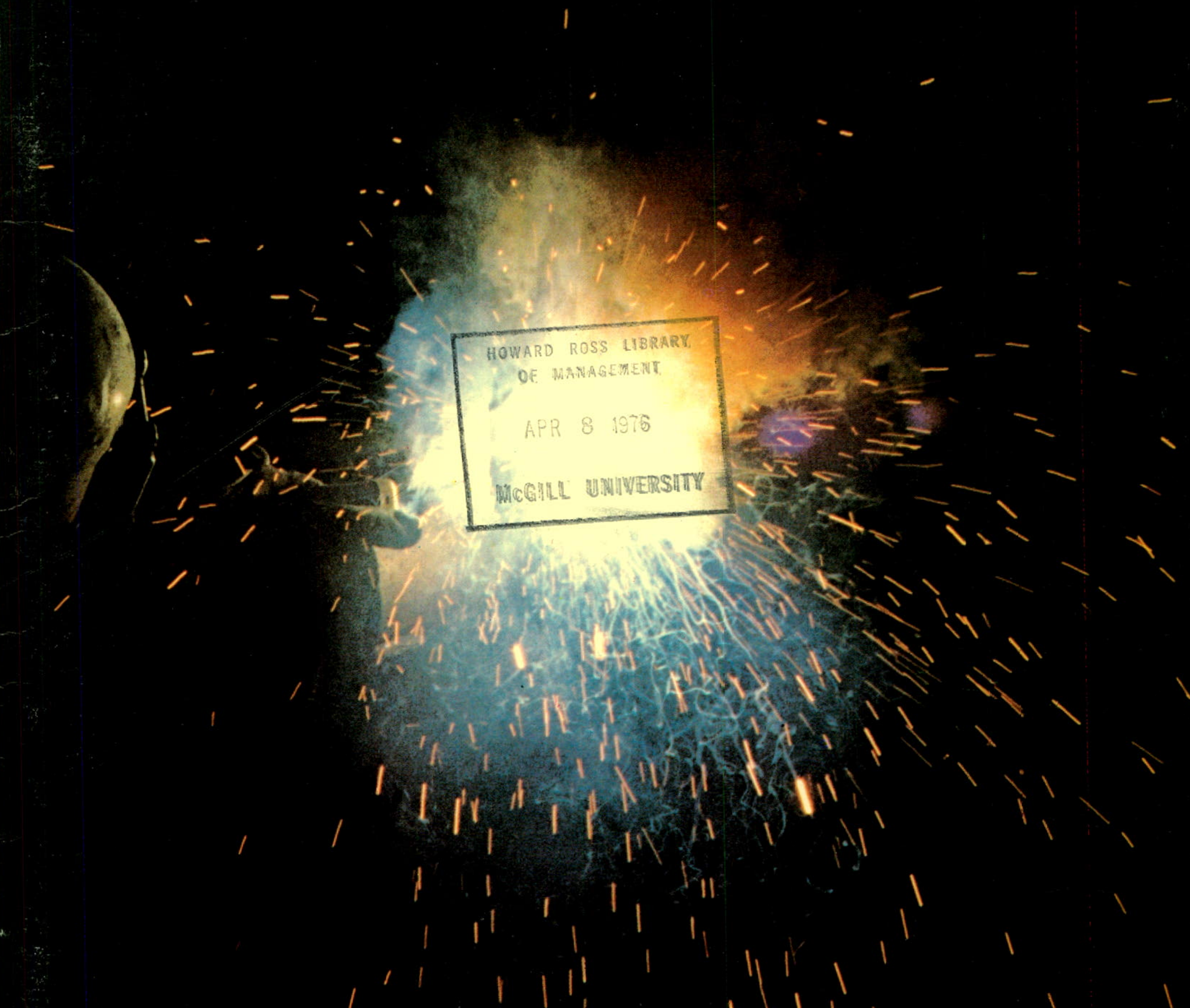
MAJESTIC WILEY



1975 Annual Report

CORPORATE INFORMATION

BOARD OF DIRECTORS:

J. M. Bankes, Consultant, A. E. Ames and Company
J. B. Barber, Senior Vice-President of The Algoma Steel Corporation, Limited
V. N. Osadchuk, President of the Company
D. B. Perini, President of Perini Corporation
W. A. Rose, Chairman of the Board of the Company
R. H. Walker, Executive Vice-President of Bongard, Leslie & Co. Ltd.

OFFICERS:

W. A. Rose, Chairman of the Board and Chief Executive Officer
V. N. Osadchuk, President and Chief Operating Officer
J. W. McCarthy, Executive Vice-President and Assistant General Manager
L. B. Finlayson, Jr., Senior Vice-President
G. S. Hagglund, Vice-President, Finance
L. G. Wasylynchuk, Comptroller
J. K. Halladay, Secretary-Treasurer

TRANSFER AGENT AND REGISTRAR:

Montreal Trust Company, Calgary and Toronto

STOCK EXCHANGE LISTING:

The Toronto Stock Exchange (MWC)

AUDITORS:

Arthur Andersen & Co., Chartered Accountants

OFFICES:

Majestic Wiley Contractors Limited
10120 - 118 Street
Edmonton, Alberta T5K 1Y4
(403) 482-5921

Falcon Transport Ltd.
10120 - 118 Street
Edmonton, Alberta T5K 1Y4
(403) 482-5921

