
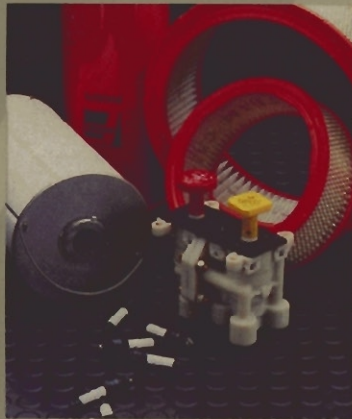


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# ALLIED CANADA INC.

## Annual Report 1984





Allied Canada Inc.  
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## CONTENTS

Highlights	1
The Chairman's Report	2
Automotive	4
Chemical	6
Industrial and Technology	8
Aerospace	10
Research and Development	12
Financial Report 1984	13
Directors and Management	23

Si vous désirez la version française de ce rapport, veuillez vous adresser à la directrice des Affaires publiques, Allied Canada Inc.



## Highlights

□ Net sales in 1984 reached a record level of three quarters of a billion dollars, an increase of 20 percent over 1983.

□ Income from operations, at \$93 million, was almost double that of the previous year.

□ The automotive sector posted significant gains in both sales and profits.

□ Research and development expenditures increased by 62 percent, from \$7.6 million to \$12.3 million.

## The Chairman's Report

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In 1984 Allied reported sales of \$765 million in Canada, an increase of 20 percent over the previous year. Income from operations reached \$93 million, almost double the level of 1983. The increase in sales is attributable to a stronger North American economy and an increased market for the products Allied manufactures. The improved earnings performance reflects the increased sales but is also the result of productivity improvements introduced during the previous year.

Allied ranks among the larger industrial concerns in Canada, and employs more than 5,000 people. The organization has a strong and growing presence in several critical sectors of the Canadian economy, including automotive, chemical, aerospace, electronics, and health and scientific products.

The competitive strength and viability of our businesses in Canada are evidenced by the 21 percent return on investment achieved in 1984. In addition, exports of our products account for about 41 percent of total sales, leading to an estimated \$170 million balance of trade favourable to Canada.

Allied has an important stake in the welfare and economic future of Canada. We are pursuing opportunities that have significant growth potential and that will enable us to participate more actively in the economic development of this country.

One measure of Allied's long-term commitment to growth is the higher level of capital expenditures made by the corporation in Canada in 1984. These investments are enabling our business units to strengthen their competitive position in a fast-changing global environment.

New tools and revamped approaches to output were an integral part of a restructuring process that paid handsome dividends in 1984. Although our businesses had enough standing capacity to handle the increase in volumes, additional capital outlays were made on new high-technology equipment. Immediate returns were realized in the form of improvements in quality, cost efficiency and productivity. These initiatives enabled Allied's businesses in Canada to take full advantage of expanding opportunities in a resurgent North American economy.

Major capital investments and R & D expenditures provide a solid foundation for our long-term business commitment to Canada. An important cornerstone of Allied's growth strategy for Canada is continuing investment in world-class research and development activities.

Research and development expenditures include funding administered by the company's Research and Development department, which supports the work of many scientists in Canadian research institutions across the country, as well as activities directly related to Allied's businesses.

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Our objective is to increase the rate of R & D spending, as a percentage of sales, by a factor of two over the next several years. The new products developed as a result of these activities are expected to help to broaden Canada's industrial base and lead to the creation of new jobs.

One of the most promising new projects in 1984 derived from a relationship with Netron Inc., a Toronto-based software company. During 1984, Allied, with Netron, produced a new automated programming tool for advanced software development and an expert system for use as a decision support tool in avoiding or overcoming



environmental problems. Another encouraging research project, being conducted by Bendix Avelex in Montreal, involves the development of a new fuel flow meter. One design is ideal for aerospace applications, while another is suitable for automobiles, trucks and other land-based vehicles.

As a corporate citizen within the larger community, Allied encourages support of social, cultural and educational organizations and activities. Through its various divisions, Allied Canada is active in community relations as well as in business and trade associations. The corporation is firmly committed to maintaining the highest standards of health and safety for its employees in the workplace, and equally vigilant in fulfilling its environmental responsibilities.

Allied plays — and will continue to play — an important role in the Canadian industrial scene. On behalf of the Board of Directors, I would like to commend and thank all our employees for their contributions to an outstanding year.

