



Contents

2	Directors and Executive Management
3	Financial data in brief
4	To the shareholders
4	Sales
4	Income
4	Extraordinary items and net income
4	Dividends
4	Other financial matters
4	Comments
5	Comments on operations
5	Hawker Siddeley Canada Ltd.
6	Hawker Industries Limited
7	Orenda Limited
7	Canadian General Transit Company, Limited
8	Consolidated statement of income
9	Consolidated statement of retained earnings
10	Consolidated balance sheet
12	Consolidated statement of source and application of working capital
13	Notes to consolidated financial statements
15	Auditors' Report
16	Divisions, subsidiaries, products and services

Notice of Annual General Meeting

The Annual General Meeting of Shareholders will be held in the Ontario Room of the Royal York Hotel, Toronto, Ontario, on Friday, May 31st, 1974 at 11 :00 a.m., E.D.T. A notice of the meeting, an information circular, and a proxy form for the convenience of those shareholders holding common shares, are enclosed with this report.

Hawker Siddeley Canada Ltd.

Head Office
7 King Street East
Toronto, Ontario
M5C 1A3

Directors

A.A. Bailie, Toronto, Ontario
J.H. Coleman, Toronto, Ontario
R.S. Faulkner, Toronto, Ontario
Sir Arnold Hall, London, England
R.R. Kenderdine, London, England
A.J. Laurence, London, England
A.W. McKenzie, Montreal, Quebec
A.S. Pattillo, Q.C., Toronto, Ontario
K.L. Phillips, London, England
K.N. Slade, Aylesbury, England
R.G. Smith, Halifax, Nova Scotia
Colin W. Webster, Montreal, Quebec

Executive Management

Sir Arnold Hall, Chairman
R.R. Kenderdine, Vice-Chairman
A.S. Pattillo, Q.C., Vice-Chairman
R.S. Faulkner, President and
Chief Executive Officer
A.A. Bailie, Vice-President,
Finance, and Treasurer
I.E. Bull, Vice-President and
Comptroller
L.T. Corey, Vice-President
(Halifax Shipyards and
Trenton Works Divisions)
M.E. Davis, Vice-President
(Orenda Division)
A.W. McKenzie, (Chairman and
President, Canadian General Transit
Company, Limited)
L.A. Mitten, Vice-President
(Canadian Car (Pacific) Division)
J.H. Ready, Vice-President and
Secretary
E.J. White, Vice-President
(Canadian Steel Foundries and
Canadian Steel Wheel Divisions)

Auditors

Price Waterhouse & Co.,
Toronto, Ontario

Registrar and Transfer Agent

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

Financial Data in Brief

(in thousands of dollars except per share data)	1973	1972	1971	1970	1969
Consolidated net sales	\$253,628	\$209,398	\$158,238	\$182,484	\$188,061
Income before the following	28,247	21,029	16,377	17,139	17,621
Interest expense	4,269	4,055	3,985	4,114	4,251
Depreciation and amortization	8,907	7,923	7,469	6,848	6,652
Income from operations before taxes	15,071	9,051	4,923	6,177	6,718
Income taxes	7,282	4,896	2,116	3,454	3,884
Income of subsidiaries attributable to minority shareholders	1,585	882	666	856	1,332
Income before extraordinary items	6,204	3,273	2,141	1,867	1,502
Extraordinary items	1,721	348	312	(104)	—
Net income for the year	7,925	3,621	2,453	1,763	1,502
Earnings per common share*—					
<i>before extraordinary items</i> . . . . .	.66	.30	.16	.13	.09
<i>after extraordinary items</i> . . . . .	.88	.35	.20	.12	.09
Dividends paid—					
Preferred	805	805	2,013	1,006	201
Common	1,625	568	—	—	—
<i>Per preferred share</i>	5.75	5.75	14.37½	7.18¾	1.43¾
<i>Per common share</i> . . . . .	.20	.07	—	—	—
Working capital	37,169	31,390	32,536	30,944	33,987
Capital expenditures	13,408	7,544	7,901	14,360	15,151
Shareholders' equity—					
Preferred shares	14,000	14,000	14,000	14,000	14,000
Common shares	75,852	70,317	68,069	65,734	63,613
<i>Per common share</i>	9.33	8.67	8.39	8.10	7.84

*after preferred dividend requirements.

Note—Financial data for the years 1969 to 1972 have been restated for prior years' adjustments recorded in the years 1971 and 1973 and for goodwill on acquisition of a subsidiary charged to retained earnings in 1970.

