

C



Monenco

Monenco Limited Annual Report 1987



TABLE OF CONTENTS

Highlights 1987	1
Report to Shareholders.	2-5
A New Image for Monenco . . .	6-7
Financial Statements	8-15
Auditors' Report	15
Revenue Segmentation	16
Financial Review	17-20

Pour obtenir la version française de ce rapport,
veuillez écrire à: Monenco Limitée, Bureau du
Secrétaire, C.P. 6088, Succ. "A", Montréal
(Québec) Canada H3C 3Z8

	1987	1986
Operating revenue	\$112,570,000	\$103,481,000
Income (loss) from continuing operations	1,088,000	(5,195,000)
Discontinued operations	(4,393,000)	(1,725,000)
Net loss for the year	(3,305,000)	(6,920,000)
Earnings (loss) per share		
From continuing operations:		
First quarter	.06	(.88)
Second quarter	.11	(.78)
Third quarter	.03	(.16)
Fourth quarter	.06	.26
	.26	(1.56)
From discontinued operations	(1.04)	(.52)
For the year	(.78)	(2.08)
Dividends paid—in cash	—	5,000
—in shares	—	585,000
	—	590,000
Per share—in cash	—	—
—in shares	—	.18
	—	.18
Working capital	23,658,000	1,616,000
Shareholders' equity	21,249,000	13,402,000
Number of employees	1,960	1,800

Capital

Majestic Contractors Limited subscribed for 3,117,000 shares at \$3.85 per share for a total of \$12,000,000. This gives Majestic a 45% equity interest in Monenco. Share capital was reorganized in conjunction with amalgamation with previous holding company to remove multiple vote shares. Convertible Special shares were issued to employee shareholders of holding company.

Revenues

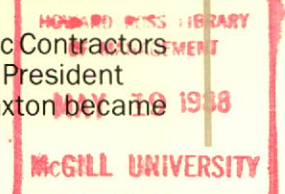
Consulting revenues increased 13%, particularly in Eastern Canada and United States. Continuing operations showed profit in each quarter totalling 26 cents per share for the year. Construction operations were discontinued. Special provision for this and writeoff of goodwill in unprofitable subsidiary amounted to \$4,393,000 or \$1.04 per share.

Operations

Paycuts imposed in 1986 were phased out in 1987. Staff increased 9% in the year. New market areas are developing in Land Related Information Systems facilities in Canada and Canadian aerospace programme.

Appointments

A.J. Cressey, President and Chief Executive Officer of Majestic Contractors Limited, made Chairman of the Board. J.K.C. Mulherin named President and Chief Executive Officer. D.B. Perini, J.J. McHale and J.B. Claxton became Directors.





J.K.C. Mulherin

Revenues for the year were \$113 million, up from \$103 million for 1986. This increase was due to improved operations in Eastern Canada along with continued growth in the United States. The profit from continuing operations was \$0.26 per share compared with a loss of \$1.56 per share in 1986. However, Canamont Construction Inc. sustained further losses in the very depressed market for marine construction and dredging. In consequence, plans have been implemented for the restructuring of this associated company and for the ultimate disposition of Monenco's shareholdings. A special provision of \$3,300,000 has been made for the full cost of this process. In addition, provisions were made to write down the carrying value of a subsidiary being reorganized and the final costs of the McCullough operation in the U.S. These provisions amounted to \$1.04 per share giving a net loss for the year of \$0.78 per share. A more detailed analysis of the year's operations is given in the financial review on page 17.

As announced on October 2, 1987, Majestic Contractors Limited has made a \$12,000,000 investment in Monenco. This equity investment improved Monenco's financial position by decreasing bank indebtedness and, more importantly, it increased Monenco's market scope through the close association with Majestic and its major shareholder, the Perini Corporation, which is a leading construction and diversified service firm in the United States. In connection with this investment, D.B. Perini, A.J. Cressey, J.J. McHale and J.B. Claxton were elected to the Board. We welcome them and look forward to a long association.

R.G. Black, A.D. Cameron, L.A. Carey, G. Decarie, J.S. Foster, A.W. Howard, B.T. McManus, G.J. Pollock, C. Ritchie, G.N.C. Rivington and W.J. Smith retired from the Board. These directors all gave the Company many years of dedicated service, for which we would like to record our great thanks and appreciation.

SUMMARY OF OPERATION

After a depressed market for our services since 1982, 1987 indicated that this market has slowly started to expand. This trend, complemented by the increasing revenues from new lines of business, is expected to continue. The improvement in the Company's financial results can be attributed to the stringent measures to reduce overheads introduced in 1986, the equity investment by Majestic, and the market expansion. Examples of some of the awards to the Company during the year in its traditional disciplines and its new technologies in both traditional and new geographical areas are:



- Phase II project management assistance to Department of National Defence for the North Early Warning System was awarded to Monenco-Eyrettechnics. This contract will run through 1992.
- Integrated Project Management Contract, including Project Management and Construction Management, awarded to Monenco and Lalonde, Girouard, Letendre and Associates for Norsk Hydro's \$500 million, 60,000 tonne/year magnesium plant at Bécancour, Quebec. Monenco-L.G.L. is currently Project Manager for engineering, design and procurement services under a separate contract.
- Energy conservation study for Southern Africa Development Coordinating Conference (SADCC) covering nine southern African countries.
- Monenco subsidiary Carlson & Sweatt—Monenco was awarded U.S. \$6.4 million contract to rehabilitate all mechanical and electrical utilities for New York's Grand Central Station, one of the most famous railway stations in the world.
- A contract for design of a 1.5 million square foot enclosed commercial centre for Hooker-Barnes in Raleigh, North Carolina.
- Stage I of 1,170 MW extension to Rabigh Thermal Plant, Saudi

Arabia. This extension consists of 4 x 50 MW gas turbine units suitable for conversion to combined cycle; 6 x 50 MW gas turbine units in combined cycle with a 150 MW steam plant; plus conversion to combined cycle of four previously installed units, and 2 x 260 MW steam-electric units.

