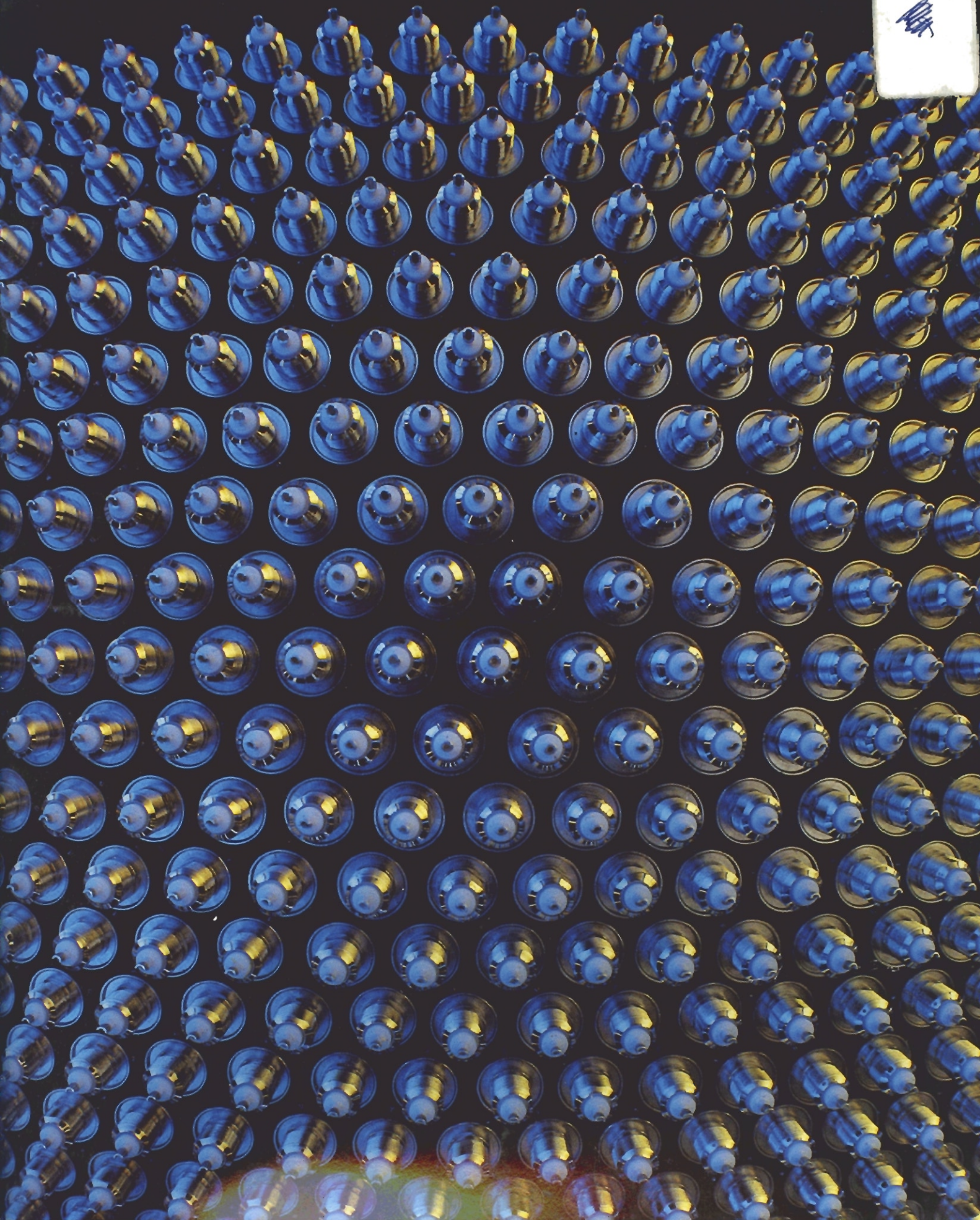


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Allied Canada Inc.
201 City Centre Drive
Mississauga, Ontario L5B 3A3

COVER

This galaxy of connectors used in transmitters and electronic testing equipment symbolizes Allied's involvement in communications technology and is representative also of the interconnections between Allied Canada Inc. and its family of diverse companies.

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Highlights of 1982

The Allied companies in Canada amalgamated to form Allied Canada Inc.

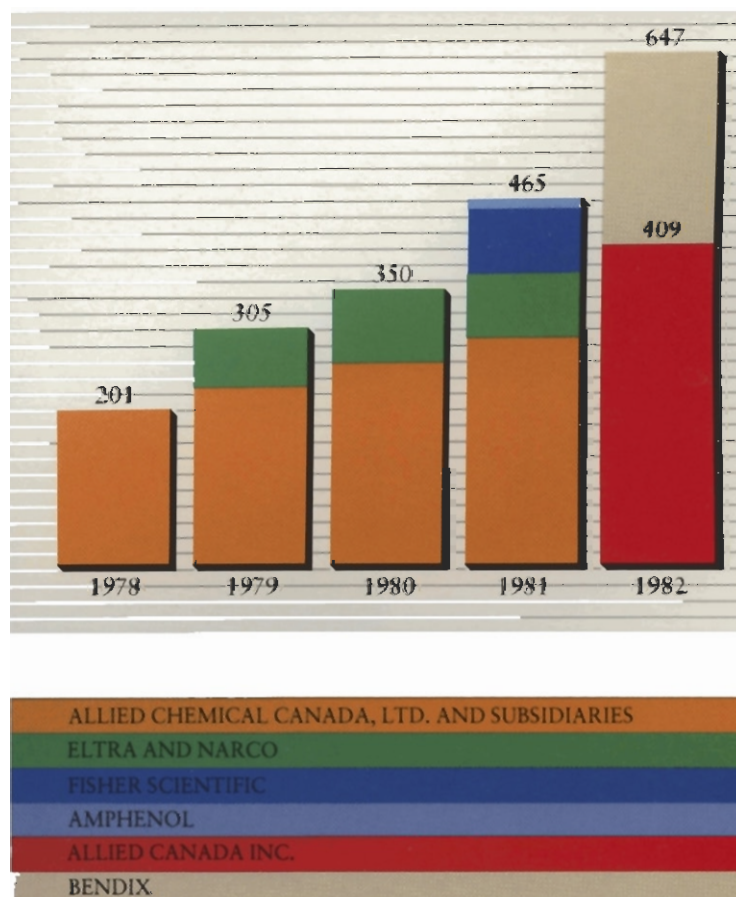
Allied Corporation in the United States agreed to acquire Bendix Corporation; Allied's acquisition of the Canadian operations of Bendix is subject to approval by the Foreign Investment Review Agency.

