Westinghouse
Canada Inc.

Annual Report
1983

Corporate Profile

Westinghouse Canada Inc. is a highly-diversified electrical equipment manufacturer serving five major customer groups: utility, industrial, commercial, construction and defence.

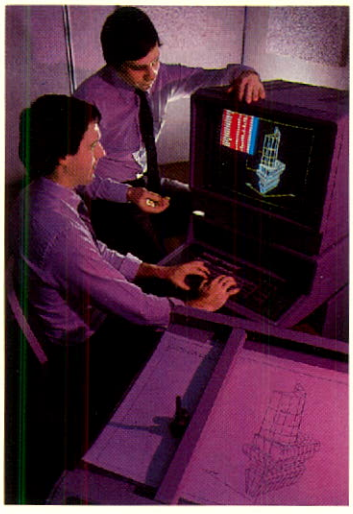
Through strategies that emphasize product specialization and overseas marketing, the company is evolving into a global operation with sales in recent years to over 90 countries around the world.

The past year was one of consolidation as further steps were taken to realign the business into larger, self-sufficient divisions. At year-end these included: Turbine and Generator; Transformer and Nuclear Products; Electronics, Control and Distribution Products; Industry Services; and WESCO-Westinghouse Sales and Distribution Company. Extensive productivity and quality improvement programs were also initiated during the year.

By streamlining its operations and placing more emphasis on high-growth and high-technology products, Westinghouse Canada is now positioned to capitalize on the improving world economy.

Canada Export Award

Awarded to Westinghouse Canada Inc. by the federal government in recognition of outstanding export performance.



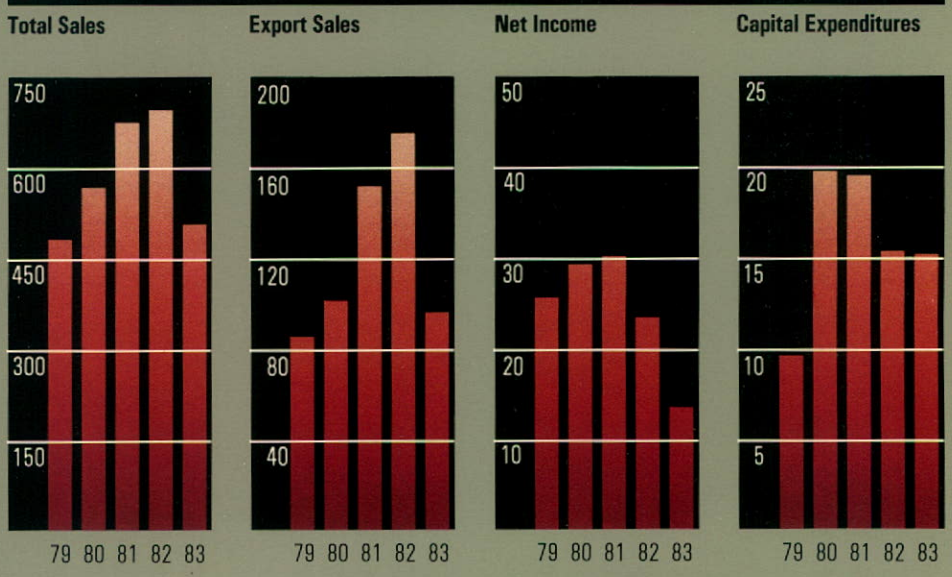
Computer-Aided-Engineering speeds the design of precision-built components used in Westinghouse turbines destined for world markets. Computer power is being applied throughout the company's manufacturing operations to optimize productivity and quality so that Westinghouse Canada remains a strong international competitor.

Financial Highlights

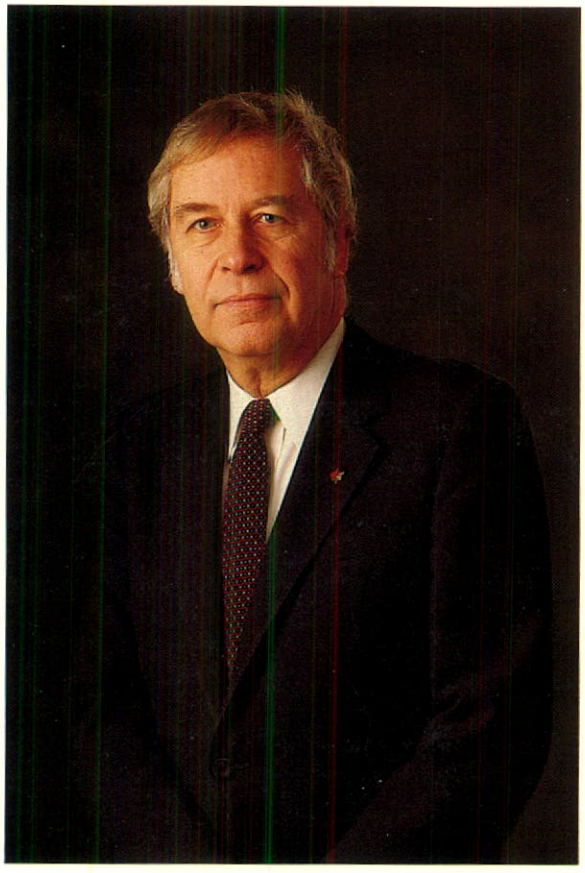
Expressed in thousands except per share data

	1983	1982
Domestic sales	$418,389	$531,072
Export sales	$ 97,432	$175,672
Total sales	$515,821	$706,744
Net income	$ 14,027	$ 23,916
Shareholders' equity	$213,714	$207,736
Per share information:		
Net income	$ 5.23	$ 8.91
Dividends	$ 3.00	$ 3.00
Shareholders' equity	$ 79.64	$ 77.42

Expressed in millions of dollars



President's Report



The past year was a difficult one for Westinghouse Canada and other manufacturers of capital equipment. Since our markets lag the general economy by approximately 12 months, 1983 represented the trough of the recession for us, even though the general economy was in recovery.

Net income in 1983 was $14.0 million or $5.23 per share, compared to $23.9 million or $8.91 per share in 1982. Sales for the year of $515.8 million represented a decrease of 27% from the record $706.7 million sales in 1982. Export sales of $97 million represented 32.1% of production compared to 35.6% in 1982. Dividends of $3.00 per common share were paid.

The peak-to-trough decline in sales caused by the recession was approximately 40%, reaching its lowest point in the third quarter of 1983.

Early signs of recovery became evident in the fourth quarter. However, since the one-year lag between our markets and the general economy will apply on the recovery side as well, a return to pre-recession levels of activity is not likely to occur until 1985.

While the recession took its toll on profits and employment levels during the year, Westinghouse Canada nevertheless has been able to maintain a sound balance sheet, and the company is in good condition for recovery and future growth.

Capital expenditures of $15.6 million in 1983 were about equal to 1982 levels. As well, a major addition was made to our gas turbine world mandate and this was supported by a significant working capital investment.

The Export Challenge

Growth through exports remains a key strategy, and the company is assuring its international competitiveness through productivity improvement. Our record in exporting has been successful in recent years and this was recognized by the federal government which selected Westinghouse as one of the Canada Export Award winners in 1983. The company is well-positioned to proceed toward its goal of exporting 50% of production by 1990.

