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HAWKER SIDDELEY CANADA INC.

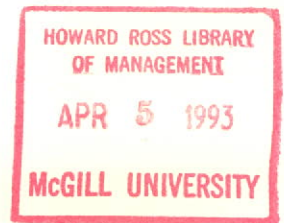
1992 ANNUAL REPORT

HAWKER  SIDDELEY



# **HAWKER ■ SIDDELEY**

## **HAWKER SIDDELEY CANADA INC.**



### **NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN to Shareholders of Hawker Siddeley Canada Inc. of record at the close of business on the 26th day of March, 1993 that the Annual General Meeting of the Shareholders of the Corporation will be held in the Business Club of the Mississauga Board of Trade, 3 Robert Speck Parkway, Mississauga, Ontario, on Friday, the 7th day of May, 1993, at the hour of 11:15 a.m. (Toronto time) for the following purposes:

1. To receive the report of the directors and the consolidated financial statements of the Corporation for the fiscal year ended December 31, 1992 and the report of the auditors thereon;
2. To elect directors;
3. To appoint auditors and to authorize the directors to fix their remuneration; and
4. To transact such other business as may properly be brought before the meeting or any adjournment thereof.

Mississauga, February 16, 1993.

By Order of the Board  
B. M. BANDLER,  
Secretary and General Counsel.

If you are unable to attend the meeting, you are requested to sign and return a proxy to the Secretary. A proxy form is enclosed for this purpose. To be effective at the meeting or any adjournment thereof, a completed proxy must be deposited with the Secretary of the Corporation at least 48 hours, excluding Saturdays, Sundays and holidays, before the time of the meeting or any adjournment thereof.

This notice is given to the preferred shareholders for their information only. Preferred shareholders are not entitled to vote at the meeting.

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### **PROXY INFORMATION CIRCULAR**

#### **Solicitation of Proxies**

**This information circular is furnished in connection with the solicitation by the management of Hawker Siddeley Canada Inc. (the Corporation) of proxies to be used at the Annual General Meeting of Shareholders of the Corporation to be held at the time and place and for the purposes set forth in the notice of meeting. Solicitation is by mail. The total cost of the solicitation is borne by the Corporation.**

#### **Appointment and Revocation of Proxies**

The persons named in the form of proxy enclosed herewith are directors of the Corporation. **A shareholder desiring to appoint some other person, who need not be a shareholder, to represent him at the meeting may do so** either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy. To be effective at the meeting or any adjournment thereof, a completed proxy must be deposited with the Secretary of the Corporation at least 48 hours, excluding Saturdays, Sundays and holidays, before the time of the meeting or any adjournment thereof.

A shareholder who has given a proxy may revoke the proxy by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, by an officer or attorney thereof duly authorized, and deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of such meeting on the day of the meeting or any adjournment thereof, or in any other manner permitted by law.

### Exercise of Discretion by Proxies

The persons named in the enclosed form of proxy will vote or withhold from voting the shares in respect of which they are appointed in accordance with the direction of the shareholder appointing them. **In the absence of such direction, such shares will be voted for the election of directors and the appointment of auditors as stated under those headings in this circular.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting and with respect to other matters which may properly come before the meeting or any adjournment thereof. At the time of printing this circular the management of the Corporation knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.

### Voting Shares

On March 23, 1993 the Corporation had outstanding 8,199,601 common shares carrying the right to one vote per share at the Annual General Meeting. To the knowledge of the directors and officers of the Corporation, the only persons or corporations beneficially owning or exercising control or direction over shares carrying more than 10% of the voting rights attached to the common shares of the Corporation are BTR plc which controls 4,816,646 common shares (59%) and Ontario Municipal Employees Retirement Board which controls 1,182,200 common shares (14%).

### Business of the Annual General Meeting

#### Election of Directors

The articles of the Corporation provide that there shall be a board of not less than ten nor more than fifteen directors. The by-laws of the Corporation provide that the directors shall hold office from the date of the meeting at which they are elected or appointed until the Annual General Meeting next following or until their successors are elected or appointed. The present number of directors is eleven. The directors have by resolution, pursuant to the by-laws of the Corporation, determined that the number of directors to be elected at the Annual General Meeting shall be twelve. **Management does not contemplate that any of the nominees listed below will determine not to serve as a director but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion unless the shareholder has specified in the proxy that his shares are to be withheld from voting in the election of directors.** The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below:

<u>Name and Principal Occupation</u>	<u>Year first became a director</u>	<u>*Common Shares held as of March 23, 1993</u>
B. M. BANDLER, Etobicoke, Ontario General Counsel and Secretary of the Corporation		1
A. H. CROCKETT, Toronto, Ontario Corporate Director	1977	1
R. F. FAIRCLOTH, (a) London, England Chairman of the Board of Directors of the Corporation Chief Operating Officer of BTR plc	1992	1
R. A. FERCHAT, (b) Mississauga, Ontario Chairman and Chief Executive Officer of Telesat Mobile Inc.	1991	1
L. HOLLANDER, (a) Toronto, Ontario President and Chief Executive Officer of Canada Colors and Chemicals Ltd.	1989	1

The aggregate value of all other remuneration received by executive officers in 1992 did not exceed the lesser of \$10,000 times the number of executive officers (5) or 10% of the aggregate cash remuneration paid to executive officers.

#### **Directors' and Officers' Liability Insurance**

Directors and officers of the Corporation and its subsidiaries are indemnified by the Corporation and such subsidiaries to the extent permitted by law. BTR plc has a comprehensive policy which provides insurance for the Corporation against possible liabilities under this indemnification and for the benefit of directors and officers of the Corporation and its subsidiaries against liabilities incurred by them in such capacities to the extent that these liabilities are not indemnified by the Corporation or by any subsidiary as the case may be. The Corporation is not required to pay a premium. No allocation of premium is made in respect of directors as a group or officers as a group. The policy provides coverage up to \$48,250,000 per annum for BTR plc companies worldwide. There is a \$318,800 deductible for each claim made against the Corporation.

#### **Appointment of Auditors**

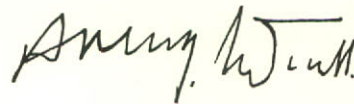
The persons named in the enclosed form of proxy intend to vote for the appointment of Price Waterhouse, Chartered Accountants, Toronto, Ontario, the present auditors, as auditors of the Corporation to hold office until the next Annual General Meeting.

#### **Directors' Approval**

The contents and the sending of this Circular have been approved by the directors of the Corporation.



R. F. FAIRCLOTH,  
Chairman



A. M. G. TURNBULL,  
Vice-President, Finance

Dated as of March 23, 1993.

year the appropriate salary committee of the board will determine the specified percentage and the inflation factor for purposes of calculating the base profit and the specified bonus factor for purposes of determining the bonus percentage. Payments under the plan will be made in the year following the Bonus Year after the financial statements for the Bonus Year have been approved. Accrued bonuses payable to executive officers in 1993 for the 1992 year amount to \$36,134.

A management incentive compensation plan was established in its present form in 1992 for financial years commencing 1992. Beneficiaries under the plan are designated annually by the senior executive of an Eligible Division and approved by the President of the Corporation. Designated employees may include executive officers as well as other senior employees of the Corporation and its subsidiaries. Eligible Divisions are all trading divisions and subsidiaries of the Corporation from time to time designated by the President. Bonuses are calculated in the following manner. Each beneficiary is assigned a percent bonus potential (PBP) of the beneficiary's salary earned in the Bonus Year (Base Salary). The amount of the bonus is determined by multiplying the PBP by the Unit Percentage Performance (UPP) for the Eligible Division, however the bonus paid cannot exceed the PBP of the Base Salary. The UPP for each Eligible Division is calculated as a function of the average actual percentage achievement of (i) profit plan profit before interest and taxes; (ii) profit plan profit before interest and taxes as a percentage of sales; and (iii) profit plan profit before interest and taxes as a percentage of average net assets. Payments of bonuses under this plan are made in the year following the Bonus Year after the financial statements for the Bonus Year have been approved by the board of directors. Accrued bonuses payable to executive officers in 1993 for the 1992 year amount to \$71,742.

Executive officers and other senior executives are covered by a non-contributory pension plan. The plan in its present form provides a retirement income equivalent to 2% of the average salary for the best three years of the final ten years of service times years of service with the Corporation, subject to maximum prescribed dollar amounts. The plan also provides that any employee who was a member of the plan on June 30, 1976 is entitled to a pension equivalent to the greater of the foregoing or 2% of the average salary for the best five years of the final ten years of service with the Corporation times years of service up to a maximum of 25 years. The retirement income is increased pursuant to a cost of living adjustment by a maximum of 3% per year. The plan provides for early retirement, retirement at normal retirement age of 65 and postponed retirement, and provides equivalent pensions based on guaranteed payment periods and/or joint survivor annuities. Pensions are paid monthly commencing on the first day of the month following retirement. One executive officer and one former executive officer are also entitled to a retiring allowance equal to the amount that the individual is entitled to under the plan calculated without reference to the maximum amount permitted by federal income tax authorities, less the amount actually payable to the individual under the plan.

The Corporation has agreed to provide a supplementary benefit to one executive officer, payable on retirement to compensate him for the loss of pension benefit he incurred as a result of leaving his previous employer and joining the Corporation. The Corporation estimates the cost to provide this benefit at this executive officer's normal retirement date to be \$102,000.

Pursuant to the Corporation's compensation policy, five executive officers were provided with the use of an automobile resulting in additional remuneration to those executive officers not exceeding in the aggregate \$45,500 in 1992.

A Common Stock Option Plan was established in 1963 and subsequently amended in 1965 and 1985. This plan permits the board of directors to grant options to selected executive officers and senior employees to purchase up to but not exceeding in the aggregate 489,500 common shares from the Corporation. Each option is for the number of shares which when valued at the relevant option price will not exceed twice the annual salary of the option holder at the date of granting of the option. The exercise price for any optioned common shares shall be the price at which the last board lot of the common shares of the Corporation was traded on The Toronto Stock Exchange on the last business day prior to that on which the option was granted. Each option expires at the earliest of the expiry date specified in the option agreement, thirty days after the termination of employment (for any reason except death or normal retirement) of the option holder, 180 days after the date of death of the option holder, three years after normal retirement of the option holder or ten years after the option has been granted. No options were granted in 1992. In 1992 options for 15,300 shares were exercised. The aggregate net value of these shares (market value on the date of exercise less exercise price) was \$60,481. At December 31, 1992, an aggregate of 67,050 common shares of the Corporation were subject to options granted under this plan.

In 1989, the Corporation granted a 20 year home relocation loan of \$300,000 to Ronald D. Cole, the former President and Chief Executive Officer of the Corporation, which loan is secured on the purchased property. This loan, which was originally repayable pursuant to annual principal payments to have commenced in 1995, was amended as of January 15, 1993 to require payment in full of the outstanding principal amount on the earlier of December 31, 1993 and the date that the property is sold. The full amount of this loan is currently outstanding. No interest is payable on this loan.

<u>Name and Principal Occupation</u>	<u>Year first became a director</u>	<u>*Common Shares held as of March 23, 1993</u>
J. F. HOWARD Q.C., (a)(b) Woodbridge, Ontario Vice-Chairman of the Board of Directors of the Corporation Partner of Blake, Cassels & Graydon, Barristers & Solicitors	1974	1,500
K. A. O'DONOVAN, (b) London, England Finance Director of BTR plc	1991	1
L. ROCHETTE, (b) Quebec City, Quebec President of Gesconav Inc.	1982	1
G. SAUCIER, (b) Montreal, Quebec Corporate Director	1989	1
T. K. SHOYAMA, (b) Victoria, British Columbia Visiting Professor, University of Victoria	1981	1
J. S. THOMPSON, Jr., (a) Wellesley Hills, Massachusetts Group Chief Executive of the Paper & U.S. Distribution Groups of BTR plc	1992	1
A. M. G. TURNBULL, (a) Mississauga, Ontario Vice-President, Finance of the Corporation	1990	1

\*This information has been provided by each nominee.

During the preceding five years, Mr. Thompson was a senior executive of BTR plc. On September 22, 1990 he was appointed Group Chief Executive of the Paper & U.S. Distribution Groups of BTR plc. During the preceding five years, Ms. B.M. Bandler has been the General Counsel and Secretary of the Corporation.

