



FOURTH QUARTER
REPORT TO SHAREHOLDERS 2009

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RESULTS OF OPERATIONS

Net Sales

Sales for the fourth quarter ended December 31, 2009 were \$161.0 million, a decrease of \$75.6 million or 32.0% from the \$236.6 million achieved in the comparable quarter of last year. Sales for the year to December 31, 2009 were \$667.7 million, which represents a decrease of \$322.0 million or 32.5% from the \$989.7 million achieved in 2008.

The deterioration in economic and market conditions experienced in the fourth quarter of 2008 continued into 2009. The global recession continued to lower demand for cars, housing and other durable goods. The rapid decline in carbon steel pricing levels that started in the fourth quarter of 2008 continued for most of 2009, other than for an up tick in pricing in the third quarter. In addition, stainless steel base prices and surcharges also continued to decrease in the first quarter of 2009 before starting to increase somewhat late in the second quarter and continuing into the third quarter before leveling off in the fourth quarter. Overall however stainless pricing levels remained at relatively low levels for most of the year.

Sales of the Packaging segment in the fourth quarter of 2009, at \$77.5 million, were down \$26.3 million or 25.3% from the \$103.8 million achieved in the comparable quarter of last year with lower sales in both Canada and the U.S., due to lower demand and increased competition.

Metal Processing sales for the fourth quarter of 2009, at \$83.5 million, were down \$49.2 million or 37.1% from the \$132.7 million achieved in the comparable quarter of last year. This was primarily due to lower sales of roll formed products, steel pressure vessels and carbon steel tubular products reflecting lower volumes and selling prices. Sales of stainless steel tubular products were higher in the fourth quarter compared to the same quarter of last year reflecting higher selling prices, while steel pickling sales remained relatively flat.

Earnings

Management has completed an impairment test of its goodwill and long-lived assets within each of its operating segments as at December 31, 2009. As a result of this analysis, the Company has recorded a pre-tax, non-cash impairment charge for goodwill and certain long-lived assets of \$49.1 million (\$30.5 million after tax). The impairment charge was primarily driven by the continuing impact of the global recession on sales and profitability and resulting adverse equity market conditions that caused a decrease in comparable company trading multiples and the Company's stock price. The Company's market capitalization as at December 31, 2009 was well below the carrying value of its net assets, suggesting an impairment. In addition, actual operating results in certain of the Company's reporting units have not met the Company's forecasts for the year and the considerable economic uncertainty has led management to lower forecast expectations for purposes of the annual impairment test. The details of the goodwill and long-lived assets impairment charge have been included in Notes 5 and 6 of the consolidated financial statements. The non-cash impairment charge did not affect the Company's liquidity, cash flows or debt covenants.

Net loss for the fourth quarter of 2009 was \$33.0 million or \$1.03 per share. The fourth quarter results this year include a goodwill and long-lived asset impairment charge of \$49.1 million (\$30.5 million after tax) which negatively impacted earnings by \$0.95 per share. Net loss for the comparable quarter in 2008 was \$46.9 million or \$1.46 per share. The fourth quarter results last year included a goodwill and long-lived assets impairment charge of \$53.6 million (\$38.7 million after tax) and negatively impacted earnings by \$1.20 per share. The fourth quarter results last year also included a restructuring gain of \$0.5 million (\$0.3 million after tax) consisting primarily of a portion of the gain on the sale of the equipment at the Scarborough, Ontario strapping manufacturing facility which positively impacted earnings by \$0.01 per share.

Operating loss (see below for cautionary language regarding non-GAAP measures) for the fourth quarter of 2009 amounted to \$1.6 million compared to an operating loss of \$9.9 million in the same period of last year. The Packaging segment improved from an operating loss in the fourth quarter of the prior year to an operating profit in the current year, while the Metal Processing segment experienced losses in the fourth quarter of 2009 as compared to an operating profit in the same quarter of 2008.

The Packaging segment had an operating profit of \$1.0 million in the fourth quarter of 2009 compared to an operating loss of \$7.4 million last year with improvements in both Canada and the U.S. The Packaging segment operating loss in the fourth quarter of 2008 included a significant write down of inventories to their net realizable value. The return of the Packaging Segment to profitability reflects the positive impact of cost reduction initiatives as well as greater price stability.

Operating loss for the Metal Processing segment for the fourth quarter of 2009 was \$0.9 million; compared to an operating profit of \$0.5 million in the comparable quarter of the prior year, with all groups other than roll form and steel pickling reporting operating losses. Operating profits from roll formed products reflected higher sales while steel pickling operations benefited from increased pickling tons and technology income. Operating losses at the other operations in the Metal Processing segment reflected lower volumes and selling prices and unfavourable product mix.

Outlook

Although demand continues to be relatively soft in most key market sectors, the North American and global economies appear to be in the early stages of a gradual economic recovery. This is due to lower finished goods inventory at many manufacturers, the ongoing positive impact of various global stimulus programs and continued improvement in credit markets. The recovery is fragile but does appear to be slowly gathering momentum.

North American steel mills began raising prices for 2010 in late 2009. These price increases were driven primarily by a tightness of supply and rising input costs. In addition, the increases were driven by limited imports, strengthening demand in emerging markets and uncharacteristically low customer inventories. The U.S. economy is showing slow signs of improvement, but those signs haven't as yet reached the steel sector, and any real improvement in demand will be very dependent on an increase in consumer spending. The expectation is for very slow growth through the first half of 2010 and a modest improvement in the second half of 2010.

In the first quarter of 2010, stainless steel prices are increasing. These increases are being fueled by rising raw material and nickel prices, reduced supply and slightly improved demand. The outlook is for stainless prices to remain volatile in the first half of 2010 with a possibility for further increases in the second quarter.

Any strengthening of the Canadian dollar relative to the U.S. dollar will have a negative impact on the Company's results in 2010. Based on current economic forecasts it is anticipated that the Canadian dollar will strengthen slightly through 2010.