M. Jack Ripley  
Chairman and Chief Executive Officer

# Automotive

*Allied's automotive businesses manufacture components for passenger cars and trucks in both the original equipment and replacement markets. Companies in this sector include Canadian Fram, Bendix Heavy Vehicle Systems, Fram Canada, Bendix Safety Restraints, Prestolite Wire and Superior Machine & Tool.*

*Allied's principal automotive products include engine and emission controls, brake systems and components, oil, air and gasoline filters, seat belts, air cleaners, cooling modules, spark plugs and battery cable assemblies.*



## The Industry

In 1984 the size of the North American motor vehicle market increased by almost 20 percent over the previous year. The number of passenger cars and commercial vehicles produced increased from 10.7 million to 12.8 million, boosting demand substantially for original equipment products. The aftermarket showed a more modest increase.

The resurgence in the automotive industry also helped to stimulate demand in related industries such as steel and glass, in addition to contributing to the overall economic recovery in both the United States and Canada.

## Outlook

Major investments in new manufacturing technology, and new attitudes with respect to quality and productivity, have played a critical role in the revitalization of the North American automotive industry. Market demand is expected to remain strong. Further momentum will be gained as the vehicle manufacturers continue to reduce costs, streamline production processes, and work closely with suppliers in the design and development of more cost-effective and higher-performance components.

## Performance

In 1984 Allied's automotive companies in Canada achieved important gains in sales and income, taking full advantage of the industry recovery.

With major capital investments in high-technology equipment, Allied's automotive sector was able to gain a competitive advantage with respect to production costs, pricing strategy, delivery capability and quality. Extensive R & D activities resulted in the introduction of new products, as well as improvements and modifications to existing lines.

Allied's automotive businesses also demonstrated leadership in working closely with vehicle manufacturers to develop new products from the inception stage. Some of these joint development ventures involved products for the Chrysler Concept 90 and General Motors Saturn vehicles.

Other steps taken in 1984 to assure the sector's long-term success included the following:

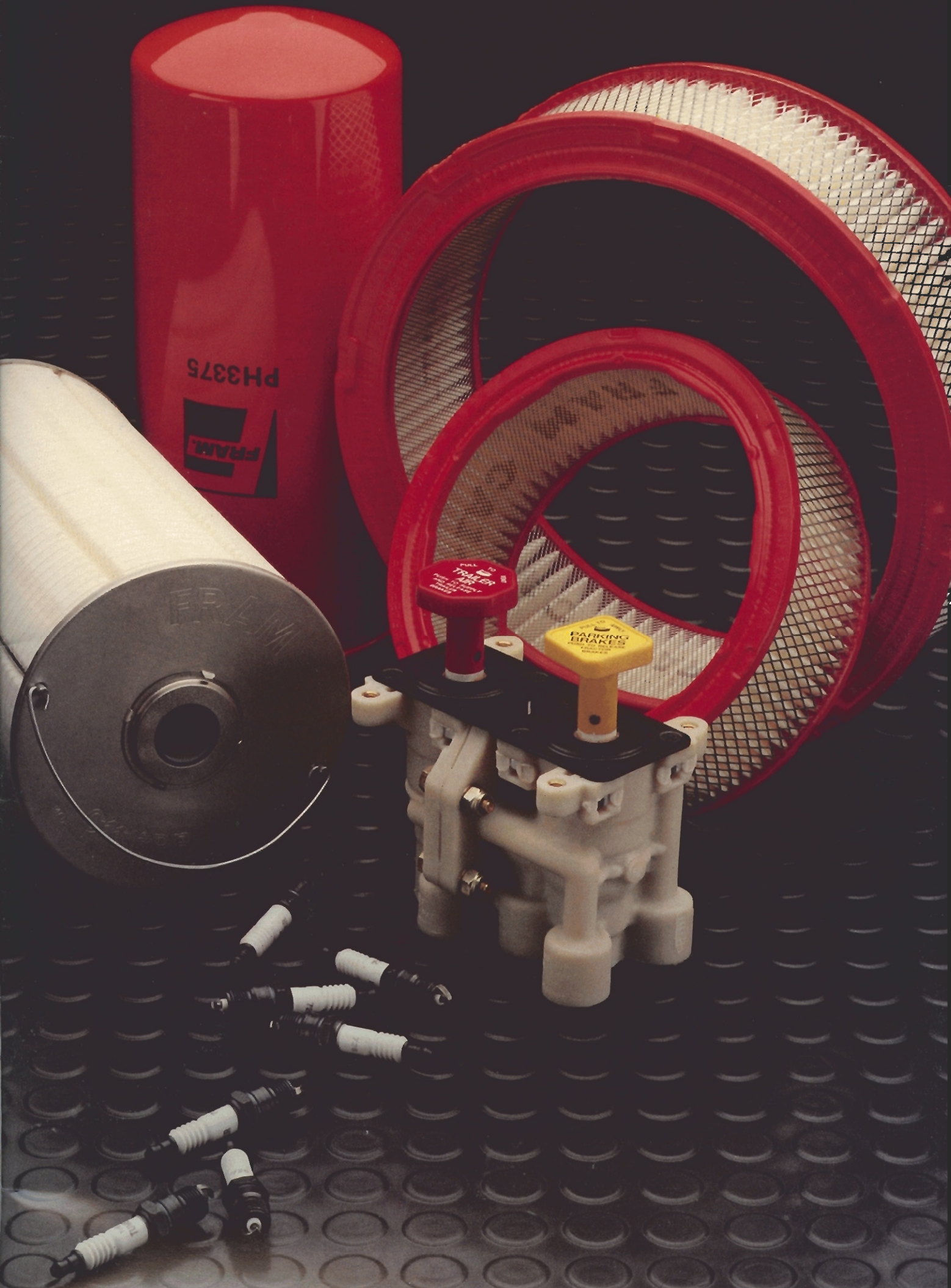
□ Canadian Fram began construction of a new, \$4-million computer centre, part of which will be devoted to computer-aided design/computer-aided manufacturing (CAD/CAM) technology.

