



CANADIAN MARCONI COMPANY  
1983 - 1984

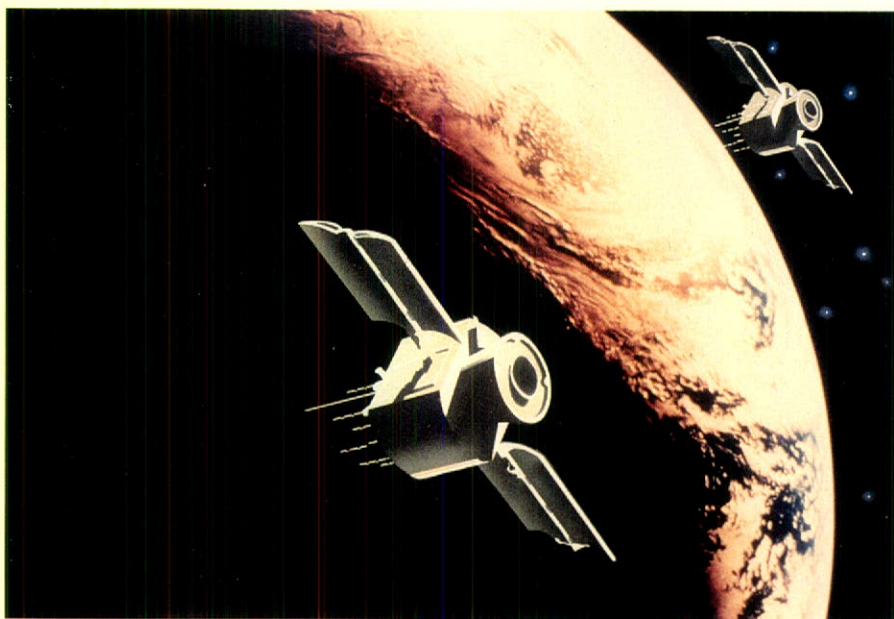


HOWARD ROSE LIBRARY  
OF MANAGEMENT  
JUN 18 1985  
MCGILL UNIVERSITY

## TABLE OF CONTENTS & CORPORATE OVERVIEW

Financial Highlights .....	1
Report to Shareholders .....	2, 3
International Perspective .....	4-15
Consolidated Financial Statements .....	16-20
Consolidated Balance Sheet .....	16
Consolidated Statement of Income .....	17
Consolidated Statement of Retained Earnings .....	17
Consolidated Statement of Changes in Financial Position .....	18
Auditors' Report .....	18
Notes to Consolidated Financial Statements .....	19, 20
Directors and Officers .....	21

The Annual General Meeting of Shareholders will be held at Canadian Marconi Company, 90 Trenton Avenue (corner Aberdare and Trenton), on Thursday, August 9, 1984 at 11 o'clock.



By 1990, the NAVSTAR constellation of Global Positioning System (GPS) satellites will be in full operation. Canadian Marconi is the only Canadian company awarded federal government grants to develop GPS airborne receivers.

Artwork: courtesy John Sims

### CORPORATE OVERVIEW

The more than 3000 employees of Canadian Marconi Company (CMC) are involved in the design, development, manufacture and support of high technology electronics equipment directed to the aerospace, communications, radar, and specialized components markets. CMC's operations are carried out by two major operating segments, the Communications Group consisting of the Commercial Communications, Defence Communications, and Special Services Divisions, and the Electronics Group comprised of the Avionics, Components and Radar Divisions and the DataComm Products Department. Over the past five years these two Groups have been responsible for the export of over one-half billion dollars worth of Canadian goods to 138 countries.

Executive offices and major manufacturing facilities are located in Montreal, Quebec, as are five of the Company's six Divisions. The Radar Division is located in the Company's Kanata, Ontario facility. Canadian Marconi's two wholly-owned U.S.-based subsidiaries, CMC Electronics, Inc. and Sun World Circuits, Inc., further enhance the Company's development, sales and support efforts.

CMC has been a consistent leader in Canadian defence exports and in concert with its civil and commercial products has opened and sustained markets for Canada in 84% of the world's nations.

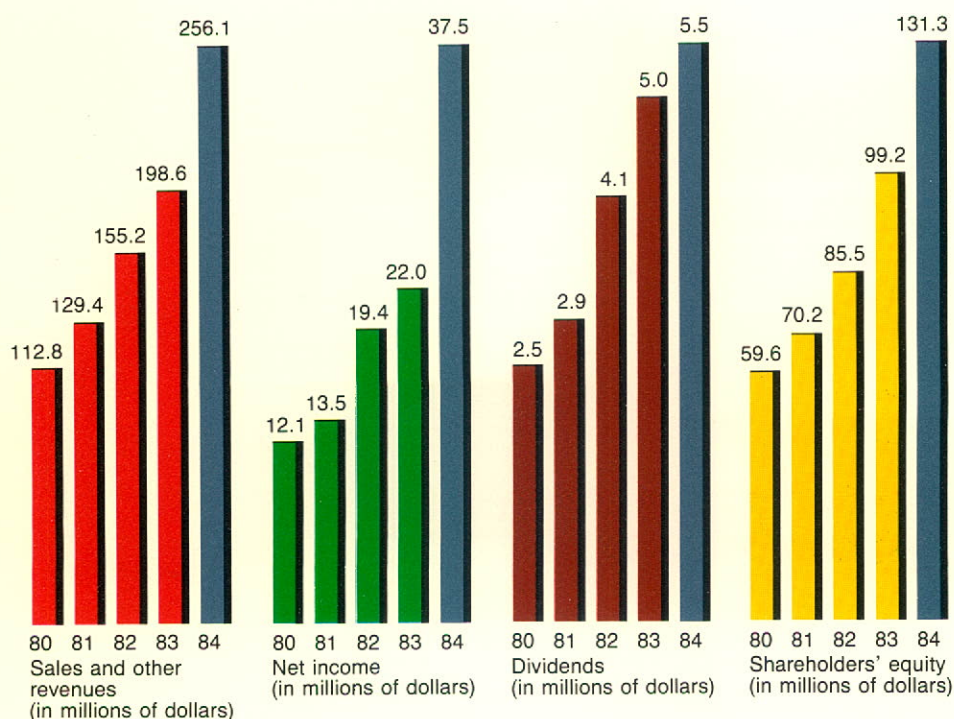
CMC is a publicly held Canadian corporation, with The General Electric Company, p.l.c. of England, holding 51.6% of the Company's outstanding shares.

