

Enheat Inc.

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Annual Report 1984

On The Leading Edge

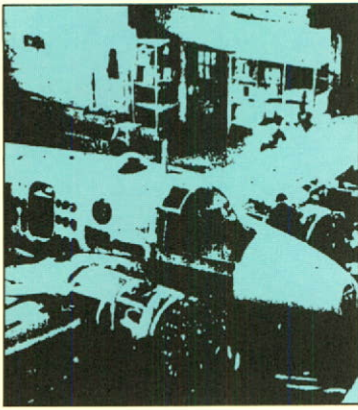


OF MANUFACTURING

MAY 21

McGILL UNIVERSITY

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	CS2F (CP121)	Major repair and overhaul - wings, stabilizers, elevators, flaps, and doors.
& Services Canada		



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Shareholders

British Columbia	10
Alberta	7
Saskatchewan	—
Manitoba	3
Ontario	69
Quebec	85
New Brunswick	108
Nova Scotia	32
Prince Edward Island	4
Newfoundland	—
Northwest Territories	1
<hr/>	
Canada	319
<hr/>	
United States	5
Other Countries	—
<hr/>	
Total	324

Airco Products Division

Sales:

\$5.374 million

Products:

- Warm Air Furnaces
- Registers
- Metal Fittings

Plant Space:

75,000 sq. ft.

Number of Employees:

60

Location:

Vancouver, British Columbia

Fawcett Division

Sales - (7 months):

\$1.595 million

Products:

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

Plant Space:

176,000 sq. ft.

Number of Employees:

55

Location:

Sackville, New Brunswick

Aircraft Division

Sales:

\$6.933 million

Products:

- Aircraft Components
- Repair and Overhaul

Plant Space:

165,000 sq. ft.

Number of Employees:

160

Location:

Amherst, Nova Scotia

Enterprise Fawcett Inc.

Sales - (5 months):

\$2.981 million

Products:

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

Plant Space:

235,645 sq. ft.

Number of Employees:

145

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.
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

Michel Vennat, Q.C.
Partner
Stikeman, Elliott
Suite 3900
1155 Dorchester Blvd. West
Montreal 102, P.Q.
H3B 3V2

John W. Wilson
President
Atlantic Industries (N.B.) Ltd.
P.O. Box 570
Sackville, N.B.
E0A 3C0

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

Michael C. Spedding
General Manager
Airco Products Division

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
Vancouver, British Columbia

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
Vancouver, British Columbia

Stock Listing
Montreal Stock Exchange

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

Letter to the Shareholders



The year 1984 was an eventful one for Enheat Inc. A number of significant factors contributed to a very successful year and I want to draw attention to these areas of interest.

Net sales and operating revenue were \$1.4 million greater than 1983 and income before income taxes and extraordinary items were \$905,000 compared to \$415,000 for 1983.

The Steel Division was permanently closed November 30, 1981. The Company has not succeeded in locating a purchaser for the entire steel facility, and accordingly has written off the remaining net book value of \$830,762, net of applicable deferred income tax benefits of \$374,000, resulting in a net write off of \$456,762 in the current year. In addition, the remaining inventories of the Steel Division having a book value of \$52,572, have also been written off.

With the write offs of the Steel Division taken into account, earnings for 1984 after provision for income taxes were \$222,000.

Earnings per share in 1984 before extraordinary items were \$1.97 compared to \$1.01 in 1983. Net income per share in 1984 was .72¢ compared to \$1.34 in 1983.

It is to be noted that the appraisal increment relating to non-operating and operating assets, with the exception of land, amounting to \$1,056,000 has been written off against the related appraisal increase in shareholders equity.

During 1984 Enheat Inc. incorporated a subsidiary, Enterprise Fawcett Inc. which acquired the assets of the former Enterprise Foundry Company Limited as of August 2, 1984 from the Province of New Brunswick in consideration of \$500,000, which sum the Province agreed to lend the Company.

In addition, Enterprise Fawcett Inc. applied for, received and accepted a grant from the Department of Regional Industrial Expansion. No portion of this grant was received as of December 31, 1984, until all conditions of the funding agreement have been satisfied.

During the last quarter of 1984 the Company made an agreement in principle to sell the Net Assets of its Airco Products Division in Vancouver, B.C. to Duo-Matic Olsen Inc., a wholly owned subsidiary of Canadian Manoir Industries Limited. The sale was concluded on March 15, 1985 with effect January 1, 1985.

