S.B. McLAUGHLIN ASSOCIATES LIMITED ANNUAL REPORT 1979

Corporate Directory

Head Office

S.B. McLaughlin Associates Limited
77 City Centre Drive, Mississauga,
Ontario L5B 1M6
(416) 270-7000

Directors

†*S.B. McLaughlin
*F.W. MacDonald, Q.C.
†S.F. Chapman, C.A., Senior Vice-President,
The Thomson Corporation Limited,
The Woodbridge Company Limited
E.J. Dato, B.A., M.B.A., R.I.A.
D.L. Fowles
L.A. McLaughlin
†C.R. Younger, Executive Vice-President
Dominion Securities Limited
*R.E. Winter, President, R.E. Winter &
Associates Limited

* Executive Committee
† Audit Committee

Officers

S.B. McLaughlin, B.A., LL.B., President
D.L. Fowles, Executive Vice-President
J. Cottom, C.A., A.C.M.A.,
Vice-President & Treasurer
E.J. Dato, B.A., M.B.A., R.I.A.
Vice-President, Finance
F.W. Macdonald, Q.C., Vice-President,
General Counsel and Secretary
F.H. Falkiner, Vice-President &
Assistant-Secretary

Transfer Agents and Registrars

Canada Permanent Trust Company
The Canada Trust Company
Montreal Trust Company
National Trust Company Limited

Auditors

Touche Ross & Co.

Listing

The Toronto Stock Exchange
The Montreal Stock Exchange

Ce rapport est également disponible en français. Pour en obtenir un exemplaire, veuillez vous adresser au:

Département des communications
S.B. McLaughlin Associés Limitée
77 City Centre Drive
Mississauga, Ontario
L5B 1M6
(416) 270-7000

The Board of Directors of S.B. McLaughlin Associates Limited are shown: *(standing left to right)* Ronald E. Winter; Douglas L. Fowles, Executive Vice-President; S. Bruce McLaughlin, President; and C.R. Younger.

(Seated, left to right) Fraser W. MacDonald, Q.C., Vice-President, General Counsel and Secretary; Laurel A. McLaughlin; and Sydney F. Chapman, C.A. Absent from photograph, Edward J. Dato, B.A., M.B.A., R.I.A., Vice-President, Finance.

The officers of S.B. McLaughlin Associates Limited are shown: *(standing left to right)* Fraser W. Macdonald, Q.C., Vice-President, General Counsel and Secretary; Douglas L. Fowles, Executive Vice-President; Joe Cottom, C.A., A.C.M.A., Vice-President and Treasurer.

(Seated) S. Bruce McLaughlin, President, and Fred H. Falkiner, Vice-President and Assistant Secretary. Absent from photograph, Edward J. Dato, B.A., M.B.A., R.I.A., Vice-President, Finance.

To the Shareholders

Financial Results – The Company earned a net profit after taxation of $8,336,000.00 being $2.22 per issued common share.

During the year, the Company reorganized its share capital by issuing 5 common shares and one redeemable second preference share having a par value of $20.00 for each five common shares of the capital stock of the Company then issued, or, to be issued upon the exercise of warrants and employee stock options. Also, an initial dividend of $1.50 per common share was paid to shareholders as of May 1, 1979.

Shareholders will recall that during 1978, strong efforts were made to realize profits on the real estate holdings of the Company and pay down debt. These efforts were continued into and through 1979, and will continue during 1980. As a result of these actions, 1979 was a year of strong cash flow and substantial profitability.

Highlights of the Year – Traders Associates, our joint venture with The Traders Group, in which we hold a 50% interest in the development of 2,200 acres in the City of Mississauga, has succeeded in obtaining draft plan approval for the first 430 acres comprising an industrial subdivision. It is expected that this industrial park will be registered by mid 1980, be serviced shortly thereafter, and be ready for construction during the fall of 1980.

