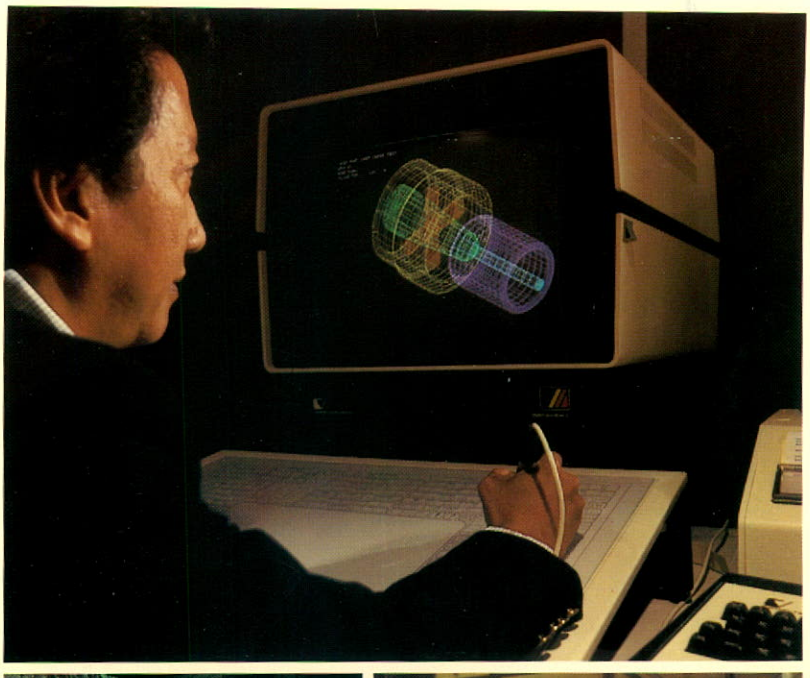
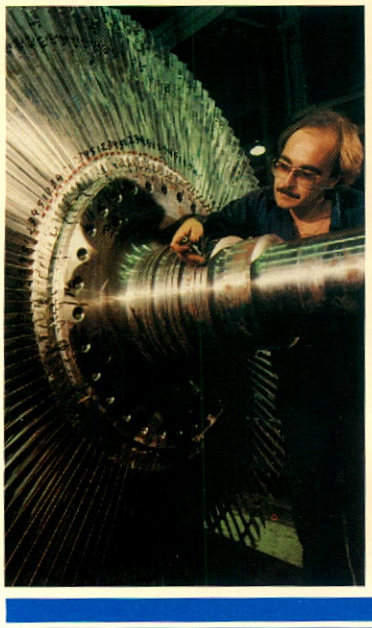
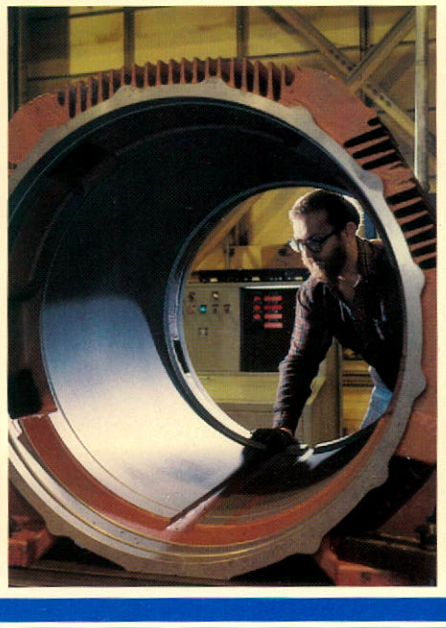
Westinghouse Canada Inc.

ANNUAL REPORT 1984







CORPORATE PROFILE

Westinghouse Canada Inc. is a diversified company serving the utility, industrial, construction and defence markets with electrical, electronic and mechanical products and services.