The Airco Products Division showed a modest profit in 1984.

The combined operations of the Fawcett Division and the new wholly owned subsidiary, Enterprise Fawcett Inc., showed a substantial improvement in 1984 over the Fawcett Division's operations in 1983.

During 1984 the Aircraft Division continued to improve its sales and profits as compared to 1983. One factor to this improvement was the resumption of shipments in 1984 to a major customer who had deferred scheduled shipments in August, 1982.

The Company anticipates continued growth in 1985 and accordingly, improvement on its 1984 results.

The official opening ceremonies for the new Enterprise Fawcett Inc. operation in Sackville, N.B. is planned for May 17, 1985, the same day the Annual General Meeting of Enheat Inc. is scheduled.

With the acquisition of the assets of the Enterprise Foundry Company Limited and the sale of the Airco Products Division, Enheat Inc. will be examining closely all opportunities to utilize the benefits of these two events to further increase the sales and profits of the Company.

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.

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

Historical Synopsis

(dollars in thousands except amounts per share)

For the year	1984	1983	1982	1981	1980	1979
Sales	16,913	15,505	16,173	22,213	21,398	19,040
Net Earnings (loss)	222	415	(380)	240	131	401
Dividends paid on "A" Shares	—	—	—	—	—	—
Return on equity (loss)	5.45%	8.5%	(8.5%)	4.9%	2.3%	7.3%
Capital expenditure	472	19	120	174	336	176
Major repairs and improvements	—	—	—	34	320	112

Per Share

Net Earnings (loss)						
"A" Shares	.72	1.34	(1.23)	.77	.42	1.33
"B" Shares	.72	1.34	(1.23)	.77	.42	1.33
Dividends paid on "A" Shares	—	—	—	—	—	—
Equity	13.13	15.81	14.47	15.70	18.68	18.24

Year end Position

Total Assets	11,139	11,930	11,767	14,166	16,457	15,005
Working capital	3,598	2,566	2,427	2,969	2,408	2,677
Shareholders' equity	4,072	4,906	4,490	4,870	5,644	5,513
Employees	375	284	399	475	521	536
Shareholders	324	377	399	412	482	513
"A" Shares outstanding	186,100	186,100	186,100	186,100	177,000	177,000
"B" Shares outstanding	124,100	124,100	124,100	124,100	125,200	125,200

Ratios

Working capital	1.58	1.38	1.37	1.36	1.25	1.33
Inventory turnover	2.15	1.85	2.03	2.36	2.32	2.22
Accounts receivable turnover	4.44	5.78	6.68	5.88	4.69	4.93


Auditors' Report

**The Shareholders,
Enheat Inc.**

We have examined the consolidated balance sheet of Enheat Inc. as at December 31, 1984 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, 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.

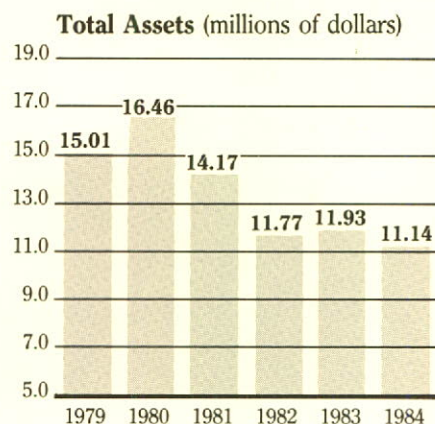
Saint John, N.B.,
February 15, 1985.


Chartered Accountants

Balance Sheet

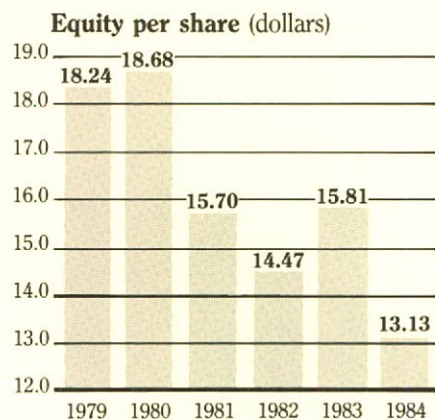
Assets

	1984	December 31 (thousands)	1983
Current assets			
Receivables	\$ 3,806		\$ 2,683
Inventories - Notes 2 and 3	5,985		6,597
Prepaid expenses	51		50
	9,842		9,330
Fixed assets			
Property, plant and equipment - Note 4	891		1,765
Non-operating fixed assets - Note 5	124		835
Deferred income tax benefit - Note 16	282		—
	\$11,139		\$11,930



