TOROMONT INDUSTRIES LTD.

1984 ANNUAL REPORT

Financial Highlights

	1984	1983	% Change
Sales	**$106,311,000**	$89,889,000	+ 18%
Net earnings from continuing operations	**1,868,000**	1,379,000	+ 35%
Net earnings	**1,868,000**	1,269,000	+ 47%
Working capital	**8,378,000**	7,918,000	+ 6%
Capital expenditures	**2,348,000**	1,637,000	+ 43%
Funds from operations	**4,714,000**	3,323,000	+ 42%
Depreciation	**1,643,000**	1,553,000	+ 6%
Dividends declared	**1,241,000**	1,243,000	0%
Common shareholders' equity	**23,522,000**	22,527,000	+ 4%
Common share data			
Per share			
Net earnings from continuing operations	**$0.60**	$0.44	+ 36%
Net earnings	**0.60**	0.41	+ 46%
Funds from operations	**1.52**	1.07	+ 42%
Dividends declared	**0.40**	0.40	0%
Shareholders' equity	**7.60**	7.25	+ 5%
Number of shareholders	**658**	771	
Number of shares outstanding	**3,095,345**	3,108,245	
Price range of shares – high	**$7.50**	$8.625	
– low	**$6.00**	$6.875	

Auditors
Touche Ross & Co.
Chartered Accountants

Bankers
The Toronto-Dominion Bank
The Royal Bank of Canada

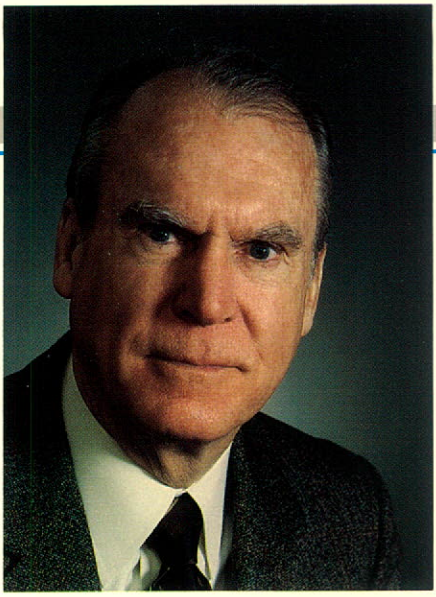
Transfer Agent
Canada Permanent Trust Company
Toronto, Ontario

Common shares
Listed on The Toronto Stock Exchange

Annual Meeting
The Annual Meeting of Shareholders of Toromont Industries Ltd. will be held at 11 A.M., April 24, 1985 in The Kenora Room of The Sheraton Centre, Toronto, Ontario.

Shareholders are invited to join directors and members of management for light refreshment following the Annual Meeting.

Contents



S. J. Sinclair

To Our Shareholders

Your Company had an improved year in 1984. Both sales and earnings rose appreciably and, perhaps more importantly, the climate for the forthcoming year appears more positive than it did last year at this time.

One important milestone was passed. Sales exceeded $100 million for the first time in the Company's history.

During the year, excellent progress was made by the refrigeration companies. CIMCO and Lewis/Aero Tech both had record years and Kimmel-Motz had a satisfactory performance in line with our long-term expectations. Our companies in monitoring, air conditioning and electrical contracting all had successful operations.

The industrial products side of the enterprise had mixed results. The aggressive campaign to increase sales of electromagnetic steel parts produced record sales at El-Met and even though margins remain unsatisfactorily low, earnings continued upward. Results at the forging company remained disappointing. However, it did come close to break even in 1984 and did have a positive cash flow. Orders booked in the past few months suggest that there will be improvement in 1985.

Capital expenditures in 1984 amounted to $2.3 million and were largely for machinery, equipment and buildings for refrigeration facilities at Salt Lake City and Toronto.

Considerable attention has been given to acquisitions during the past year and this activity will continue in 1985. The Company would like to expand commercial and industrial refrigeration operations in the U.S. by combining internal expansion with acquisition.

Also, in line with long-term policy of building on our existing strengths, considerable effort is being directed toward growth within the monitoring and energy management industries.

A letter of intent has been signed with Time Energy Systems Inc., a major U.S. company in the energy management field, for the establishment of a Canadian joint venture. Time Energy designs and installs computerized energy efficiency systems, waste heat recovery systems and alternative fuel systems to reduce energy costs in commercial, industrial, and institutional facilities. It has achieved enviable records for engineering sophistication and innovative financing. Its policies of accepting payment on a shared savings basis has resulted in positive market response.

During each of the past three years, your Directors approved a motion permitting the company to acquire and cancel up to 5% of its shares through purchases on the Toronto Stock Exchange. During the past year 12,900 shares were acquired at a price of $6 per share. This price was below book value. Your Directors believe that, in principle, it is wise to extend this capability and they have done so for another year even though current prices make further purchases unlikely.

The outlook for 1985 is for continued growth.

S. J. Sinclair
Chairman and
Chief Executive Officer
March 15, 1985

Refrigeration

Refrigeration is your Company's largest and fastest growing business segment. It is also the area offering greatest potential for future growth.

The principal operating units are:

- **CIMCO** From a strong design and manufacturing base at Toronto, CIMCO operates Canada's only fully national installation and service network for industrial refrigeration customers. It is located in every major industrial refrigeration market in Canada.

