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**Hawthorn
Siddaleys
Canada
Ltd.**

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Annual Meeting

The Annual General Meeting of Shareholders will be held in the Confederation Room, Royal York Hotel, Toronto, at 11:00 a.m., April 29, 1963. In the case of Common Shareholders, notice of the meeting is enclosed with this report, together with a proxy form for their convenience.

Directors

Sir Roy H. Dobson, Chairman
Air Marshal W. A. Curtis, Vice-Chairman
T. J. Emmert, President and Chief Executive Officer
Sir Thomas Sopwith
Sir Aubrey Burke
A. A. Bailie, Vice-President, Finance, and Treasurer
A. L. Fairley, Jr.
W. P. Scott
P. C. Garratt
J. S. D. Tory, Q.C.
Colin W. Webster

Executive management

T. J. Emmert, President and Chief Executive Officer
J. W. Ames, Vice-President (Canadian Steel Improvement)
B. A. Avery, Vice-President (Orenda Engines Division)
A. A. Bailie, Vice-President, Finance, and Treasurer
W. B. Boggs, Vice-President (Transportation Equipment Division)
I. E. Bull, Comptroller
Air Marshal W. A. Curtis, Vice-Chairman of the Board
C. H. Drury, President, Canadian General Transit Company, Ltd.
A. L. Fairley, Jr., President, Dominion Steel & Coal Corporation, Ltd.
J. N. Kelly, Assistant to the President
D. G. Kettering, Vice-President, Marketing Planning
P. W. Larsen, Administrative Assistant to the President
F. P. Mitchell, Vice-President, (Engineering Division)
J. H. Ready, Secretary
W. D. Walker, Vice-President, Manufacturing Services

Auditors

Price Waterhouse & Co., Toronto, Canada

Registrar and transfer agent

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



Sir Roy Dobson

In submitting herewith the report and accounts of Hawker Siddeley Canada Ltd. for the year ended December 31, 1962, your directors are pleased to confirm the important change in the company's financial welfare, which was first brought to your attention in January.

The consolidated accounts for the year under review show a net profit of \$1,366,973. While this is a modest profit and in normal circumstances, unsatisfactory, it is significant at this time for several reasons.

First, it contrasts sharply with the net loss of the previous year of \$3,663,222 and the significance of this trend is even more pronounced by comparison of the \$3,114,479 of earnings before allowing for taxes and minority interests in 1962 compared to the similarly defined incurred loss of \$3,710,233 in 1961. After an interval of some 17 months of reported losses covering the five months in 1960, and the year 1961, the company has resumed its history of profitability.

Second, the result was achieved in the face of continuing decline in our military business, on which at one time the company was totally dependent. Emphasis on the swing to products of a general industrial nature is being maintained.

Third, this improvement was made without the assistance of any significant increase in total sales. The change, therefore, has been achieved mainly through measures taken within the company, and these can be assessed as improvements of a permanent nature.

In general terms what has been attained are several of the primary objectives in the first stage of management's plan for recovery of earnings. These planned objectives dealt mainly with plant capacity, products and organization.

Discontinuation of certain product lines and the transfer of others, consolidation of manufacture, and the sale or rental of surplus facilities was carried out on a major scale throughout 1962. All decisions were directed to reducing the drain of loss situations on consolidated

earnings and to establishing a much more healthy, if somewhat smaller physical base on which to build profitable future business.

It was not practical in the twelve months under review to implement all the physical steps planned, but a large proportion has been accomplished. Other situations are being examined closely and it is expected that this aspect of the initial program will be completed by the end of 1963, resulting in further economies.

Similar attention was given to management control and responsibilities. This has produced higher productivity from a more unified and efficient management structure, and further improvements in this area will occur this year.

Simultaneous with the internal realignment of manufacturing capability, product lines and management, the research for new products and markets was intensified. Domestic and export markets are being thoroughly combed and some early successes have been achieved.

All of these subjects are dealt with in more detail in "The year in review" section.

Your company has experienced a period of substantial improvement on a cumulative basis, much of which is due to the excellent contribution of employees and various levels of management.

The course has been set and a favourable trend has been established. Your directors are confident that the company's strength, business and profitability will show further improvement this year and will continue to improve in ensuing years.

Submitted on behalf of the Board

R. A. Doherty
T. J. Emmert

Toronto, Ont., March 15, 1963



T. J. Emmert

Financial highlights

	1962	1961
Consolidated net sales	\$227,669,824	\$219,456,738
Depreciation	11,388,364	12,284,794
Development expenditures	1,232,466	907,766
Taxes on income	805,509	(718,163)
Net earnings (loss)	1,366,973	(3,663,222)
Per preferred share	9.76	(26.17)
Per common share	.07	(.45)
Preferred dividends paid	805,030	805,030
Per preferred share	5.75	5.75
Invested in capital assets	273,089,170	293,676,161
Working capital	65,732,619	54,891,416

Total consolidated net sales in the year ended December 31, 1962 were \$227,669,824, compared with a total of \$219,456,738 in 1961. Consolidated net profit for the year was \$1,366,973. This compares with a net loss of \$3,663,222 last year which represents an improvement of \$5,030,195. Consolidated operating profits before allowances for income taxes and the interests of minority shareholders stand at \$3,114,479, for 1962 compared to the operating loss of \$3,710,233 incurred in 1961.

At the operating level this constitutes an improvement of \$6,824,712 between these two years. As reported in 1961, a provision from earned surplus of \$4,000,000 was made in anticipation of special costs and losses and during 1962 \$2,460,213 (after appropriate taxes) was written off against this provision.

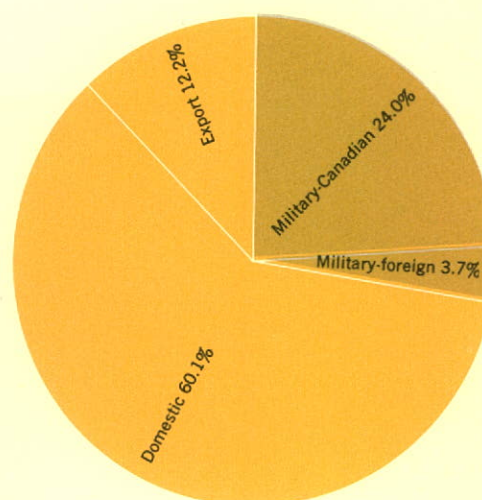
These charges represent the incurred cost in 1962 arising from the decision to shut down the rail car plant in Montreal and the recording of anticipated losses arising from the bankruptcy of Richardson Boat Company, North Tonawanda, N.Y., which resulted in cessation of our motor yacht hull operations at Malton. Additionally, the provision account was charged with a major write down of CanCar bus material and related parts inventories in the light of the decision to discontinue manufacturing buses.

Full dividends of \$805,030 were paid during the year on preferred shares. Working capital was increased from \$54,891,416 in 1961 to \$65,732,619, reflecting the disposal of surplus facilities and equipment, and cash generated by operations.

Major factors in the much improved results were the closure of the Canadian Car plant at Montreal and the sale of the Avro Aircraft plant at Malton, Ontario.

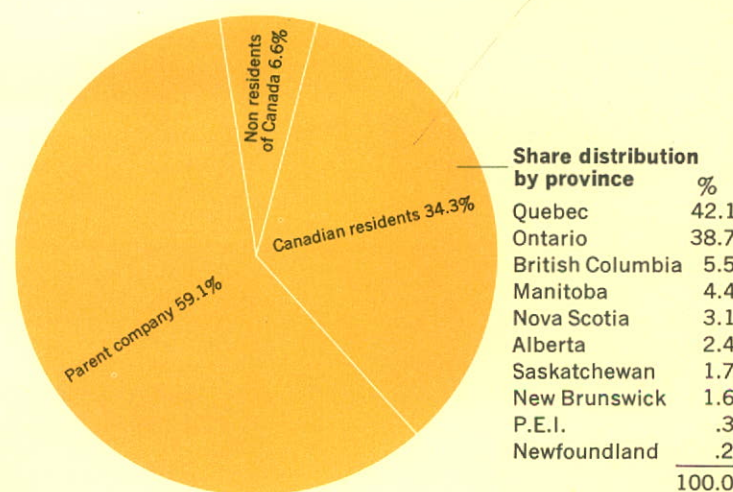
As outlined in the "Report to Shareholders" of January 14, 1963, the Canadian Car plant at Montreal was closed following the decision to consolidate railcar building activities at the Trenton Works in Nova Scotia. Secondary product lines at this Montreal plant were transferred to