Allied Canada Inc. Financial Profile

(Dollars in millions)	1982*	1981
Net sales	\$409	\$465
Net income (from continuing operations)	14	33
Capital expenditures	18	21
Research and development expenses	2.3	1.6

*excludes Bendix

MILESTONES
NET SALES \$Million

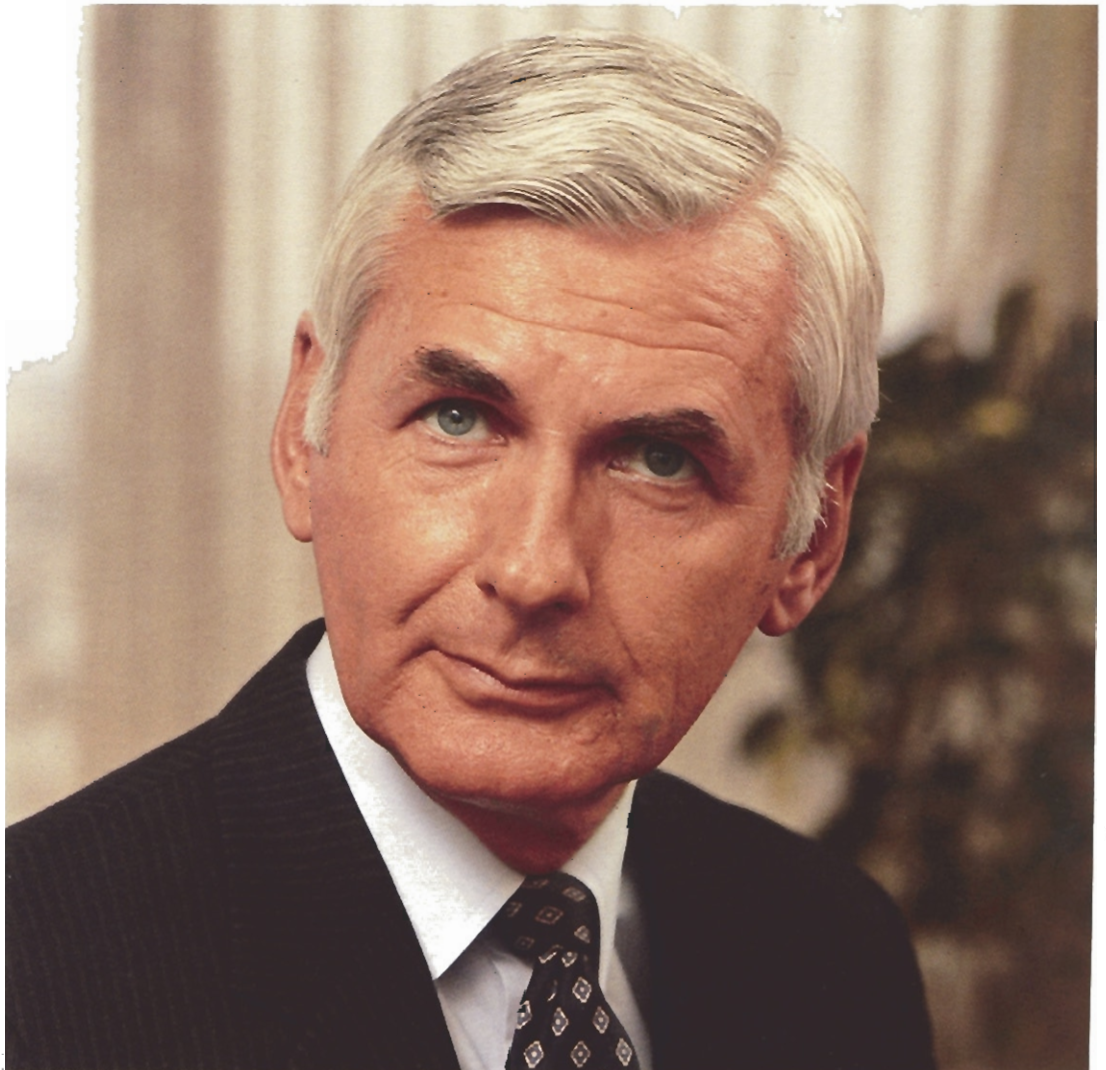


“New technologies are re-shaping our business and our lives. As the pace of technological change continues to accelerate, anticipation becomes all-important. The business leaders of today are those in touch with the technologies of tomorrow.

At Allied Canada, our basic strength in chemicals has been the springboard for our entry into new areas of high-technology in the information, communications, health and science, and transportation industries.”

Donald C. Lowe, Chairman of Allied Canada

The Chairman's Report



Donald C. Lowe, Chairman and CEO, Allied Canada

In 1982 Time magazine named the computer Man of the Year. The United Nations, in turn, has designated 1983 World Communications Year. The revolution in computer and communications technology is having a far-reaching impact on our society and economy. At Allied Canada, we believe these changes carry a message of interest to all of us.

The business environment in which we operate is undergoing a fundamental transformation as major advances in technology shift the engines of growth in new directions. We have two economies, side by side: a growing economy, organized around information; and the traditional economy, organized around heavy industries such as automobiles and steel. The challenge facing large corporations today is to respond to these changes in *two* ways: by modernizing in traditional industries and moving towards horizons of opportunity in the emerging growth industries.

Like many of the large corporations that form the industrial backbone of the Canadian and North American economies, Allied Canada is in the process of re-tooling for tomorrow. As a leading chemical producer, Allied has a long-established base as a dependable, quality supplier to many of the core industries in Canada: glass, mining, pulp and paper, textiles, steel, construction and energy. And chemical products will continue as a mainstay in our future. From this strong base, however, Allied has moved quickly to diversify into new areas of technological opportunity in transportation, communications, electronics, and health and scientific products.

1982 was a benchmark year for Allied in Canada. In re-organizing our assets through the creation of a new Canadian corporation, Allied Canada Inc., the company articulates its commitment to growth and development in the Canadian economy. By uniting our group of diverse business enterprises within a single corporate family, we set in motion a new industrial strategy to meet the dynamic changes facing us.

Allied is a major manufacturer in Canada and our growth over the past five years has been dramatic. With the recent acquisition of Bendix, which is currently before the Foreign Investment Review Agency, we anticipate sales in 1983 of more than \$650 million. This ranks Allied with the one hundred largest corporations in Canada. Size and diversity offer a number of advantages. Our financial size and stability give us the room to manoeuvre and to seize the kinds of opportunities that lead to growth. Our diversity provides resilience against swings in any one sector and allows for a cross-fertilization of products and ideas in our organization.

At Allied Canada our corporate mission is to direct a strategy to meet the special needs and opportunities of the Canadian marketplace. This means providing each of the companies within the Allied group with the leadership and support that will enable them to prosper and grow, and to contribute to our economy. Tactically, the implementation of

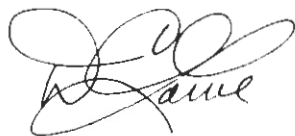
these plans calls for redeployment of resources, new applications of existing technologies, adaptations of R&D developments, acquisition of complementary, high-growth businesses and joint venture activities.

I believe that our success in meeting these objectives will depend, in part, upon the strength of our commitment to research and development activities. In 1982, Allied Canada invested \$2.3 million in research and development programs in this country. Over the next several years, the company intends to increase the level of its R&D expenditures.

We find many illustrations of the benefits that result from successful R&D programs. For example, Amphenol Canada has become the market leader worldwide in high-technology filter connectors. As a result of R&D programs instituted several years ago, Amphenol made major export gains in military/aerospace markets in 1982. While some of its more traditional product lines suffered from the economic slowdown, the company was nonetheless able to report a strong performance in a very difficult year and is well-positioned to make new inroads into the expanding telecommunications and business equipment markets.

Allied is also involved in other exciting and important research projects. Water pollution problems are of great concern around the world. Allied is conducting research on chemical products and systems to assist in solving the water and waste management problems inherent in the process of recovering petroleum from the tar sands. Another important challenge facing us is the need to ensure plentiful food supplies in the future. Allied is working to increase crop yields by developing new pure plant strains for hybridization. The company is also involved in developing future-generation chemicals for electronic chip manufacture, as well as new specialty chemicals through advanced bio-engineering processes. These and other ongoing research programs are an important part of our long-term planning.

I would like to thank each of our employees for his contributions to Allied's performance during the past year. For these 2,800 employees, the formation of this new, integrated corporation means a broader range of career opportunities will be available through inter-company transfers and newly created positions. I think Allied Canada promises to be an exciting and stimulating place to work. The breadth and diversity of our businesses are great; so too are the challenges and changes that lie ahead. Allied's ability to meet them with confidence and success will depend on the skills and dedication of its people. As chief executive officer, I would like to express on behalf of management a commitment to work together with our employees to achieve our common objectives.



