

Annual Report 1982

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# Rockwell International of Canada Ltd.

HOWARD ROSS LIBRARY  
OF MANAGEMENT  
MAR 10 1983  
McGILL UNIVERSITY



**Rockwell  
International**

...where science gets down to business





## Letter from the Chairman and the President

Earnings of Rockwell International of Canada Ltd. for the year ended Sept. 30, 1982, decreased to \$22.2 million, from \$33.1 in fiscal 1981. A reduction in interest income accounted for a significant part of the decline.

Sales of \$262.5 million in fiscal 1982 were up slightly from \$251.0 million a year ago. The corporation's export sales for 1982 increased to \$156.1 million or 59 percent of total sales, compared to \$145.8 million or 58 percent in 1981.

During 1982 the corporation made capital expenditures of \$6.6 million; purchased \$93 million of goods and services in Canada; incurred \$14.2 million in federal and provincial income taxes; and paid more than \$51.2 million in salaries, wages and benefits to its nearly 1,900 employees. The performance of the corporation during a recessionary period emphasizes the importance of our diversification and our sound financial condition.

The Automotive businesses, which manufacture and market components for heavy-duty trucks, special-purpose vehicles, light trucks and passenger cars, reported improved earnings due principally to increased volume and the fact that last year's earnings were reduced by costs associated with the discontinuance of the leaf spring business. Contributing to 1982 results was the contract awarded to the Highway Brake & Trailer Axle Division for brakes and axles for the new 2½-ton truck being manufactured for the Canadian Armed Forces.

Sales and earnings of the General Industries businesses, which manufacture and market flow control and measurement equipment, power tools and graphic arts equipment, declined due principally to the recession.

During the year the Flow Control Division acquired certain assets of Hills-McCanna Canada Limited, whose principal products are butterfly valves. This new product will allow the division to offer a more complete line of flow control equipment to its customers.

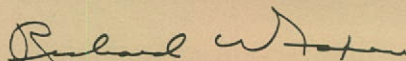
Results of the Electronics businesses were lower in 1982. The Collins Division, which manufactures and markets commercial, military and maritime communications systems reported lower sales and earnings because of the generally depressed world market for HF radio equipment. The division received a contract to manufacture 200 portable radios for the U.S. Marine Corps. During the year, production started on an all-solid-state, high-powered amplifier for use in very long range private communications systems.

Although the Electronics businesses' overall sales were lower, the Wescom Division increased sales of its telecommunications switching equipment.

For the board of directors and management we wish to thank our employees, customers and suppliers of goods and services who contributed to our success in a difficult year.



R.A. Kingston  
*Chairman*



R.W. Foxen  
*President*



September 30, 1982

# Balance Sheet

## Assets

	1982	1981
	<i>(Note 2)</i>	
	<i>(in thousands)</i>	
<b>CURRENT ASSETS</b>		
Cash (substantially all in U.S. dollar certificates of deposit) .....	<b>\$ 43,590</b>	\$ 65,423
Receivables		
Trade—(less allowance for doubtful accounts 1982—\$530; 1981—\$135) .....	<b>28,401</b>	25,559
Other .....	<b>1,995</b>	3,347
Income taxes recoverable .....	<b>855</b>	37,996
Inventories (Note 3) .....	<b>44,218</b>	37,860
Prepaid expenses .....	<b>2,082</b>	2,173
	<b>121,141</b>	172,358
 <b>PROPERTY—at cost</b>		
Land .....	<b>630</b>	630
Improvements to land and leaseholds .....	<b>1,574</b>	1,522
Buildings .....	<b>17,763</b>	17,593
Machinery and equipment .....	<b>48,424</b>	46,285
Construction in progress .....	<b>5,512</b>	4,126
	<b>73,903</b>	70,156
Less accumulated depreciation .....	<b>35,922</b>	33,994
	<b>37,981</b>	36,162
 Approved by the Board:		
J.D. Allan .....	<i>Director</i>	
A.R. Nielsen .....	<i>Director</i>	
	<b>\$159,122</b>	<b>\$208,520</b>



September 30, 1982

## Liabilities

	1982	1981
		(Note 2)
		(in thousands)
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities .....	\$ 27,793	\$ 31,552
Accounts payable to affiliated companies .....	2,133	354
Income taxes .....	-	50,061
Withholding taxes .....	-	18,831
	<u>29,926</u>	<u>100,798</u>
DEFERRED INCOME TAXES .....	9,225	8,955
	<u>39,151</u>	<u>109,753</u>
CONTINGENT LIABILITY (Note 7)		
 <b>STOCKHOLDERS' EQUITY</b>		
<b>SHARE CAPITAL</b>		
Authorized—an unlimited number of shares without par value		
Issued and fully paid—978,629 shares .....	4,980	4,980
CONTRIBUTED SURPLUS .....	9,988	9,988
RETAINED EARNINGS .....	105,003	83,799
	<u>119,971</u>	<u>98,767</u>
	<u>\$159,122</u>	<u>\$208,520</u>