Sales dollar breakdown



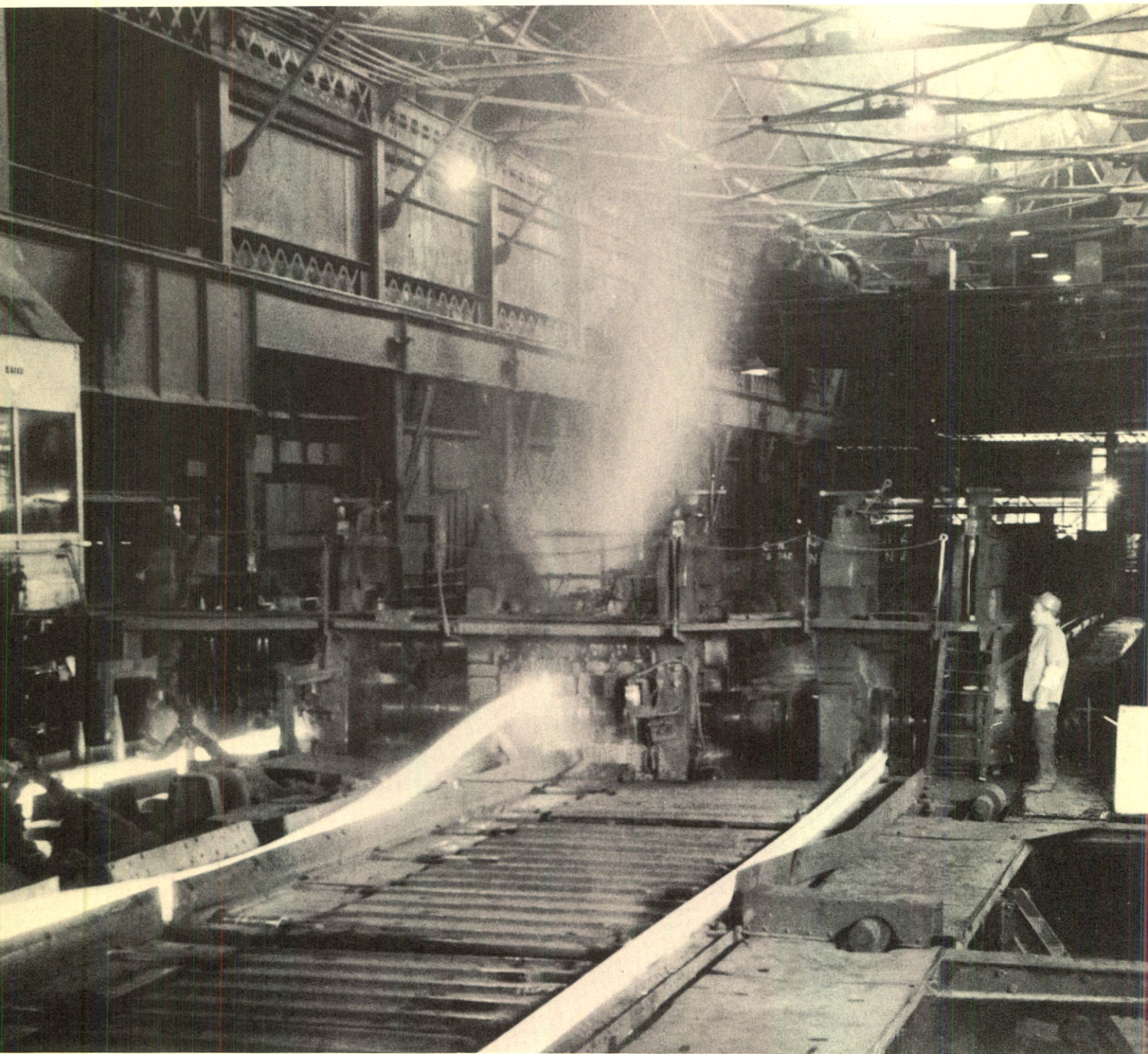
Percentage distribution of consolidated net sales for 1962, which totalled \$227,669,824.

Share ownership



There were, 16,416 registered shareholders at the year end.

Export and domestic rail orders totalling \$42 million were secured recently for rail mill at Sydney, N.S.



other divisions. Faced with a serious lack of business for the Avro Aircraft operation, your directors had to choose between closing the plant or disposing of it.

Fortunately a purchaser for these specialized airframe manufacturing facilities and equipment was found in The de Havilland Aircraft of Canada, Limited. Your company obtained the full recorded value of \$13,590,971 for the assets sold; the transaction was completed on a cash basis, and de Havilland provided continuity of employment to all personnel actively engaged at the time of this sale. Under the circumstances, this was a most satisfactory arrangement for your company and the employees.

Steel

Steel production accelerated rapidly in the last half of 1962 and at the end of the year the Sydney, N.S., steel plant was operating at close to capacity. This momentum has carried through into 1963 and a satisfactory volume of business is anticipated for the balance of this year.

Export orders for billets and rails are primarily responsible for the high level of the Sydney operations. The lower value of the Canadian dollar and the co-operation and support of the Canadian Government in providing export financing were of vital importance in obtaining export steel sales.

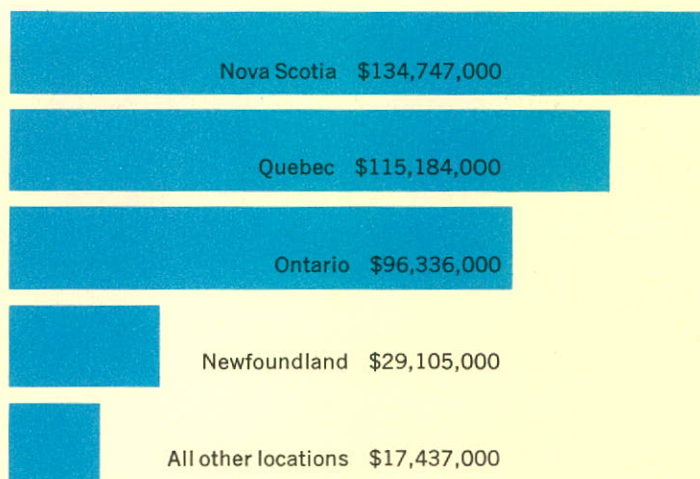
Recently, rail orders were secured from India, Mexico and the Canadian National Railways to a total of \$42 million.

An analysis by the company, supported by additional independent studies resulted in a strategic marketing decision not to build a new rod and bar mill at Sydney.

The major market for finished steel, excluding rails, is central Canada where the company already has substantial steel finishing facilities, and it is in this area that modernization and expansion of finishing capacity must take place.

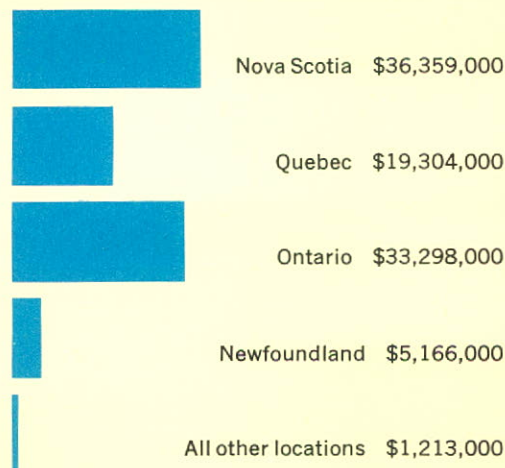
Steel product sales at the Montreal Works and Etobicoke Works in Ontario showed improvement. New equip-

Assets in use—by province



Provincial breakdown of the \$392,809,000 of assets in use at year end.

Payroll, fringe benefits—by province

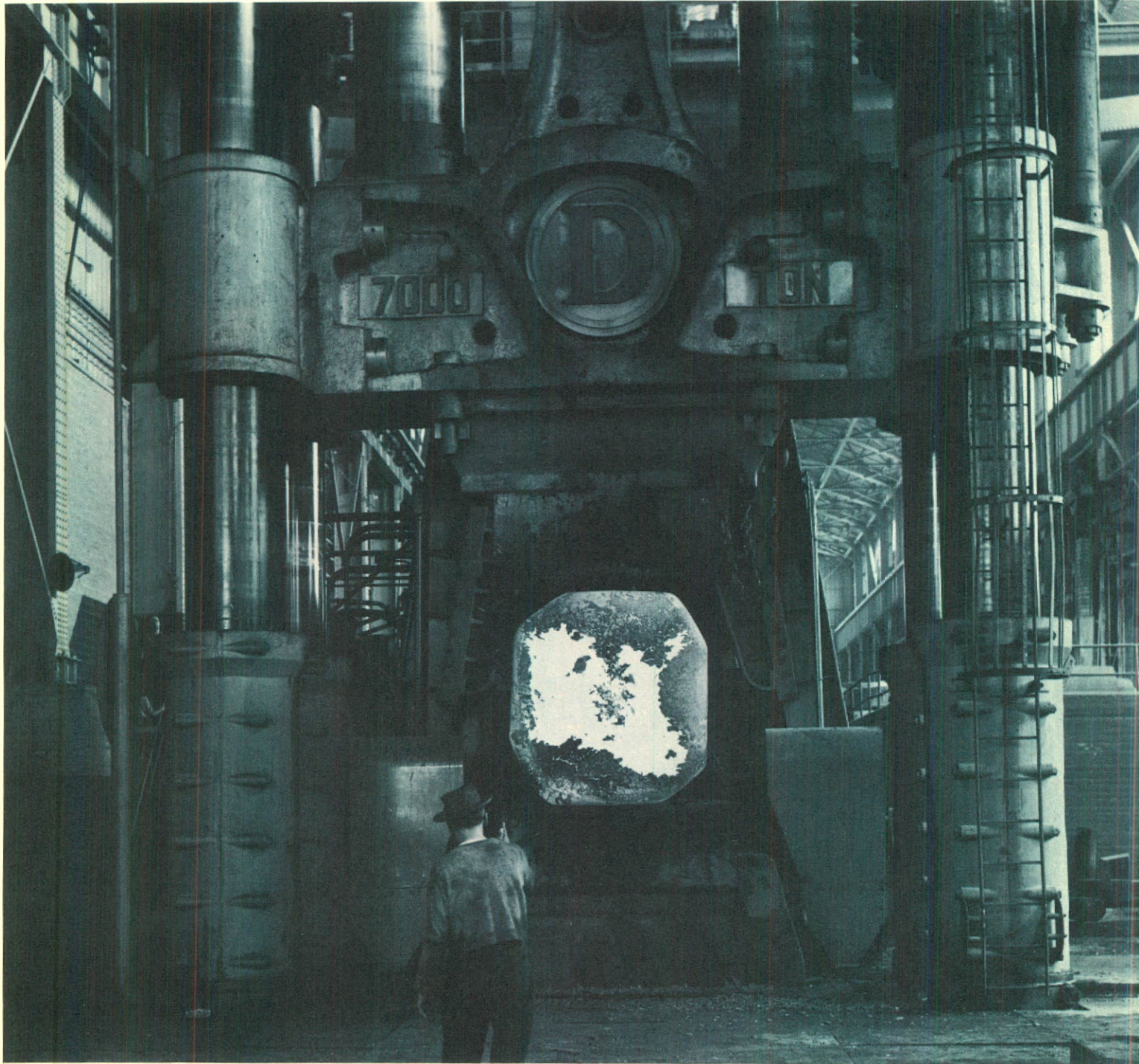


Provincial breakdown of consolidated payroll and fringe benefits costs, which amounted to \$95,340,000 in 1962.

