HARRIS
STEEL GROUP

J. Harris & Sons, Limited

ANNUAL REPORT 1978

HARRIS STEEL GROUP

FINANCIAL HIGHLIGHTS		1978	1977
	Revenue	$64.4m	$55.1m
	Net Profits	$153,908	$2,848,557
	Per Share	$.05	$.87
	Cash Flow from Operations	$(494,181)	$3,587,220
	Per Share	$(.16)	$1.10
	Working Capital	$6,586,483	$11,891,714
	Shareholders Equity	$17,386,983	$18,521,088
	Per Share	$5.55	$5.68
	Average Shares Outstanding	3,133,185	3,262,875

OFFICERS

Milton E. Harris *Chairman & President*
James Wilson *Vice President Marketing*
Glenn Riddell *Vice President Manufacturing*
Bruce Timmerman C.A. *Vice President Finance*
Lorie Waisberg *Secretary-Treasurer*

DIRECTORS

Gordon Atlin, Q.C. *Toronto, Ontario*
Geoffrey J. Jackson *Toronto, Ontario*
C.H. Frankiin *Toronto, Ontario*
Joseph Godfrey *Toronto, Ontario*
Milton E. Harris *Toronto, Ontario*
Barrie D. Rose, C.A. *Toronto, Ontario*
Neil B. Ivory *Montreal, Quebec*

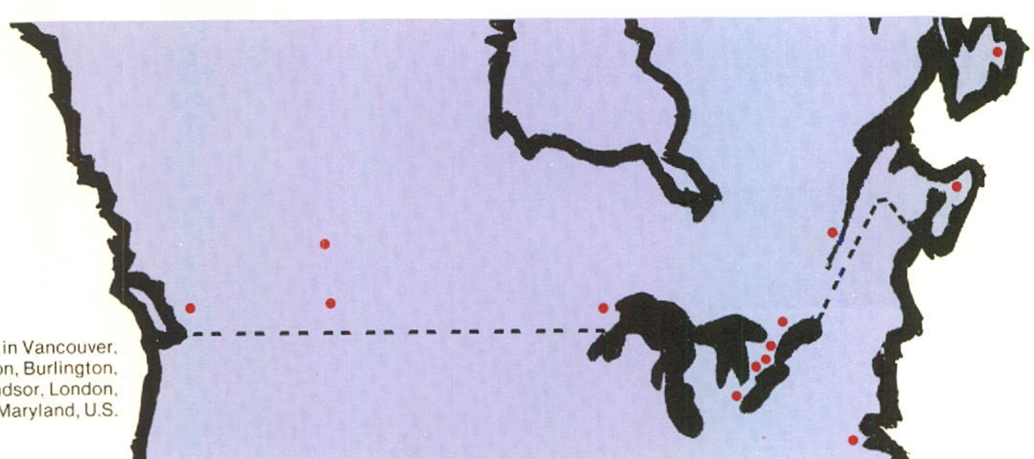
AUDITORS Clarkson Gordon & Co.

SOLICITORS Goodman and Goodman

REGISTRAR AND TRANSFER AGENT Guaranty Trust Company of Canada

BANKERS Royal Bank of Canada
Toronto Dominion Bank

HEAD OFFICE Suite 922, 390 Bay Street, Toronto



Offices and/or plants are located in Vancouver, Calgary, Edmonton, Toronto, Milton, Burlington, Stoney Creek (Hamilton), Windsor, London, Beltsville, Maryland, U.S.

THE HARRIS STEEL GROUP

Under the leadership of J. Harris & Sons, Limited, seven steel companies have come together to form what is now the Harris Steel Group.

This diversification program started in 1968 with the addition of Laurel Steel Limited's wire products and VSL Canada Ltd.'s unique post tensioning system.
The six separate operating groups in the Harris Steel Group are:

1). **J. Harris & Sons Limited, VSL Canada Ltd., Stricon, Epoxicote Rebar Inc.:-** rebar supply and fabrication, erection, post tensioning, Stricon splices and epoxy coating in Canada. Locations: Stoney Creek (Hamilton), Windsor, London, Thunder Bay, Halifax, St. John's, Calgary, Edmonton.
2). **Laurel Steel Products; —** low carbon wire shaped wire, wire accessories, welded wire mesh, cold finishing bars. Location: Burlington, Ontario.
3). **Frankel Steel Limited, Frankel Steel Consstruction Services Limited:-**supply, fabrication and erection of structural steel. Location: Milton, Ontario.
4). **Fisher & Ludlow Limited:-**steel grating for industrial construction. Locations: Burlington, Ontario; Vancouver, Calgary, Longueuil (Montreal, P.Q.)
5). **Quecor Steel Ltd., VSL Ltee:-**warehouse distributor and processor of general carbon steel products, rebar supply and fabrication, supply and erection of post tensioning. Location: Longueuil (Montreal, P.Q.)
6). **Thomsson Steel Company Inc.:-**supply and fabrication of rebar, supply of welded wire mesh, Stricon splices - U.S. market. Location : Beltsville, Maryland (near Washington, D.C)

