C

Monenco
Limited

Annual Report 1984

About Monenco

Monenco Limited and its 42 subsidiary and associate companies offer a full range of consulting engineering, management, and engineer-procure-construct services to industry, utilities and governments around the world. The group provides these services through four operating companies, namely Monenco Consultants Limited in the engineering and project management fields, Monenco Engineers & Constructors Inc. in the oil, gas, petrochemical and pipeline fields, Monenco Enterprises Limited in the computer-related and high-tech fields and through Monenco Inc. which consolidates all of the above services for the U.S. market.

With a total payroll of 2,400 employees, the Monenco organization is one of the largest of its kind in North America and its member companies operate on a world scale.

Monenco Limited was established as a public company in 1969 with executive offices in Montreal and Calgary. Its senior staff retain control, enabling them to maintain an unbiased and independent approach to the company's activities on behalf of its clients. Monenco operating companies and members work from ten major offices in Canada and more than a dozen others in countries worldwide.

Member companies operate independently or in association with one another and can call upon the resources and the backing of the entire group.

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)
1975	72,329	6,000	6,000	2.05	2.05	.30	5.55	4 3/4-8 1/8
1976	82,638	5,834	5,834	2.00	2.00	.33 1/4	7.22	7 1/2-10 3/8
1977	95,222	5,027	5,027	1.72	1.72	.47 1/2	8.46	6 1/2-9 1/2
1978	103,574	5,966	6,659	2.04	2.28	.55	10.20	8 1/4-14
1979	109,981	5,319	5,319	1.82	1.82	.70	11.31	10-13 3/4
1980	127,677	7,387	5,479	2.53	1.88	.70	12.49	11-15 1/2
1981	176,891	6,405	6,405	2.19	2.19	.85	13.83	12 1/2-18 1/4
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	10 1/2-15 1/2
1984	118,147	(4,165)	(4,165)	(1.40)	(1.40)	.59 1/2	10.18	8-13 3/4

*Expressed in thousands of dollars
Per share figures for 1975 have been restated to reflect the 1976 2:1 share split

Highlights 1984

Revenues

As forecast last year, 1984 revenues have stabilised at $118,147,000. Low margins, unused office space, low demand, exchange losses, and high receivables have contributed, however, to a loss of $1.40 per share. Dividends were maintained at 22.5 cents in the first quarter, decreased to 12.5 cents in subsequent quarters with the last dividend in 1984 and the first in 1985 being paid out in the form of common shares.

Operations

The company is obtaining substantial contracts in the reviving oil, gas, and petrochemical activity in Western Canada, while marine construction in Eastern Canada and Monenco's U.S. operations are showing good results. Work in waste management, refinery decommissioning and waste cleanup is showing encouraging signs of further development.

In the software and computer applications field, an intensive 1984 marketing push is showing good results particularly in the sale and lease of Monenco Project Management System modules such as PERT6, and the application of other Monenco-developed software such as Facilities Information Management and FASST to utilities and other industries.

Monenco companies continue to work on major projects in Nigeria, Indonesia and Egypt and are active in China, Pakistan, Bangladesh, and Papua New Guinea among other client countries.

Development

Monenco established MAPLE Computing Services (Pte.) Ltd. in Singapore last year to provide computer-related services to the southeast Asian market. The company has also established a long-term agreement with P.T. Asianenco to facilitate the transfer of power generation technology to that firm's personnel. Both Monenco and P.T. Asianenco are currently involved in the engineering and project management of the Suralaya Thermal Power Plant near Jakarta.

Reorganization

At the beginning of 1985 the company put into place a re-organization of its main subsidiaries which, in addition to operational improvements, will rationalize marketing approaches and enhance corporate identification.

Under the new structure, separate companies will operate from Canada and coordinate Monenco's subsidiary and associate companies in the engineering and management consulting, E.P.C. and high-tech development fields with a fourth operating company consolidating U.S. operations.

		1984	1983
Operating revenue		**$118,147,000**	$118,248,000
Income (loss) from continuing operations		**(4,165,000)**	2,914,000
Losses from discontinued operations		**—**	7,377,000
Net income (loss) for the year		**(4,165,000)**	(4,463,000)
Per share			
From continuing operations:			
First quarter		**.01**	.49
Second quarter		**(.16)**	.10
Third quarter		**(.37)**	.07
Fourth quarter		**(.88)**	.34
		(1.40)	1.00
Losses from discontinued operations		**—**	(2.53)
For the year		**(1.40)**	(1.53)
Dividends paid	– in cash	**1,389,000**	2,628,000
	– in shares	**348,000**	—
Per share	– in cash	**.475**	.90
	– in shares	**.12**	—
Working capital		**18,096,000**	23,364,000
Shareholders' equity		**30,437,000**	35,772,000
Number of shareholders		**995**	1,075
Number of shares traded		**657,952**	545,900
Number of employees (approximate, including associate companies)		**2,400**	2,700

Ce rapport est disponible en français.
Communiquez avec Monenco Limitée, C.P. 6088 Succ "A", Montréal, Québec, H3C 3Z8, tél: 514-286-3549

As forecast in last year's report, 1984 revenues from engineering and construction operations of Monenco companies stabilized at $118,147,000 after a severe drop in 1983. This, however, has not been a profitable year, due to low margins, particularly in the petroleum engineering and construction market, unused office space and insufficient engineering workload. In addition to these factors, exchange losses and high interest costs have resulted in a loss of $1.40 per share.

The significant increase of short term debt to finance the higher level of receivables, a third of which are from Nigeria, has had a definite impact on the profitability of the Company's operations. However, as a result of recent contract negotiations and the improvement in cash flow resulting from the establishment of a suitable payments program, it is expected that the debt level from that country and resultant financing required in Canada will be significantly reduced during 1985.

