C

1991 ANNUAL REPORT

HAWKER SIDDELEY

HAWKER SIDDELEY CANADA INC.

Canadian Steel Foundries • Middleton Aerospace • Dosco Overs

Engineering • Kockums CanCar • Windsor Aerospace • Canac

Steel Wheel • Hollybank Engineering • CGTX • Dosco Corporat

• Orenda • Canadian Steel Foundries • Middleton Aerospac

Dosco Overseas Engineering • Kockums CanCar • Wind

Aerospace • Canadian Steel Wheel • Hollybank Engineerin

CGTX Dosco Corporation • Orenda • Canadian Steel Foundrie

Middleton Aerospace • Dosco Overseas Engineering • Kocku

CanCar • Windsor Aerospace • Canadian Steel Wheel • Hollyb

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Steel Foundries Middleton Aerospace Dosco Overs

Hawker 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 was incorporated in 1945 as a subsidiary of Hawker Siddeley Group PLC, London, England.

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 following that company's acquisition of the shares of Hawker Siddeley Group PLC in late 1991; 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 industrial markets and forged steel wheels for railway and industrial markets; lease railway tank and hopper cars; manufacture sawmill and lumber processing 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.

HAWKER SIDDELEY

HAWKER SIDDELEY CANADA INC.

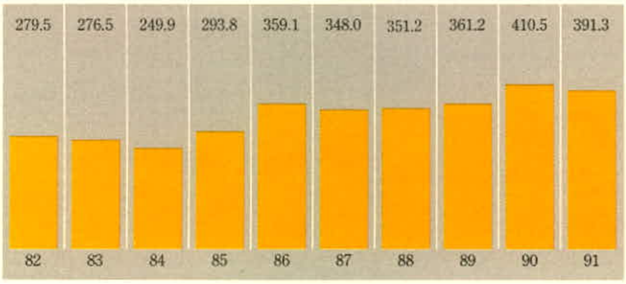
1991 Annual Report

Contents

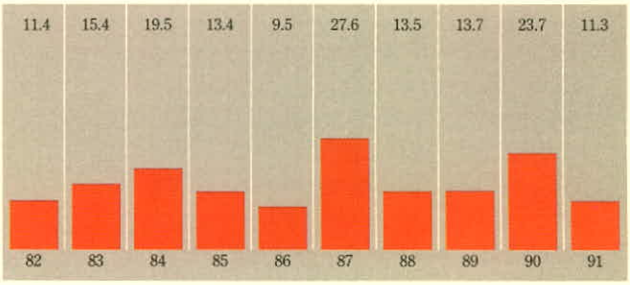
Results of the years
ended December 31, 1991 and 1990

$ millions except per share information	**1991**	1990	% change
Operating results			
Sales	**$391.3**	$410.5	– 4.7%
Operating profit	**32.4**	44.4	– 27.0%
Net earnings	**11.3**	23.7	– 52.3%
Financial position			
Common shareholders' equity	**234.6**	234.9	– 0.1%
Preferred shares	**14.0**	14.0	–
Net borrowings	**66.4**	40.6	+ 63.5%
Deferred income taxes and minority shareholder's interest	**87.4**	80.9	+ 8.0%
Funds employed	**$402.4**	$370.4	+ 8.6%
Operating profit as a percentage of sales	**8.3%**	10.8%	
Operating profit as a percentage of average funds employed	**8.4%**	13.2%	
Average working capital as a percentage of sales	**21.1%**	18.7%	
Net borrowings as a percentage of funds employed	**16.5%**	11.0%	
Net earnings as a percentage of average common shareholders' equity	**4.5%**	10.2%	
Results and financial position per common share			
Earnings per share	**$ 1.29**	$ 2.80	– 53.9%
Dividends per share	**1.08**	1.08	–
Book value per share	**28.67**	28.80	– 0.5%

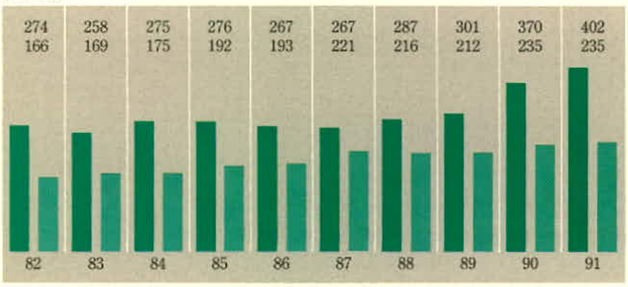
Sales
$ millions



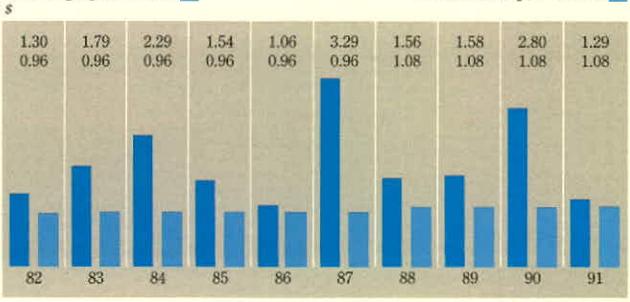
Net earnings
$ millions



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



Earnings per share **Dividends per share**
$



Report to the shareholders

1991 results

Sales and earnings in 1991 failed to reach the levels achieved in 1990. Sales amounted to only $391.3 million compared with $410.5 million in 1990; operating profit was $32.4 million compared with $44.4 million; and after interest expense, income taxes and minority interest, net earnings were $11.3 million ($1.29 per share) compared with $23.7 million ($2.80 per share) in 1990.

Markets and operations

1991 was a difficult year. The economies of Canada, the United States and the United Kingdom — your Company's principal markets — were all in recession, experiencing negative growth for the year as a whole. Declining demand and fierce competition for available business led to lower order intake and slimmer margins at most operations.

Worst affected were the operations in the Company's resource industry equipment segment. Sales in this segment declined from $217.1 million to $181.2 million and there was a segment operating loss of $9.9 million in 1991 compared with a segment operating profit of $5.4 million in 1990. The order intake and sales of the Kockums CanCar operations reached only half the levels of the previous year, as Kockums' customers in the forest products sector cut back on purchases of equipment and spares in face of drastically lower demand for their own products, and Kockums incurred a substantial loss. In the United Kingdom, the results of Dosco Overseas Engineering Limited and Hollybank Engineering Company Limited continued to be severely affected by the low level of demand from British Coal. Results at Dosco did show some improvement over the previous year as a result of higher export sales but results at Hollybank showed major decline. Cost reduction programs were implemented at all the operations in the resource industry segment and the 1991 segment operating loss of $9.9 million reflects staff reduction and reorganization costs of $4.7 million.

Operations in the Company's transportation and industrial products segment also experienced lower demand in 1991 and order intake was below that of the previous year at all of the segment's operations other than CGTX Inc. Order books in this segment tend to be longer however, and the immediate impact of the lower demand on sales and operating profits in 1991 was less severe. Segment sales increased from $193.4 million to $210.1 million and segment operating profit increased from $40.0 million to $43.4 million. CGTX had another excellent year with increased contributions to sales and operating profit. In the aerospace sector, Orenda Division's overall results showed some improvement; Middleton Aerospace Corporation contributed higher sales, but lower operating profit; and Windsor Aerospace Division had a poor year and disappointing results. Canadian Steel Foundries Division contributed improved results following its restructuring as a custom-only foundry, but Canadian Steel Wheel Division had another difficult year, again failing to reach break even. Staff reduction and reorganization costs in the transportation and industrial products segment in 1991 totalled $0.8 million.