- **Monitoring, Air Conditioning and Electrical** Toromont has three divisions which function within this group. They are: Micro Monitoring, an advanced developer of remote control and energy efficient systems; Climate Control, a small air conditioning contractor at London, Ontario; and Collins Electric, an electrical contractor.

- **Lewis/Aero Tech** Headquartered at Salt Lake City, Utah, Lewis/Aero Tech designs, manufactures, installs and services industrial refrigeration for the petro-chemical, chemical, food processing and other industries. It has branches at Boston, Seattle, Houston and Philadelphia. The company also has a successful and growing precision sheet metal products operation.

- **Kimmel-Motz** This is a leading commercial refrigeration contractor based in California. In 1984 it expanded operations to serve a number of other large markets in the U.S. The company designs, assembles, installs and services refrigeration packages for supermarkets and other customers. California is generally considered to be the trend-setting area for the design of supermarkets in the U.S. and Kimmel-Motz has stayed in the forefront in the refrigeration end of the business. During the past year, it has broadened its sales horizons to include the opening of a branch at Dallas and installations are either completed or under way in several states, including the East Coast area.

Refrigeration, Products and Services
Financial data from continuing operations for the past three years are:

(in thousands of dollars)	**1984**	1983	1982(1)
Sales	**$64,165**	$57,344	$41,929
Operating profit	**2,875**	2,148	2,034
Identifiable assets	**26,402**	24,976	17,341
Capital expenditures	**1,728**	974	282
Depreciation	**694**	535	415

Note: (1) Restated to reflect discontinued operations and change in foreign currency translation policy.

Toromont's refrigeration companies are strongly positioned in terms of design engineering, manufacturing, contracting and service.

CIMCO

It was an excellent year for CIMCO, which is Canada's largest industrial refrigeration manufacturing, contracting and service operation.

In addition to improved volumes for regular business, CIMCO completed several interesting and unusual projects on behalf of customers during the year. They included:

- An air cooling package for Cominco's Polaris mine project on Little Cornwallis Island, some 140 miles from the magnetic north pole. CIMCO's task was to design, manufacture and install cooling that would maintain the integrity of permafrost through which the mine shaft is sunk.

- A sub-flooring cooling package to maintain the status of the permafrost for two Government of Canada aircraft hangars in the Arctic, at Inuvik and Resolute Bay.

- Design and installation of a new floor at the Toronto CNE's Coliseum Building to accommodate later installation of artificial ice facilities. The Coliseum will be the site of the 1986 Silver Broom, the world's most prestigious curling event.

Micro Monitoring control room at Toronto. Computer print out provides hard copy of all monitored data when required.

- Organization of an innovative modernization program for 25 City of Toronto outdoor artificial ice rinks. This project also includes monitoring services.

Among the additional highlights: CIMCO's coast-to-coast industrial refrigeration service business made excellent operational gains during the year.

CIMCO began 1984 with a very substantial backlog. The outlook for the current year is excellent.

Monitoring, Air Conditioning and Electrical

1984 was an excellent year for all three of the Toromont Divisions in this group.

For Micro Monitoring the principle achievement of the year was the successful startup of remote monitoring services for twenty-five City of Toronto, outdoor, artificial ice rinks. The installation of this Toronto project made use of sophisticated electronic control panels which upgraded our energy management capabilities. The Company now provides remote monitoring for 44 refrigeration systems in the Toronto area.

In addition, Micro Monitoring accepted R&D grant funding from the Government of Canada for the development of energy efficient control systems for industrial refrigeration installations.

Micro Monitoring has also penetrated the U.S. and Canadian markets for Ammonia and Halocarbon refrigerant gas detectors.