As pointed out in our 1978 Annual Report, early in 1979, we negotiated and completed the sale of our half interest in the Matthews and Associates joint venture of lands in the City of Mississauga, at a substantial profit. This process of consolidation, as evidenced by these important transactions, is continuing, and the emphasis is to achieve further sales and joint ventures in 1980. Shareholders will be kept informed in a timely manner by appropriate press announcements and quarterly reports.

During 1979 the new office building at 201 City Centre Drive was completed and as of this date, approximately 70% of the leaseable space in this building has either been leased, or active negotiations for leasing are in progress. It is expected that during the next six months, leasing will be completed and the construction of a new office building in our Mississauga city centre land holdings will be commenced.

We have recently announced that the Square One Shopping Centre will be enlarged. We welcome Eaton's of Canada and the many new tenants who will participate in this expansion of Square One.

Plans for the construction of the first major hotel in the Mississauga City Centre are now being prepared. However, the commencement of construction of this project must await the availability of investment funds at lower interest rates and the confidence of the Company that development in Mississauga will continue to proceed on a steady basis.

All of the projects of the Company are making steady and profitable progress with the exception of Grouse Mountain where the 1979/80 season has proven to be unsatisfactory due to extremely mild winter weather conditions. This project will, however, receive special attention by management during 1980, with a view to realizing upon some of the real estate development potential of the Grouse Mountain property.

We are pleased to have formed an equal ownership company for the completion of the Sheraton Hotel in Montreal with ITT Canada Ltd.

Management are now proceeding with plans for the sale or formation of a joint venture in connection with the Mount Royal Hotel in Montreal which will provide for the complete refurbishment of that traditional hotel.

During 1979, Mr. James M. Tory, Q.C. and Mr. John Milne retired from the Board of Directors, and we wish to thank them for their valuable past service. Mr. Tory has been outstanding in his service to this corporation during the past 15 years, and I wish to acknowledge personally, as well as on behalf of all of our shareholders, our deep appreciation of his valuable services.

The year 1979 has been a profitable one for the Company and from the vantage point of May 1980, it is becoming increasingly clear that the consolidation process embarked upon two years ago will soon be complete. Although the extraordinary high interest rates which we have experienced have slowed down the pace of development and increased our costs, our prospects for a profitable current year are excellent, and we are confident that we are establishing a sound footing for our future operations beyond 1980.

The employees of the Company have been unstinting in their efforts to advance our corporate plans, and I would like to thank each of them on behalf of all the shareholders.

S.B. McLaughlin

S.B. McLaughlin
May 14, 1980

Consolidated Balance Sheet

DECEMBER 31

	Note	1979 ($000's)	1978 ($000's)
Assets			
Income properties	2		
Commercial buildings		$ 72,896	$ 72,733
Other properties		23,784	25,371
Under development		24,474	18,022
Land			
Held for development		71,864	92,816
Under development		737	719
Residential properties for sale		439	2,566
Accounts and mortgages receivable	4	23,603	30,189
Short-term investments		4,000	–
Other assets	5	8,549	8,394
		$230,346	$250,810
Liabilities			
Mortgages payable and other term loans	6	$135,582	$158,329
Funded debt	7	29,878	31,073
Bank indebtedness	8	5,514	7,671
Accounts payable and accrued charges		13,403	17,072
Costs to complete subdivision servicing		1,093	2,241
		185,470	216,386
Minority interest in subsidiary company		1,480	1,384
Deferred income taxes		9,744	2,123
Shareholders' equity			
Capital stock	9	25,451	25,047
Retained earnings		8,201	5,870
		33,652	30,917
		$230,346	$250,810

On behalf of the Board

S.B. McLaughlin Director

Director

Consolidated Statement of Retained Earnings

FOR THE YEAR ENDED DECEMBER 31

	1979 ($000's)	1978 ($000's)
Retained earnings – beginning of year	$ 5,870	$ 10,993
Net earnings (loss)	8,336	(4,082)
	14,206	6,911
Dividends		
First preferred shares	1,080	1,041
Second preferred shares	462	–
Common shares	4,463	–
	6,005	1,041
Retained earnings – end of year	$ 8,201	$ 5,870

