Westinghouse
Canada Inc.
Annual Report
1982

Corporate Profile

Westinghouse Canada Inc. is a long-standing member of the electrical equipment industry. We employ 7,500 Canadians in the development, design, manufacture, marketing and servicing of a wide range of high-technology products. The markets in which we participate are fundamental to the economic growth of our country: utility, industrial, commercial, construction and defence.

Eighty years of experience, and a nation-wide network of facilities and people, reflect our deep commitment to serving the domestic market effectively with high quality products and service. At the same time, we are seeking out world markets for selected products, developed and produced in Canada. We intend to export half of our production annually by 1990.

Our company is pledged to economic and social objectives which further the mutual interests of our shareholders, our employees, our customers, and the communities of Canada. These recognize the imperatives of financial strength, productivity, reliability, and a satisfying work life.

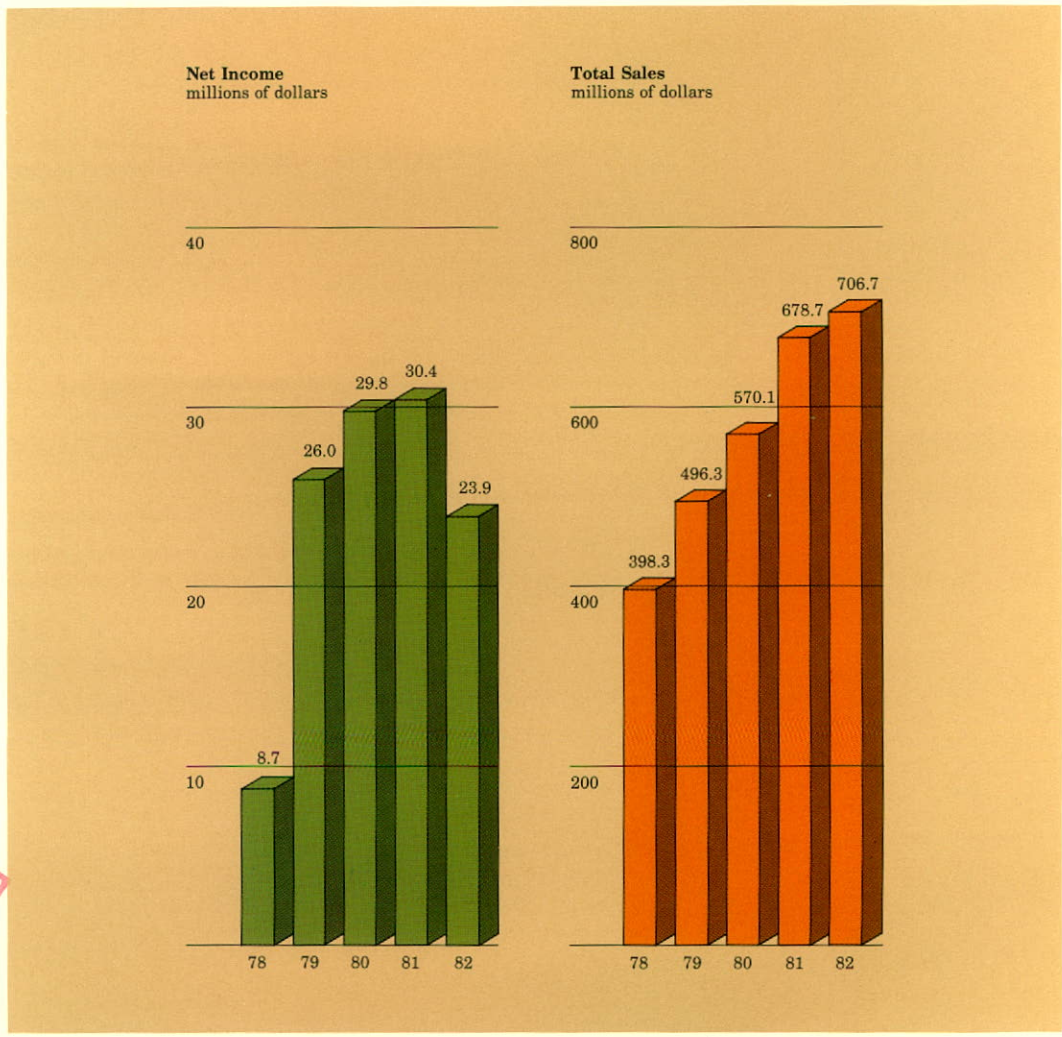
Cover
Investment in state-of-the-art technology brings improvement in productivity and in quality of working life. Operator Dave Senack enters data into the computer control of a 4-axis machining centre in the turbine components plant at Renfrew, Ontario.

Contents

Financial Highlights

	1982	1981
Domestic sales	**$531,072**	$528,054
Export sales	**$175,672**	$150,676
Total sales	**$706,744**	$678,730
Net income	**$ 23,916**	$ 30,351
Shareholders' equity	**$207,736**	$191,870
Per share information		
Net income	**$ 8.91**	$ 11.31
Dividends	**$ 3.00**	$ 3.00
Shareholders' equity	**$ 77.42**	$ 71.50

Expressed in thousands except per share data



Note — The 1978 results reflect the effects of lengthy strikes at five manufacturing plants.

