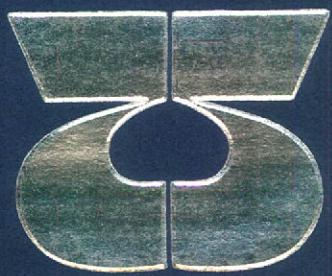


## Annual report 1985

## The SNC Group

For 75 years, a flair  
for the future

SNC



**1911-1986**





**The SNC Group**

<b>Highlights</b>	<b>1985</b>	<b>1984</b>
Revenues	<b>\$ 223,222,000</b>	\$ 205,497,000
Net income for the year	<b>\$ 12,132,000</b>	\$ 7,440,000
Earnings per share	<b>\$ 1.74</b>	\$ 1.09
Return on shareholders' equity	<b>29%</b>	21%
Book value per share	<b>\$ 6.68</b>	\$ 5.51

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## **The SNC Group: More than engineering**

From its beginnings as a small consulting firm in 1911 The SNC Group grew to become a leading engineer-constructor, not only in Canada but around the world.

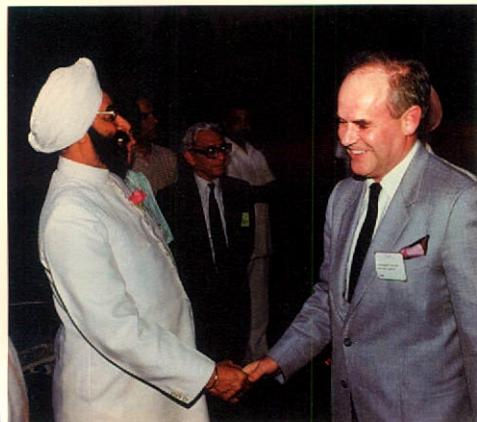
Today The SNC Group has moved beyond engineering and construction. With growing interests in manufacturing, mining and power, it draws on its long established experience of all industries to develop new technologies and bring them to the market.

Nor does The SNC Group's leadership end there. Photographs on this page reflect SNC's active role in 1985 – in the profession, in the community, in technology, in business, and on the international scene.

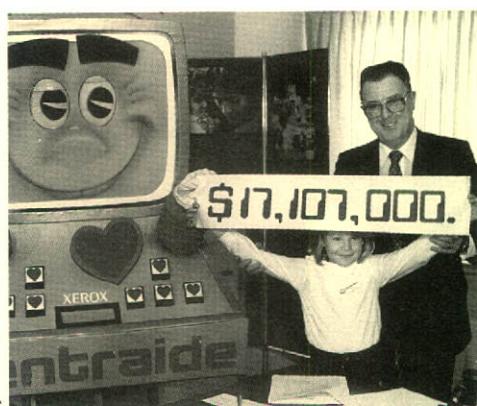
In 1986 The SNC Group will mark its 75th anniversary. In this annual report, we invite you to share its exciting story of 75 years of excellence and innovation.



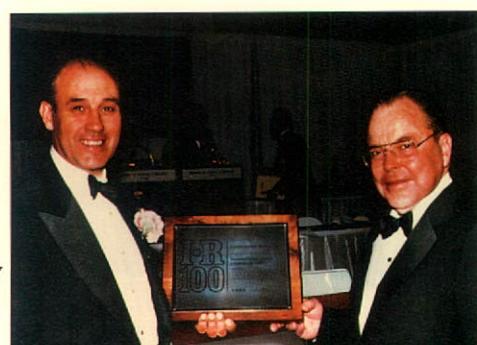
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1 *The Export Grand Prize awarded The SNC Group at the Montréal World Trade Centre's Export Gala in May 1985.*

2 *As president of the International Commission on Large Dams, Camille Dagenais delivers his opening address at the 15th Congress in Lausanne.*

3 *At the National Economic Conference in Ottawa, Jean-Paul Gourdeau, left, with the Prime Minister of Canada, the Rt. Hon. Brian Mulroney.*

4 *The President of India, Zail Singh, greets The SNC Group's executive vice-president, Alex Taylor, at a reception given by the European Management Foundation during a round table conference held in New Delhi in April.*

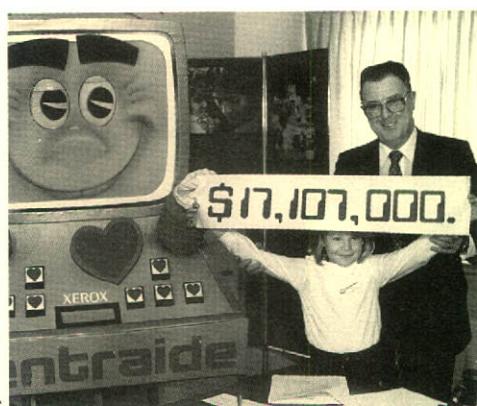
5 *Léo Rancourt, right, of The SNC Group's Environment Division, receives the Arthur Sidney Bedell Award of the Water Pollution Control Federation from H. Gerard Schwartz, Jr., president-elect of WPCF. In the background, Raymond Larivée, executive director of the Association québécoise des techniques de l'eau.*

6 *Jean-Paul Gourdeau and a young volunteer display the results of Montréal's Centraide campaign at a press conference marking the closing. Mr. Gourdeau was chairman of the campaign, which surpassed its objective of \$17 million. Centraide funds support a wide range of community causes.*

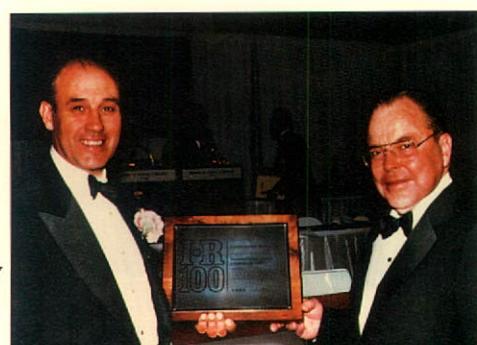
7 *Eric Le Surf, left, president and chief executive officer of London Nuclear, and Dr. George Watkins, executive director of the Empire State Electric Energy Research Corporation, display the IR-100 Award received for development of the CAN-DECON PWR nuclear decontamination process. The awards are given by Research and Development for the 100 most significant technological advances of the year. ESEERC sponsored R & D by London Nuclear.*



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*Camille A. Dagenais*

**SNC marks  
75 years  
of excellence**

In 1986 The SNC Group celebrates its 75<sup>th</sup> anniversary.

They have been 75 years of profound change in technology, in society, in the world order. As consulting engineers, and more recently as engineer-constructors, companies of The SNC Group have played an important role in this change. In doing so, SNC has changed. It has grown to become one of the world's leading engineer-constructors. It has marketed Canadian services and technology worldwide. Now The SNC Group stands on the threshold of greater change and wider expansion as it begins to launch into new businesses and new markets.

One secret of The SNC Group's success has always been its ability to be in the forefront of change and to sense the probable effects of changes still to come. Our founder, Dr. Arthur Surveyer, was known as a man with a flair for the future. Long before other consulting engineers had looked beyond the slide rule and theodolite, he and his co-founding partners, Georges Chênevert and Emil Nenniger, took an interest in matters then thought beyond the scope of engineering – in finance, in developing technology, in business. This broad outlook and flair for the future have remained characteristics of The SNC Group. Once established, these qualities have tended to attract people of vision, people with a sense of adventure, people who are eager to try new things, and people who are not only committed to excellence but seek opportunities to stretch their abilities and to give of their best.

Another secret of The SNC Group's success has been its cosmopolitan nature. Headquarters in Montréal surely helped; from 1911 onwards the firm worked in French and English. Its staff has long been drawn from

Europe as well as Canada; as we celebrate 75 years, we count valuable members of our staff from every continent. This cosmopolitan character has been a great asset to us in the international marketplace and has brought to our management and our workforce the diversity of viewpoints that sparks creative ideas.

Since a group of employees bought out the partnership and formed a holding company in 1967, The SNC Group has always worked to a five year plan, which it now adjusts every year to adapt short term tactics and long term strategies to the realities of the marketplace. After the first ten years, we had far exceeded our highest objectives for the period. We planned to win more projects in the international market; we had by then worked in more than 80 countries. We planned to build up our ability to serve a wider range of industries; we had established leadership in several. We had planned to be represented across Canada and in several other countries; we were.

As we drew up our next plan, looking ahead to the eighties, we made expansion into manufacturing one of our goals. We resolved to carry out our own research and development. We considered investing in our own projects and deriving long-term revenue from operation. On the eve of our 75<sup>th</sup> anniversary, we have begun to succeed in these aims. I am above all glad to see the strides we have made in research and development for I have always believed that advanced technology is the key to future success.

The details can be found in other sections of this report. The story of how we reached our goals is told in an anniversary feature. It is a stirring story, of people who were bold enough to set high objectives and dogged in achieving them. It is a story of innovation and adventure in Canada and abroad. It is the story of a company that from 1911 to 1985 has never faltered in trying the new. In so doing, it has brought great benefits, not only to Canada and Canadians, but to our fellows in many countries around the world.

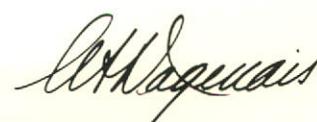
Having reached my 65<sup>th</sup> birthday, I am leaving the chairmanship of the board of The SNC Group. I look back with great pride on what the SNC team has accomplished. Even more, I cherish warm memories of the friends I have made in The SNC Group over my 33 years with the company.

When I look ahead, I am even more proud of the many opportunities that have been created by long range planning and good

management. I know The SNC Group will succeed in grasping these opportunities and moving on to greater heights, because I know the company is in competent hands. The management team that takes over has already shown creative leadership in guiding the company through the 1982 recession and the aftermath and in shaping it to succeed in changing markets. SNC's management is committed, as always, to excellence, and to training people to the best of their ability; the future of The SNC Group, like the past, will always rest on the quality of its people.

I thank all those who were partners with me in the early sixties, and all who have been part of the team that has helped to make The SNC Group an even better and more stimulating place to work. I shall always be grateful to all of you for having made my years at SNC such a memorable and challenging adventure.

I take this opportunity to thank those who have served as directors of The SNC Group, in 1985 and throughout my years as President and Chairman. I wish to thank Joyce Borden Reed, who in 1985 resigned from her post as Corporate Secretary after many years of outstanding service to The SNC Group. All the directors join me in wishing her great success in her new career.



Camille A. Dagenais  
Chairman of the Board



*Jean-Paul Gourdeau*

## **Report of the President and Chief Executive Officer**

For The SNC Group 1985 was a turning point. Many of our long range plans became reality. When we made those plans, our goal was to widen our sphere of operations in ways that would reinforce our profit base for years to come. We invested time, talent and money to set those plans in motion. Now these investments are bearing fruit.

In 1985 we stimulated our engineering-construction market by developing a new service and equipment package to meet a growing need among our clients. We increased our engineering-construction interests in the United States.

We finished our first venture project and began others in the United States and Canada. A venture project is one we invest in, promote, develop, build, own in partnership and, sometimes, operate.

By 1985 manufacturing had proved to be an important source of revenues and net income. To strengthen this profitable arm of our operations we bought one manufacturing company in the course of the year and were successful in our bid for another.

### **A steady rise in revenues and income**

Financially, The SNC Group did well in 1985. Net income rose to \$12,132,000, or \$1.74 per share, from \$7,440,000 or \$1.09 per share in 1984. Of this figure, \$8,183,000 was an unusual gain from the sale of our remaining shares in Robertson Research Holdings Ltd., a U.K. associate of The SNC Group.

Revenues rose to \$223,222,000 from \$205,497,000 in 1984. The sharpest gain was in manufacturing sales, up from \$36,718,000 in 1984 to a 1985 total of \$52,068,000. Despite the postponement of a large project in mid-year, engineering-construction revenues increased to \$171,154,000 from \$168,779,000 in 1984.

## A corporate strategy fulfilled

The SNC Group's revenues and income have risen steadily since 1983 and the 1985 figures show the results of tactics adopted three years ago to offset the difficulties created by a changing and volatile market for engineering-construction services.

Above all, we owe our good performance in 1985 to long range corporate strategies established at the turn of the decade. It was then that we decided to branch out into other sectors, in manufacturing or production, with a leaning towards those that fit a technological niche. We foresaw the possibility of promoting and investing in our own projects, and so continuing to earn revenue from operations once the projects were finished.

We believed that in putting these strategies into action we would create more and wider opportunities for our people. We therefore decided to concentrate on industries and ventures that would draw on our long-established abilities in engineering, technology, construction and project management.

In the depressed engineering-construction market that followed the worldwide recession of 1982, and has been further restricted by falling oil prices, these strategies have proved successful. They have enabled The SNC Group to continue to expand its operations, to gradually increase its revenues and to raise its net corporate income to record heights. Not least, they have created exciting opportunities for our people – in new technologies, in new industries, in daring and imaginative projects.

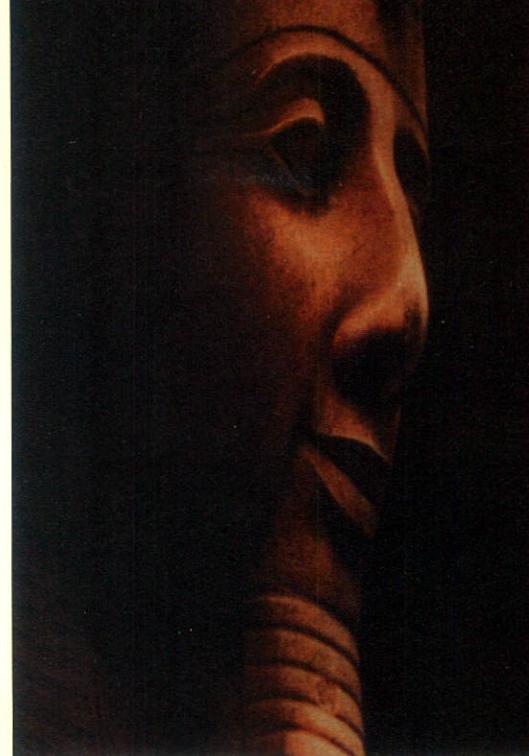
Today The SNC Group is firmly placed in three main lines of business: the defence industry, engineering and construction, and the development and operation of new business ventures that meet a known market need.

### Defence: a growth market

In broadening our manufacturing interests in 1985 we concentrated, first, on companies that supply the defence market. Our first move towards this goal was to purchase Gingé-Kerr Canada Limited early in the year. This company designs and manufactures electronic systems for fire and damage detection and control and, in its few years of operation, has earned a high reputation in the marine market. After SNC took over the company from its European and Canadian owners we changed the name to Securiplex Systems Inc. Securiplex soon signed a \$10 million contract to supply equipment for the Canadian Patrol Frigates Program.

In the summer of 1985 the Government of Canada called for proposals from private companies for the purchase of Canadian Arsenals Limited, a Crown corporation manufacturing medium to large calibre ammunition at two Québec plants.

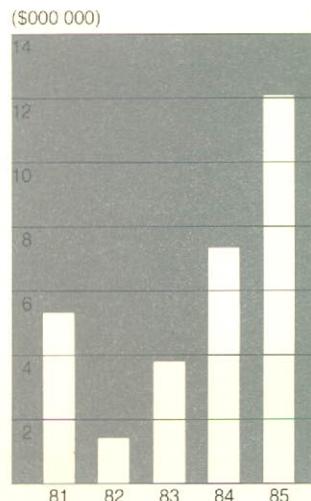
The SNC Group had earmarked CAL for acquisition should it ever come on the market. Since 1980 SNC has owned IVI Inc., which manufactures ammunition up to and



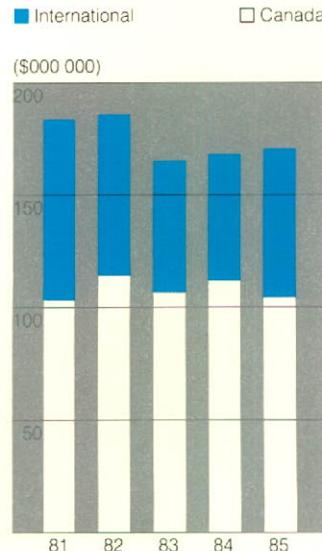
LE GRAND PH  
RAMSÉS II  
ET SON TEMP

*The SNC Group was a main sponsor of The great pharaoh Ramses II and his times, an exhibition of Egyptian antiquities that drew crowds to Montréal's Palais de la Civilisation in 1985.*

### Net income



### Distribution of engineering and construction revenues by geographic area



including 30 mm; we had long felt that both companies would benefit by sharing their research and development findings and their marketing strategies.

In December the Canadian Government announced that our company had been chosen as preferred bidder. The sale will be concluded after enabling legislation has been passed early in the new year.

We have not limited our attempts to gain a larger share of the defence market to the acquisition of manufacturers. We are now able to offer a whole range of services for defence programs. Project management, engineering, technology and equipment procurement are all elements The SNC Group can provide.

### **U.S. strength, robotics, boost engineering-construction**

In the third quarter of 1985 The SNC Group increased its share in Hensley-Schmidt Inc., of Chattanooga, Tennessee, raising our ownership in this profitable company from 48 to 80 per cent. Vitally situated in the economically buoyant southeastern United States, Hensley-Schmidt has built a strong reputation for transport and other civil and municipal works projects and has expanded beyond its original base of Tennessee and Georgia into the Carolinas, Alabama and Florida.

To build up our engineering-construction business, SNC in 1985 prepared to market factory automation packages combining equipment and services. In October we signed a protocol of agreement with Toshiba of Japan, one of the world's largest manufacturers and a maker of robots and electronic equipment.