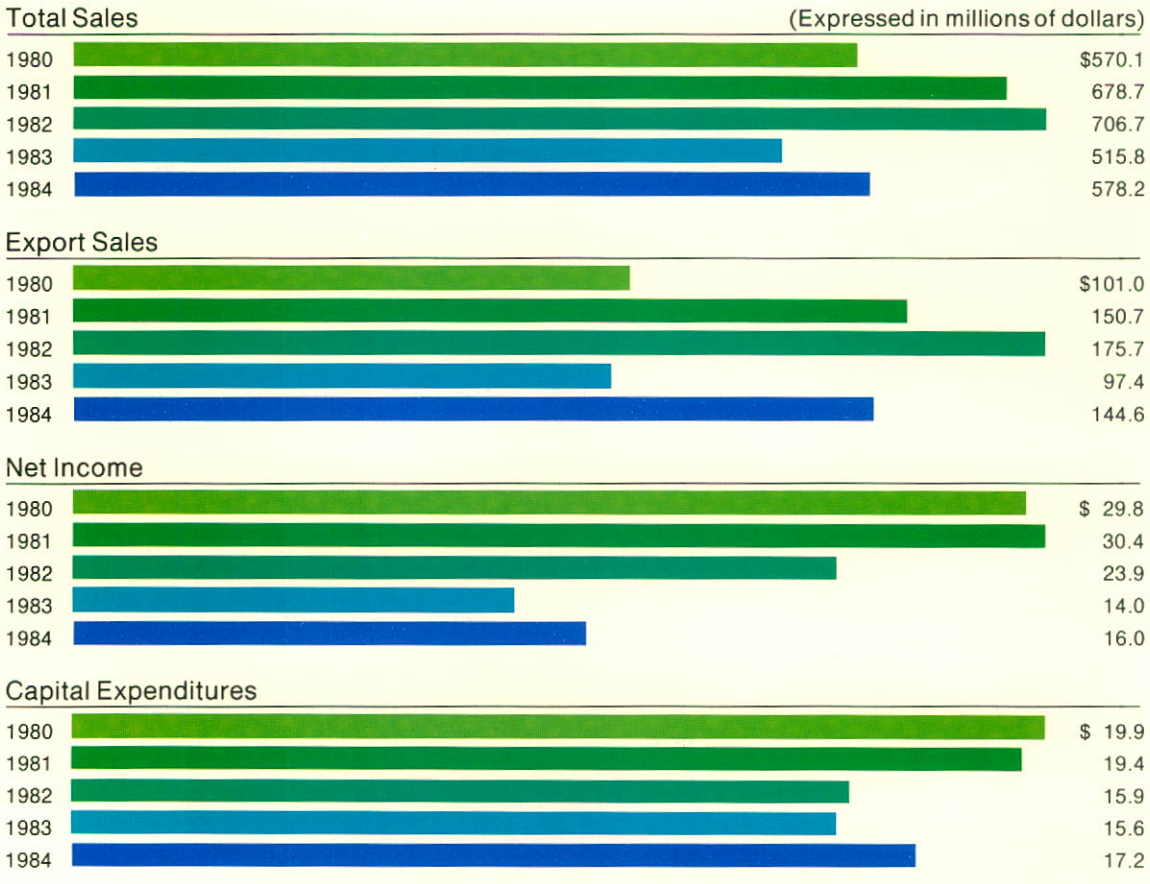
The company is structured into five major divisions—Turbine and Generator; Transformer, Nuclear Products and Motor; Electronics, Control and Distribution Products; Industry Services; and WESCO-Westinghouse Sales and Distribution Company.

Westinghouse Canada Inc. employs over 5,200 people in 19 manufacturing plants, 30 service and repair centres, and 59 sales locations across Canada and abroad.

(Left) Westinghouse employees at all levels are responding to the challenge of "doing it right the first time" by making quality a way of life. This commitment to excellence is essential to maintain the company's competitive stance in the global marketplace.

FINANCIAL HIGHLIGHTS

(Expressed in thousands except per share data)	1984	1983
Domestic Sales	**$433,520**	$418,389
Export Sales	**$144,635**	$ 97,432
Total Sales	**$578,155**	$515,821
Net Income	**$ 16,041**	$ 14,027
Shareholders' Equity	**$221,705**	$213,714
Per share information:		
Net Income	**$ 5.98**	$ 5.23
Dividends	**$ 3.00**	$ 3.00
Shareholders' Equity	**$ 82.62**	$ 79.64



PRESIDENT'S REPORT

While real business investment in Canada did not recover significantly from recessional lows, gains in export sales helped Westinghouse Canada improve its performance in 1984.

Net income for the year was $16.0 million or $5.98 per share on sales of $578.2 million. Dividends of $3.00 per share were paid. New orders strengthened during the last quarter and at $611.2 million were up 31% over 1983. Unfilled orders at December 31, 1984 were $262.8 million compared to $242.0 million a year earlier.

Export sales of $144.6 million were up 48% from the previous year and were only slightly below the pre-recession peak of 1982. These results provide strong support for the company's long range goal of exporting 50% of production. In line with this objective, we added to our range of world-mandate products during 1984 and increased the level of rationalized manufacturing with the Westinghouse Electric Corporation.

Domestic sales showed a 4% gain over 1983, but most market sectors remained weak compared to pre-recession levels.

The company improved its competitive position through expenditures on plant and equipment during the year. Facilities were installed for assembling and testing new generations of steam and gas turbines; a centre for training employees in factory automation techniques was established in Hamilton; automated feeder line systems were installed to streamline production of printed circuit boards for data communications terminals; and expansion was begun at our facilities in Dublin, Ireland.

Restructuring The Management System

The ongoing challenge to company operations is to respond to the changing patterns of domestic and world competition by continually improving our standards of quality, delivery and costs.

Meeting this challenge requires substantial restructuring of the management system from that which was introduced early in this century. As part of this process, many of our employees are now involved in redesigning our manufacturing and office systems to reduce the elapsed time between receiving an order and invoicing the customer.

Recognizing that quality must also be significantly improved in order to reduce cycle times, the company developed a strategy aimed at achieving error-free performance throughout the entire organization by encouraging employees to make quality a way of life.

In turn, it is recognized that significant gains in quality can only be achieved by better utilization of our human resources which involves increasing the skills and flexibility of our workforce and encouraging employees to take a greater part in managing their own efforts without traditional supervision. In our factories and offices this has led to a move away from the narrow divisionalization of labour toward a multi-functional system which requires employees to handle a broader range of tasks.

Reduction of cycle time, higher quality levels, and more effective utilization of human resources, all interact to achieve better overall productivity and increased competitiveness in the international marketplace.

The application of new technologies in the workplace is also contributing to this restructuring as we expand the use of computer-aided design, robotics, programmable controls and other elements of computer-integrated manufacturing. The move to computerization is helping link the design and manufacturing functions more effectively with the administrative side of the business.

Stronger Product Base

Our programs to improve productivity throughout the organization have been accompanied by a parallel effort to maintain the technological leadership of our products and services in the global marketplace. The new world mandate for CW251 gas turbines for example, has given us entry to a promising segment of the world market and is backed by a long-range program to develop a new generation of high-efficiency machines to assure we remain internationally competitive.