President's Report

Net income in 1982 was $23.9 million or $8.91 per share, compared to $30.4 million or $11.31 per share in 1981. The results reflect the low level of activity during the last half of the year in many of the markets served by the corporation.

Sales for the year at $707 million represent an increase of 4.1% over the $679 million sales in 1981. However, orders entered in 1982 lagged sales, producing an unfilled order position of $303 million by year-end, compared to $409 million at the end of 1981.

Dividends of $3.00 per common share were paid.

Internal management controls were tightened during 1982, both to improve the company's performance in the short term and its ability to meet long-term strategic goals. Cost reduction programs were implemented throughout the organization, and included initiatives to raise the productivity of human and technological resources.

Due to high levels of short-term indebtedness early in the year, a cash management program was put into effect, involving all operating and corporate departments. The company responded by taking measures to preserve cash such as improvement in purchasing methods and reduction in inventories.

As a result of this cash management effort, the short-term debt position was reduced from $47.4 million at the beginning of the year to $7.2 million at year-end; long-term debt also declined slightly. The single biggest contributor to this improved business position was in the area of more effective inventory management.

All assets for the manufacture of lighting fixtures, including plants at Cambridge, Ontario and Granby, Québec, were purchased by Crouse-Hinds Canada. An agreement was reached for the sale of lamp assets to Philips Electronics, including two plants in Trois-Rivières, Québec, and warehouses and offices in several other locations. Westinghouse Electric Corporation took similar action with respect to its lamp and lighting interests in the United States and Mexico.

In addition, certain assets of the company's electric heating business, representing a small percentage of the production at its Saint-Jean-sur-Richelieu plant in Québec, were sold to Stelpro Limited.

Strategies

The proceeds realized from these transactions will be reinvested in Canada in support of Westinghouse strategies. These include the continuation of high quality service to domestic customers, and reduced dependency on the Canadian market-place through increased exports. Actions taken in these areas have positioned the company well to endure softened markets and to take advantage of the eventual turnaround in business conditions.

Westinghouse Canada recognizes the growing industrial strength of other countries, and shares the national concern regarding Canada's trade deficit in manufactured products. However, the opportunities inherent in a trading world are far greater for all participants than reverting to protectionism. The company's emphasis on export activity supports both its goals and the needs of Canada.

Ensuring that these opportunities benefit Canada requires that product development for specialized world marketing be encouraged, and this is increasingly being recognized by government and industry.

The activities of the company in this regard are evident in the acquisition of a growing number of specialized missions within the international Westinghouse organization. These specialized missions include rationalization of manufacture and world product mandates under which the company assumes full responsibility for research and development, design, manufacturing and marketing of selected products or lines of products.

Progress was made during 1982 toward the company's objective of exporting half of its manufactured product by the end of the decade. Record export sales at $176 million or 35.6% of manufactured product were achieved during the year, compared to $151 million export sales or 33.1% of

manufactured product in 1981. Largely as a result of exports, record total sales were reported in 1982.

Export goals notwithstanding, the supply of products to the Canadian market-place will continue to be important to the company. As well, corporate strategies stress the ongoing improvement of customer service capability in those businesses which serve domestic markets only. Some of the actions taken to fulfill this objective are outlined elsewhere in this report.

Implementation of company plans involved capital spending of $15.9 million in 1982, compared to $19.4 million the prior year.

Restraint

In order to ensure appropriate actions are taken by the company in assisting Canada to achieve its goals, senior Westinghouse executives maintain a dialogue with representatives of government at all levels. During 1982, Westinghouse Canada expressed to the government, employees and the public, its full support of the six-and-five restraint program. The company is adhering to the guidelines for wage and price increases in both years of the program.

While these guidelines do not represent a total solution to the economic problems facing Canada, they play a positive role. It is the conviction of senior management that the majority of employees also recognize the advisability of restraint.

On April 13, 1982, J.A. Boyle and L.R. Wilson were elected to the Board of Directors. D.I.W. Bruce and A.T. Lambert reached retirement age and resigned on that date. Their service to the company is greatly appreciated.

I would personally like to thank all employees of Westinghouse Canada for their dedicated efforts throughout 1982.

Franz H. Tyaack
President and
Chief Executive Officer

February 8, 1983

Operations

The challenge to Operations is the efficient manufacture of competitive, high-quality products, and the development of new products in support of company strategies.

Operations

E.B. Priestner
Vice President, Operations

Business conditions throughout the world tested the company's competitive abilities during 1982. While a good backlog of business existed at the outset of the year, the impact of the economic downturn was felt eventually by the company.

Actions taken in response included steps to increase productivity, reduce investment levels and improve customer service. In addition to relieving immediate pressures, these efforts served to better position the company for the future.

Turbine and Generator

Turbine and Generator Division experienced the best sales year in its history, with exports accounting for approximately 84% of sales. However, orders dropped below the record levels of 1981, because of such factors as the postponement of megaprojects in Canada, reduced activity in primary export markets, and the marked devaluation of foreign currencies against the Canadian dollar, which gave off-shore competitors a significant price advantage.

A bright spot was the successful market entry of a new world-mandate product line, comprised of steam turbines for driving boiler feed water pumps. The first Canadian order involved the supply of two units to Alberta Power for its Sheerness generating station, while the first order from a foreign customer was placed by a Texas utility. The value of these three units exceeded $5 million.