"This is now a formidable steel merchant group...in 1979 we will sell in excess of 180,000 tons of steel...and show an excellent profit return"

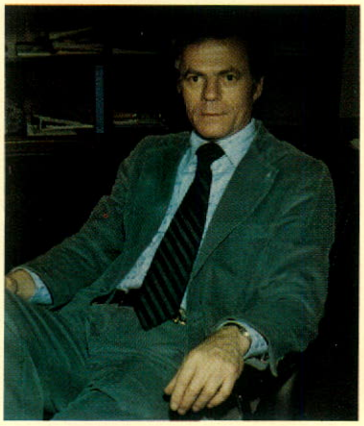
Harris Steel Group

Message to Shareholders

1978 was a transition year for our company, but one in which we continued to make giant strides toward our objective of building a major distributor of steel products.

Although we anticipated that 1978 would be a year of nominal profits we were able to exceed planned profit levels in all of our company groups except Frankel. Frankel's losses were about equal to the profits of the other companies in the group.

At the beginning of the year, we knew that we would have considerable difficulties in the massive move of Frankel from downtown Toronto to Milton, Ontario (about 20 miles west of Toronto International Airport).Start-up costs and the problems of organizing Frankel's large new fabrication plant were much greater than anticipated.



Frankel's problems at the new plant are not completely solved, but we are well on the way to achieving our goal of being the most productive fabrication plant in the industry. We have been able to acquire the supervision and fabrication skills that we need.I can also report that Frankel has a backlog of work which will bring a good profit in 1979.

Some key decisions were made in 1978 which have affected the complexion of our balance sheet.

Major Investments In 1978

First, at the beginning of the year our Board of Directors decided that the best investment we could make would be to purchase our own common stock.Approval was obtained to buy back 5% or about 160,000 of our shares. This was done at a price of approximately $4.15 per share - well below book value - and as a result the book value per share of the remaining outstanding shares increased.

Second,as I indicated in my 1977 Report to Shareholders, government action and changed currency relationships have had a substantial and lasting impact on North American steel markets.

Because cheap steel imports from overseas are no longer available, Canadian steel products have become highly competitve in the giant U.S. market. Consequently, steel supplies in Canada have become severely tight and prices at the domestic and foreign mill levels have escalated rapidly. Although the healthy steel demand that we forecast in our 1977 report did not arrive as quickly as projected, the market for our products is now very strong.

Accordingly, prior to the recent price increases, we embarked on a major program (1) to inventory Canadian steel, and (2) to increase our ability to market steel by internal expansion and by acquisition.

We have purchased a steel warehouse in Quebec and a rebar fabricator near Washington,D.C.; we have opened a new rebar fabrication plant in Calgary; we have built a plant to produce epoxy-coated rebar and have bought the patents, equipment and inventory of the leading rebar splice; we have greatly increased our wire manufacturing capacity and product lines and have acquired new facilities in Burlington, Ontario; and we have filled all of our operations with as much low priced steel inventory as we could obtain. And of course we have completed construction of Frankel's new plant. All of this investment has been financed by our banks.

We are now at a period of peak inventories. For the balance of 1979 sales will be much greater than purchases and our inventories should be at normal to low levels before the end of the year.

I would like to comment on each element of our expansion program.

A Second Alberta Plant

The Calgary plant is now completely in operation and an excellent volume of business has been booked. We see a very strong market for rebar in Alberta in 1979. The major difficulty will be in finding sufficient supplies to satisfy rapidly increasing demand.

Stricon Splice Purchased

We have purchased the patents, equipment and inventory of the Stricon splice system which is used to splice together heavy rebar. In recent years we have used the system extensively ourselves on construction projects and have proved the substantial labour saving that the Stricon splice provides over other systems in use. The system has gained acceptance in many American states and we intend to aggressively market Stricon in Canada and the U.S. with our own marketing people. We are currently supplying the splice on a major project in Canada. This system is protected by Canadian, U.S. and U.K. patents.

Epoxy Coating of Rebar

In the last three years most American states and now the Province of Ontario, are requiring that the top layer of rebar in a bridge slab be coated with epoxy. This is in response to the deterioration in bridges that can be seen wherever salt is used on roads and where bridges are subject to salt water spray. By epoxy coating the first layer of reinforcing steel in a structure, its life is increased from an average of 3 to 18 years to 50 years or more - at an additional 2% to 3% of the cost of the total bridge.

Our new epoxy coating plant is located adjacent to our main reinforcing steel fabrication plant in Stoney Creek, Ontario. The building and the very complex equipment have been designed and built and put into production under the supervision of our own people. I can report to you that this plant is now producing and shipping epoxy rebar and is meeting all of our expectations. This is another example of a successful operation put together by the superb management skills in our company. This company is called Epoxicote Rebar Inc.