□ A management decision to rationalize North American brake component production resulted in a significant increase in business for Bendix Heavy Vehicle Systems in Canada.

□ With the addition of a new truck filter manufacturing capability, Fram Canada opened up major growth opportunities in the heavy vehicle market.

□ Bendix Safety Restraints implemented a new work-centre, multi-skilled mode of assembly, which resulted in a 15 to 20 percent increase in productivity.

□ Prestolite Wire began preparations to produce a new line of higher-value battery cable harness in 1985.



# Chemical

*Allied produces chemicals for many basic industrial markets including glass, mining, pulp and paper, chemicals, steel, construction and energy. Allied Chemical operates a major production facility in Amherstburg, Ontario, as well as smaller plants in eight other locations across Canada.*

*The principal chemical products manufactured by Allied in Canada are soda ash, calcium chloride, hydrofluoric acid (HF), fluorocarbons and aluminum sulphate (alum).*



## The Industry

In 1984, chemicals, one of Canada's primary industries, began to recover from the severe recession which has plagued the industry since 1982. Although plants were still not operating at full capacity, productivity improvements and cost reductions led to improved profitability.

## Outlook

A full recovery of the industry will depend on continued strength in the economy. If market demand remains strong, some gradual improvement in prices is expected. In the longer term, the most efficient chemical producers will be in the best position to realize future business opportunities.

## Performance

In 1984 Allied's chemical sector achieved a substantial gain in income because of increased demand in the soda ash and hydrofluoric acid markets, as well as considerable improvement in manufacturing productivity.

Allied exports a major portion of its hydrofluoric acid production. During the year HF export volume continued strong, in response to increased fluorocarbon demand and the broad-based recovery in North American markets. Soda ash volume also rose, largely because of increased domestic sales for automotive and container glass.

Alum continues to play an important role in Canada as a water and sewage treatment chemical. Allied maintained its strong position in the alum business, despite increased competition from other chemicals.

Allied Chemical made significant achievements in 1984, among which were the following:

- A new aqueous HF facility began production at Amherstburg, Ontario, and helped Allied to capitalize on export market opportunities.
- Energy-saving and other cost-reducing measures enabled Allied to maintain a strong competitive position in a difficult price market.
- Expansion of our calcium chloride-treated sand road trials throughout Ontario, Alberta, New Brunswick and Saskatchewan, which demonstrated the potential for considerable savings to municipal and provincial governments, resulted in increased acceptance of calcium chloride for winter applications.
- Excellent progress was made in the retail merchandising of flake calcium chloride through consumer outlets, an innovative way of marketing this chemical in Canada.





Calcium Chloride

Calcium Chloride

Calcium Chloride

Calcium Chloride

Products Chemical  
Allied Chemical  
Hydrofluoric Acid, 70%  
Acide Fluorhydrique en solution  
\$30.00

Allied Chemical

Light Soda Ash

Light

Soda Ash

40 kg

Allied Chemical

Aluminum Sulphate

Standard Ground  
40 kg  
(88.18 lb.)