To the Shareholders:

Your directors submit herewith the audited accounts of Hawker Siddeley Canada Ltd. and its consolidated subsidiaries for the year ended December 31, 1973. The comparative 1972 figures have been restated to reflect a recent settlement of income tax assessments of a subsidiary company for prior years resulting in the release of certain provisions no longer required. The restatement has the effect of increasing the consolidated net income for 1972 by \$320,366 and for years prior to 1972 by \$1,226,575. (See Note 16 to the financial statements.)

Sales

Consolidated sales for the year were \$253 million (1972 : \$209 million).

Income

Income from operations before income taxes amounted to \$15,070,484 (1972 : \$9,051,160).

Income after providing for income taxes and interests of minority shareholders amounted to \$6,204,068 (1972 : \$3,273,250). This is equivalent to 66 cents per share (1972 : 30 cents) on the 8,129,341 (1972 : 8,117,341) outstanding common shares of the Company.

Extraordinary Items and Net Income

(1) An amount of \$1,496,000 arising from utilization of tax losses of prior years has been recorded as an extraordinary item of income.

(2) A partial distribution received from the Liquidator of the assets of Dominion Coal Company, Limited resulted in a gain of \$224,987 after writing off our investment in that company. Net income, after extraordinary items above, is \$7,925,055 (1972 : \$3,620,932). This is equivalent to 88 cents per share (1972 : 35 cents) on the common shares of the Company outstanding at each year's end.

Dividends

During 1973 the Company declared and paid the four quarterly cumulative preferred share dividends as they became due. In 1973 the directors adopted a policy of quarterly common share dividend payments and dividends of 4 cents each were declared in March and June and of 6 cents each in September and December making a total of 20 cents for the year.

Other Financial Matters

The directors are of the view that the \$4,831,939 set aside in 1968 in shareholders equity as a Reserve for Contingencies is no longer required and accordingly have restored this sum to Retained Earnings.

The quarterly reports to shareholders in 1973 have made reference to the exclusion from interim profits of foreign exchange gains arising from conversion to Canadian dollars of the book amount of net assets of United Kingdom subsidiaries at the rate of exchange at the end of each quarter. During the last quarter of 1973 the Pound Sterling exchange rate fell to a level equivalent to that prevailing at the beginning of the year, and, as a result, for the year as a whole there are no foreign exchange adjustments of this nature.

Comments

Earnings in 1973 were the highest for many years arising from the strong demand for our products in domestic and export markets, and also from the effect of increased efficiency and capital investment in recent years.

In the wholly-owned Divisions, Canadian Car (Thunder Bay) made substantial progress towards more acceptable levels of profitability and the outlook for the operation is encouraging. Both Canadian Car (Pacific) and Canadian Steel Wheel operations had another successful year's trading although Canadian Steel Foundries did not achieve the expected profitability due to a lag in demand for its industrial products and the impact of an unofficial strike.

In Hawker Industries (99% owned) the U.K.-based Dosco Overseas operation showed continued growth and profit improvement. Both Trenton Works and Halifax Shipyards had a busy year although profits were lower than those of the previous year. Operations at Canadian Bridge, however, were seriously affected by extensive shortages and delays in its steel supplies which not only reduced throughput, but gave rise to substantial increases in production and material costs.

Both Canadian General Transit (55% owned) and Orenda had an active year and improved performances were recorded.

During the year the Company's capital expenditure program was directed particularly to facility improvement and expansion. Major items included the start of construction of a new factory in Surrey, B.C. for our Canadian Car (Pacific) operations, continuation of the modernization program at Halifax Shipyards, and expansion of the tank car leasing fleet.

In addition, all patents pertaining to the successful Chip-N-Saw product line manufactured and sold under license by Canadian Car (Pacific), were purchased for the sum of \$1,598,317. In the course of the year the Company also acquired the 40% minority shareholding in Orenda Limited from United Aircraft Corp. of East Hartford, Conn. and as of December 31, 1973 Orenda was reorganized to carry on business as a Division of the Company.

The Company is glad to welcome Mr. J.H. Coleman who joined the Board for the first time at the Annual General Meeting on May 25, 1973.

With regret we record the death of Mr. W.P. Scott on January 31, 1974. Mr. Scott had served the Company as a director for 12 years until his retirement in 1970.

There are growing shortages and delays in supply of materials but subject to this, with current orders on hand and continuing strong demand for our products, the outlook for 1974 is encouraging.

The directors wish to record their thanks to those whose efforts have contributed to the improved results.

Submitted on behalf of the Board

A.A. HALL
R.S. FAULKNER

Toronto, Ontario
March 15, 1974.

Comments on Operations

HAWKER SIDDELEY CANADA LTD.

Canadian Car (Pacific) Division

New high levels in both sales and revenue were established by the Division's sawmill equipment operations in 1973.