However, it is recognized that because of debt problems in the Third World, accompanied by increased protectionism in developing and developed countries, world trade is in a somewhat fragile condition.

In attempting to resolve their debt crises, many of the Third World countries are limiting or halting imports of capital goods thus depressing these markets for Canadian exporters. At the same time, protectionism in developed countries limits the exports of the Third World, particularly their manufactured goods. As well, Third World countries with natural resources to sell at less than world prices are creating market conditions detrimental to Canadian resource sectors.

Canada's well-being and the problems facing developing countries are linked together and there is more to fear from shrinkage than from expansion in world trade. Exports continue to provide the best opportunity for long-term growth for Westinghouse Canada and for the country as a whole.

The Productivity Factor
Achieving excellence in terms of productivity and quality is another factor critical to the company's future success. This will require more than just installing state-of-the-art production equipment. Rather, what is needed to achieve significant productivity gains is the introduction of completely new approaches to our production systems.

An analysis of the productivity slowdown in our industries suggests there is a dimension to the situation that has been largely neglected. This neglected dimension might be called the software of production and involves such things as how factories are laid out, how materials flow through the production process, and how tasks are assigned to workers. It also includes a large array of formalized procedures for maintaining efficiency, inventory, quality, delivery schedules, and so forth.

One of the techniques Westinghouse is using to restructure the so-called software dimension is a process called OPTIM – Operating Profit Through Time and Inventory Management. OPTIM is a diagnostic tool for analyzing all aspects of the business from order entry through production to payment by the customer. It is providing substantial reductions in cycle time for a variety of functions and is helping to lower operating costs. By streamlining the company's operations, it is also making possible better service to customers.

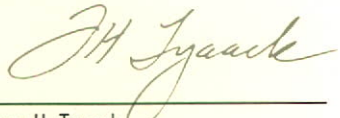
Responding successfully to the need for improved factory and office systems means moving away from the excessively narrow divisionalization of labour applied in the past. Instead, we must broaden the worker's responsibilities and apply the management control system to functional levels rather than to individual, narrow tasks.

Productivity can only be optimized by taking all factors into account, rather than maximizing the single variable of worker efficiency, which today is not a major bottleneck to productivity growth.

Through training and assignment of broader responsibilities, the thinking ability of workers can be utilized. This applies as well to the white-collar organization which is now larger than the factory workforce and which needs the same broadening of tasks and modifications to management control systems. These represent the first fundamental changes to the software dimension of production since its inception early in this century as the 'Taylor System'. Such approaches are now possible because of recent changes in hardware technology and the improved calibre of today's workforce.

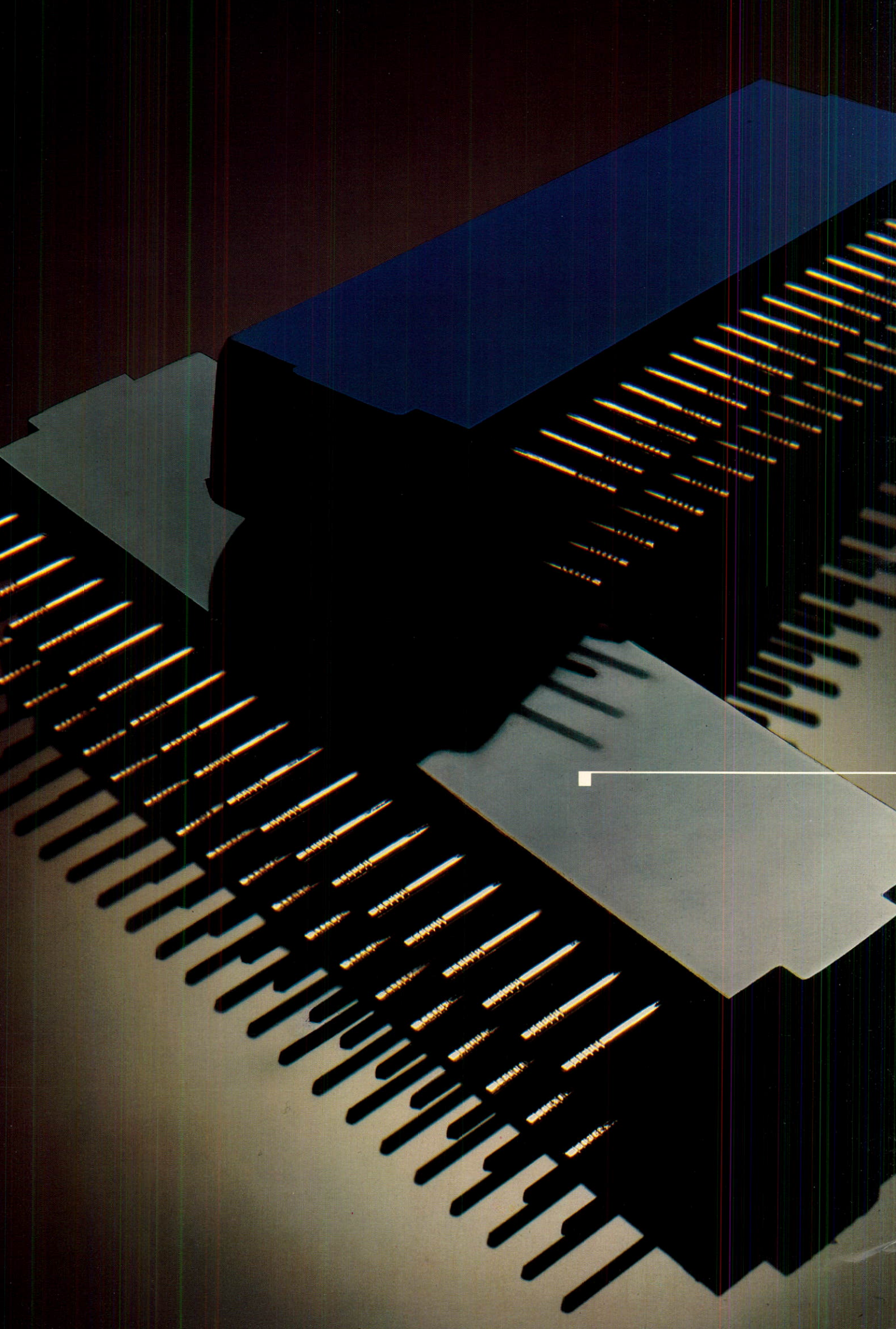
Executive Changes
On July 12, 1983, W.A. Coates was elected to the Board of Directors, succeeding M.J. McDonough. On September 30, 1983, W.J. McNicol, Vice President, Corporate Resources, retired after 33 years of distinguished service with the company. R.M. Daniel was appointed Vice President, Corporate Resources, to succeed Mr. McNicol.

I would like to express my appreciation to all employees of Westinghouse Canada for their strong support through the recent difficult economic period.



Franz H. Tyaack
President and
Chief Executive Officer

February 14, 1984



Although the world recession had a serious impact on Westinghouse Canada during 1983, the company remains committed to its basic long range strategies of maximizing exports through world product mandates, increasing North American sales through rationalization arrangements with Westinghouse Electric Corporation, and strengthening those businesses that serve domestic customers.