J. L. Cox & Son, Inc.
777 Action Street
Odessa, Missouri 64076
(816) 633-7526

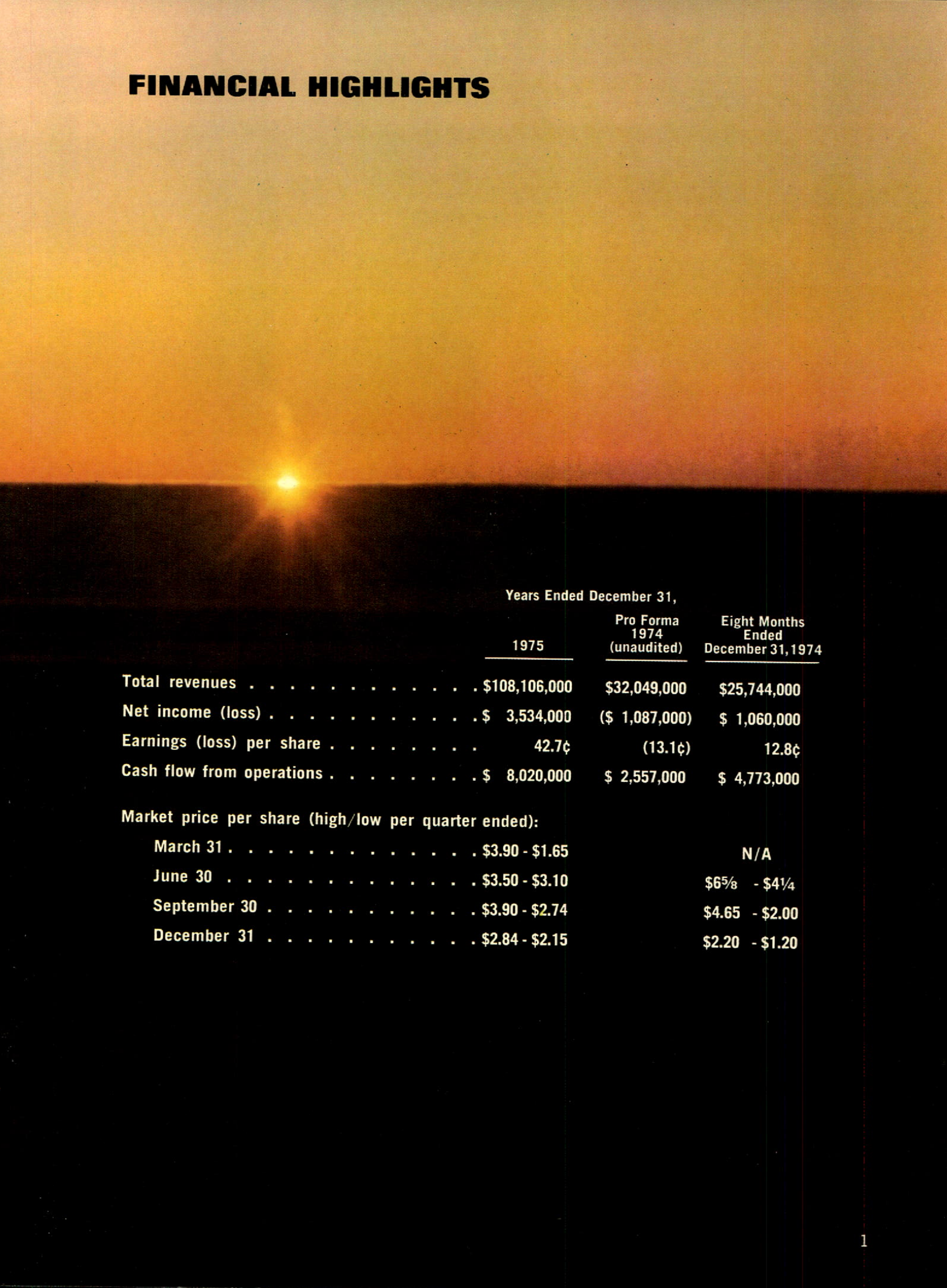
Perini Arctic Associates
2250 Cushman Street
Fairbanks, Alaska 99701
(907) 452-4481

P.O. Box 567
Delta Junction, Alaska 99737
(907) 895-4828

ANNUAL GENERAL MEETING:

10:00 A.M. M.D.T., April 30, 1976, McDougall Room, Chateau Lacombe
101 Street at Bellamy Hill, Edmonton, Alberta

FINANCIAL HIGHLIGHTS



	Years Ended December 31,		
	1975	Pro Forma 1974 (unaudited)	Eight Months Ended December 31, 1974
Total revenues	$108,106,000	$32,049,000	$25,744,000
Net income (loss)	$ 3,534,000	($ 1,087,000)	$ 1,060,000
Earnings (loss) per share	42.7¢	(13.1¢)	12.8¢
Cash flow from operations	$ 8,020,000	$ 2,557,000	$ 4,773,000
Market price per share (high/low per quarter ended):			
March 31	$3.90 - $1.65		N/A
June 30	$3.50 - $3.10		$6⅝ - $4¼
September 30	$3.90 - $2.74		$4.65 - $2.00
December 31	$2.84 - $2.15		$2.20 - $1.20