Auditors' Report

The Shareholders,
S.B. McLaughlin Associates Limited

We have examined the consolidated balance sheet of S.B. McLaughlin Associates Limited as at December 31, 1979 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination of the financial statements of S.B. McLaughlin Associates Limited and those subsidiary companies of which we are the auditors was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. With respect to the subsidiary company of which we are not the auditors, we have relied on the report of the auditors who have examined its financial statements.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1979 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.

Mississauga, Ontario,
April 30, 1980

Touche Ross & Co.

Chartered Accountants

Consolidated Statement of Earnings

FOR THE YEAR ENDED DECEMBER 31

	Note	1979	1978
		($000's)	($000's)
Income			
Sales – land and houses		$ 57,761	$ 12,370
Revenue			
Commercial buildings		25,458	21,307
Other income producing operations		29,653	25,756
Interest and other income		2,403	2,940
		115,275	62,373
Expenses			
Cost of sales – land and houses		37,924	14,199
Operating costs			
Commercial buildings		17,918	13,430
Other income producing operations		23,391	21,628
Interest	12a	14,123	14,343
Administrative and general	12b	4,010	4,384
Depreciation		3,472	3,050
		100,838	71,034
Earnings (loss) from operations		14,437	(8,661)
Income taxes (credit)		7,270	(3,683)
Net earnings (loss) before the undernoted		7,167	(4,978)
Recovery of provision for reduction in value of assets (net of related tax effect of $1,213)	12d	1,222	–
Net earnings (loss) before minority interest		8,389	(4,978)
Minority interest		53	(896)
Net earnings (loss)		$ 8,336	$ (4,082)
Earnings (loss) per common share			
Basic		$ 2.22	$ (1.76)
Fully diluted		$ 2.08	$ (1.76)

Consolidated Statement of Changes in Financial Position
FOR THE YEAR ENDED DECEMBER 31

	1979 ($000's)	1978 ($000's)
Source		
Cash flow from operations*	$ 17,299	$ –
Decrease in:		
Accounts and mortgages receivable	6,586	19,026
Investment in income properties, land and residential properties for sale	15,871	–
Short-term investments	–	9,327
Increase in:		
Funded debt	–	11,940
Accounts payable	–	2,801
Issue of:		
Common shares	404	62
	$ 40,160	$ 43,156
Use		
Cash used in operations*	$ –	$ 6,383
Increase in:		
Short-term investments	4,000	–
Investment in income properties, land and residential properties for sale	–	9,384
Decrease in:		
Mortgages payable and other term loans	22,747	14,189
Funded debt	1,195	3,686
Bank indebtedness	2,157	5,248
Accounts payable	3,669	–
Changes in other assets and liabilities	387	2,425
Net assets of subsidiary company acquired	–	800
Dividends	6,005	1,041
	$ 40,160	$ 43,156
***Cash flow from (used in) Operations**		
Net earnings (loss) before minority interest	$ 8,389	$ (4,978)
Deferred income taxes	7,552	(4,774)
Depreciation and amortization	3,793	3,369
Recovery of provision for reduction in value of assets	(2,435)	–
	$ 17,299	$ (6,383)

Notes to Consolidated Financial Statements

DECEMBER 31, 1979

1. Summary of significant accounting policies

a) General

The Company is a member of the Canadian Institute of Public Real Estate Companies. The accounting policies followed and financial information disclosure are substantially in accordance with the recommendations of that Institute.

b) Consolidation

The financial statements include:

i) The accounts of the Company and all its subsidiary companies.

ii) The Company's proportionate share of the assets, liabilities, revenue and expenses of incorporated and unincorporated joint ventures.