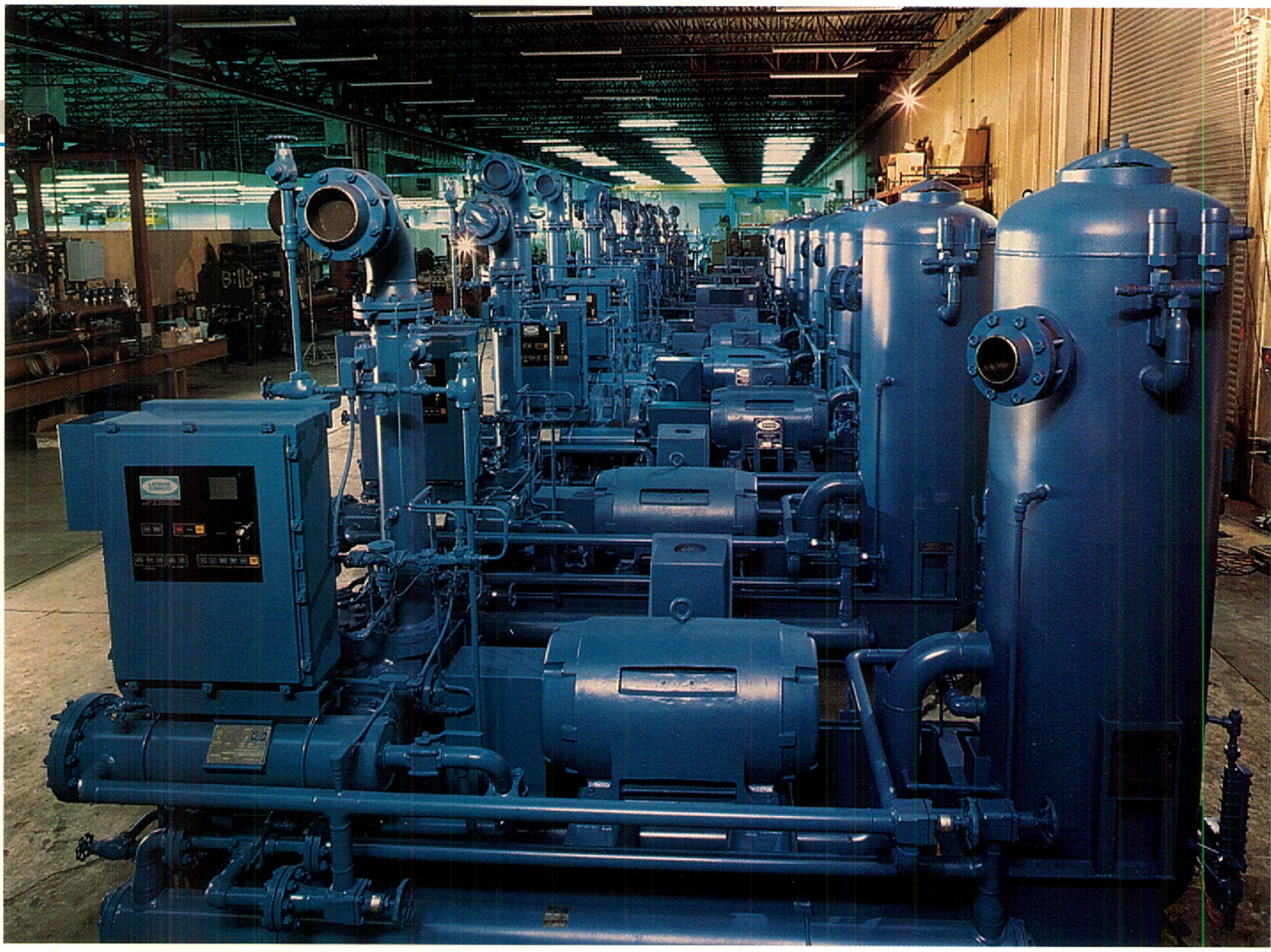
Climate Control recorded increases in sales and earnings. Capacity of the shop was doubled during the year, including the addition of sheet metal fabricating equipment.

It seeks further growth during 1985 through expansion and acquisitions.

Collins Electric made progress during the year as it increased its base for both sales and service.

The marketing of electrical control panels has been extended beyond the refrigeration industry.

The outlook for 1985 is for growth in sales and earnings from each of these operations.



These screw compressor packages, totalling 7500 h.p., provide 5000 tons of refrigeration for a new U.S. $30 million food processing plant. The units are totally controlled by a proprietary Lewis micro-processor system.

Lewis/ Aero Tech

Lewis/Aero Tech had a very good year in 1984. Both sales and earnings set new highs.

Operations consist of design, manufacture, installation and service to industrial refrigeration users in addition to engineering, manufacturing and installation for the petrochemical industry; precision sheet metal manufacturing; and the design and manufacturing of specialty architectural products. Each of these enterprises performed well during the past year.

In industrial refrigeration, the company consolidated its leadership position in the installation and service segments of the business in the New England states and made major progress toward the leadership position in the Southwest U.S. On the manufacturing side, several major projects were completed including the entire refrigeration component for a large new frozen food plant. The refrigeration system utilized large screw compressors and an innovative micro processor control system.

While the level of general activity in the petrochemical and oil and gas processing industries was extremely low during the year, 1984 proved to be rewarding for Lewis. This resulted from the winning of a major design/build contract for the refrigeration component of a large facility in the U.S. Southwest.

Aero Tech, your Company's precision sheet metal operation, made important strides during the year. The company manufactures precision sheet metal enclosures for the computer and scientific instruments industries and for a specialized materials handling system.

Production and sales remained high throughout the year to traditional markets and a major new customer was brought on stream. Aero Tech has continuing orders to produce the exterior enclosures for a popular disc drive sold to users of the two most popular micro computers.

The architectural products business initiated by Aero Tech late in 1983 is developing satisfactorily. Two products have been developed to date and contracts have been won for each.

One is a steel radiant heat ceiling panel which has substantial appeal for use in hospital surgical and other specialty rooms. Installation of the first order, for a U.S. military hospital, will be completed early in 1985. The other new product is a rigid steel panel which is designed specifically for use in "clean rooms" where computer chips are manufactured.

Manufacturing efficiency was upgraded during the past year with the addition of "hard" tooling in the sheet metal shop. This enables the company to achieve substantially higher productivity.

With the exception of projects for the petrochemical industry, Lewis/Aero Tech backlogs are substantial and the outlook for 1985 is for continued growth for both sales and earnings.

*Rapid and efficient response is a key element in maintaining customer satisfaction. Kimmel-Motz service vans are radio equipped to ensure **maximum** prompt dispatch.*

Kimmel-Motz

Kimmel-Motz is a leading commercial refrigeration contractor in California and a supplier of pre-assembled, energy efficient refrigeration packages to supermarkets across the U.S. The company designs, assembles, installs and services proprietary custom refrigeration packages, primarily to the retail supermarket industry.