Forecasting continues to be extremely difficult due to the many variables and uncertainties in the North American and global economies. Based on current economic forecasts, the Company's outlook is for a return to profitability in the latter part of 2010. No material improvement in overall market demand in the North American economy is anticipated until late 2010. The Company, meanwhile, continues to focus on maximizing liquidity, restricting capital expenditures, pursuing all available sales opportunities and reducing its cost structure to deal with these negative market conditions.

Mark C. Samuel
Chairman & CEO

March 1, 2010

The “Fourth Quarter Results” utilize the term “operating profit/loss” which is a non-GAAP measure. Securities regulations require that corporations caution readers that these terms do not have standardized meanings under GAAP and are unlikely to be comparable to similar measures used by other companies. Operating profit/loss is defined as earnings/loss from operations before goodwill and long-lived assets impairment charge, gain on sale of steel pickling operations, restructuring, interest and income taxes.

Operating profit/loss should not be construed as a substitute for net earnings or cash flows from operations (each as determined in accordance with generally accepted accounting principles) for the purpose of analyzing the Company’s operating performance, financial position or cash flows. The Company believes that, in addition to cash flow from operations and net earnings/loss, operating profit/loss is a useful financial performance measurement for assessing operating performance as it provides investors with an additional basis to evaluate the ability of the Company to incur and service debt and to fund capital expenditures.

This report may contain forward-looking information that is subject to risks, uncertainties and assumptions. Such information represents our current views based on information as at the date of issuing this report. We do not intend to update this information and disclaim any legal obligation to the contrary.

CONSOLIDATED STATEMENTS OF LOSS

Twelve Months ended December 31, 2009 and 2008 (unaudited)

(in thousands of dollars except per share amounts)

	4TH QUARTER		TWELVE MONTHS	
	2009	2008	2009	2008
NET SALES	\$ 160,982	\$ 236,556	\$ 667,691	\$ 989,730
COSTS AND EXPENSES (INCOME):				
Cost of sales, selling & administration (note 4)	161,218	246,496	692,752	946,964
Amortization	958	1,192	4,611	5,290
Foreign exchange gain (loss)	428	(1,182)	511	(1,401)
Interest on long-term debt	2,360	1,995	8,422	8,064
Interest on short-term debt	-	37	-	174
Interest income	(291)	(152)	(328)	(259)
	164,673	248,386	705,968	958,832
EARNINGS (LOSS) BEFORE THE UNDERNOTED	(3,691)	(11,830)	(38,277)	30,898
GOODWILL AND LONG-LIVED ASSETS				
IMPAIRMENT CHARGE (note 5)	49,132	53,634	49,132	53,634
GAIN ON SALE OF STEEL PICKLING OPERATIONS	-	50	-	(15,153)
RESTRUCTURING (note 12)	-	(488)	(665)	2,215
LOSS BEFORE INCOME TAXES	(52,823)	(65,026)	(86,744)	(9,798)
INCOME TAXES (RECOVERY):				
Current	(13,825)	(3,845)	(23,514)	15,488
Future	(5,956)	(14,263)	(8,617)	(15,946)
	(19,781)	(18,108)	(32,131)	(458)
NET LOSS	\$ (33,042)	\$ (46,918)	\$ (54,613)	\$ (9,340)
BASIC AND DILUTED LOSS PER SHARE	\$ (1.03)	\$ (1.46)	\$ (1.70)	\$ (0.29)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Twelve Months ended December 31, 2009 and 2008 (unaudited)

(in thousands of dollars)

	4TH QUARTER	
	2009	2008
RETAINED EARNINGS, BEGINNING OF PERIOD	\$ 319,733	\$ 341,925
NET LOSS	(54,613)	(9,340)
DIVIDENDS DECLARED ON COMMON SHARES	(3,214)	(12,852)
RETAINED EARNINGS, END OF PERIOD	\$ 261,906	\$ 319,733

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

December 31, 2009 and December 31, 2008 (unaudited)

(in thousands of dollars)

	Dec. 31, 2009	Dec. 31, 2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,823	\$ 2,808
Accounts receivable	92,384	134,218
Inventories (note 4)	127,100	233,441
Prepaid expenses and sundry	3,683	4,398
Income taxes receivable	16,344	-
Future income taxes	6,824	10,018
Other asset (note 13)	2,811	-
	250,969	384,883
CAPITAL ASSETS	132,890	171,762
ACCRUED PENSION ASSET	11,716	8,362
ASSETS HELD FOR SALE (note 13)	-	2,771
FUTURE INCOME TAXES	11,232	2,496
GOODWILL	17,740	54,035
INTANGIBLE ASSETS	7,058	17,559
OTHER ASSETS (note 2)	4,581	1,681
	\$ 436,186	\$ 643,549
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank indebtedness	\$ -	\$ 4,879
Accounts payable and accrued liabilities (note 8)	71,180	67,319
Deferred revenue	2,405	8,206
Dividends payable	-	3,258
Income taxes payable	-	1,148
	73,585	84,810
LONG-TERM DEBT (note 6)	92,569	205,859
POST-RETIREMENT BENEFITS OTHER THAN PENSIONS	2,756	2,842
FUTURE INCOME TAXES	2,974	5,188
OTHER LONG-TERM LIABILITIES (notes 2 and 8)	2,099	2,928
	173,983	301,627
SHAREHOLDERS' EQUITY:		
Capital stock (note 10)	30,126	30,126
Contributed surplus	195	195
Retained earnings	261,906	319,733
Accumulated other comprehensive loss (note 3)	(30,024)	(8,132)
	262,203	341,922
	\$ 436,186	\$ 643,549

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Twelve Months ended December 31, 2009 and 2008 (unaudited)

(in thousands of dollars)