(a) Currently member of Executive Committee.

(b) Currently member of Audit Committee.

### **Directors' and Executive Officers' Compensation**

#### **Directors:**

In 1992 directors who were not also salaried employees of the Corporation or of an affiliated company were paid either directly or indirectly directors' fees of \$12,000 per annum each except for the Vice-Chairman who was paid \$39,000 per annum. In addition, such directors were paid \$2,000 per annum per committee on which they served, plus an aggregate of \$1,791 as benefits relating to the use of automobiles.

#### **Executive Officers:**

During 1992, the Corporation had five executive officers who were paid aggregate cash remuneration of \$904,209.

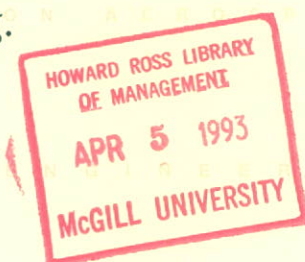
A profit improvement bonus arrangement was established in 1984 in respect of financial years from and after 1983. Beneficiaries, if any, under the plan are to be designated annually by the appropriate salary committee of the board of directors following approval by the board of the financial statements for the fiscal year for which the bonus is to be awarded (the Bonus Year). Any head office executive officer is eligible to be designated as a beneficiary under the plan which will be reviewed annually. The bonus is calculated by first determining the base profit of the Corporation which is the profit for the fiscal year immediately preceding the Bonus Year increased by a specified percentage and an inflation factor. A bonus percentage is then determined by calculating as a percentage the ratio of (i) the difference between the consolidated profit before tax for the Bonus Year and the base profit to (ii) the base profit, multiplied by a specified bonus factor. The salary of each beneficiary is then multiplied by this bonus percentage to determine the beneficiary's bonus. The maximum bonus payable is 20% of salary. Each



**H**awker Siddeley Canada Inc. is a diversified industrial company with five divisions and seven subsidiaries in Canada, the United States, the United Kingdom and Australia.

The Company's preferred and common shares are listed on the Toronto, Montreal and Vancouver stock exchanges. Forty-two percent of the preferred shares and fifty-nine percent of the common shares are beneficially owned by BTR plc in the United Kingdom; the other shares are held by institutional and individual investors, principally in Canada.

Hawker Siddeley Canada divisions and subsidiaries repair and overhaul jet engines and manufacture components for jet engines and industrial gas turbines; produce steel castings for hydro and industrial markets and wrought steel wheels for railway and industrial markets; lease and repair railcars; manufacture sawmill equipment for the forest products industry and mining equipment for the coal and soft-rock mining industries; and supply other products and services for mining and civil engineering.



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## Highlights

of the year ended December 31, 1992

- 1992 was another difficult year but operating profit and net earnings improved significantly.
- All the major operating units had improved results in 1992.
- Cost reduction and productivity improvement programs continued during the year.
- A major acquisition was made towards year end, in the sawmill equipment manufacturing sector.
- The outlook for 1993 is mixed, but brighter overall.

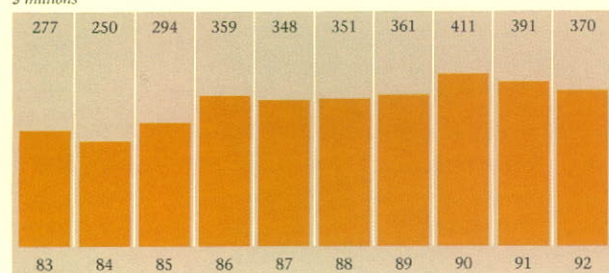
# Financial results

of the years ended December 31, 1992 and 1991

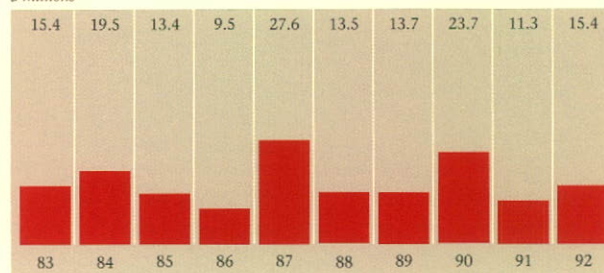
\$ millions except where indicated

	1992	1991	% change
<b>Operating results</b>			
Sales .....	\$ 370.0	\$ 391.3	- 5.4%
Operating profit .....	43.4	32.4	+34.0%
Net earnings .....	15.4	11.3	+36.3%
<b>Financial position</b>			
Common shareholders' equity .....	240.0	234.6	+ 2.3%
Preferred shares .....	14.0	14.0	-
Net borrowings .....	79.6	66.4	+19.9%
Deferred income taxes and minority shareholder's interest .....	96.3	87.4	+10.2%
Funds employed .....	<u>\$ 429.9</u>	<u>\$ 402.4</u>	+ 6.8%
Operating profit as a percentage of sales .....	11.7%	8.3%	
Operating profit as a percentage of average funds employed .....	10.4%	8.4%	
Average working capital as a percentage of sales .....	17.9%	21.1%	
Net borrowings as a percentage of funds employed .....	18.5%	16.5%	
Net earnings as a percentage of average common shareholders' equity .....	6.2%	4.5%	
<b>Results and financial position per common share (\$/share)</b>			
Earnings per share .....	\$ 1.78	\$ 1.29	+38.0%
Dividends per share .....	1.08	1.08	-
Book value per share .....	29.27	28.67	+ 2.1%

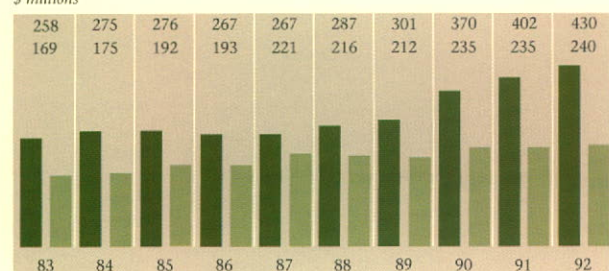
**Sales**  
\$ millions



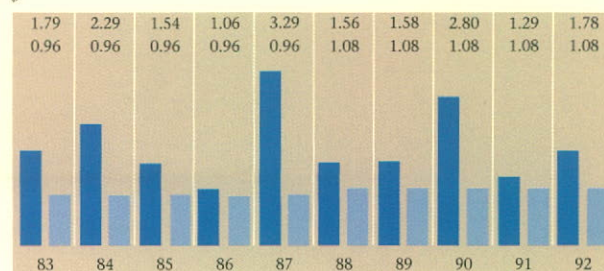
**Net earnings**  
\$ millions



**Total funds employed** ■ **Common shareholders' equity** ■  
\$ millions



**Earnings per share** ■ **Dividends per share** ■  
\$



## Report to the shareholders

### 1992 results

Net earnings were higher in 1992 than in 1991, reaching \$15.4 million (\$1.78 per share) on sales of \$370.0 million compared with \$11.3 million (\$1.29 per share) on sales of \$391.3 million in 1991.

### Markets and operations

As anticipated a year ago, 1992 proved to be another difficult year, with the world economy growing only very slowly. The North American economies began to recover from recession; gross domestic product grew by 2.1% in the United States and by about 1% in Canada. In the United Kingdom, GDP declined by a further 1%.

The markets served by a number of the Company's operations were beset by special problems. The coal industry in the United Kingdom became the subject of a major political storm late in the year, with thirty-one of the industry's fifty mines threatened with closure; the North American forest products industry began to recover slowly from the 1991 recession, the worst in its history; and the aerospace industry faced the twin problems of declining military spending and order cancellations and deferrals by the troubled airline industry. On the positive side, the decline in value of the Canadian dollar and the British pound during the year brought welcome relief in export markets.

Notwithstanding the difficult market conditions, the Company's results in 1992 showed significant improvement over the previous year. Operating profit increased by 34% from \$32.4 million in 1991 to \$43.4 million in 1992 including \$3.0 million attributable to adjustment of depreciation rates, as more fully described in the Financial review.

Most operations benefited from staff reduction programs initiated in 1990 and 1991. These programs continued in 1992 and a further \$5.9 million in redundancy costs was incurred or provided for following a similar amount in 1991. The total number of employees declined during the year from 2,500 to 2,100.

In general, all operations performed as expected a year ago. The aerospace operations began to be more

seriously affected by the downturn in that industry, but experienced only a small decline in operating profit; and the forest products and mining operations had significantly better results than in 1991, although still making a loss overall; Canadian Steel Foundries and Canadian Steel Wheel both had improved results; and CGTX had another excellent year.

### Capital expenditure

Expenditure on property, plant and equipment was \$26.0 million in 1992 compared with \$69.2 million in 1991. The level of CGTX's capital expenditure on rolling stock was considerably lower than in the previous year, and there were no major capital expenditures in other areas.

### Acquisitions and disposals

The Company made an important acquisition in December 1992 when it acquired the sawmill equipment manufacturing assets of Harvey Industries, Inc. and Harvey, Inc. – two companies with their principal manufacturing location in Hot Springs, Arkansas – for \$30.3 million. As mentioned in last year's Annual Report, we had been considering the strategic options for our Kockums CanCar operations for some time. They had suffered a major loss in 1991, in the depth of the forest products recession, compounded by the costs of extensive rationalization at their manufacturing location in Surrey, British Columbia. Kockums had a good product range but lacked the degree of sophistication in optimization technology that the lumber processing market demands, with today's emphasis on maximizing the yield from scarce and expensive timber.

The acquisition of the Harvey assets brings with it proven, sophisticated optimization technology and a manufacturing presence in the South East United States, to complement Kockums' presence in the Pacific North West. Harvey's products are also largely complementary to those of Kockums, and Consolidated Sawmill Machinery International Inc. ("CSMI"), the new U.S. subsidiary formed to

combine the Kockums' operations and the Harvey assets, will be able to offer a complete product line of equipment, from log preparation to lumber stacking, manufactured in-house.

There were no disposals of businesses in 1992.

### Financial position

The Company's balance sheet remains very strong. After paying dividends of \$0.8 million and \$8.8 million (\$1.08 per share) on the Company's preferred and common shares respectively, shareholders' equity increased from \$248.6 million in 1991 to \$254.0 million in 1992 and net borrowings increased from \$66.4 million (16.5% of total funds employed) to \$79.6 million (18.5% of total funds employed).

### The Board of Directors

On November 4, 1992 Mr. R.F. Faircloth, a Vice-Chairman of the Company, was appointed Chairman in succession to Mr. A.R. Jackson, who resigned as Chairman and as a Director on that date. Also on November 4, 1992 Mr. J.S. Thompson, Jr., a senior executive of BTR plc, was appointed a Director.

Mr. R.D. Cole resigned as President and Chief Executive Officer of the Company and as a Director on January 15, 1993.

### Outlook for 1993

The outlook for 1993 is mixed, but brighter overall. Economic growth in North America is expected to be stronger than in 1992 with growth in GDP of 3% or better anticipated in both Canada and the United States. In the United Kingdom, the change in GDP is expected to at least be positive.

Operations across the Company will derive additional benefit from the further staff reductions in 1992 referred to above. Cost savings from this source, together with a positive contribution from the CSMI sawmill equipment operations, should ensure further improvement in results in 1993. CGTX should have another excellent year. Canadian Steel Foundries and Canadian Steel Wheel should have improved results overall, although lower order intake

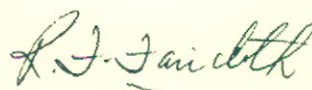
at CSF in 1992 represents a threat to attainment of improved results at that operation. Hollybank Engineering anticipates another satisfactory year and Dosco Overseas Engineering is targeting further profit recovery. The aerospace operations are likely to sustain some erosion in operating profit. Key factors in 1993 will be the integration and consolidation of the sawmill equipment manufacturing operations by CSMI; the degree of success achieved by Dosco Overseas Engineering in export markets; and the extent to which all operations, and the aerospace operations in particular, are successful in attracting new business.

Your Company's objectives remain the same: to improve the profitability of existing operations through cost reduction and productivity improvements; to take advantage of opportunities for profitable growth at these operations and, by acquisition, in related or niche markets; to maintain a strong financial position; and to achieve for shareholders an acceptable rate of growth in earnings and dividends per share.