Not for food or drug use  
Made in Canada

Allied Chemical Canada Ltd.  
201 City Center  
Mississauga, Ontario L5R 2T4

# Industrial and Technology

Allied's industrial and technology businesses manufacture and distribute a wide range of products for diverse markets. The industries served include health care, telecommunications, computer, aerospace electronics, cable, newspaper and printing, utilities and steel. The companies in this sector are Fisher Scientific, Amphenol Canada, C&D Power Systems, Linotype Canada and North American Refractories (NARCO).

Among the principal industrial and technology products are laboratory instruments and supplies, electronic connectors, cable and interconnection devices, motive and standby power systems, electronic typesetting systems and heat-resistant refractory linings.



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## The Industries

A broad-based economic recovery spurred additional growth in high-technology industries such as computers, telecommunications and aerospace electronics. Demand in basic industries such as steel, energy resources and print media recovered somewhat, with an emphasis on products which enable customers to become more cost-competitive.

## Outlook

Market demand for high-technology products that offer customers major cost-saving features will continue to be strong. In a highly competitive environment, product leadership is essential. Growth opportunities will be available to those companies that develop and effectively market new products tailored to meet customer needs.

## Performance

In 1984 Allied's industrial and technology sector achieved gains in both sales and income. The improved performance was largely a result of achieving additional market penetration in a number of key product lines.

Increased exports of custom-engineered and commercial filter connectors boosted both sales and income. A strategy of increased specialization in sales, marketing and management functions helped the health and scientific products segment to grow in the automated instrumentation field and also maintain leadership in the traditional laboratory supplies business.

The volume of order shipments of electronic typesetting equipment doubled from 1983 in response to a bold marketing approach. Great success was achieved in marketing carbon-magnesite brick, which helps steelmakers to reduce production costs substantially.

Advances in 1984 which laid the groundwork for continued success included the following:

- C&D Power Systems in Canada was chosen to be the source of difficult-to-produce, high-quality batteries required primarily for the U.S. market. The company has embarked on an extensive program of upgrading its manufacturing facilities to increase production and reduce costs, without reducing quality.

- Amphenol Canada developed a unique technology to improve the manufacture of its commercial filter connectors and capitalize on business opportunities in the computer, telecommunications equipment and video game markets.

- Through the Instrumentation Laboratories line, Fisher Scientific gained an expanded presence in the complex instrumentation field. An automated chemical analyzer, known as the IL Genesis 21, was introduced in 1984.

- Linotype introduced into Canada the laser-based Linotron 101 and Linotronic 300, as well as the latest model CRTronic 300 — the world's most widely-used general purpose typesetter.

- NARCO began to manufacture and market slide gate valves (used to regulate the flow of steel in continuous casting) under license from Kurosaki of Japan.



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Certified A.C.S.  
**Potassium Permanganate**  
Crystals  
Fisher Scientific Company  
Chemical Manufacturing Division  
Fair Lawn, New Jersey 07410  
Made in U.S.A.  
Potassium Permanganate 520-447

S-671  
300 g  
(11.0 lbs.)  
LOT 749334  
Certified  
**Sodium Chloride**  
(For Biological Work)  
Fisher Scientific  
An ALLIED Company

# Aerospace

Allied's aerospace sector, through Bendix Avelex Inc. (formerly Aviation Electric Limited), provides a wide range of products and services to international and domestic customers in the aviation, defence and aerospace markets. The main manufacturing plant and overhaul facility is located in Montreal; the Vancouver plant specializes in aircraft and marine products; and sophisticated electronic systems are produced in the Cornwall, Ontario, facility.

Among the principal aerospace and defence products are aircraft engine controls, vehicle navigation systems, gun alignment and control systems, laser range finders, actuators, custom-made hydraulic power units and installations, as well as pneumatic, hydraulic and universal test sets for aircraft. The repair and overhaul facility services more than 1,000 products for over 300 customers in 50 countries.



## The Industry

Overall domestic demand continued to be flat in 1984. Demand in export markets, however, showed considerable improvement. The industry is highly competitive and new electronics products are being introduced at a rapid rate. At the same time, both design and manufacturing processes are becoming increasingly automated.