In the first quarter, the dividend rate was maintained at 22 1/2 cents per share. In subseqent quarters, this was reduced to 12 1/2 cents per share in view of operating losses. Because of the restricted cash flow from Nigeria, the last dividend in 1984 and first in 1985 have been paid in the form of common shares.

Summary of operations

Some of our plans and priority objectives have taken shape this year. We are acquiring our share of the oil and gas engineer-procure-construction work which is increasing in Western Canada. Marine construction in Eastern Canada, for which we have geared up in the past few years, is showing very good results. Our rationalized U.S. operations are profitable and growing at a good pace.

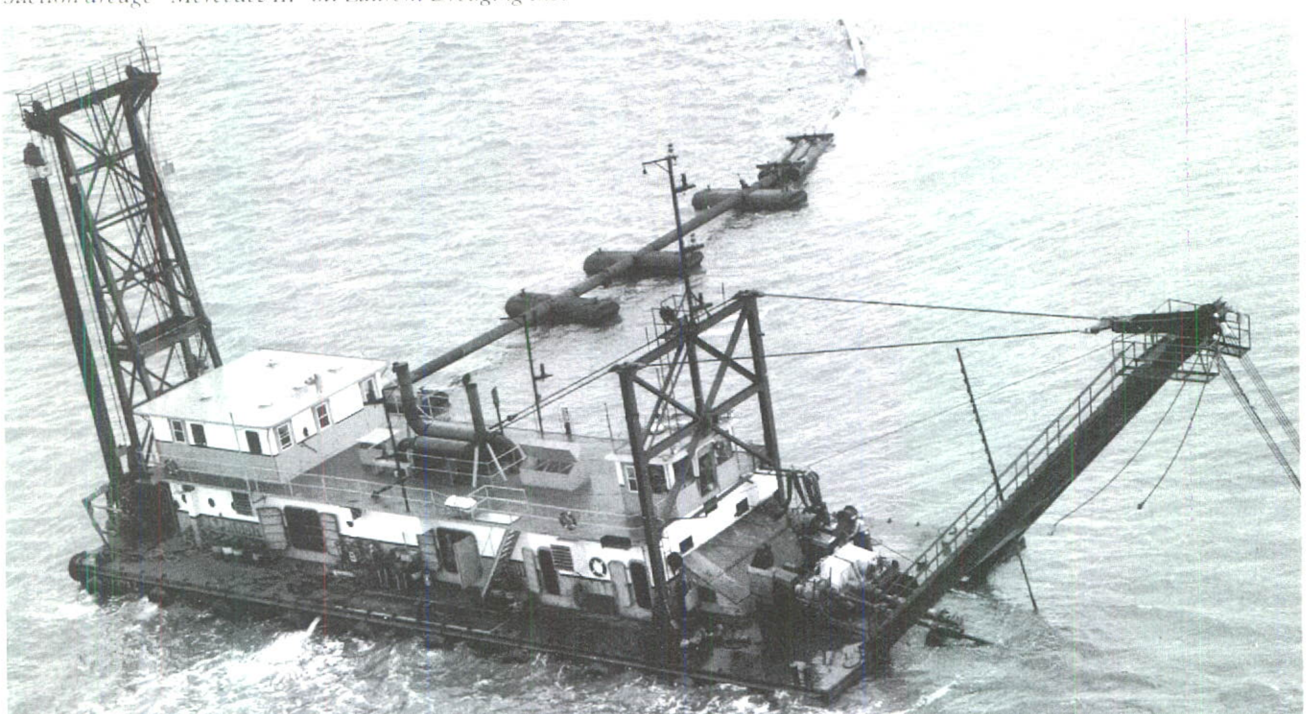
North America

Monenco Engineers & Constructors Inc. enjoyed a resurgence of activity in 1984, acquiring new contracts in Alberta for Syncrude's hydrotreater/hydrogen facilities expansion project, Esso's Judy Creek ethane extraction plant, Canadian Occidental's sour gas treatment plant at Mazeppa, and a major study of process development for Gulf. The Company's workload picked up in Ontario as well, with an "evergreen" engineering services contract for Du Pont and an assignment to design and upgrade Esso's KGO/naphtha hydrofiners in Sarnia. The Company was also awarded the engineering, procurement and construction of Tesoro Alaska Petroleum's sulphur recovery and amine regeneration system at Kenai.

As a result of the greater emphasis on utility efficiency, another cost-saving technology – that of hydroelectric plant rehabilitation – has become increasingly valuable to utility and industrial companies. Monenco Consultants Limited undertook rehabilitation assignments for Abitibi Price's installation at Chute-aux-Galets, Alcan's at Chute-du-Diable, Union Carbide's smelter plant and for Almonte Public Utilities in Ontario, Scott Paper in Nova Scotia, and others. Dam inspection and repair assignments were undertaken for Consolidated Bathurst and Elkem Metal Inc. in Quebec, the City of Calgary and TransAlta Utilities Corporation in Alberta, and three electric utilities in Newfoundland.

Monenco Analytical Laboratories has received several significant federal government contracts which exploit its expertise in radiochemical measurement. A joint venture with a Calgary reservoir engineering consulting company and Atomic Energy of Canada Ltd. has been awarded a major radioactive tracer study in the Aegean Sea. Many other new contracts were acquired for laboratory work related to industrial hygiene, asbestos removal, airborne dust monitoring, and other areas of expertise.

Suction dredge "Mercedes III" St. Laurent Dredging Inc.



Industrial waste management is a growing market providing interesting new opportunities for our services. Ontario Waste Management Corporation, the Ontario government entity established to operate a central organic and inorganic waste treatment facility in Ontario, has retained Monenco Limited to perform required engineering studies for the project. This work is being done in the company's St. Catharines office.

