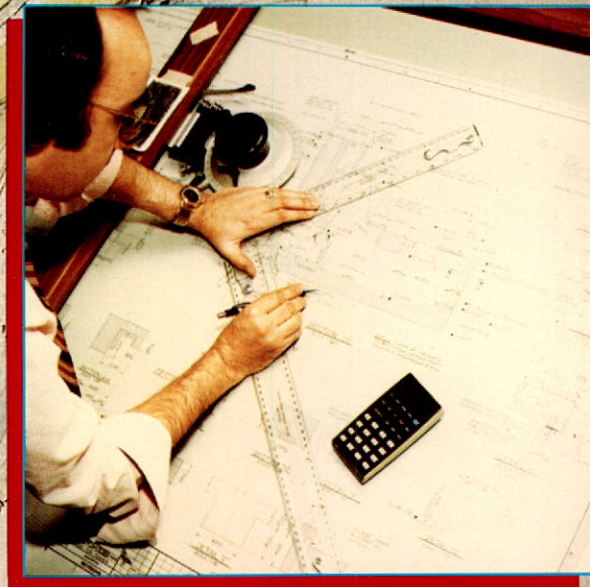




ANNUAL REPORT 1987

התאגדות החברה להגדלת הפעילות
המבנית והמסחרית והשקיעה
במספר רב של פרויקטים
במסגרתם נבנו מספר רב של
מבנים ופיתוחים שונים
הכוללים בתוכם גם פיתוחים
במסגרת תוכנית ה"מגן"



- | | | | | | | | |
|---|-------------|----|----------------|----|--------------------|----|-------------|
| 1 | Afghanistan | 7 | Bolivia | 15 | China | 3 | Haiti |
| 2 | Angola | 8 | Botswana | 3 | Dominica | 19 | Hong Kong |
| 3 | Anguilla | 9 | Brunei | 3 | Dominican Republic | 20 | Indonesia |
| 3 | Antigua | 10 | Burma | 16 | Egypt | 21 | Ivory Coast |
| 4 | Australia | 11 | Canada | 13 | Fiji | 3 | Jamaica |
| 5 | Bangladesh | 12 | Canary Islands | 3 | Grenada | 22 | Japan |
| 3 | Barbados | 13 | Cook Islands | 17 | Guatemala | 23 | Kenya |
| 6 | Bhutan | 14 | Chile | 18 | Guinea | 13 | Kiribati |



24	Laos	30	New Guinea	13	Solomon Islands	43	Thailand
25	Lesotho	31	New Zealand	38	South Korea	44	United Kingdom
26	Malawi	32	Nicaragua	39	Sri Lanka	45	United States of America
27	Malaysia	33	Niger	3	St. Kitts	46	Vietnam
3	Monseratto	34	Nigeria	3	St. Vincent	13	Western Somoa
28	Mozambique	35	Pakistan	40	Swaziland	47	Zambia
29	Nepal	36	Philippines	41	Taiwan	48	Zimbabwe
3	Nevis	37	Saudi Arabia	42	Tanzania		

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ANNUAL AND GENERAL MEETING

All shareholders are invited to attend the Annual and General Meeting of Shareholders to be held on May 12, 1988 at 10:00 a.m. (local time) in the Niagara room of L'Hotel, Toronto, Ontario, Canada.

FINANCIAL HIGHLIGHTS

Operations	1987	1986
Revenues	\$20,820,000	\$39,814,000
Gross income (loss) from operations	2,687,000	(1,618,000)
Net income (loss)	1,349,000	(2,032,000)

Financial Position

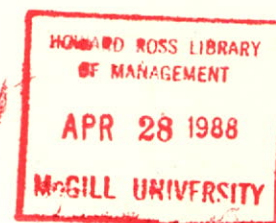
Cash and term deposits	\$16,670,000	\$14,733,000
Working capital	15,087,000	17,437,000
Current ratio	5.8:1	5.0:1
Property and equipment - net	3,485,000	7,424,000
Total assets	33,993,000	29,200,000
Long-term debt	5,000,000	0
Shareholders' equity	23,226,000	21,914,000

Per Common Share

Net income (loss)	\$0.17	(\$0.25)
Dividends	—	—
Cash provided by (used for) operating activities	0.36	(\$0.21)
Shareholders' equity	2.88	2.71

Market Price Range Per Share

Quarter ended:		
March 31	\$3.15 - 2.25	\$3.50 - 2.40
June 30	2.90 - 2.35	3.10 - 2.25
September 30	3.60 - 2.55	2.45 - 1.90
December 31	3.05 - 2.00	2.40 - 2.10



**SIGNING
CEREMONY FOR
INVESTMENT IN
MONENCO**

*From left to right,
B. Curtis, Vice
President Finance,
Monenco Ltd.; J.K.C.
Mulherin, President
and C.E.O. Monenco
Ltd.; A.J. Cressey,
President and C.E.O.
Majestic Contractors
Ltd.; N.A. Harrison,
Senior Vice President
Finance, Majestic
Contractors Ltd.*



REPORT TO SHAREHOLDERS

We are pleased to advise that 1987 net income increased to \$1,349,000 or \$0.17 per share compared with a loss of \$(2,032,000) or \$(0.25) per share in 1986. This improved income results primarily from the disposal of surplus assets in North America. Although revenues during 1987 were less than forecast, operating income exceeded budget.