With the support and involvement of BTR plc, Hawker Siddeley Canada's new parent company, your Board is confident that further progress can be made in achieving these objectives.

On your behalf we wish to acknowledge the contribution of employees throughout the Company in what was another difficult year.

On behalf of the Board:



R.F. Faircloth  
Chairman

February 16, 1993

## Operational and financial review

This review incorporates management's discussion and analysis of the results of operations and of the Company's financial condition.

### Operational review

The results of operations in 1992, by industry segment, compared with those of the previous year were as follows:

<i>\$ millions</i>	1992	1991
<b>Sales</b>		
Transportation and industrial products .....	\$ 213.7	\$ 210.1
Resource industry equipment.....	156.3	181.2
	<u>\$ 370.0</u>	<u>\$ 391.3</u>
<b>Operating profit</b>		
Transportation and industrial products .....	\$ 46.5	\$ 43.4
Resource industry equipment.....	(1.8)	(9.9)
	<u>44.7</u>	<u>33.5</u>
Corporate expenses .....	(1.3)	(1.1)
	<u>\$ 43.4</u>	<u>\$ 32.4</u>
<b>Operating profit as a percentage of sales.....</b>	<b>11.7%</b>	<b>8.3%</b>

Results from the transportation and industrial products segment continued to improve in 1992. Segment operating profit increased by 7.1% from \$43.4 million in 1991 to \$46.5 million in 1992 on an increase of 1.7% in sales, from \$210.1 million to \$213.7 million. Operating margins increased from 20.7% in 1991 to 21.8% in 1992. There was general improvement in results throughout the segment, with only the two smaller aerospace operations, Middleton Aerospace Corporation and Windsor Aerospace Division, suffering a decline in contribution to operating profit on lower sales.

The major change in segmented results in 1992 was in the resource industry equipment segment, where the segment operating loss was reduced from \$9.9 million in 1991 to \$1.8 million in 1992, notwithstanding

a further reduction in sales from \$181.2 million to \$156.3 million. The decline in sales was attributable to the mining sector in the United Kingdom, where both Dosco Overseas Engineering and Hollybank Engineering suffered from the continuing contraction of the British coal industry. Results from these operations were significantly better, however, due in particular to downsizing in 1991 and early 1992 and the elimination of a major contract drivage loss at Hollybank Engineering. Sales from the Kockums CanCar operations improved, as the forest products industry began to recover from the deep recession of 1991, and the operations incurred a smaller loss than in the previous year.

Overall, operating profit was much improved in 1992, principally as a result of the better performance of the resource industry equipment segment.

### Transportation and industrial products segment

■ **CGTX Inc.**, with headquarters in Montreal and sales offices in Mississauga and Calgary, leases railcars and provides management services to customers in Canada; and operates railcar repair and maintenance facilities in Red Deer, Moose Jaw and Montreal.

The company had another excellent year in 1992, with further growth in revenues, operating profit and earnings. Fleet utilization remained high despite the general weakness of the Canadian economy. CGTX continued to add special-purpose tank and freight cars to its fleet for specific customers, and although the overall level of fleet additions in 1992 was lower than in 1991, it brought CGTX's investment in additional rolling stock over the past five years, including orders for

**C**GTX Inc. leases railcars, provides management services and operates railcar repair and maintenance facilities for customers across Canada. In the photograph: a CP Rail double stack container train, for which the railcars are leased from CGTX, winds its way along the Bow River valley, near Lake Louise, Alberta.

Photography by Larry Fisher.



new cars to be delivered in 1993, to more than \$200 million. The company's repair plants were less busy than expected, reflecting slower growth in the economy than anticipated.

The outlook for 1993 and beyond is for strong growth. CGTX provides its leasing, repair and maintenance, and information services to a broad spectrum of customers in all the major industrial sectors of the Canadian economy. Demand for new railcars and for leasing services is expected to be high, as older rolling stock is replaced. Continuous investment in new rolling stock, repair facilities and information systems, and the ability to offer service in close proximity to its customers, has positioned CGTX to take full advantage of market opportunities as they arise.

■ **Orenda Division** in Mississauga repairs and overhauls jet engines and industrial gas turbines, and manufactures engine and turbine components. It is the major supplier of jet engine repair and overhaul services to the Canadian Armed Forces.

The demand for military engine repair and overhaul remains greatly reduced as a result of smaller defence budgets and cut backs in military spending. The demand for engine components for commercial usage has also been affected by operating cut backs and new equipment cancellations and deferrals by airlines and other carriers throughout the world.

Notwithstanding these market trends, Orenda's overall contribution to sales and operating profit improved in 1992. The volume of industrial business was considerably higher in 1992 than in 1991, and more than offset a decline in the level of component manufacturing. Military repair and overhaul business remained stable at the previous year's level.

Emphasis continues to be strongly directed towards cost reduction. Further progress was made in implementing cell-manufacturing and in introducing other improved production and control systems. Over the year, Orenda's workforce was reduced by approximately one hundred employees, causing the division to absorb \$2.2 million in related redundancy costs. Military and commercial markets are

continuing to become increasingly price sensitive, and it is essential for the cost reduction program at Orenda to continue and to be successful if the operation is to remain competitive in today's global aerospace market.

Without as high a level of industrial business in 1993 as in 1992, Orenda expects to suffer some reduction in sales and operating profit in the current year. With its skilled workforce, its spread of activities, and the benefits of an effective cost reduction program, however, Orenda is well equipped to face the current uncertainties of the aerospace market.

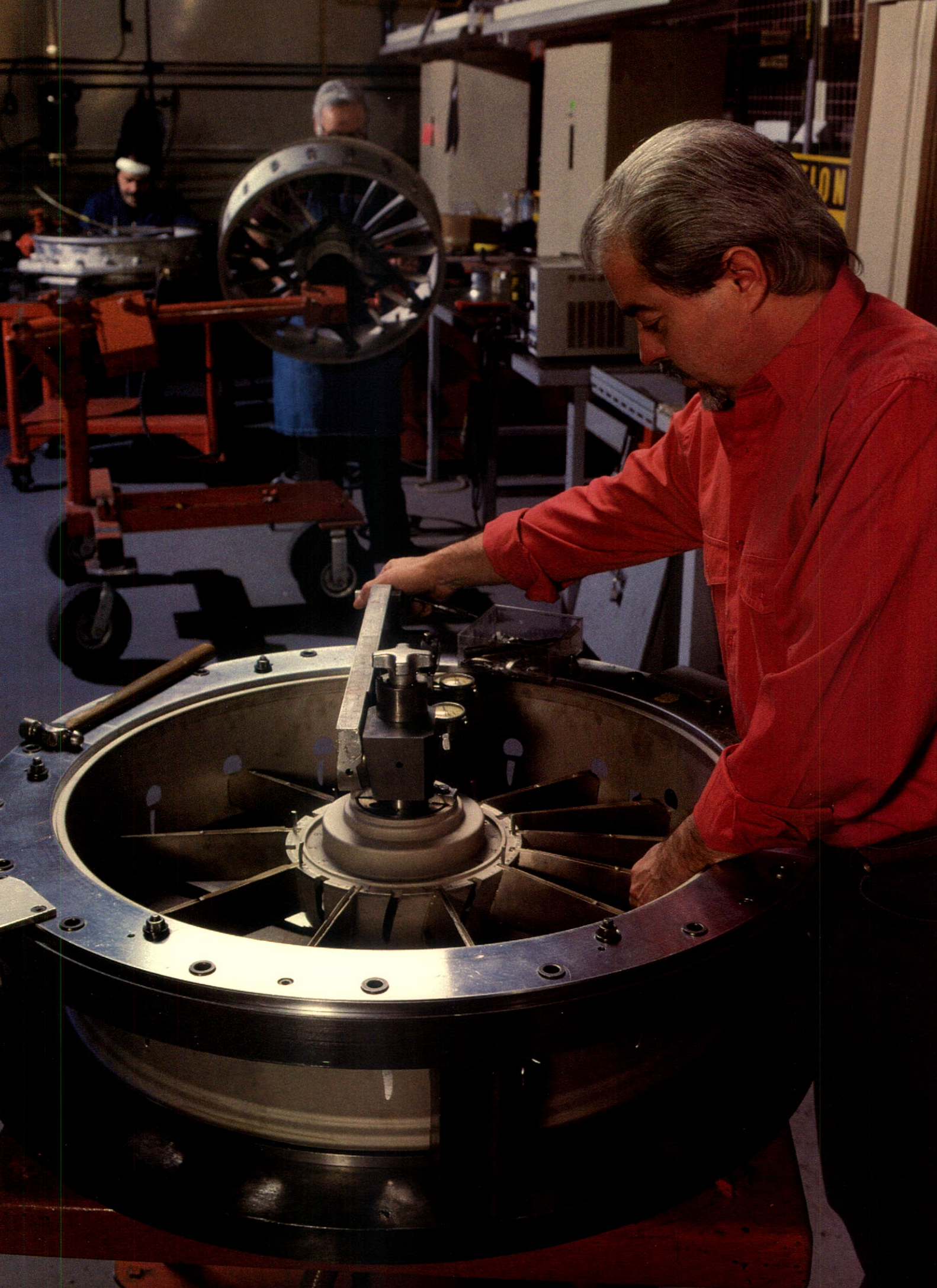
■ **Windsor Aerospace Division** in Windsor specializes in the production of precision gears and other components for the aerospace and other industries. In common with other precision gear operations, Windsor Aerospace is currently suffering from low demand for its products. Order intake and sales in 1992 did not reach the levels of the previous year, and the division again made a small loss. The operation implemented a staff reduction program early in the year and productivity in 1992 improved compared with the previous year.

The outlook for 1993 is uncertain and results will largely depend on the degree of success Windsor Aerospace achieves in attracting new business. The operation is very small, but has the potential to make a satisfactory contribution to operating profit.

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**O**renda Division repairs and overhauls jet engines and industrial gas turbines, and manufactures engine and turbine components. In the photograph: Philip Paulo, an assembler in one of Orenda's manufacturing cells, checks final measurements, prior to welding, on a front frame for a General Electric F404 jet engine. The F404 engine is used on the McDonnell Douglas F18 fighter aircraft and other military aircraft.

Photography by John Harquail.



■ **Middleton Aerospace Corporation** in Middleton, Massachusetts manufactures engine components for the major jet engine manufacturers in the United States and for the U.S. Armed Forces.

As anticipated a year ago, Middleton's operating levels were lower in 1992, largely as a result of reduced U.S. military spending, and the company made a smaller profit than the year before. The company's workforce was downsized in line with the lower level of sales and so as to generate increased efficiencies. New close-tolerance equipment was installed in 1992, enabling the company to extend its product range. During the year, Middleton was successful in broadening its customer base, obtaining orders from new customers in the United States and Australia.

In a declining market, Middleton's objective in 1993 will be to maintain its current level of business and to improve profitability by further increasing efficiencies and reducing cost. The company has established itself as a leading supplier of complex aero-engine components.

■ **Canadian Steel Foundries Division** in Montreal produces a wide range of steel castings for use in hydro and thermal power generation, mining and heavy manufacturing.

In 1992 CSF's results continued to improve. The division's contribution to operating profit increased appreciably on sales similar to those of the previous year, reflecting improved plant efficiencies resulting from better material utilization and greater labour productivity from a smaller workforce.

During the year CSF pursued its policy of developing international markets, making new sales in Europe and in India. The technology transfer agreement signed with the Georg Fischer foundry in Switzerland in 1991 resulted in the sale of CSF's first Pelton Runner hydro-electric turbine wheel in 1992, and further orders for the product in 1993.

The new chemical binder, sand mixing and distribution system installed in 1991 is contributing

to major improvements in material utilization, as-cast quality and overall foundry productivity. The effects of recession on markets for industrial castings over the past two years and the postponement of several major projects have had an adverse effect on the level of orders on hand, and 1993 results may not reach the levels achieved in 1992.

With its strong manufacturing and sales base and its market position strengthened by the closure of several major competitors in North America and Europe, CSF is well positioned to participate in the global market for high-integrity castings.

