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# **Banister**

**Continental Ltd.**

**1981  
Annual Report**



HOWARD ROSS LIBRARY  
OF MANAGEMENT  
SEP 1 1981  
MCGILL UNIVERSITY

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## Foreword

Banister Continental Ltd. is one of the major heavy engineering construction companies in Canada. The Corporation specializes in the construction of large-scale energy developments, subways, bridges, tunnels, highways, underground utilities, hydro-electric dams, gas distribution systems, cross-country pipelines, and marine projects.

Banister was founded in 1948 and became a public company in 1969. Banister Continental Ltd. shares are presently listed on the Toronto, Montreal, Alberta and American Stock Exchanges. The Corporation has completed projects in Canada, the United States, and the Middle East.

Particular attention should be paid to Page 27 and Note 17 to the financial statements pertaining to two substantial claims being sought by the Corporation from clients relating to pipeline projects in which the Corporation was involved during fiscal 1979 and fiscal 1981.

*Opposite:  
Pipe strung on ROW for the  
Alberta prebuild of the Alaska  
Highway Natural Gas Pipeline  
project.*



## Financial Review

Year Ended March 31,

1981

1980

Revenue	<u>\$146,476,000</u>	<u>\$121,980,000</u>
Net loss	<u>\$(14,537,000)</u>	<u>\$ (5,417,000)</u>
Net loss per share:		
Basic	\$ (3.62)	\$ (1.35)
Fully diluted	\$ (3.62)	\$ (1.35)
Average common shares outstanding	4,014,000	4,017,000
Depreciation	\$ 8,350,000	\$ 6,971,000
Shareholders' equity	\$ 32,893,000	\$ 47,153,000
Cash and short-term deposits	\$ 1,594,000	\$ 13,954,000
Total assets	\$131,439,000	\$134,345,000







**R. K. Banister**  
Chairman of the Board and  
Chief Executive Officer

*Upper Opposite:*  
Dipper dredge "Canadian  
Argosy" (foreground) and under-  
water drilling units excavating  
rock from the tailrace of the  
Carillon Generating Station on  
the Ottawa River.

*Lower Opposite:*  
Powerhouse construction for  
Great Lakes Power on the St.  
Mary's River, Sault Ste. Marie.

## To Our Shareholders

It is no pleasure reporting that the Corporation has suffered a major loss of \$14,537,000 on revenues of \$146,476,000 for fiscal 1981. The serious nature of these results is why the Board of Directors requested that I return to the Corporation on June 1, 1981 as Chairman and Chief Executive Officer. Since my return I have tried to appraise our assets and determine the seriousness of our liabilities. My personal conviction is that we have many more strengths than weaknesses. In short, I believe that the Corporation can and will be turned around.

The Corporation suffered a major loss on a U.S. pipeline project last year. The loss on this project in Oregon is mainly responsible for our deficit for the year. We believe that we have sound legal and technical claims on this project.

We have a talented, dedicated, and hard-working group of employees that can successfully take its place — indeed, the lead — in our industry. It is important for our shareholders and clients to realize that Banister has the basic skills and equipment necessary to successfully build pipelines. This underlying strength is intact and critical to our recovery, and we intend to pursue this work.

Our wholly owned subsidiary, Pitts Engineering Construction Limited, continues to operate on a profitable basis. Heavy civil and marine construction opportunities will continue to surface across Canada, and Pitts will participate in this work from coast to coast.

Cliffside Pipelayers and McDace Construction continue to operate at a profit in Ontario in the underground utility construction market. Growth in profits and revenues in both these divisions is expected to continue.

Several other positive factors need to be highlighted, namely:

- Over the past year the Corporation has integrated its insurance, equipment, and computer systems. In addition, all divisions have adopted a uniform corporate identity. This should improve overall control.
- Arbitration proceedings relating to a Louisiana pipeline project performed in 1978 for the U.S. Department of Energy concluded in May of 1981. A decision on the Corporation's U.S. \$20 million claim should be made by October of this year.
- The backlog of work at the time of this writing is in excess of \$200 million.
- Significant projects are available for tender in our traditional markets that involve all aspects of the Corporation's construction disciplines. We intend to capitalize on these opportunities.

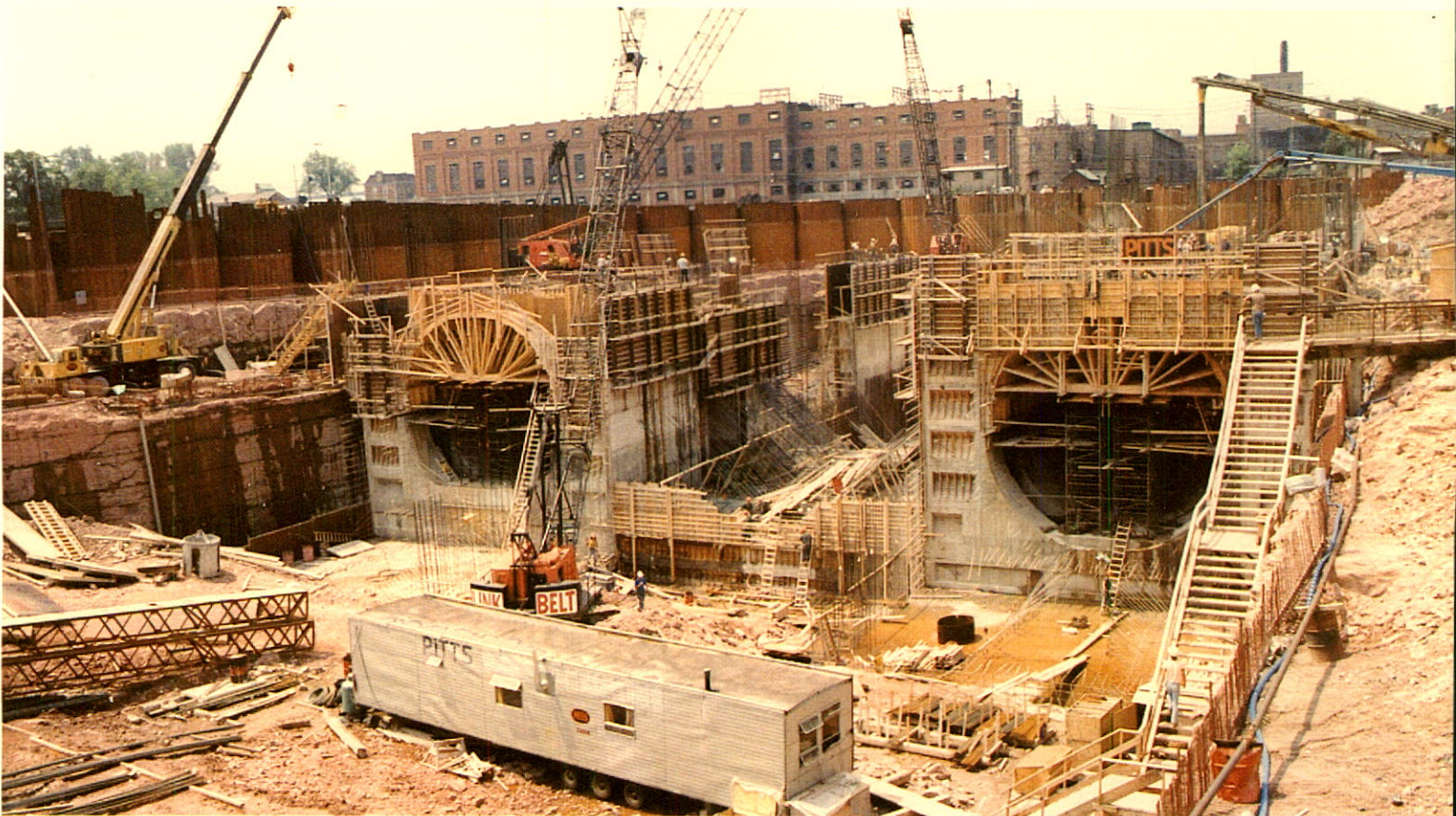
Better utilization of our people, equipment, capital, and skills in fiscal 1982 to produce a profit is our number one objective. At the date this letter is submitted, I am pleased to report that we have recently been awarded several new contracts which are proceeding in an orderly fashion.

Many loyal and long-term shareholders of Banister have not been adequately rewarded in the past few years. We ask for your understanding and patience and expect that next year we can report profitable operations.

Respectfully submitted on behalf of the Board

**R. K. Banister**  
Chairman of the Board and  
Chief Executive Officer  
June 16, 1981









*Ditch boulders excavated from basalt rock formations in Oregon's Blue Mountains.*

*Upper Opposite:  
Automatic welding, regarded as the method of the future, was used by Banister crews on the Alberta prebuild.*

*Lower Opposite:  
Traditional stick welding methods were used for pipeline construction in Oregon.*

## Pipeline Construction

During fiscal 1981, overall activity in the pipeline construction industry increased and should reach record levels in the 1981 - 82 season. During the past fiscal year, the Corporation was awarded pipeline projects which are part of this increasing wave of pipeline construction activity.

Early in 1980, National Energy Board approval of the construction of the Canadian prebuild launched the Alaska Highway Natural Gas Pipeline project. This marked the beginning of the most ambitious pipeline construction project ever undertaken in the history of the industry. At a total estimated cost of \$35 billion, the overall project will involve the construction of a 7,700 kilometre pipeline network linking the natural gas reserves of northern Alaska with American markets in the Midwest and Pacific Coast regions. Banister Pipelines Canada and Banister Pipelines America worked on two portions of the western leg of the prebuild in southwestern Alberta and northeastern Oregon, respectively. In spite of losses encountered on these contracts, the Corporation looks confidently forward to additional and more satisfactory involvement in the Alaska Highway Natural Gas Pipeline project.

## Canadian Operations

The largest contract completed by the Corporation's Canadian pipeline division in fiscal 1981 was a portion of the Alaska Highway Natural Gas Pipeline. Banister Pipelines Canada was awarded the first Alberta prebuild section, consisting of 125.2 km of 914-mm pipe. The project was made up of three loops, each roughly 40 km long, running in a north/south direction in the foothills of the Rocky Mountains west of Calgary. The experience gained in the use of automatic welding technology on this project should enable the Corporation to profitably perform future work using this method.