The instability of crude oil and natural gas prices over the past few years resulted in a slackening in market demand for large diameter cross-country pipeline installation which, until now, was our primary corporate activity. Corporate restructuring led us to “mothball” our United States and International pipeline activities and diversify into new areas while continuing to operate out of Edmonton, Alberta as a stable profit centre.

The immediate future for cross-country pipeline installation is looking increasingly promising. Regional shortages of natural gas in the United States will begin to force up the price, which in turn will make deep gas and frontier gas production economic. Since the largest block of available natural gas is on the Alaskan North Slope, and since that gas can only be brought to market by pipeline, we anticipate major construction activity in the next two to five years. Similarly, Beaufort Sea crude oil can only be brought into economic production via a crude oil pipeline — another source of future construction activity.

3

Diversification offered a route to broaden the scope of our corporate capabilities. To that end, on October 2, 1987, an agreement was reached whereby Majestic purchased 45% of Monenco Limited, (formerly Montreal Engineering Company Limited), a highly-regarded, multi-discipline consulting, engineering, project management company with multi-national experience.

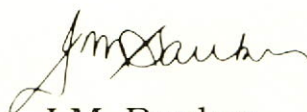
This purchase will benefit both companies, since each complements the other. Successful project tendering will provide clients with a formidable service. Stability is now returning to the oil and gas industry and with it a very positive outlook for the many major engineering projects planned for the near future.

The Directors wish to express their sincere appreciation to our employees, customers and shareholders for their continued support.

February 25, 1988



A.J. Cressey,
President and Chief Executive Officer



J.M. Banks,
Chairman of the Board

MAP

Planning a waterway is a multi-disciplinary project. For Company planners, like those of an earlier age, an understanding of the area is vital. (Shown here) A waterway plan prepared by Leonardo da Vinci.



THE COMPANY

Majestic is one of North America's leading cross-country pipeline contractors, and one of the few with arctic construction expertise. Since its inception in 1954 the Company has been involved in every major pipeline system in Canada and several in the United States. As well, the Company has completed projects in India, Malaysia and the Middle East.

Today Majestic is in a position to supply an even wider range of services. Diversification undertaken in 1987 through our 45% investment in Monenco Limited, now enables us to offer Monenco's multi-disciplinary international experience. Monenco Limited is a public company listed on the Toronto, Montreal and Alberta stock exchanges.

The Monenco Group consists of four main operating companies and more than 40 subsidiary and associated firms providing consulting services in all aspects of engineering, construction, project management and modern technology for industrial and resource development.



RIVER ROUTE
Large-scale river diversions must be preceded by detailed mapping. Today, environmental impact studies would also be a necessity. (Shown here) Map of the R. Arno by Leonardo da Vinci.



MONENCO

Monenco, formerly Montreal Engineering Company Limited, is one of Canada's largest and oldest (1907) consulting groups, offering consulting services in almost all aspects of modern technology for industrial and resource development. The Monenco Group consists of four main operating companies:

Monenco Consultants Limited — engineering, procurement and construction, project management, management consulting and advanced technology in energy, industrial and resource development.

Monenco Information Systems Inc. — development and sale of computer software, data centre services as part of a world-wide network, systems studies and new technologies development.

Monenco Engineers & Constructors Inc. — engineering procurement and construction services to the oil, gas, petrochemical and process industries.

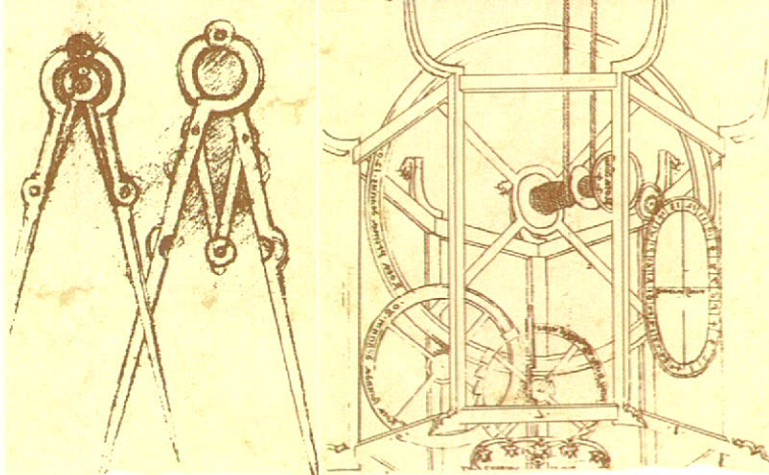


COMPASSES

Precision instrumentation translates design from mind to paper. Today at Monenco, computers provide a new tool for an age-old process. (Shown here) Design for compass by Leonardo da Vinci.