The first "turnkey" sawmill project was completed in the U.S. The Division was responsible for designing and equipping the complete mill and its success has generated considerable interest in the Division's total systems concept for saw mill installations.

While the main market activity was in the domestic and U.S. sectors, good progress was made in developing potential markets in other parts of the world. During the year, a second Chip-N-Saw machine was shipped to the U.S.S.R. and prospects for further sales in that country are particularly encouraging.

The Division's research and development program resulted in the introduction of a new computer-controlled Quadband Chip-N-Saw machine capable of processing logs up to 28 inches in diameter. A fuel log machine for processing sawmill waste and an "edger" machine utilizing thin-kerf saws are scheduled for field trials during 1974.

Patent rights pertaining to the Chip-N-Saw principles of sawmilling were purchased outright from the inventor.

Construction of a new 250,000 square-foot plant and office complex in Surrey, B.C. was started and completion is scheduled for mid-1974. These new facilities will enable manufacturing activities to be consolidated and will increase capacity.

The Division enters 1974 with an excellent order book position and prospects are encouraging.

Canadian Car Division

A strong market existed throughout the year for all three of the major product lines manufactured at the Division's Thunder Bay, Ontario, plant.

The resurgence of the pulp and paper industry after a long recession, continued to gain momentum during the year. As a result, sales volume of woodlands equipment made by the Division was maintained at a high level, particularly in the U.S. market.

Highway trailer production and sales both achieved new high levels in 1973 resulting in improved profitability.

Production of 30 commuter cars for GO Transit started and eight units were delivered by year end. The remaining cars on the contract will be completed in the first quarter of 1974. These units

will be followed by 88 cars for the Toronto Transit Commission, delivery of which will extend into 1975.

The outlook for further passenger equipment business is encouraging.

Labour agreements of two-year duration were negotiated with both plant and office personnel.

The 1974 order book position is strong for all product lines and good trading results are expected.

Canadian Steel Wheel Division

Sales of railway and industrial wheels and of ingots produced by the Division remained at a high level in 1973.

The strong demand for railway wheels resulted from a much improved market for new rolling stock and replacement needs of the railways. Demand for industrial wheels was also higher than in the previous year although the volume of this product is relatively small compared to that for railways.

The world-wide shortage of steel created a strong demand for carbon and alloy ingots and melting capacity was fully utilized.

Export sales of wheels showed a marked increase over previous years and prospects for useful trading in this sector are favourable.

Installation of a new fully-automated wheel machining line is scheduled for completion by the end of 1974. This equipment is intended to increase machining capacity and maintain a high standard of finished product. A major program to upgrade anti-pollution installations will also be undertaken during the year.

The Division enters 1974 with a strong order book position. Demand for wheels and ingots in both domestic and export markets is expected to remain high.

Canadian Steel Foundries Division

Although the total casting production tonnage was comparable to that processed in 1972, the loss of output caused by an unofficial strike by foundry workers and the effects of cost increases combined to produce disappointing results for the year. The expected demand for large industrial castings failed to materialize due to delays in major capital projects in industries traditionally served by the Division.

Requirements for railway castings developed strongly during the latter part of the year and the industrial casting market has now strengthened considerably. Prospects in the domestic sector are improving and present indications point to more

favourable trading results in 1974.

Export markets for high grade carbon and alloy castings improved and the Division should continue to be active in this specialized field.

Installation of a new horizontal boring mill purchased in 1972 was completed during the year. Other capital programs were directed primarily at improving efficiency. A major anti-pollution program is scheduled to be undertaken in 1974.

Negotiations with salaried staff employees for a new labour agreement were concluded.

HAWKER INDUSTRIES LIMITED (Approx. 99% owned) **Canadian Bridge Division**

The tonnage of electric power transmission towers and poles and communications structures produced during the year was again below plant capacity.

An acute shortage of materials developed which, by disrupting planned production schedules, adversely affected earnings.

While the larger proportion of sales was to domestic utility companies, shipments to the U.S. market improved significantly over the previous year.

Deliveries made in the domestic sector included a further quantity of the new-type hydro poles, additional towers for a 500 KV line in Southern Ontario, and improved appearance, low profile, sub-station structures.

For the first time, tubular-type poles were supplied to a communications utility for use as microwave structures instead of the traditional masts.

A research program on ultra-high voltage tower design continued.

A program of reorganization has now been put in hand, although 1974 is seen as a difficult year for this Division.

Trenton Works Division

The Division's total sales volume at the Trenton, Nova Scotia, plant showed a satisfactory improvement over 1972. Demand for new equipment by the major Canadian railroads was relatively low in the early part of the year but an increase in market activity developed throughout the remainder of 1973.