Below: In 7,000-ton press at Trenton Works N.S., 75-ton ingot is on first step to becoming hydro alternating generator shaft.

Top right: The 'Beaverlake' undergoes repairs in floating dock at company's Halifax shipyards.

Bottom right: Cleaning a 35-ton gyratory ore crusher casting produced at Canadian Steel Foundries.



ment to reduce costs, improve products and to expand product lines was installed at both plants during the year.

The bridge works at Walkerville, Ontario received contracts from the Canadian National and Canadian Pacific railways for the construction of 129 steel micro-wave towers for a trans-continental communications system. Structural steel business remains extremely competitive.

At Halifax Shipyards, which had a better year, work continued on the new destroyer escort. This vessel is scheduled for launching in the Spring of 1963. The company continues to be hopeful that it will receive an order for one of the eight Royal Canadian Navy frigates which the Government has announced will be constructed. The yards have been awarded a contract to build three steel trawlers for a Maritime company and work has begun on these vessels.

Canadian Steel Improvement Limited continues to expand its business in precision forgings of steel and aluminum as well as for sand, pressure die, and permanent mould aluminum castings.

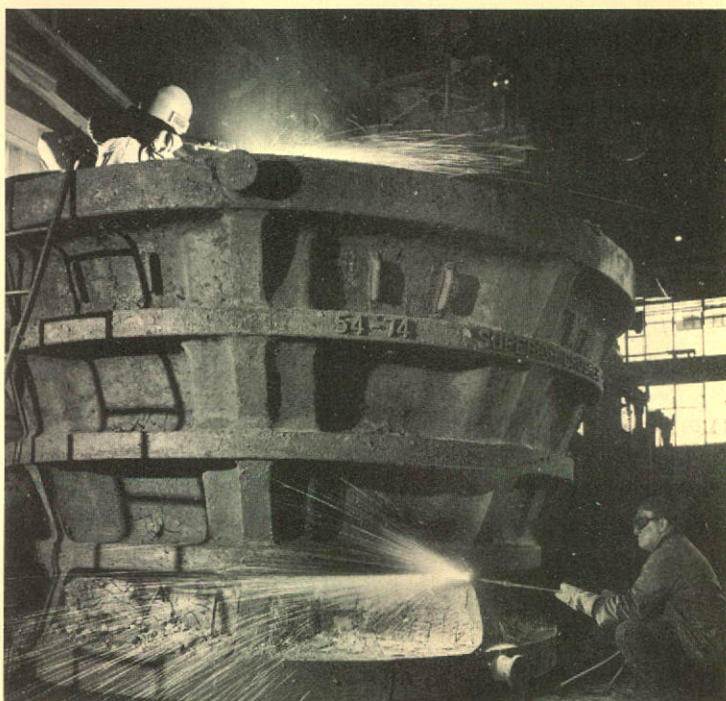
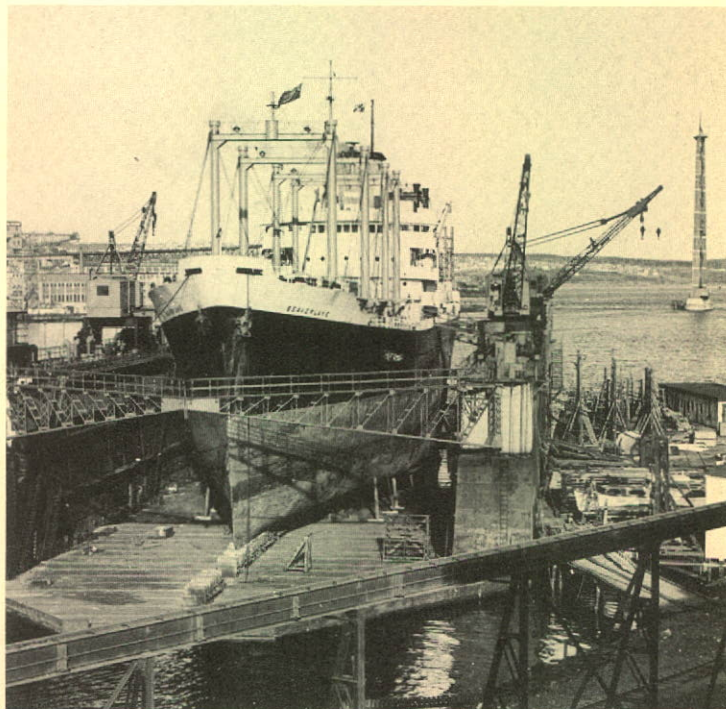
Mining

After higher levels of operation in 1960 and 1961, our Wabana iron ore operations at Bell Island in 1962 suffered a major reduction in export sales in Europe.

Despite increased shipments to the Sydney steel plant, total sales in 1962 were some 40% lower than those of 1961. Additional mechanized loaders for greater efficiency was one of the measures taken during the year to improve Wabana's competitive position.

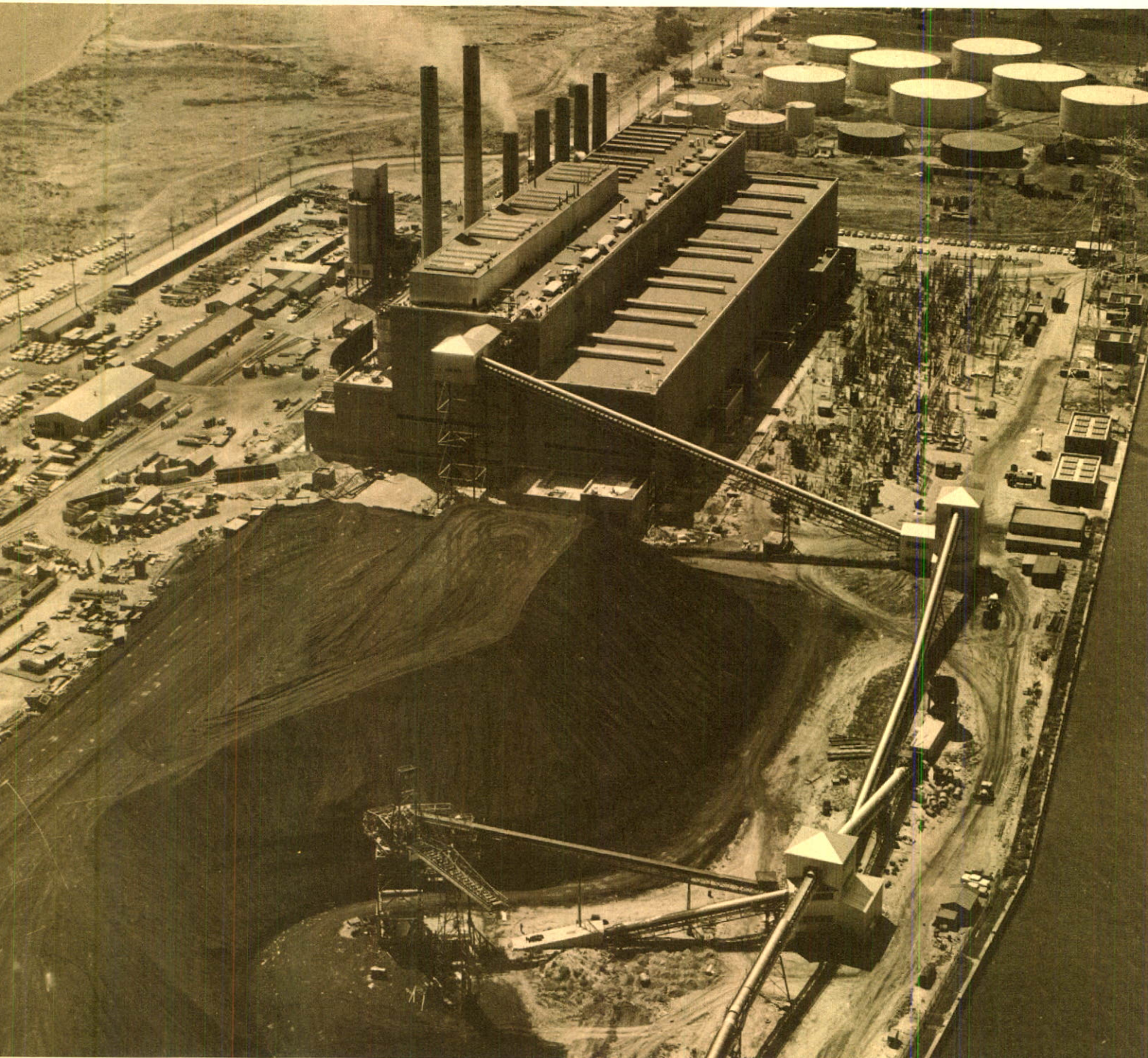
The company's coal interests reported a nominal profit. For several years up to 1962 the mines had been operating at a loss. In the face of declining markets it became necessary in 1961 to embark on a program of closing the more uneconomic pits and directing effort to production at the better mines.

Competition from other fuels and heavy reliance on



Below: Ontario Hydro's thermal plant on Toronto waterfront. Hydro has ordered 2,850,000 tons of Nova Scotia coal for thermal generating.

Right: Piped steam is used to clean a Canadian General Transit tank car. Company operates fleet of more than 5,000 tank cars.



subventions contribute to the uncertainty of this business.

It is hoped that the growing demand from outlets such as Ontario Hydro will help to strengthen the market for Canadian coal.

