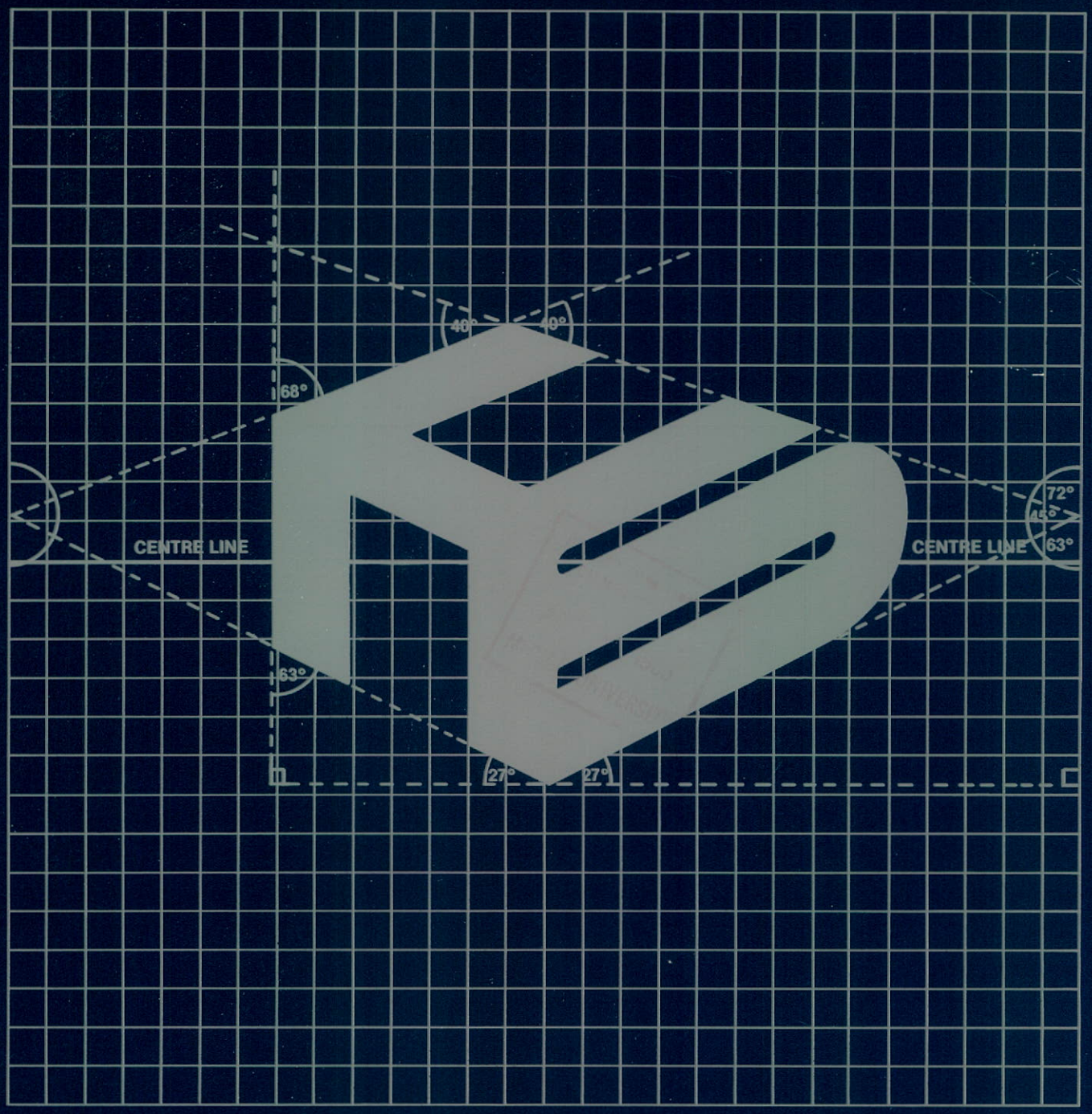


Hawker Siddeley Canada INC.