ASTRARIUM

Technology gives form to science. Yesterday's cogs and wheels are replaced by circuitry but the principle often remains the same. (Shown here) Astrarium (an astronomical clock by Giovanni de'Dondi)



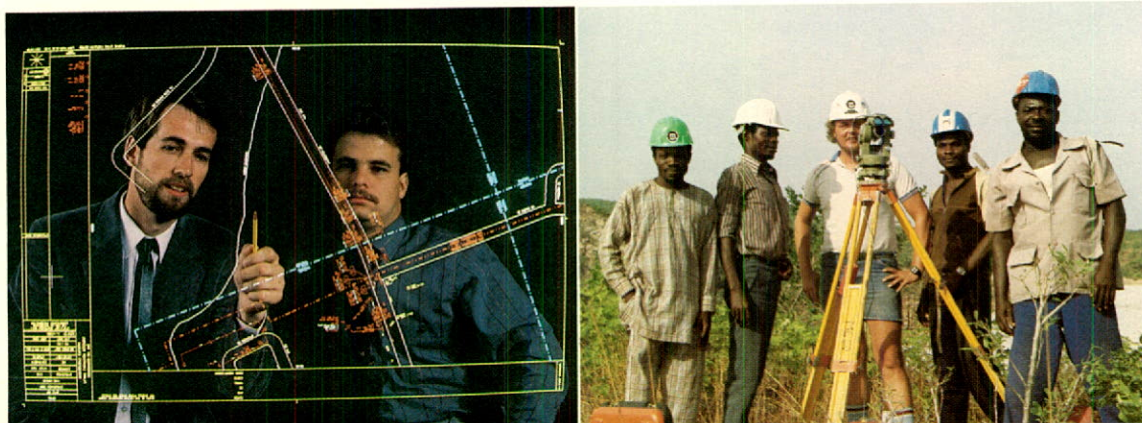
Monenco Inc. — provides the full range of Monenco services through its United States subsidiaries.

In addition, Monenco has more than 40 subsidiary and associated firms whose individual expertise and resources can be brought in on a project as necessary.

In the course of more than 80 years of involvement in a wide variety of large infrastructure projects around the world, Monenco has developed a widely-respected reputation for its expertise in the areas of thermal and hydro-electric power generation, transmission and distribution.

Resource Management — mining, water and agriculture — is also an area of particular expertise. Monenco has one of the largest and most experienced groups of soil scientists of any Canadian organization. Environmental and waste management is fast becoming a corporate specialty with projects ranging from the design of industrial waste treatment facilities to the decommissioning of gas plants.

Process Plants — oil, gas and petrochemical and now biotechnological — utilize Monenco expertise not only to design plant struc-





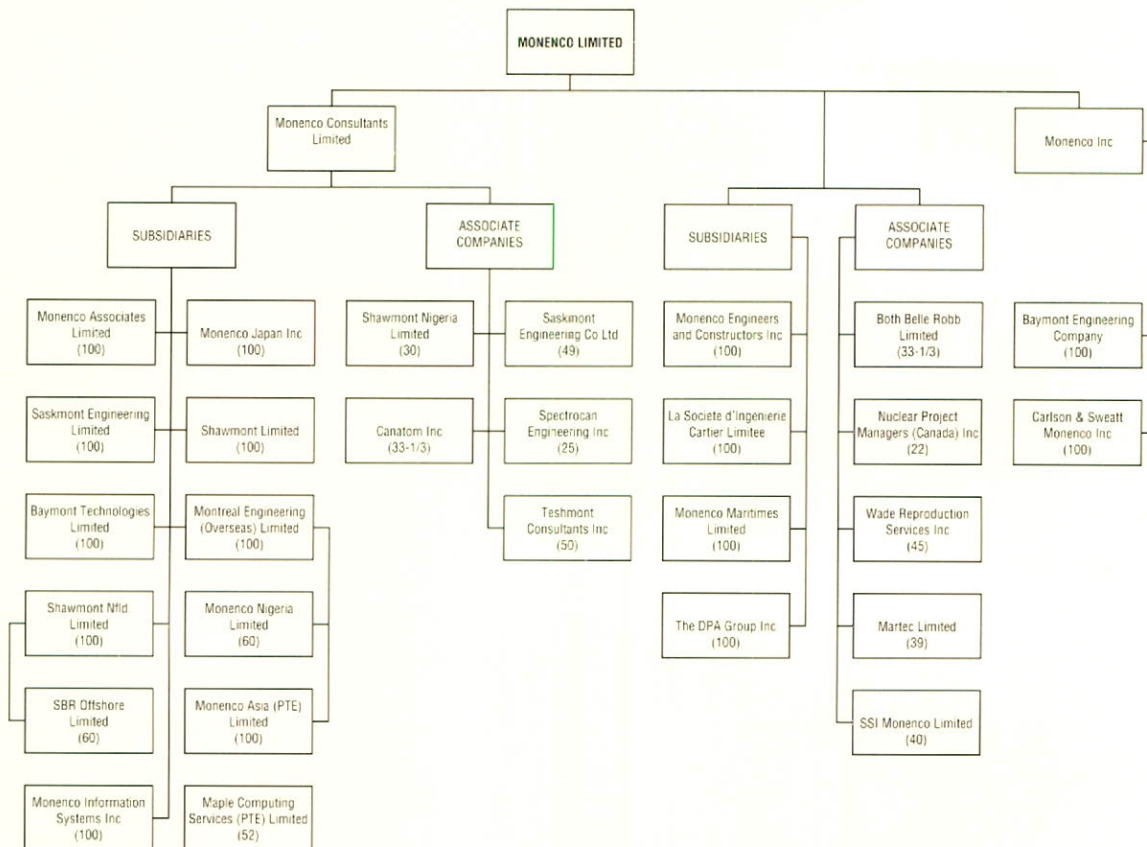
tures but to develop advanced technologies applicable to the particular need. This ranges from heavy oil upgrading to off-shore structure design to biotechnology research.

