S.B. McLaughlin Associates Limited

Annual Report 1980

COVER PHOTO

Crowned by its 15-storey office tower, with Eaton's to the left and Simpsons on the right, Square One Phase Two will add over 1.4 million square feet to Canada's leading shopping centre.

INSIDE FRONT COVER

Mississauga City Centre today; the heart of this rapidly expanding community immediately to the west of Metropolitan Toronto.

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

Corporate Directory

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

Auditors
Touche Ross & Co.

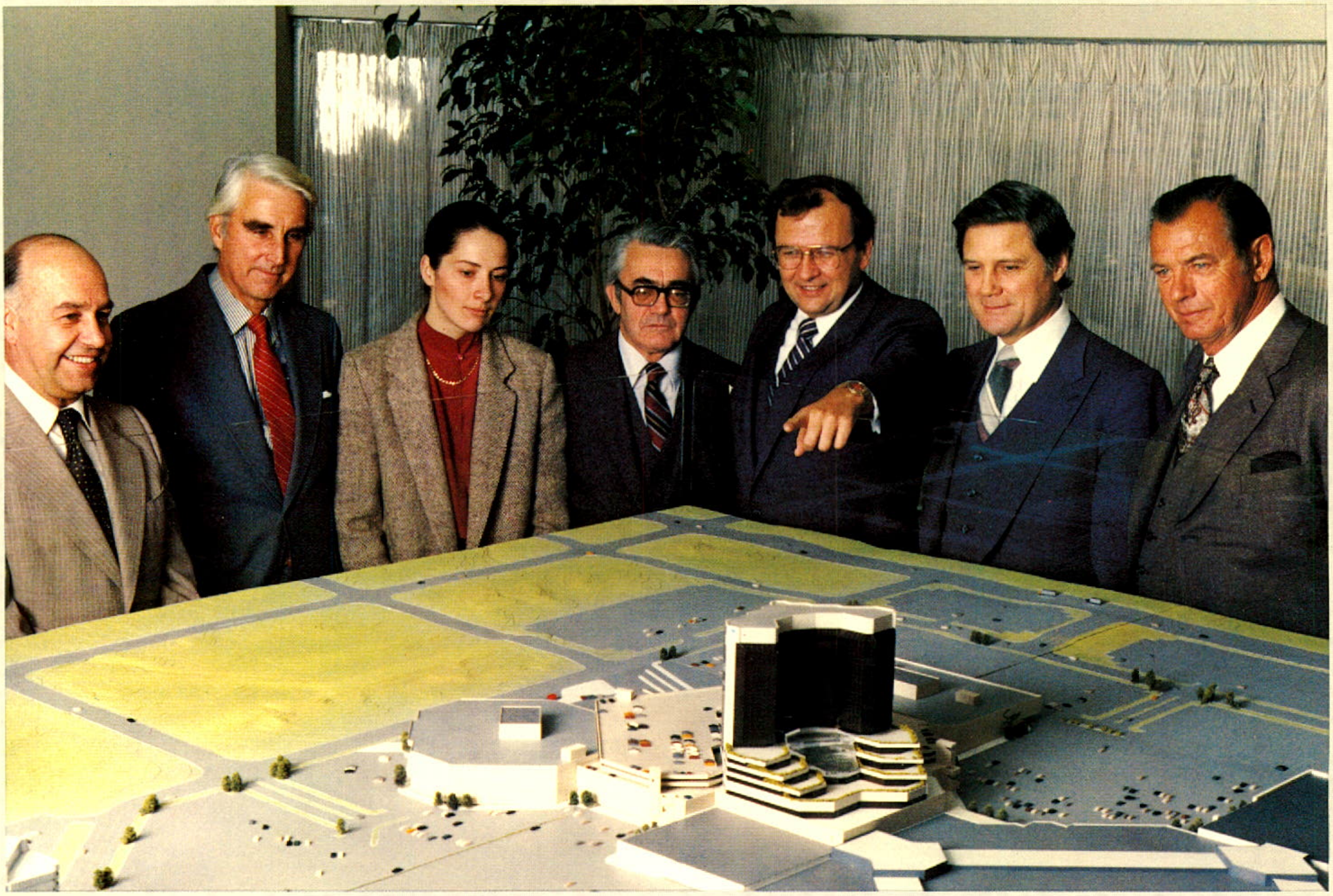
Directors
†*F.A. Enfield, Q.C., Partner, Enfield, Hemmerick, Henry, Lyonde & Wood
*D.L. Fowles
†W.W. Laird, Q.C., Barrister and Solicitor
*F.W. MacDonald, Q.C.
†*S.B. McLaughlin, B.A., LL.B.
L.A. McLaughlin, B.B.A., LL.B.
*R.E. Winter, President, R.E. Winter & Associates Limited

* Executive Committee † Audit Committee

Officers
D.L. Fowles, President
J. Cottom, C.A., A.C.M.A., Vice-President & Treasurer
F.W. MacDonald, Q.C., Vice-President, General Counsel & Secretary
N. Furber, Assistant Secretary

Transfer Agents and Registrars
Canada Permanent Trust Company
Montreal Trust Company
The Canada Trust Company
National Trust Company Limited

Listing
The Toronto Stock Exchange
The Montreal Stock Exchange



The Board of Directors of S.B. McLaughlin Associates Limited gathers to view the site model of the exciting shopping centre expansion, Square One Phase Two. Left to right, Ron E. Winter, Frank A. Enfield, Laurel A. McLaughlin, Fraser W. MacDonald, Douglas L. Fowles, S. Bruce McLaughlin and Wm. W. Laird.

The impressive 'Silver Building' at 201 City Centre Drive. McLaughlin's newest office tower is now completed and occupied.

To The Shareholders

Corporate Philosophy

The directors of the Company have always been fully cognizant of their obligations to the communities in which we build, to our shareholders, and to our employees.

Our product is quality building and development. We do stress the importance of providing creative employees with the opportunity to grow and prosper. Our financial objective is to produce the highest real value per share while acting within responsible guidelines.

All shareholders are well aware of some of the difficulties which the Company has faced during the past five years. Furthermore, every business is currently confronted with the problem of excessively high interest rates. Consequently, your Board clearly understands that it is of paramount importance to the Company to consolidate our financial position and protect the equity of existing shareholders.