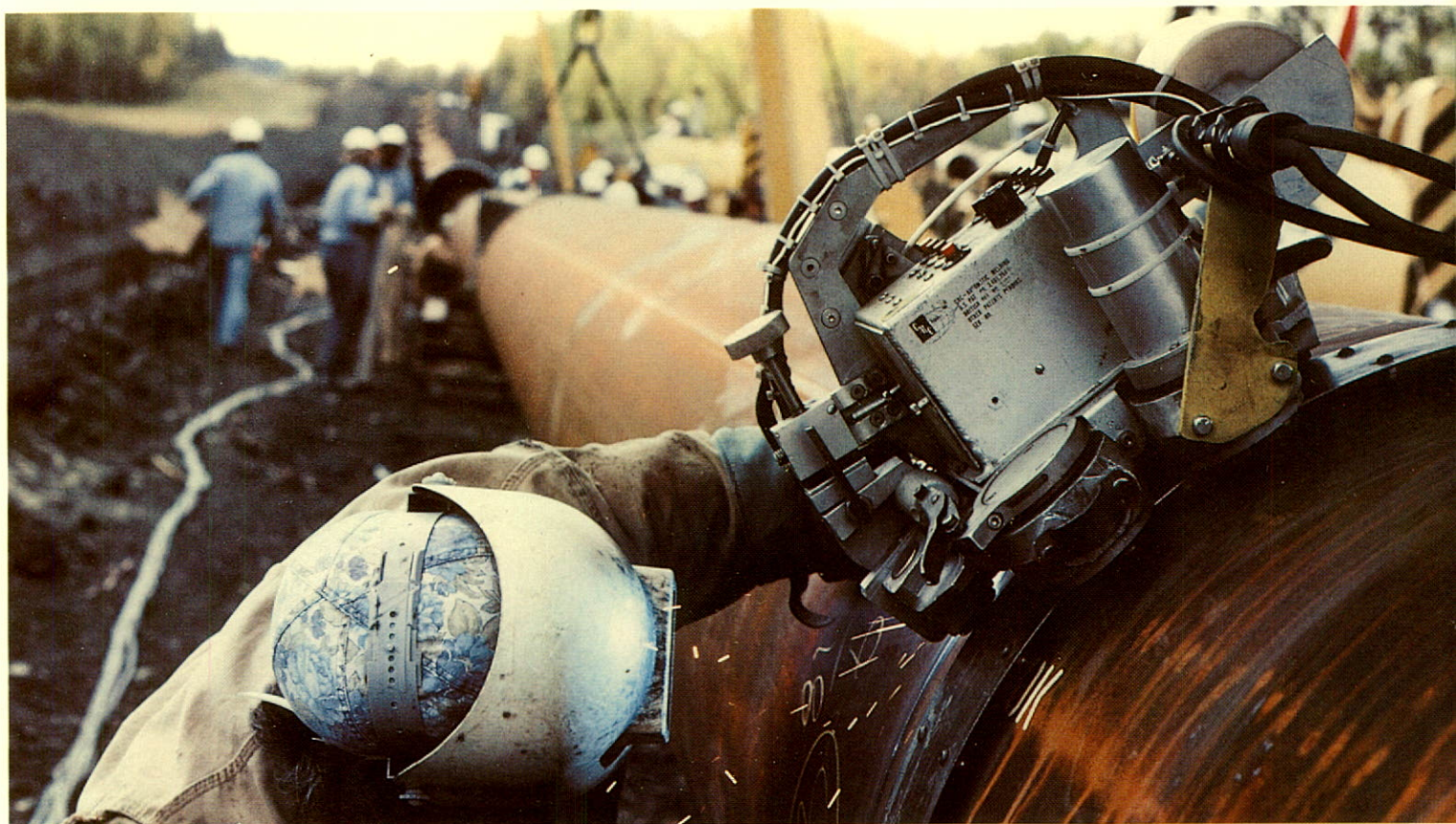
Banister Pipelines Canada performed a number of profitable jobs during fiscal 1981. Emergency replacement of a ruptured natural gas line was carried out at the Suncor extraction plant in Fort McMurray, Alberta. Also in Fort McMurray, oil and gas lines were replaced for Syncrude Canada. Banister Pipelines participated in the hauling of 1,219-mm pipe from Edmonton to Burwash Landing at Mile 1105 on the Alaska Highway in conjunction with the Test Facility for Foothills Pipeline, South Yukon. Finally, construction was begun on a second Banister Model 7-10 Ditcher late in the fiscal year. The new ditcher will replace the original 7-10, which has been sold to Nova, An Alberta Corporation, for an extensive ditching program to be carried out on Melville Island for the Arctic Pilot Project.

## U.S. Operations

During fiscal 1981, Banister Pipelines America constructed 185 km of 610- and 760-mm pipeline in Oregon for Northwest Pipeline Corporation. The contract included nearly 65 km of construction through the Blue Mountains, which rise to elevations of 1,400 m. This line will form part of the American prebuild of the Alaska Highway Natural Gas Pipeline project.

It is the Corporation's belief that the losses incurred on this project are the result of client-imposed restrictions on the method of work. The Corporation is seeking reimbursement of its losses from the client, and will pursue its claim until a settlement is reached.



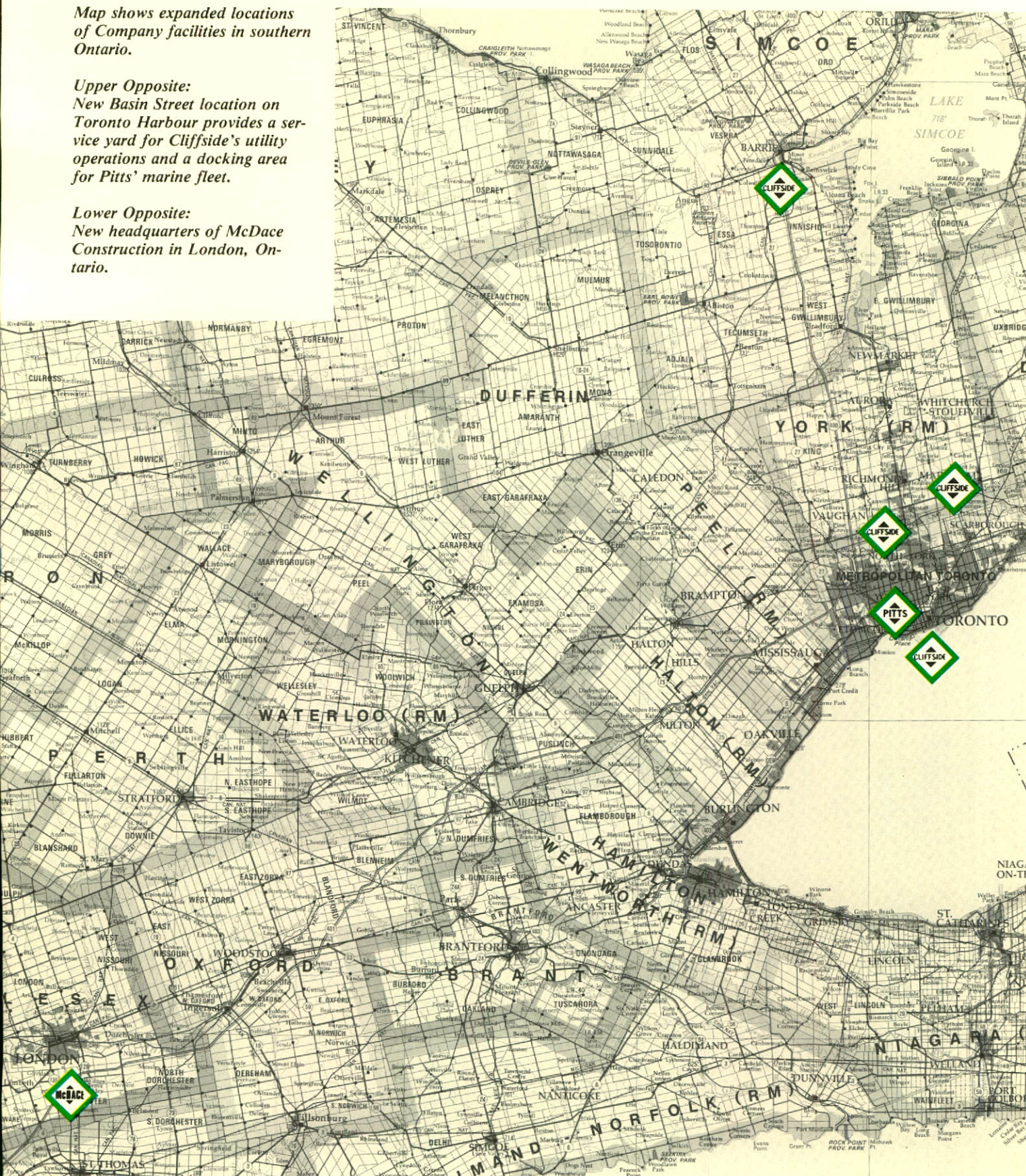




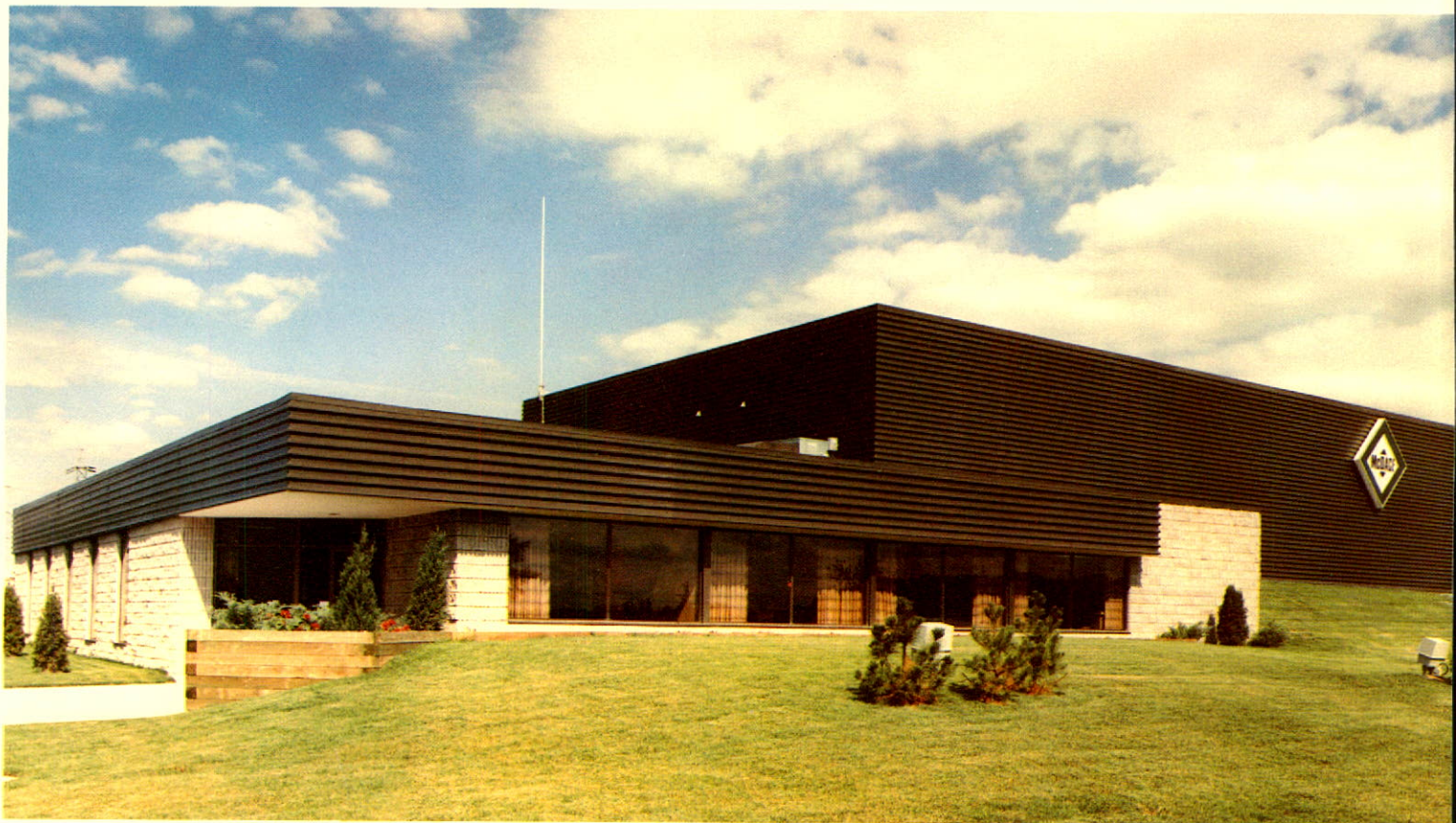
Map shows expanded locations of Company facilities in southern Ontario.