In all operations, close attention was given in 1991 to containing profit erosion in the difficult prevailing economic conditions and to sizing the businesses for current levels of demand.

Capital expenditure

Expenditure on fixed assets in 1991 was $69.2 million compared with $38.7 million in 1990. As in previous years, the major proportion comprised additions to CGTX's rolling stock fleet. Other expenditure included the cost of an expansion at CGTX's repair plant in Red Deer, Alberta and the cost of new process equipment and systems at Canadian Steel Foundries in Montreal. Capital spending on plant and equipment, whether for replacement or for additional capacity, continues to be focused on expenditures which enhance product quality and reduce cost.

Acquisitions and disposals

There were no acquisitions or disposals in 1991; a number of potential acquisitions were investigated but management's primary attention during the year was focused on cost reduction at operations affected by the recession and on developing longer-term strategies for the growth of the existing businesses.

Financial position

The Company's balance sheet remains very strong. After paying unchanged dividends of $0.8 million and $8.8 million ($1.08 per share) on the preferred and common shares respectively, shareholders' equity at December 31, 1991 amounted to $248.6 million. Net borrowings of $66.4 million represented only 16.5% of total funds employed of $402.4 million, comprising shareholders' equity and minority shareholder's interest, deferred income taxes and net borrowings.

The Board of Directors

It is with regret that we have to record the death of Mr. R.F. Tanner in May 1991. Roy Tanner joined Hawker Siddeley Canada in 1954 and held a number of senior appointments with the Company, most recently as President and Chief Executive Officer from 1981 to 1988. He became a Director in 1979, a position he retained until the time of his death.

Sir Peter Baxendell and Dr. A.K. Watkins resigned from the Board on November 27, 1991 and Mr. D.G. Bury resigned on February 20, 1992 following the acquisition of Hawker Siddeley Group PLC by BTR plc on November 22, 1991.

The Board wishes to express its appreciation of the contribution of these Directors to the Company over their respective terms of office.

Mr. A.R. Jackson, Managing Director and Chief Executive of BTR plc, and Ms. K. O'Donovan, Finance Director of BTR plc, were appointed Directors on November 27, 1991 and Mr. Jackson was appointed Chairman of the Board in succession to Sir Peter Baxendell. Mr. R.F. Faircloth, Chief Operating Officer of BTR plc was appointed a Director and a Vice-Chairman of the Company on February 20, 1992.

Outlook for 1992

With the world economy recovering only slowly from recession, 1992 is expected to be another difficult year. Order book levels at the beginning of the year at all manufacturing operations were lower than at the beginning of 1991. It will require an extended period of economic recovery and stronger demand from the aerospace and resource industry sectors in particular for order intake to improve appreciably. While sales and margins will thus continue to suffer from continuing low levels of demand, results will benefit from the reduction in the Company's cost base achieved over the past two years. Staff reduction and reorganization costs incurred in 1990 and 1991 amounted to approximately $10 million.

Results from individual operations will vary according to particular market conditions. The aerospace operations will begin to be more seriously affected by the lower levels of military spending and by reduced demand from the commercial market; Canadian Steel Wheel is expected to benefit from cost reduction achieved in 1992; Canadian Steel Foundries should improve further; CGTX should have another excellent year, with the additional contribution to revenue and operating profit from the railcars added to the company's fleet in 1991. Operations in the resource industry equipment segment should show modest improvement over 1991 if the levels of demand in the forest products sector in North America and in the mining sector in the United Kingdom do not deteriorate further.

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, as opportunities arise; to maintain a strong financial position and to achieve for shareholders an acceptable rate of growth in earnings and dividends per share.

On your behalf we wish to acknowledge the contribution of the employees in all our operations in 1991 in what was a very difficult year.

On behalf of the Board:

Alan Jackson   RD Cole

A.R. Jackson
Chairman

R.D. Cole
President and Chief Executive Officer

February 20, 1992

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 1991, by industry segment, compared with those of the previous year were as follows:

$ millions	**1991**	1990
Sales		
Transportation and industrial products	**$210.1**	$193.4
Resource industry equipment	**181.2**	217.1
	$391.3	$410.5
Operating profit		
Transportation and industrial products	**$ 43.4**	$ 40.0
Resource industry equipment	**(9.9)**	5.4
	33.5	45.4
Corporate expenses	**(1.1)**	(1.0)
	$ 32.4	$ 44.4
Operating profit as a percentage of sales	**8.3%**	10.8%

The impact of the recession in the North American forest products industry and of the low level of demand from the mining industry in the United Kingdom is evident from the results of the resource industry equipment segment in 1991. Sales declined by 16.5% from $217.1 million to $181.2 million and the already low level of profitability in 1990 gave way to a substantial operating loss of $9.9 million in 1991.

Results from the Company's transportation and industrial products segment, on the other hand, showed improvement. Sales advanced by 8.6% from $193.4 million to $210.1 million and segment operating profit increased from $40.0 million to $43.4 million, maintaining operating margins at 20.7% of sales.

Transportation and industrial products segment

–Orenda Division in Mississauga, Ontario 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.

Orenda's markets continue to reflect both the decline in military spending and the effects of the economic recession. A reduction in military spending and fewer flying hours translate into lower demand for repair and overhaul services; and a reduction in passenger and cargo miles flown translates into lower demand for new commercial aircraft, engines and components. These trends, which were already in evidence in 1990, continued through 1991 and seem likely to continue for some time, with the first significant improvement expected to come, in due course, from a pick-up in demand from the commercial market.

Notwithstanding these market trends, Orenda's contribution to sales and operating profit improved further in 1991, as expected. Military repair and overhaul business was lower, but the decrease was offset by an increase in the level of component manufacturing, as a consequence of the good order position brought forward from 1990, and by an increase in industrial turbine engine repair and overhaul business. Overall, order intake in 1991 was lower, however, and continued improvement in results will be difficult to achieve in the current year.

Emphasis continues to be directed towards cost reduction. Further progress was made with the introduction of cell-manufacturing and improved production and control systems in 1991. Appreciable consulting and reorganization costs — $2.1 million in 1991 — are being absorbed in implementing this cost reduction program, the benefits of which are helping Orenda in its efforts to maintain and where possible improve profitability in today's more difficult aerospace markets.

–Windsor Aerospace Division in Windsor, Ontario specializes in the production of precision gears and other components for the aerospace industry.

Order intake and sales in 1991 did not reach previous year levels and the adverse effect of lower volume on operating profit was compounded by production control and rework problems, resulting in unsatisfactory results for the year. Steps have been taken to reduce staff and to correct the production problems, and the operation is benefiting in 1992 from closer integration with Orenda's component manufacturing business. Although small, Windsor Aerospace has the potential to make a worthwhile contribution to operating profit.

–**Middleton Aerospace Corporation** in Middleton, Massachusetts manufactures engine components for the major aero-engine manufacturers in the United States and for the U.S. Armed Forces. Its business is subject to market trends and pressures similar to those that affect Orenda's component manufacturing business.

