



Enheat Inc.

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Annual Report 1985

On The Leading Edge



Of Aerospace Component Manufacturing



On the leading edge of technology for over thirty years, Enheat's Aircraft Division is known for its quality and on-time delivery. Ensuring our customers' complete satisfaction is the responsibility of every employee at Enheat. Commencing with estimating and continuing on through purchasing, engineering, tool making, machining, fabrication, packing and shipping - quality is paramount.

Attention to detail is a well worn phrase, but it is an extremely important part of our business. Utilizing a manufacturing area of over 120,000 sq. feet, Enheat's skilled craftsmen rank with the best. Our customer list is a true indication of our ability to produce on-time, high quality, sophisticated aircraft components and assemblies.

Some of our past and present customers and their products are:

Boeing A/C	707,767	Metal to metal bonding and spoilers
Canadair Ltd.	CF104	Diving flaps, Pylons, U/C doors
	CF5	Metal to metal bonded panels
DeHavilland	CS2F	Fiberglass deflectors
	DHC 7	Flaps and stabilizers
Grumman A/C	F 111	Drop hammer parts
I.M.P. Aerospace	Miscellaneous	Spares, repairs and processing
Kaman Aircraft	HU2K	Cabin doors
Lockheed A/C	CP-140 (P3C)	Rudder, elevators, weapons, bay doors
McDonnell Douglas	DC9 Super 80	Welded assemblies, fiberglass, kevlar, graphite, bute and T/E panels
Sikorsky	Helicopters	Drop Hammer parts
Vertol Boeing	Helicopters	Fins and stabilizers
Weber A/C	DHC 7	Kevlar panels and interior panels
Supply & Services Canada	CS2F (CP121)	Major repair and overhaul - wings, stabilizers, elevators, flaps, and doors.



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Shareholders

British Columbia	6
Alberta	6
Saskatchewan	—
Manitoba	3
Ontario	57
Quebec	75
New Brunswick	102
Nova Scotia	32
Prince Edward Island	4
Newfoundland	—
Northwest Territories	1
<hr/>	
Canada	286
<hr/>	
United States	5
Other Countries	—
<hr/>	
Total	291

Aircraft Division

Sales:
\$10.480 million

Products:
- Aircraft Components
- Repair and Overhaul

Plant Space:
165,000 sq. ft.

Number of Employees:
230

Location:
Amherst, Nova Scotia

Enterprise Fawcett Inc.

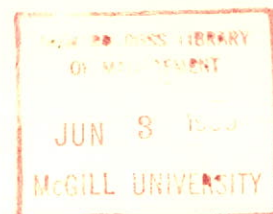
Sales:
\$5.997 million

Products:
- Oil & Wood Ranges
- Warm Air Furnaces
 wood/coal/oil
- Ductwork
- Airtight Heaters

Plant Space:
235,645 sq. ft.

Number of Employees:
125

Location:
Sackville, New Brunswick



Directors and Officers

Board of Directors

G. Denton Clark
Chairman, President
& Chief Executive Officer
R.C.A. Inc.
Royal Bank Plaza
Suite 2300, Box 161
Toronto, Ontario
M5J 2J4

***H. Reuben Cohen, Q.C.**
1111 Main Street
Moncton, N.B.
E1C 1H3

Leonard Ellen
Suite 1644
5 Place Ville Marie
Montreal, P.Q.
H3B 2G2

***Peter A. Neuman**
President
Enheat Inc.
Sackville, N.B.
E0A 3C0

George B. Robertson, Q.C.
Senior Partner
McInnes, Cooper & Robertson
1673 Bedford Row
Halifax, N.S.
B3J 2V1

†**George T. Urquhart**
Chairman, Board of Directors
& Chief Executive Officer
Enheat Inc.
211 Bromley Ave., Apt. No. 2
Moncton, N.B.
E1C 5V5

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Senior Partner
Stikeman, Elliott
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1155 Dorchester Blvd. West
Montreal 102, P.Q.
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John W. Wilson
President
Atlantic Industries (N.B.) Ltd.
P.O. Box 570
Sackville, N.B.
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Senior Officers

Roger H. Hawthornthwaite
General Manager
Aircraft Division

Y. Paul Minocha
Treasurer &
Assistant Secretary
Enheat Inc.

Peter A. Neuman
President
Enheat Inc.