New Wire Products And Facilities

Our wire company, Laurel Steel Products, has added wire fabrication capacity as well as new drawing and finishing capability. This has enabled us to enter the high quality bar market. We have had excellent market acceptance of our new product line and management is very optimistic on the future of these new products.

From a small 5,000 sq. ft. plant in 1969, Laurel has expanded five times to its present 50,000 sq. ft. on 2 1/2 acres in Stoney Creek. However, we are unable to expand further where we are. A major increase in volume has necessitated the purchase of a much larger facility (92,000 sq. ft.) in Burlington with 12 acres of land. This plant will have excellent facilities and will enable us to continue to expand in wire for many years to come.

American Expansion Program

After a careful search in the U..S. for several years, we found the opportunity we were looking for in the Washington, D.C. area.

Thomsson Steel is an established rebar fabricator with an excellent position in its market. The company had several unprofitable contracts when we took them over and we have provided fully for anticipated losses on these contracts in accounting for the purchase of Thomsson. Thomsson needed a fresh infusion of management skills and we were quickly able to reorganize the company and integrate Thomsson into our rebar group. We believe that we have excellent potential, at a very small investment, in this first U.S. venture.

As anticipated, Thomsson is experiencing a strong construction demand and tight steel supply. We believe that Thomsson will show satisfactory profits by the second half of this year and will act as a base for our further expansion in the American steel market.

Important Entry Into Warehousing

We have realized for the last few years that we needed a general products steel warehouse to increase our buying position with suppliers, and act as a marketer of a total line of carbon steel products - a warehouse that would eventually act as a steel buyer for our whole group.

In June, 1978 we purchased a new company with one of the strongest marketing teams in the large Quebec market. This company needed the strong financing and influence with steel mills that we were able to provide.The result has been outstanding. We have been able to quickly build Acier Quecor, located in the Montreal suburb of Longueuil, into a major force in the Quebec market. The long experience and market know-how of Quecor's management team, as well as a strong steel market and excellent supplier support, have combined to make Quecor a very successful warehouse. This acquisition has also put us into the rebar business in Quebec. In addition, the Quecor warehouse has become a full-service outlet for Fisher & Ludlow products in the Province.We expect that Quecor will be the core of our future expansion in the steel warehouse industry.

The "Harris Steel Group"

With the move of Laurel Steel to a separate manufacturing location and the acquisition of Thomsson and Quecor, we have organized our company into six separate operating groups.

Henceforth all of our companies will be part of the "Harris Steel Group" and this designation will appear on all vehicles, stationery, literature, etc. This is now a formidable steel merchant group. We forecast that in 1979 we will sell in excess of 180,000 tons of steel for more than $90,000,000 and show an excellent profit return.

The last six years have been years of outstanding growth for our group. We are all proud of our management and employees who have made our success possible.

M.E. Harris

Milton E. Harris
President & Chief Executive Officer

DIRECTORS OF J. HARRIS & SONS, LIMITED

Milton E. Harris
President and Chairman of the Board.

Gordon Atlin, Q.C.
Senior partner with the law firm of Atlin, Goldenberg, Cohen & Armel

Cecil H. Franklin
Chairman and Chief Executive Officer of Algonquin Mercantile Corporation; Chairman of the Board, Hardee Farms International Limited.

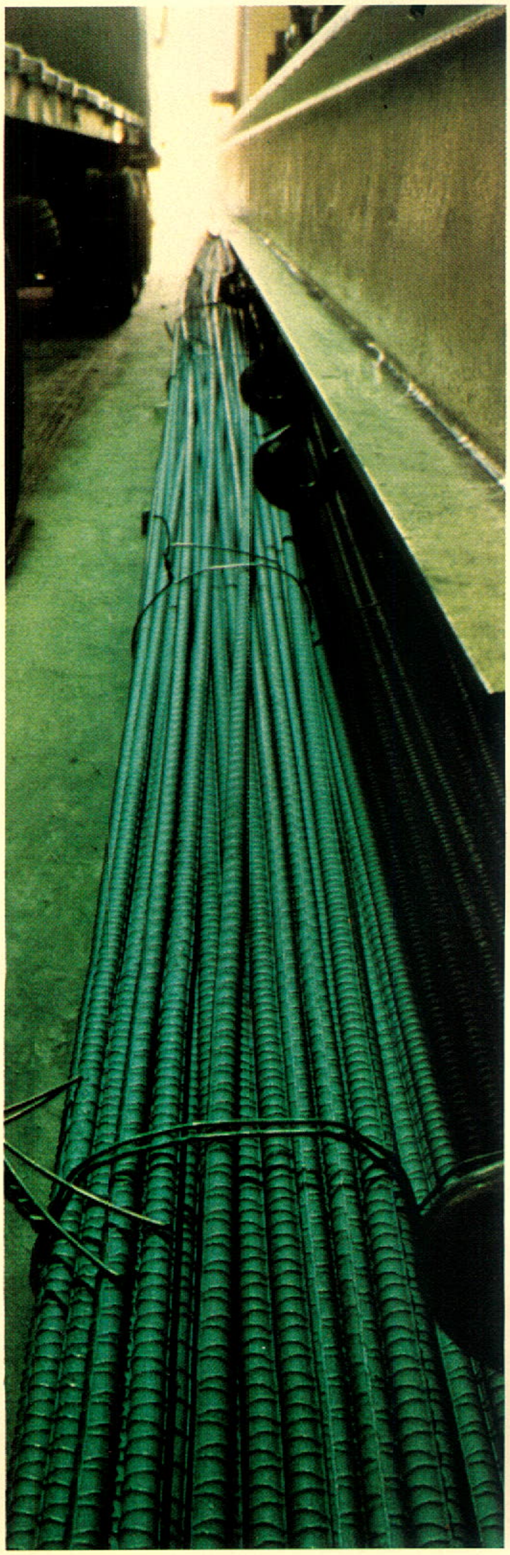
Joseph Godfrey
President and Director of York Wood Investments Limited; Jonat Construction Company Limited and Joseph Godfrey Investments Limited