Liabilities and Shareholders' Equity

	1984	December 31 (thousands)	1983
Current liabilities			
Bank loans - Note 6	\$ 3,254		\$ 3,861
Accounts payable - Note 7	2,744		2,315
Advances on aircraft contracts	195		110
Current maturities	51		478
	6,244		6,764
Advances on aircraft contracts	182		66
Long-term debt - Notes 8, 9 and 10	641		194
	7,067		7,024
Shareholders' equity			
Common shares - Note 11	1,076		1,076
Contributed surplus	122		122
Retained earnings	2,874		2,613
Appraisal increase	—		1,095
	4,072		4,906
	\$11,139		\$11,930



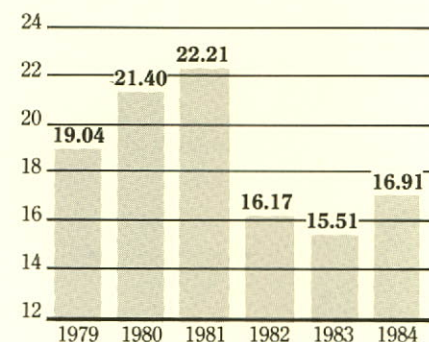
on behalf of the Board

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

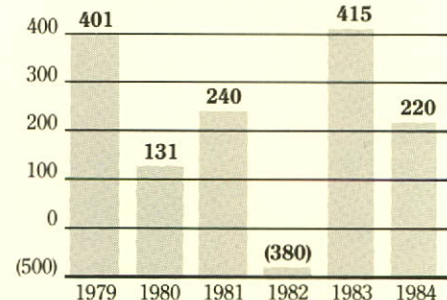
Earnings

	Year ended December 31	
	1984	1983
	(thousands)	
Sales and revenue		
Net sales and operating revenue	\$16,913	\$15,505
Cost and expenses		
Cost of sales and operating	12,899	12,181
Selling and administrative	2,616	2,642
Depreciation and amortization	144	180
Aircraft contract interruption claim - Note 3	(175)	(467)
Interest on long-term debt	50	62
Other interest	426	526
Gain on disposal of fixed assets	(5)	(34)
	15,955	15,090
Operating income	958	415
Write-off of Steel Division inventories - Note 5	53	—
Income before income taxes and extraordinary items	905	415
Provision for income taxes - Note 14		
Current	135	—
Deferred	158	101
	293	101
Income before extraordinary items	612	314
Extraordinary items		
Write-off of non-operating fixed assets - Note 5	456	—
Reduction of income taxes due to prior year's loss carry-forward	(66)	(101)
Income for the year - Note 13	\$ 222	\$ 415
Retained earnings		
Opening balance	\$ 2,613	\$ 2,198
Income	222	415
Transfer from appraisal increase	39	—
Ending balance	\$ 2,874	\$ 2,613

Sales (millions of dollars)



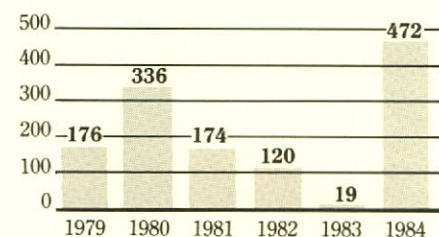
Earnings (thousands of dollars)



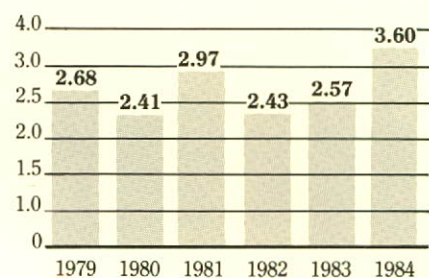
Changes in Financial Position

	Year ended December 31	
	1984	1983
	(thousands)	
Source of funds		
Net income for the year before extraordinary items	\$ 612	\$ 314
Deferred income taxes	158	101
Depreciation and amortization	144	180
Funds provided from operations	914	595
Reduction of government grant receivable	—	25
Government grant received	20	—
Disposal of fixed assets	7	38
Increase in advances on aircraft contracts	116	—
Term loan, Province of New Brunswick	500	—
	1,557	658
Application of funds		
Decrease in advances on aircraft contracts	—	121
Purchases of property, plant and equipment	472	19
Reduction in long-term debt	53	380
	525	520
Increase (decrease) in working capital	1,032	138
Working capital January 1	2,566	2,428
Working capital December 31	\$3,598	\$2,566

Capital Expenditure (thousands 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

Total pension costs for the year include the cost of current service as well as funding payments amounting to \$186,680 in respect of past service. Payments in respect of the unfunded past service liability will be required as follows:

\$156,860 per annum from 1985 to 1990
\$147,392 per annum from 1991 to 1995
\$63,452 during 1996
\$31,040 per annum from 1997 to 2001

Government assistance

Government grants received since the beginning of 1975 were credited to the respective asset accounts 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 were credited directly to contributed surplus and have not been amortized.