Donald C. Lowe, Charman and Chief Executive Officer



In an industry where the name Linotype has become synonymous with the printed word, Allied affirms its role in the communications revolution with modern digital typesetting systems like the one pictured above. The annual report you are reading was typeset on a Linotype system.

Our Businesses

The businesses of Allied Canada are grouped into three major core areas — chemicals, electrical and electronic, and health and scientific products — and include, as well, several companies active in other areas.

Chemicals

Allied Chemical manufactures soda ash, calcium chloride, hydrofluoric acid, aluminum sulphate and fluorocarbons as its main products. These are used respectively in glass and detergent products, highway maintenance, aluminum and fluorocarbon production, water treatment and pulp and paper processes, and air conditioning, refrigeration and urethane foam products.

Electrical and Electronic

Amphenol Canada manufactures and distributes electrical and electronic connectors, coaxial cable and interconnection devices for the military/aerospace, business equipment and communications markets.

C&D Batteries manufactures motive power batteries for use in fork lift trucks, mine tractors, diesel locomotives and other vehicles, and produces stationary battery systems for standby power use in major utility installations, process control systems, computers and other uninterruptible power systems.

Linotype Canada supplies high-speed, electronic typesetting equipment to newspapers, commercial typesetters, institutions and corporations.

Prestolite Battery produces lead-acid storage batteries for use in automobiles, trucks, buses, farm, industrial and construction equipment, and marine and recreational vehicles.

Prestolite Electronics supplies electrical components in ignition and charger systems for the automotive replacement market in Canada.

Health and Scientific Products

Fisher Scientific supplies analytical and measuring instruments and apparatus, glassware, hardware, reagent chemicals and diagnostics, laboratory furniture and many other products to medical, industrial, educational and government research laboratories.

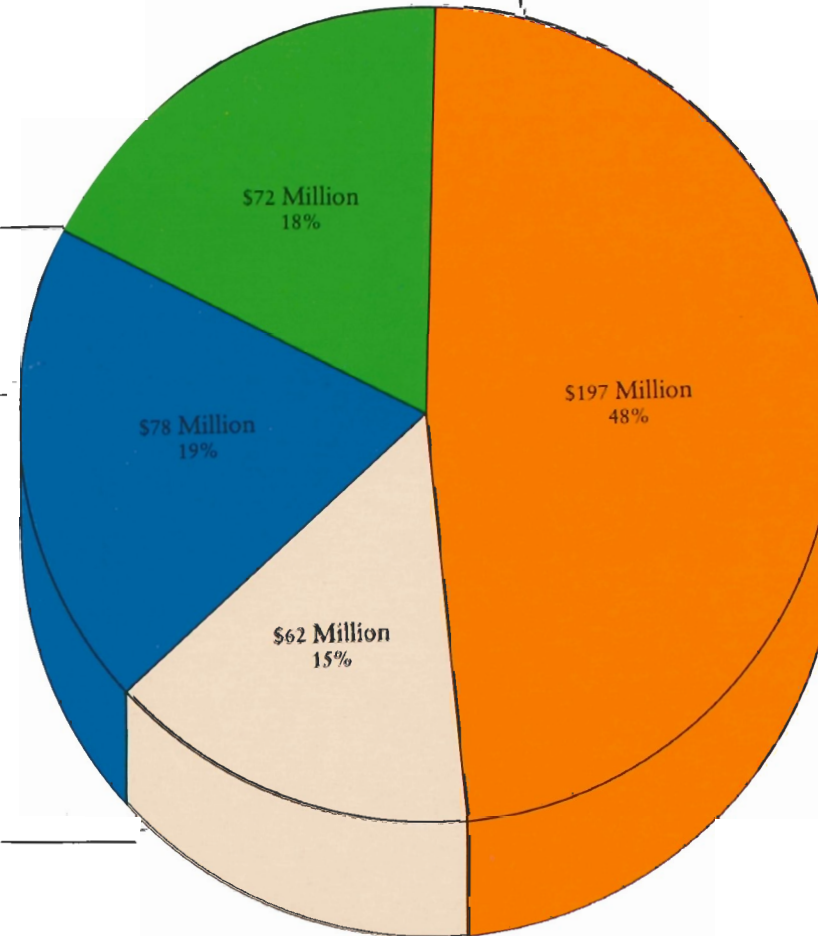
Others

Daal Specialties manufactures seat belt systems for the automotive market.

North American Refractories manufactures refractory specialty products for use as furnace linings in steel production processes.

Union Texas Canada re-sells liquified petroleum gas into the U.S. and has interests in a number of oil and gas properties.

Allied Canada Inc. 1982 Sales



New Acquisition

Bendix subsidiaries in Canada manufacture and service products for the aviation and automotive markets. Aviation products include fuel controls, land-navigation systems, vehicle compass systems, hydraulic power units and installations, and pneumatic, hydraulic and universal test stands. Automotive products include filters, spark plugs, brake systems, air cleaners, cooling fans, emission control devices and metal stamping tooling.

DIRECTORS

- H.W. Buirkle,
Senior Vice President, Allied Corporation
- E.L. Hennessy, Jr.,
Chairman, Allied Corporation
- J.D. Houlding,
President and Chief Executive Officer,
Polar Gas Project
- A.C. Johnson, Jr.,
President, Industrial Chemicals Division,
Allied Corporation
- *A.R. Latham,
President, Allied Chemical
- *D.C. Lowe,
Chairman and Chief Executive Officer
- *R.J. Mackenzie,
President, Amphenol Canada
- C.S. Malone,
Vice Chairman, United Corporation Ltd.
- W.E. McLaughlin,
former Chairman, The Royal Bank of
Canada
- A.G. Moreton,
former President of Esso Chemical Canada
- *R.J. Todd,
President, Fisher Scientific

OFFICERS

- R.J. Anderson,
Vice President Finance and Treasurer
 - J.E. Bowler,
Vice President, General Counsel and
Secretary
 - L.J. Flury,
Vice President, Prestolite Electronics
and Prestolite Battery
 - W.J. Lancaster,
Vice President Human Resources
 - J.L. Peterson,
President, Linotype Canada
 - L.G. Pounder,
Vice President, Allied Chemical
- *also Officers of the Company.

OTHER SENIOR MANAGEMENT

- A.H. Van Adrichem,
Plant Manager, Daal Specialties
(Canada) Ltd.
- A. Brayman,
Plant Manager, Prestolite Battery
- T.C. Davis,
Managing Director, North American
Refractories
- B.E. Jesson,
Director Public Affairs, Allied Canada Inc.
- N.N. Siomra,
Director, C&D Batteries

"We did well in a tough economy. Although results were below expectations, our performance compared very favorably to that of the industry. This shows the underlying strength of our products and the soundness of our business."

A. Russell Latham, President of Allied Chemical

Chemicals

Through its activities in chemicals, Allied serves many of the major industries in Canada including glass, mining, pulp and paper, textiles, steel, construction and energy. At the same time, the company intends to move aggressively to find new applications for its products and develop new chemical processes and products to meet the changing needs of the Canadian economy and its emerging growth industries.

Allied Chemical is the largest division within the corporation. The company employs about 1,000 people and has major plants in Amherstburg, Ontario, and Valleyfield, Quebec. In 1982, income from operations was \$25.7 million, down from the previous year's record level. Sales totalled \$196.7 million, also down from last year. While profits were strong during the first six months of the year, performance declined in the second half due to the severity of the recession and foreign competition. Nonetheless, sales and income for all products, except soda ash, held up well in 1982.

Allied Chemical is Canada's largest producer of soda ash, which is used in the manufacture of glass and detergent products, as well as in a number of mining, pulp and paper, and chemical processes. The soda ash business was affected by a general slowdown in the construction, automobile, mining, and pulp and paper industries.