The company increased its sales level in 1991 but its contribution to operating profit was lower. Capital investment during the year focused on quality-related items, including new coordinate measuring equipment and a new CAD/CAM system. The levels of productivity, quality control and on-time delivery achieved in 1991 improved from those recorded in the previous year.

In the current market downturn, Middleton Aerospace has not been able to diversify its customer base as hoped. In the face of reduced U.S. military spending, operating levels will be lower in 1992, and the company's workforce has been reduced accordingly. Middleton remains an efficient and cost-effective component manufacturer and efforts to increase its customer and sales base to take advantage of these attributes remains a top priority.

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

As anticipated, 1991 was another difficult year for CSW. Sales remained at the reduced level of 1990, and for the second consecutive year, the division did not reach break-even, although results from operations did improve.

CSW is the only manufacturer of wrought railway wheels in Canada and its principal customers are the Canadian railways. Lower purchases by these customers during the year reflected cut-backs in passenger rail service at Via Rail and the reduced volume of freight carried by the railways as a result of the recession. At the same time, the further reduction in import duties on imported wheels under the Canada-U.S. Free Trade Agreement had the effect of increasing competition and reducing selling prices in Canada. Non-tariff barriers in the United States continue to effectively prevent CSW from quoting for most of the available transit business in that country. This is because transit operations in the United States which are funded by federal, state and urban authority finance are, for all practical purposes, required by the terms of that finance to source their purchases from U.S. manufacturers. Attempts made in 1991 to get this inequity in the North American market-place on the agenda for discussion between Canada and the United States have not so far been successful.

There is, however, scope for further cost reduction in manufacturing, and CSW's management and employees are working together to unlock this potential. If it can be realized, results should be brought closer to break-even, and in the longer-term, with resolution of the overcapacity and non-tariff barrier problems in North America, the potential for this division is attractive.

–**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. It is the only foundry in North America and one of the few in the world capable of producing castings of up to 200,000 lbs.

After the major restructuring program carried out in 1989 and 1990, whereby its railway castings business was phased out, CSF completed its first full year as a totally custom foundry in 1991. Sales were higher in 1991 and CSF made a worthwhile contribution to operating profit. Greater attention to markets outside Canada is reflected in the improved results. Notwithstanding the high level of the Canadian dollar, fully thirty per cent of sales was exported to customers in the United States, Europe and Asia.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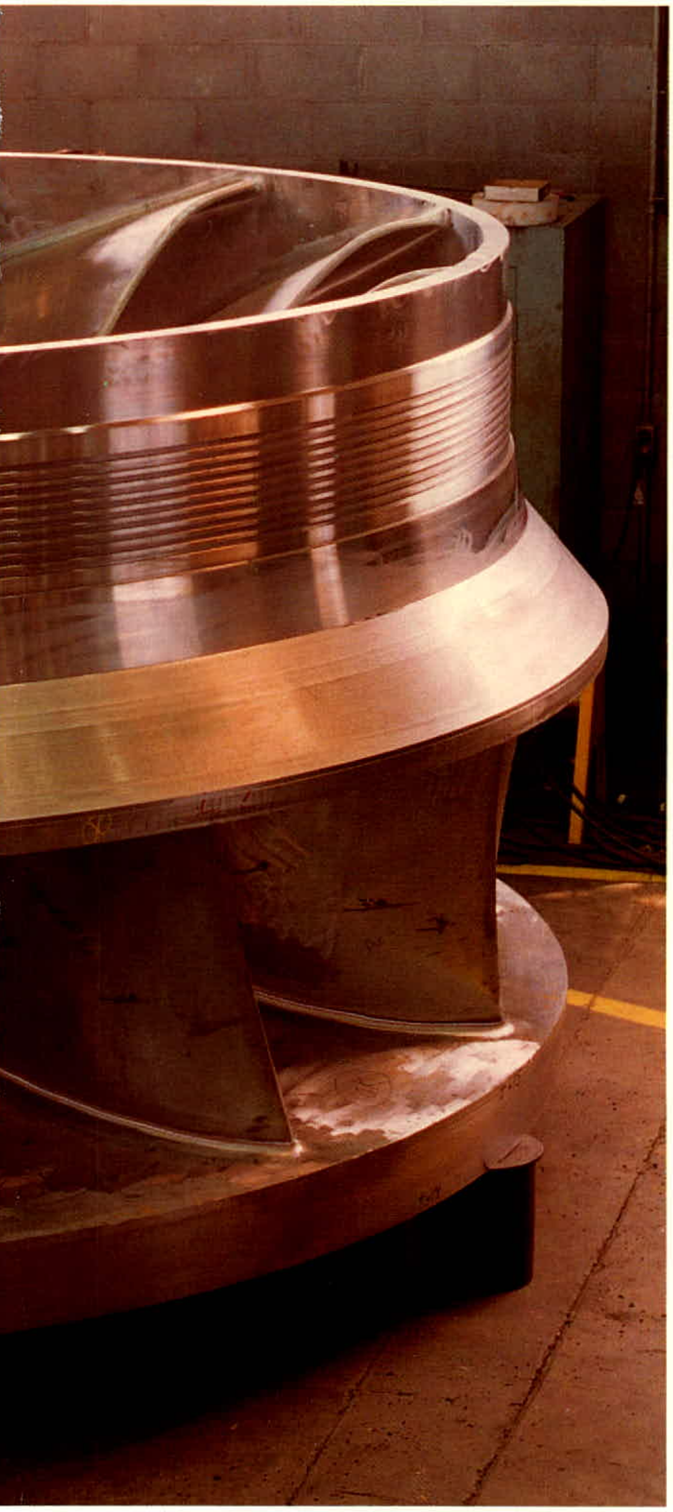
LINDE



Canadian Steel Foundries Division produces steel castings for use in hydro and thermal power generation, mining and heavy manufacturing. In the photograph: a fifty-ton hydro turbine wheel, one of a series being produced for Hydro Quebec, undergoing final inspection.

In parallel with increased international marketing and selling, CSF initiated a major plant modernization program in 1991. Capital investments made during the year, notably a new chemical binder, sand mixing and distribution system, are contributing to cost reduction and significant quality improvements. The division also completed a technology transfer agreement in 1991 with a major European company which will enable CSF to extend its product range and open up new markets, particularly the European hydro-electric generating market.

The outlook for CSF is encouraging. Good demand for new and more cost-efficient replacement high-integrity castings for the energy sector is expected to continue through the decade and CSF's global marketing and plant modernization programs will enhance its ability to take full advantage of demand for castings in both this and other sectors.

–**CGTX Inc.**, with headquarters in Montreal and sales offices in Mississauga and Calgary leases railcars to customers in Canada and operates railcar repair facilities in Moose Jaw, Saskatchewan; Red Deer, Alberta and in Montreal.

The company had another excellent year in 1991 with further growth in revenues and operating profit. Fleet utilization remained extremely high despite the recession. The size of the fleet continued to increase in order to meet customer requirements and as a result of the acquisition in December 1991 of GE Rail Canada's fleet of plastic pellet hopper cars on lease to customers. Altogether, a total of $56 million was invested by CGTX in fleet additions in 1991, bringing to $172 million the total investment by the company in additional rolling stock during the past four years. Most of this investment has gone towards diversifying the fleet by adding centre-beam flat cars for packaged wood services, five-platform cars for container shipments, and special-purpose hopper cars.

