

CANADIAN FOUNDATION
COMPANY LTD.

ANNUAL REPORT 1984





Cover

- 1 Mount Macdonald Tunnel,
Rogers Pass, British Columbia
- 2 Office Building at 201 City Centre Drive,
Mississauga, Ontario
- 3 Spur Wharf Extension,
Digby, Nova Scotia
- 4 Calandria of Wolsung-1 600-MW(e)
CANDU Nuclear Generating Station,
Republic of Korea
- 5 Greenhills Overland Conveyor,
Elkford, British Columbia
- 6 C.I.L. House, Head Office,
North York, Ontario

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Directory of Foundation Offices

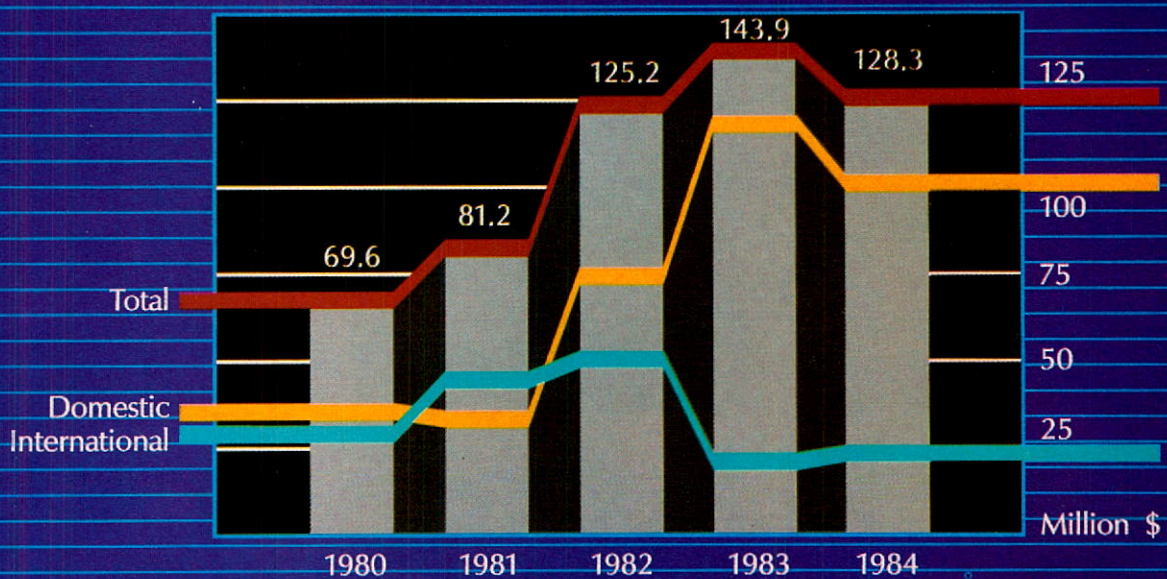
*Si vous préférez recevoir le présent rapport en français,
veuillez vous adresser au Secrétaire,
La Compagnie Fondation Canadienne Ltée,
1 rue Yonge,
Toronto (Ontario)
M5E 1E8*

Financial Highlights

Results in Brief

(\$ in millions)	1984	1983	1982	1981	1980
Gross Operating Revenue	128.3	143.9	125.2	81.2	69.6
Gross Operating Profit	13.8	14.7	10.6	7.2	4.7
Operating Profit	3.1	4.5	2.6	0.9	(1.7)
Profit Before Extraordinary Items	1.6	2.2	1.3	0.5	(1.7)
Extraordinary Items	—	0.8	4.5	1.2	0.2
Net Profit for the Year	1.6	3.0	5.8	1.7	(1.5)
Working Capital at End of Year	12.1	9.5	9.2	5.0	3.7
Shareholders' Equity	14.4	13.0	11.5	5.7	4.0
Per Common Share (\$)					
Shareholders' Equity	9.45	8.29	7.08	2.22	0.83
Profit Before Extraordinary Items	1.16	1.70	0.93	0.24	(1.60)
Extraordinary items	—	0.62	3.78	1.00	0.19
Net Profit	1.16	2.32	4.71	1.24	(1.41)

Gross Operating Revenue: 5-year Overview



McGILL LIBRARY
OF MANAGEMENT
APR 22 1985
McGILL UNIVERSITY



Andrew G. McCaughey,
Chairman;
Paul G. Opler,
Vice-Chairman; and
Rolf Kindbom,
President and Chief
Executive Officer

(Background portrait:
Richard E. Chadwick,
"The Chief").

CANADIAN FOUNDATION COMPANY LTD.