Neil B. Ivory
President of Pembroke Management Ltd.; Vice President of GBC Capital Ltd.

Geoffrey J. Jackson
President, Frankel Steel Limited

Barrie D. Rose, C.A.
Chairman and Chief Executive Officer of Androck Inc.

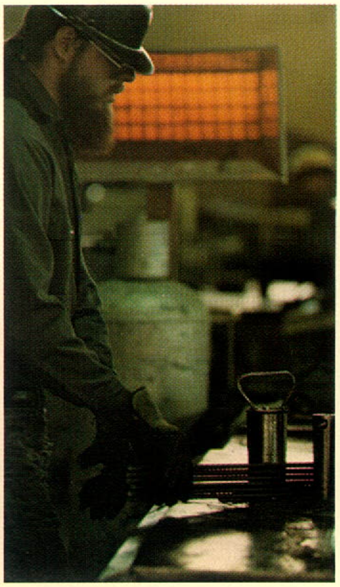
"After a careful search in the U.S. we found the opportunity we were looking for in the Washington, D.C. area."



The acquisition of Thomsson Steel, based in Washington, D.C., gives the Harris Steel Group an important new marketing dimension.

For 25 years Thomsson has functioned as an independent steel fabricator in the Washington area.

The company has a 30,000 sq. ft. plant with three automated shear lines. Since the acquisition there has been strong inter-action of management personnel between Canada and the U.S., and this is continuing.



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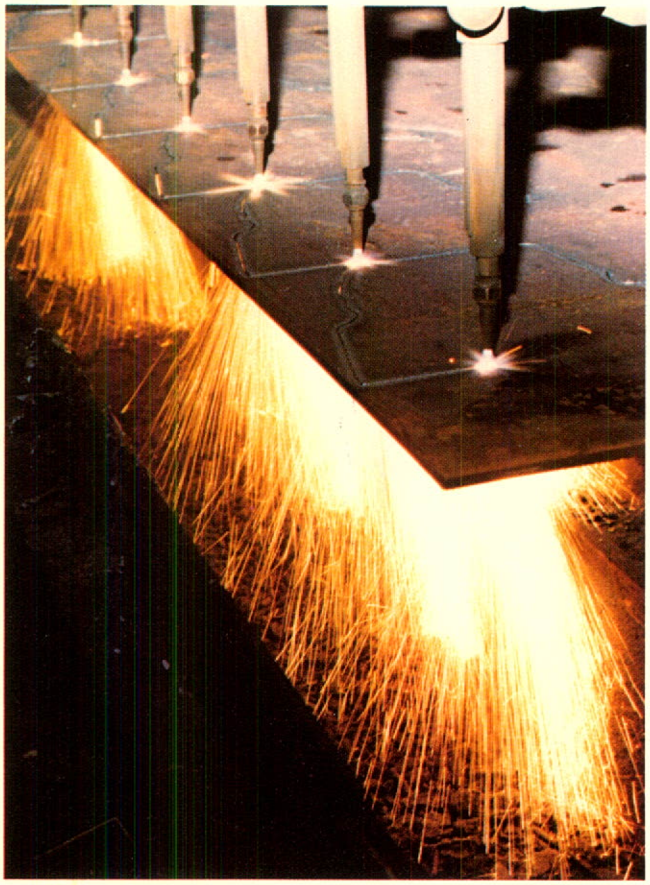


The acquisition of Quecor Steel promises to be one of the most significant moves made by the Company during its 10 year program of growth and development.

Quecor is a major steel warehouse that markets a total line of carbon steel products. This new area of activity has interesting potential for other members of the Harris Group.