Lump sum and firm price contracts became a way of life in engineering-construction projects. To lessen risks and pare overheads on such contracts, we undertook to improve our project control systems and to increase the use of computer-based controls on all projects. We installed more CADD stations in offices across Canada. To save time and promote all-round efficiency we launched an office automation program in late 1984. At the end of 1985 all Canadian offices could be reached by electronic mail, new micro-computers had been installed and employees had been trained to use them.

### **Technology: cornerstone of our future**

Research and development are closely linked to future growth in The SNC Group's three lines of business.

Our engineers must be able to approach their clients not only with a knowledge of the most advanced technology of today, but with a sound idea of how technology will change tomorrow. This means that they must be in the forefront of evolving technology across the industrial spectrum. R & D breakthroughs in new processes and products will serve as the foundation of some of our most profitable venture projects in the years to come.

To grow, The SNC Group has long understood that it needs new technology.

Many companies of the group have been active in R & D for years, and in 1985 we began to organize them into an R & D network. Uniting our corporate Technical Development Department with IVI, Petro-Sun, Biodev, London Nuclear and Securiplex, it creates wide opportunities for cross-fertilization and joint programs.

We have fostered further opportunities to exchange and stimulate new technology through our representation on government bodies and by continuing cooperation with universities.

So far The SNC Group's R & D network has concentrated on the liquefaction and gasification of coal and biomass, solar energy, innovative processes using emerging technologies like plasma or lasers, improved or more versatile engines and fuel systems, ammunition and other defence industry products, novel materials, factory automation, biotechnology, and electronic devices, instruments and systems.

We believe The SNC Group adopted the right strategy when it moved into R & D some years ago. We are now poised to tackle high technology projects and to market new products in imminent demand in rapidly evolving world markets.

### **A continental project?**

The GRAND Canal project was much in the news in 1985. The concept is to build dykes across James Bay to create a freshwater lake. The water would then move through canals and natural watercourses to the Great Lakes and beyond to irrigate the drylands of North America.

*In the background, the site of the Gehe Yan power project on China's Qing Jiang River. In consortium SNC worked on an economic feasibility report of the project in 1985.*





*The Tintaya copper concentrator, built at 4,100 m in the Peruvian Andes, went into operation in 1985.*

The SNC Group is an equity partner in GRANDCo, the company formed to act as promoter and developer. It is also sponsoring partner in a consortium of four engineering companies created to carry out studies.

Is it feasible? Only wide-ranging and meticulous studies will show. Meanwhile GRANDCo is seeking permission and financing for a study.

#### **Holding our own on the international scene**

Little has changed in the international market since 1984. There are fewer capital projects than in the seventies and competition for those few is fierce. In 1985, The SNC Group was fortunate in having some large projects in progress and in moving into the construction stage of projects for which we had done the design. We did, however, obtain some new projects overseas and worked on a number of studies that may lead to large projects.

Times like these call for imaginative approaches. In seeking some of the larger projects we worked in joint ventures and consortia with other engineering firms, or with partners from industry, or both.

In marketing large power projects, in particular, we took what we have come to call the Team Canada approach, uniting the resources of engineer-contractors and other companies, with cooperation from the Canadian government, to offer what we hope to be an unbeatable package of services, equipment and financing.

Asia remains one of the most promising markets for engineering-construction services. Having already set up marketing offices in India and Pakistan in 1984, in 1985 we laid the groundwork for a marketing office to be opened in Hong Kong early in 1986.

#### **Our export performance recognized**

Our efforts to develop business abroad are part of The SNC Group's long-established

commitment to exports. In 1985 our export achievements again won public recognition when we were awarded the Export Grand Prize at the Montréal World Trade Centre's Export Gala in May. The award came to us mainly because of SNC's lead role in the consortium of Canadian engineer-contractors and manufacturers that obtained the Chamera hydroelectric project in India. This project, signed in 1984, is generating more the \$600 million worth of exports from Canada.

#### **The Canadian market**

Despite the dearth of engineering-construction projects in Canada we succeeded in signing a number of contracts, with work for the petroleum and chemical industries predominating.

At the end of the year we were well advanced in the first stages of venture projects that will create engineering-construction work in 1986. Venture projects and lump sum contracts have now become prime marketing tactics in our search for domestic work.

#### **The outlook for 1986**

We begin 1986 with a total backlog of \$178 million. We are about to start work on sizable venture projects in Canada, and we expect at least one important overseas contract and one megaproject in Québec to be signed early in the year.

When the purchase of Canadian Arsenals Limited is concluded, we can look forward to a substantial rise in our manufacturing revenues.

Speaking in broad terms, what is the outlook for our three lines of business?

We view the manufacture of defence products as an industry with good current earnings and medium-term growth potential requiring substantial capital investment.

Although engineering-construction earnings are currently lower than they have been in the recent past, gross revenues are



gradually rising and our traditional business promises good potential in the medium term with little capital investment.

Linked as they are to our engineering-construction core, new business ventures have a medium-to-long-term growth potential that, with some capital investment, will generate substantial earnings.

#### **Our strength is our people**

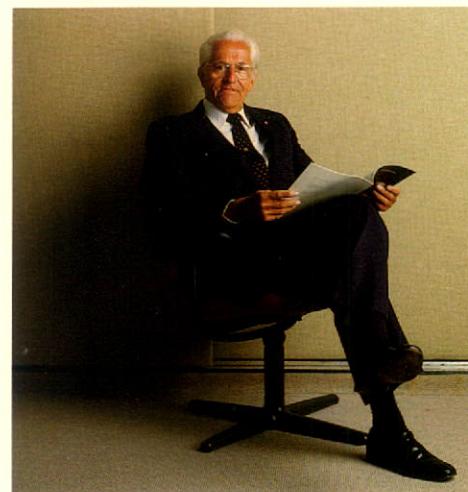
Today, as for the past 75 years, it is the people of The SNC Group who constitute our strength. It is their knowledge, their skill, their experience, their imagination, their commitment to excellence and their strong team spirit that have made The SNC Group what it is today. They have faced obstacles and they have found inventive ways to overcome them. Once again, in 1985, it is to them that we owe our success.

#### **Camille A. Dagenais: our leader and shaper**

On the eve of our 75th anniversary, The SNC Group pays homage to the man who has led and shaped our company for the past 20 years. Elected president in 1966, he headed The SNC Group through its greatest period of growth to date. Since 1982 his wise counsel, as chairman, has guided us through a time of transition as the company has set out in new directions.

His vision and his spirit of enterprise have been in large part the secret of The SNC Group's success over the past two decades. Nor is that all. He set high goals and high standards. Not least, he inspired a strong sense of loyalty – and indeed affection – among all of us in The SNC Group, which enabled us to achieve and surpass the objectives he had set. He established and practised the policies that won The SNC Group recognition at home and abroad: a commitment to the community, to Canada and, always, to excellence.

In every way, he set the example. Beyond his great responsibilities in The SNC Group

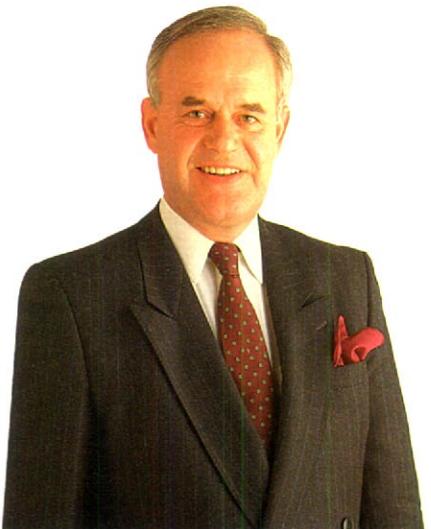


**Camille A. Dagenais**

he has always been active in professional, technical, scientific and business organizations. His contributions to such efforts have been recognized by a host of honorary degrees and medals and we have all shared pride in such recognition: above all on the occasions when he was elected president of the International Commission on Large Dams and when he was made a Companion of the Order of Canada.

As he retires as chairman, having passed his 65th birthday, everyone in The SNC Group joins in thanking the man to whom we owe so much: Camille A. Dagenais. He is a fine engineer, an imaginative entrepreneur and a great Canadian.

**Jean-Paul Gourdeau**  
President and Chief Executive Officer



*Alex Taylor*  
Executive Vice-President

## **Engineering-construction breakthroughs at home and abroad**

Engineering-construction is today, as it has been for 75 years, the heart of The SNC Group's operations. Even in 1985's changing and restricted market our engineering-construction revenues rose and we brought in new and innovative projects.

We undertook a growing number of firm price or lump sum contracts and continued to sharpen our skills in executing such projects.

Capital investment in a DEC VAX 8600 in Montréal and Intergraph CADD equipment in Calgary were the latest steps in SNC's quarter-century long commitment to the use of computers in engineering, management and project controls. We continued to develop or adapt new software and stepped up staff training in computers. We are making a constant effort to ensure that The SNC Group provides its clients with computer-based services that are as up-to-date and comprehensive as they are innovative and effective.

### **Petroleum and chemicals lead the Canadian market**

The Calgary operation of our subsidiary SNC/FW Ltd. had a record year in 1985. Staff increased to meet rising demand from Alberta's oil industry and early in the year topped the 200 mark.

Two engineering and procurement assignments came from Syncrude, for a \$61 million hydrotreater and a \$53 million hydrogen plant at the company's Fort McMurray site. SNC/FW was also chosen as engineering contractor for the hydrogen plant, part of Husky Oil's planned \$1.2 billion heavy oil upgrader at Lloydminster, and was awarded detailed engineering for the delayed coker.

One contract added to the growing list of heavy oil projects coming to SNC/FW in

Calgary. Preliminary design of a pilot plant for Canadian Occidental in 1984 was followed in 1985 by an engineering and procurement contract for this improved oil recovery project at Manatokan. SNC/FW is providing engineering, procurement and construction at a fixed price for another improved oil recovery project, a miscible flood plant that is part of Amoco's \$72 million expansion at Nipisi.

Shell contracted SNC/FW for preliminary engineering and subsequently for engineering, procurement and construction of a \$70 million fluid catalytic cracker to be built at its Montréal refinery. One of the few of its kind on the continent, it will use an advanced process that cracks much heavier residues than conventional units.

Himont Canada Inc. awarded SNC a lump sum turnkey contract for engineering, procurement and construction of a \$40 million polypropylene plant to be built at Varennes, Québec.

W.P. London Associates, of Niagara Falls, and SNC/FW studied a modernization of automation at Petro-Canada's refinery in Oakville, Ontario, and have since obtained the contract for engineering.

### Power, metallurgy, new technology

Among new power projects in Canada was a study and preliminary engineering for redevelopment of the 97 MW Island Falls hydroelectric plant on the Churchill River, built in 1930. Our Saskatoon office undertook the study for Saskatchewan Power Corporation, which hopes to boost the station's capacity by 100 MW to meet peak power demands.

For Hydro-Québec, SNC began a feasibility study of a 230 km undersea electric cable crossing from Chandler, in the Gaspé, to the Magdalen Islands in the Gulf of St. Lawrence. Field work was carried out during the summer from a scientific survey ship, *Arctic Prowler*, working at depths ranging up to 105 m. If it goes ahead, this will be the world's longest undersea electric cable.

The Canadian mining and metallurgy market remained depressed, and SNC suffered a setback when Alcan announced postponement of its Laterrière smelter project. We did, however, undertake a small project for this company, to convert its fluid flash calcination plant in Jonquière from oil to gas firing. Alusuisse, a leading European producer of aluminum, retained SNC for a feasibility study of a smelter it is considering building in Québec. Canmet asked SNC to appraise a new process, lead chloride electrolysis, and design a cell for it. The process could go a long way toward ending acid rain: it produces base metals from sulphide concentrate without creating sulphur dioxide.

In a 1985 waste management study for the City of Laval SNC recommended a disposal method new to Canada – converting garbage to pellets that can be used as industrial fuel. The city then retained SNC for a feasibility study of the pelletizing plant. We undertook four waste water treatment projects in Québec, at Bécancour, Marieville, Princeville and Warwick.

### Modernization brings pulp and paper contracts

Our associate Sandwell and Company Limited obtained a contract for project management and detailed design of a mill modernization at Consolidated-Bathurst's Belgo Division in Shawinigan, Québec. At the same mill, Sandwell is providing engineering for a 600-tonne-per-day thermomechanical pulping plant, part of a turnkey package by Koppers Sprout-Waldron and Kamyr Construction. Modernization in the pulp and paper industry brought Sandwell's Montréal office a number of smaller contracts during the year.

### Breakthroughs in China

We made breakthroughs in China in 1985, all through the permanent consortium, CIPM Canadian International Project Managers Ltd., or Canadian consortia in which it is a member.



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1 A floating crane loads one of three heavy vessels bound across the St. Lawrence to the site of a new cat cracker, completed by SNC/FW in 1985, at Petro-Canada's Montréal refinery.

2 As engineer-constructor SNC in 1985 completed a \$500 million expansion of the Reynolds aluminum smelter in Baie Comeau, Québec, on schedule and within budget.

As member of a Canadian consortium SNC signed a new contract for continuing advisory services to the Government of Nepal on energy and water resources. At the end of the year negotiations were under way for detailed engineering of the 4000 MW, World Bank-backed Chisipani hydroelectric project on Nepal's Karnali River.

In December we signed the contract for construction of a flood control and irrigation dam at El Haouareb in Tunisia. Designed by SNC, it is a sister project to Bourguiba Dam, which we completed a few years ago.

Our subsidiary W.P. London and Associates started work on two CIDA-backed studies. One explored the use of peat as fuel in a thermal generating station in Bangladesh. The other investigated the feasibility of recovering sulphur from lignite at the Mae Moh thermal power station in northern Thailand.

#### **Overseas mineral markets: gold and base metals lead**

In mineral markets, gold was most buoyant. A Canadian consortium of Cominco, Noranda and SNC signed a contract to take over the operations of the State Gold Mining Corporation of Ghana and to manage and rehabilitate its three mines. The contract is for three years but could be extended to five. For Golden Star Resources Ltd., of Edmonton, SNC geologists evaluated a gold property in a Precambrian volcanic greenstone belt in the Guyana Shield.

We signed a three-year contract with National Metal Works Corporation of Ethiopia to act as client's representative during engineering and construction of a product-in-hand foundry, forge and machine shop. In joint venture SNC began work on basic engineering, scheduling, a project budget and tender documents for a one million tonne per year steel plant to be built in Algeria for the state-owned steel company, SIDER.

#### **Work in progress**

Site work began on the \$1.3 billion Chamera hydroelectric project in India. Meeting the fast track schedule, by year's end all major civil contracts were awarded. As part of the technology transfer program, training in engineering methods and computer-based project management systems took place in India and Canada.

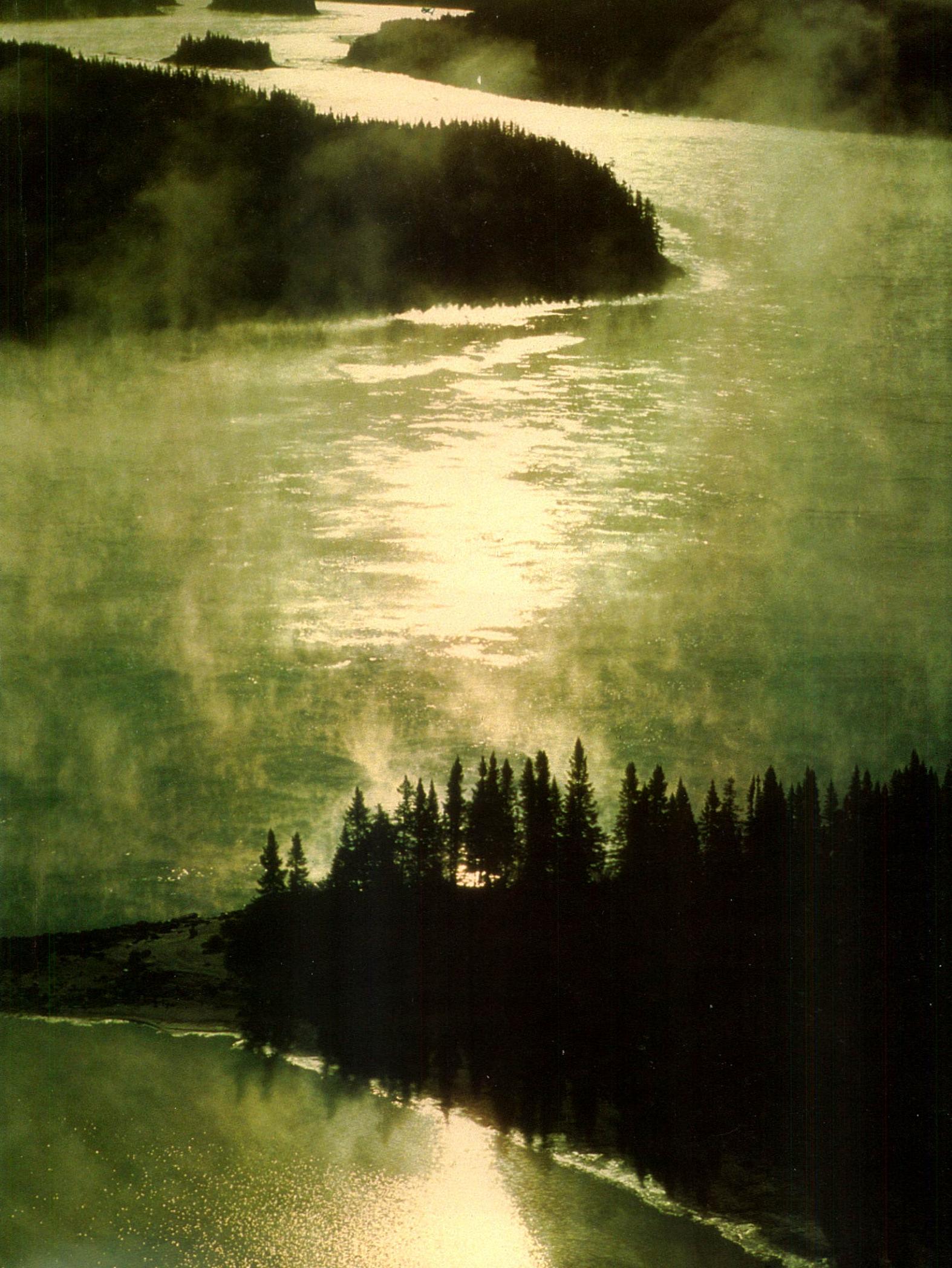
In June the first sod was turned for Kompienga Dam in Burkina Faso, for which SNC had signed the project management



1 Early in 1985 a Canadian team undertook a pre-feasibility study of a multi-purpose project at Gehe Yan on the Qing Jiang River, a tributary of the Yangtze. The proposed dam would control floods and river flow, the powerhouse would produce 1200 MW of hydroelectric power and the project would provide for barge navigation. Later in the year SNC was part of the consortium that began a study of the 5000 MW Long Tan hydroelectric project on the Hongshui River in Guangxi Province. The same Canadian consortium has now started work on a pre-feasibility study of the Three Gorges project on the Yangtze. The study covers project management and construction equipment plans, the coffer dam and the electrical switchyard. Three Gorges, with an estimated capacity of 13,000 MW, is the world's largest power project.