	4TH QUARTER		TWELVE MONTHS	
	2009	2008	2009	2008
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:				
Net loss	\$ (33,042)	\$ (46,918)	\$ (54,613)	\$ (9,340)
Items not involving cash:				
Depreciation and amortization	6,176	6,595	26,589	28,160
Amortization of deferred financing costs	469	-	469	-
Goodwill and long-lived assets impairment charge (note 5)	49,132	53,634	49,132	53,634
Gain on disposal of capital assets	79	826	(511)	(15,998)
Compensation costs for stock options	-	54	-	54
Future income taxes	(5,956)	(14,263)	(8,617)	(15,946)
Loss (gain) on derivatives not designated as hedges	232	-	-	-
Decrease (increase) in accrued pension asset	(729)	(1,221)	(3,427)	1,074
Decrease in post-retirement benefits other than pensions	73	39	247	98
	16,434	(1,254)	9,269	41,736
Change in non-cash operating working capital:				
Decrease (increase) in accounts receivable	(579)	36,806	35,519	6,155
Decrease (increase) in inventories	91	9,915	109,338	(29,405)
Decrease (increase) in prepaid expenses and sundry	2,256	1,705	419	(816)
Decrease (increase) in income taxes receivable	(8,373)	102	(10,336)	6,713
Increase (decrease) in accounts payable and accrued liabilities	9,749	(32,657)	6,072	(10,491)
Increase (decrease) in deferred revenue	(126)	564	(4,993)	648
Increase (decrease) in income taxes payable	-	(7,400)	(7,707)	653
	19,452	7,781	137,581	15,193
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:				
Proceeds on sale of capital assets	24	806	1,310	39,215
Purchase of capital assets	(1,147)	(8,231)	(11,929)	(23,218)
Business acquisitions (note 2)	(16)	(2,945)	(13,872)	(63,075)
Contingent consideration paid into escrow (note 2)	-	-	(2,530)	-
	(1,139)	(10,370)	(27,021)	(47,078)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:				
Increase in other assets	112	1,006	(872)	(79)
Issuance of common shares	-	-	-	160
Increase in long-term debt	6,708	8,115	25,550	50,635
Repayment of long-term debt	(27,835)	(207)	(128,169)	(5,400)
Dividends paid on common shares (note 9)	-	(3,213)	(3,214)	(12,852)
	(21,015)	5,701	(106,705)	32,464
EFFECT OF EXCHANGE RATE CHANGES ON CASH POSITION	252	(368)	39	(611)
INCREASE (DECREASE) IN CASH POSITION	(2,450)	2,744	3,894	(32)
CASH POSITION, BEGINNING OF PERIOD	4,273	(4,815)	(2,071)	(2,039)
CASH POSITION, END OF PERIOD	\$ 1,823	\$ (2,071)	\$ 1,823	\$ (2,071)

Cash position is comprised of cash and cash equivalents, with maturities at the date of purchase of three months or less, less bank indebtedness.

See accompanying notes to consolidated financial statements.

SEGMENTED INFORMATION

Twelve Months ended December 31, 2009 and 2008 (unaudited)

(in thousands of dollars)

NET SALES	4TH QUARTER		TWELVE MONTHS	
	2009	2008	2009	2008
Packaging	\$ 77,483	\$ 103,823	\$ 344,747	\$ 460,059
Metal Processing	83,499	132,733	322,944	529,671
Consolidated	\$ 160,982	\$ 236,556	\$ 667,691	\$ 989,730

LOSS BEFORE GOODWILL AND LONG-LIVED ASSETS IMPAIRMENT CHARGE, GAIN ON SALE OF STEEL PICKLING OPERATIONS, RESTRUCTURING, INTEREST AND INCOME TAXES	4TH QUARTER		TWELVE MONTHS	
	2009	2008	2009	2008
Packaging	\$ 932	\$ (7,352)	\$ (9,967)	\$ 13,042
Metal Processing	(964)	496	(14,007)	36,025
Corporate	(1,590)	(3,094)	(6,209)	(10,190)
Earnings (loss) before the undernoted	(1,622)	(9,950)	(30,183)	38,877
Goodwill and long-lived assets impairment charge	49,132	53,634	49,132	53,634
Gain on sale of steel pickling operations (note 14)	-	50	-	(15,153)
Restructuring (note 12)	-	(488)	(665)	2,215
Interest on long-term debt	2,360	1,995	8,422	8,064
Interest on short-term debt	-	37	-	174
Interest income	(291)	(152)	(328)	(259)
Loss before income taxes	\$ (52,823)	\$ (65,026)	\$ (86,744)	\$ (9,798)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Twelve Months ended December 31, 2009 and 2008 (unaudited)

(in thousands of dollars)

NET LOSS	4TH QUARTER		TWELVE MONTHS	
	2009	2008	2009	2008
NET LOSS	\$ (33,042)	\$ (46,918)	\$ (54,613)	\$ (9,340)
OTHER COMPREHENSIVE INCOME (LOSS):				
Unrealized gain (loss) on translation of net foreign operations, including hedge of net foreign operations	(2,588)	17,867	(22,655)	27,959
Change in unrealized gain or loss on derivatives designated as cash flow hedges	256	(1,899)	503	(2,260)
Income taxes on change in unrealized gain or loss	(82)	596	(142)	701
Reclassification of realized (gain) loss on cash flow hedges	161	213	613	210
Income taxes on reclassification of realized gain (loss)	(51)	(68)	(211)	(72)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	(2,304)	16,709	(21,892)	26,538
COMPREHENSIVE INCOME (LOSS)	\$ (35,346)	\$ (30,209)	\$ (76,505)	\$ 17,198

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Twelve months ended December 31, 2009 and 2008 (*unaudited*)
(in thousands of dollars except per share amounts)

1. SIGNIFICANT ACCOUNTING POLICIES:

The unaudited consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada. These financial statements should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2008. All accounting policies and methods of their application used in these consolidated financial statements are consistent with the Company's annual financial statements except as noted below:

(i) Goodwill and intangible assets:

Goodwill is not amortized, but instead subjected to an annual impairment test. If impairment of goodwill is determined, an impairment loss will be recognized and goodwill will be written down to its fair value. An impairment loss is to be provided when the carrying amount of the goodwill exceeds its fair value. During the year, the Company wrote down its goodwill by \$31,711 (2008 - \$43,734) as further described in note 5.