# FINANCIAL HIGHLIGHTS

(in thousands of dollars, except as otherwise stated)

	Year ended March 31				
	1980	1981	1982	1983	1984
Sales and other revenues	\$112,830	\$129,417	\$155,268	\$198,627	\$256,131
Income before special charge	12,170	13,547	19,463	22,093	37,568
Net income	12,170	13,547	19,463	18,790	37,568
Dividends	2,526	2,971	4,160	5,052	5,527
Shareholders' equity	59,645	70,221	85,524	99,262	131,303
Working capital	55,212	62,832	74,153	83,391	114,784
Number of shares (in thousands)	23,773	23,773	23,773	23,773	23,773
Per share data (in dollars):					
Income before special charge	0.51	0.57	0.82	0.93	1.58
Net income	0.51	0.57	0.82	0.79	1.58
Dividends	0.106	0.125	0.175	0.213	0.233
Shareholders' equity	2.51	2.95	3.60	4.18	5.52

Number of shares and per share data have been restated to reflect adjustment for the four-for-one stock split which became effective on September 2, 1983.



## REPORT TO SHAREHOLDERS

### REVIEW OF THE FISCAL YEAR

Revenues and earnings increased for the sixth successive year. Total sales and revenues rose to over \$256 million, an increase of 29% from the previous fiscal year. Net earnings per share after tax increased by 65 cents to \$1.58, before a special charge in the prior year and adjusting for the four-for-one stock split that became effective last September. Approximately 16 cents per share of the increase resulted from a reduction in the effective income tax rate, due to the favourable treatment of heavy R&D expenditures.

The growth in sales and operating profit was achieved through strong performances in the two largest product groups, defence communications equipment and airborne systems for commercial and military use.

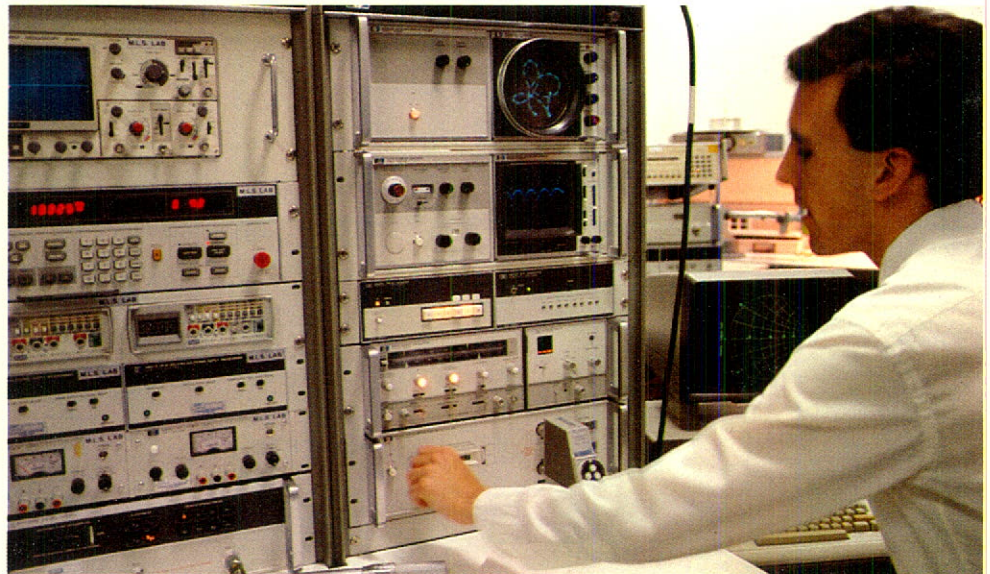
During the fiscal year, the Company made the decision to withdraw from the market for mobile radio equipment. The Company will continue to serve the Canadian market with other commercial products, such as marine communications and navigation equipment, from a reduced network of branches, and will continue to offer a full range of field service from its existing technical facilities.

Sun World Circuits, Inc., of Florida, a manufacturer of double-sided printed circuit boards acquired in June 1982, has made an encouraging recovery from the effects of its start-up costs, and recorded an

operating profit in the second half of the fiscal year.

For the Company as a whole, development of future product lines remains its most important commitment. In the fiscal year under review, approximately \$28 million was spent on research and development, including the portion billed directly to customers and therefore included in sales. Gross research and development outlays totalled nearly 11% of aggregate revenues. The proportion of R&D expenditures funded by the Company continued to rise steeply, due to the reduction by the Canadian Government of its participation in cost-shared programs for the development of products for the defence export markets.

Despite the termination of the mobile radio product lines, the total value of orders increased by approximately 19% over that of the previous fiscal year, with virtually all of the new orders coming from non-Canadian markets. As a result, order backlog at the end of the fiscal year stood at about \$300 million, compared with \$285 million reported for March 1983.



*Advances in airborne navigation systems progress through sophisticated test and development equipment such as the Automatic Microwave Network Analyser.*

## OUTLOOK

Sales and earnings are expected to show further increases in the new fiscal year.

More than at any time in the past, the Company enjoys a broad and diversified base on which to plan its continued expansion, and the current level of expenditures on product development is evidence of its strong confidence in the long-term future. Construction of an extension to the facility at Kanata, Ontario, has begun, which will roughly double the space available at that site. In addition, ten acres of land has been purchased for future expansion at a site in New Jersey adjacent to a facility of the Company's U.S. subsidiary.

However, it will be difficult to maintain an unbroken record of growth. In the past three years, a series of large competitive awards for the supply of tactical radio equipment has been obtained from the U.S. Army. These orders are not expected to be repeated on the same scale for some time. A large proportion of sales will always be dependent on the timing of particular procurement programs of government agencies, and these are often subject to changes or postponements. As a consequence, sales of certain product lines may peak before the market is ready to accept next-generation replacement products.

## DIVIDENDS

The Directors declared a half-yearly dividend of 13 cents per share,

payable on June 19, 1984, to shareholders of record as at May 28, 1984. This compares with the last dividend of 12 cents per share paid on December 12, 1983.

## MANAGEMENT AND PERSONNEL

In September 1983, James J. Kelly was appointed Vice President — Finance, and in March 1984, Dan Rosenthal was appointed General Manager of the Components Division.

The Directors extend their thanks to all of the Company's 3,000 employees for the part they have played in the successes of the past year.