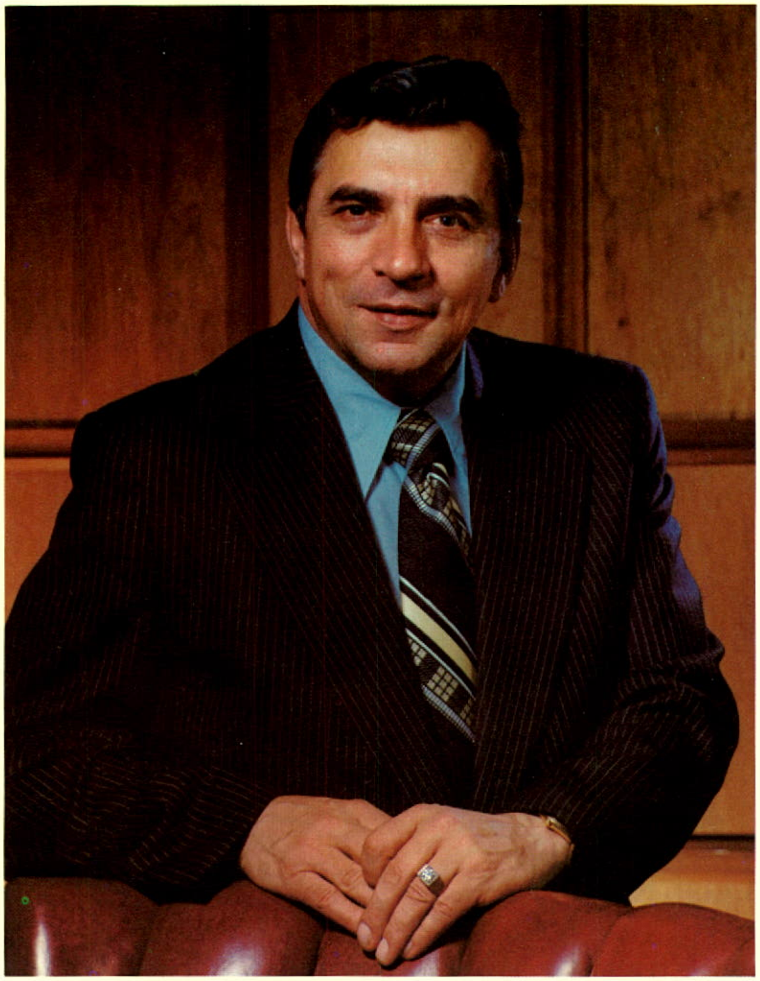
W. A. Rose
Chairman

TO THE SHAREHOLDERS

The past year was our first full year of operation as a combined company and proved to be a highly rewarding and active year. Your company achieved a net income for the year of $3,534,000 or 42.7¢ per share compared to a 1974 pro forma loss of $1,087,000 or 13.1¢ per share. All phases of your company's operations contributed to the solid performance in 1975 with particular impetus from Perini Arctic Associates, the joint venture constructing Section 2 of the Trans Alaskan pipeline.

Pipeline construction activities in Canada during 1975 were significantly higher than 1974 although competition proved to be keener. Nevertheless, your company participated in the construction of approximately 767 miles of pipeline for a number of owning companies including Trans-Canada PipeLines Limited, Inter-provincial Pipe Line Limited, Inland Natural Gas Co. Ltd. and Union Gas Limited.

Your company's wholly-owned subsidiaries continued to be active in 1975 with Falcon Transport Ltd., our remote area support services company, operating at near capacity. J. L. Cox & Son, Inc., your company's United States subsid-



V. N. Osadchuk
President

iary, was less active due to the low level of pipeline construction in that country. The Dempster Highway project has been substantially completed with some second grading and clean up work required for final completion. Construction work on Section 2 of the Trans Alaskan pipeline is proceeding as anticipated with approximately 50.5% completed at December 31, 1975. Work has now re-commenced after the Christmas shut down and is expected to be completed by October 31, 1976.

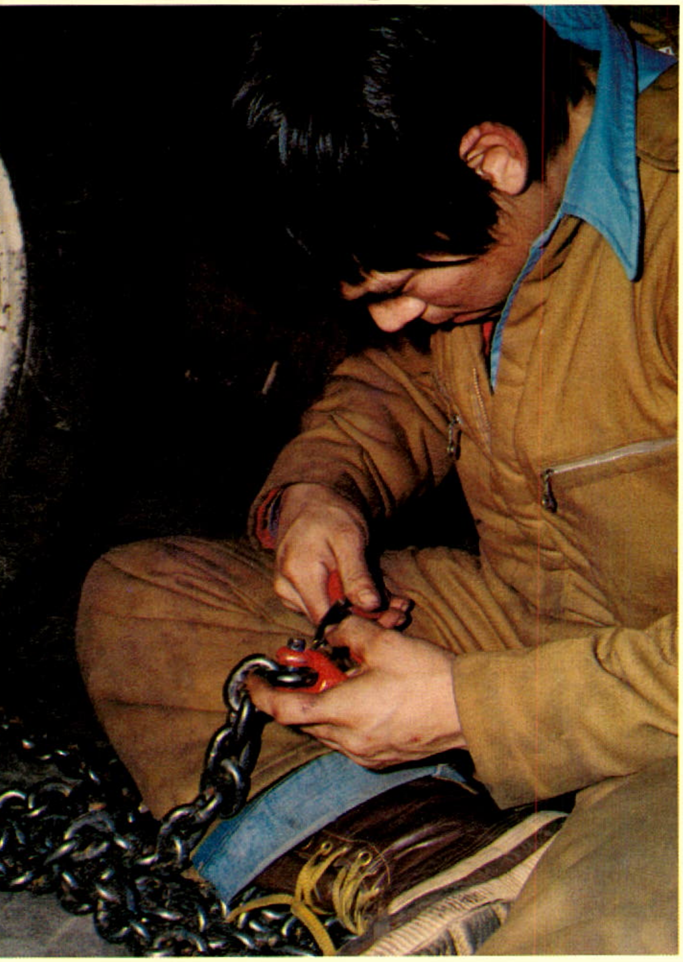
The Federal Government has now enacted its anti-inflation legislation. A number of the regulations and guidelines are still in the formative stages, however, the thrust of the legislation will be to control profits, employee compensation and dividend distributions of selected companies doing business in Canada. Under the terms of the legislation, your company and its Canadian subsidiaries will be subject to the guidelines. The effect on the Canadian economy and specifically on your company's area of operations is indeterminate at this time, but it should produce a dampening influence and a general degree of uncertainty in the business community. Notwithstanding this, we are of the opinion that resource exploration and development will continue at a reasonable level in the foreseeable future and, we feel that your company and its subsidiaries are in a position to benefit by and participate in such work.