Allied is Canada's leading manufacturer of calcium chloride, a key material in road construction and maintenance programs. The co-product of the soda ash process, calcium chloride is applied in the summer to



A. Russell Latham,
President, Allied Chemical



Skyscrapers are icons of modern city living, mirroring our society and its aspirations. Soda ash, which is one of Allied Chemical's principal products, is used in the manufacture of all glass products.

maintain gravel roads and, in the winter, for ice control. Significant innovations in process technology make Allied's Amherstburg plant one of the world's most efficient synthetic producers of by-product calcium chloride.

Allied is also Canada's leading manufacturer of hydrofluoric acid (HF), with approximately 80% of production exported to U.S. markets. HF is used in the production of fluorocarbons for refrigerants, aluminum, in the processing of uranium ore, to make nuclear reactor fuels, and as a catalyst in petroleum refining. Aluminum sulphate produced by Allied is used by municipalities for water and sewage treatment, and in the pulp and paper industry for sizing and pH control.

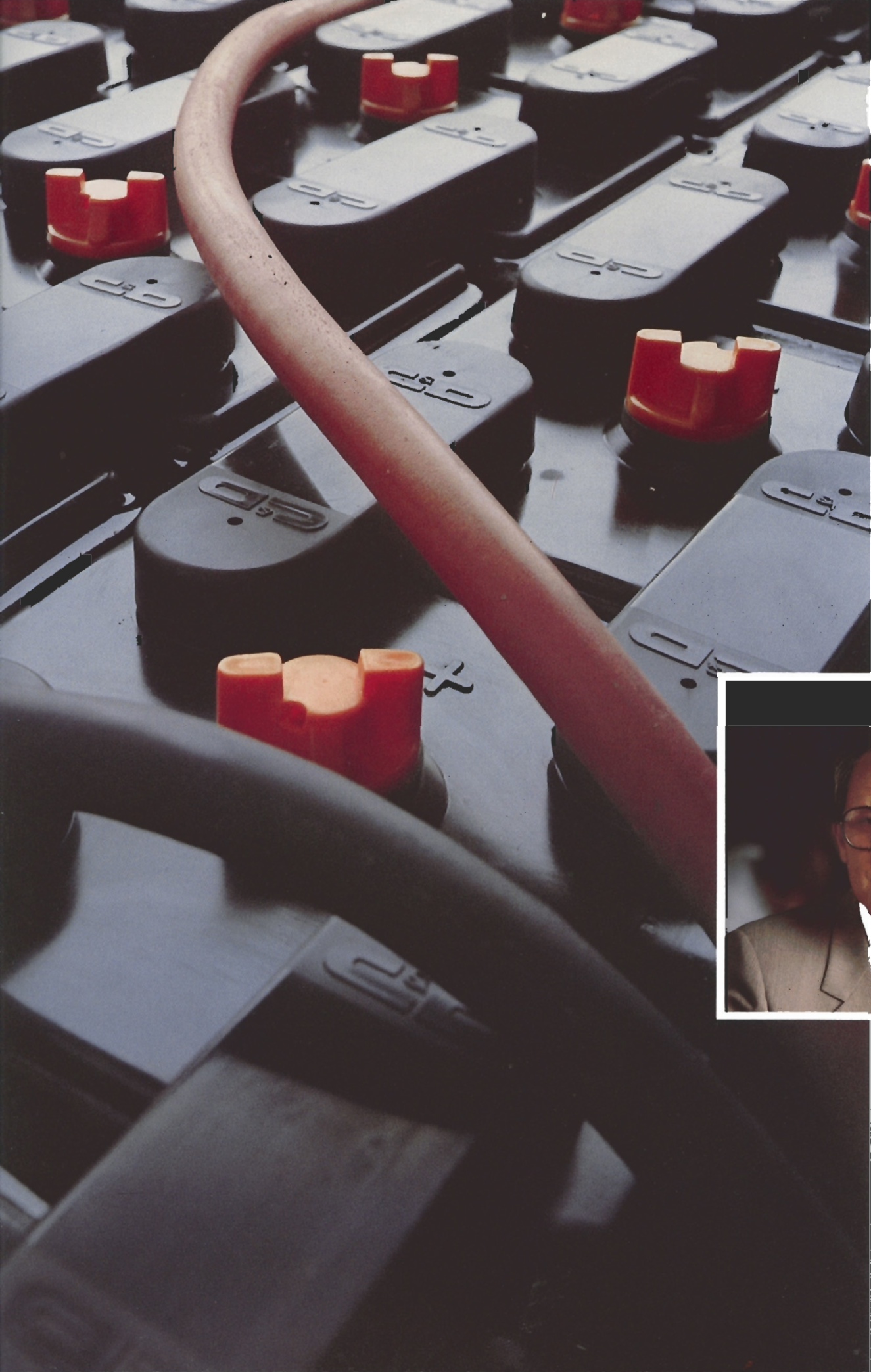
GENETRON[®] is used in the production of fluorocarbon products, which are used as refrigerants and as blowing agents in the manufacture of urethane foams for furniture, cushions, food packaging and insulation.

Allied conducts research and development directed towards both existing operations and new products. We work on a continuing basis with the National Research Council, major Canadian universities, government laboratories, and industrial and environmental research organizations.

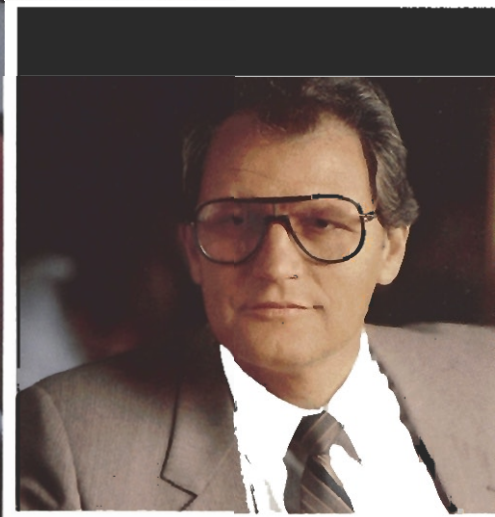
In the agricultural area, Allied is working with the Federal Department of Agriculture on antherculture processes which, when perfected, will allow us to provide a range of pure plant strains for hybridization. In conjunction with Bio Logicals, a Toronto-based firm in which we have a minority interest, Allied is also conducting antherculture studies.

In the field of water treatment, research is being conducted on chemical products and systems to assist in solving the enormous waste and water management problems inherent in tar sands processing. Allied is also working with Bell-Northern Research and Ecoplastics Limited to conduct performance studies on future-generation chemicals and systems for electronic chip manufacture.

In addition to these forward research activities, the work of Allied's Amherstburg technical department has resulted in major cost reductions in energy and improvements in overall efficiency of operations. Through all of these efforts and activities, Allied is adapting and responding to the changing needs of society and the industries we serve.



Norman N. Stoma,
Director,
C&D Batteries



These motive batteries produced by C&D are used to power lift trucks. C&D also builds stationary battery systems that provide vital back-up support for nuclear generating stations, telecommunications installations and large scale computer systems.

"Electronics has been the catalyst for a global information and communications revolution. The electronic components we make are the hardware links in a vast new network. This is a dynamic business! The filter connector market, for instance, is growing at a rate of about 30 per cent per year and, at Amphenol, we intend to match that pace."

