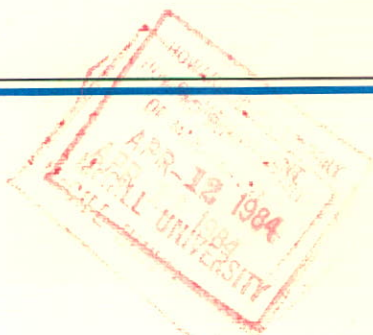


Hawker Siddeley Canada INC.

# ANNUAL REPORT

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1983





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# Operations Summary

	1983	1982	1981	1980	1979
<b>Operating Data (millions of dollars)</b>					
<b>Sales (By Industry Segments):</b>					
Transportation and miscellaneous	\$ 199.5	172.4	347.2	209.8	243.1
Mining	125.4	144.7	131.5	163.3	121.3
Steel castings and forgings	54.6	72.7	95.8	89.9	90.9
Forestry	65.8	35.8	64.5	84.0	84.7
<b>Total Sales</b>	<b>445.3</b>	<b>425.6</b>	<b>639.0</b>	<b>547.0</b>	<b>540.0</b>
Income before taxes, minority and extraordinary items	38.7	32.7	28.9	41.4	50.0
Income taxes	21.2	17.9	5.3	18.4	18.9
Extraordinary items	.4	(1.5)	.9	—	(.8)
<b>Net income</b>	<b>15.4</b>	<b>11.4</b>	<b>23.0</b>	<b>21.4</b>	<b>28.6</b>
<b>Financial Data (millions of dollars)</b>					
Working capital	\$ 123.3	96.4	90.5	104.1	84.7
Net fixed assets	186.8	200.4	207.2	190.5	174.6
Long term debt	58.3	64.2	70.6	72.0	57.4
Shareholders' equity	183.0	179.5	181.0	174.0	158.0
Funds from operations (Note 1)	45.1	50.2	101.1	(8.1)	6.5
Capital expenditures	10.8	10.1	32.6	31.3	46.5
Depreciation	14.2	13.8	13.4	13.6	12.0
Dividends					
— preferred shares	.8	.8	.8	.8	.8
— common shares	7.8	7.8	7.8	7.8	5.1
<b>Aggregate remuneration of employees</b>	<b>122.2</b>	<b>126.2</b>	<b>169.5</b>	<b>149.9</b>	<b>154.1</b>
<b>Per Common Share (after Preferred dividends)</b>					
Income before extraordinary items	\$ 1.75	1.48	2.60	2.53	3.51
Net income	1.79	1.30	2.72	2.53	3.41
Funds from operations	5.44	6.06	12.31	(1.05)	.69
Dividends	.96	.96	.96	.96	.62
<b>Shareholders' equity</b>	<b>20.73</b>	<b>20.31</b>	<b>20.49</b>	<b>19.63</b>	<b>17.67</b>
<b>Ratios</b>					
Return on capital employed (Note 2)	13.5%	13.5%	15.0%	18.7%	23.6%
Return on shareholders' equity (Note 3)	8.7%	6.4%	13.6%	13.6%	21.1%
Debt: equity ratio	24:76	26:74	28:72	29:71	27:73
Working capital ratio	2.1	2.0	1.7	1.6	1.5
<b>Other Data</b>					
<b>Shares issued and outstanding</b>					
— 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
<b>Number of shareholders</b>					
— preferred	908	998	1,050	1,146	1,230
— common	5,194	5,844	6,019	5,583	6,028
<b>Average number of employees</b>	<b>4,090</b>	<b>4,307</b>	<b>6,712</b>	<b>6,564</b>	<b>7,761</b>

## Notes:

1. The years 1979 to 1982 have been restated to conform with the presentations adopted in 1983.
2. Operating income as a percentage of the annual average of total assets less current liabilities.
3. 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, 1983.

## 1. Financial

### 1.1 Sales

Consolidated sales were \$445 million (1982 — \$426 million). Details of sales by industry and geographic segments are shown in Note 14 to the financial statements.