1 Engineering model of a \$52 million hydrogen plant designed by SNC/FW in Calgary for Syncrude's complex at Fort McMurray, Alberta.

2 The need for fresh water is growing in North America. The GRAND Canal could meet this need. SNC is a member of GRANDCo, the company formed to promote and develop this project.

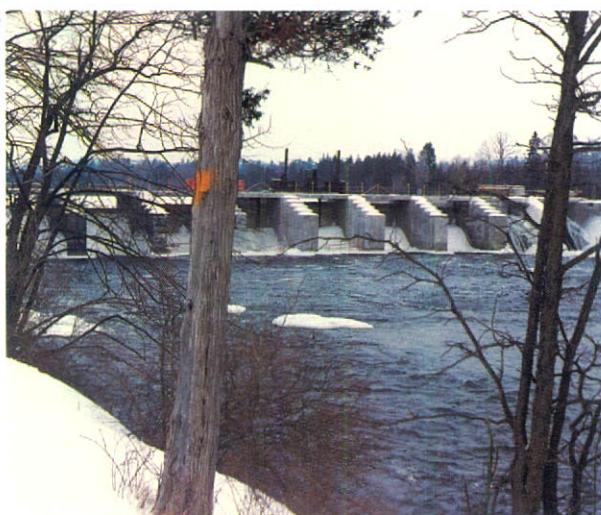




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contract in 1984. Meanwhile a design team in Montréal worked to a tight schedule to finish the drawings. With design completed, an SNC joint venture team started construction of a \$60 million rural electrification project in Ivory Coast.

The first new unit at the expanded Idukki powerhouse in southern India began producing in October. This project, scheduled to end in 1986, adds a new penstock and three turbines to raise capacity to 780 MW. So far it has generated Canadian equipment exports worth more than \$30 million. SNC completed the original Idukki hydroelectric project in 1975.

We finished detailed engineering and procurement for a biomass gasification project to feed a 6.5 MW diesel power plant in French Guiana. Installation is now starting.

The scope of our work on the \$1.3 billion Qaseem electrification program in Saudi Arabia was again extended. Over the past eight years SNC has designed and built a 600 MW gas-fired power station, substations, transmission lines and distribution lines to serve a region of 65,000 km<sup>2</sup>.

In 1985 SNC completed the first year and a half of a five year technology transfer program for the Thai Department of Mineral Resources. The program covers mining law, a mineral resource inventory, computerization, and technical and university training in Canada. Early in the year we completed a UNDP-sponsored training and feasibility study program for the Indian Bureau of Mines of Nagpur which was followed later by staff training in Montréal.

In Canada the largest projects signed before 1985 and scheduled to last for a number of years yet were in pulp and paper. Sod was turned for Domtar's fine paper mill in Windsor, Québec, in June. Engineering, procurement and construction are contracted to a joint venture of our associate Sandwell. The project team had reached

250 at year's end. Sandwell also worked throughout the year on rehabilitation of the Cornerbrook Pulp and Paper mill, now owned by Kruger, in Newfoundland.

In Alberta SNC's Lethbridge office went on with work on the Medicine Hat water pipeline and rehabilitation of the main canal system in the St. Mary River Irrigation District. In Edmonton we were busy on engineering contracts for Alberta Energy Company and Interprovincial Pipeline pumping stations.

At year's end commissioning of new production lines at Procter & Gamble's Belleville, Ontario, factory was well advanced. SNC provided engineering and construction management for the new lines and modified plant utilities.

Our associate Canatom has been working on a magnetic fusion research experiment, Tokamak, at Varennes, Québec. Construction began in 1985.

### Lively growth in the United States

U.S. operations increased during the year in many SNC subsidiaries and associated companies.

In the booming southeast, in Georgia, Hensley-Schmidt signed contracts for major waste water treatment plants in Valdosta and Gwinnet County, the fastest growing county in the United States. Bridge widening projects began in Huntsville, Alabama, and Jacksonville, Florida. Hensley-Schmidt continued to work on waste water treatment plants in Henry County and Cobb County, Georgia, and completed the Moccasin Bend waste water treatment plant in Chattanooga, Tennessee.

W.P. London made good progress on a 7.5 MW co-generation plant at Cornell University that ties in to a district heating scheme.

The nuclear power station decontamination market was slow at the beginning of the year but picked up later when London Nuclear obtained and carried out contracts for Commonwealth Edison's Dresden and Quad Cities stations and Northeast Utilities' Connecticut Yankee station. At Northeast Utilities' Millstone plant, London Nuclear evaporated and immobilized the liquid waste. Parallel process development and demonstration contracts came in, one from the U.S. Department of Energy for its N Reactor and the other from the Electric Power Research Institute for boiling water reactors. London Nuclear will demonstrate decontamination with fuel in place.

Our associate Canatom worked on nuclear generating station audits for the Pennsylvania Public Utilities Commission at Beaver Valley 2, for the Texas Public Utility Commission on the South Texas nuclear project and for the New York Public Service Commission at Nine Mile Point 2.

From its Atlanta office Sandwell won a contract to upgrade the Tennessee River linerboard mill to 2,000 tons a day. Other contracts signed were for a paper machine rebuild at Georgia Pacific's mill in Taylorville, Ohio, and emission control systems at its Port Hudson, Louisiana, mill. Mill automation



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remained in strong demand, with contracts for Temple-Eastex and Tennessee River mills.

### Projects completed

In March the Tintaya copper concentrator, built at 4,100 m in the Peruvian Andes, was officially inaugurated. The project, financed by the Export Development Corporation and a consortium of banks led by Toronto-Dominion, had stimulated exports of over \$90 million worth of equipment from Canada. The procurement contract was later extended to cover an added \$17 million worth of mining equipment and supplies; the last shipment sailed in December.

As engineer-constructor, SNC completed a \$500 million, 125,000 tonne per year expansion of the Reynolds aluminum smelter in Baie-Comeau, Québec, on schedule and within budget.

Working to a tight schedule, SNC/FW finished engineering, procurement and construction of a \$55 million catalytic cracker at Petro-Canada's Montréal refinery.

C-I-L's new ammonia plant at Courtwright, Ontario, is operating above its rated capacity of 1,120 tonnes a day. It is the first to use ICI's AMV process and is one of the most energy efficient ammonia plants in the world. C-I-L hailed the start-up as a record; on-spec ammonia was produced after only three hours of full operation. SNC/FW and Uhde GmbH shared engineering and design of the plant which has so successfully demonstrated a new technology.

Sandwell finished two major paper machine speed-up and modernization projects at Reed Inc's Newsprint Mill Division in Québec City.

W.P. London, in joint venture, completed Ontario Hydro's 200 MW lignite-fired power station at Atikokan.

### What of next year?

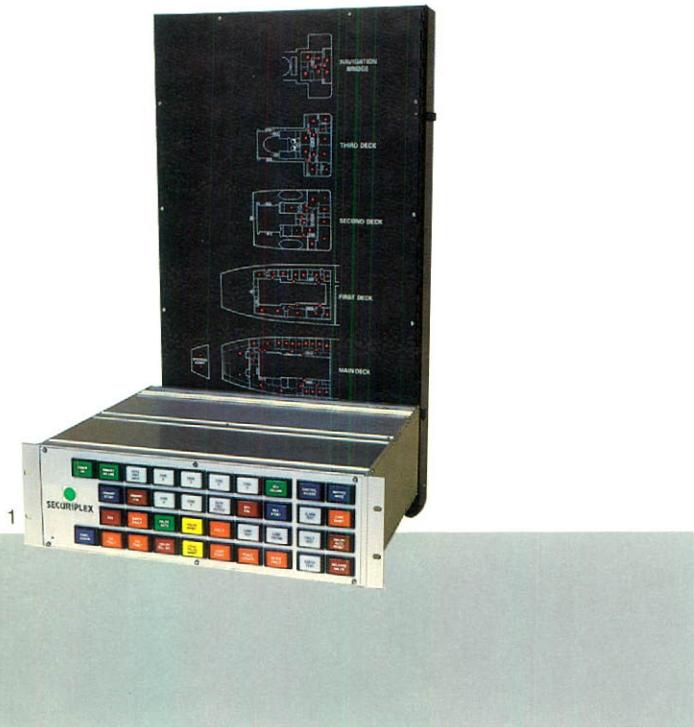
The SNC Group entered 1986 with an engineering-construction backlog of \$133 million. We expect some of the studies and preliminary engineering assignments begun in 1985 to lead to full-scale projects before the end of the next year. Some should feature innovative technology, where we have proved ourselves leaders.

1 A head frame on an oil project? Yes. This turnkey joint venture project being carried out from Edmonton for the Alberta Oil Sands Technology Research Authority will enable SNC's client to test underground mining methods to recover oil from the sands.

2 Site of the \$1.3 billion Chamera hydroelectric project on India's Ravi River.

3 Among small hydro projects in Ontario in 1985 is a feasibility study of developing this dam on the Trent River to produce 500 to 2,000 kW of electricity.

4 Construction is under way for Domtar's fine paper mill in Windsor, Québec, a Sandwell joint venture project.



### **Manufacturing: a dependable source of earnings**

When The SNC Group first decided to invest in manufacturing our aim was to offset downturns in the engineering-construction business. We purchased Industries Valcartier, now IVI Inc., in 1980. In 1982 and the years since, with a deep slump in world engineering-construction markets, it lived up to our expectations and proved to be a dependable source of revenues and net earnings.

In 1984, as part of our long term plan to broaden our manufacturing interests, we acquired 13 per cent of Petro-Sun International Inc., the largest alternative energy company in Canada. Manufacturer of Sunstrip, and only supplier of solar fins to makers of solar collectors, Petro-Sun also makes equipment for other alternative energy markets.

The SNC Group thus had holdings in two industries – one producing defence products and the other making an innovative product to serve an emerging market.

This set the pattern we were to follow in broadening our manufacturing interests in 1985.

### **Defence: a fast growing market**

There were a number of sound reasons for expanding into industries supplying the defence market. First, we knew the business, having been operating in it for five years through our ownership of IVI Inc.

Second, there was the nature of the market. In most times, the defence market is relatively stable; in Canada today it is a growing market. For some years Canada has lagged behind other countries in defence. Now, with the government making an effort to catch up, the defence budget is in the tens of billions. The Canadian Patrol Frigates

Program is only one of many wide-ranging projects to strengthen Canada's naval and submarine fleets, to bring air and ground defences up to the level of our NATO allies and to update mobile equipment.

Not only is the Canadian defence market growing, but the industries serving it will grow, too. They will be called upon to develop improved or completely new products. To SNC acquisition of such industries offers the opportunity to use and augment our technology and to draw on the talents of our qualified staff.

#### **Securiplex – doorway to new markets**

Our acquisition of Securiplex Systems Inc. early in the year soon bore out the soundness of this strategy.

The company, under the name of Gingé-Kerr Canada Limited, had been in business since 1979 from headquarters at its factory in Pointe-Claire, Québec. It started electronics development in 1981 with the aid of the Canadian Department of Regional Industrial Expansion. In 1984 the Government of Québec provided long term loan guarantees to allow the company to expand.

By then, Securiplex had developed and was sole manufacturer of micro-processor-based multiplex detection and control systems under the Fire-Scope brand name. It was supplying the industrial market and had earned a high reputation in the Canadian marine market for its electronic fire control systems, not only for ships but also for offshore rigs and platforms.

In August Saint John Shipbuilding and Drydock awarded Securiplex a contract for integrated damage control systems for the six new Canadian patrol frigates. The systems use the Fire-Scope technology, but go beyond fire uses to detect and control other kinds of damage. The contract, valued at about \$10 million, will create 250 man-years of work in Canada.

By year's end this high technology, developed in Canada, was finding an overseas market. Securiplex had received an order from John Kerr & Co. of the U.K. to supply surveillance systems for the lead ship of the British Navy's Type 23 frigates.

#### **Rounding out our ammunition production**

The Government of Canada's decision to conclude the sale of Canadian Arsenals Limited with The SNC Group is for us an important step in rounding out our capacity to supply ammunition for the Armed Forces. CAL has been producing ammunition at its Ville Le Gardeur plant, near Montréal, since the years of World War 2. In recent years its production has been limited to sizes over 30 mm, while IVI produced ammunition up



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*1 In a compact size, Fire-Scope systems developed by Securiplex Systems Inc. provide the means to electronically detect and control fire or other damage in any part of a ship.*

*2 Securiplex is supplying Fire-Scope damage control systems for ships of the Canadian and British naval fleets.*



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to 30 mm. In 1984 CAL opened a second plant at St. Augustin, Québec, to produce heavy calibre cases. CAL's annual volume of business, mainly with the Canadian government, is over \$100 million.

There are obvious advantages of one owner researching, developing and producing the whole range of ammunition. With CAL and IVI united, their R & D programs will advance more rapidly and their personnel will be used more effectively. Their costs will be lowered and their export potential will increase.

In its proposal, The SNC Group undertook to keep the present plants of CAL and IVI operating as they are now and to undertake immediate improvements at CAL's Le Gardeur plant.

CAL has been described as the heart of Canada's munitions industry. We look forward to concluding the purchase early in 1986.

#### **IVI: Sales up and R & D expanded**

When The SNC Group bought it in 1980 IVI was already serving sporting and law enforcement markets besides being the sole supplier of small arms ammunition to the Canadian government. IVI is a fully integrated operation, with its own foundry manufacturing strips, brass cups, bullets, cases and primers. Loading, assembling, packing and testing are all carried out at its Valcartier plant, where it also has its own test ranges and R & D laboratory. IVI's competence in R & D has won recognition and brought it a number of outside contracts.

With some 800 people on strength, it is one of the most important private employers between Montréal and Sept-Îles.

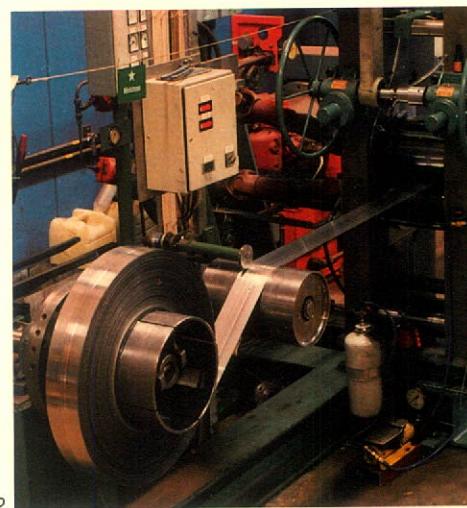
Over the last few years IVI has invested in retooling to meet new Armed Forces specifications. Sales dropped slightly while the Canadian forces were using up supplies. In 1985 two new lines went into production – one for the 5.56 mm cartridge meeting the new NATO standards and one for the 20 mm cartridge used by the CF-18 fighters. By year's end IVI had completed all its current 20 mm orders from the Canadian government. The state-of-the-art 5.56 line was well on its way to a high level of production.

In 1985 IVI invested about \$1 million in expanding its R & D centre to meet rising internal and external demand, adding another office, laboratory and pilot plant. Successful development of a highly efficient tungsten core led to an export order from Denmark. IVI also carried out joint R & D with The SNC Group's corporate Technical Development Department and the plant produced an experimental injector assembly for a new type of engine. In 1985 the Standards Council of Canada accredited IVI's R & D department for physical and mechanical testing of metals and metal powders and for ballistic testing of military small arms.

### High technology in alternative energy

The SNC Group's fourth manufacturing interest is in Petro-Sun International Inc. This is a publicly held Canadian company specializing in the design and manufacture of equipment for the alternative energy market. At present we hold 13 per cent of its shares.

Petro-Sun has three divisions. Sunstrip International manufactures solar fins for collectors. It has gained a large share of the



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Canadian market and sells its product in the U.S., India and Africa. General Iron Works is a metal fabricator. Petro-Sun's Environment Division designs and installs energy-from-waste equipment.

In 1985 Petro-Sun weathered the effects of delay in the award of two large bookings. Both were signed in December. One is a \$4.1 million contract, won against international competition, for the chemical waste recovery system to be installed at Domtar's new paper mill in Windsor, Québec. One of the largest of its kind, it uses advanced process technology. The other is a \$6.5 million contract for a 300 tonne per day solid waste power plant for the Victoria Hospital in London, Ontario. The two contracts fill up General Iron Works' backlog for the first half of 1986 and should improve the division's profitability.