We wish to extend our sincere appreciation to all of your company's many dedicated employees and directors for their contributions during the year, without whose co-operation and assistance none of the company's success would have been possible.

W. A. Rose, Chairman

V. N. Osadchuk

V. N. Osadchuk, President



Unloading aircraft at company constructed airstrip located on Richard's Island, N.W.T., adjacent to a client's base camp at Swimming Point.

Upper left — One of the company's all terrain vehicles transporting drilling rig components in the Parson's Lake area of the Northwest Territories.

Upper right — A company designed and built heated water storage and supply facility being used in this instance to construct a winter road near Parson's Lake, N.W.T. Such winter roads are used by the company to facilitate the movement of drilling rigs and supplies to support remote area exploration programs.

Lower right — A small all terrain vehicle used by the company to test the thickness and quality of ice and to construct ice bridges in the far north.

Three of the many native Northerners employed by the company in its remote area support service operations. In co-operation with one of its clients, the company is currently providing on-site training and instruction to such personnel.

Majestic Wiley Contractors Limited and its wholly-owned subsidiaries continued to be very active in 1975. Gross revenues of $108,106,000 and net income of $3,534,000 or 42.7¢ per share were achieved for the year ended December 31, 1975. These results included your company's share of the operations of Perini Arctic Associates, a joint venture in which your company has a 75% interest. Pro forma figures for the year ended December 31, 1974, restated to include the actual results of operations for the period May 1, 1974 (date of amalgamation) to December 31, 1974 and for the predecessor corporations for the period January 1, 1974 to April 30, 1974, were gross revenues of $32,049,000 and a net loss of $1,087,000 or 13.1¢ per share. Your company's financial position was strengthened considerably during 1975 with a working capital position of $3,946,000 at December 31, 1975 compared with a working capital deficiency of $25,000 at December 31, 1974.

Part of the pipe gang working on the 12″ gas line from Yahk to Salmo in British Columbia.

Lowering the pipe into the ditch.

During 1975, contracts were obtained in Canada for the construction of approximately 159 miles of pipeline, ranging in size from 12″ to 42″. In addition, contracts were obtained for the unloading and stockpiling of approximately 438 miles, and for the hauling and stringing of approximately 170 miles, all of 30″ line. All of these contracts are complete or scheduled for completion during the first half of 1976.

Falcon Transport Ltd., your company's wholly-owned remote area support service subsidiary, continued to experience a high level of activity and equipment utilization during 1975. Falcon's equipment is currently being used for major projects located at Richards Island and Ellice Island, both of which are located off-shore in the MacKenzie Delta region of the Northwest Territories. During the summer of 1975, Falcon participated in the construction of an extension to the airstrip at Coppermine, NWT, for the Department of Indian Affairs and Northern Development.

A portion of the company crews constructing a 42″ gas line project in Southern Ontario during 1975. The crews shown are the pipe gang, the tape crew and the tie in crew.