Last year Ontario Hydro bought 250,000 tons of our coal for thermal generating. In February this year the same customer contracted to buy 2,850,000 tons to be delivered over a five-year period. This order will assist in stabilizing employment at the mines.

Transportation Equipment

As a result of the consolidation of railcar building at the Trenton Works in Nova Scotia, this location was more active than in recent years.

At the same time extensive economies have resulted from the consolidation program. Benefits of these will be more evident during and following the 1963 fiscal period.

The general level of railcar business continues to be depressed, but upon the closing of Canadian Car facilities at Montreal, the capacity of Trenton was increased by transferring to it additional railway product lines and equipment from Montreal. Therefore this plant is in a better position to obtain a larger share of the domestic market. New areas with export potential are being examined for possible railcar sales.

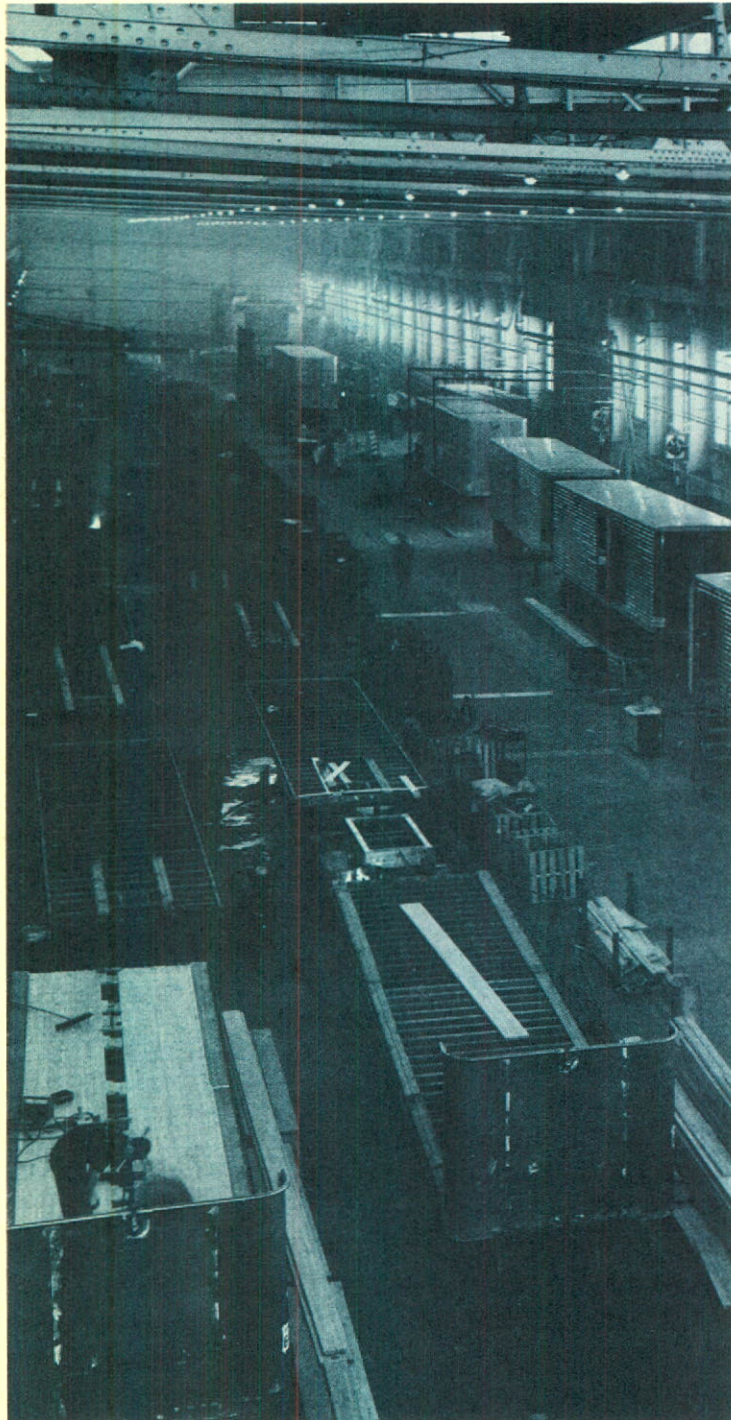
Canadian Steel Wheel Limited, in which your company has a 50% interest, enjoyed a successful year. Sales of liquid steel and ingots as well as steel wheels contributed to a profitable period. This improvement is expected to continue throughout 1963.

Efforts at the foundry in Montreal were concentrated on increasing penetration of the industrial castings field. While these met with some success, total volume of trackwork, railcar and industrial castings business available was insufficient to permit more than a break-even result.

Acquisition of a new induction furnace has greatly increased flexibility at the foundry. It has also entered the



Below: CanCar highway trailers in production at Fort William, Ontario. This division has secured 25% of Canadian trailer market.
Top right: One of the 24 OT-5 industrial turbines sold by Orenda Engines in 1962 is readied for shipment.
Bottom right: Growth of industrial turbine business has resulted in new production line at Orenda Engines Division.



cast iron products field in a limited way.

Another active and profitable year was reported by Canadian General Transit Company, Limited, in which your company has a 55% interest.

Despite increasing competition, the fleet of tank cars was operated virtually at capacity during the year under review. Added to the fleet were 184 cars, of which 88 were newly built.

Bulk storage operations at Montreal and Toronto were satisfactory, reflecting increased volume.

Sales of CanCar highway trailers in 1962 were the highest in this division's history and accounted for 25% of the total Canadian market.

During the year transfer of trailer production to the Fort William plant following closure of the Montreal facilities was achieved without any serious disruption of customer service.

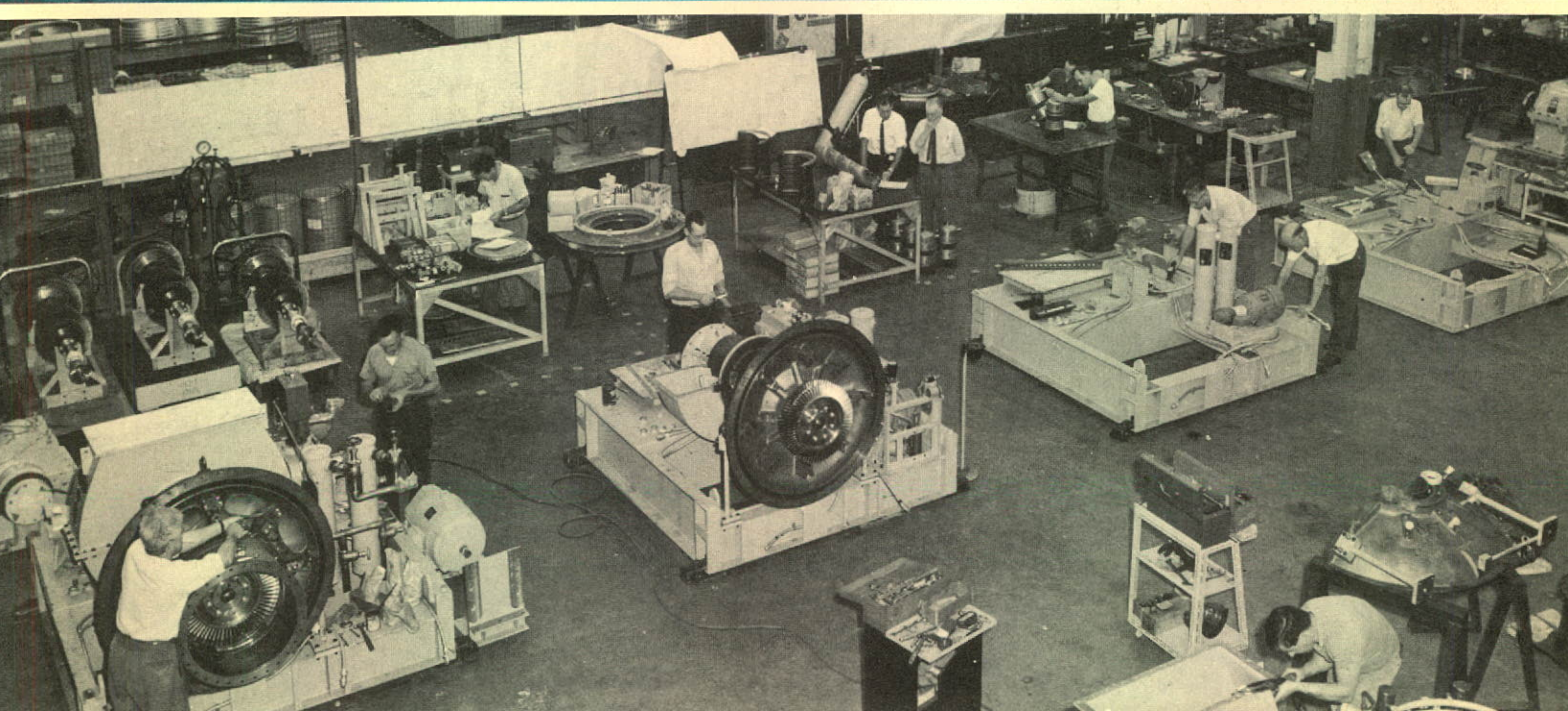
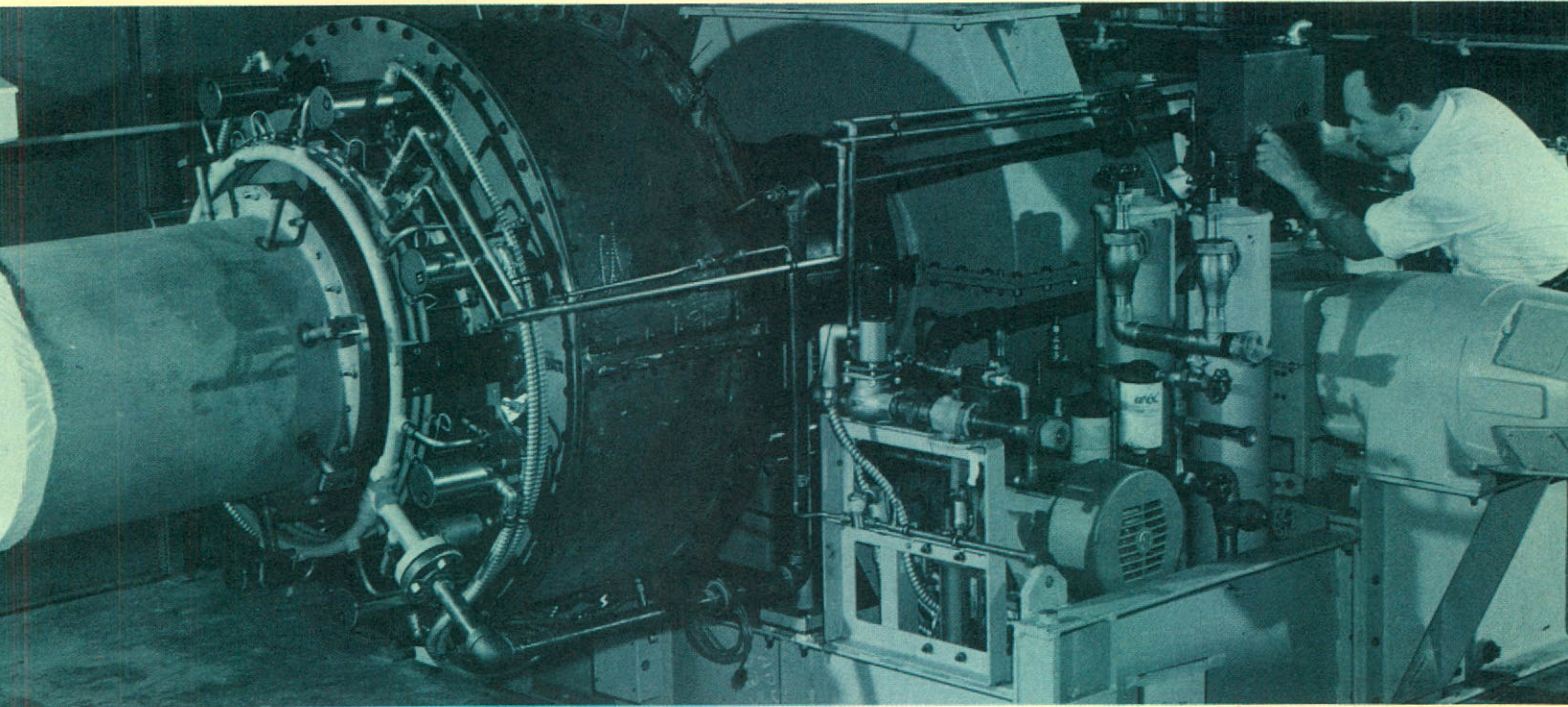
Trailer volume and market penetration in 1963 should equal that of 1962. Several new models are being introduced this year.