Total freight and tank car production was 2,276 units compared to 1,831 units the previous year. Orders completed included 700 covered hopper cars for the Canadian Wheat Board. Completed export orders represented only a relatively small portion of the Division's total business. However,

additional and larger orders have been obtained and increasing activity in the export field is anticipated.

Production of railway axles was slightly below the 1972 level while shipments of industrial forgings showed an improvement.

During the year, the Division continued fabrication of large tubular structural members for offshore drilling vessels being constructed at Halifax Shipyards.

The final phase of the plant rearrangement and modernization program, which started late in 1969, was completed and included additions to tank shop equipment designed to increase tank car production.

At mid-year a new 2-year labour agreement was concluded with the Union representing plant employees.

Orders on hand indicate that the Division should experience a busy year in 1974.

Halifax Shipyards Division

High levels of sales were maintained by both the main construction yard at Halifax and the smaller Dartmouth repair yard.

Activity at the Halifax yard again centred on the construction of semi-submersible offshore drilling vessels. Sedneth 701, the fourth unit to be built by the Yard, was completed at year end. The Dutch-owned vessel left Halifax for the North Sea where she will be engaged in exploratory drilling programs.

The two hulls for the next offshore unit, Sedco 704, were completed and launched. Construction of this vessel, which is also for service in the North Sea, is scheduled for completion in mid-1974.

During the year, an export contract was received for the construction of a further offshore drilling unit similar in configuration to the two preceding vessels. This latest order brings to six the number of these vessels completed or under construction at Halifax Shipyards Division.

No new ships were constructed in 1973 but a steady level of ship repair work was maintained at both the Halifax and Dartmouth yards.

As part of an extensive capital improvements program to upgrade production facilities at the Shipyard, a new 140-ton floating derrick was put in service during the year. The derrick will be used primarily in the construction of drilling rigs.

Operations at Halifax Shipyards should continue to benefit from a continuing world-wide demand for offshore drilling vessels and satisfactory work levels are expected to be maintained through 1974.

Dosco Overseas Engineering Limited

This United Kingdom-based subsidiary, which manufactures mining machinery, had another satisfactory year although the total of new machines produced and sold was lower than in 1972. However, more machines were sold in export markets including the first by the newly-established sales outlet in the United States.

During the year, the company introduced a new coal mining machine and proving trials are proceeding satisfactorily. A large market potential exists for the machine and production is expected to commence in 1974.

Significant progress was made in the introduction of machines to civil engineering applications and this field is believed to hold excellent growth prospects.

Sales made by Hollybank Engineering Company Limited, a subsidiary company of Dosco Overseas Engineering Limited, showed a marked improvement over the previous year.

Both companies are expected to have an active year in 1974 with expansion of their business in domestic and export markets.

ORENDA LIMITED (100% owned)

During the year the Company purchased the 40% interest in Orenda Limited held by United Aircraft Corporation, East Hartford, Conn., U.S.A., and effective January 1, 1974, Orenda commenced operations as a division of Hawker Siddeley Canada Ltd.

Improvements in both sales and earnings were achieved in the year.

Activity in aircraft engine business centred mainly on the production of J.85-CAN-15 engines, which reached a peak at mid-year, and the repair and overhaul of J.79 engines for the Canadian Armed Forces and the Royal Norwegian Air Force. Orders for parts manufacture were obtained from new customers and these, in combination with continued demand from traditional sources, helped to maintain parts production levels.

Industrial gas turbine-powered units delivered during the year included two gas transmission sets to the British Gas Corporation and an electric power generating set to a previous Venezuelan customer. Work was underway on a mobile generating set for a Newfoundland utility company and two railcar-mounted generating sets for the People's Republic of China. Railway cars for this order are being built by the Trenton Works Division.

Work has commenced on the design and development of a new series of power turbines for use with modern jet-type gas generators. These units are being designed to meet requirements in the gas transmission and electrical generating markets and to extend the power range of the series of turbines now being produced. The first of the new units is expected to be available for delivery in 1976.

Other activities of the company included the manufacture of components for a nuclear power station in Ontario and the processing of further orders for Lance missile system launchers.

CANADIAN GENERAL TRANSIT COMPANY, LIMITED (55% owned)

As the result of a marked increase in demand for the company's railway car leasing services, both revenue and earnings showed satisfactory gains over the previous year.

The addition of new tank cars to the operating fleet exceeded the number of older cars retired by a greater margin than in 1972. The net result was a modest increase in fleet carrying capacity.

The energy crisis, in combination with improved economic conditions in 1973 created an industry-wide shortage of tank car equipment. As a result, the company received substantial orders for new equipment and enters 1974 with a large backlog of cars scheduled for delivery during the year.