### 1.2 Income

Income before extraordinary items in 1983 was \$15.1 million (1982 — \$12.9 million) equivalent to \$1.75 for each outstanding common share (1982 — \$1.48 per share). Net income was \$15.4 million (1982 — \$11.4 million) equal to \$1.79 per common share (1982 — \$1.30).

The unrealized foreign currency adjustment arising from the translation of foreign net assets to Canadian currency is reflected against retained earnings.

## 2. Directors

Mr. K. L. Phillips retired from the Board on May 27, 1983 after serving the Company as a Director since May 28, 1968 and Mr. C. A. Haines was elected a Director to succeed Mr. Phillips.

## 3. Changes in Structure

On January 3, 1984 the sale of assets of Canadian Car Division, Thunder Bay to a subsidiary of Urban Transportation Development Corporation Ltd. was concluded. As of March 1, 1983 Kockums CanCar Inc. and Kockums CanCar Corp. were formed. Both transactions were completed under the general arrangements outlined in the 1982 annual report.

Following the sale of its sawmill product lines to Kockums CanCar Corp., the Corinth Machinery Company plant located in Corinth, Mississippi, U.S.A., (formerly American Sawmill Machinery Company) is in the process of being closed. Certain residual minor

product lines are being relocated in the Kockums CanCar facilities in Talladega, Alabama, U.S.A. and the remaining assets are being offered for sale.

## 4. Comments

The business climate improved slightly in Canada as the year progressed, although demand for heavy capital goods manufactured by the Company remained sluggish.

Following a substantial rise in housing starts in North America, improvements were recorded towards the end of the year in the sales of sawmill and forestry equipment. The delivery of 71 bi-level rail passenger coaches ordered by the Government of Ontario transit authority (GO Transit) was completed. Additional subcontract work was received for aero engine components and a contract for the repair and overhaul of aero engines for the CF18 aircraft was obtained. Sales of mining machines, which are manufactured mainly for the coal industry, declined in 1983, reflecting the reduced demand for coal; application of these machines to other mining and tunnelling operations shows promise. The steel casting and forging segment was affected by a two-month strike at Canadian Steel Wheel Division and demand for such products in the transportation and heavy industries remained low. Railway freight car output was also low but ordering showed some improvement towards the end of the year.

Efforts to reduce costs and increase efficiencies have continued with useful effect and, with lower financing costs than in 1982, have helped to raise income before taxes over last year.

Your Directors wish to express their appreciation to all whose efforts have contributed to the Company's results, particularly during this year when the recession in the economy was severe.

Submitted on behalf of the Board

*A.A. Hall*  
*R.F. Tanner*

Toronto, Ontario, March 8, 1984



*The hydraulically-operated dozer blade on a Tree Farmer log skidder, designed and manufactured by the Forestry Equipment Division, is used to pile logs after they have been "skidded" into position.*

## Comments on Operations

### HAWKER SIDDELEY CANADA INC. Orenda Division

At the Mississauga, Ontario plant, manufacture of jet engine components for major aircraft engine builders grew in volume and became increasingly significant in the Division's total business.

The phased reduction in repair and overhaul work for the Canadian Armed Forces on J79 aircraft jet engines continued but was offset to a degree by a modest increase in similar work on J85 engines. Spare parts business for these engines in both domestic and export markets remained buoyant.

A five-year contract was won against strong competition for the repair and overhaul of General Electric F404 engines which power the new CF18 fighter aircraft now entering service, thus maintaining the long association which Orenda has had with the Canadian Armed Forces. Although cycling of the new engines through the plant will not begin until the latter part of 1984, considerable preparatory technical work is required including test cell commissioning.

### Dosco Overseas Engineering Limited

Based in Tuxford, England, this subsidiary produces a range of machinery for mining and tunnelling applications. There was a decrease in the total number of machines supplied to the company's major domestic customer, the U.K.'s National Coal Board, but deliveries included a number of new and heavier machines.