Comment On Current Values

For almost 25 years S.B. McLaughlin Associates Limited has persisted in its efforts to accumulate and develop valuable real estate.

It has not been the practice of the Canadian Institute of Public Real Estate Companies, with which we are affiliated, nor of this Company to publish property appraisals, as there is often an element of subjectivity to appraisals. However, in the past your management and several market analysts have expressed the opinion that current market values of most of our real estate holdings are substantially in excess of book values. It must be left to the individual shareholder to assess from his own subjective viewpoint the difference between the book and market values of the Company's assets in order to determine the true merit and potential of his investment in the Company.

The Impact Of Government Action And The General Economy On The Development Industry

The 1970's was a decade during which Canadians came to realize the importance of good planning and the protection of our environment and resources. It is now time to move forward in a positive manner, taking advantage of the planning which has been done, while becoming efficient and productive within reasonable guidelines.

No builder ever wants to construct projects or buildings for which there is no effective demand. We who build are in the business of supplying the real needs of people. The market, therefore, will limit the quantity of building which will be done. The real estate industry and the municipal governments should co-operate and actively implement sound development and building plans. If the business and political communities fail to do so, the cost of housing will continue to accelerate, unemployment will grow, and the economic well-being of our municipalities, provinces, and our nation will suffer.

Our industry is highly susceptible to government action. Only with resolute governmental budgetary restraint, with increased productivity from all sectors of our economy, and with a favourable Canadian balance of trade and monetary payments, will we gradually overcome inflation and mature into a country of exceptional wealth and prosperity. Municipalities must continue their trend of recognizing that they must give builders every encouragement to provide jobs and create assessment by building quality developments. As a beginning, the public sector must discontinue and withdraw from many programs which are beyond the nation's financial capacity to fund.

Of course, it is imperative for the federal and provincial governments to establish a fair and practical energy policy forthwith; also, the constitutional issue should be resolved as soon as possible in a manner that will provide for a fair division of powers and a united nation. It is unfortunate that because of excessive expenditures by governments it has been necessary to submit investors and businesses to punishing high interest rates which only serve to fuel inflation and stifle true economic growth. A gradual cutback toward responsible budgeting is not only required, but mandatory. Perhaps some form of credit restriction will be necessary before the nation works its way out of the dilemma of inflation.

The Future

This Company has excellent potential for a high degree of financial and building success. When management is satisfied with the completion of the consolidating process, it will accelerate the development of quality income-producing properties. Our large inventory of valuable and well located sites enables us to develop such properties as quickly as we can attract good tenants. It is among our primary objectives to seek, find and serve tenants who wish to become part of and share in the prosperity of the communities in which we work.

The team of trained professionals who operate the Company is constantly searching for opportunities to provide real estate services in return for profit-sharing opportunities. Judicious growth will be given every encouragement.

This Company intends to be steadfast in pursuing its corporate objectives, while it continues to meet the challenges creatively and to seek the opportunities which are before us.

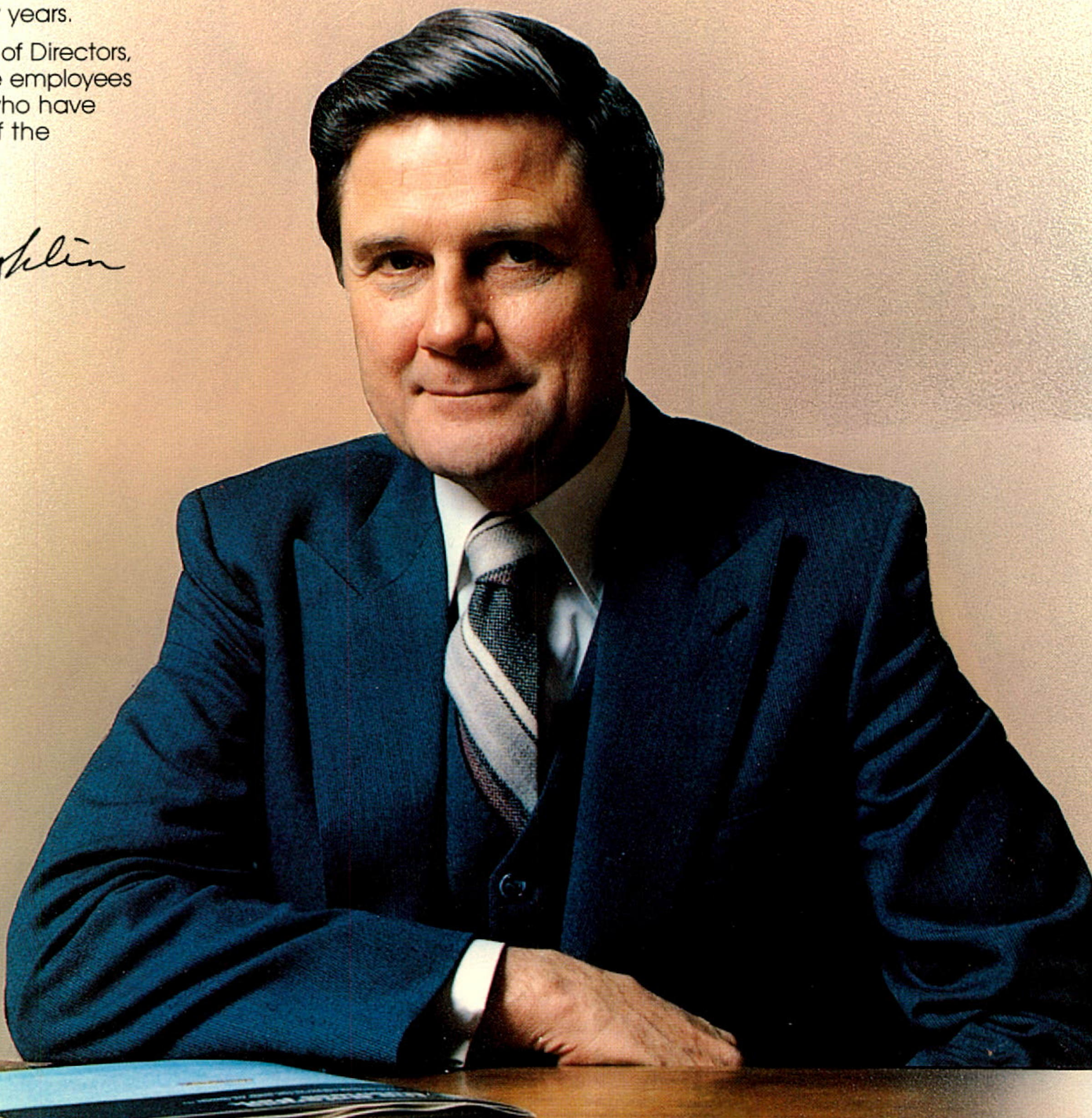
We wish to thank Mr. S.F. (Sid) Chapman and Mr. C.R. (Robin) Younger for their efforts on our behalf while they served as directors of the Company. We would also like to welcome to our Board Mr. William Laird, Q.C. and Mr. Frank Enfield, Q.C. We have been fortunate in obtaining the benefit of their experience and wisdom and we know that their contribution will be both substantial and rewarding to the Company.