George B. Robertson, Q.C.
Secretary

D.I. Sweetapple
Executive Vice-President
Enheat Inc.
General Manager
Enterprise Fawcett Inc.

George T. Urquhart
Chairman
Board of Directors
& Chief Executive Officer

Michel Vennat
Assistant Secretary

Audit Committee

G. Denton Clark - Chairman
Peter A. Neuman
Michel Vennat

Head Office
Sackville, New Brunswick
Tel: 506/536-1520 & 506/536-1160
Telex No. 014-2288

Bankers
The Royal Bank of Canada
Sackville, New Brunswick

Transfer Agents
Montreal Trust Company
Montreal, Quebec
Central Trust Co.
Moncton, New Brunswick

Registrars
Canadian Trust Company
Montreal, Quebec
Central Trust Co.
Moncton, New Brunswick

Auditors
Touche Ross & Co.
Saint John, New Brunswick

Stock Listing
Montreal Stock Exchange

*Members of the Executive Committee
†Chairman of the Executive Committee

Letter to the Shareholders



The year 1985 was marked with achievement of new highs in sales, profits and share earnings. Net sales and operating revenue were \$4.9 million greater than 1984 (excluding Airco Products, which was sold effective January 1, 1985). Earnings for 1985, after provisions for income taxes and extra-ordinary items were \$1,285,000 or \$4.14 per share. This represents significant improvement over 1984 earnings of \$222,000, or \$0.72 per share, after taxes and extra-ordinary items.

The sharp improvement in profits was accomplished, not only by increased volume of business, but also by increasing gross margins and by obtaining desired results from the institution of programs to improve productivity and reduce all operating costs.

Aircraft Division installed a Phosphoric Acid Anodizing facility, the first one of its kind in Canada, patented by Boeing Aircraft Company. A new contract with Boeing of Canada was entered into in 1985 supplying aircraft components using the Phosphoric Acid Anodizing process. This division is expected to continue improving sales and profitability during 1986.

Enterprise Fawcett Inc., has completed its first year of operations and performed ahead of plan. During the year 1986 a slight decline in the demand for heating products is forecast, however, overall performance at about the same level as in 1985 is planned, as it is anticipated that the slack in heating demand will be picked up by other product lines.

Management looks to 1986 with a great deal of vigour and enthusiasm to improve on the 1985 results by concentrated and continuous improvement in efficiency and marketing.

The Board of Directors acknowledges the loyalty and efforts of the employees of the Company and expresses its appreciation of the continued support of its customers and shareholders.

A handwritten signature in black ink, appearing to read 'George T. Urquhart'. The signature is written in a cursive, flowing style with a large initial 'G'.

George T. Urquhart
**Chairman of the Board
and Chief Executive Officer**

Historical Synopsis

(dollars in thousands except amounts per share)

For the year	1985	1984	1983	1982	1981	1980
Sales	16,477	16,913	15,505	16,173	22,213	21,398
Net Earnings (loss)	1,285	222	415	(380)	240	131
Dividends paid on "A" Shares	—	—	—	—	—	—
Return on equity (loss)	24.00%	5.45%	8.5%	(8.5%)	4.9%	2.3%
Capital expenditure	502	472	19	120	174	336
Major repairs and improvements	—	—	—	—	34	320

Per Share

Net Earnings (loss)						
"A" Shares	4.14	.72	1.34	(1.23)	.77	.42
"B" Shares	4.14	.72	1.34	(1.23)	.77	.42
Dividends paid on "A" Shares	—	—	—	—	—	—
Equity	17.27	13.13	15.81	14.47	15.70	18.68