Extensive work must be undertaken when refineries and process plants are decommissioned, to deal with accumulated organic waste; Monenco Consultants and Cartier continued to receive a healthy share of such work in 1984. In addition to ongoing assignments at Gulf's Pincher Creek gas plant in Alberta, major contracts were awarded for Texaco refineries in Montreal and Edmonton and a Petro-Canada facility in Montreal.

Canamont Construction Inc. had its best year ever, highlighted by the commissioning of the dredge Mercedes III and the completion of new marine works projects at Becancour, Québec and Sydney, Nova Scotia. Additional Canamont contracts included new harbour development at Pointe Noire – Sept-Iles, Québec from Ports Canada and at Sainte-Flavie, Comté de Matane, Québec, for the recently created federal Research Institute for Fisheries. Dredging contracts were acquired and new equipment was added to the Company fleet, providing it with competitive tools to address a larger segment of the marine engineering and construction market.

Monenco Enterprises Limited began an intensive marketing effort related to the sale and lease of software modules of the Monenco Project Management System (MPMS) which it has perfected on major engineering assignments in the past. PERT6, the planning and scheduling software module of MPMS developed by Monenco and Dynamic Solutions Inc. of New York, was sold to General Motors in Ontario and to Sidbec-Dosco in Québec, which also purchased the Project Cost Reporting module (PCR). Additional marketing efforts are currently underway for engineering software for structural analysis (FASST) and other applications.

Facilities Information Management (FIM) work for telephone utilities continued to be a bright spot in the operations of Baymont Engineering in Florida. The company received a major extension to its outside plant records conversion assignment for United Telephone Company and was awarded a contract from Aramco for a records conversion study in Saudi Arabia.

Carlson & Sweatt – Monenco, Inc. was awarded a contract for a generating efficiency study of Philadelphia Electric Company's thermal power stations.

This "performance audit" is the largest of its kind awarded to the company to date, and represents a promising line of business as more and more electric utilities and major industrial concerns review their costs of electricity and look for ways to reduce costs and power losses, recycle waste energy or meet peak loading requirements more cheaply. On the consumer side, new contracts were awarded for a number of residential and industrial energy audits in Canada.

Overseas

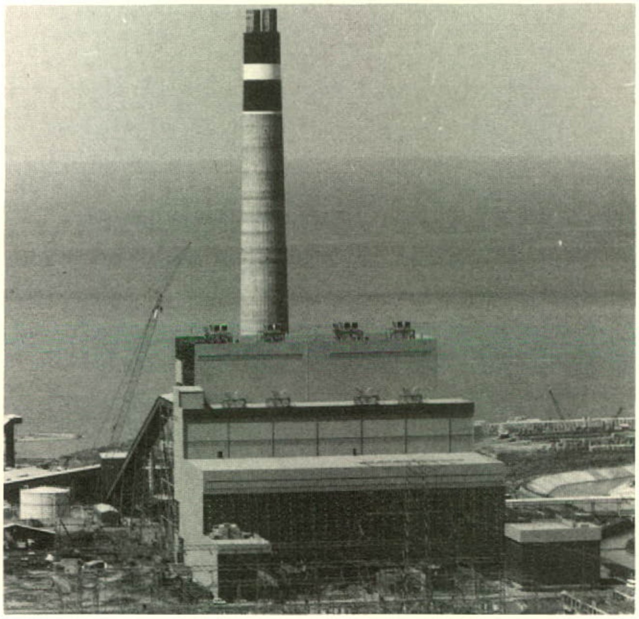
Most of Monenco's major projects in 1984 were located in Africa and Asia, including the Jebba hydroelectric development – nearly completed – and the Egbin thermal power station in Nigeria. In Indonesia, Monenco continued work on the Suralaya thermal power plant and work proceeded on the Lower Solo River Basin and Lombok Island high level diversion projects; a contract extension was also awarded to the company and its partner for the Bukit Asam coal mining and transportation project. Our long established Singapore office has been equipped with computer facilities required to provide the full range of Monenco computer related services and products. The company continues to maintain a strong presence in these important countries as well as in Bangladesh, Pakistan, Papua New Guinea and other ASEAN states.

Perhaps the biggest overseas event for Monenco in 1984 is Egypt, where work continued on the Shoubra El-Kheima interconnector and the Abu Sultan thermal plant. Two new major CIDA-financed assignments were awarded to Monenco Consultants: a power system study of the 500 kV Aswan-Cairo transmission network, and a feasibility study of the Delta (Lower Egypt) thermal power plant. The company's presence in Egypt has been very well received by the Egyptian Electricity Authority and there is considerable promise for more work in the years ahead.

Monenco Consultants Limited was awarded its first-ever contract in Grenada this year, to act as the executing agency and provide design, specifications and construction supervision services for the Port Salines Airport. Another country in which the company worked for the first time in 1984 is the United Arab Emirates, where a study of residual gas allocation was undertaken for Scimitar Oils in Dubai.

In China, work undertaken by Teshmont on the 1000 kilometer HVDC transmission line from the Gezhouba hydroelectric power development on the Yangtze River to Shanghai continues successfully. Prospects exist for future work in generation planning, transmission, other electrical power related work as well as computer applications.

Suralaya Thermal Power Plant, Indonesia.



Development

Monenco has entered into a long term exclusive arrangement with P.T. Asianenco, an Indonesian engineering organization, to accelerate technology transfer to Asianenco personnel in the implementation of electric power facilities for PLN, the Indonesian power authority. Under this agreement, services relating to the continuation of Units 3 and 4 of the Suralaya coal-fired steam power plant will be provided from Jakarta by a joint operation involving Asianenco and Monenco personnel. The new office being established in Jakarta will accommodate 70 engineers and will include computer aided design and drafting facilities.