**Upper Opposite:**  
New Basin Street location on Toronto Harbour provides a service yard for Cliffside's utility operations and a docking area for Pitts' marine fleet.

**Lower Opposite:**  
New headquarters of McDace Construction in London, Ontario.











*Cliffside crew performing sewer installation work in metropolitan Toronto.*

*Opposite:  
Downstream view of dam and 2760 megawatt powerhouse being constructed by the Corporation's 50% joint venture for British Columbia Hydro and Power Authority.*

Arbitration hearings on the Corporation's outstanding claim of U.S. \$20 million against the Department of Energy were completed May 27, 1981. This claim originated in fiscal 1979 in relation to a pipeline project in Louisiana for the U.S. Government's Strategic Petroleum Reserve program. Due to unavailability of property rights-of-way and permits required for construction, the partially completed contract was terminated for the convenience of the Government. No recovery has been allowed for in the financial statements, whereas all costs in connection with this claim have been expensed. An award, if any, would therefore reflect as an after-tax profit.

Following completion of the Oregon job, the Corporation decided to concentrate its efforts in Canada. The Corporation has in the past successfully and profitably completed major projects in the U.S.A. and will undoubtedly re-enter this market in the future.

## International Operations

The Corporation's wholly owned subsidiary, Banister Pipelines International, Inc., completed a profitable project in Iraq during fiscal 1981. However, due to the rapid increase in pipeline construction activity in Canada, the political uncertainties present in the Middle East, and the difficulties of operating in Middle East countries under U.S. and Canadian rules, the Corporation will focus its attention primarily on the Canadian construction scene during the coming year. The Corporation has disposed of existing equipment assets in Iraq.

## Underground Utilities Construction

McDace Construction, a division of Banister Continental Ltd., performs pump station fabrication, gas distribution, mainline, and utilities construction in the southwestern and Niagara regions of Ontario. During fiscal 1981 McDace worked on utilities, transmission, and natural gas distribution contracts for a number of clients, including Union Gas, Bell Canada, and Interprovincial Pipe Line Limited.

Cliffside Pipelayers, a division of Banister, Inc., specializes in the installation of natural gas distribution lines, telephone, electric, water, and cable T.V. utilities, and sewer mains in urban and suburban areas of Ontario. During fiscal 1981 Cliffside maintained its position as the leading underground utilities construction contractor in southern Ontario. Cliffside also completed the conversion of its recently acquired 5-acre site on Toronto Harbour into an equipment servicing and dispatch facility. This downtown location saves at least an hour per vehicle per day of unproductive travelling time for more than 50 vehicles operating daily from the site to serve the metropolitan Toronto area. In addition, the site provides over 900 linear feet of completely sheltered docking area for the Corporation's marine fleet.

In the latter part of fiscal 1981, the decision was made to integrate Cliffside Pipelayers and McDace Construction to form a utilities unit, as the operations of these two groups are closely related. With their combined capabilities, Cliffside and McDace are by far the largest contractor of this type in Canada. The increasing demand for urban utilities installation and natural gas conversion in Ontario and Quebec indicates a bright future for the Corporation's utilities group. It is anticipated that Cliffside and McDace will achieve good revenues and income in fiscal 1982, and the outlook for the next three years is very promising.









*Twinning of a railway bridge for CN at Lake Wabamun, Alberta.*

*Upper Opposite:  
Mining machine used to excavate the diversion tunnels at the Dickson Dam project on the Red Deer River.*

*Lower Opposite:  
Inlet portal area of Dickson Dam Diversion Tunnels.*

## Civil and Marine Engineering Construction

The Corporation's civil engineering construction operations are carried out by Pitts Engineering Construction Limited, a wholly owned subsidiary of Banister Continental Ltd. Pitts specializes in the construction of large-scale energy developments, bridges, hydro-electric dams, multi-lane highways, subways, tunnels, and marine work. It is one of the few completely integrated civil engineering companies in Canada capable of constructing both land- and marine-based projects.

Pitts bids on owner-designed projects with tenders based on plans and specifications supplied by the clients. On occasion, Pitts provides in-house designed alternatives in a competitive effort to provide clients with scheduling and cost advantages. Construction costs are estimated on units of work and material, and the client is billed for actual quantities, such as tonnes of steel or cubic metres of earth moved. On large multi-million dollar projects, where the risk is high or where capital requirements are large, Pitts may enter into joint ventures, either as sponsor and manager, or as a participant.

Pitts has been in business since 1942 and has developed expertise in all phases of engineering construction. Pitts has become noted for its leadership in the development of new construction techniques and has an enviable record of firsts, both in handling new types of work and in innovative job planning, organization methods, and equipment use. Its work area extends from coast to coast in Canada, and includes the far north and Arctic regions.

During fiscal 1981, Pitts Engineering Construction Limited was reorganized into two divisions, one based in Toronto and concentrating on projects in eastern Canada, and one headquartered in Edmonton and focusing on western Canadian operations. This restructuring is intended to strengthen the Corporation's operating divisions through more efficient distribution of manpower and equipment. It is the Corporation's belief that the building of a strong civil engineering unit in western Canada will put the Corporation in a favourable position to

take advantage of the increasing number of heavy civil construction opportunities in the western provinces. These projects include the infrastructure associated with upgrading Canada's grain and coal-handling facilities, such as tunnels, bridges, and port facilities. Pitts has successfully constructed similar types of facilities in other parts of Canada. This valuable experience positions Pitts to capitalize on these challenging projects. These projects should also provide new opportunities for the Corporation's joint venture operations.

## Western Operations

During fiscal 1981, Pitts Western Division was awarded approximately \$35 million in new contracts. In addition, work continued, or was completed, on previously awarded contracts in western Canada valued at over \$8 million.

The largest new contract received by the Corporation's civil engineering division in fiscal 1981 was for construction of the Dickson Dam Diversion Tunnels on the Red Deer River near Innisfail, Alberta. Awarded by the Alberta Environment Ministry, this contract involves the construction of twin concrete-lined tunnels, each 460 m long and with a finished diameter of 5.5 m. The project requires 555,000 cubic metres of excavation at the tunnel portals and 9,900 cubic metres of structural reinforced concrete. At fiscal year-end this project was progressing well, and indications are that it will be completed ahead of schedule.

Several other new contracts were awarded to Pitts Western during fiscal 1981. These included twinning of a railway bridge for CN at Lake Wabamun, Alberta, a grade separation for the City of Edmonton, a grade separation for the Calgary LRT project, and foundation work for Turbo Resources Limited near Calgary.

A previously awarded contract for a grade separation at Glenmore Trail and Fairmount Drive for the City of Calgary's LRT project was substantially completed by year-end. Work is drawing to a close at the Keephills Thermal Plant near Edmonton, where intake pipes and associated concrete pumphouses are being constructed for Calgary Power.









*Dragline bucket excavating slopy material from a swamp.*

## Joint Ventures

Pitts Joint Venture Division participated in three joint ventures in fiscal 1981. In the construction of the LG-2 underground powerhouse at James Bay, Quebec, which was substantially completed in fiscal 1981, Pitts held a 15% interest. Pitts' interest in a joint venture with Genstar Construction Limited for rehabilitation of the Great Falls Generating Station in Manitoba is 40%. This latter project is progressing well toward completion in 1982.

The largest project in which the Corporation is presently involved is the Revelstoke Dam and Powerhouse for British Columbia Hydro and Power Authority. This \$283 million contract was awarded in June of 1979 to Dalcan Constructors, a joint venture in which Pitts is manager and a 50 percent partner. The project involves construction of a concrete gravity dam and a 6-unit 2760 megawatt powerhouse with associated structures. The completed dam will be 440 m long and 150 m high, and will include gravity sections on the left and right banks, power intakes with steel penstocks in the main river channel, and spillway facilities on the right bank. A total of 2.3 million cubic metres of concrete will be placed over a four-year time frame. The plant and infrastructure engineered and constructed to place the concrete is efficient and technically capable of reaching production levels necessary to complete the project on schedule.

## Eastern Operations

The eastern division of Pitts Engineering Construction Limited received several new contracts during fiscal 1981. The largest of these was awarded by the Ontario Ministry of Transportation and Communications for a large bridge structure in Belleville, Ontario. This project, known as the Norris-Whitney Bridge, involves a substructure of ten concrete river piers and two abutments founded on steel piles, a 2400 tonne steel plate girder superstructure, and a concrete deck. The completed bridge will have a span of 900 m.

A contract awarded by the St. Lawrence Seaway Authority for channel improvements at Port Robinson, Ontario was substantially completed prior to year-

end. Over 500,000 cubic metres of excavation from the navigational channel of the Welland Canal were required to complete this project.

Previously awarded contracts completed in eastern Canada during fiscal 1981 included construction of a lignite coal handling facility for Thunder Bay Terminals Ltd., underwater excavation from the tailrace of the Carillon Generating Station for Hydro-Quebec, dredging at Churchill, Manitoba for the National Harbours Board, and work on Highways 69 and 417 near Sudbury, Ontario for the Ontario Ministry of Transportation and Communications.

Work continues on a contract awarded in January of 1980 by Great Lakes Power Corporation Limited for construction of a powerhouse on the St. Mary's River near Sault Ste. Marie, Ontario. The three-unit 52,000 kilowatt powerhouse is of the low head horizontal bulb type, and when completed will be the second of its kind in Canada. Known as the St. Mary's Generating Station, the new structure will incorporate 3,240,000 kilograms of reinforcing steel and 54,000 cubic metres of concrete. At fiscal year-end this project was progressing well toward completion in the spring of 1982. Late in the fiscal year, the Corporation was awarded a contract for additional utilities relocation work in conjunction with this project.

## Year Ahead

During the past two fiscal years the Corporation has noted a very significant market change in that the focus of heavy civil construction activity in Canada has moved westward, and major markets are now located in Alberta and British Columbia. In the coming year the Corporation will continue to expand and strengthen its civil division in western Canada.

The Corporation also plans to aggressively seek work in Pitts' traditional markets of eastern and central Canada in fiscal 1982. Many projects currently in the planning stages will be available for tender in the coming year.

The Corporation's experience, expertise, and penetration in the western Canadian market should make fiscal 1982 a year of record revenues for the Corporation's civil engineering division.



## Consolidated Financial Statements

March 31, 1981, 1980, and 1979

# Management's Discussion and Analysis of Financial Condition and Results of Operations

### Results of Operations

The Corporation incurred a loss of approximately \$14.5 million in fiscal 1981 compared to losses of \$5.4 million and \$4.1 million in fiscal 1980 and 1979 respectively. These losses resulted primarily from substantial extra costs, for which the Corporation has not been reimbursed, incurred on pipeline construction contracts by the Corporation's U.S. pipeline subsidiary. Reference is made to Note 17 to the Corporation's Consolidated Financial Statements for a description of outstanding claims with respect to certain contracts. The Corporation has provided for all known future losses related to uncompleted contracts.