All subsidiary companies acquired have been treated as purchases and assets and liabilities have been included on the basis of assigned values at acquisition date. Accordingly, in respect of the subsidiary company not wholly-owned, the resulting minority interest includes a proportion of the assigned values.

c) Income properties

These are stated at the lower of cost less accumulated depreciation and estimated economic value. The cost of properties constructed by the Company includes interest, real estate taxes and administrative overhead applicable to the construction period, and in the case of rental properties, initial leasing costs and start-up costs (net of rental income) up to the point in time when substantial occupancy has been achieved. The Company ceases to capitalize costs relating to a property under construction when the book value of the property equals its estimated economic value.

Income properties are depreciated on the following basis:

i) Sinking fund at 5% over fifteen to forty years in respect of commercial properties.

ii) Straight-line basis at varying rates in respect of other income producing properties.

d) Land held for development and land under development

These are stated at the lower of cost and net realizable value. Cost includes interest, real estate taxes and administrative costs (net of miscellaneous revenues from vacant land) which are capitalized, provided the carrying value does not thereby exceed net realizable value. In addition, land under development includes the total estimated cost of servicing for which the Company is contractually committed under letters of credit issued to municipal authorities.

e) Income recognition

i) Land sales
Sales, including sales of partial interests in land, are recorded when the Company has fulfilled all conditions required of it to consummate the sale.

ii) Housing sales
Detached and semi-detached units —
Sales are recorded when title passes to the purchaser.
Condominium units —
Sales are recorded at the date of first closing, when the purchaser is entitled to possession, has undertaken to assume the mortgage, and has deposited the balance of the purchase price in escrow.

iii) Commercial buildings
Revenue is treated as operating income from the date when substantial occupancy has been achieved.

iv) Other income producing properties
Revenue is recognized as follows:
Peat operations – at date of shipment
Recreational activities – at time of performance of service.

f) Amortization of financing costs

Financing costs are amortized on a straight-line basis over the term of the related financing (or earlier redemption).

g) Earnings per common share

i) Basic net earnings (loss) per common share are calculated on the average number of shares outstanding during the year and after providing for dividends on preferred shares.

ii) Fully diluted earnings per common share are calculated on the basis that all options and convertible privileges existing at the end of the period had been exercised at the beginning of the period (or when granted in the case of those granted during the period) and that funds made available were used to liquidate indebtedness.

2. Income properties

a) Commercial buildings and other properties

	Commercial Buildings		Other Properties	
	1979	1978	1979	1978
	($000's)	($000's)	($000's)	($000's)
Buildings and equipment	$70,592	$69,338	$31,527	$31,829
Less accumulated depreciation	3,942	2,844	9,167	7,882
	66,650	66,494	22,360	23,947
Land	6,246	6,239	1,424	1,424
	$72,896	$72,733	$23,784	$25,371

b) Under development

	Office Building (i)	Hotel (ii)	1979 Total	1978 Total
	($000's)	($000's)	($000's)	($000's)
Construction costs and land	$10,117	$14,357	$24,474	$18,022

i) New office building in Mississauga City Centre. This building is completed and is now being occupied.

Notes to Consolidated Financial Statements – cont.

ii) Montreal hotel project. Construction on this project was suspended in late 1976, except for work of a minor nature to protect the project. In view of this, a significant provision for reduction in value was recorded in 1976.

In April of 1980, the Company and The Sheraton Corporation executed an agreement in principle providing for joint ownership and development of the hotel. This agreement is subject to conditions precedent including the negotiation and execution by both parties of joint venture and management agreements. The agreement further provides that upon closing construction will be carried out to the extent of $4,000,000 with funds to be provided by Sheraton.

Based on current estimates the cost to complete the hotel is approximately $40,000,000. Construction to complete the hotel is to be undertaken after satisfactory financing is arranged.