Year ended September 30, 1982

# Statement of Income and Retained Earnings

	1982	1981
	<i>(Note 2)</i>	
	<i>(in thousands)</i>	
<b>SALES AND OTHER INCOME</b>		
Sales .....	<b>\$262,523</b>	\$251,040
Interest .....	<b>6,582</b>	56,477
	<b>269,105</b>	307,517
<b>COSTS AND EXPENSES</b>		
Cost of sales .....	<b>205,134</b>	206,316
Selling, general and administrative .....	<b>26,559</b>	24,619
Interest .....	<b>730</b>	31,683
Loss (gain) on foreign exchange .....	<b>278</b>	(3,753)
Recovery of charges from Rockwell International Corporation .....	-	(1,665)
	<b>232,701</b>	257,200
<b>INCOME BEFORE INCOME TAXES</b> .....	<b>36,404</b>	50,317
<b>PROVISION FOR INCOME TAXES</b> .....	<b>14,200</b>	17,200
<b>NET INCOME</b> .....	<b>22,204</b>	33,117
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b> .....	<b>83,799</b>	170,206
<b>PROVISION FOR REFUNDABLE TAXES</b> .....	<b>(1,000)</b>	(31,636)
<b>RECOVERY OF REFUNDABLE TAXES</b> .....	-	37,650
<b>DIVIDENDS PAID</b> .....	-	(125,538)
<b>RETAINED EARNINGS, END OF YEAR</b> .....	<b>\$105,003</b>	\$83,799



Year ended September 30, 1982

# Statement of Changes in Financial Position

	1982	1981
		(Note 2)
		(in thousands)
<b>RESOURCES PROVIDED</b>		
Operations		
Net Income	\$ 22,204	\$ 33,117
Items not affecting working capital		
Depreciation	3,892	4,001
Deferred income taxes	270	(766)
Gain on sales of property	(81)	(1,091)
	<u>26,285</u>	<u>35,261</u>
Amalgamation	-	2,706
Proceeds from sales of property	975	2,059
Recovery of refundable taxes	-	37,650
	<u>27,260</u>	<u>77,676</u>
<b>RESOURCES APPLIED</b>		
Property additions	6,605	6,467
Dividends paid	-	125,538
Redemption of preference shares	-	15,072
Refundable taxes	1,000	31,636
	<u>7,605</u>	<u>178,713</u>
<b>INCREASE (DECREASE) IN WORKING CAPITAL</b>	<u>\$ 19,655</u>	<u>\$(101,037)</u>
<b>CHANGES WITHIN WORKING CAPITAL</b>		
Increases (decreases) in current assets		
Cash	\$(21,833)	\$(232,195)
Receivables		
Trade	2,842	9,603
Other	(1,352)	1,352
Income taxes recoverable	(37,141)	37,996
Inventories	6,358	(4,746)
Prepaid expenses	(91)	523
	<u>(51,217)</u>	<u>(187,467)</u>
Increases (decreases) in current liabilities		
Accounts payable and accrued liabilities	(3,759)	10,800
Accounts payable to affiliated companies	1,779	(5,928)
Income taxes	(50,061)	47,891
Withholding taxes	(18,831)	18,831
Notes payable to Rockwell International Corporation	-	(158,024)
	<u>(70,872)</u>	<u>(86,430)</u>
<b>INCREASE (DECREASE) IN WORKING CAPITAL</b>	<u>\$ 19,655</u>	<u>\$(101,037)</u>



September 30, 1982

# Notes to the Financial Statements

## 1. SIGNIFICANT ACCOUNTING POLICIES

### Foreign currency translation

Foreign currency accounts in these financial statements are translated into Canadian dollars on the following basis:

- (a) Receivables and payables—at the rate of exchange prevailing at the year end.
- (b) Income and expenses—at the weighted average rate of exchange for the year.

Gains and losses on translation of foreign currencies are included in income.

### Inventories

Inventories are stated at the lower of cost (using FIFO method) and market, less progress payments received. Market is determined on the basis of net realizable value for finished goods and work in process, and of replacement cost for raw materials.

### Depreciation of property

Depreciation is provided for principally on a straight-line basis over the estimated useful lives of the respective assets.

