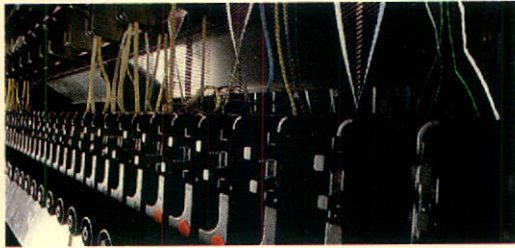
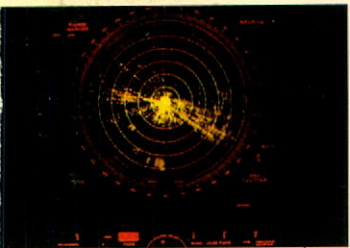
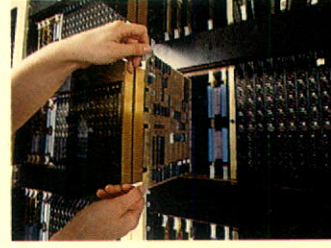
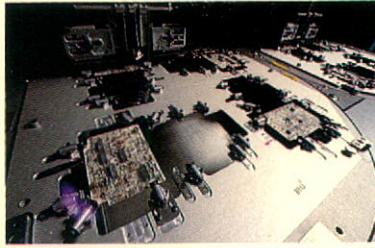
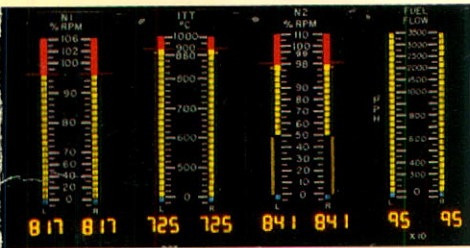


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 CANADIAN MARCONI COMPANY
 1982-1983



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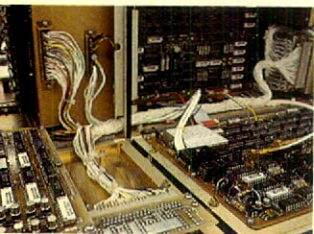
HOWARD ROBERT LOOMBY
 OF MANAGEMENT
 JUN 18 1985
 MCGILL UNIVERSITY

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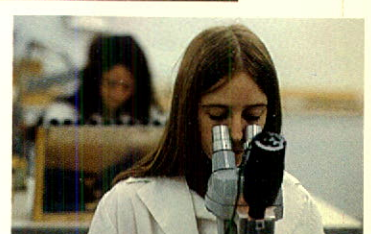
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The Annual General Meeting of Shareholders will be held at Canadian Marconi Company, 90 Trenton Avenue (corner Aberdare and Trenton), on Thursday, August 11, 1983 at 11 o'clock.



1903
1983



FRONT COVER:
Top Row: (l-r) ANI/GRC-103 Radio mast and antenna assembly; Scalar Network Analyser, Electrical Standards Lab
Second Row: (l-r) CMA-730 Engine Instruments; Axial-Lead Inserter; Microprocessor-based technology, CMA-755 Telex Exchange

Third Row: (l-r) LN-66 Radar display; Expandable Component Sequencer
Fourth Row: (l-r) Maintenance of land-based air navigation and communication stations; In-house training and support; Canadian Marconi celebrates its 80th anniversary

AN OVERVIEW

The first transatlantic wireless transmission in 1901 catapulted the field of communications into a new generation. Guglielmo Marconi's achievement was a milestone which altered the course of communications history, launching an era which far surpassed even his own most advanced projections, and remains unparalleled in growth and potential. Concurrently, Marconi laid the foundation of a business concern that today is one of the world's foremost innovators of advanced, high technology electronics: Canadian Marconi Company.

CMC's 2900 employees fulfill the requirements of its two major operating segments, the Communications Group (Commercial, Defence and Special Services Divisions) and the Electronics Group (Avionics, Components and Radar Divisions and the DataComm Products Department). Executive offices and major manufacturing facilities are based in Montreal, Quebec, as are five of the Company's six divisions. The Radar Division, as well as various engineering development programs, operate from the Company's plant in Kanata, Ontario. Canadian Marconi's world-wide sales and support network is augmented by its cross-Canada sales and service organization, and its wholly-owned United States subsidiaries, CMC Electronics, Inc. and Sun World Circuits, Inc. CMC is a publicly held Canadian corporation, with The General Electric Company plc of England, holding 51.6% of the Company's common shares.

Technological innovation has characterized the Company's history from the early days of wireless telegraphy to the advanced airborne electronics systems and ground radio communications systems of the 1980's. A pioneer in the Canadian telecommunications industry, Canadian Marconi continues as a dominant force in the design, development, manufacture and support of high technology military and commercial electronics.



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Top Row: Edge-lit panel inspection

Second Row: (l-r) Electrical Standards Lab; Illuminated Panels Dept.; A.B. Dick 'Magna III' Workstation