A subsidiary of Monenco Limited, MAPLE Computing Services (Pte.) Ltd. has been established in Singapore to provide computer related services to the South East Asian market. This will enable Monenco to expand its long established base into this new rapidly growing market.

Reorganization

At year-end, Monenco implemented a reorganization plan including company name changes, which had been under consideration for some time. These changes were made to enhance marketing efforts and corporate identification, to facilitate the development of new lines of business and areas of activity, and to concentrate the provision of corporate direction and support.

Monenco Limited, the parent company of the Monenco group, is responsible for corporate development and control, and the supply of planning, financial, marketing, legal and commercial services to group companies.

Four principal operating subsidiaries will provide Monenco's consulting, engineer/procure/construct services as well as technological products worldwide. These are:

MONENCO CONSULTANTS LIMITED (MCL), the operating company providing engineering consulting services in Canada and abroad. MCL has eleven operating subsidiaries and interests in nine associate companies specializing in various engineering and related disciplines. (Previously Montreal Engineering Company, Limited)

MONENCO ENGINEERS & CONSTRUCTORS INC. (ME&C), providing engineer/procure/construct services to the oil and gas, petrochemical, power generation and pipeline industries.

MONENCO ENTERPRISES LIMITED (MEL), responsible for new high technology investments, computer consulting services, software sales, facilities information management, mapping, research and development. (Previously Monenco Computing Services Limited)

MONENCO INC., providing the full range of Monenco's services in the United States comprised of Carlson & Sweatt – Monenco, Inc. in the northeast and Baymont Engineering Company in the southeast, with its H.J. Ross and Hallmark divisions.

An organization chart, showing the operating companies of the Monenco Group and their inter-relationships, appears on the facing page.

Outlook

The next few years will show a gradual improvement in Monenco's volume of business and profitability as the economy improves in Canada and the planned expansion of activities in the United States continues. Major ongoing projects are mainly outside of North America and it is anticipated that international work in the electric power field, although extremely competitive, will remain a principal source of revenue.

Major projects are being developed in key foreign markets, at considerable effort and cost. These projects will, in the short term, provide the work needed to keep our people gainfully employed and our principal offices busy and fully utilized. Markets to watch are India, Egypt, China, Saudi Arabia, certain African countries and the Pacific Rim.

We are pleased with the current strength of our United States activities where revenues have almost doubled this year, to provide 17% of total Monenco sales, and we are confident that they will increase substantially in the coming years, eventually representing a significant part of Monenco's operations.

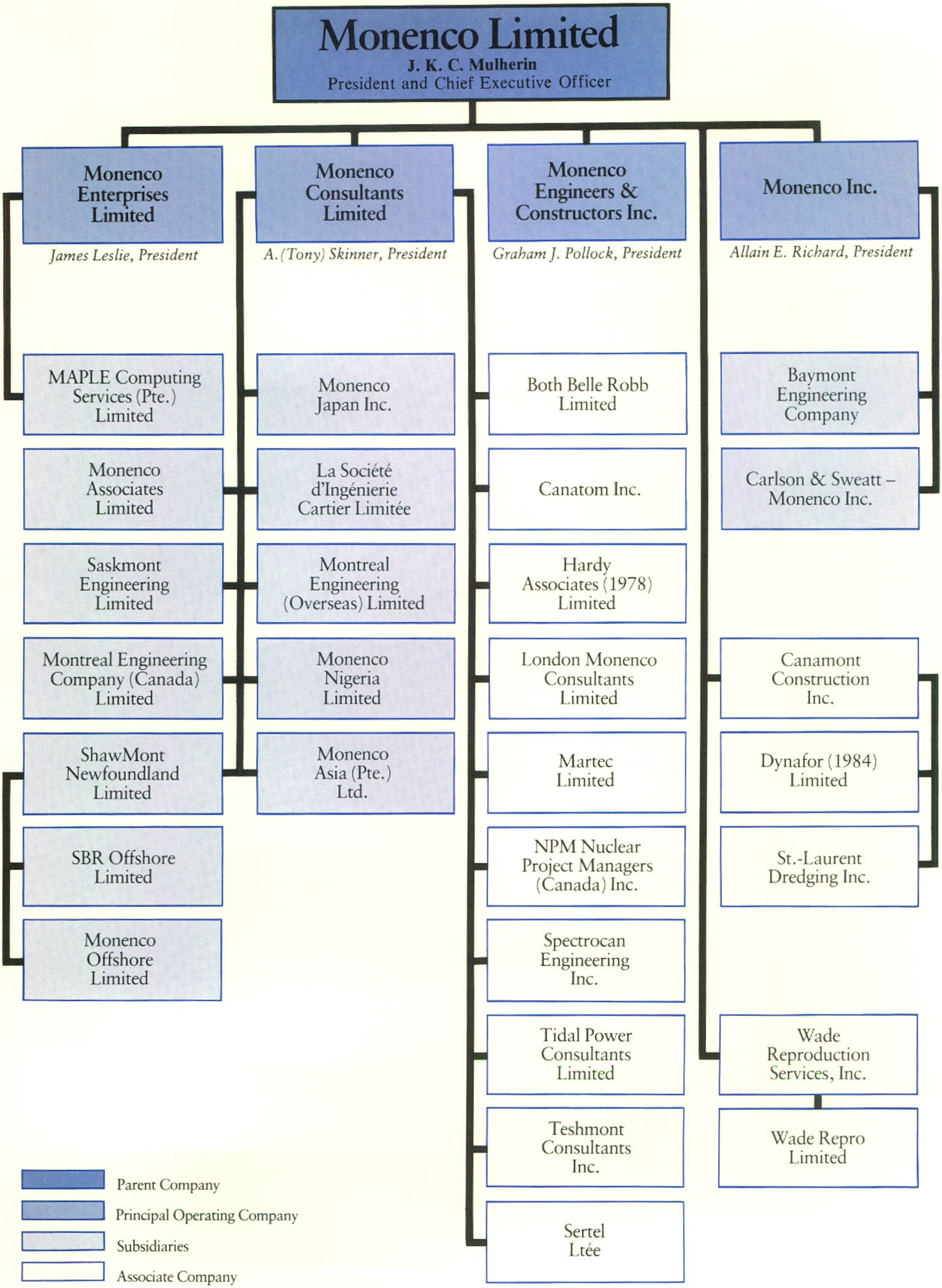
While the Canadian economy does not show real signs of improvement in major capital investments, current activities and prospects in the oil and gas industry in Western Canada and certain industries in the central provinces are encouraging.