Export sales were lower than in the previous year although machines were delivered to repeat customers in Australia, Germany, India, Belgium, the United States and Canada. Spare parts business in both overseas and domestic markets was stable.

The Dosco Corporation facility at Beckley, West Virginia, U.S.A. sells and services mining machines and manufactures roof supports. It continued to make progress as a supplier to the United States mining industry.

Hollybank Engineering Company Limited, a subsidiary of Dosco Overseas Engineering Limited with which it shares the Tuxford, England manufacturing site,

improved its share of the mine roof support market in the United Kingdom.

### Kockums CanCar Inc. Kockums CanCar Corp.

The two companies, which are based in Surrey, British Columbia and Talladega, Alabama respectively, were formed in February 1983 and manufacture sawmill equipment, formerly the product of Kockums, Canadian Car (Pacific) and American Sawmill.

Following the establishment of the two new companies, considerable effort has been expended in combining the elements of the previous organizations into effective manufacturing, sales and service operations. Integration has progressed steadily and by year end facility utilization and order intake was improving as the new operations responded to a modest strengthening in markets for sawmill equipment.

A number of research and development projects are being pursued which are aimed at increasing the automation of existing machinery supplied to the sawmill industry and developing new, technically advanced equipment.

### Forestry Equipment Division

The Division designs and manufactures the Tree Farmer range of forest harvesting machines at its Mississauga, Ontario facility. These machines are marketed in Canada and many other countries where forest industries are active. In the United States, machines are sold through a subsidiary, Tree Farmer Equipment Company, Inc., Atlanta, Georgia.

Lower interest rates and an increase in the number of house construction starts in 1983 significantly increased the demand for lumber, thereby improving North American market opportunities for the sale of log skidders. The improved business climate did not extend into the pulp and paper sector which remained sluggish. Overseas orders were almost non-existent during the year, partly attributable to customer difficulties in obtaining financial support.



Before shipment to Australia, where it will remove cap rock in opencast bauxite excavations, one of the largest twin-boom machines made by Dosco Overseas Engineering Limited is tested at the Tuxford, England factory.



One of a number of railcars fitted by Trenton Works Division with enclosures and racks for automobile carrying.

Production of new turbo diesel-powered log skidders commenced and these were well received by dealers and customers. The Division's first production machines for felling and bunching smaller trees were being marketed towards year end.

#### **CGTX Inc.**

A fleet of railway tank and hopper cars is leased by CGTX Inc. to customers mainly in the chemical, petroleum, food and fertilizer industries. Company-owned maintenance depots service the cars in Montreal, Quebec; Moose Jaw, Saskatchewan; and Red Deer, Alberta.

Market conditions, particularly for the leasing of new tank and hopper cars, remained depressed. Business opportunities were also lost because of the large numbers of idle railcars in Canada and the U.S. Despite these conditions, the company's existing fleet was well utilized throughout the year.

To improve servicing capabilities, a new tank car cleaning facility will be completed early in 1984 at the Montreal maintenance depot and a blast cleaning unit with a full grit recovery system is being installed at the Moose Jaw location.

#### **Trenton Works Division**

The Trenton, Nova Scotia plant's three major product lines are railway freight and tank cars, railway axles and heavy, open-die forgings.

With the domestic railway industry in recession, large numbers of idle freight cars across the North American continent and in-house building of new cars by a major railroad, the market for new car construction was very poor. Covered hopper cars for the Canadian Wheat Board were built as well as a small number of tank cars for British Columbia Railways. Much of the Division's other activity centred on fitting racks and enclosures to bi-level and tri-level automobile-carrying flat cars for CN Rail.

No export shipments were made during 1983 but orders were received for freight cars for Indonesia and Tanzania to be shipped in 1984.

Railway axle production declined in the absence of sustained requirements by the major car-builders and low demand by the railways for maintenance spares. The demand for industrial forgings was also poor.

During 1983, the town of Trenton celebrated the 100th anniversary of the making of the first steel in British North America which was poured at what is now the Trenton Works plant.