Intangible assets represent a licence, customer relationships, patents and other intangible assets acquired. The Company has determined that none of its intangible assets have indefinite lives and, accordingly, amortizes such intangible assets on a straight-line basis over their estimated useful lives, ranging from 4 to 15 years. An impairment charge of \$5,321 was taken in 2009 (2008 - \$nil) as described in note 5.

(ii) Impairment of long-lived assets:

An impairment of a long-lived asset is recognized when the carrying amount of an asset to be held and used exceeds the sum of undiscounted cash flows expected from its use, and is measured as the amount by which the carrying amount of assets exceeds its fair value. During the year, the Company wrote down its intangible assets by \$5,321, as discussed above, and also wrote down its capital assets by \$12,100, for a total write down of its long-lived assets of \$17,421 (2008 - \$9,900) as further described in note 5.

(iii) Disposal of long-lived assets:

Assets classified as held for sale are measured at the lower of their carrying amounts or fair value, less costs to sell. As at December 31, 2008 the Company had a building and the land on which the building is located held for sale, as further described in note 13.

Adoption of new accounting policies

(i) Financial Instruments – Disclosures

In June 2009, the CICA amended Handbook Section 3862, Financial Instruments – Disclosures to require additional disclosures with regard primarily to fair value measurement of financial instruments and also with regard to liquidity risks. The changes to this standard require the Company to classify fair value measurements using a three-tiered hierarchy that reflects the significance of the inputs used in making the fair value measurement. Level 1 represents fair value measurements for which the inputs are quoted prices in active markets for identical assets or liabilities. Level 2 represents inputs other than quoted prices that are observable either directly or indirectly. Level 3 represents inputs that are not based on observable market data. Changes to the standard with regard to liquidity risk disclosures require the Company to provide a maturity analysis for derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of cash flows. Maturity analysis disclosures are also required for non-derivative financial liabilities. These changes are effective for the Company from July 1, 2009.

(ii) Financial Instruments – Recognition and Measurement

In June 2009, the CICA amended Handbook Section 3855, Financial Instruments – Recognition and Measurement to clarify the calculation of an effective interest rate to be used to calculate interest on a financial asset after recognition of an impairment loss. Section 3855 was also amended to add guidance with respect to the assessment of embedded derivatives upon reclassification of a financial instrument out of the held-for-trading category. These changes are effective for the Company from July 1, 2009.

(iii) Credit Risk and Fair Value of Financial Assets and Financial Liabilities

On January 20, 2009, the Emerging Issues Committee (“EIC”) of the Canadian Accounting Standards Board (“AcSB”) issued EIC Abstract 173, Credit Risk and Fair Value of Financial Assets and Financial Liabilities (“EIC 173”), which establishes that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC 173 is effective for the Company beginning January 1, 2009 and has been adopted retrospectively, without restatement of prior years. The adoption of this abstract did not have a significant impact on the Company's consolidated financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (continued):

Future changes in accounting policy

(ii) International Financial Reporting Standards (IFRS)

In March 2009, the AcSB reconfirmed that publicly accountable enterprises will be required to report under IFRS effective for fiscal periods beginning on or after January 1, 2011. The Company has commenced efforts toward conversion to IFRS and will continue to invest in training and resources required throughout the transition period to ensure a timely conversion. Upon adoption of IFRS, it is likely that changes in accounting policies will be required that may materially impact the Company's consolidated financial statements.

(ii) Business Combinations, Consolidated Financial Statements, and Non-Controlling Interests

In January 2009, the AcSB issued new Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements, and Section 1602, Non-Controlling Interests. These sections will be effective beginning January 1, 2011, and must be applied prospectively. Earlier adoption is permitted, provided that all three of these Sections must be adopted at the same time. Section 1582, Business Combinations will replace the existing Section 1581, Business Combinations and will establish standards for accounting for business combinations equivalent to International Financial Reporting Standard IFRS 3, Business Combinations. Sections 1601 and 1602 will replace the existing Section 1600, Consolidated Financial Statements and will establish standards for consolidation and minority interest accounting equivalent to International Financial Reporting Standard IAS 27, Consolidated and Separate Financial Statements. These changes will not impact the Company's current year consolidated financial statements. The Company is currently assessing the future impact of these standards on its consolidated financial statements.

(iii) Financial Instruments – Embedded Prepayment Options

In April 2009, the AcSB amended Section 3855 to change the basis for determining when a prepayment option embedded in a host debt instrument is closely related to the host instrument. Amended Section 3855 requires that an option that provides the ability for either the issuer or the holder of a debt instrument to cause prepayment of the instrument to be treated as a separate derivative if certain conditions are met. This change will be effective beginning January 1, 2011 and must be applied prospectively, with earlier adoption permitted. This change will not impact the Company's current year consolidated financial statements. The Company is currently assessing the future impact of this standard on its consolidated financial statements.

2. BUSINESS ACQUISITIONS:

(a) Piling Products, Inc.:

On August 31, 2009, the Company acquired the principal assets and all business operations of Piling Products, Inc. ("PPI"), a Florida based distributor of hot rolled and cold formed sheet piling. The purchase price of U.S. \$12,554 was funded with cash on hand and borrowing against existing credit facility. The purchase price may increase by an additional U.S. \$2,215 of contingent consideration if certain criteria are met over a five year period subsequent to acquisition. The Company has paid the U.S. \$2,215 into escrow. Any portion of the contingent consideration that is earned will be due and payable from the escrow to the vendor five years after the date of acquisition. Any portion of the contingent consideration that is not earned will be returned to the Company by the escrow agent. The contingent consideration is included in long-term other assets on the balance sheet and will be included in acquisition cost when and to the extent it is earned. The acquisition of PPI is included in the Metals Processing segment.