A major expansion of the Red Deer repair plant was completed towards the end of the year, adding leading edge painting and relining facilities for both CGTX's own cars and those of customers.


CGTX

CGTX Inc. provides full-service leasing of railway rolling stock for customers throughout Canada. In the photograph: new tank cars, part of a large consignment, being delivered to Alberta Envirofuels Inc. in Edmonton, Alberta.

Full-service leasing of customized rolling stock, including fleet management, inspection and maintenance (including painting, and the lining and relining of tank cars) is a cost-effective and reliable source of transportation service for the shippers of bulk products and CGTX's business is expected to continue to grow in 1992 and beyond.

Resource industry equipment segment

–Dosco Overseas Engineering Limited in the United Kingdom designs and manufactures a range of mining and tunnelling machines for coal and other soft-rock mining. Its principal customer is British Coal, but the company also supplies equipment to customers in other countries in many parts of the world. It is one of the two largest suppliers of mine tunnelling machinery in the world. In the last three years, through new product development and by way of licence agreements, Dosco has also positioned itself as a supplier of special purpose equipment for the civil tunnelling and materials handling markets.

After contributing significantly to sales and operating profits over a long period, Dosco's results have been declining in recent years. This has been largely the result of lower demand for equipment from British Coal, with the U.K. coal industry facing competition from alternative and lower-cost fuels. The number of coal mines in the United Kingdom, once over 1000, had contracted to just over 200 by 1980 and has further steadily declined to today's level of 60, with further reductions expected. The emphasis on export sales to other coal-producing countries, on sales for other kinds of soft-rock mining, and more recently, on sales to the civil engineering and materials handling industries, is a consequence of the decline in the requirements of the U.K. coal industry. British Coal however remains Dosco's largest customer.

Dosco implemented significant restructuring and cost reduction in 1990 and there was a further major reduction in personnel in 1991. Sales were higher than in the previous year, largely as a result of increased exports, which accounted for close to half of total sales. Export sales in 1991 included sales to Poland, Egypt, India, China, Canada and the United States. Dosco's


British
Gypsum

Dosco Overseas Engineering Limited designs and manufactures a range of mining and tunnelling machines for coal and other soft-rock mining. In the photograph: a Dosco TB2000 production machine excavating gypsum at the British Gypsum mine in Barrow-on-Soar in Leicestershire, England.

operating results improved and the company made a modest contribution to operating profits before redundancy and downsizing costs. Further improvement in results is expected, but the extent to which that materializes in 1992 will depend largely on the speed with which the world economy recovers from recession, particularly as that affects Dosco's diversification program.

–**Hollybank Engineering Company Limited** in the United Kingdom manufactures steel roof support systems for mine roadways, commercial tunnels and civil engineering projects. It is also engaged in the contract drivage of mine roadways. In both businesses, all but a small percentage of its business is with British Coal which accounts for over 90% of total sales.

The amount of roadway development undertaken by British Coal in 1991 was significantly lower than in prior years, and this had an adverse effect on both Hollybank's roof supports business and its mine roadway contract drivage business. Competition among suppliers for available business was keen and operating margins were lower. On the contract drivage side of the business, operating problems on certain contracts led to substantial losses, and overall, the contract drivage business was not profitable. Steps have been taken to reduce manufacturing costs in the support manufacturing plant and to improve management and control of the contract drivage business. The downturn in Hollybank's results in 1991 was as significant as it was unexpected.

Results in 1992 will reflect the benefit of cost reduction measures taken, but overcapacity in the sector supplying British Coal with its requirements for roof supports will continue to affect Hollybank's results.

–**The Dosco Corporation** in Abingdon, Virginia manufactures roof support systems and supplies and services mining and tunnelling machines manufactured by Dosco Overseas for customers in North America.

Although the market for mining equipment in North America is large, Dosco's range of machines currently serves only a small segment of the market because of differences between the mining techniques used in the United States and Europe. The scale of the company's operations is still small but sales in 1991 increased and were in line with expectations.

-Kockums CanCar Division in Surrey, British Columbia, manufactures and supplies equipment and parts for the sawmill and lumber processing industry. It supplies customers in Canada and in most export markets directly; customers in the United States and in Australia are supplied through subsidiary distribution companies – Kockums CanCar Corp. and Kockums CanCar Pty. Ltd.

Kockums' principal market is North America, and in 1991 the North American forest products sector was devastated by the effects of the recession on the demand for lumber and lumber products, experiencing the worst recessionary downturn in its history. The housing industry, which is the forest products industry's major customer for processed lumber had one of its worst years ever. In the United States, housing starts reached only 1.0 million units — their lowest level since 1945; and in Canada, starts reached only 156,000, their lowest level since 1984. Sawmills in both countries restricted operations significantly or closed altogether and most large forest products companies suffered heavy losses.

The effect on Kockums as a supplier to the forest products sector was severe. Sales declined by half compared with 1990, and an operating loss of $7.0 million was sustained, compared with a small profit in 1990. Kockums had anticipated the recession and had already reduced its cost base in 1990; but the severity of the downturn was far greater than expected and operations were further downsized at the beginning of 1991, and as the year progressed. The opportunity of the low activity level in 1991 was taken to effect major rationalization of production facilities at the Surrey plant. Improved plant layout, more automated equipment, lower staffing levels and improved systems were implemented in 1991.

Marketing initiatives in Europe continued in 1991. A strategic alliance was formed with an equipment manufacturer in Sweden, which will provide access to new technology. New distributors were appointed in important markets throughout Europe, where the sawmill industry has been less affected by recession than in North America. A rebuild program was introduced for refurbishing existing sawmill equipment, and considerable attention is being devoted to evaluating the long-term strategy options for Kockums when the forest products sector eventually recovers. 1992 promises to be another difficult year, and the recovery in sales will at best be only modest. The operating loss however should be significantly lower as a result of the measures taken in 1990 and 1991.

Financial review

There were no changes in accounting policies, methods or disclosures in 1991.

-Earnings statement

The earnings statement for the year was as follows:

$ millions	**1991**	1990
Sales	**$391.3**	$410.5
Operating profit	**32.4**	44.4
Interest expense	**5.7**	3.1
Earnings before income taxes	**26.7**	41.3
Income taxes	**10.3**	12.7
Earnings before minority interest	**16.4**	28.6
Minority interest	**5.1**	4.9
Net earnings	**11.3**	23.7
Earnings per share	**$ 1.29**	$ 2.80

The principal factors contributing to the change in sales and in operating profit in 1991 are noted in the Report to the shareholders and in the Operational review on pages 4 to 14. In summary, sales and operating profit from the transportation and industrial products segment both increased by 8.6% in 1991, maintaining operating margins at 20.7% of sales, with CGTX, Orenda and CSF the main contributors to growth. Sales in the resource industry products segment declined by 16.5% due to recessionary and structural decline in demand in the North American forest products industry and the U.K. mining industry respectively, and there was a loss for the year in both these sectors. Overall, the Company's sales decreased from $410.5 million to $391.3 million and operating profit was $32.4 million compared with $44.4 million.

Net interest expense increased from $3.1 million to $5.7 million. Interest expense, which relates to CGTX, increased as a function of the major increase in that company's rolling stock fleet, notwithstanding lower interest rates; interest income from cash balances in the rest of the group decreased in line with lower interest rates.