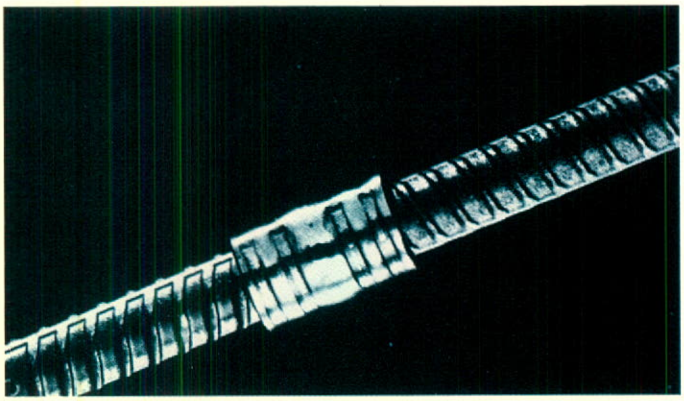
Most important, through the purchase of Quecor, the Harris Group has "acquired" a senior management team with a combined steel involvement exceeding 150 years. Team members have exceptional knowledge and experience in the Quebec steel market and with Quecor's specialized products and services. These are supplied to a broad range of customers.

Quecor has customized plate burning facilities for cutting special patterns out of solid steel plate. Six cutting torches work simultaneously. The burning machine can be increased to 12 torches. Two of the above machines are in constant operation at Quecor's Longueuil warehouse.

Fully 50% of Quecor's warehousing at Longueuil, Que., (a suburb of Montreal) involves industrial steel plate ranging in thickness up to 12 inches, and lengths up to 40 feet. Another 25% involves bar products, including rounds, squares, angles and flats. The remaining 25% includes structural steel items such as I beams, channels, wide flange beams and hollow structural tubing.

The Quecor plant includes a 50,000 sq. ft. warehouse built in 1976. The plant property of eight acres allows for further expansion.

Quecor's senior management team has more than 150 years of combined experience in the Quebec steel market. Front row, left: Gerald Lalonde,comptroller;-Sydney Foss, Jr., Vice President and Sales Manager Irenée Davignon, Vice President. Back row, left: Jacques Lajoie, Credit Manager; Gerald Fagan, President;Lou Kollman, Vice President.



New Products

Epoxy coated rebar; Our new epoxy coating plant at Stoney Creek has been completed and we are now marketing this exciting new product.

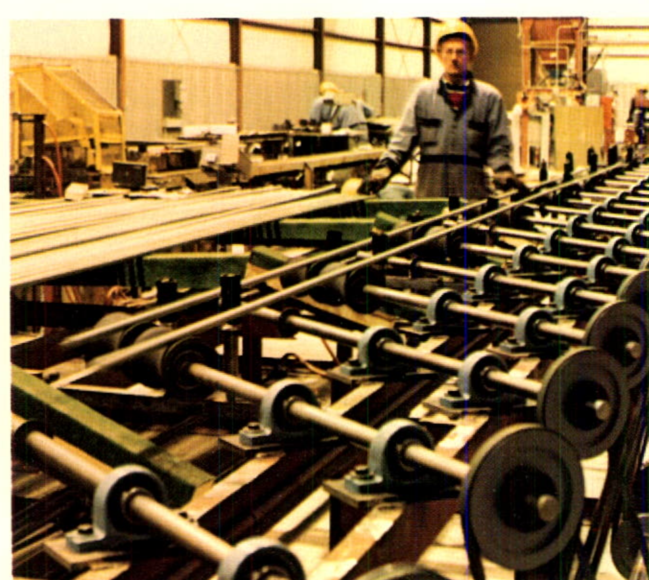
The epoxy coating of rebars has emerged during the past three years in response to the deterioration that can be seen in bridges when conventional rebars are subject to the effects of road salt and salt water spray.

Stricon Splice; Harris has purchased the patents, equipment and inventory of the Stricon splice system that is used to splice together heavy rebar.

The system, with its substantial labour saving, has gained acceptance in many U.S. states. we are currently supplying the splice on a major project in Canada.

New Wire Products and Facilities: Our wire company, Laurel Steel Products has added to its wire fabrication capacity and has also developed new drawing and finishing capabilities.

Laurel has expanded its plant facilities five times since 1969 and plant footage has multiplied 10 times during the same period. A major increase in volume has necessitated the purchase of a larger facility (92,000 sq. ft.) at Burlington, Ont. With this new plant Laurel will continue to expand its wire production.



Our People

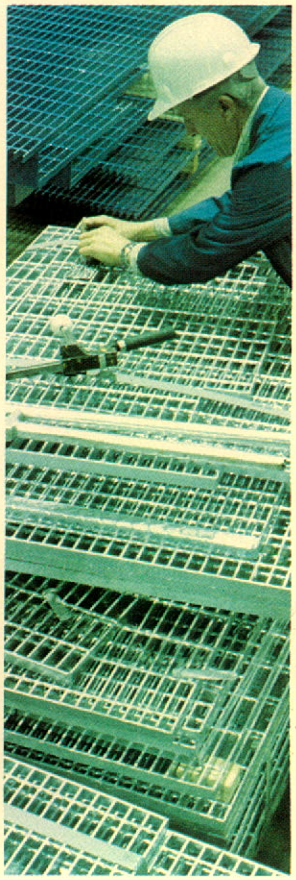
New companies, products, facilities and our Harris people are the ingredients of our expansion.