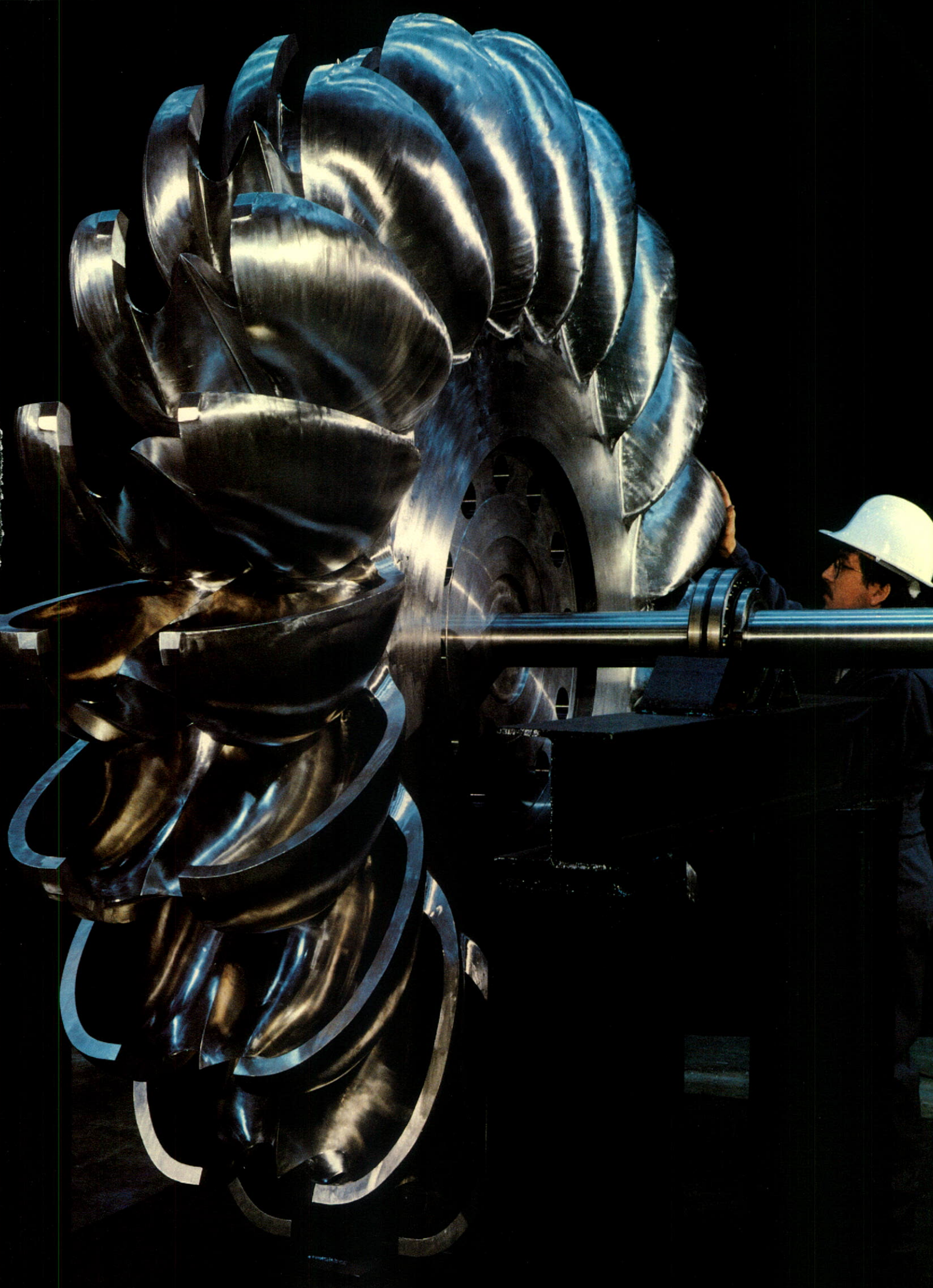
■ **Canadian Steel Wheel Division** in Montreal produces wrought steel wheels for locomotives, passenger and freight railcars, and for industrial applications.

CSW's sales increased over the previous year and there was a marked improvement in the operating result, before an exceptional provision for obsolete and slow-moving inventory, bringing the division closer to break-even. Early in 1992 CSW was restructured to more fully integrate it with CSF, which occupies an adjacent site in Montreal, so as to realize the economies which these two heavy steel producers can achieve by working closely together in their production and marketing programs. The full support of CSW's workforce was a significant factor in the improvement in the division's performance in 1992. CSW's marketing, traditionally focused on domestic customers, is being successfully broadened, particularly in the

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**C**anadian Steel Foundries Division produces a wide range of steel castings for use in hydro and thermal power generation, mining and heavy manufacturing. In the photograph: a Pelton Runner hydro-electric turbine wheel for high water drops, produced by CSF in 1992 for Hydro West in Washington State, undergoes final inspection. CSF, which in 1991 concluded a technology transfer agreement to produce Pelton Runners, expects to sell these turbine wheels in North and South America and in Europe.

Photography by Studio Henrichon.



United States, despite the existence of restrictive U.S. non-tariff barriers. Increasing railcar production and signs that railcar wheel production overcapacity, long a problem in North America, is receding, are contributing to a more favourable outlook for CSW. As the only manufacturer of wrought railway wheels in Canada, with the know-how developed through years of service to the Canadian railways, and with its revitalized manufacturing and marketing capabilities, CSW expects to achieve further progress in the current year.

### Resource industry equipment segment

■ **Dosco Overseas Engineering Limited** in the United Kingdom designs and manufactures mining and tunnelling machines for coal and other soft-rock mining, tunnelling machines for civil tunnelling, and machinery and equipment for the materials-handling market. It is one of the two leading suppliers of mine tunnelling machinery in the world.

Dosco's results were better in 1992 than in 1991. Sales were marginally lower than in the previous year, excluding a special export shipment of largely bought-in equipment in that year. The company made a small profit in 1992, compared with a loss in 1991.

In the U.K. market, events in 1992 were dominated by British Coal's announcement in October that it was to close thirty-one of its remaining fifty collieries. Such was the public outcry that the British government was forced to commission a comprehensive review of the coal industry and the wider energy industry in the United Kingdom. Pending the outcome of the review, all collieries have remained open, although the eventual closure of at least ten of them is widely predicted.

In export markets, considerable effort was directed in 1992 towards enhancing the company's sales force and network of representatives in a number of European countries, the Middle East and Hong Kong. The first machine manufactured under the collaboration agreement between Dosco and its

Polish partner was delivered to a customer in 1992. Export sales were made during the year to a number of countries, including Poland, France, Spain, Chile, Korea and the United States.

With the continuing contraction of the British coal industry, Dosco's attention is increasingly being directed towards exports to other coal-producing countries and towards civil tunnelling and materials-handling markets, both in the United Kingdom and overseas. The company's microbore machine and pipe conveyor have succeeded in giving the company's product range additional breadth in the civil tunnelling and materials-handling markets.

Dosco's results are expected to show further improvement in 1993. The extent and timing of the improvement will depend largely on the outcome of the British government's review of the coal industry and on the buy decisions of customers in a number of key overseas markets.

■ **Hollybank Engineering Company Limited** in the United Kingdom manufactures steel roof supports and supplies ancillaries for mine roadways, commercial tunnels and civil engineering projects. It is also engaged in the contract drivage of mine roadways. Its principal customer in both these businesses is British Coal.

After the poor results in 1991, when the company made substantial losses on one drivage contract in particular, results in 1992 were much improved, and the company returned to profit. The improvement occurred despite lower sales in both the roof supports and contracting sides of the business.

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**D**osco Overseas Engineering Limited designs and manufactures mining and tunnelling machines for coal and other soft-rock mining, tunnelling machines for civil tunnelling, and machinery and equipment for the materials-handling market. In the photograph: a Dosco LH1300H roadheader on display at the 1992 Electra Mining Exhibition in Johannesburg, South Africa.



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Margins in both activities improved as a result of cost reduction measures taken in 1991 and at the beginning of 1992.

The outcome of the British government's review of the coal industry, currently underway, will be of great importance to Hollybank. While clearly the greatest possible retention of collieries would maximize the future market for Hollybank's products and services, the company is confident that it would succeed in securing a larger share of the market for both supports and contract drive of mine roadways in a reduced coal industry. Further improvement in results is expected in the current year.

■ **The Dosco Corporation** in Abingdon, Virginia supplies and services mining and tunnelling machines manufactured by Dosco Overseas Engineering for customers in Canada, the United States and Mexico, and produces roof support systems for mining and civil engineering tunnel projects.

Sales of machines and roof support systems in 1992 were both below expectations, and after making provision for obsolete and slow-moving inventories and other costs, and after writing down the value of its roof supports business, the company made a loss for the year. The company expects better results from machine sales in 1993 and is presently evaluating the future of its roof supports business.

■ The Company's **Kockums CanCar** sawmill equipment operations, comprising Kockums CanCar Division in Surrey, British Columbia and its associated distribution operations, Kockums CanCar Corp. in Atlanta, Georgia and Kockums CanCar Pty. Ltd. in Australia, had better results than in 1991 but still made an overall loss. The sawmill sector of the North American forest products industry began to recover slowly in 1992, recouping part of the volume decline which occurred during the 1991 recession. Lumber prices started to improve towards the end of the year, and the number of sawmill closures and partial closures fell considerably. Restrictions on capital spending in the forest products industry, however, were still severe.

In December 1992 the Company acquired the sawmill manufacturing assets of Harvey, Inc. and Harvey Industries, Inc. with manufacturing operations in Hot Springs, Arkansas; Ukiah, California; and Vancouver, Washington with the objective of creating from the Kockums CanCar operations and the acquired assets a supplier of sawmill equipment with the necessary technical strengths to provide the sophisticated lumber processing equipment required by the industry today.

The Harvey assets were acquired by the Company through CSMI, a new U.S. subsidiary with headquarters in Portland, Oregon and the assets acquired in California and Washington were relocated to Portland in December. The Atlanta operations of Kockums CanCar Corp. are being transferred to the Hot Springs location in February 1993 and the manufacturing operations of Kockums CanCar Division in Surrey will be transferred to Portland during the second and third quarters of the year. The Canadian sales and parts distribution business in Surrey will continue to operate as the CSMI Division of Hawker Siddeley Canada Inc., and a new CSMI parts distribution centre will be opened in Savannah, Georgia in the second quarter of the year.

While 1993 will be a year of consolidation for CSMI's operations, the company's results are expected to make a significant contribution to operating profit.

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**C**onsolidated Sawmill Machinery International Inc. manufactures a complete range of equipment for the sawmill industry worldwide. The acquisition by CSMI of the sawmill manufacturing assets of Harvey, Inc. and Harvey Industries, Inc. in 1992 adds sophisticated technology to the company's range of sawmill and lumber processing equipment. In the photograph: Bill Johnston, an employee of T.R. Miller Mill Co., monitors the automatic feed of lumber towards a laser-scanner at T.R. Miller's Brewton, Alabama mill.

*Photography by John Harquail.*



## Financial review

There were no changes in accounting policies or methods in 1992.

The Company's revision of certain property, plant and equipment depreciation rates as of January 1, 1992, referred to in note 2 to the consolidated financial statements, represented a significant change during the year in an accounting estimate, resulting in a decrease of \$3.0 million in the depreciation charge for 1992, and an increase of \$2.0 million (\$0.24 per share) in net earnings for the year. Review of the Company's plant and machinery in particular during the year had confirmed that the former rates of depreciation were causing a substantial proportion of such assets to be depreciated over periods shorter than their actual useful economic lives. The general rate of depreciation on plant and machinery was reduced from 10% to 7½% per annum effective January 1, 1992.

## Earnings statement

The earnings statement for the year was as follows:

<i>\$ millions</i>	1992	1991
Sales.....	<u>\$ 370.0</u>	<u>\$ 391.3</u>
Cost of sales, selling and administrative expenses.....	306.8	339.1
Depreciation and amortization...	19.8	19.8
	<u>326.6</u>	<u>358.9</u>
Operating profit.....	43.4	32.4
Interest expense.....	8.0	5.7
Earnings before income taxes.....	35.4	26.7
Income taxes.....	14.4	10.3
Earnings before minority interest.....	21.0	16.4
Minority interest.....	5.6	5.1
Net earnings.....	<u>\$ 15.4</u>	<u>\$ 11.3</u>
Earnings per share.....	<u>\$ 1.78</u>	<u>\$ 1.29</u>

The principal factors contributing to the change in sales and operating profit in 1992 are discussed by industry segment in the Operational review on pages 6 to 14.