3. Joint ventures

a) The Company's share of assets and liabilities of joint ventures included on a line by line basis in these financial statements is:

	1979	1978
	($000's)	($000's)
Land held for development	$30,168	$ 5,776
Residential properties for sale	439	245
Accounts and mortgages receivable	990	2,138
	31,597	8,159
Liabilities	2,384	2,688
Equity	$29,213	$ 5,471

b) The Company's share of gross operating revenue of joint ventures included in these financial statements is $78,000 (1978 – $181,000). Earnings (loss) from operations are ($126,000) (1978 – $40,000).

4. Accounts and mortgages receivable

	($000's)
Receivable under mortgage and land sales agreements, carrying an average interest rate of 10.26%:	
1980	$ 3,056
1981	3,244
1982	736
1983	391
1984	52
1985 and thereafter	7,915
	15,394
Trade accounts receivable and accrued interest	7,382
Amounts receivable pursuant to an employee share purchase plan and employee housing loans (including $475,000 in respect of certain directors and officers)	827
	$23,603

5. Other assets

	1979	1978
	($000's)	($000's)
Income properties inventory (at the lower of cost and net realizable value)	$ 4,774	$ 4,117
Unamortized financing costs	1,333	1,649
Furniture, fixtures and equipment	367	374
Sundry investments	381	819
Prepaid expenses	954	728
Other	740	707
	$ 8,549	$ 8,394

6. Mortgages payable and other term loans

These are secured on specific assets and bear an average interest rate of 12.94%. Repayment periods and related asset security classification are as follows:

	Income Properties	Land held for Development	Land Under Development and Residential Properties	Receivables	Total
	($000's)	($000's)	($000's)	($000's)	($000's)
1980	$ 6,229	$ 3,401	$ 376	$ –	$ 10,006
1981	4,584	1,358	–	–	5,942
1982	3,061	6,871	–	3,606	13,538
1983	22,703	7,585	–	–	30,288
1984	1,403	1,458	–	–	2,861
1985 and thereafter	62,048	599	10,300	–	72,947
	$100,028	$ 21,272	$ 10,676	$ 3,606	$ 135,582

7. Funded debt

		Issued and Outstanding
		($000's)
8% Convertible Subordinated Debentures	(a)	$ 3,801
9-1/2% First Mortgage Sinking Fund Bonds	(b)	850
11-1/2% Secured Debentures	(c)	4,507
11-3/4% Secured Debentures	(d)	9,200
11-3/4% Secured Debentures	(e)	11,520
		$29,878

Notes to Consolidated Financial Statements – cont.

The maximum amounts required to meet sinking fund and purchase fund requirements over the next five years are as follows:

	Sinking Fund	Purchase Fund	Total
	($000's)	($000's)	($000's)
1980	$ 935	$ 880	$ 1,815
1981	935	832	1,767
1982	935	832	1,767
1983	935	832	1,767
1984	2,937	736	3,673
	$ 6,677	$ 4,112	$10,789

a) 8% Convertible Subordinated Debentures (Authorized $3,885,500) due January 15, 1989. Redeemable at the Company's option at a premium of 3% on or before January 14, 1980 decreasing to par in 1988. Subject to sinking fund requirement commencing January 15, 1980, which will require annual payments of $380,000.

b) 9-1/2% First Mortgage Sinking Fund Bonds (Authorized $6,000,000) due April 1, 1990 secured by a first fixed and specific mortgage on certain lands and a first floating charge on the undertaking and other assets of the Company. Redeemable April 1, 1990 or earlier at the option of the Company at a premium of 3.6% to April 1, 1980 decreasing to par in 1989. Subject to annual sinking fund payments of $54,000.

c) 11-1/2% Secured Debentures (Authorized $8,000,000) due April 15, 1984 secured by a fixed and specific charge on certain assets and a floating charge on the undertaking and other assets of the Company ranking pari passu with the floating charge securing the 9-1/2% Bonds. Redeemable at the option of the Company at a premium of 6.8% to April 15, 1980 decreasing to par in 1984. Subject to annual sinking fund payments of $501,000.