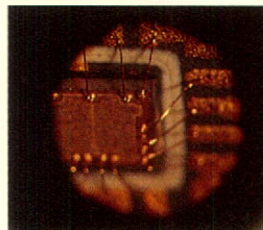
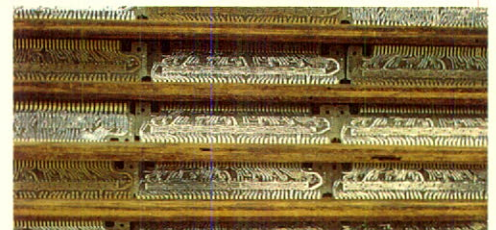
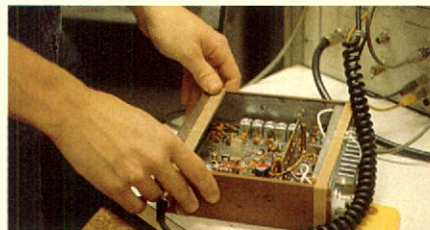
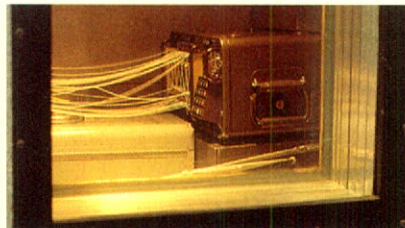
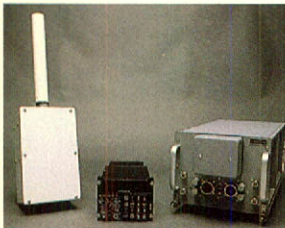
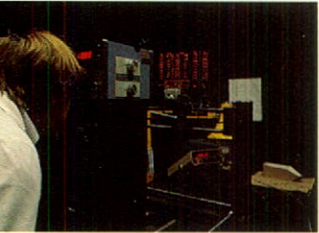
Third Row: (l-r) Antenna for the AN/SPS-503 Radar; Computerized multi-function CNC 'Chucker', Machined Parts Dept.; Maritime alarm signal generator; Mast erection for AN/GRC-103 system; Microprocessor-based software development

Fourth Row: (l-r) Omega Nav System: Receiver/processor unit displaying circuit cards; Mechanical Standards Lab; Microcircuits Lab; Equipment test, engineering lab

TECHNOLOGY

Canadian Marconi Company's Communications and Electronics Groups produce a comprehensive product mix designed and engineered to satisfy rigorous global demands. CMC's well-founded reputation, based primarily on its dedication to advanced engineering programs, attracts a talented and highly skilled work force. Engineering and manufacturing facilities are designed to augment development and production, furthering the Company's position at the leading edge of technology.

The Company's technological capability ranges from single-channel HF/SSB radio receivers to sophisticated telex exchanges and high-precision world-wide navigation and tactical communication systems. Designs of complex airborne and ship navigation systems utilize the latest in microelectronic circuitry and microprocessor-based technology to provide automatic calculation of position. In the field of communications, CMC designs and constructs equipment to operate in the HF, VHF, UHF and SHF radio frequency bands using a variety of modulation methods and a broad spectrum of output power levels to serve the world's diverse radio applications.



The technological skills of the Company are further demonstrated in the development of highly specialized components. Multilayer printed circuit boards of up to 24 layers are produced to meet the most rigorous military specifications; engineering expertise extends into areas such as the development and manufacture of hybrid microcircuits and high performance power supplies.

CMC meets the dynamism of today's rapidly advancing technology by engineering its products for future adaptability and long-term product life. The Company's innovative research and development programs

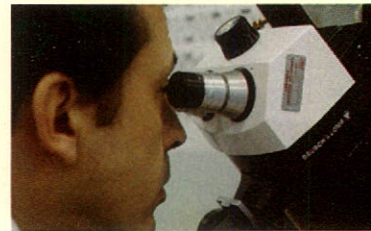
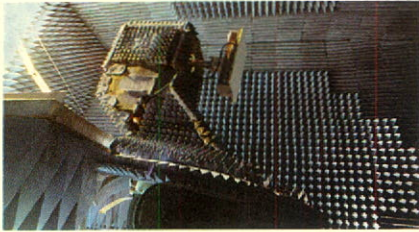
have resulted in such major international marketing successes as its airborne Doppler navigation systems, and its AN/GRC-103 tactical radio systems, the most widely used of their type in the world.

Canadian Marconi's dedication to product development, through anticipation of upcoming market requirements, is further exemplified by its involvement in the world-wide NAVSTAR Global Positioning System Program, the most advanced and comprehensive in the history of navigation and position determination. CMC is the sole Canadian designer of 'user' equipment for the U.S. Air Force NAVSTAR constellation of 18 satellites scheduled to be in full operation by 1987.

The emergence of the microprocessor has significantly expanded the role of computer software. As microprocessors evolve in capability and complexity, programming becomes even more complex, making engineering software demands more stringent. CMC's innovative team of engineers and programmers have exploited this area of expertise, utilizing the latest microprocessor techniques to achieve a

high degree of miniaturization. Products such as Omega Navigation Systems are developed with the help of microcomputer development systems which accelerate the software development cycle.

Printed circuit board design has been facilitated by the recent acquisition of CAD/CAM (computer-aided design/computer-aided manufacturing) Systems. CAD/CAM assists the engineer from the first stage of PCB design, through optimum component placement, diagram update and connection patterning. The system is capable of overall circuitry testing as well as producing punched tapes for the automatic numerical control of manufacturing equipment such as sequencers and insertion machines.



Top Row: Test centre, Illuminated Panels

Second Row: (l-r) Navstar/GPS antenna development; Navstar/GPS Receiver System; 'Agree' Test Chamber; AN/SPS-503 Radar Assembly; Microwave anechoic antenna test chamber

Third Row: (l-r) Software verification, CMA-755 Telex Exchange; Mobile radio evaluation; Printed circuit boards (PCB); Microcircuit process control

