares and \$302,796 of 13% subordinated debentures of Theta Systems, Inc. (See Note 11) | 1,664,906 |
| (iii) | Investments in Wellor Resources Ltd. and Wellor Explorations (1980) Ltd. | 390,000 |
| | | <u>2,674,943</u> |

4. Long-term debt

| | 1980 \$ | 1979 \$ |
|---|-------------------|-------------------|
| Term bank loans (secured) (Note 2) | 27,392,056 | 22,454,416 |
| Due on equipment — | | |
| Chattel mortgages and lien notes due to 1984 | 8,271,843 | 8,948,488 |
| Term bank loans secured by chattel mortgages with interest from bank prime rate to 3/4% above bank prime rate | 12,972,021 | 10,219,976 |
| Other conditional sales agreements | 1,754,404 | 1,610,214 |
| Term mortgages due to 1983 and renewable to 1988 with interest at 2 1/2% above bank prime rate | 2,420,852 | 2,570,848 |
| Mortgages maturing at various dates to February, 1999, with interest rates from 7% to 12 1/4% | 6,382,585 | 3,661,002 |
| Notes maturing at various dates to August, 1987, with interest rates from 7% to 12% | 5,984,550 | 5,628,541 |
| Capital leases having rentals based on implicit interest rates varying up to 12 1/4% and expiring at various dates to 1986 | 2,879,480 | — |
| Debentures | | |
| 7 1/2% Sinking Fund Debentures Series A due June 15, 1989, to be retired by annual principal deposits of \$50,000 in each of the years 1981 to 1988 inclusive | 471,000 | 542,800 |
| 8 3/4% Sinking Fund Debentures Series B due January 15, 1993, to be retired by annual principal deposits of \$150,000 in each of the years 1981 to 1992 inclusive | 2,356,000 | 2,391,000 |
| 9 1/4% Sinking Fund Debentures of Grey Goose Corporation Limited Series A due February 1, 1994, to be retired by annual principal deposits of \$120,000 in each of the years 1982 to 1993 inclusive | 2,243,000 | 2,335,000 |
| | <u>73,127,791</u> | <u>60,362,285</u> |
| | <u>9,008,235</u> | <u>8,958,724</u> |
| Less current portion | <u>64,119,556</u> | <u>51,403,561</u> |

5. Minority interest

The minority interest consists of:

| | 1980 \$ | 1979 \$ |
|--|------------------|-------------------|
| Preference Shares issued by subsidiaries | 7,958,460 | 8,839,730 |
| Other Equity of Subsidiaries | 1,499,809 | 3,883,562 |
| | <u>9,458,269</u> | <u>12,723,292</u> |

6. Capital stock

(a) Authorized

The following is the authorized capital:

First, Second, Third and Fourth Preference Shares, each of which is issuable in series, and of which, 400,000 are designated as First Preference Shares Series C and an unlimited number are designated as First Preference Shares Series E.

Class A and Class B Shares

Class A shares are voting and Class B shares are non-voting. Class B shares are entitled to a priority in the payment of dividends, after provision for which Class A and Class B shares rank equally in all distributions.

| (b) Issued and fully paid | 1980 | | 1979 | |
|---|-----------|-------------------|-----------|-------------------|
| | Shares | Amount \$ | Shares | Amount \$ |
| 9¾% Cumulative First Preference Shares Series C, redeemable from February 16, 1982, at a stated value of \$10 each plus a premium varying from 7% to 1% of stated value until February 15, 1987, and thereafter without any premium ... | 393,000 | 3,930,000 | 400,000 | 4,000,000 |
| 8% Cumulative First Preference Shares Series D at a stated value of \$25 | — | — | 366,389 | 9,159,725 |
| 8% Cumulative First Preference Shares Series E; redeemable from November 16, 1984, at a stated value of \$10 each plus a premium varying from 6% to 1% of stated value until November 15, 1990, and thereafter without any premium | 1,815,187 | 18,151,870 | — | — |
| Class A Shares | 5,292,470 | 2,845,214 | 5,292,470 | 2,845,214 |
| Class B Shares | 6,291,670 | 11,093,802 | 5,292,470 | 2,845,213 |
| | | <u>36,020,886</u> | | <u>18,850,152</u> |

(c) Changes during the year

(i) Effective January, 1980, all of the 366,389 outstanding First Preference Shares Series D were converted into 915,972 First Preference Shares Series E.