Year end Position

Total Assets	10,868	11,139	11,930	11,767	14,166	16,457
Working capital	5,007	3,598	2,566	2,427	2,969	2,408
Shareholders' equity	5,357	4,072	4,906	4,490	4,870	5,644
Employees	364	375	284	399	475	521
Shareholders	291	324	377	399	412	482
"A" Shares outstanding	186,100	186,100	186,100	186,100	186,100	177,000
"B" Shares outstanding	124,100	124,100	124,100	124,100	124,100	125,200

Ratios

Working capital	2.02	1.58	1.38	1.37	1.36	1.25
Inventory turnover	2.06	2.15	1.85	2.03	2.36	2.32
Accounts receivable turnover	4.39	4.44	5.78	6.68	5.88	4.69

Auditors' Report

**The Shareholders,
Enheat Inc.**

We have examined the consolidated balance sheet of Enheat Inc. as at December 31, 1985 and the consolidated statements of 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, 1985 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.

Saint John, N.B.,
February 19, 1986.



Chartered Accountants

Balance Sheet

Assets

	1985	December 31 (thousands)	1984
Current assets			
Cash	\$ 95		\$ —
Receivables	3,753		3,806
Inventories - Note 2	5,999		5,985
Prepaid expenses	77		51
	9,924		9,842
Long-term assets			
Property, plant and equipment - Note 3	757		865
Non-operating fixed assets	120		150
Deferred income tax benefit - Note 4	67		282
	\$10,868		\$11,139

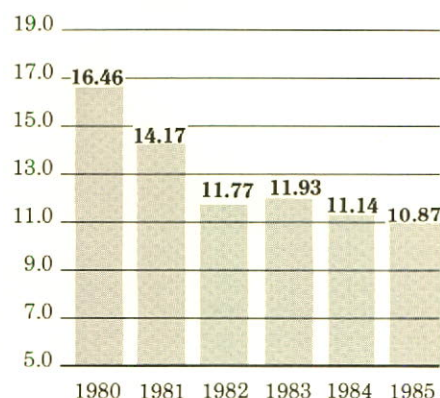
Liabilities and Shareholders' Equity

	1985	December 31 (thousands)	1984
Current liabilities			
Bank indebtedness - Note 5	\$ 1,250		\$ 3,254
Accounts payable - Note 6	3,042		2,609
Advances on aircraft contracts	148		195
Income tax payable	421		135
Current maturities	56		51
	4,917		6,244
Long-term liabilities			
Advances on aircraft contracts	31		182
Long-term debt - Notes 7, 8 and 9	563		641
	5,511		7,067
Shareholders' equity			
Common shares - Note 10	1,076		1,076
Contributed surplus	122		122
Retained earnings	4,159		2,874
	5,357		4,072
	\$10,868		\$11,139

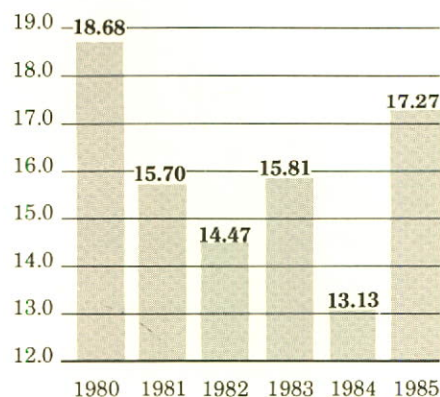
On behalf of the Board

George T. Urquhart, Chairman of the Board and Chief Executive Officer
Peter A. Neuman, President

Total Assets (millions of dollars)



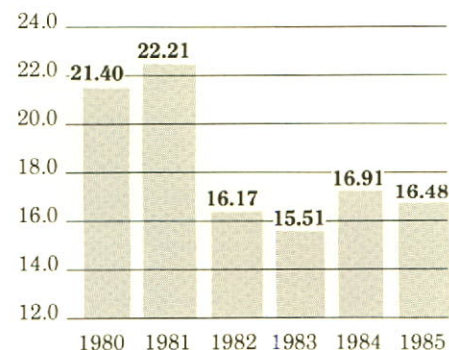
Equity per share (dollars)