With sorrow we must report the passing last December of Mr. F.H. (Fred) Falkiner who served as a loyal officer and director of the Company for many years.

On behalf of the Board of Directors, I would like to thank the employees and the shareholders who have supported the efforts of the Company.

S.B. McLaughlin

S.B. McLaughlin
Chairman
May 13, 1981



President's Report

In this, my first report to you as President, I am pleased to be able to report that for the fiscal year ended December 31, 1980, the Company earned a net profit (including extraordinary items) of $8,305,000, being $2.01 per issued common share, compared to a net profit of $8,311,000, being $2.22 per issued common share for the prior year.

In December of 1980, Fisons Corporation Limited, a wholly-owned subsidiary of Fisons Limited, a UK-based international corporation, became an equal partner with Western Peat Moss Ltd., our wholly-owned subsidiary, in Fisons-Western Peat Corporation. Fisons and our Company will be working closely to increase our share of the peat moss market. In addition, we will be entering into the "value added products" market throughout North America. To meet the substantial demand for these products, we have already commenced construction of two new plants, one in British Columbia and one in Manitoba. We feel that the potential is unlimited for this resource-based company.

Excellent results from the Company's activities in Mississauga have continued during 1980. Our newest office building at 201 City Centre Drive is now leased and the current strong tenant demand is encouraging for our future office building plans.

Plans for the expansion of Square One are maturing and we anticipate a Fall construction start with completion and opening in the Spring of 1983. Included in the programme is a new Eaton's store, a new Simpsons store, an expanded Bay store and approximately 100 other stores and services. When completed, Square One will be the only centre in Canada containing all five major national department store chains.

Negotiations continue for the first major hotel in the City Centre and we are confident that construction can commence in the Spring of 1982.

Traders Associates, our joint venture with the Traders Group consisting of 2,200 acres in Mississauga, is successfully marketing its first industrial subdivision. Several buildings are under construction with the largest one to date being a new Pascal Furniture Store. Situated in the strongest residential market in Canada, planning is proceeding on our lands and we hope to complete the processing of our plans in the very near future to meet the unprecedented demand for housing.

March, 1982 is the projected opening date for our 862-room hotel in Montreal. "Le Centre Sheraton", a joint venture with ITT Industries of Canada will be managed by the Sheraton organization. The General Manager, the Manager and the Sales Manager are already working towards the successful opening and operation of the Hotel. Management is convinced that the increased business activity and tourist trade in Montreal will make Le Centre Sheraton an immediate success.

Management continues its efforts to either sell or find a financial joint venture partner for the Mount Royal Hotel. Meanwhile, the room and occupancy rates have risen steadily and the operation provides a positive cash flow for the Company.

The balance of our holdings are making steady progress toward development or sale and management will make appropriate announcements throughout 1981 and 1982.

In March of this year, the Board decided that the Company would not continue to provide financial support to Grouse Mountain Resorts Ltd. Management is attempting to secure a purchaser of our investment in this company or to reorganize that company in a manner satisfactory to ourselves and to the bankers of Grouse.

Management will continue its efforts to consolidate the Company and bring to fruition the many excellent development projects in our portfolio.

At the annual and general meeting, the shareholders will be asked to confirm a special resolution and two by-laws recently passed by your directors.

The most significant of these corporate actions is the special resolution to change the corporate name of the Company from S.B. McLaughlin Associates Limited to Mascan Corporation. The directors feel that a change in the corporate name is appropriate at this time to signify the corporate changes which have taken place and to de-emphasize the personal connotation of the name. We feel that the new name will emphasize the corporate and institutional nature of the Company.

The directors have also passed a by-law to create the office of Chairman of the Board for which the by-laws of the Company had not previously made provision. It is customary for public companies to have a Chairman of the Board and it is proposed that Mr. S. Bruce McLaughlin, who has been acting as Chairman of the Executive committee, will be invited to fill the position of Chairman of the Board.

We are indebted to the directors for the considerable time and effort devoted to the Company. Their expertise, advice and guidance have been of considerable help to management. For those reasons, the shareholders will be asked to confirm a by-law passed by the directors to increase the remuneration of the directors (other than those who are salaried officers and employees of the Company) to currently prevailing levels.

The texts of the special resolution and of the two by-laws are set out in the Information Circular which will accompany the notice of the annual and general meeting.

1980 was a successful year for your Company and we anticipate dramatic and consistent growth throughout the balance of the decade.

Douglas L. Fowles
President
May 5, 1981

SQUARE ONE PHASE TWO

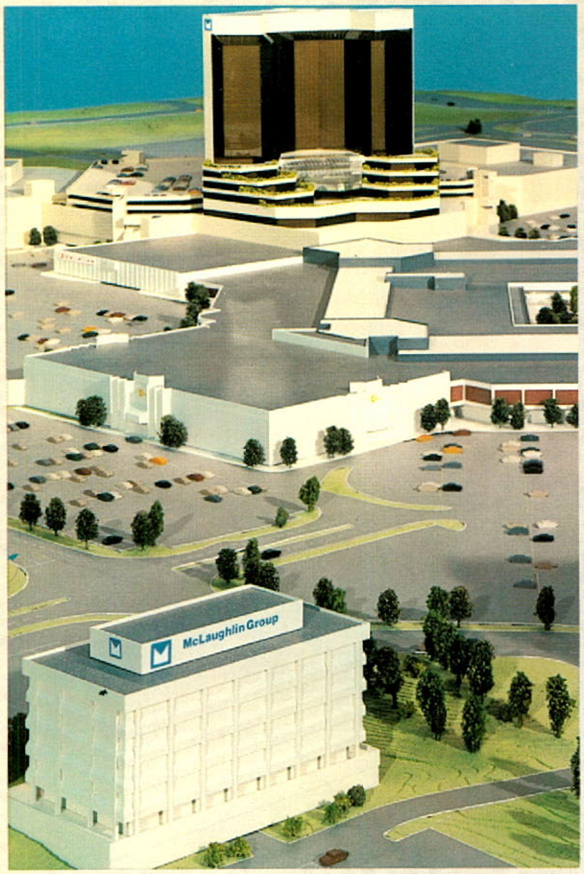
Today, Square One is certainly one of Canada's leading shopping centres. But, anticipating the marketplace of the '80s, Square One will grow, responding to the ever-increasing demand of our public.