- Rehabilitation of Holyrood Thermal Plant, Newfoundland. Units 1 and 2 will be uprated from 150 MW to 175 MW.
- DPA Associates, a Monenco subsidiary, in association with Monenco Consultants and Deloitte, Haskins & Sells were awarded the Eastern Caribbean Small Project Implementation Facility as Executing Agency. This is the Canadian International Development Agency's first experiment in contracting out an entire aid program. This three-year project will assist the Leeward and Windward Islands in the evaluation, selection and implementation of projects between \$50,000 and \$500,000.
- Load Forecast Assistance, Thailand. To assist the country's load forecast committee with its current 10-year utility load forecast.
- In the Philippines, two coal mining studies and a telecommunication and control project for the Luzon Grid for the National Power Corporation.



H.B. Curtis, J.K.C. Mulherin, A.J. Cressey, N.A. Harrison

- Terminal 3, Pearson International Airport, Toronto, Ontario, to provide engineering and architectural support services to Transport Canada during the development of a world class terminal by private industry.
- Teshmont Consultants Limited, a Monenco Company, was awarded a feasibility study for a proposed high voltage DC transmission line to run between New Zealand's North and South Islands and to have a capacity of between 600 MW and 1000 MW.
- In Lesotho, a feasibility study for the Oxbow High Head hydro-electric plant to greatly reduce that country's dependence on power supply from South Africa. Phase I is complete and Phase II, the full feasibility study, is under way.
- Monenco with Sogex and assistance from Hydro-Quebec International is well advanced on a full feasibility study of the Taunsa Low Head Hydroelectric Plant. This plant will develop the head on one of the major barrages on the Indus River in Pakistan.
- Design and construction management for the Paradise River Hydroelectric Project, Newfoundland, as well as full feasibility studies for the Island Pond and Granite Canal hydro schemes in Newfoundland and Labrador Hydro's Bay d'Espoir System.
- Facilities Information Management (FIM) and Land Information Systems (LIS) have continued to expand. Of significant interest are:
 - Significant contracts in two new markets: in electric utilities

with a contract from the Public Service Company of New Mexico to digitize their distribution system and in gas utilities with an award for consulting and records conversion for Southern California Gas Company.

- Another first is a two-year AM/FM contract for the sewerage and drainage system for Singapore. This is the first major entrance of this technology in the Far East.
- Contracts for telephone utilities for Southern Bell in South Carolina and Florida; United Telephones in Texas; and Rochester Telephones in New York.

The Company began rehiring in the last quarter of 1986 and continued during 1987. About 160 new staff were added during 1987.

In 1986, costs were reduced through tight cost control including salary reductions and reduced fringe benefits. During 1987 the Company was gradually able to eliminate the salary reductions imposed in 1986 so that by the year end everyone was back on full salary. The cost of excess office space was reduced during 1987 and further reductions will be made during 1988. Borrowing of operating funds was reduced by the equity injection from Majestic as well as from increased revenue from operations.

DEVELOPMENT

1987 saw the initiation of a new marketing program for Monenco. This program, which is reviewed in a special section of this Report, is designed to enhance Monenco's image as an aggressive and sophisticated engineering firm

whilst, at the same time, reflecting the commitment to professional standards and employee excellence that has been our hallmark.

Monenco Consultants has entered into a joint venture with Agra Industries to pursue high technology work in systems engineering and integration involving computer and communications technology. The focus of the work initially is with the Federal Government, in particular the Canadian Aerospace System with the Department of Transport and work similar to our work on the North Warning System for the Department of National Defence. Booz, Allen, Hamilton of the U.S., the principal sub-consultant, brings with them international expertise in air traffic control systems. The work is headquartered in our St. Catharines, Ontario, office and in our greatly expanded Ottawa facility.

Mr. A.J. Cressey, President and Chief Executive Officer of Majestic Contractors Limited, was appointed Chairman of Monenco Limited, while Dr. J.K.C. Mulherin was appointed President and Chief Executive Officer. Mr. A. Skinner was appointed Executive Vice-President and Chief Operating Officer of Monenco Limited as well as President of Monenco Consultants Limited, Monenco's chief operating company.

OUTLOOK

Operating results for 1987 put the Company in a profitable position with respect to operations. The resurgence in the electric utility business in Canada and overseas, particularly in coal-fired thermal plants where Monenco is a world leader, is encouraging. The number of hydroelectric feasibility studies obtained during 1987 indicates that

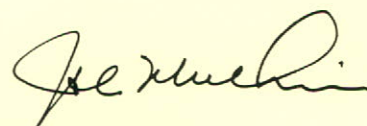
the implementation of such projects should increase during 1988.

During 1987 the oil and gas business as well as petrochemicals has started to throw off the depression which has retarded business for five years. Increasing awards during 1987 lead us to hope for significant work in this field in 1988.