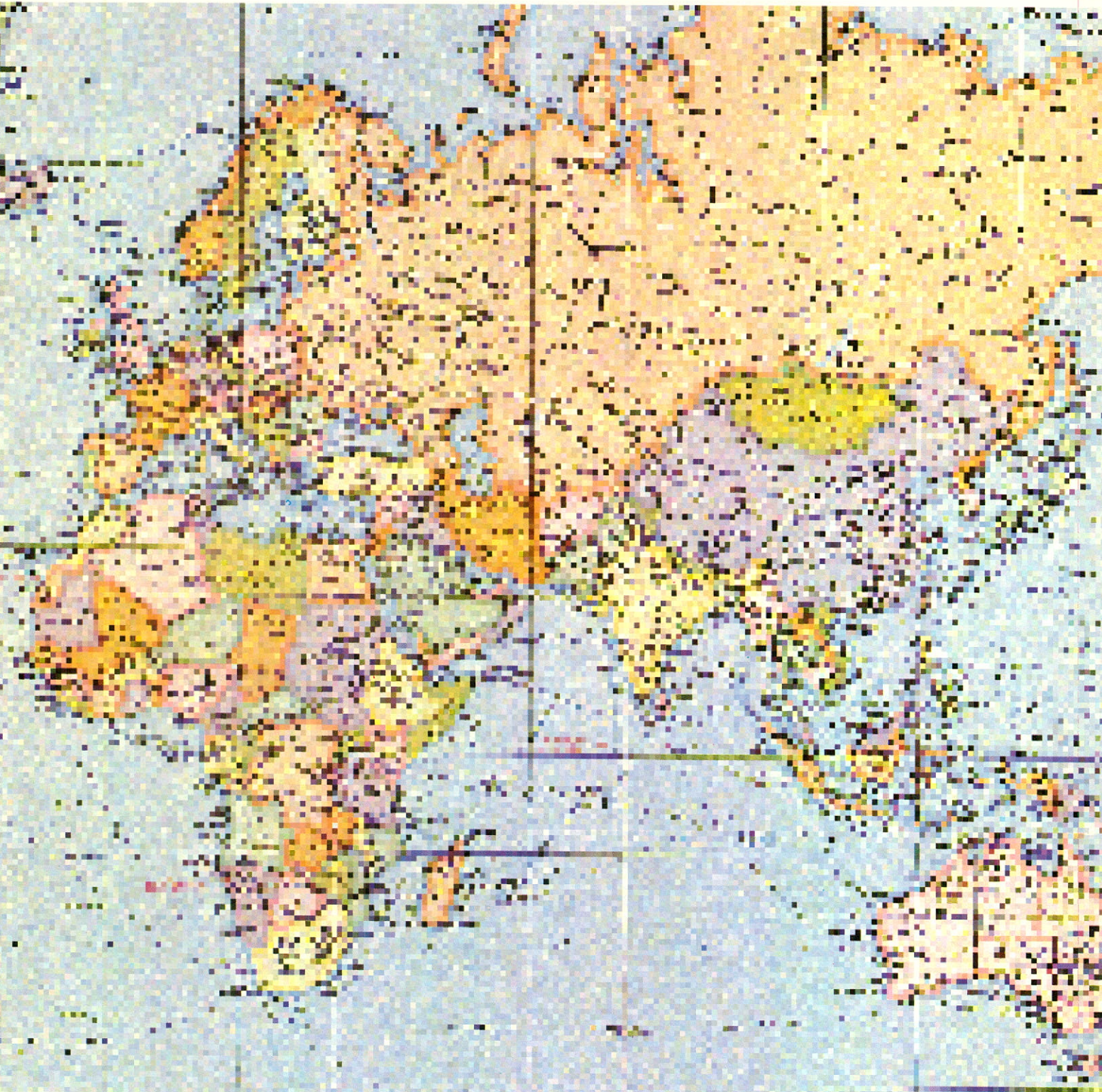


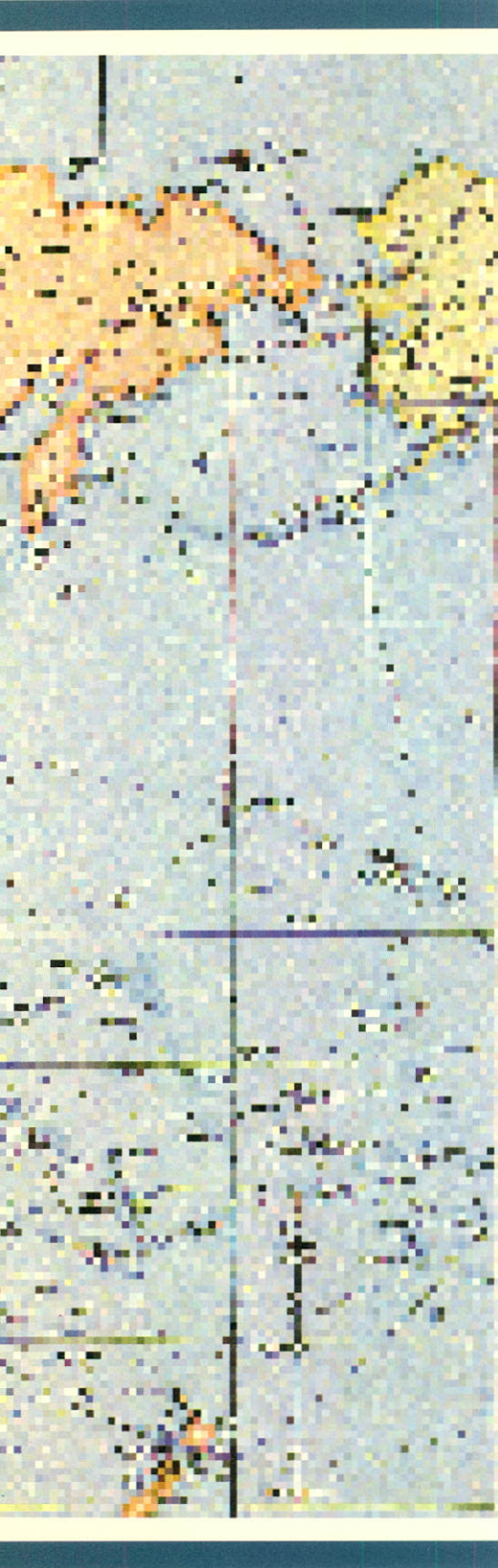
P.E. Wheatley  
President

May 17, 1984

J.F. Grandy  
Chairman

INTERNATIONAL PERSPECTIVE





Canadian Marconi occupies a unique position in Canada in that it exports 87% of its manufactured products. The Company's success in international markets is a direct result of defining requirements in carefully selected niches, and providing those customers with operational solutions.

## **DEFENCE**

### **Command, Control and Communications**

NATO's recognition of the need for an integrated Command, Control and Communications (C<sup>3</sup>) program within the Armed Forces has directed Canadian Marconi's communications systems' development activities. The speed with which military personnel can be deployed and defensive action taken is determined by the efficiency of communications networks.

The Company's military communication systems are used in land-based applications, air defence programs and as a link between the two. To fulfill customer needs for fully integrated communications systems, CMC provides a tactical communications package which includes radios, multiplexers, field switchboards and ancillary equipment. Sales of the AN/GRC-103 Radio Set — the system's core — fill 70% of the world's requirements for this class of radio.

Canadian Marconi provides 25 countries with fully self-contained communications systems. These transportable, shelter-mounted, all-terrain, all-weather systems include built-in test capability to simplify maintenance, and can be deployed by a minimum number of personnel. The U.S. Army's 9th Infantry Division (Rapid Deployment Force) has recently ordered the Company's new AN/TRC-180 for evaluation. This advanced, shelter-mounted configuration will double present communications capacity and will solve the problem of space and weight constraints often inherent in mobile shelters.