There will be more stores, concentrating in the area of high fashions. Capacity for major community events will vastly increase because of the Forum. New restaurants, cinemas and other entertainment facilities will contribute to the exploding social requirements of this burgeoning community. And the 15-storey office tower will provide businesses with an unusual and attractive setting for their operations. Square One will become, more than ever, the nucleus of activity in Mississauga, and its influence will continue to expand beyond Toronto and the Golden Horseshoe to visitors from southern Ontario and farther away.

It will be a community resource in which all may share with pride and satisfaction.

The Bay, Sears, Woolco and Dominion have been the cornerstones of the success of Square One. In Phase Two they'll be joined by the latest Eaton's and Simpsons stores. Five major department stores under one roof will make Square One unique among Canadian shopping centres.

The Square One Forum will provide nearly an acre of space for public entertainment. Backed by a waterfall, with seating for 500 people, it will be a beautiful place for Square One visitors to enjoy.



The Phase Two malls will lead to an exciting world of high fashion shops, restaurants and other retail outlets. Together with Phase One, they will make Square One a total and diverse shopping and entertainment opportunity.

Today, Square One contains 1.6 million square feet. With Phase Two, there will be 3 million square feet of retail, entertainment and commercial facilities in the heart of Mississauga.

Square One and Mississauga City Centre as they will look when Phase Two is completed. Construction is scheduled to start in the Fall of 1981, with the opening planned for the Spring of 1983.

S.B. McLaughlin Associates Limited
Consolidated Balance Sheet
December 31

	Note	1980	1979
		($000's)	($000's) (Note 6)
Assets			
Rental properties	3	$104,068	$ 99,100
Land			
Held for development		74,855	71,864
Under development		14,694	737
Residential properties for sale		477	439
Accounts and mortgages receivable	5	24,848	19,469
Investments	6		
Non-consolidated subsidiary company		–	3,442
50%-owned company		5,330	9,840
Short-term investments		1,600	4,000
Other assets	7	3,375	3,573
		$229,247	$212,464
Liabilities			
Mortgages payable and other term loans	8	$118,983	$128,094
Funded debt	9	28,923	29,878
Bank indebtedness	10	3,955	1,405
Accounts payable and accrued charges		10,994	11,262
Costs to complete subdivision servicing		8,711	1,093
Deferred income	6b	2,050	–
		173,616	171,732
Deferred income taxes		16,092	7,369
Shareholders' equity			
Capital stock	11	25,602	25,451
Retained earnings		13,937	7,912
		39,539	33,363
Contingent liabilities	12		
		$229,247	$212,464

On behalf of the Board

Director S.B. McLaughlin

Director

S.B. McLaughlin Associates Limited Consolidated Statement Of Retained Earnings

For the Year Ended December 31

	Note	1980 ($000's)	1979 ($000's)
Retained earnings – beginning of year			
As previously reported		$ 8,201	$ 5,870
Prior years' adjustments	13	289	264
As restated		7,912	5,606
Net earnings		8,305	8,311
		16,217	13,917
Dividends			
First preferred shares		1,080	1,080
Second preferred shares		1,200	462
Common shares		–	4,463
		2,280	6,005
Retained earnings – end of year		$ 13,937	$ 7,912

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, 1980 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Mississauga, Ontario,
May 1, 1981

Touche Ross & Co.

Chartered Accountants

S.B. McLaughlin Associates Limited
Consolidated Statement of Earnings
For the Year Ended December 31

	Note	1980	1979
		($000's)	($000's) (Note 6)
Land development			
Sales		$ 2,800	$ 53,771
Cost of sales		1,605	34,771
		1,195	19,000
Rental properties			
Revenues		29,962	26,200
Operating costs		20,547	18,623
Interest		6,866	6,984
Depreciation		1,336	1,267
		28,749	26,874
		1,213	(674)
Equity in earnings of 50%-owned company	6b	820	1,124
Interest and other income		3,515	2,403
		4,335	3,527
		6,743	21,853
Other expenses			
Interest	16	4,891	4,540
General and administration	16	4,593	4,038
Equity in loss (earnings) from non-consolidated subsidiary company	6a	2,083	(397)
		11,567	8,181
(Loss) earnings from operations		(4,824)	13,672
Income taxes (recovery)		(1,815)	6,583
Net (loss) earnings before the undernoted		(3,009)	7,089
Recovery of provision for reduction in value of assets (net of related income tax effect of $8,945 (1979 – $1,213))	2	7,794	1,222
Net earnings before extraordinary item		4,785	8,311
Gain on disposal of investment (net of related tax effect of $1,600)	6b	3,520	–
Net earnings		$ 8,305	$ 8,311
Earnings per common share			
Before extraordinary item			
Basic		$ 0.84	$ 2.22
Diluted		$ 0.79	$ 2.08
After extraordinary item			
Basic		$ 2.01	$ 2.22
Diluted		$ 1.89	$ 2.08

S.B. McLaughlin Associates Limited
Consolidated Statement Of Changes In Financial Position