The Environmental Division has continued to grow in waste treatment of both hazardous and non-hazardous wastes as well as in land clean-up and plant decommissioning. We look forward to expanding our market for these services in the U.S., as well as in third world countries where more attention is being paid to the environment in terms of pollution from existing facilities and the planning of new ones.

In 1987, Monenco completed its 80th year in business. It has continued to be one of the most highly respected consulting firms in Canada in terms of its professional standards and its commitment to its clients around the world.

Monenco's extensive network of offices in Canada, the United States and overseas and its contracts in 26 countries, along with 2000 dedicated and committed people, has ranked it 13th in the listing of the top design firms around the world.



J.K.C. Mulherin
President and
Chief Executive Officer

Team Monenco

Engineering a whole new world.

The emerging role of the consulting engineering profession as Canada moves from the industrial and resource-based economy into what has been referred to as the information age has resulted in forward-thinking firms changing the way they work to serve the new markets.

To meet the challenges of these markets we have realigned existing disciplines and developed new team skills. These markets embrace systems engineering integration, communications, information science, computerized process and manufacturing controls, facil-

ities information management and land related information systems; spectrum management of the air waves and navigation aids and controls for transportation systems. Each succeeding generation of computer technology changes the way we do engineering for traditional lines of business by bringing together computer specialists and experts in each engineering discipline as well as management consultants and environmental specialists.

To better illustrate Monenco's capability to serve these changing markets, a new corporate image was developed to reflect the Company's professional standards and position as an aggressive and sophisticated consulting firm at the leading edge of the development of technology. This Report reflects the new image which is being applied to all corporate communications.



The new image features as a communications theme the phrase "Team Monenco" and a powerful slogan which states we are "Engineering a whole new world". The visual image is based on a sports theme to support Monenco's strong emphasis on teamwork and its more aggressive marketing approach. Some of the illustrations being used in this program are reproduced in this Report.



Getting a project off to the best start takes Monenco teamwork.



A good start in the world of engineering means a highly professional feasibility study. For it's here that the ultimate success of a project costing many millions of dollars and lasting for years may lie.

At Monenco we've proven time and time again the advantages of using our skilled professionals to undertake careful and scrupulously controlled feasibility studies.

We know from long experience that a good study, produced by a well-disciplined and well-integrated team, goes a long way towards

insuring a project's ultimate success. From feasibility study to operating assistance you can count on Team Monenco.

Monenco is a Canadian company with offices in Canada: St. John's, Halifax, Montreal, Ottawa, Toronto, St. Catharines, Winnipeg, Regina, Calgary, Edmonton, Vancouver, United States: Clearwater, Miami, New York, United Kingdom: Bristol, Manchester, Singapore, Singapore, Indonesia: Jakarta, Japan: Tokyo, Philippines: Manila, Bahamas: Nassau, Nigeria: Lagos.

Monenco Consultants Limited
2045 Stanley Street
P.O. Box 6068, Station A
Montreal, Quebec
Canada H3C 3Z9
Tel: (514) 499-2500
Telex: 055-60738 MONENCO MTL
Fax: (514) 499-3223

Team Monenco
Engineering a whole new world.

FORCES

Le démarrage optimum d'un projet: c'est l'affaire de toute une équipe.

Un bon démarrage dans le monde de l'ingénierie est un élément clé de la réussite d'un projet. C'est de la part de l'équipe de spécialistes qui ont la responsabilité de définir et de contrôler soigneusement les études de faisabilité.

Une étude de faisabilité bien menée est le premier pas vers la réussite d'un projet. Elle permet de définir les objectifs, de déterminer les ressources nécessaires et de planifier les étapes du projet.

Monenco est une entreprise canadienne qui offre des services de consultation en ingénierie et en architecture. Nous avons des bureaux à St. John's, Halifax, Montréal, Ottawa, Toronto, St. Catharines, Winnipeg, Regina, Calgary, Edmonton, Vancouver, United States: Clearwater, Miami, New York, United Kingdom: Bristol, Manchester, Singapore, Singapore, Indonesia: Jakarta, Japan: Tokyo, Philippines: Manila, Bahamas: Nassau, Nigeria: Lagos.

L'équipe Monenco
Un monde nouveau d'ingénierie.

Teamwork and determination over the long haul. That's engineering Monenco style.

The key to Monenco's growth and success has always been teamwork. Whatever the size and complexity of a project, Monenco brings its own expert staff of engineers, project managers and computer specialists to the job. Monenco staff is at work in 14 countries.

Our approach to projects has been successful and is based on service to clients around the world. Our professionals bring to the table Monenco's advanced technology with the most advanced technical and management skills.

Please contact us to determine how Team Monenco's teamwork and determination can assist you.

Monenco offices are located in: Canada: St. John's, Halifax, Montreal, Ottawa, Toronto, St. Catharines, Winnipeg, Regina, Calgary, Vancouver, United States: Clearwater, Miami, New York, United Kingdom: Bristol, Manchester, Singapore, Singapore, Indonesia: Jakarta, Japan: Tokyo, Philippines: Manila, Bahamas: Nassau, Nigeria: Lagos.