As a result of the unprofitable U.S. operations and the political instability in the Middle East, pipeline operations in these areas will be discontinued and the related assets will be disposed of during fiscal 1982. A provision of \$1.8 million included as depreciation was made in the fourth quarter of fiscal 1981 on some of these assets to reduce the carrying value to estimated net realizable value. Construction margins for all other operations were lower in fiscal 1981 compared to fiscal 1980 mainly due to increased labour costs for pipeline operations and more pronounced competition in civil construction operations.

Interest incurred increased significantly over the three years ending March 31, 1981; however, interest expense was reduced during fiscal 1981 by \$2.8 million of interest capitalized on long-term construction projects in accordance with the Corporation's accounting policies. During fiscal 1979, the increase in interest incurred relates to the increase in long-term debt used to finance the acquisition of Pitts Engineering Construction Limited and the purchase of construction equipment in the United States. The increase during fiscal 1980 is due to the increase in

interest rates during the period and the fact that the loans negotiated in fiscal 1979 were outstanding for the whole of the 1980 fiscal year. The fiscal 1981 increase in interest incurred was primarily due to the increase in short-term borrowings (average balance outstanding: fiscal 1981 - \$27.5 million; fiscal 1980 — \$4.0 million) used to finance continuing operations and the higher than expected interest costs, partially offset by the reduction of long-term debt, primarily the result of the application of \$11.2 million of proceeds from the sale of the Corporation's investment in Standard Industries Ltd.

During fiscal 1981, the Corporation recorded a gain of \$2.6 million from joint venture interests disposed of in a prior year.

The effective Federal income tax rate was considerably higher than the statutory rate in fiscal 1981 and fiscal 1980 primarily due to operating losses of the Corporation's U.S. subsidiary for which no future tax recoveries were provided.

On long-term construction projects, the Corporation is protected from increasing labour and material costs as the terms of such contracts normally provide for wage escalation adjustments and major material purchases are committed at the time the contract is bid. Where certain items are not covered by escalation clauses in the contracts, the Corporation determines its bid price according to anticipated inflation over the life of the contract. On the short-term Canadian pipeline contracts, labour problems have in the past few years forced wage payments in excess of contractual amounts. This situation is expected to be rectified in the new collective agreements currently being negotiated, but there is no assurance that labour productivity will be maintained.



## Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

### Liquidity

Working capital has decreased significantly during the three years ending March 31, 1981 largely because of losses incurred on U.S. pipeline contracts. Delays in reaching reasonable settlements of the Corporation's outstanding claims have necessitated the use of additional short-term debt to finance continuing operations. Also, in 1979, the acquisition of Pitts Engineering Construction Limited resulted in the use of \$17.5 million of existing cash balances. Due to high interest rates during fiscal 1981 and 1980, short-term rather than long-term debt was used to finance the acquisition of construction equipment.

The Corporation had unused lines of credit amounting to \$14.1 million at March 31, 1981 compared to \$61.4 million at March 31, 1980. The reduction in unused lines of credit is primarily due to substantial funds used in fiscal 1981 to mobilize the Revelstoke dam project and to finance the losses in the Corporation's U.S. pipeline subsidiary as well as a \$17.7 million reduction in surplus foreign lines of credit.

New financing arrangements were concluded subsequent to March 31, 1981 resulting in the refinancing of a \$3,000,000 operating bank loan with long-term debt. This result is reflected in the Corporation's financial statements as at March 31, 1981. The Corporation's ability to meet working capital, tangible net worth and other covenants contained in the agreements related to the new financing is dependent upon achievement of profitable operations for fiscal 1982 or the favourable disposition of some of the Corporation's outstanding claims.

Under the terms of the new financing, lines of credit were made available to each of the pipeline and civil engineering operations and inter-company loans are not permissible.

As a result of these arrangements, short-term liquidity deficiencies may occur in certain segments of the operations.

In an effort to preserve and increase working capital, the Corporation has instituted a number of programs including the closure of certain unprofitable operations, the reduction of overhead costs, and the disposal of surplus equipment. In addition, major capital expenditures have been deferred and procedures have been established for the selective bidding and closer monitoring of new work.

The Corporation has undertaken to dispose of equipment located in the United States and to apply the proceeds to its chattel mortgage loan to be repaid on or before August 31, 1981. Accordingly, these assets and related debt have been classified as current items in fiscal 1981.

### Capital Resources

In the normal course of business, the Corporation replaces its construction equipment over an extended period of time based on the specific requirements of contracts obtained. In certain situations, the Corporation will rent or lease rather than purchase equipment. Equipment purchased for certain long-term civil construction contracts may be funded by proceeds from mobilization advances received at the beginning of the contract. The depressed construction market over the past few years has resulted in under-utilized equipment capacity and except for certain specialized pieces, the Corporation does not expect major capital expenditures for fiscal 1982.

As referred to earlier, new financing arrangements were concluded subsequent to March 31, 1981. Capital resources are believed to be adequate for required capital expenditures in fiscal 1982.



## Summary of Accounting Policies

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada which are not materially different from those generally accepted in the United States.

### Principles of consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries and its pro rata share of assets, liabilities, revenues and expenses of joint ventures. Certain joint ventures are included on the basis of a fiscal year ending on December 31 in order to provide for a timely consolidation. Note 1 to the financial statements summarizes the effect of the joint ventures on the consolidated financial statements. The investment in associated company (which was disposed of in the 1981 fiscal year) is accounted for on the basis of cost plus the Corporation's share of undistributed earnings since the date of acquisition.

### Translation of foreign currencies

The accounts of the Corporation, its foreign subsidiaries and joint ventures stated in foreign currencies have been translated into Canadian dollars using:

- the year-end rates for cash, amounts receivable and payable,
- exchange rates in effect at the time of the transaction for other assets, liabilities and deferred credits, and
- exchange rates prevailing during the years for revenues and expenses,

except for depreciation and amortization which have been translated at rates pertaining to the related assets.

All foreign exchange gains or losses are included in income.

### Accounting for contracts

Income from contracts is determined on the percentage of completion basis except that income from civil construction contracts of a fixed price nature is not recognized until projects attain a stage of completion sufficient to reasonably determine the probable results. Provision is made for all anticipated losses as soon as they become evident. Claims for additional contract compensation are not recognized until resolved.

Net unbilled revenues on contracts in progress are included in accounts receivable. Deferred contract costs represent costs in excess of billings on uncompleted contracts. Unearned revenue and contract advances includes the excess of billings over the amount of costs incurred on uncompleted contracts, payments received from clients in advance of the performance of the work and provision for anticipated losses on uncompleted contracts.

Interest on the net accumulated expenditures on long-term construction projects is capitalized as a deferred contract cost.

### Land held for resale

Land held for resale is valued at cost which does not exceed the estimated net realizable value.



## Summary of Accounting Policies (continued)

### Fixed assets

Fixed assets are recorded at cost and are depreciated on the straight line method, after recognition of salvage values ranging up to 30%, over the useful lives of the assets which are estimated to be 10 to 20 years for buildings and 4 to 15 years for construction equipment.

When joint ventures are established to perform single contracts and equipment is acquired for use during the contract to be disposed of upon completion of the contract, the cost of such equipment, net of estimated salvage value, is treated as a contract cost. The original cost of this equipment less estimated salvage value is amortized and charged to contract costs based on the percentage-of-completion method, with the percentage being determined on the same basis as that for income recognition. The unamortized portion of such equipment cost is included in deferred contract costs.

Fixed assets which are surplus to the Corporation's requirements and are committed for disposal are stated at amounts not exceeding estimated net realizable value and classified as current assets.

### Excess of cost over net assets at acquisition

Excess of cost over net assets at acquisition, which resulted from the 1969 purchase of the Banister pipeline operations, is not being amortized since the Corporation does not believe there is any diminution of value.

### Income taxes

Deferred income taxes result from timing differences between financial and tax reporting principally relating to recognition of construction revenues and accelerated depreciation. That portion of deferred income taxes which relates to amounts included in current assets and liabilities is shown as a current asset or current liability.

Unremitted earnings of the Corporation's foreign subsidiaries amounted to approximately \$14,000,000 at March 31, 1981 and \$9,600,000 at March 31, 1980. A large portion of the unremitted earnings have been advanced to the Corporation's U.S. subsidiary and are not presently available for repatriation. In addition, a portion of the unremitted earnings can be repatriated on a tax free basis. For these reasons Canadian income taxes have not been provided for the repatriation of such earnings.

Investment tax credits available to the United States subsidiaries are applied to reduce the income tax provision in the year the credits are allowed for tax purposes.

### Retirement plans

The Corporation and its subsidiaries maintain retirement plans covering full-time employees. Pension expense is accrued and funded currently and includes current costs and amortization of unfunded past service costs over a nine year period.

### Loss per share

Basic loss per share was computed by dividing net loss by the weighted average number of common shares outstanding during each year. As the Corporation had net losses in fiscal 1981, 1980 and 1979, the effects of an assumed conversion of the convertible debenture and stock option exercise are anti-dilutive and are therefore not relevant in computing fully diluted loss per share.

Loss per share computations have been made in accordance with generally accepted accounting principles applicable in Canada. Loss per share computations made in this manner for fiscal 1981, 1980 and 1979 are the same as those which would have resulted had the computation been made in accordance with principles applicable in the United States.



# Consolidated Statement of Income and Retained Earnings

Years Ended March 31, 1981, 1980, and 1979  
(Stated in Canadian Dollars)

	<u>1981</u>	<u>1980</u>	<u>1979</u>
<b>Revenue:</b>			
Construction and services	\$143,426,000	\$119,890,000	\$ 89,284,000
Interest and other income (Note 13)	<u>3,050,000</u>	<u>2,090,000</u>	<u>4,298,000</u>
	<u>146,476,000</u>	<u>121,980,000</u>	<u>93,582,000</u>
<b>Expenses:</b>			
Operating	143,125,000	106,469,000	84,830,000
Depreciation (Note 6)	8,350,000	6,971,000	5,884,000
Interest (Note 14)	3,243,000	4,551,000	2,325,000
Selling, administrative and general	<u>11,066,000</u>	<u>10,708,000</u>	<u>9,718,000</u>
	<u>165,784,000</u>	<u>128,699,000</u>	<u>102,757,000</u>
	(19,308,000)	(6,719,000)	(9,175,000)
Gain on joint venture interests disposed of in a prior year (Note 1)	<u>2,624,000</u>	<u>—</u>	<u>—</u>
Loss from continuing operations before income taxes	(16,684,000)	(6,719,000)	(9,175,000)
Income taxes (recoverable) (Note 9)	<u>(1,959,000)</u>	<u>257,000</u>	<u>(4,125,000)</u>
Loss from continuing operations	(14,725,000)	(6,976,000)	(5,050,000)
Income from discontinued operations (Note 4)	<u>188,000</u>	<u>1,559,000</u>	<u>929,000</u>
Net loss	(14,537,000)	(5,417,000)	(4,121,000)
Retained earnings, beginning of year	17,119,000	23,238,000	28,969,000
Dividends	<u>—</u>	<u>702,000</u>	<u>1,610,000</u>
Retained earnings, end of year	<u>\$ 2,582,000</u>	<u>\$ 17,119,000</u>	<u>\$ 23,238,000</u>
<b>Loss per share:</b>			
Basic and fully diluted:			
Loss from continuing operations	\$ (3.67)	\$ (1.74)	\$ (1.25)
Net loss	\$ (3.62)	\$ (1.35)	\$ (1.02)

(See accompanying notes and summary of accounting policies)