Income taxes absorbed $10.3 million (38.5% of pretax earnings) in 1991 compared with $12.7 million (30.8% of pretax earnings) in 1990. The low effective rate of income tax in 1990 reflected a $2.9 million reduction in income taxes in that year due to tax relief and other adjustments brought forward from earlier years.

After minority interest, net earnings were $11.3 million ($1.29 per common share) compared with $23.7 million ($2.80 per common share) in 1990.

The unaudited 1991 and 1990 quarterly figures are set out on page 32. Sales and earnings in the first quarter of the year were similar to those in the first quarter of the previous year. Performance declined markedly in the second and third quarters due to lower sales and to the impact of reorganization and staff reduction costs and contract losses in the resource industry equipment segment which arose mainly in those quarters. Sales and earnings in 1991 reached their highest quarterly level in the last three months of the year. Fourth quarter sales and earnings reflected large export shipments from Dosco Overseas. Fourth quarter earnings also reflected the write-back of cost overprovisions and other adjustments of $1.1 million (of which $0.5 million was provided in the first three quarters of the year and $0.6 million was provided in 1990) relating to the dispute with the vendor of Middleton Aerospace and Windsor Aerospace, in the light of the favourable settlement reached at the beginning of the current year.

–Balance sheet

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

$ millions	1991	1990
Current assets (note)	**$ 145.6**	$161.4
Current liabilities (note)	**76.7**	75.2
Working capital	**68.9**	86.2
Fixed assets	**320.9**	272.6
Other assets	**12.6**	11.6
Net assets	**$ 402.4**	$370.4
Shareholders' equity	**$ 248.6**	$248.9
Net borrowings	**66.4**	40.6
Deferred income taxes and minority shareholder's interest	**87.4**	80.9
Funds employed	**$ 402.4**	$370.4

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.

The financial position of the Company remains very strong. Working capital decreased from $86.2 million to $68.9 million during the year and at December 31, 1991 represented 17.6% of sales. The decrease in working capital partially offset the increase in fixed assets arising primarily from CGTX's investment in additional rolling stock, and net borrowings only rose to $66.4 million (16.5% of funds employed) from $40.6 million (11% of funds employed) in 1990. After paying unchanged dividends of $9.6 million to shareholders and after absorbing $2.5 million of unfavourable exchange rate adjustments, shareholders' equity amounted to $248.6 million compared to $248.9 million a year earlier.

The strong liquidity and capital adequacy of the Company are illustrated by these figures. Other than the long-term mortgage notes and bank advances which relate to CGTX's leasing operations, the Company has no debt and has unutilized bank facilities in excess of $200 million. During the year, CGTX took advantage of lower interest rates to refinance $50 million of its debt over three and five years at an average interest rate of 10.5%. The availability of cash balances and the absence of borrowings other than those of CGTX translates into a capacity to fund all foreseeable cash requirements, whether for operational needs or for acquisitions, from these sources and from cash flow.

–Cash flow

The following condensed presentation of cash flow highlights the principal figures for 1990 and 1991:

$ millions	1991	1990
Earnings before income taxes..	$ 26.7	$ 41.3
Income taxes paid......................	(9.4)	(11.4)
Dividends paid............................	(9.6)	(9.6)
Minority shareholder dividends paid.....................	(1.7)	(1.7)
	6.0	18.6
Changes in working capital.......	19.9	(16.1)
Purchase of fixed assets............	(69.2)	(38.7)
Sale of fixed assets.....................	1.4	1.5
Depreciation...............................	19.4	19.0
Acquisition of businesses	1.6	(27.3)
	(46.8)	(45.5)
Increase/(decrease) in long-term debt.................	42.0	(8.3)
Unrealized exchange rate adjustments..................	(2.5)	7.7
Other..	(2.4)	(2.8)
Cash flow....................................	16.2	(46.4)
Opening cash (note)....................	4.7	51.1
Closing cash (note)......................	$ 20.9	$ 4.7

Note: cash includes short-term investments and is net of bank advances.

The balance of earnings remaining after paying income taxes and dividends decreased from $18.6 million in 1990 to $6.0 million in 1991. Higher investment in fixed assets in 1991 was offset by the absence of acquisitions during the year and the total net expenditure on fixed assets and acquisitions remained at approximately $46 million. Working capital decreased in line with lower activity levels and after taking account of the increase in CGTX's long-term debt during the year, there was a cash inflow of funds in 1991 of $16.2 million compared with an outflow of $46.4 million in 1990.

Consolidated financial statements

Contents

Auditors' report to the shareholders

We have audited the consolidated balance sheets of Hawker Siddeley Canada Inc. as at December 31, 1991 and 1990 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 position of the Company as at December 31, 1991 and 1990 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

Price Waterhouse
Chartered Accountants
Toronto, Ontario

February 20, 1992

Consolidated statements of earnings and retained earnings

for the years ended December 31, 1991 and 1990

$ millions	1991	%	1990	%
Earnings				
Sales	$391.3	100.0	$410.5	100.0
Operating profit	32.4	8.3	44.4	10.8
Interest expense (note 3)	5.7	1.5	3.1	0.7
Earnings before income taxes	26.7	6.8	41.3	10.1
Income taxes (note 4)	10.3	2.6	12.7	3.1
Earnings before minority shareholder's interest	16.4	4.2	28.6	7.0
Minority shareholder's interest	5.1	1.3	4.9	1.2
Net earnings of the year	$ 11.3	2.9	$ 23.7	5.8
Earnings per share	$ 1.29		$ 2.80	

	1991	1990
Retained earnings		
Balance – beginning of year	$179.4	$165.3
Net earnings of the year	11.3	23.7
	190.7	189.0
Dividends		
Preferred shares	0.8	0.8
Common shares	8.8	8.8
	9.6	9.6
Balance – end of year	$181.1	$179.4

Consolidated balance sheets
as at December 31, 1991 and 1990

$ millions	**1991**	1990
Assets		
Current assets		
Cash	**$ 18.9**	$ 8.2
Short-term investments (notes 3 and 6)	**31.5**	15.2
Accounts receivable	**68.1**	76.0
Income taxes recoverable	**4.3**	4.1
Inventories	**71.0**	79.2
Prepaid expenses	**2.2**	2.1
	196.0	184.8
Fixed assets (note 7)		
Cost	**543.6**	480.5
Accumulated depreciation	**222.7**	207.9
	320.9	272.6
Other assets		
Intangible assets (note 8)	**1.6**	3.5
Deferred pension asset (note 9)	**11.0**	8.1
	12.6	11.6
	$529.5	$469.0

Approved by the Board:

A.R. Jackson
Director

R.D. Cole
Director

	1991	1990
Liabilities		
Current liabilities		
Bank advances	$ 29.5	$ 18.7
Accounts payable and accrued liabilities	65.5	63.0
Dividends payable	2.4	2.4
Income taxes and other taxes payable	8.8	9.8
Current portion of long-term debt (note 10)	7.8	8.0
	114.0	101.9
Long-term debt less current portion (note 10)	79.5	37.3
Deferred income taxes (note 4)	47.0	43.9
Minority shareholder's interest in subsidiary company	40.4	37.0
	280.9	220.1
Shareholders' equity		
Capital stock (note 11)		
Issued and fully paid:		
Preferred shares	14.0	14.0
Common shares	55.0	54.5
Retained earnings	181.1	179.4
Currency translation account (note 12)	(1.5)	1.0
	248.6	248.9
	$529.5	$469.0