Monenco Associates Limited
100-1101, 80nd Street, Box England, B51 2YF
Tel: 01272 426296 Fax: 01272 426292

Monenco Consultants Limited
2045 Stanley Street, Box 6068, Station A
Canada H3C 3Z9 Tel: (514) 499-2500
Telex: 055 60738 MONENCO MTL
Fax: (514) 499-3223

Team Monenco
Engineering a whole new world

Monenco Limited
Consolidated Balance Sheet
 December 31, 1987

in thousands	1987	1986
Assets		
Cash (Note 7)	\$ 2,889	\$ 2,260
Short-term investments	666	3,919
Accounts receivable (Note 7)	43,690	44,362
Income taxes recoverable	970	3,024
Prepaid expense	1,667	1,639
Current assets	49,882	55,204
Long-term receivable	809	—
Computer programmes and industrial processes	4,400	5,202
Fixed assets (Note 2)	7,141	10,515
Goodwill	193	792
	\$62,425	\$71,713
Liabilities		
Bank loans (Note 8)	\$ 9,180	\$29,013
Accounts payable	12,156	18,721
Long-term debt due within one year	392	1,404
Deferred revenue	4,383	4,375
Deferred income taxes	113	75
Current liabilities	26,224	53,588
Long-term debt (Note 3)	14,934	4,539
Deferred income taxes	18	184
	41,176	58,311
Shareholders' Equity		
Share capital (Note 4)	17,238	5,227
Retained earnings	4,011	8,175
	21,249	13,402
	\$62,425	\$71,713

Approved by the Board



J.K.C. Mulherin
 Director



A.J. Cressey
 Director



Monenco Limited

Consolidated Statement of Income and Retained Earnings
for the year ended December 31, 1987

in thousands	1987	1986
Revenue from operations	\$112,570	\$103,481
Direct costs	73,630	69,540
Gross margin	38,940	33,941
Operating expenses	37,680	41,545
Operating income (loss)	1,260	(7,604)
Other income	419	513
Income (loss) before tax	1,679	(7,091)
Tax provision (recovery)	591	(1,896)
Net income (loss) from continuing operations	1,088	(5,195)
Loss on discontinued operations and special provisions (Note 9)	4,393	1,725
Loss for the year	3,305	6,920
Retained earnings at beginning of year	8,175	15,685
	4,870	8,765
Share issue expense	572	—
Cost of repurchased shares over stated value	287	—
Dividends	—	590
Retained earnings at end of year	\$ 4,011	\$ 8,175
Earnings (loss) per share		
Continuing operations	\$.26	\$ (1.56)
Discontinued operations	(1.04)	(.52)
	\$ (.78)	\$ (2.08)
Dividends per share	\$ —	\$.18



Consolidated Statement of Changes in Financial Position
 for the year ended December 31, 1987

in thousands	1987	1986
Operations		
Loss for year	\$ (3,305)	\$ (6,920)
Charges to operations not requiring cash outlays in current year		
Depreciation and amortization	4,516	4,138
Deferred income tax	(128)	(893)
Increase (decrease) in accounts payable	(6,565)	3,261
Reduction in short-term investments	3,253	1,893
Decrease in income taxes recoverable	2,054	1,752
Decrease (increase) in accounts receivable and prepaid expenses	(165)	6,126
Increase (drawdown) in deferred revenue	8	(3,296)
Net cash receipt (outflow) from operations	(332)	6,061
Financing and investment transactions		
Net increase in long-term debt	9,383	1,484
Net sale (cost) of computer programmes and industrial processes	93	(1,669)
Net sale (purchase) of fixed assets	166	(3,264)
Excess of repurchase price over stated value of shares	(287)	—
Share issues, less expenses	11,439	90
Other	—	(11)
Net receipt (outflow) from financing and investments	20,794	(3,370)
Decrease in bank loans, net of cash balances	\$20,462	\$ 2,691



1. Accounting Policies

a) The accompanying financial statements are prepared in accordance with accounting principles generally accepted in Canada and conform in all material respects with International Accounting Standards.

b) Principles of consolidation
 Monenco carries on its business through subsidiary and associated companies. The accounts of the wholly owned subsidiary companies are fully consolidated with those of Monenco. Other companies, which are principally corporate and unincorporated joint ventures established to carry out specific projects or provide specialized services, are consolidated on a proportionate basis in relation to Monenco's interest therein, after eliminating intercompany charges. The Company's share of the assets, liabilities, revenues and expenses of associated companies is as follows:

in thousands	1987	1986
Current assets	\$ 4,250	\$ 7,699
Investments at cost	158	229
Fixed assets, at cost less accumulated depreciation of \$699 (\$1,305 in 1986)	442	3,261
	4,850	11,189
Current liabilities and long-term debt	2,900	7,477
Equity	\$ 1,950	\$ 3,712
Revenue from operations after elimination of intercompany transactions	\$29,158	\$17,235
Operating expenses	28,273	17,174
Income (loss) before provision for income taxes	\$ 885	\$ 61

c) Revenue determination
 Most contracts for services are undertaken on a "cost-plus" basis, where revenues are recognized as services are rendered. When contracts of a lump sum nature are undertaken, they are accounted for on the "percentage-of-completion" basis with revenues being recognized only to the extent of the work completed. Losses, if any, are provided for in full as soon as they become apparent.

d) Goodwill
 Goodwill is being amortized on a straight-line basis over 10 years.

e) Fixed assets and depreciation
 Fixed assets are stated at cost. Depreciation on equipment is provided mainly on the straight-line method at rates which are designed to amortize the carrying value of the assets over their estimated useful lives.

f) Research, development and proposal costs
 Research, development and proposal costs are charged to operations as incurred, except for the costs related to the development or acquisition of proprietary computer programmes and industrial processes which are amortized over their estimated useful lives, typically three to five years.

g) Amalgamation
 The amalgamation in 1987 of the Company with Monenco Holdings Ltd. (see Note 4) has been accounted for as a pooling of interests.