Sales of the Tree Farmer, a pulpwood handling vehicle produced at Fort William, were higher than anticipated. CF-104 airframe subcontracts comprised the balance of the work carried out at this plant.

Engines

A large order for J-85 jet engines to power a new R.C.A.F. training aircraft was obtained during the year for Orenda Engines Division. First of the J-85s will be delivered in 1963.

Production of J-79 jet engines for CF-104 fighter aircraft continued on schedule, while the overhaul and repair of several hundred Orenda series engines contributed to an active twelve months. Orenda spares business has been running at a high level, particularly with the West German Government, and while this is expected to taper off, a satisfactory volume of spares business is expected in 1963.



In Engineering Division laboratories, quantity of dissolved hydrogen in a zirconium alloy is checked by use of vacuum fusion gas analysis equipment.

Highlight of this division's activities is its successful entry into the industrial gas turbine field, which has resulted in the generation of over \$10 million of new business.

The first of Orenda's new range of industrial gas turbine engines, the 1,600 h.p. OT-5 (Orenda Turbine-5) was run in May, 1962.

By the end of the year, 24 of these engines had been sold, including 20 to the Canadian armed forces, two to the armed forces of the U.S.A. and two for commercial application in Canada. Deliveries are being met on schedule. Your company is proud that the two engines for the U.S. armed forces represent the first Canadian designed and developed industrial gas turbines ever exported from this country.

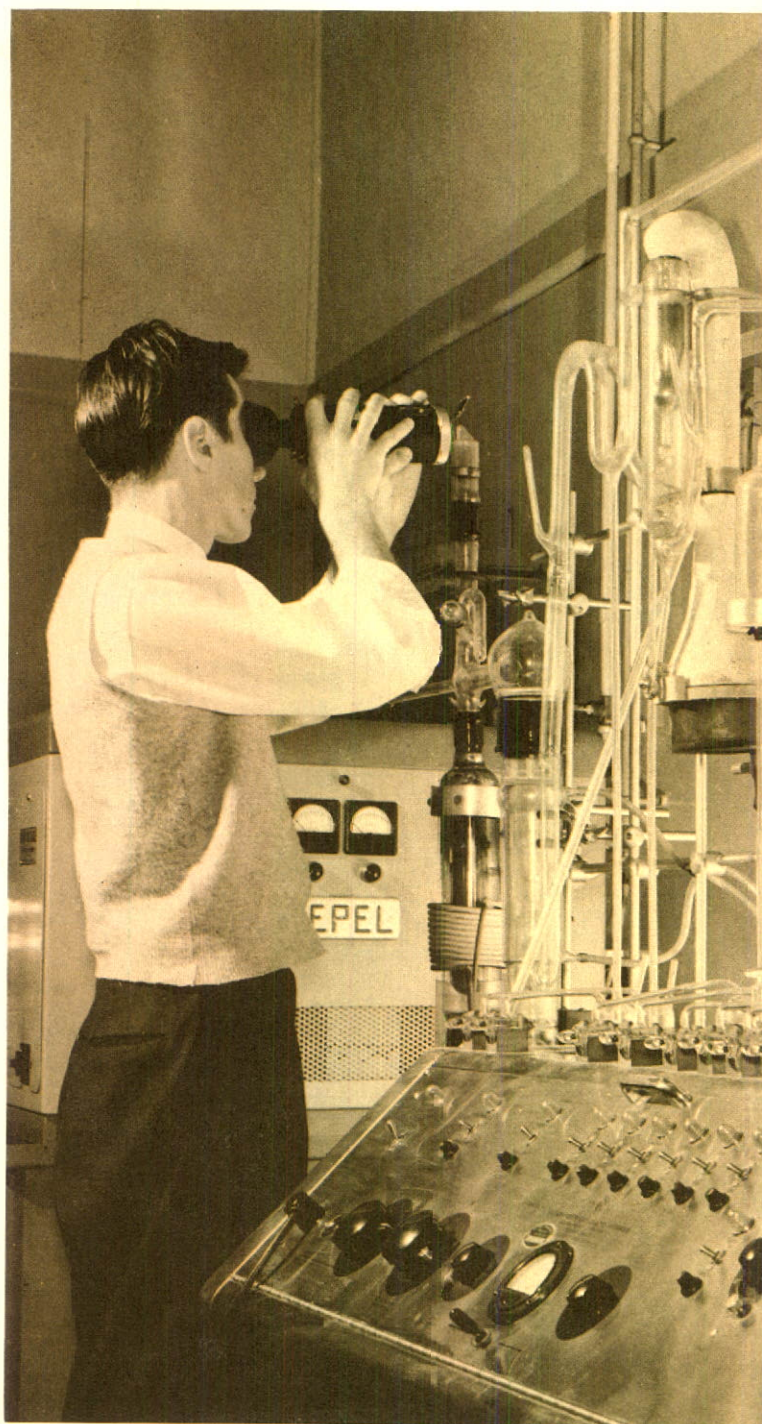
The smaller OT-4 (600 h.p.) being developed for the U.S. Army and Navy, with Canadian Government assistance, progressed during the year to the component testing stage. Prototype quantities of this engine will be available in 1964.