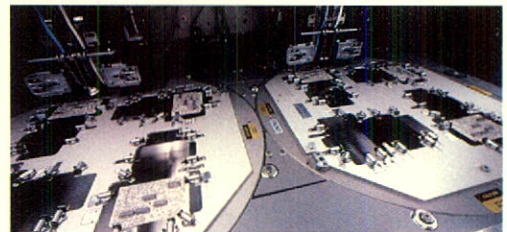
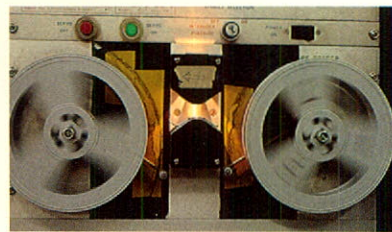
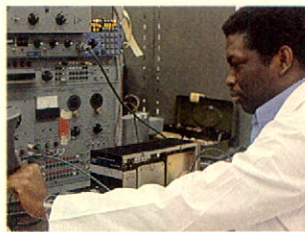
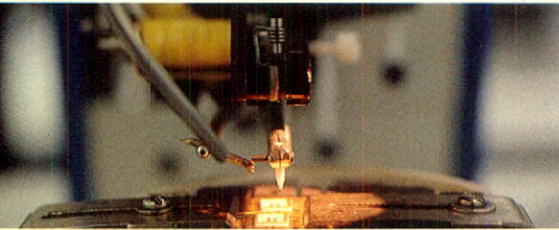
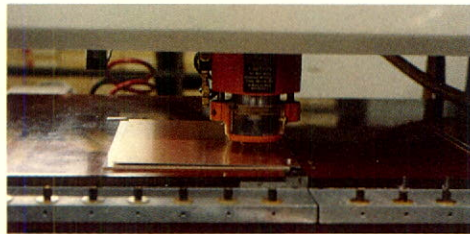
Fourth Row: (l-r) Microcircuit inspection; 60 power magnification of CMC hybrid microcircuit; Avionics PCB Assembly; CAD/CAM computer system

The Company's machine shop facilities produce a broad spectrum of machined parts from a central computerized source. All numerically-controlled machine tools are programmed using a computer-aided system which simulates machining operations and plans all steps accordingly. These highly advanced machines have significantly increased efficiency and productivity

by performing functions such as numerically-controlled drilling, milling, boring and grinding.

CMC's high technology printed circuit board (PCB) facilities are among the most comprehensive in the world. The Company's resources cover every aspect of the design, pre-production and volume manufacture of complex high reliability PCB's.

CMC's systems assembly capacity has been broadened by the acquisition of two highly efficient manufacturing aids — the Sequencer and the Axial-Lead Insertion Machine. As a result, the process of mounting individual components on printed circuit boards has been greatly simplified. The Expandable



Component Sequencer accepts up to sixty types of axial-lead components. The final product of the Sequencer, a single reel of mixed components, is fed to the Axial-Lead Insertion Machine, which inserts the components into a PCB at a rate of up to 25,000 items per hour.

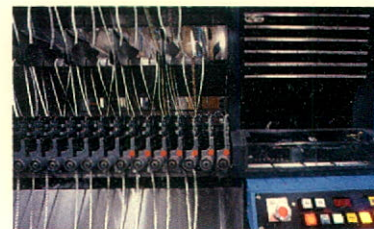
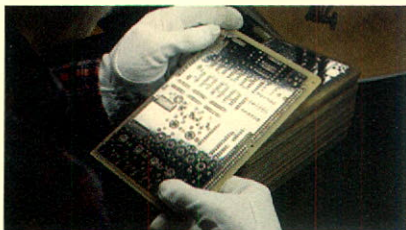
The acquisition of the Marconi System 80 In-Circuit Test System has dramatically augmented the quality assurance capacity of the Company. The System 80 checks a completely assembled printed circuit board by testing each individual component on the board for nominal value in analog and digital modes, and for short and open circuits. The high performance

of the System is such that it will accept boards containing up to 500 separate components and produce a complete analysis in six seconds.

The Automatic Channel Unit Test Equipment (ACUTE) developed by CMC's engineers provides complete functional tests for frequently used PCB's in CMC's communication systems. Canadian Marconi's engineers used available hardware, designed computer programs compatible with the functions of the PCB's to be tested, and developed an automatic test system. By simulating an operational environment, ACUTE subjects the PCB to a complete range of functional tests, records the values of the parameters selected, and presents the results in printed form to the operator. This accomplishes in ten minutes what would normally take a skilled test technician 3½ hours, thereby increasing reliability and uniformity as well as accelerating the testing process.

CMC's prowess in the areas of engineering and manufacturing has kept the Company in the vanguard of

its chosen technologies. In further emphasizing the highest levels of quality and reliability, CMC has maintained a reputation as a manufacturer of superior electronic products, and for the last two decades, has been producing electronic systems to the rigorous specifications of customers such as the Canadian and U.S. military. The Company's long-standing commitment to quality and technological innovation is the cornerstone of its strategy, and consequently, Canadian Marconi Company remains in the forefront of both military and commercial growth in the global electronics marketplace.



Top Row: (l-r) PCB Laminating; PCB numerically-controlled drilling

Second Row: (l-r) Automated wire-bonding; Spectrum analysis; Hybrid magnetic assembly module; PCB quality control

Third Row: (l-r) Automatic wire-bonding technology; microcircuits; Omega nav system evaluation; PCB drilling programming; the ACUTE tester for communications systems; Expandable Component Sequencer

Fourth Row: (l-r) Computerized software development; Axial-Lead Insertion Machine; In-Circuit Test System

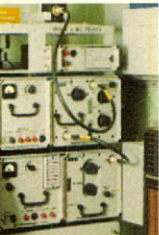
COMMUNICATIONS GROUP

Canadian Marconi's strategy to continue building on its world-renowned reputation for excellence in high technology electronics was furthered by an evolution in the Company's organizational structure resulting in the formation of the Communications and Electronics Groups in June 1982. The Communications Group is comprised of the Commercial Communications Division (formerly Marine and Land Communications), the Defence Communications Division (formerly Telecommunications), and the Special Services Division.

The Commercial Communications Division (CCD) is dedicated primarily to the commercial marketplace, selling in 140 countries worldwide. The Division is engaged in the marketing and service of over 200 products, led by equipment of its own design and manufacture (VHF, UHF, HF-SSB radios, and radar systems).

The Division's most successful single product continues to be the LN-66 radar. Sales of over \$6 million this year include the purchase of four LN-66/SP (Submarine Portable) Radar Systems by the U.S. Navy for use aboard TRIDENT class submarines, as well as 18 systems for the LAMPS MK-1 anti-submarine warfare helicopter.