2. Inventories

	December 31	
	1984	1983
	(thousands)	
Raw materials (Note 3)	\$1,585	\$1,634
Work-in-process (Note 3)	2,276	2,819
Finished goods	2,124	2,144
	\$5,985	\$6,597

3. Aircraft Division Inventories

During September 1982 The DeHavilland Aircraft of Canada, Limited delayed the scheduled delivery dates for components which Enheat Inc. was required to manufacture under contract and requested that the Company comply with a new delivery schedule.

The original contract called for deliveries throughout 1982, 1983 and early 1984. In accordance with the revised schedule, deliveries were discontinued in September 1982 and did not recommence until August 1984. Under the terms of a contract revision, The DeHavilland Aircraft of Canada, Limited has reimbursed Enheat Inc. for the costs of financing such inventories from the date of interruption of the original delivery schedule until recommencement and has contributed towards other expenses incurred as a result of the schedule delays.

4. Property, Plant and Equipment

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

	December 31			
	1984	1983	(thousands)	
	Cost	Accumulated depreciation	Net	Net
Land	\$ 134	\$ —	\$134	\$ 133
Buildings	321	151	170	910
Machinery and other equipment	1,955	1,446	509	593
Assets acquired under capital lease	319	258	61	102
Automotive equipment	144	127	17	27
	\$2,873	\$1,982	\$891	\$1,765

Non-operating assets have been segregated from assets in use (as described in Note 5), and are not included in the above balances.

The appraisal increment relating to non-operating and operating assets, with the exception of land, has been written off against the related appraisal increase in shareholders' equity.

5. Discontinued Operations

Steel Division

On November 30, 1981, the Steel Division was permanently closed. The Company has not succeeded in locating a purchaser for the entire steel facility, and accordingly has written off the remaining net book value of \$830,762, net of applicable deferred income tax benefits of \$374,000, in the current year. The remaining inventories of the Division, having a book value of \$52,572, have also been written off.

Fawcett Division

The operations of the Fawcett Division have essentially been assumed by Enterprise Fawcett Inc., a wholly-owned subsidiary. The Division's fixed assets, having a net book value of \$124,067 after write off of the appraisal increase, have been transferred to the non-operating category as of December 31, 1984.

6. Bank Loans

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 an assignment of insurance.

7. Related Party Transaction

During the year, the Company was charged management fees in the amount of \$100,000 by an affiliated company. The unpaid balance of these fees in the amount of \$33,333 is included in accounts payable.

8. Long-Term Debt

	December 31	
	1984	1983
	(thousands)	
Series B, 6% Sinking Fund Debentures, to mature September 1, 1984, authorized and issued \$1,250,000 less amount purchased for redemption, with final payment of \$350,000 upon maturity	\$—	\$417
Loan from the Province of New Brunswick (Note 9)	500	—
Obligations under capital leases - secured by specific charges on equipment (Note 10)	192	255
	692	672
Less current portion:		
Series B, Sinking Debentures	—	417
Loan from the Province of New Brunswick	—	—
Obligations under capital leases	51	61
	51	478
	\$641	\$194

9. 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.

10. Lease Obligations

Future aggregate commitments under capital leases as at December 31, 1984 are as follows:

	(thousands)		
	Rental payments	Interest	Reduction of obligation
1985	\$ 72	\$21	\$ 51
1986	54	14	40
1987	24	10	14
1988	23	8	15
1989	23	7	16
Subsequent years	64	8	56
	\$260	\$68	\$192

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%	\$11	\$114
2	Machinery	48	1985/86	11.82% to 24.82%	9	5
2	Office equipment	101	1986	12.97% to 22.50%	31	22
		\$319			\$51	\$141

Airco Products Division has outstanding non-capital lease obligations expiring in 1986 requiring annual payments, before taxes, as follows:

	(thousands)
1985	\$110
1986	19

11. Common Shares

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

Issued - Class "A" - 186,100 shares
 - Class "B" - 124,100 shares

	1984	December 31 (thousands)	1983
	\$ 836		\$ 836
	240		240
	\$1,076		\$1,076

At December 31, 1984 options were outstanding, subject to shareholder approval, to two executives to purchase 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.