(b) Samuel/Sekisui Jushi Strapping LLC:

On September 15, 2009, the Company acquired Sekisui Jushi America, Inc.'s 50% interest in Samuel/Sekisui Jushi Strapping LLC ("SSJS") for U.S. \$1,200. The purchase price was satisfied by issuing a note payable to Sekisui Jushi America, Inc., in the amount of U.S. \$1,200. The note payable is due June 1, 2011, is secured by the real property acquired, and is included in other long-term liabilities on the balance sheet. Subsequent to the acquisition, the Company owns 100% of SSJS, a leader in the manufacture of polypropylene strapping products. The acquisition of SSJS is included in the Packaging segment.

Both acquisitions have been accounted for under the purchase method of accounting, and the results of operations have been included in the consolidated statement of loss with effect from the respective dates of acquisition.

The process of valuing certain assets acquired has not been finalized, and, as such, the fair value allocation of the purchase prices is subject to refinement. On a preliminary basis, details of the consideration given and the fair value of the net assets acquired are as follows, in Canadian dollars:

2. BUSINESS ACQUISITIONS (continued):

	PPI	SSJS	Total
Cash consideration	\$ 13,746	\$ -	\$ 13,746
Note payable issued	-	1,292	1,292
Less cash acquired	-	(370)	(370)
Acquisition costs	126	-	126
Total purchase price	\$ 13,872	\$ 922	\$ 14,794
Net assets acquired, at fair values:			
Accounts receivable	\$ -	\$ 295	\$ 295
Inventories	11,142	483	11,625
Prepaid expenses	13	-	13
Capital assets	521	395	916
Intangible assets (subject to amortization)	1,039	-	1,039
Goodwill	1,157	-	1,157
Accounts payable	-	(251)	(251)
Net assets acquired, net of cash of \$50	\$ 13,872	\$ 922	\$ 14,794

The intangible assets arising on acquisition relate to customer relationships. Of the Goodwill arising on acquisition, \$1,157 is deductible for income tax purposes.

3. ACCUMULATED OTHER COMPREHENSIVE LOSS:

	4 th QUARTER		TWELVE MONTHS	
	2009	2008	2009	2008
CUMULATIVE TRANSLATION ADJUSTMENT				
Balance, beginning of period	\$ (26,399)	\$ (24,199)	\$ (6,332)	\$ (34,291)
Unrealized gain (loss) on translation of net foreign operations, including hedge of net foreign operations	(2,588)	17,867	(22,655)	27,959
Balance, end of period	(28,987)	(6,332)	(28,987)	(6,332)
UNREALIZED DERIVATIVE GAIN (LOSS) ON CASH FLOW HEDGES, net				
Balance, beginning of period	(1,321)	(642)	(1,800)	(379)
Change in unrealized gain or loss on derivatives designated as cash flow hedges	256	(1,899)	503	(2,260)
Income taxes on change in unrealized gain or loss	(82)	596	(142)	701
Reclassification of realized loss on cash flow hedges	161	213	613	210
Income taxes on reclassification of realized loss	(51)	(68)	(211)	(72)
Balance, end of period	(1,037)	(1,800)	(1,037)	(1,800)
ACCUMULATED OTHER COMPREHENSIVE LOSS	\$ (30,024)	\$ (8,132)	\$ (30,024)	\$ (8,132)

4. INVENTORIES:

	2009	2008
Raw materials	\$ 36,217	\$ 77,663
Work in process	8,244	17,265
Finished Goods	82,639	138,513
Total	\$ 127,100	\$ 233,441

The total amount of inventories recognized as an expense (cost of sales) in 2009 was \$601,887 (2008 - \$851,670) including depreciation of \$19,837 (2008 - \$20,326) and write-downs of inventory to net realizable value of \$1,570 (2008 - \$6,659).

5. GOODWILL AND LONG-LIVED ASSETS IMPAIRMENT CHARGE:

Goodwill is tested for impairment at least annually. The test is completed at the reporting unit level and has resulted in a goodwill impairment charge of \$31,711 in the quarter ended December 31, 2009, which is reported on the statement of loss under the goodwill and long-lived assets impairment charge line. It was determined that goodwill associated with the Steel Pressure Vessel and Carbon Tubular Products groups was impaired and accordingly, a write down of \$31,711 has been recorded. In conjunction with the write downs, a future income tax recovery of \$12,334 has been recorded.

In the quarter ended December 31, 2009, a long-lived asset impairment charge of \$17,421 was recorded in the Metal Processing segment. This charge is included in the goodwill and long-lived assets impairment charge line of the consolidated statement of loss. Included in this amount are write-downs of capital assets and definite lived intangibles as described below.

Definite life intangibles are tested for impairment whenever indicators of impairment exist. An analysis was performed in the current year that indicated impairment within the Metal Processing Segment. The impairment relates to the value of certain customer relationships. The test was completed at the reporting unit level and has resulted in a definite life intangible asset write down of \$5,321 (2008 - \$nil). In conjunction with the write down, a future income tax recovery of \$2,075 has been recorded.

Capital assets are tested for impairment whenever indicators of impairment exist. An analysis was performed in the current year that indicated impairment within the Metal Processing Segment. The test was completed at the reporting unit level and has resulted in a \$12,100 write down of certain capital assets of the Steel Pickling Group to their fair values.

The recent significant downturn in the global economy has led to a decline in selling prices and operating margins. These declines combined with considerable economic uncertainty in the markets that the Company's reporting units serve, particularly the North American recreational and utility vehicle market, has led management to lower forecast expectations for purposes of the annual impairment tests.

6. LONG-TERM DEBT:

On June 26, 2009, the Company signed a new syndicated bank agreement (the "Bank Agreement") for a \$225,000 senior secured revolving credit facility (the "Facility") maturing on December 16, 2011, repayable in advance without penalty. The Bank Agreement is secured by a general security agreement covering all of the Company's present and future undertakings and assets, including all real property, and by a pledge of shares and guarantees of certain of the Company's legal entities. The Bank Agreement contains certain financial covenants as further explained in note 9.