DIRECTORS

Douglas R. Day President & Chief Executive Officer *Western Capital Trust*

***Rolf Kindbom** President & Chief Executive Officer of the Company

The Honourable Leopold Langlois, Q.C. Partner *Langlois, Drouin & Associates*

K.A. Birger Lowhagen Director & President *Skanska AB*

***Robert I. Martin, Q.C.** Partner *Hume, Martin & Timmins*

***Andrew G. McCaughey, C.A.** Chairman of the Board of Directors and of the Executive Committee of the Company; and President *North American Life Assurance Company*

***Paul G. Opler, P.Eng.** Vice-Chairman of the Board of Directors of the Company

Howard A. Tanenbaum Business Executive

***Lawrence M. Tanenbaum** President *Kilmer Van Nostrand Co. Limited*

OFFICERS

Andrew G. McCaughey, C.A. Chairman of the Board of Directors of the Company

Paul G. Opler, P.Eng. Vice-Chairman of the Board of Directors of the Company

Rolf Kindbom President & Chief Executive Officer

Al R. Mackie Senior Vice-President

Hans F. Jakobsen Vice-President, Finance & Administration

William A. Atkinson, C.A. Treasurer

Klaus H. Jacoby Secretary

Gerry D. Hyman, Q.C. Assistant Secretary

*Members of the Executive Committee

DIRECTORS' REPORT TO THE SHAREHOLDERS

Throughout its 75 years in the construction industry, Foundation has achieved a very high standard of innovative construction and engineering services to its clients. As the builder of many significant projects in Canada, the United States and around the world, the Company has earned a reputation for the high quality of its work. Our objective is to continue to deserve that reputation and be recognized as a leading Canadian contractor both in North America and overseas. By providing services of the highest quality to our customers, our employees will enjoy new career opportunities and our shareholders will realize a reasonable return on their investment.

Financial Results

In 1984, a number of joint-venture projects successfully reached completion, contributing both operating profits and some financial gains from foreign currency translation. New orders received exceeded those in the previous year and increased our backlog of orders.

Net profit for the year was \$1.6 million or \$1.16 per share on revenue of \$128.3 million. This compares with profit of \$2.2 million or \$1.70 per share on revenue of \$143.9 million in 1983. Extraordinary income of \$0.8 million increased net profit in 1983 to \$3 million or \$2.32 per share. There were no extraordinary items this year.

All dividends were paid on the preference shares during the year. Per share results have been calculated after providing for a total of \$183,000 of such preferred share dividends.

Results from The Jackson-Lewis Company, Limited (operating in the Ontario building market) and its subsidiary, Cunningham-Limp (1983) Inc. (operating in the

Canadian light industrial engineering and building market) were included for the full year in 1984, compared to five months and three months, respectively, in 1983. This additional revenue helped offset reduced revenues from joint ventures.

Increases in operating and administrative expenses reflect the full year's inclusion of Jackson-Lewis and Cunningham-Limp. Depreciation and amortization reductions resulted from the sale of fixed assets to new joint ventures. Interest income improved, reflecting increased cash and short-term investments of \$3 million at year end.

The year's results brought shareholders' equity to a total of \$14.4 million. The Company continues to operate on a debt-free basis.

Market Conditions

The construction industry has suffered considerably during the 1980s. Compared with the peak year of 1981, industry sales in 1984 were down about 15% in constant dollar terms. In 1985, the Canadian Construction Association is forecasting a slight increase in sales of 2.5%, but anticipates that in real terms 1981 sales levels will not be reached before 1989. The association also forecasts a 10% increase in the non-residential sector, which has traditionally been the mainstay of our industry, and a 5% decrease for government spending, particularly in the road and infrastructure sector.

In Canada, and especially in Western Canada, an increasing number of projects are being awarded to non-union contractors, whose competitive edge results from fewer restrictions regarding pay, fringe benefits and working practices. While three years ago 60% of all work was undertaken by union contractors, and 40% by non-union, today these pro-