1984 ANNUAL REPORT

Contents

Operations Summary

		1984	1983	1982	1981	1980
Operating Data (millions of dollars)						
Sales (By Industry Segments):						
Transportation and miscellaneous	$	188.1	199.5	172.4	347.2	209.8
Mining		72.2	125.4	144.7	131.5	163.3
Steel castings and forgings		64.7	54.6	72.7	95.8	89.9
Forestry		86.5	65.8	35.8	64.5	84.0
Total Sales		411.5	445.3	425.6	639.0	547.0
Income before taxes, minority and extraordinary items		35.8	38.7	32.7	28.9	41.4
Income taxes		12.6	21.2	17.9	5.3	18.4
Extraordinary items		—	.4	(1.5)	.9	—
Net income		19.5	15.4	11.4	23.0	21.4
Financial Data (millions of dollars)						
Working capital	$	117.0	123.3	96.4	90.5	104.1
Net fixed assets		190.7	186.8	200.4	207.2	190.5
Long term debt		52.3	58.3	64.2	70.6	72.0
Shareholders' equity		189.2	183.0	179.5	181.0	174.0
Funds from operations		24.8	45.1	50.2	101.1	(8.1)
Capital expenditures		21.5	10.8	10.1	32.6	31.3
Depreciation		14.1	14.2	13.8	13.4	13.6
Dividends						
– preferred shares		.8	.8	.8	.8	.8
– common shares		7.8	7.8	7.8	7.8	7.8
Aggregate remuneration of employees		119.4	122.2	126.2	169.5	149.9
Per Common Share (after Preferred dividends)						
Income before extraordinary items	$	2.29	1.75	1.48	2.60	2.53
Net income		2.29	1.79	1.30	2.72	2.53
Funds from operations		2.94	5.44	6.06	12.31	(1.05)
Dividends		.96	.96	.96	.96	.96
Shareholders' equity		21.50	20.73	20.31	20.49	19.63
Ratios						
Return on capital employed (Note 1)		11.9%	13.5%	13.5%	15.0%	18.7%
Return on shareholders' equity (Note 2)		10.8%	8.7%	6.4%	13.6%	13.6%
Debt: equity ratio		22:78	24:76	26:74	28:72	29:71
Working capital ratio		2.5	2.1	2.0	1.7	1.6
Other Data						
Shares issued and outstanding						
– preferred		140,000	140,000	140,000	140,000	140,000
– common		8,150,301	8,150,301	8,150,301	8,150,301	8,150,301
Number of shareholders						
– preferred		830	908	998	1,050	1,146
– common		4,766	5,194	5,844	6,019	5,583
Average number of employees		3,927	4,090	4,307	6,712	6,564

Notes:

1. Operating income as a percentage of the annual average of total assets less current liabilities.
2. Net income less preferred dividends as a percentage of the annual average shareholders' equity less preferred shares.

To the Shareholders

Your Directors submit herewith the audited accounts of Hawker Siddeley Canada Inc., and its subsidiary companies for the year ended December 31, 1984.

1. Financial

1.1 Sales

Consolidated sales were $412 million (1983 — $445 million). Details of sales by industry and geographic segments are shown in Note 13 to the financial statements.

1.2 Income

Income before extraordinary items in 1984 was $19.5 million (1983 — $15.1 million) equivalent to $2.29 per common share (1983 — $1.75 per share). Net income was $19.5 million (1983 — $15.4 million) equivalent to $2.29 per common share (1983 — $1.79 per share).

2. Dividends

In 1984 the Company declared and paid the four quarterly preferred share dividends as they became due. A dividend of 24 cents was declared payable on January 11, 1985 to holders of common shares of record on December 20, 1984, following declarations and payments of 24 cents per common share in each of the previous three quarters.

3. Directors

Mr. F. H. Wood, Vice-Chairman, retired from the Board on May 25, 1984 after serving the Company as a Director since January 27, 1977. Mr. B. R. Bensly, the Managing Director of Hawker Siddeley Group Public Limited Company, was elected a Director on May 25, 1984.

4. Comments

The net income for the year 1984, at $19.5 million, is an increase of 26.3% on the previous year. Order intake, in some parts of the business, was adversely affected as the year progressed, for reasons set out below.

The strike in the U.K. coal mining industry, which started in 1984, has not yet been settled, and though an official return to work occurred on March 5th, this was without a settlement, a situation which may result in further disruption. The strike has reduced activity in the supply of mining machinery and roof supports manufactured by the wholly-owned subsidiary companies Dosco and Hollybank located in England, and the impact on new order intake became severe.

A similar pattern, though for different reasons, developed in the forestry and sawmill equipment areas, which saw the maintenance of a fair level of demand in the earlier part of the year, but as interest rates rose and housing starts declined, the placing of orders for equipment was abruptly reduced.

In contrast, the supply of components for aero-engine builders in Canada and the U.S.A. showed improvement, and significant new contracts were lodged with the Orenda Division. Preparations were started to undertake repair and overhaul of the engines for the CF18 fighter aircraft being acquired by the Canadian Forces.

Though the total railway freight and tank car production in the year was higher than in 1983, new ordering was hesitant, there being no firm recovery from the combined effect of the freight car surplus in the U.S.A., and the reduced requirement of domestic railway customers. This resulted in the Trenton Works Division becoming seriously short of work at the end of 1984, though orders were received at the turn of the year which will allow some increase of output by the second quarter of 1985. The rail equipment leasing business of CGTX, while affected by the state of low demand from some of the user industries, nevertheless showed encouraging results.

Steel casting and forging shipments for the railways improved compared with 1983, as usage increased for the maintenance of existing equipment. Industrial markets for cast and forged products were also rather more active.

The year 1985 has had a poor start, since the Trenton plant is in preparation for manufacture of orders for delivery later in the year, while the Dosco and Hollybank works are under the influence of the low order intake brought about by the coal mining strike in England. The forestry and sawmill supply operations are also having a relatively low output period. It is expected, however, that operations will improve thereafter. The business environment in which the Company is operating is distinctly hesitant, even though there are signs of slow improvement in some sectors. Because of this environment, and the imponderables of the coal mining situation in the U.K., there are special difficulties in forecasting the likely outcome of trading in 1985. Our feeling at this time is that a result may emerge which is somewhat lower than in 1984, though if recovery from the U.K. strike were to be rapid, that position may be improved upon.

Your Directors wish to express their appreciation to all for their contributions and steady support in a year of slow economic recovery.