Ongoing research and development in computer applications, communications and biotechnology derived fuels and chemicals is progressing well and beginning to provide new sources of revenue. Other new high technology developments and acquisitions, based on existing know-how and experience, continue to be investigated for short and long term payoff.

Difficult times stop being an abstraction when they affect real people. They have been especially hard for the people, who regretfully, we have had to let go, while those who remain on the team are working twice as hard to serve our clients and acquire new work. We can only admire their determination and dedication, fully confident that we will continue to serve our clients well and will return to profitable operations.

J.K. Conrad Mulherin

President and
Chief Executive Officer


Monenco Limited
J. K. C. Mulherin
President and Chief Executive Officer
Monenco Enterprises Limited
James Leslie, President
Monenco Consultants Limited
A. (Tony) Skinner, President
Monenco Engineers & Constructors Inc.
Graham J. Pollock, President
Monenco Inc.
Allain E. Richard, President
MAPLE Computing Services (Pte.) Limited
Monenco Associates Limited
Saskmont Engineering Limited
Montreal Engineering Company (Canada) Limited
ShawMont Newfoundland Limited
SBR Offshore Limited
Monenco Offshore Limited
Monenco Japan Inc.
La Société d'Ingénierie Cartier Limitée
Montreal Engineering (Overseas) Limited
Monenco Nigeria Limited
Monenco Asia (Pte.) Ltd.
Both Belle Robb Limited
Canatom Inc.
Hardy Associates (1978) Limited
London Monenco Consultants Limited
Martec Limited
NPM Nuclear Project Managers (Canada) Inc.
Spectrocan Engineering Inc.
Tidal Power Consultants Limited
Teshmont Consultants Inc.
Sertel Ltée
Baymont Engineering Company
Carlson & Sweatt – Monenco Inc.
Canamont Construction Inc.
Dynafor (1984) Limited
St.-Laurent Dredging Inc.
Wade Reproduction Services, Inc.
Wade Repro Limited
Parent Company
Principal Operating Company
Subsidiaries
Associate Company

Consolidated Statement of Income and Retained Earnings for the year ended December 31, 1984

in thousands	1984	1983
Revenue from operations	$118,147	$118,248
Direct costs	77,549	74,612
Gross margin	40,598	43,636
Operating expenses	47,796	41,753
Income (loss) from operations	(7,198)	1,883
Interest and other income	1,150	1,613
	(6,048)	3,496
Provision for income taxes	(1,883)	582
Income (loss) from continuing operations	(4,165)	2,914
Loss from discontinued operations	—	7,377
Loss	4,165	4,463
Retained earnings at beginning of year	33,985	41,076
	29,820	36,613
Dividends paid – in cash	1,389	2,628
– in shares	348	—
Retained earnings at end of year	$ 28,083	$ 33,985
Earnings (loss) per share		
Continuing operations	(1.40)	1.00
Discontinued operations	—	(2.53)
Loss	(1.40)	(1.53)
Dividends per share		
Cash	.475	.90
Shares	.12	—
	.595	.90

Consolidated Balance Sheet December 31, 1984

in thousands	1984	1983
Assets		
Cash (Note 8)	$ 4,257	$ 5,733
Short term notes, deposits and marketable securities, at the lower of cost and market (Note 8)	6,558	7,145
Accounts receivable (Note 8)	61,284	45,211
Income taxes recoverable	3,233	—
Prepaid expenses	1,487	1,211
Current assets	76,819	59,300
Investments (Note 2)	3,307	2,012
Fixed assets (Note 3)	42,865	39,537
Goodwill	220	249
	$123,211	$101,098
Liabilities		
Bank Loans	$ 32,339	$ 7,718
Accounts payable	15,808	11,826
Income taxes payable	—	1,285
Long term debt due within one year	2,022	2,474
Deferred revenue	7,172	8,497
Deferred income taxes	1,382	4,136
Current liabilities	58,723	35,936
Long term debt (Note 4)	29,904	25,990
Deferred income taxes	4,147	3,400
	92,774	65,326
Shareholders' Equity		
Share capital (Note 5)		
Subordinate voting shares	2,229	1,662
Common shares	125	125
Retained earnings	28,083	33,985
	30,437	35,772
	$123,211	$101,098

Approved by the Board

J.K.C. Mulherin
Director

C. Ritchie
Director

Consolidated Statement of Changes in Financial Position for the year ended December 31, 1984

in thousands	1984	1983
Source of working capital		
Income (loss) from continuing operations	$ (4,165)	$ 2,914
Charges to income not requiring outlay of working capital:		
Depreciation and amortization	4,428	3,452
Deferred income taxes	747	2,145
	1,010	8,511
Share issue	219	—
Long term debt (net)	3,914	5,700
	5,143	14,211
Application of working capital		
Dividends	1,389	2,628
Purchase of fixed assets	7,092	10,610
Losses from discontinued operations less goodwill	—	6,114
Other investments	1,930	885
	10,411	20,237
Decrease in working capital	(5,268)	(6,026)
Working capital at beginning of year	23,364	29,390
Working capital at end of year	$18,096	$23,364