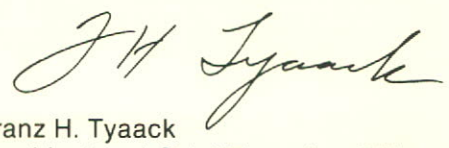
Our data communications terminals have achieved an international reputation for quality and are a world-mandate product which we developed in Canada. The success of this product line, particularly in the airlines industry, has led to the development of a range of advanced computer displays for sale worldwide.

With eighteen world-mandate products now in our portfolio, we are well-positioned to serve the global marketplace. Looking to the future, we recognize that some core electrical products have reached the mature phase of their life cycle in Canada, and are faced with slower growth. However, in the context of the world market, which is in large part underdeveloped, these products have sizeable growth potential as Third World countries move to employ electrical energy to support their industrial development.

Executive Changes

On April 17, 1984 D. C. Marrs retired as Chairman of the Board of Directors ending a distinguished career that spanned 48 years with Westinghouse. On the same date, E. B. Priestner was elected a director of the company and was elected Executive Vice President, Operations. On October 29, 1984, P. M. Marshall was elected to the Board of Directors succeeding R. M. Campbell. Mr. Campbell was elected to serve on the board of the Westinghouse Electric Corporation.

I wish to express my sincere thanks to all employees for helping the company achieve success in 1984 through their commitment to providing quality goods and services to our customers.



Franz H. Tyaack
President and Chief Executive Officer

February 12, 1985

OPERATIONS REVIEW

MARKETS

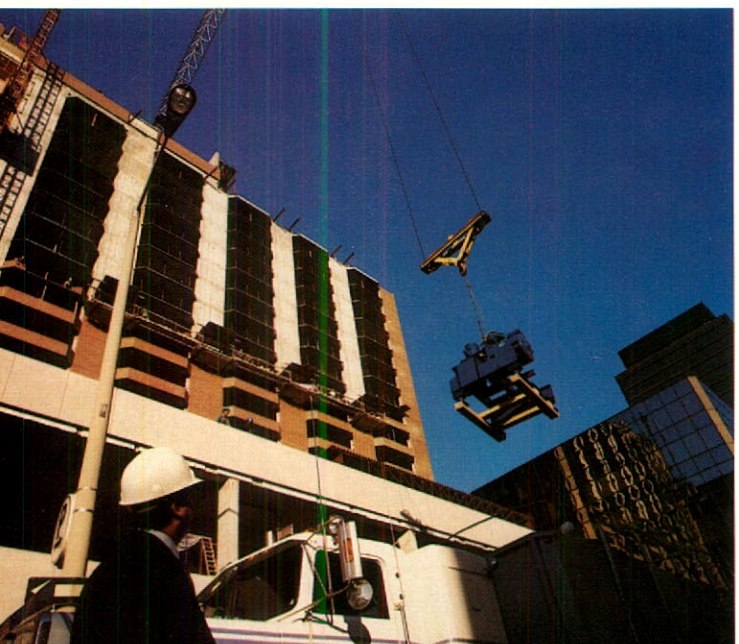
Westinghouse Canada's sales improved in 1984 despite depressed conditions in domestic and international markets served by the company. Traditionally, company sales in Canada have tracked the level of capital investment. However, slow growth in this sector was more than offset by corporate strategies to increase exports and expand the technology base.

Two major world-mandate products entered manufacture in 1984. These were the CW251 gas turbine generator sets in Hamilton, Ontario and ASL dry-type transformers in Saint-Jean-sur-Richelieu, Quebec. Other mandated products added to the portfolio were electronic transducers, transformer rectifiers, network protectors and rib-cage, explosion-proof motors.

Exports

Over 40% of the value of all production was shipped to export markets in 1984, indicating the company is on target with its goal of exporting 50% of manufactured product.

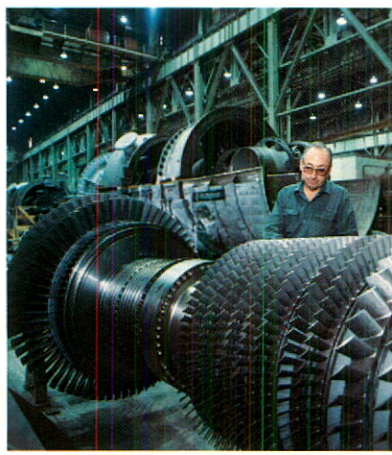
The Turbine and Generator Division led in exports with 90% of its sales going to customers outside Canada. Major shipments were made to the United States, North Africa and the Middle East. The division supplied 160 megawatts of steam turbine-generator sets to the industrial cogeneration market in the United States and sold its first CW251 gas turbines to industrial customers in that country. Continuing the trend of recent years, the division experienced significant growth in the sale of renewal parts and equipment service to turbine users worldwide.



The Electronics, Control and Distribution Products Division also contributed substantially to the company's export total, mainly through record sales of data communications terminals to the international airline industry. Developed and manufactured by the division's Electronic Systems Department, these terminals are now used by over 120 airlines around the world.

The new Projects Management Department, established to coordinate sales of Westinghouse products to major industrial and utility developments around the world, successfully negotiated its first contracts in 1984. These included orders for switchgear and motor starters for a pulp and paper complex in Argentina, and switchgear and bus trough for oil producers in North Africa.

Additional support for the company's export thrust was provided by a new international marketing function set up to follow the activities of Canadian consulting engineers handling overseas projects. This provides the manufacturing divisions with advance knowledge of projects which could use Westinghouse products.