In the high frequency radio area, CCD developed the CH-125S, a synthesized SSB transceiver offering 11 pre-set channels chosen from the 3300 available. This 125 Watt set is expected to significantly increase CMC's share of the HF/SSB market.



The Division's engineers have continued with the development of the RACE (Radio with Automatic Channel Evaluation) system which provides groups of subscribers in remote areas direct-dial access to their country's telephone network. The first orders for these voice and data systems have been received, confirming the product's viability in the marketplace.

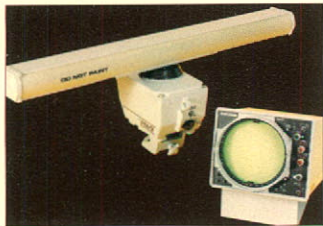
Military tactical communications systems form the core of the Defence Communications Division (DCD). Products including multi-channel radio relay links, multi-plexing equipment and field switchboards are augmented by specialized test equipment, technical services, logistics support and total system capabilities to produce radio relay terminal equipment such as the TRC-145/113.

Developments this year include a Net Radio Interface (NRI) option for the SB-4170/TT Telephone Switchboard. This option enables any subscriber on the switchboard to talk directly to any field position covered by the radio net (such as the AN/PRC-77) controlled by the base station. A new version of the MTD-212 Multiplexer has been introduced. The MTD-212M integrates a channel combining facility with a de-combining capability, thereby eliminating the need for supplementary equipment. Another step toward total system capability was taken with the development of the LTU-1010 Line Terminating Unit. Intended primarily for the overseas market, the LTU-1010 enables the AN/GRC-103 radio to operate at a location remote from its multiplexer.

The Division's outstanding success story continues to be the multi-mode, multi-frequency, AN/GRC-103 group of radio sets — the most widely used family of tactical radios in the world. The largest single order received this year was close to \$25 million; total order bookings exceeded \$105 million. Reinforcing the success of other DCD products in the global marketplace is the compact and easily-maintained TD-5064 Multiplexer which showed excellent sales growth and potential this year.

The Special Services Division (SSD) provides both the Company and outside customers with specialized technical personnel and logistics support. The Division's expertise encompasses three major areas: the servicing of precision instruments, the repair and overhaul of electronics systems, and field operations concerned with long-term installation and maintenance contracts for communications systems.

This year, SSD was awarded a contract to supply, install and maintain Engine Test Facilities for the CF-18 aircraft at three Canadian Armed Forces bases. The Precision Measurement Equipment Service Group has added Canada Post and the Bedford Institute of Oceanography to its growing list of military, government and commercial customers. 1982-83 has proved to be the Division's most successful year in the last decade.



*Claude St-Arnaud,
Executive Vice President,
Communications Group*

Top Row: LN-66/HP radome and antenna in application

Second Row: (l-r) AN/GRC-103 tactical radio system; Mechanical standards test with Gauge Block Comparator; AN/GRC-103 Band 4 antenna

Third Row: (l-r) Mobile radio; Tactical radio relay terminal system in shelter; SB-4170/TT Telephone Switchboard with Net Radio Interface; Innovative RACE system; Shelter-mounted AN/GRC-103 radio system

Fourth Row: (l-r) CH-125S synthesized SSB transceiver; AN/GRC-103 Bands 1-3 antenna configuration; Tropospheric scatter antenna; Hydro-Québec repeater system; LN-66/SP Display and Antenna

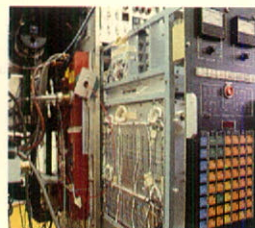
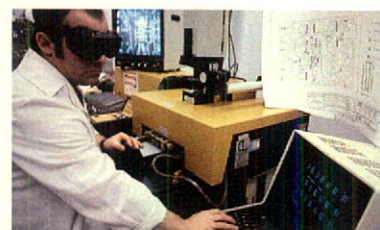
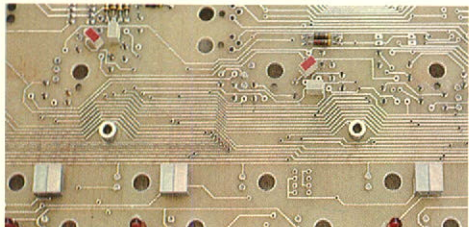
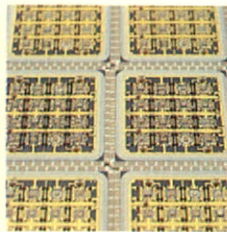
ELECTRONICS GROUP

The growth and expertise of the Electronics Group in the global marketplace is managed by its operating divisions: the Avionics Division, the Components Division, the Radar Division, and the DataComm Products Department.

Progress has been made in all of the Avionics Division's product areas. IBM has selected the AN/APN-221(V) Doppler Navigation System for the U.S. Air Force HH-60D Nighthawk helicopter. The U.S.A.F. has awarded a \$2.1M contract for the CMA-880 Navigation System for Lockheed's C-130 Combat Talon aircraft.

The Canadian Department of National Defence has placed a \$1.6 million order for CMA-734 Omega Navigation Systems. Substantial orders for the CMA-771 Omega have been placed by commercial airlines including Royal Air Maroc, Trans-European Airways, TAP, and Varig. In January 1983, CMC's new generation ALPHA Omega obtained its first certification on a VIASA DC-9/80 aircraft.

An Engine Instruments contract was received from Bell Helicopter Textron to supply CMA-730 Instruments to the U.S. Army for the OH-58D helicopters being modified under the Army Helicopter Improvement Program (AHIP). CMC will outfit the U.S. Army's AH-64A Apache helicopter with the CMA-730 system. These opto-electronic vertical-scale engine instruments are part of the displays on the first U.S. Army night-vision-compatible cockpit.



The CMA-776 Status Display System received certification for use aboard aircraft, and production shipments began to Canadair Challenger customers.