Notable shipments by the division included a high-efficiency regenerator model CW 352 gas turbine, for installation at a compressor station on the "prebuild" section of the Alaska Highway Natural Gas Pipeline. Ten W191 Econopac gas turbine generating sets for electric power generation applications in North Africa and South America were delivered. Also, a 27.5 MW steam turbine generating set was shipped to a customer in the chemical industry in Ontario, for a cogeneration application, which represents an area of growth for the division.

The worldwide parts and service aspect of the business accounted for a significant portion of total sales, and is becoming an increasingly important factor in divisional efforts.

Engineering redesign of the W191 turbine was undertaken in order to increase its output capabilities and broaden its application scope, particularly in foreign markets.

The division's continued high level of investment in new plant and equipment included the installation of a unique air-conditioning system, utilizing groundwater as a heat sink, at the turbine components plant in Renfrew, Ontario.

Transformer and Nuclear Products

Transformer and Nuclear Products Division experienced good results during the year.

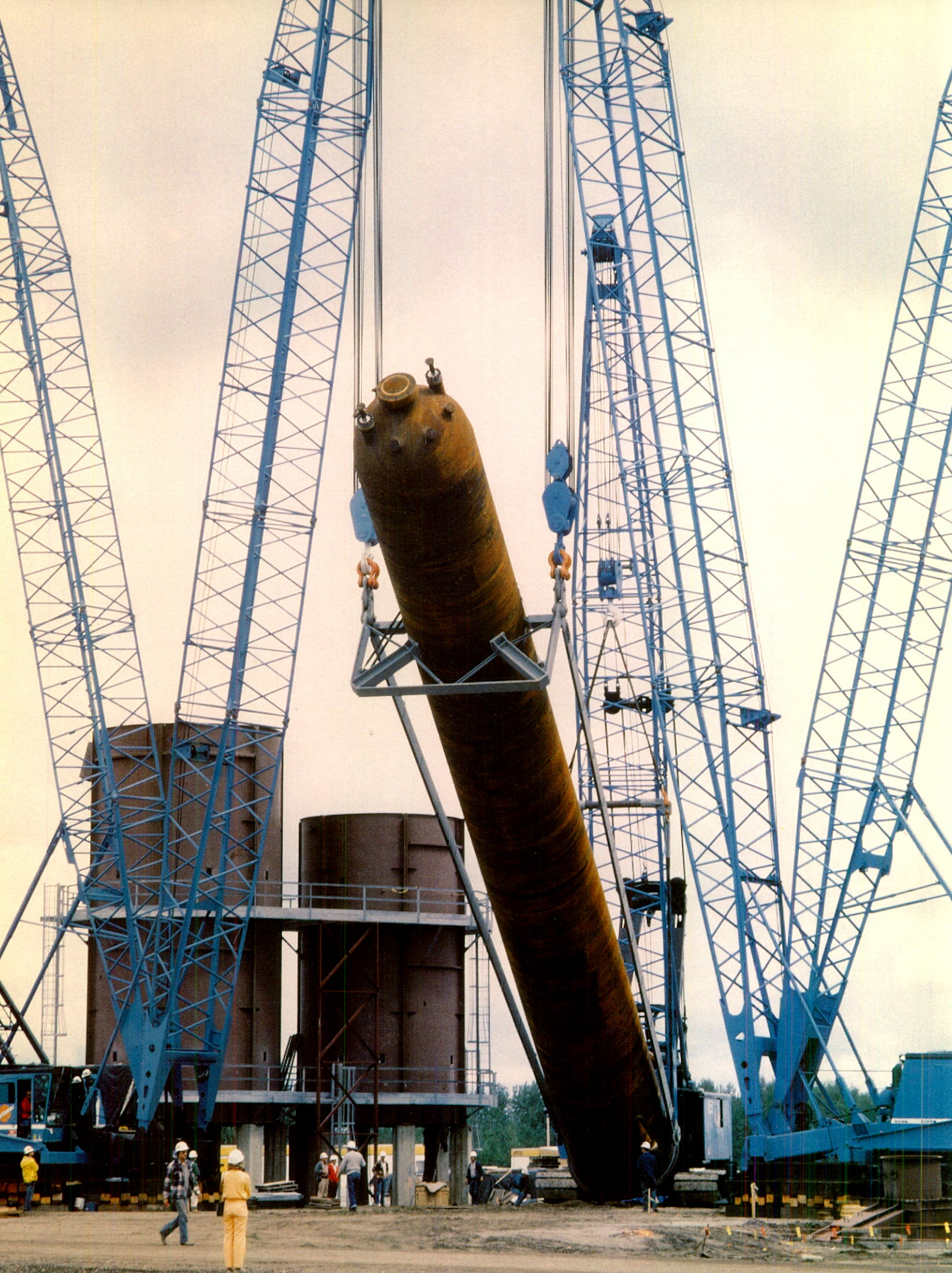
All objectives for Transformer and Distribution Apparatus sales and profit were met or exceeded. Major domestic shipments included two 500 kV three-phase generator step-up transformers to Edmonton Power for the Genesee Station. Major export shipments included distribution apparatus sales to Egypt and the Caribbean.