During the past year, as sales activity dropped with the world decline in capital spending, the company regrouped to position itself for the future. The result is a leaner, more responsive organization ready to grow with improving economies both at home and abroad.

Markets

Based on its diverse mix of mature and high-technology products, Westinghouse Canada continued to do business in many developed and developing countries during 1983 as well as serve the needs of the Canadian market. In support of long-range sales targets including the goal of exporting 50% of production by 1990, the company implemented strategies aimed at increasing new-product and new-business development and exploiting export opportunities for existing mature products.

World Product Mandates

World mandates are a key aspect of the company's strategy for growth. These involve selected products for which Westinghouse Canada has total responsibility for research and development, engineering, manufacturing, marketing and service.

At the beginning of the year, world mandates included steam turbines and turbine generators, mechanical-drive gas turbines and gas turbine generator sets, video display terminals, message switching equipment, Linatrol electronic machine controls, anti-submarine sonar, airport lighting regulators and nuclear fuel for CANDU reactors. During 1983 the list was expanded to include larger gas turbine generator sets and parts and service support, dry-type transformers, steam turbine boiler feed pumps, transformer shunt reactors and additional video display products.

The mandate for the larger gas turbine generator sets is particularly significant since the company, with government funding assistance, will undertake a major investment in the long-term development of advanced designs. This program will broaden the product base of the Turbine and Generator Division and strengthen its competitive position in world markets.

Export Successes

The export successes of turbines and video display terminals in 1983 further demonstrated the benefits of the world mandate concept. For example, record levels were achieved in sales of steam turbines to the U.S. industrial co-generation market and in sales of parts for gas and steam turbines worldwide. The company's video terminals continued to be in demand by airlines around the world, with a substantial increase in sales over the previous year.

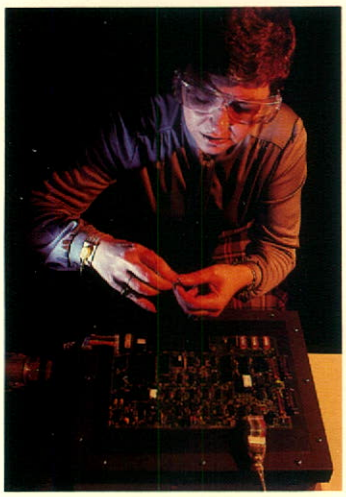
Other export business included a major order for power transformers and distribution apparatus for the Côte D'Ivoire electrification project in Africa. At year-end, negotiations were continuing on more business for this development and for projects in South America and the Caribbean.

This kind of successful penetration of export markets by Westinghouse Canada was recognized by the federal government in the form of a Canada Export Award. The company was one of 15 firms chosen from over 250 applicants to receive this honour.

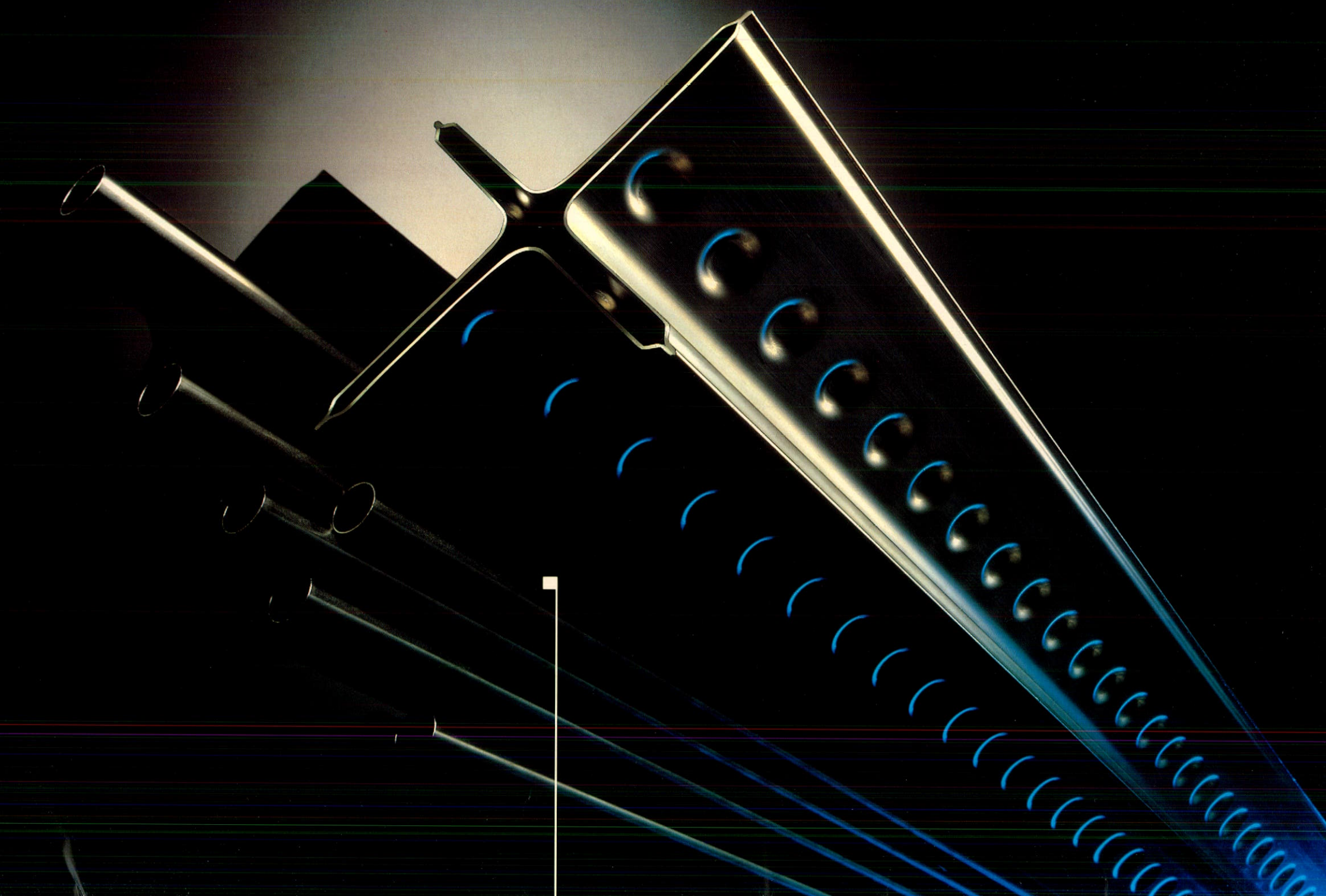
New Thrusts

To capitalize on major project opportunities at home and abroad, the company established a Project Management Department to coordinate the efforts of all divisions and maximize Westinghouse participation in this type of activity. The new department will represent Westinghouse Canada in packaged project business worldwide and will supplement the marketing efforts of existing sales arms.

Also supporting the company's aggressive drive for greater sales in overseas markets was a new international finance function at corporate headquarters. This helps potential customers arrange financing on



By developing products that fit specific market niches, the company has successfully penetrated the highly-competitive international electronics field. For example, Westinghouse computer display terminals, custom-designed for the air travel industry, are now used by over 60 airlines in 75 countries around the world.



major orders, an aspect of international selling that is often critical in the present world economic climate. Financing is arranged through the federal government's Export Development Corporation and the Canadian International Development Agency, as well as through Canadian and foreign banks.