For the Year Ended December 31

		1980 ($000's)	1979 ($000's) (Note 6)
Source			
Sale of interest in peat moss operations:			
Extraordinary item			
Gain on sale	$5,120		
Net assets disposed of	5,330		
Deferred income	2,050		
		$ 12,500	$ –
Decrease (increase) in assets			
Short-term investments		2,400	(4,000)
Increase (decrease) in liabilities			
Bank indebtedness		2,550	(1,566)
Accounts payable and subdivision servicing costs		7,350	(2,941)
Capital stock issued			
Second preferred shares		61	–
Common shares		90	404
		$ 24,951	($ 8,103)
Use			
Cash used in (from) operations*		$ 1,927	($ 13,767)
Increase (decrease) in assets			
Investment in rental properties and land		3,639	(18,779)
Accounts and mortgages receivable		5,379	(4,903)
Other		107	(124)
Decrease in liabilities			
Mortgages payable and other term debt		9,111	21,666
Funded debt		955	1,195
Advances to non-consolidated subsidiary company		1,553	604
Dividends paid		2,280	6,005
		$ 24,951	($ 8,103)
***Cash flow from (used in) operations**			
Earnings before extraordinary item		$ 4,785	$ 8,311
Add (deduct) non-cash items included in earnings			
Deferred income taxes		7,130	7,796
Depreciation and amortization		1,634	1,616
Equity in earnings of 50%-owned company		(820)	(1,124)
Operating loss (earnings) of non-consolidated subsidiary company		2,083	(397)
Recovery of provision for reduction in value of assets		(16,739)	(2,435)
		($ 1,927)	$ 13,767

S.B. McLaughlin Associates Limited
Notes To Consolidated Financial Statements
December 31, 1980

1. Summary of significant accounting policies

a) General

These financial statements are prepared in accordance with accounting principles generally accepted in Canada and conform in all material respects with International Accounting Standards. The accounting policies followed and financial statement disclosures are substantially in accordance with the recommendations of the Canadian Institute of Public Real Estate Companies, of which the Company is a member.

b) Consolidation

The financial statements include:

i) The accounts of the Company and all its subsidiary companies, except for a subsidiary company to be disposed of which is accounted for on the equity basis.

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

iii) The Company's investment in a 50%-owned company on the equity basis.

c) Rental 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, 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. Depreciation is provided using the sinking-fund method at 5% over a fifteen to forty year period.

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) Rental operations
Revenue is treated as operating income from the date when substantial occupancy has been achieved.

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 per common share are calculated on the average number of shares outstanding during the year after providing for dividends on preferred shares.

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

2. Recovery of provision for reduction in value of assets

a) Montreal hotel project

	($000's)
During the year, the Company entered into agreements with The Sheraton Corporation (through its associated company, ITT Industries of Canada Ltd.) providing for joint ownership and completion, and for the management of the Montreal hotel project. The joint venture, in which the Company has a 50% interest, has arranged financing of $40,000,000 to cover completion costs of the hotel and construction has recommenced with a planned opening in the spring of 1982. As a result, the viability of this project has now been re-established and the provision for reduction in value established in 1976 is no longer considered necessary. Accordingly the recovery of this provision has been credited to earnings in 1980 (net of of applicable income taxes) in the amount of	$ 10,297

b) Investment in non-consolidated subsidiary company

The Company's subsidiary, Grouse Mountain Resorts Ltd., has experienced significant operating losses over the past four years and as a result, a decision has been made to dispose of this investment (see Note 6). A provision has been charged to earnings in 1980 to eliminate the carrying value of the Company's investment. This provision (net of applicable income taxes) amounted to	2,503
Net recovery credited to earnings	$ 7,794

3. Rental properties

	1980	1979
	($000's)	($000's)
Buildings and equipment	$ 83,344	$ 72,444
Less accumulated depreciation	5,554	4,266
	77,790	68,178
Land	6,731	6,448
	84,521	74,626
Under construction	19,547	24,474
	$104,068	$ 99,100

4. Joint ventures in real estate projects

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

	1980	1979
	($000's)	($000's)
Rental property under construction	$ 19,547	$ –
Land held for development	29,622	30,168
Land under development	14,326	–
Residential properties for sale	477	439
Accounts and mortgages receivable	1,721	990
Other assets	12	–
	65,705	31,597
Liabilities	14,261	2,384
Equity	$ 51,444	$ 29,213

b) The company's share of gross operating revenue of these joint ventures included in the financial statements is $1,206,000 (1979 – $78,000). Earnings (loss) from operations are $332,000 (1979 – ($126,000)).

S.B. McLaughlin Associates Limited
Notes To Consolidated Financial Statements – cont.

5. Accounts and mortgages receivable

	($000's)
Receivable under mortgage and land sales agreements, carrying an average interest rate of 10.31%, due as follows:	
1981	$ 6,362
1982	2,407
1983	489
1984	22
1985	24
1986 and thereafter	7,711
	$ 17,015
Trade accounts receivable and accrued interest	4,470
Amounts receivable from a company controlled by a director, officer and controlling shareholder	2,704
Amounts receivable from trustees pursuant to an employee share purchase plan and employee housing loans (including $475,000 in respect of certain directors and officers)	659
	$ 24,848

6. Investments

a) Non-consolidated subsidiary company

Subsequent to December 31, 1980 a decision was made to dispose of the Company's investment in Grouse Mountain Resorts Ltd., which is referred to in Note 2b. As a result, the investment has not been consolidated but is reflected in the financial statements on the equity basis with corresponding restatement of the 1979 comparative information. The results of its 1980 and 1979 operations and the Company's equity therein are as follows:

	1980	1979
	($000's)	($000's)
Mountain revenues	$ 6,022	$ 7,354
Operating costs	6,084	5,643
Interest	1,433	1,114
Depreciation	1,045	1,015
	8,562	7,772
Mountain operating loss	(2,540)	(418)
Gain on sale of land and investment	–	868
Net (loss) earnings	(2,540)	450
Less minority interest	(457)	53
Equity in (loss) earnings	($ 2,083)	$ 397

b) 50%-owned company

i) In December 1980 the Company disposed of a 50% interest in its peat moss operations which resulted in a net gain (extraordinary item) of $3,520,000. This transaction did not include the Company's land holdings in Delta, B.C. A fifteen year prepaid lease was entered into with the jointly owned company covering 1,500 acres of these lands resulting in deferred income of $2,050,000 which will be realized over the term of the lease. The Company's investment is reflected in the financial statements on the equity basis with corresponding restatement of the 1979 comparative information.

ii) The Company's share of assets and liabilities of this company at December 31 is:

	1980	1979
	($000's) (50%)	($000's) (100%)
Current assets	$ 4,938	$ 8,624
Property plant and equipment	4,496	9,914
	9,434	18,538
Liabilities	4,104	8,698
Equity	$ 5,330	$ 9,840

iii) The gross peat moss operating revenues are $27,399,000 (1979 – $21,526,000) and net earnings are $820,000 (1979 – $1,124,000). Because the disposition of the 50% interest was effected in December 1980, all of the 1980 (and 1979) earnings are attributable to the Company.