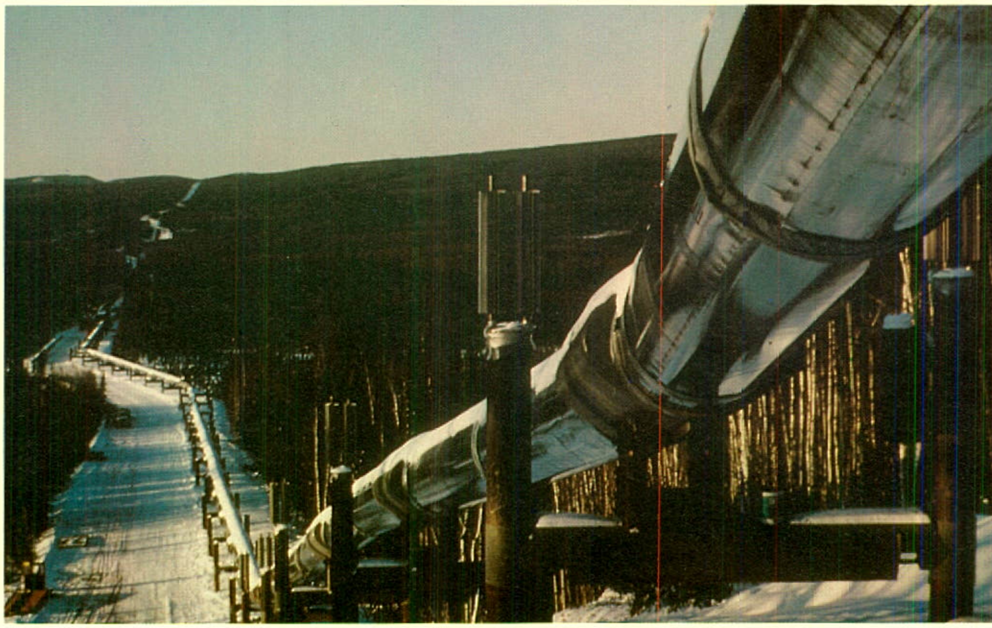
J. L. Cox & Son, Inc., your company's wholly-owned subsidiary engaged in pipeline stringing activities in the United States, experienced a relatively low level of activity during 1975. In addition to completing projects which were under-way at the end of 1974 in Texas and Michigan, J. L. Cox succeeded in obtaining and completing contracts for the hauling and stringing of pipe in Missouri and Oklahoma.

Work on the Dempster Highway project has been essentially completed. Some second grading and clean up work is expected to be performed during the summer of 1976 with final project completion scheduled for the third quarter. As discussed in Note 5(a) to the accompanying financial statements, your company has filed a substantial claim against the owner as a result of revised project requirements. It is expected that an examination for discovery will be held in this regard, during the latter part of March, 1976. Construction activities on Section 2 of the Trans Alaskan pipeline system, by Perini Arctic

The following photographs are of some of the work being performed in Alaska on Section 2 of the Trans Alaskan pipeline system.

A section of pipe line work pad looking south from Rosa Ridge.

Drilling one of the many thousands of holes required for the vertical support members to support the above ground pipe.



Section of above-ground 48" insulated pipeline showing thermal devices installed in VSM's (piles) to maintain integrity of permafrost. Length of beam (pilebent) allows for lateral movement of pipe resulting from expansion and contraction of pipeline due to temperature changes.

Associates, progressed favourably from the start of construction on February 1, 1975, to year end, at which time approximately 50.5% of the work had been completed. All phases of pipeline construction were performed on this project during 1975 and during peak operating periods required the employment of approximately 2,400 people for Section 2. Project completion for Section 2 is currently scheduled by October 31, 1976, although changes to the scope of work may result in an extension beyond this date.

In December, 1975, Alyeska Pipeline Service Company announced changes in the design of a portion of the Trans Alaskan pipeline system by adding 25 miles of elevated pipeline previously scheduled for buried installation. The area which will now be elevated is in the southern part of Section 2 of the pipeline which lies between the Salcha River (south of Fairbanks) and Sourdough. Alyeska announced the design change after geotechnical studies indicated soil conditions in the 25 mile portion required above-ground installation of the pipeline. The remode from below-ground to above-ground construction represents a substantial increase in the scope of work on Section 2 of the pipeline, part of which involves the installation of approximately 4,900 additional vertical support members, and the installation of necessary pile bents, pipe saddles and insulation.

Major construction operations on the project were reduced on approximately October 18, 1975,

Clamming the ditch prior to lowering in of pipe.

Lowering in of 48″ oil line into ditch.

Pre-heating of 48″ O.D. pipe to 250°F in preparation for welding. Note boom suspending welding hut used for welder protection and assistance in maintaining pipe pre-heat temperature.

when temperatures dropped to −48° F and were suspended on December 9, 1975, when further drops in temperature to −60°F precluded construction operations. Although this reduction and shutdown occurred prematurely as a result of these severe weather conditions, the scheduled 50% completion for Section 2 at December 31, 1975 was exceeded.

Management

Effective April 1, 1975, your company's Board of Directors appointed G. S. Hagglund, C.A., as Vice-President, Finance, J. K. Halladay as Secretary-Treasurer and L. G. Wasylynchuk, C.A., as Comptroller. These appointments were as a result of the further consolidation of administrative and accounting functions and the retirement of J. Finley, formerly Vice-President and Treasurer of your company.

Effective July 28th, 1975, J. B. Barber was appointed to the Board of Directors of your company. Mr. Barber is Senior Vice-President and Vice Chairman of the Board of Directors of The Algoma Steel Corporation, Limited and is currently serving on the Boards of several Canadian corporations.

Effective January 1, 1976, your company's operations office in Toronto has been closed with personnel and responsibilities transferred to Edmonton.