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

A very low demand for railway wheels led to the closure of the Division's Montreal, Quebec steel melting and forging operations for the first two months of the year. A strike by plant workers late in June was resolved at the end of August with the negotiation of a new three-year labour agreement. This latter disruption impaired the Division's ability to respond to the meagre business available. Demand was limited mainly to the supply of wheels to the major railways for maintenance spares which continued to be the main source of business for the balance of the year. Although there was an increase in rail freight volume in the last quarter it did not immediately translate into a greater demand for maintenance wheels.

Further improvement in manufacturing processes were made during the year leading to a gain in productivity which helped to reduce the impact on results of the low level of plant utilization.

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

Throughout most of the year demand for industrial castings produced by the Montreal, Quebec foundry was very weak as major capital projects continued to be delayed in all sectors of industry and casting business generally fell to the lowest level in many years. The only significant industrial casting order was for a large stainless steel water turbine wheel casting destined for the Tarbella hydro-electric project in Pakistan.

While remaining far below normal levels, railway casting business showed a modest improvement in the last months of the year. Requirements by builders



*When Canadian Steel Foundries Division is producing a very large casting the output of the Foundry's steel-melting facilities can be supplemented by ladles of molten metal from the adjacent Canadian Steel Wheel Division plant.*

of railway freight cars were minimal in the absence of any significant orders for new rolling stock other than hopper cars for the Canadian Wheat Board.

#### Canadian Car Division

The balance of an order of 71 bi-level rail commuter coaches built at the Thunder Bay, Ontario plant for the Government of Ontario transit authority, Toronto, was delivered on schedule by year end.

On January 3, 1984 a previously announced agreement was concluded with Urban Transportation Development Corporation Ltd. (UTDC) whereby a subsidiary of that corporation acquired the assets and operations of the Thunder Bay plant. The subsidiary, 80% owned by UTDC and 20% by

Hawker Siddeley Canada Inc. will design and manufacture an extended range of rail passenger equipment.

#### Can-Car Trailer Division

The Division's operations consist mainly of highway trailer repair services and the distribution of heavy truck, bus and trailer replacement parts principally to major urban transit authorities and road freight transportation companies. All business was consolidated during the year at the Rexdale, Ontario location.

Advantage was taken of improvements in the demand for parts which occurred in both the trailer and automotive markets.

# Consolidated Statement of Income and Retained Earnings

Year ended December 31

1983

1982

(in thousands)

Sales (Note 14)	\$ 445,348	\$ 425,562
Cost of sales, selling, general and administrative expenses	389,497	371,248
Depreciation	14,160	13,834
	<u>403,657</u>	<u>385,082</u>
Operating income (Note 14)	41,691	40,480
Interest (Note 3)	2,944	7,739
Income before income taxes, minority interest and extraordinary items	38,747	32,741
Income taxes (Note 11)	21,184	17,911
	<u>17,563</u>	<u>14,830</u>
Minority interest	2,507	1,925
Income before extraordinary items	15,056	12,905
Extraordinary items (Note 4)	357	(1,512)
Net income for the year	<u>15,413</u>	<u>11,393</u>
Retained earnings, beginning of year —		
As previously reported	115,064	112,614
Foreign currency translation adjustments (Note 13)	—	(314)
As restated	<u>115,064</u>	<u>112,300</u>
	130,477	123,693
Dividends — preferred shares	805	805
— common shares	7,824	7,824
	<u>8,629</u>	<u>8,629</u>
Retained earnings, end of year	<u>\$ 121,848</u>	<u>\$ 115,064</u>
Income per common share after preferred dividends:		
Before extraordinary items	\$ 1.75	\$ 1.48
After extraordinary items	\$ 1.79	\$ 1.30

# Consolidated Statement of Changes in Financial Position

Year ended December 31

1983

1982

(in thousands)