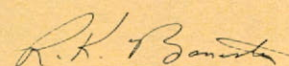


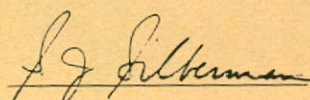
**Consolidated Balance Sheet**

March 31, 1981 and 1980  
(Stated in Canadian Dollars)

<b>ASSETS</b>	<b>1981</b>	<b>1980</b>
Current assets		
Cash and short-term deposits (Note 3)	\$ 1,594,000	\$ 13,954,000
Receivables (Note 5)	25,749,000	18,374,000
Recoverable income taxes	278,000	271,000
Deferred contract costs	38,886,000	19,585,000
Fixed assets held for disposal (Note 6)	7,636,000	—
Land held for resale	1,610,000	2,659,000
Other current assets	2,580,000	1,395,000
Total current assets	78,333,000	56,238,000
Fixed assets, less accumulated depreciation (Note 6)	45,426,000	59,625,000
Investment in associated company (Note 4)	—	11,204,000
Other assets, at cost	742,000	340,000
Excess of cost over net assets at acquisition	6,938,000	6,938,000
	<u>\$131,439,000</u>	<u>\$134,345,000</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1981</b>	<b>1980</b>
Current liabilities		
Bank loans (Note 7)	\$ 35,008,000	\$ 8,563,000
Accounts payable and accrued liabilities	20,209,000	19,859,000
Deferred income taxes	5,547,000	5,454,000
Unearned revenue and contract advances (Note 8)	11,400,000	9,469,000
Current portion of long-term debt (Note 10)	6,759,000	1,891,000
Total current liabilities	78,923,000	45,236,000
Long-term debt (Note 10)	11,503,000	29,527,000
Deferred income taxes	8,120,000	9,528,000
Amounts deferred on disposal of joint venture interests (Note 1)	—	2,901,000
Contingencies (Note 17)	—	—
Shareholders' equity (Notes 11 and 12):		
Common shares without nominal or par value —		
20,000,000 shares authorized		
4,028,023 shares issued (1980 - 4,008,950)	27,200,000	26,923,000
Contributed surplus	3,111,000	3,111,000
Retained earnings	2,582,000	17,119,000
Total shareholders' equity	32,893,000	47,153,000
	<u>\$131,439,000</u>	<u>\$134,345,000</u>

On behalf of the Board:

 Director

 Director

(See accompanying notes and summary of accounting policies)



# Consolidated Statement of Changes in Financial Position

Years Ended March 31, 1981, 1980 and 1979  
(Stated in Canadian Dollars)

	1981	1980	1979
<b>Working capital provided by:</b>			
Proceeds from sale of fixed assets	\$ 5,717,000	\$ 4,563,000	\$ 2,023,000
Fixed assets held for disposal	7,636,000	—	—
Proceeds from sale of shares in associated company	—	—	3,900,000
Dividends received from associated company	150,000	581,000	412,000
	<u>13,503,000</u>	<u>5,144,000</u>	<u>6,335,000</u>
<b>Working capital used for:</b>			
Operations:			
Loss from continuing operations	14,725,000	6,976,000	5,050,000
Add (deduct) non-working capital items:			
Depreciation	(8,350,000)	(6,971,000)	(5,884,000)
Deferred income taxes	1,408,000	(138,000)	(1,596,000)
Gain on sale of fixed assets	1,079,000	844,000	498,000
Currency translation gains (losses)	32,000	(301,000)	170,000
Gain on joint venture interests disposed of in a prior year	2,624,000	—	—
Total used for (provided from) continuing operations	11,518,000	410,000	(1,762,000)
Additions to fixed assets	6,425,000	8,189,000	19,157,000
Less financed by long-term debt	—	—	(13,001,000)
Dividends	—	702,000	1,610,000
Reduction in long-term debt	17,715,000	1,903,000	3,694,000
Less proceeds applied from sale of shares of associated company (Note 4)	(11,241,000)	—	—
Conversion of 5 1/2% subordinated debenture (Note 11):			
Reduction in debenture	277,000	—	—
Less capital stock issued	(277,000)	—	—
Repurchase of common shares (Note 11)	—	274,000	—
Acquisition of Pitts Engineering Construction Limited, less working capital at date of acquisition of \$4,720,000 (Note 2)	—	—	35,250,000
Less financed by long-term debt	—	—	(17,750,000)
Other	678,000	(17,000)	(352,000)
	<u>25,095,000</u>	<u>11,461,000</u>	<u>26,846,000</u>
<b>Decrease in working capital</b>	<u><u>\$ (11,592,000)</u></u>	<u><u>\$ (6,317,000)</u></u>	<u><u>\$ (20,511,000)</u></u>
<b>Increases (decreases) in working capital by component:</b>			
Cash and short-term deposits	\$ (12,360,000)	\$ 2,575,000	\$ (25,851,000)
Receivables	7,375,000	(56,000)	11,046,000
Recoverable income taxes	7,000	(1,827,000)	2,098,000
Deferred contract costs	19,301,000	13,660,000	5,925,000
Land held for resale	(1,049,000)	(511,000)	3,170,000
Fixed assets held for disposal	7,636,000	—	—
Other current assets	1,185,000	193,000	257,000
Bank loans	(26,445,000)	(7,563,000)	(207,000)
Accounts payable and accrued liabilities	(350,000)	(4,196,000)	(9,953,000)
Dividends payable	—	401,000	2,000
Estimated taxes on income	—	—	332,000
Deferred income taxes	(93,000)	(1,171,000)	(4,084,000)
Unearned revenue and contract advances	(1,931,000)	(7,649,000)	(1,528,000)
Current portion of long-term debt	(4,868,000)	(173,000)	(1,718,000)
<b>Decrease in working capital</b>	<u><u>\$ (11,592,000)</u></u>	<u><u>\$ (6,317,000)</u></u>	<u><u>\$ (20,511,000)</u></u>

(See accompanying notes and summary of accounting policies)



# Notes to Consolidated Financial Statements

March 31, 1981, 1980 and 1979  
(Stated in Canadian Dollars)

## 1. Joint ventures

The Corporation has investments in and advances to several joint ventures and has participated in these joint ventures in an effort to spread present day business risks and to make available to the Corporation increased capital and technological resources.

A portion of the Corporation's joint venture operations in 1980 and 1979 was conducted outside of North America; however, this international business was not active in fiscal 1981.

In February 1978, a subsidiary company sold its 50 percent interest in joint ventures to its joint venture partner for an amount subject to adjustment upon final determination of

certain assets and liabilities of the joint ventures. Recognition of the results of the sale in the statement of income was deferred until final settlement could be determined. Final determination of the more significant assets and liabilities of these joint venture interests was made in fiscal 1981 with the result that the Corporation recognized as a gain in the current period \$2,624,000 of amounts previously deferred.

The Corporation's pro rata share of the joint venture operations included in the consolidated financial statements is summarized below:

### Statement of Income

	1981	1980	1979
Revenue	\$26,616,000	\$ 6,375,000	\$14,612,000
Expenses:			
Operating	25,462,000	1,660,000	12,487,000
Other	32,000	21,000	503,000
	<u>25,494,000</u>	<u>1,681,000</u>	<u>12,990,000</u>
Income before income taxes	1,122,000	4,694,000	1,622,000
Income taxes	—	4,000	—
Net income	<u>\$ 1,122,000</u>	<u>\$ 4,690,000</u>	<u>\$ 1,622,000</u>

### Balance Sheet

	1981	1980
Assets:		
Current assets	\$38,170,000	\$19,799,000
Other assets	—	125,000
	<u>\$38,170,000</u>	<u>\$19,924,000</u>
Liabilities and owner's equity:		
Current liabilities	\$24,010,000	\$16,381,000
Owner's equity (including advances)	14,160,000	3,543,000
	<u>\$38,170,000</u>	<u>\$19,924,000</u>

### Statement of Changes in Financial Position

	1981	1980	1979
Working capital provided by:			
Operations	\$ 1,122,000	\$ 4,690,000	\$ 1,644,000
Advances from joint venturers	11,067,000	—	—
Working capital acquired on acquisition of Pitts Engineering Construction Limited joint ventures	—	—	7,468,000
Increase in long-term debt	—	—	200,000
Other	125,000	—	2,000
	<u>12,314,000</u>	<u>4,690,000</u>	<u>9,314,000</u>



## Joint ventures (continued)

### Statement of Changes in Financial Position

	1981	1980	1979
Working capital used for:			
Additions to fixed assets and other	—	210,000	15,000
Return of equity to joint venturers	<u>1,572,000</u>	<u>2,991,000</u>	<u>7,327,000</u>
	<u>1,572,000</u>	<u>3,201,000</u>	<u>7,342,000</u>
Increase in working capital	<u>\$10,742,000</u>	<u>\$ 1,489,000</u>	<u>\$ 1,972,000</u>

#### Notes:

(a) Transactions between the joint ventures and the Corporation have been eliminated in the consolidated financial statements.

(b) The effective rate of income taxes for the joint venture operations is less than the statutory Canadian Federal rate principally

because taxes applicable to the income of unincorporated joint ventures are not provided in the ventures' accounts but are included, to the extent of the Corporation's share, in its consolidated statement of income.

## 2. Acquisition of Pitts Engineering Construction Limited

During the 1979 fiscal year the Corporation acquired all of the outstanding shares of Pitts Engineering Construction Limited for \$39,970,000. This acquisition was accounted for as a purchase and the results of operations of Pitts are included in the consolidated statements from August 1, 1978.

Had Pitts been acquired at the beginning of the 1979 fiscal year, the unaudited proforma results for the year after giving effect to interest on borrowings and working capital

used to finance the acquisition, additional depreciation on the increased value of fixed assets and other appropriate adjustments, would have been as follows:

Consolidated revenue	\$129,300,000
Net loss	\$ (4,000,000)
Loss per share (basic and fully diluted)	\$ (.99)

## 3. Cash and short-term deposits

Cash and short-term deposits are made up of:

	1981	1980
Cash on hand and in bank	\$1,043,000	\$ 1,143,000
Short-term deposits	<u>551,000</u>	<u>12,811,000</u>
	<u>\$1,594,000</u>	<u>\$13,954,000</u>

Cash on hand and in bank includes \$813,000 held as a compensating balance for bank loans of a subsidiary of the Corporation (Note 7).

## 4. Investment in associated company

Upon the acquisition of Pitts Engineering Construction Limited in fiscal 1979, the Corporation acquired approximately 33% of the shares of Standard Industries Ltd. Subsequently, a portion of these holdings was disposed of and, as a result, the Corporation held approximately 24% of the issued shares of Standard at March 31, 1980 and 1979. In April,

1980 Pitts sold its remaining investment in Standard for \$11,241,000 and the proceeds were applied to reduce the term bank loan.

The Corporation's equity earnings of the associated company for fiscal 1980 and 1979 have been restated as income from discontinued operations.



## 5. Receivables

Fiscal 1981 receivables include holdbacks receivable amounting to \$11,091,000 (\$8,227,000 in 1980) and unbilled receivables amounting to \$628,000 (\$547,000 in 1980).

The balances billed but not paid by customers pursuant to retainage provisions in construction contracts will be due upon completion of the contracts and acceptance by the owner. Based on the Corporation's experience with similar contracts in recent years, \$8,841,000 of the balance at March 31, 1981 is expected to be collected in the year

ending March 31, 1982 and the remainder in subsequent years.

