

C  
Dup

HOWARD ROSS LIBRARY  
OF MANAGEMENT  
MAR 10 1982  
MCGILL UNIVERSITY



## Letter from the Chairman and the President

Earnings for the year ended Sept. 30, 1981, increased to \$28.1 million, up from \$20.3 million in fiscal 1980. An increase in foreign exchange gains and a reduction in interest expense contributed significantly to the gain. Sales were \$251.0 million, up from \$238.3 million last year.

The company's export sales in 1981 amounted to \$145.8 million, or 58 percent of sales, compared to \$148.6 million, or 62 percent of sales, in 1980.

In 1981, the company made capital expenditures of \$6.5 million; purchased \$91.5 million in goods and services in Canada; incurred \$17.2 million in federal and provincial income taxes; and paid more than \$49.5 million in salaries, wages and benefits to our nearly 2,200 employees.

The company's Electronics and General Industries businesses increased sales in 1981. The company's amalgamation on Oct. 1, 1980, with Wescom Canada Limited contributed to the higher sales for Electronics. With the Wescom 580 Digital Switching Systems equipment available, the Wescom Communications Switching Division is poised to expand its market penetration. Improved sales of Collins telecommunications products also contributed to the increase.

During the year, the Collins Canada Division in Toronto was selected by the parent company as the manufacturing location within Rockwell of HF 80 radio equipment for worldwide distribution.

General Industries' increased sales were due primarily to higher volume in the graphics and flow control businesses.

In 1981, the company's Flow Control Division in Barrie, Ontario, began producing large Hypresphere pipeline ball valves and Dynamic Balance plug valves.

Automotive businesses' 1981 sales were lower due to severely depressed passenger car and truck markets and discontinued production of leaf springs at both the Chatham and Milton, Ontario, facilities. The Chatham and Milton plants continue to produce automotive coil springs of advanced design, stabilizer bars and torsion bars and a wide variety of railroad coil springs.

During the year, the Mechanical Devices Division began production of window regulators and seat recliners, and increased employment at the division by 80 percent.

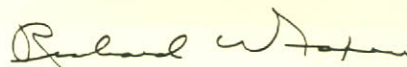
Also in the automotive area, 1981 marked the first full year of operation for our Service Parts Division in Toronto.

Assuming a reasonable recovery in the Canadian and United States economies, we look forward to reporting another year of improved earnings in 1982.

On behalf of our board of directors and management, we extend our appreciation to our employees, customers and suppliers of goods and services who helped make 1981 another year of progress.



R. A. Kingston  
*Chairman*



R. W. Foxen  
*President*

September 30, 1981 and 1980

# Balance Sheets

## Assets

|  | 1981                  | 1980      |
|--|-----------------------|-----------|
|  | <i>(in thousands)</i> |           |
| <b>CURRENT ASSETS</b>  |                       |           |
| Cash (substantially all in certificates of deposit) .....                    | <b>\$ 49,508</b>      | \$272,020 |
| Receivables:   |                       |           |
| Trade—(less allowance for doubtful accounts<br>1981—\$135; 1980—\$275) ..... | <b>25,559</b>         | 15,956    |
| Other—principally refundable income taxes .....                              | <b>9,959</b>          | 1,995     |
| Inventories (Note 3) .....   | <b>37,860</b>         | 42,606    |
| Prepaid expenses .....   | <b>2,173</b>          | 1,650     |
|  | <b>125,059</b>        | 334,227   |
| <br><b>PROPERTY—at cost</b>  |                       |           |
| Land .....   | <b>630</b>            | 571       |
| Improvements to land and leaseholds .....                                    | <b>1,522</b>          | 1,482     |
| Buildings .....  | <b>17,593</b>         | 16,781    |
| Machinery and equipment .....  | <b>46,285</b>         | 41,034    |
| Construction in progress .....   | <b>4,126</b>          | 5,946     |
|  | <b>70,156</b>         | 65,814    |
| <br>Less accumulated depreciation .....                                      | <b>33,994</b>         | 31,794    |
|  | <b>36,162</b>         | 34,020    |
| <br><b>On behalf of the Board:</b>   |                       |           |
| R. A. Kingston .....   | <i>Director</i>       |           |
| Ian Macdonald .....  | <i>Director</i>       |           |
|  | <b>\$161,221</b>      | \$368,247 |