Consolidated Statement of Income FOR THE YEAR ENDED DECEMBER 31, 1973

	1973	1972
Consolidated net sales (Note 2)	<u>\$253,627,573</u>	<u>\$209,397,869</u>
Income from operations before the items shown below	\$ 27,757,746	\$ 20,092,807
Income from investments	489,215	936,931
	<u>28,246,961</u>	<u>21,029,738</u>
Deduct:		
Interest on bank advances	1,440,956	1,250,235
Interest and amortization of costs of long term debt	2,828,292	2,805,080
Provision for depreciation	8,508,912	7,923,263
Amortization of patents (Note 7)	398,317	—
	<u>13,176,477</u>	<u>11,978,578</u>
Income from operations before income taxes	15,070,484	9,051,160
Provision for income taxes	7,282,000	4,896,000
	7,788,484	4,155,160
Interest of minority shareholders in income of subsidiaries	1,584,416	881,910
Income before extraordinary items	6,204,068	3,273,250
Income tax provision not required by reason of losses carried forward from prior years after minority interest	1,496,000	563,885
Exchange loss arising from the freeing of the pound sterling, after income taxes and minority interest	—	(216,203)
Gain on investment in Dominion Coal Company, Limited (in liquidation) after minority interest (Note 4)	224,987	—
Net income for the year (Note 16)	<u>\$ 7,925,055</u>	<u>\$ 3,620,932</u>
<i>Earnings per share after preferred dividends (Note 12):</i>		
<i>Before extraordinary items</i>	66¢	30¢
<i>After extraordinary items</i>	88¢	35¢

Consolidated Statement of Retained Earnings FOR THE YEAR ENDED DECEMBER 31, 1973

	1973	1972
Retained earnings, beginning of year:		
As previously reported	\$ 9,658,465	\$ 7,731,132
Prior years' adjustments after minority interest (Note 16)	1,546,941	1,226,575
As restated.	11,205,406	8,957,707
Net income for the year	7,925,055	3,620,932
Reserve for contingencies appropriated from retained earnings in 1968	4,831,939	—
	<u>23,962,400</u>	<u>12,578,639</u>
Dividends—preferred shares	805,017	805,019
—common shares	1,625,388	568,214
	<u>2,430,405</u>	<u>1,373,233</u>
Retained earnings, end of year	<u>\$ 21,531,995</u>	<u>\$ 11,205,406</u>

Consolidated Balance Sheet DECEMBER 31 1973

ASSETS	1973	1972
Current Assets:		
Cash and bank deposits	\$ 3,200,446	\$ 2,334,445
Accounts receivable (Note 3)	52,076,171	46,047,887
Inventories at lower of cost and estimated realizable value, less progress payments	53,828,196	42,151,602
Prepaid expenses	923,297	962,035
	<u>110,028,110</u>	<u>91,495,969</u>
Investments, at cost:		
Shares in Dominion Coal Company, Limited (Note 4)	—	331,514
Notes due from Sidbec (Note 3)	—	5,000,000
Debentures (Note 5)	3,394,700	3,437,638
Mortgage and other investments	368,055	367,705
	<u>3,762,755</u>	<u>9,136,857</u>
Fixed Assets, at cost:		
Land, buildings, machinery and equipment	220,078,585	210,165,659
Less: Accumulated depreciation (Note 6)	109,455,426	100,241,474
	<u>110,623,159</u>	<u>109,924,185</u>
Other Assets, at cost less amortization:		
Patents (Note 7)	1,200,000	—
Issue costs of long term debt	260,444	239,877
	<u>1,460,444</u>	<u>239,877</u>
	<u>\$225,874,468</u>	<u>\$210,796,888</u>

LIABILITIES	1973	1972
Current Liabilities:		
Bank advances (Note 8)	\$ 14,790,477	\$ 19,196,888
Accounts payable and accrued liabilities	40,790,826	29,683,083
Dividends payable.	689,014	201,254
Income and other taxes payable	6,090,290	5,183,145
Deposits on sales contracts	4,434,484	1,315,735
Long term debt due within one year (Note 10)	3,688,039	2,485,547
Due to affiliated companies (Note 9)	2,375,579	2,040,711
	<u>72,858,709</u>	<u>60,106,363</u>
Long Term Debt (Note 10)	36,280,937	36,131,976
Provision for Unfunded Pensions (Note 11).	5,695,136	6,152,404
Deferred Income Taxes (Note 6)	11,081,038	10,274,393
Interest of Minority Shareholders in Subsidiaries	10,106,705	13,814,659
Shareholders' Equity:		
Preferred and common shares (Note 12)	68,319,948	68,279,748
Reserve for contingencies.	—	4,831,939
Retained earnings	21,531,995	11,205,406
	<u>89,851,943</u>	<u>84,317,093</u>
Approved on behalf of the Board:		
A. A. Hall, Director		
R. S. Faulkner, Director		
	<u>\$225,874,468</u>	<u>\$210,796,888</u>