Submitted on behalf of the Board

A.A. Hall
R.F. Tanner

Toronto, Ontario, March 7, 1985

▲ *Shipments of styrene monomer produced at Shell Canada Limited's new Scotford, Alta. chemical plant are made by a fleet of 170 railway tank cars leased by Shell from Montreal-based CGTX Inc. The tank cars were built for CGTX by Trenton Works Division, Trenton, N.S.*

◄ *Silicone rubber being applied to the roots of vanes in a compressor stator assembly, one of the types of aircraft jet engine components manufactured for leading engine builders by Orenda Division at its Mississauga, Ont. plant.*

Comments on Operations

HAWKER SIDDELEY CANADA INC.

Transportation and miscellaneous products

Following the sale of the Canadian Car Division at the beginning of the year the Company's endeavours in the transportation equipment sector were largely focused on building railway freight and tank cars at Trenton Works Division, Trenton, Nova Scotia.

Although domestic railroads experienced an improvement in the level of car loadings and operating efficiency, this did not wholly translate into increased orders for new rolling stock as demands for additional cars were met, in part, from a large surplus of freight cars which existed in the United States. Consequently, market conditions for Canadian carbuilders, while somewhat improved, remained rather hesitant throughout the year.

Total freight and tank car output from Trenton Works Division, while greater than in 1983, remained below capacity. The largest single order was 860 covered hopper cars built for the Canadian Wheat Board. Other significant orders included 379 freight cars shipped to Indonesia, 170 tank cars built for lease by the sister company CGTX Inc. to Shell Canada Limited, and the modification of a further number of automobile carrier cars for CN Rail.

CGTX Inc., Montreal, Quebec found few opportunities for the lease of new railway tank and hopper cars other than the 170-car order for Shell Canada Limited previously mentioned. Market conditions for leasing cars from the existing fleet were also rather limited, due largely to an over-supply situation within the leasing industry. Nevertheless, despite these difficulties, the company's performance in total improved over the preceding year.

Activity at Orenda Division, Mississauga, Ontario is divided into two main categories: the manufacture under subcontract of aircraft jet engine components, and aero engine repair and overhaul for the Canadian Armed Forces. The Division had a sound year in both sectors. New and repeat business for manufacture of major parts was obtained from leading builders of aircraft engines in Canada and the United States. Repair and overhaul of Canadian Armed Forces jet fighter and advanced trainer aircraft engines continued and good progress was made with preparations, including engine test-cell modification, to undertake repair and overhaul of General Electric F404 engines. These new-generation gas turbines power Canada's CF18 defence aircraft which are gradually entering operational service.

Can-Car Trailer Division, Rexdale, Ontario was able to benefit from increased activity in the highway transportation industry with an improved sales volume and a broader customer base. The unit is engaged in highway trailer repairs and the distribution of heavy truck, bus and trailer replacement parts.