*Transportable shelters house fully integrated CMC tactical communications systems.*

In Asia, major earthquakes and floods often destroy civil communications networks. The ease of deployment and transportability of CMC's tactical communications equipment make it an ideal emergency system when public systems are damaged during these natural disasters. The military becomes a key resource when called in by civil defence authorities to set up and operate temporary communications links and help effect rescue operations. In jungles, mountainous terrain and deserts, outlying villages can be temporarily linked with urban areas until regular communications are re-established.



*At remote sites, emergency communications stations are set up within fifteen minutes.*

## Aerospace

Over 95% of Canadian Marconi's aerospace sales in navigation, monitoring and display, and performance management systems are made to international customers. These products, which are used on new aircraft as well as in retrofit programs, contain an internally-generated CMC content approaching 80% — one of the highest in the industry.

The Company's military avionics products are used by the defence agencies of some 20 countries in Europe, South America, the Middle East, Far East and North America. More than 5,000 CMC Doppler navigation systems and velocity sensors alone have been supplied for world use on board rotary and fixed wing aircraft, and reconnaissance drones.

A major supplier of navigation systems and cockpit instrumentation to the U.S. Army, CMC supplies its aerospace equipment to the other

branches of the United States military establishment. For nearly two decades, Canadian Marconi has been a prime source of supply to the United States Air Force, Navy and Coast Guard. The Company's Doppler navigation equipment, for example, is used aboard search and rescue, transport, and aerial reconnaissance aircraft such as the U.S.A.F.'s Night and Adverse Weather Rescue helicopter, the HH-53H.



*In S.E. Asia, field installations are linked with command headquarters through Canadian Marconi's tactical radios, multiplexers and field switch-board equipment.*

*Photo: courtesy Anthony J. Wood*



*The Company's Doppler velocity sensor and terminal guidance unit navigate Canadair's CL-289 Reconnaissance Drone.*

*Photo: courtesy Canadair Limited*



Advances in avionics technology proceed at a far greater rate than the design and production of new airframes. Consequently, military aircraft upgrading (retrofit) programs are of increasing significance to the Company. The COMBAT TALON special mission aircraft, for example, is undergoing its third retrofit and will be supplied with one of CMC's advanced navigation systems — the CMA-880.

The Company's digital CMA-730 colour-coded, vertical scale engine instruments were first selected by the U.S. Army as part of the MOHAWK aircraft program. Performance of these instruments aboard this fixed wing, reconnaissance airplane led to their selection for Army helicopters such as Sikorsky Aircraft's BLACKHAWK, Hughes Helicopters' APACHE and Bell Helicopter Textron's SCOUT.

Military helicopters must fly both night and day, and in all weather. CMC cockpit instrumentation has

been designed specifically to operate in these conditions and be compatible with specialized night-vision goggles. Drug running from Latin America to the Florida Keys has increased dramatically in recent years. To counteract this, the Drug Enforcement Agency of the U.S. Customs Service has integrated a number of the U.S. Army's BLACKHAWK helicopters into its Drug Interdiction Program.

Canadian Marconi's engine instruments are an integral and standard part of the BLACKHAWK cockpit, measuring and displaying vital engine parameters. In a critical situation such as apprehending an illegal aircraft, the pilot must be able to read his cockpit instruments at a glance, in order to concentrate his efforts and skill on manoeuvring his aircraft.



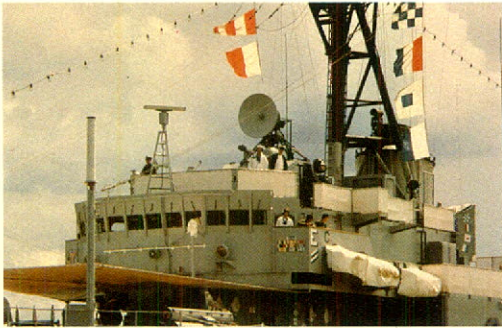
*CMC's opto-electronic engine instruments are a vital part of the U.S. Navy's most recent addition to its aircraft fleet — the SH-60B SEAHAWK helicopter.*



*The Company has supplied over 500 sets of aircraft engine instruments as standard fit aboard the U.S. Army's BLACKHAWK fleet of utility helicopters.*

## Radar

Canadian Marconi's radars are purchased by defence agencies domestically, and in the U.S.A., the Middle East, the Far East and Europe. The Company's LN-66 family of radars is employed extensively by the U.S. Armed Forces. Over 850 of the AN/SPS-59(V1) configuration are aboard virtually all classes of U.S.



LN-66 radars are used extensively by the U.S. Navy aboard destroyers such as the U.S.S. William C. Lawe. Photo: courtesy E. Derbyshire



Test installation of the AN/SPS-503 naval surveillance radar antenna for Canada's DELEX Program. The transmitter-receiver assembly is housed in the container below. Photo: courtesy Mark Edwards

Navy vessels. CMC radar systems are used for anti-submarine/ship surveillance, search and rescue, surface/sub-surface coordination, navigation, and in certain cases as the captain's personal radar. Some of the most recent CMC designs are for submarines such as the TRIDENT class, and the Kaman Aerospace SH-2F LAMPS Mk-1 helicopter.

Performance testing of the Company's most advanced radar system, the AN/SPS-503, was successfully completed this year. Sea trials were held to demonstrate the system's operational capability to the Canadian Navy, and delivery of the first 'Destroyer Life Extension Program' (DELEX) radar is scheduled for the summer of 1984.

## Components

Advances in the design of electronic systems are greatly dependent on the evolution of their components. Major defence equipment suppliers throughout the western world use CMC's specialized components as the basic building blocks for their



The U.S. Navy's SEAFOX craft use the LN-66 radar for short range surface search and navigation purposes. Photo: courtesy D. Davies



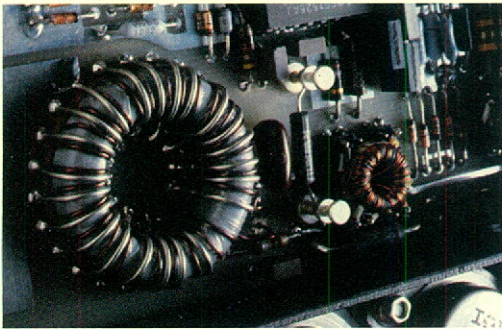
The U.S. Navy has purchased over 450 of Canadian Marconi's LN-66/HP surface search and navigation radars, as illustrated in application aboard these LAMPS Mk-1 helicopters. Photo: courtesy KAMAN Aerospace Corp.

state-of-the-art military and industrial systems. The Company's printed circuit boards, hybrid microcircuits, illuminated panels, power supplies and precision machined parts are key elements in providing the United States and other NATO allies with improved defence capabilities.