MAJESTIC WILEY CONTRACTORS LIMITED
And Its Wholly-Owned Subsidiaries

CONSOLIDATED BALANCE SHEET

As At December 31, 1975
(with 1974 figures for comparison)

Assets

	1975	1974
CURRENT ASSETS:		
Cash, including certificates of deposit of $2,968,000 (1974 - $2,658,000)	$ 2,784,000	$ 2,838,000
Accounts and agreement receivable	4,649,000	4,861,000
Unbilled work (Note 1(c))	1,599,000	635,000
Equity in construction joint ventures, at underlying book value (Note 1(g))	1,233,000	—
Income taxes refundable	—	233,000
Prepaid expenses	559,000	435,000
Total current assets	10,824,000	9,002,000
PROPERTY AND EQUIPMENT, at cost (Note 1(e)):		
Land	25,000	19,000
Buildings and improvements	815,000	548,000
Construction equipment	37,617,000	36,859,000
Other	201,000	186,000
	38,658,000	37,612,000
Less accumulated depreciation	19,690,000	15,648,000
Net property and equipment	18,968,000	21,964,000
OPERATING AUTHORITIES AND INCORPORATION EXPENSES, at cost	193,000	194,000
	$29,985,000	$31,160,000

Approved by the Board:

[signature] Director

V. N. Ozadchuk Director

The accompanying notes are an integral part of the consolidated financial statements.

Liabilities and Shareholders' Equity

	1975	1974
CURRENT LIABILITIES:		
Bank indebtedness, unsecured	$ —	$ 300,000
Accounts payable	794,000	1,319,000
Accrued liabilities	737,000	908,000
Deferred contract revenue (Note 1(c))	349,000	215,000
Income taxes payable	3,190,000	—
Accrual for loss on contract in progress (Note 5(a))	349,000	1,297,000
Current portion of long-term debt (Note 2)	1,459,000	4,988,000
Total current liabilities	6,878,000	9,027,000
LONG-TERM DEBT (Note 2)	3,799,000	6,424,000
DEFERRED INCOME TAXES (Note 1(f))	3,975,000	3,920,000
SHAREHOLDERS' EQUITY:		
Capital stock (Note 3):		
Authorized - 20,000,000 shares without nominal or par value Issued and fully paid - 8,266,533 shares (1974 - 8,261,200 shares)	7,811,000	7,801,000
Contributed surplus	3,082,000	3,082,000
Retained earnings	4,440,000	906,000
Total shareholders' equity	15,333,000	11,789,000
	$29,985,000	$31,160,000

MAJESTIC WILEY CONTRACTORS LIMITED
And Its Wholly-Owned Subsidiaries

CONSOLIDATED STATEMENT OF INCOME

For the Year Ended December 31, 1975
(with the year ended December 31, 1974 unaudited pro forma figures for comparison - Note 1(b))

	1975	Pro Forma 1974 (unaudited)
Revenues (Notes 1(c) and (g)):		
Construction operations	$29,761,000	$28,874,000
Share of construction joint ventures	78,345,000	3,175,000
Total revenues	108,106,000	32,049,000
Cost of Operations:		
Construction operations	25,053,000	27,557,000
Share of construction joint ventures	73,529,000	3,314,000
Total cost of operations	98,582,000	30,871,000
Gross Profit From Operations	9,524,000	1,178,000
General and Administrative Expenses	1,861,000	2,078,000
Income (loss) from operations	7,663,000	(900,000)
Other Items:		
Other income and expenses, net	242,000	354,000
Interest expense (Note 6)	(695,000)	(442,000)
Total other items	(453,000)	(88,000)
Income (Loss) Before Income Taxes	7,210,000	(988,000)
Provision For Income Taxes (Note 1(f))	3,676,000	99,000
Net Income (Loss)	$ 3,534,000	($ 1,087,000)
Earnings (Loss) Per Share:		
On weighted average number of shares outstanding (1975 - 8,262,375 shares; 1974 - 8,255,065 shares)	42.7¢	(13.1¢)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the Year Ended December 31, 1975
(with the year ended December 31, 1974 unaudited pro forma figures for comparison - Note 1(b))

	1975	Pro Forma 1974 (unaudited)
Balance, Beginning of Year	$ 906,000	$ 1,993,000
Net Income (Loss)	3,534,000	(1,087,000)
Balance, End of Year	$ 4,440,000	$ 906,000

The accompanying notes are an integral part of the consolidated financial statements.

MAJESTIC WILEY CONTRACTORS LIMITED
And Its Wholly-Owned Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN WORKING CAPITAL

For the Year Ended December 31, 1975
(with the year ended December 31, 1974 unaudited pro forma figures for comparison - Note 1(b))

	1975	Pro Forma 1974 (unaudited)
Source of Working Capital:		
Net income (loss)	$ 3,534,000	($ 1,087,000)
Depreciation	4,506,000	3,684,000
Deferred income taxes	55,000	161,000
(Gain) on disposal of property and equipment	(75,000)	(201,000)
Provided by operations	8,020,000	2,557,000
Disposal of property and equipment	502,000	556,000
Proceeds from stock options exercised	10,000	89,000
Proceeds of long-term debt	—	3,424,000
Working capital provided	8,532,000	6,626,000
Use of Working Capital:		
Additions to property and equipment	1,936,000	9,897,000
Reduction of long-term debt	2,625,000	—
Increase in other assets	—	4,000
Working capital used	4,561,000	9,901,000
Increase (Decrease) in Working Capital	3,971,000	(3,275,000)
Working Capital (Deficiency), Beginning of Year	(25,000)	3,250,000
Working Capital (Deficiency), End of Year	$ 3,946,000	($ 25,000)

The accompanying notes are an integral part of the consolidated financial statements.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
MAJESTIC WILEY CONTRACTORS LIMITED:

We have examined the consolidated balance sheet of Majestic Wiley Contractors Limited (an Alberta corporation) and its wholly-owned subsidiaries as of December 31, 1975 and the related consolidated statements of income, retained earnings and changes in working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Majestic Wiley Contractors Limited and its wholly-owned subsidiaries as of December 31, 1975 and the results of their operations and the changes in their working capital for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Calgary, Alberta,
February 8, 1976.