## Outlook

The demand in export markets is expected to show continued strength. Excellent growth opportunities are to be found in high-technology electronics products. However, competitive pressures with respect to product design, quality, performance, service and price will be severe.

## Performance

In 1984 Bendix Avelex achieved a moderate increase in sales and income. This was largely due to higher sales of fuel control systems and spare parts and increased activity in the repair and overhaul business. A broad-based productivity improvement program contributed to the increase in earnings, which greatly strengthened the company's cost-competitive position for the future.

Bendix Avelex's success in 1984 was evident in a number of areas:

- The company began implementing a new corporate strategy to broaden its traditional product base and develop new electronics products.
- A capital investment of \$1.5 million was made to establish a computer-aided design computer-aided manufacturing centre.
- R & D funding of high-technology products increased significantly during the year.
- Progress was made in developing innovative product opportunities through international joint ventures.
- An electronics manufacturing facility was opened in Cornwall, Ontario.
- Bendix Avelex received the Pratt & Whitney Canada Vendor Achievement Award for the sixth consecutive year.

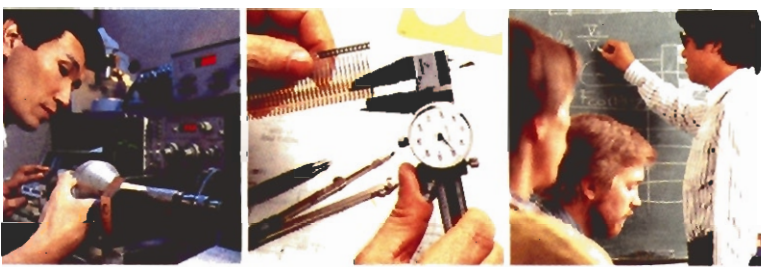


# Research and Development

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Allied Canada's corporate-wide research and development program in 1984 comprised research projects conducted within existing business units and projects contracted out to Canadian scientists, universities and external organizations. During the year Allied spent \$12 million on R & D activities, an increase of 62 percent over 1983. It is projected that some \$15 million will be spent on R & D in 1985.

Areas of research involvement were determined in accordance with Allied's projected corporate needs worldwide, the availability of Canadian resources to execute the programs, and the desire to focus on world product mandates.



Four business units were designated to undertake nine research programs. These were Canadian Fram, Fram Canada, Bendix Avelex and Amphenol Canada. Research work was performed by these Allied companies in such diverse areas as new design solenoid valves, advanced engine cooling fans, two-speed clutch accessory drives, air filter housing redesign, thermodynamic flowmeters, and filter connectors.

Excellent progress was made in other R & D areas. For example, Allied's agricultural research staff at Carleton University, Ottawa, gained important ground in perfecting new plant breeding techniques for corn, broccoli, canola and other crops. This is expected to result in the licensing and commercialization of anther culture technology in 1985.

Several external programs were implemented, employing scientists in various disciplines at Canadian universities. These programs include the following:

- At the University of Toronto, research dedicated to biosensor technology is under way, with a view to developing electronic sensing devices, which could materially improve medical and environmental testing techniques.

- A program is being conducted by the University of British Columbia and Canadian Aircraft Products Ltd. to test composite materials containing a high-strength, lightweight polyethylene fibre developed by Allied.

- Investigation into the characteristics of metal oxide and metal sulfide cathode materials is proceeding at the University of Calgary.

- At the University of Ottawa, research studies are in progress on Metglas<sup>®</sup>, Allied's new corrosion-resistant material.

# Financial Report 1984

## Pro Forma Combined Balance Sheet

ASSETS	December 31	(Dollars in thousands)	
		1984	1983
<b>Current assets:</b>			
Cash and short-term investments .....		\$ 43,999	\$ 11,791
Accounts receivable .....		76,875	81,399
Due from Allied Corporation and subsidiaries .....		8,990	—
Income taxes recoverable .....		—	1,234
Inventories .....		102,367	93,158
Prepaid expenses .....		1,140	1,902
Net assets of discontinued operations .....		—	18,139
<b>Total current assets</b> .....		<b>233,371</b>	<b>207,623</b>
<b>Property, plant and equipment</b> .....		<b>281,347</b>	<b>259,865</b>
Less: Accumulated depreciation, depletion and amortization .....		(129,006)	(123,332)
		<b>152,341</b>	<b>136,533</b>
<b>Other non-current assets:</b>			
Notes receivable .....		—	521
Investments, at cost .....		1,186	1,186
Deferred charges and other assets .....		1,122	1,382
Goodwill .....		8,976	9,188
<b>Total other non-current assets</b> .....		<b>11,284</b>	<b>12,277</b>
<b>Total assets</b> .....		<b>\$396,996</b>	<b>\$356,433</b>