Domestic Activity
In the domestic market, WESCO – Westinghouse Sales and Distribution Company experienced low demand from the construction and industrial sectors.

While original equipment manufacturers were relatively active, industrial spending on capital equipment was much reduced from the levels of prior years. In the construction market there were some bright spots due largely to government spending on institutional projects. Starting in the second half of the year, this market began to show signs of gradual growth.

Industry sales to the Canadian electric utility market declined by 50% during 1983. While requirements for electrical generation equipment remained at a relatively low level, there was continued demand for products used in power transmission, system stabilization and specialized applications.

To maintain its competitive edge and increase productivity, WESCO continued its Tele-Sell training during 1983. By year-end, nearly 450 WESCO employees had been trained in telephone skills and active customer contact by phone.

In May, WESCO officially opened a new office and warehouse complex in Burnaby, B.C. This facility also serves as headquarters for Westinghouse Canada in British Columbia.

Productivity and Quality
Corporate survival today requires more than just the fine-tuning of existing operations. Only quantum improvements in productivity and quality will keep Canada's industries competitive in world markets.

OPTIM
A major factor in achieving such improvements at Westinghouse Canada is a process called OPTIM – Operating Profit Through Time and Inventory Management. With OPTIM, every aspect of an operation is analyzed from order entry through production to receipt of final payment.

The goal is to reduce cycle time to achieve reductions in operating costs and inventories, and improved service to customers.

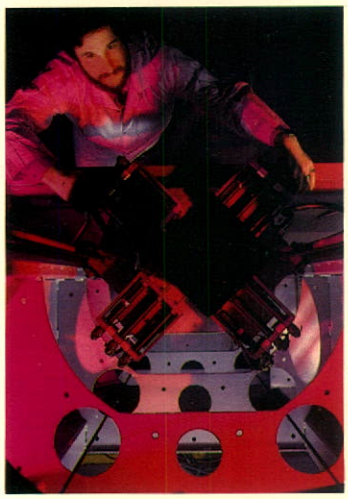
People are an important part of the OPTIM process with Westinghouse employees at all levels working together in small group sessions to develop improved factory and office systems. This ongoing process is altering the traditional corporate culture as people are given new opportunities to broaden their skills and contribute to an improved work environment.

Investment in computerization is another major aspect of OPTIM. In the marketing function, for example, computer-driven word processors have been introduced to simplify negotiations by automating the preparation of quotations and bid specifications.

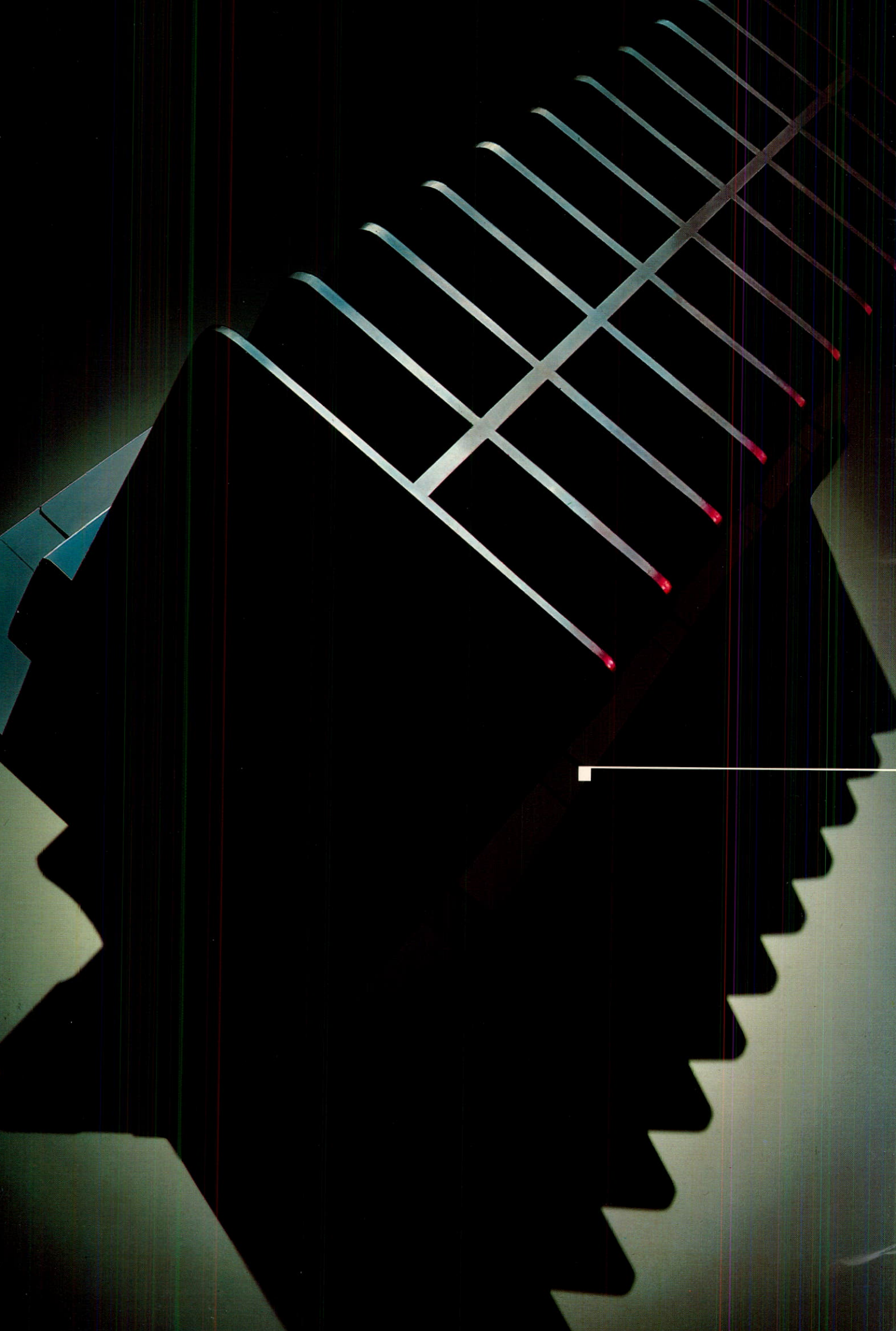
At the design stage, Computer-Aided-Engineering systems and computerized part-selection programs are being used to develop bills of material for each order.

In the production stage, computerized numerical control systems are being used to automate machinery, making possible the grouping of several machines under the control of a single operator. This cuts material-handling costs often by 80-90%, reduces cycle time by as much as 50%, and allows raw materials to be ordered only as they are needed from suppliers who provide just-in-time delivery.

These production techniques were introduced during the year as the company took advantage of the downturn in manufacturing activity to assign technical specialists to productivity-improvement projects. These improvements will enable the company to increase its competitiveness and thus strengthen its position in the marketplace.



As a major supplier of fuel and components to Canada's nuclear industry, the company has developed advanced design and manufacturing facilities in nuclear technology. Westinghouse Canada is now applying this expertise to the development of nuclear equipment for foreign customers as well.