Consolidated Statement of Source and Application of Working Capital

FOR THE YEAR ENDED DECEMBER 31, 1973

	1973	1972
Source:		
Net income for the year	\$ 7,925,055	\$ 3,620,932
Non-cash items included in determination of net income —		
Depreciation	8,508,912	7,923,263
Amortization of patents	398,317	—
Amortization of costs of long term debt.	19,433	18,682
Deferred income taxes	1,749,857	1,740,149
Income of subsidiaries attributable to minority shareholders	1,584,856	882,597
Funds provided from operations	20,186,430	14,185,623
Issue of long term debt.	6,960,000	—
Notes due from Sidbec reclassified to accounts receivable	5,000,000	—
Fixed assets disposals	1,103,321	1,300,736
Realization of coal mining inventories and properties	—	1,541,204
Recovery of investment in Dominion Coal Company, Limited (Note 4)	331,514	—
Common shares issued (Note 12)	40,200	—
Other items	42,588	42,235
	<u>33,664,053</u>	<u>17,069,798</u>
Application:		
Additions to fixed assets	13,407,958	7,544,021
Purchase of patents	1,598,317	—
Investments in subsidiaries	4,851,197	8,300
Reduction in working capital on purchase of subsidiary	—	2,670,112
Reduction in long term debt.	4,501,039	5,180,368
Reduction in provision for unfunded pensions	457,268	476,654
Dividends paid —		
To shareholders of Hawker Siddeley Canada Ltd.	2,430,405	1,373,233
To minority shareholders of subsidiaries	638,074	963,540
	<u>27,884,258</u>	<u>18,216,228</u>
Increase (decrease) in working capital	5,779,795	(1,146,430)
Working capital, beginning of year	31,389,606	32,536,036
Working capital, end of year	<u>\$ 37,169,401</u>	<u>\$ 31,389,606</u>

Notes to Consolidated Financial Statements FOR THE YEAR ENDED DECEMBER 31, 1973**1. General Notes and Principles of Consolidation:**

The consolidated financial statements include the accounts of all subsidiary companies except Dominion Coal Company, Limited (Domco), a partly-owned subsidiary of Hawker Industries Limited (Industries). The accounts of Domco are not consolidated because that company has appointed a liquidator to wind up its affairs and distribute its assets (see Note 4).

Assets and liabilities of foreign subsidiaries have been converted at rates of exchange prevailing at the year-end. In the case of the Company and its Canadian subsidiaries, assets and liabilities in foreign currencies have been converted at the year-end rates of exchange except for investments and long term debt which have been converted at the rates of exchange in effect when the investments were acquired or the obligations incurred except for certain of those obligations converted at rates of exchange determined by forward foreign exchange contracts.

For comparative purposes, certain of the 1972 accounts have been reclassified to conform with the 1973 presentation.

2. Classes of Business:

	Sales	
	1973	1972
Equipment for the transportation industry	\$132,480,792	\$ 99,559,030
Gas turbine power equipment for the oil, gas and aircraft industry and associated services	28,360,186	26,792,042
Other general engineering and services	92,786,595	83,046,797
	<u>\$253,627,573</u>	<u>\$209,397,869</u>

3. Accounts Receivable:

Accounts receivable at December 31, 1973 include non-interest bearing notes of Sidbec in the amount of \$5,000,000 which were paid when due on January 31, 1974.

The accounts receivable also include short term investments stated at cost, plus accrued interest, in the amounts of \$123,062 (1972 – \$59,400), being approximately market value.

4. Shares in Dominion Coal Company, Limited:

The investment of Industries in shares of Domco (see Note 1) comprises all the issued common shares and 26,521 preferred shares. During 1973 Domco appointed a liquidator to wind up its affairs and distribute its assets. Industries' investment in the common shares of Domco has no value. An initial distribution in respect of the preferred shares was received by Industries of which \$331,514 was applied to eliminate the cost of the investment and \$224,987, after minority interest, taken into income as an extraordinary item. The amount of any further distributions cannot be established until Domco's liabilities are settled, the liquidation proceedings completed, and the costs of winding up paid.

5. Debentures:

These are debentures issued by Sidbec-Dosco Ltd. (formerly Dominion Steel and Coal Corporation, Limited). At December 31, 1973 the market value of these debentures is estimated to be \$2,400,000.