## Sources of funds:

Income before income taxes, minority interest and extraordinary items	\$ 38,747	\$ 32,741
Items not affecting funds —		
Depreciation	14,160	13,834
Other	(701)	259
	<u>52,206</u>	<u>46,834</u>
Change in working capital items excluding net cash and short term deposits	71	11,097
	<u>52,277</u>	<u>57,931</u>
Income tax payments	7,131	7,760
Funds generated from operations	<u>45,146</u>	<u>50,171</u>
Proceeds on disposal of fixed assets	<u>14,811</u>	<u>1,434</u>
	<u>59,957</u>	<u>51,605</u>

## Uses of funds:

Additions to fixed assets —		
Railway rolling stock leasing fleet	894	3,809
Fixed assets acquired from minority shareholders in subsidiaries	6,174	—
Equipment	3,725	6,339
Increase (decrease) in investments	5,045	(50)
Miscellaneous	1,733	340
	<u>17,571</u>	<u>10,438</u>
	<u>42,386</u>	<u>41,167</u>
Unrealized foreign currency translation loss on net current assets (excluding funds) of foreign subsidiaries	(4,503)	(6,590)
Funds generated before the following	<u>37,883</u>	<u>34,577</u>
Share capital issued to minority shareholders of subsidiaries	12,288	—
Long term debt repayments	(6,367)	(6,367)
Dividends paid to —		
Shareholders of Hawker Siddeley Canada Inc.	(8,629)	(8,629)
Minority shareholder of a subsidiary	(1,152)	—
	<u>(3,860)</u>	<u>(14,996)</u>
Change in net cash and short term deposits	34,023	19,581
Net cash and short term deposits, beginning of year	<u>29,840</u>	<u>10,259</u>
Net cash and short terms deposits, end of year	<u>\$ 63,863</u>	<u>\$ 29,840</u>

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

LIABILITIES AND SHAREHOLDERS' EQUITY	December 31	
	1983	1982
	(in thousands)	
Current Liabilities:		
Bank advances	\$ 4,318	\$ 2,735
Accounts payable and accrued liabilities	68,249	60,124
Dividends payable	2,157	2,157
Income and other taxes	25,424	17,773
Advances on sales contracts	1,442	5,637
Owing to affiliated companies (Note 6)	2,600	653
Long term debt due within one year (Note 9)	5,054	6,367
	<u>109,244</u>	<u>95,446</u>
Long Term Debt (Note 9)	<u>58,353</u>	<u>64,224</u>
Provision for Unfunded Pensions (Note 10)	<u>2,405</u>	<u>2,577</u>
Deferred Income Taxes (Note 11)	<u>40,934</u>	<u>34,373</u>
Minority Interest	<u>32,747</u>	<u>19,083</u>
Shareholders' Equity:		
Preferred and common shares (Note 12)	68,383	68,383
Retained earnings	121,848	115,064
Unrealized foreign currency translation adjustments (Note 13)	(7,279)	(3,930)
	<u>182,952</u>	<u>179,517</u>
	<u>\$ 426,635</u>	<u>\$ 395,220</u>

## 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, 1983 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, 1983 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 7, 1984

## Notes to Consolidated Financial Statements

for the year ended December 31, 1983

### 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. Effective February 28, 1983 wholly-owned subsidiaries in Canada and the United States acquired the sawmill equipment business and certain assets of Kockums Industri AB in each country and issued as consideration preferred and common shares of the subsidiaries. The Company owns 80% of each subsidiary at December 31, 1983.

#### *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. Accounting changes:

Effective in 1983, the Company adopted the accounting policy of translating long term debt at year-end rates of exchange. Previously such amounts were translated at historical rates. The effect of this change was not significant.

In 1982 the Company retroactively adopted the accounting policy of including net unrealized exchange adjustments arising from translation of the financial statements of foreign subsidiaries directly in a separate account, unrealized foreign currency translation adjustments, in shareholders' equity. Previously such adjustments were included in income.