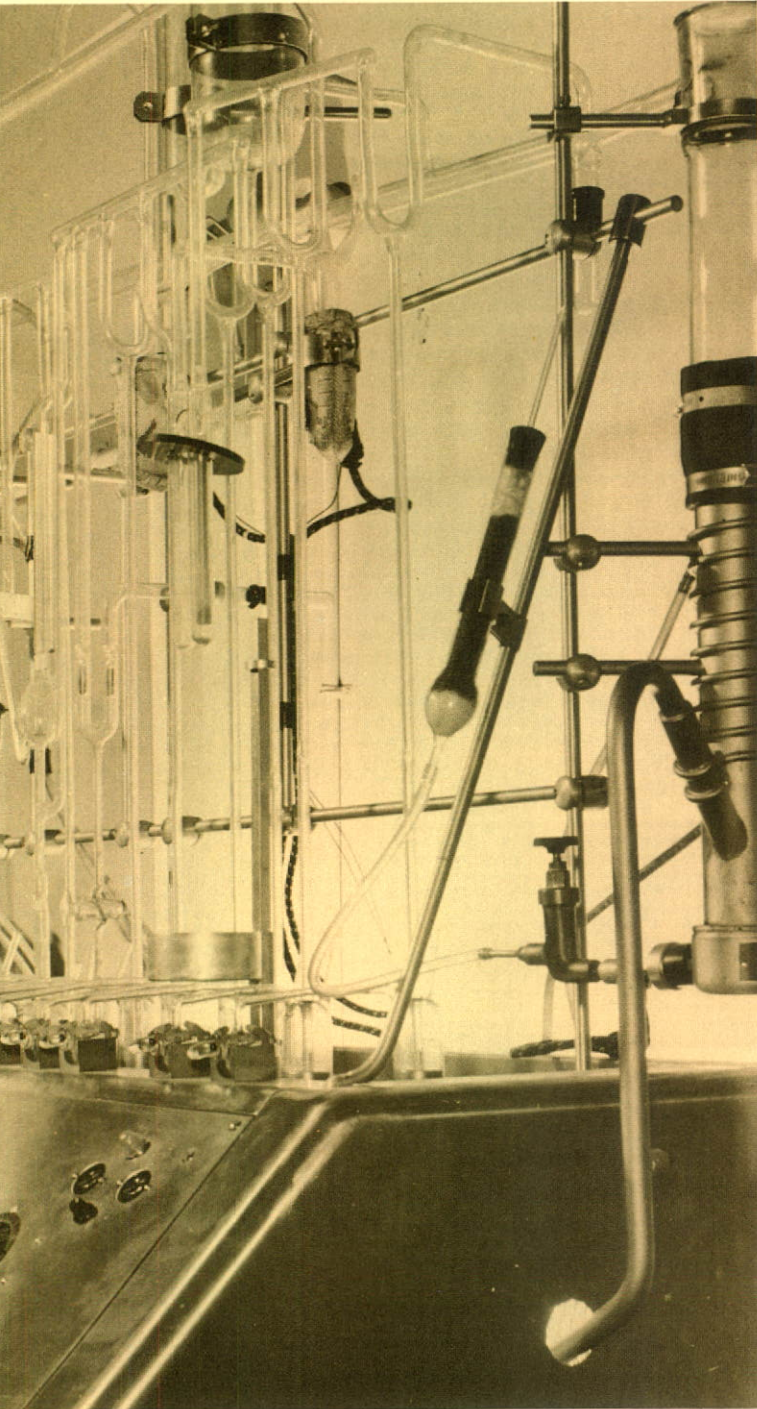
First order for an OT-2 (6,000 h.p. industrial turbine) was received from Trans-Canada Pipe Lines Limited. The engine will be delivered this summer and go into service at a Northern Ontario gas pumping station.

Early in 1962 the Orenda Division delivered its first OT-3 (7,000 h.p.) power turbine. Ordered by the National Research Council to provide the power for the air flow in a large wind tunnel, this turbine will be driven by the exhaust from a standard Orenda jet engine.

Detail design is underway for the adaptation of this OT-3 concept to a 6,000 k.w. electrical peaking unit. As a factory-assembled package, it will be offered to utilities in North America and elsewhere as an economical answer to peak power generating requirements.

Orenda Inc., a sales engineering and service organization, was formed with offices in Chicago towards the end of the year to further the sales of Orenda industrial turbines in the United States. Representation to ensure complete market coverage has been established and an





aggressive marketing team is carrying out a broadly based sales program.

Engineering

Following the sale last year of the Avro Aircraft Division facilities to The de Havilland Aircraft of Canada, Limited, the Engineering Division was re-located in the adjacent Orenda plant.

The Engineering Division is now composed of some 300 engineering and technical personnel engaged on a wide variety of products and studies. These are undertaken for divisions and companies within the Hawker Siddeley Canada organization and for outside customers.

During 1962 the division undertook more than 90 studies relating to 50 different products, which ranged from hydro flow meters for atomic reactors to complete gas turbine engines.

Engineering work continued on the "Bobcat", the armoured tracked vehicle being developed by Hawker Siddeley Canada for the Canadian Army. The first of the pre-production models was completed and delivered to the Canadian Army for testing. Balance of this order will be completed by mid-1963.

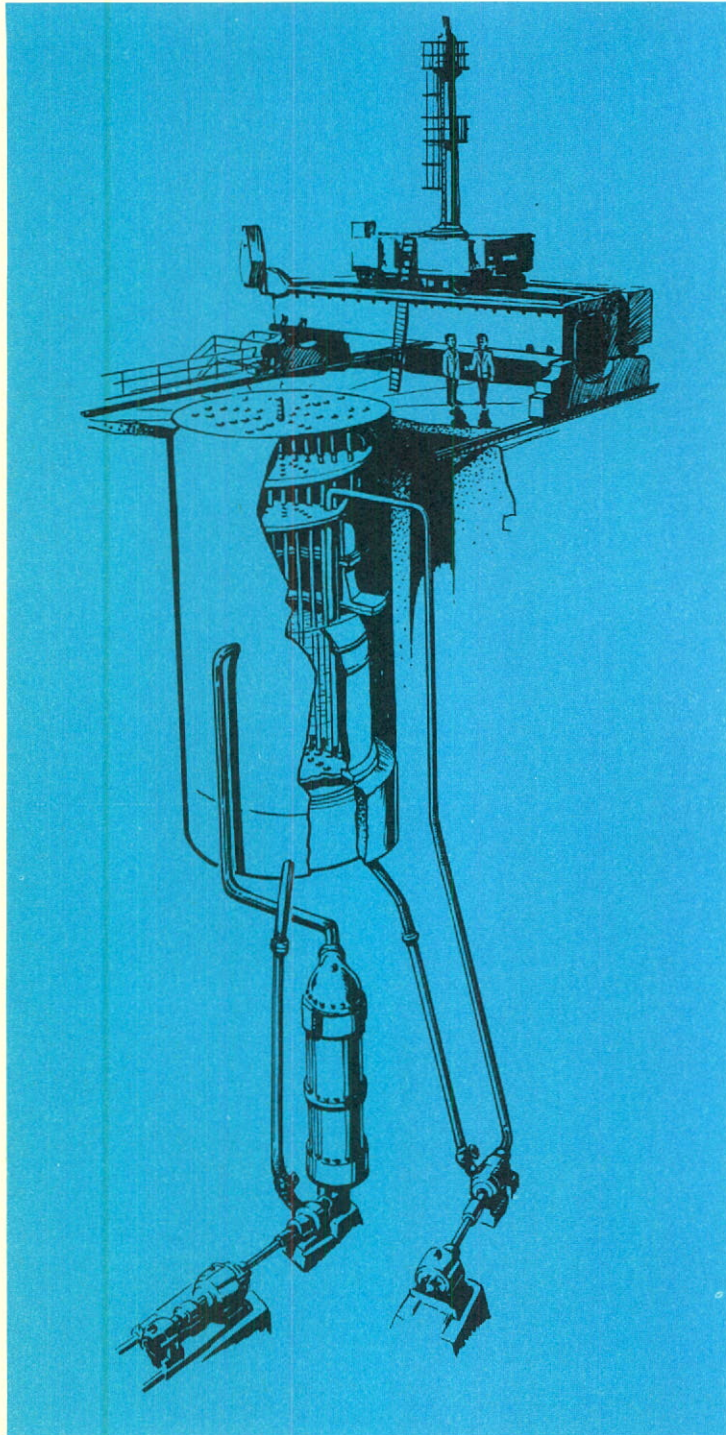
An Engineering Division proposal for development work on the Hawker Siddeley Canada "Gemini", a one-ton payload amphibious articulated vehicle employing ground cushion effect, has been accepted. Engineering work will begin this year under a three-party contract providing financial support by the governments of Canada and the U.S.A., and by the company.

Atomic energy work increased considerably in 1962 with the winning of a contract to design and procure a two-megawatt organic cooled test loop for the National Research Universal reactor at Chalk River.

There was a steady flow of research and development work for Atomic Energy of Canada Limited, including the design and manufacture of various pieces of equipment for "in-pile" experiments at Chalk River. The generally

Below: Cutaway of atomic reactor showing reactor core and simplified illustrations of experimental test loops as designed by Engineering Division.

Right: One of the pre-production models of the 'Bobcat' in final assembly.



higher level of atomic work is expected to continue in 1963.

Expanded service to Hawker Siddeley Canada operating units, with emphasis on the research and development of new products, plus a drive for additional commercial work are expected to further increase the division's activities this year.

Administration

Completion of the first phase of the management reorganization program was an important objective attained during 1962. This has resulted in better management control, improved efficiency in operations and higher productivity.