6. Fixed Assets:**(Accumulated Depreciation)**

During the year the Company purchased from United Aircraft Corporation the 40% minority holdings in the shares and income debentures of Orenda Limited. On December 31, 1973 the net assets of Orenda Limited were distributed to the Company and the business is now carried on by the Orenda Division.

The cost of the Orenda Limited securities was \$2,153,539 less than their recorded value in that company and that sum together with a \$943,212 reduction in deferred income taxes arising on distribution of the net assets of Orenda Limited has been applied in reduction of fixed assets by transfer to accumulated depreciation.

7. Patents:

In 1973 the Company purchased patents and rights relating to the Chip-N-Saw product line for \$1,598,317. During the year the cost of the rights

and amortization of patents was charged to income in the amount of \$398,317. The Company plans to amortize the remaining patent costs over the ensuing four years.

8. Bank Advances:

Bank advances at December 31, 1973 include bank advances to Industries of \$960,077 (1972 – \$519,902) secured by a general assignment of its accounts receivable and an assignment of its inventories.

9. Due to Affiliated Companies:

The liability to affiliated companies at December 31, 1973 includes advances from the parent company of \$1,972,682 (1972 – \$1,891,358).

10. Long Term Debt:

	1973	1972
Hawker Siddeley Canada Ltd. – Promissory notes due in three equal annual instalments, 1974- 1976 with interest at prevailing mini- mum commercial lending rates of a Canadian chartered bank	\$ 3,000,000	\$ —
Canadian General Transit Company, Limited (55%-owned) Equipment Trust Certificates 4¼% – 6¼% due 1974 – 1980	1,532,000	1,844,000
First Mortgage Serial and Sinking Fund Equipment Notes 5% – 9% due 1974 – 1989 (U.S. \$14,375,000)	15,071,976	16,130,523
6% – 10¼% due 1974 – 1991	20,365,000	17,480,000
	39,968,976	35,454,523
Orenda Limited – Income Debentures	—	3,163,000
	39,968,976	38,617,523
Less – Due within one year included in current liabilities	3,688,039	2,485,547
	<u>\$36,280,937</u>	<u>\$36,131,976</u>

11. Pensions:

The Company and its subsidiaries have unfunded pension plans the principal one, in Industries, having originated in 1923. Funded pension plans were established in later years.

Based upon computations furnished by the Company's actuary, the provision of \$5,695,136 at December 31, 1973 together with future tax allowances, is considered adequate to provide for the cost of pensions under the unfunded plans. Payments to pensioners under these plans will be made from the general funds of the Company, and charged, after appropriate income taxes, to the provision. During 1973 pension payments, after income taxes, of \$457,268 were charged to the provision for unfunded pensions.

With respect to funded plans, the present value of past service obligations to be met, based on actuarial computations, is approximately \$7,000,000 at December 31, 1973. These obligations are to be met by annual payments charged to operations through 1989. During 1973 an amount of \$496,378 was charged to operations with respect to these obligations.

12. Preferred and Common Shares:

Preferred shares of the par value of \$100 each issuable in series – Authorized – 250,000 shares Issued – 240,000 5¼% cumulative redeemable shares Outstanding – 140,000 shares	\$14,000,000
Common shares without nominal or par value – Authorized – 10,000,000 shares Issued – 8,129,341 (1972 – 8,117,341) shares	54,319,948
	<u>\$68,319,948</u>

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

The Company has a stock option plan for officers and senior employees. During the year ended December 31, 1973, options were exercised for 12,000 common shares upon payment of \$40,200, and options for 5,000 shares were cancelled. On January 26, 1974, options to subscribe for 102,750 shares expired. From that date options to subscribe for unissued common shares were outstanding for 1,000 shares at \$6.25 per share expiring in 1974, 1,000 shares at \$6.50 per share expiring in 1976 and 13,000 shares at \$3.35 per share expiring in 1979.

If these outstanding options are exercised, the effect upon earnings per share would be insignificant.

13. Income Taxes:

At December 31, 1973 the Company had losses available to reduce future income tax provisions by approximately \$1,200,000.

14. Contingent Liabilities:

The Company and a subsidiary are contingently liable for trade notes discounted in the approximate amount of \$8,600,000.

15. Commitments:

At December 31, 1973 expenditures of approximately \$20,000,000 are required to complete capital programs including approximately \$13,000,000 for additions to the tank car leasing fleet. A further amount of \$19,600,000 has been authorized by the Board of Directors for commitment in 1974.