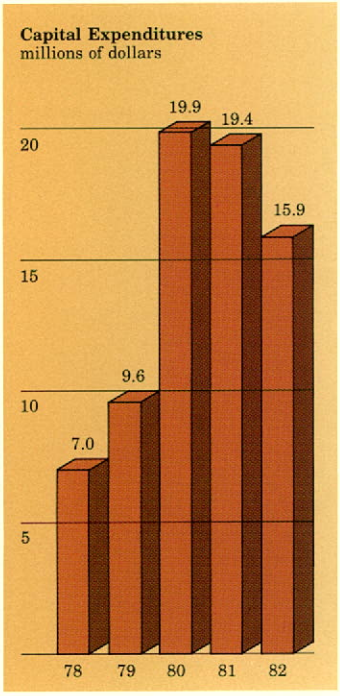
Orders for capacitors valued at $6 million were booked for Hydro-Québec's Châteauguay project. The division obtained a world mandate for gap core reactors, and the first sale of the product was for export to a Saudi Arabian customer. Transformer orders dropped significantly in the latter half of the year as the impact of the recession on the business deepened. This resulted in increased efforts to bring about productivity improvement, including the Minimized Inventory Production System (M.I.P.S.), described in another section of this report.

In a pilot project directed at raising white-collar productivity, a computer link was established between Toronto Utility Sales and distribution transformer marketing at the London, Ontario plant.

The nuclear fuel operation was boosted by the booking of one of the largest orders in company history. This involves the fabrication of nuclear fuel for Ontario Hydro. Delivery of the $60 million order is to begin in 1984. Significant tenders for fuel supply to other domestic and foreign

At O'Hare International Airport in Chicago, the busiest in the world, Westinghouse Canada W1642 display terminals are used in making airline reservations. Sixty-one airlines located in more than 75 countries employ these terminals, which incorporate features specifically for transportation and custom applications.





The world's first plant to exclusively refine synthetic crude oil is under construction, along with a styrene processing plant, at Scotford, Alberta. The Shell Canada project is being supplied with a complete array of Westinghouse Canada electrics, including power transformers, metalclad switchgear, motor control centres, bus duct and motors.

customers entered final evaluation stages. Although export opportunities for CANDU reactor sales received some major setbacks, the existing backlog of the Nuclear Products Department should ensure a steady level of activity in its plants during the next few years.

Productivity improvements included the introduction of robotics in the production of nuclear fuel bundles at Port Hope and expansion of the laboratory computer system.

Electronics and Industrial Products

Activity in businesses grouped under Electronics and Industrial Products Divisions varied substantially in response to the economic downturn. These businesses include electronic systems, switchgear and control, industrial products and motors.

Electronic Systems Division was a strong performer, exporting two-thirds of its production. Data communications and displays are the fastest growing segment of the division's business. Although airlines suffered a general downturn world-wide, their purchases of these world-mandate products exceeded the 1981 volume by 50%. Sixteen airlines were added as new customers, bringing the total to 61 in more than 75 countries.

An order was received for 3,300 video terminals for incorporation into a new automated reservation system to be used by travel agents of both Delta Air Lines and United Airlines.

Electronic System's Dublin plant, which completed its first full year of operation, is achieving its goals in terms of improving penetration of the European, Middle Eastern and African markets. Since approximately 30% of data communications orders originate with customers serviced by the Wescan Europe Limited operation in Ireland, a growing contribution to the loading of both the division's Burlington and Dublin facilities is expected.

Major productivity plans were put into effect in the engineering and manufacturing areas of the division. A computer-based program generation centre was introduced for use in the development of software for microprocessor-based products. In addition, a new computer-based automatic test facility for production testing of printed circuit boards became operational.

Switchgear and Control Division experienced a less buoyant year than in 1981. Industrial shipments continued relatively strong, but there was weakness in commercial and residential construction markets.

A major project involving the relocation of various operations of the division to smaller, more efficient plants proceeded smoothly and reached a milestone with the commencement of manufacturing at Mount Forest, Ontario. A distributed data processing system was introduced, enabling division headquarters to co-ordinate and control production schedules, inventories and shipments of the new plants.

Sales highlights included network protectors for Brazil and airfield lighting regulator systems for installation in Canada and Burma. Among important bookings were the distribution and control package for the Pacific Colosseum in Vancouver, metalclad switchgear for the Alberta Power Sheerness generating station and distribution switchboards and motor control centres for Shell Canada at Scotford, Alberta.

The division also shipped prototype mobile airfield lighting power supply units developed for the U.S. Air Force to be used in setting up emergency airfields in any climate. Switchgear and Control has world-mandate responsibility for this product line.

Industrial Products Division experienced an improved year, despite weak residential construction markets. Sales included the first of nine static excitation systems for the Baie James hydroelectric project, to be supplied from the Saint-Jean-sur-Richelieu plant. The division also booked a variety of orders for industrial and utility markets, including switchgear for Imperial Oil, isolated phase bus duct for the Transalta Utility Sheerness generating station, and switchgear and dry-type transformers for Algoma Steel. Delivery of $5 million in isolated phase bus duct for Baie James LG-3 was completed during the year.