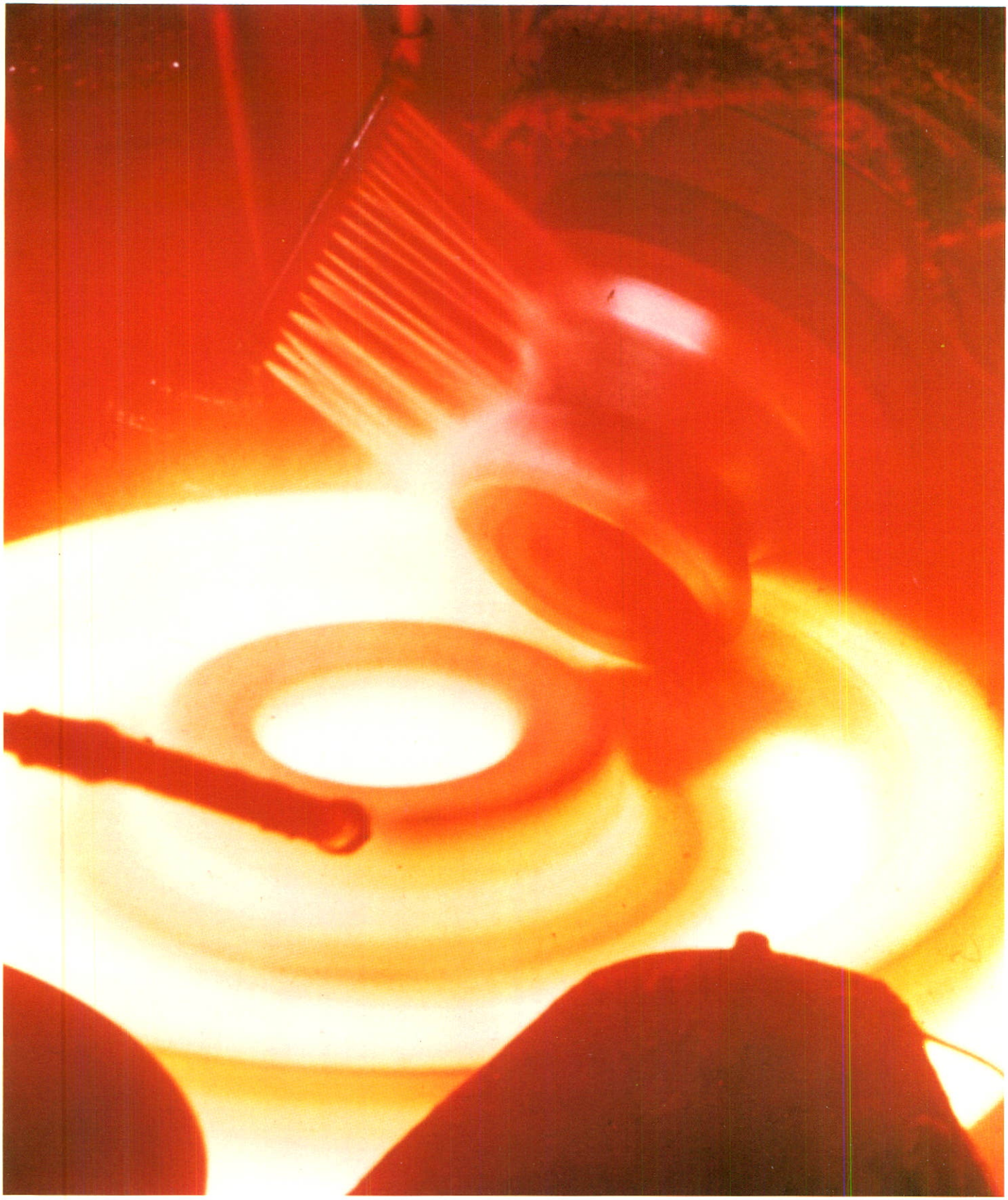
Mining products

A range of mining and tunnelling equipment is designed and manufactured by Dosco Overseas Engineering Limited, Tuxford, England, a subsidiary of Hawker Siddeley Canada Inc.

The National Coal Board in the United Kingdom is a major customer for machinery made by the company but the prolonged labour unrest in that country's collieries greatly disrupted normal trading activity with regard to both new equipment sales and the provision of spare parts. The decline in domestic orders seriously affected the unit's trading results. Export orders also were somewhat short of expectations as difficult market conditions were experienced in resource industries in several countries and some customers delayed capital expenditure plans and commitments.

Hollybank Engineering Company Limited, a subsidiary of Dosco Overseas Engineering Limited with which it shares the Tuxford operating location, produces mine roadway roof support systems. This company, too, was affected by U.K. colliery labour unrest and, for this reason, shipments of its products were reduced significantly.

Slow market conditions prevailed in the United States mining industries and postponements of machine deliveries were experienced by The Dosco Corporation, Beckley, W. Virginia. This unit sells and services Dosco equipment made in the United Kingdom and manufactures mine roadway roof support systems in its own facility. To improve service to United States customers, the company's operations are in the process of being moved to a location near Abingdon, Virginia.



At Canadian Steel Wheel Division's highly automated wheel manufacturing plant in Montreal, Que., the rim and plate profile of a forged railway wheel is shaped on an electronically-controlled rolling mill.

Steel castings and forgings

Canadian Steel Wheel Division and Canadian Steel Foundries Division, both of Montreal, Quebec, and Trenton Works Division, Trenton, Nova Scotia, manufacture steel castings and forged products, including components for railway equipment, mines and heavy industry.

The manufacture of wheels used by the railways for maintenance purposes formed the bulk of work available to Canadian Steel Wheel Division. Wheel requirements from builders of new railway rolling stock provided some additional volume and while total production remained below plant capacity, demand improved during the year. Research and development work on a low stress wheel design continued and reached the initial forging stage. These wheels will enhance the Division's competitive position in the railway wheel industry.

Railway maintenance needs also provided useful casting business for Canadian Steel Foundries Division, with moderately increased activity stemming from limited requirements by builders of new freight cars. Total production was therefore increased over 1983 but still remained much below capacity. Mining and industrial casting demand improved somewhat as the year progressed although markets remained uncertain and the Division shared in the continued recession of the North American steel foundry industry.

At Trenton Works Division, railway axle production did not fully reflect a higher level of activity in the railway industry as a number of axles were sourced from offshore suppliers. Heavy equipment industries remained depressed and with poor demand, the industrial forging sector of Trenton Works experienced a difficult year.

Forestry and lumber processing equipment

Operating units of the Company supplying forest harvesting and sawmill equipment to their related industries in Canada and the United States were affected over the year by the softening of the housing market, fluctuating interest rates and an over-supply of lumber at declining prices which caused many sawmills to cut production or close altogether.

Beneficial effects of the rise in house construction which began towards the end of 1983 were not sustained beyond the first half of 1984. In the resulting market environment, sales opportunites were more limited for Kockums CanCar Inc., Surrey, British Columbia and Kockums CanCar Corp., Talladega, Alabama, which between them, manufacture a full range of sawmill machinery. Most of the available business centred on newly developed, sophisticated lumber processing equipment, which proved of interest to sawmill owners intent on improving performance in the face of steadily mounting price competition within their own industry.

The high level of forest product inventories also slowed timber harvesting, particularly in the U.S., thereby affecting the performance of the Forestry Equipment Division, Mississauga, Ontario which designs and produces a range of log skidders and other forest harvesting machines. This equipment is sold in Canada, in the United States where it is marketed through a subsidiary, Tree Farmer Equipment Company, Inc., Atlanta, Georgia, and in a number of other countries with forest industries.