The Company can borrow against the Facility by direct advances in either Canadian or U.S. funds at rates tied to Canadian bank prime and U.S. bank base rate, and various bankers' acceptance rates and LIBOR, plus stamping fees. Stamping fees vary based on the Company's net funded debt to Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) ratio, and range between 2.25% and 3.00% for prime and bank base rate borrowings, and between 3.25% and 4.00% for LIBOR and Bankers' Acceptance borrowings. The undrawn portion of the Facility is subject to standby fees ranging between 0.975% and 1.20%, similarly indexed to the Company's EBITDA ratio.

The Company has entered into U.S. \$65,000 of interest rate swaps to fix interest rates on a portion of its debt as further described in note 8.

At December 31, 2009 the Company had \$94,444 drawn against its long-term revolving credit facility, of which \$93,630 was denominated in U.S. dollars. The weighted average interest rate on the Company's long-term borrowings at December 31, 2009 was 6.22% (December 31, 2008 – 3.0%).

Deferred financing costs of \$1,875 are included in the carrying amount of long-term debt.

The Company's long-term credit facility matures December 16, 2011.

7. FUTURE BENEFIT COSTS:

The Company has incurred pension and other post-retirement benefit costs as noted below.

	4 th QUARTER		TWELVE MONTHS	
	2009	2008	2009	2008
Defined benefit pension plans	\$ 213	\$ 1,533	\$ 2,809	\$ 8,704
Defined contribution pension plans	390	741	1,761	2,148
Other benefit plans	55	99	262	262
Total	\$ 658	\$ 2,373	\$ 4,832	\$ 9,942

8. FINANCIAL INSTRUMENTS:

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk.

Credit Risk

Credit risk arises from the potential default of a customer in meeting its financial obligation to the Company. The Company has credit evaluation, approval and monitoring processes to mitigate potential credit risk.

The Company evaluates the collectability of accounts receivable and records an allowance for doubtful accounts which reduces receivables to the amount management reasonably believes will be collected.

Credit risk exists in the event of non-performance by a counterparty to forward exchange contracts and interest rate swaps. This risk is minimized as each contract is with a major chartered bank and represents an exchange between the same parties allowing for an offset in the event of non-performance.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	December 31, 2009	December 31, 2008
Cash and cash equivalents	\$ 1,823	\$ 2,808
Accounts receivable	92,384	134,218
Other assets	7,392	1,681
Total	\$ 101,599	\$ 138,707

The aging of accounts receivable at the reporting date was:

	December 31, 2009	December 31, 2008
1 to 30 days	\$ 49,042	\$ 62,305
31 to 60 days	31,919	43,053
61 to 90 days	8,029	16,937
Greater than 90 days	6,374	14,931
Gross accounts receivable	\$ 95,364	\$ 137,226
Less: Allowance for doubtful accounts	(2,980)	(3,008)
Total accounts receivable, net	\$ 92,384	\$ 134,218

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holding in financial instruments.

Foreign exchange risk / Currency risk

The Company is a net seller of U.S. dollars with U.S. dollar receipts from sales exceeding U.S. dollar denominated purchases of raw materials, supplies and equipment. As a net seller of U.S. funds, the Company is negatively affected by a strong Canadian currency. However, this is somewhat offset by the favourable effect of a strong Canadian dollar on the Company's purchases of raw materials, supplies and equipment in U.S. dollars. The Company enters into forward exchange contracts to hedge the cash flow risk associated with its estimated net foreign currency cash requirements and certain significant transactions. The Company also enters into forward exchange contracts to hedge the cash flow risk associated with specific transactions denominated in currencies other than U.S. dollars.

The Company uses derivative financial instruments to manage risks from fluctuations in exchange rates. All such instruments are used for risk management purposes only, as the Company does not enter into derivatives for speculative purposes.

The Company's U.S. denominated borrowings have been used to hedge the Company's foreign exchange exposure to its investment in self-sustaining U.S. dollar denominated operations. The impact of foreign exchange on the US dollar borrowings and the net investment in U.S. dollar entities is reported in other comprehensive income. These have been and continue to be fully effective hedges. No ineffectiveness has been recognized in the consolidated statement of loss.

8. FINANCIAL INSTRUMENTS (continued):

All derivative instruments are recorded in the consolidated statement of loss at fair value unless the derivative instrument is designated as an effective hedge, or is a contract to buy or sell a non-financial item in accordance with the Company's expected purchase, sale or usage requirements referred to as a "normal purchase or normal sale". Normal purchase and normal sales are exempt from the application of the standard and are accounted for as executory contracts. Changes in the fair value of a derivative instrument designated as an effective cash flow hedge are recorded in accumulated other comprehensive loss, a component of equity.

At December 31, 2009, the Company was committed to the purchase of U.S. \$3,885 under forward exchange contracts at rates of exchange of Cdn. \$1.0502 maturing from January 29 to February 26, 2010. These contracts are designated as effective hedges.

The fair value of the contracts as at December 31, 2009 was an unrealized loss of \$17 (\$12 net of tax) and is recorded within accounts payable and accrued liabilities on the consolidated balance sheet.

If the Canadian dollar had appreciated 1% against the U.S. dollar at December 31, 2009, with all other variables held constant, the impact of the foreign currency change on the Company's U.S. dollar denominated financial instruments, excluding U.S. denominated long-term debt which is designated as a hedge of the net investment in self-sustaining U.S. dollar foreign entities, would be to (increase) decrease loss before taxes for the year ended December 31, 2009 by (\$56). The impact of the same change on the Company's U.S. dollar debt would be to (increase) decrease other comprehensive loss before taxes for the year ended December 31, 2009 by \$930. The preceding analysis does not take into account the impact of foreign exchange contracts in place at year end. The impact of changes in other currencies on the Company's earnings is not significant.

Interest rate risk

The Company is subject to floating interest rates on its long-term debt facility and consequently, there is risk of cash flow exposure in the event that interest rates increase. The Company enters into interest rate swaps to hedge its exposure to changes in interest rates. At December 31, 2009, the Company had a U.S. \$30,000 interest rate swap fixing interest at a rate of 4.15% and maturing December 16, 2010 in place as well as a U.S. \$35,000 interest rate swap fixing interest at a rate of 1.83% and maturing December 21, 2011, with the balance of long-term debt subject to floating interest rates.