Robert J. Mackenzie, President of Amphenol Canada

Electrical & Electronic

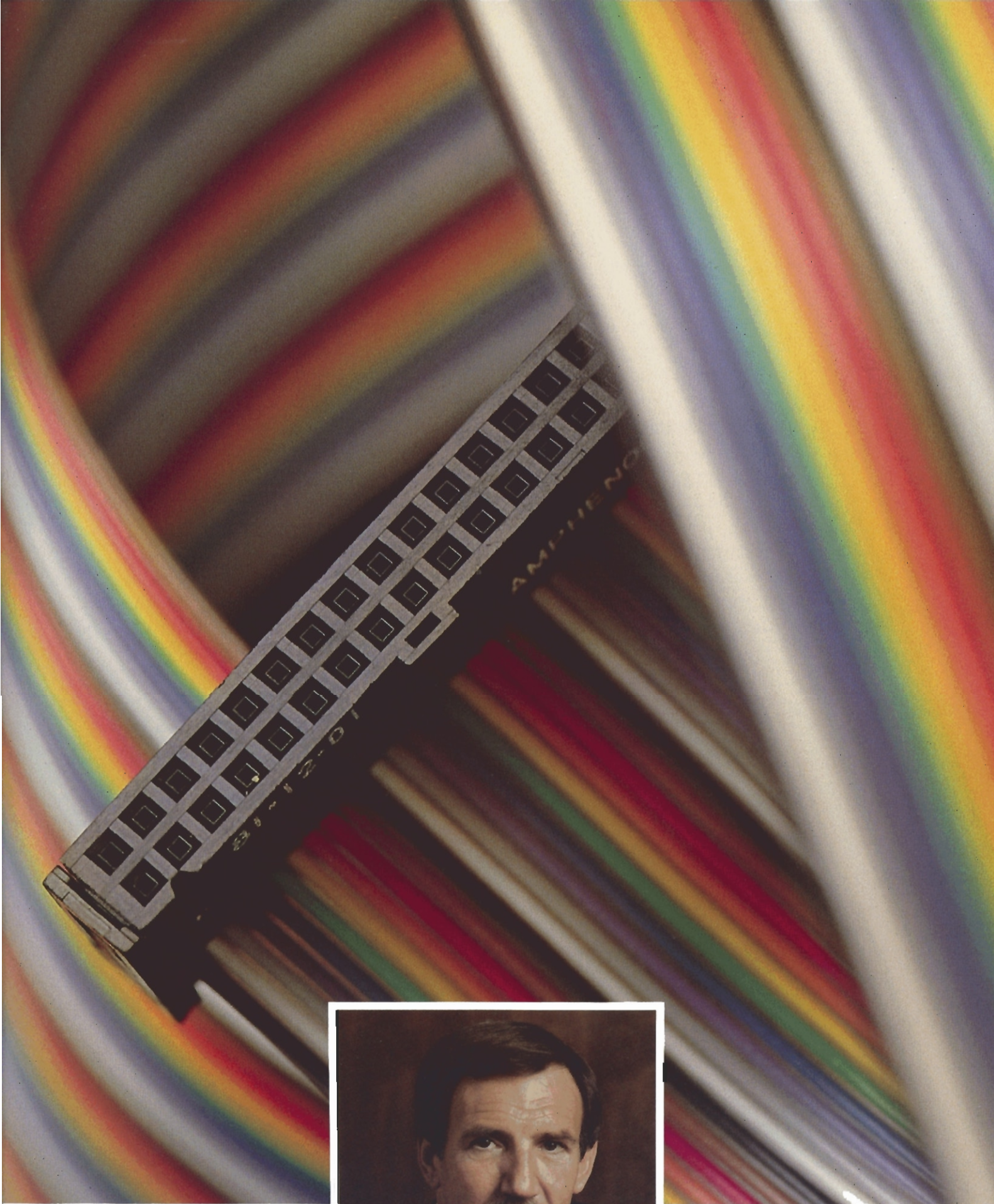
Amphenol Canada is part of the vanguard of new information and communications technologies that are linking the world. As a pioneer producer of electrical, electronic and fibre optic connectors and interconnection devices, Amphenol manufactures essential components for telecommunications, business equipment and military/aerospace markets. These are the high-growth industries of today and tomorrow. Amphenol has the technology and market penetration to be part of that dynamic growth.

Amphenol Canada is the market leader worldwide in standard and custom-engineered, high-technology filter connectors. The function of filter connectors is to reduce or eliminate electromagnetic and radio frequency interference. Filter connectors are used in telecommunications and computer installations, as well as sophisticated satellite, missile, submarine and aerospace applications.

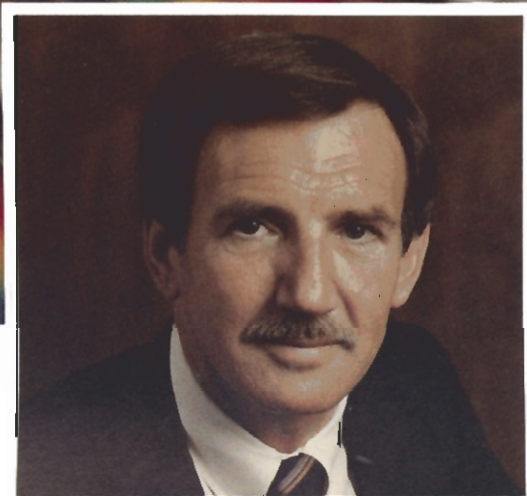
Amphenol's leadership in these markets is a direct result of strategic capital and R&D spending. In high-technology filters, for instance, the company developed and patented a conductive elastomer which absorbs the impact of shock and vibration on the filter connector, resulting in much higher performance reliability. This has given Amphenol a significant technological edge in the military/aerospace market.

In 1982 Amphenol's R&D expenditures amounted to five per cent of filter connector sales and were directed, in part, towards the development of new products for the business equipment and telecommunications markets. In the area of coaxial cable and engineered cable assemblies, the company is broadening its product line and becoming more active in export markets.

Amphenol has two full-service manufacturing and assembly plants in Scarborough, Ontario, and a third in Renfrew, Ontario. As part of Allied



Robert J. Mackenzie,
President, Amphenol Canada



This multi-colored, flat cable assembly is an integral link in a vast global communications network.

Corporation's Amphenol division, the company can draw upon the design, engineering and manufacturing expertise of some 20 other operations located in the U.S., Europe and the Far East.

Despite a depressed economy, sales held up well in 1982. While revenue from cable and interconnect products was down due to a slowdown in the housing and business equipment industries, filter connector sales increased dramatically, especially in export markets.

In the late nineteenth century, Ottmar Mergenthaler invented the Linotype machine and revolutionized the printing industry. Typesetting technology has been changing ever since and new products developed by Mergenthaler Linotype have been leading the way. In an age of high-speed, computerized communications systems, Linotype Canada is a major supplier of advanced typesetting equipment to newspapers, commercial typesetters, corporations and institutions.

Some of the leading users of Linotype systems include the Southam and Metroland newspaper chains, the Manufacturers Life Insurance Company, the University of Calgary and Calgary Board of Education, as well as commercial typesetters such as Howarth and Smith and Ireland Graphics. Customers are able to select from Linotype's 1,500 font typeface collection, the largest digitized original typeface library in the world.

Mergenthaler Linotype's leadership in technology has resulted in many product breakthroughs. The Linotron 202 was not only the first system of its kind but also remains the world's best-selling digitized typesetter. Similarly, the CRTronic was the world's first digital high-quality, desk-top typesetter. Other advanced systems marketed by Linotype include the laser-based Omnitech series and Mycro-Tek systems.

In 1982, Linotype Canada established its modern, new headquarters in Mississauga, Ontario, and opened an in-house customer training centre. With sales down due to the recession, the company moved aggressively to streamline operations and reduce costs. In addition to the traditional markets, Linotype has been exploring new product applications by providing large corporations with in-house typesetting facilities. As a result of ongoing research and development programs, Linotype will offer several new products in Canada in 1983.