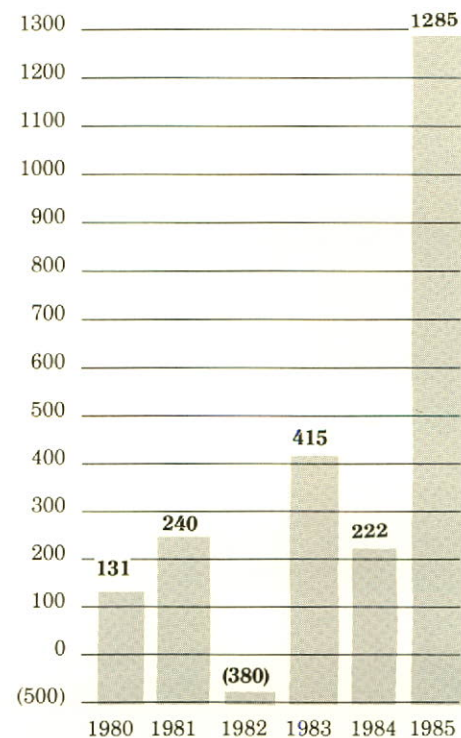
Earnings

	Year ended December 31	
	1985	1984
	(thousands)	
Sales and revenue		
Net sales and operating revenue	\$16,477	\$16,913
Cost and expenses		
Cost of sales and operating	12,376	12,899
Selling and administrative	2,000	2,616
Depreciation and amortization	95	144
Aircraft contract interruption claim	—	(175)
Interest on long-term debt	15	50
Other interest	87	426
Gain on disposal of fixed assets	(26)	(5)
	14,547	15,955
Operating income	1,930	958
Write-off of Steel Division inventories	—	53
Income before income taxes and extraordinary items	1,930	905
Provision for income taxes - Note 11		
Current	481	135
Deferred	241	158
	722	293
Net income before extraordinary items	1,208	612
Extraordinary items		
Gain on disposal of Airco Products Division fixed assets - Note 15	129	—
Gain on disposal of Fawcett Division assets - Note 16	171	—
Donation to the Province of New Brunswick - Note 16	(223)	—
Write-off of non-operating fixed assets	—	(456)
Reduction of income taxes due to prior year's loss carry-forward	—	66
Net income for the year - Note 12	\$ 1,285	\$ 222
Retained earnings		
Opening balance	\$ 2,874	\$ 2,613
Net income for the year	1,285	222
Transfer from appraisal increase	—	39
Ending balance	\$ 4,159	\$ 2,874

Sales (millions of dollars)



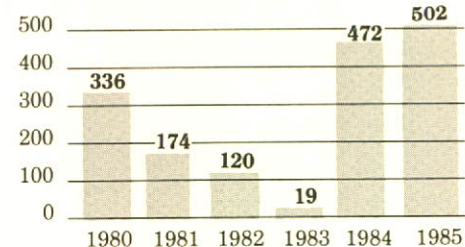
Earnings (thousands of dollars)