During 1984, the company opened a sales and service branch at Dallas, Texas. A large number of supermarket refrigeration packages were sold in Texas in addition to others in Pennsylvania, Oklahoma, Arkansas, Kansas, Missouri, New Mexico, Utah and Hawaii.

The Kimmel-Motz successful expansion beyond California, which was achieved during the past year, results from very positive reaction to its WHIP refrigeration package. It consists of a pre-wired and pre-piped package that is inexpensive to install and service yet, because of design and assembly flexibility, can be tailor-made at low cost for any specific supermarket. It employs multiple small compressors and has an advanced energy saving system. It provides total control for refrigeration, air conditioning, heating and hot water.

An important aspect of Kimmel-Motz' business is its service division. A large fleet of radio-equipped service trucks is available to provide both routine maintenance and emergency service to commercial refrigeration customers.

It was a good year for Kimmel-Motz, consistent with its long-term growth projections. The expansion of sales, construction and service activity to other regions has proved encouraging.

The company expects to add additional service and construction branches in 1985 and beyond.

The outlook for the year ahead is for an increase in sales with commensurate improvement in earnings.

Ring rolling profile shape on aircraft engine containment ring.

Die forging oil well connectors on 3,000 ton press.

Industrial Products

Toromont is a leading participant in two areas of industrial product manufacturing in Canada. Each is a specialized niche in which there is domestic demand combined with excellent export opportunity. The principal products are:

- quality steel forgings
- electromagnetic steel parts.

Forged products are manufactured by Canada Forgings at two plants in Welland, Ontario. The company supplies high quality precision forgings to the aircraft, energy, transportation and defense industries. It has both open die and closed die facilities and among its more significant production capacities are Ontario's largest open die forging press and Canada's only ring rolling facility.

Electromagnetic steel parts are manufactured by El-Met-Parts at Dundas, Ontario. El-Met is a high volume supplier of quality parts to electric motor manufacturers and to the electrical distribution and lighting industries. The company also provides steel slitting services and acts as a steel warehouse for the electrical industry.

Canada Forgings

Market conditions for quality forgings improved marginally during 1984.

At the open die plant, which incorporates ring rolling and the company's 3,000-ton press, the volume of orders increased over the depressed levels of the previous year.

The increase in volume at the heavy forge reflected progress made in penetrating the domestic markets for oilfield goods and export markets for components used in the defense industries. In addition, jet engine builds increased some 10% during 1984 which further increased incoming orders. Another beneficial factor during the year was a substantial order from the nuclear power industry.

Much of the heavy forge's newly developed volume now being manufactured and sold to the Canadian oil patch consists of products or components not previously produced in Canada. The successful penetration of this industry offers considerable promise for the future, particularly as the development of heavy oil projects is beginning to assume major business significance to Canada. Similarly, the company's aggressive move to achieve quality and reliability standards of a high order have begun to result in continuing orders for parts used by military vehicles.

At the closed die forge, conditions remained difficult in 1984. However, the volume of orders has picked up and will have a positive effect on 1985 performance.

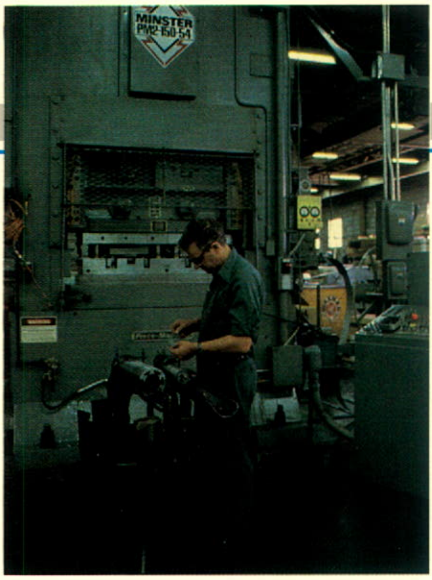
In addition, a program of modernization has been started. New furnaces will be added to upgrade the closed die forge heating capacity. Other efficiencies, including conversion of steam hammers to hydraulic drive, are being implemented this year at relatively low capital cost.

One major development at the closed die plant during the year was the successful introduction of forging aluminum parts.

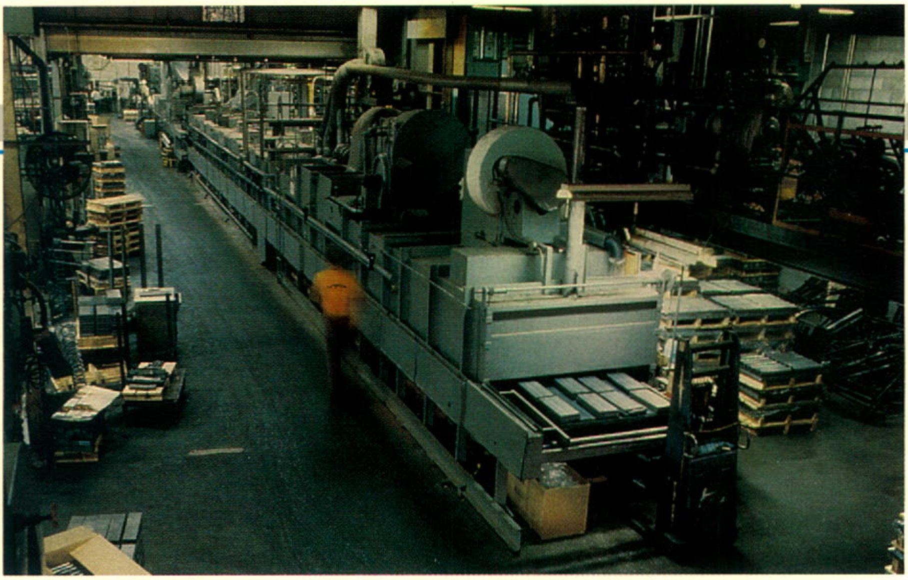
Employment at Welland grew slightly during the year and virtually all employees placed on lay-off during the extremely difficult previous year have been recalled.