12. Segmented Information

Industry segments	Divisions				Subsidiary Enterprise Fawcett Inc. (5 months)	Combined
	Fawcett (7 months)	Aircraft	Airco Products	Steel		
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 if income taxes due to prior year's loss carry-forward						(66)
Net income						\$ 222
Identifiable assets	\$ 129	\$4,471	\$2,816	\$—	\$3,441	\$10,857
Deferred tax benefits						282
						\$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

Industry segments	Divisions				Combined
	Fawcett	Aircraft	Airco Products	Steel	
1983 (thousands)					
Total sales	\$3,235	\$5,736	\$6,506	\$121	\$15,598
Inter-segment sales	(93)	—	—	—	(93)
Trade Sales	\$3,142	\$5,736	\$6,506	\$121	\$15,505
Profit (loss) by segment	\$ (27)	\$ 243	\$ 114	\$ 51	\$ 381
Gain on sale of assets					34
Net income					\$ 415
Identifiable assets	\$3,165	\$4,905	\$2,935	\$925	\$11,930
Capital expenditures	\$ —	\$ 18	\$ 1	\$ —	\$ 19
Depreciation expense	\$ 20	\$ 118	\$ 42	\$ —	\$ 180
Export sales	\$ 42	\$3,009	\$ —	\$ —	\$ 3,051

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.

Airco Products Division manufactures and sells gas and oil warm air furnaces and also purchases and sells allied equipment.

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.

13. Earnings Per Share	1984		1983
	Basic	Fully-diluted	Basic
Income before extraordinary items			
- Class "A"	\$1.97	\$1.88	\$1.01
- Class "B"	1.97	1.88	1.01
Net income for the year			
- Class "A"	0.72	0.68	1.34
- Class "B"	0.72	0.68	1.34

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, subject to shareholder approval, to two executives, being 11,500 Class "A" shares and 3,500 Class "B" shares.

14. Provision for Income Taxes

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

	1984	1983
Provision for income taxes based on combined basic Canadian federal and provincial income tax rate of 51% (1983-49.55%)	\$462	\$205
Increase (decrease) in taxes resulting from:		
Federal income tax surcharge	—	3
Manufacturing and processing profits deduction	(54)	(22)
Inventory allowance	(90)	(85)
Lower effective income tax rate on capital gains	(25)	—
Actual provision for income taxes	\$293	\$101

15. Business Investment Tax Credits

The Company has accumulated investment tax credits of \$137,373 available for use in future years. In 1984, \$46,543 in investment tax credits expired and unless utilized, the remaining credits will expire as follows:

1985	\$105,740
1986	20,284
1987	7,012
1990	2,242
1991	2,095
	\$137,373

16. Deferred Income Tax Benefit

The Company has income tax benefits totalling \$272,000 available indefinitely in future years, arising from capital cost allowance available in excess of depreciation claimed, as well as the benefit of losses incurred in a prior year, in the amount of \$10,000, available until 1987.

17. Subsequent Event

The Company has made an agreement in principle to sell the net assets of its Airco Products Division in Vancouver, B.C.

18. RDIA Grant

During the year, Enterprise Fawcett Inc. acquired fixed assets which are 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 \$330,375 was received and accepted, but no portion of the grant has been recorded as receivable and applied to reduce the cost of the related fixed assets as at December 31, 1984, until all conditions of the funding agreement have been satisfied.

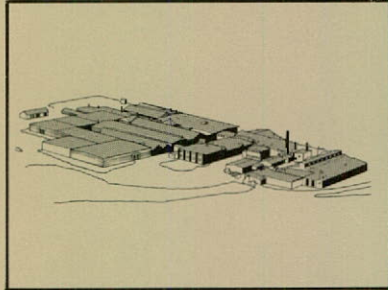


Monarch Range

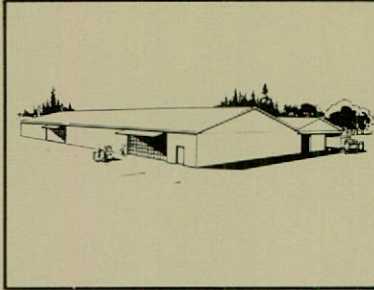
First produced in 1924, still in production.