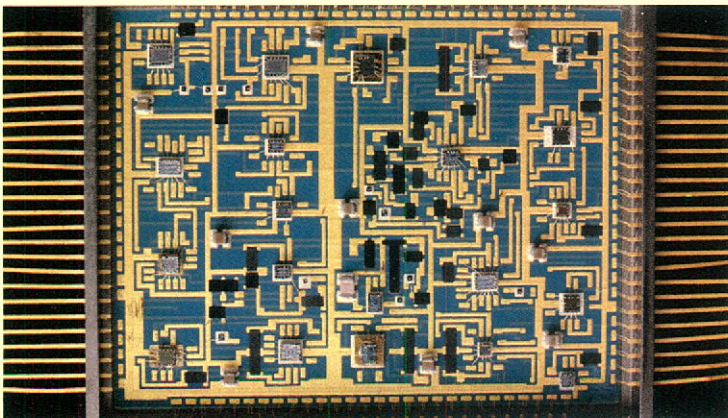
## CIVIL AND COMMERCIAL NEEDS

### Communications

Microprocessor-based technology has greatly expanded the capability of the Company's conventional radios. CMC's point-to-point short range commercial Rural Radio products, in conjunction with its



*CMC high performance power supplies convert raw energy into the precise power required by electronic systems.*



*The F-16 aircraft uses the micro-packaging technology of CMC hybrid microcircuits to provide increased capability in ever-denser packages.*

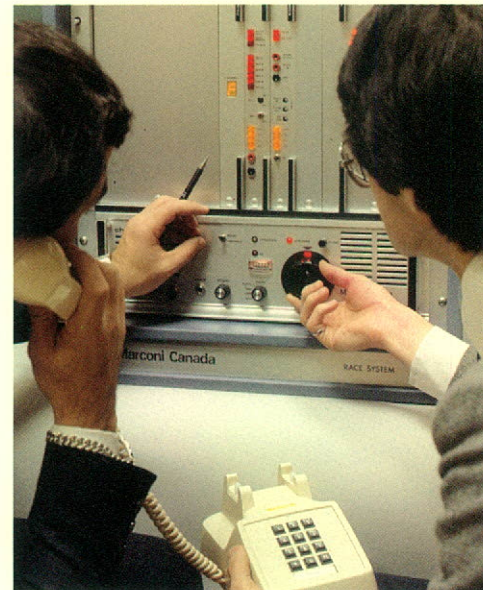
long-range HF equipment, help to solve communications problems in civil and commercial applications.

In Tanzania, East Africa, the CH-150 series of HF/SSB radios has resolved communications problems for the country's 1000 km railway line system. This rail network, operating through dense jungle and hills, now has an integrated radio network for train-to-train, and train-to-base station communications. Reports of delays, accidents and potential problems can now be transmitted instantly.

Various coastal stations in West Africa will be supplied with high power radio systems to provide communications between a main port and ocean going vessels. As well as being used to regulate harbour traffic, CMC's system will also monitor ships' distress frequencies and channel ship-to-shore calls into the public telephone network.

The Tokelau Island Chain in the South Pacific will be supplied with effective communications links through CMC's innovative RACE systems — HF/SSB radios which automatically evaluate and select the best transmission channel. RACE will provide these Islands, lying some 480 kms north of Western Samoa, with improved voice and data communications, and operate as a remote extension of the public telephone network.

The LINK 8000 is designed as a 'private' communications system. Used primarily by police forces, this equipment relays information and orders between central dispatch posts and units in the field. CMC radio equipment is also used as emergency 'back up' systems in nuclear power plants and hydro utilities. These systems have been uniquely engineered with seismic qualifications in order to withstand major disasters.



*Self-contained and transportable, HF/SSB RACE radio systems provide remote locations with clear and accurate voice and data transmission.*



*Canadian Marconi's LINK 8000 is used by police forces to ensure private communications over vast geographic areas.*

## Data Communications

Britain's inland telex network is being upgraded with Canadian Marconi's CMA-755 Telex Exchanges. The development phase of this British Telecom contract is complete and installation is in progress. The CMA-755 will handle all of England's telex traffic originating from thirteen cities, and directly connect to European low speed data and telex equipment.



*On-site testing at Guildford, England of the CMA-755 Telex Exchange for British Telecom.*

## Aerospace

Airlines in forty-five countries now use Canadian Marconi's aircraft navigation, monitoring and display systems aboard 100 different aircraft types.

Fuel efficiency in airline operations has become increasingly important due to rising costs. A significant increase in fuel savings was the deciding factor in PEOPLExpress' decision to purchase CMC's new Flight Advisory Computers (fuel management systems) and Alpha Omega navigation equipment. PEOPLExpress, one of North America's newest and most successful airlines, has bought this CMC equipment for their Boeing 727 and 737 aircraft.

CMC has recently designed an integrated avionics Total Care Concept, engineered to make flying safer and more efficient, and to facilitate maintenance. The Company's Status Display Systems, Engine Health Monitors, Voice Message Systems and Data Collection Units form this

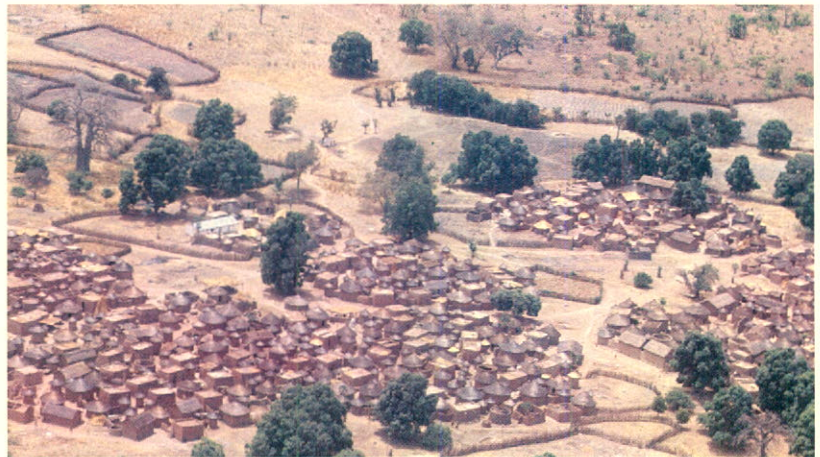
comprehensive package designed to function in a variety of combinations, or as stand-alone units, dependent on customer requirements.

Kenting Earth Sciences Limited is a world renowned survey and mapping company. Its need for precision and accuracy in aerial mapping operations has been met through CMC's Doppler navigation technology. In Zimbabwe, Uganda, Tanzania, Zaire, Kenya, Nigeria and Egypt this equipment has supplied accurate aircraft navigation and electronic data recording, and has helped Kenting realize substantial fuel savings.