Management Services offer a comprehensive array of consulting, planning, evaluating, information management and software development services. In particular Monenco's computer-based project management system serves as an extraordinarily sophisticated yet highly flexible tool for project managers. The system is a major asset to managing any Monenco project.

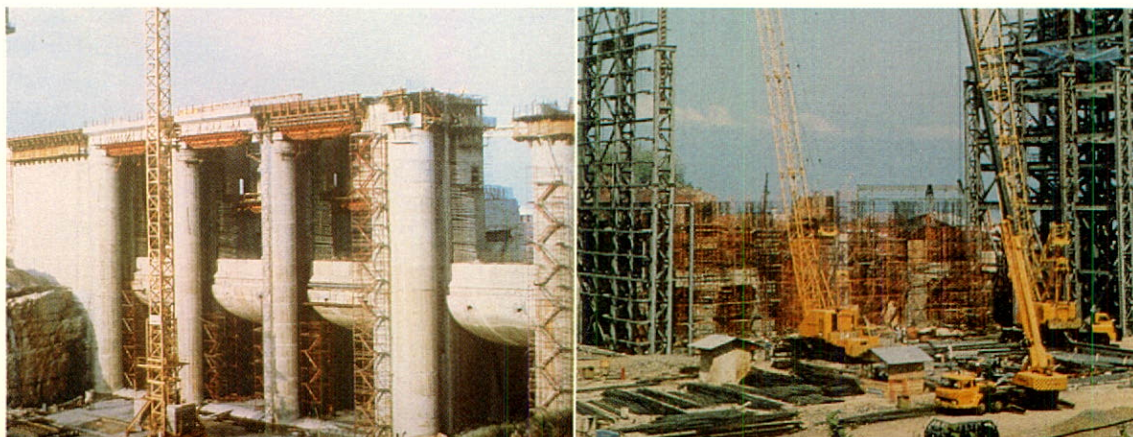


DAM SPILLWAYS

Controlling the forces
of Nature is as vital as ever.
Water management
by Monenco utilizes and
improves upon, earlier principles.
(Shown here) Studies of water flow by
Leonardo da Vinci.

**PRINCIPAL MONENCO OPERATING COMPANIES**

() % Owned



SUMMARY OF ACCOUNTING POLICIES

December 31, 1987, and 1986

ACCOUNTING PRINCIPLES

The consolidated financial statements are prepared by Majestic Contractors Limited (the Company) in accordance with accounting principles generally accepted in Canada and conform in all material respects with the standards of the International Accounting Standards Committee.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements are expressed in Canadian dollars and include the accounts of the Company, its 100% owned subsidiary, Majestic International Contractors Limited, its 51% owned subsidiary, Majestic Laser Systems Ltd. and its pro rata share, utilizing the proportionate consolidation method, of the assets, liabilities, revenues and expenses of joint ventures. Details for joint ventures have not been provided as the amounts are not material. All significant intercompany transactions and balances have been eliminated on consolidation.

The Company owns 45% of Monenco Limited. In the consolidated financial statements this investment is accounted for on the equity method, with the Company's share of revenue, costs and income taxes included in the related captions in the Consolidated Statement of Income (Loss).

TRANSLATION OF FOREIGN CURRENCIES

The Company's foreign operations are integrated and are translated into Canadian dollars as follows:

- (a) current assets (except for prepaid expenses) and current liabilities (except for deferred contract revenue) at the exchange rate at the balance sheet date;
- (b) all other assets, liabilities and non-current deferred income taxes, at the approximate rate of exchange at the time the transaction occurred; and
- (c) revenues and expenses, at the average rate of exchange for the year, except that items relating to balance sheet accounts are translated at historical exchange rates.

All translation gains and losses related to the foreign operations are included in the Consolidated Statements of Income (Loss).

ACCOUNTING FOR CONSTRUCTION CONTRACTS

Profits from construction contracts are recognized for accounting purposes on the percentage of completion method. The percentage of completion is determined by relating the actual cost of work performed to date, to the current estimated total cost of the respective contracts. When the current estimated costs to complete indicate a loss, such a loss is recognized immediately for accounting purposes. Revisions in costs and earnings or loss estimates during the course of the work are reflected during the accounting period in which the facts which cause the revision become known. Income from claims is recorded in the year such claims are resolved.

Unbilled work represents the excess of contract costs and profits recognized to date on the percentage of completion accounting method over billings to date. Deferred contract revenue represents the excess of billings to date over the amount of contract costs and profits recognized to date on the percentage of completion accounting method.