In December Petro-Sun also received confirmation of an order for three concrete batch plants for the Chamera hydroelectric project in India.

In 1985, as in 1984, SNC worked with Petro-Sun in marketing turnkey projects to produce energy from waste. Together they completed two biomass power plant studies in Morocco.

### The pattern for the future

The SNC Group's present manufacturing interests are in line with our long range plan. We shall continue to invest in companies that supply the defence industry and so tie in with the services in project and program management, engineering and procurement we offer the same market.

Likewise, we plan to invest in and develop high technology industries serving known, though emerging, markets that do not call for great investment in elaborate marketing campaigns. Such industries open the door to opportunities for our people as individuals, and on the corporate level will enable us to use our technological and management expertise in wider spheres than engineering and construction.

Our aim is a well balanced group of companies, closely interlinked and drawing on our new and traditional strengths to bring new technologies to the marketplace.



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1 Canadian Arsenals Limited at Ville Le Gardeur, Québec. The SNC Group was successful in its 1985 bid for this company.

2 Petro-Sun's Sunstrip rolling mill at Boucherville, Québec, is the only one of its kind in the world.

3 IVI Inc. installed this new tempering machine as part of the recent modernization program at its Valcartier works.



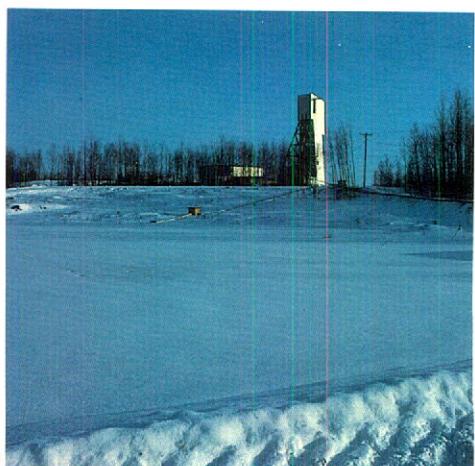
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## New business ventures in fast-growing markets

There is a tremendous pool of talent in The SNC Group. In engineering-construction projects our people have worked for almost every industry. They have learned the fine points of advanced technologies. They have managed large projects. They have realistically determined the profitability of such projects and arranged financing for them. They have developed advanced project management systems and used innovative construction techniques to carry out projects to tight schedules and within budget, often for a firm price.

That is not all. Many of our people are inventive. They have explored new technologies and come up with ideas for innovative processes. Some have had inventions patented. Many others worked in industry before joining The SNC Group. For some, traditional engineering-construction work offers enough scope for their talents. Others hope for different opportunities.

To make fuller use of these human assets and to give rein to wider aspirations, SNC's management conceived the idea of new



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business ventures. The businesses we chose would call for such technological expertise as we already possessed. They would also, in the initial stages, make use of our engineering-construction abilities. Because The SNC Group would hold an equity interest in these ventures, they would be a source of revenue for years to come. The revenues and equity holdings would reinforce our financial stability.

The SNC Group's first new ventures were very closely tied to engineering-construction experience. Its two strongest divisions were originally Power and Mining and Metallurgy.

#### **Power: Small is beautiful**

It was through an engineering study in Upper New York State in 1981 that we discovered the promising investment potential of small hydro projects in the United States.

In 1982 two pieces of U.S. legislation made small hydro development highly attractive to investors. One obliged utilities to interconnect with small power producers and to pay them a rate equal to the incremental cost of alternative fuel. The other provided energy tax credits. So in 1982 SNC incorporated a New York-based company, SNC Hydro Inc., to promote, develop, build, own and operate small hydro plants in partnership with other investors. SNC Hydro would find the financiers and arrange the financing, and would obtain all the necessary licenses and permits. It would also negotiate the sale of the electricity.

The first such project, a 4.5 MW power station at Carthage, New York, started producing electricity in the fall of 1985. The owner is West End Dam Associates, a partnership set up by SNC Hydro, which is the controlling general partner and a limited partner.

West End Dam Associates provided equity financing, of which SNC Hydro holds more than 20 per cent. Further financing for the \$11.5 million project came from industrial revenue bonds issued through the Jefferson County Industrial Development Agency and from an Urban Development Grant lent to the developers by the village of Carthage. West End Dam Associates has signed a 30-year agreement with Niagara-Mohawk Power Corporation to supply an annual average of 22 million kilowatt hours to the local grid.

The project redeveloped an old site near a paper mill in the village of Carthage. The paper company, Crown Zellerbach, rents the land to the developers. As engineer-constructor SNC repaired a dam built in 1912, widened and deepened the tailrace,



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and built a new powerhouse, all for a lump sum.

In the second half of 1985 SNC began engineering and design for another small hydro venture project, to be built on an abandoned site at Victory Mills, near Saratoga. Negotiations are well advanced for a third small hydro venture in New York State.

#### **Mining: Opportunity is where you find it**

In 1980 SNC and Robertson Research began a multi-client gold exploration assignment in the Abitibi greenstone belt of Québec and Ontario. At the end of it, members of our mining geology team found they had gained a good knowledge of the region and its gold potential. Many sites seemed ripe for development. But we failed to persuade the clients to sponsor further exploration. So SNC formed a joint venture with Greenwich Resources, a Robertson subsidiary, to explore further, stake claims, acquire properties and set up a mining company. In quest of properties, the SNC/Greenwich team met Yvan Vézina, an experienced prospector and developer with substantial holdings in the Rouyn-Noranda region. The Vézina group agreed to exchange its properties for an equity in a new mining company. The company, Aunore Resources Inc., was formed in 1984 by the three partners, SNC, Greenwich and Yvan Vézina.

In 1985 Aunore raised \$6.2 million through a public share issue and the stock is now listed on the Montréal Exchange. This enabled the company to finance further field work and to undertake concentrated exploration of an abandoned mine on its Elder property near Evain.

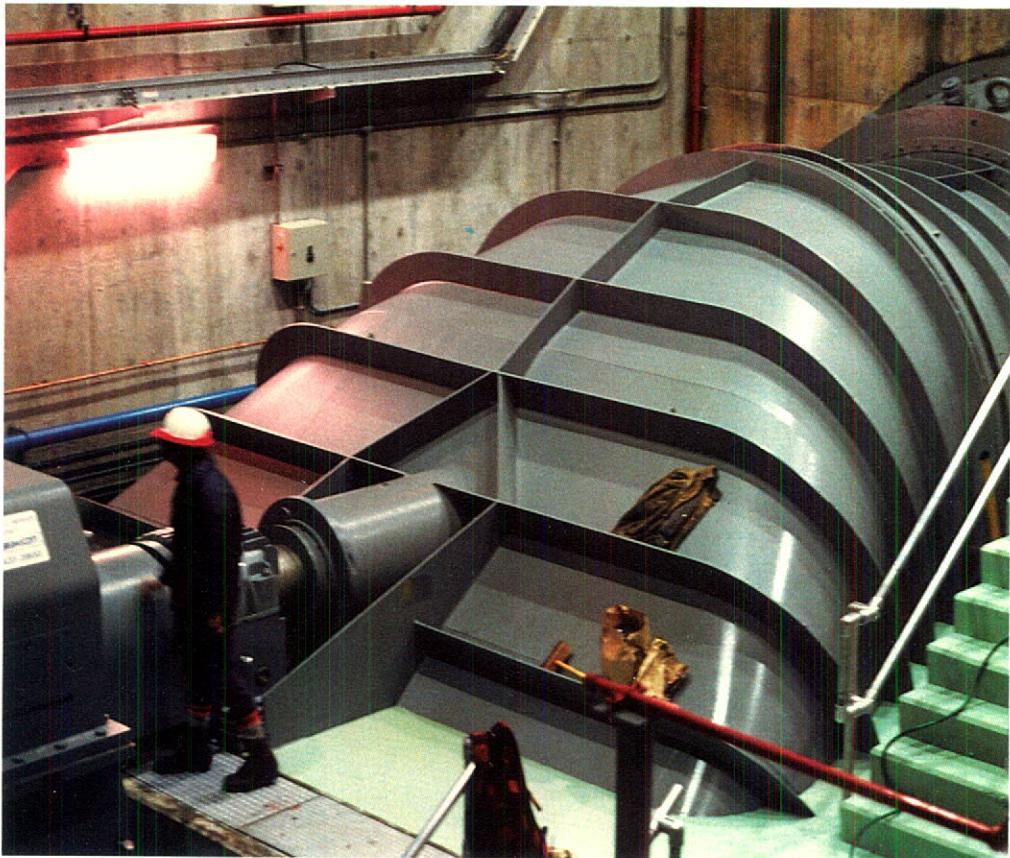
Results of surface and underground sampling on the Elder property are so far encouraging, and Aunore should make a production decision before the end of 1986.

Since its formation in 1984 Aunore has put together a portfolio of 715 claims on

1 Close-up of a laser pressed disc.

2 Aunore Resources Inc.'s Elder property in the Rouyn-Noranda region, where it built the head frame and surface buildings and carried out gold exploration in 1985.

3 Michael Pick, senior vice-president, Finance and Development, and Michel Villemaire, who is playing a leading role in the new compact disc company, examine their future product.



*The West End Dam power development at Carthage, New York, was The SNC Group's first small hydro venture project. An inside view of the 4.5 MW powerhouse shows one of two turbines.*

properties in the Rouyn-Noranda and Casa-Berardi regions. A stepped-up program of drilling and sampling on the Casa-Berardi properties will start early in 1986.

#### **The immediate future**

Encouraged by the success of our first new business ventures, we have been active over the past two years in efforts to launch others. On two we have made notable progress.

High technology industries have always interested us as much as those that use our traditional technology because, as new business ventures, they offer the opportunity of reaching the market first with a new product. We make one strong stipulation: there must be a known demand.

This is true of compact discs. There are very few compact disc plants in the whole world, only one in North America.

The opportunity for SNC to embark in this new industry came through SODICC, the Québec agency created to promote cultural and communications enterprises. SODICC established contact with Moulage Plastique de l'Ouest, a French company with a compact disc plant in Normandy, and approached SNC as a possible third partner in a Québec-based operation serving the North American market. Arrangements are now being concluded. A compact disc plant in Drummondville, Québec, to be engineered and built by SNC, should produce its first laser-pressed disc early in 1987. Our clientèle will be the record companies who make the recordings and market the pressings.

The other imminent new business venture is at the study stage. It arose from an earlier study commissioned by Radio-Canada to

explore the cost of raising the capacity and improving the signal of its transmission tower on Mount Royal. This SNC study showed that a telecommunications tower that would meet the needs of all Montréal broadcasters would be costly to support; on the other hand, if telecommunications could be combined with other uses, a new tower might be an attractive investment.

SNC recommended the second option and decided to promote a multi-purpose tower, likely to be a strong tourist attraction, as a new business venture. We formed La Société de la Tour du Mont-Royal to act as promoter and are now carrying out a feasibility study.

Any plan to make changes on Mount Royal must meet with the approval of environmental regulatory agencies and the Montréal community. Only when it has this approval will SNC decide to proceed with the tower.

#### **New directions, everywhere**

These are only a few of the new business ventures The SNC Group is considering or actively organizing. They reflect the trend of building on known strengths and making imaginative use of our collective talents to build a stronger technological and financial base for all our different operations throughout The SNC Group.

## **Consolidated financial statements**

### **Auditors' report**

#### **To the shareholders of SNC Enterprises Ltd.:**

We have examined the consolidated balance sheet of The SNC Group as at December 31, 1985, and the consolidated statements of income, retained earnings and changes in cash resources 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 SNC Group as at December 31, 1985, and the results of its operations and the changes in its cash resources for the year then ended in accordance with generally accepted accounting principles which, except for the change in the method of accounting for investment tax credits as disclosed in Note 2 to the consolidated financial statements, were applied on a basis consistent with that of the preceding year.

Clarkson Gordon  
Chartered Accountants

Montréal, Canada  
February 14, 1986

The SNC Group

**Consolidated balance sheet**

December 31, 1985

(In thousands of dollars)

**Assets**

	<b>1985</b>	1984
Current:		
Cash and short-term deposits	\$ 22,869	\$ 9,028
Accounts receivable (note 8)	40,291	30,263
Contracts in progress	11,717	15,464
Inventories (notes 5 and 8)	25,983	22,572
Deposit on an offer to purchase shares (note 13)	4,711	—
Deferred income taxes	2,125	1,745
Total current assets	<b>107,696</b>	79,072
Fixed assets (note 6)	26,719	28,392
Investments in associated companies and limited partnerships (note 6)	5,363	3,779
Other assets	1,044	1,112
Goodwill	1,735	2,311
	<b>\$ 142,557</b>	<b>\$ 114,666</b>

**Liabilities and shareholders' equity**

	<b>1985</b>	1984
Current:		
Bank borrowings (note 8)	\$ 30,858	\$ 1,351
Down payments on contracts and inventories (note 8)	8,015	18,543
Accounts payable and accrued charges	36,203	30,081
Income and other taxes payable	2,304	1,016
Deferred revenues	9,412	11,672
Long-term debt due within one year	1,578	1,597
Total current liabilities	<b>88,370</b>	64,260
Long-term debt (note 9)	5,560	10,394
Deferred income taxes	1,066	1,908
Minority interest (note 3b)	649	—
Shareholders' equity:		
Share capital (note 10)	7,353	6,624
Unrealized profit (loss) on foreign currency translation	273	(527)
Retained earnings	39,286	32,007
Total shareholders' equity	<b>46,912</b>	38,104
	<b>\$ 142,557</b>	<b>\$ 114,666</b>

On behalf of the Board:

Camille A. Dagenais, Director

Jean-Paul Gourdeau, Director

The SNC Group

**Consolidated statement of income**

for the year ended December 31, 1985  
(In thousands of dollars)

	<b>1985</b>	1984
Revenues –		
Engineering and construction	<b>\$ 171,154</b>	\$ 168,779
Manufacturing	<b>52,068</b>	36,718
	<b>223,222</b>	205,497
Cost of products sold and services rendered –		
Engineering and construction	<b>118,208</b>	115,099
Manufacturing	<b>41,965</b>	27,321
	<b>160,173</b>	142,420
Gross profit	<b>63,049</b>	63,077
Administrative and marketing expenses	<b>59,868</b>	56,880
Interest – non current debt	<b>413</b>	712
– current debt	<b>694</b>	973
Interest on short-term deposits	<b>(1,828)</b>	(580)
	<b>59,147</b>	57,985
Income before the following	<b>3,902</b>	5,092
Unusual items (note 11)	<b>10,044</b>	3,785
Income before income taxes, share of net loss of associated companies and minority interest	<b>13,946</b>	8,877
Income taxes (note 7)	<b>1,594</b>	1,069
Share of net loss of associated companies	<b>153</b>	368
Minority interest	<b>67</b>	—
Net income	<b>\$ 12,132</b>	\$ 7,440
Earnings per share	<b>\$ 1.74</b>	\$ 1.09

See accompanying notes to consolidated financial statements

The SNC Group

**Consolidated statement of retained earnings**

for the year ended December 31, 1985  
(In thousands of dollars)

	<b>1985</b>	1984
Retained earnings, beginning of the year	<b>\$ 32,007</b>	\$ 25,936
Net income for the year	<b>12,132</b>	7,440
	<b>44,139</b>	33,376
Dividends paid	<b>4,117</b>	1,162
Appropriation for Class C share redemption (note 10)	<b>736</b>	207
Retained earnings, end of the year	<b>\$ 39,286</b>	\$ 32,007
Dividends per share	<b>\$ 0.70</b>	\$ 0.20

See accompanying notes to consolidated financial statements

**Consolidated statement of changes in cash resources**for the year ended December 31, 1985  
(In thousands of dollars)

	<b>1985</b>	<b>1984</b>
<b>Cash provided by (used in) operating activities</b>		
Net income	<b>\$ 12,132</b>	\$ 7,440
Items not involving a movement of cash:		
Depreciation of fixed assets	<b>4,048</b>	3,943
Write-down and amortization of goodwill and drilling funds	<b>198</b>	1,112
Deferred income taxes – long-term	<b>(336)</b>	1,983
Share of net loss of associated companies	<b>153</b>	368
Minority interest	<b>67</b>	—
	<b>16,262</b>	14,846
Net change in non-cash working capital balances related to operations	<b>(15,768)</b>	4,089
Cash provided by operating activities	<b>494</b>	18,935
<b>Cash provided by (used in) investment activities</b>		
Acquisition of businesses (note 3)	<b>(1,174)</b>	(1,064)
Disposal of businesses (note 3)	<b>4,044</b>	1,685
Deposit on an offer to purchase shares	<b>(4,711)</b>	—
Acquisition of investments in associated companies and limited partnerships (note 6)	<b>(1,603)</b>	(1,427)
Purchase of fixed assets – net	<b>(4,577)</b>	(9,568)
(Increase) decrease in other assets – net	<b>(96)</b>	595
Cash used in investment activities	<b>(8,117)</b>	(9,779)
<b>Cash provided by (used in) financing activities</b>		
(Decrease) increase in long-term debt – net	<b>(3,754)</b>	1,046
Issuance of share capital	<b>564</b>	493
Dividends paid	<b>(4,117)</b>	(1,162)
Appropriation for Class C share redemption	<b>(736)</b>	(207)
Cash (used in) provided by financing activities	<b>(8,043)</b>	170
<b>(Decrease) increase in cash during year</b>	<b>(15,666)</b>	9,326
<b>Cash (deficiency) at beginning of year</b>	<b>7,677</b>	(1,649)
<b>(Deficiency) cash at end of year</b>	<b><u><u>\$ ( 7,989)</u></u></b>	<b><u><u>\$ 7,677</u></u></b>

During 1985, The SNC Group has changed the presentation of this statement from a working capital basis to a cash position basis, as recommended by the Canadian Institute of Chartered Accountants. Cash represents "Cash and short-term deposits" less "Bank borrowings". The 1984 figures have been reclassified accordingly. Under the former presentation, the working capital would have been \$19,326,000 at December 31, 1985 (\$14,812,000 – 1984).