Office Productivity
Improved productivity is also the goal of the corporate office departments which were moved during May to new quarters in the Standard Life Centre in downtown Hamilton. The move was accompanied by a reduction in corporate staff accomplished through normal attrition, an early retirement program and decentralization of some functions to divisions. Employees in the new facility are benefitting from the development and implementation of improved office systems.

Quality Programs
A corporate Productivity and Quality Department was established early in the year and took the lead in setting Westinghouse Canada on new roads to productivity and quality leadership. A key step in this regard was a five-day Quality Seminar for over 100 middle management personnel representing the company's operating areas. Participants learned new techniques for assessing quality performance, setting up quality systems and measuring results.

Application of these techniques has resulted in improvements to every aspect of the business – marketing, design, production, delivery and field installation. This holistic approach to productivity and quality is essential for the company to maintain its competitive position in the domestic marketplace.

Technology
Diversification has become a major strategy in the company's drive to compete worldwide. The objective is to develop more high-technology, high-growth businesses which will utilize engineering strengths and provide a high return on investment.

Product Development
Diversification was supported through stepped-up development in several technologies, with particular emphasis on electronics. For example, work progressed on a new generation of intelligent communication controllers for use primarily in private data communication networks. A new solid-state regulator design was developed under contract with the U.S. Navy for portable airfield lighting systems.

Another project involved an automatic reclosing relay that provides electric utilities with state-of-the-art fault detection.

Further development projects were pursued in conjunction with selected universities having technological expertise helpful to Westinghouse in the areas of solid-state technology and software development.

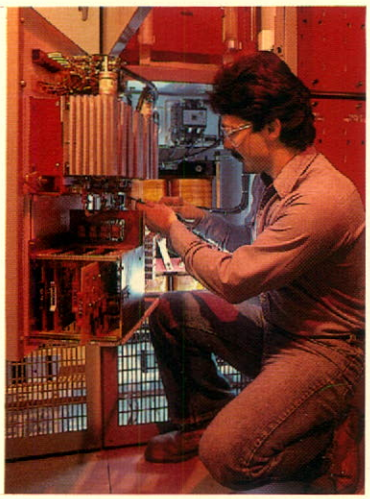
The Power Transformer and Nuclear Products Division was active in a number of important development projects during the year. These included the design and testing of components for a new generation of nuclear fuel bundles; construction of a special testing device for Ontario Hydro that will help determine the maximum safe power output for CANDU reactors; and the development of a new type of shunt reactor used by utilities to stabilize voltage on long-distance transmission lines.

The shunt reactor has already achieved sales success in projects in Africa, Pakistan and Saudi Arabia, making it a prime example of the type of product that fits the company's strategy of penetrating profitable niches in the world marketplace.

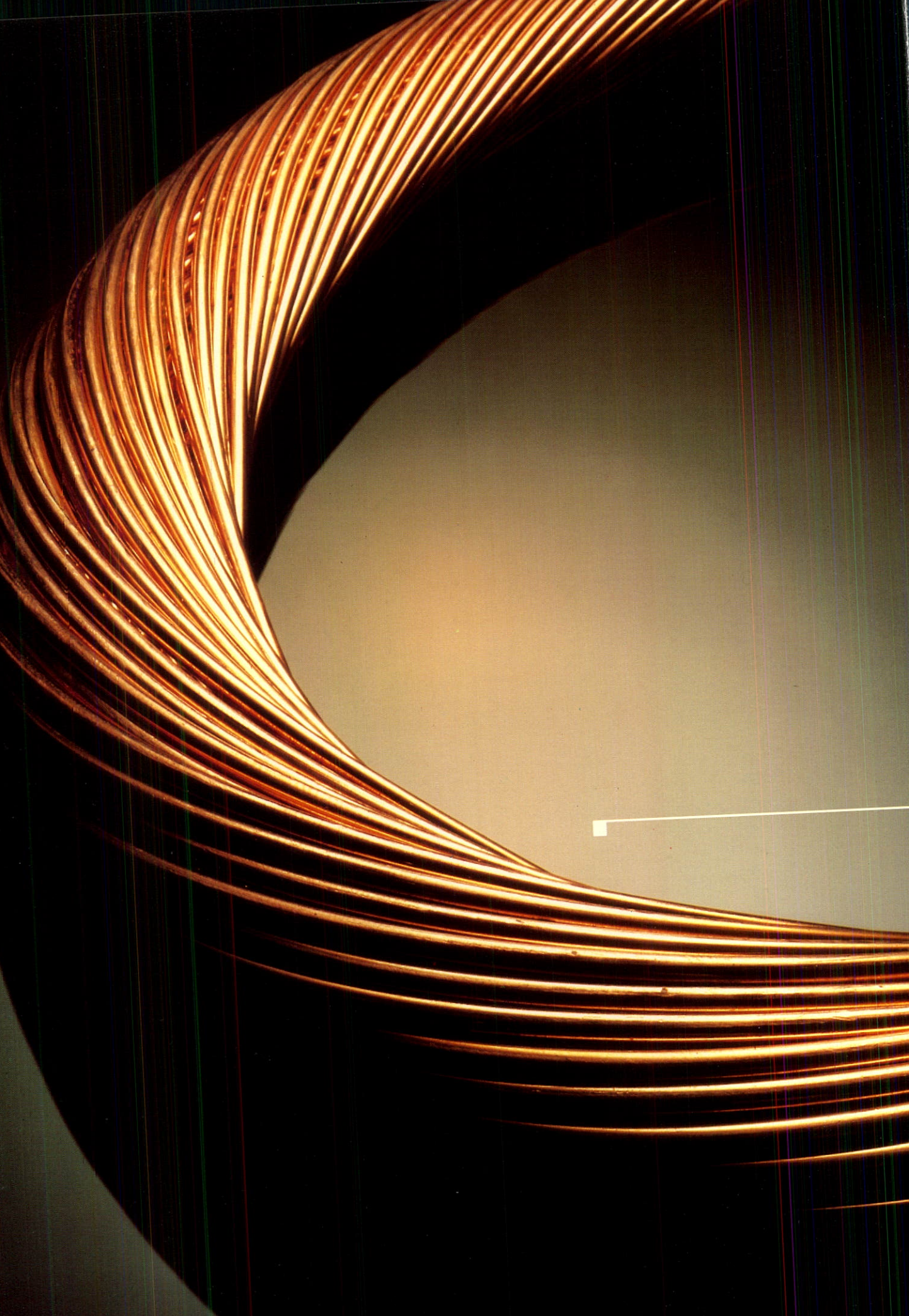
Other Initiatives
During 1983 additional mechanisms were put in place to further encourage technological development.

One was the new Business Development Committee which provides a corporate assessment of new business possibilities that fall outside the current strategic plans of the manufacturing divisions. Where appropriate, the committee establishes task forces to study and recommend courses of action.

Another initiative was the introduction of new awards programs to honour distinguished individual performance by Westinghouse engineers, scientists and other technical professionals. Indicative of the calibre of the company's technical strength was the award of the Westinghouse Order of Merit to a member of the engineering group in the Electronic Systems Division. This is the highest honour awarded to employees of



Electronic technology is helping create a new generation of Westinghouse control products ranging from motor starters and protective relays to mobile airfield lighting control systems and regulators. This activity will intensify now that several company operations have been consolidated into the new Electronics, Control and Distribution Products Division.