Hawker Siddeley Canada Inc.

Consolidated Statement of Income and Retained Earnings

	Year ended December 31 1984	1983
	(in thousands)	
Sales (Note 13)	$ 411,514	$ 445,348
Cost of sales, selling, general and administrative expenses	359,751	389,497
Depreciation	14,097	14,160
	373,848	403,657
Operating income (Note 13)	37,666	41,691
Interest (Note 2)	1,869	2,944
Income before income taxes, minority interest and extraordinary items	35,797	38,747
Income taxes (Note 10)	12,616	21,184
	23,181	17,563
Minority interest	3,713	2,507
Income before extraordinary items	19,468	15,056
Extraordinary items (Note 3)	—	357
Net income for the year	19,468	15,413
Retained earnings, beginning of year	121,848	115,064
	141,316	130,477
Dividends — preferred shares	805	805
— common shares	7,824	7,824
	8,629	8,629
Retained earnings, end of year	$ 132,687	$ 121,848
Income per common share after preferred dividends:		
Before extraordinary items	$ 2.29	$ 1.75
After extraordinary items	$ 2.29	$ 1.79

Hawker Siddeley Canada Inc.

Consolidated Statement of Changes in Financial Position

	Year ended December 31 1984	1983
	(in thousands)	
Sources of funds:		
Income before income taxes, minority interest and extraordinary items	$ 35,797	$ 38,747
Items not affecting funds —		
Depreciation	14,097	14,160
Other	1,208	(701)
	51,102	52,206
Change in working capital items excluding net cash and short term deposits	(663)	71
	50,439	52,277
Income tax payments	25,646	7,131
Funds generated from operations	24,793	45,146
Proceeds on disposal of fixed assets	2,498	14,811
	27,291	59,957
Uses of funds:		
Additions to fixed assets —		
Railway rolling stock leasing fleet	14,605	894
Fixed assets acquired from minority shareholders in subsidiaries	—	6,174
Plant and equipment	6,857	3,725
Increase (decrease) in investments	(822)	5,045
Miscellaneous	235	1,733
	20,875	17,571
	6,416	42,386
Unrealized foreign currency translation loss on net current assets of foreign subsidiaries	(6,618)	(4,503)
Funds generated (absorbed) before the following	(202)	37,883
Share capital issued to (redeemed from) minority shareholders of subsidiaries	(4,498)	12,288
Long term debt repayments	(6,818)	(6,367)
Dividends paid to —		
Shareholders of Hawker Siddeley Canada Inc.	(8,629)	(8,629)
Minority shareholder of a subsidiary	(1,152)	(1,152)
	(21,097)	(3,860)
Change in net cash and short term deposits	(21,299)	34,023
Net cash and short term deposits, beginning of year	63,863	29,840
Net cash and short terms deposits, end of year	$ 42,564	$ 63,863

Hawker Siddeley Canada Inc.

Consolidated Balance Sheet

ASSETS	December 31 1984	1983
	(in thousands)	
Current Assets:		
Cash and short term deposits	$ 43,842	$ 68,181
Accounts receivable	63,571	71,201
Income taxes recoverable	354	332
Inventories	82,140	89,944
Prepaid expenses	2,973	2,936
	192,880	232,594
Investments (Note 6)	5,707	7,278
Fixed Assets (Note 7)	362,720	354,556
Less: Accumulated depreciation	172,064	167,793
	190,656	186,763
	$ 389,243	$ 426,635

Approved by the Board:
A.A. Hall, Director
R.F. Tanner, Director

LIABILITIES AND SHAREHOLDERS' EQUITY	December 31 1984	1983
	(in thousands)	
Current Liabilities:		
Bank advances	$ 1,278	$ 4,318
Accounts payable and accrued liabilities	51,355	68,249
Dividends payable	2,157	2,157
Income and other taxes	12,156	25,424
Advances on sales contracts	1,295	1,442
Owing to affiliated companies (Note 5)	2,791	2,600
Long term debt due within one year (Note 8)	4,879	5,054
	75,911	109,244
Long Term Debt (Note 8)	52,320	58,353
Provision for Unfunded Pensions (Note 9)	2,245	2,405
Deferred Income Taxes (Note 10)	38,517	40,934
Minority Interest	31,059	32,747
Shareholders' Equity:		
Preferred and common shares (Note 11)	68,383	68,383
Retained earnings	132,687	121,848
Unrealized foreign currency translation adjustments (Note 12)	(11,879)	(7,279)
	189,191	182,952
	$ 389,243	$ 426,635

Notes to Consolidated Financial Statements

for the year ended December 31, 1984

1. Summary of principal accounting policies:

Principles of consolidation –
The consolidated financial statements include the accounts of Hawker Siddeley Canada Inc. and all subsidiary companies.

Foreign currency translation –
Assets and liabilities of foreign subsidiaries and other assets and liabilities in foreign currencies are translated at year-end rates of exchange. Revenue and expense items are translated at average rates of exchange during the year.

Net unrealized exchange adjustments arising from translation of the financial statements of foreign subsidiaries are included in a separate translation adjustments account in shareholders' equity. Other exchange gains and losses, including amortization of such amounts related to long-term debt over its remaining life, are included in income.