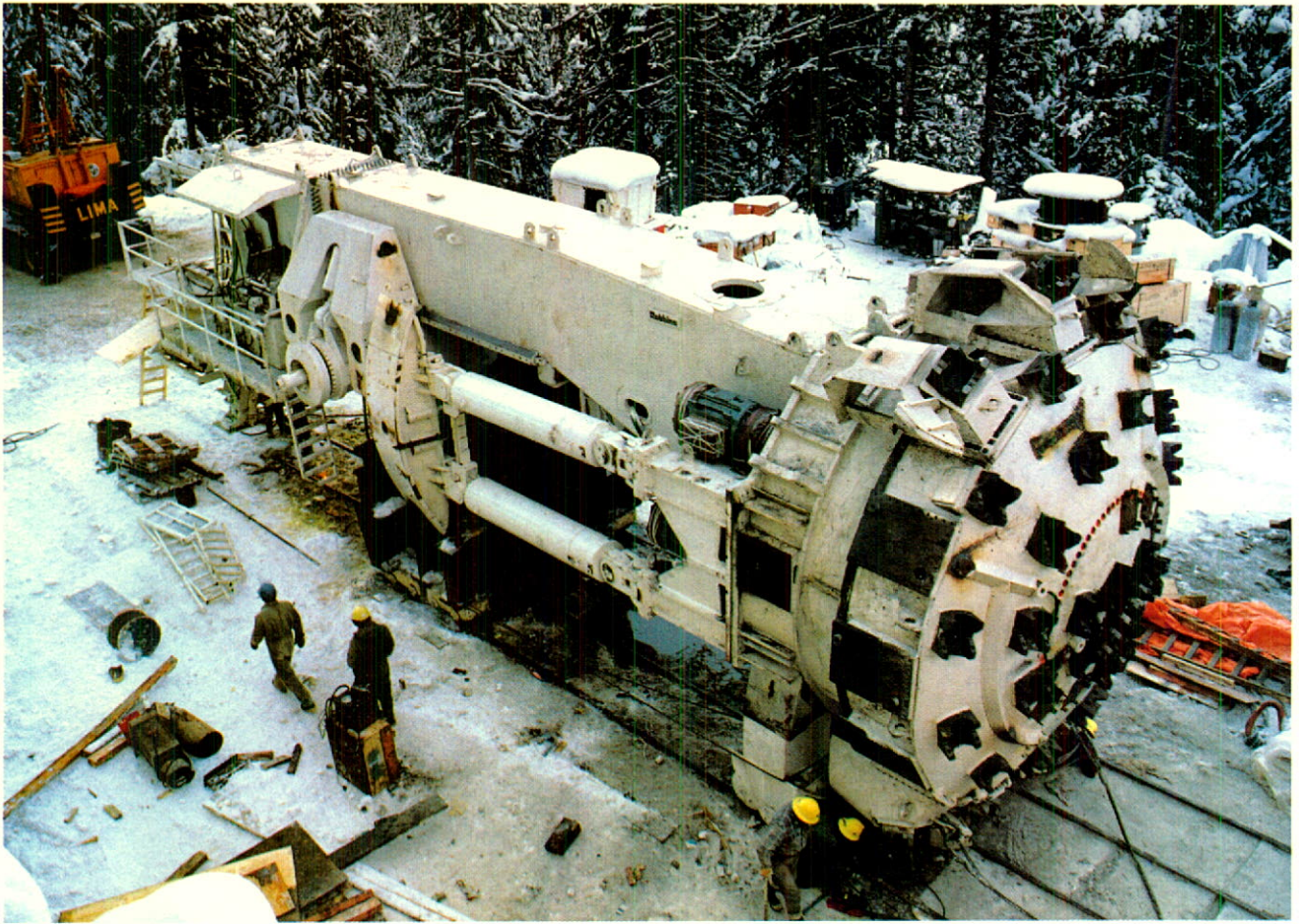
portions have been reversed. This development has meant lost business opportunities for Foundation, which operates as a union contractor.

In the international marketplace, the substantial strength of the Canadian dollar in relation to virtually all other currencies, excepting U.S. dollars, has had an adverse effect on our ability to compete. Heavy, Marine and Industrial Construction markets have been particularly depressed.

In a cyclical business which relies on its experienced staff for successful operations, we are doing all we can to maintain our technical capabilities and capacities as economically as possible. Recognizing, however, that production capacity in a number of our business units was not being fully utilized, we have had to face some reduction in personnel. Although management regrets the necessity of layoffs, it must have the courage to choose between the most difficult of alternatives.

At the end of 1984, in an effort to strengthen the Company's ability to market its primary activities, the organization was restructured into four separate groups: Heavy and Marine Construction, Building Construction, Industrial Construction, and International and Nuclear Construction. Each group will be responsible for its own marketing and production and will have its own estimating and engineering capability.

Heavy and Marine Construction



A Robbins Hard Rock Mole will carry out more than 27,000 feet of excavation for CPR's new Mount Macdonald Tunnel at Rogers Pass, British Columbia.

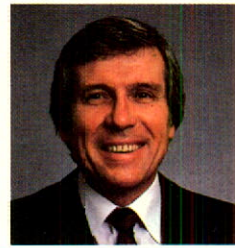
Operations of this unit are directed by Lorne P. Winters, Senior Vice-President. Peter Gerber in Calgary, and John Otter in Toronto, both Vice-Presidents, manage the regional operations. The Foundation Company Inc., located in Dallas, Texas, is also part of this unit.

Revenues from operations amounted to \$21.1 million in 1984 compared with \$28.2 million in 1983. Work was evenly divided between Eastern and Western Canada. Responsibility for the management of the completed contracts of KVN was concluded during the year.