September 30, 1981 and 1980

## Liabilities

|  | 1981                  | 1980             |
|--|-----------------------|------------------|
|  | <i>(in thousands)</i> |                  |
| <b>CURRENT LIABILITIES</b>                                 |                       |                  |
| Accounts payable and accrued liabilities .....             | \$ 31,214             | \$ 20,752        |
| Accrued income taxes .....                                 | 22,426                | 1,310            |
| Notes payable to Rockwell International Corporation .....  | —                     | 158,024          |
| Accounts payable to affiliated companies .....             | 354                   | 6,282            |
|  | <u>53,994</u>         | <u>186,368</u>   |
| <br>   |                       |                  |
| DEFERRED INCOME TAXES .....                                | 8,955                 | 9,671            |
|  | <u>62,949</u>         | <u>196,039</u>   |
| <br>   |                       |                  |
| CONTINGENT LIABILITY (Note 8)                              |                       |                  |
| <br>   |                       |                  |
| <b>STOCKHOLDER'S EQUITY</b>                                |                       |                  |
| <b>SHARE CAPITAL</b>                                       |                       |                  |
| Authorized—an unlimited number of shares without par value |                       |                  |
| Issued and fully paid—959,990 shares .....                 | 1,680                 | 1,680            |
| CONTRIBUTED SURPLUS (Note 2) .....                         | 13,288                | 9,988            |
| RETAINED EARNINGS .....                                    | 83,304                | 160,540          |
|  | <u>98,272</u>         | <u>172,208</u>   |
| <br>   |                       |                  |
|  | <u>\$161,221</u>      | <u>\$368,247</u> |

Years ended September 30, 1981 and 1980

## Statements of Income and Retained Earnings

|  | 1981                  | 1980      |
|--|-----------------------|-----------|
|  | <i>(in thousands)</i> |           |
| <b>SALES AND OTHER INCOME</b>  |                       |           |
| Sales .....  | <b>\$251,040</b>      | \$238,286 |
| Interest .....   | <b>50,287</b>         | 49,577    |
|  | <b>301,327</b>        | 287,863   |
| <b>COSTS AND EXPENSES</b>  |                       |           |
| Cost of sales .....  | <b>206,316</b>        | 197,990   |
| Selling, general and administrative .....                            | <b>24,281</b>         | 20,086    |
| Interest (Note 6) .....  | <b>31,683</b>         | 36,919    |
| Gain on foreign exchange .....                                       | <b>(4,605)</b>        | (616)     |
| Recovery of charges from<br>Rockwell International Corporation ..... | <b>(1,665)</b>        | —         |
|  | <b>256,010</b>        | 254,379   |
| <b>INCOME BEFORE INCOME TAXES</b> .....                              | <b>45,317</b>         | 33,484    |
| <b>PROVISION FOR INCOME TAXES</b> .....                              | <b>17,200</b>         | 13,200    |
| <b>NET INCOME</b> .....  | <b>28,117</b>         | 20,284    |
| <b>RETAINED EARNINGS, BEGINNING OF YEAR</b> .....                    | <b>160,540</b>        | 142,156   |
| <b>PROVISION FOR REFUNDABLE TAXES</b> .....                          | <b>(3,364)</b>        | (1,900)   |
| <b>RECOVERY OF REFUNDABLE TAXES</b> .....                            | <b>6,611</b>          | —         |
| <b>CASH DIVIDENDS PAID</b> .....                                     | <b>(108,600)</b>      | —         |
| <b>RETAINED EARNINGS, END OF YEAR</b> .....                          | <b>\$ 83,304</b>      | \$160,540 |