A realistic three-year labor agreement was concluded during the year and, with the combination of productivity changes, will result in a more efficient workplace.

We look for improvement in 1985.



A high speed stamping press at El-Met.



Heat treating, above, is an important sequence.

El-Met-Parts

El-Met is a volume manufacturer of parts produced from electromagnetic steel. Its products are used by the makers of electric motors, transformers and the lighting industry.

It is the largest independent producer of electromagnetic steel parts in Canada and exports a substantial volume.

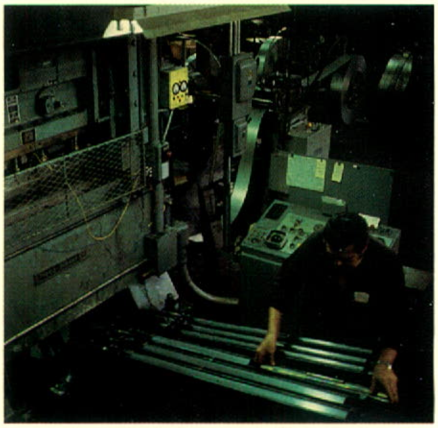
The company operates an advanced high-speed steel slitting facility which gives it capacity to produce coils of electromagnetic steel cut to precision tolerances. This specialized steel service center capability is an important factor in the El-Met operation. In addition to supplying El-Met's own high speed stamping machines, it sells custom steel slitting services and electrical steels to a number of other electrical industry manufacturers.

During 1984, sales volume increased, reflecting the high level of demand for electric motors in the U.S. and Canada. Margins, however, remain unsatisfactory.

Continuous attention to productivity factors have helped to make El-Met a highly efficient, cost effective producer.

Steel supplies which were tight during some periods of 1984 are now satisfactory and are expected to remain so for the balance of 1985.

During the year, the Company completed the installation and running-in of a new 300 ton stamping press. This has helped increase output materially.



Machine tender checks newly produced electromagnetic steel parts.

The outlook for 1985 is for another satisfactory year. While no evidence is in sight for a return to pre-1980 margins, customer demand is holding up and increases in both tonnage and sales revenues are anticipated.

Industrial Products
Financial data from continuing operations for the past three years are:

(in thousands of dollars)	**1984**	1983	1982
Sales	**$42,146**	$32,545	$31,538
Operating profit	**1,902**	1,280	1,326
Identifiable assets	**24,062**	21,978	20,062
Capital expenditures	**620**	616	1,778
Depreciation	**949**	936	763

TORONMONT INDUSTRIES LTD.

Consolidated balance sheet

as at December 31, 1984
(with comparative figures for 1983)

Assets	(Thousands of dollars) 1984	1983
Current		
Accounts receivable		
Trade	**$16,589**	$18,717
Other	**669**	222
Inventories (Note 1)	**15,020**	12,564
Prepaid expenses	**516**	318
Total current assets	**32,794**	31,821
Notes receivable and other assets	**915**	295
Property, plant and equipment (Note 2)		
Buildings, machinery and equipment	**27,645**	25,466
Less accumulated depreciation	**13,207**	11,586
	14,438	13,880
Land	**650**	528
Property, plant and equipment of discontinued operations, net of accumulated depreciation	**545**	833
	15,633	15,241
Goodwill (Note 3)	**4,013**	3,687
	$53,355	$51,044

See accompanying notes to consolidated financial statements.

On behalf of the Board

Director

Director

Liabilities	(Thousands of dollars) 1984	1983
Current		
Bank indebtedness, secured	**$10,790**	$10,649
Accounts payable and accrued liabilities	**13,016**	11,623
Dividends payable	**310**	311
Income taxes payable	**12**	787
Deferred income taxes	**163**	419
Current portion of long-term debt (Note 4)	**125**	114
Total current liabilities	**24,416**	23,903
Long-term debt (Note 4)	**1,373**	1,238
Deferred income taxes	**4,044**	3,376
Total liabilities	**29,833**	28,517
Shareholders' equity		
Capital stock (Note 5)	**5,021**	5,043
Retained earnings	**17,401**	16,831
Cumulative foreign currency translation adjustments	**1,100**	653
	23,522	22,527
	$53,355	$51,044

See accompanying notes to consolidated financial statements.

Auditors' Report

The Shareholders,
Toromont Industries Ltd.

We have examined the consolidated balance sheet of Toromont Industries Ltd. as at December 31, 1984 and the consolidated statements of retained earnings, 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 Corporation 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.

Touche Ross & Co.