## 3. Interest:

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

	<u>1983</u>	<u>1982</u>
	(in thousands)	
Interest expense:		
Bank advances .....	\$ 308	\$ 1,297
Loans from affiliated companies (Note 6) .....	212	581
Long term debt including amortization of issue costs .....	<u>7,010</u>	<u>8,662</u>
	<u>7,530</u>	<u>10,540</u>
Interest income:		
Short term deposits and investments .....	<u>4,586</u>	<u>2,801</u>
Net interest .....	<u>\$ 2,944</u>	<u>\$ 7,739</u>

## 4. Extraordinary items:

	<u>1983</u>	<u>1982</u>
	(in thousands)	
Net gain on sale of Canadian Car Division assets, less related income taxes of \$2,357,000 .....	\$ 1,401	\$ —
Provision for costs and losses related to closure of a U.S. subsidiary, Corinth Machinery Company in 1983, and the discontinuance of certain operations in 1982, less related income taxes in 1982 of \$1,575,000 .....	(1,452)	(1,705)
Reversal of prior year's provisions which are no longer required, less related income taxes of \$376,000 (1982 — \$179,000) .....	<u>408</u>	<u>193</u>
	<u>\$ 357</u>	<u>\$ (1,512)</u>

Effective January 3, 1984 and reflected in the 1983 financial statements, the fixed assets and inventories of the Canadian Car Division were sold to a subsidiary of Urban Transportation Development Corporation Ltd. for cash, notes due on January 3 from 1985 to 1988 inclusive and 20% of the voting shares of RailTrans Industries of Canada Limited. The value assigned to the special voting shares received takes into account their automatic conversion to common shares on January 4, 1989 in accordance with the intent of the agreement with that company.

## 5. Research and development costs:

Research and development costs charged to income amounted to \$4,739,000 (1982 — \$6,319,000) after deduction of government assistance of \$110,000 (1982 — \$221,000).

## 6. 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 1983 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.

## 7. Investments:

	<u>1983</u>	<u>1982</u>
	thousands)	
Sidbec-Dosco Ltd. —		
Sinking fund debentures due in 1984 and 1985		
(market value at December 31, 1983 — \$2,200,000) .....	\$ 2,340	\$ 3,008
RailTrans Industries of Canada Limited —		
6% Special cumulative voting shares .....	660	—
Can-Car Rail Inc. —		
10% promissory note (secured) .....	<u>5,547</u>	<u>—</u>
	8,547	3,008
Less amounts due within one year included in		
accounts receivable .....	<u>1,269</u>	<u>—</u>
	<u>\$ 7,278</u>	<u>\$ 3,008</u>

## 8. Fixed assets:

	<u>1983</u>		<u>1982</u>	
	(in thousands)		(in thousands)	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Cost</u>	<u>Accumulated depreciation</u>
Land and land improvements .....	\$ 7,723	\$ 1,887	\$ 8,628	\$ 2,216
Buildings .....	47,465	27,383	49,275	28,951
Equipment .....	92,614	58,383	97,323	60,577
Railway rolling stock				
leasing fleet .....	<u>206,754</u>	<u>80,140</u>	<u>213,461</u>	<u>76,564</u>
	<u>\$ 354,556</u>	<u>\$ 167,793</u>	<u>\$ 368,687</u>	<u>\$ 168,308</u>

## 9. Long term debt:

	<u>1983</u>	<u>1982</u>
	(in thousands)	
CGTX Inc. (55% owned) —		
First Mortgage Sinking Fund Equipment Notes		
5% — 10 <sup>1</sup> / <sub>4</sub> %, due 1984 — 2000		
(U.S. \$8,125,000) .....	\$ 10,075	\$ 10,616
6 <sup>3</sup> / <sub>4</sub> % — 11 <sup>1</sup> / <sub>8</sub> %, due 1984 — 1999 .....	39,417	42,745
1/4% lower than Canadian bank prime rate .....	—	17,000
First Mortgage Serial Equipment Notes		
6%, due 1984 .....	115	230
	<u>49,607</u>	<u>70,591</u>
Promissory Note owing to an affiliated company		
3/4% below Canadian bank prime rate, due 1984 — 1992 .....	15,500	—
	<u>65,107</u>	<u>70,591</u>
Due within one year included in current liabilities		
(1983 — \$1,700,000 included in owing to		
affiliated companies) .....	6,754	6,367
	<u>\$ 58,353</u>	<u>\$ 64,224</u>