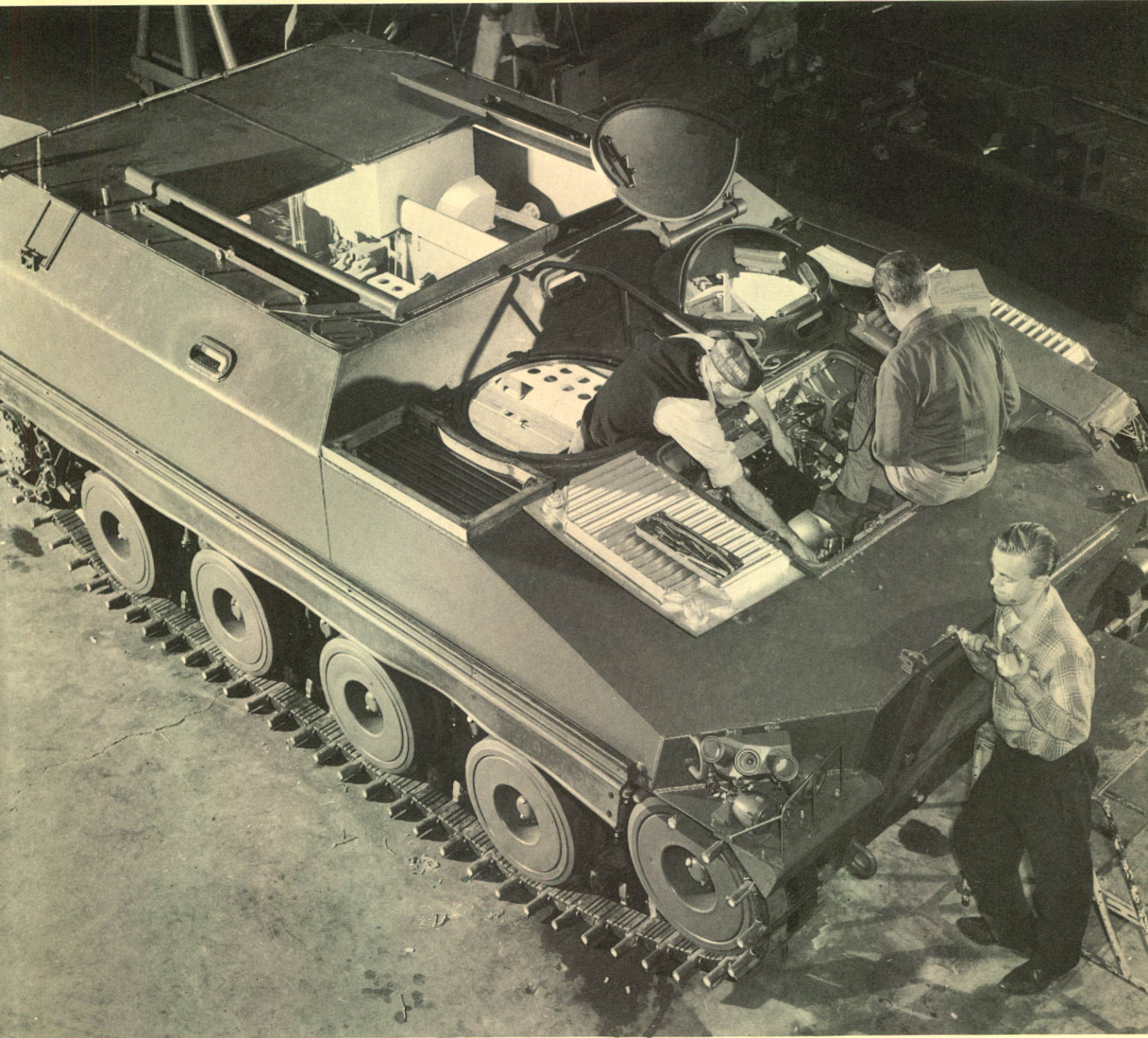
The program is designed to ensure that all activities of the operating divisions and subsidiary companies will be conducted on the basis that these comprise a unified organization rather than autonomous subsidiaries.

The management plan provides therefore, that while full responsibility for the direction of operating activities is vested with line executives, the president, assisted by staff executives, participates actively in planning, coordinating and controlling the activities.

The objective is improved performance of the group as a whole, measured in terms of an acceptable return on capital.

Recently, your Chairman, Sir Roy Dobson, became Chairman of the parent company, Hawker Siddeley Group Limited, succeeding Sir Thomas Sopwith. Sir Arnold Hall has succeeded Sir Roy Dobson as the parent company's Vice-Chairman and Managing Director.

When in 1945 Sir Roy Dobson established your company at Malton, Ontario, much of the strength required in those difficult times was drawn from the unstinting support he received from Sir Thomas Sopwith. Despite his commitments as Chairman of the vast Hawker Siddeley Group Limited, Sir Thomas Sopwith has always taken



a keen interest in the affairs of this company.

On his retirement as chairman, Sir Thomas Sopwith had completed 50 years with the Hawker Siddeley organization, and Hawker Siddeley Canada extends to him best wishes and sincere thanks for his counsel and support during the last 18 years.

As founder and chairman of your company, the elevation of Sir Roy Dobson to his new post will further enhance the close affinity of Hawker Siddeley Group Limited with its Canadian interests.

During the year Mr. P. C. Garratt, Vice-President and Managing Director of The de Havilland Aircraft of Canada, Limited was elected a director of this company.

The Future

In examining the current year it appears that domestic sales levels will be about the same as last year with some opportunity for improved export volume.

Although export orders for the types of goods and services produced by the Hawker Siddeley Canada group are not found or secured easily, the large size of the contracts usually involved in this field makes the diligent combing of world markets well worth the time and energy expended. For this reason your company will continue to be most active in its search for new and repeat business throughout the world.

The company will continue to pursue its present policies and plans, first results of which are evident in the financial report. These are long range and are directed to continuing appraisal of each operating unit, its return on investment, its markets and sales potential, and the co-ordinated direction of its talent and resources for more profitable results.

The company entered 1963 in a better state of health than it has enjoyed since 1959. It is intended that further improvement will be achieved in 1963, and that by the end of the year the new vigour will be reflected in increased profits.

Consolidated statement of profit and loss and earned surplus

for the year ended December 31, 1962

	1962	1961
Profit from operations before the items shown below	\$15,961,276	\$10,038,839
Income from investments	818,802	657,316
	<u>16,780,078</u>	<u>10,696,155</u>
Deduct:		
Interest on long term debt	1,044,769	1,213,828
Development expenditures	1,232,466	907,766
Provision for depreciation	11,388,364	12,284,794
	<u>13,665,599</u>	<u>14,406,388</u>
Profit (loss) from operations before income taxes	3,114,479	(3,710,233)
Provision for income taxes (Note 5)	805,509	(718,163)
	<u>2,308,970</u>	<u>(2,992,070)</u>
Profit of subsidiaries attributable to minority shareholders	941,997	671,152
Net profit (loss) for the year	<u>1,366,973</u>	<u>(3,663,222)</u>
Earned surplus at beginning of year	24,104,140	33,322,724
	<u>25,471,113</u>	<u>29,659,502</u>
Deduct:		
Dividends on preferred shares	805,030	805,030
Provision for special costs and losses	—	4,000,000
Excess of cost of investment in subsidiaries over book values of net assets at acquisition	—	750,332
	<u>805,030</u>	<u>5,555,362</u>
Earned surplus at end of year	<u>\$24,666,083</u>	<u>\$24,104,140</u>

See accompanying notes to consolidated financial statements.

Consolidated balance sheet, December 31, 1962

Assets	1962	1961
<i>Current assets:</i>		
Cash	\$ 2,118,319	\$ 3,335,051
Short term investments, at cost (approximately market value).	13,168,864	4,637,270
Accounts receivable, less allowance for doubtful accounts	38,480,194	36,105,238
Due from subsidiary company	389,671	444,997
Income taxes recoverable	648,881	649,964
Inventories, at the lower of cost or market, less progress payments	49,228,840	53,133,375
Prepaid expenses	1,290,156	1,798,953
	<u>105,324,925</u>	<u>100,104,848</u>
<i>Investments and other assets:</i>		
Investment in subsidiary company not consolidated (Note 1)	1,027,956	1,027,956
Investment in associated company (50% owned)—		
Shares, at cost (Note 2)	5,570,000	5,570,000
Advance	—	800,000
Mortgages and notes receivable	6,396,791	5,669,974
Inventories, at cost	—	1,769,317
Other investments and sundry assets	1,238,567	2,365,705
Unamortized discount on long term debt	162,954	185,742
	<u>14,396,268</u>	<u>17,388,694</u>
<i>Fixed assets, at cost or less:</i>		
Land, mineral deposits, buildings, machinery and equipment	273,089,170	293,676,161
Less—Accumulated depreciation	152,521,366	155,920,450
	<u>120,567,804</u>	<u>137,755,711</u>

Approved on behalf of the Board:

R. H. Dobson, Director

T. J. Emmert, Director

See accompanying notes to consolidated financial statements.

<u>\$240,288,997</u>	<u>\$255,249,253</u>
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Liabilities	1962	1961
<i>Current liabilities:</i>		
Bank advances	\$ 10,069,456	\$ 15,329,516
Accounts payable and accrued liabilities	20,753,273	21,643,858
Income and other taxes	5,031,324	3,803,939
Payments on long term debt due within one year	2,259,407	3,116,423
Due to affiliated companies	1,478,846	1,319,696
	<u>39,592,306</u>	<u>45,213,432</u>
<i>Long term debt (Note 3)</i>	<u>16,140,222</u>	<u>19,412,688</u>
<i>Provisions:</i>		
Blast furnace relining	2,394,935	2,520,901
Special costs and losses (Note 6)	1,539,787	4,000,000
Contingencies (Note 4)	15,761,057	16,538,560
	<u>19,695,779</u>	<u>23,059,461</u>
<i>Deferred credit:</i>		
Accumulated income tax reductions applicable to future years (Notes 5 and 6)	16,753,124	20,480,740
<i>Interest of minority shareholders in subsidiaries</i>	<u>26,028,529</u>	<u>25,565,838</u>
<i>Capital stock and surplus:</i>		
Share capital—		
Preferred shares of the par value of \$100 each issuable in series—		
Authorized—250,000 shares		
Issued—240,000 5¾% Cumulative Convertible Redeemable Shares		
Outstanding—140,000 shares	14,000,000	14,000,000
Common shares without nominal or par value (Note 7)—		
Authorized—10,000,000 shares		
Issued—8,112,441 shares	83,412,954	83,412,954
	24,666,083	24,104,140
Earned Surplus	<u>122,079,037</u>	<u>121,517,094</u>
	<u>\$240,288,997</u>	<u>\$255,249,253</u>

Notes to consolidated financial statements

for the year ended December 31, 1962

1. The accompanying financial statements consolidate the accounts of all subsidiaries with the exception of Dominion Coal Company, Limited, a subsidiary of Dominion Steel and Coal Corporation, Limited. The book value of the net assets (primarily coal mining properties) attributable to the investment in Dominion Coal Company, Limited amounted to \$6,366,869 at July 31, 1962, the close of the company's latest fiscal year. For the fiscal year ended July 31, 1962, the profit of Dominion Coal Company, Limited, applicable to the indirect interest of Hawker Siddeley Canada Ltd. in that company, amounted to \$77,994. That profit has not been taken up in the accompanying consolidated statement of profit and loss and earned surplus.