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	1984	1983
Current assets	$ 7,706	$ 9,597
Investments at cost	821	787
Fixed assets, at cost less accumulated depreciation of $1,725 ($1,768 in 1983)	3,133	1,694
	11,660	12,078
Current liabilities including deferred income taxes	7,006	5,588
Equity	$ 4,654	$ 6,490
Revenue from operations after elimination of intercompany transactions	$25,478	$22,125
Operating expenses	24,152	22,242
Income (loss) before provision for income taxes	$ 1,326	$ (117)

Goodwill, being the excess of cost of shares in acquired companies over the book value of underlying assets is being amortized on a straight-line basis over 10 years.

c) Revenue determination
Most contracts for consulting and construction 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) Foreign currency translation
The foreign branches and subsidiaries of the Company are an integral part of the group which denominates its operations in the Canadian dollar.

Accordingly foreign revenues and expenses are translated into Canadian dollars at the average rates of exchange for the year. Assets and liabilities are translated at the year end rates. Gains and losses from translation have been included in the consolidated statement of income.

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 life. Depreciation on Monenco Place office building is on a sinking fund basis at 6% over 40 years.

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 which are amortized over their estimated useful life.

2. Investments

Investments are principally computer programmes, for which the Company receives royalties, at net amortized value of $2,029,000 ($766,000 in 1983).

3. Fixed Assets

in thousands	1984	1983
Buildings	$27,191	$23,976
Furniture and fixtures	5,958	6,569
Machinery and equipment	5,014	4,951
Computer equipment	11,044	9,109
Leasehold improvements	3,191	4,604
	52,398	49,209
Less: accumulated depreciaton and amortization	14,813	14,884
	37,585	34,325
Land	5,280	5,212
	$42,865	$39,537

Depreciation and amortization in thousands	1984	1983
Charged to direct costs	$ 2,772	$ 2,199
Charged to operating expenses	1,656	1,253
Total expenses	$ 4,428	$ 3,452

4. Long Term Debt

in thousands	1984	1983
Term bank loans for Monenco Place office building in Calgary with interest approximating bank prime rate:		
Land	$ 3,000	$ 4,000
Building, secured by first charge	24,700	21,536
Other, principally loans for the purchase of equipment and obligations under capital leases, with interest rates from 12% – 14.6%	4,226	2,928
	31,926	28,464
Less: Portion included in current liabilities	2,022	2,474
	$29,904	$25,990

Estimated repayments of long term debt for each of the four years subsequent to 1985 are:

1986 – $1,813,000; 1987 – $1,637,000; 1988 – $323,000 and 1989 – $395,000

Interest expense:	1984	1983
Long term debt	$3,230,000	$441,000
Short term debt	2,617,000	239,000
	$5,847,000	$680,000

5. Share Capital

a) Authorized and outstanding

	Authorized	Issued- Shares	Amount
Class A and Class B subordinate voting shares of no par value	8,000,000		
Balance at beginning of year		2,383,802	$1,662,000
Issued in year:			
For minority holding of an associate company		25,000	219,000
Stock dividend		43,506	348,000
Balance at end of year		2,452,308	$2,229,000
Class X and Y common shares of no par value	2,000,000		
Balance at beginning and end of year		536,192	$ 125,000
Preferred shares 6% non-cumulative, non voting, redeemable, no par value	50,000		
Balance at beginning and end of year		Nil	Nil

b) Rights of Subordinate Voting and Common Shares
Class A and Class B shares carry one vote per share and are interchangeable at the shareholder's option. Class X and Class Y shares carry five votes per share and are interchangeable at the shareholder's option. All shares rank equally as to dividends.

Dividends on Class B subordinate voting and Class Y common shares are paid in the form of 6% redeemable preferred shares. During 1984 an aggregate of 35,022 shares were issued, redeemed and returned to treasury for reissue.

6. Contingencies and Commitments

a) A subsidiary company is involved, with the contractor and the manufacturer, in an investigation into the design of a utility plant. Legal proceedings in respect of alleged damages and expenses amounting to $22 million have been initiated in this matter. Counsel have advised that, in their opinion, such proceedings, if pursued, could be successfully defended.

In the normal conduct of the operations there are other pending claims by and against 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 eight years' duration. Minimum annual rental commitments under these operating leases for the subsequent five years amount to: 1985 – $8,133,000; 1986 – $7,738,000; 1987 – $6,760,000; 1988 – $5,794,000; 1989 – $2,409,000.

c) At December 31, 1984 certain subsidiary and associated companies had losses which had accumulated to $17,154,000 available to be carried forward to reduce their taxable income of future years. Of the total, $4,538,000 will expire if not used between 1985 and 1991, and the balance between 1992 and 1998. The potential tax benefits relating to these losses have not been reflected in the accounts.

7. 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 13.

8. Nigerian Operations

The Company conducts a significant part of its business in Nigeria. 1984 revenues from these operations amounted to $14,909,000 (1983-$15,160,000). Because of the political and economic difficulties experienced by Nigeria in recent years, the Company has encountered significant delays in obtaining payment of its accounts and in remitting funds to Canada.

At December 31, 1984 its assets in Nigeria or due from Nigerian clients were:

	1984	1983
Cash and short term deposits in Nigerian funds	$ 5,320,000	$ 2,652,000
Accounts receivable		
– Denominated in dollars	5,594,000	4,864,000
– Denominated in naira	14,138,000	9,144,000
Other (net)	(1,130,000)	(202,000)
	$23,922,000	$16,458,000

Commencing in late 1984 payments and remittances to Canada were resumed on a more regular basis and management is of the opinion that these balances will be realized in Canadian dollars, principally during 1985.