After serving Canadian Pacific on many projects during our 75-year history, we are now building the eastern section of CP's Nine Mile Tunnel at Rogers Pass in the Canadian Rockies. This project is part of the double tracking of Canadian Pacific's western rail system and is undertaken in joint venture with Foundation acting as Sponsor. Back in 1910, Foundation

installed the caissons for Canadian Pacific's Windsor Station in Montreal as one of the Company's first construction jobs.

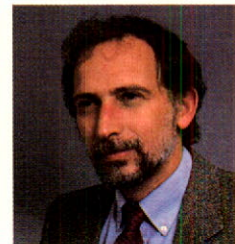
In 1984, the group built the headframe for Lac Minerals's new gold mine at Hemlo, Ontario, a wharf extension for the Dept. of Public Works at Digby, Nova Scotia, and the approaches for the Annacis Island Bridge in Vancouver. At year end, new contracts were received for construction of the Spadina Pier Wharf for Harbourfront Corporation in Toronto and the initial portion of the 1988 Olympic Games Luge Run in Calgary. In Newfoundland, Foundation will build an Oil Rig Service Wharf for Marystown Shipyards in joint venture.



Lorne P. Winters,
Senior Vice-President



Peter Gerber,
Vice-President



John Otter,
Vice-President



The Jamatkhana (House of Prayer) in Burnaby, British Columbia combines traditional Islamic architecture with modern North American construction methods.

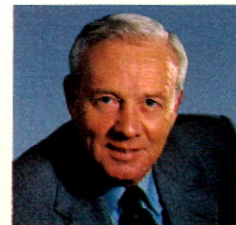
Operations are carried out in the Ontario market by a subsidiary, The Jackson-Lewis Company, Limited, with J. Laurie McCloy as President, and in Vancouver, by Vice-President, L. Philip Bond. Harold G. Vosburgh is President of Cunningham-Limp (1983) Inc.

Revenue of \$51 million increased \$29 million over 1983, with the inclusion of the Jackson-Lewis and Cunningham-Limp operations for the full year following their acquisition in 1983. Foundation is pleased to have both companies in the Group and feels that excellent market penetration has been achieved.

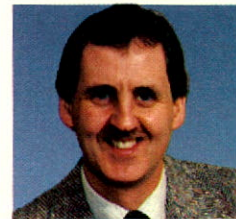
In 1984, with Jackson-Lewis as construction manager, the 70 Rosehill apartment complex in Toronto, the Deer Run Shopping Centre in Mississauga and Dominion Stores in both Scarborough and Etobicoke were successfully completed. Projects currently underway include the Woodbine Centre, a major new shopping centre for Cadillac Fair-

view in Etobicoke, the \$55 million Mississauga Civic Centre where Jackson-Lewis acts as Project Director and Construction Manager, the final phase of the Burnhamthorpe Square office complex in Etobicoke and the Morguard office building in Ottawa. The subsidiary, Cunningham-Limp, continues to perform industrial engineering services for such clients as Northern Telecom and H.J. Heinz Company of Canada Ltd.

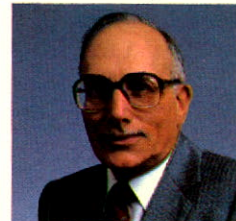
The Company's building unit in Vancouver continues to represent Foundation well. Projects completed in 1984 included the Jamatkhana, a traditional Islamic mosque in Burnaby, British Columbia, and the Marco Polo Building in the heart of Vancouver's Chinatown. Construction work also began on the Seaboard Fidelity Building and the new Lonsdale Quay Market in Vancouver.



J. Laurie McCloy,
President,
Jackson-Lewis Company



L. Philip Bond,
Vice-President, FCC



Harold G. Vosburgh,
President,
Cunningham-Limp

Industrial Construction



The Prince Rupert Grain Terminal on Ridley Island, British Columbia will store up to 200,000 tonnes of grain in its 92 silos.

E.L.S. (Ted) Skodje, Senior Vice-President, heads up this group from Vancouver. Gerry Weber, Vice-President, is responsible for the Eastern Region and 50%-owned Energy Engineers & Constructors Inc. in the United States.

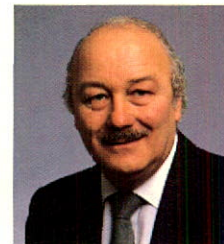
Revenues of \$31.8 million were down from \$70.5 million in 1983 as the work at the Prince Rupert Grain Terminal in British Columbia shifted from civil work to mechanical installations. North America's largest grain elevator has already started receiving grain from the prairies, ahead of schedule, and well within budget. It will be in full operation by the spring of 1985.