In summary, sales increased in all operations except the smaller aerospace units and in the mining service and equipment units, with the major decline concentrated in Dosco Overseas Engineering and Hollybank Engineering. The profit contributions of the various operations followed the same trends as sales except that Dosco and Hollybank were both able to return to profit, notwithstanding the decline in their sales, as a result of downsizing and productivity improvements.

The above trends are also reflected in sales and operating profits by geographic segment. Sales of the Canadian units rose from \$203.0 million in 1991 to \$210.2 million in 1992 and the operating profit of the Canadian segment rose from \$33.6 million to \$42.5 million. Sales of U.S. operations declined slightly from \$46.0 million to \$43.9 million and the U.S. segment made a small loss of \$1.2 million compared with a profit of \$2.6 million in 1991. Sales of the European operations declined from \$142.3 million to \$115.9 million, but the segment made a profit of \$3.4 million in 1992 compared with a loss of \$2.7 million in 1991.

The increase in interest expense from \$5.7 million in 1991 to \$8.0 million in 1992 reflects the higher interest rates of 10.3% and 10.55% on CGTX's long-term debt financing part way through 1991, and the adverse effect of lower 1992 short-term deposit rates on the Company's cash balances.

The Company's effective tax rate in 1992 increased from 38.6% to 40.7% of pretax earnings. This was mainly due to the change in 1992 in the mix of where profits were earned, with profits increasing in Canada and the United Kingdom, where they are fully taxable, and decreasing in the United States, where tax liabilities, if any, are largely offset by tax loss relief from prior years.

After minority interest, net earnings improved from \$11.3 million (\$1.29 per share) in 1991 to \$15.4 million (\$1.78 per share) in 1992.

### Cash flow

The following condensed presentation of cash flow highlights the main elements contributing to the changes in net borrowings in 1992 and 1991:

<i>\$ millions</i>	1992	1991
Earnings before income taxes.....	\$ 35.4	\$ 26.7
Income taxes paid.....	(6.7)	(9.4)
Dividends paid .....	(9.6)	(9.6)
Minority shareholder dividends paid.....	(2.1)	(1.7)
	<u>17.0</u>	<u>6.0</u>
Changes in working capital .....	14.5	19.9
Purchase of property, plant and equipment .....	(26.0)	(69.2)
Sale of property, plant and equipment.....	1.3	1.4
Depreciation and amortization ...	19.8	19.8
Acquisition of businesses.....	(36.1)	1.6
	<u>(41.0)</u>	<u>(46.4)</u>
Unrealized exchange rate adjustments .....	(0.7)	(2.5)
Other.....	(3.0)	(2.8)
Increase in net borrowings.....	(13.2)	(25.8)
Opening net borrowings (note).....	(66.4)	(40.6)
Closing net borrowings (note) .....	<u>\$ (79.6)</u>	<u>\$ (66.4)</u>

Note: Net borrowings comprise bank advances and long-term debt less cash and short-term investments.

The increase in net borrowings in 1992 (\$13.2 million) was lower than the increase in 1991 (\$25.8 million) and net borrowings of \$66.4 million at December 31, 1991 rose to only \$79.6 million at December 31, 1992.

After paying dividends and income taxes due during the year, earnings contributed \$17.0 million to cash flow compared with \$6.0 million

in 1991. There was a reduction of \$14.5 million in working capital, of which \$5.3 million reflects lower receivables, inventories and payables in 1992 (1991 – \$19.9 million) and \$9.2 million reflects provision for the balance of the Harvey acquisition total consideration that will be paid in 1993. Property, plant and equipment expenditures (\$26.0 million) were much lower in 1992 than in 1991 (\$69.2 million), with lower expenditure by CGTX on new rolling stock accounting for most of the decrease.

The acquisition of the Harvey sawmill equipment manufacturing assets for cash was a major factor in the 1992 cash outflow. The small acquisition cost adjustment of \$1.6 million in 1991 relates to the acquisition of Middleton Aerospace and Windsor Aerospace, acquired in 1990.

### Balance sheet

The balance sheet of the Company, presented so as to distinguish between net assets and funds employed, is as follows:

<i>\$ millions</i>	1992	1991
Current assets (note) .....	\$ 136.5	\$ 145.6
Current liabilities (note) .....	<u>81.0</u>	<u>76.7</u>
Working capital .....	55.5	68.9
Property, plant and equipment....	332.4	320.9
Other assets .....	<u>42.0</u>	<u>12.6</u>
Net assets.....	<u>\$ 429.9</u>	<u>\$ 402.4</u>
Shareholders' equity.....	\$ 254.0	\$ 248.6
Net borrowings .....	79.6	66.4
Deferred taxes and minority shareholder's interest.....	<u>96.3</u>	<u>87.4</u>
Funds employed.....	<u>\$ 429.9</u>	<u>\$ 402.4</u>

Note: Current assets and current liabilities exclude cash balances and short-term investments, and bank advances and the current portion of long-term debt respectively.

Working capital declined from \$68.9 million to \$55.5 million, although it should be noted that the 1992

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figure includes the provision of \$9.2 million for the balance of the acquisition consideration payable in 1993.

Property, plant and equipment rose only moderately, due to lower capital spending and a relatively small addition attributable to the Harvey acquisition (\$5.8 million). Other assets increased by \$29.4 million to \$42.0 million, with the increase almost entirely reflecting intellectual property and other intangible assets (\$17.9 million) and goodwill (\$9.3 million) arising from the Harvey acquisition.

The financial position of the Company remains very strong, as indicated by the balance sheet figures. Shareholders' equity, minority shareholder's equity and the provision for deferred taxes – which is unlikely to reverse – total \$350.3 million (81.5% of funds employed) with net borrowings of only \$79.6 million (18.5% of funds employed) accounting for the balance. Net borrowings comprise cash and short-term investments of \$21.8 million, bank advances of \$21.9 million and long-term debt of \$79.5 million. All of the long-term debt relates to CGTX, the Company's railcar leasing subsidiary, and is secured against a related portion of CGTX's rolling stock. The Company has substantial unused bank facilities and, apart from CGTX, no net borrowings. CGTX has the capacity to fund all its debt requirements without recourse to Hawker Siddeley Canada, and the Company itself has more than adequate capacity to fund its foreseeable cash requirements from cash flow, cash balances and unused bank facilities.

## Consolidated financial statements

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## Auditors' report to the shareholders

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We have audited the consolidated balance sheets of Hawker Siddeley Canada Inc. as at December 31, 1992 and 1991 and the consolidated statements of earnings, retained earnings and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial positions of the Company as at December 31, 1992 and 1991 and the results of its operations and the changes in its cash position for the years then ended in accordance with generally accepted accounting principles.



Price Waterhouse  
Chartered Accountants  
Toronto, Ontario

February 16, 1993

# Consolidated statements of earnings and retained earnings

for the years ended December 31, 1992 and 1991

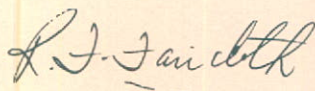
<i>\$ millions</i>	1992	%	1991	%
<b>Earnings</b>				
Sales.....	\$ 370.0	100.0	\$ 391.3	100.0
Cost of sales, selling and administrative expenses.....	306.8	82.9	339.1	86.7
Depreciation and amortization.....	19.8	5.4	19.8	5.0
	326.6	88.3	358.9	91.7
Operating profit.....	43.4	11.7	32.4	8.3
Interest expense (note 4).....	8.0	2.1	5.7	1.5
Earnings before income taxes.....	35.4	9.6	26.7	6.8
Income taxes (note 5).....	14.4	3.9	10.3	2.6
Earnings before minority shareholder's interest.....	21.0	5.7	16.4	4.2
Minority shareholder's interest.....	5.6	1.5	5.1	1.3
Net earnings of the year.....	\$ 15.4	4.2	\$ 11.3	2.9
Earnings per share.....	\$ 1.78		\$ 1.29	
<b>Retained earnings</b>				
Balance – beginning of year.....	\$ 181.1		\$ 179.4	
Net earnings of the year.....	15.4		11.3	
	196.5		190.7	
Dividends				
Preferred shares.....	0.8		0.8	
Common shares.....	8.8		8.8	
	9.6		9.6	
Balance – end of year.....	\$ 186.9		\$ 181.1	

# Consolidated balance sheets


as at December 31, 1992 and 1991

<i>\$ millions</i>	1992	1991
<b>Assets</b>		
<b>Current assets</b>		
Cash .....	\$ 10.3	\$ 18.9
Short-term investments (notes 4 and 6) .....	11.5	31.5
Accounts receivable .....	68.5	68.1
Income taxes recoverable .....	2.1	4.3
Inventories .....	63.0	71.0
Prepaid expenses .....	2.9	2.2
	<u>158.3</u>	<u>196.0</u>
<b>Property, plant and equipment (note 7)</b>		
Cost .....	569.3	543.6
Accumulated depreciation .....	(236.9)	(222.7)
	<u>332.4</u>	<u>320.9</u>
<b>Other assets</b>		
Goodwill (note 8) .....	9.9	0.6
Other intangible assets (note 9) .....	18.6	1.0
Deferred pension asset (note 10) .....	13.5	11.0
	<u>42.0</u>	<u>12.6</u>
	<u>\$ 532.7</u>	<u>\$ 529.5</u>

Approved by the Board:



R.F. Faircloth  
Director



A.M.G. Turnbull  
Director

	1992	1991
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank advances.....	\$ 21.9	\$ 29.5
Accounts payable and accrued liabilities.....	70.7	65.5
Dividends payable.....	2.4	2.4
Income taxes and other taxes payable.....	5.7	8.8
Advances on sales contracts.....	2.2	—
Current portion of long-term debt (note 11).....	17.8	7.8
	<u>120.7</u>	<u>114.0</u>
Long-term debt less current portion (note 11).....	61.7	79.5
Deferred income taxes.....	52.4	47.0
Minority shareholder's interest in subsidiary company.....	43.9	40.4
	<u>278.7</u>	<u>280.9</u>
<b>Shareholders' equity</b>		
<b>Capital stock (note 12)</b>		
Issued and fully-paid:		
Preferred shares.....	14.0	14.0
Common shares.....	55.3	55.0
Retained earnings.....	186.9	181.1
Currency translation account (note 13).....	(2.2)	(1.5)
	<u>254.0</u>	<u>248.6</u>
	<u>\$ 532.7</u>	<u>\$ 529.5</u>

# Consolidated statements of cash flow

for the years ended December 31, 1992 and 1991

<i>\$ millions</i>	1992	1991
<b>Operating activities</b>		
Earnings before income taxes .....	\$ 35.4	\$ 26.7
Taxation payments .....	(6.7)	(9.4)
Proceeds on sale of property, plant and equipment .....	1.3	1.4
Depreciation of property, plant and equipment (note 2) .....	19.3	19.4
Amortization of goodwill and other intangible assets .....	0.5	0.4
Increase in deferred pension asset .....	(2.6)	(2.8)
Other .....	(0.7)	(0.5)
	<u>46.5</u>	<u>35.2</u>
<b>Working capital</b>		
Accounts receivable and prepaid expenses .....	3.7	7.5
Inventories .....	11.2	8.2
Accounts payable and accrued charges, and other taxes .....	(0.4)	4.2
	<u>14.5</u>	<u>19.9</u>
Cash flow from operating activities .....	<u>61.0</u>	<u>55.1</u>
<b>Financing activities</b>		
Common shares issued (note 12) .....	0.3	0.5
Increase/(decrease) in long-term debt .....	(7.8)	42.0
Dividends to minority shareholder in subsidiary company .....	(2.1)	(1.7)
Cash flow from financing activities .....	<u>(9.6)</u>	<u>40.8</u>
<b>Investment activities</b>		
Acquisition of businesses (note 1) .....	(36.1)	1.6
Purchase of property, plant and equipment .....	(26.0)	(69.2)
Cash flow from investment activities .....	<u>(62.1)</u>	<u>(67.6)</u>
<b>Unrealized foreign currency translation loss</b>		
on net current assets of foreign subsidiaries .....	(0.7)	(2.5)
Cash flow before dividends .....	<u>(11.4)</u>	<u>25.8</u>
Dividends paid on preferred and common shares .....	(9.6)	(9.6)
Cash flow of the year .....	<u>(21.0)</u>	<u>16.2</u>
<b>Funds (cash and short-term investments less bank advances)</b>		
Beginning of year .....	20.9	4.7
End of year .....	<u>\$ (0.1)</u>	<u>\$ 20.9</u>

## Significant accounting policies

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and reflect the policies set out below.