## Notes to consolidated financial statements

December 31, 1985

(All figures in tables are expressed in thousands of dollars)

### 1. Summary of significant accounting policies

The consolidated financial statements of The SNC Group have been prepared by management in accordance with the accounting policies summarized below:

#### a) Principles of consolidation

The consolidated financial statements of The SNC Group include the accounts of SNC Enterprises Ltd. (incorporated under the Canada Business Corporations Act), its subsidiaries and its pro rata share of assets, liabilities, revenues and expenses of joint venture partnerships and companies. Investments in and income from associated companies (over which The SNC Group exercises significant influence) and limited partnerships are accounted for on the equity basis.

The goodwill (excess of cost of investments in businesses over the fair value of underlying net assets at acquisition) is amortized over periods not exceeding 20 years, except where permanent impairment occurs in which case it is written down.

#### b) Translation of foreign currencies

– Self-sustaining foreign operations

The assets and liabilities denominated in foreign currencies are translated at the rates in effect at the balance sheet date. Revenue and expense items are translated at average rates prevailing during the year. The resulting gains and losses are accumulated in a separate component of shareholders' equity.

– Integrated foreign operations and transactions denominated in foreign currencies.

Monetary assets and liabilities are translated at the rates in effect at the balance sheet date; whereas other assets and liabilities are translated at rates prevailing at the respective transaction dates. Revenue and expenses (none being cost of inventory used, depreciation and amortization, or long-term interest) are translated at average rates prevailing during the year. The resulting gain of \$127,000 (gain of \$211,000 in 1984) has been included in "Administrative and marketing expenses" in the consolidated statement of income.

#### c) Revenue recognition

– Engineering and construction

Contracts in progress are recorded at estimated billing value. Revenue on contracts is recognized on the degree of completion basis. Anticipated losses, if any, are fully provided for in the accounts.

Engineering and construction revenues include professional fees, reimbursable expenses and the contract value of lump sum contracts.

– Sales of products

Sales related to manufactured products are recognized in the accounts as deliveries are made, including those under long-term contracts with the Canadian Government. These contracts provide for progress payments, which are recorded in the accounts when received, and are included in "Down payments on contracts and inventories" in the consolidated financial statements.

#### d) Marketing expenses

All costs related to proposals are expensed as incurred.

#### e) Inventories

Raw materials and supplies are valued at the lower of cost, determined on an average basis, and replacement cost. Work in process and finished goods are valued at the lower of actual production cost and net realizable value.

#### f) Fixed assets

Fixed assets are recorded at cost less government grants and investment tax credits (from January 1, 1985 – note 2). They are depreciated or amortized as follows:

– Machinery, office furniture and equipment, generally on a diminishing balance basis at 20% per year.

– Leasehold improvements, over the term of the leases.

– Buildings, by various methods not exceeding 40 years.

#### g) Government assistance

Government grants are recorded in the year The SNC Group becomes eligible for receipt thereof. Grants relating to fixed assets reduce the cost of the assets; grants relating to expenses are recorded as a reduction of the related expense.

#### h) Investment tax credits (note 2)

Investment tax credits are accounted for under the cost reduction method. Those related to the acquisition of fixed assets are recorded as a deduction from the cost of the assets acquired and the benefits are included in income through reduced depreciation expense over the estimated life of the assets; those related to expenses are recorded as a reduction of the related expense.

#### i) Earnings per share

Earnings per share have been calculated using the weighted monthly average number of Class A and Class B shares outstanding during the year, which was 6,984,000 shares for 1985 (6,857,000 shares for 1984).

### 2. Accounting change – investment tax credits

Effective January 1, 1985, The SNC Group changed its method of accounting for investment tax credits to the cost reduction method described in note 1 h) to comply with the new accounting standard issued by the Canadian Institute of Chartered Accountants. Previously, the net benefit resulting from investment tax credits was recorded as a reduction of income tax expense in the year the credits were claimed for tax purposes.

This change in accounting has been applied prospectively from January 1, 1985 and accordingly the previously reported consolidated financial statements for 1984 have not been restated. Had the previous method of accounting been applied in the current year, the net income for 1985 would not have been affected materially.

### 3. Acquisitions and disposals

During the year, The SNC Group:

a) sold its remaining interest in a foreign joint venture, Robertson Research PLC, for a cash consideration of \$12,306,000 resulting in a gain of \$8,183,000. Such gain, when repatriated to Canada, could be subject to foreign withholding taxes. However, such taxes, if any, have not been provided for in the accounts pending the approval of a revised tax treaty with the Netherlands which makes it impossible at this time to determine the appropriate rate of tax (which could range from nil to 15%). The consolidated financial statements for 1985 do not include the operations of the above joint venture which was sold in January 1985. The SNC Group's pro rata share in its revenue and net income for 1984 were \$11,234,000 and \$696,000 respectively.

b) acquired an additional 30% interest in Hensley-Schmidt, Inc., a U.S. engineering firm, for a total consideration of \$886,000 (of which \$689,000 was in cash and \$197,000 as a non-interest bearing promissory note, maturing in January 1986) which represented the fair value of the net tangible assets acquired. The SNC Group has agreed to purchase at book value the remaining 20% of Hensley-Schmidt, Inc. from 1988 to 1992 (evenly at 4% annually).

c) acquired all of the outstanding share of Gingy-Kerr Canada Limited (which subsequently changed its name to Securiplex Systems Inc.) for a cash consideration of \$337,000 and the issuance of 26,000 Class A shares of SNC Enterprises Ltd. representing a value of \$165,000. The fair value of the net tangible assets acquired amounted to \$389,000. Securiplex Systems Inc. is a Canadian manufacturer of fire and damage control systems which are used principally in military and commercial marine applications.

d) acquired minor interests in other businesses.

All acquisitions have been accounted for by the purchase method.

#### 4. Joint venture activities

The SNC Group carries out part of its engineering and construction business through joint venture companies. The group's pro rata share of the joint venture operations included in the consolidated financial statements is summarized below:

#### Statement of income

	1985	1984
Revenues –		
Engineering and construction	<u>\$ 45,326</u>	<u>\$ 52,239</u>

#### Net income

	<u><u>\$ 1,623</u></u>	<u><u>\$ 1,896</u></u>
--	------------------------	------------------------

#### Balance sheet

Cash	\$ 4,471	\$ 4,822
Other current assets	14,048	17,145
Long-term assets	3,115	6,207
	<u><u>\$ 21,634</u></u>	<u><u>\$ 28,174</u></u>
Current liabilities excluding bank borrowings	\$ 13,625	\$ 16,130
Long-term debt	294	1,799
Equity	7,715	10,245
	<u><u>\$ 21,634</u></u>	<u><u>\$ 28,174</u></u>

The amounts reflected in the balance sheet above are before any elimination of transactions between such joint ventures and the other members of The SNC Group. However, these eliminations have been reflected in the consolidated financial statements.

#### 5. Inventories

	1985	1984
Raw materials and supplies	\$ 6,168	\$ 5,069
Work in process	14,325	12,053
Finished products	5,490	5,450
	<u><u>\$ 25,983</u></u>	<u><u>\$ 22,572</u></u>

#### 6. Fixed assets

	1985	1984
Buildings	\$ 6,880	\$ 7,482
Machinery, office furniture and equipment	38,545	34,683
Leasehold improvements	2,700	2,547
	<u><u>48,125</u></u>	<u><u>44,712</u></u>
Less accumulated depreciation and amortization	24,567	22,205
	<u><u>23,558</u></u>	<u><u>22,507</u></u>
Plant under construction (see below)	—	2,724
Land	3,161	3,161
	<u><u>\$ 26,719</u></u>	<u><u>\$ 28,392</u></u>

In December 1985, a subsidiary of The SNC Group completed the construction of a small hydro power plant for which a 30 year contract had been signed during 1984 with a U.S. utility for the sale of the entire output of the plant during that period. The subsidiary sold the plant to a limited partnership for \$9,930,000 U.S. in which it has retained a 22% interest. In addition to its investment of \$1,403,000 U.S. in the partnership as at December 31, 1985, The SNC Group has given a

guarantee of \$1,730,000 U.S. with respect to the financing of the project. This sale has been recognized as a project revenue in the consolidated statement of income and the related profit has been recognized during the year, except for the portion related to the 22% interest retained by the subsidiary in the partnership which has been deferred and will be recognized over the term of the above power contract.

#### 7. Income taxes

The effective income tax rate in the consolidated statement of income differs from the statutory Canadian tax rates mostly as a result of the following:

	1985		1984	
	Amount	%	Amount	%
Income tax at statutory Canadian rates	\$ 6,199	44.4	\$ 3,693	41.6
Increase (decrease) resulting from:				
Non taxable capital gains	(3,568)	(25.6)	(1,734)	(19.5)
Investment tax credits, of which \$930,000 are related to research and development	—	—	(1,384)	(15.6)
Manufacturing and processing deduction	(207)	(1.5)	(248)	(2.8)
Inventory allowances	(302)	(2.1)	(144)	(1.6)
Non deductible expenses and others	(528)	(3.8)	886	9.9
Income tax provision	<u>\$ 1,594</u>	<u>11.4</u>	<u>\$ 1,069</u>	<u>12.0</u>
Composed of				
Current	<u>\$ 1,958</u>		<u>\$ 1,037</u>	
Deferred (recovery)	<u>(364)</u>		<u>32</u>	
	<u><u>\$ 1,594</u></u>		<u><u>\$ 1,069</u></u>	

At December 31, 1985, The SNC Group had approximately \$1,072,000 of foreign tax losses incurred in prior years on which no tax benefits have been recognized in the consolidated financial statements.

#### 8. Assets pledged and guarantees

Accounts receivable and inventories have been assigned as collateral for bank loans, bank guarantees and lines of credit. Also, inventories have been assigned as collateral for down payments on supply contracts related thereto.

The SNC Group has provided bank guarantees aggregating \$4,668,000 as security for down payments received from clients. Certain guarantees are reduced in relation to the degree of completion of projects. In addition The SNC Group has provided bank guarantees totalling \$1,135,000 as security for its performance under various contracts.

9. Long-term debt	1985	1984
Bank loan – at prime rate, for which the bank has agreed not to request repayment during the next twelve months	\$ 2,000	\$ 2,000
Bank demand loan, repayable in U.S. dollars, to finance plant under construction (note 6)	—	2,762
Lien loans on equipment:		
– Repayable in five equal annual instalments commencing one year after the date of installation of the related equipment, bearing no interest	3,403	4,226
– 1% under prime rate, maturing in 1988	1,120	1,494
Others – bearing interest ranging from 6% to 13%	<u>615</u>	<u>1,509</u>
	<u>7,138</u>	<u>11,991</u>
Less portion included in current liabilities	<u>1,578</u>	<u>1,597</u>
	<u><u>\$ 5,560</u></u>	<u><u>\$ 10,394</u></u>

Under a Capital Assistance Agreement signed with the Federal government by a manufacturing subsidiary, title to the equipment, financed by the above-mentioned lien loans on equipment aggregating \$3,403,000 as at December 31, 1985, remains with the government until full reimbursement of the loans.

Repayment of long-term debt to 1990 (with exception of the bank loan of \$2,000,000 for which no repayment terms have been specified) is as follows:

1986 – \$ 1,578,000	1989 – \$ 742,000
1987 – \$ 1,543,000	1990 – \$ 20,000
1988 – \$ 1,175,000	

#### 10. Share capital

##### a) Authorized:

The authorized share capital is as follows:

- i) an unlimited number of 6%, non-cumulative preferred shares without par value, redeemable at the amount paid up thereon;
- ii) an unlimited number of Class A voting shares without par value, convertible into Class B shares on a 1 to 1 basis;
- iii) an unlimited number of Class B shares without par value, convertible into Class A shares on a 1 to 1 basis;
- iv) an unlimited number of Class C shares with a stated value of \$0.01.

✓ The Class B shares are voting and participating. However, the holders of Class B shares are not entitled to dividends but are entitled to purchase one Class C share for each Class B share held. Once the Class C shares have been redeemed, Class B shares are convertible into Class A shares on a 1 to 1 basis.

The Class C shares are non-voting and non-participating, and the holders of such C shares are not entitled to dividends. Class C shares are redeemable, at the option of the holders, at a price equal to the stated value, plus an amount equal to the aggregate of all dividends declared and paid by the company on each Class A share from the date of issuance of such C shares. The company has set aside funds to provide for such redemption.

b) Issued:

	1985		1984	
	Number of shares	Amount	Number of shares	Amount
Class A	5,867,731		5,881,178	
Class B	1,158,119		1,030,372	
Class C at redemption price	7,025,850	\$ 7,343	6,911,550	\$ 6,615
Less funds set aside for redemption	1,158,119	1,087	1,030,372	399
		(1,077)		(390)
		\$ 7,353		\$ 6,624

#### 11. Unusual items

	1985	1984
Gain on disposal of investment in Robertson Research PLC	\$ 8,183	\$ 3,047
Gain on disposal of investment in Pasco Engineering Limited	—	610
Gain on termination of pension plans of joint ventures	1,861	1,087
Write-down of value of drilling funds and goodwill	—	(959)
	\$ 10,044	\$ 3,785

#### 12. Pension plans

The company, its subsidiaries and joint ventures maintain pension plans for the benefit of their employees. The cost of these plans is expensed as incurred and is based on actuarial studies. These pension plans are fully funded, based on actuarial studies prepared in 1984 and 1985, and it is the opinion of management that this situation generally prevailed at December 31, 1985.

During the year, a joint venture company received approval to implement certain changes to its pension plan and to be refunded a portion of the surplus resulting from these changes. The amount refunded was recognized as income. The SNC Group's portion of that income amounts to \$1,861,000 and is included under "Unusual items" in the consolidated statement of income (note 11).

#### 13. Commitments

a) Offer to purchase shares

In November 1985, The SNC Group agreed to purchase from the Canadian Government all the shares of Canadian Arsenals Limited ("CAL"), a manufacturer of ammunition and related products principally for the Government of Canada. Under the purchase offer, the purchase price is \$87,500,000 payable in cash at time of closing. Arrangements have been made by The SNC Group with its bankers to finance the acquisition. On closing, CAL will repay its debt of \$4,725,000 which is due to the government.

While The SNC Group has been retained as the successful bidder for the purchase of CAL, the acquisition is subject to the adoption of an Act of Parliament authorizing the Minister of Supply and Services to dispose of the shares of CAL, and of an Order in Council approving the terms of the sale as included in the purchase offer. Management anticipates that such approvals will be given in the near future.

The acquisition, when completed, will be accounted for as a purchase.

b) Leases

Commitments for annual basic rental under long-term leases for the next five years are as follows – 1986: \$5,124,000; 1987: \$4,006,000; 1988: \$1,715,000; 1989: \$695,000; 1990: \$594,000, and aggregate \$229,000 for the following years.

#### 14. Contingencies

In the normal conduct of the operations of The SNC Group, there are pending claims by and against the group. It is the opinion of management, based on the advice and information provided by counsel, that final determination of these claims will not materially affect the consolidated financial position or results of operations of The SNC Group.

#### 15. Comparative figures

Certain figures of 1984 have been restated in order to be comparable with those of 1985.

#### 16. Segmented information

The consolidated results of The SNC Group are from two main sources, Engineering and construction (which includes venture projects) and Manufacturing.