Years ended September 30, 1981 and 1980

# Statements of Changes in Financial Position

|   | 1981                  | 1980             |
|---|-----------------------|------------------|
|   | <i>(in thousands)</i> |                  |
| <b>RESOURCES PROVIDED</b>                           |                       |                  |
| Operations  |                       |                  |
| Net income  | \$ 28,117             | \$ 20,284        |
| Items not affecting working capital                 |                       |                  |
| Depreciation  | 4,001                 | 3,700            |
| Deferred income taxes                               | (766)                 | 1,549            |
| Gain on sales of property                           | (1,091)               | (1,180)          |
|   | <u>30,261</u>         | <u>24,353</u>    |
| Amalgamation (Note 2)                               | 2,706                 | —                |
| Proceeds from sales of property                     | 2,059                 | 3,619            |
| Recovery of refundable taxes                        | 6,611                 | —                |
|   | <u>41,637</u>         | <u>27,972</u>    |
| <b>RESOURCES APPLIED</b>                            |                       |                  |
| Cash dividends paid                                 | 108,600               | —                |
| Property additions                                  | 6,467                 | 8,220            |
| Refundable taxes                                    | 3,364                 | 1,900            |
|   | <u>118,431</u>        | <u>10,120</u>    |
| (DECREASE) INCREASE IN WORKING CAPITAL              | <u>\$ (76,794)</u>    | <u>\$ 17,852</u> |
| <b>CHANGES WITHIN WORKING CAPITAL</b>               |                       |                  |
| Increases (decreases) in current assets             |                       |                  |
| Cash  | \$ (222,512)          | \$180,025        |
| Short-term investment                               | —                     | (12,227)         |
| Receivables   |                       |                  |
| Trade   | 9,603                 | (7,233)          |
| Other   | 7,964                 | 1,013            |
| Inventories   | (4,746)               | (1,750)          |
| Prepaid expenses                                    | 523                   | 663              |
|   | <u>(209,168)</u>      | <u>160,491</u>   |
| Increases (decreases) in current liabilities        |                       |                  |
| Accounts payable and accrued liabilities            | 10,462                | (10,299)         |
| Accrued income taxes                                | 21,116                | (8,088)          |
| Notes payable to Rockwell International Corporation | (158,024)             | 158,024          |
| Accounts payable to affiliated companies            | (5,928)               | 3,002            |
|   | <u>(132,374)</u>      | <u>142,639</u>   |
| (DECREASE) INCREASE IN WORKING CAPITAL              | <u>\$ (76,794)</u>    | <u>\$ 17,852</u> |

September 30, 1981 and 1980

# Notes to the Financial Statements

## 1. SIGNIFICANT ACCOUNTING POLICIES

### Foreign currency translation

Foreign currencies are translated to Canadian dollars as follows: current assets (other than inventories) and liabilities at the approximate exchange rates at year end, inventories at exchange rates prevailing when produced or acquired; revenues and expenses at the average monthly exchange rates during the year. The company does not have any non-current assets or liabilities denominated in foreign currency.

### 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 were 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, amortization of unfunded prior service costs, generally over a fifteen-year period.

## 2. AMALGAMATION

On October 1, 1980 Rockwell International of Canada Ltd and Wescom Canada Limited an affiliated company amalgamated under Section 178 of the Canada Business Corporations Act. Rockwell International of Canada Ltd is the name of the amalgamated corporation. As both companies were ultimately wholly-owned subsidiaries of Rockwell International Corporation, the assets and liabilities of Wescom Canada Limited were valued at net book value, rather than their fair value and the share capital and retained earnings of Wescom Canada Limited as at September 30, 1980 aggregating \$3,300,000 were added to contributed surplus of Rockwell International of Canada Ltd. The 1980 figures have not been restated to include the accounts of Wescom Canada Limited.

At the date of amalgamation, the net assets of Wescom Canada Limited were as follows (in thousands):

|                 |                       |
|-----------------|-----------------------|
| Working capital | <b>\$2,706</b>        |
| Property (net)  | <b>644</b>            |
| Deferred tax    | <b>(50)</b>           |
|                 | <b><u>\$3,300</u></b> |

## 3. INVENTORIES

Inventories at September 30, are summarized as follows:

|                 | <u>1981</u>            | <u>1980</u>     |
|-----------------|------------------------|-----------------|
|                 | <i>(in thousands)</i>  |                 |
| Finished goods  | <b>\$13,810</b>        | \$13,728        |
| Work in process | <b>12,556</b>          | 18,751          |
| Raw materials   | <b>11,494</b>          | 10,127          |
|                 | <b><u>\$37,860</u></b> | <u>\$42,606</u> |

## 4. RETIREMENT PLANS

The company has various retirement plans which cover most of its employees and which provide gener-



ally for monthly pension payments to eligible employees upon retirement. The provision for retirement plan costs amounted to \$2,021,000 for 1981 and \$2,935,000 for 1980. 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 \$3,460,000 at September 30, 1981 and \$4,300,000 at September 30, 1980. The unfunded prior service costs of company retirement plans amount to approximately \$5,900,000 at September 30, 1981 and \$12,800,000 at September 30, 1980. The current year's decrease in retirement plan costs results primarily from experience gains of \$4,500,000 and \$3,500,000 due to changes in actuarial interest rate assumptions, amortized generally over a fifteen-year period.