CMC will distribute Hazeltine's Microwave Landing Systems (MLS) to the Federal Government in Canada and several other countries, and will act as a licensed manufacturer as requirements increase.

In all product areas, 1982-83 was a year of continued growth and expansion for the Components Division. The Electronic Components Department experienced sustained growth in hybrid microcircuit sales due to contracts awarded by international aerospace and defence companies.

The Printed Circuit Board Department has continued its sales growth. The next generation of multi-layer PCB's will evolve through development work in advanced inter-connect systems and fully automated design and manufacturing methods using CAD/CAM technology.

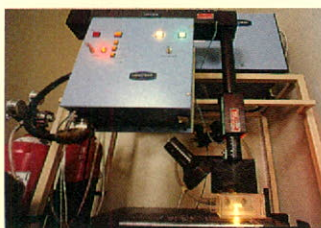
The capability of the Mechanical Parts and Illuminated Panels Department has broadened through use of computerized manufacturing technology. Research is progressing in laser technology manufacturing techniques and the development of night-vision-compatible panels for evaluation by the U.S. Army.

Research and development in the Power Supply Department has been directed toward power systems for aerospace and other severe environment applications. Microprocessor-controlled power systems utilize CMC's fabricated magnetics, PCB's, hybrid microcircuits, and machined parts.

During the year, development of the Radar Division's AN/SPS-503 Naval Surveillance Radar continued. Performance testing, which began last summer, is in the final test phase for the Canadian Navy's Destroyer Life Extension (DELEX) Program.

Export development proposal activity has been substantial due to the AN/SPS-503's inherent design flexibility. Derivatives have been proposed for frigates, fast patrol boats, territorial protection vessels as well as land-based configurations for the surveillance of coastal areas, air traffic control terminal zones and mobile units for use in the field.

The last quarter of 1982-83 has seen substantial progress towards completion of computer software for the DataComm Products Department's existing contract with British Telecom for the provision of advanced, multi-processor telex switching systems. Teleglobe Canada has awarded CMC an enhancement contract for its CMA-745 telex gateway switch in Montreal. Research and development continued in data communications, with emphasis on 'value-added' services of translation, store and forward, mail box facilities, and enhanced operator assistance.



John H. Simons,
Executive Vice President,
Electronics Group

Top Row: (l-r) C-130 Combat Talon Aircraft, mid-flight refuelling; Hybrid microcircuits, automated assembly line

Second Row: (l-r) Missile system power supply; Multi-layer PCB read-out assembly; CMA-755 Telex Exchange, front-end processors; CMA-923 Flight Advisory Computer

Third Row: (l-r) Cockpit outfitted with CMA-730 Engine Instruments; Radar development; Automatic laser trimming station; Applied laser technology

Fourth Row: (l-r) AN/APN-221(V) Doppler Nav System; AN/SPS-503 Naval Surveillance Radar Assembly; CMA-776 Status Display Systems; CMA-771/734 ALPHA Omega Nav System; Microcircuit chip inspection

TO THE SHAREHOLDERS

FINANCIAL RESULTS AND OUTLOOK

The upward trend in sales of the past several years continued throughout the fiscal year. Sales and revenues rose by nearly 28% to over \$198 million. To keep pace with the requirements for technological change, the Company decided to increase its investment in R&D during the year to a figure which exceeded the aggregate of the amounts incurred in the previous two fiscal years. This restricted the growth in operating earnings to 20%.

Profitability was also affected by a reduction of interest income. During much of the year under review, available cash balances were reduced from the prior year's level by an increased investment in fixed assets, and by the working capital requirements implied by the increase in the Company's activity, and yields obtainable on those cash balances were lower.

As a result, the net income was just over \$22 million for the fiscal year, before a special charge discussed below. Net income of nearly \$7 million (\$1.17 per share) was recorded in the fourth quarter, in which a record level of shipments was achieved. In addition, in the fourth quarter, there was a retroactive adjustment of the income tax rate recorded on our Canadian operating earnings earlier in the fiscal year, amounting to approximately 17 cents per share, due to favourable tax treatment of the increased R&D expenditure.

The current indications are that sales and operating results in the new fiscal year should show further gains over those of 1982/83 as a whole. Despite the increased sales in the year under review, the order backlog at the end of March stood at approximately \$285 million, compared with \$230 million reported a year earlier. A large proportion of the orders booked in 1982/83 calls for deliveries in the new fiscal year.

However, we are experiencing increased difficulty in competing in overseas markets. Although the rate of inflation in Canada has abated in recent months, the effect of this welcome development has been more than offset by a significant depreciation of European currencies against the Canadian dollar, giving a strong advantage to our European-based competitors. We also expect our operating margins to be affected by a continued high level of R&D spending on a number of major projects to which we are committed. We consider these outlays to be essential to the Company's long-term future.

In June 1982, the Company acquired Sun World Circuits, Inc., of Altamonte Springs, Florida. Sun World occupies a recently constructed facility of approximately 30,000 square feet with advanced and automated equipment used in the manufacture of high-quality double-sided printed circuit boards. The facility complements our growing production of multi-layer boards in Montreal. Although to date Sun World has not made a contribution to the Company's profit because

of continued start-up costs and depressed conditions in its commercial markets, the investment is an important step in Canadian Marconi's long-term plan to broaden its range of specialized electronic components for the U.S. market, and we expect the investment to prove beneficial.

The excess of the cost of the purchase price over the tangible book value, approximately \$3.3 million, primarily relates to planning and pre-production costs that had been incurred prior to the acquisition, and this amount was written off as a special charge as of March 31, 1983.

REVIEW OF OPERATIONS

During the fiscal year, the Company continued to strengthen its position in the international markets for defence equipment. Important export orders were received for military communications equipment, including an award from the U.S. Army valued at nearly \$25 million for the supply of AN/GRC-103 tactical radios, which resulted from a competitive tender. In overseas markets, the Company successfully broadened its range of communications equipment sold to military users. Our airborne engine instrumentation systems continue to make a substantial contribution to sales, and the Company's equipment has been selected for all of the major new U.S. military helicopter programs initiated in the last several years. Our components business maintained its growth, with sales increasing to U.S. defence prime contractors.