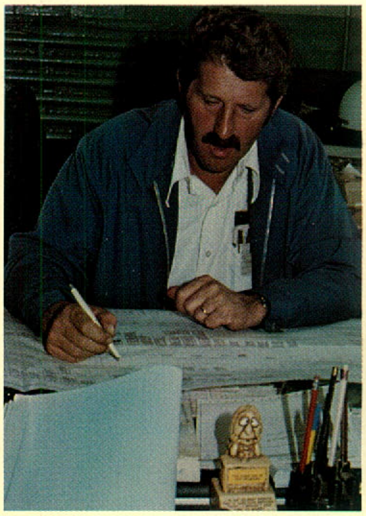
The company now has more than 1,200 employees including a skilled technical staff of professional engineers, quantity surveyors and fabrication personnel.

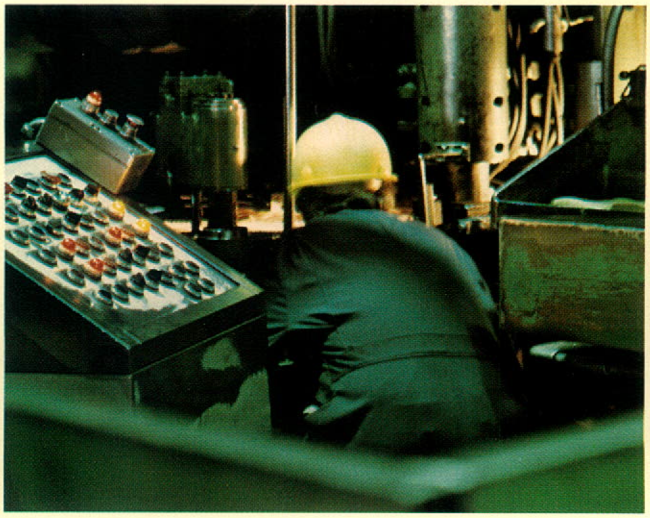
We have talented and dedicated marketing and management teams.

And at all levels we have people who work together - designing, testing, planning and implementing.

It's the human factor in the Harris Group that is responsible for the company's growth and success.







J. HARRIS & SONS, LIMITED

(Incorporated under the laws of Ontario)

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1978

(with comparative figures at December 31, 1977)

ASSETS	1978	1977
Current:		
Short-term deposits		$1,400,000
Accounts receivable	$14,445,956	9,641,919
Due from joint ventures		238,920
Inventories (note 2)	19,944,491	6,897,164
Estimated value of jobs in progress less progress billings	6,356,666	4,313,505
Prepaid expenses and deposits	418,654	166,057
Total current assets	41,165,767	22,657,565
Investments:		
Shares in other companies, at cost (estimated market value 1978 — $254,000; 1977 — $175,000)	44,259	44,259
Fixed assets, at cost:		
Land	1,039,799	763,801
Buildings	4,795,627	3,214,621
Machinery and equipment	11,926,829	11,285,242
	17,762,255	15,263,664
Less accumulated depreciation	5,917,769	7,194,444
	11,844,486	8,069,220
Other assets:		
Deferred income tax charges	400,000	
Goodwill at amortized cost (note 3)	596,411	
	996,411	
	$54,050,923	$30,771,044

(See accompanying notes)

LIABILITIES

	1978	1977
Current:		
Bank indebtedness (inventories and accounts receivable pledged as security)	$17,365.006	$ 1,353,970
Accounts payable and accrued charges	13,425,781	5,769,833
Due to joint ventures	27,532	
Income and other taxes payable	396,748	1,218,507
Deferred income taxes — current portion	3,354,200	2,420,300
Current portion of long-term debt (note 4)	10,017	3,241
Total current liabilities	34,579,284	10,765,851
Long-term debt (note 4)	2,084,656	58,105
Deferred income taxes		1,426,000
Shareholders' equity (note 5):		
Capital (without par value) —		
Authorized:		
5,000,000 Class A shares		
5,000,000 Class B shares		
100 common shares		
Issued:		
1,013,561 Class A shares		
2,120,871 Class B shares		
3,134,432	2,470,295	2,457,232
Retained earnings	14,916,688	16,063,856
	17,386,983	18,521,088
	$54,050,923	$30,771,044

On behalf of the Board:

Director

Director

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1978
(with comparative figures for 1977)

	1978	1977
Sales and construction revenue	$64,427,386	$55,119,937
Income before the following	$ 1,364,277	$ 4,694,287
Deduct:		
Depreciation and amortization	692,470	704,502
Interest on long-term debt	58,548	5,564
Other interest expense	492,351	178,118
	1,243,369	888,184
Income before income taxes and extraordinary items	120,908	3,806,103
Income taxes (recovery)(note 6)	(33,000)	1,374,000
Income before extraordinary items	153,908	2,432,103
Extraordinary items:		
Gain on sale of land and buildings (net of applicable taxes of $287,900)		591,463
Provision for loss on disposal of joist division (net of applicable taxes of $127,000)		(175,009)
		416,454
Net income for the year	$ 153,908	$ 2,848,557
Earnings per share (note):		
Income before extraordinary items	$0.05	$0.75
Net income for the year	$0.05	$0.87

Note: The earnings per share are based upon the weighted average number of shares outstanding during the year. The exercise of the options referred to in note 5 would not result in any material dilution of earnings per share.