Chartered Accountants

Toronto, Ontario,
March 14, 1985

Consolidated statement of earnings

For the year ended December 31, 1984 (with comparative figures for 1983)

	(Thousands of dollars) 1984	1983
Sales	**$106,311**	$ 89,889
Costs and expenses		
Cost of products sold and services rendered	**86,667**	73,348
Selling, general and administrative	**15,068**	13,342
Interest on long-term debt	**117**	135
Other interest	**1,468**	748
	103,320	87,573
	2,991	2,316
Other income	**243**	152
Earnings for the year from continuing operations before provision for income taxes	**3,234**	2,468
Provision for income taxes (Note 9)		
Current	**744**	620
Deferred	**622**	469
	1,366	1,089
Net earnings for the year from continuing operations	**1,868**	1,379
Extraordinary item		
Loss from discontinued operations, net of income taxes	**-**	110
Net earnings for the year	**$ 1,868**	$ 1,269
Earnings per common share (Note 6)		
Continuing operations	**$0.60**	$0.44
Extraordinary item		
Loss from discontinued operations	**-**	0.03
Net earnings for the year	**$0.60**	$0.41

See accompanying notes to consolidated financial statements.

Consolidated statement of retained earnings

For the year ended December 31, 1984
(with comparative figures for 1983)

	(Thousands of dollars) 1984	1983
Retained earnings at beginning of year as restated (Note 5)	**$16,831**	$16,805
Net earnings for the year	**1,868**	1,269
	18,699	18,074
Common dividends, $0.40 per share (1983 – $0.40)	**1,241**	1,243
Premium on purchase of common shares for cancellation	**57**	–
Retained earnings at end of year	**$17,401**	$16,831

See accompanying notes to consolidated financial statements.

Consolidated statement of changes in financial position

For the year ended December 31, 1984
(with comparative figures for 1983)

	(Thousands of dollars) 1984	1983
Source of funds		
Operations		
Net earnings from continuing operations	**$ 1,868**	$ 1,379
Add items not requiring use of funds		
Depreciation	**1,643**	1,553
Deferred income taxes	**668**	372
Loss on disposal of fixed assets	**34**	–
Amortization of goodwill	**54**	43
Unrealized gain on conversion of U.S. subsidiaries	**447**	86
Funds from continuing operations	**4,714**	3,433
Loss from discontinued operations	**-**	110
	4,714	3,323
Proceeds from sale of property	**279**	–
Increase in long-term debt	**135**	9
	5,128	3,332
Application of funds		
Additions to property, plant and equipment	**2,348**	1,637
Increase in goodwill	**381**	1,564
Common share dividends	**1,241**	1,243
Increase in notes receivable and other assets	**620**	33
Purchase of common shares for cancellation	**78**	–
	4,668	4,477
Increase (decrease) in working capital	**460**	(1,145)
Working capital at beginning of year	**7,918**	9,063
Working capital at end of year	**$ 8,378**	$ 7,918

See accompanying notes to consolidated financial statements.

Summary of significant accounting policies

December 31, 1984

Toromont Industries Ltd. is incorporated under the Canada Business Corporations Act.

Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiary corporations, all of which are wholly owned. All significant inter-corporation transactions and profits between the Corporation and its subsidiary corporations have been eliminated on consolidation.

Newly acquired subsidiary corporations are consolidated from the effective date of their acquisition. The results of operations of subsidiary corporations sold during the year are disclosed separately up to the effective date of sale. The gain or loss on disposal is also disclosed separately.

Revenue recognition

Revenues from contracting activities involving the design, manufacture and installation of equipment are recorded on the completed contract method based upon substantial technical completion. Any foreseeable losses on contracts are charged to operations at the time they become evident.

Revenues from the sale or transfer of manufactured products and services are recorded when goods are shipped and services are rendered, or in accordance with contractual agreements.

Inventories

Inventories of raw materials, work-in-process and finished goods are valued at the lower of cost (principally on the first-in, first-out method) and net realizable value.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Government grants received to acquire assets are deducted from the cost of the related asset. Depreciation is provided using substantially the straight-line method over the estimated useful lives of the various classes of assets.

Gains or losses on the disposal of assets are included in earnings and the cost and accumulated depreciation related to these assets are removed from the accounts.

Repairs and maintenance costs are charged to operations as incurred and renewals and improvements are capitalized.

Translation of foreign exchange

The accounts of foreign subsidiary corporations, all of which are deemed to be self sustaining, are translated into Canadian dollars using the current rate method. Under this method, all assets and liabilities are translated at exchange rates in effect at the balance sheet date, and income statement items are translated at average exchange rates for the year. The unrealized translation gains and losses on the Corporation's net investment in these subsidiaries are accumulated in a separate component of shareholders' equity, described in the consolidated balance sheet as cumulative translation adjustments.

Goodwill

Goodwill represents the excess of the purchase price over the value attributed to net tangible assets of businesses acquired. Goodwill acquired prior to 1974 is considered to have continuing value and is not being amortized. Goodwill acquired subsequently is being amortized on the straight-line method over its estimated useful life, not exceeding forty years.

Income taxes

The Corporation follows the tax deferral method of providing for income taxes. Under this method, timing differences between reported and taxable income result in deferred taxes.