In our commercial operations, the fiscal year proved to be an extremely difficult one for sales of marine and land mobile radio equipment in our traditional Canadian market, and we do not anticipate any appreciable recovery from the depressed conditions in the near future. However, orders for Omega airborne navigation equipment from leading international airlines continue to show encouraging growth.

We reported a year ago that a major contract with British Telecom for the supply of telex exchange equipment was seriously behind schedule as a result of delays in the production of the necessary software. Since that time, progress has accelerated, and we expect that the installation will be completed during 1984.

An agreement was recently signed with Hazeltine Corporation under which the Company has obtained a licence to distribute, and subsequently manufacture, Hazeltine's microwave landing system for sale in Canada and certain other countries. The microwave landing system is expected, in the 1990's, to replace the current instrument landing systems in use at airports throughout the world.

DIVIDENDS

In view of the improved earnings in the fiscal year just ended, and the outlook for the new fiscal year, the Directors have declared a dividend of 45 cents per share, payable on June 27, 1983, to shareholders of record as at June 6, 1983. This compares with the

last half-yearly dividend of 43 cents paid in December 1982.

ORGANIZATION AND MANAGEMENT

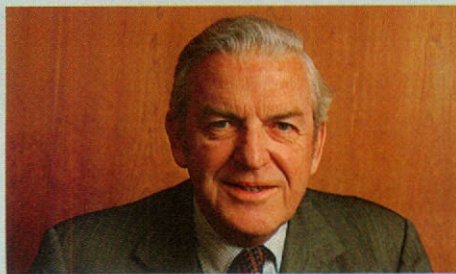
In November 1982, Rhys J. Williams, President and Chief Executive Officer since 1977, resigned to accept a senior management appointment with the Company's majority shareholder in the United Kingdom, while remaining a director of Canadian Marconi. Your Board recognizes the outstanding progress made by the Company during the five years of his leadership.

Philip E. Wheatley was appointed President, and will be nominated for election as a director at the forthcoming Annual Meeting of Shareholders. Claude St-Arnaud became Executive Vice President — Communications Group, with overall responsibility for the operations of the Defence and Commercial Communications Divisions

and Special Services Division. John H. Simons was appointed Executive Vice President — Electronics Group, with responsibility for all Avionics, Components, Data Communications and Surveillance Radar operations.

In June 1982, Gary Gorfinkel, who had been with the Company for nearly 30 years and had served as a vice president since 1973, retired. Commercial Communications Division is now under the direction of Peter Gasser. In May 1983, Lionel Léveillé was appointed Vice President — Avionics Division and Laurent Noël, Vice President — Defence Communications Division.

We wish to express our appreciation to all of our employees, who now number over 2,900, for the contribution they have made to the Company's performance.



A handwritten signature in dark ink, appearing to read "J.F. Grandy".

J.F. Grandy
Chairman

Montreal, May 26, 1983



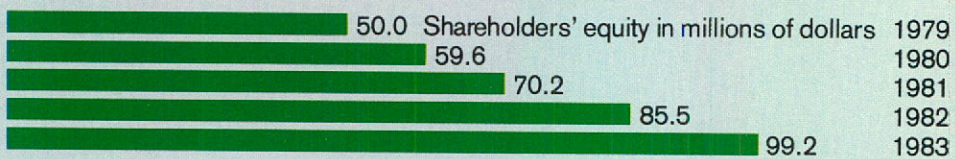
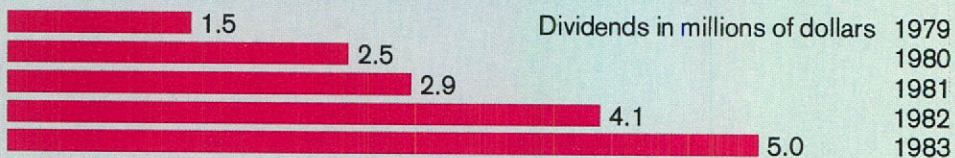
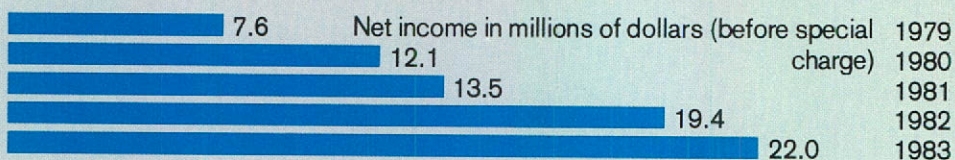
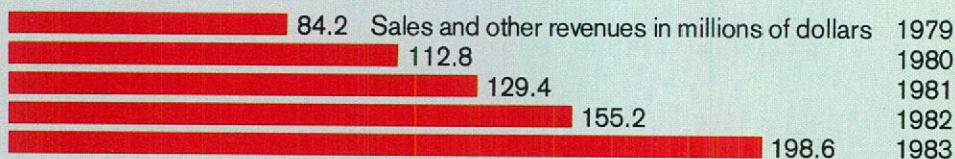
A handwritten signature in dark ink, appearing to read "P.E. Wheatley".