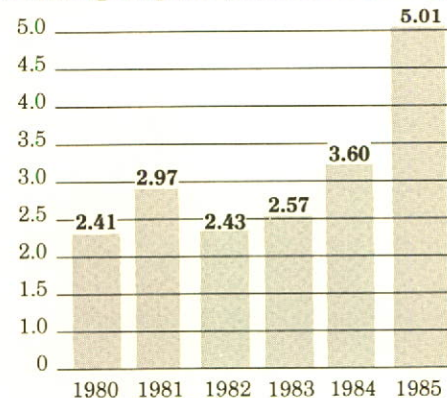
Changes in Financial Position

	Year ended December 31	
	1985	1984
	(thousands)	
Changes in cash resources		
Cash deficiency, beginning of year	\$(3,254)	\$(3,861)
Cash provided by (used in) operations		
Operating income for the year	1,930	958
Non-cash charges to income	69	139
Changes in non-cash working capital components	301	(70)
Net cash provided by (used in) operations	2,300	1,027
Cash provided by (used in) investing activities		
Purchase of fixed assets	(502)	(472)
Proceeds from disposal of fixed assets	779	12
Net cash provided by (used in) investing activities	277	(460)
Cash provided by (used in) financing activities		
Income taxes paid	(213)	—
Donation to the Province of New Brunswick	(411)	—
Government grants received	218	20
Repayment of long-term debt	(72)	(480)
Loan from the Province of New Brunswick	—	500
Net cash provided by (used in) financing activities	(478)	40
Net decrease in cash deficiency during the year	2,099	607
Cash deficiency, end of year	\$(1,155)	\$(3,254)
Comprised of:		
Cash	\$ 95	—
Bank indebtedness	(1,250)	(3,254)
	\$(1,155)	\$(3,254)
Change in working capital		
Working capital, beginning of year	\$ 3,598	\$ 2,566
Net increase in working capital	1,409	1,032
Working capital, end of year	\$ 5,007	\$ 3,598

Capital Expenditure (millions of dollars)



Working Capital (millions of dollars)



Notes to the Financial Statements

1. Accounting policies

The following is a summary of the major accounting policies used in the preparation of financial statements and other data presented in this report.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and those of its wholly-owned subsidiary, Enterprise Fawcett Inc.

Depreciation

Depreciation is determined at rates which will reduce original cost to estimated residual value over the useful life of each asset. Depreciation on the majority of property, plant and equipment is computed on the diminishing balance method using the following rates:

Buildings	5% to 10%
Machinery and other equipment	20%
Automotive equipment	30%

All material profits and losses resulting from disposal of property, plant and equipment are included in earnings when realized and the carrying value of such assets is removed from the accounts.

Aircraft Division

The Company's Aircraft Division recognizes revenue on both the completed-contract basis, and the percentage-of-completion basis, according to the terms of the applicable contract.

Income on certain long-term fixed-price commercial contracts is deferred to be offset against escalating costs in later years.

Initial tooling costs associated with new contracts are deferred until revenue is realized from the specific contracts to which they relate.

Maintenance and repairs

Maintenance and repairs are charged to earnings as incurred. Renewals and replacements of a routine nature are also charged to earnings, while those expenditures which improve or extend the useful life of assets are capitalized and amortized over their estimated useful life.

Inventories

Inventories are valued at the lower of cost and net realizable value. Raw material cost is defined as purchased cost. Work-in-process and finished goods cost represents direct labour, material and overhead incurred to date.

Pension plan costs

The costs of current service are charged to operations when incurred. The costs of past service are charged to operations when funded.

Government assistance

Government grants receivable since the beginning of 1975 have been credited to the related fixed assets and are being amortized to income at the depreciation rates appropriate to the assets for which they were provided.

In years prior to 1975, government grants received in the amount of \$122,000 were credited directly to contributed surplus and have not been amortized.

Investment tax credits

Investment tax credits receivable since the beginning of 1985 have been credited to the related fixed assets and are being amortized to income at the depreciation rates appropriate to the assets for which they were provided.

In years prior to 1985 investment tax credits receivable were not recorded due to the lack of virtual certainty of their realization.

2. Inventories

	December 31	
	1985	1984
	(thousands)	
Raw materials	\$1,532	\$1,585
Work-in-process	2,656	2,276
Finished goods	1,811	2,124
	\$5,999	\$5,985

3. Property, Plant and Equipment

Property, plant and equipment and the related accumulated depreciation are classified as follows:

	December 31			
	1985	1984		
	(thousands)			
	Cost	Accumulated depreciation	Net	Net
Land	\$ 48	\$ —	\$ 48	\$108
Buildings	275	130	145	170
Machinery and other equipment	1,718	1,184	534	509
Assets acquired under capital lease	275	246	29	61
Automotive equipment	27	26	1	17
	\$2,343	\$1,586	\$ 757	\$ 865

4. Deferred income tax benefit

	Year ended December 31	
	1985	1984
	(thousands)	
Balance, January 1	\$ 282	\$ —
Provisions for the year		
On income from operations	(241)	(158)
On extraordinary items	(23)	440
Benefit of investment tax credits applied to reduce the cost of related fixed assets	49	—
Balance, December 31	\$ 67	\$ 282

5. Bank indebtedness

The bank loans are secured by a general assignment of book debts, an assignment of inventories, a \$4,000,000 debenture and a \$2,000,000 debenture in favour of The Royal Bank of Canada, and a partial assignment of insurance proceeds.