Recognition of revenue, profits and losses –
Revenue and profits are recorded at the time the product is shipped or the services performed. Provision is made for any losses, including possible losses arising from claims and suits, in the year in which they are first foreseen.

Costs of long term debt –
Commission costs incurred on issue of long term debt are amortized on the straight-line method over the term of the related debt issue and unamortized amounts are included in prepaid expenses.

Inventories –
Inventories are carried at the lower of cost and net realizable value, less progress payments.

Investments –
Investments are carried on the cost basis.

Fixed assets —
Fixed assets are carried at cost. Depreciation on these assets is provided over their estimated useful lives on the straight-line method at annual rates, generally, of 2½% on buildings, 10% on equipment and 3⅓% to 5% on railway rolling stock.

Pensions –
The Company and its subsidiaries have pension obligations to unfunded and funded pension plans.

Obligations to unfunded plans relate to retired and certain current employees for benefits which, for the most part, arose before the establishment of funded pension plans. Under these pension plans monthly payments to pensioners are charged, after appropriate income taxes, to the provision established for that purpose.

Obligations to funded pension plans, which are administered by trustees, are actuarially determined and are settled by payments which are charged to operations.

Income taxes –
The provision for income taxes is computed on the tax allocation basis which relates income taxes to the accounting income for the year.

Investment tax credits are applied to reduce the annual provision for income taxes when realized.

2. Interest:

Interest reported in the consolidated statement of income is as follows:

	1984	1983
	(in thousands)	
Interest expense:		
Bank advances	$ 750	$ 308
Loans from affiliated companies (Note 5)	1,775	212
Long term debt including amortization of issue costs	4,876	7,010
	7,401	7,530
Interest income:		
Short term deposits and investments	5,532	4,586
Net interest	$ 1,869	$ 2,944

3. Extraordinary items:

The extraordinary items in 1983 comprised the net gain on the sale of the Company's former Canadian Car Division assets of $3,758,000 ($1,401,000 after income taxes), provision for costs and losses related to the closure of a U.S. subsidiary of $1,452,000, and the reversal of a prior year's provision which was no longer required of $748,000 ($408,000 after income taxes).

4. Research and development costs:

Research and development costs charged to income amounted to $4,494,000 (1983 – $4,739,000) after deduction of government assistance of $96,000 (1983 – $110,000).

5. Related party transactions:

Hawker Siddeley Group Public Limited Company, a United Kingdom-based company, which operates through subsidiaries in many countries, is the beneficial owner of 59.1% of the outstanding common shares of the Company.

During 1984 the Company and its subsidiaries had no significant sales to or purchases from related parties.

Loans to or from affiliated companies are based on commercial bank lending rates.

6. Investments:

	1984	1983
	(in thousands)	
Sidbec-Dosco Ltd. —		
Sinking fund debentures due in 1984 and 1985	$ 1,527	$ 2,340
RailTrans Industries of Canada Limited —		
6% Special cumulative voting shares	660	660
Can-Car Rail Inc. —		
10% promissory note (secured) due on January 3 from 1985 to 1988	5,547	5,547
	7,734	8,547
Less amounts due within one year included in accounts receivable	2,027	1,269
	$ 5,707	$ 7,278

7. Fixed assets:

	1984 (in thousands)		1983 (in thousands)	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Land and land improvements	$ 7,761	$ 1,982	$ 7,723	$ 1,887
Buildings	46,881	28,101	47,465	27,383
Equipment	95,533	62,990	92,614	58,383
Railway rolling stock leasing fleet	212,545	78,991	206,754	80,140
	$ 362,720	$ 172,064	$ 354,556	$ 167,793

8. Long term debt:

	1984	1983
	(in thousands)	
CGTX Inc. (55% owned) –		
First Mortgage Sinking Fund Equipment Notes		
5% – 10 1/4%, due 1985 – 2000 (U.S. $6,825,000)	$ 9,009	$ 10,075
6 3/4% – 11 1/8%, due 1985 – 1999	36,090	39,417
First Mortgage Serial Equipment Notes		
6%, due 1984	—	115
	45,099	49,607
Promissory Note owing to an affiliated company		
3/4% below Canadian bank prime rate, due 1985 – 1992	13,800	15,500
	58,899	65,107
Due within one year included in current liabilities ($1,700,000 included in owing to affiliated companies in 1984 and 1983)	6,579	6,754
	$ 52,320	$ 58,353

Principal payments on long term debt will be as follows for the years indicated:

Year ending December 31	Amount (in thousands)
1986	$ 6,348
1987	5,767
1988	5,536
1989	5,337
1990 – 2000	29,332
	$ 52,320

Railway rolling stock with a net book value of $83,506,000 is pledged by CGTX Inc. as security for its long term debt.

9. Pensions:

The provision for unfunded pensions of $2,245,000 at December 31, 1984 together with future tax allowances is considered adequate to provide for the cost, based on actuarial computations, of pensions under these unfunded plans.

With respect to funded pension plans, the present value of past service obligations to be met for certain plans, based on actuarial computations, is approximately $10,800,000 at December 31, 1984. These obligations will be settled over periods of fifteen years or less. During 1984, $750,000 (1983 – $783,000) was charged to operations with respect to these obligations.