P.E. Wheatley
President

FINANCIAL HIGHLIGHTS

(in thousands of dollars,
except as otherwise stated)

	Year ended March 31				
	1979	1980	1981	1982	1983
Sales and other revenues	\$ 84,223	\$112,830	\$129,417	\$155,268	\$198,627
Net income —					
Before special charge	7,603	12,170	13,547	19,463	22,093
After special charge	7,603	12,170	13,547	19,463	18,790
Dividends	1,575	2,526	2,971	4,160	5,052
Shareholders' equity	50,001	59,645	70,221	85,524	99,262
Working capital	47,823	55,212	62,832	74,153	83,391
Number of shares (in thousands)	5,943	5,943	5,943	5,943	5,943
Per share data (in dollars)					
Net income —					
Before special charge	1.28	2.05	2.28	3.27	3.72
After special charge	1.28	2.05	2.28	3.27	3.16
Dividends	0.265	0.425	0.50	0.70	0.85
Shareholders' equity	8.41	10.04	11.82	14.39	16.70



CONSOLIDATED BALANCE SHEET

	March 31	
	1983	1982
	(in thousands)	
Assets		
Current assets:		
Cash and temporary investments, at cost, including accrued interest (approximates market)	\$ 64,917	\$ 63,310
Accounts receivable	29,489	19,759
Owing by associated companies	708	1,903
Inventories (Note 3)	42,075	33,700
Prepaid expenses	490	917
	137,679	119,589
Fixed assets, at cost, less accumulated depreciation (Note 4)	24,962	17,186
	\$162,641	\$136,775
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 49,219	\$ 36,881
Owing to associated companies	569	261
Income taxes	4,500	8,294
	54,288	45,436
Deferred income taxes	2,714	2,583
Long-term debt (Note 5)	6,377	3,232
Shareholders' equity:		
Stated capital —		
5,943,192 common shares	10,216	10,216
Retained earnings	89,046	75,308
	99,262	85,524
	\$162,641	\$136,775

Approved by the Board: J. F. Grandy, Director
R. J. Williams, Director

AUDITORS' REPORT

May 5, 1983

To the Shareholders of
Canadian Marconi Company:

We have examined the consolidated balance sheet of Canadian Marconi Company as at March 31, 1983 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at March 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Price Waterhouse
Chartered Accountants
Montreal, Quebec

CONSOLIDATED STATEMENT OF INCOME

	Year ended March 31	
	1983	1982
	(in thousands)	
Revenue:		
Electronic products	\$190,720	\$146,067
Income from temporary investments	7,907	9,201
	198,627	155,268
Operating costs and expenses:		
Manufacturing, selling and administration	143,980	112,838
Research and development (net of government participation — \$4,165,000; 1982 — \$7,916,000)	12,421	5,181
Depreciation	5,457	4,015
Interest on long-term debt	457	214
	162,315	122,248
Income before income taxes and special charge	36,312	33,020
Provision for income taxes	14,219	13,557
Net income before special charge	22,093	19,463
Special charge (Note 8)	3,303	—
Net income	\$ 18,790	\$ 19,463
Earnings per share (in dollars):		
Net income before special charge	\$3.72	\$3.27
Net income	\$3.16	\$3.27

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended March 31	
	1983	1982
	(in thousands)	
Retained earnings, beginning of year	\$75,308	\$60,005
Net income	18,790	19,463
	94,098	79,468
Dividends — 85 cents per share (1982 — 70 cents per share)	5,052	4,160
Retained earnings, end of year	\$89,046	\$75,308

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended March 31	
	1983	1982
	(in thousands)	
Working capital was provided from:		
Net income before special charge	\$22,093	\$19,463
Depreciation	5,457	4,015
Deferred income taxes	131	529
	27,681	24,007
Additions to long-term debt (Note 8)	3,843	—
Proceeds from sale of fixed assets	281	268
	31,805	24,275
Working capital was applied to:		
Additions to fixed assets (net of government assistance — \$2,069,000; 1982 — \$933,000)	13,514	8,381
Reduction of long-term debt	698	413
Dividends	5,052	4,160
Special charge (Note 8)	3,303	—
	22,567	12,954
Increase in working capital	9,238	11,321
Working capital, beginning of year	74,153	62,832
Working capital, end of year	\$83,391	\$74,153

1. Operations:

The Company is engaged in substantially one class of business: the development, manufacture and sale of electronic products. Export sales in the fiscal year amounted to \$141,932,000 (1982 — \$108,010,000).

2. Summary of accounting policies:**(a) Principles of consolidation —**

The consolidated financial statements include the financial statements of Canadian Marconi Company and those of its subsidiary companies, all of which are wholly-owned. All significant intercompany accounts and transactions have been eliminated.

(b) Translation of foreign currencies —

Current assets and liabilities in foreign currencies are translated into Canadian dollars at rates of exchange in effect at the balance sheet date. Amounts entering into results of operations are translated at average rates.

Exchange profits and losses are included in income.

(c) Inventories —

Work in process, raw materials and bought-out components and finished products are valued at the lower of cost and estimated net realizable value. Deductions are made for progress payments

received and any losses incurred or expected to be incurred on contracts not completed at the balance sheet date.

(d) Fixed assets and depreciation —

Fixed assets are recorded at cost. Depreciation is provided on the straight-line method at rates based on the estimated useful lives of depreciable assets. Fixed assets retired or disposed of are eliminated from the asset and accumulated depreciation accounts. Gains and losses from disposals are included in income.

(e) Income taxes —

The Company follows the practice of providing for income taxes based on income included in the financial statements regardless of when such income is subject to payment of taxes under the tax laws.

(f) Recognition of revenue —

Sales are normally recognized when products are delivered to customers, however, revenue from major long-term contracts is recorded on the percentage of completion method based on the ratio of the incurred costs to date to the projected total costs of completing the contracts. There were no contracts accounted for as major long-term contracts in 1982 and 1983.

3. Inventories:

Inventories comprise —

	1983	1982
	(in thousands)	
Raw materials and bought-out components	\$10,985	\$ 8,056
Work in process	49,074	31,126
Finished products	6,843	6,969
	66,902	46,151
Progress payments	(24,827)	(12,451)
	\$42,075	\$33,700

4. Fixed assets:

	1983		1982	
	(in thousands)			
	Cost	Accumulated depreciation	Net	Net
Land	\$ 1,531	\$ —	\$ 1,531	\$ 1,067
Buildings	12,448	5,056	7,392	5,135
Plant, machinery and equipment	24,380	9,960	14,420	8,796
Equipment on rental	4,724	3,105	1,619	2,188
	\$43,083	\$18,121	\$24,962	\$17,186

The estimated useful lives of depreciable assets are as follows:

Buildings	25 to 50 years
Plant, machinery and equipment	up to 10 years
Equipment on rental	up to 4 years

Capital expenditure authorized and committed at March 31, 1983 was \$5,167,000.