Trade shows were used to advantage during the year to promote Westinghouse goods and services in foreign markets. The company participated in exhibitions in the United States, the Netherlands, Kuwait, Iraq, Saudi Arabia, Brazil, France and Sweden.

(Top) Westinghouse promoted its goods and services at major trade exhibitions across Canada and in ten foreign countries during 1984.

(Centre) Gas turbine generator sets are one of a growing number of world product mandates that have helped the company expand sales in international markets.

(Left) Westinghouse elevator motors being installed at Hamilton's new Sheraton Hotel. The company supplies and services elevator and escalator systems nation-wide.

Sales In Canada

The diversity of the company's product portfolio, coupled with sales strategies tailored to the more buoyant sectors of the economy, helped offset the adverse effects of reduced business investment in the domestic market.

Major orders were obtained from pulp and paper and aluminum smelting industries in Quebec, energy projects in Alberta and automotive industry expansion in Ontario. Meanwhile, there was moderate to strong growth in sales of core electrical products to the commercial construction market.

The company concentrated on improving customer service in its WESCO sales offices across the country with programs aimed at maximizing warehouse sales of stock products. Sales training programs were also provided to support the introduction of automated factory control products and integrated systems for buildings.

A new distribution centre was opened in Edmonton to provide improved service to customers in Alberta and Saskatchewan.

Significant contracts were received to design and manufacture advanced electronic defence systems for the Canadian navy; for major refits of coast guard ships for the federal government; and for the continuing supply of nuclear fuel to CANDU reactors. A milestone was reached in June when the Nuclear Products Department produced its 250,000th fuel bundle since beginning operations in 1964.

Steps were taken during the year to strengthen the company's position in the fast-growing factory automation market for its Numalogic and data process control products.

SERVICE

As industries strive to reduce costs and increase productivity, there has been substantial growth in services aimed at improving the operational effectiveness of existing machinery and equipment. This has been reflected in the growth of Westinghouse Canada's renewal parts and service activities.

The worldwide renewal parts and service operation of the Turbine and Generator Division has doubled in recent years, and the division now has specialists in some twenty countries. Major projects in 1984 included a $10 million overseas renewal parts contract and the servicing of four large gas turbines in Beirut, Lebanon during the hostilities in that area. At that time, the Westinghouse turbines were the city's sole source of power.

Another important repair project involved the rebuilding of steam turbines severely damaged by fire at the Syncrude oil extraction plant in Alberta. This major undertaking was completed within tight deadline requirements highlighting the company's dedication to customer service.

Domestically, Westinghouse provided service to utilities and industries across the country through its Industry Services Division. This group now has thirty service centres strategically located throughout Canada, staffed by specialists experienced in customer technologies.

(Top) Westinghouse process control specialists install and maintain automated factory systems across Canada as part of a new service offered by the Industry Services Division.

(Right) Steam turbines damaged by fire at an oil extraction plant in Alberta were rebuilt by Turbine and Generator Division in record time. Unit is shown leaving Hamilton en route to customer to resume production.

The division established an Instrumentation Systems and Services Group to handle installation, repair and maintenance of automatic control systems. This new department broadens the division's range of services and provides entry to a fast-growing market.

Training programs for professional field sales representatives were updated in 1984. These programs provide technical information relating to on-site operation, maintenance and trouble shooting for electrical and mechanical products.

The repair and maintenance of elevators and escalators is an important part of the company's overall service operations. During the year, Westinghouse continued to expand its position in the service market for these products as well as install new systems in major construction projects.

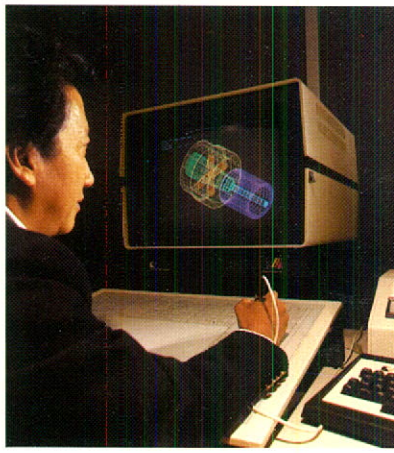
MANUFACTURING

Meeting the need for quality products, built on time at competitive prices continues to be the major challenge for the company's operating units.

The company has responded to this challenge with a concerted effort to build on its reputation for quality. Programs have been initiated to strengthen employee commitment to ensure that work "is done right the first time".

Emphasis has been placed on reducing the time between receiving an order and shipping the product. Significant cycle time reductions have been achieved through the application of computer-aided design, robotics and programmable control systems. The results have been higher quality, improved service to customers and better use of company assets.

Automation is playing a growing role in keeping Westinghouse plants competitive. During 1984 the company established a facility in Hamilton to provide hands-on training for employees in the application of factory automation techniques.



The company continued its practice of sending employee groups to study related industries in foreign countries. The most recent examples were trips to Japan by key personnel who visited leading industrial plants in that country, gaining useful information on new technologies and their application.

Capital Investment

The company maintained a substantial level of capital investment during the year. Investments to improve customer service, to improve quality of operations and to take advantage of emerging opportunities in both domestic and international markets headed the list.

A new computer-assisted drafting and manufacturing system installed at the Turbine and Generator Division will significantly improve engineering and manufacturing response time. This investment directly addresses the company's commitment to improve customer service and operation quality.

(Top) Computer-Assisted Drafting is helping Westinghouse engineers and draftsmen produce technical drawings faster and more accurately. 3-D representation of parts and assemblies makes it easier for shop personnel to interpret design requirements.

(Centre) At the new Robotics Centre in Hamilton, employees from across the company receive hands-on training in factory automation techniques.