### Basis of consolidation

The consolidated financial statements of the Company include the financial statements of all subsidiaries. The operating results of operations disposed of or discontinued and gains and losses on disposal or discontinuance are segregated and stated separately in the consolidated statement of earnings.

### Foreign currency translation

The financial statements of the Company's foreign subsidiaries, all of which are considered self-sustaining, are translated into Canadian dollars as follows:

- assets and liabilities – at the rates of exchange in effect at the balance sheet date.
- revenue and expense items – at the average rates of exchange for the year.

Unrealized exchange gains and losses arising on the translation of the financial statements of foreign subsidiaries are deferred and taken to the currency translation account in the shareholders' equity section of the consolidated balance sheet.

Transactions of the Company and its Canadian subsidiary, denominated in foreign currencies, are recorded in Canadian dollars at exchange rates in effect at the related transaction dates. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at the balance sheet date. Exchange gains and losses arising on the translation of monetary assets and liabilities are included in the determination of earnings of the year except for unrealized exchange gains and losses on long-term debt which are deferred and amortized over the remaining terms of related obligations. Other exchange gains and losses, including amortization of such amounts relating to long-term debt, are included in the consolidated statement of earnings of the year.

### Short-term investments

Short-term investments are recorded at the lower of cost and market value.

### Inventories

Inventories are valued at the lower of cost and net realizable value less progress payments.

### Property, plant and equipment

Property, plant and equipment, including expenditures which improve or prolong the useful lives of such assets, are stated at cost. Property, plant and equipment obtained through acquisitions is stated at its fair value at the date of acquisition.

Depreciation is computed on a straight-line basis at rates based on the estimated useful lives of the assets. Estimated useful lives generally are forty years for buildings, twenty to thirty years for railway rolling stock and thirteen years for machinery and equipment. Leasehold improvements are amortized over the terms of the leases.

Maintenance and repair costs of a routine nature are expensed as incurred.

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### **Goodwill**

Goodwill is amortized on a straight-line basis over its estimated life or forty years, whichever is less. Any goodwill remaining at the time of disposal or discontinuance of the operation to which it relates is written off in the year of disposal or discontinuance.

### **Other intangible assets**

Other intangible assets are amortized on a straight-line basis over their estimated lives or twenty years, whichever is less. Intangible assets remaining at the time of disposal or discontinuance of the operation to which they relate are written off in the year of disposal or discontinuance.

### **Revenue recognition**

Sales are recorded at the time the product is shipped or the service performed. On major contracts sales and earnings are recognized on a percentage of completion basis. Provision is made for losses in the year in which they are first foreseen.

### **Pension costs and obligations**

Pension costs are calculated, prorated on service, using the accrued benefit method of actuarial valuation with projected earnings where appropriate.

Pension plans are actuarially valued at least every three years. Adjustments arising on valuation are taken to earnings over the expected average remaining service life of the relevant employee group.

### **Income taxes**

The deferral method is used in accounting for income taxes. Timing differences giving rise to deferred income taxes relate primarily to:

- depreciation and amortization – where the amounts claimed for income tax purposes differ from the amounts written off for accounting purposes.
- other items – where amounts included in the earnings statement differ from amounts recognized for income tax purposes.

### **Earnings per share**

Earnings per share are calculated using the weighted average number of shares outstanding during the year.

# Notes to the consolidated financial statements

for the years ended December 31, 1992 and 1991

## 1. Acquisitions

On December 1, 1992 the Company, through a new wholly-owned U.S. subsidiary, Consolidated Sawmill Machinery International Inc. ("CSMI"), acquired certain of the assets and assumed certain of the liabilities of the sawmill equipment manufacturing businesses of Harvey, Inc. and Harvey Industries, Inc. with their principal place of business in Hot Springs, Arkansas, for \$30.3 million (U.S. \$23.8 million) payable in cash.

The acquisition was accounted for by the purchase method. The total consideration of \$36.1 million, including provision of \$5.8 million for acquisition costs and the costs of integrating CSMI and the Company's Kockums CanCar sawmill equipment manufacturing businesses in Canada and the United States, was allocated, based on the fair values of the assets acquired and the liabilities assumed at the date of acquisition, as follows:

<i>\$ millions</i>	
Accounts receivable .....	\$ 4.8
Inventories.....	3.2
Land and buildings.....	2.2
Plant and equipment .....	3.6
Intellectual property and other intangible assets .....	17.9
	<u>31.7</u>
Goodwill.....	9.3
Accounts payable and accrued liabilities, and advances on sales contracts .....	(4.9)
	<u>\$ 36.1</u>

In 1990, the businesses and net assets of Windsor Aerospace Division and Middleton Aerospace Corporation were acquired together for \$27.3 million. \$3.5 million of the purchase price remained unpaid at December 31, 1990 pending settlement of a dispute with the vendor of these businesses as to adjustment of the purchase price. Agreement with the vendor was reached on February 4, 1992 and the reduction in the purchase price agreed, less associated costs, amounting to \$1.6 million was applied in 1991 in reduction of the goodwill arising on the acquisition. As a result of the settlement, earnings before income taxes and net earnings in 1991 included \$0.6 million in respect of overprovision of costs in 1990, and other adjustments, relating to this dispute.

## 2. Depreciation of property, plant and equipment

The Company has revised the rates of depreciation applied to certain property, plant and equipment other than CGTX Inc.'s railway rolling stock leasing fleet, as of January 1, 1992, in order to more closely reflect the estimated remaining useful lives of such property, plant and equipment as at that date and the estimated useful lives of property, plant and equipment acquired after that date.

The effect of the revision of rates has been to reduce depreciation for the year ended December 31, 1992 by \$3.0 million to \$19.3 million. Depreciation for the year ended December 31, 1991 was \$19.4 million.

**3. Research and development costs**

Research and development costs incurred and expensed in 1992 amounted to \$4.4 million (1991 – \$4.5 million).

**4. Interest expense**

<i>\$ millions</i>	1992	1991
Interest on long-term debt .....	\$ 9.1	\$ 7.1
Other net interest income .....	(1.1)	(1.4)
	<u>\$ 8.0</u>	<u>\$ 5.7</u>

Other net interest income includes interest income of \$0.4 million (1991 – \$0.6 million) on advances to an affiliated company at commercial rates of interest. These advances were repayable on demand.

**5. Income taxes**

<i>\$ millions</i>	1992	1991
Current income taxes .....	\$ 9.0	\$ 7.1
Deferred income taxes .....	5.4	3.2
	<u>\$ 14.4</u>	<u>\$ 10.3</u>

The provision for income taxes is made up as follows:

<i>\$ millions</i>	1992	1991
Provision at statutory rates of income tax .....	\$ 15.0	\$ 11.4
Effect of manufacturing and processing tax credits .....	(0.6)	(0.3)
Effect of taxation relief from previous years .....	–	(0.8)
	<u>\$ 14.4</u>	<u>\$ 10.3</u>

Accumulated income tax losses of U.S. subsidiary companies as at December 31, 1992 amounted to U.S. \$26.6 million (1991 – U.S. \$24.7 million). These income tax losses are available to reduce future taxable income of U.S. subsidiary companies. The income tax losses expire at various dates during the period from 1997 to 2007. The amount of loss relief which may be applied against taxable income in any one year, for losses incurred prior to 1992, is subject to restriction as a result of the change in the ultimate control of the Company which took place during 1991.

Accumulated expenses of U.S. subsidiary companies charged against income but which had not yet become deductible for income tax purposes at December 31, 1992 amounted to approximately U.S. \$2.8 million (1991 – U.S. \$2.1 million).

The potential tax benefits of approximately U.S. \$9.9 million, at 1992 income tax rates, relating to the above income tax losses and expenses have not been recognized in the consolidated financial statements.

**6. Short-term investments**

Short-term investments at December 31, 1991 included advances of \$11.5 million to an affiliated company.

**7. Property, plant and equipment**

<i>\$ millions</i>	Cost	1992 Accumulated depreciation	Cost	1991 Accumulated depreciation
Land and land improvements .....	\$ 7.4	\$ 1.6	\$ 7.2	\$ 1.5
Buildings .....	49.1	30.8	47.1	30.1
Railway rolling stock leasing fleet .....	393.8	128.8	377.1	117.7
Other plant and equipment .....	119.0	75.7	112.2	73.4
	<u>\$ 569.3</u>	<u>\$ 236.9</u>	<u>\$ 543.6</u>	<u>\$ 222.7</u>

**8. Goodwill**

<i>\$ millions</i>	1992	1991
Balance—beginning of year .....	\$ 0.6	\$ 2.2
Additions during year (note 1) .....	9.3	—
Adjustment to value of goodwill (note 1) .....	—	(1.6)
Amortization .....	(0.1)	(0.1)
Exchange adjustment .....	0.1	0.1
Balance—end of year .....	<u>\$ 9.9</u>	<u>\$ 0.6</u>

The estimated useful life over which goodwill is being amortized is generally twenty years.

**9. Other intangible assets**

Other intangible assets principally comprise the values of intellectual property and covenants not to compete arising from acquisitions.

<i>\$ millions</i>	1992	1991
Balance—beginning of year .....	\$ 1.0	\$ 1.3
Additions during year (note 1) .....	17.9	—
Amortization .....	(0.4)	(0.3)
Exchange adjustment .....	0.1	—
Balance—end of year .....	<u>\$ 18.6</u>	<u>\$ 1.0</u>

The estimated useful lives over which other intangible assets are being amortized range from one to ten years. The total cost and accumulated amortization to date of other intangible assets are \$19.6 million and \$1.1 million (1991—\$1.7 million and \$0.7 million) respectively.

## 10. Deferred pension asset

The Company maintains defined benefit plans which provide retirement benefits for essentially all employees, based upon the length of service and, in certain cases, the final average earnings of the employee.

The estimated actuarial present value of accrued pension fund benefits at December 31, 1992 was \$96 million (1991-\$102 million) and the average market value of pension fund assets was \$159 million (1991-\$153 million).

The deferred pension asset of \$13.5 million at December 31, 1992 (1991-\$11.0 million) represents the amount by which the actuarial value of pension plan surpluses recognized by the Company in income and payments by the Company to pension funds exceed cumulative pension costs.

## 11. Long-term debt

<i>\$ millions</i>	1992	1991
First mortgage sinking fund equipment notes		
Notes due from 1993 to 2000 at 10.25% (U.S. \$2.0 million; 1991-U.S. \$2.25 million).....	\$ 2.3	\$ 2.6
Notes due from 1993 to 1999 at from 8.875% to 11.125% .....	12.2	14.7
First mortgage equipment notes		
Note due in 1992 at 11.25%.....	-	5.0
Notes due in 1993 at 11% .....	15.0	15.0
Notes due in 1994 at 10.3% .....	20.0	20.0
Notes due in 1996 at 10.55% .....	30.0	30.0
Total long-term debt.....	79.5	87.3
less:		
Portion due within one year .....	17.8	7.8
	<u>\$ 61.7</u>	<u>\$ 79.5</u>

Repayment of long-term debt over the next five years is as follows:  
1993-\$17.8 million; 1994-\$22.6 million; 1995-\$2.3 million; 1996-\$31.8 million and 1997-\$1.8 million.

All the long-term debt relates to CGTX Inc., the Company's 55%-owned railway rolling stock leasing subsidiary, and is secured on railway rolling stock of CGTX Inc. with a net book value at December 31, 1992 of \$128.7 million (1991-\$154.0 million).