Recoverable costs and accrued profit not billed comprise principally amounts of revenue recognized on contracts for which billings had not been presented to owners because the amounts were not billable at the balance sheet date. The unbilled amounts receivable are billable upon completion of final cleanup work which is expected to be completed in June, 1981.

## 6. Fixed assets

The cost and net book value of fixed assets (in thousands) are as follows:

	Cost		Net Book Value	
	1981	1980	1981	1980
Land and buildings	\$ 8,437	\$ 8,583	\$ 7,335	\$ 7,612
Construction equipment	69,924	85,686	37,375	51,093
Other	1,605	1,589	716	920
	<u>\$79,966</u>	<u>\$95,858</u>	<u>\$45,426</u>	<u>\$59,625</u>

A provision of \$1,797,000 (fiscal 1980 — \$357,000) included as depreciation was made in the fourth quarter of fiscal 1981 to reduce the carrying value of surplus equipment owned by a subsidiary company to estimated net

realizable value. It is the Corporation's intention to dispose of these assets to repay indebtedness due in fiscal 1982; accordingly they are described as fixed assets held for disposal and are included in current assets.

## 7. Bank loans

The Corporation's short-term borrowings consist of various operating loans of the Corporation and its subsidiaries. At March 31, 1981, the unused line of credit with respect to these operating loans is \$14,110,000 (\$61,388,000 at March 31, 1980).

Compensating balance arrangements expected of a subsidiary of the Corporation provide for balances to be maintained on a weighted average quarterly basis of 5% of a U.S. \$10,000,000 line of credit available and 5% of all borrowings under such line.

The Corporation's \$13,250,000 share of bank indebtedness of joint ventures is collateralized by a floating charge debenture

against certain joint venture assets which are included in deferred contract costs. Accounts receivable of a subsidiary are pledged as collateral for bank loans amounting to \$14,945,000. The Corporation's \$4,395,000 bank loan is collateralized by a floating charge debenture. The remaining bank indebtedness is unsecured.

Operating bank loans of \$3,000,000 payable on demand have been excluded from current liabilities and included in long-term debt at March 31, 1981 as these loans were refinanced by a long-term obligation subsequent to the year end (see Note 10).

## 8. Unearned revenue and contract advances

Contract advances amounting to \$7,086,000 (\$8,105,000 in fiscal 1980) are collateralized by chattel mortgages on certain

equipment owned by joint ventures which is included in deferred contract costs.



## 9. Income taxes

Components of the provision for income taxes are as follows:

	<u>1981</u>	<u>1980</u>	<u>1979</u>
<b>Current</b>			
Canadian —			
Federal	\$(466,000)	\$(569,000)	\$ 524,000
Provincial	(167,000)	(177,000)	189,000
Foreign —			
Federal	(11,000)	90,000	(2,841,000)
State and local	—	—	(29,000)
	<u>(644,000)</u>	<u>(656,000)</u>	<u>(2,157,000)</u>
<b>Deferred</b>			
Canadian —			
Federal	(971,000)	386,000	(1,059,000)
Provincial	(344,000)	51,000	(376,000)
Foreign —			
Federal	—	476,000	(533,000)
State and local	—	—	—
	<u>(1,315,000)</u>	<u>913,000</u>	<u>(1,968,000)</u>
<b>Income taxes (recoverable)</b>	<u><u>\$ (1,959,000)</u></u>	<u><u>\$ 257,000</u></u>	<u><u>\$ (4,125,000)</u></u>

The following is a reconciliation between the normal Canadian federal statutory tax rate and the consolidated effective tax rate:

	<u>1981</u>	<u>1980</u>	<u>1979</u>
Canadian federal income tax rate	(47.8)%	(46.0)%	(46.0)%
Expenses (income) not deducted (included) for income tax purposes	(7.2)	(2.7)	8.1
Equity earnings of associated company	—	(15.1)	(5.5)
Operating losses for which no tax recoveries are currently available	47.6	57.3	—
Exchange translation losses (gains)	(1.1)	6.0	(4.0)
Tax rate differential relating to the use of losses or tax loss carrybacks	—	—	3.4
Tax exempt portion of capital gain	—	0.6	(1.2)
Other	(3.4)	4.9	(4.8)
Consolidated effective tax rate	<u>(11.9)%</u>	<u>5.0 %</u>	<u>(50.0)%</u>

Deferred income tax expense (recovery) results from timing differences in the recognition of revenue and expense for tax and financial statement purposes. The source of these differences and the income tax effect of each was as follows:

	<u>1981</u>	<u>1980</u>	<u>1979</u>
		(thousands of dollars)	
Depreciation:			
Excess of tax over book depreciation	\$ 1,094	\$ 1,089	\$ 1,758
Long-term contracts including joint ventures:			
Use of percentage completion for financial purposes, and use of billings less costs excluding contractual holdbacks for tax purposes	8,187	3,353	(4,372)
Reserve for equipment overhauls:			
Charged to expense for financial purposes but not deductible until paid	—	140	(92)
Provision for future losses:			
Charged to expense for financial purposes but not deductible until incurred	(406)	—	—



## Income taxes (continued)

	<u>1981</u>	<u>1980</u>	<u>1979</u>
Capitalized interest:			
Capitalized for financial purposes but deducted for tax purposes as incurred	1,348	—	—
Workers' compensation:			
Charged to expense for financial purposes but not deductible until paid	—	—	(192)
Accounting loss carry-forwards:			
Losses recognized for financial purposes but not for tax purposes	(12,043)	(3,717)	885
Other:			
Expenses accrued or deferred for financial purposes, deducted for tax purposes as paid; and expenses deducted for tax purposes but accrued or deferred for financial purposes until incurred	505	48	45
Deferred income tax expense (recovery)	<u>\$(1,315)</u>	<u>\$ 913</u>	<u>\$(1,968)</u>

Certain subsidiaries have operating loss carryforwards of approximately \$21,273,000 available to reduce future years' taxable income which expire as follows: 1982 - \$84,000; 1983 - \$20,000; 1987 - \$7,515,000; 1988 - \$13,654,000.

carryovers of approximately \$830,000 available to reduce future U.S. Federal income taxes and expire as follows: 1982 - \$37,000; 1983 - \$7,000; 1984 - \$4,000; 1985 - \$6,000; 1986 - \$704,000; 1987 - \$36,000; 1988 - \$36,000.

The Corporation's United States subsidiaries have investment tax credit

## 10. Long-term debt

	<u>1981</u>	<u>1980</u>
5½% U.S. dollar convertible subordinated debenture, payable to a company controlled by a director of the Corporation, repayable in equal annual instalments of U.S. \$232,500 maturing December 31, 1988 convertible at the holder's option at U.S. \$12.19 per share into 152,584 (171,657 in 1980) shares of common stock (U.S. \$1,860,000 in 1981; \$2,092,500 in 1980)	\$ 2,208,000	\$ 2,493,000
Term bank loan repayable in ten equal annual instalments commencing October 1981 with interest at the bank's prime rate plus ¾% collateralized by a guarantee and debenture containing a first floating charge on the undertakings, property and assets of the parent corporation and hypothecation of the shares of Pitts Engineering Construction Limited. (Refinanced subsequent to March 31, 1981).	6,500,000	17,750,000
Chattel mortgage loan (U.S. dollars) repayable in quarterly instalments to September 30, 1985, with an interest rate of 10½% (10-3/8% after October, 1980) collateralized by certain construction equipment and a parent company guarantee (U.S. \$5,426,000 in 1981; \$9,248,000 in 1980). (Repayment to be made on or before August 31, 1981).	6,440,000	11,018,000
Portion of operating bank loan repaid subsequent to March 31, 1981 with proceeds from term bank loan repayable subsequent to March 31, 1982. (See Note 7).	3,000,000	—
Notes payable, with annual payments of \$42,750, balance due January, 1983, no interest payable.	114,000	157,000
	<u>18,262,000</u>	<u>31,418,000</u>
Less amount due within one year	<u>6,759,000</u>	<u>1,891,000</u>
	<u>\$11,503,000</u>	<u>\$29,527,000</u>



## Long-term debt (continued)

As a result of losses incurred during the 1981 fiscal year, the Corporation was in default, on March 31, 1981, under certain financial covenants with respect to an operating bank loan and the term bank and chattel mortgage loans.

Agreement was reached to waive all defaults under the chattel mortgage loan until August 31, 1981 on the conditions that the loan is repaid in full on or before that date and a loan administration fee is paid from February, 1981 equal to the difference between the bank

prime rate plus  $\frac{3}{4}\%$  and the rate of interest on the loan. The Corporation has undertaken to dispose of equipment located in the United States and to apply the proceeds to the loan (Note 6).

Subsequent to March 31, 1981, new financing arrangements were concluded which resulted in repayment of the operating bank loan and term bank loan. The long-term debt created and the application of the proceeds were as follows:

Term bank loan repayable subsequent to March 31, 1982, with interest at the bank's prime rate plus 1%; proceeds applied to repay term bank loan.	\$3,000,000
Revolving loan of up to \$10,000,000 repayable July 31, 1982 (subject to extension at the sole discretion of the lender) with interest at the lender's cost of borrowing plus $\frac{3}{4}\%$ ; proceeds of \$3,500,000 and \$3,000,000 applied to repay the term bank loan and operating bank loan respectively.	\$6,500,000

The new term bank loan, together with other operating loans to subsidiaries of the Corporation and a joint venture are collateralized by a general assignment of book debts, a \$40,000,000 debenture containing a fixed charge and specific mortgage on those subsidiaries' land, buildings and certain equipment and a floating charge on all other assets of those subsidiaries, and guarantees of the parent corporation and other subsidiaries.

The new revolving loan is collateralized by a \$25,000,000 debenture of the parent corporation containing a fixed charge and specific mortgages on land and buildings and a floating charge on all other assets and guarantees of subsidiary companies.

Covenants and conditions in the agreements relating to the new loans require the maintenance of minimum levels of working

capital and tangible net worth, limit total liabilities, restrict sale of assets and creation of encumbrances on assets, and restrict the payment of dividends to a maximum of 30 percent of the prior year's net income.

The principal repayments of long-term debt over each of the next five years, after giving effect to the subsequent long-term refinancing of March 31, 1981 debt (U.S. dollar repayments translated at March 31, 1981 exchange rate) are as follows:  
1982 - \$6,759,000; 1983 - \$9,847,000; 1984 - \$276,000; 1985 - \$276,000; 1986 - \$276,000.

Interest on debt initially incurred for a period of more than one year and included in the statement of income amounts to \$2,251,000, \$4,009,000, and \$2,285,000 for 1981, 1980 and 1979 respectively.

## 11. Common shares

On December 1, 1980 the holder of the Corporation's  $5\frac{1}{2}\%$  U.S. dollar convertible subordinated debenture elected to convert the maturing instalment amounting to \$277,000 (U.S. \$232,500) into 19,073 common shares.

During fiscal 1980, the Corporation repurchased 21,607 common shares from former officers in settlement of their

indebtedness to the Corporation amounting to \$274,000 relating to such shares. Stated capital was reduced by \$145,000 and contributed surplus by \$129,000 as a result of the repurchase.

During fiscal 1979, the Corporation issued 500 common shares for cash of \$4,500 under its stock option plan.