6. Related party transaction

During the year, the Company was charged management fees in the amount of \$200,000 by an affiliated company. The unpaid balance of these fees in the amount of \$125,000 is included in accounts payable.

7. Long-term debt

	Year ended December 31	
	1985	1984
	(thousands)	
Loan from the Province of New Brunswick (Note 8)	\$500	\$500
Obligations under capital leases — secured by specific charges on equipment (Note 9)	119	192
	619	692
Less current portion:		
Loan from the Province of New Brunswick	38	—
Obligations under capital leases	18	51
	56	51
	\$563	\$641

8. Loan from the Province of New Brunswick

Pursuant to an agreement dated June 26, 1984, Enterprise Fawcett Inc. acquired the assets of the former Enterprise Foundry Company Limited as of August 2, 1984 from the Province of New Brunswick, in consideration for \$500,000, which sum the Province agreed to lend to the Company.

The loan is interest free for the first seven years, and thereafter bears interest at the Provincial lending rate then in effect. For the first seven years the principal amount is to be repaid in annual installments equal to twenty percent of the net after-tax profits of Enterprise Fawcett Inc. Thereafter, the remaining principal balance of the loan, together with all interest thereon, shall be repaid by monthly blended payments of principal and interest with full payment to be made on or before December 31, 1994.

The loan is secured by a fixed and floating charge debenture on all the assets of the subsidiary, allowing for the priority of security under Section 178 of the Bank Act, and book debts.

The first installment of principal has been calculated to be approximately \$38,000 based on the after-tax profits of Enterprise Fawcett Inc. for the fiscal year ended August 31, 1985.

9. Lease obligations

Future aggregate commitments under capital leases as at December 31, 1985 are as follows:

	(thousands)		
	Rental payments	Interest	Reduction of obligation
1986	\$ 31	\$13	\$ 18
1987	23	10	13
1988	23	8	15
1989	23	6	17
1990	23	5	18
Subsequent years	41	3	38
Total	\$164	\$45	\$119

Particulars of obligations relating to leased assets

The Company has acquired various types of machinery and equipment under capital leases. The following is a summary of the obligations relating to those leased assets:

Number of assets	Equipment type	(thousands) Cost	Year(s) Leases expire	Interest rate(s)	(thousands) Future obligation	
					Current	Non-current
1	Boilers	\$170	1991	10.72%	\$12	\$101
1	Machinery	11	1986	24.82%	5	—
1	Office equipment	7	1986	22.50%	1	—
					\$18	\$101

10. Common shares

Authorized - Class "A" - unlimited shares without par value
 - Class "B" - unlimited shares without par value

		December 31	
		1985	1984
		(thousands)	
Issued	- Class "A" - 186,100 shares	\$ 836	\$ 836
	- Class "B" - 124,100 shares	240	240
		\$1,076	\$1,076

At December 31, 1985 options were outstanding to two executives for the purchase of 11,500 Class "A" shares at a price of \$3.60, and 3,500 Class "B" shares at a price of \$3.44. The options will expire on December 31, 1987.

11. Provision for income taxes

The Company's provision for income taxes is made up as follows:

	Year ended December 31	
	1985	1984
	(thousands)	
Provision for income taxes based on combined basic Canadian federal and provincial income tax rate of 51% (1984 - 49.55%)	\$ 984	\$462
Increase (decrease) in taxes resulting from:		
Federal income tax surcharge	20	—
Manufacturing and processing profits deduction	(114)	(54)
Inventory allowance and investment tax credits	(168)	(90)
Lower effective income tax rate on capital gains	—	(25)
Actual provision for income taxes	\$ 722	\$293

12. Earnings per share

	Year ended December 31			
	1985		1984	
	Basic	Fully-diluted	Basic	Fully-diluted
Net income before extraordinary items				
- Class "A"	\$3.89	\$3.71	\$1.97	\$1.88
- Class "B"	3.89	3.71	1.97	1.88
Net income for the year				
- Class "A"	4.14	3.95	0.72	0.68
- Class "B"	4.14	3.95	0.72	0.68

For purposes of calculating fully-diluted earnings per share, the number of common shares has been adjusted to reflect the additional shares that would have been issued on exercise of stock options granted to two executives, being 11,500 Class "A" shares and 3,500 Class "B" shares.