9. Income Taxes

The average federal and provincial rate of income tax in Canada on the Company's operations is 47%. Similar rates prevail in most of the countries in which it operates.

The composition of the 1984 tax recovery credited to operations is as follows:

(expressed as a percent of pre-tax loss)	%
Recovery of prior years' taxes at average tax rate	47
Reduction in tax recovery from net losses not eligible for current tax relief	(17)
Other	1
Tax recovery in year	31

10. Pension Plans

Most of the Monenco companies have 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, 1984 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, 1984 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, April 1, 1985

Revenue Segmentation

Geographic Segmentation of Operations

Revenue	1984 in thousands	1984 %	1983 in thousands	1983 %
North America				
Canada				
Atlantic Provinces	$ 11,339	9.6	$ 8,609	7.3
Central Canada	21,059	17.8	22,038	18.6
Prairies	26,731	22.6	39,848	33.7
British Columbia and Territories	1,850	1.6	3,291	2.8
	60,979	51.6	73,786	62.4
United States	20,350	17.2	11,039	9.3
	81,329	68.8	84,825	71.7
Overseas				
Africa	17,455	14.8	15,679	13.2
Caribbean and Latin America	2,571	2.2	3,017	2.6
Asia	16,235	13.7	12,866	10.9
Europe and Australia	557	.5	1,861	1.6
	36,818	31.2	33,423	28.3
	$118,147	100.0	$118,248	100.0
Gross Margin				
North America	$ 27,421	33.7	$ 30,898	36.4
Overseas	13,177	35.8	12,738	38.1
	$ 40,598	34.3	$ 43,636	36.9
Assets				
North America	$ 83,987	68.2	$ 71,390	70.6
Overseas	39,224	31.8	29,708	29.4
	$123,211	100.0	$101,098	100.0

Revenue by Type of Service

Revenue	1984 in thousands	1984 %	1983 in thousands	1983 %
Energy	$ 63,001	53.3	$ 79,763	67.5
Petrochemical	6,874	5.8	10,303	8.7
Industrial	19,997	16.9	10,374	8.8
Resource	11,750	10.0	10,470	8.8
Construction	11,155	9.5	3,135	2.6
Other	5,370	4.5	4,203	3.6
	$118,147	100.0	$118,248	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 receivable which are segregated by debtor.

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 on page12. 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 other such companies have been examined by other public accountants.

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

Revenues

Gross revenues for the year were maintained at the same level as 1983, though as can be seen from page 13 the mix of clients changed. In particular revenues on construction activities increased in the year from 2.6% to 9.5% of the total. These revenues are more seasonal than consulting services and arise primarily in the third and fourth quarters.

Revenues by quarter were:

in thousands	1984	1983
First	$ 29,379	$ 31,787
Second	27,304	30,682
Third	29,407	27,740
Fourth	32,057	28,089
	$118,147	$118,298

Energy continued to provide the majority of the revenues, however, as the electric utilities in Canada are still in the process of recovering their demand growth from the dramatic drops that occurred in 1982-3, no new plants have been committed which would enable the Company to replace projects now being completed. In consequence, new assignments have been sought in other fields particularly in the industrial field in the United States where Baymont Engineering had an excellent year, obtaining assignments in the Facilities Information Management, Oriented Strand Board and Architect-Engineer fields.

International revenues remained strong as the Company continued work on projects in Indonesia and Nigeria whilst the continuing marketing emphasis on overseas work produced new projects in eight other African and Asian countries.

Gross Margin and Operating Expenses

Gross margins declined in both North American and international markets. Within North America this drop is attributable to the generally poorer margins obtainable in the continuing slow market for both consulting and E.P.C. services as well as to the increase in construction activities with their traditionally lower margin.

Internationally, 1984 saw a higher proportion of work performed in client countries where the cost of operations and of maintaining staff is much higher than in the Company's permanent offices.

Business development was continued at a high level as the companies sought new markets and prepared for new capital projects. In particular, significant investments were made for work in the oil and gas fields off the eastern coast of Canada and, in Singapore, for the sale of computer based land and facilities management systems.

During the year reductions continued in overhead and other operating expenses as stringent measures to control these costs were maintained, however, the cost of office premises increased both absolutely and proportionately because of substantial increases in rental rates under long term leases and the burden of carrying excess space pending sublet or lease termination.

The Company maintains a policy of minimizing its exposure to foreign currency risk by matching its foreign currency receipts to expenditures or funding assets outside North America with local currency obligations. However, because of the extreme delays imposed by the Nigerian government in the remittance of funds, an exchange loss of $1,000,000 was experienced on the decline in the value of the naira against the U.S. and Canadian dollars.

Interest costs increased by over $5,000,000 in 1984. This was mitigated by the receipt of $2,000,000 of rental income from its participation in Monenco Place office building, however, the net increase imposed a major burden on the Company's operations.

Net Income

Interest and dividend income fell as short term investments were liquidated to finance operations although this was to some degree offset by interest earned on bank deposits of funds delayed in Nigeria. The operations in the U.S. industrial market showed a strong recovery from the losses of 1983 and were profitable throughout the year, however, the continued low margins in the Canadian petrochemical market along with the high operating expenses in the Canadian consulting companies caused losses in these areas.

No U.S. federal income tax was payable on U.S. operations because of losses being carried forward from 1983, however, this benefit was more than offset by the absence of any tax recovery on losses of new Canadian corporations.

Segmented Information

The proportion of the Company's total assets involved in overseas operations increased proportionate to revenues, however, the percentage of current assets used for this aspect of the Company's business is much higher than normal because of the buildup of receivables and local funds in Nigeria, as described in Note 8 to the financial statements.