## 12. Capital stock

The authorized share capital of the Company is as follows:

140,000 5<sup>3</sup>/<sub>4</sub>% cumulative redeemable preferred shares of \$100 each.

An unlimited number of preferred shares junior to the 5<sup>3</sup>/<sub>4</sub>% cumulative redeemable preferred shares.

An unlimited number of common shares.

The issued and fully-paid share capital of the Company is as follows:

<i>\$ millions</i>	1992	1991
140,000 5 <sup>3</sup> / <sub>4</sub> % cumulative redeemable preferred shares of \$100 each .....	\$ 14.0	\$ 14.0
8,199,601 common shares (1991 – 8,184,301 common shares) .....	55.3	55.0
	<u>\$ 69.3</u>	<u>\$ 69.0</u>

41.8% of the outstanding preferred shares and 58.7% of the outstanding common shares are beneficially owned by BTR plc, London, England.

The 5<sup>3</sup>/<sub>4</sub>% cumulative preferred shares are redeemable at the option of the Company at \$105 per share.

At December 31, 1992, stock options to senior executives and former senior executives of the Company were outstanding in respect of 67,050 common shares (1991–97,950 common shares). These options are exercisable by the holders at from \$22.00 to \$24.00 per share and expire at various dates during the next three years. During the year, options for 15,300 common shares (1991–27,200 common shares) were exercised for a total consideration of \$300,000 (1991–\$545,000).

The weighted average number of common shares outstanding during the year was 8,197,608 (1991–8,170,184)

## 13. Currency translation account

<i>\$ millions</i>	1992	1991
Balance – beginning of year .....	\$ (1.5)	\$ 1.0
Adjustment with respect to net assets of foreign subsidiaries .....	(0.7)	(2.5)
Balance – end of year .....	<u>\$ (2.2)</u>	<u>\$ (1.5)</u>

## 14. Related party transactions

There were no material transactions during the year between the Company and related parties, other than the advances to an affiliated company referred to in notes 4 and 6.

## 15. Reclassification of figures

Figures for the year ended December 31, 1991 have been reclassified where appropriate to conform to the current year's presentation.

## Segmented information

for the years ended December 31, 1992 and 1991

### By industry segment

\$ millions	Total		Transportation and industrial products		Resource industry equipment	
	1992	1991	1992	1991	1992	1991
Total sales .....	\$ 370.0	\$ 391.3	\$ 213.7	\$ 210.1	\$ 156.3	\$ 181.2
Inter-segment sales .....	-	-	-	-	-	-
External sales .....	370.0	391.3	213.7	210.1	156.3	181.2
% of total external sales .....	100.0%	100.0%	57.8%	53.7%	42.2%	46.3%
Segment operating profit/(loss) .....	44.7	33.5	46.5	43.4	(1.8)	(9.9)
% of external sales .....	12.1%	8.6%	21.8%	20.7%	(1.2)%	(5.5)%
Identifiable assets .....	504.4	486.7	373.3	378.6	131.1	108.1
Segment depreciation .....	19.3	19.3	17.4	16.3	1.9	3.0
Segment capital expenditure .....	26.0	69.2	23.2	66.0	2.8	3.2

■ Segment operating profit reconciles with earnings before income taxes as follows:

Segment operating profit .....	\$ 44.7	\$ 33.5
Corporate expenses .....	(1.3)	(1.1)
Interest expense .....	(8.0)	(5.7)
Earnings before income taxes .....	<u>\$ 35.4</u>	<u>\$ 26.7</u>

■ Identifiable assets reconcile with total assets as follows:

Identifiable assets .....	\$ 504.4	\$ 486.7
Corporate assets .....	28.3	42.8
Total assets .....	<u>\$ 532.7</u>	<u>\$ 529.5</u>

## By geographic segment

\$ millions	Total		Canada		United States		Europe	
	1992	1991	1992	1991	1992	1991	1992	1991
Total sales .....	\$ 381.8	\$400.2	\$ 219.6	\$208.0	\$ 44.4	\$ 46.3	\$ 117.8	\$ 145.9
Inter-segment sales.....	(11.8)	(8.9)	(9.4)	(5.0)	(0.5)	(0.3)	(1.9)	(3.6)
External sales.....	370.0	391.3	210.2	203.0	43.9	46.0	115.9	142.3
% of total external sales.....	100.0%	100.0%	56.8%	51.9%	11.9%	11.7%	31.3%	36.4%
Segment operating profit/(loss)	44.7	33.5	42.5	33.6	(1.2)	2.6	3.4	(2.7)
% of external sales .....	12.1%	8.6%	20.2%	16.6%	(2.7)%	5.7%	2.9%	(1.9)%
Identifiable assets.....	504.4	486.7	373.9	376.1	68.6	27.5	61.9	83.1
Segment depreciation.....	19.3	19.3	17.1	16.2	1.1	1.5	1.1	1.6
Segment capital expenditure...	26.0	69.2	23.6	66.5	0.3	1.0	2.1	1.7

■ The segmented information reflects the following classes of business:

Transportation and industrial products.....	Components, repair and overhaul and engineering and laboratory services for jet engines and industrial gas turbines; steel castings for hydro and industrial markets; wrought steel wheels for railway and industrial markets; and leasing and repair of railcars.
Resource industry equipment.....	Sawmill equipment for the forest products industry; mining equipment for the coal and soft-rock mining industries; contract mining services; and other products and services for mining and civil engineering.

- Inter-segment sales are accounted for at prices comparable to open market prices.
- Transportation and industrial products external sales include \$ 66.6 million (1991 – \$59.9 million) relating to leasing operations.
- Figures for the Company's small Australian subsidiary are included in the Canadian geographic segment.
- Canadian export sales, primarily to customers in the United States, were \$50.0 million (1991 – \$43.0 million).

## Quarterly financial information (unaudited)

for the years ended December 31, 1992 and 1991

\$ millions	Sales		Operating profit		Operating profit percentage	
	1992	1991	1992	1991	1992	1991
First quarter.....	\$ 90.2	\$ 96.0	\$ 7.4	\$ 9.8	8.2%	10.2%
Second quarter.....	93.8	95.6	10.7	5.4	11.4	5.6
Third quarter.....	89.5	90.1	13.1	4.5	14.6	5.0
Fourth quarter.....	96.5	109.6	12.2	12.7	12.6	11.6
	<u>\$ 370.0</u>	<u>\$ 391.3</u>	<u>\$ 43.4</u>	<u>\$ 32.4</u>	<u>11.7%</u>	<u>8.3%</u>

\$ millions	Net earnings		Earnings per share		Dividends per share	
	1992	1991	1992	1991	1992	1991
First quarter.....	\$ 1.7	\$ 4.0	\$ 0.18	\$ 0.46	\$ 0.27	\$ 0.27
Second quarter.....	3.9	0.8	0.45	0.08	0.27	0.27
Third quarter.....	5.3	0.5	0.62	0.03	0.27	0.27
Fourth quarter.....	4.5	6.0	0.53	0.72	0.27	0.27
	<u>\$ 15.4</u>	<u>\$ 11.3</u>	<u>\$ 1.78</u>	<u>\$ 1.29</u>	<u>\$ 1.08</u>	<u>\$ 1.08</u>

\$ millions	Market price of common shares				Thousands of shares traded	
	High		Low		1992	1991
	1992	1991	1992	1991		
First quarter.....	\$ 26	\$ 27	\$ 22 <sup>1</sup> / <sub>2</sub>	\$ 22 <sup>1</sup> / <sub>2</sub>	102	69
Second quarter.....	25 <sup>3</sup> / <sub>4</sub>	28	23	25 <sup>1</sup> / <sub>2</sub>	36	70
Third quarter.....	24 <sup>3</sup> / <sub>4</sub>	28	20	22	22	40
Fourth quarter.....	22 <sup>1</sup> / <sub>4</sub>	27	20 <sup>1</sup> / <sub>8</sub>	25 <sup>1</sup> / <sub>2</sub>	345	49
	<u>\$ 26</u>	<u>\$ 28</u>	<u>\$ 20</u>	<u>\$ 22</u>	<u>505</u>	<u>228</u>

## Notes:

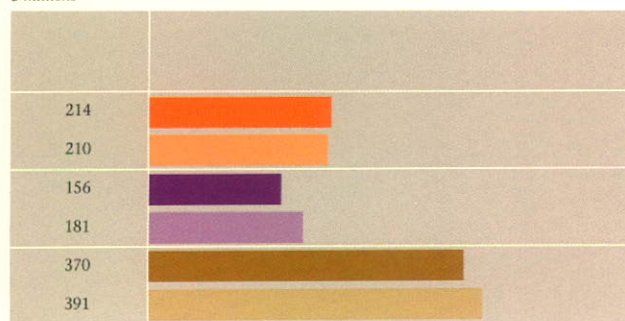
- High and low market prices reflect prices quoted on The Toronto Stock Exchange.
- The number of shares traded reflects the combined volume of shares traded on the Toronto, Montreal and Vancouver stock exchanges.
- Operating profit, operating profit percentage, net earnings and earnings per share figures for the first three quarters of 1992 have been adjusted to reflect the effect of the revised rates of depreciation applied to certain property, plant and equipment as of January 1, 1992.

## Segmented information

### By industry segment

#### Sales

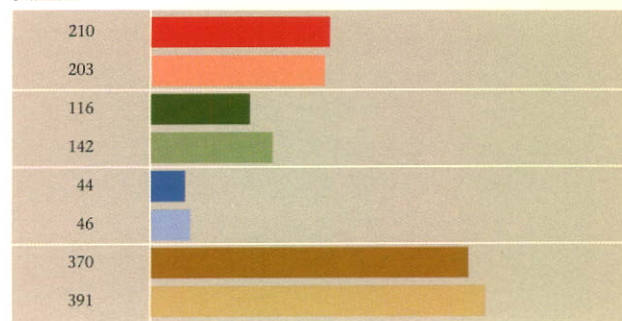
\$ millions



### By geographic segment

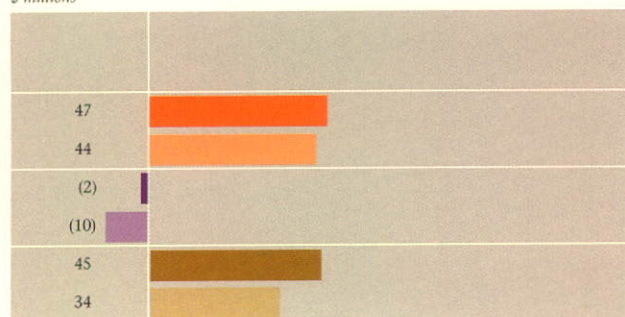
#### Sales

\$ millions



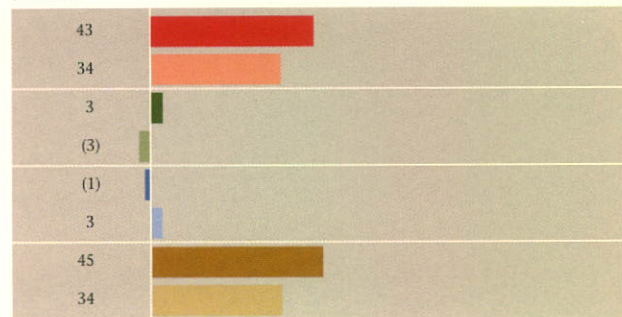
#### Segment operating profit/(loss)

\$ millions



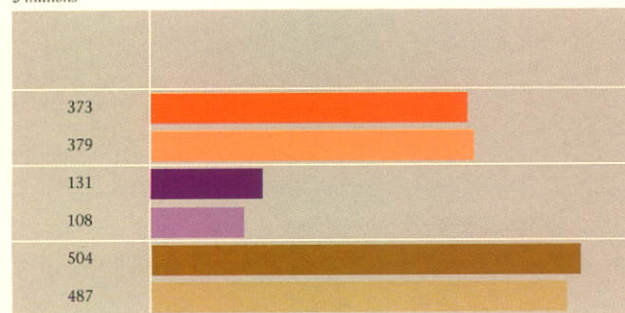
#### Segment operating profit/(loss)