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

<u>Year ending December 31</u>	<u>Amount</u>
	(in thousands)
1985 .....	\$ 6,484
1986 .....	6,267
1987 .....	5,707
1988 .....	5,583
1989 — 2000 .....	34,312
	<u>\$ 58,353</u>

Railway rolling stock with a net book value of \$89,620,000 is pledged by CGTX Inc. as security for its long term debt.

## 10. Pensions:

The provision for unfunded pensions of \$2,405,000 at December 31, 1983 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 \$4,500,000 at December 31, 1983. During 1983, \$783,000 was charged to operations with respect to these obligations (1982 — \$1,935,000).

# 11. Income taxes:

The consolidated provision for income taxes, which includes deferred income taxes of \$3,977,000 (1982 – \$6,209,000), has been determined as follows:

	<u>1983</u>	<u>1982</u>
	(in thousands)	
Consolidated provision at statutory rates of taxation .....	\$ 20,609	\$ 17,162
Increase (decrease) in provision resulting from –		
Losses of U.S. and Canadian subsidiaries for which no tax benefits have been recorded .....	5,034	3,510
Inventory allowances .....	(1,822)	(1,848)
Canadian investment tax credits .....	(1,472)	(305)
Manufacturing and processing tax credit .....	(1,165)	(608)
Consolidated provision for income taxes .....	<u>\$ 21,184</u>	<u>\$ 17,911</u>

At December 31, 1983 the U.S. subsidiaries had accumulated losses for income tax purposes of approximately \$12,800,000 available to reduce taxable income for years prior to 1999 and expenses of approximately \$10,700,000 charged to operations but not yet allowed for tax purposes. The potential future tax benefits of approximately \$11,700,000, based on 1983 income tax rates, have not been recorded in the accounts.

# 12. Preferred and common shares:

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

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

# 13. Foreign exchange translation adjustments:

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

	<u>1983</u>	<u>1982</u>
	(in thousands)	
Balance at beginning of year .....	\$ (3,930)	\$ 314
Adjustments for the year .....	<u>(3,349)</u>	<u>(4,244)</u>
Balance at end of year .....	<u>\$ (7,279)</u>	<u>\$ (3,930)</u>

#### 14. Segmented information:

##### INDUSTRY SEGMENTS (in thousands)

	Transportation and Miscellaneous		Mining		Steel castings and forgings	
	1983	1982	1983	1982	1983	1982
Sales to customers*	\$ 199,483	\$ 172,392	\$ 125,437	\$ 144,682	\$ 54,596	\$ 72,709
Inter-segment sales**	22	12	—	—	4,871	5,842
Sales	\$ 199,505	\$ 172,404	\$ 125,437	\$ 144,682	\$ 59,467	\$ 78,551
Segment operating income	\$ 30,100	\$ 23,878	\$ 14,806	\$ 18,706	\$ (335)	\$ 5,757
General corporate expenses						
Operating income						
Identifiable assets	\$ 204,569	\$ 207,933	\$ 76,623	\$ 82,393	\$ 53,090	\$ 50,384
Corporate assets						
Total assets						
Capital expenditures	\$ 2,585	\$ 6,078	\$ 1,030	\$ 955	\$ 270	\$ 2,908
Depreciation	\$ 9,048	\$ 9,500	\$ 922	\$ 999	\$ 2,206	\$ 2,129

##### GEOGRAPHIC SEGMENTS (in thousands)

	Canada		Europe		United States	
	1983	1982	1983	1982	1983	1982
Sales to customers	\$ 272,584	\$ 252,086	\$ 115,721	\$ 136,949	\$ 57,043	\$ 36,527
Inter-segment sales**	19,626	12,321	4,077	2,901	910	699
Sales	\$ 292,210	\$ 264,407	\$ 119,798	\$ 139,850	\$ 57,953	\$ 37,226
Segment operating income	\$ 35,525	\$ 28,244	\$ 14,690	\$ 19,014	\$ (7,775)	\$ (5,893)
General corporate expenses						
Operating income						
Identifiable assets	\$ 280,439	\$ 274,305	\$ 73,031	\$ 77,390	\$ 39,179	\$ 30,976
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 and miscellaneous other products and repair and overhaul of jet engines and industrial turbines.