7. Other assets

	1980	1979
	($000's)	($000's)
Inventory of supplies	$ 595	$ 541
Unamortized financing costs	1,012	1,332
Furniture, fixtures and equipment	362	366
Sundry investments	497	676
Prepaid expenses	224	509
Other	685	142
	$ 3,375	$ 3,573

8. Mortgages payable and other term loans

These are secured on specific assets and bear an average interest rate of 14.70%. Repayment periods and related asset security classification are as follows:

	Rental properties	Land under development	Land held for development	Receivables and Other	Total
	($000's)	($000's)	($000's)	($000's)	($000's)
1981	$ 22,371	$ 424	$ 5,252	$ –	$ 28,047
1982	802	6,874	2,432	3,600	13,708
1983	16,769	2,122	5,369	–	24,260
1984	814	1,207	835	–	2,856
1985	910	–	357	–	1,267
1986 and thereafter	46,178	–	167	2,500	48,845
	$ 87,844	$ 10,627	$ 14,412	$ 6,100	$118,983

It is the Company's practice, where appropriate, to refinance mortgages and other term loans as they fall due. Since December 31, 1980, $6,689,000 due in 1981 has been refinanced.

9. Funded debt

		Issued and outstanding
		($000's)
8% Subordinated Debentures	(a)	$ 3,401
9-1/2% First Mortgage Sinking Fund Bonds	(b)	796
11-1/2% Secured Debentures	(c)	4,006
11-3/4% Secured Debentures	(d)	9,200
11-3/4% Secured Debentures	(e)	11,520
		$ 28,923

S.B. McLaughlin Associates Limited
Notes To Consolidated Financial Statements – cont.

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

	($000's)
1981	$ 7,660*
1982	1,538
1983	1,538
1984	3,463
1985	3,423
	$ 17,622

*Of the amount due in 1981, $6,602,000 has been funded through new financing arranged subsequent to December 31, 1980.

a) 8% Subordinated Debentures (Authorized $3,885,500) due January 15, 1989. Redeemable at the Company's option at a premium of 2.6% on or before January 14, 1981 decreasing to par in 1988. Subject to annual sinking fund 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 3.2% to April 1, 1981 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 5.1% to April 15, 1981 decreasing to par in 1984. Subject to annual sinking fund payments of $501,000.

d) 11-3/4% Secured Debentures (Authorized $10,000,000) 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.

	($000's)
i) Due on January 15, 1981 (as a result of election by holders prior to July 15, 1980)	$ 6,122
ii) Due on December 15, 1985, and redeemable at the option of the Company at a premium of 3.95% to December 14, 1981 and 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 $123,000	3,078
	$ 9,200

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 ($480,000 par value of these bonds were redeemed in January 1981).

10. 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.

11. Capital stock

			1980	1979
			($000's)	($000's)
Authorized:	1,000,000	First preferred shares		
	843,709	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
	600,282	10% cumulative redeemable second preferred shares $20 par value (1979 – 597,262 shares)	12,006	11,945
	3,001,717	Common shares, no par value (1979 – 2,986,617 shares)	1,596	1,506
			$ 25,602	$ 25,451

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 1980 the following shares were issued:

	Second preferred shares	Common shares
On exercise of warrants	20	100
On exercise of stock options	3,000	15,000
	3,020	15,100

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, 1980, 145 of these fractional certificates have been redeemed.

S.B. McLaughlin Associates Limited
Notes To Consolidated Financial Statements – cont.

d) At December 31, 1980, 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	40,165	200,828
ii) Stock options to officers and employees	1,400	7,000
	41,565	207,828

Stock options outstanding at December 31, 1980 are as follows:

		Number of shares	
Expiry date	Exercise price	Second preferred	Common
1982	$ 5.00	1,000	5,000
1983	7.60	400	2,000
		1,400	7,000

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.

12. Contingent liabilities

a) The Company is contingently liable for its associates' share of obligations in unincorporated joint ventures amounting to approximately $13,226,000 at December 31, 1980. In each case, the associates' share of the assets is available and is adequate to meet such obligations.

b) Legal proceedings have been commenced against the Company arising from alleged construction deficiencies in the amount of $2,000,000. This action is being defended on behalf of the Company. Management is of the opinion that the Company has justifiable defence to this claim and that the liability, if any, which could possibly result therefrom would not be material to these consolidated financial statements.

c) The Company has provided a non-recourse mortgage in the amount of $1,900,000 on certain of the Company's lands as security for a term bank loan to Grouse Mountain Resorts Ltd. Management is of the opinion that the Company's ultimate liability, if any, resulting therefrom would not be material to these consolidated financial statements.

13. Prior years' adjustments

As a result of settlement by a subsidiary company of mining tax assessments in respect of prior years, the balance of retained earnings at January 1, 1980 has been reduced by $289,000 representing the net cumulative effect of the settlement. Of the $289,000, $25,000 is applicable to 1979 and has been charged to earnings for that year. The remaining $264,000 is applicable to years prior to January 1, 1979 and the balance of retained earnings at that date has been adjusted accordingly.

14. Segmented information

The primary business of the Company comprises the investment in rental properties and the development and sale of land. The operating results and amounts invested in these segments of the Company's business are reflected in the financial statements.

15. Related party transactions

The following is a summary of all significant transactions during the year between the Company and related parties all of which took place at existing market values:

a) Secured interest bearing loans totalling $2,500,000 were made by a subsidiary company to a company owned by a director, officer and controlling shareholder.

b) A subsidiary company sold for $197,000 its rights and obligations under certain U.S. management contracts to a company owned by a director, officer and controlling shareholder.

c) Pursuant to various contracts, the Company paid $317,255 for engineering services provided by a company controlled by a director of the Company.

d) The Company borrowed $1,400,000, secured by a mortgage on certain of the Company's lands, from a company controlled by a director. Interest payments on this loan in 1980 were $138,908.