Notes to consolidated financial statements

December 31, 1984

1. Inventories	1984	1983
	($000)	
Raw material	**$ 9,956**	$ 7,824
Work-in-process	**3,956**	2,750
Finished goods	**1,256**	1,145
Contract costs net of progress billings	**(148)**	845
	$15,020	$12,564

2. Property, plant and equipment

Buildings and improvements with a net book value of $988,000 are situated on leased land. The lease expires in 2002 at which time the lessor must offer to renew the lease or the lessor must purchase the buildings, including improvements, at the then appraised fair market value.

Property, plant and equipment includes a machine leased under a capital lease with a capitalized cost of $371,000 and accumulated amortization of $278,000.

3. Goodwill

In 1984, goodwill has increased by $381,000 as a result of acquisitions made in prior years.

4. Long-term debt	1984	1983
	($000)	
Mortgage payable and other instalment notes bearing interest at 9% to 13.2%	**$ 1,310**	$ 1,085
Equipment contracts	**77**	107
Obligation under capital lease	**111**	160
	1,498	1,352
Less instalments due within one year, including capital lease portion of $62,000	**125**	114
	$ 1,373	$ 1,238

The total long-term debt matures as follows:	($000)
1985	$125
1986	128
1987	36
1988	37
1989	34
Thereafter	1,138

Notes (Continued)

5. Capital stock

The authorized capital stock of the Corporation consists of preferred and common shares of which 3,095,345 common shares are issued at December 31, 1984 (1983 – 3,108,245). During the year, the Company acquired and cancelled 12,900 common shares for $78,000. Contributed surplus of $386,000 which arose from the redemption of preferred shares prior to 1973 has been transferred to retained earnings as at January 1, 1983.

6. Earnings per common share

Earnings per share are calculated based upon the weighted average number of shares outstanding during the year which was 3,100,984 (1983 – 3,108,245).

7. Pension plans

The Corporation contributes to pension plans available to a majority of its salaried and certain of its other employees. The latest actuarial valuations indicate surpluses in all plans.

8. Other commitments

The Corporation leases land, buildings and equipment under several non-cancellable operating leases which require minimum annual payments as follows:

1985	$ 590,000
1986	463,000
1987	328,000
1988	231,000
1989	213,000
Subsequent years	2,303,000

9. Income taxes

The difference between the income tax provisions and the amounts that would have been provided using statutory income tax rates is explained as follows:

	($000)
Federal, Provincial and State taxes at statutory rate	$ 1,596
Tax reduction due to 3% inventory allowance	(230)
Total taxes	$ 1,366

10. Segmented information

The Board of Directors has determined the following business segments: industrial products, and refrigeration products and services. In the industrial products industry, the Corporation manufactures rolled rings, shafts and impression die forgings which are sold primarily to the aircraft, energy, railroad and heavy vehicle industries and produces steel laminations and wound electrical cores which are basic components of transformers, lighting ballasts and electric motors. In the refrigeration industry, the Corporation designs, manufactures, sells, installs and services industrial and commercial refrigeration systems for recreational, food storage and super-market customers.

($000)

	Industrial products		Refrigeration products and services		Consolidated	
	1984	1983	**1984**	1983	**1984**	1983
Sales	**$42,146**	$32,545	**$64,165**	$57,344	**$106,311**	$89,889
Segment operating profit	**$ 1,902**	$ 1,280	**$ 2,875**	$ 2,148	**$ 4,777**	$ 3,428
Interest expense					**1,543**	960
Income taxes					**1,366**	1,089
					2,909	2,049
Net income from continuing operations					**$ 1,868**	$ 1,379
Identifiable assets						
Continuing operations	**$24,062**	$21,978	**$26,402**	$24,967	**$ 50,464**	$46,945
Discontinued operations	**–**	–	**545**	1,225	**545**	1,225
	$24,062	$21,978	**$26,947**	$26,192	**51,009**	48,170
Corporate assets					**2,346**	2,874
Total assets					**$ 53,355**	$51,044
Capital expenditures	**$ 620**	$ 616	**$ 1,728**	$ 974		
Depreciation and amortization	**$ 949**	$ 936	**$ 694**	$ 535		

Geographic segments ($000)

	Canada		U.S.		Elimination		Consolidated	
	1984	1983	**1984**	1983	**1984**	1983	**1984**	1983
Sales	**$71,426**	$54,860	**$34,885**	$35,029	**$ –**	$ –	**$106,311**	$89,889
Intercompany sales between geographic segments	**326**	69	**–**	103	**326**	172	**–**	–
	$71,752	$54,929	**$34,885**	$35,132	**$ 326**	$ 172	**$106,311**	$89,889
Segment operating profit	**$ 3,208**	$ 1,414	**$ 1,569**	$ 2,014			**4,777**	3,428
Interest expense							**1,543**	960
Income taxes							**1,366**	1,089
							2,909	2,049
Net income from continuing operations							**$ 1,868**	$ 1,379
Identifiable assets								
Continuing operations	**$36,653**	$32,094	**$13,811**	$14,851			**$ 50,464**	$46,945
Discontinued operations	**545**	1,225	**–**	–			**545**	1,225
	$37,198	$33,319	**$13,811**	$14,851			**51,009**	48,170
Corporate assets							**2,346**	2,874
Total assets							**$ 53,355**	$51,044

Transfers between geographic segments are accounted for at prices comparable to open market prices for similar products and services. Canadian operations include export sales of $17,077,000 in 1984 and $11,939,000 in 1983 mostly to customers in the United States. U.S. operations include export sales of $65,000 in 1984 and $840,000 in 1983.