Our Plants and Products

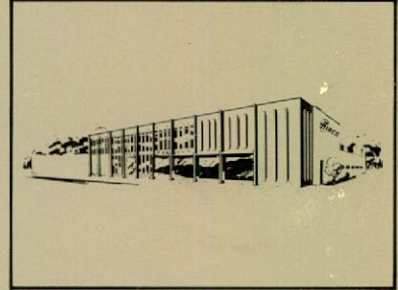
Airco Division and Enterprise Fawcett Inc.



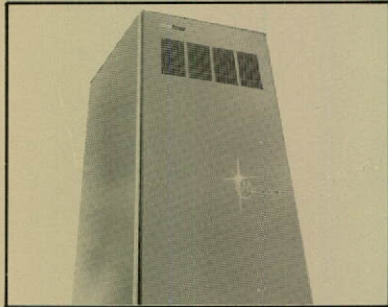
Enterprise Fawcett Inc. Plant and Enheat Corporate Offices
Sackville, New Brunswick



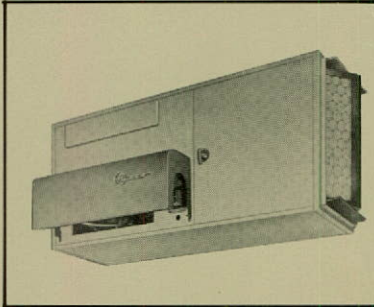
Airco Division Plant
Vancouver, British Columbia



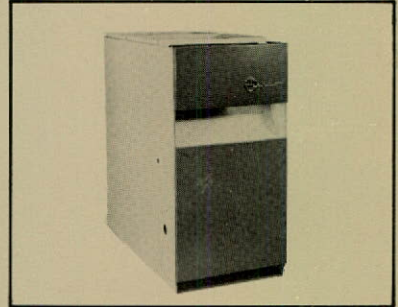
Airco Division Offices
Vancouver, British Columbia



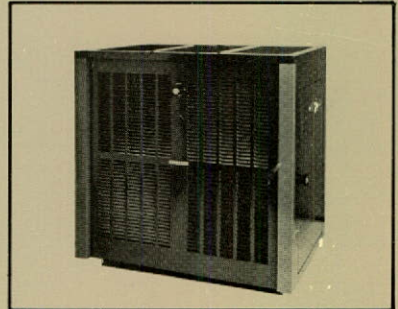
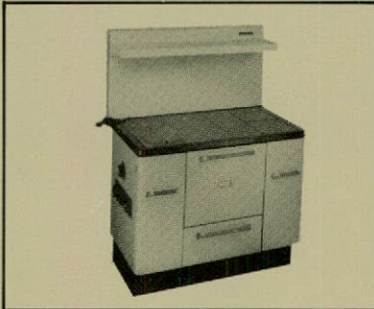
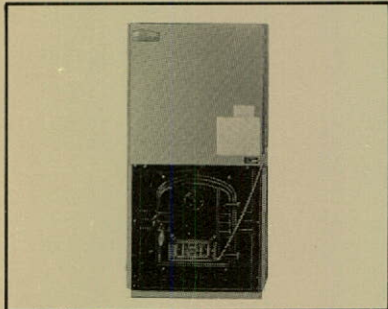
Furnaces — Oil; Gas; Wood; Coal



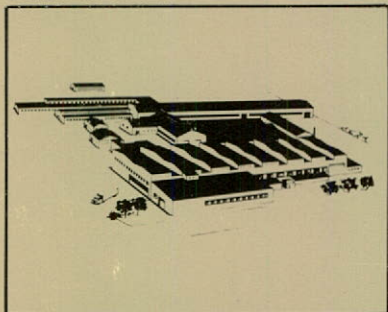
Ranges — Oil; Wood; Coal; Multi-Fuel



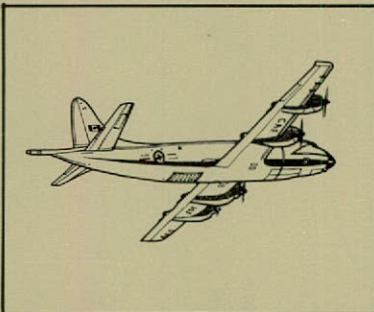
Heaters — Oil; Wood; Coal



Aircraft



Aircraft Division Offices and Plants
Amherst, Nova Scotia



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