## 12. Stock options

The Corporation has granted options to purchase shares of the Corporation to officers and other key employees under a stock option plan which lapsed in 1979. These options become exercisable in four equal cumulative

instalments beginning one year after the date of grant and expire five years after the date of grant. No options can be exercised under this plan after November 10, 1983.



## Stock options (continued)

The details of outstanding and exercisable options for fiscal 1981, 1980 and 1979 are as follows:

	1981	1980	1979	
Option price per share	\$ 9.13	\$ 9.13	\$ 9.13	\$ 27.69
Options outstanding beginning of year	34,587	62,437	35,249	2,250
Granted	—	—	42,500	—
Exercised				
— for cash in lieu of shares	10,825	20,413	3,340	—
— for shares	—	—	500	—
Expired and cancelled	10,375	7,437	11,472	2,250
Options outstanding end of year	13,387	34,587	62,437	—
Options exercisable beginning of year	5,892	11,619	7,804	2,250
Became exercisable	13,449	14,686	9,030	—
Exercised	10,825	20,413	3,840	—
Exercisable options cancelled	3,175	—	1,375	2,250
Options exercisable end of year	5,341	5,892	11,619	—

At March 31, 1981, 13,387 common shares were reserved for issuance upon the exercise of stock options.

The Corporation has the right, at the time the option is exercised, to pay an amount to the option holder equal to the excess of the market value over the option price of the

shares in lieu of issuing common shares. Such payments to option holders are charged to income.

The proceeds from options exercised for shares are credited to common shares with no charge to income.

## 13. Interest and other income

Interest and other income consists of:

	1981	1980	1979
Interest	\$1,451,000	\$1,818,000	\$2,124,000
Gain on sale of fixed assets	1,079,000	844,000	498,000
Foreign exchange gains (losses)	370,000	(680,000)	669,000
Other	150,000	108,000	1,007,000
	<u>\$3,050,000</u>	<u>\$2,090,000</u>	<u>\$4,298,000</u>

## 14. Interest capitalized

Total interest cost incurred amounted to \$6,062,000 for fiscal 1981 and \$4,760,000 and \$2,325,000 for fiscal 1980 and 1979 respectively. Interest capitalized on long-term

construction projects and included in contract costs amounted to \$2,819,000 and \$209,000 for fiscal 1981 and fiscal 1980 respectively.

## 15. Operating lease costs and rental expense

The Corporation leases certain administrative facilities and equipment and construction equipment. Total rental expense amounted to approximately \$2,547,000, \$2,660,000 and \$3,773,000 for fiscal years 1981, 1980, and 1979 respectively, of which approximately \$76,000, \$112,000, and \$25,000 respectively, was incurred under various leasing

arrangements based on usage of construction equipment.

Construction equipment is generally leased for periods of less than one year. There were no non-cancellable leases in effect at March 31, 1981.

## 16. Retirement plan costs

The costs of retirement plans were approximately \$389,000, \$466,000 and \$319,000 for 1981, 1980 and 1979 respectively. Based on the most recent actuarial review of the plan of

a subsidiary company, the unfunded past service liability of its plan amounted to \$221,000 at March 31, 1981 (\$356,000 at March 31, 1980).



## 17. Contingencies

(a) During fiscal 1979 Banister Pipelines America, a division of the Corporation's U.S. subsidiary, was awarded a subcontract to construct approximately 57 miles of pipeline in the State of Louisiana in connection with the Strategic Reserve Program of the United States Department of Energy. From the commencement of the project, lack of right-of-way and other factors prevented Banister Pipelines America from performing a substantial portion of the work and forced it to perform the work in a manner different from the original plan and at substantial extra cost. The subcontract was terminated for the convenience of the Government and Banister Pipelines America submitted a termination settlement proposal. Failing satisfactory progress in negotiations, arbitration proceedings were commenced in which Banister Pipelines America seeks to recover approximately U.S. \$20 million, representing the difference between the total of costs, profit and settlement expenses, and amounts already paid to Banister Pipelines America, together with lost anticipatory profit, damages and interest. Arbitration hearings were completed during May, 1981 and the decision of the arbitrators is now pending. Until a decision is rendered, or a settlement is reached, there is no reliable basis upon which to predict the amount which may eventually be recovered, if any, and accordingly, no recovery has been recorded. Federal U.S. taxes will not be payable on any such recovery to the extent that tax loss carryforwards and investment tax credits, referred to in Note 9, can be utilized.

(b) Pitts Engineering Construction Limited has been named as a co-defendant in a claim issued by the Attorney General of Canada and the National Harbours Board in connection with certain dredging contracts completed in years prior to the acquisition of Pitts by the Corporation, alleging conspiracy and seeking to recover civil and exemplary damages in the total amount of \$15 million from 18 defendants including Pitts and the former officer of Pitts. Although Pitts and the former officer have been found guilty of criminal charges relating to the same contracts, there is no reliable basis upon which to predict the amount, if any, which Pitts may ultimately be required to contribute to any recovery. The

Corporation holds an unlimited indemnity, given by the former officer of Pitts Engineering Construction Limited, under which all losses, costs, fines, liabilities or damages which may be incurred by Pitts as a result of the dredging litigation are to be reimbursed to the Corporation. The former officer is required to and has pledged assets having a value of \$3,800,000 as collateral to support the indemnity.

(c) During fiscal 1981, Banister Pipelines America, a division of the Corporation's U.S. subsidiary, was awarded contracts to construct approximately 110 miles of pipeline in the State of Oregon, as part of the pre-build of the Alaska Highway gas pipeline. It is the Corporation's view that during performance of the contract, the client wrongfully interfered with, obstructed, and prohibited Banister Pipelines America from following normal pipeline construction practice, as contemplated in the contract, forcing it to incur substantial extra costs. In addition, Banister Pipelines America was required by the client to perform additional work for which it has not been paid. The job is substantially complete and it is intended to commence legal action against the client to recover the additional expenses incurred, lost profits, damages, and interest thereon. Until a decision is rendered in the court action, or a settlement is reached, there is no reliable basis on which to predict the amount which may ultimately be recovered, if any, and accordingly, no recovery will be recorded until such time. Federal U.S. taxes will not be payable on any such recovery to the extent that tax loss carryforwards and investment tax credits, referred to in Note 9, can be utilized.

(d) The Corporation is involved in other claims and litigation primarily arising in the normal course of its business for the reimbursement of costs of additional work and of additional costs incurred because of changed conditions. Any settlements or awards will be reflected in income as the matters are resolved.

(e) The Corporation is contingently liable for the usual contractor's obligations relating to performance and completion of construction contracts and for the obligations of its associates in unincorporated joint ventures.

## 18. Comparative figures

Certain 1980 and 1979 figures have been reclassified to conform to the presentation followed in 1981.



## 19. Business segments

The Corporation operates in two industry segments — pipeline construction and civil engineering construction. Pipeline construction includes the construction, upgrading and testing of pipelines, gathering systems and distribution systems for the oil and gas industry. Major pipeline construction activities have taken place in Canada, the United States, and the Middle East.

Through Pitts Engineering Construction Limited, a wholly-owned subsidiary, the Corporation engages in civil engineering

construction primarily for governments at all levels. Pitts does both dryland and marine work, specializing in the construction of large scale energy developments, multi-lane highways, bridges, dams and tunnels and marine construction and installation of underground utilities of all types. To date, all civil engineering construction has been carried out in Canada.

During fiscal 1981, civil construction activities derived \$54,036,000 of revenue from Canadian governments or government agencies.

### Industry Segments (in thousands)

	Pipeline Construction			1981
	1981	1980	1979	
Revenue from outside sources	<u>\$ 46,977</u>	<u>\$ 38,439</u>	<u>\$ 40,161</u>	<u>\$ 99,375</u>
Segment operating profit (loss)	<u>\$ (15,515)</u>	<u>\$ (3,745)</u>	<u>\$ (7,215)</u>	<u>\$ 1,337</u>
Interest expense				
Gain on disposal of joint venture operations				
Income from discontinued operations				
Income taxes recoverable (provided)				
Net loss				
Identifiable assets	<u>\$ 40,587</u>	<u>\$ 55,217</u>	<u>\$ 58,591</u>	<u>\$ 89,296</u>
Investment in affiliates				
Total assets				
Capital expenditures	<u>\$ 2,417</u>	<u>\$ 1,371</u>	<u>\$ 14,861</u>	<u>\$ 3,868</u>
Depreciation and amortization	<u>\$ 5,052</u>	<u>\$ 3,968</u>	<u>\$ 3,998</u>	<u>\$ 3,041</u>

### Geographic Segments (in thousands)

	1981
Revenue from outside sources	<u>\$126,549</u>
Segment operating profit (loss)	<u>\$ (1,993)</u>
Interest expense	
Gain on disposal of joint venture operations	
Income from discontinued operations	
Income taxes recoverable (provided)	
Net loss	
Identifiable assets	<u>\$116,636</u>
Investment in affiliates	
Total assets	

Note: 1980 and 1979 figures have been reclassified to conform to the presentation followed in 1981.



## Business Segments (continued)

During this period, revenue from three clients exceeded ten percent of consolidated revenue. Two of these clients accounted for \$28,907,000 pipeline construction revenue and the third resulted in \$19,895,000 civil construction revenue.

In fiscal 1980, civil construction activities derived \$42,200,000 and pipeline construction activities derived \$1,000,000 from Canadian governments or Canadian government agencies. There were no clients during fiscal 1980 which accounted for more than 10% of revenue.

During fiscal 1979, civil construction activities derived \$32,700,000 of revenues from Canadian governments or government agencies. Pipeline construction activities derived \$19,000,000 in revenue from an agency of the U.S. Government and \$300,000 from Canadian government agencies. Also, during fiscal 1979, one client individually accounted for 10% or more of revenues which amounted to \$14,500,000.

### Civil Engineering Construction

		Other			Consolidated		
1980	1979	1981	1980	1979	1981	1980	1979
\$ 81,478	\$ 50,705	\$ 124	\$ 2,063	\$ 2,716	\$146,476	\$121,980	\$ 93,582
\$ 3,303	\$ 458	\$ (1,887)	\$ (1,726)	\$ (93)	\$ (16,065)	\$ (2,168)	\$ (6,850)
					(3,243)	(4,551)	(2,325)
					2,624	—	—
					188	1,559	929
					1,959	(257)	4,125
					\$ (14,537)	\$ (5,417)	\$ (4,121)
\$ 64,135	\$ 48,077	\$ 1,556	\$ 3,789	\$ 4,957	\$131,439	\$123,141	\$111,625
					—	11,204	10,226
					\$131,439	\$134,345	\$121,851
\$ 6,772	\$ 4,253	\$ 140	\$ 46	\$ 43	\$ 6,425	\$ 8,189	\$ 19,157
\$ 2,926	\$ 1,813	\$ 257	\$ 77	\$ 73	\$ 8,350	\$ 6,971	\$ 5,884

### Domestic

		Foreign			Consolidated		
1980	1979	1981	1980	1979	1981	1980	1979
\$ 98,730	\$ 69,804	\$ 19,927	\$ 23,250	\$ 23,778	\$146,476	\$121,980	\$ 93,582
\$ 2,039	\$ (86)	\$ (14,072)	\$ (4,207)	\$ (6,764)	\$ (16,065)	\$ (2,168)	\$ (6,850)
					(3,243)	(4,551)	(2,325)
					2,624	—	—
					188	1,559	929
					1,959	(257)	4,125
					\$ (14,537)	\$ (5,417)	\$ (4,121)
\$ 95,204	\$ 76,890	\$ 14,803	\$ 27,937	\$ 34,735	\$131,439	\$123,141	\$111,625
					—	11,204	10,226
					\$131,439	\$134,345	\$121,851



# Auditors' Report

To the Shareholders of Banister Continental Ltd.:

We have examined the accompanying consolidated balance sheet of Banister Continental Ltd. as at March 31, 1981 and 1980 and the consolidated statements of income and retained earnings and changes in financial position for the three years ended March 31, 1981. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. For 1979 we relied upon the reports of the auditors who examined the financial statements of the associated company and certain joint ventures.