Ten Year Financial Review

	1984	1983	1982[6]	1981	1980	1979[1]	1978	1977	1976	1975
Operating results ($000)										
Sales	**106,311**	89,889	73,467	84,459	75,059	68,071	59,779	59,478	53,441	50,237
Net earnings from continuing operations	**1,868**	1,379	1,372	3,654	3,416	3,281	1,808	1,572	1,175	1,463
Extraordinary items	**—**	—	—	—	497	296	312	—	—	—
Discontinued operations	**—**	(110)	216	—	(312)	(1,273)	2,081[3]	(171)	—	705[4]
Net earnings	**1,868**	1,269	1,588	3,654	3,601	2,304	4,201[3]	1,401	1,175	2,168
Interest expense										
Long term	**117**	135	152	459	943	1,040	796	892	483	304
Other	**1,468**	748	1,190	1,254	735	535	418	162	316	281
Depreciation	**1,643**	1,553	1,279	1,248	1,226	980	789	743	674	424
Capital expenditures	**2,348**	1,637	2,197	3,992	1,740	2,362	3,154	1,421	1,869	1,553
Funds from operations	**4,714**	3,323	3,283	5,721	5,097	3,657	5,301	2,673	1,938	2,074
Dividends declared on common shares	**1,241**	1,243	1,245	1,125	810	628	618	306	391	476
Financial position ($000)										
Working capital	**8,378**	7,918	9,063	9,500	10,040	11,031	11,158	8,376	6,900	8,115
Fixed assets, net	**15,633**	15,241	15,157	14,109	11,225	10,711	9,329	7,269	7,240	6,051
Total assets	**53,355**	51,044	41,708	47,525	41,211	40,746	36,202	31,285	29,962	31,986
Long term debt	**1,373**	1,238	1,229	1,479	2,682	6,784	7,690	7,740	7,674	3,651
Common shareholders' equity	**23,522**	22,527	22,415	21,585	19,056	16,202	14,637	10,731	9,636[5]	13,668
Financial ratios										
Working capital	**1.3:1**	1.3:1	1.6:1	1.4:1	1.6:1	1.7:1	1.9:1	1.7:1	1.6:1	1.6:1
Return on common shareholders' equity (%)[2]	**8.1**	5.7	7.2	18.0	20.4	14.9	33.1	13.8	10.0	17.3
Long term debt to common shareholders' equity	**1:17.1**	1:18.2	1:18.2	1:14.6	1:7.1	1:2.4	1:1.9	1:1.4	1:1.3	1:3.7
Common share data										
Earnings from continuing operations ($)	**0.60**	0.44	0.44	1.17	1.10	1.04	0.59	0.52	0.26	0.31
Extraordinary items ($)	**—**	—	—	—	0.16	0.09	0.10	—	—	—
Discontinued operations ($)	**—**	(0.03)	0.07	—	(0.10)	(0.40)	0.68[3]	(0.06)	—	0.15[4]
Net earnings ($)	**0.60**	0.41	0.51	1.17	1.16	0.73	1.37[3]	0.46	0.26	0.46
Funds from operations ($)	**1.52**	1.07	1.06	1.83	1.63	1.17	1.73	0.87	0.42	0.44
Dividends declared ($)	**0.40**	0.40	0.40	0.36	0.26	0.20	0.20	0.10	0.10	0.10
Equity ($)	**7.60**	7.25	7.21	6.91	6.10	5.21	4.66	3.51	3.15	2.87
Shares outstanding at year end	**3,095,345**	3,108,245	3,108,245	3,124,884	3,124,884	3,109,884	3,141,469	3,061,469	3,061,459[5]	4,758,969
Price range										
—high ($)	**7.50**	8.625	7.125	9.50	7.625	4.15	4.40	3.15	3.20	3.30
—low ($)	**6.00**	6.875	4.90	5.75	3.05	3.10	2.55	2.35	1.85	2.00

Notes: 1) Restated to reflect sale of the Lewis Food Freezing Division.
2) On average equity.
3) Includes $2,020,000 ($0.66 per share) gain on sale of subsidiary, F. B. McFarren, Limited.
4) Includes $668,000 ($0.14 per share) gain on sale of two subsidiaries.
5) During this year, 1,700,000 common shares were retired for a cash consideration of $4,675,000.
6) Restated to reflect discontinued operations and change in foreign currency translation policy.

Corporate Directory

The Board of Directors

†*R. G. Bremner
Toronto, Ontario
Chartered Accountant

J. W. Fraser
St. Catharines, Ontario
President
Canada Forgings, a Division of Toromont Industries Ltd.

‡*N. B. Ivory
Montreal, Quebec
President
Pembroke Management Ltd.

N. J. Lucas
President
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Maase Corporation Limited

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North American Life Assurance Company

†*W. A. McKenzie
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†‡S. J. Sinclair
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Toromont Industries Ltd.

**Member of Audit Committee*
†Trustee of Pension Funds
‡Member of Management Resources Committee

Officers of the Corporation

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Chairman of the Board and Chief Executive Officer

J. W. Fraser
Vice-President

N. J. Lucas
Vice-President

Ms. B. E. Thompson
Secretary

Mrs. P. Singh
Accountant

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M. E. Fraser
Executive Vice-President

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Vice-President, Manufacturing

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