PROPERTY AND EQUIPMENT

All property and equipment is recorded at cost. The cost and the accumulated depreciation of property and equipment which is retired or sold are removed from the accounts and the gain or loss is recorded in the Consolidated Statements of Income (Loss).

Depreciation is provided primarily on the declining balance method over the useful lives of the assets which are estimated to be 10 to 25 years for buildings, 3 to 10 years for construction equipment and 10 years for other assets.

GOODWILL

Goodwill represents the excess of cost of an investment in Monenco Limited shares over the fair value of its underlying assets at the date of acquisition and is amortized on a straight-line basis over 40 years.

INCOME TAXES

The provision for (recovery of) income taxes recognizes the tax effects of all income and expense transactions included in each year's Consolidated Statement of Income (Loss).

Deferred income taxes arising from items in current assets and current liabilities are classified as a current liability.

The non-current deferred income taxes arise primarily from the difference between the depreciation claimed for tax purposes and the depreciation recorded in the accounts.

INCOME (LOSS) PER SHARE

Computations of income (loss) per share are based on the weighted average number of shares outstanding during the respective years (1987 - 8,078,307 shares; 1986 - 8,197,029 shares). The additional number of shares issuable upon the potential exercise of employees' stock options has not been included since the effect would not be material.

INCENTIVE COMPENSATION PLANS

The Company has incentive compensation plans which provide for payment to be made to certain key employees based on performance goals. Amounts accrued under these plans are charged to income in the current year and are payable over a period of years, subject to approval of the Board of Directors.

CONSOLIDATED STATEMENTS OF CHANGES IN CASH RESOURCES

For the Years Ended December 31, 1987 and 1986

	1987	1986
Operating Activities:		
Income (Loss)	\$ 1,349,000	\$ (2,032,000)
Add (Deduct) items not involving cash:		
Depreciation and amortization	905,000	2,189,000
Share of Monenco Limited profit	(117,000)	—
Deferred income taxes	(298,000)	(858,000)
Gain on sale of equipment	(3,154,000)	(15,000)
Other	(45,000)	—
	<u>(1,360,000)</u>	<u>(716,000)</u>
Net change in non-cash working capital balances related to operating activities	<u>4,287,000</u>	<u>(973,000)</u>
Cash provided by (used for) operating activities	<u>2,927,000</u>	<u>(1,689,000)</u>
Financing Activities:		
Purchase of Majestic shares	(37,000)	(284,000)
Bank loan	5,000,000	—
Other	—	253,000
Cash provided by (used for) financing activities	<u>4,963,000</u>	<u>(31,000)</u>
Investing Activities:		
Additions to property and equipment	(97,000)	(539,000)
Proceeds from sale of equipment	6,306,000	1,018,000
Reclassification of assets held for resale	—	1,096,000
Investment in Monenco Limited	(12,162,000)	—
Cash provided by (used for) investing activities	<u>(5,953,000)</u>	<u>1,575,000</u>
Increase (Decrease) in cash	1,937,000	(145,000)
Cash, beginning of year	<u>14,733,000</u>	<u>14,878,000</u>
Cash, end of year	<u>\$16,670,000</u>	<u>\$14,733,000</u>

The accompanying summary of accounting policies and notes are
an integral part of these consolidated statements.

To the Shareholders of Majestic Contractors Limited:

We have examined the consolidated balance sheets of Majestic Contractors Limited (an Ontario corporation) as at December 31, 1987 and 1986 and the related consolidated statements of income (loss), retained earnings and changes in cash resources for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1987 and 1986 and the results of its operations and the changes in its cash resources for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Calgary, Alberta
February 2, 1988

ARTHUR ANDERSON & CO.,
Chartered Accountants

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

For the Years Ended December 31, 1987 and 1986

	1987 (Note 8)	1986
Revenues	\$20,820,000	\$39,814,000
Operating expenses:		
Cost of operations, including in 1987 a gain of \$3,154,000 on sale of fixed assets	18,133,000	41,432,000
General and administrative expenses	2,363,000	3,426,000
Total operating expenses	20,496,000	44,858,000
Income (Loss) before other income	324,000	(5,044,000)
Other income, net (Note 4)	1,473,000	657,000
Income (Loss) before provision for (recovery of) income taxes	1,797,000	(4,387,000)
Provision for (Recovery of) income taxes (Note 5)	448,000	(2,355,000)
Income (Loss)	\$ 1,349,000	\$ (2,032,000)
Income (Loss) per share	\$ 0.17	\$ (0.25)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the Years Ended December 31, 1987 and 1986

	1987	1986
Balance, beginning of year	\$10,991,000	\$13,134,000
Income (Loss)	1,349,000	(2,032,000)
Purchase of shares (Note 3)	(15,000)	(111,000)
Balance, end of year	\$12,325,000	\$10,991,000

The accompanying summary of accounting policies and notes are
an integral part of these consolidated statements.