(Left) Automated feeder line system speeds assembly of printed circuit boards used in Westinghouse data communications terminals.

The division also expanded its facilities for assembling and testing gas and steam turbines. This was necessary to accommodate the development of larger machines which are now an important part of the division's product line.

The Electronics, Control and Distribution Products Division commissioned an automated feeder line to improve production of printed circuit boards at the Electronic Systems Department in Burlington, Ontario. The new facility will help the department keep pace with orders for its highly successful data communications terminals.

The well managed and highly successful satellite operation in Dublin, Ireland, embarked on a major expansion. This was necessary to keep pace with the growing data terminal market in Europe which is serviced from Dublin.

To better serve the Quebec market, the Transformer, Nuclear Products and Motor Division acquired a distribution transformer business in Saint-Malo, Quebec.

State-of-the-art telecommunications systems were installed in Hamilton to provide more efficient voice and data transmission for company operations across Canada.

Organization Changes

During 1984, the Switchgear and Control Division, the Industrial Products Division and the Electronic Systems Division were consolidated into the Electronics, Control and Distribution Products Division. This was a continuation of the company's efforts to consolidate operations into larger, more self-reliant organizations capable of producing more competitive products.

Further consolidation of operations was accomplished during the year by combining the Motor Division with the Transformer and Nuclear Products Division.

PEOPLE

Efforts to increase internal quality and improve productivity resulted in many technological changes in both office and factory during 1984. These changes highlighted the need for Westinghouse employees to play a key role in their introduction and, in many cases, to adjust to new management styles and a different work environment.

The rate of introduction of personal computers and word processing systems across the company accelerated during 1984 with resultant increases in quality and productivity. This required the introduction of training programs along with courses in computer expertise to enable employees to use the new equipment effectively. Training in computer applications was provided in conjunction with Mohawk College in Hamilton as well as through the use of in-house resources.

The accelerating pace of technological change also caused the company to re-examine the traditional ways of organizing and performing work and the quality of work life offered to its employees. The need for an environment in which employees are encouraged to maximize their individual and collective contributions has resulted in the introduction of new types of organizational units and management styles.

The concept of semi-autonomous work groups was introduced where employees,

(Top) As winner of the George Westinghouse Award for his accomplishments in engineering, Kevin Peterson was one of many employees honoured during the year for contributing to the company's technological leadership.

(Right) Company-sponsored training programs, including special courses in computer literacy, help employees keep pace with technological change in the workplace.

without supervision in the traditional sense, work toward objectives established by the group. This organizational technique has increased productivity, yielded better quality and improved the work environment.

Small groups of volunteers are meeting on a regular basis at the Corporate Office to examine problems and recommend changes to enhance the quality of work life and improve productivity.

The traditional "one-employee—one job" concept is being replaced in a number of plants with a multi-functional system where each employee is skilled in several tasks. Flexible Machining Systems have also been introduced in several locations along with the employee training needed to make them work.

Progress was made during the year in addressing the needs of women, minority groups and the disabled through the company's Affirmative Action Program. Awareness sessions, union input, assessment of the physical demands of jobs and development of a policy on sexual harassment, were some of the key components of the program.

Employee Recognition

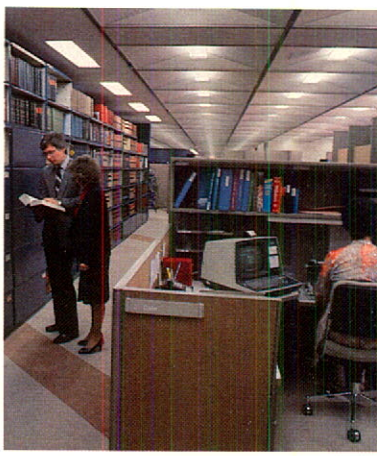
During 1984, an unprecedented number of Westinghouse employees were honoured for their technical achievements which represent important contributions to the company's technological leadership.

The highest Westinghouse award worldwide, the Order of Merit, was presented to the director of Corporate Productivity Services for his efforts in the application of new technology to improve productivity and quality throughout the company.

A member of the engineering team in the Electronic Systems Department was one of a select group of employees worldwide to receive the George Westinghouse Award for outstanding accomplishments in engineering which, in this instance, related to major advances in the design of the company's data communications terminals.

Thirty-three other employees from engineering and manufacturing ranks also received awards under two international programs introduced in 1984. These are the Signature Awards for Manufacturing Excellence and the Engineering Achievement Awards.

The contributions of long-service employees were also recognized during the year with forty-five Westinghouse people honoured for having achieved thirty years of dedicated service to the company.



Community Commitment

Westinghouse Canada maintained an active role in supporting educational, social-service and cultural organizations in many communities across the country.

The company received the Financial Post Award of Distinction for its wide-ranging and sustained support of the arts in Canada. Along with this award, Westinghouse was commended for providing funding to promote cultural projects and for making available a wide range of employee skills to support these undertakings.

Under an ongoing program for children of employees, six university scholarships of $3,000 each were granted. In addition, twenty-five awards of $250 each went to students at community colleges.

(Top) The efficient, open-concept design of the new Corporate Office, coupled with advanced office technology, has helped increase staff productivity.

(Left) Through involvement in small group activities, Corporate Office employees examine problems and recommend changes that improve working conditions and productivity.

FINANCIAL REPORT

Report of Management

The corporation has prepared the consolidated financial statements and related financial information included in this report. The financial statements were prepared in accordance with generally accepted accounting principles appropriate in the circumstances and applied on a consistent basis and include amounts that are based on best estimates and judgements with appropriate consideration to materiality. Financial information included elsewhere in this report is consistent with the financial statements.