16. Prior Years' Adjustments:

Income tax assessments received by a subsidiary during 1973 relating to prior years have established the allowance for tax purposes of certain payments stemming from the acquisition in 1968 of the subsidiary's business interests from Dominion Steel and Coal Corporation, Limited. These assessments result in the release of certain provisions made in the period 1968-1972 which are no longer required. Accordingly, net income for 1972 is increased by \$320,366, retained earnings at December 31, 1971 are increased by \$1,226,575 and the interest of minority shareholders in subsidiaries at December 31, 1972 is increased by \$3,059. The recording of these adjustments reduced the 1972 balance of the provision for unfunded pensions by \$707,000 and the 1972 balance for deferred income taxes by \$843,000.

17. Remuneration of Directors and Officers:

For the year 1973 the remuneration of six directors amounted to \$27,088 (1972 - \$25,558) and of the eleven officers and one past officer amounted to \$458,710 (1972 - \$384,385). Six directors received no remuneration as directors. Five officers are also directors.

Auditors' Report

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, 1973 and the consolidated statements of income, retained earnings and source and application of working capital for the year then ended. 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 these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the source and application of their working capital 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 & Co.
Chartered Accountants

Toronto, Ontario, March 14, 1974

Divisions and Subsidiaries

Divisions:

Canadian Car Division, Thunder Bay, Ont.
Canadian Steel Foundries Division, Montreal, Que.
Canadian Steel Wheel Division, Montreal, Que.
Canadian Car (Pacific) Division, Vancouver, B.C.
Vancouver Industrial Controls Division, Richmond, B.C.
Orenda Division, Mississauga, Ont.

Subsidiaries:

Can-Car Inc., Atlanta, Ga., Alexandria, La., New Bern, N.C.
McComb, Miss., U.S.A. (100%)*
Chip-N-Saw, Inc., Atlanta, Ga., Eugene, Or., U.S.A.
The Dosco Corporation, Pittsburgh, Penn., Denver, Col., U.S.A.
Canadian Car Pte. Limited, Singapore (100%)*
Chip-N-Saw A/S, Naestved, Denmark (100%)*
Orenda Engines Inc., Buffalo, N.Y., U.S.A. (100%)*
Orenda (International) Limited, Mississauga, Ont., Aylesbury, England (100%)*
Hawker Industries Limited, Toronto, Ont. (99%)*
Canadian Bridge Division, Windsor, Ont.
Halifax Shipyards Division, Halifax, N.S.
Trenton Works Division, Trenton, N.S.
Dosco Overseas Engineering Limited, Aylesbury, England
Hollybank Engineering Company Limited, Aylesbury, England
Canadian General Transit Company, Limited, Montreal, Que.
Toronto, Ont., Moose Jaw, Sask., Red Deer, Alta. (55%)*

*percentage control by Hawker Siddeley Canada Ltd.

Divisions and Subsidiaries Engaged Mainly in Producing:

Equipment for the transportation industry

Canadian Car Division
Canadian Steel Wheel Division
Can-Car Inc.
Canadian Car Pte. Limited
Trenton Works Division
Canadian General Transit Company, Limited

Log skidders and other woodlands equipment ;
containers ; container chassis ; highway trailers ;
railway axles ; railway and industrial wheels ;
railway freight and tank cars ; industrial and mine
cars ; railway passenger cars (subway, commuter
and mainline) ; railway tank and hopper car
leasing ; liquid storage terminals ; forgings ;
storage and pressure tanks ; steel fabrications.

Gas turbine power equipment and associated services for the oil, gas and aircraft industries:

Orenda Division
Orenda Engines Inc.
Orenda (International) Limited

Industrial gas turbines for electrical power
generation, liquid and gas pumping, heating and
air conditioning ; aircraft gas turbines and
components ; components for nuclear power
applications ; electronic data processing services ;
engineering, design, laboratory testing and
graphics services.

Other general engineering and services:

Canadian Car (Pacific) Division
Vancouver Industrial Controls Division
Canadian Steel Foundries Division
Chip-N-Saw A/S
Chip-N-Saw, Inc.
Canadian Bridge Division
Halifax Shipyards Division
Dosco Overseas Engineering Limited
Hollybank Engineering Company Limited
The Dosco Corporation

Sawmill and lumber processing equipment ;
electric-electronics control equipment ; castings ;
trackwork ; transmission towers and poles ; masts ;
communications structures ; substations ; naval
and merchant shipbuilding and repair ; offshore
drilling vessel construction ; mining equipment.



Hawker Siddeley Canada LTD.



MANUFACTURING LOCATION



SALES AND/OR SERVICE LOCATION



OPERATING UNIT, PRODUCTS AND/OR SERVICES

Note: Sales also carried out from manufacturing locations and through independent dealers not shown.