CONSOLIDATED BALANCE SHEETS

As at December 31, 1987 and 1986

Assets

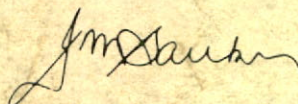
	1987	1986
Current assets:		
Cash and term deposits	\$16,670,000	\$14,733,000
Accounts receivable (Notes 2 and 9)	1,290,000	688,000
Holdbacks receivable (Note 9)	65,000	4,877,000
Unbilled work	—	233,000
Assets held for resale	—	1,096,000
Prepaid and other	180,000	149,000
Total current assets	18,205,000	21,776,000
Investment in Monenco Limited (Note 1)	8,966,000	—
Property and equipment:		
Land	13,000	118,000
Buildings	1,953,000	2,720,000
Construction equipment	16,538,000	31,986,000
Other	628,000	924,000
	19,132,000	35,748,000
Less accumulated depreciation	15,647,000	28,324,000
Net property and equipment	3,485,000	7,424,000
Goodwill and other deferred charges	3,337,000	—
	<u>\$33,993,000</u>	<u>\$29,200,000</u>

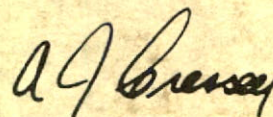
Liabilities and Shareholders' Equity

	1987	1986
Current liabilities:		
Accounts payable	\$ 126,000	\$ 565,000
Accrued liabilities	435,000	1,454,000
Income taxes payable	2,535,000	425,000
Income taxes - current deferred	22,000	1,887,000
Deferred contract revenue	—	8,000
Total current liabilities	3,118,000	4,339,000
Bank loan (Note 9)	5,000,000	—
Deferred income taxes	2,649,000	2,947,000
Shareholders' equity (Note 3):		
Share capital -		
Authorized - 20,000,000 shares		
without nominal or par value:		
issued and fully paid - 8,076,454		
shares (1986 - 8,092,754 shares)	7,948,000	7,964,000
Contributed surplus	2,953,000	2,959,000
Retained earnings	12,325,000	10,991,000
Total shareholders' equity	23,226,000	21,914,000
	<u>\$33,993,000</u>	<u>\$29,200,000</u>

The accompanying summary of accounting policies and notes are
an integral part of these consolidated balance sheets.

Approved by the Board:

 Director

 Director

9. LONG TERM DEBT

The Company has a \$5,000,000 term bank loan repayable over a period of up to seven years. Interest rates vary from ½% to 1% over prime or LIBOR. A general assignment of book debts and the common shares of Monenco Limited have been pledged as security for this loan. Principal repayments will commence in 1991 at \$1,250,000 per year.

10. BUSINESS SEGMENT INFORMATION

The Company operates in two industry segments: pipeline construction, and engineering services through its 45% interest in Monenco Limited. The foreign geographic segment includes principally, operations in Africa, Asia and Europe.

Principal operations in Africa, Asia and Europe.

		(\$000)							
		Pipeline Construction		Engineering Services		Consolidated			
Industry Segments		1987	1986	1987	1986	1987	1986		
Revenues		\$ 5,833	\$39,814	\$14,987	\$ -	\$20,820	\$39,814		
Operating income (loss)		\$ 73	\$ (5,044)	\$ 251	\$ -	\$ 324	\$ (5,044)		
Other income, net		\$ 1,473	\$ 657	\$ -	\$ -	\$ 1,473	\$ 657		
Provision for (recovery of) income taxes		314	(2,355)	134	-	448	(2,355)		
Income (loss)		\$ 1,232	\$ (2,032)	\$ 117	\$ -	\$ 1,349	\$ (2,032)		
Identifiable assets		\$21,735	\$29,200	\$12,258	\$ -	\$33,993	\$29,200		
Capital expenditure		\$ 97	\$ 539			\$ 97	\$ 539		
Depreciation and amortization		\$ 905	\$ 2,189			\$ 905	\$ 2,189		
Geographic Segments		Canada		U.S.		Foreign		Consolidated	
		1987	1986	1987	1986	1987	1986	1987	1986
Revenues		\$13,947	\$22,535	\$ 4,238	\$17,279	\$ 2,635	\$ -	\$20,820	\$39,814
Operating income (loss)		\$ (1,789)	\$ (1,103)	\$ 2,299	\$ (3,796)	\$ (186)	\$ (145)	\$ 324	\$ (5,044)
Other income, net								1,473	657
Provision for (recovery of) income taxes								448	(2,355)
Income (loss)								\$ 1,349	\$ (2,032)
Identifiable assets		\$32,810	\$21,243	\$ 116	\$ 6,218	\$ 1,067	\$ 1,739	\$33,993	\$29,200

11. CONTINGENCIES

Contingent liabilities include the usual liability of contractors for performance and completion of construction contracts.