Energy Engineers & Constructors Inc. (EEC), an energy contractor located in Philadelphia and operating throughout northeast United States, has suffered from the financial constraints on the Seabrook Nuclear Power Station project in New Hampshire, where it has a substantial cost-plus contract. Work on the first unit is ex-

pected to resume in the spring. In the meantime, the Company has signed several service contracts with public utilities in the Northeast for repair and modification work at other nuclear facilities. During 1985, EEC will expand its mandate to offer its expertise to industrial developments, where quality control and assurance are in great demand.



Ted Skodje,
Senior Vice-President



Gerry Weber,
Vice-President

International and Nuclear Construction



The Polyclinique SICOMED, a 215-bed hospital in the Ivory Coast, was officially opened in January 1985.

Al R. Mackie, Senior Vice-President, heads this group, which is divided into three specialities. Per Hofvander is in charge of all overseas operations, with André Jordan, Building Construction, and Gerry Weber, Nuclear Construction completing the management team.

Revenue from operations improved to \$24.4 million from \$23.2 million in 1983.

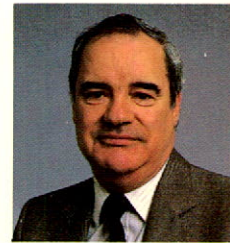
In 1984, work commenced on the Kiambere Hydroelectric project in Kenya. Financed in part by the Canadian International Development Agency, the project is being executed in joint venture with the Swedish construction group, Skanska.

In January 1985, an opening ceremony for the Polyclinique Sicomed, a 215-bed hospital in the Ivory Coast, was attended by the Honourable Monique Vézina, Minister for External Relations as the official Canadian representative. Foundation completed the facility in November 1984.

The NDK Dam in Sri Lanka was also successfully completed in 1984, in spite of civil disturbances on the island. It was the second phase of a four-phase irrigation project for the country. Work on the third phase is awaiting financing and has not yet been awarded.

Winding through the Andes mountains of Peru, the Majes Irrigation Project is progressing well and work is expected to be completed in 1985.

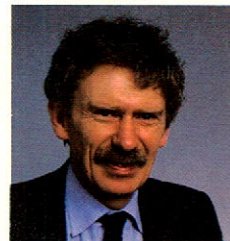
Late in 1984, the Company won its first contract in the Peoples Republic of China relating to the new Canadian Embassy in Beijing. We look forward to the opportunity of working in this exciting new market with its enormous potential.