The corporation maintains a system of internal accounting controls, supported by documentation and augmented by an internal auditing function, to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the corporation.

The corporation believes that its policies and procedures, including its system of internal accounting controls, provide reasonable assurance that the financial statements are prepared in accordance with generally accepted accounting principles.

The corporation has the primary responsibility for the integrity of the financial statements and the other financial information and for ascertaining that the data reflects the financial position and results of operations.

The shareholders' auditors provide an independent opinion that the financial statements are presented fairly.

The Audit Committee of the Board of Directors is responsible for reviewing the financial statements prior to their approval by the Board. The Audit Committee meets periodically and privately with the independent auditors, with our internal auditors, as well as with management, to review accounting, auditing, internal accounting controls and financial reporting matters. The Board of Directors has approved all of the information contained in the management report and consolidated financial statements.

On behalf of the corporation:

Vice President Finance

President and
Chief Executive Officer

AUDITORS' REPORT

To the Shareholders of
Westinghouse Canada Inc.

We have examined the consolidated balance sheet of Westinghouse Canada Inc. as at December 31, 1984 and the consolidated statements of income and 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 corporation as at December 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.

Price Waterhouse

Chartered Accountants
Hamilton, Ontario
January 15, 1985

CONSOLIDATED BALANCE SHEET

At December 31

(Expressed in thousands)	1984	1983
Assets		
Accounts receivable	**$126,699**	$103,522
Inventories (note 1)	**166,881**	172,876
Other current assets	**2,357**	6,694
Total current assets	**295,937**	283,092
Plant and equipment (note 2)	**82,787**	75,438
Investments and other assets (note 3)	**6,695**	8,211
Total Assets	**$385,419**	$366,741
Liabilities and Shareholders' Equity		
Liabilities		
Bank indebtedness	**$ 30,357**	$ 23,068
Accounts payable and accrued charges	**105,884**	101,817
Income taxes payable	**363**	851
Current portion of long-term debt	**141**	322
Total current liabilities	**136,745**	126,058
Long-term debt (note 4)	**13,330**	13,997
Deferred income taxes	**13,639**	12,972
Total Liabilities	**163,714**	153,027
Shareholders' equity		
Share capital (note 5)	**14,948**	14,948
Retained earnings	**206,757**	198,766
Total shareholders' equity	**221,705**	213,714
Total Liabilities and Shareholders' Equity	**$385,419**	$366,741

On behalf of the Board:

Director

Director

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

Years ended December 31

(Expressed in thousands except per share data)	1984	1983
Sales	**$578,155**	$515,821
Costs and expenses excluding depreciation, amortization and interest	**544,575**	486,714
Depreciation and amortization	**9,515**	9,493
Interest expense less interest income of $2,372 in 1984; ($280 in 1983)	**1,574**	1,897
Income before taxes	**22,491**	17,717
Provision for income taxes (note 6)	**6,450**	3,690
Net income	**16,041**	14,027
Retained earnings at beginning of year	**198,766**	192,789
	214,807	206,816
Dividends paid	**8,050**	8,050
Retained earnings at end of year	**$206,757**	$198,766
Earnings per share	**$ 5.98**	$ 5.23
Dividends paid per share	**$ 3.00**	$ 3.00

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Years ended December 31

(Expressed in thousands)	1984	1983
Source of working capital		
Operations—		
Net income	**$ 16,041**	$ 14,027
Items not affecting working capital:		
Depreciation and amortization	**9,515**	9,493
Deferred income tax	**667**	(248)
Gain on redemption of debentures	**(187)**	—
Cash provided from operations	**26,036**	23,272
Plant and equipment disposals	**597**	11,442
Decrease (increase) in investments and other assets	**1,255**	(1,954)
	27,888	32,760
Use of working capital		
Plant and equipment additions	**17,200**	15,619
Dividends paid	**8,050**	8,050
Reduction in long-term debt	**480**	322
	25,730	23,991
Increase in working capital	**2,158**	8,769
Working capital beginning of year	**157,034**	148,265
Working capital end of year	**$159,192**	$157,034

ACCOUNTING PRINCIPLES AND POLICIES

The significant accounting policies followed by the corporation are presented to assist the reader in evaluating the financial statements and other information in this report. The policies conform to generally accepted accounting principles which have been consistently applied.

Basis of consolidation: The consolidated financial statements include the accounts of three small wholly-owned companies.

Revenue recognition: Sales are recognized when products are shipped or services rendered.

Expense recognition: Costs relating to sales are charged against income when the related sales are recognized. If engineering and manufacturing estimates indicate a loss will be incurred on a contract, full provision is made for the loss at the time of the estimate. Costs not relating to sales are recognized when incurred.

Research and Development: Research and development costs and customer order development costs, net of related tax credits, are charged against income when incurred.

Inventories: Inventories are valued at the lower of cost and market less progress billings to customers. Cost is principally computed using currently adjusted standards which are developed for individual items on the basis of material, labour and overhead costs at normal activity levels on a first-in, first-out basis. Such standards approximate actual costs. Market is defined as replacement costs for raw materials and certain work in process and as net realizable value for the balance of the inventories.

Plant and equipment: Purchased plant and equipment is recorded at original cost less related investment tax credits and government assistance whether or not conditional in nature. Capital leases are recorded as purchased plant and equipment. Expenditures for maintenance, repairs and tooling are charged against income when incurred. Depreciation of plant and equipment is provided on the straight-line basis on the following life expectancies beginning in the month the asset is used:

Buildings	—25 and 40 years
Equipment	—principally over 10 years
Leasehold improvements	—over the term of the lease plus the first renewal option.