(See accompanying notes)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	1978	1977
Source of funds:		
Income before extraordinary items	$ 153,908	$ 2,432,103
Charges to operations not involving an outlay of funds —		
Depreciation and amortization	692,470	704,502
Deferred income taxes	(1,229,753)	445,519
Loss (gain) on disposal of fixed assets	(110,806)	5,096
Funds from operations	(494,181)	3,587,220
Proceeds from sale of fixed assets (net of current taxes of $141,000 in 1977)	229,745	2,875,772
Proceeds from the issuance of shares	135,000	6,000
Proceeds from term bank loans	2,000,000	
	1,870,564	6,468,992
Application of funds:		
Additions to fixed assets	4,237,245	1,454,704
Dividends and special taxes related thereto	750,463	777,910
Reduction of long-term debt — non-current portion	6,884	3,240
Purchase of common shares of the company	672,550	
Acquisition of subsidiary companies including working capital deficiency - $79,624 (1977 — $932,430) assumed at the date of acquisition (note 3)	1,508,653	1,753,749
	7,175,795	3,989,603
Increase (decrease) in working capital	(5,305,231)	2,479,369
Working capital, beginning of year	11,891,714	9,412,325
Working capital, end of year	$ 6,586,483	$11,891,714

(See accompanying notes)

HARRIS STEEL GROUP

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1978
(with comparative figures for 1977)

	1978	1977
Retained earnings, beginning of year	$16,063,856	$13,993,209
Excess of the purchase price over the paid-up value of the company's shares purchased (note 5)	550,613	
	15,513,243	
Net income for the year	153,908	2,848,557
	15,667,151	16,841,766
Deduct:		
Taxable dividends declared during year	235,263	241,437
Tax-deferred dividends declared during year	515,200	521,473
Special taxes paid by company relating to tax-deferred dividends		15,000
	750,463	777,910
Retained earnings, end of year (See accompanying notes)	$14,916,688	$16,063,856

AUDITORS' REPORT

To the Shareholders of J. Harris & Sons, Limited:

We have examined the consolidated balance sheet of J. Harris & Sons, Limited as at December 31, 1978 and the consolidated statements of income, 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, 1978 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.

Toronto, Canada
April 19, 1979.

Clarkson, Gordon & Co.,
Chartered Accountants

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

Basis of consolidation —

The consolidated financial statements include the accounts of the company and all its subsidiaries. Investments in joint ventures are carried at cost plus the company's share of undistributed profits to date.

The accounts of the company's U.S. subsidiaries are translated as follows:

Monetary assets and liabilities — at year-end rate of $1 U.S. = $1.186 Cdn. Non-monetary assets and depreciation expense — at historic rates;

Revenues and expenses, other than depreciation — at average exchange rates for the year.

Uncompleted contracts —

Estimated value of jobs in progress represents contracts in progress valued on the percentage-of-completion basis. Under the percentage-of-completion method, profit is accrued as the work is performed, and provision is made for anticipated losses to the completion of the contract. Although the company uses its best engineering estimates, the final results of jobs in progress will necessarily be dependent upon future costs and revenues.

Inventories —

The company values its inventory at the lower of cost and market. Cost is determined on a weighted average basis for structural steel and steel warehouse inventories and on a first-in, first-out basis for all other inventories.

Fixed assets —

The company depreciates its buildings, machinery and equipment on a straight-line basis and its mobile equipment on a declining balance basis at the following rates:

Buildings	2-1/2%
Machinery and equipment	7-1/2%
Mobile equipment	30%

Gain or loss on disposal of individual assets is recognized in income in the year of the disposal.

Goodwill —

Goodwill represents the excess of the cost of investments in shares of subsidiaries over the assigned values of their underlying net assets. Goodwill is being amortized on a straight-line basis over a period of ten years.

Income taxes —

The company follows the income tax allocation method of accounting. The deferred income taxes included in current liabilities relate to contracts in progress, investment in joint ventures and holdbacks receivable. Non-current deferred income taxes relate to fixed assets.