Consolidated statements of cash flow

for the years ended December 31, 1991 and 1990

$ millions	**1991**	1990
Operating activities		
Earnings before income taxes	**$ 26.7**	$ 41.3
Taxation payments	**(9.4)**	(11.4)
Proceeds on sale of fixed assets	**1.4**	1.5
Depreciation of fixed assets	**19.4**	19.0
Amortization of intangible assets	**0.3**	0.4
Change in deferred pension asset	**(2.8)**	(2.3)
Other	**(0.4)**	(0.9)
	35.2	47.6
Working capital		
Accounts receivable and prepaid expenses	**7.5**	(9.7)
Inventories	**8.2**	(7.3)
Accounts payable and accrued charges, and other taxes	**4.2**	0.9
	19.9	(16.1)
Cash flow from operating activities	**55.1**	31.5
Financing activities		
Common shares issued (note 11)	**0.5**	–
Increase/(decrease) in long-term debt	**42.0**	(8.3)
Dividends to minority shareholder in subsidiary company	**(1.7)**	(1.7)
Cash flow from financing activities	**40.8**	(10.0)
Investment activities		
Acquisition of businesses (note 1)	**1.6**	(27.3)
Purchase of fixed assets	**(69.2)**	(38.7)
Cash flow from investment activities	**(67.6)**	(66.0)
Unrealized foreign currency translation gain/(loss) on net current assets of foreign subsidiaries	**(2.5)**	7.7
Cash flow before dividends	**25.8**	(36.8)
Dividends paid on preferred and common shares	**(9.6)**	(9.6)
Cash flow of the year	**16.2**	(46.4)
Funds (net cash and short-term investments)		
Beginning of year	**4.7**	51.1
End of year	**$ 20.9**	$ 4.7

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. All material intercompany items and transactions are eliminated on consolidation. Acquisitions are consolidated from the date of acquisition.

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 operations 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 term 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.

Fixed assets

Fixed assets, including expenditures which improve or prolong the useful lives of such assets, are stated at cost. Fixed assets obtained through acquisitions are stated at their fair values at 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 ten 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.

Intangible assets

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

Other intangible assets are amortized over the terms of their useful lives.

Revenue recognition

Sales and earnings are recorded at the time the product is shipped or the service performed. Provision is made for any losses, including possible losses arising from claims and suits, 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, 1991 and 1990

1. Acquisition

In January 1990, the businesses and net assets of Windsor Aerospace Division and Middleton Aerospace Corporation were acquired together for $27.3 million. Both businesses produce precision-machined components for the aerospace and other industries.

This acquisition was accounted for by the purchase method and the purchase price was allocated based on the fair values of the assets and liabilities at the date of acquisition, as follows: current assets - $11.6 million; fixed assets - $14.0 million; goodwill - $2.2 million; other intangible assets - $1.7 million; and current liabilities -$2.2 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. This amount was included in accounts payable and accrued liabilities in the balance sheet as at December 31, 1990. 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 has been 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 include $0.6 million in respect of overprovision of costs in 1990, and other adjustments, relating to this dispute.

2. Research and development costs

Research and development costs incurred and expensed in 1991 amounted to $4.5 million (1990 - $4.8 million).

3. Interest expense

$ millions	**1991**	1990
Interest on long-term debt	**$ 7.1**	$ 5.6
Other net interest income	**(1.4)**	(2.5)
	$ 5.7	$ 3.1

Other net interest income includes interest income of $0.6 million (1990 - $0.6 million) on advances to an affiliated company at commercial rates of interest. These advances are repayable on demand.

4. Income taxes

$ millions	**1991**	1990
Current income taxes	**$ 7.1**	$ 7.4
Deferred income taxes	**3.2**	5.3
	$ 10.3	$ 12.7

The provision for income taxes is made up as follows:

$ millions	**1991**	1990
Provision at statutory rates of income tax	**$ 11.4**	$ 16.0
Effect of manufacturing and processing tax credits	**(0.3)**	(0.4)
Effect of taxation relief from previous years	**(0.8)**	(2.3)
Other adjustments	**-**	(0.6)
	$ 10.3	$ 12.7

Accumulated income tax losses of U.S. subsidiary companies as at December 31, 1991 amounted to U.S. $24.7 million (1990 - U.S. $25.8 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 2005. The amount of loss relief which may be applied against taxable income in any one year 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, 1991 amounted to approximately U.S. $2.1 million (1990 - U.S. $1.6 million).

The potential tax benefits of approximately U.S. $9.1 million, at 1991 income tax rates, relating to these income tax losses and to these expenses have not been recognized in the consolidated financial statements.

5. Related party transactions

There were no material transactions between the Company and related parties, other than the advances to an affiliated company referred to in notes 3 and 6.

6. Short-term investments

Short-term investments include advances of $11.5 million (1990 - $8.0 million) to an affiliated company.

7. Fixed assets

	1991		1990	
$ millions	**Cost**	**Accumulated depreciation**	Cost	Accumulated depreciation
Land and land improvements	**$ 7.2**	**$ 1.5**	$ 6.8	$ 1.4
Buildings	**47.1**	**30.1**	45.1	29.2
Railway rolling stock leasing fleet	**377.1**	**117.7**	324.8	109.5
Other plant and equipment	**112.2**	**73.4**	103.8	67.8
	$ 543.6	**$ 222.7**	$480.5	$ 207.9

8. Intangible assets

Intangible assets, comprising goodwill and other intangible assets arising upon acquisition, are as follows:

$ millions	1991	1990
Balance - beginning of year	$ 3.5	$ –
Additions during year	–	3.9
Adjustment to value of goodwill (note 1)	(1.6)	–
Amortization	(0.3)	(0.4)
Balance - end of year	$ 1.6	$ 3.5

9. Pension costs and obligations

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, 1991 was $102 million (1990 - $99 million) and the average market value of pension fund assets was $153 million (1990 - $147 million).

The deferred pension asset of $11.0 million at December 31, 1991 (1990 - $8.1 million) represents the cumulative 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 the cumulative cost of the current service pension plan benefits.

10. Long-term debt

$ millions	1991	1990
First mortgage sinking fund equipment notes		
- Notes due from 1992 to 2000 at 10 1/4% (U.S. $2.25 million; 1990 - U.S. $2.5 million)	$ 2.6	$ 2.9
- Notes due from 1992 to 1999 at from 8 7/8% to 11 1/8%	14.7	17.4
First mortgage equipment notes		
- Note due in 1992 at 11 1/4%	5.0	10.0
- Notes due in 1993 at 11%	15.0	15.0
- Notes due in 1994 at 10.3%	20.0	–
- Notes due in 1996 at 10.55%	30.0	–
Total long-term debt	87.3	45.3
less:		
Portion due within one year	7.8	8.0
	$ 79.5	$ 37.3

Repayment of long-term debt over the next five years is as follows:
1992 - \$7.8 million; 1993 - \$17.8 million; 1994 - \$22.6 million; 1995 - \$2.3 million; and 1996 - \$31.8 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, 1991 of \$154.0 million (1990 - \$ 90.0 million).