*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		Eliminations		Consolidated	
1983	1982	1983	1982	1983	1982
\$ 65,832	\$ 35,779	\$ —	\$ —	\$ 445,348	\$ 425,562
—	—	(4,893)	(5,854)	—	—
<u>\$ 65,832</u>	<u>\$ 35,779</u>	<u>\$ (4,893)</u>	<u>\$ (5,854)</u>	<u>\$ 445,348</u>	<u>\$ 425,562</u>
<u>\$ (2,131)</u>	<u>\$ (6,976)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 42,440</u>	<u>\$ 41,365</u>
				749	885
				<u>\$ 41,691</u>	<u>\$ 40,480</u>
<u>\$ 53,178</u>	<u>\$ 38,898</u>	<u>\$ (724)</u>	<u>\$ (173)</u>	<u>\$ 386,736</u>	<u>\$ 379,435</u>
				39,899	15,785
				<u>\$ 426,635</u>	<u>\$ 395,220</u>
<u>\$ 6,777</u>	<u>\$ 182</u>				
<u>\$ 1,914</u>	<u>\$ 1,111</u>				

Eliminations		Consolidated	
1983	1982	1983	1982
\$ —	\$ —	\$ 445,348	\$ 425,562
(24,613)	(15,921)	—	—
<u>\$ (24,613)</u>	<u>\$ (15,921)</u>	<u>\$ 445,348</u>	<u>\$ 425,562</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ 42,440</u>	<u>\$ 41,365</u>
		749	885
		<u>\$ 41,691</u>	<u>\$ 40,480</u>
<u>\$ (5,913)</u>	<u>\$ (3,236)</u>	<u>\$ 386,736</u>	<u>\$ 379,435</u>
		39,899	15,785
		<u>\$ 426,635</u>	<u>\$ 395,220</u>

Canadian sales to customers include export sales of \$30,450,000 in 1983 and \$54,201,000 in 1982 primarily to customers in the United States.

\*Transportation and miscellaneous sales to customers includes \$35,613,000 (1982 — \$35,373,000) relating to leasing operations.

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

## Divisions and Subsidiaries

### Divisions

Canadian Car (Pacific) Division, Surrey, B.C.  
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.  
    Corinth Machinery Company, Corinth, Miss., U.S.A.  
    Kockums CanCar Corp., Talladega and Gadsden, Ala.;  
        Shreveport, La.; Atlanta, Ga.; Vancouver, Wash., U.S.A.  
    The Dosco Corporation, Beckley, W.Va., Denver, Col., 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  
Orenda (International) Limited, Mississauga, Ont.  
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

Canadian Car (Pacific) Division

*Sound dynamic drilling and pile-driving equipment*

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

Corinth Machinery Company

*Power, fibre-optic and telephone cable-pulling equipment; walking beam-type oil pumping units*

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  
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  
F. H. Wood, Ottery St. Mary, Devonshire, England

## Executive Management

Sir Arnold Hall, Chairman  
J. F. Howard, Q.C., Vice-Chairman  
F. H. Wood, 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  
D. J. Caple, Vice-President (Orenda Division)  
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)  
A. W. McKenzie (Chairman, CGTX Inc.)  
K. C. Miller, Vice-President (Managing Director, Dosco Overseas Engineering Limited)  
F. J. Sandford, Treasurer

## Auditors

Price Waterhouse, Toronto, Ontario

## Registrar and Transfer Agent

National Trust Company, Limited, Toronto, Montreal, Winnipeg and Vancouver