13. Segmented information

Industry segments	Divisions				Subsidiary	Combined
	Fawcett	Aircraft	Airco Products	Steel	Enterprise Fawcett Inc.	
1985 (thousands)						
Trade sales	\$ —	\$10,480	\$ —	\$ —	\$5,997	\$16,477
Profit by segment	\$ —	\$ 1,642	\$ —	\$ —	\$ 288	\$ 1,930
Income taxes						722
Income before extraordinary items						1,208
Gain on disposal of Airco Products Division assets						129
Gain on disposal of Fawcett Division fixed assets						171
Donation to the Province of New Brunswick						(223)
Net income						\$ 1,285
Identifiable assets	\$ —	\$ 7,019	\$ —	\$ —	\$3,782	\$10,801
Deferred tax benefits						67
Total assets						\$10,868
Capital expenditures	\$ —	\$ 279	\$ —	\$ —	\$ 223	\$ 502
Depreciation expense	\$ —	\$ 56	\$ —	\$ —	\$ 39	\$ 95
Export sales	\$ —	\$ 2,096	\$ —	\$ —	\$ 35	\$ 2,131

Industry segments	Divisions				Subsidiary	Combined
	Fawcett	Aircraft	Airco Products	Steel	Enterprise Fawcett Inc.	
1984 (thousands)						
Total sales	\$1,595	\$6,933	\$5,374	\$ 30	\$3,136	\$17,068
Inter-segment sales	—	—	—	—	(155)	(155)
Trade sales	\$1,595	\$6,933	\$5,374	\$ 30	\$2,981	\$16,913
Profit (loss) by segment	\$ (123)	\$ 607	\$ 82	\$(65)	\$ 404	\$ 905
Income taxes						293
Income before extraordinary items						612
Write-off of Steel Division assets, net of related tax benefits						456
Reduction of income taxes due to prior year's loss carry-forward						(66)
Net income						\$ 222
Identifiable assets	\$ 150	\$4,450	\$2,816	\$ —	\$3,441	\$10,857
Deferred tax benefits						282
Total Assets						\$11,139
Capital expenditures	\$ 1	\$ 9	\$ 7	\$ —	\$ 455	\$ 472
Depreciation expense	\$ 13	\$ 62	\$ 40	\$ —	\$ 29	\$ 144
Export sales	\$ 10	\$2,255	\$ 36	\$ —	\$ 36	\$ 2,337

Until it ceased operations in July 1984, Fawcett Division produced and sold wood, oil and combination stoves, heaters and furnaces, and also sold purchased appliances. Certain products from this Division have been combined with selected operating lines of the former Enterprise Foundry Limited, and the combined operations are being carried out under Enterprise Fawcett Inc., a wholly-owned subsidiary of Enheat Inc.

Aircraft Division produces and repairs aircraft components for commercial and military customers.

Substantially all of the assets of the Airco Products Division were sold on January 1, 1985. Its remaining assets, having a net book value of \$73,000, have been transferred to the non-operating category.

Steel Division was permanently closed on November 30, 1981, and its remaining assets have been written off.

The Board of Directors has determined the classes of business disclosed above.

14. RDIA Grant

During 1984, Enterprise Fawcett Inc. acquired fixed assets which were eligible for a portion of an approved Regional Development Incentives Act grant from the Department of Regional Industrial Expansion. An offer for a maximum grant of \$330,000 was received and accepted. As of December 31, 1985, the Company had satisfied conditions of the funding agreement making it eligible for \$273,000 of the maximum amount offered.