– Engineering and construction

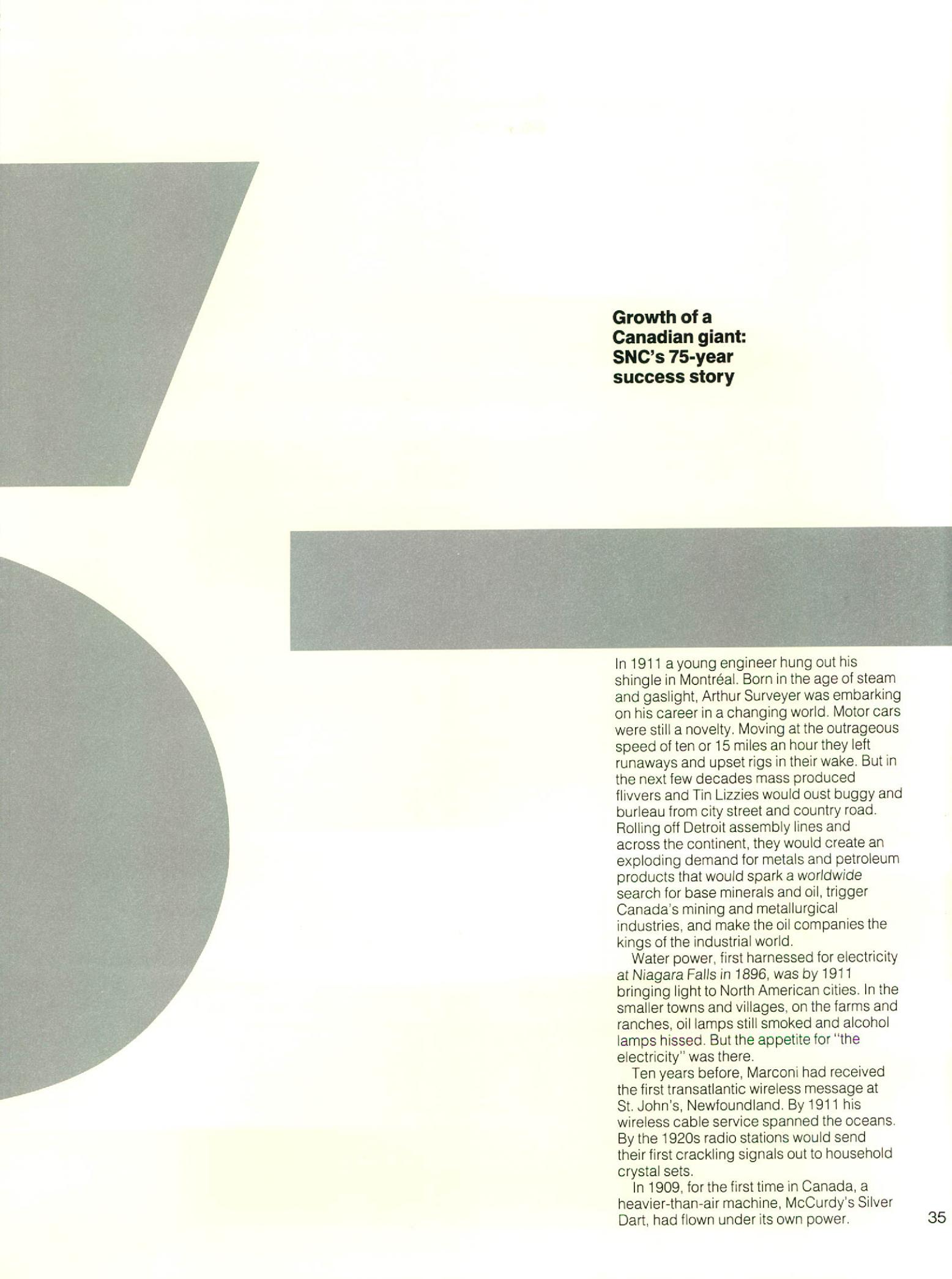
Revenues have been segmented by classification of the industry served and geographically by the location of the project undertaken. Gross profit and accounts receivable and contracts in progress have been segmented between Canada and Export on the basis of location of the project served. All other assets have been segregated by physical location.

– Manufacturing

Manufacturing activities have been segmented by Ammunition and Security systems (fire and damage control systems). Revenues and gross profit have been allocated according to the location of the client.

	1985		1984	
	Amount	%	Amount	%
Revenues by industry sector				
Engineering and construction				
Power and heavy civil	\$ 47,701	27.9	\$ 44,042	26.1
Chemical and petroleum	46,133	27.0	41,900	24.8
Mining and metallurgy	24,153	14.1	44,948	26.6
Forest products	21,462	12.5	17,431	10.3
Others	31,705	18.5	20,458	12.2
	<u>171,154</u>	<u>100.0</u>	<u>168,779</u>	<u>100.0</u>
Manufacturing				
Ammunition	49,566	95.2	36,718	100.0
Security systems	2,502	4.8	—	—
	<u>52,068</u>	<u>100.0</u>	<u>36,718</u>	<u>100.0</u>
Total revenues	<u>\$ 223,222</u>		<u>\$ 205,497</u>	
Revenues by geographic area				
Engineering and construction				
Canada	\$ 103,896	60.7	\$ 112,865	66.9
United States	31,484	18.4	16,406	9.7
Latin America	7,644	4.5	5,027	3.0
Europe	488	0.3	4,702	2.8
Africa	7,248	4.2	7,173	4.2
Middle-East	1,325	0.8	4,249	2.5
Asia	19,069	11.1	18,357	10.9
	<u>171,154</u>	<u>100.0</u>	<u>168,779</u>	<u>100.0</u>
Manufacturing				
Canada	49,986	96.0	34,221	93.2
Export	2,082	4.0	2,497	6.8
	<u>52,068</u>	<u>100.0</u>	<u>36,718</u>	<u>100.0</u>
Total revenues	<u>\$ 223,222</u>		<u>\$ 205,497</u>	
Gross profit				
Engineering and construction				
Canada	\$ 30,400	57.4	\$ 38,254	71.3
Export	22,546	42.6	15,426	28.7
	<u>52,946</u>	<u>100.0</u>	<u>53,680</u>	<u>100.0</u>
Manufacturing				
Canada	9,853	97.5	8,694	92.5
Export	250	2.5	703	7.5
	<u>10,103</u>	<u>100.0</u>	<u>9,397</u>	<u>100.0</u>
Total gross profit	<u>\$ 63,049</u>		<u>\$ 63,077</u>	
Income before income taxes and share of net loss of associated companies and minority interest				
Engineering and construction (including unusual items of \$10,044 in 1985 and \$3,785 in 1984)	\$ 10,729	76.9	\$ 5,911	66.6
Manufacturing	3,217	23.1	2,966	33.4
Total	<u>\$ 13,946</u>	<u>100.0</u>	<u>\$ 8,877</u>	<u>100.0</u>
Assets				
Engineering and construction				
Canada	\$ 58,440	62.4	\$ 48,281	63.7
Others	35,251	37.6	27,467	36.3
	<u>93,691</u>	<u>100.0</u>	<u>75,748</u>	<u>100.0</u>
Manufacturing				
Canada	48,702	99.7	38,681	99.4
Others	164	0.3	237	0.6
	<u>48,866</u>	<u>100.0</u>	<u>38,918</u>	<u>100.0</u>
Total assets	<u>\$ 142,557</u>		<u>\$ 114,666</u>	
Purchase of fixed assets – net				
Engineering and construction	\$ 1,752	38.3	\$ 6,610	69.1
Manufacturing	2,825	61.7	2,958	30.9
Total	<u>\$ 4,577</u>	<u>100.0</u>	<u>\$ 9,568</u>	<u>100.0</u>
Depreciation of fixed assets				
Engineering and construction	\$ 2,066	51.0	\$ 2,231	56.6
Manufacturing	1,982	49.0	1,712	43.4
Total	<u>\$ 4,048</u>	<u>100.0</u>	<u>\$ 3,943</u>	<u>100.0</u>





## **Growth of a Canadian giant: SNC's 75-year success story**

In 1911 a young engineer hung out his shingle in Montréal. Born in the age of steam and gaslight, Arthur Surveyer was embarking on his career in a changing world. Motor cars were still a novelty. Moving at the outrageous speed of ten or 15 miles an hour they left runaways and upset rigs in their wake. But in the next few decades mass produced flivvers and Tin Lizzies would oust buggy and burleau from city street and country road. Rolling off Detroit assembly lines and across the continent, they would create an exploding demand for metals and petroleum products that would spark a worldwide search for base minerals and oil, trigger Canada's mining and metallurgical industries, and make the oil companies the kings of the industrial world.

Water power, first harnessed for electricity at Niagara Falls in 1896, was by 1911 bringing light to North American cities. In the smaller towns and villages, on the farms and ranches, oil lamps still smoked and alcohol lamps hissed. But the appetite for "the electricity" was there.

Ten years before, Marconi had received the first transatlantic wireless message at St. John's, Newfoundland. By 1911 his wireless cable service spanned the oceans. By the 1920s radio stations would send their first crackling signals out to household crystal sets.

In 1909, for the first time in Canada, a heavier-than-air machine, McCurdy's Silver Dart, had flown under its own power.



*Dr. Arthur Surveyer*



*Emil Nenniger*



*J. Georges Chênevert*

Pasteur's discoveries, in the previous century, had made the public aware that water was often a source of the plagues and epidemics until then ascribed to providence or bad luck. Municipalities were making an effort to supply their citizens with clean water.

Here was opportunity indeed for an engineering firm, if its owners could grasp it. Arthur Surveyer & Co. was such a firm. Unlike its competitors, it offered more than one kind of engineering, grouping under one roof civil, mechanical, electrical and municipal design and providing field supervision services – the last being the first flickering beginnings of the leadership in project management that marks The SNC Group today.

Water – for power, municipal supply or navigation – accounted for most of the early assignments. From 1911 onward the firm studied and evaluated undeveloped hydroelectric sites on Québec rivers. Reflecting Dr. Surveyer's keen interest in finance, many were economic studies. In 1912 the firm investigated and reported on the effect of the Chicago Drainage Canal on the water level in Montréal Harbour, the next year on the effect on water levels

from Montréal to deep water.

In 1912 it was called on to recommend navigation improvements on the Batiscan River. In 1914 the firm began design, contract plans, specifications and construction supervision of a new pumping station, dam and municipal power plant at Joliette, Québec. In 1917 it was working on engineering studies of a filtration plant and aqueduct system in Lachine. The volume of hydroelectric work continued to increase to meet rising demand in the 1920s, culminating in a flurry of economic and financial studies as, toward the close of the decade, large utility companies began to take shape and to buy and develop properties.

In 1923 Emil Nenniger and Georges Chênevert joined the firm. Their abilities blended well. A civil engineer, Georges Chênevert had a flair for buildings and municipal work; Emil Nenniger had great talent in structural design and, though self taught in process design, was quickly able to master the elements and intricacies of new technologies.

They soon had an opportunity to use their

talents: a transport company warehouse and department store in 1923, a filtration plant and pumping station at Three Rivers and an engineering and economic study of a chemical plant in 1924, followed by more such studies, of a pulp mill in 1926 and an electrolytic zinc plant in 1930. Close to 30 years later SNC was to design and build such a plant at Valleyfield and so be well on its way to world leadership in zinc technology.

The 1920s were a decade of swift technological and social change. Cars and trucks were fast replacing the horse. First the gramophone, and then radio, brought canned entertainment into most households. These electronic marvels brought culture and information, too. In urban Canada, electricity was beginning to free women from the worst of household drudgery. They shortened their skirts and entered the workforce in numbers. The 1929 crash slowed technological change but social ferment went on.

In most of Canada, Québec above all, it was still an age of piety. Active in church affairs, Georges Chênevert brought in many contracts for churches and church-run schools and hospitals. Among them were design, plans and specifications for Loyola College Chapel, Valleyfield Cathedral and – a technical challenge in those days – moving the Oblate Fathers' four-storey, 3,000 tonne monastery at Cap-de-la-Madeleine to a new site.

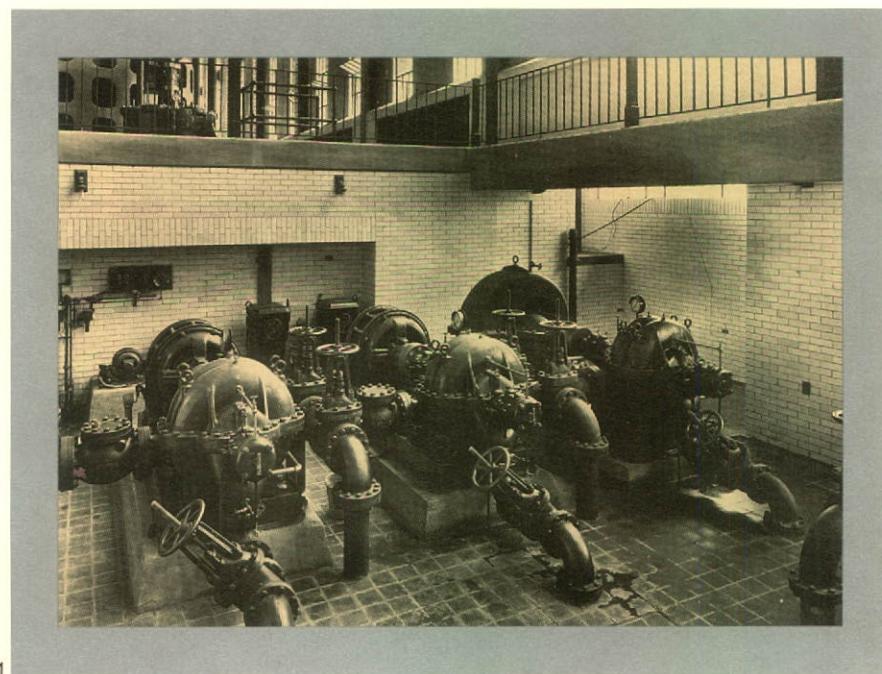
Emil Nenniger would find an outlet for his process engineering talent, too. As the dole queues lengthened, as dust sifted across the Canadian prairies, crops failed and farms went under, as the unemployed marching in thousands on Ottawa were put down in the Regina Riot, news from abroad was even more disquieting.

With a rattle of sabres and click of booteels, Hitler and his Nazi Party came to power in Germany in 1933. War in Europe began to be rumoured. And in the second part of the decade war splashed across the headlines: war in Spain, war in China. In 1938, after Chamberlain and Daladier signed the Munich agreement, the race to gear up Allied European defences began in earnest.

The demand for steel and aluminum rocketed. In 1938 the firm carried out three studies for chromium and ferro-chrome smelters. More chromium studies followed and in 1941 it designed and supervised construction of a plant. From 1940 to 1945 much work came in from Alcan.

In 1937 Emil Nenniger and Georges Chênevert had become partners although this was reflected in the name only in 1947.

The war years were boom years in Canada. In 1946, with its first third of a century behind it, the firm had laid the groundwork in technologies that were to fuel its steady growth in the 1950s and early 1960s and launch it into worldwide expansion in the 1970s.



1



2



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1 The pump pit in an early hydroelectric station.

2 Bridgebuilding at Chicoutimi in 1930.

3 Churchbuilding and repair projects marked the 1930s.

### An era of steady growth

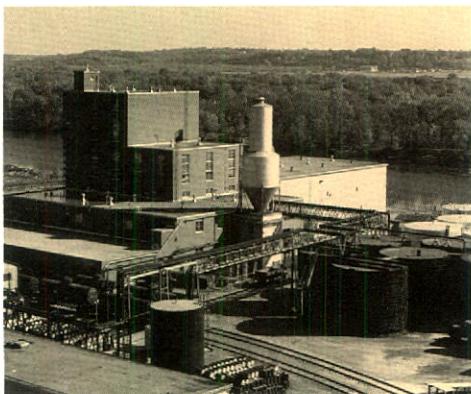
In the forties, with the war ended, the firm stood on the threshold of a new era. The men who were to build its strengths, perceive its potential, and lead it into greater expansion had joined the firm or would join it before many years had passed.

With labour scarce in the war years, Canada's farms had become mechanized. After the war people flocked to the cities. Repatriated veterans were being settled in thousands of mushroom suburbs that sprang up across the country in a few years. Europeans, fleeing war-torn homelands, poured into the great spaces of Canada. They brought cultural riches, scientific knowledge and technological skill. SNC was one of the firms to benefit.

Consumer demand was rocketing. Industry was expanding to meet the demand. Vast deposits of iron had been discovered in Québec's then remote Ungava region. Mines were being developed, railways and ports built. In 1947 drillers struck oil at Leduc in formations millions of years older than at Turner Valley, a producing field since 1914. Alberta rose on the Leduc gusher to become one of the world's largest sources of petroleum products. Electricity needs were soaring and vast power projects were starting.

With its experience in light and heavy industry and in hydroelectric projects, SNC was well placed to ride this wave of prosperity and resource development. The later forties brought industrial projects for textile, food, paper, building material and chemical production, quickly followed by two large metallurgical and mineral projects: Québec Iron & Titanium's Sorel smelter in 1950 and Canadian Johns-Manville's mill in Asbestos in 1952. In the same year SNC began design of the St. Lawrence Cement plant at Villeneuve, Québec. Zinc projects, some of the earliest for Blackwell Zinc in Oklahoma, soon followed.

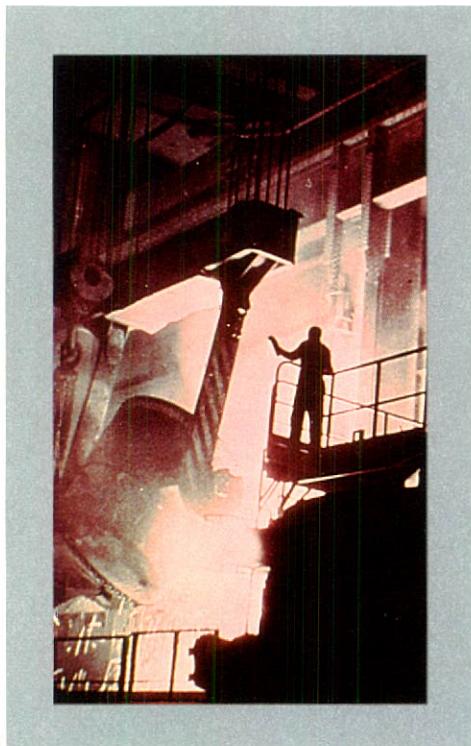
In the early fifties SNC started work on hydroelectric studies of northern Québec rivers. Camille Dagenais, when he joined the firm in 1953, was a young engineer who since boyhood had dreamed of building large dams. He headed the studies of the Manicouagan-Outardes basin, which led to a contract from Hydro-Québec for the design of Manic 5, the world's highest multiple arch dam. The Manicouagan surveys took SNC teams into the northern bush in all weathers, travelling by canoe in the blackfly haze of summer, by dog team in the sub-zero winter, and year-round in aged Otters and Beavers piloted by air force veterans whose daring often exceeded their remarkable skill. It was there that SNC built the core of its hydroelectric team – and the experience gained on this work in Québec was to take them into more remote places still, into the jungles of the Western Ghats, the savannahs of Africa, the headwaters of the Amazon.



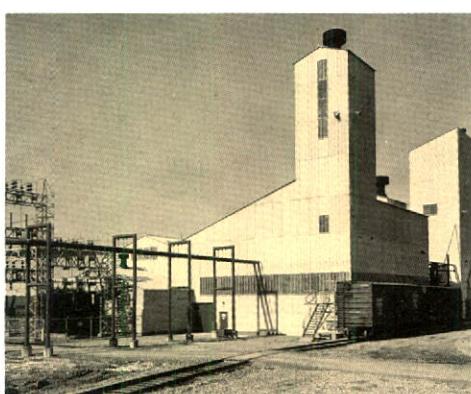
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1 A commercial alcohol plant designed in 1947.