In our opinion, these consolidated financial statements present fairly the financial

position of the Corporation as at March 31, 1981 and 1980, and the results of its operations and changes in its financial position for the three years ended March 31, 1981 in accordance with accounting principles generally accepted in Canada applied on a consistent basis during the period.

*Arthur Young, Clarkson, Gordon & Co.*

Chartered Accountants

Edmonton, Canada  
June 1, 1981

## Comment on Differences in Canadian-United States Reporting Standards

In the United States, reporting standards for auditors require the provision of an opinion qualified as being subject to the outcome of significant uncertainties affecting the financial statements such as those referred to in the accompanying balance sheet as at March 31, 1981 and 1980 and as described in Note 17(a) to the financial statements with reference to the Corporation's claim for the recovery of certain amounts with respect to a major construction contract. The above opinion is expressed in accordance with Canadian standards and is not qualified with respect to, and provides no reference to, these uncertainties since such an

opinion would not be in accordance with Canadian reporting standards for auditors when the uncertainties are adequately disclosed in the financial statements.

*Arthur Young, Clarkson, Gordon & Co.*

Chartered Accountants

Edmonton, Canada  
June 1, 1981



## Market for Common Shares

March 31, 1981 and 1980

The common shares of Banister Continental Ltd. are traded on the American Stock Exchange in the United States and the Toronto, Montreal, and Alberta Stock Exchanges in Canada. Following is a schedule

a) on the Toronto Stock Exchange  
(in Canadian \$)

Quarter ended:

June 30  
September 30  
December 31  
March 31

of high and low share prices, by quarter, for the fiscal years ended March 31, 1981, and March 31, 1980 on the Toronto Stock Exchange and the American Stock Exchange.

1981		1980	
High	Low	High	Low
17	12	12 1/8	10 1/4
24 1/2	17 1/4	14 3/4	11 3/8
23 3/4	13	19 1/2	12
15 3/4	11 1/2	19 3/4	11 3/4

b) on the American Stock Exchange  
(in U.S. \$)

Quarter ended:

June 30  
September 30  
December 31  
March 31

1981		1980	
High	Low	High	Low
15	10 1/8	10 5/8	8 1/2
21 5/8	14 7/8	12 3/4	9 1/2
20 3/4	10 5/8	17 1/8	10 1/8
13 1/2	9 3/8	17 3/8	8 5/8

As of May 31, 1981, there were 2,876 holders of record of the Corporation's shares, as shown on the records maintained by the Corporation's Registrar and Transfer Agent.

No dividends were declared during fiscal 1981. During fiscal 1980, dividends of 17.5 cents Canadian per common share were paid, at the rate of 10 cents for the first quarter and 7.5 cents for the second quarter. Dividends of 40 cents Canadian per common share were paid in the fiscal year ended March 31, 1979 at the rate of 10 cents per quarter. Pursuant to the terms of a loan agreement with one of its lenders referred to in Note 10 to the Consolidated Financial Statements, the Corporation has undertaken not to declare or pay any dividends on its shares in any fiscal year in excess of 30% of the net income of the Corporation for the immediately preceding fiscal year, without the prior consent of such lender.

The Foreign Investment Review Act of Canada contains restrictions on the acquisition of control of the Corporation by persons who are not Canadian citizens or by non-eligible persons or groups, as defined therein.

Pursuant to the Income Tax Act of Canada, non-resident shareholders are subject to a 25% withholding tax on any dividend paid by the Corporation. As a result of tax conventions with the United States of America and certain other countries, the rate of withholding tax for residents of the United States and such other countries is reduced to 15%. Pursuant to further provisions of the Income Tax Act of Canada, the rate of withholding tax on dividends is reduced by a further 5% for corporations which have filed the necessary form to establish a degree of Canadian ownership. The Corporation has filed such form, based on the fact that individuals resident in Canada and corporations controlled in Canada own not less than 25% of the issued and outstanding voting and equity shares of the Corporation. Accordingly, under present circumstances, the rate of withholding tax payable by shareholders resident in the United States and certain other countries on any dividends which may be paid by the Corporation, is 10%.



## Selected Financial Data

For the Years Ended March 31  
(Stated in Canadian Dollars)

	1981	1980	1979	1978	1977
Revenue	<u>\$146,476,000</u>	<u>\$121,980,000</u>	<u>\$ 93,582,000</u>	<u>\$ 41,225,000</u>	<u>\$ 67,815,000</u>
Income (loss) from continuing operations	<u>\$ (14,725,000)</u>	<u>\$ (6,976,000)</u>	<u>\$ (5,050,000)</u>	<u>\$ 5,670,000</u>	<u>\$ 4,545,000</u>
Earnings (loss) from continuing operations per common share:					
Basic:	<u>\$ (3.67)</u>	<u>\$ (1.74)</u>	<u>\$ (1.25)</u>	<u>\$ 1.41</u>	<u>\$ 1.13</u>
Fully diluted:	<u>\$ (3.67)</u>	<u>\$ (1.74)</u>	<u>\$ (1.25)</u>	<u>\$ 1.35</u>	<u>\$ 1.09</u>
Total assets	<u>\$131,439,000</u>	<u>\$134,345,000</u>	<u>\$121,851,000</u>	<u>\$ 76,294,000</u>	<u>\$ 75,124,000</u>
Long-term debt	<u>\$ 11,503,000</u>	<u>\$ 29,527,000</u>	<u>\$ 31,129,000</u>	<u>\$ 2,633,000</u>	<u>\$ 2,457,000</u>
Cash dividends declared per common share	<u>\$ —</u>	<u>\$ 0.17</u>	<u>\$ 0.40</u>	<u>\$ 0.40</u>	<u>\$ 0.40</u>

### Notes:

- Revenue for 1978 includes the gain on disposal of investment in Raymond International, Inc., amounting to \$7,656,000.
- Earnings (loss) per share for the five years are computed as stated in the summary of accounting policies. Earnings (loss) per share so computed are in accordance with generally accepted accounting principles applicable in Canada and are substantially the same as those which would have resulted had the computation been made in accordance with the principles applicable in the United States.



*The Corporation's Edmonton headquarters.*



Banister Continental Ltd.

## Directors and Officers

### Board of Directors

**R. K. Banister**

*Chairman of the Board and  
Chief Executive Officer*

**H. B. Banister**

*Vice President,  
Corporate Planning and  
Business Development  
Banister Continental Ltd.*

**R. Bernstein\***

*Partner  
Bear, Stearns & Co.  
Investment Bankers*

**N. Fraser\***

*Vice President  
Pitfield, Mackay, Ross &  
Company Limited*

**S. A. Milner\*\***

*President  
Chieftain Development Co. Ltd.*

**A. M. Shoults\*\***

*Chairman of the Board  
CHQT Broadcasting Ltd.*

**S. J. Silberman\*\***

*Partner  
Kaye, Scholer, Fierman, Hays & Handler  
Attorneys*

**G. A. Van Wielingen\***

*Chairman of the Board and  
Chief Executive Officer  
Sulpetro of Canada Ltd.*

\* Members of the Compensation Committee

\*\* Members of the Audit Committee

### Officers

**R. K. Banister**

*Chairman of the Board and  
Chief Executive Officer*

**E. R. Austin**

*Group Vice President, Utilities*

**W. A. Barrie**

*Group Vice President, Civil Engineering*

**R. F. C. Marriott**

*Group Vice President, Pipelines*

**H. B. Banister**

*Vice President, Corporate Planning and  
Business Development*

**L. P. Carr**

*Vice President, General Counsel, and  
Corporate Secretary*

**C. N. D'Croix**

*Vice President, Administration  
(Eastern Region)*

**D. Flynn**

*Vice President, Labour Relations*

**N. A. Harrison**

*Vice President, Finance, and Treasurer*

**A. F. Rankel**

*Vice President, Equipment and Purchasing*

**J. W. Wright**

*Vice President, Administration  
(Western Region)*

**R. P. Bruce**

*Assistant Secretary and Legal Counsel*

**F. A. M. Tremayne**

*Assistant Secretary and Legal Counsel*

**J. Lech**

*Controller*

### Annual Meeting

The company's annual meeting will be held at the Edmonton Plaza Hotel, Edmonton, Alberta, Canada at 10:00 a.m. on September 10, 1981.

SHAREHOLDERS WHO WOULD LIKE TO RECEIVE, WITHOUT CHARGE, A COPY OF THE FORM 10-K REPORT TO THE SECURITIES AND EXCHANGE COMMISSION (INCLUDING FINANCIAL STATEMENTS AND SCHEDULES THERETO), SHOULD ADDRESS THEIR REQUESTS TO THE CORPORATE PLANNING AND BUSINESS DEVELOPMENT DEPARTMENT, BANISTER CONTINENTAL LTD., BOX 2408, EDMONTON, ALBERTA, T5J 2R4.

### Subsidiaries, Divisions and Affiliates

**Banister Pipelines**

*9910 - 39 Avenue  
Edmonton, Alberta T6E 5H8  
Phone (403) 462-9430  
Telex 037-2380*

**Pitts Engineering  
Construction Limited  
(Eastern Division)**

*30 Commercial Road  
Toronto, Ontario M4G 1Z6  
Phone (416) 421-7373  
Telex 06-23137*

**Pitts Engineering  
Construction Limited  
(Western Division)**

*9910 - 39 Avenue  
Edmonton, Alberta T6E 5H8  
Phone (403) 462-9430  
Telex 037-2380*

**McDace Construction**

*P.O. Box 2394  
31 Buchanan Court  
London, Ontario N6A 4G3  
Phone (519) 685-2500  
Telex 06-47581*

**Cliffside Pipelayers**

*3660 Midland Avenue  
Scarborough, Ontario M1S 3B2  
Phone (416) 293-7004  
Telex 065-25276*

### Registrar and Transfer Agents

**Guaranty Trust Company of Canada**

*401 - 9th Avenue, S.W.  
Calgary, Alberta T2P 3C5*

*88 University Avenue  
Toronto, Ontario M5J 1T8*

*427 St. James Street West  
Montreal, Quebec J8X 2K1*

**Morgan Guaranty Trust Company  
of New York**

*30 West Broadway  
New York, New York 10015*

### Common Stock listed on

Alberta Stock Exchange  
Montreal Stock Exchange  
Toronto Stock Exchange  
American Stock Exchange  
Stock symbol is BAC(ASE), (TSE),  
(MSE) and BAN (AMEX)

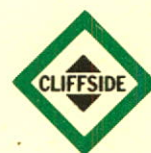
### Auditors

Arthur Young, Clarkson,  
Gordon & Co.

### Executive Offices

*9910 - 39 Avenue  
Edmonton, Alberta T6E 5H8  
Phone: (403) 462-9430  
Telex: 037-2380*





**Banister Construction Group**