d) 11-3/4% Secured Debentures (Authorized $10,000,000) due December 15, 1985, secured by a fixed and specific mortgage on certain lands and a floating charge on the undertaking and other assets of the Company ranking pari passu with the floating charge securing the 9-1/2% Bonds. Redeemable on January 15, 1981 (on election by holders after January 15, 1980 and before July 15, 1980) and thereafter at the option of the Company at a premium of 3.95% to December 14, 1981 decreasing to par at December 15, 1983. Subject to a commitment by the Company to acquire for redemption in the market or by tender at prices not exceeding 99.5% an annual amount of $400,000 par value up to December 15, 1980 and annually thereafter 4% of the principal amount outstanding at January 15, 1981 ($400,000 par value of these bonds were redeemed during 1979).

e) 11-3/4% Secured Debentures (Authorized $12,000,000) due May 15, 1988, secured by a fixed and specific mortgage on certain lands and a floating charge on the undertaking and other assets of the Company ranking pari passu with the floating charge securing the 9-1/2% Bonds. Redeemable on June 15, 1983 (on election by holders after June 15, 1982 and before December 15, 1982) and thereafter at the option of the Company at a premium of 5% to May 14, 1984 decreasing to par at May 15, 1988. Subject to a commitment by the Company to acquire for redemption in the market or by tender at prices not exceeding 99.5% an annual amount of $480,000 par value up to May 15, 1983 and annually thereafter 4% of the principal amount outstanding at June 15, 1983 ($240,000 par value of these bonds were redeemed during 1979).

8. Bank indebtedness

Bank indebtedness of the Company and certain of its subsidiary companies is secured by various fixed and floating charges and by assignments of accounts and mortgages receivable and inventories.

9. Capital stock

			1979	1978
			($000's)	($000's)
Authorized:	1,000,000	First preferred shares		
	643,709	Second preferred shares		
	5,000,000	Common shares		
Issued:	480,000	9% cumulative redeemable first preferred shares, Series A, $25 par value	$12,000	$12,000
	597,262	10% cumulative redeemable second preferred shares $20 par value	11,945	–
	2,986,617	Common shares, no par value (1978 – 2,936,095 common shares)	1,506	13,047
			$25,451	$25,047

a) The Series A first preferred shares are redeemable at the holders' option on November 1, 1982, at par and thereafter at the Company's option at $27.25 per share to November 1, 1983, decreasing annually to par at November 1, 1987. The Company is committed to purchase for cancellation, commencing November 1, 1982, shares in the open market on a quarterly basis at an annual rate of 5% of shares outstanding at November 1, 1982, at a price not exceeding $25 per share.

b) The second preferred shares are redeemable at the holders' option on May 1, 1990 at par, and may be redeemed at the Company's option at any time at $20.40 per share. The Company is committed to purchase for cancellation, commencing May 1, 1984, shares in the open market on a six-monthly basis, at an annual rate of 4% of shares outstanding at May 1, 1984, at a price not exceeding $20 per share.

c) During 1979 the following shares were issued:

	Second Preferred Shares	Common Shares
On conversion of former common shares (at the rate of 1 common share plus 1/5 second preferred share)	587,158	2,936,095
On exercise of warrants	7,804	39,022
On exercise of stock options	2,300	11,500
	597,262	2,986,617

Resulting from the issue of second preferred shares, a number of fractional (1/5th) certificates were issued which the Company has offered to redeem at the rate of $4 for each 1/5th certificate. To December 31, 1979, 145 of these fractional certificates have been redeemed.