At the date of amalgamation the only assets of Monenco Holdings Ltd. were its investment in Monenco Limited Class X common shares and net current assets of \$24,863.



2. Fixed Assets

in thousands	1987	1986
Buildings	\$ 58	\$ 117
Furniture and fixtures	6,554	6,116
Machinery and equipment	1,280	4,916
Computer equipment	13,580	13,024
Leasehold improvements	2,932	2,883
	24,404	27,056
Less: accumulated depreciation and amortization	17,308	16,768
	7,096	10,288
Land	45	227
	\$ 7,141	\$ 10,515
Depreciation and amortization		
Charged to direct costs	\$ 2,163	\$ 2,678
Charged to operating expense	2,353	1,455
Charged to discontinued operations	—	5
	\$ 4,516	\$ 4,138

3. Long Term Debt

in thousands	1987	1986
Bank loans, at prime plus 1%	\$12,500	—
Equipment purchase loans and obligations under capital leases, with interest rates from 9.25%-12.6%	2,826	\$ 5,943
	15,326	5,943
Less: Portion included in current liabilities	392	1,404
	\$14,934	\$ 4,539

Estimated repayments of long term debt for each of the four years subsequent to 1988 are: 1989 - \$2,401,000; 1990 - \$2,904,000; 1991 - \$2,904,000; 1992 - \$5,658,000

Interest expense in thousands	1987	1986
Long-term debt	\$ 594	\$ 391
Short-term debt	2,415	3,891
	\$3,009	\$4,282

4. Share Capital

a) Governing law and corporate continuity

In 1987 the Company:

- Continued under the Canada Business Corporations Act, having originally been incorporated under the laws of Alberta.
- Amalgamated with Monenco Holdings Ltd. The only activity of Monenco Holdings Ltd. was to own the 536,192 Class X Common shares of the Company which were issued and outstanding prior to the amalgamation.

b) Authorized Capital

The Company, as amalgamated, is authorized to issue

- 1) An unlimited number of Common shares of no par value
- 2) 454,768 Special shares
- 3) An unlimited number of First and Second Preferred shares
- 4) An unlimited number of subordinate non-voting shares

The Special shares have the same attributes as Common shares except that they may not be publicly traded. They will be converted on a share for share basis into Common shares on October 1, 1993. Prior to that time each share is, at the option of the shareholder, convertible into Common shares as follows:

Up to September 30, 1989	0.10 Common share
Between October 1, 1989 and September 30, 1990	0.25 Common share
Between October 1, 1990 and September 30, 1991	0.35 Common share
Between October 1, 1991 and September 30, 1992	0.50 Common share
Between October 1, 1992 and September 30, 1993	1.00 Common share

c) The Amalgamation with Monenco Holdings Ltd.

On the amalgamation:

- a) the Class A subordinate voting shares of Monenco Limited were converted into Common shares
- b) The Class X Common shares of Monenco were cancelled
- c) The Class A and B Common shares of Monenco Holdings Ltd. were each converted into one Common share and one Special share of Monenco Limited

d) Share Capital Transactions

1987 share transactions prior and subsequent to the amalgamation were:

Pre-Amalgamation	Monenco Limited				Monenco Holdings Ltd.			
	Class A Subordinate Voting	Class X Common (owned by Monenco Holdings Ltd.)	N/A		Class A and B Common			
Post-Amalgamation	Common		N/A	Special Shares		N/A		
	Issued		Issued		Issued		Issued	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Balance Jan. 1, 1987	2,837,068	\$ 5,102,000	536,192	\$125,000			536,192	\$670,000
Issued	2,945	11,000						
Repurchased							(81,424)	(25,000)
Balance Oct. 2, 1987	2,840,013	5,113,000	536,192	125,000			454,768	645,000
Cancelled on Amalgamation			(536,192)					(645,000)
Conversion on Amalgamation	454,768	89,000		(125,000)	454,768	\$36,000	(454,768)	
Balance after Amalgamation	3,294,781	5,202,000			454,768	36,000		
Issued	3,117,000	12,000,000						
Balance Dec. 31, 1987	6,411,781	\$17,202,000			454,768	\$36,000		

No preferred or subordinate non-voting shares have been issued.

e) Employee Stock Option Plan

The Directors may grant options, for up to 10% of the issued capital of the Company, to employees for the purchase of Common shares at the then prevailing market price. No options had been granted by year end.

5. Contingencies and Commitments

a) In the normal conduct of the operations there are pending claims by and against the Company and its subsidiary and associated companies. It is the opinion of management, based on advice and information provided by legal counsel, that final determination of these claims will not materially affect the consolidated financial position or results of operations of the Company.

b) Premises utilized by subsidiary and associated companies are occupied under operating leases of various lengths not exceeding seven years' duration. Annual rental commitments under these operating leases for the subsequent five years amount to: 1988-\$10,084,000; 1989-\$8,557,000; 1990-\$6,772,000; 1991-\$6,551,000; 1992-\$5,224,000

c) At December 31, 1987 certain subsidiary and associated companies had accumulated losses of \$28,000,000 available to be carried forward to reduce their taxable income of future years. Of the total, \$18,000,000 will expire if not used between 1988 and 1994, and the balance between 1994 and 2001. The potential tax benefits relating to these losses have not been reflected in the accounts.