5. INCOME TAXES

The provision for (recovery of) income taxes is comprised of the following:

	1987	1986
Current	\$2,711,000	\$(1,243,000)
Current deferred	(1,865,000)	(254,000)
Deferred	(398,000)	(858,000)
	<u>\$ 448,000</u>	<u>\$(2,355,000)</u>

The following schedule reconciles the expected income taxes to the actual income tax provision reported:

	1987	1986
Expected income taxes (recovery) related to pretax income (loss) at 50% (1986 - 50%)	\$ 759,000	\$(2,194,000)
Amortization of tax benefit from scientific research investment contract	—	(375,000)
Effect of investment tax credits on research and development expenditures	—	(3,000)
Other	(311,000)	217,000
Provision for (Recovery of) income taxes	<u>\$ 448,000</u>	<u>\$(2,355,000)</u>

6. RELATED PARTY TRANSACTIONS

During the year, \$6,484,000 Cdn. and \$4,500,000 U.S. (1986 - \$3,000,000 U.S.) was loaned to and repaid by the Company's parent. There was \$218,000 (1986 - \$111,000) of interest earned on these loans.

7. PENSION PLAN

The Company has a non-contributory defined benefit pension plan which covers its executive, professional, administrative and clerical employees, subject to certain specified service requirements. An actuarial valuation is prepared at least every three years.

Actuarial reports prepared during the year, which were based on projections of employees' compensation levels to the time of retirement, indicate that the present value of the accrued pension benefits and the net assets available to provide for these benefits, at market value, as of December 31 are as follows:

	1987	1986
Actuarial value of accrued plan benefits		
Vested	\$2,393,000	\$2,075,000
Non-vested	14,000	111,000
	<u>\$2,407,000</u>	<u>\$2,186,000</u>
Market value of plan assets	<u>\$3,169,000</u>	<u>\$3,109,000</u>

8. INTEREST IN MONENCO LIMITED

The 45% interest in Monenco's income has been recorded in the Consolidated Statement of Income (Loss) from the date of acquisition in the following captions:

	1987
Revenues	\$ 14,987,000
Operating expenses	(14,736,000)
	251,000
Provision for income taxes	134,000
Net income	<u>\$ 117,000</u>

The Company's share of Monenco's assets and liabilities is summarized as follows:

	1987
Current assets	\$ 22,643,000
Fixed assets	3,242,000
Other long-term assets	2,452,000
Current liabilities	(11,904,000)
Long-term debt	(6,787,000)
Net assets	<u>\$ 9,646,000</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1987 and 1986

1. INVESTMENT IN MONENCO LIMITED

On October 2, 1987, the Company acquired 45% of the common shares of Monenco Limited for cash consideration of \$12,162,000. Monenco Limited offers engineering, project management, management consulting and advanced technology services in energy, industrial and resource development to a wide range of national and international clients. The acquisition has been accounted for as a purchase and Majestic's share of net income has been included in results of operations from the date of acquisition. The allocation of the purchase price is summarized as follows:

Investment in Monenco Limited	\$ 8,850,000
Goodwill, representing amount by which purchase price exceeds fair value of investment in Monenco Limited net assets	<u>3,312,000</u>
	<u>\$12,162,000</u>

2. ACCOUNTS RECEIVABLE

Abahsain Majestic Pipeline Company Ltd., of which the Company is a 49% participant, discontinued its Saudi Arabian operation in 1985. The remaining expected proceeds of \$970,000 (included in holdbacks receivable in 1986 - \$1,157,000) on the discontinued operation are accounts receivable.

3. SHARE CAPITAL

In 1987, the Company purchased 16,300 (1986 - 127,400) common shares on the open market for \$37,000 (1986 - \$284,000). These shares were subsequently cancelled and the share capital, contributed surplus and retained earnings accounts have been reduced by \$16,000 (1986 - \$126,000), \$6,000 (1986 - \$47,000) and \$15,000 (1986 - \$111,000), respectively.

Certain key employees are granted options exercisable during the period of five years from the date of granting, entitling the employee to purchase shares at a rate of 20% of the total optioned shares per year on a cumulative basis.

No options were exercised or granted during the year. Options for 24,349 (1986 - 45,733) shares at a price of \$3.40 (1986 - \$3.40) per share were cancelled during the year.

The "1985 Stock Option and Long-term Performance Incentive Plan" provides that 200,000 shares are reserved for issue upon exercise of stock options pursuant to the terms of the Plan, to such employees and at such price as may be determined from time to time by the 1985 Stock Option and Long-term Performance Incentive Plan Committee. On February 25, 1986, options for 27,000 shares under the Plan were granted at a price of \$2.80 per share. Options for 3,000 (1986 - 5,000) shares at a price of \$2.80 (1986 - \$2.80) per share were cancelled during the year.