\$ millions



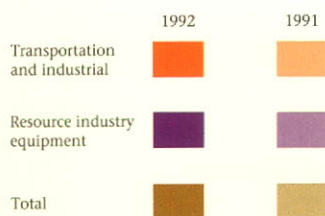
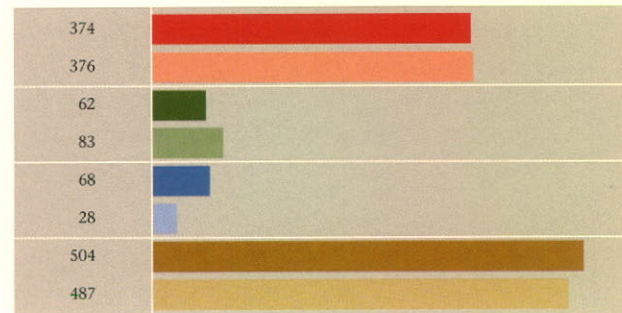
#### Identifiable assets

\$ millions



#### Identifiable assets

\$ millions



## Ten-year financial information

	1992	1991
<i>\$ millions except where indicated</i>		
<b>Operating results</b>		
Sales		
Continuing operations.....	\$ 370.0	\$ 391.3
Discontinued operations .....	—	—
Operating profit/(loss)		
Continuing operations.....	43.4	32.4
Discontinued operations .....	—	—
Percentage operating profit .....	11.7%	8.3%
Net earnings.....	15.4	11.3
Dividends on preferred shares.....	0.8	0.8
Dividends on common shares.....	8.8	8.8
<b>Financial position</b>		
Net assets		
Working capital.....	55.5	68.9
Property, plant and equipment.....	332.4	320.9
Other.....	42.0	12.6
Total net assets.....	429.9	402.4
Funds employed		
Common shareholders' equity.....	240.0	234.6
Preferred shares .....	14.0	14.0
Net (cash)/borrowings.....	79.6	66.4
Deferred income taxes and minority interests.....	96.3	87.4
Total funds employed.....	429.9	402.4
Current ratio.....	1.3:1	1.7:1
Net borrowings as a percentage of total funds employed .....	18.5%	16.5%
Average working capital as a percentage of total sales.....	17.9%	21.1%
Percentage return of total operating profit on average total funds employed.....	10.4%	8.4%
Percentage return of net earnings on average common shareholders' equity.....	6.2%	4.5%
<b>Results and financial position per common share (\$/share)</b>		
Earnings per share .....	\$ 1.78	\$ 1.29
Dividends per share.....	1.08	1.08
Book value per share.....	29.27	28.67
<b>Cash flow</b>		
Purchase of property, plant and equipment .....	26.0	69.2
Depreciation of property, plant and equipment.....	19.3	19.4
Net cash inflow/(outflow) before dividends on common shares.....	(12.2)	25.0
<b>Common shares outstanding (thousands)</b>		
At year end .....	8,200	8,184

1990	1989	1988	1987	1986	1985	1984	1983
\$ 410.5	\$ 361.2	\$ 351.2	\$ 348.0	\$ 359.1	\$ 293.8	\$ 249.9	\$ 276.5
2.8	27.8	37.3	47.8	59.6	128.2	161.6	168.8
44.4	44.1	38.4	47.7	48.1	33.2	30.9	39.7
-	(3.6)	(4.2)	(4.9)	(13.8)	(2.3)	6.8	2.0
10.8%	12.2%	10.9%	13.7%	13.4%	11.3%	12.4%	14.4%
23.7	13.7	13.5	27.6	9.5	13.4	19.5	15.4
0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
8.8	8.8	8.8	7.8	7.8	7.8	7.8	7.8
86.2	53.7	58.4	87.8	81.8	85.5	78.9	63.8
272.6	241.8	224.5	178.7	184.7	186.3	190.7	186.8
11.6	5.8	3.9	-	-	4.2	5.7	7.3
370.4	301.3	286.8	266.5	266.5	276.0	275.3	257.9
234.9	212.4	215.6	220.7	192.5	191.5	175.2	169.0
14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0
40.6	2.5	(11.7)	(41.2)	(6.6)	(0.1)	16.4	1.2
80.9	72.4	68.9	73.0	66.6	70.6	69.7	73.7
370.4	301.3	286.8	266.5	266.5	276.0	275.3	257.9
1.8:1	1.9:1	2.1:1	2.6:1	2.2:1	2.3:1	2.5:1	2.1:1
11.0%	0.8%	-	-	-	-	6.0%	0.5%
18.7%	17.0%	22.5%	25.7%	23.3%	22.3%	21.8%	19.8%
13.2%	13.8%	12.4%	16.1%	12.6%	11.2%	14.1%	15.7%
10.2%	6.0%	5.8%	13.0%	4.5%	6.9%	10.9%	8.7%
\$ 2.80	\$ 1.58	\$ 1.56	\$ 3.29	\$ 1.06	\$ 1.54	\$ 2.29	\$ 1.79
1.08	1.08	1.08	0.96	0.96	0.96	0.96	0.96
28.80	26.04	26.46	27.08	23.62	23.49	21.50	20.73
38.7	35.1	71.9	9.2	16.1	10.8	21.5	10.8
19.0	15.4	14.9	13.9	15.0	14.2	14.1	14.2
(37.6)	(10.2)	3.5	36.2	7.8	12.1	(13.5)	41.8
8,157	8,156	8,150	8,150	8,150	8,150	8,150	8,150

## Notes:

- Operating loss from discontinued operations excludes closure provisions.
- Working capital as stated in the table comprises all current assets other than cash and short-term investments less all current liabilities other than bank advances and the current portion of long-term debt.
- Average working capital as a percentage of total sales is calculated using the average of opening and closing working capital, and total sales for the year. For the purpose of this calculation, income and other taxes recoverable and payable have been excluded from working capital as stated in the table.
- Percentage return of total operating profit on average total funds employed is calculated using total operating profit and the average of opening and closing total funds employed.
- Percentage return of net earnings on average common shareholders' equity is calculated using net earnings after preferred dividends and the average of opening and closing common shareholders' equity.

## Principal operating divisions and subsidiaries

### Transportation and industrial products

#### ● Canada

##### **Canadian Steel Foundries Division**

Montreal, Que.

Robert Bergeron

Vice-President and General Manager

*Steel castings for the hydro and thermal power, mining and manufacturing industries*

##### **Canadian Steel Wheel Division**

Montreal, Que.

Robert Bergeron

Vice-President and General Manager

*Wrought steel wheels for railway passenger and freight cars and locomotives; and industrial wheels*

##### **Orenda Division**

Mississauga, Ont.

Richard A. Neill

General Manager

*Jet engine and industrial gas turbine repair and overhaul; engineering and laboratory testing services for the aerospace and other industries; and jet engine and gas turbine components*

##### **Windsor Aerospace Division**

Windsor, Ont.

Richard A. Neill

General Manager

*Precision gears and other components for the aerospace and other industries*

##### **CGTX Inc. (55% - owned)**

Montreal, Que.; Mississauga, Ont.; Moose Jaw, Sask.; and Calgary and Red Deer, Alta.

Jacques C. Léger

President and Chief Executive Officer

*Full-service leasing and repair and maintenance of railcars*

#### ● United States

##### **Middleton Aerospace Corporation**

Middleton, Mass.

J. Stephen Tosi

General Manager

*Engine components for the aerospace industry*

### Resource industry equipment

#### ● Canada

##### **CSMI Division**

Surrey, B.C.

William C. Griffiths

Vice-President and General Manager

*Production, sales and service of sawmill and lumber processing equipment*

#### ● United Kingdom

##### **Dosco Overseas Engineering Limited**

Tuxford, Notts.

Michael C. Burt

Managing Director

*Mining and tunnelling machines for coal and soft-rock mining; and machinery for the civil engineering tunnelling and materials-handling industries*

##### **Hollybank Engineering Company Limited**

Tuxford, Notts.

Ralph H. Knight

Managing Director

*Roof support systems for mine roadways and civil engineering tunnels; and contract drirage of mine roadways*

#### ● United States

##### **Consolidated Sawmill Machinery International Inc.**

Portland, Ore.; Hot Springs, Ark.; and Savannah, Ga.

William C. Griffiths

President

*Production, sales and service of sawmill and lumber processing equipment*

##### **The Dosco Corporation**

Abingdon, Va.; and Hurst, Tex.

James E. Marianski

President

*Production, sales and service of mining and tunnelling machines for coal and soft-rock mining and for civil engineering tunnels; and production of roof support systems for mine roadways and civil engineering tunnels*

#### ● Australia

##### **Kockums CanCar Pty. Ltd.**

Campbellfield, Victoria

Craig Campbell

Managing Director

*Sales and service of sawmill and lumber processing equipment*



## Corporate directory

### Directors

Arthur H. Crockett  
*Corporate Director*

Robert F. Faircloth ●  
*Chief Operating Officer,  
BTR plc*

Robert A. Ferchat ▲  
*Chairman and Chief Executive Officer,  
Telesat Mobile Inc.*

Louis Hollander ●  
*President and Chief Executive Officer,  
Canada Colours and Chemicals Limited*

John F. Howard, Q.C. ● ▲  
*Partner,  
Blake, Cassels & Graydon,  
Barristers & Solicitors*

Kathleen A. O'Donovan ▲  
*Finance Director,  
BTR plc*

Louis Rochette ▲  
*President,  
Gesconav Inc.*

Guyline Saucier ▲  
*Corporate Director*

Thomas K. Shoyama ▲  
*Visiting Professor,  
University of Victoria*

John S. Thompson, Jr. ●  
*Group Chief Executive,  
Paper & U.S. Distribution Group,  
BTR plc*

A.M. Gordon Turnbull ●  
*Vice-President, Finance,  
Hawker Siddeley Canada Inc.*

### Officers and senior corporate management

Robert F. Faircloth  
*Chairman*

John F. Howard, Q.C.  
*Vice-Chairman*

Beth M. Bandler  
*Secretary and General Counsel*

Robert Bergeron  
*Vice-President,  
Canadian Steel Foundries Division and  
Canadian Steel Wheel Division*

William G. Broley  
*Comptroller*

William C. Griffiths  
*Vice-President,  
CSMI Division*

Yvon H. Mélançon  
*Director of Personnel and Industrial Relations*

Frederick J. Sandford  
*Treasurer*

A.M. Gordon Turnbull  
*Vice-President, Finance*

### Auditors

Price Waterhouse  
*Chartered Accountants,  
Toronto*

### Corporate office

Suite 700  
3 Robert Speck Parkway  
Mississauga, Ontario L4Z 2G5  
Telephone 416-897-7161  
Facsimile 416-897-1466

● Member of the Executive Committee  
▲ Member of the Audit Committee

## Shareholder information

### The Company

The Company was incorporated under the laws of Canada on September 1, 1945.

### Capital stock

At December 31, 1992 the issued capital stock of the Company comprised 140,000 fully-paid 5¾% cumulative redeemable preferred shares and 8,199,601 fully-paid common shares.

### Listing of stock

The preferred and common shares of the Company are listed on the Toronto, Montreal and Vancouver stock exchanges. The shares are listed under the stock symbol "HSC.PR.C" and "HSC" respectively.

### Transfer agent and registrar

The transfer agent and registrar for the preferred and common shares of the Company is The R-M Trust Company at its offices in Toronto, Montreal, Winnipeg and Vancouver.

### Annual meeting

The 1993 annual meeting of the shareholders of the Company will be held on May 7, 1993, at 11.15 a.m. in the Business Club of the Mississauga Board of Trade, 3 Robert Speck Parkway, Mississauga, Ontario.

### Annual and quarterly reports

Additional copies of the 1992 annual report and copies of quarterly reports may be obtained from the Secretary, Hawker Siddeley Canada Inc., Suite 700, 3 Robert Speck Parkway, Mississauga, Ontario L4Z 2G5

### Financial calendar

Financial year-end	December 31
Quarterly results	early May, late July, early November
Quarterly reports	early May, early August, early November
Annual results	mid February
Annual report	early April
Annual meeting	early May
Dividend payments	
Preferred shares	January 2, April 2, July 2 and October 2
Common shares	January 15, April 15, July 15 and October 15

HAWKER  SIDDELEY