2. Inventories

Inventories consist of the following:

	1978	1977
Raw Materials	$19,004,296	$6,073,859
Work in progress	240,190	162,644
Finished goods	700,005	660,661
	$19,944,491	$6,897,164

3. Acquisition of subsidiaries

The company acquired for cash all of the outstanding shares and notes on June 19, 1978 of Quecor Steel Ltd. and on November 17, 1978 of Thomsson Steel Company, Incorporated. Both acquisitions were accounted for as purchases with the acquired companies' operating results being included from the effective acquisition dates. Net assets acquired were as follows:

	Quecor	Thomsson
Working capital (deficiency)	$189,329	$(268,953)
Property plant and equipment at fair value	62,724	280,807
Deferred income tax charges	183,545	412,702
Goodwill	435,000	167,311
	870,598	591,867
Less long-term debt assumed	33,436	
Purchase price	$837,162	$591,867

4. Long-term debt

	1978	1977
9% mortgage loan due 1988	$ 58,105	$61,346
13% conditional sale agreement due 1983	36,568	
Term bank loans bearing interest at bank prime plus 1%, due 1980 to 1982 evidenced by a demand note and secured by a first mortgage	2,000,000	
	2,094,673	61,346
Less current portion	10,017	3,241
	$2,084,656	$58,105

Principal repayments during the next five fiscal years are as follows: 1979 — $10,000; 1980 — $511,000; 1981 — $513,000; 1982 — $1,014,000; 1983 — $10,000.

5. Capital stock and dividends

Class A and Class B shares are convertible into one another on a share-for-share basis at any time. The shares of each class rank equally in all respects. Until December 31, 1978 when the related tax provisions expired, tax deferred dividends were paid on Class B shares. From January 1, 1979 both classes of shares will receive taxable dividends.

During the year, the company purchased 81,943 Class A shares and 80,000 Class B shares on the open market for cash consideration of $672,550. The excess of the purchase price over the paid- up value of the shares purchased totalled $550,613. This excess was charged to retained earnings.

During the year, 11,000 shares were issued to employees for aggregate cash consideration of $36,000 (including 6,000 shares issued for $6,000 under an employee stock option plan). In addition, 20,000 shares were issued to an employee for $99,000 which amount is payable without interest from 1980 to 1987.

Options are outstanding at December 31, 1978 for 6,000 shares at $1.00 per share which may be exercised to June 30, 1981.

6. Income taxes

The provision for income taxes has been reduced by the 3% inventory allowance and the investment tax credit.

7. Subsequent event

Subsequent to the year end a subsidiary acquired land and buildings for cash consideration of $1,667,000. The company also arranged term bank loans of $7,000,000 at bank prime plus 3/4% due in 1986, repayable commencing in 1982 at $1,400,000 per annum.

8. Remuneration of directors and senior officers

Remuneration of directors and senior officers of the company as defined by The Ontario Business Corporations Act, including profit sharing bonuses, amounted to $355,713 (including $12,225 as directors' fees) in 1978 and $332,120 (including $7,500 as directors' fees) in 1977.

9. Anti-Inflation Legislation

The company and its subsidiaries were subject to the Anti-Inflation Legislation enacted by the Government of Canada effective October 14, 1975 to December 31, 1978 to provide for the restraint of profit margins, prices, employee compensation and dividends. Management is of the opinion that it was in compliance with the requirements of the Anti-Inflation Legislation.

10. Contingent liability

A judgment for $532,000 plus costs has been awarded against a subsidiary of the company and another defendant relating to allegedly defective structural work completed in 1967. The judgment, as well as the allocation of the award among the defendants is under appeal. When the ultimate liability to the company, if any, has been settled, it will be reflected in the financial statements for that year as a prior period adjustment.

HARRIS STEEL GROUP

J. HARRIS & SONS, LIMITED

FINANCIAL SUMMARY

	1978	1977	1976	1975	1974
Revenue	$64.4m	$55.1m	$58.6m	55.2m	40.9m
Profits	$153,908	$2.8m	$2.0m	4.9m	5.8m
Per Share (A)	5¢	87¢	61¢	$1.50	$2.12
Funds Provided (Used)	$(494,181)	$3.6m	$3.1m	5.8m	6.3m
Per Share (A)	(16)¢	$1.10	96¢	$1.78	$2.28
Dividends (A)	24¢	23.4¢	20.4¢	16¢	10.2¢
Effective Tax Rate (including deferred)	(27)%	36%	43%	45%	45%
Financial:					
Assets	$54.1m	$30.8m	$33.2m	$29.2m	$29.5m
Long-term debt	$2.1m	$61,346	$64,313	$67,031	$5.2m
Current Assets	$41.2m	$22.7m	$25.2m	$22.3m	$23.8m
Current Liabilities	$34.6m	$10.8m	$15.8m	$13.3m	$13.9m
Working Capital	$6.6m	$11.9m	$9.4m	$9.0m	$9.9m
Current Ratio	1.2:1	2.1:1	1.6:1	1.7:1	1.7:1
% Inventory to Current Assets	64%	49%	42%	43%	44%
Capitalization:					
Common Shares	$2.5m	$2.4m	$2.4m	$2.4m	$2.4m
Retained earnings	$14.9m	$16.1m	$14.0m	$12.8m	$8.5m
Shareholders Equity	$17.4m	$18.5m	$16.4m	$15.2m	$10.9m
Per Share (A)	$5.55	$5.68	$5.05	$4.67	$3.97

A — Based on average number of shares outstanding after 3 for 1 split in 1974.

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