11. Capital stock

The authorized share capital of the Company is as follows:

- 140,000 5 ¾ % cumulative redeemable preferred shares of \$100 each.
- An unlimited number of preferred shares junior to the 5 ¾ % cumulative redeemable preferred shares.
- An unlimited number of common shares.

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

\$ millions	**1991**	1990
140,000 5 ¾ % cumulative redeemable preferred shares of \$100 each	**\$ 14.0**	\$ 14.0
8,184,301 common shares (1990 - 8,157,101)	**55.0**	54.5
	\$ 69.0	\$ 68.5

41.8% of the outstanding preferred shares and 58.9% of the outstanding common shares are beneficially owned by BTR plc, London, England.

The 5 ¾ % cumulative preferred shares are redeemable at the option of the Company at \$105 per share.

At December 31, 1991, stock options to senior executives and former senior executives of the Company were outstanding in respect of 97,950 common shares (1990 - 135,100 common shares). These options are exercisable by the holders at from \$19.63 to \$24.00 per share and expire at various dates during the next four years. During the year, options for 27,200 common shares (1990 - 1,200 common shares) were exercised for a total consideration of \$545,000 (1990 - \$24,000).

The weighted average number of common shares outstanding during the year was 8,170,184 (1990 - 8,156,450).

12. Currency translation account

$ millions	1991	1990
Balance - beginning of year	$ 1.0	$ (7.4)
Adjustment with respect to net current assets of foreign subsidiaries	(2.5)	7.7
Other adjustments	-	0.7
Balance - end of year	$ (1.5)	$ 1.0

13. Reclassification of figures

Figures for the year ended December 31, 1990 have been reclassified where appropriate to conform to the presentation of the figures for the year ended December 31, 1991.

Segmented information

for the years ended December 31, 1991 and 1990

By industry segment

$ millions	Total 1991	Total 1990	Transportation and industrial 1991	Transportation and industrial 1990	Resource industry equipment 1991	Resource industry equipment 1990
Total sales	$391.3	$410.5	$210.1	$193.4	$181.2	$217.1
Inter-segment sales	–	–	–	–	–	–
External sales	391.3	410.5	210.1	193.4	181.2	217.1
% of total external sales	100.0%	100.0%	53.7%	47.1%	46.3%	52.9%
Segment operating profit	33.5	45.4	43.4	40.0	(9.9)	5.4
% of external sales	8.6%	11.1%	20.7%	20.7%	(5.5)%	2.5%
Identifiable assets	486.7	438.4	378.6	326.5	108.1	111.9
Segment depreciation	19.3	18.9	16.3	15.9	3.0	3.0
Segment capital expenditure	69.2	38.6	66.0	35.3	3.2	3.3

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

Segment operating profit	$ 33.5	$ 45.4
Corporate expenses	(1.1)	(1.0)
Interest expense	(5.7)	(3.1)
Earnings before income taxes	$ 26.7	$ 41.3

Identifiable assets reconcile with total assets as follows:

Identifiable assets	$486.7	$438.4
Corporate assets	42.8	30.6
Total assets	$529.5	$469.0

By geographic segment

$ millions	Total 1991	Total 1990	Canada 1991	Canada 1990	United States 1991	United States 1990	Europe 1991	Europe 1990
Total sales	**$400.2**	$424.5	**$208.0**	$219.0	**$46.3**	$52.3	**$145.9**	$153.2
Inter-segment sales	**(8.9)**	(14.0)	**(5.0)**	(10.1)	**(0.3)**	(0.6)	**(3.6)**	(3.3)
External sales	**391.3**	410.5	**203.0**	208.9	**46.0**	51.7	**142.3**	149.9
% of total external sales	**100.0%**	100.0%	**51.9%**	50.9%	**11.7%**	12.6%	**36.4%**	36.5%
Segment operating profit	**33.5**	45.4	**33.6**	38.7	**2.6**	3.3	**(2.7)**	3.4
% of external sales	**8.6%**	11.1%	**16.6%**	18.5%	**5.7%**	6.4%	**(1.9)%**	2.3%
Identifiable assets	**486.7**	438.4	**376.1**	322.5	**27.5**	31.4	**83.1**	84.5
Segment depreciation	**19.3**	18.9	**16.2**	15.6	**1.5**	1.5	**1.6**	1.8
Segment capital expenditure	**69.2**	38.6	**66.5**	35.6	**1.0**	0.6	**1.7**	2.4

–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 industrial markets; forged steel wheels for railway and industrial markets; and leasing of railway tank and hopper cars.
Resource industry equipment	Sawmill and lumber processing equipment for the forest products industry; mining equipment for the coal and soft-rock mining industries; contract mining services; 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 external sales include $59.9 million (1990 – $56.4 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 $43.0 million (1990 – $26.5 million).

Quarterly financial information (unaudited)

for the years ended December 31, 1991 and 1990

	Sales		Operating profit		Operating profit percentage	
$ millions	**1991**	1990	**1991**	1990	**1991**	1990
First quarter	**$ 96.0**	$ 97.5	**$ 9.8**	$ 9.1	**10.2%**	9.3%
Second quarter	**95.6**	104.6	**5.4**	11.6	**5.6**	11.1
Third quarter	**90.1**	106.1	**4.5**	10.7	**5.0**	10.1
Fourth quarter	**109.6**	102.3	**12.7**	13.0	**11.6**	12.7
	$391.3	$410.5	**$ 32.4**	$ 44.4	**8.3**	10.8

	Net earnings		Earnings per share		Dividends per share	
$ millions except per share data	**1991**	1990	**1991**	1990	**1991**	1990
First quarter	**$ 4.0**	$ 4.1	**$ 0.46**	$ 0.48	**$ 0.27**	$ 0.27
Second quarter	**0.8**	6.3	**0.08**	0.75	**0.27**	0.27
Third quarter	**0.5**	6.5	**0.03**	0.77	**0.27**	0.27
Fourth quarter	**6.0**	6.8	**0.72**	0.80	**0.27**	0.27
	$ 11.3	$ 23.7	**$ 1.29**	$ 2.80	**$ 1.08**	$ 1.08

	Market price of common shares High		Market price of common shares Low		Thousands of shares traded	
$ except numbers of shares	**1991**	1990	**1991**	1990	**1991**	1990
First quarter	**$ 27**	$ 26½	**$ 22½**	$ 25¼	**69**	20
Second quarter	**28**	26¼	**25½**	23¼	**70**	127
Third quarter	**28**	24⅝	**22**	22	**40**	90
Fourth quarter	**27**	22¾	**25½**	20	**49**	36
	$ 28	$ 26½	**$ 22**	$ 20	**228**	273

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.