Standby battery systems are the first line of defence in the event of power blackouts. These emergency, fail-safe systems are more essential than ever as our society becomes increasingly dependent upon automation, computerization and sophisticated telecommunications networks.

C&D Batteries is a leading producer in Canada of stationary batteries which provide standby power to the telecommunications, switchgear and control, and computer industries. In the uninterruptable power field,

these batteries back up some of Canada's most sophisticated, large-scale computer systems, providing power to keep them on-line during power dips, brownouts and blackouts. Sales to this important market grew rapidly in 1982 and augur well for the future. Customers include some of Canada's largest power companies, banks, government facilities, telephone exchanges and microwave communications systems. C&D is one of the few battery companies in Canada to meet the stringent specifications of major utilities.

Motive power batteries for powering lift trucks and mine vehicles, and for starting diesel locomotives continue to be the mainstay of the C&D business. Despite intense competitive pressures, the company once again outperformed the market in 1982.

At its manufacturing facility in Perth, Ontario, C&D produces a full line of stationary and motive batteries. With seven field offices across the country, the company has the strongest sales and service organization of any battery manufacturer in Canada.

For decades the automobile and transportation industries have been the engines of growth in our economy. During that time Prestolite Battery has been a leading producer of high-quality, heavy-duty starter batteries and a pioneer in developing new technologies to substantially increase the power capacity of its batteries. The company produces lead-acid storage batteries for vehicles of all types: cars, trucks, buses, farm, industrial and construction equipment, marine and recreational vehicles, and private aircraft.

Prestolite's main manufacturing plant in Maple, Ontario, manufactures both wet and completely dry charged batteries and features extensive and effective environmental systems to comply with government safety regulations. The company also has a manufacturing plant in Drummondville, Quebec, and a distribution centre in Calgary.

In 1982, sales of battery products were affected by the slowdown in the auto industry. A new management team at the Maple plant has launched a program to streamline operations and improve production efficiency. The resulting cost reductions, coupled with a renewed emphasis on customer sales and service, should enable Prestolite to participate fully in an economic recovery in 1983.

Prestolite Electronics produces electrical components in ignition and charger systems for all types of automotive vehicles. The company has a manufacturing, warehousing and distribution centre in Cambridge, Ontario, and an extensive distribution network across the country. Prestolite Electronics produces electrical components for the Canadian automotive replacement market.

“Among the major advances in science and technology in this century, those of most direct benefit to mankind have been in the field of human health care. Walk into any hospital or medical facility, any university, government or industrial research lab and you will see our instruments and products at work.”

John R. Todd, President of Fisher Scientific

Health & Scientific Products

The advances in any field of science begin in the research laboratory. As a leading supplier of laboratory products, Fisher Scientific is in the forefront of scientific research and the development of new technologies in Canada.

Fisher Scientific sells some 80,000 different products—ranging from clinical solutions to complex analytical instruments to glass and plastic ware to mannequins and live biological specimens—to medical, educational, industrial and government laboratories. In 1982, the company introduced a new streamlined catalogue designed to reduce the burden on the busy scientist or technician.

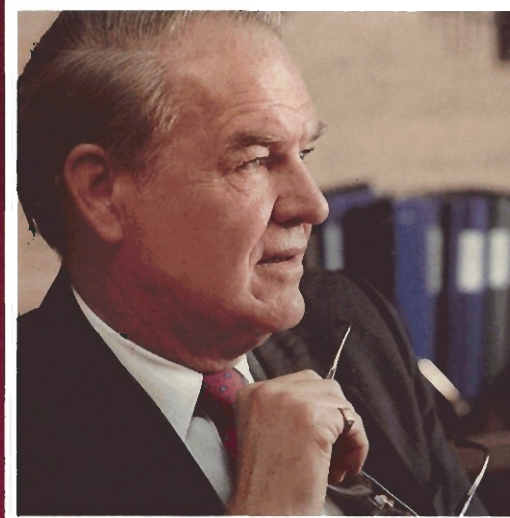
Fisher Scientific continues to seek out Canadian sources for laboratory instruments, supplies and reagent chemicals. Fisher's encouragement, commitment and design skills enabled a Canadian manufacturer to produce plastic petri plates of excellent quality at a cost that allows for their export into the United States market. Also, in 1982, a family of industrial controllers made in Canada was introduced to manufacturers of paper, chemicals and food products.

Allied Corporation's recent acquisition of Instrumentation Laboratory Inc. will provide Fisher Scientific with valuable new technological capabilities, particularly in the area of bio-medical equipment and supplies. Through its minority share in Bio Logicals, Allied Canada also gains access to future business opportunities in the high-growth health and scientific products area.

Despite depressed industrial markets, sales of Fisher Scientific products held up well in 1982.



John R. Todd,
President,
Fisher Scientific



For more than half a century, Fisher Scientific products have been in the forefront of laboratory research and development in Canada.

"Recent studies provide irrefutable evidence that the use of seat belts has helped to prevent injuries and save countless lives. Because we're in the safety business, we believe quality must take precedence over quantity. It is this philosophy, which has made Allied the leading seat belt manufacturer in North America."

Ad H. Van Adrichem, Daal Specialties Plant Manager

Other Operations

Allied is North America's largest manufacturer of automotive seat belt systems. When Allied entered the business in 1966, safety restraints consisted of static and simple rollup belts. Seat belt systems today are much more advanced. Each system has 50 component parts and is constructed from fabrics of exceptionally high strength, which afford vehicle passengers and drivers maximum safety protection. A recent Transport Canada study estimates that 100% use of front seat belt assemblies reduces moderate to severe injuries and fatalities by 60%.

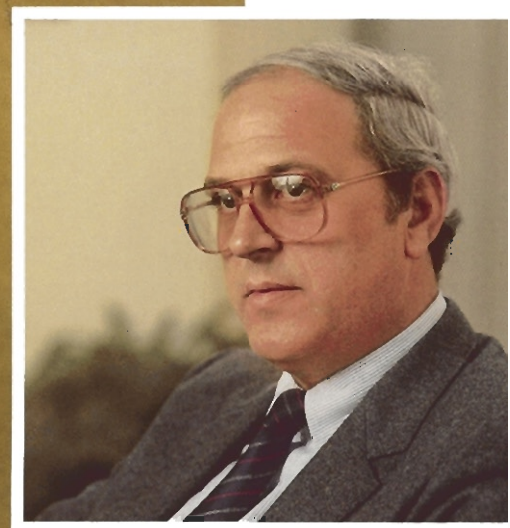
At its plant in Collingwood, Ontario, Daal Specialties weaves and dyes nylon and polyester yarn and assembles several different types of finished seat belt systems.

North American Refractories manufactures a broad line of refractory products used primarily by the steel industry. Refractories are heat-resisting materials used for furnace linings in high-temperature processes. NARCO has developed various new refractory products that offer industry users enhanced performance and substantial cost savings.

Despite reduced levels of steel production in 1982, NARCO's performance was bolstered by the sales of new high technology refractories. These included carbon-magnesite refractories for electric and basic oxygen furnaces, and high alumina mixes for applications in iron foundries and steel plants. Manufacturing facilities at Caledonia, Ontario, produce a range of refractory specialty products that include mortars, castables, plastic firebrick, ramming mixes and pneumatically applied linings.

Because of the importance of the energy sector in our economy, Allied Canada maintains a foothold in the oil and gas industry. Union Texas Canada resells liquified petroleum gas (LPG) into the United States and owns a working interest in a number of Canadian oil and gas properties.

Ad H. Van Adrichem,
Plant Manager,
Daal Specialties



Seat belts are made from fabrics of exceptional strength and elasticity. In tests conducted to simulate automobile accidents, seat belt webbing will hold up against the impact of as much as 7,000 pounds of force.