6. Segmented Information

a) Industry segments

The Company conducts the predominant part of its business as consulting engineers and project managers.

b) Geographic segments

The geographic segmentation of the Company's business is shown in the table on page 16.

7. Nigerian Operations

The Company conducts part of its business in Nigeria. 1987 revenues from these operations amounted to \$3,567,000 (1986-\$4,201,000)

At December 31, 1987 net assets in Nigeria or due from Nigerian clients were:

in thousands	1987	1986
Cash and short-term deposits in naira	\$ 280	\$ 741
Accounts receivable		
Denominated in dollars	5,669	3,306
Denominated in naira	3,325	4,286
Other (net)	(451)	(417)
	\$8,823	\$7,916

The above accounts receivable include interest and exchange adjustments that are under negotiation and are recorded at a balance of \$4.2 million, net of provisions, as the timing and extent of their collection is not certain.

8. Bank Loans

Bank loans amounting to \$2,032,000 at December 31, 1987 are secured by assignment of book debts of certain subsidiary and associated companies.

9. Discontinued Operations and Special Provisions (in thousands)

Provision for investment in and costs relating to Canamont Construction Inc.	\$3,300
Writeoff of goodwill	500
Final costs on closure of McCullough Associates Inc.	593
	<hr/>
	\$4,393

10. Income Taxes

The weighted average rate of income tax in the countries in which the Company operates is 32%, a rate which reflects the mix of profits and losses that prevailed during the year.

11. Pension Plans

Most of the Monenco companies have defined contribution pension plans for their employees. All such plans are fully funded and so maintained on a current basis.

Auditors' Report

To the Shareholders of Monenco Limited

We have examined the consolidated balance sheet of Monenco Limited as at December 31, 1987 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE
Chartered Accountants
Montreal, Canada, February 11, 1988

Management's responsibility for financial statements

The financial statements of Monenco Limited have been prepared by Management in accordance with generally accepted accounting principles currently in use in Canada.

The financial statements have been reviewed by the Audit Committee and together with the other information in this annual report, have been approved by the Board of Directors. The financial statements have been examined by Price Waterhouse, Chartered Accountants, whose report appears above. Price Waterhouse also examined the financial statements of most of the subsidiary and associated companies which are consolidated with those of Monenco. The statements of the other companies have been examined by other public accountants.

The financial and operating data elsewhere in this report are consistent with the financial statements.

Revenue Segmentation

Geographic Segmentation of Operations

Revenue	1987		1986	
	in thousands	%	in thousands	%
North America				
Canada				
Atlantic Provinces	\$ 8,816	7.9	\$ 6,796	6.6
Central Canada	36,716	32.6	27,297	26.4
Prairies	18,257	16.2	23,895	23.1
British Columbia and Territories	994	.9	1,474	1.4
	64,783	57.6	59,462	57.5
United States	28,060	24.9	22,761	22.0
	92,843	82.5	82,223	79.5
Overseas				
Africa				
	5,493	4.9	6,283	6.1
Caribbean and Latin America				
	1,452	1.3	870	.8
Asia				
	11,085	9.8	12,047	11.6
Europe and Australia				
	1,697	1.5	2,058	2.0
	19,727	17.5	21,258	20.5
	\$112,570	100.0	\$103,481	100.0
Gross Margin				
North America				
	\$ 33,050	35.6	\$ 26,246	32.3
Overseas				
	5,890	29.8	7,695	34.6
	\$ 38,940	34.6	\$ 33,941	32.6
Assets				
North America				
	\$ 45,504	72.9	\$ 52,068	72.4
Overseas				
	16,921	27.1	19,845	27.6
	\$ 62,425	100.0	\$ 71,913	100.0

Revenue by Type of Service

Revenue	1987		1986	
	in thousands	%	in thousands	%
Energy	\$ 30,498	27.1	\$ 33,871	32.7
Industrial	33,533	29.8	18,227	17.6
Computer Services	16,561	14.7	14,953	14.5
Resources	13,865	12.3	10,256	9.9
Management Consulting	7,688	6.8	7,523	7.3
Petrochemical	6,003	5.3	9,460	9.1
Other	4,422	4.0	5,172	5.0
Construction	—	—	4,019	3.9
	\$112,570	100.0	\$103,481	100.0

Basis of Classification

Revenue is segregated on the basis of the location of the client. Such services may be performed in the client's geographic area and at any of the Company's offices. Assets are segregated by physical location except for accounts receivables which are segregated by debtor.



Revenues

Consulting revenues increased particularly in Eastern Canada where there was some recovery in both the Atlantic Provinces and in Quebec from the low levels that have prevailed since 1982. Revenues from services in Western Canada remain depressed with no major projects being started in either the electric energy or petrochemical fields in the year.

In the United States there was continued growth in the provision of Facilities Information Management, with important new contracts in new industry sectors. The Architect/Engineer division had a strong year in work for shopping centre developers in the South-eastern United States. The Company's nuclear arm, Canatom Inc., had an excellent year in providing cost and engineering audits on Nuclear Power Plants in the U.S.

Internationally, revenues in Africa continue to decrease corresponding to the completion of the major hydro and thermal projects in Nigeria. Work in other African countries was maintained at equal or increased levels of activity, principally on studies which should lead to projects in the near future.