16. Other information

a) Interest costs have been allocated as follows:

	1980	1979
	($000's)	($000's)
Properties under construction	$ 1,443	$ 695
Land	6,083	5,710
Interest expense		
Rental properties	6,866	6,984
General	4,891	4,540
Total interest costs	$ 19,283	$ 17,929

b) During the year $688,000 (1979 – $1,046,000) has been allocated to land and construction in progress in respect of real estate taxes and administrative costs.

c) Included in the amounts charged to interest and general and administration expenses are the following amounts which relate to properties against which capitalization of such costs is no longer appropriate under the accounting policies outlined in Note 1c and 1d.

	1980	1979
	($000's)	($000's)
Interest	$ 2,929	$ 3,366
General and administration	1,158	1,931
	$ 4,087	$ 5,297

d) Remuneration paid during the year to senior officers of the Company amounted to $947,000 (1979 – $770,000) and to directors of the Company $9,000 (1979 – $10,000).

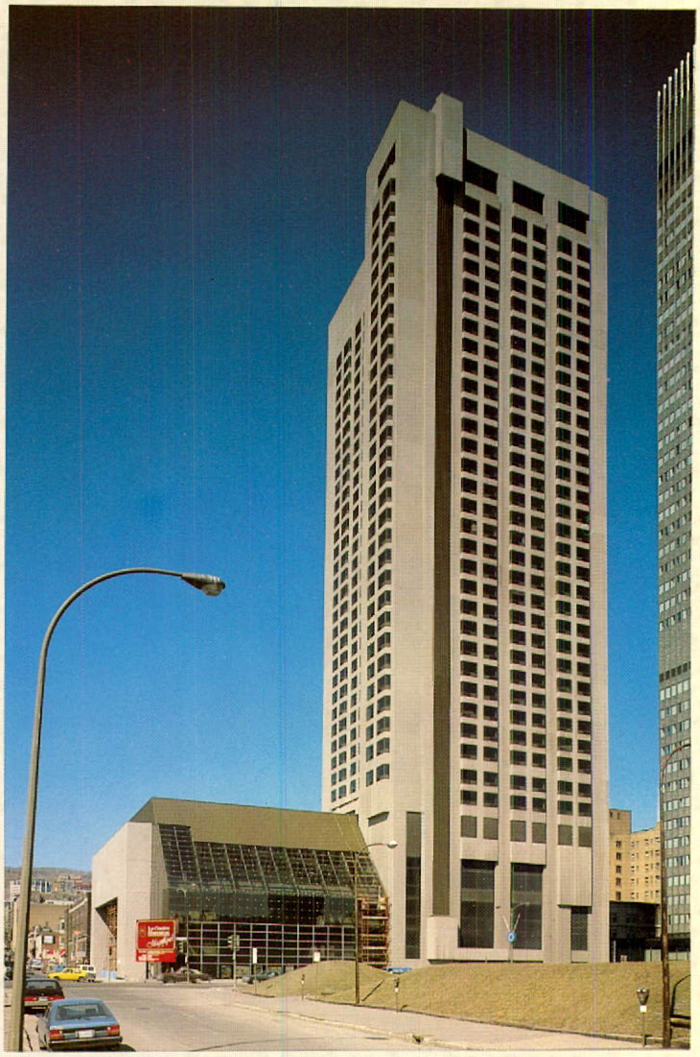
e) Certain of the 1979 comparative figures have been restated to conform with the 1980 presentation.

Corporate Highlights Of The Year

1980 has been an active year for S.B. McLaughlin Associates Limited. Square One's success is continuing, and the plans for the major expansion have been revealed. Our joint venture partnership, Traders Associates, has moved out of the planning phase into construction, and our Montreal hotel is moving towards completion.

New business associations have strengthened the operations of Western Peat Moss Ltd., and plans have been approved for a major residential/commercial development near Humber Bay in Etobicoke. The accomplishments of 1980, highlighted on these pages, provide a solid foundation for major achievements in the future.

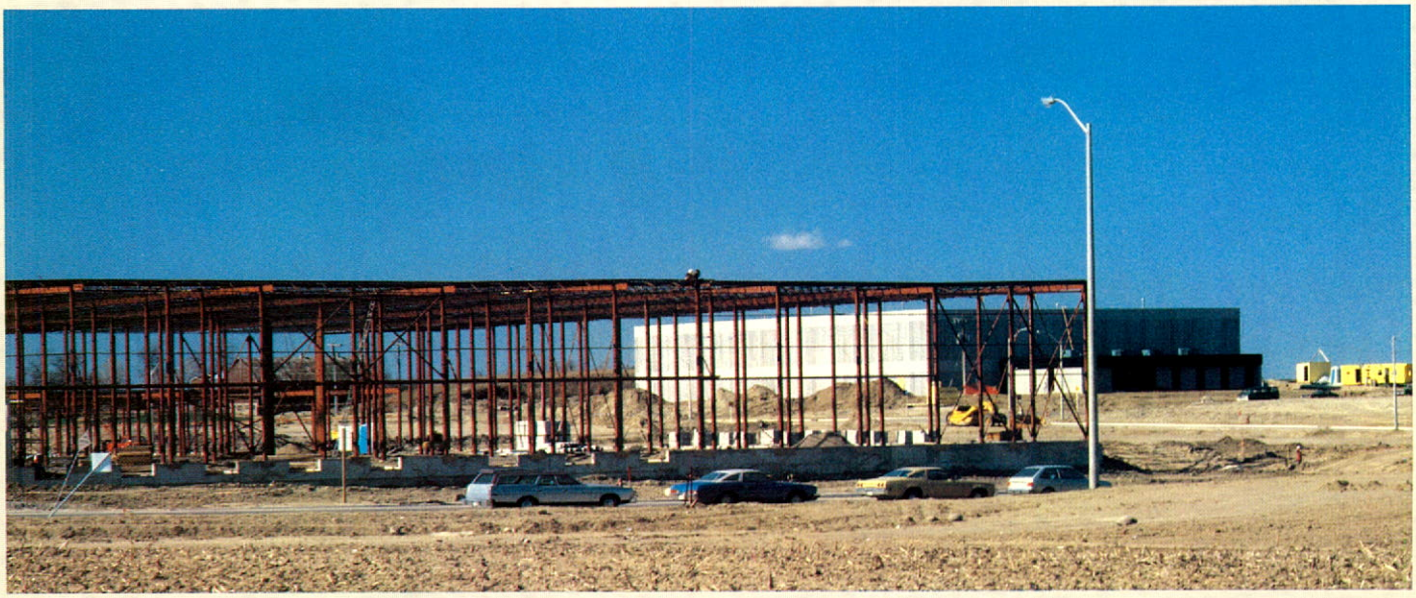
In fiscal 1980 Square One continued its record of success in sales and public involvement, drawing streams of visitors from near and far.