*Al R. Mackie,
Senior Vice-President*

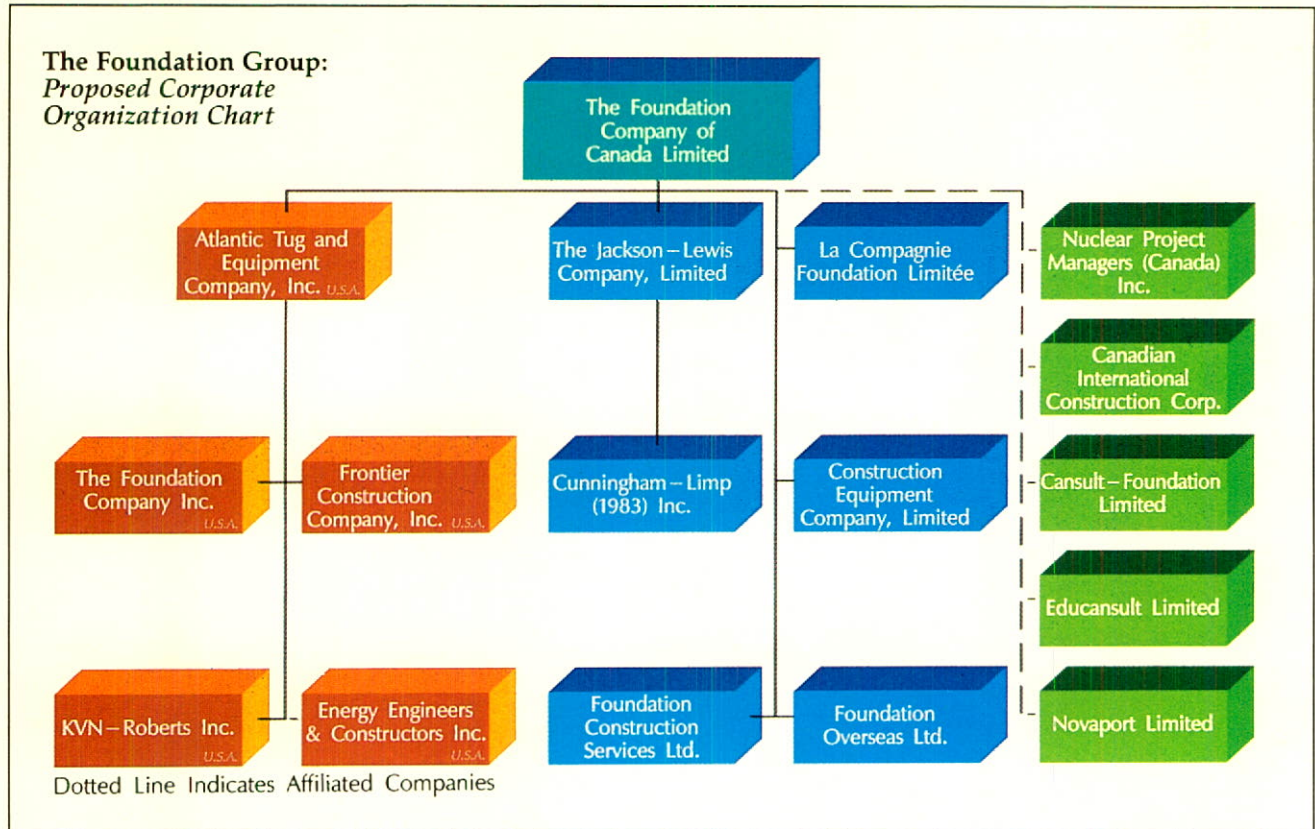


*Per Hofvander,
Vice-President*



*Andre Jordan,
Vice-President*

Corporate Structure



Canadian Foundation Company Ltd., was created in 1963 as a holding company, with operations undertaken by The Foundation Company of Canada Limited. Some confusion has occurred between those who know the public holding company by its name and those with whom Foundation does business. In order to clarify the Company's image, the Board of Directors proposes to amalgamate the two companies and adopt the name which has been in use since 1924 — The Foundation Company of Canada Limited.

Directors

Following the Annual General Meeting of Shareholders on May 16, 1984, Andrew (Drew) G. McCaughey was elected Chairman of the Board of Directors. He has served on the Foundation Board for five years and is President

and Chief Executive Officer of North American Life Assurance Company. We wish to thank Paul G. Opler for his service to the Company in the important position of Chairman of the Board. Mr. Opler's sixteen years of wholehearted service to Foundation will continue to be available on a part-time basis in his new capacity as Vice-Chairman.

Our People

Especially in difficult times for our industry, we wish to express our sincere appreciation for the fine efforts of our employees. It is through their efforts that we succeed as a Company.

The Outlook

While Foundation outperformed the industry in both 1983 and 1984, we face the realities of mar-

ket trends in 1985. With the slow recovery from the recent recession in all markets except the United States, there has been a decline in non-residential investment. Recovery of historical construction levels will only occur over the medium term as general economic performance improves. The only Canadian mega-projects currently anticipated are energy projects on the East Coast and those related to oil sands technology in Alberta, and other major activities, especially in government-financed infrastructure projects, are suffering from the new government's attempt to reduce its budget deficit. Nonetheless, The Foundation Group is optimistic that business will begin to build in 1985 and we should achieve a satisfactory level of activity, supported by the increased backlog of orders received in 1984.

R. Kindbom
President & Chief Executive Officer

A. G. McCaughey
Chairman of the Board

Toronto, March 8, 1985.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1984



**Consolidated
Balance
Sheet**
Assets

	December 31	
	1984	1983
Current Assets		
Cash and short-term deposits	\$15,252,000	\$12,207,000
Trade accounts receivable	17,253,000	13,689,000
Investments in joint ventures (Note 2)	6,579,000	5,371,000
Prepaid expenses, deposits and other assets	720,000	824,000
	<u>39,804,000</u>	<u>32,091,000</u>
Fixed Assets		
Land	106,000	106,000
Buildings and improvements	174,000	141,000
Leasehold improvements	149,000	118,000
Furniture and fixtures	916,000	832,000
Construction equipment	3,529,000	4,505,000
Other equipment	236,000	220,000
	<u>5,110,000</u>	<u>5,922,000</u>
Accumulated depreciation and amortization	3,658,000	3,493,000
	<u>1,452,000</u>	<u>2,429,000</u>
Goodwill	801,000	1,024,000
	<u>\$42,057,000</u>	<u>\$35,544,000</u>

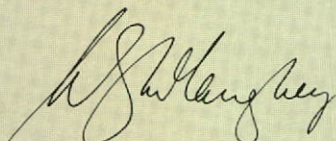
Liabilities

	December 31	
	1984	1983
Current Liabilities		
Accounts payable and accrued liabilities	\$18,832,000	\$14,542,000
Progress billings on contracts, less costs, net	4,959,000	4,375,000
Income taxes payable	1,514,000	460,000
Deferred income taxes	2,363,000	3,165,000
	<u>27,668,000</u>	<u>22,542,000</u>
Shareholder's Equity		
Capital stock		
Preferred shares		
Authorized: 310,000 preference shares		
redeemable at not more than \$20 per share		
with cumulative dividends at the rate of		
\$1.20 per share per annum		
Issued: 152,824 3/4 shares	3,057,000	3,057,000
Common shares		
Authorized: unlimited number of shares		
Issued: 1,199,616 shares	6,092,000	6,092,000
Retained earnings	5,240,000	3,853,000
	<u>14,389,000</u>	<u>13,002,000</u>
Contingent liabilities (Notes 5(a) and (b))		
	<u>\$42,057,000</u>	<u>\$35,544,000</u>