(ii) During the year, 336,715 First Preference Shares Series E were issued as part consideration for the acquisition of the balance of the issued and outstanding common shares of Travelways Ltd. (See Note 9)

(iii) Effective June 29, 1980, 600,000 First Preference Shares Series E were issued as part consideration for the purchase of substantially all of the assets and business of Livingston Transportation Limited. (See Note 9)

(iv) During the year the Company purchased and cancelled 7,000 First Preference Shares Series C and 37,500 First Preference Shares Series E for a consideration of \$69,387 and \$289,258 respectively.

(v) Pursuant to an Underwriting Agreement dated September 25, 1979, the company issued 1,000,000 Class B shares for an aggregate consideration of \$8,250,000, the net proceeds of which, after deducting expenses, amounted to \$7,663,962.

(vi) During the year, the company purchased and cancelled 800 Class B shares for a total consideration of \$4,120.

7. Extraordinary items

| | 1980 \$ | 1979 \$ |
|---|----------------|----------------|
| Gain on sale of land and buildings net of applicable income taxes of \$714,000 | 1,089,515 | — |
| Loss on discontinued operations net of applicable income taxes of \$31,696 | (483,789) | — |
| Gain on sale of marketable securities net of applicable income taxes of \$529,506 | — | 861,744 |
| | <u>605,726</u> | <u>861,744</u> |

8. Earnings per share

| | 1980 \$ | 1979 \$ |
|---|------------|------------|
| Earnings before extraordinary items | 0.92 | 0.81 |
| Extraordinary items | 0.05 | 0.08 |
| Net earnings for the year | 0.97 | 0.89 |

The earnings per share figures are calculated using the weighted monthly average number of shares outstanding during the respective fiscal years.

9. Acquisitions

(i) Effective June 29, 1980, substantially all of the tangible assets of Livingston Transportation Limited were acquired for an aggregate consideration of \$6,641,298 representing their fair value. The consideration consisted of the issue of 600,000 8% First Preference Shares Series E at an aggregate stated value of \$6,000,000 and the balance in cash. The use of working capital on this acquisition consisted of:

| | \$ |
|---------------------------------------|------------------|
| Non-current assets acquired | 6,509,500 |
| Issue of preference shares | 6,000,000 |
| Long-term debt financing | 641,298 |
| | <u>6,641,298</u> |
| Net increase in working capital | <u>131,798</u> |

(ii) Purchase of minority interest

During the year, the company purchased an additional 45,608 shares of Grey Goose Corporation Limited at a cost of \$307,214 bringing the total holding to 2,312,106 shares which represents 88.9% of the issued common shares.

During the year, the company acquired the balance of the issued and outstanding common shares of Travelways Ltd. pursuant to its offer dated August 21, 1979, for an aggregate consideration of \$4,567,835, comprising the issue of 336,715 8% First Preference Shares Series E at their aggregate stated value of \$3,367,150 and \$1,200,685 in cash.

10. Lease commitments

Rentals payable under leases which expire from 1981 to 1993 for leased premises and equipment totalling \$20,563,596 (1979 - \$23,607,816) are as follows:

| | |
|---|-------------|
| For the year ending August 31, 1981 | \$5,732,403 |
| 1982 | 5,217,860 |
| 1983 | 4,189,234 |
| 1984 | 2,810,296 |
| 1985 | 1,506,869 |
| 1986 - 1993 | 1,106,934 |

Retroactive accounting treatment is not required and has not been given to the Canadian Institute of Chartered Accountants' recommendations on accounting for leases.