Westinghouse worldwide, and was given in recognition of engineering designs which have helped achieve international success for the division's video display terminals.

While development of new products and technologies is critical to Westinghouse Canada's future success in selling to world markets, the application of new technology in the company's manufacturing processes is also essential in order to reduce costs and maximize productivity. This has involved new techniques ranging from robotics to one-man, multiple-machine work cells. More details on the major changes taking place in the manufacturing environment are provided in the Productivity and Quality section of this report.

Organization

The past year was one of reorganization and consolidation throughout Westinghouse Canada.

Average employment in 1983 was approximately 5,500, down 28% from the previous year. This resulted from the divestiture of the lamp business, the general economic downturn and moves designed to create a smaller but better-trained work force capable of handling the new technologies on which greater productivity and quality depend.

Early in the year, the company expanded its elevator service business, through acquisition, to strengthen its competitive position in that market.

Consolidation of Divisions

During 1983, progress was made toward consolidating some operations into larger divisional organizations. A key part of this process has been the creation of a new division – Electronics, Control and Distribution Products – which combines several previously separate operations. This new division will reap synergistic benefits in engineering and marketing, leading to improved productivity and increased competitiveness.

The creation of larger, more self-sufficient divisions made it possible to decentralize many services previously provided by the headquarters staff. These include such functions as customs, traffic, fleet administration, printing, hiring and compensation services. This decentralization has helped provide divisions with services that are more responsive to their particular requirements.

Employee Relations

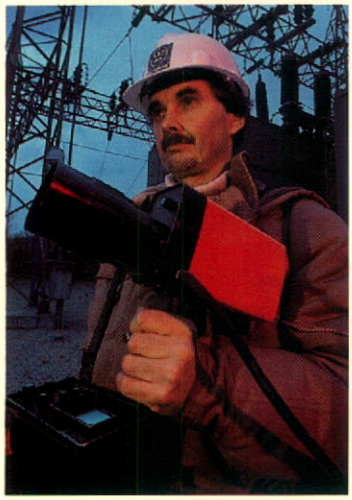
The company adhered to government guidelines in negotiating twelve collective agreements during 1983. A similar posture of restraint also applied to increases for salaried personnel.

During the year the company reinforced its supportive position regarding employment of minorities in the work place. Westinghouse Canada is actively committed to Affirmative Action in the hiring and promotion of women, members of minorities and the physically handicapped.

An open communication policy was formalized to improve two-way information flow between management and employees. This policy will ensure that employees have greater access to information concerning their individual performance as well as information on future plans and organizational changes.

Other activities aimed at improving communications included continuation of the Management Forum and Finance Seminar programs which give participants an understanding of the company's strategies and management systems. As well, a new communications program incorporating a news bulletin service was introduced to keep all employees informed of current developments across the company.

These programs reflect the Westinghouse commitment to excellence in all areas of employee relations, a commitment based on the recognition that people are the key to the company's future success.



Assuring the reliability of equipment installations is a basic Westinghouse commitment. Among the services available to industrial and utility customers is infrared thermographic inspection of electrical distribution systems. This helps detect faulty connections caused by wear and vibration.

Management's Report

Responsibility for Financial Reporting

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.

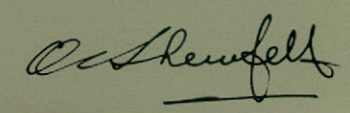
The corporation believes that its policies and procedures, including its system of internal accounting controls, provide reasonable assurance that the financial statements are prepared in accordance with generally accepted accounting principles.

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.

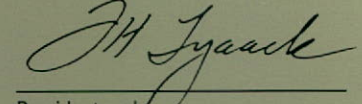
The shareholders' auditors provide an independent opinion that the financial statements are presented fairly.

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 the responsibility to approve the corporation's financial statements.

On behalf of the corporation:



Vice President Finance



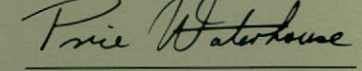
President and
Chief Executive Officer

Auditors' Report

To the Shareholders of
Westinghouse Canada Inc.

We have examined the consolidated balance sheet of Westinghouse Canada Inc. as at December 31, 1983 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, 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.



Chartered Accountants
January 13, 1984

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.

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

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

c) 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.

d) Research and development: Research and development costs and customer order development costs are charged against income when incurred.

e) 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.

f) Plant and equipment: Purchased plant and equipment is recorded at original cost less related 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.

g) 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.

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

i) Income taxes: The corporation follows the tax allocation basis of accounting for taxes on income whereby deferred income taxes are provided on all significant timing differences between accounting and taxable income primarily accelerated depreciation claimed for tax purposes in excess of amounts recorded in the accounts.

The statutory 3% inventory allowance for the effects of inflation is recognized as a reduction in the current income tax provision. Investment tax credits resulting from investing in production plant and equipment are accounted for by reducing the liability for income taxes and the cost of plant and equipment additions in the year of the addition.

j) Pension funds: Pension costs include current service costs, valuation adjustments and the amortization of the liability for past service arising from improvements in the plans. Liability for past service is charged against income over periods of not more than 15 years.

k) 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.

Consolidated Statement of Income and Retained Earnings

Years ended December 31
Expressed in thousands
except per share data

	1983	1982
Sales	$515,821	$706,744
Costs and expenses excluding depreciation, amortization and interest	486,714	652,524
Depreciation and amortization	9,493	9,490
Interest expense less interest income of $280 in 1983; ($130 in 1982)	1,897	7,089
Income before taxes	17,717	37,641
Provision for income taxes	3,690	13,725
Net income	14,027	23,916
Retained earnings at beginning of year	192,789	176,923
	206,816	200,839
Dividends paid	8,050	8,050
Retained earnings at end of year	$198,766	$192,789
Earnings per share	$ 5.23	$ 8.91
Dividends paid per share	$ 3.00	$ 3.00

Consolidated Balance Sheet

At December 31
Expressed in thousands

	1983	1982
Assets		
Accounts receivable	$103,522	$119,937
Inventories (note 1)	172,876	129,477
Other current assets	6,694	3,563
Total current assets	283,092	252,977
Plant and equipment (note 2)	75,438	80,536
Investments and other assets (note 3)	8,211	6,474
Total Assets	$366,741	$339,987
Liabilities and Shareholders' Equity		
Liabilities		
Bank indebtedness	$ 23,068	$ 7,170
Accounts payable and accrued charges	101,817	91,284
Income taxes payable	851	6,258
Current portion of long-term debt	322	—
Total current liabilities	126,058	104,712
Long-term debt (note 4)	13,997	14,319
Deferred income taxes	12,972	13,220
Total Liabilities	153,027	132,251
Shareholders' equity		
Share capital (note 5)	14,948	14,947
Retained earnings	198,766	192,789
Total shareholders' equity	213,714	207,736
Total Liabilities and Shareholders' Equity	$366,741	$339,987

On behalf of the Board:

Director

Director

Consolidated Statement of Changes in Financial Position

Years ended December 31
Expressed in thousands

	1983	1982
Source of funds		
Operations –		
Net income	$ 14,027	$ 23,916
Items not affecting working capital:		
Depreciation and amortization	9,493	9,490
Gain on redemption of debentures	–	(530)
Deferred income tax	(248)	(867)
Funds provided from operations	23,272	32,009
Plant and equipment disposals	11,442	1,390
	34,714	33,399
Use of funds		
Plant and equipment additions	15,619	15,939
Dividends paid	8,050	8,050
Reduction in long-term debt	322	408
Increase in investments and other assets	1,954	797
	25,945	25,194
Increase in working capital	8,769	8,205
Working capital beginning of year	148,265	140,060
Working capital end of year	$157,034	$148,265

Notes to Consolidated Financial Statements

December 31, 1983 and 1982

1) Inventories

(in thousands)	1983	1982
Raw materials, work in process and replacement parts	$152,898	$108,829
Finished goods	30,052	38,645
	182,950	147,474
Less progress billings	10,074	17,997
Net investment in inventories	$172,876	$129,477

2) Plant and Equipment

(in thousands)	Cost	Accumulated Depreciation	1983 Net	1982 Net
Land	$ 5,505	$ —	$ 5,505	$ 5,216
Buildings	50,610	18,335	32,275	32,815
Equipment	90,429	58,584	31,845	37,292
Leasehold improvements	2,558	1,376	1,182	810
New additions not yet in use	4,631	—	4,631	4,403
	$153,733	$78,295	$75,438	$80,536

The cost of plant and equipment additions during the year was reduced by government assistance of $1,931,000 ($4,300,000 in 1982).

3) Investments and Other Assets

(in thousands)	1983	1982
Goodwill	$ 2,609	$ —
Less amortization	218	—
	2,391	—
Long-term government receivables	4,673	5,104
Other	1,147	1,370
	$ 8,211	$ 6,474

4) Long-term Debt

(in thousands)	1983	1982
8⅜% 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)	$ 14,319	$ 14,319
Less portion due within one year including balance of sinking fund requirements	322	—
	$ 13,997	$ 14,319

Interest in long-term debt amounted to $1,199,000 in 1983 ($1,257,000 in 1982). Unamortized debenture discount and issue expenses of $144,000 ($163,000 in 1982) are included in Investments and Other Assets in the Consolidated Balance Sheet.

Notes to Consolidated Financial Statements

5) Share Capital

At December 31, 1983 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 (1982 — 2,683,397) were outstanding and fully paid.

6) Related Party Transactions

As of December 31, 1983, 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 1983 and 1982. In addition, the corporation derived patent licenses and much of its technology from Westinghouse Electric Corporation, under a series of Licence and Technical Assistance Agreements under which it paid reasonable royalties.

During 1983, the corporation earned the world product mandate for 45 MW Turbine Generator sets from Westinghouse Electric Corporation, including inventory and other assets. The total consideration relating to this acquisition amounted to $54,994,000.

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)	1983	1982
Accounts payable and accrued charges	$ 34,723	$ 6,905
Accounts receivable	$ 9,568	$ 2,728

7) Sale of Business

During the year, the corporation completed the sale of its Lamp business to Philips Electronics Ltd. The sale of this business, for an amount approximating the net book value of those assets, did not significantly impact the operating results of the corporation.

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 paid relating thereto was $3,920,000, of which $2,609,000 represents goodwill.

Notes to Consolidated Financial Statements

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 $39,832,000 at December 31, 1983 ($59,215,000 as at December 31, 1982). These obligations are being funded in accordance with government legislation over periods of not more than 15 years.

In 1983 the corporation completed a comprehensive actuarial review of its pension plans. This review was undertaken to reflect the effect of the current financial market conditions. The ensuing changes resulted in a favourable impact on current operations and significantly reduced the unfunded obligations to be absorbed in future years.

Summary of Changes in Pension Plan Assets (in thousands)	1983	1982
Additions:		
Employer contributions	$ 5,047	$ 11,624
Employee contributions	2,271	2,431
Income from investments	16,142	15,900
Net gain from disposal of assets	9,059	3,046
	32,519	33,001
Reductions:		
Benefit payments and refunds	12,342	8,087
Fees and expenses	517	429
Pension plan assets to be transferred to Philips Electronics Ltd pension fund (note 7)	8,229	–
	21,088	8,516
Net additions to trust funds	11,431	24,485
Market value at beginning of year	182,530	144,506
Unrealized increase in market value of assets	8,774	13,539
Market value at end of year	$202,735	$182,530

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 application 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 primarily to the airline industry and electronic systems for Canadian Government and NATO military requirements.

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

These segments have been redefined on a basis that more appropriately reflects the current organizational structure. Accordingly, the prior year's financial information by segment has been restated.

Notes to Consolidated Financial Statements

Condensed Statement of Income	(in thousands)	1983	1982
Sales - Electronics and Control		$117,248	$142,441
- Electrical Products		198,096	303,961
- Services		311,473	350,426
- Other		13,780	78,413
		640,597	875,241
Inter-Segment Elimination		(124,776)	(168,497)
Sales to Outside Customers		$515,821	$706,744
Export Sales		$ 97,432	$175,672
Income Before Income Taxes			
- Electronics and Control		$ 7,958	$ 11,868
- Electrical Products		17,577	31,060
- Services		3,084	8,916
- Other Revenue and Common Costs		(10,902)	(14,203)
		17,717	37,641
Income Taxes		(3,690)	(13,725)
Net Income		$ 14,027	$ 23,916
Additional Information			
Assets - Electronics and Control		$ 54,817	$ 62,171
- Electrical Products		213,100	164,449
- Services		82,323	74,741
- Other		16,501	38,626
Total Assets		$366,741	$339,987
Plant and Equipment Additions			
- Electronics and Control		$ 2,127	$ 2,187
- Electrical Products		7,023	6,052
- Services		5,461	4,533
- Other		1,008	3,167
Total Plant and Equipment Additions		$ 15,619	$ 15,939
Depreciation and Amortization Expense			
- Electronics and Control		$ 1,711	$ 1,579
- Electrical Products		3,748	3,108
- Services		2,622	2,501
- Other		1,412	2,302
Total Depreciation and Amortization Expense		$ 9,493	$ 9,490

Five-Year Summary

Expressed in thousands except as otherwise noted*

	1983	1982	1981	1980	1979
Condensed Statement of Income					
Total sales	$515,821	706,744	678,730	570,115	496,253
Income before extraordinary items	$ 14,027	23,916	30,351	29,812	26,861
Extraordinary items	$ —	—	—	—	(812)
Net income	$ 14,027	23,916	30,351	29,812	26,049
Condensed Balance Sheet					
Working capital	$157,034	148,265	140,060	128,773	120,315
Plant and equipment	$ 75,438	80,536	75,477	65,431	52,659
Investments and other assets	$ 8,211	6,474	5,677	3,019	1,593
	$240,683	235,275	221,214	197,223	174,567
Less: Long-term debt	$ 13,997	14,319	15,257	15,657	16,590
Deferred income taxes	$ 12,972	13,220	14,087	11,997	11,512
Shareholders' equity	$213,714	207,736	191,870	169,569	146,465
Condensed Statement of Changes in Financial Position					
Funds provided from operations (see note)	$ 23,272	32,539	41,032	37,112	33,176
Expenditures for plant and equipment	$ 15,619	15,939	19,425	19,873	9,550
Dividends paid	$ 8,050	8,050	8,050	6,708	5,367
Per Share Data*					
Income before extraordinary items	$ 5.23	8.91	11.31	11.11	10.01
Dividends paid	$ 3.00	3.00	3.00	2.50	2.00
Shareholders' equity	$ 79.64	77.42	71.50	63.19	54.58
General					
Number of common shares outstanding at year-end	2,683	2,683	2,683	2,683	2,683
Average number of employees*	5,500	7,500	7,600	7,300	7,000

Note: Funds provided from operations consist of income before extraordinary items, depreciation, amortization and deferred income taxes provided in the year.