Notes to Consolidated Financial Statements – cont.

d) At December 31, 1979, unissued shares have been reserved for:

	Second Preferred Shares	Common Shares
i) Exercise of warrants (at $7.50) issued in conjunction with first preferred shares, Series A	40,185	200,928
ii) Stock options to officers and employees	5,400	27,000
	45,585	227,928

Stock options outstanding at December 31, 1979 are as follows:

		Number of Shares	
Expiry Date	Exercise Price	Second Preferred	Common
1980	$10.00	4,000	20,000
1982	5.00	1,000	5,000
1983	7.60	400	2,000
		5,400	27,000

e) Dividend restrictions

The rights attaching to the first preferred shares, Series A provide that no dividends may be paid on the second preferred or common shares unless all first preferred dividends have been paid and unless, after payment thereof, shareholders' equity is equal to the greater of 2-1/2 times the paid-in capital of the first preferred shares or $10,000,000. Other less restrictive provisions are imposed by the trust deeds securing the funded debt.

10. Contingent liabilities

a) The Company is contingently liable for its associates' share of obligations in unincorporated joint ventures amounting to approximately $1,385,000 at December 31, 1979. In each case, the associates' share of the assets is available and is adequate to meet such obligations.

b) A subsidiary company has been advised by Taxation authorities in the Province of Manitoba that it is subject to taxation under provisions of the Manitoba Mining Royalty and Tax Act, for the taxation years 1971 through to the repeal of the legislation in 1979. The company, through its legal counsel, has made submissions that contend the provisions of the Act should not apply to peat moss operations and has appealed the Notices of Estimates which have been issued by the Taxation authorities.

It is not possible at this time to predict the outcome of this matter and accordingly no provision for liability has been made in the accounts. If, despite the submissions and appeals, a final assessment is issued, it is estimated that the potential tax liability would not exceed $400,000.

11. Litigation

The following legal proceedings are outstanding:

a) Claims against a subsidiary company for breach of contract in the amounts of $874,000 and $167,000.

b) A claim by a subsidiary company against a supplier in the amount of $510,000 for breach of contract and a counter claim by the supplier in the amount of $153,000.

c) A claim against the Company for damages arising from alleged construction deficiencies in the amount of $1,000,000.

The actions referred to in (a) and (c) and the counter claim in (b) above are being defended. Management is of the opinion that the Company has adequate defences to these claims and that the liability, if any, resulting from these claims would not be material to these financial statements.

12. Other information

a) Interest costs have been allocated as follows:

	1979	1978
	($000's)	($000's)
Properties under construction	$ 695	$ 647
Land	5,710	7,158
Interest expense	14,123	14,343
Total interest costs	$20,528	$22,148

b) During the year $1,046,000 (1978 – $1,727,000) has been allocated to land and construction in progress in respect of real estate taxes and administrative costs.

c) Amounts charged to expense for interest, administrative and general expense include $5,297,000 (1978 – $5,966,000) which relates to properties against which capitalization of such costs is no longer appropriate under the accounting policies outlined in Note 1c and 1d.

d) As a result of changed circumstances, certain lands owned by the Company (against which a provision for reduction in value was recorded in 1976) have increased in value during 1979. Consequently a reduction in the provision in the amount of $2,435,000 (less tax of $1,213,000) has been credited to earnings in 1979.

e) Remuneration paid during the year to senior officers of the Company amounted to $770,000 (1978 – $608,000) and to directors of the Company $10,000 (1978 – $11,000).

Two major highlights of the company's activities during the year.

(Left) Eaton's makes it official with their announced plans to incorporate a 200,000 sq. ft. store in the company's 700,000 sq. ft. expansion of the Square One Shopping Centre. *(Left to Right)* George Becher, Manager of Square One; Gregory Purchase, Senior Vice-President of Toronto and Ontario Region stores for the T. Eaton Company Ltd.; Bruce McLaughlin, President of S.B. McLaughlin Associates Limited; Fredrik Eaton, President and Chief Executive Officer of the T. Eaton Company Ltd.; and Doug Fowles, Executive Vice-President of S.B. McLaughlin Associates Limited.

(Right) The official opening of 201 City Centre Drive, the company's newest office complex in Mississauga City Centre is performed in a ribbon cutting ceremony by Bruce McLaughlin and Mississauga Mayor, Hazel McCallion.

S.B. McLAUGHLIN ASSOCIATES LIMITED