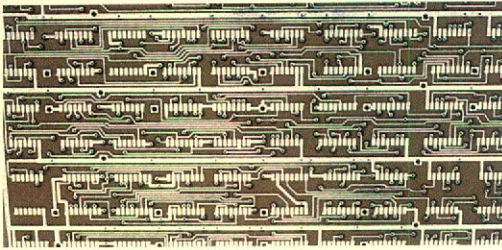
*CMC's Alpha Omega navigation systems and Flight Advisory Computers will increase fuel savings and enhance direct route flying for PEOPLExpress Airlines.*

*Photo: courtesy Roger Hart*

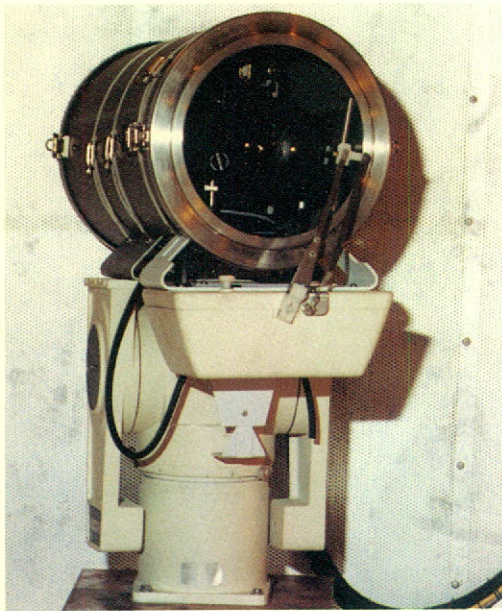


*Throughout Africa, the navigational capability of CMC Doppler systems allows Kenting Earth Sciences to perform aerial surveys effectively and accurately.*

*Photo: courtesy Keith Hall, Kenting*



Printed circuit boards link high technology components together through interconnecting 'highways'.



The Canadian Marconi designed and manufactured camera which observes physical engine testing in CF-18 aircraft.  
Photo: courtesy Emmanuel Kaliozakis



Part of the Swiss Red Cross, the Swiss Air-Ambulance organization relies on CMC engine instrumentation to relay critical information to its pilots.  
Photo: courtesy Canadair Limited

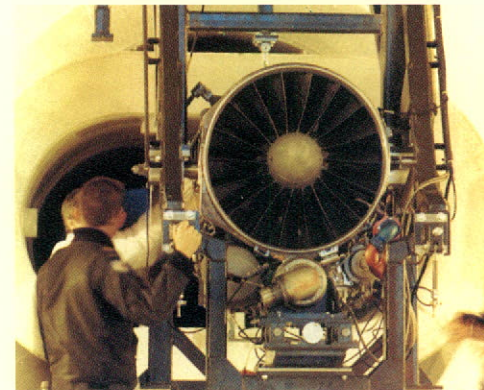
CMC's engine instruments play an important role in Switzerland aboard Canadair's CHALLENGER aircraft which has been converted to the flying 'Swiss Air-Ambulance'. In an emergency situation when patients must be rushed thousands of miles, a pilot counts on the engines' power to bring his aircraft safely and quickly to its destination. The accuracy of CMC's engine instruments provides him with precise measurements of all engine activities such as RPM, torque and engine oil pressure. Since June, 1983 Swiss Air-Ambulances have flown 139 patients on 97 international missions as far afield as Iraq, Nigeria, Tunisia, Syria, Greece and the U.S.A.

### Components

Sun World Circuits, Inc. (SWC) is a high volume producer of double-sided printed circuit boards (PCB), selling principally to the commercial and industrial markets in the U.S.A. During the year, manufacturing equipment has been upgraded and computerized material, financial and production controls have been initiated. Product improvement programs to enhance board quality and increase capability will help SWC to penetrate the higher end of the PCB marketplace.

### MAINTENANCE AND SUPPORT

Long-term technical maintenance and customer support is of great concern to Canadian Marconi. The Company is a prime source of repair and overhaul, and long-term support for Canada's Ministry of Transport, Department of National Defence (DND), and customers in countries overseas such as Venezuela, Turkey and Greece. In Baden, West Germany, CMC-designed camera systems observe all physical engine testing of the Canadian Forces' CF-18 fighter aircraft. The Company is also responsible for the servicing of all electronics involved in the test program.



A CF-18 engine being readied for examination in the 'test bed'.  
Photo: courtesy Emmanuel Kaliozakis

In Lahr, West Germany, CMC provides DND with total electronic support and maintenance of its early warning defence systems and ground-based microwave communications antennas, including civilian links. The Company is also responsible for the calibration and repair of all general DND test equipment including the Canadian commitment to NATO.

In Labrador, Canadian Marconi operates and maintains the United States Air Force's ionospheric observatory. The ionospheric layer of the earth's upper atmosphere has a direct effect on radiowave transmission, radar capability and telemetry links between space centers and space craft. The national Global Weather Network also relies on this observatory to supply critical long-range forecasts and advance warning of magnetic storms.



*Long-term, on-site training courses in tactical communications use are provided to armed forces world-wide.*

Canadian Marconi's satellite navigation systems are used worldwide, primarily in the field of geodesy. Although this equipment is no longer produced on a regular basis, its technical support is critical to customers such as the Chilean Research Institute. On Anvers Island in Antarctica, this organization depends on CMC's satellite navigation receivers to obtain precise measurements of glacial movement.

Not only are on-site CMC field service technicians and engineers of great importance to the Company's customers, but they rely on CMC to train their own technical personnel and operators. Courses varying between one week and one month are provided in-house, while on-location training may last as long as 20 weeks. During this past year, avionics training was supplied to customers in the United States, Europe, South America and Asia. Communications courses were given to customers of the Far East, Africa, the Middle East, and Latin America.



*In the rugged terrain of Anvers Island, Antarctica, a CMC satellite navigation antenna is examined by a local inhabitant.*

*Photo: courtesy Chilean Research Institute*



*CMC is responsible for all electronic maintenance involved in the engine test program of DND's CF-18 fighter aircraft.*

*Photo: courtesy Emmanuel Kaliozakis*

## DESIGNING FOR THE FUTURE

Concurrent with its present goals in the international high technology electronics marketplace, Canadian Marconi is designing for future needs.

Advanced systems technology development is conducted on an ongoing basis by R&D teams of both the Electronics and Communications Groups, including one of the Company's subsidiaries, CMC Electronics, Inc. (CMCE). During the past five years, gross expenditures on research and development have averaged 13.7% of revenues from electronic products.

Advances in intelligent digital systems and controls are reflected in the development of avionics products such as Global Positioning Systems (GPS). Canadian Marconi is playing a key role for Canada in the creation of GPS receivers for the NAVSTAR constellation — the most advanced satellite navigation system in the history of guidance and position determination.

Canadian Marconi's involvement in Microwave Landing Systems (MLS) is a natural outgrowth of its proven expertise in microwave-based Doppler technology. Development of CMC's MLS airborne receivers has progressed to the stage where a 'flying' prototype will be tested in the summer of 1984. Full production will be in effect by late 1985. The MLS airborne receivers will be one of the first CMC avionics products to use advanced packaging techniques which will provide weight and cost reductions of up to 30%.