ARTHUR ANDERSEN & CO.
CHARTERED ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1975 and Unaudited Pro Forma December 31, 1974

1. SUMMARY OF ACCOUNTING PRINCIPLES

a) Principles of Consolidation

The consolidated financial statements are expressed in Canadian dollars and include the accounts of Majestic Wiley Contractors Limited and its wholly-owned subsidiaries Falcon Transport Ltd., Specialty Construction & Equipment Ltd., J. L. Cox & Son, Inc., Liard Construction Company Limited, Norm Keglovic Contracting Ltd., Klondike Contractors Limited and D. K. Industries Ltd.

All significant intercompany transactions and balances have been eliminated in consolidation.

b) 1974 Pro Forma Figures

Majestic Wiley Contractors Limited was formed on May 1, 1974, by the statutory amalgamation of Majestic Pipeline Contractors (Alberta) Limited (Majestic) and Wiley Oilfield Hauling Ltd. (Wiley), under the provisions of Section 156 of the Companies Act (Alberta).

For accounting purposes, the statutory amalgamation was treated as a purchase of the issued shares of Wiley by Majestic, a wholly-owned subsidiary of Perini Pacific Limited. The Board of Directors of Perini Pacific Limited have determined that the purchase price was equal to the fair value of the net assets acquired which was deemed to be the same as their net book value at the date of acquisiton.

The book value of the net assets was determined as follows:

Wiley assets, April 30, 1974	$9,725,000
Wiley liabilities, April 30, 1974	4,617,000
Fair market of Wiley shares acquired	$5,108,000

The shares issued in the amalgamation were as follows:

	Shares	Percentage
Perini Pacific Limited	6,103,076	74
Former shareholders of Wiley	2,144,324	26
	8,247,400	100

The unaudited pro forma figures for the year ended December 31, 1974, (not covered by the accompanying auditors' report) assume the amalgamation occurred on January 1, 1974 and include the results of operations and the changes in working capital for the following entities and periods:

1) Wiley Oilfield Hauling Ltd. and its wholly-owned subsidiaries for the period January 1, 1974 to April 30, 1974.

2) Majestic Construction (Division of Perini Pacific Limited) for the period January 1, 1974 to February 28, 1974.

3) Majestic Pipeline Contractors (Alberta) Limited for the period March 1, 1974 to April 30, 1974.

4) Majestic Wiley Contractors Limited and its wholly-owned subsidiaries for the period May 1, 1974 (date of amalgamation) to December 31, 1974. The financial statements of Majestic Wiley Contractors Limited as of December 31, 1974 were reported upon without qualification by Arthur Andersen & Co., Chartered Accountants, under date of February 14, 1975.

The following is a summary of the consolidated results for the period May 1, 1974 to December 31, 1974:

Revenues	$25,744,000
Net income	$ 1,060,000
Earnings per share	12.8¢

c) Method of Accounting for Income on Contracts

Profits from construction contracts are recognized on the percentage of completion basis. The percentage of completion is determined by relating the actual cost of work performed to date, to the current estimated total cost of the respective contracts. When the current estimated costs to complete indicate a loss, such losses are recognized immediately for accounting purposes. Income from claims is recorded in the periods such claims are resolved.

Unbilled work represents the excess of contract costs and profits recognized to date, on the percentage of completion accounting method, over billings to date on certain contracts. Deferred contract revenue represents the excess of billings to date, over the amount of contract costs and profit recognized to date, on the percentage of completion accounting method for the remaining contracts.

d) Current Assets and Current Liabilities

Current assets and currrent liabilities on the balance sheet are based on a two year operating cycle.

e) Depreciable Property and Equipment

Depreciation has been provided on the declining-balance method for approximately 75% of the depreciable property and on the straight-line method for the remaining 25%. The estimated lives used are as follows:

Buildings and Improvements	10 to 25 years
Construction Equipment	3 to 10 years
Other Equipment	10 years

f) Income Taxes

The tax effects of all income and expense transactions are included in each year's statement of income regardless of the year the transactions are reported for tax purposes.

The deferred income taxes arise primarily from the following:

1) the difference between the depreciation claimed for tax purposes and the depreciation recorded in the accounts, and

2) the difference between the provision for loss on contract in progress recorded in the accounts and the amount claimed for income tax purposes.

g) Joint Ventures

Investments in joint ventures are accounted for on the equity basis whereby investments are carried on the balance sheet at cost plus the company's share of income to date less distributions. The company's share of revenue and expenses and changes in working capital have been included in the consolidated statements.

h) Foreign Exchange Accounting

Transactions with, and the company's share of revenue and expenses and changes in working capital of a United States based joint venture, as well as some balance sheet accounts resulting therefrom, are included in the consolidated financial statements on the basis of one Canadian dollar being equal to one American dollar. This rate approximates the year end exchange rate and the average rate for the year.

In 1975, long-term debt, that is repayable in American funds, is included in the consolidated financial statements on the basis of the Canadian dollar and the American dollar being equal whereas in 1974, U.S. long-term debt was recorded at historical cost. This change had an immaterial effect on the 1975 financial statements.