Thomas C. Davis,
Managing Director,
North American
Refractories



North American Refractories supplies refractory bricks and other heat-resistant materials used to line steel furnaces in which temperatures reach in excess of 3,000° Fahrenheit (1,650° Celsius).



The Bendix Acquisition

In a country as vast as ours, major advances in transportation and communications have helped to stimulate economic growth and link Canada as a nation. The Bendix Corporation is synonymous with transportation—in both the automotive and aviation industries. The acquisition of Bendix' Canadian operations will add a vital new dimension to Allied's involvement in transportation and electronics.

Bendix employs more than 2,500 people in its Canadian subsidiaries: Aviation Electric Ltd., Fram Canada Inc., Bendix Heavy Vehicle Systems Inc., Canadian Fram Ltd. and Superior Machine and Tool Ltd. Allied has filed a notice of acquisition under the Foreign Investment Review Act of Canada regarding these Canadian subsidiaries. In fiscal 1982, Bendix' Canadian operations reported sales of \$238 million. Pro forma combined sales of Allied Canada and the Canadian operations of Bendix (based on the fiscal year ended September 30, 1982) amounted to \$647 million in 1982.

Aviation Electric is Canada's largest repair and overhaul operation for aircraft instruments and accessories, and the world's largest manufacturer of fuel controls for small-aircraft gas-turbine engines. The company also designs and manufactures land-navigation systems, vehicle compass systems, custom-made industrial hydraulic power units and installations, as well as pneumatic, hydraulic and universal test stands for aircraft. Based in Montreal, Aviation Electric has 950 employees and accounts for approximately 30% of the revenues of Bendix' Canadian subsidiaries.

Fram Canada makes oil, air and gas filters, fuel and water separators, and assembles spark plugs in its plant in Stratford, Ontario. Bendix' Heavy Vehicle Systems, based in London, Ontario, manufactures air brake components and systems for medium and heavy buses and off-highway vehicles. Canadian Fram, based in Chatham, Ontario, produces air cleaners, emission control devices, and engine cooling fans and modules. Superior Tool and Machine, also based in Chatham, designs and builds new metal stamping tools for automotive parts suppliers and repairs tooling for local customers.

Consolidated Balance Sheet

	December 31	
	1982	1981
ASSETS	Dollars in Thousands	
Current assets:		
Cash and short-term investments	\$ 10,601	\$ 5,055
Accounts receivable	45,582	62,039
Notes receivable from Allied Corporation	—	43,702
Inventories	71,563	84,728
Prepaid expenses	1,491	1,333
Total current assets	129,237	196,857
Investments, at cost	1,186	1,186
Property, plant and equipment	211,283	194,643
Less: Accumulated depreciation, depletion and amortization	(103,914)	(94,868)
	107,369	99,775
Deferred charges	1,441	1,647
Cost in excess of net assets of acquired companies	8,444	8,444
	<u>\$ 247,677</u>	<u>\$ 307,909</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

	December 31	
	1982	1981
LIABILITIES	(Dollars in Thousands)	
Current liabilities:		
Bank indebtedness	\$ 6,072	\$ 9,512
Accounts payable and accrued liabilities	24,483	36,191
Income taxes payable	2,013	36,154
Due to Allied Corporation and subsidiaries	21,783	16,700
Notes payable to Allied Corporation and subsidiaries	<u>37,178</u>	<u>—</u>
Total current liabilities	91,529	98,557
Long-term debt	439	473
Deferred income taxes	1,185	9,644
 SHAREHOLDERS' EQUITY		
Capital stock issued — 65,245 common shares	2,627	2,627
Retained earnings	<u>151,897</u>	<u>196,608</u>
Total equity	<u>154,524</u>	<u>199,235</u>
	 <u><u>\$ 247,677</u></u>	 <u><u>\$ 307,909</u></u>

Consolidated Statement of Income

	Year ended December 31	
	1982	1981
	(Dollars in Thousands)	
Net sales	\$ 408,792	\$ 465,368
Cost of goods sold and other expenses	375,435	403,775
Depreciation, depletion and amortization	10,465	9,905
Total costs and expenses	385,900	413,680
Income from operations	22,892	51,688
Other income – net	1,983	2,691
Interest income (expense) – net	(2,328)	4,197
Income from continuing operations before income taxes	22,547	58,576
Taxes on income	8,546	25,261
Income from continuing operations	14,001	33,315
Income from discontinued oil and gas operations	—	3,843
Income before extraordinary items	14,001	37,158
Extraordinary items:		
Gain on sale of Canadian oil and gas subsidiary	—	62,376
Loss on transfer of foreign oil and gas subsidiary	—	(1,147)
	—	61,229
Net income	\$ 14,001	\$ 98,387

Consolidated Statement of Retained Earnings

	Year ended December 31	
	1982	1981
	(Dollars in Thousands)	
Balance, beginning of year	\$ 196,608	\$ 215,460
Net income	14,001	98,387
	210,609	313,847
Dividends:		
Cash	58,712	106,910
Transfer of shares of foreign subsidiary	—	10,329
	58,712	117,239
Balance, end of year	\$ 151,897	\$ 196,608

The Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statement of Changes in Financial Position

	Year ended December 31	
	1982	1981
	(Dollars in Thousands)	
Financial resources were provided by:		
Income from continuing operations	\$ 14,001	\$ 33,315
Add (deduct): Items not requiring (providing) working capital—		
Depreciation, depletion and amortization	10,465	9,905
Deferred income taxes	(8,459)	(7,739)
Loss (gain) on disposal of property, plant and equipment	52	(1,001)
Working capital provided by continuing operations	16,059	34,480
Income from discontinued oil and gas operations	—	3,843
Total working capital provided by operations	16,059	38,323
Net proceeds on sale of oil and gas subsidiary, less net book value of assets at date of sale	—	62,376
Proceeds on disposal of property, plant and equipment	254	1,476
Other	—	198
	<u>16,313</u>	<u>102,373</u>
Financial resources were used for:		
Additions to property, plant and equipment	18,159	20,817
Decrease in working capital on transfer of shares of foreign subsidiary to Allied Corporation	—	11,476
Cash dividends paid to Allied Corporation and subsidiaries	58,712	106,910
Reduction in long-term debt	34	27
	<u>76,905</u>	<u>139,230</u>
Decrease in working capital	60,592	36,857
Working capital, beginning of year	98,300	135,157
Working capital, end of year	<u>\$ 37,708</u>	<u>\$ 98,300</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

Notes to Consolidated Financial Statements

(Dollars in Thousands)

1. Statutory amalgamation:

Allied Canada Inc. is the continuing company formed by the amalgamation on September 30, 1982 under the provisions of the Canada Business Corporations Act of five companies that were directly or indirectly wholly-owned Canadian subsidiaries of Allied Corporation, namely Allied Chemical Canada, Ltd. (ACCL), Amphenol Canada Inc. (Amphenol), Fisher Scientific Limited (Fisher), North American Refractories Ltd. (NARCO), and Eltra of Canada Limited (Eltra). The amalgamation of ACCL was effected through a wholly-owned subsidiary, 117609 Canada Inc., which acquired all of ACCL's assets and essentially all its liabilities prior to the amalgamation. Since all the amalgamating companies are under common control the transaction has been accounted for as a pooling of interests and accordingly the assets and liabilities of the predecessor companies have been combined at their net book values as at September 30, 1982, as follows:

Company	Total assets	Total liabilities	Total shareholders' equity
ACCL	\$185,112	\$ 65,083	\$120,029
Amphenol	10,305	2,872	7,433
Fisher	36,976	13,267	23,709
NARCO	2,120	372	1,748
Eltra	45,528	43,630	1,898
Combined	\$280,041	\$125,224	\$154,817

In accordance with the terms of the amalgamation agreement, the Company is authorized to issue an unlimited number of common shares. 65,245 common shares were issued in exchange for the shares of the predecessor companies based on the fair market values of the net assets of each company as follows:

	Shares issued
ACCL	52,665
Amphenol	3,625
Fisher	8,265
NARCO	425
Eltra	265
Total shares issued	65,245

These consolidated financial statements reflect the combined financial position, results of operations and changes in financial position of the five predecessor companies and their subsidiaries as if they had been combined throughout 1981 and 1982.