## 5. REFUNDABLE TAXES

Under the Income Tax Act, the company is classified as a private corporation and, therefore, taxes payable relative to certain investment income are potentially refundable at the rate of \$1 for each \$4 of taxable dividends paid. Taxable dividends amounting to \$108,600,000 were paid in 1981 (1980—nil). Should the company cease to be classified as a private corporation, the entitlement to refund would be lost. At September 30, 1981 and 1980 refundable taxes amounted to nil and \$3,247,000 respectively.

## 6. 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, 1981 and 1980 not otherwise disclosed in the financial statements were as follows:

|  | 1981                  | 1980     |
|--|-----------------------|----------|
|  | <i>(in thousands)</i> |          |
| Sales of components and finished goods     | <b>\$60,108</b>       | \$54,908 |
| Purchases of components and finished goods | <b>\$50,861</b>       | \$51,644 |
| Cost allocations charged                   | <b>\$10,033</b>       | \$ 9,138 |
| Interest paid                              | <b>\$31,645</b>       | \$36,914 |

Interest was paid on short-term notes payable to Rockwell International Corporation throughout the year at varying interest rates set at ¼ of 1% below the market interest rates on short-term deposits. There were no notes payable outstanding at September 30, 1981. The weighted-average interest rate on the notes payable outstanding at September 30, 1980 was 13.4%.

## 7. 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:

|                    | 1981                    | 1980                    |
|--------------------|-------------------------|-------------------------|
|                    | <i>(in thousands)</i>   |                         |
| Automotive         | <b>\$127,339</b>        | \$141,314               |
| General Industries | <b>60,849</b>           | 48,906                  |
| Electronics        | <b>62,852</b>           | 48,066                  |
|                    | <b><u>\$251,040</u></b> | <b><u>\$238,286</u></b> |

## 8. CONTINGENT LIABILITY

Wescom Canada Limited which was amalgamated with the company on October 1, 1980, has been assessed additional income taxes, penalties and interest, by the Federal and Provincial taxation authorities 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 com-

Years ended September 30, 1981 and 1980

pany has a defense against these assessments and accordingly, no provision has been made in these financial statements.

## 9. SUBSEQUENT EVENT

On October 1, 1981, the company amalgamated with its parent company, Rockwell International of Canada (Ontario) Ltd, under Section 178 of the Canada Business Corporations Act. Rockwell International of Canada Ltd. is the name of the amalgamated corporation. The assets, liabilities and stockholders' equity of Rockwell International of Canada (Ontario) Ltd at October 1, 1981 were as follows (in thousands):

| <b>ASSETS</b>  |                  |
|--|------------------|
| Current assets—principally term deposits and income tax recoverable  | \$ 47,299        |
| Investment in Rockwell International of Canada Ltd                   | 98,272           |
|  | <u>\$145,571</u> |
| <br>   |                  |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                          |                  |
| Current liabilities—principally income and withholding taxes payable | \$ 46,804        |
| Share capital  | 4,980            |
| Contributed surplus  | 61,093           |
| Retained earnings  | 32,694           |
|  | <u>\$145,571</u> |

## Auditors' Opinion

To the Stockholder of  
Rockwell International  
of Canada Ltd:

We have examined the balance sheets of Rockwell International of Canada Ltd as at September 30, 1981 and 1980 and the statements of income and retained earnings and of changes in financial position for each of the years then ended. Our examinations were 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, 1981 and 1980 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles consistently applied.

*Ullaette Mackenzie Wells*

Chartered Accountants  
Toronto, Ontario

October 28, 1981

## 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  
Vice President, International  
Rockwell International  
Corporation  
Pittsburgh, Pennsylvania

**John D. Allan**  
*President*  
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**  
*President & Chief Executive  
Officer*  
Canadian Superior Oil Ltd.  
Calgary, Alberta

**Robert G. Rogers**  
*Chairman of the Board*  
Crown Zellerbach Canada  
Limited  
Vancouver, British Columbia

**Martin D. Walker**  
*Senior Vice President*  
Rockwell International  
Corporation  
and  
President  
Automotive Operations  
Rockwell International  
Corporation  
Troy, Michigan

### 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  
Telex 06-523718

*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 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**  
R. Lacy, *Facility Manager*  
Mississauga, Ontario\*

### General Industries

**Graphic 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*  
Mississauga, Ontario\*  
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; automotive railroad and industrial springs; mechanical devices; stamped automotive parts and equipment; clamps and couplings; flow measurement and control equipment; printing machinery and related products; consumer and industrial power tools; commercial, military and maritime communications systems; telecommunications switching equipment.