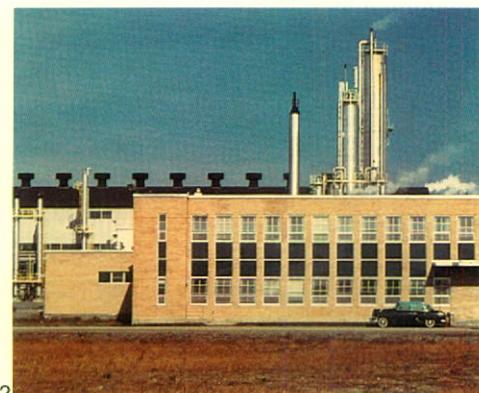
2 A prototype metallurgical plant at Niagara Falls, designed in the 1950s.

3 Québec Iron & Titanium's Sorel smelter, an early project of the 1950s.

4 A sodium chlorate plant at Beauharnois, 1959.



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6

1 Canadian Titanium Pigments, Varennes, started in 1960.

2 Brockville Chemicals, Maitland, Ontario, built in the early 1960s.

3 Manic 5, the world's highest multiple arch dam.

4 Ciments Lafarge, Saint Constant, led to overseas cement projects.

5 Idukki Dam, India. Studies began in 1963.

6 An asbestos mill in Nordenham, West Germany.

and the gorges of the Yangtze.

Meanwhile, through much of the world new nations were emerging, breaking free of the colonial yoke, and struggling to build up their industries and raise their standards of living. They needed technology. Canada, with no imperial history and a record of siding with the Third World in international councils, was an ideal source. And technology was on the road to rapid change. After the U.S.S.R. launched Sputnik in 1957 the space race was on. Among other technological advances it would speed up the marriage of computers and electronic communications that sparked the information revolution we are living through in the eighties.

The firm was changing. In 1959 and 1961 junior partners joined the senior men of Surveyer, Nenniger & Chênevert. Dambuilder Camille Dagenais would soon prove his skill at building an international enterprise. Jack Hahn, a man of vision who well understood that one secret of success is to keep in the forefront of change, was already showing his style as a creative source of new ideas. John Turcke's high technical and ethical standards had even then earned him the tag of "the conscience of SNC", and in the years of transition and growth to come his gentle wit could always be relied on to dispel tension in management councils. Besides loyalty and versatility, Roméo Filiault's outstanding quality was his willingness to undertake difficult and often inglorious tasks that no one else wanted to tackle and to see them through with unswerving tenacity – whether it was driving a tunnel through an apartment building, managing and making a success of SNC subsidiaries, or moving SNC headquarters.

Their influence was soon reflected in the firm's broadening horizons. In the early sixties the first subsidiaries were formed. In the same years, first among Canadian engineering firms, SNC installed an in-house computer. The firm began its first large overseas project, Iduki Dam, in India. Others soon followed – in the Middle East, North Africa and Europe.

In Canada, more mineral and metallurgical projects came to SNC drawing boards. Besides the Canadian Electrolytic Zinc plant in Valleyfield, Québec, SNC worked on five Québec steel mills in the early sixties. Staff had grown steadily since the late forties.

Jean-Paul Gourdeau, an environmental engineer, joined the firm in 1961 to take charge of the municipal and environmental division. His managerial flair soon opened the door to wider scope. His drive, determination and stamina would play a crucial part in reaching the high goals a changing SNC was to set itself.

#### Growth explodes

In 1964 Surveyer, Nenniger & Chênevert was incorporated. In 1966 Camille Dagenais was elected president and Jean-Paul Gourdeau

was named vice-president, Operations. In 1967 a group of employees bought out the partnership and SNC Enterprises Ltd. was formed as holding company of a growing number of subsidiaries. SNC was reorganized into product divisions, serving specific industries, in place of the old groupings of structural, electrical and mechanical engineering.

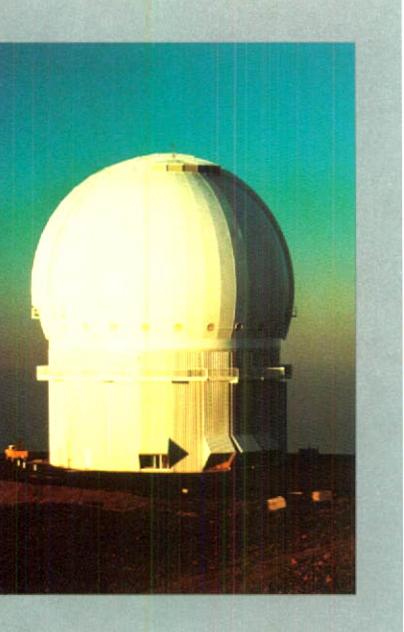
Since then, The SNC Group has always worked to a five-year plan. Few people know that the first one was drafted on a paper bag. Camille Dagenais, a keen fisherman, withdrew to the Canadian bush to cast for trout and think about his ideas for the reconstituted company, what kind of organization he would like it to be, and where it should go. Breaking for lunch, he unwrapped his cold chicken and jotted down his thoughts on the bag.

Such homely beginnings in no way held back the dynamic growth of The SNC Group that was to follow. SNC set out to acquire more subsidiaries and to form joint companies and consortia to broaden its technological base and geographic coverage. Some of these joint companies were already in existence: Canatom, formed to carry out Candu nuclear power projects, was one. A young nuclear engineer, Alex Taylor, played a central role in its growth and later in the growth and diversification of The SNC Group.

The firm made a great push to build up project management skills. The effort soon brought fruit in the award of ever larger projects and in the ability to perform them on schedule and within budget. This performance soon won The SNC Group a high reputation. Today its computer-based project control systems are among the best on the market and the secret of time and cost records that have been known to pare months from project schedules.

The company recognized the opportunities of the international market for the very skills and technologies for which Canadians had become known: mining, metallurgy, hydroelectric power, pulp and paper, and telecommunications. It set out to build up an international marketing network and to expand across Canada, into the United States, and to Latin America, Europe, Africa and Asia. In the early seventies, with more and more international projects coming onto the drawing boards, growth was explosive. Staff that in 1970 numbered less than 900 had grown to close to 5,000 by the end of the decade. Revenues had quintupled. More than half came from outside Canada.

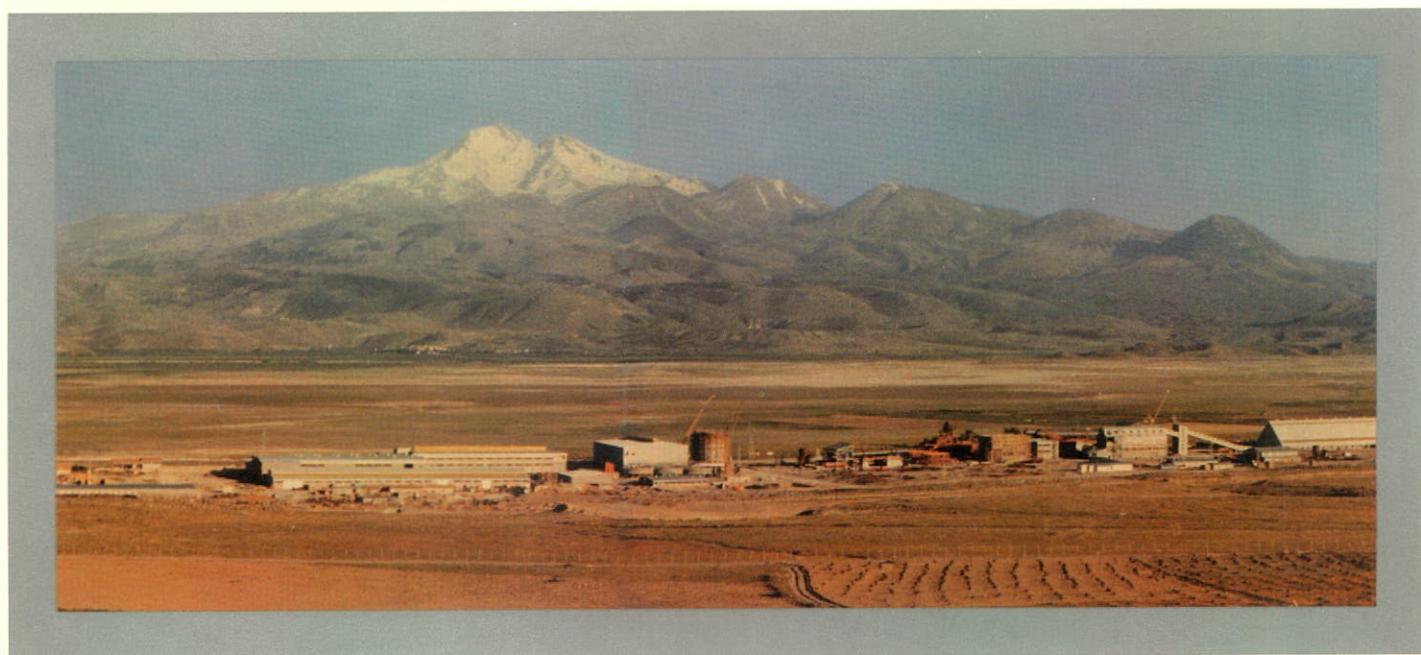
In line with its plan, the group set out to build strength in certain products. Subsidiaries created in the seventies to serve the forest product and chemical and petroleum industries soon emerged as Canadian leaders. By mid-decade SNC was setting time and cost records in the petrochemical industry, when it finished an



Canada-France-Hawaii Observatory,  
a high altitude project of the 1970s.



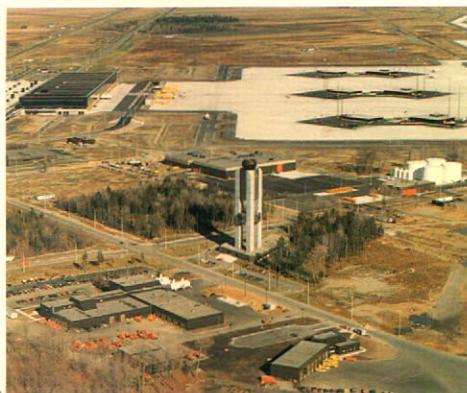
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1 A prototype nuclear power plant at Gentilly, Québec, started in the 1960s, was followed in the 1970s and 1980s by a 600 MW station.

2 A zinc refining, rolling and casting complex built in Turkey in the 1970s.

3 Completed in the 1970s, Meftah cement plant, Algeria.

4 Mirabel International Airport, opened in 1975.

5 National Zinc, Bartlesville, Oklahoma, one of many zinc projects of the 1970s.

aromatics plant in Sarnia, Ontario, three months ahead of schedule.

Among landmark projects of the era were an asbestos mill in West Germany, Mirabel Airport, zinc plants in the U.S., Turkey and Peru, the new town of Fermont in Québec, an observatory in Hawaii, cement plants in Algeria and Ecuador, alumina plants in Eire and Spain, explosives plants in Ontario and British Columbia, mineral projects in northern Ontario, Bourguiba Dam in Tunisia, LG 3 dam and powerhouse in Québec, Dickson Dam in Alberta, an electrification program in Saudi Arabia and a five-nation telecommunications link in Africa.

### Challenge and response

As The SNC Group drew up its 1977 plan, forewarnings of a changing world could be discerned. As the plan was revised in subsequent years it began to become plain that the current technological revolution in information handling and electronic controls would have profound effects on industry and society. With hydrocarbon megaprojects promised for the eighties, adverse effects on the engineering-construction business did not appear to threaten for years to come. The SNC Group nevertheless decided to put some of its long range plans into action. It set up its own research and development group in 1979 to keep the company abreast of emerging technologies. In 1980 it made its first investment in manufacturing when it bought IVI Inc.

The postponement or cancellation of megaprojects that followed the 1982 recession changed the picture. A new age was dawning. It was more difficult to perceive the opportunities than it had been in 1911, 1946 or 1967, but they were there. SNC management laid its plans to seize them. There has since been a shift in the engineering-construction business. To offset it The SNC Group has acquired interests in more manufacturing companies and plans to increase these interests. It has stimulated its engineering-construction business by promoting and investing in its own projects.

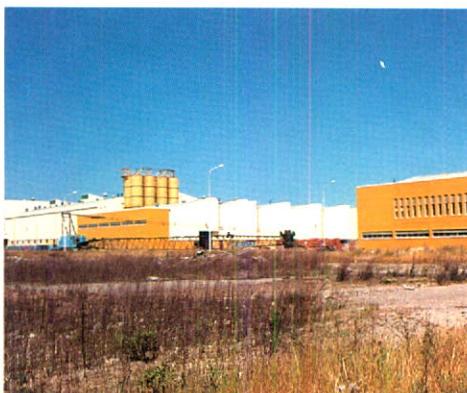
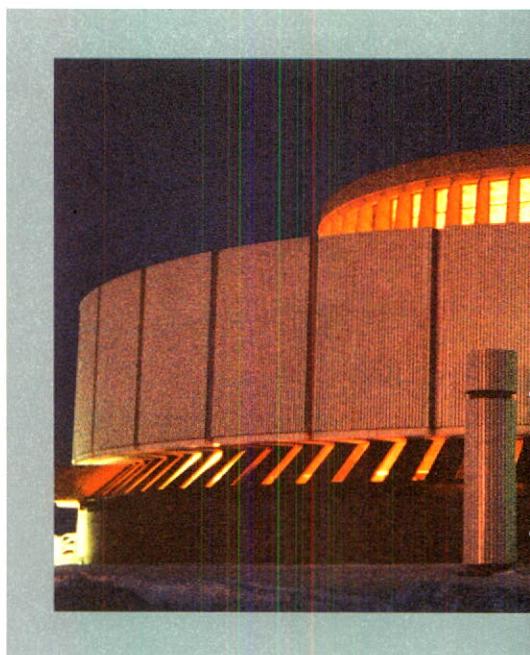
Yet, in the face of a shifting market that is growing ever more competitive, The SNC Group has succeeded in winning large projects at home and abroad. The Reynolds smelter expansion in Baie Comeau, Québec, Suncor's hydrocracker complex in Sarnia, Ontario, the Chamera hydroelectric project in India and Domtar's fine paper mill in Windsor, Québec, are some of the larger.

As in 1911, technology once again is changing the world and subtly altering our place in it. And, as it has for 75 years, The SNC Group is finding innovative ways to respond to this challenge and to the opportunities change always offers to those who are daring, able and foresighted enough to grasp them.



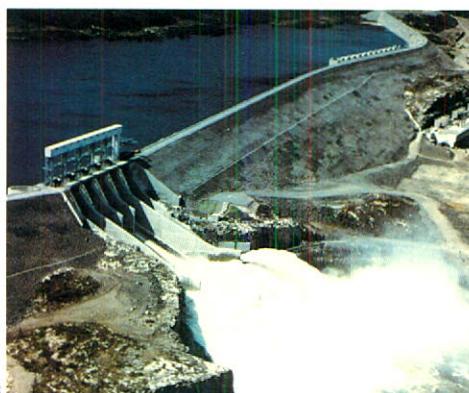
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1 Modern port at Warri, Nigeria, opened in 1979.



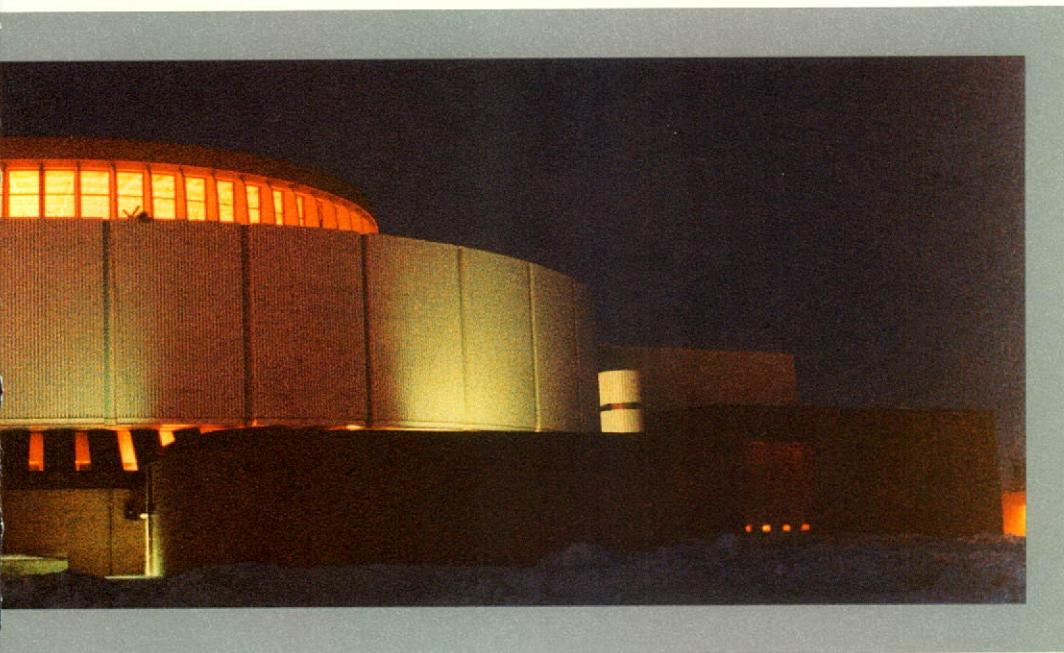
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2 SONACOME's ductile iron foundry at Rouiba, Algeria, completed in the 1980s.