17

Value engineering techniques were employed in the redesign of the complete line of ASL dry-type transformers, in order to reduce costs and increase customer satisfaction. Productivity improvements resulted from changes in the organizational structure of the division, divestiture of the electric heating business and the implementation of new techniques in office technology.

Motor Division had a relatively low level of activity in 1982 due to depressed conditions in some of its major markets, including the Canadian mining, pulp and paper and utility industries, as well as export markets. Significant orders for motors were received from the Canadian petrochemical industry and customers in Algeria and Columbia. Shipments were made to the Surabaya generating plant in Indonesia and a potash plant in Jordan.

Research continued on motor design optimization through more extensive computer use. In addition, significant work was undertaken to introduce low-cost automation and set-up tooling, to improve productivity and inventory control.

Components and Industry Services

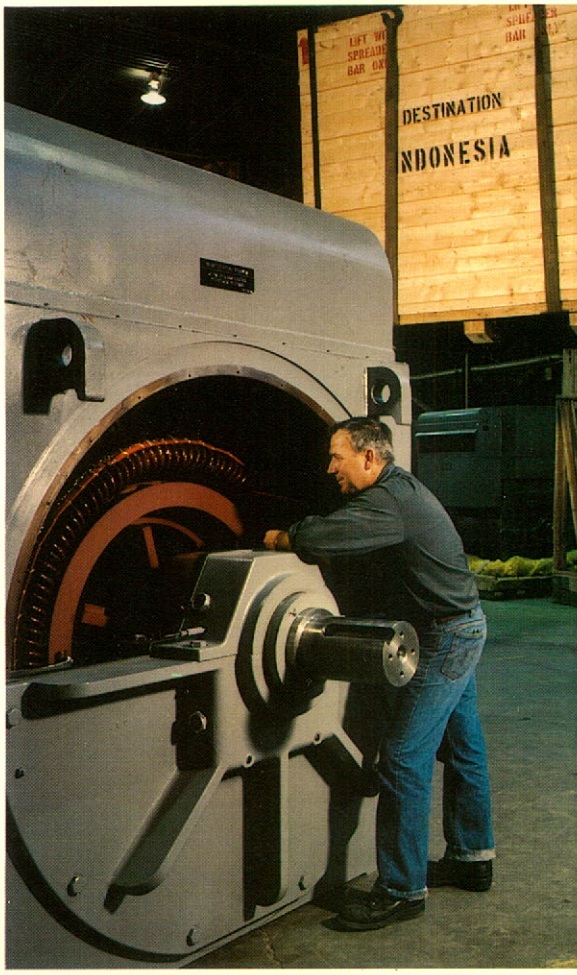
During the year, the company divested the lighting business of the Components and Industry Services Divisions, and entered into an agreement to sell the assets of its lamp business. These transactions are described elsewhere in this report.

The impact of the recession was felt early in the year by Industry Services Division. Economic conditions affected not only new equipment decisions by customers but upgrade and maintenance decisions as well. Effort was focussed on productivity improvement and the pursuit of new, related business opportunities. These included the division's entry into the process instrumentation and control business.

Providing rapid emergency service to minimize customer down-time is a hallmark of this division. One such fast response in 1982 enabled a customer who experienced a fire in a compressor station in the Alberta oil sands to get back into service with minimal delay.

The growing maintenance and service business of the Elevator Division provided an effective buffer from the downturn in the construction market which affected the new orders position. Projects underway included the new Standard Life Centre in Hamilton and The Manufacturer's Life Insurance Company head office in Toronto. A $5 million order for escalators for the Montréal Metro was completed. The division also booked an order for the Calgary Centre for Performing Arts.

All divisions continue in their activities to enhance operating efficiency. Steps taken in this regard impact on both the overall performance of the company and the opportunity for employees to assume greater responsibility for business management at every level. This focus on internal control and individual effort will continue.



Left: Manufacturing productivity at the company's Port Hope, Ontario plant is being enhanced by a recent development in automation. Nuclear fuel pellets, previously handled manually, are now automatically transferred to storage trays, resulting in increased speed and capacity. Here, machine operator Al Kerr monitors the process.

Right: Tony Chevarie inspects a large induction motor destined for shipment to Indonesia.

Marketing and Sales

The challenge to Marketing and Sales is the provision of prompt and expert service to customers, and the continual expansion of markets in Canada and abroad.

Marketing and Sales

J. Nairn
Vice President,
Marketing and Sales

Despite depressed economic conditions in both domestic and export markets, the company served a diverse and enlarged customer base. Resources brought to bear in this effort included WESCO — Westinghouse Sales and Distribution Company, Utility Sales and Corporate Marketing.

Domestic Sales

WESCO played a role both as a sales arm for company divisions and as the distributor of a wide range of electrical product lines. In the industrial market, the first 20 MVAR static VAR compensator sold by Westinghouse in Canada was booked from Algoma Steel, for voltage regulation at the company's new seamless tube mill.

Notable orders also included Numa-Logic programmable controllers and distribution equipment for the National Research Council's Arctic Vessel and Marine Research Institute on the campus of Memorial University in St. John's, Newfoundland. The main interest of the Institute is the design of man-made structures, such as ships' hulls and drilling platforms, which must withstand the harsh environment of northern waters.