2. Long-Term Debt

	1975	1974	Rate of Interest
Bank term loan, repayable at $683,333 U.S. per quarter beginning April 1, 1975 (principal only)	$2,045,000	$8,097,000	1¼% over Royal Bank of Canada U.S. prime rate
Demand bank loan, repayable at $5,500 per month (principal and interest)	—	62,000	2% over Canadian prime rate
Lease purchase contracts, repayable at $7,117 per month (principal and interest)	—	57,000	15%
Lease purchase contract, repayable at $4,909 U.S. per month (principal and interest)	153,000	196,000	13.32%
Convertible debenture, to affiliated company, due March 1, 1980	3,000,000	3,000,000	7%
Mortgage payable, due in annual installments of $6,000 U.S. plus interest	60,000	—	8%
	5,258,000	11,412,000	
Due within two years	1,459,000	4,988,000	
	$3,799,000	$6,424,000	

The bank term loan is secured by a floating charge debenture on all of the Company's assets. Repayment of the funds is guaranteed by the parent company and may be made in advance of the due date without an early payment penalty. At December 31, 1975 $4,105,000 had been repaid in advance.

The lease purchase contracts are collateralized by the pledge of specific equipment (cost $219,000; 1974—$487,000).

The 7% convertible debenture is convertible into 300,000 shares without nominal or par value at any time prior to March 1, 1980.

The mortgage payable is secured by the land and improvements of a subsidiary company (cost $90,000).

3. Capital Stock

Majestic Wiley Contractors Limited have a stock option plan whereby certain key employees are granted options exercisable during a period of five years from the date of the grant at a rate of 20% of the total optioned shares per year either on a non-cumulative or partially cumulative basis. Following is a synopsis of transactions and events which affected the number of shares held under option agreements during the year ended December 31, 1975:

Date Option Granted	Price per Share	Opening Balance	New Options Granted	Options Exercised	Options Expired or Revoked	Closing Balance
April 21, 1971	$2.625	14,910	—	1,050	6,930	6,930
May 4, 1971	$3.325	13,490	—	950	6,270	6,270
May 1, 1974	$3.74	138,998	—	—	33,936	105,062
July 24, 1974	$3.69	8,000	—	—	1,200	6,800
December 9, 1974	$1.148	16,666	—	3,333	—	13,333
October 27, 1975	$2.12	—	9,200	—	—	9,200
		192,064	9,200	5,333	48,336	147,595

As of December 31, 1975, the following shares of the company have been set aside:

For possible future stock options	6,936
For possible conversion of 7% convertible debenture	300,000
	306,936

4. Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid to the Directors and Senior Officers for the years ended December 31, 1975 and 1974 is as follows:

	1975		1974	
	Amount	Number	Amount	Number
Directors who are not Senior Officers	$ 4,000	4	$ 3,000	3
Directors who are Senior Officers	265,000	2	298,000	3
	269,000	6	301,000	6
Senior Officers who are not Directors	342,000	6	278,000	7
	$611,000	12	$579,000	13

5. Contingencies

a) In connection with the contract for which a provision for future loss has been provided in the accounts, management, on the advice of legal counsel, is of the opinion that because of revised project requirements, the company is entitled to renegotiate the unit prices, or failing agreement on revised unit prices, to calculate the contract price on a "cost plus" basis. Management believes this would result in a substantial increase in the contract price.

Although negotiations are continuing, the customer has not agreed with the position advanced by management and as a result a substantial claim has been filed by the Company. The amount of any additional revenue that may be received cannot be accurately determined at this time, and in accordance with the Company's application of generally accepted accounting principles, as described in Note 1 (c), no portion of any additional revenue has been reflected in the accounts.

b) The Company has a pension plan which covers certain executive, professional, administrative and clerical employees, subject to certain specified service requirements. At December 31, 1975, the unfunded past service liability is approximately $353,000 (1974—$377,000) which will be paid and charged to operations in equal amounts over the next 14 years.

c) The Company has a deferred profit sharing plan and an incentive compensation plan for certain key employees which provide for payments to be made to or on behalf of such employees based on the profitability of the Company. As at December 31, 1975, an amount of $255,000 (1974—$224,000) has been accrued for payments under the terms of these plans.

d) An action was commenced on January 9, 1976 in the Supreme Court of Ontario against a pipe manufacturer and the Company in the amount of $7,000,000 alleging:

1) firstly, against the pipe manufacturer for breach of contract relating to the delivery of steel line pipe which could not be field welded to specifications, and

2) secondly, if the pipe manufacturer is not held in breach of contract, against the Company for breach of contract relating to construction methods, equipment and appliances which did not produce a satisfactory quality of work.

The Company denies the breach of contract and has instructed legal counsel to defend the action. Management of the Company is of the opinion that its position will be upheld and that no material diminution of the shareholders' equity will result.

6. Interest on Long-Term Debt

Interest on indebtedness incurred for an original term of over two years amounts to $686,000 (1974—$304,000).

7. Federal Anti-Inflation Legislation

On October 14, 1975, the Canadian Federal Government announced extensive controls, to which the Company and its subsidiaries are subject, on wages, prices, and dividends. Initially, the controls will be in effect until December 31, 1978 for wages and prices.

Dividend payments are initially controlled under the guidelines for the period October 14, 1975 to October 13, 1976. During this period, dividends cannot exceed $265,000.

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