During the year the Company received \$218,000 representing 80% of the approved development incentive grant. The remaining portion of the grant, due no later than May 31, 1988, has been recorded as

receivable. The grant in the amount of \$273,000 has been applied to reduce the cost of the related fixed assets.

15. Sale of assets of Airco Products Division

Net current assets of the Airco Products Division having a book value of \$1,398,000 were disposed of on January 1, 1985 for an agreed price equal to their net book value.

Fixed assets having a net book value of \$105,000 were sold for \$342,000, resulting in a gain on disposal of \$129,000, being net of related income taxes of \$108,000.

16. Donation to the Province of New Brunswick

Land and buildings of the Fawcett Division having a net book value of \$119,000 were donated to the Province of New Brunswick for an appraised value of \$411,000, resulting in a gain on disposal of \$171,000, being net of related income taxes of \$121,000. The cost of the donation has been reduced by the related income tax benefit in the amount of \$188,000.

17. Pension Plan Costs **Hourly-paid employees**

Total pension costs for the year include the cost of current service as well as funding payments amounting to \$127,000 in respect of past service.

The Company has altered the benefits under the plan effective January 1, 1986. It has been estimated by the plan's actuaries that the present value of the unfunded liability for past service will increase to \$994,000 as a result of changes in benefits.

Under the new plan, payments in respect of the unfunded past service liability will be required in the amount of \$104,000 per annum from 1986 to 2001.

Salaried employees

Total pension costs for the year include the cost of current service as well as funding payments amounting to \$30,000 in respect of past service for the non-contributory pension plan only.

The Company has entered into a new pension plan effective January 1, 1986 amalgamating the contributory and the non-contributory plans. It has been estimated by the plan's actuaries that the present value of the unfunded liability for past service of the new plan will increase to \$530,000 assuming that all eligible employees join the plan.

Under the new plan, payments in respect of the unfunded past service liability will be required in the amount of \$54,000 per annum from 1986 to 2001.

Summary

Under the new plans, annual payments in respect of the unfunded past service liability will increase marginally from \$157,000 to \$158,000.

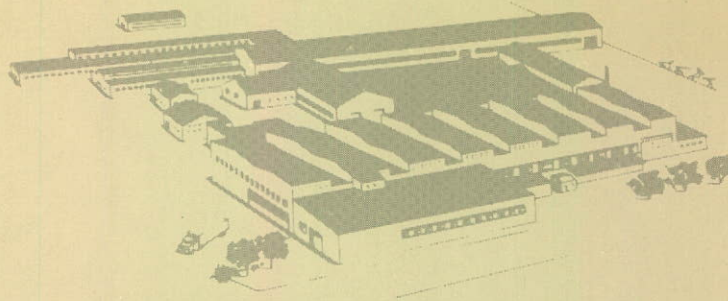


Monarch Range

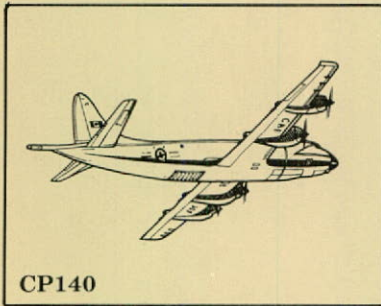
First produced in 1924, still in production.

Our Plants and Products

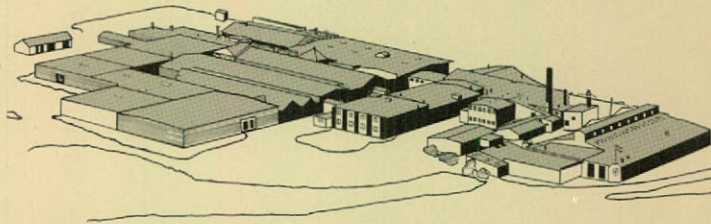
Aircraft Division and Enterprise Fawcett Inc.



Aircraft Division
Offices and Plants Amherst, Nova Scotia



Advanced facilities for the manufacture of components, overhaul and maintenance of aircraft.



Enterprise Fawcett Inc.
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