In Québec, Westinghouse Canada transformers and switchgear, booked for production in the Saint-Jean-sur-Richelieu, Québec and Hamilton, Ontario plants will be used in the conversion from oil to electric heat in eight hospitals, under a Hydro-Québec incentive program. This emphasis on electric heat was also reflected in orders for several thousand plenum heaters to convert oil-fired hot air furnaces to dual energy heating, as part of a single family home program in Québec.

During the year, the first of the high-technology LRC (Light, Rapid and Comfortable) trains employed in Canadian passenger service were put into operation by Via Rail Canada on the Québec City — Windsor, Ontario corridor. The trains were equipped with Westinghouse dry-type distribution transformers, lamps and cable connectors. Subsequently, the company booked an order for additional transformers for future LRC trains.

While the Canadian utility market trended downward in 1982, increased bookings and market share were achieved by Utility Sales. A substantial order was received from Ontario Hydro for distribution transformers. Important shipments made to Hydro-Québec included two 140 MVA transformers for Lévis and the first of eight 450 MVA transformers.

Export Sales

Efforts to penetrate export markets were enhanced by access to the Westinghouse world-wide sales network.

A conference of 300 Westinghouse sales personnel from around the world was held in Toronto to exchange information and streamline export activities. One of the tools introduced as part of this initiative was the first international catalogue prepared for Westinghouse Canada products. Another development was the creation of the position of Vice President, Corporate Marketing International.

A key factor in obtaining export business is ensuring that purchasers have access to financing. Increasingly, a notable aspect of the company's export activity involves assisting customers in concluding arrangements with banks and other credit agencies.

During the year, the company exported to 98 countries.

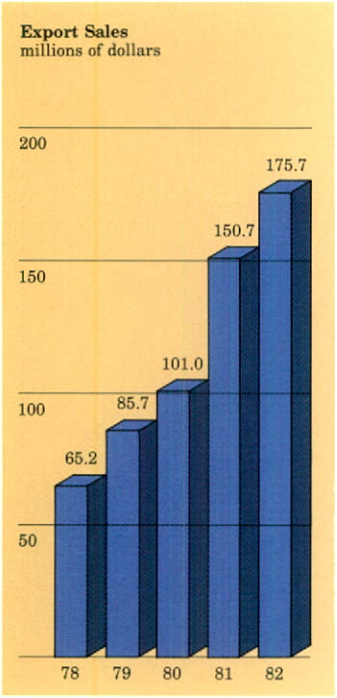
Other Activities

The company continued to update and modernize WESCO facilities by relocating, expanding or remodelling offices in Sudbury, Halifax and Saskatoon. In Burnaby, a large warehouse/office complex is under construction to replace existing premises in Vancouver.

In recognition of the importance of market development to the future of the company, a special task force was established to analyze major marketing issues.

Similarly, activities in the area of training were emphasized. One measure taken in this regard was a WESCO program designed to increase the effectiveness of several hundred inside sales people across the country in selling by telephone.

Trade shows, such as this turbine conference in Houston, Texas, provide an opportunity to highlight company products and service capabilities around the world.



Corporate Marketing launched a new advertising program, comprised of a series of advocacy newspaper advertisements. These presented the company's position on three fundamental national issues: exports, jobs, and research and development.

Transfer of the Architectural Systems Department to Marketing and Sales from within the Operations sphere of the company was announced, a move which will utilize the distribution expertise of WESCO and strengthen the position of Westinghouse in the open office furniture business.

WESCO will continue to distribute lamps and lighting as part of the total package of electrical products offered to customers, notwithstanding company actions to divest the assets of these businesses. Responsiveness to customer needs is an integral part of quality service, to which Westinghouse Canada is committed.

Left: Customers receive quick and efficient product delivery through a highly developed transportation network.

Right: Sophisticated inventory management techniques such as the WESCOM system, help the company maintain its competitive edge.

Corporate Resources

W. J. McNicol
Vice President,
Corporate Resources

Corporate Resources comprises a number of specialized departments with the responsibility of assisting the president and supporting the operating divisions. Functions carried out by Corporate Resources include government relations, communications, strategic planning, productivity services and human resource requirements.

Efforts to assist in accelerating productivity improvement and to develop human resources were the main thrusts of Corporate Resources during the year.

Productivity

One highlight was an increase in small group activities, generally known as quality circles. These are employee groups, trained in evaluation and analysis methods, whose objective is to make improvements within their work areas. More than 50 such volunteer groups exist, with a combined membership in excess of 400 people. These people, who meet regularly on company time, are making a valuable contribution to productivity improvement. They are also increasing their personal job satisfaction through greater participation in company affairs.

A second productivity technique, value analysis, was used extensively during the year in both plants and offices. It involves assessing the value and cost to the company of specified activities. Value analysis methods were applied in completing plans to transfer all corporate functions to a new central office location in downtown Hamilton during 1983.

Another highlight of the year was a team visit to Japan led by the president, to study first-hand the methods employed by the Japanese in achieving their high rate of productivity improvement. While not all Japanese techniques are applicable in Canada, some are adaptable. One such program is the Minimized Inventory Production System (M.I.P.S.) being introduced in the company's London plant. Encouraging results have been obtained in reducing inventories and in establishing a more responsive manufacturing system. Planning is underway to expand the program to other divisions.