2. The book value of the net assets attributable to the investment in shares of Canadian Steel Wheel Limited (50% owned) amounted to \$5,401,657 at July 31, 1962, the close of that company's latest fiscal year.

3. Long term debt:

	Current	Long term
Dominion Steel and Coal Corporation, Limited		
4% First Mortgage Bonds Series "B" due 1963-1968	\$ 250,000	\$ 1,500,000
Seaboard Power Corporation Limited		
4%—5¾% First Mortgage Bonds due 1963-1979	479,500	5,908,000
Canadian General Transit Company, Limited		
3½%—6¾% Equipment Trust Certificates due 1963-1980	575,000	5,537,500
Hawker Siddeley Canada Ltd.		
6% Mortgage due 1963-1965	120,000	690,000
Balance owing on purchase of assets from the Crown, payable 1963-1966 with interest at 5%	834,907	2,504,722
	<u>\$ 2,259,407</u>	<u>\$16,140,222</u>

4. In accordance with previous policy, pensions paid for unfunded past services during the year ended December 31, 1962 of \$777,503 (after deducting related income tax credit) have been charged to the provision for contingencies. For the most part these pensions were paid by

Dominion Steel and Coal Corporation, Limited.

5. The provision for income taxes for the year ended December 31, 1962 has been stated after deducting a transfer of \$2,367,998 from the deferred credit for "Accumulated income tax reductions applicable to future years". The transfer represents income taxes applicable to the excess of depreciation recorded in the year over capital allowances to be claimed for tax purposes. Provision therefor was made in prior years by charges against profits in amounts equivalent to the reduction in income taxes payable resulting from the excess of capital allowances for tax purposes over depreciation recorded.

6. During the year ended December 31, 1962 special costs and losses aggregating \$3,819,831, less applicable income taxes of \$1,359,618, were charged to the provision set aside for that purpose in the prior year. Since the costs and losses deductible for tax purposes will result in the reduction of future income taxes, the applicable taxes of \$1,359,618 have been deducted from the deferred credit for "Accumulated income tax reductions applicable to future years".

7. At December 31, 1962 there were outstanding options, terminating in 1965-1966, to subscribe for 112,700 unissued common shares of the company: 62,700 shares at \$12.50 per share and 50,000 shares at \$5.75 per share.

8. At December 31, 1962 there were contingent liabilities of \$2,568,115 on the endorsement of customers' notes.

9. For the year ended December 31, 1962 fees of directors amounted to \$6,300 and counsel and solicitors' fees, and salaries of executive officers and salaried directors, amounted in the aggregate to \$662,802.

PRICE WATERHOUSE & Co.

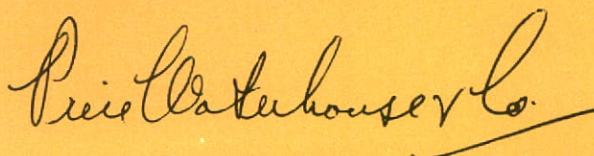
55 YONGE STREET
TORONTO 1

TO THE SHAREHOLDERS OF
HAWKER SIDDELEY CANADA LTD.

We have examined the consolidated balance sheet of Hawker Siddeley Canada Ltd. and consolidated subsidiaries as at December 31, 1962 and the consolidated statement of profit and loss and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statement of profit and loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at December 31, 1962 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year.

Information with respect to a subsidiary company not consolidated, required by Section 118 of the Companies Act, is included in Note 1 to the consolidated financial statements.

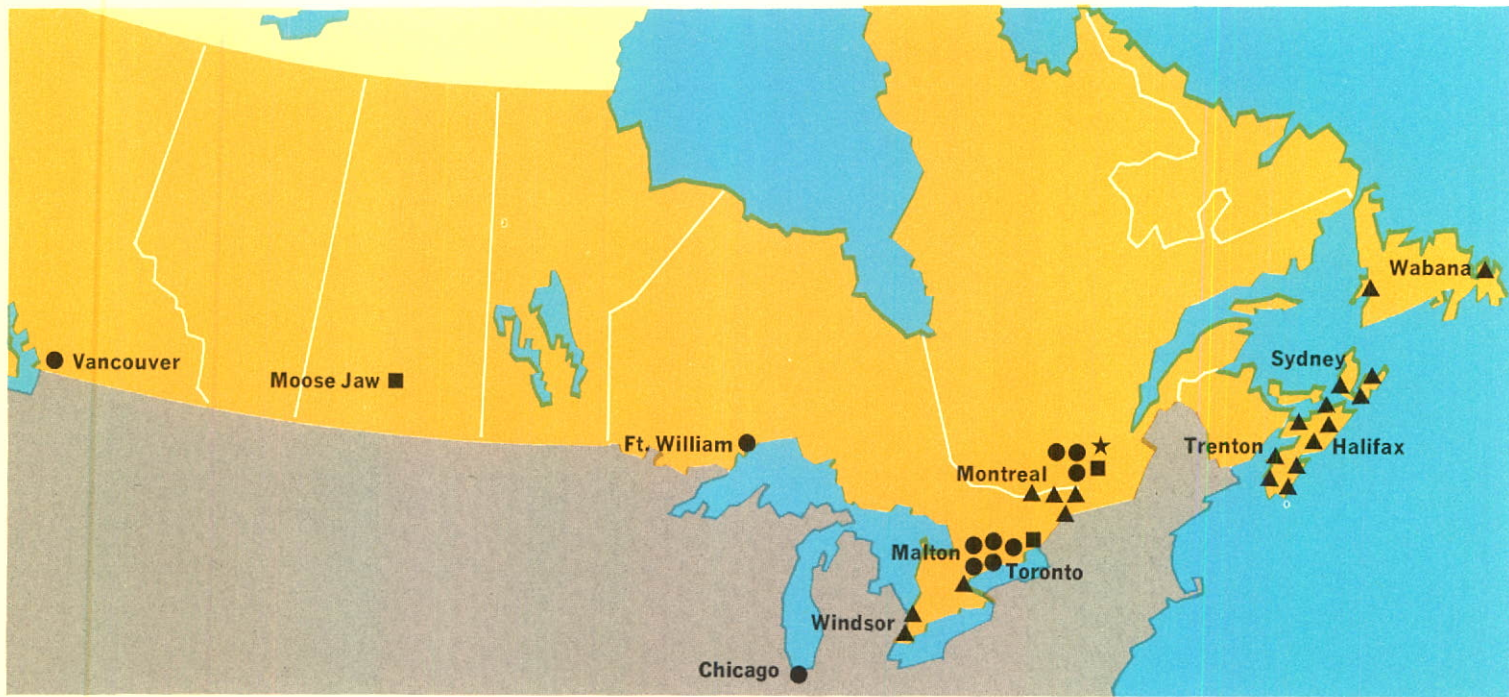
A handwritten signature in dark ink, appearing to read "Price Waterhouse & Co.", with a stylized flourish at the end.

Chartered Accountants.

March 15, 1963.

Legend

- Divisions and wholly owned subsidiary companies
- ▲ Dosco Group (Dominion Steel and Coal Corporation Limited and its subsidiary companies) 77% owned
- Canadian General Transit Company Limited (55% owned)
- ★ Canadian Steel Wheel Limited (50% owned)



DIVISIONS

Canadian Car Division, Montreal and Fort William, Ontario.
Canadian Steel Foundries Division, Montreal, Quebec.
Engineering Division, Malton, Ontario.

Orenda Engines Division, Malton, Ontario.

Wholly-owned subsidiaries

Canadian Car (Pacific) Limited, Vancouver.

Canadian Steel Improvement Limited, Toronto, Ontario.

Orenda Inc., Chicago, U.S.A.

Partly-owned subsidiaries

Canadian General Transit Company, Limited, Montreal, Toronto and Moose Jaw (55%).
Dominion Steel and Coal Corporation, Limited, Montreal, and its subsidiary companies (77%).

Associated Company

Canadian Steel Wheel Limited, Montreal (50%).

PRODUCTS AND SERVICES

Aviation: Manufacture, modification, repair and overhaul of military and civil aircraft components; sub-assemblies, production parts and support spares.

Construction: Bridges, curtain wall, transmission masts and towers, steel flooring and structures, roof decking, various steel and aluminum construction products.

Electro-Mechanical: Automatic vending equipment.

Engineering: At the Engineering Division and plants across Canada comprehensive research, design, production and test engineering facilities with modern laboratories and specialized equipment provide support for company projects and custom engineering.

Light & Special Alloys: Precision castings and forgings in light and high duty metals for specialized applications in jet engine, missile, automotive, electrical and other industries.
Mining: Coal, iron ore and limestone; coke and by-products.
Power: Aircraft gas turbines; marine and vehicular gas turbines; industrial gas turbines for electric power generation, heating and air conditioning, liquid and gas pumping; imported industrial and marine diesel units from 1½ h.p. to 4,000 h.p.; electric power for industrial and domestic use; components for nuclear applications.

Shipbuilding: Naval and merchant shipbuilding and repair; drydock service; marine forgings and metalworking.

Steel: Ingots, blooms and billets, bars and shapes; re-

inforcing bars, castings and forgings; steel wheels, railway axles, rails and track fastenings; metal lath, steel joists, sash and shelving; Dosco Miner; mining equipment; hydraulic presses; barbed wire, wire rods, cut nails, wire nails (steel and aluminum); wire (coarse and fine gauges, all qualities and finishes); wire (core, rope and spring); bale ties; special fasteners; bolts, nuts and rivets; screws (machine, wood and sheet metal); pipe and pipe nipples; fencing (chain, link, farm, lawn, ornamental); triangle mesh and welded fabric.

Transportation: Highway trailers; railway rolling stock; railway tank car rentals and leasing; armoured tracked vehicles; off-highway vehicles; Tree Farmer.