Developments in surveillance radar technology will expand application potential and provide a wide range of customized products. CMC radar systems will use advanced digital processing techniques in parallel with high-resolution bright screen displays.

To respond to changing defence requirements, the Company is developing a family of low-level air defence surveillance radars. This equipment has been engineered to detect small, low level air targets even under severe environmental and electronic jamming conditions. These systems will be used for protection of sensitive areas as well as key strategic installations. Diversification efforts have recently resulted in CMC's participation in the study and interim report phase of Canada's RADARSAT Program.



*A prototype GPS receiver undergoing engineering tests.*



*In the near future, air travellers will rely on Microwave Landing Systems to provide improved safety at airports.*

Advances in communications are evolving through development of technology such as Automatic Frequency Selection designed to solve propagation impairment in HF transmission. Systems will employ intelligent microprocessor-based technology in conjunction with digital signal processing to enhance voice and data transmission quality. High frequency communications are being offered to emerging nations as a viable alternative to more expensive land-line, satellite and microwave transmission systems.



CMC Electronics, Inc.'s User Readout Simulator for CECOM.



Canadian Marconi's new Operator's Console developed as part of an Air Defence System for a country in the Middle East.

Photo: courtesy J.C. Daoust

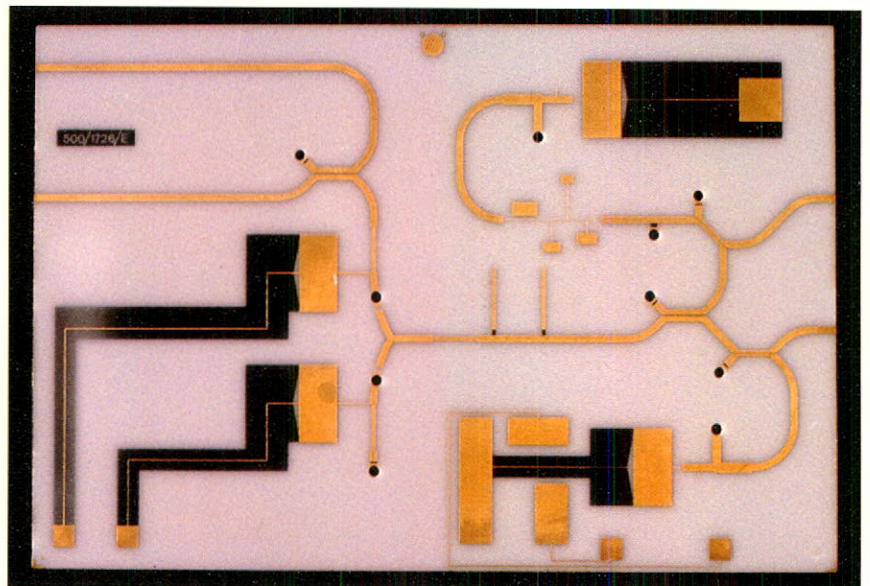
CMC Electronics, Inc. (CMCE), based in the U.S.A., is a valuable addition to Canadian Marconi's marketing effort, avionics repair and overhaul capability, and R&D directed towards advanced military communications systems. The U.S. Army Communications-Electronics Command (CECOM) has awarded CMCE a contract to design and produce User Readout Simulators (UROS) — devices which will train soldiers in the use of the Army's Position Location Reporting System (PLRS). UROS technology provides a breakthrough in communications training, in that it will eliminate the need for actual interaction with a Master Station, or with support personnel and equipment during user training sessions.

CMC's components development activity will be directed toward providing more reliability and greater efficiency in an even smaller package. This will be achieved through advances in material sciences and microwave component technology. In addition, development will continue in illuminated panels and alphanumeric displays to provide the customer with state-of-the-art products.



VARIG Airlines of Brazil optimize navigation capability with CMC Omega systems.

Photo: courtesy VARIG Airlines



A Microwave Integrated Circuit used for signal processing in the Ultra High Frequency range.



Canadian Marconi's growth and dedication to the design, development, manufacture and support of high technology electronics will continue to advance through investment in research and development, improved manufacturing technology and strategic marketing. Its aerospace systems, advanced communications, radars and specialized components will continue to meet and anticipate the requirements of the international military, commercial and civil sectors, turning complex ideas into simple, viable realities.



# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEET

March 31 1984 1983  
 (thousands)

### Assets

#### Current assets:

Cash and temporary investments, at cost, including accrued interest (approximates market)	\$ 78,839	\$ 64,917
Accounts receivable	40,759	30,197
Inventories (Note 3)	51,663	42,075
Prepaid expenses	517	490
	171,778	137,679

Fixed assets, at cost, less accumulated depreciation (Note 4)	24,544	24,962
	\$196,322	\$162,641

### Liabilities and Shareholders' Equity

#### Current liabilities:

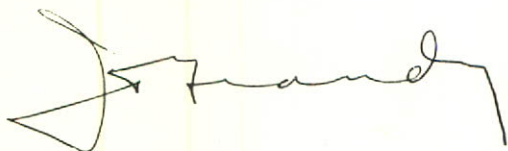
Accounts payable and accrued liabilities	\$ 52,736	\$ 49,788
Income taxes payable	4,258	4,500
	56,994	54,288

Deferred income taxes	2,454	2,714
Long-term debt (Note 5)	5,571	6,377

#### Shareholders' equity (Note 8):

Stated capital — 23,772,768 common shares	10,216	10,216
Retained earnings	121,087	89,046
	131,303	99,262
	\$196,322	\$162,641

Approved by the Board:



J. F. Grandy, Director



P. E. Wheatley, Director

## CONSOLIDATED STATEMENT OF INCOME

Year ended March 31	1984	1983
(thousands)		
Revenue:		
Electronic products	\$248,658	\$190,720
Income from temporary investments	7,473	7,907
	256,131	198,627
Operating costs and expenses:		
Manufacturing, selling and administration	178,898	143,980
Research and development, net of government participation — \$3,549,000 (1983 — \$4,165,000)	15,300	12,421
Depreciation	7,054	5,457
Interest on long-term debt	462	457
	201,714	162,315
Income before income taxes and special charge	54,417	36,312
Provision for income taxes	16,849	14,219
Income before special charge	37,568	22,093
Special charge (Note 9)	—	3,303
Net income	\$ 37,568	\$ 18,790
Earnings per common share (in dollars):		
Income before special charge	\$1.58	\$ .93
Net income	\$1.58	\$ .79

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended March 31	1984	1983
(thousands)		
Retained earnings, beginning of year	\$ 89,046	\$75,308
Net income	37,568	18,790
	126,614	94,098
Dividends — 23.25 cents per common share (1983 — 21.25 cents per common share)	5,527	5,052
Retained earnings, end of year	\$121,087	\$89,046