The relationship between technological innovation and the fulfillment of corporate objectives, such as productivity improvement, has been reinforced through the establishment of an Engineering Council. This group, which completed its first year in 1982, will provide the engineering community of the company with a stronger voice in management decisions on technological matters.

In order to better co-ordinate and emphasize efforts in the area of productivity improvement, a major organizational change was announced. All corporate technical resources were consolidated, and will report to a Vice President, Corporate Productivity and Quality, a position created effective January 1, 1983.

People

Providing an organizational climate that encourages commitment to quality performance requires that employee attitudes toward the company be addressed. A survey of all management and professional staff probed attitudes toward issues such as career satisfaction, effectiveness of communications, equity of compensation, confidence in top management, and organizational understanding. While the overall level of employee satisfaction was high in absolute terms and in comparison with a similar survey in 1979, specific areas requiring improvement were defined. Corporate and divisional staff are developing action plans in response to employee concerns in these areas.

Among other messages, the attitude survey indicated that the company should continue to expand its efforts in the areas of communications and career development.

Activities contributing to these goals included the fourth in a series of two-week forums for key managers, to increase their knowledge of the company and job skills. Another program, begun in 1982 for selected non-financial employees, provided intensive training in the understanding and application of

financial concepts. A third, also introduced during the year, involved communications training for first-line supervisors.

During 1982, 52 engineers, technologists and technicians were introduced into the company, some of whom participated in a Graduate Training Program, while others were placed directly in operating divisions. Another career program enabled high school students to receive credits toward Grade 12 certification through work experience with the company.

An undertaking to increase representation of women, native people and the handicapped within the organization was reflected in the signing of the final stage of a two-phase agreement with the Canadian government, committing the company to an Affirmative Action program. Upcoming programs include career planning workshops for women within the company.

Greater emphasis was placed on the quality of communication between the company and its various publics by the consolidation of several related functions into the corporate affairs department.

Employment

During 1982, average employment was approximately the same as in 1981. However, employment levels dropped during the second half of the year due to deteriorating business conditions.

Contract negotiations completed in 1982 covered 871 employees in nine bargaining units across Canada. The company experienced a four-day strike, involving 80 workers. Employees at Perth, Ontario, elected decertification, while certification occurred at Varennes, Québec and Saskatoon, Saskatchewan.

The company's concern for Westinghouse people and productivity remains the principal motivation for ongoing efforts in corporate resources.

Top left: Information Systems Director Carmen Lloyd is interviewed for a company management publication by Public Affairs Co-ordinator Jo Mira Clodman, reflecting the increasing emphasis being placed on internal corporate communications.

Left centre: Employee education and training are ongoing aspects of the company's activities. Pictured with Gerry Hoolboom, Director of Engineering Technology, are four members of the 1982 Graduate Training Program for engineers and technologists.

Top right: Phil Kirby of Organization Development leads a seminar on Interaction Management, designed to improve supervisory skills of company personnel.

Bottom: A major productivity improvement project known as M.I.P.S. is underway at the company's London, Ontario distribution transformer plant. Among those participating in this effort to improve manufacturing techniques are Louis Seymour, Steve Konecny and Bill Boxall.

Corporate Resources

The challenge to Corporate Resources is to provide top-quality support and advice to the president and the operating divisions, conducive to the attainment of company goals.

Financial Report

Financial 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 judgments 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.

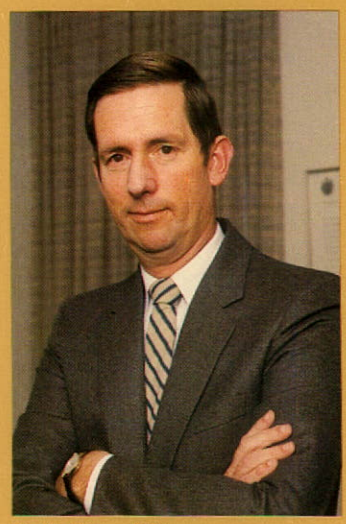
The Audit Committee of the Board of Directors is responsible for reviewing the financial statements prior to their approval by the Board. The Audit Committee meets periodically and privately with the independent auditors, with our internal auditors, as well as with management, to review accounting, auditing, 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



O. C. Shewfelt
Vice President Finance

Contents

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

(h) 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.

(i) Pension funds: Pension costs for current service are charged against income on a current basis. The liability for past service arising from improvements in the plans is being funded and charged against income over periods of not more than 15 years.

(j) Foreign exchange: Foreign currency balances and transactions are translated into Canadian dollars as follows: asset, liability, revenue and expense transactions are translated at the exchange rate on the date 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

	1982	1981
Sales	**$706,744**	$678,730
Costs and expenses excluding depreciation and interest	**652,524**	610,969
Depreciation	**9,490**	8,591
Interest expense less interest income of $130 in 1982; ($468 in 1981)	**7,089**	7,398
Income before taxes	**37,641**	51,772
Provision for income taxes	**13,725**	21,421
Net income	**23,916**	30,351
Retained earnings at beginning of year	**176,923**	154,622
	200,839	184,973
Dividends paid	**8,050**	8,050
Retained earnings at end of year	**$192,789**	$176,923
Earnings per share	**$ 8.91**	$ 11.31
Dividends paid per share	**$ 3.00**	$ 3.00