10. Income taxes:

The consolidated provision for income taxes, which includes a credit for deferred income taxes of $2,249,000 (1983 – a debit of $3,977,000), has been determined as follows:

	1984	1983
	(in thousands)	
Consolidated provision at statutory rates of taxation	$ 16,616	$ 20,609
Increase (decrease) in provision resulting from –		
Losses of U.S. and Canadian subsidiaries for which no tax benefits have been recorded	486	5,034
Inventory allowances	(1,068)	(1,822)
Canadian investment tax credits	(1,212)	(1,472)
Manufacturing and processing tax credit	(1,192)	(1,165)
Other	(1,014)	—
Consolidated provision for income taxes	$ 12,616	$ 21,184

At December 31, 1984 the U.S. subsidiaries had accumulated losses for income tax purposes of approximately U.S. $16,200,000 available to reduce their taxable income for years prior to 2000 and expenses of approximately U.S. $2,000,000 charged to operations but not yet allowed for tax purposes. The potential future tax benefits of approximately U.S. $9,100,000, based on 1984 income tax rates, have not been recorded in the accounts.

11. Preferred and common shares:

	Shares	Dollars
		(in thousands)
Preferred Shares –		
5 3/4 % cumulative preferred shares, redeemable at the option of the Company at $105 per share		
Authorized and issued	140,000	$ 14,000
Common Shares –		
Issued	8,150,301	54,383
		$ 68,383

The Company is authorized to issue an unlimited number of preferred shares junior to the 5 3/4 % cumulative preferred shares and an unlimited number of common shares.

12. Foreign exchange translation adjustments:

Movements in the unrealized foreign currency translation adjustments account are as follows:

	1984	1983
	(in thousands)	
Balance at beginning of year	$ (7,279)	$ (3,930)
Adjustments for the year	(4,600)	(3,349)
Balance at end of year	$ (11,879)	$ (7,279)

13. Segmented information:

INDUSTRY SEGMENTS (in thousands)

	Transportation and Miscellaneous		Mining equipment		Steel castings and forgings	
	1984	1983	1984	1983	1984	1983
Sales to customers*	$ 188,149	$ 199,483	$ 72,154	$ 125,437	$ 64,713	$ 54,596
Inter-segment sales**	126	22	—	—	13,452	4,871
Sales	$ 188,275	$ 199,505	$ 72,154	$ 125,437	$ 78,165	$ 59,467
Segment operating income	$ 33,379	$ 30,100	$ 1,207	$ 14,806	$ 2,712	$ (335)
General corporate expenses						
Operating income						
Identifiable assets	$ 198,336	$ 204,569	$ 47,150	$ 76,623	$ 53,788	$ 53,090
Corporate assets						
Total assets						
Capital expenditures	$ 19,533	$ 2,585	$ 495	$ 1,030	$ 288	$ 270
Depreciation	$ 8,741	$ 9,048	$ 944	$ 922	$ 2,263	$ 2,206

GEOGRAPHIC SEGMENTS (in thousands)

	Canada		Europe		United States	
	1984	1983	1984	1983	1984	1983
Sales to customers	$ 282,392	$ 272,584	$ 66,476	$ 115,721	$ 62,646	$ 57,043
Inter-segment sales**	23,456	19,626	564	4,077	853	910
Sales	$ 305,848	$ 292,210	$ 67,040	$ 119,798	$ 63,499	$ 57,953
Segment operating income	$ 37,442	$ 35,525	$ 2,008	$ 14,690	$ (1,019)	$ (7,775)
General corporate expenses						
Operating income						
Identifiable assets	$ 279,565	$ 280,439	$ 43,791	$ 73,031	$ 33,043	$ 39,179
Corporate assets						
Total assets						

The Company provides products and services in four major segments:

Transportation and miscellaneous –
Includes various types of freight and tank cars, mass transit cars in 1983, repair and overhaul of jet engines and miscellaneous other products.

Mining –
Includes mining and tunnelling machines and roof support systems for mine roadways and tunnels.

Steel castings and forgings –
Includes steel castings and forgings for the railway, mining, energy and manufacturing industries.

Forestry –
Includes lumber processing and logging equipment for the forestry and forest products industries.

Forestry equipment		Eliminations		Consolidated	
1984	1983	1984	1983	1984	1983
$ 86,498	$ 65,832	$ —	$ —	$ 411,514	$ 445,348
—	—	(13,578)	(4,893)	—	—
$ 86,498	$ 65,832	$ (13,578)	$ (4,893)	$ 411,514	$ 445,348
$ 1,133	$ (2,131)	$ —	$ —	$ 38,431	$ 42,440
				765	749
				$ 37,666	$ 41,691
$ 54,010	$ 53,178	$ (310)	$ (724)	$ 352,974	$ 386,736
				36,269	39,899
				$ 389,243	$ 426,635
$ 964	$ 6,777				
$ 2,063	$ 1,914				

Eliminations		Consolidated	
1984	1983	1984	1983
$ —	$ —	$ 411,514	$ 445,348
(24,873)	(24,613)	—	—
$ (24,873)	$ (24,613)	$ 411,514	$ 445,348
$ —	$ —	$ 38,431	$ 42,440
		765	749
		$ 37,666	$ 41,691
$ (3,425)	$ (5,913)	$ 352,974	$ 386,736
		36,269	39,899
		$ 389,243	$ 426,635

Canadian sales to customers include export sales of $61,688,000 in 1984 and $30,450,000 in 1983, primarily to customers in the United States.