LIABILITIES	December 31	(Dollars in thousands)	
		1984	1983
<b>Current liabilities:</b>			
Bank indebtedness .....		\$ —	\$ 14,607
Accounts payable and accrued liabilities .....		72,350	67,425
Income taxes payable .....		9,245	984
Due to Allied Corporation and subsidiaries .....		—	15,243
Notes payable to Allied Corporation and subsidiaries .....		18,190	32,614
Current portion of long-term debt .....		43	469
<b>Total current liabilities</b> .....		<b>99,828</b>	<b>131,342</b>
<b>Long-term debt</b> .....		<b>696</b>	<b>737</b>
<b>Deferred income taxes</b> .....		<b>24,750</b>	<b>6,117</b>
<b>EQUITY OF COMBINED CANADIAN OPERATIONS</b>			
<b>Capital stock issued</b> .....		<b>3,183</b>	<b>3,183</b>
<b>Retained earnings</b> .....		<b>268,539</b>	<b>215,054</b>
<b>Total equity</b> .....		<b>271,722</b>	<b>218,237</b>
<b>Total liabilities and equity</b> .....		<b>\$396,996</b>	<b>\$356,433</b>

## Pro Forma Combined Statement of Income and Retained Earnings

	(Dollars in thousands)	
Year ended December 31	1984	1983
<b>Net sales</b> .....	<b>\$764,534</b>	\$636,115
Cost of goods sold and other expenses .....	643,804	566,988
Research and development .....	12,333	7,600
Depreciation, depletion and amortization .....	15,601	14,914
<b>Total costs and expenses</b> .....	<b>671,738</b>	589,502
Income from operations .....	92,796	46,613
Other expense (income) – net .....	85	(339)
Interest expense – net .....	2,495	4,044
Income from continuing operations before income taxes .....	90,216	42,908
Taxes on income .....	36,731	17,971
Income from continuing operations .....	53,485	24,937
Loss from discontinued operations .....	—	(5,275)
Income before extraordinary items .....	53,485	19,662
Extraordinary items:		
Loss on disposal of discontinued operations, less related tax recovery (Note 5) .....	—	(4,942)
Income tax reduction on the application of prior years' losses .....	—	3,092
	—	(1,850)
<b>Net income</b> .....	<b>53,485</b>	17,812
<b>Retained earnings, beginning of year</b> .....	<b>215,054</b>	197,242
<b>Retained earnings, end of year</b> .....	<b>\$268,539</b>	\$215,054

## Pro Forma Combined Statement of Changes in Financial Position

	(Dollars in thousands)		
	Year ended December 31	1984	1983
<b>Working capital was provided by:</b>			
Continuing operations –			
Income from continuing operations .....	\$ 53,485		\$24,937
Add: Items not requiring working capital –			
Depreciation, depletion and amortization .....	15,601		14,914
Deferred income taxes .....	18,633		5,779
Amortization of deferred charges .....	260		286
Write off of goodwill .....	212		—
Loss on disposal of property, plant and equipment .....	179		128
Working capital provided by continuing operations .....	88,370		46,044
Discontinued operations –			
Loss from discontinued operations .....	—		(5,275)
Add: Deferred income tax recovery .....	—		(3,670)
		—	(8,945)
Working capital provided by operations .....	88,370		37,099
Proceeds on disposal of property, plant and equipment .....	608		199
Decrease (increase) in long-term notes receivable .....	521		(521)
Extraordinary item – Income tax reduction on the application of prior years' losses .....	—		3,092
	89,499		39,869
<b>Working capital was used for:</b>			
Extraordinary item – Loss on disposal of discontinued operations .....	—		4,942
Add: Deferred income tax recovery .....	—		4,412
		—	9,354
Additions to property, plant and equipment .....	32,196		22,867
Decrease (increase) in long-term debt .....	41		(269)
	32,237		31,952
<b>Increase in working capital .....</b>	<b>57,262</b>		<b>7,917</b>
<b>Working capital, beginning of year .....</b>	<b>76,281</b>		<b>68,364</b>
<b>Working capital, end of year .....</b>	<b>\$133,543</b>		<b>\$76,281</b>

# Notes to Pro Forma Combined Financial Statements

(Dollars in thousands)

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## 1. Principles of combination:

The pro forma combined financial statements include the accounts of (1) Allied Canada Inc. and subsidiaries (ACI) (2) Fram Canada Inc. and subsidiaries (Fram) and (3) Bendix Heavy Vehicle Systems, Inc. and subsidiary (Bendix). These companies are all wholly-owned by Allied Corporation or its affiliates. Investments held by Fram in foreign subsidiaries have been eliminated from the pro forma combined financial statements.