2. Summary of significant accounting policies:

Consolidation –

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Daal Specialties (Canada), Ltd., Union Texas Canada, Ltd. and two inactive companies.

Foreign currency translation –

Foreign currency transactions included in the financial statements have been translated into Canadian dollars at rates approximating the rates of exchange prevailing at the dates of transactions. Current assets and current liabilities have been translated at the year-end rate of exchange. The resulting net exchange gain or loss is included in income.

Inventories –

Inventories are valued at the lower of average cost and net realizable value. Manufactured inventories include costs for materials, labour and manufacturing overhead.

Property, plant and equipment –

Property, plant and equipment are carried at cost and are principally depreciated on a composite, straight-line basis for asset groups using lives which range from 5 to 40 years, the majority of which have a useful life of 15 years. For certain operations, depreciation is computed on the diminishing balance method generally over projected lives of 3 to 20 years.

Cost in excess of net assets of acquired companies –

The excess of cost of acquired companies over net assets at dates of acquisition relates to businesses acquired prior to April 1, 1974. It is considered to have an indefinite life and accordingly is not amortized.

Income taxes –

Income taxes are based on pre-tax financial statement income with an appropriate deferred tax provision to provide for the tax effect of temporary differences between pre-tax financial statement income and taxable income.

Investment tax credits are included in income as a reduction of the current year's tax provision when earned.

3. Inventories:

	1982	December 31 1981
Raw materials	\$ 18,739	\$ 22,353
Work in process	5,751	11,024
Finished products	40,437	45,519
Supplies and containers	6,636	5,832
	\$ 71,563	\$ 84,728

4. Property, plant and equipment, at cost:

	1982	December 31 1981
Land and land improvements	\$ 11,036	\$ 8,868
Oil and gas property and equipment	6,416	5,239
Machinery and equipment	143,920	131,709
Buildings	37,486	33,067
Office furniture and equipment	2,280	1,893
Transportation equipment	1,516	1,553
Construction in progress	8,629	12,314
	\$211,283	\$194,643

5. Income taxes:

Losses carried forward -

Prior to the September 30, 1982 amalgamation, Eltra had accumulated losses for income tax purposes which are available to carry forward against income of the Company in future years. These losses are summarized as follows:

Year loss incurred	Loss for tax purposes	Year loss expires
1980	\$ 8,543	1984
1981	10,875	1985
1982	12,658	1986
	\$32,076	

The potential future tax benefit of the 1980 loss has not been reflected in these financial statements, since it arose prior to the decision to amalgamate Eltra with profitable related affiliates, and will be recorded when realized. In addition, the financial statements do not reflect the future benefit of Eltra's investment tax credits of \$964 which are available to offset against future taxes payable.

Effective tax rate -

The Company's effective income tax rate is made up as follows:

	1982	1981
Combined basic federal and provincial income tax rate	49.7%	50.5%
Add (deduct):		
Manufacturing and processing profits deduction	(6.0)	(4.8)
3% inventory allowance	(5.4)	(1.8)
Investment tax credits	(1.7)	(0.9)
Other	1.3	0.1
	37.9%	43.1%

6. Pensions:

The Company's pension plans cover substantially all employees. Based on actuarial valuations, unfunded liabilities for past service pensions are estimated at \$12,000. The Company is amortizing and funding these liabilities on a straight-line basis over various periods of fifteen years. All vested pension rights are fully funded.

7. Long-term debt:

Long-term debt represents a loan from the Ontario Development Corporation bearing interest at 12¹/₄% with monthly interest and principal payments ending in 1992.

8. Related party transactions:

The Company is indirectly a wholly-owned subsidiary of Allied Corporation, a U.S. corporation. Transactions between the parent and affiliates are recorded at fair market value. Details of these transactions are summarized as follows:

	1982	1981
Sales	\$60,080	\$59,353
Purchases of product, raw materials, services and equipment	55,961	69,401
Interest income - net	102	1,846
Payment of royalties and commissions	1,228	6,343

9. Contingent liability:

The Company is contingently liable as guarantor of lease contracts assigned to finance companies with unpaid balances totalling approximately \$1,565 at December 31, 1982.

10. Summary of segmented financial information:

The segments are Chemicals – process and performance chemicals, and highway products; Electrical and Electronic – battery systems and electronic components;

Health and Scientific Products – laboratory equipment and supplies; and Other Operations – automotive safety restraints, refractory products, fibres and oil and gas.

		Chemicals	Electrical and Electronic	Health and Scientific	Other Operations	Total
Net sales	— 1982	\$196,701	\$71,587	\$78,351	\$62,153	\$408,792
	— 1981	224,445	97,538	74,012	69,373	465,368
Income (loss) from operations	— 1982	25,731	(9,536)	6,186	511	22,892
	— 1981	43,433	(5,626)	9,342	4,539	51,688
Depreciation, depletion and amortization	— 1982	7,151	2,552	374	388	10,465
	— 1981	6,728	2,500	367	310	9,905
Property, plant and equipment additions	— 1982	13,902	1,515	265	2,477	18,159
	— 1981	16,997	2,381	243	1,196	20,817
Total identifiable assets	— 1982	132,676	46,947	34,955	22,498	237,076
	— 1981	128,467	65,492	36,816	28,377	259,152

The 1981 figures exclude the discontinued oil and gas operations. Identifiable assets excludes cash and notes receivable of \$10,601 (1981 – \$48,757). Included in net sales are export sales of \$83,426 (1981 – \$90,845) mainly to the United States.

Auditors' Report

February 28, 1983

To the Shareholders of
Allied Canada Inc.:

We have examined the consolidated balance sheet of Allied Canada Inc. as at December 31, 1982 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse

Chartered Accountants

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Mississauga, Ontario L4Z 1H8

Five Year Summary of Continuing Operations (Unaudited) (1)

<i>For the year – (Dollars in Millions)</i>	<i>Years ended December 31</i>				
	<i>1982</i>	<i>1981</i>	<i>1980</i>	<i>1979</i>	<i>1978</i>
<i>Sales in Canada</i>	\$325.4	\$374.6	\$337.8	\$270.1	\$246.8
<i>Export sales</i>	83.4	90.8	81.8	75.3	59.5
<i>Net sales</i>	408.8	465.4	419.6	345.4	306.3
<i>Income from continuing operations</i>	14.0	33.3	22.7	24.3	16.9
<i>Research and development expense</i>	2.3	1.6	1.0	1.2	.8
<i>Property, plant and equipment additions</i>	18.2	20.8	27.4	17.7	10.7
<i>Salaries, wages and benefits</i>	86.3	83.9	70.2	68.5	65.7
<i>Dividends paid out of operations to Allied Corporation and subsidiaries</i>	58.7	22.1	.2	34.4	.2
<i>At year-end –</i>					
<i>Equity of Canadian operations</i>	\$154.5	\$199.2	\$220.8	\$188.2	\$192.1
<i>Number of employees</i>	2,818	3,172	3,328	3,124	3,447

(1) For comparative purposes all numbers have been restated to include companies acquired during the years.