The ranges of estimated useful lives used in computing depreciation are generally as follows:

	<u>Years</u>
Improvements to land and leaseholds	3-50
Buildings	10-50
Machinery and equipment	3-18

### Income taxes

Taxes are provided for, at appropriate rates, on the basis of items included in the determination of income for financial reporting purposes regardless of the period when such items are reported for tax purposes. Deferred taxes arise from timing differences in the recognition of income and expense for financial and tax reporting purposes. The principal timing difference is depreciation.

### Retirement plans

It is the policy of the company to fund accrued retirement plan costs. Such costs are actuarially computed using the aggregate cost, entry-age normal and unit credit methods. Under the aggregate cost method, all presently unfunded costs, including prior service costs, and all changes in costs due to experience or other factors, are spread over the remaining service lives of

the participants. Under the entry-age normal and unit credit methods, costs include, in addition to current service costs, funding of unfunded prior service costs, generally over a fifteen-year period.

## 2. AMALGAMATION

On October 1, 1981, Rockwell International of Canada (Ontario) Ltd and its wholly-owned subsidiary, Rockwell International of Canada Ltd, amalgamated under Section 178 of the Canada Business Corporations Act. Rockwell International of Canada Ltd. is the name of the amalgamated corporation.

For fiscal periods ended September 30, 1981 financial statements of Rockwell International of Canada (Ontario) Ltd were prepared on a non-consolidated basis as the financial statements of its subsidiary were presented separately to the company's stockholders. For purposes of comparison the 1981 figures have been restated on a consolidated basis.

## 3. INVENTORIES

Inventories at September 30 are summarized as follows:

	<u>1982</u>	<u>1981</u>
		<i>(Note 2)</i>
		<i>(in thousands)</i>
Finished goods	<b>\$18,482</b>	\$13,810
Work in process	<b>15,865</b>	12,556
Raw materials	<b>9,871</b>	11,494
	<b><u>\$44,218</u></b>	<b><u>\$37,860</u></b>

## 4. RETIREMENT PLANS

The company has various retirement plans which cover most of its employees and which provide generally for monthly pension payments to eligible employees upon retirement. The provision for retirement plan costs amounted to \$1,500,000 for 1982 and \$2,021,000 for 1981. The actuarially computed value of vested benefits as of the most recent valuation dates under certain plans exceeded the market value of fund assets and balance sheet accruals by approximately \$2,250,000 at September 30, 1982 and \$3,460,000 at September 30, 1981. The unfunded prior service costs of company retirement plans amount to approximately \$4,020,000 at September 30, 1982 and \$5,900,000 at September 30, 1981.



September 30, 1982

## 5. TRANSACTIONS WITH ROCKWELL INTERNATIONAL CORPORATION

The ultimate parent company is Rockwell International Corporation. Significant transactions with Rockwell International Corporation and affiliated companies during the years ended September 30, 1982 and 1981 not otherwise disclosed in the financial statements were as follows:

	<u>1982</u>	<u>1981</u>
	(Note 2)	
	(in thousands)	
Sales of components and finished goods	<b>\$54,835</b>	\$60,108
Purchases of components and finished goods	<b>\$67,781</b>	\$50,861
Cost allocations charged by affiliates	<b>\$11,724</b>	\$10,033
Interest paid	<b>\$ -</b>	\$31,645

## 6. INDUSTRY SEGMENT INFORMATION

The company has diversified operations comprising the following industry segments:

Automotive businesses manufacture and market various automotive components for heavy duty trucks, special purpose vehicles, light trucks and passenger cars.

General Industries businesses manufacture and market graphic arts equipment, power tools and flow control products.

Electronics businesses manufacture and market telecommunications and microelectronics systems and equipment.

The directors of the company have approved the above industry segments as being those which most appropriately reflect the company's classes of business.

Sales are summarized as follows:

	<u>1982</u>	<u>1981</u>
	(Note 2)	
	(in thousands)	
Automotive	<b>\$161,102</b>	\$127,339
General Industries	<b>49,213</b>	60,849
Electronics	<b>52,208</b>	62,852
	<b><u>\$262,523</u></b>	<b><u>\$251,040</u></b>

## 7. CONTINGENT LIABILITY

Wescom Canada Limited, which was amalgamated with the company on October 1, 1980, has been assessed, by the Federal and Provincial taxation authorities, additional income taxes, penalties and interest amounting to approximately \$2,000,000 for the years 1973 to 1977. These assessments are based upon a review of certain transactions between Wescom Canada Limited and its previous parent company. The company has filed Notices of Objection with respect to these assessments. Management feels that the company has a defense against these assessments and, accordingly, no provision has been made in these financial statements.