As at December 31, the following shares have been reserved:

	1987	1986
For options granted	238,265	265,614
For future options	279,981	<u>252,632</u>
	<u>518,246</u>	<u>518,246</u>

4. OTHER INCOME, NET

	1987	1986
Income from short-term investments	\$1,715,000	\$1,257,000
Interest income from loan to parent (Note 6)	218,000	111,000
Royalties from scientific research investment contract	—	780,000
Amortization of cost of scientific research investment contract	—	(1,250,000)
Foreign exchange gain (loss)	(400,000)	(233,000)
Interest expense	(78,000)	(68,000)
Other	18,000	60,000
	<u>\$1,473,000</u>	<u>\$ 657,000</u>

SEVEN YEAR FINANCIAL REVIEW

(in thousands except per share amounts and ratios)

For the years ended December 31	1987	1986	1985	1984	1983	1982	1981
Operating Results:							
Revenues	\$20,820	\$39,814	\$71,561	\$57,379	\$28,928	\$136,420	\$158,798
Gross income (loss)							
from operations	2,687	(1,618)	4,612	(259)	(4,619)	19,134	34,748
General & administrative							
expenses	2,363	3,426	3,340	3,183	4,346	5,104	6,003
Other income, net	1,473	657	2,143	3,184	2,569	1,791	1,105
Income (loss) before							
income taxes	1,797	(4,387)	3,415	(258)	(6,396)	15,821	29,850
Provision for (recovery of)							
income taxes	448	(2,355)	1,209	(1,057)	(3,655)	7,624	15,025
Income (loss) from							
continuing operations	1,349	(2,032)	2,206	799	(2,741)	8,197	14,825
Loss on discontinued operation	—	—	(4,076)	(1,892)	—	—	—
Net income (loss)	1,349	(2,032)	(1,870)	(1,093)	(2,741)	8,197	14,825
Income (loss) from continuing							
operations per share	0.17	(0.25)	0.27	0.10	(0.33)	0.98	1.77
Net income (loss)							
per common share	0.17	(0.25)	(0.23)	(0.13)	(0.33)	0.98	1.77
Weighted average common shares							
outstanding used in per share							
calculations	8,078	8,197	8,222	8,397	8,393	8,378	8,360
Balance Sheet Data:							
Total assets	\$33,993	\$29,200	\$34,575	\$39,130	\$43,544	\$ 55,258	\$68,518
Cash and term deposits	16,670	14,733	14,878	17,560	20,210	31,908	18,774
Current assets	18,205	21,776	23,402	23,599	28,405	36,242	50,115
Current liabilities	3,118	4,339	6,793	7,360	5,949	14,628	29,337
Working capital	15,087	17,437	16,609	16,239	22,456	21,614	20,778
Current ratio	5.8:1	5.0:1	3.4:1	3.2:1	4.8:1	2.5:1	1.7:1
Property and equipment - net	3,485	7,424	11,173	10,233	12,294	15,187	17,757
Long-term debt	5,000	—	—	—	—	—	—
Deferred income taxes	2,649	2,947	3,805	5,593	5,611	5,986	4,364
Shareholders' equity	23,226	21,914	23,977	26,177	31,984	34,644	34,817
Shareholders' equity							
per common share	2.88	2.71	2.92	3.17	3.81	4.13	4.16
Other Information:							
Net income (loss) as a							
percentage of revenues	6.5 %	(5.1)%	(2.6)%	(1.9)%	(9.5)%	6.0 %	9.3 %
Net income (loss) as a percentage							
of average shareholders' equity	6.0 %	(8.9)%	(7.4)%	(3.8)%	(8.2)%	23.6 %	54.2 %
Net income (loss) as a percentage							
of average capital employed	4.8 %	(7.2)%	(6.3)%	(3.2)%	(7.0)%	20.5 %	48.1 %
Funds provided by (used for)							
operating activities	\$2,927	(\$1,689)	(\$3,775)	\$4,419	(\$7,670)	\$21,555	\$25,230
Additions to property							
and equipment	97	539	758	327	289	1,382	12,173

CORPORATE INFORMATION

BOARD OF DIRECTORS:

J. M. Banks

Chairman of the Board of Directors,
Majestic Contractors Limited

J. B. Barber

Retired Executive,
Formerly Vice Chairman of the
Board and Senior Vice President,
The Algoma Steel Corporation

G. W. Clayton

President,
G. Clayton Associates Ltd.

A. J. Cressey

President and Chief Executive Officer
Majestic Contractors Limited and
Chairman of Monenco Limited

J. E. Maybin

President,
Colmac Energy Inc.

D. B. Perini

Chairman of the Board
President and Chief Executive Officer
Perini Corporation and Director of
Monenco Limited

OFFICERS:

J. M. Banks

Chairman of the Board

A. J. Cressey

President & Chief Executive Officer

N. A. Harrison

Senior Vice-President, Finance and
Administration

G. M. Oswald

Senior Vice-President, Pipeline
Operations

M. L. McKimmey

Vice-President, Engineering

L. G. Wasylynychuk

Vice-President, Comptroller and
Secretary

TRANSFER AGENT AND REGISTRAR:

Montreal Trust Company
Calgary and Toronto

STOCK EXCHANGE LISTING:

The Toronto Stock Exchange
(symbol MJC)

BANKERS:

The Royal Bank of Canada

AUDITORS:

Arthur Andersen & Co.

OFFICES:

Corporate

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President

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Majestic International Contractors Limited

G. M. Oswald

President

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Monenco Limited (45%)

Dr. J. K. C. Mulherin

President & C.E.O.

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H3A 2V4

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Telex: 055-60735 Monenco Mtl

Telecopier: (514) 499-3223

Handwritten text in a cursive script, likely a historical record or map description. The text is written in a dark ink and is oriented vertically along the left edge of the map. It appears to be a list or a set of instructions related to the map's content.