Activities in Asia continued at a high level with ongoing work on the Suralaya Thermal Plant in Indonesia and for the Electricity Commission of Papua New Guinea as well as a major study of energy requirements in China.

Revenues by quarter were:

in thousands	1987	1986
First	\$ 26,224	\$ 24,939
Second	28,952	25,496
Third	26,959	25,062
Fourth	30,435	27,984
	\$112,570	\$103,481

Industrial revenues grew dramatically, reflecting the heavy involvement in the design and project management of industrial and defence projects, particularly in Eastern Canada, and in road and commercial structures in the U.S.

The exclusion of the operations of Canamont Construction Inc., discussed at more length under "Discontinued Operations" below reflects the completion of the Company's withdrawal from construction operations.

Operating Expenses and Gross Margin

Domestic margins improved in the year. In part this reflects the exclusion in 1987 of the operations of Canamont Construction Inc., the marine construction associate which was reorganized in the year and is no longer an integral part of the Company's operations.

U.S. operations showed a slight gain as operations of its Architect/Engineer division improved and high equipment utilization along with tight cost control yielded a higher margin in the Facilities Information Management Division.



Over the course of the year, the salary reductions put in place in 1986 were gradually eliminated and coming into 1988 all staff are again on full pay. Pension contributions and vacation benefits remain reduced pending more satisfactory levels of operation.

Cost of excess space remains a burden, although this was relieved in 1987 as 30% of the space in its St. Catharines office was released. Monenco has exercised its option to sell its interest in that building back to the landlord. The resulting gain has been accounted for as a lease inducement with the portion relating to the lease period up to December 31, 1987 (\$1,250,000) recognized in this year's accounts and the balance to be taken up over the remainder of the lease.

Other reductions in operating costs come from continued reduction in overhead labour costs, a drop in interest expense as debts were retired out of operating cash flow and equity investment, and the 1987 exclusion of Canamont.

Income

Interest income declined as funds were used in operations and overseas holdings transferred to Canada.

Operations showed a profit for the first time since 1983 as U.S. operations continued their strong performance and the significant improvement in Canadian operations brought them closer to a breakeven position. Losses were sustained in Singapore in the close-down of the engineering division and startup of the computer com-

pany. However, 1988 results are expected to be much better as the engineering contracts will all be completed early in the year and the computer company continues with its major facilities mapping contract and actively pursues new work in conjunction with its new 40% shareholder, a prominent Singapore-controlled fabricating and trading company.

The tax charge of \$591,000 is the net tax cost on a consolidated basis and at 32%, approximates the average net tax rate that would be expected given the mix in profits and losses that prevailed in the year with lower rates in the U.S. and U.K. offsetting the higher Canadian one.

Discontinued Operations and Special Provisions

Canamont Construction Inc. had a poor year in marine construction with very little work, and as this followed an equally unsatisfactory one in 1986, it was decided to withdraw from this area of activity. The company was therefore re-organized and arrangements made for it to dispose of much of its equipment, restructure its financing and reduce its scale of operations for ultimate continuation under its senior management. A special charge of \$3,300,000 was made to cover Monenco's investment in Canamont and provide for ongoing obligations.

Also in the year, a subsidiary company continued to show significant losses. Management of this company has been restructured and Monenco decided that the balance of the "goodwill" paid on acquisition, which was being amortized over a ten-year period, should be written off in 1987.

The balance of costs on the closing of McCullough Associates Inc. in the U.S., being additional legal costs, interest expense and liquidation payments, were settled in the year and its operations closed.

Charges to Retained Earnings

In 1987 Monenco paid investment advisory, legal, audit and registration fees amounting to \$572,000 relating to the search for and implementation of the \$12,000,000 equity investment by Majestic Contractors Limited.

Preparatory to this investment by Majestic, Monenco underwent a statutory amalgamation with Monenco Holdings Ltd. which had owned all the Class X multiple vote Common shares of Monenco. Monenco Holdings had, prior to the amalgamation, purchased some of its shares for cancellation. The excess of the purchase price over their original stated value was charged to its retained earnings and on the amalgamation, this amount flowed through as a reduction of the retained earnings of Monenco Limited.

Segmented Information

Data on the distribution of the Company's revenues, gross margins

and assets is given on page 16 of this report. Significant changes in revenues and margins were discussed earlier in this commentary.

The quantity of assets outside North America fell as funds were moved to Canada and the level of revenues from overseas assignments dropped.

Changes in Financial Position

The writeoff and provision for Canamont and for the goodwill reviewed above as "Discontinued Operations" are included in the loss for the year of \$3,305,000; however, they involved relatively little cash outlay and in consequence the operating profit before non-cash charges, along with collection of tax refunds and use of short term investments, enabled the Company to fund both the net loss and pay down over \$6 million of accounts payable, some of which were interest bearing.

Accounts receivable from Nigeria increased slightly in the year as there was restricted availability of funds to the government agencies who are Monenco's clients. The situation improved towards year end and in the first forty days of 1988, \$1.4 million of payments were received in Canada.

Long-term debt increased in the year largely from arrangements made with the Company's principal bankers to place \$12.5 million of operating debt on a long-term basis.

Fixed assets purchases in 1987 amounted to some \$2.8 million, principally computer equipment in the U.S. and Canada. This is offset on a consolidated basis by the removal from the consolidated data of the \$3 million of construction equipment held in 1986 by Canamont.