On dispositions, the related asset costs and accumulated depreciation are removed from the accounts and any resultant gain or loss is included in income.

Amortization of goodwill: Goodwill represents the unassigned excess of cost over book value on the acquisition of a business and is amortized on a straight-line basis over 10 years.

Product and service guarantees: The corporation recognizes the estimated cost of guarantee obligations to its customers at the time of revenue recognition.

Income taxes: Income taxes are recorded on a tax allocation basis. Deferred income taxes are provided for all significant timing differences between accounting and taxable income, which are primarily due to depreciation claimed for tax purposes in excess of amounts recorded in the accounts.

Pension funds: Pension costs include valuation adjustments and the amortization of the liability for past service. Liability for past service is charged against income over periods of not more than 15 years.

Foreign exchange: Foreign currency balances and transactions are translated into Canadian dollars as follows: asset, liability, revenue and expense transactions are translated at the average exchange rates in effect during the month of the transaction; at year-end, balances representing cash and amounts owed by or to the corporation that are denominated in foreign currency are translated at the year-end rate of exchange. Any unrealized gains and losses on foreign currency translation are taken to income when they arise.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1984 and 1983

(1) Inventories (in thousands)	**1984**	1983
Raw materials, work in process and replacement parts	**$159,661**	$152,898
Finished goods	**29,933**	30,052
	189,594	182,950
Less progress billings	**22,713**	10,074
Net investment in inventories	**$166,881**	$172,876

(2) Plant and equipment (in thousands)			**1984**	1983
	Cost	Accumulated Depreciation	Net	Net
Land	$ 5,101	$ —	**$ 5,101**	$ 5,505
Buildings	51,338	19,717	**31,621**	32,275
Equipment	99,587	64,494	**35,093**	31,845
Leasehold Improvements	2,619	1,586	**1,033**	1,182
New additions not yet in use	9,939	—	**9,939**	4,631
	$168,584	$85,797	**$82,787**	$75,438

The cost of plant and equipment additions during the year was reduced by government assistance of $2,976,000 ($1,931,000 in 1983).

(3) Investments and Other Assets (in thousands)	**1984**	1983
Goodwill	**$ 2,609**	$ 2,609
Less Amortization	**479**	218
	2,130	2,391
Long-Term Government Receivables	**2,752**	4,673
Other	**1,813**	1,147
	$ 6,695	$ 8,211

(4) Long-term debt (in thousands)	**1984**	1983
8¾% debentures maturing October 1, 1991 with annual minimum sinking fund requirements of $667,000 (less debentures purchased for cancellation in advance of sinking fund requirements)	**$ 13,471**	$ 14,319
Less portion due within one year including balance of sinking fund requirements	**141**	322
	$ 13,330	$ 13,997

Interest on long-term debt amounted to $1,185,000 in 1984 ($1,199,000 in 1983). Unamortized debenture discount and issue expenses of $118,000 ($144,000 in 1983) are included in Investments and Other Assets in the Consolidated Balance Sheet.

(5) Share Capital

At December 31, 1984 the corporation had authorized share capital of an unlimited number of preferred shares, issuable in series, and an unlimited number of common shares of which 2,683,399 (2,683,399 in 1983) were outstanding and fully paid.

(6) Income Taxes

The reconciliation between the statutory income tax rate and the corporation's effective income tax rate is as follows:

	1984	1983
Combined basic federal and provincial income tax rates	**49.9%**	49.8%
Inventory allowance	**(11.5)**	(12.6)
Scientific research allowance*	**—**	(7.4)
Non-taxable income from foreign subsidiary	**(7.1)**	(5.5)
Manufacturing and processing deduction	**(3.9)**	(3.8)
Other	**1.3**	0.3
	28.7%	20.8%

*The increase in the effective tax rate in 1984 results primarily from the change in tax legislation relating to the scientific research allowance. In 1984, additional allowances for research and development were replaced by investment tax credits which are treated as a reduction of the corporation's research and development expenditures and liability for income taxes.

(7) Related Party Transactions

As of December 31, 1984, approximately 95 percent of the shares of the corporation were owned by Westinghouse Electric Corporation of Pittsburgh, Pennsylvania.

Throughout the year, products and services were purchased from and sold to Westinghouse Electric Corporation and its affiliates in the normal course of business. These transactions represented less than 20 percent of purchases and sales in both 1984 and 1983. In addition, the corporation derived patent licenses and much of its technology from Westinghouse Electric Corporation, under a series of License and Technical Assistance Agreements under which it paid reasonable royalties.

Included in the consolidated financial statements at December 31 are intercompany balances with Westinghouse Electric Corporation and its affiliates in the following amounts:

(in thousands)	1984	1983
Accounts payable and accrued charges	**$ 32,693**	$ 34,723
Accounts receivable	**$ 8,651**	$ 9,568

(8) Acquisition of Businesses

The corporation purchased the net assets of certain businesses during the year which have been combined with those of Westinghouse Canada Inc. Total consideration relating thereto was $3,500,000.

(9) Pension Funds

The corporation has pension plans covering substantially all its employees. Independent actuarial evaluations indicate the total unfunded obligations of the two pension plans sponsored by the corporation were approximately $41,718,000 at December 31, 1984 ($39,832,000 as at December 31, 1983). These obligations are being funded in accordance with government legislation over periods of not more than 15 years.