Any change in the fair value of the effective portion of an interest rate swap that is designated and qualifies as a cash flow hedge is recognized in other comprehensive income. Any gain or loss in fair value relating to the ineffective portion, if any, is recognized immediately in the consolidated statement of loss. The fair value of the interest rate swaps at December 31, 2009 was an unrealized loss of \$1,496 (\$1,025 net of tax) based on the amount quoted by the Company's banker and has been recognized in other comprehensive income, with \$367 recorded within other long-term liabilities and \$1,129 recorded within accounts payable and accrued liabilities on the consolidated balance sheet.

A 1% increase (decrease) in the interest rate would have resulted in an approximately \$434 (decrease) increase in the pre-tax loss of the Company for the year ended December 31, 2009. This analysis assumes that all other variables, in particular foreign currency rates, and the level of interest rate swaps in place, remained constant.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet liabilities when due. The Company monitors sales and collection efforts to ensure sufficient cash flows are generated from operations to meet current debt servicing requirements. At December 31, 2009, the Company had cash and cash equivalents of \$1,823. The Company's revolving credit facility permitted the Company to borrow funds up to an aggregate of \$225,000 subject to covenant compliance, which reduced the aggregate funds available for borrowing to \$160,000. At December 31, 2009, \$96,453 had been drawn against the Company's long-term facility in the form of long-term debt - \$94,444, and letters of credit - \$2,009.

The Company's long-term credit facility matures December 16, 2011.

Management monitors consolidated cash flow through quarterly forecasting and through the annual budget process. The Company expects to be able to re-negotiate its credit facility and to generate cash to meet the repayment requirement as noted above.

All of the Company's financial liabilities, other than long-term debt and a note payable to Sekisui Jushi America, Inc., in the amount of U.S. \$1,200 and due June 1, 2011, have contractual maturities of less than one year.

8. FINANCIAL INSTRUMENTS (continued):

Fair value

Under Canadian generally accepted accounting principles, financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. The Company has also designated certain of its derivatives as effective hedges. The carrying values of the Company's financial instruments on the consolidated balance sheets are classified into the following categories:

	December 31, 2009	December 31, 2008
Held-for-trading	\$ 1,823	\$ (2,071)
Loans and receivables	\$ 99,776	\$ 135,899
Other financial liabilities	\$ (163,749)	\$ (273,178)

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, other assets, accounts payable and accrued liabilities, long-term debt, other long-term liabilities, foreign exchange contracts and interest rate swap contracts. The Company has designated its cash and cash equivalents and bank indebtedness as held-for-trading, which is measured at fair value. Accounts receivable and other assets are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities long-term debt and other long-term liabilities are classified as other financial liabilities, which are measured at amortized cost.

The carrying values of cash and cash equivalents, accounts receivable, other receivables, accounts payable and accrued liabilities and other long-term liabilities approximate their fair values due to the immediate or short-term maturity of these financial instruments.

The estimated fair value of the Company's variable-rate debt approximates the carrying value of such debt since the variable interest rates are market-based, and the Company believes such debt could be refinanced on terms consistent with the current credit market.

The fair value of the Company's derivative financial instruments used to manage exposure to increases in procurement costs arising from certain foreign currency denominated purchases are estimated based upon fair value estimates of the related cash-settled foreign currency forward agreement provided by the counterparty to the transactions.

The fair value of the forward exchange contracts reflects the cash flows due to or from the Company if settlement had taken place on December 31, 2009.

The fair value of interest rate swaps used by the Company to manage interest rate exposure is based upon fair value estimates of the agreement provided by the counterparty to the transactions. The fair value of the interest rate swaps reflects the cash flows due from the Company if settlement had taken place on December 31, 2009.

In determining the fair value of interest rate swaps and foreign exchange contracts, the company uses level 2 inputs, which are defined as inputs that are either directly or indirectly observable but not level 1 inputs, which are defined as being derived from unadjusted quoted prices for identical instruments in active markets. The Company does not have any financial instruments that are fair valued using level 3 inputs, which are defined as inputs that are not based on observable market data. There were no significant transfers between the three levels of the fair value hierarchy during the year ended December 31, 2009.

9. CAPITAL MANAGEMENT:

There were no changes in the Company's approach to capital management during the period compared to that of 2008. The Company's strategy for capital risk management is driven by the cost effectiveness of externally available debt, cash from operations and expectations for future acquisitions and capital expenditures.

The Company's objective when managing capital is to maintain a prudent capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management defines capital as the Company's total shareholders' equity, as well as long-term debt and bank indebtedness.

On June 26, 2009, the Company renegotiated its bank term facilities. The new syndicated bank agreement contains financial covenants including Funded Debt to Capitalization (less than 0.4 to 1.0), Net Funded Debt to EBITDA (varying between a maximum of 3.0 to 1.0 and 5.75 to 1.0), and Current Ratio (greater than 1.5 to 1.0) covenants, all of which the Company was in compliance with at December 31, 2009.

9. CAPITAL MANAGEMENT (continued):

For the purposes of the Net Funded Debt to EBITDA ratio covenant calculation, the sum of EBITDA for the current and immediately preceding three fiscal quarters ("Rolling Four Quarter EBITDA") is used. The Net Funded Debt to EBITDA ratio covenant was replaced by maximum funded debt of \$180,000 for the quarter ending September 30, 2009 and \$160,000 for the quarter ending December 31, 2009, with positive EBITDA required in each of the two quarters. The Net Funded Debt to EBITDA ratio covenant is set at 5.75 to 1.0 for the quarter ending March 31, 2010; 3.5 to 1.0 for the quarter ending June 30, 2010; and 3.0 to 1.0 thereafter. For the quarter ending March 31, 2010, maximum funded debt is restricted to \$160,000.