## Auditors' Opinion

To the Stockholders of  
Rockwell International  
of Canada Ltd.:

We have examined the balance sheet of Rockwell International of Canada Ltd. as at September 30, 1982 and the statements of income and retained earnings and of 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 financial statements present fairly the financial position of Rockwell International of Canada Ltd. as at September 30, 1982 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 after restatement of the financial statements of that year as explained in Note 2.

*Deloitte Hasler & Mills*

Auditors

October 28, 1982



## Directors and Principal Officers

### Directors

**Robert A. Kingston, Q.C.**  
*Chairman*  
Rockwell International of  
Canada Ltd.  
and  
Partner  
Blake, Cassels & Graydon  
Toronto, Ontario

**Richard W. Foxen**  
*President*  
Rockwell International of  
Canada Ltd.  
and  
Senior Vice President,  
International  
Rockwell International  
Corporation  
Pittsburgh, Pennsylvania

**John D. Allan**  
President and Chief  
Operating Officer  
Stelco Inc.  
Toronto, Ontario

**A. James Harkness**  
*Vice President, Secretary  
and Controller*  
Rockwell International of  
Canada Ltd.  
Toronto, Ontario

**Dr. H. Ian Macdonald**  
President  
York University  
Toronto, Ontario

**Arne R. Nielsen**  
Chairman and Chief  
Executive Officer  
Canadian Superior Oil Ltd.  
Calgary, Alberta

**Robert G. Rogers**  
Chairman of the Board  
Canada Harbour Place  
Corporation  
Vancouver, British Columbia

**Martin D. Walker**  
Executive Vice President  
Rockwell International  
Corporation  
Pittsburgh, Pennsylvania

### Principal Officers

**Robert A. Kingston, Q.C.**  
*Chairman*

**Richard W. Foxen**  
*President*

**Lee H. Cramer**  
*Vice President and Treasurer*

**A. James Harkness**  
*Vice President, Secretary  
and Controller*

### Corporate Offices

1 First Canadian Place,  
Box 171, Suite 3110,  
Toronto, Ontario  
M5X 1G7  
Phone (416) 363-9251

Rockwell International of  
Canada Ltd. is a wholly owned  
subsidiary of Rockwell  
International Corporation,  
Corporate Headquarters,  
Pittsburgh, Pennsylvania, U.S.A.

## Principal Plants, Offices and Products

### Automotive

**Brake & Axle Division**  
M. W. Berthiaume, *Plant  
Manager*  
Tilbury, Ontario

**Plastics Division**  
J. S. Bardwell, *Plant Manager*  
Gananoque, Ontario

**Suspension Components  
Division**  
B. Dolson, *Plants Manager*  
Chatham, Ontario  
Lacolle, Quebec  
Milton, Ontario

**Mechanical Devices  
Division**  
J. Moroz, *Plant Manager*  
Bracebridge, Ontario

**Service Parts Division**  
B. Rutter, *Facility Manager*  
Mississauga, Ontario\*

### General Industries

**Graphics Systems Division**  
B. Bedi, *Controller/Manager*  
Don Mills, Ontario\*  
Montreal, Quebec\*

**Flow Control Division**  
L. O. Smith, *General Plant  
Manager*  
Barrie, Ontario  
Calgary, Alberta\*  
Mississauga, Ontario\*

**Power Tool Division**  
R. Heise, *Managing Director*  
Calgary, Alberta\*  
Edmonton, Alberta\*  
Guelph, Ontario  
London, Ontario\*  
Mississauga, Ontario\*  
Ottawa, Ontario\*  
Quebec City, Quebec\*  
St. Laurent, Quebec\*  
Vancouver, British Columbia\*  
Winnipeg, Manitoba\*

**Municipal & Utility Division**  
J. R. Stevenson, *General Plant  
Manager*  
Calgary, Alberta\*  
Guelph, Ontario  
Montreal, Quebec\*  
Vancouver, British Columbia\*

### Electronics

**Collins Canada Division**  
D. G. Brownell, *Managing  
Director*  
Ottawa, Ontario\*  
Toronto, Ontario

**Wescom Canada Division**  
L. Mitrovich, *General Manager*  
Georgetown, Ontario

\*Indicates non-manufacturing  
activity.

### Principal Products

Automotive brake systems and axles; plastic products; auto-  
motive, railroad, and industrial springs; mechanical devices;  
stamped automotive parts and equipment; clamps and cou-  
plings; flow measurement and control equipment; printing  
machinery and related products; consumer and industrial  
power tools; commercial, military and maritime communica-  
tions systems; telecommunications switching equipment.







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