The capital stock of \$3,183 combines the outstanding share capital of ACI, Fram and Bendix.

## 2. Summary of significant accounting policies:

### 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 cost (first-in, first-out or average) 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 3 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.

### Goodwill –

Goodwill relates to the excess of cost of acquired companies over net assets at dates of acquisition of businesses acquired prior to April 1, 1974. It is considered to have an indeterminate 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:

	1984	1983
Raw materials .....	\$ 24,886	\$20,086
Work in process .....	23,149	19,750
Finished products .....	47,987	46,680
Supplies and containers .....	6,345	6,642
	<u>\$102,367</u>	<u>\$93,158</u>

4. Property, plant and equipment, at cost:

	1984	1983
Land and land improvements .....	\$ 12,670	\$ 12,292
Oil and gas property and equipment .....	2,046	6,891
Machinery and equipment .....	201,790	186,624
Buildings .....	49,368	45,919
Construction in progress .....	15,473	8,139
	<u>\$281,347</u>	<u>\$259,865</u>

5. Discontinued operations in 1983:

During 1983 decisions were made to sell the Prestolite Battery operations and to shut down and dismantle the sulphuric acid facility at Valleyfield, Quebec. The losses on disposal of these discontinued operations were charged to income as extraordinary items. The disposition of the Prestolite Battery operations was completed in 1984.

The net assets of these discontinued operations and the results of operations to the dates of discontinuance were segregated and disclosed separately in the pro forma combined financial statements for 1983.

6. Pensions:

The companies' pension plans cover substantially all eligible employees. Based on the latest actuarial valuations, unfunded liabilities for past service pensions are estimated at \$3,800. The companies are amortizing and funding these liabilities on a straight-line basis over various periods of up to fifteen years. All vested pension rights are fully funded.

7. Related party transactions:

The companies are indirectly wholly-owned subsidiaries 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:

	1984	1983
Sales .....	\$71,810	\$59,854
Purchases of product, raw materials, services and equipment .....	92,437	85,280
Interest expense - net .....	4,228	4,228
Payment of royalties and commissions .....	5,156	2,772

## Notes to Pro Forma Combined Financial Statements

(Dollars in thousands)

### 8. Summary of segmented financial information:

The segments are: Automotive—safety restraints, filters, fans, air cleaners and electrical and brake components; Chemical—industrial chemicals and highway products; Industrial and Technology—laboratory equipment and supplies, electronic components and refractory products; Aerospace—fuel control systems and aircraft overhaul and repairs; and Oil and Gas.

		Automotive	Chemical	Industrial and Technology	Aerospace	Oil and Gas	Total
Net sales	1984	\$357,038	\$202,124	\$139,596	\$65,490	\$ 286	\$764,534
	1983	261,224	189,907	122,265	60,666	2,053	636,115
Income (loss) from operations	1984	51,918	28,484	10,357	2,028	9	92,796
	1983	19,156	22,049	5,576	1,115	(1,283)	46,613
Depreciation, depletion and amortization	1984	5,250	7,748	1,478	1,118	7	15,601
	1983	4,293	7,447	1,109	857	1,208	14,914
Property, plant and equipment additions	1984	16,562	9,357	3,952	2,325	—	32,196
	1983	11,202	7,776	1,956	1,764	169	22,867
Total identifiable Assets	1984	121,519	127,706	65,340	28,539	903	344,007
	1983	107,376	128,607	58,670	30,891	959	326,503

The comparative figures exclude 1983 discontinued operations.

Identifiable assets exclude cash and short-term investments, due from Allied Corporation and subsidiaries and net assets of discontinued operations totalling \$52,989 (1983-\$29,930). Included in net sales are export sales of \$310,542 (1983-\$215,206) mainly to the United States.