Summary of Changes in Pension Plan Assets

Year Ended December 31 (in thousands)	1984	1983
Additions:		
Employer contributions	**$ 5,519**	$ 5,047
Employee contributions	**2,115**	2,271
Income from investments	**16,426**	16,142
Net gain (loss) from disposal of assets	**(46)**	9,059
	24,014	32,519
Reductions:		
Benefit payments and refunds	**13,247**	12,342
Fees and expenses	**582**	517
Pension plan assets transferred upon sale of lamp business	**253**	8,229
	14,082	21,088
Net additions to trust funds	**9,932**	11,431
Market value at beginning of year	**202,735**	182,530
Unrealized increase (decrease) in market value of assets	**(784)**	8,774
Market value at end of year	**$211,883**	$202,735

(10) Segmented Information

Corporate Description and Segment Definition

The corporation is engaged principally in the manufacture, sale and service of equipment and components for the generation, transmission, distribution, utilization and control of electricity. In addition, it manufactures and supplies mechanical drive gas and steam turbines.

Electronics and Control supplies a wide range of products and services, including technologically advanced electronics equipment, controls, relays, switchgear, meters, moulded case circuit breakers, machinery, and distribution products to a variety of customers for process automation and applications in industries such as metals, oil, gas, petrochemical, mining, pulp and paper, textile, transportation, rubber and durable goods. Included in advanced electronics equipment are data communications products sold worldwide to the airline industry and electronic systems sold to the Canadian Government and NATO.

Electrical Products designs, develops, manufactures, distributes and installs mechanical drive gas and steam turbines, power generating apparatus, motors and distribution equipment for the electric utility, industrial and construction markets. In addition, it manufactures nuclear fuel and other components for Candu reactors.

Services provides sales, distribution, product repair and service to a wide range of customers in the construction, manufacturing and resource market sectors.

Condensed Statement of Income (in thousands)	**1984**	1983
Sales—Electronics and Control	**$130,065**	$117,248
—Electrical Products	**236,077**	198,096
—Services	**332,903**	311,473
—Other	**2,711**	13,780
	701,756	640,597
Inter-Segment Elimination	**(123,601)**	(124,776)
Sales to Outside Customers	**$578,155**	$515,821
Export Sales	**$144,635**	$ 97,432
Income Before Income Taxes		
—Electronics and Control	**$ 9,354**	$ 7,958
—Electrical Products	**20,048**	17,577
—Services	**5,825**	3,084
—Other Revenue and Common Costs	**(12,736)**	(10,902)
	22,491	17,717
Income Taxes	**(6,450)**	(3,690)
Net Income	**$ 16,041**	$ 14,027

Additional Information (in thousands)		
Assets—Electronics and Control	**$ 53,544**	$ 54,817
—Electrical Products	**231,219**	213,100
—Services	**94,937**	82,323
—Other	**5,719**	16,501
Total Assets	**$385,419**	$366,741
Plant and Equipment Additions		
—Electronics and Control	**$ 3,242**	$ 2,127
—Electrical Products	**10,153**	7,023
—Services	**2,357**	5,461
—Other	**1,448**	1,008
Total Plant and Equipment Additions	**$ 17,200**	$ 15,619
Depreciation and Amortization Expense		
—Electronics and Control	**$ 1,977**	$ 1,711
—Electrical Products	**4,203**	3,748
—Services	**2,781**	2,622
—Other	**554**	1,412
Total Depreciation and Amortization Expense	**$ 9,515**	$ 9,493

FIVE YEAR SUMMARY

(Expressed in thousands except as otherwise noted*)

Condensed Statement of Income	1984	1983	1982	1981	1980
Total sales	**$578,155**	$515,821	$706,744	$678,730	$570,115
Net income	**$ 16,041**	$ 14,027	$ 23,916	$ 30,351	$ 29,812
Condensed Balance Sheet					
Working capital	**$159,192**	$157,034	$148,265	$140,060	$128,773
Plant and equipment	**$ 82,787**	$ 75,438	$ 80,536	$ 75,477	$ 65,431
Investments and other assets	**$ 6,695**	$ 8,211	$ 6,474	$ 5,677	$ 3,019
	$248,674	$240,683	$235,275	$221,214	$197,223
Less: Long-term debt	**$ 13,330**	$ 13,997	$ 14,319	$ 15,257	$ 15,657
Deferred income taxes	**$ 13,639**	$ 12,972	$ 13,220	$ 14,087	$ 11,997
Shareholders' equity	**$221,705**	$213,714	$207,736	$191,870	$169,569
Condensed Statement of Changes in Financial Position					
Cash provided from operations (see note)	**$ 26,036**	$ 23,272	$ 32,009	$ 41,032	$ 36,877
Expenditures for plant and equipment	**$ 17,200**	$ 15,619	$ 15,939	$ 19,425	$ 19,873
Dividends paid	**$ 8,050**	$ 8,050	$ 8,050	$ 8,050	$ 6,708
Per Share Data*					
Net income	**$ 5.98**	$ 5.23	$ 8.91	$ 11.31	$ 11.11
Dividends paid	**$ 3.00**	$ 3.00	$ 3.00	$ 3.00	$ 2.50
Shareholders' equity	**$ 82.62**	$ 79.64	$ 77.42	$ 71.50	$ 63.19
General					
Number of common shares outstanding at year-end	**2,683**	2,683	2,683	2,683	2,683
Average number of employees*	**5,300**	5,500	7,500	7,600	7,300

Note: Cash provided from operations consists of net income, depreciation, amortization, deferred income taxes and gain on redemption of debentures provided in the year.

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