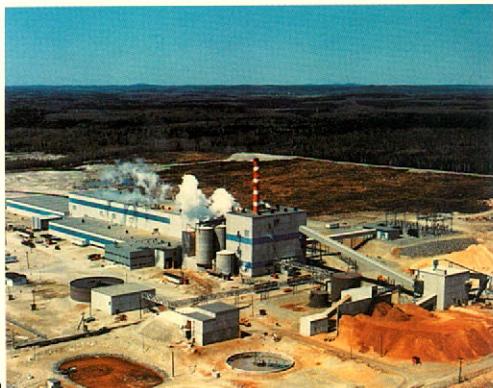


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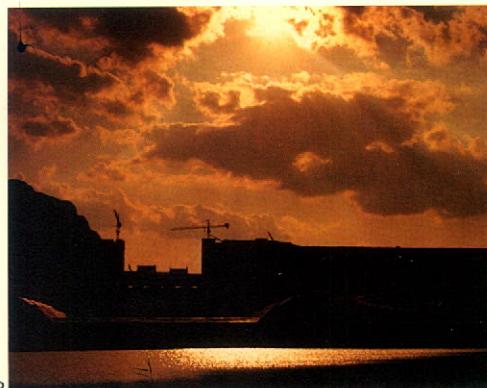
3 Part of Québec's James Bay development, LG 3.



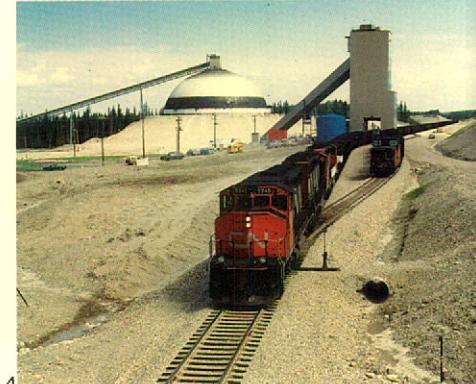
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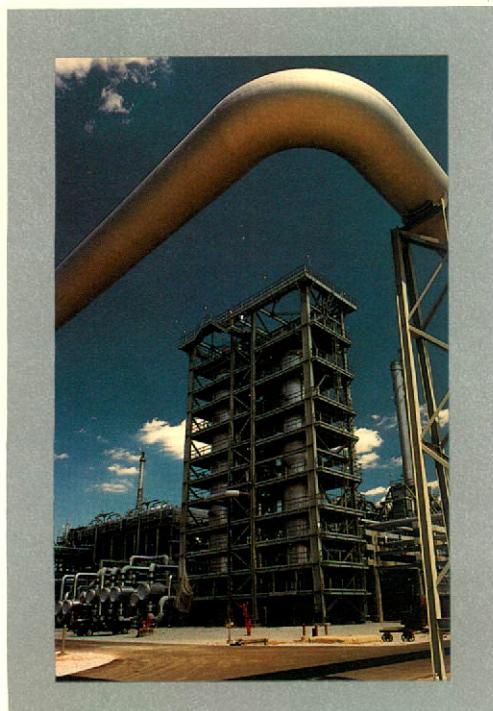
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1 *The Montréal Urban Community pumping station won a design award in 1984.*

2 *Donohue-Normick's newsprint mill in Amos, Québec.*

3 *Bourguiba Dam, Tunisia, inaugurated in 1982.*

4 *Coal handling and storage project at Hinton, Alberta, built in 1984.*

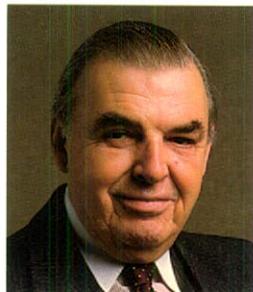
5 *A major project of the 1980s, Suncor's hydrocracker complex at Sarnia, Ontario.*

## Directors and principal executives

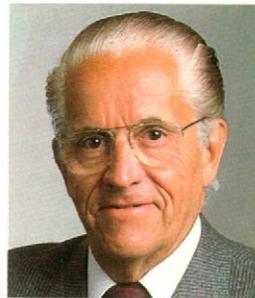
### ● Board of directors



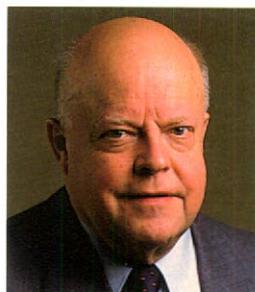
**Jean-Paul Gourdeau<sup>1</sup>**  
President and Chief  
Executive Officer,  
SNC Enterprises Ltd., Montréal



**R. Guy Godbout<sup>1, 2, 3</sup>**  
Chairman, Cogan Wire and  
Metal Products (1974) Ltd.,  
Montréal



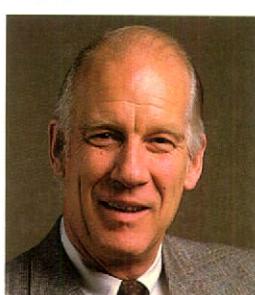
**Camille A. Dagenais<sup>1</sup>**  
Chairman,  
SNC Enterprises Ltd.,  
Montréal



**William A. Howard**  
Senior Partner,  
Howard, Mackie,  
Calgary



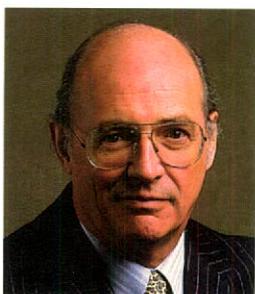
**Stephen A. Jarislowsky<sup>1, 3</sup>**  
President, Jarislowsky,  
Fraser & Co. Ltd.,  
Montréal



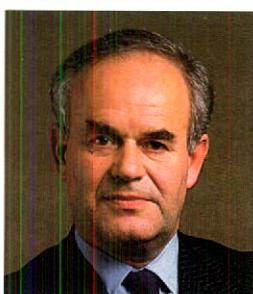
**Harry W. Macdonell<sup>2, 3</sup>**  
Partner,  
McCarthy & McCarthy,  
Toronto



**Paul Paré**  
Chairman of the Board and  
Chief Executive Officer,  
Imasco Limited, Montréal



**Charles Perrault<sup>2</sup>**  
President, Perconsult Ltée,  
Montréal



**Alex Taylor**  
Executive Vice-President,  
SNC Enterprises Ltd.,  
Montréal



**Robert L. Vachon<sup>1</sup>**  
Chairman,  
Christie Group Ltd.,  
Montréal

(1) Member of Executive Committee  
(2) Member of Audit Committee  
(3) Member of Human Resources Committee

## ● Corporate executives

**Camille A. Dagenais**

Chairman of the Board

**Jean-Paul Gourdeau**

President and Chief Executive Officer

**Alex Taylor**

Executive Vice-President

**Claude Laliberté**

Senior Vice-President, Project Operations

**H. William Pearson**

Senior Vice-President, Products

**Michael Pick**

Senior Vice-President, Finance and Development

**Anthony Rustin**

Senior Vice-President, Products

**Nash A. Sidky**

Senior Vice-President, Marketing

**Lionel H.J. Cook**

Vice-President, Europe

**Denis Crevier**

Vice-President, Law Corporate Secretary

**Jacques Daoust**

Vice-President, Personnel and Administration

**Warren G. Flowers**

Vice-President and Controller

**Gaétan Lavallée**

Vice-President, Quality Assurance

**Jacques E. Lefebvre**

Vice-President, Public Affairs

## ● Divisions

**Taro Alepian**

Vice-President, Chemicals and Petroleum and President, SNC/FW Ltd.

**Pierre Demers**

Vice-President, Integrated Communication Systems and President, DGB Consultants Inc.

**Gilles Fournier**

Vice-President, Environment

**Ghislain Gauthier**

Vice-President, Defence Projects

**Réal L'Archevêque**

Vice-President, Technical Development

**Gilles Marinier**

Vice-President, Power and Heavy Civil Works

**Robert Minto**

Vice-President, Mining and Metallurgy

**Laval Samson**

Vice-President, Geotechnical Services and President, Terratech

**Michel Villemaire**

Vice-President, Industrial Plants and Buildings

**J.A. Wayland**

Vice-President, Systems

## ● Project Operations

**Claude Laliberté**

Senior Vice-President, Project Operations

**Ivars Kletnieks**

Vice-President, Procurement

**Alan Pyatt**

Vice-President, Engineering and Commissioning

**Jean Villeneuve**

Vice-President, Construction

**Josef Zemen**

Vice-President, Project Planning and Controls

**Pierre Bacave**

Vice-President and Project Director

**Jean-Guy Dionne**

Vice-President and Project Director

**Pierre Lamontagne**

Vice-President and Project Director

## ● Marketing

**Nash A. Sidky**

Senior Vice-President, Marketing

**André Gilbert**

Vice-President, Latin America, SNC International Ltd.

**Oscar Bailetti**

Director, Latin America, SNC International Ltd.

**Raymond Gladu**

Director, Marketing, SNC International Ltd.

**Jean-Pierre Mourez**

Vice-President, Middle East, SNC International Ltd.

**Martin Poirier**

Director, Project Financing, SNC International Ltd.

**Tom Richardson**

Vice-President, Asia, SNC International Ltd.

**Arnie Rusinek**

Director, Asia, SNC International Ltd.

## ● SNC Central Canada

**Frank Finch**

Vice-President and General Manager, W.P. London and Associates Limited,

Niagara Falls

**Ray Hollings**

Vice-President, Marketing, SNC/FW Ltd., Toronto

**Eric Le Surf**

President and Chief Executive Officer, London Nuclear Services Inc., Niagara Falls, New York

**Owen Wiltshire**

Vice-President, Project Operations, W.P. London and Associates Limited, Niagara Falls

## ● SNC Western Canada

**Gordon Gerry**

Vice-President and General Manager, Western Canada, Edmonton

**John Martin**

Vice-President and General Manager, Calgary

**Donald Ramsey**

General Manager, Saskatoon Operations

**Peter Cox**

Regional Vice-President, Marketing, SNC/FW Ltd., Calgary

**Donald MacIntyre**

Manager, Lethbridge Operations

**William MacMillan**

Manager, Edmonton Operations

## ● Subsidiaries

**Taro Alepian**

President, SNC/Aker Offshore Inc., Calgary

**Taro Alepian**

President, SNC/FW Ltd.

**Jacques Chouinard**

President and Chief Executive Officer, IVI Inc., Québec

**Roméo Filiatrault**

President, Reprotech Ltd., Montréal

**Joseph Hasty**

President and Chief Executive Officer, Hensley-Schmidt Inc., Atlanta

**Marble Hensley**

Chairman, Hensley-Schmidt Inc., Chattanooga

**Ivan Lamoureux**

Président, Securiplex Systems Inc., Montréal

**W. Ralph Lewis**

Vice-President, SNC/Sandwell Ltd., Vancouver

**Anthony Papadopoulos**

Regional Vice-President, Marketing, SNC/FW Ltd., Montréal

**H. William Pearson**

President, W.P. London and Associates Limited

**Nash A. Sidky**

President, SNC International Ltd.

**Eric Steiner**

President, SNC/FW Fired Heaters Ltd., Calgary

## ● Associated companies

**Arthur Birchough**

President, Canatom Inc., Montréal

**Owen Dalley**

President and Chief Executive Officer, Sandwell and Company Limited, Vancouver

**Pierre Demers**

President, Elinca Communications Limited, Montréal

**Guy Drouin**

Managing Director, Biodev International Inc., Montréal

**Daniel Hadekel**

President, Aunore Resources Inc., Montréal

**H. William Pearson**

President, CIPM Canadian International Project Managers Ltd., Montréal

**Grant Russell**

General Manager, NPM Nuclear Project Managers Canada Inc., Montréal and Toronto

**Jacques Sicotte**

President and Chief Executive Officer, Petro-Sun International Inc., Montréal

## ● Auditors

**Clarkson Gordon**

## ● Banker

**The Royal Bank of Canada**

## Companies of The SNC Group

### ● Holding company

SNC Enterprises Ltd.

### ● Subsidiaries

#### SNC Inc.

Founder and main operating company of The SNC Group and one of Canada's leading engineer-contractors, providing comprehensive services in project management, engineering, procurement, construction and commissioning.

##### Divisions:

Chemicals and Petroleum Environment Industrial Plants and Buildings Inspection Integrated Communication Systems Mining and Metallurgy Power and Heavy Civil Works Terratech Industries and Transport

#### SNC/Aker Offshore Inc.

Offshore installations for the oil and gas industry.

#### SNC Consultants Ltd.

Comprehensive services in Western Canada

#### SNC Defence Products Inc.

Defence manufacturing.

#### SNC/FW Ltd.

Engineering, procurement and construction services for the chemical and petroleum industries.

#### SNC/FW Fired Heaters Ltd.

Contracting for fired heaters.

#### SNC Hydro Inc.

Minihydro venture projects in the United States.

#### SNC International Ltd.

International marketing.

#### SNC, Ltd.

Comprehensive services in the United States.

#### SNC (Nigeria) Ltd.

Comprehensive services in Nigeria.

#### SNC (S.A.) Inc.

Special projects.

#### SNC/Sandwell Limited

Engineering, procurement and construction services for mining, metallurgical, chemical and petroleum industries in the Pacific region.

#### SNC Services Ltd.

Engineer/procure/construct projects.

#### SNC (U.K.) Ltd.

Comprehensive services in Great Britain.

#### DGB Consultants Inc.

Systems engineering and telecommunications.

#### Fimtech Inc.

Computer-based property and equipment mapping and management for utility companies.

#### Hensley-Schmidt, Inc.

Engineering, environmental control services and transportation studies from southeastern U.S. headquarters.

#### IVI Inc.

Manufacturers of small arms ammunition.

#### La Société de la Tour du Mont-Royal Inc.

Promoter and developer of multi-purpose communications tower on Mount Royal.

#### London Nuclear Limited

Radiation waste clean-up services in Canada.

#### London Nuclear Services, Inc.

Radiation waste clean-up services in the U.S.

#### Reprotoch Ltd.

Printing and reproduction.

#### Securiplex Systems Inc.

Design and manufacture of fire and damage control systems and equipment.

#### The SNC Corporation

Comprehensive services in the U.S.

#### W.P. London and Associates Limited

Comprehensive engineering-construction services in central Canada.

### ● Associated companies

#### Aunore Resources Inc.

Mineral exploration, development, production and marketing.

#### Biodev International Inc.

Biomass power plants.

#### CAPG Canadian Atlantic Power Group Ltd.

Engineering and project management for tidal power projects.

#### CIPM Canadian International Project Managers Ltd.

Hydroelectric projects in China.

#### Canatom Inc.

Nuclear power, heavy water and hydrogen technology.

#### Canatrans Inc.

Guided ground transport systems.

#### Disque Americ Inc.

Manufacturers of compact discs.

Elinca Communications Limited Turnkey telecommunications projects.

Himalayan Power Consultants Engineering and project management for projects in Himalayan countries.

NPM Nuclear Project Managers Canada Inc.

Project and construction managers for the nuclear industry.

Petro-Sun International Ltd. Design and manufacture of equipment for alternative energy systems.

Sandwell and Company Limited Comprehensive services to the forest product industries.

SEPADE Comprehensive services in Venezuela.

STER Société tunisienne d'études et de réalisation Comprehensive services in Tunisia.

Le Télegroupe Cablon Inc. Services and equipment for the cable television industry.

## The offices of The SNC Group

### ● Offices in Canada

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## Five year statistical summary

1. In thousands, excepting number of employees, earnings per share and book value per share
2. Earnings per share, book value per share and shares outstanding adjusted to take into account a two for one share split in 1982.
3. Since 1982 presentation of engineering and construction fees and related costs of services was modified to include reimbursable expenses and the contract value of lump sum contracts.

	1985	1984	1983	1982	1981
Number of employees	4,000	4,000	4,200	4,600	5,400
<b>Revenues –</b>					
Engineering and construction (3)	171,154	168,779	165,973	185,895	184,234
Manufacturing	52,068	36,718	39,477	51,498	54,628
	<b>223,222</b>	<b>205,497</b>	<b>205,450</b>	<b>237,393</b>	<b>238,862</b>
<b>Cost of products sold and services rendered –</b>					
Engineering and construction (3)	118,208	115,099	111,420	128,195	115,816
Manufacturing	41,965	27,321	31,584	40,783	42,050
	<b>160,173</b>	<b>142,420</b>	<b>143,004</b>	<b>168,978</b>	<b>157,866</b>
<b>Gross profit</b>	<b>63,049</b>	<b>63,077</b>	<b>62,446</b>	<b>68,415</b>	<b>80,996</b>
<b>Income before the following</b>	<b>13,946</b>	<b>8,877</b>	<b>6,436</b>	<b>(1,031)</b>	<b>8,641</b>
<b>Income taxes (recovery)</b>	<b>1,594</b>	<b>1,069</b>	<b>2,725</b>	<b>(1,853)</b>	<b>3,568</b>
<b>Share of net income (loss) of associated companies</b>	<b>(153)</b>	<b>(368)</b>	<b>146</b>	<b>516</b>	<b>219</b>
<b>Minority interest</b>	<b>67</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net income for the year</b>	<b>12,132</b>	<b>7,440</b>	<b>3,857</b>	<b>1,338</b>	<b>5,292</b>
Earnings per share	1.74	1.09	0.57	0.20	0.84
Return on shareholders' equity	29%	21%	13%	5%	21%
Book value per share	6.68	5.51	4.70	4.25	4.22
Shares outstanding	7,026	6,912	6,817	6,775	6,560
Shareholders' equity	46,912	38,104	32,067	28,801	27,722
Working capital	19,326	14,812	9,317	4,417	11,787
Total funds from operations	16,262	14,846	10,499	1,407	8,531

### Concept

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