# Auditors' Report

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February 15, 1985

To the Board of Directors of  
Allied Corporation:

We have examined the pro forma combined balance sheets of Allied Corporation – Canadian Operations as at December 31, 1984 and 1983 and the pro forma combined statements of income and retained earnings and changes in financial position for the two 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 pro forma combined financial statements have been properly compiled to set forth the financial position of Allied Corporation – Canadian Operations as at December 31, 1984 and 1983 and the results of their operations and changes in their financial position for the two years then ended on a pro forma combined basis using the principles of combination as described in Note 1 to the financial statements.

*Pricewaterhouse*

Chartered Accountants

Suite 1600, Mississauga Executive Centre  
Two Robert Speck Parkway  
Mississauga, Ontario L4Z 1H8

## Five Year Summary of Continuing Operations (unaudited) (1)

For the years ended December 31 (Dollars in millions)

<b>For the year</b>	<b>1984</b>	1983	1982	1981	1980
Sales in Canada .....	<b>\$454.0</b>	\$420.9	\$414.7	\$448.6	\$394.3
Export sales .....	<b>310.5</b>	215.2	192.6	210.6	174.7
Net sales .....	<b>764.5</b>	636.1	607.3	659.2	569.0
Income from continuing operations (after tax) .....	<b>53.5</b>	24.9	34.7	54.8	38.4
Research and development expense .....	<b>12.3</b>	7.6	7.1	7.0	4.7
Property, plant and equipment additions .	<b>32.2</b>	22.9	24.5	22.0	24.4
Salaries, wages and benefits .....	<b>185.5</b>	175.4	160.5	158.9	132.7
Dividends paid out of operations to Allied Corporation and subsidiaries ...	—	—	118.7	22.1	.2
<b>At year-end</b>					
Equity of Canadian operations .....	<b>271.7</b>	218.2	200.4	279.9	289.9
Number of employees .....	<b>5,311</b>	5,388	5,398	5,782	5,928

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



# Directors and Management

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## Allied Canada Inc. Board of Directors

E.L. Hennessy, Jr. <i>Chairman and Chief Executive Officer Allied Corporation</i>	J.M. Reynolds <i>President Automotive Sector Allied Corporation</i>	J.D. Houlding <i>President and Chief Executive Officer Polar Gas Project</i>	D.C. Lowe <i>President and Chief Executive Officer Kid Creek Mines Limited</i>	W.E. McLaughlin <i>Former Chairman The Royal Bank of Canada</i>
M.I. Ripley <i>Chairman and Chief Executive Officer Allied Canada Inc.</i>	H.W. Buirkle <i>Executive Vice President Administration Allied Corporation</i>	A.R. Latham <i>President Allied Chemical Division Allied Canada Inc.</i>	C.S. Malone <i>President and Chief Executive Officer Wabasso Inc.</i>	A.G. Moreton <i>Former President Esso Chemical Canada</i>
				J.R. Todd <i>President Fisher Scientific</i>

## Allied Canada Inc. Management

M.I. Ripley <i>Chairman and Chief Executive Officer</i>	D.A. Love <i>Vice President, General Counsel and Secretary</i>	J.R. Wilson <i>Vice President Research and Development</i>	W.I. Lancaster <i>Vice President Human Resources</i>	R.B. Ingram <i>Assistant Treasurer</i>
				I.E. Holmes <i>Director Public Affairs</i>

## Operating Company Management

A.R. Latham <i>President Allied Chemical Division</i>	C.W. Martindale <i>Plant Manager Bendix Heavy Vehicle Systems Inc.</i>	M.H. McGregor <i>Vice President and General Manager Canadian Tram Limited</i>	R. Green <i>President Fram Canada Inc.</i>	R.J. Gillis <i>Manager Prestolite Wire</i>
M.T. Michalak <i>Managing Director Amphenol Canada</i>	M.F. James <i>Plant Manager Bendix Safety Restraints Limited</i>	N.N. Siomra <i>Director C&amp;D Power Systems</i>	F.P. Minor <i>President Linotype Canada</i>	J.A. Garlick <i>President Superior Machine &amp; Tool (Chatham) Ltd.</i>
K. Kivenko <i>President Bendix Acelex Inc.</i>		J.R. Todd <i>President Fisher Scientific</i>	T.C. Davis <i>Vice President and General Manager North American Refractories</i>	



A.R. Latham



M.T. Michalak



K. Kivenko



C.W. Martindale



M.F. James



M.H. McGregor



N.N. Siomra



J.R. Todd



R. Green



F.P. Minor



T.C. Davis



R.J. Gillis



J.A. Garlick