5. Long-term debt:

	1983	1982
Canadian Marconi Company — 5¾% unsecured sinking fund debentures, Series A, due May 1, 1988	\$1,921	\$2,005
7% unsecured sinking fund debentures, Series B, due June 1, 1989	1,174	1,227
	3,095	3,232
Sun World Circuits, Inc. — 7¼% Seminole County Industrial Development Authority Revenue Bonds	4,022	—
Less: Due within one year included in accounts payable and accrued liabilities	740	—
	3,282	—
	\$6,377	\$3,232

Sinking fund debentures —
Sinking fund provisions of the Series A and B debentures require payments aggregating \$390,000 in the year 1983, \$475,000 annually in the years 1984 to 1987, and \$1,975,000 in the year 1988. Debentures have been purchased and surrendered for cancellation in full satisfaction of the requirements of the years 1983 to 1986 inclusive, and in partial satisfaction of the requirements of the years 1987 and 1988.

Seminole County Industrial Development Authority Revenue Bonds —
Annual maturities are as follows:
1983 — \$352,000; 1984 — \$753,000;
1985 — \$808,000; 1986 — \$864,000;
1987 — \$932,000; 1988 — \$487,000.

6. Pension plan:

At March 31, 1983, all vested past service benefits in the Company's pension plan were fully funded.

7. Related party transactions:

The General Electric Company, plc (GEC) of London, England, indirectly owns 51.6% of the outstanding shares of the Company. During the fiscal year the Company's sales to GEC and its subsidiaries amounted to \$13,916,000 (1982 — \$14,599,000). The Company purchased goods and services from GEC and its subsidiaries amounting to \$4,753,000 (1982 — \$2,845,000). Terms of these transactions were essentially the same as those with unrelated parties.

8. Acquisition of subsidiary:

In June 1982, a wholly-owned subsidiary of the Company acquired for cash all the outstanding shares of Sun World Circuits, Inc., a company engaged in the manufacture and sale of printed circuit boards in the United States. The acquisition was accounted for as a purchase and the accounts were consolidated from the date of acquisition.

Details of the acquisition, in thousands of Canadian dollars, are:

Working capital deficit	\$2,457
Long-term debt	3,843
Cash consideration and acquisition expenses	1,144
	7,444
Fixed assets at net book value	4,141
Excess of cost and liabilities assumed over assets acquired	\$3,303

Management deems that the excess of cost and liabilities assumed over assets acquired is equivalent to preliminary expenses which would have been incurred had the corporation established like facilities and operations and as such has no continuing value. Consequently, such excess has been recorded as a special charge in the consolidated statement of income for the year.

DIRECTORS

- *Roger O. Beauchemin
President
Arrowby Consultants Inc.
Montreal, Canada
- *Sidney Dobb, F.C.A.
Deputy Managing Director
The Marconi Company Limited
Chelmsford, Essex, England
- **Thomas S. Dobson
Chairman
Easton United Securities Limited
Calgary, Canada
- James F. Grandy
President
Reisman & Grandy Limited
Ottawa, Canada
- Howard J. Lang
Corporate Director
Toronto, Canada
- Jack E. Pateman, C.B.E., F. Eng.
Managing Director
Marconi Avionics Limited
Rochester, Kent, England
- Ian D. Sinclair, Q.C.
Chairman
Canadian Pacific Enterprises Limited
Toronto, Canada
- Sir Robert Telford, C.B.E., F. Eng.
Director
The General Electric Company, plc
Chairman
The Marconi Company Limited
Chelmsford, Essex, England
- Rhys J. Williams
Managing Director
GECOM Ltd.
Coventry, West Midlands, England

OFFICERS

- William Baillie
Senior Vice President, and
Manager, Products and Markets
- John W. Dodds, Ph.D.
Vice President, Special Services
Division
- Claude Filiatrault
Vice President, General Counsel
and Secretary
- James F. Grandy
Chairman of the Board
- Jack A. Howlett
Vice President, Administration
- Kenneth Kivenko
Vice President, Components Division
- Lionel Léveillé
Vice President, Avionics Division
- J. Gustave McInnes
Comptroller
- Laurent Noël
Vice President, Defence
Communications Division
- Claude St-Arnaud
Executive Vice President,
Communications Group
- Jean-Guy St-Germain
Vice President, Human Resources
- John H. Simons
Executive Vice President,
Electronics Group
- Gerry Stuurop
Treasurer
- Philip E. Wheatley
President

EXECUTIVE OFFICE

2442 Trenton Avenue
Montreal, Canada H3P 1Y9
Tel. (514) 341-7630

SUBSIDIARIES

CMC Electronics, Inc.
20 Meridian Road
Eatontown, N.J.
U.S.A. 07724
Tel. (201) 389-2522

Sun World Circuits, Inc.
950 Sunshine Lane
Altamonte Springs, FLA.
U.S.A. 32701
Tel. (305) 869-6500

STOCK EXCHANGES

Toronto Stock Exchange (CMC)
Montreal Stock Exchange (CMC)
American Stock Exchange (CMW)

TRANSFER AGENT & REGISTRAR

Montreal Trust Company
777 Dorchester Boulevard West
Montreal, Canada
H3B 4A5

AUDITORS

Price Waterhouse
1200 McGill College Avenue
Montreal, Canada
H3B 2G4

Pour obtenir une copie
française de notre rapport
annuel, prière d'adresser votre
demande au Secrétaire
de la Société.

*Member Audit Committee
**Chairman Audit Committee