APPROVED BY THE BOARD



R. Kindbom, Director



A.G. McCaughey, Director

**Consolidated
Statement
Of Income And
Retained
Earnings**

	Year ended December 31	
	1984	1983
Gross Operating Revenue		
Joint ventures' construction contracts (Note 2)	\$ 33,285,000	\$ 86,832,000
Other construction contracts and operations	95,004,000	57,038,000
	<u>\$128,289,000</u>	<u>\$143,870,000</u>
Share of joint ventures' profits (Note 2)	\$ 10,567,000	\$ 10,768,000
Gross profit from other construction contracts and operations	3,187,000	3,965,000
	<u>13,754,000</u>	<u>14,733,000</u>
Less:		
Operating and administrative expenses before the following items	11,421,000	10,154,000
Depreciation and amortization	551,000	1,007,000
Interest income (net)	(1,301,000)	(962,000)
	<u>10,671,000</u>	<u>10,199,000</u>
Profit before income taxes and extraordinary item	3,083,000	4,534,000
Income tax provision	1,513,000	2,307,000
Profit before extraordinary item	1,570,000	2,227,000
Extraordinary item	—	740,000
	<u>1,570,000</u>	<u>2,967,000</u>
Net profit for the year	1,570,000	2,967,000
Retained earnings at beginning of year	3,853,000	2,398,000
Preferred dividends (Note 3)	(183,000)	(1,512,000)
Retained earnings at end of year	<u>\$ 5,240,000</u>	<u>\$ 3,853,000</u>
Net Profit Per Common Share		
Profit before extraordinary item	\$ 1.16	\$ 1.70
Extraordinary item	—	0.62
Net profit for the year	<u>\$ 1.16</u>	<u>\$ 2.32</u>

**Consolidated
Statement
Of Changes In
Financial Position**

	Year ended December 31	
	1984	1983
Financial Resources Were Provided By		
Operations		
Profit before extraordinary item	\$ 1,570,000	\$ 2,227,000
Item not affecting working capital		
Depreciation and amortization	551,000	1,007,000
	<u>2,121,000</u>	<u>3,234,000</u>
Disposals from fixed assets	824,000	247,000
Extraordinary item	—	740,000
	<u>2,945,000</u>	<u>4,221,000</u>
Financial Resources Were Used For		
Preferred dividends	183,000	1,512,000
Additions to fixed assets	175,000	1,207,000
Investment in subsidiary plus working capital deficiency acquired	—	1,171,000
	<u>358,000</u>	<u>3,890,000</u>
Increase in working capital	2,587,000	331,000
Working capital at beginning of year	9,549,000	9,218,000
Working capital at end of year	<u>\$12,136,000</u>	<u>\$ 9,549,000</u>
Working Capital At End Of Year Is Represented By		
Current assets	\$39,804,000	\$32,091,000
Less: Current liabilities	27,668,000	22,542,000
	<u>\$12,136,000</u>	<u>\$ 9,549,000</u>

Notes to Consolidated Financial Statements December 31, 1984

1. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada. The significant accounting policies followed by the Company are:

(a) Basis of consolidation

The accompanying financial statements include the accounts of Canadian Foundation Company Ltd. and all its subsidiary companies.

(b) Goodwill

Goodwill representing the excess of cost of investment in subsidiary over the net tangible assets at date of acquisition is being amortized over a five year period.

(c) Recording of contract profits

- (i) Firm price contracts: percentage of completion method.
- (ii) Management and cost plus fee contracts: services and/or work performed.
- (iii) Claim recoveries, if any, arising on contracts are recognized when accepted.
- (iv) Potential losses are provided for in full as soon as they become evident.

(d) Joint ventures

Joint ventures are accounted for on the "equity" basis. Profits are recorded on the same bases as (c) above. The normal operating cycle of a joint venture is considered to be the life of the venture; accordingly, the Company's investment in joint ventures is shown as a current asset.

(e) Fixed assets

Fixed assets are stated at cost. Expenditures on major replacements and improvements are capitalized while costs of regular maintenance and repairs are expensed as incurred. Depreciation of construction equipment is based on the greater of 80% of rental income earned by the equipment and 30% of net book value. Depreciation on other fixed assets is provided on the diminishing-balance method, generally at 20% per annum. Leasehold improvements are amortized over the life of the related lease.