Working Capital

Cash and short term investments in dollar and sterling balances fell by $5,000,000 as the funds were used for operations. Naira balances increased by $3,000,000 as funds were held for remittance to Canada. These naira balances are being reduced in 1985 as transfers are now being processed.

Accounts receivable increased in the year by $16,000,000. Nigerian receivables account for $6,000,000 of this, with the balance principally attributable to the change in client mix where the reduction of activity in the Company's traditional lines of business has been replaced by lines that carry longer payment cycles.

The increase in accounts payable is caused by the higher construction and E.P.C. activities where the extra out-of-pocket costs incurred on behalf of clients are reflected in both accounts payable and receivable with, in most cases, little impact on revenues.

Changes in Canadian tax law required further payments to be made in 1984 of taxes hitherto deferred. This requirement to pay taxes before the revenues are received imposes a considerable burden on the consulting industry and on the Company in particular. Representations have been made to Revenue Canada by the Company and industry associations for relief in this area.

Bank lines of credit were used extensively in 1984, principally to finance the increased accounts receivable and the payments and pending recoveries of income taxes.

Investments, Fixed Assets and Long Term Debt

During the year continued investments were made in proprietary computer programmes which are not only used in the consulting engineering business but are now being marketed to major industrial firms and governments which require sophisticated project management and control systems.

The Monenco Place office tower was completed early in the year and is now fully occupied. The final payments have been made and the balance of the construction financing drawn down.

A major investment was made by Construction Canamont Inc. in a hydraulic dredge and computer equipment for the successful FIMS work in the U.S. was purchased by Baymont Engineering Company. These assets were largely financed with long term debt.

Share Capital

During the year the minority interest in La Société d'Ingénierie Cartier Limitée was acquired in exchange for 25,000 Class A shares of the Company.

To preserve its cash resources, the Company commenced payment of dividends in Class A shares in the fall of 1984. This policy has been continued into 1985 but is reviewed by the Directors quarterly.

Monenco Limited

Directors

Robert G. Black, Partner, Black & Company, Calgary
Alastair D. Cameron, Senior Consultant
Monenco Consultants Limited, Montreal
Lawrence A. Carey, Vice-President
Monenco Consultants Limted, Calgary
G. Décarie, President
Canamont Construction Inc., Montreal
John S. Foster,* Engineering Consultant
Toronto
Jean-Guy Fredette, Vice-President
Monenco Consultants Limited, Montreal
Robert M. Hardy, Chairman of the Board
Hardy Associates (1978) Limited, Edmonton
Albert W. Howard,* Consultant
TransAlta Utilities Corporation, Calgary
Bradley T. McManus, Solicitor, Black & Company, Calgary
J.K. Conrad Mulherin, President & C.E.O.
Monenco Limited, Montreal
Graham J. Pollock, President
Monenco Engineers & Constructors, Calgary
Christopher Ritchie, Engineering Consultant, Calgary
G. Neville C. Rivington, Senior Vice-President
Monenco Limited, Montreal
Alastair H. Ross,* President, Allaro Resources Ltd., Calgary
Walter J. Smith, Senior Vice-President
Monenco Limited, Montreal

*Audit Committee Member

Officers

J.K. Conrad Mulherin – President
and Chief Executive Officer
G. Neville C. Rivington – Senior Vice-President
Walter J. Smith – Senior Vice-President
James S. Denis – Vice-President
J.G. Fredette – Vice-President
Philip C. Veinot – Vice-President
H. Barrie Curtis – Vice-President
Jacques Caron – Vice-President & Secretary
Vincent P. Leahy – Treasurer
Marcia McKenzie – Assistant Secretary

Head Office

400 Monenco Place
801 – 6th Avenue, S.W.
Calgary, Alberta

Act of Incorporation

Business Corporations Act (Alberta)

Stock Exchanges

Alberta Stock Exchange
Montreal Stock Exchange
Toronto Stock Exchange

Transfer Agent and Registrar

Montreal Trust Company
Calgary, Montreal and Toronto

Auditors

Price Waterhouse, Montreal, Canada

Subsidiaries

wholly owned unless otherwise indicated, with percentage of ownership
Monenco Consultants Limited
Monenco Engineers & Constructors Inc.
Monenco Enterprises Limited
Monenco Inc.
Monenco Asia (Pte.) Ltd. (90)
Monenco Associates Limited
Monenco Jamaica Limited
Monenco Japan Inc.
Monenco Nigeria Limited (60)
Monenco Offshore Limited (75)
Monenco Pipeline Consultants Limited
Baymont Engineering Company
Carlson & Sweatt – Monenco Inc.
Hallmark Engineering Ltd.
Hoyles Niblock Overseas Ltd.
La Société d'Ingénierie Cartier Limitée
MAPLE Computing Services (Pte.) Ltd. (90)
McCullough Associates, Inc.
Montreal Engineering Company (Canada) Limited
Montreal Engineering (Overseas) Limited
SBR Offshore Limited (60)
Saskmont Engineering Ltd.
Sertel Ltée (74)
ShawMont Ltd.
ShawMont Martec Ltd. (76)
ShawMont Newfoundland Limited
Victus Consultants Ltd.

Associated Companies

(with percentage of ownership)
Both Belle Robb Limited (33-1/3)
Brumon Sendirian Berhad (49)
Canamont Construction Inc. (40)
Canatom Inc. (33-1/3)
Hardy Associates (1978) Ltd. (20)
London Monenco Consultants Limited (50)
Martec Limited (39)
NPM Nuclear Project Managers (Canada) Inc. (22)
St.-Laurent Dredging Inc. (40)
Saskmont Engineering Company Limited (49)
ShawMont Nigeria Limited (30)
Spectrocan Engineering Inc. (25)
Teshmont Consultants Inc. (50)
Tidal Power Consultants Limited (45)
Wade Reproduction Services, Inc. (45)