Le Centre Sheraton Hotel in Montreal. With our joint venture partners, ITT Industries of Canada Limited, the Canadian affiliate of the Sheraton Corporation, construction is active again on this 862-room hotel. Opening is scheduled for Spring 1982. The hotel will be operated by Sheraton.

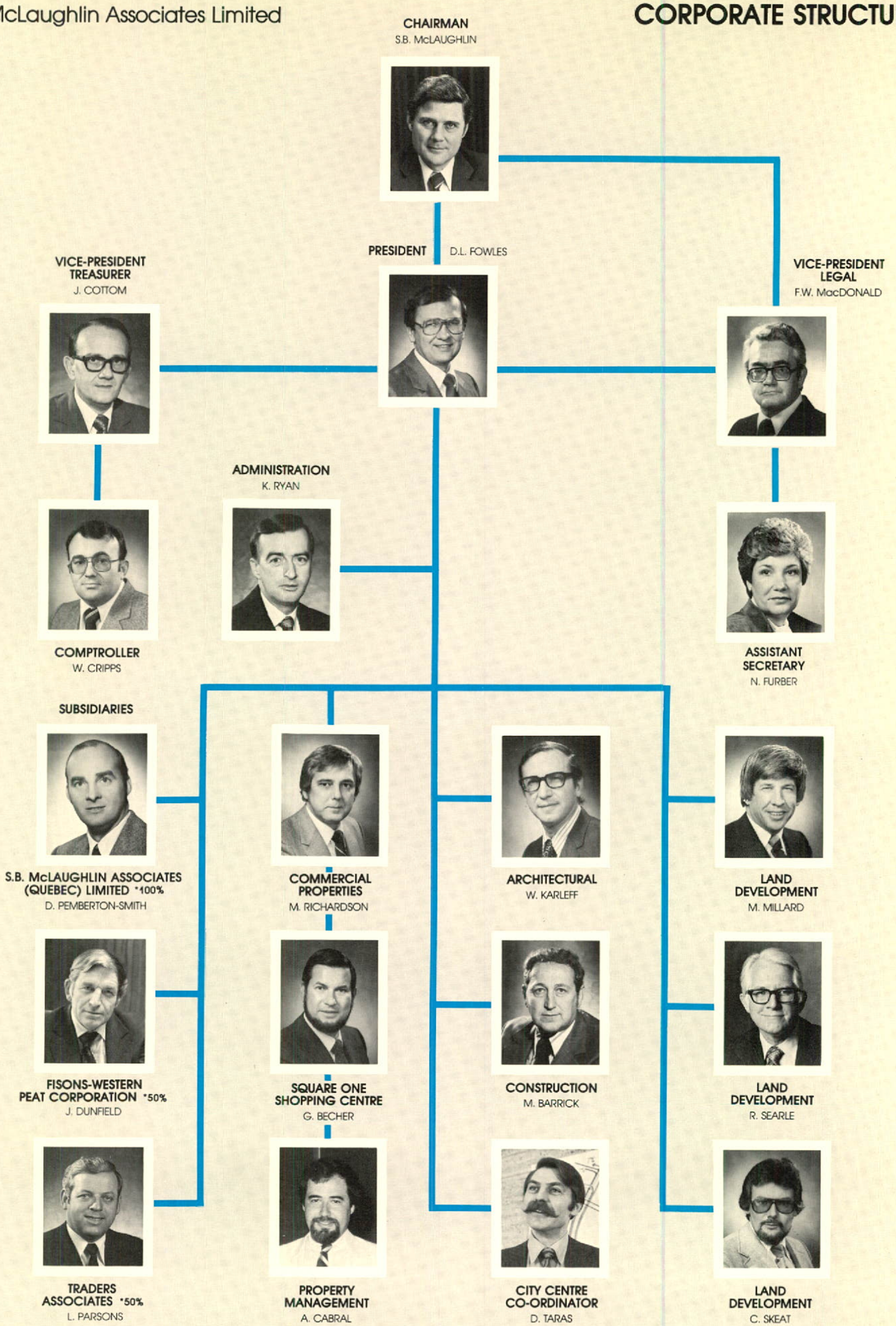
Together with the Traders Group, the Company is developing a new residential/commercial/industrial environment in the Highway 401 and Highway 10 region. In September 1980 the ribbon was cut celebrating release of the first 140 acres of the Britannia East Business Park.

Fisons Corporation Limited, a subsidiary of UK-based Fisons Limited, acquired a 50% interest in the Company's peat moss operations. Principals of all Companies concerned gathered to celebrate formation of the new company, Fisons-Western Peat Corporation. Seated (left to right): H. Sutherland, Q.C., Partner, Fraser & Beatty, Solicitors; J. Cole, Planning and Development Manager, Fisons Limited, Horticulture Division; D. Peters, Managing Director, Fisons Limited, Horticulture Division; S.B. McLaughlin, Chairman, S.B. McLaughlin Associates Limited; N. Furber, Assistant Secretary, S.B. McLaughlin Associates Limited. Standing (left to right): M. Grass, Vice-President, Credit, Barclays Canada Ltd.; R.J. Cameron, Sutton Braidwood, Solicitors; C. McNairn, Partner, Fraser & Beatty, Solicitors; F.W. MacDonald, Q.C., Vice-President, General Counsel and Secretary, S.B. McLaughlin Associates Limited; B. Hamilton, Manager, Barclays Canada Ltd.; D. Westby, Group Treasurer, Fisons Limited; D.L. Fowles, President, S.B. McLaughlin Associates Limited; C.A. Carncross, Vice-President, Production, Fisons-Western Peat Corporation; J.W. Dunfield, President, Fisons-Western Peat Corporation; J. Cottom, Vice-President and Treasurer, S.B. McLaughlin Associates Limited.



Major construction has started in Britannia Business Park. In the foreground, Pascal Furniture's 170,000 square foot warehouse and showroom, scheduled to open September 1, 1981. Behind it, the warehouse of Vancouver-based Steintron Electronics, scheduled to open June 1, 1981.

CORPORATE STRUCTURE



*INDICATES OWNERSHIP

S.B. McLaughlin Associates Limited