(f) Translation of foreign currencies

Transactions in foreign currencies are translated into Canadian dollars at the exchange rate at the time of the transaction, while assets and liabilities in foreign currencies, including offshore joint ventures, are translated at the rates prevailing at December 31.

2. Investments In Joint Ventures

The Company is involved in a number of Canadian and foreign construction joint ventures, the more significant of which are:

Name	Participation	Country
Cogeneration Constructors	25%	United States
FAFJ Consortium	40%	Sri Lanka
Foundation-Skanska joint venture	50%	Canada
Hochtief-Foundation joint venture	25%	Guatemala
Kimco joint venture	33%	Kenya
Majes Consortium	15.8%	Peru
Selkirk Tunnel Constructors - joint venture	40%	Canada
Wolverine Tunnel Constructors - joint venture	20%	Canada

The Company's proportionate share of the assets, liabilities, revenues and profits of all joint ventures is:

	December 31	
	1984	1983
Assets		
Cash and short-term investments	\$14,103,000	\$20,821,000
Accounts receivable, advances and other assets	26,996,000	21,440,000
	<u>\$41,099,000</u>	<u>\$42,261,000</u>
Liabilities		
Accounts payable, accrued liabilities and advances	\$34,520,000	\$36,890,000
Equity in joint ventures	6,579,000	5,371,000
	<u>\$41,099,000</u>	<u>\$42,261,000</u>
Revenue	<u>\$33,285,000</u>	<u>\$86,832,000</u>
Profit from operations	<u>\$10,567,000</u>	<u>\$10,768,000</u>

A portion of the operating and administrative expenses of \$11,421,000 (1983 — \$10,154,000), shown in the consolidated statement of income, is attributable to joint ventures.

3. Dividends

During 1984, preferred dividends of \$1.20 per share were declared including the dividend of \$0.30 per share for the quarter ended January 1, 1985. During 1983, preferred dividends of \$9.60 per share were paid, representing the amount of the dividends in arrears at December 31, 1982, of \$8.40 per share plus the dividends for 1983 of \$1.20 per share.

4. Related Party Transactions

- (a) Skanska International AB holds 48% of the common shares of the Company; accordingly, all companies in the Skanska Group (Skanska) are related parties. The Company is involved with Skanska in several joint venture contracts in the normal course of business. Other than the amounts due to these joint ventures referred to in Note 2, the net amount payable by the Company and its subsidiaries to Skanska was \$127,000, which is included in trade accounts payable in the consolidated balance sheet.
- (b) On October 31, 1984 the 1982 agreement between a subsidiary and a shareholder, Kilmer Van Nostrand Co. Limited (KVN), was concluded. Under this agreement the Company managed, on a management fee basis, certain heavy construction contracts of KVN which were in progress in Canada and overseas. The management fees earned in 1984 amounted to \$873,000 (1983 — \$1,410,000).

5. Contingent Liabilities and Commitments

- (a) The Company and its subsidiaries are engaged in a number of claims and litigation matters resulting from construction and consulting contracts. Management is of the opinion, after assessing available information, that appropriate recognition has been made in the accounts for potential liabilities and that the net outcome of these matters is not expected to require a material adjustment in the accounts of the Company or its subsidiaries.

- (b) A Letter of Credit for \$6 million was provided to secure a client's mortgage financing. Subsequent to the year-end a Certificate of Substantial Completion was received, which enables the Company to apply for a reduction of the Letter of Credit to \$3 million. The Letter of Credit terminates when leasing meets mortgage interest coverage covenants. The Company holds security to protect against any call on this Letter of Credit.
- (c) In 1983, the Company acquired 75% of the outstanding shares of The Jackson-Lewis Company, Limited, an Ontario building construction company. Under the terms of the purchase agreement, the Company has the right to acquire and may be required to purchase the balance of the outstanding shares during 1987 and 1988.

6. Segmented Information

The Company operates in the construction industry as general contractors on large building and engineering projects; a substantial part of its operations being carried out through joint ventures as summarized in Note 2.

Auditors' Report

To the Shareholders of
Canadian Foundation Company Ltd.:

We have examined the consolidated balance sheet of Canadian Foundation Company Ltd. as at December 31, 1984 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Pricewaterhouse

Chartered Accountants
Toronto, March 7, 1985

CANADIAN FOUNDATION COMPANY LTD.

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FRONTIER CONSTRUCTION
COMPANY, INC.
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ATLANTIC TUG AND
EQUIPMENT COMPANY, INC.
CONSTRUCTION EQUIPMENT
COMPANY LTD.
FOUNDATION CONSTRUCTION
SERVICES LTD.
FOUNDATION OVERSEAS LTD.
KVN-ROBERTS INC.

AFFILIATED COMPANY

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