*Transportation and miscellaneous sales to customers includes $38,241,000 (1983 – $35,613,000) relating to leasing operations.

**Inter-segment sales are accounted for at prices comparable to market prices.

Auditors' Report

To the Shareholders of
Hawker Siddeley Canada Inc.:

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

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

Price Waterhouse
Chartered Accountants

Toronto, Ontario
March 6, 1985

Divisions and Subsidiaries

Divisions

Can-Car Trailer Division, Rexdale, Ont., Montreal, Que.
Canadian Steel Foundries Division, Montreal, Que.
Canadian Steel Wheel Division, Montreal, Que.
Forestry Equipment Division, Mississauga and Windsor, Ont.
Orenda Division, Mississauga, Ont.
Trenton Works Division, Trenton, N.S.

Subsidiaries (Note)

Can-Car, Inc., Atlanta, Ga., U.S.A.
- Kockums CanCar Corp., Talladega, Ala.; Atlanta, Ga., Vancouver, Wash., U.S.A.
- The Dosco Corporation, Beckley, W.Va., U.S.A.
- Tree Farmer Equipment Company, Inc., Atlanta and Waycross, Ga., McComb and Meridian, Miss., U.S.A.

Dosco Overseas Engineering Limited, Tuxford, England
- Hollybank Engineering Company Limited, Tuxford, England

Kockums CanCar Inc., Surrey, B.C., Burlington, Ont., Montreal, Que.
CGTX Inc., Montreal, Que., Toronto, Ont., Moose Jaw, Sask., Red Deer and Calgary, Alta.

Note: With the exceptions of Kockums CanCar Inc. and Kockums CanCar Corp. (80% owned) and CGTX Inc. (55% owned), all subsidiaries are 100% owned, directly or indirectly, by Hawker Siddeley Canada Inc.

Products and Services

Divisions

Can-Car Trailer Division
Highway trailer repairs; trailer and heavy truck parts supply; custom truck bodies

Canadian Steel Foundries Division
Steel castings for the railway, mining, energy and manufacturing industries

Canadian Steel Wheel Division
Forged wheels for railway passenger and freight cars and locomotives

Forestry Equipment Division
Log skidders and other forest harvesting equipment

Orenda Division
Aircraft jet engine repair and overhaul; jet engine components; engineering design and laboratory testing services; graphics services

Trenton Works Division
Railway freight and tank cars; railway axles; open-die forgings; circular forgings; steel fabrications; custom machining

Subsidiaries

Kockums CanCar Corp.
Sawmill and lumber processing equipment

The Dosco Corporation
Sales and service of mining and tunnelling machines; roof support systems for mine roadways and civil engineering tunnels

Tree Farmer Equipment Company, Inc.
Sales and service of log skidders and other forest harvesting equipment

Dosco Overseas Engineering Limited
Mining and tunnelling machines

Hollybank Engineering Company Limited
Roof support systems for mine roadways and civil engineering tunnels

Kockums CanCar Inc.
Sawmill and lumber processing equipment

CGTX Inc.
Full-service leasing and repair of railway tank cars and hopper cars

Hawker Siddeley Canada Inc.

Head Office:

7 King Street East, Toronto, Ontario M5C 1A3

Directors

G. M. Armitage, Ruislip, Middlesex, England
B. R. Bensly, Gerrards Cross, Buckinghamshire, England
A. H. Crockett, Toronto, Ontario
L. Francoeur, Mississauga, Ontario
C. A. Haines, Woodbridge, Ontario
Sir Arnold Hall, London, England
J. F. Howard, Q.C., Woodbridge, Ontario
A. W. McKenzie, Mount Royal, Quebec
L. Rochette, Quebec City, Quebec
T. K. Shoyama, Victoria, British Columbia
R. F. Tanner, Mississauga, Ontario
E. J. White, Oakville, Ontario

Executive Management

Sir Arnold Hall, Chairman
J. F. Howard, Q.C., Vice-Chairman
R. F. Tanner, President and Chief Executive Officer
L. Francoeur, Vice-President, Finance
C. A. Haines, Secretary
B. Budd, Assistant Secretary and Legal Counsel
R. D. Cole (President and Chief Executive Officer, CGTX Inc.)
M. J. Colman, Vice-President (Canadian Steel Foundries and Canadian Steel Wheel Divisions)
L. T. Corey, Vice-President (Trenton Works Division)
K. R. Church, Comptroller
P. A. Delshammar, Vice-President (President and Chief Executive Officer, Kockums CanCar Inc. and Kockums CanCar Corp.)
R. J. Gray, Vice-President (Forestry Equipment Division)
K. C. Miller, Vice-President (Managing Director, Dosco Overseas Engineering Limited)
P. K. Peterson, Vice-President (Orenda Division)
F. J. Sandford, Treasurer

Auditors

Price Waterhouse, Toronto, Ontario

Registrar and Transfer Agent

The National Victoria and Grey Trust Company, Toronto, Montreal, Winnipeg and Vancouver

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