The share issue, less expenses, reflects the subscription by Majestic for 3,117,000 Common shares of the Company.

Short-term debt dropped materially from repayments out of the funds invested by Majestic and from the transfer of \$12.5 million to long-term debt.

Share Capital

The Company's share capital was completely reorganized prior to the Majestic investment. This reorganization included the amalgamation with Monenco Holdings

Ltd., an employee-owned company that held all the multiple vote Common shares of Monenco. As a result, these shares were eliminated and a class of Special shares issued to the shareholders of Monenco Holdings. These Special shares have the same voting, dividend and distribution rights as the Common shares, however, they may be held only by the former Monenco Holdings shareholders and so may not be publicly traded. Instead there is a conversion right into Common shares over the next six years.

The subscription for 3,117,000 Common shares by Majestic gives them 48% of the Common shares or, after considering the Special shares, a 45.4% equity participation in the Company. This level was agreed upon by Majestic and Management as being suitable for giving Majestic a significant interest in the Company and at the same time ensuring that majority ownership remained in Canadian hands.

Ten Year Summary

Year	Revenue from operations*	Operating income*	Net income*	Operating income per share	Net income per share	Dividend per share	Book value per share	Market price (Valuation Day \$3.00)
1978	103,574	5,966	6,659	2.04	2.28	.55	10.20	8¼-14
1979	109,981	5,319	5,319	1.82	1.82	.70	11.31	10-13¾
1980	127,677	7,387	5,479	2.53	1.88	.70	12.49	11-15½
1981	176,891	6,405	6,405	2.19	2.19	.85	13.83	12½-18¾
1982	181,369	5,098	5,098	1.75	1.75	.90	14.68	9-17
1983	118,248	2,914	(4,463)	1.00	(1.53)	.90	12.25	10½-15½
1984	118,147	(4,165)	(4,165)	(1.40)	(1.40)	.59½	10.18	8-13¾
1985	120,067	(10,881)	(10,868)	(3.51)	(3.50)	.50	6.21	7-9¾
1986	103,481	(5,195)	(6,920)	(1.56)	(2.08)	.18	3.97	3½-8¾
1987	112,570	1,088	(3,305)	.26	(1.04)	—	3.09	3¼-5¼

*Expressed in thousands of dollars

MONENCO LIMITED

Directors

- *J.B. Claxton, Partner,
Lafleur, Brown, de Grandpré, Montreal
- *A.J. Cressey, President & Chief Executive
Officer, Majestic Contractors Limited,
Edmonton
- J.J. McHale, Deputy Chairman,
Montreal Baseball Club Ltd., Montreal
- J.K.C. Mulherin, President and Chief
Executive Officer, Monenco Limited,
Montreal
- D.B. Perini, Chairman & President,
Perini Corporation, Framingham,
Massachusetts, U.S.A.
- *A.H. Ross, President,
Allaro Resources Ltd., Calgary

*Audit Committee Member

Officers

- A.J. Cressey, Chairman of the Board
- J.K.C. Mulherin—President and
Chief Executive Officer
- A. Skinner—Executive Vice-President and
Chief Operating Officer
- N.A. Harrison—
Executive Vice-President, Finance
- A.E. Richard— Executive Vice-President,
U.S. Operations
- H.B. Curtis—Vice-President and
Chief Financial Officer
- W. Stephenson—Vice-President,
Marketing
- P.C. Veinot—Vice-President,
Administration
- V.P. Leahy—Secretary-Treasurer
- D.M. Davis—Assistant Secretary

Head Office

400 Monenco Place, Calgary, Alberta

Principal Office

2045 Stanley St., Montreal, Quebec

Act of Incorporation

Canada Business Corporations Act

Stock Exchanges

Montreal Exchange
Toronto Stock Exchange
Alberta Stock Exchange

Transfer Agent and Registrar

Montreal Trust Company
Montreal, Toronto and Calgary

Auditors

Price Waterhouse, Montreal

Subsidiaries

(wholly-owned unless otherwise
indicated, with percentage of
ownership)

Monenco Consultants Limited
Monenco Engineers & Constructors Inc.
Monenco Inc.
Monenco Information Systems Inc.
Monenco Asia (Pte.) Ltd.
Monenco Associates Limited
Monenco Jamaica Limited
Monenco Japan Inc.
Monenco Maritimes Limited
Monenco Nigeria Limited (60)
Monenco Offshore Limited (75)
Monenco Pipeline Consultants Limited
Baymont Engineering Company
Carlson & Sweatt-Monenco Inc.
Hallmark Engineering Ltd.
La Société d'Ingénierie Cartier Limitée
MAPLE Computing Services (Pte.) Ltd. (52)
Montreal Engineering Company (Canada)
Limited
Montreal Engineering (Overseas) Limited
SBR Offshore Limited (60)
Saskmont Engineering Ltd.
ShawMont Ltd.
ShawMont Newfoundland Limited
The DPA Group Inc.

Associated Companies

(with percentage of ownership)

Both Belle Robb Limited (33¹/₃)
Canatom Inc. (33¹/₃)
Martec Limited (39)
NPM Nuclear Project Managers
(Canada) Inc. (22)
Saskmont Engineering Company
Limited (49)
ShawMont Nigeria Limited (30)
Spectrocan Engineering Inc. (25)
SSI Monenco Limited (40)
Teshmont Consultants Inc. (50)
Wade Reproduction Services, Inc. (45)