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended March 31	1984	1983
<u>(thousands)</u>		
Working capital was provided from:		
Operations —		
Income before special charge	\$ 37,568	\$22,093
Depreciation	7,054	5,457
Deferred income taxes	(260)	131
	<u>44,362</u>	<u>27,681</u>
Addition to long-term debt (Note 9)	—	3,843
Proceeds from sale of fixed assets	274	281
	<u>44,636</u>	<u>31,805</u>
Working capital was applied to:		
Additions to fixed assets, net of government assistance —		
\$1,369,000 (1983 — \$2,069,000)	6,910	13,514
Reduction of long-term debt	806	698
Dividends	5,527	5,052
Special charge (Note 9)	—	3,303
	<u>13,243</u>	<u>22,567</u>
Increase in working capital	31,393	9,238
Working capital, beginning of year	83,391	74,153
Working capital, end of year	<u>\$114,784</u>	<u>\$83,391</u>

### AUDITORS' REPORT

May 17, 1984

To the Shareholders of  
Canadian Marconi Company:

We have examined the consolidated balance sheet of Canadian Marconi Company as at March 31, 1984 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, 1984 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.



Chartered Accountants  
Montreal, Quebec

**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 \$201,220,000 (1983 — \$141,932,000).

**2. Summary of significant 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, current liabilities, and long-term debt denominated 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 the exchange rate in effect at the date of the transaction. Exchange profits and losses are included in income.

**(c) Inventories —**

Raw materials and bought-out components, work in process, 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. Investment tax credits are used to reduce the provision for income taxes in the year in which the related expenditures are made.

**(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 1984 and 1983.

**3. Inventories**

March 31	1984	1983
(thousands)		
Raw materials and bought-out components	\$11,225	\$10,985
Work in process	55,565	49,074
Finished products	7,852	6,843
	74,642	66,902
Progress payments	(22,979)	(24,827)
	\$51,663	\$42,075

**4. Fixed assets**

March 31	1984		1983	
(thousands)				
	Cost	Accumulated depreciation	Net	Net
Land	\$ 2,206	\$ —	\$ 2,206	\$ 1,531
Buildings	12,542	5,687	6,855	7,392
Plant, machinery and equipment	29,768	15,028	14,740	14,420
Equipment on rental	3,922	3,179	743	1,619
	\$48,438	\$23,894	\$24,544	\$24,962

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 expenditures authorized and committed at March 31, 1984 were \$7,101,000.

#### 5. Long-term debt

March 31	1984	1983
(thousands)		
5-¾% unsecured sinking fund debentures, Series A, due May 1, 1988	\$1,858	\$1,921
7% unsecured sinking fund debentures, Series B, due June 1, 1989	1,135	1,174
7-¼% Seminole County Industrial Development Authority Revenue Bonds (\$U.S. 2,660,000)	3,395	4,022
	6,388	7,117
Less: Due within one year included in accounts payable and accrued liabilities	817	740
	\$5,571	\$6,377

The Series A and B debentures include sinking fund provisions which require payments aggregating \$475,000 annually in the fiscal years 1985 to 1988, \$1,975,000 in the year 1989 and \$1,050,000 in the year 1990. Debentures have been purchased and surrendered for cancellation in advance of the requirements of the sinking fund provisions.

The Seminole County Industrial Development Authority Revenue Bonds are secured by title to the manufacturing facility of the Company's subsidiary located in Altamonte Springs, Florida.

Aggregate annual maturities of long-term debt for the fiscal years ending March 31, are as follows:

1986 — \$881,000	1987 — \$944,000	1988 — \$753,000
1989 — \$1,943,000	1990 — \$1,050,000	

#### 6. Pension plan

At March 31, 1984, all vested past service benefits in the Company's pension plan were fully funded.

#### 7. Related party transactions

The General Electric Company, p.l.c. (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 \$11,835,000 (1983 — \$13,916,000). The Company purchased goods and services from GEC and its subsidiaries amounting to \$4,749,000 (1983 — \$4,753,000). At March 31, 1984, the Company had accounts receivable and accounts payable with these associated companies amounting to \$4,268,000 (1983 — \$708,000) and \$246,000 (1983 — \$569,000), respectively. Terms for these transactions were essentially the same as those with unrelated parties.

#### 8. Change in common shares

On September 2, 1983, each issued and outstanding common share of the Company was changed into four common shares. Earnings per common share and dividends per common share amounts for the fiscal year ended March 31, 1983 have been restated to reflect this change.

#### 9. 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	4,141
Excess of cost and liabilities assumed over assets acquired	\$3,303

#### 9. Acquisition of subsidiary (cont'd)

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 ended March 31, 1983.

## 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

The Hon. Ian D. Sinclair, O.C., Q.C.  
Senator  
Ottawa, Canada

Sir Robert Telford, C.B.E., F. Eng.  
Director  
The General Electric Company, p.l.c.  
Chairman  
The Marconi Company Limited  
Chelmsford, Essex, England

Philip E. Wheatley  
President  
Canadian Marconi Company  
Montreal, Canada

Rhys J. Williams  
Managing Director  
GECOM  
Coventry, West Midlands, England

\*Member Audit Committee  
\*\*Chairman Audit Committee

## OFFICERS

William Baillie  
Senior Vice President, and  
Manager, Products and Markets  
Ottawa, Canada

John W. Dodds, Ph.D.  
Vice President, Special Services  
Division  
Montreal, Canada

Claude Filiatrault  
Vice President, General Counsel  
and Secretary  
Montreal, Canada

James F. Grandy  
Chairman of the Board  
Ottawa, Canada

Jack A. Howlett  
Vice President, Administration  
Montreal, Canada

James J. Kelly  
Vice President, Finance  
Montreal, Canada

Lionel Léveillé  
Vice President, Avionics Division  
Montreal, Canada

J. Gustave McInnes  
Comptroller  
Montreal, Canada

Laurent Noël  
Vice President, Defence  
Communications Division  
Montreal, Canada

Claude St.Arnaud  
Executive Vice President,  
Communications Group  
Montreal, Canada

Jean-Guy St-Germain  
Vice President, Human Resources  
Montreal, Canada

John H. Simons  
Executive Vice President,  
Electronics Group  
Montreal, Canada

Gerry Stuurop  
Treasurer  
Kanata, Canada

Philip E. Wheatley  
President  
Montreal, Canada

## EXECUTIVE OFFICES

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

## SUBSIDIARIES (U.S.A.)

CMC Electronics, Inc.  
20 Meridian Road  
Eatontown, N.J.  
07724

James E. Soos, Ph.D.  
President  
Tel. (201) 389-2522

Sun World Circuits, Inc.  
950 Sunshine Lane  
Altamonte Springs, Fla.  
32701

Curtis Bossi  
President  
Tel. (305) 869-6500

## STOCK EXCHANGES

The Toronto Stock Exchange (CMCT)  
Montreal Exchange (CMCM)  
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.