The capital leases in existence at August 31, 1979, continue to be accounted for as operating leases. The effect of the capitalization of such leases would be to increase net fixed assets by \$16,110,262, liabilities by \$14,759,338 and to increase net earnings for the year by \$362,557. (\$0.03 per share).

Notes to consolidated financial statements — cont'd.

11. Subsequent Events

- (i) Pursuant to an amending agreement and effective November 1, 1980, the company completed the purchase of all of the issued and outstanding shares of Boss-Linco Lines, Inc. for an aggregate consideration of \$5,271,000 (\$4,440,000 U.S.) payable \$3,562,000 (\$3,000,000 U.S.) in cash and the balance by way of a promissory note payable over seven years with interest at 7% per annum. This agreement replaced a former agreement for the purchase of all of the assets and business of Boss-Linco Lines, Inc. (See Note 3).
- (ii) Effective July 25, 1980, 860,334 shares of Theta Systems, Inc. and \$302,796 (\$260,000 U.S.) of 13% subordinated debentures were acquired for a total consideration of \$1,664,906 (\$1,429,595 U.S.). Under an agreement and plan of merger and with effect from October 1, 1980, all of the remaining shares of Theta Systems, Inc. were effectively acquired for an aggregate consideration of \$2,107,000 (\$1,816,000 U.S.) payable \$607,000 (\$523,000 U.S.) in cash and the balance due September 15, 1981, without interest (See Note 3).

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Laidlaw Transportation Limited as at August 31, 1980, and the consolidated statement of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at August 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 which, except for the change in the method of accounting for leases as referred to in Notes 1 and 10 of the financial statements, have been applied on a basis consistent with that of the preceding year.

November 21, 1980
Hamilton, Ontario

Coopers & Lybrand
Chartered Accountants

Corporate information

Board of Directors

Michael G. DeGroote
President & Chief
Executive Officer
Laidlaw Transportation
Limited

Douglas R. Gowland
Executive Vice-President
Motor Carrier Group
Laidlaw Transportation
Limited

Donald M. Green, C.M.
President
The Tridon Companies

Ronald S. Murray
President
Superior Sanitation
Services Ltd.

Laurence J. Needler
Chairman of the Board
Travelways Ltd.

Jack M. Rosen
President
Rosen Metal Company
Limited

Halliwell Soule, Q.C.
Vice-President
Corporate Affairs
Laidlaw Transportation
Limited

Abram J. Thiessen
Chairman of the Board
Grey Goose Corporation
Limited

Douglas H. Ward
Honorary Chairman
Dominion Securities
Limited

Ivan R. Cairns
Partner
Evans, Husband

Honorary Directors

Harold H. Leather, M.B.E.
Honorary Director
The Canada Trust Company

Benson W. Tuckey
Vice-President
Laidlaw Transport Limited

Officers

Michael G. DeGroote
President & Chief
Executive Officer

Douglas R. Gowland
Executive Vice-President
Motor Carrier Group

Leslie W. Haworth, C.A.
Vice-President Finance

Halliwell Soule, Q.C.
Vice-President
Corporate Affairs

David A. Higson, C.A.
Secretary-Treasurer

J. Ross Husband, Q.C.
Assistant Secretary

Head Office

110 King Street West
Suite 490
Hamilton, Ontario
Canada L8P 4S6

Laidlaw Transportation Limited

Major Subsidiaries

as at November 30, 1980

| | |
|--------------------------------------|-----------------|
| Laidlaw Transport Limited | Hamilton, Ont. |
| Reliable-Scott Transport Limited | Hamilton, Ont. |
| Boss-Linco Lines, Inc. | Buffalo, N.Y. |
| Travelways Ltd. | Markham, Ont. |
| Grey Goose Corporation Limited | Edmonton, Alta. |
| Superior Sanitation Services Ltd. | Kitchener, Ont. |
| Theta Systems, Inc. | Hinsdale, Ill. |

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