Board of Directors
Management

Board of Directors

●■▲ D. C. Marrs
Chairman of the Board
Westinghouse Canada Inc.
Hamilton, Ontario

■ J. A. Boyle
Former President
Toronto Dominion Bank
Toronto, Ontario

● R. W. Campbell
Vice Chairman and
Chief Executive Officer
Canadian Pacific Enterprises Limited
Calgary, Alberta

E. J. Cattabiani
Executive Vice President
Power Generation
Westinghouse Electric Corporation
Pittsburgh, Pennsylvania

▲ W. A. Coates
Executive Vice President
International
Westinghouse Electric Corporation
Pittsburgh, Pennsylvania

▲ A. E. Downing
President
Hiram Walker-Gooderham
& Worts Limited
Walkerville, Ontario

L. Y. Fortier, Q.C.
Partner-Ogilvy, Renault
Barristers and Solicitors
Montréal, Québec

● J. C. Marous
President
Industries and International Group
Westinghouse Electric Corporation
Pittsburgh, Pennsylvania

●■ W. P. Pigott
Chairman of the Board
Pigott Construction Limited
Hamilton, Ontario

D. D. Stark
Executive Vice President
Commercial
Westinghouse Electric Corporation
Pittsburgh, Pennsylvania

● F. H. Tyaack
President and Chief Executive Officer
Westinghouse Canada Inc.
Hamilton, Ontario

L. R. Wilson
President and Chief Executive Officer
Redpath Industries Limited
Toronto, Ontario

L. W. Yochum
Senior Executive Vice President
Finance
Westinghouse Electric Corporation
Pittsburgh, Pennsylvania

● Executive Committee
■ Audit Committee
▲ Compensation Committee

Management

●▲ F. H. Tyaack
President and
Chief Executive Officer

●▲ G. O. Bernhardt
Vice President
Corporate Productivity
and Quality

● R. H. Broad
Treasurer

▲ N. A. Bryson
Vice President
Transformer and
Nuclear Products Division

▲ N. F. Budgen
Vice President and General Manager
WESCO-Westinghouse Sales
and Distribution Company

● L. K. Burke
Comptroller

●▲ J. K. Carman
Vice President
Strategic Planning
and Corporate Affairs

●▲ R. M. Daniel
Vice President
Corporate Resources

I. B. Gillmore
Vice President
Manitoba-Saskatchewan District

●▲ I. W. M. Hendry
Vice President
Secretary and General Counsel

▲ D. G. Hysop
Vice President and General Manager
Electronics, Control and
Distribution Products Division

● J. D. Keppy
Assistant Treasurer

●▲ C. A. Kain
Vice President
Electronics and
Industrial Products Divisions

▲ W. Kostyshyn
Vice President
Turbine and Generator Division

● T. H. Lawrason
Assistant Secretary

C. F. MacNeil
Vice President
Switchgear and Control Division

J. B. McCullum
Vice President
Corporate Marketing International

●▲ J. Nairn
Vice President
Marketing and Sales

R. A. Plouffe
Vice President
Québec District

F. D. Priestly
Vice President
Alberta District and
Energy Resource Centre

●▲ E. B. Priestner
Vice President
Operations

J. A. Reid
Vice President
British Columbia District

●▲ O. C. Shewfelt
Vice President
Finance

●▲ E. A. Taylor
Vice President
Human Resources

G. Wilkinson
Vice President
Utility Sales Division

J. R. Williamson
Vice President
Atlantic District

● Officers
▲ Management Committee

Locations

Plants

Québec
Saint-Jean-sur-Richelieu
Varennes

Ontario
Alliston
Burlington
Cobourg
Hamilton (3)
London
Mississauga
Mount Forest
Perth
Port Hope
Renfrew

Alberta
Airdrie
Calgary

British Columbia
Richmond

Wescan Europe Limited
Dublin, Ireland

Industry Services

Newfoundland
St. John's

Nova Scotia
Dartmouth

New Brunswick
Campbellton
Moncton

Québec
Chicoutimi
Sainte-Foy
Saint-Laurent
Sept-Îles

Ontario
Burlington
Hamilton
Kingston
Kitchener
London
St. Catharines
Sarnia
Swastika
Thunder Bay
Toronto
Windsor

Manitoba
Winnipeg

Saskatchewan
Regina
Saskatoon

Alberta
Calgary
Edmonton
Fort McMurray

British Columbia
Nanaimo
Prince George
Richmond

Sales
Turbine Sales
Calgary, Alta.
London, England

Utility Sales
Halifax, N.S.
Fredericton, N.B.
Montréal, Qué.
Hamilton, Ont.
Toronto, Ont.
Winnipeg, Man.
Calgary, Alta.
Edmonton, Alta.
Vancouver, B.C.

Westinghouse Furniture Systems
Montréal, Qué.
Toronto, Ont.

Elevator Sales
Charlesbourg, Qué.
Montréal, Qué.
Etobicoke, Ont.
Hamilton, Ont.
Kitchener, Ont.
London, Ont.
Ottawa, Ont.
Peterborough, Ont.
Calgary, Alb.
Edmonton, Alb.
Vancouver, C.-B.

Longines-Wittnauer
Brampton, Ont.

Sales
WESCO - Westinghouse Sales and Distribution Company

Newfoundland
St. John's

Nova Scotia
Halifax

New Brunswick
Moncton

Québec
Chicoutimi
Lachine
Rimouski
Sainte-Foy
Sept-Îles

Ontario
Don Mills
Hamilton
Kitchener
Ottawa
Sarnia
Sudbury
Thunder Bay
Windsor

Manitoba
Winnipeg

Saskatchewan
Regina
Saskatoon

Alberta
Calgary (3)
Edmonton (3)
Red Deer

British Columbia
Abbotsford
Kamloops
Kelowna
Nanaimo
Prince George
Surrey
Trail
Vancouver
Victoria

Corporate Information

Head Office
Hamilton, Ontario

Auditors
Price Waterhouse
Chartered Accountants
Hamilton, Ontario

Transfer Agent and Registrar
National Trust Company, Limited
Toronto, Ontario

Si vous désirez recevoir un exemplaire français de ce rapport, veuillez écrire au:
Secrétaire
Westinghouse Canada Inc.
C.P. 510, Hamilton (Ontario)
L8N 3K2

Graphic Design: Taylor & Browning Design Associates Printed in Canada by Norgraphics (Canada) Ltd.


Westinghouse