The Company anticipates that it may not meet its existing Rolling Four Quarter EBITDA financial covenant as described above in 2010. As a result, the Company is currently in discussions with its banking syndicate with respect to certain amendments to this financial covenant as it applies to 2010. The Company is hopeful in successfully concluding these negotiations, including the execution of definitive documentation, in the first quarter of 2010.

As part of the Company's approach to capital management, the Board of Directors reviews, on a quarterly basis, whether any dividends should be paid with reference to the Company's Dividend Policy. Before recommending to the Board of Directors any quarterly dividend to be paid, Management considers such factors as consistency with the Company's capital financing strategy objectives, target yield to our shareholders, external benchmarks, targeted percentage of average annual net earnings, and Bank Agreement covenants restricting the declaration of dividends when the Company's Debt to EBITDA ratio equals or exceeds 3.0 to 1.0. In the second quarter, the Company's Board determined that dividend payments would be suspended. In the year ended December 31, 2009, dividends totaling \$3,214 were declared payable to the Company's shareholders (2008 - \$12,852).

In order to maintain or adjust the capital structure, the Company may provide dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, and issue new debt to replace existing debt with different characteristics.

10. CAPITAL STOCK:

	December 31, 2009	December 31, 2008
Number of common shares outstanding	32,140,245	32,140,245
Number of options outstanding	272,300	324,400

The Company did not issue any stock options during the three and twelve months ended December 31, 2009, nor were any options exercised. During the three and twelve months ended December 31, 2009, 52,100 stock options expired and were cancelled.

Weighted average number of shares:

	4 th QUARTER		TWELVE MONTHS	
	2009	2008	2009	2008
Basic Shares	32,140,245	32,140,245	32,140,245	32,129,160
Effect of dilutive stock options (a)	-	-	-	-
Diluted shares	32,140,245	32,140,245	32,140,245	32,129,160

(a) As the Company had a net loss in the three and twelve months ended December 31, 2009, options granted and outstanding under the Company's stock option plan have been excluded from the diluted weighted average number of common shares calculation as their inclusion would be anti-dilutive.

11. RELATED PARTY TRANSACTIONS AND BALANCES:

In the normal course of operations, the Company has transactions with its parent and companies under its control which are measured at amounts agreed to by the respective parties subject to normal trade terms, as described in the notes of the Company's annual financial statements.

In addition, in the first quarter of 2009, the Company sold the tool steel inventory and related equipment and working capital of Unalloy-IWRC, a division of the Company to its parent, Samuel, Son & Co. Ltd. ("SSCL") at a negotiated selling price of \$5,972. This decision resulted from an extensive review whereby it was determined that these two product lines were no longer a strategic fit within the Company. The review also involved exploring various options for sale of the business to third party buyers before it was determined that the most attractive sale could be concluded with SSCL. This transaction closed February 27, 2009 and resulted in a loss of \$2,105.

12. RESTRUCTURING:

On January 5, 2007, the Company announced the approval of a formal plan to close its Warden Avenue manufacturing facility in Scarborough, Ontario. Costs of \$3,112 (\$1,100 after income taxes) net of a gain on sale of land, building and equipment of \$5,969 were incurred for facility closure, disposal of certain assets, severance and other related items. The restructuring costs are associated with the Packaging segment, and are reported in the restructuring line within the consolidated statements of loss.

The following table highlights the activity and balance of the restructuring charge for the twelve months ended December 31, 2009:

<i>Restructuring Charge</i>	Total Costs Expected	Costs incurred to December 31, 2008	Costs incurred twelve months ended December 31, 2009	Cumulative costs incurred
Severance, termination costs, benefits, retention bonuses	\$ 2,974	\$ 2,974	\$ -	\$ 2,974
Pension curtailment and settlement	3,756	3,756	-	3,756
Gain on sale of machinery and equipment	(1,855)	(1,190)	(665)	(1,855)
Gain on sale of land and building	(4,114)	(4,114)	-	(4,114)
Other	2,351	2,351	-	2,351
Total	\$ 3,112	\$ 3,777	\$ (665)	\$ 3,112

Other restructuring costs include facility closure costs, capital asset dismantling and write down, and inventory write down.

13. SALE OF ARVIN AVENUE PICKLING LOCATION:

On August 7, 2009, the Company sold the land and building of its Nelson Steel facility located at 199 Arvin Avenue in Stoney Creek, Ontario, for \$3,900 plus customary closing adjustments of \$24. \$1,113 of the sales proceeds was settled in cash on closing, with the balance of the consideration provided in the form of a mortgage receivable for \$2,811. The mortgage is non-interest bearing, is secured by the assets sold, and is due as to \$1,000 on May 8, 2010, and \$1,811 on August 6, 2010. The mortgage is included in other current assets on the balance sheet.

The net book value of these assets in the amount of \$2,771 had previously been classified as held for sale on the balance sheet. Net of selling costs, the sale generated a gain of approximately \$620.

The pickling operations at this facility had been permanently idled at the date the decision was made to sell the property, and therefore the Nelson Steel workforce will be unaffected by the sale.

14. GAIN ON SALE OF STEEL PICKLING OPERATIONS:

On August 29, 2008, the Company sold its Nanticoke, Ontario steel pickling operations to its major customer, U.S. Steel Canada for cash consideration of \$37,500, subject to normal closing adjustments. The sale resulted in an estimated pre-tax gain of \$15,153 (\$10,357 net of tax).

The net proceeds and the carrying amounts of the assets and liabilities included in the sale are as follows:

Purchase price	\$ 37,500
Working capital and other closing adjustments	151
Selling costs	(200)
Pension, severance and other costs	(1,652)
Net proceeds	\$35,799
Net assets sold, at carrying values:	
Accounts receivable	39
Inventories	399
Capital assets	20,487
Accounts payable	(279)
Net assets disposed of	\$ 20,646
Gain on sale of steel pickling operations	\$ 15,153

15. COMPARATIVE FIGURES:

In order to conform to the current year presentation, certain of the comparative figures have been reclassified.

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