Principal operating divisions and subsidiaries

Transportation and industrial

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
Forged steel wheels for railway passenger and freight cars and locomotives; and industrial wheels

Orenda Division
Mississauga, Ont.
Robert J. Munro
Vice-President and General Manager
Jet engine and industrial gas turbine repair and overhaul; engineering and laboratory testing services for the aerospace and other industries; and engine and gas turbine components

Windsor Aerospace Division
Windsor, Ont.
R.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 railway tank and hopper cars

United States

Middleton Aerospace Corporation
Middleton, Mass.
Robert J. Munro
President
J. Stephen Tosi
General Manager
Engine components for the aerospace industry

Resource industry equipment

Canada

Kockums CanCar 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.
Dr. Keith T. Sisson
Managing Director
Michael C. Burt
General Manager
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.
Dr. Keith T. Sisson
Managing Director
Ralph H. Knight
General Manager
Roof support systems for mine roadways and civil engineering tunnels; and contract drivage of mine roadways

United States

Kockums CanCar Corp.
Atlanta, Ga.
William C. Griffiths
President
Sales and service of sawmill and lumber processing equipment

The Dosco Corporation
Abingdon, Va.; and Hurst, Tx.
James E. Marianski
President
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
B. Ake Ackerfeldt
Managing Director
Sales and service of sawmill and lumber processing equipment

Ten-year financial information

$ millions except per share information	**1991**	1990
Operating results		
Sales		
Continuing operations	**$391.3**	$410.5
Discontinued operations	**–**	2.8
Operating profit/(loss)		
Continuing operations	**32.4**	44.4
Discontinued operations	**–**	–
Percentage operating profit – continuing operations	**8.3%**	10.8%
Net earnings	**11.3**	23.7
Dividends on preferred shares	**0.8**	0.8
Dividends on common shares	**8.8**	8.8
Financial position		
Net assets		
Working capital	**68.9**	86.2
Fixed assets	**320.9**	272.6
Other	**12.6**	11.6
Total net assets	**402.4**	370.4
Funds employed		
Common shareholders' equity	**234.6**	234.9
Preferred shares	**14.0**	14.0
Net (cash)/borrowings	**66.4**	40.6
Deferred income taxes and minority interests	**87.4**	80.9
Total funds employed	**402.4**	370.4
Current ratio	**1.7:1**	1.8:1
Net borrowing as a percentage of total funds employed	**16.5%**	11.0%
Average working capital as a percentage of total sales	**21.1%**	18.7%
Percentage return of total operating profit on average total funds employed	**8.4%**	13.2%
Percentage return of net earnings on average common shareholders' equity	**4.5%**	10.2%
Results and financial position per common share		
Earnings per share	**$ 1.29**	$ 2.80
Dividends per share	**1.08**	1.08
Book value per share	**28.67**	28.80
Cash flow		
Purchase of fixed assets	**69.2**	38.7
Depreciation	**19.4**	19.0
Net cash inflow/(outflow) before dividends on common shares	**25.0**	(37.6)
Common shares outstanding (thousands)		
At year end	**8,184**	8,157

1989	1988	1987	1986	1985	1984	1983	1982
$361.2	$351.2	$348.0	$359.1	$293.8	$249.9	$276.5	$279.5
27.8	37.3	47.8	59.6	128.2	161.6	168.8	146.1
44.1	38.4	47.7	48.1	33.2	30.9	39.7	46.0
(3.6)	(4.2)	(4.9)	(13.8)	(2.3)	6.8	2.0	(6.1)
12.2%	10.9%	13.7%	13.4%	11.3%	12.4%	14.4%	16.5%
13.7	13.5	27.6	9.5	13.4	19.5	15.4	11.4
0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
8.8	8.8	7.8	7.8	7.8	7.8	7.8	7.8
53.7	58.4	87.8	81.8	85.5	78.9	63.8	70.3
241.8	224.5	178.7	184.7	186.3	190.7	186.8	200.4
5.8	3.9	–	–	4.2	5.7	7.3	3.0
301.3	286.8	266.5	266.5	276.0	275.3	257.9	273.7
212.4	215.6	220.7	192.5	191.5	175.2	169.0	165.5
14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0
2.5	(11.7)	(41.2)	(6.6)	(0.1)	16.4	1.2	40.7
72.4	68.9	73.0	66.6	70.6	69.7	73.7	53.5
301.3	286.8	266.5	266.5	276.0	275.3	257.9	273.7
1.9:1	2.1:1	2.6:1	2.2:1	2.3:1	2.5:1	2.1:1	2.0:1
0.8%	–	–	–	–	6.0%	0.5%	14.9%
17.0%	22.5%	25.7%	23.3%	22.3%	21.8%	19.8%	23.7%
13.8%	12.4%	16.1%	12.6%	11.2%	14.1%	15.7%	13.7%
6.0%	5.8%	13.0%	4.5%	6.9%	10.9%	8.7%	6.4%
$ 1.58	$ 1.56	$ 3.29	$ 1.06	$ 1.54	$ 2.29	$ 1.79	$ 1.30
1.08	1.08	0.96	0.96	0.96	0.96	0.96	0.96
26.04	26.46	27.08	23.62	23.49	21.50	20.73	20.31
35.1	71.9	9.2	16.1	10.8	21.5	10.8	10.1
15.4	14.9	13.9	15.0	14.2	14.1	14.2	13.8
(10.2)	3.5	36.2	7.8	12.1	(13.5)	41.8	27.4
8,156	8,150	8,150	8,150	8,150	8,150	8,150	8,150

– Notes:

– Operating profit / (loss) from discontinued operations exclude closure provisions.

– Working capital as stated in the above 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 above 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.

Corporate directory

Directors

- • Ronald D. Cole
  President and Chief Executive Officer,
  Hawker Siddeley Canada Inc.
- ▲ Arthur H. Crockett
  Corporate Director
- • Robert F. Faircloth
  Chief Operating Officer,
  BTR plc
- Robert A. Ferchat
  Chairman,
  Atomic Energy of Canada Limited
- Louis Hollander
  President and Chief Executive Officer,
  Canada Colours and Chemicals Limited
- ▲• John F. Howard, Q.C.
  Partner,
  Blake, Cassels & Graydon,
  Barristers & Solicitors
- • Alan R. Jackson
  Managing Director and Chief Executive,
  BTR plc
- ▲ Kathleen A. O'Donovan
  Finance Director,
  BTR plc
- ▲ Louis Rochette
  President,
  Gesconav Inc.
- ▲ Guylaine Saucier
  Corporate Director
- ▲ Thomas K. Shoyama
  Visiting Professor,
  University of Victoria
- • A.M. Gordon Turnbull
  Vice-President, Finance,
  Hawker Siddeley Canada Inc.

• Member of the executive committee
▲ Member of the audit committee

Officers and senior corporate management

Alan R. Jackson
Chairman

Robert F. Faircloth
Vice-Chairman

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

Ronald D. Cole
President and Chief Executive Officer

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,
Kockums CanCar Division

Yvon H. Mélançon
Director of Personnel and Industrial Relations

Robert J. Munro
Vice-President,
Orenda Division

Frederick J. Sandford
Treasurer

A.M. Gordon Turnbull
Vice-President, Finance

Auditors

Price Waterhouse,
Chartered Accountants,
Toronto

Corporate office

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

Shareholder information

The Company

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

Capital stock

At December 31, 1991 the issued capital stock of the Company comprised 140,000 fully-paid $5\frac{3}{4}\%$ cumulative redeemable preferred shares and 8,184,301 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 1992 annual meeting of the shareholders of the Company will be held on May 1, 1992, at 12:00 noon in the Willard Room of the Hotel Inter-Continental, 220 Bloor Street West, Toronto, Ontario.

Annual and quarterly reports

Additional copies of the 1991 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............	late 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

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