Consolidated Balance Sheet

At December 31
Expressed in thousands

	1982	1981
Assets		
Accounts receivable	**$119,937**	$125,440
Inventories (note 1)	**129,477**	151,515
Other current assets	**3,563**	2,820
Total current assets	**252,977**	279,775
Plant and equipment (note 2)	**80,536**	75,477
Investments and other assets	**6,474**	5,677
Total assets	**$339,987**	$360,929
Liabilities and shareholders' equity		
Liabilities		
Bank indebtedness	**$ 7,170**	$ 47,400
Accounts payable and accrued charges	**91,284**	90,791
Income taxes payable	**6,258**	1,124
Current portion of long-term debt	**—**	400
Total current liabilities	**104,712**	139,715
Long-term debt (note 3)	**14,319**	15,257
Deferred income taxes	**13,220**	14,087
Total liabilities	**132,251**	169,059
Shareholders' equity		
Share capital (note 4)	**14,947**	14,947
Retained earnings	**192,789**	176,923
Total shareholders' equity	**207,736**	191,870
Total liabilities and shareholders' equity	**$339,987**	$360,929

On behalf of the Board:

Director

Director

Consolidated Statement of Changes in Financial Position

Years ended December 31
Expressed in thousands

	1982	1981
Source of funds		
Operations –		
Net income	**$ 23,916**	$ 30,351
Items not affecting working capital:		
Depreciation	**9,490**	8,591
Deferred income taxes	**(867)**	2,090
Gain on redemption of debentures	**(530)**	—
Funds provided from operations	**32,009**	41,032
Plant and equipment disposals	**1,390**	788
	33,399	41,820
Use of funds		
Plant and equipment additions	**15,939**	19,425
Dividends paid	**8,050**	8,050
Reduction in long-term debt	**408**	400
Increase in investments and other assets	**797**	2,658
	25,194	30,533
Increase in working capital	**8,205**	11,287
Working capital beginning of year	**140,060**	128,773
Working capital end of year	**$148,265**	$140,060

Auditors' Report

To the Shareholders of
Westinghouse Canada Inc.

We have examined the consolidated balance sheet of Westinghouse Canada Inc. as at December 31, 1982 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, 1982 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
January 12, 1983

Notes to Consolidated Financial Statements

December 31, 1982 and 1981

(1) Inventories

	1982	1981
	(in thousands)	
Raw materials, work in process and replacement parts	**$108,829**	$132,200
Finished goods	**38,645**	47,714
	147,474	179,914
Less progress billings	**17,997**	28,399
Net investment in inventories	**$129,477**	$151,515

(2) Plant and equipment

			1982	1981
			(in thousands)	
	Cost	Accumulated Depreciation	Net	Net
Land	**$ 5,216**	**$ —**	**$ 5,216**	$ 3,812
Buildings	**51,665**	**18,850**	**32,815**	30,209
Equipment	**102,842**	**65,550**	**37,292**	30,993
Leasehold improvements	**1,973**	**1,163**	**810**	877
New additions not yet in use	**4,403**	**—**	**4,403**	9,586
	$166,099	**$85,563**	**$80,536**	$75,477

The cost of plant and equipment additions during the year was reduced by government assistance of $4,300,000 ($2,750,000 in 1981).

(3) Long-term debt

	1982	1981
	(in thousands)	
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**	$ 15,657
Less portion due within one year including balance of sinking fund requirements	**—**	400
	$ 14,319	$ 15,257

Interest on long-term debt amounted to $1,257,000 in 1982 ($1,311,000 in 1981). Unamortized debenture discount and issue expenses of $163,000 ($198,000 in 1981) are included in Investments and Other Assets in the Consolidated Balance Sheet.

(4) Share Capital

At December 31, 1982 the corporation has authorized share capital of an unlimited number of preferred shares, issuable in series, and an unlimited number of common shares of which 2,683,397 (1981 – 2,683,389) were outstanding and fully paid.

(5) Related-party transactions

As of December 31, 1982, 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 1982 and 1981. 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:

	1982	1981
	(in thousands)	
Accounts payable and accrued charges	**$6,905**	$7,088
Accounts receivable	**2,728**	3,192

(6) Sale of Businesses

During the year, the corporation entered into agreements for the sale of its Lamp and Lighting businesses to Philips Electronics Ltd and Crouse-Hinds Canada Limited respectively. The sale of the Lighting business was completed during 1982 and management anticipates finalization of the Lamp business sale in 1983. Costs associated with the divestiture of these businesses have been reflected in the current year, and do not significantly impact the operating results of the corporation.

(7) Pension funds

Total pension expense for 1982 was $14,000,000 ($12,800,000 in 1981). Independent actuarial evaluations indicated the total unfunded obligations of the two pension plans sponsored by the corporation were approximately $59,215,000 as at December 31, 1982 ($63,392,000 as at December 31, 1981). 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

Years ended December 31

	1982	1981
	(in thousands)	
Additions:		
Employer contributions	**$ 11,624**	$ 11,236
Employee contributions	**2,431**	2,080
Income from investments	**15,900**	14,452
Net gain (loss) from disposal of assets	**3,046**	(1,749)
	33,001	26,019
Reductions:		
Benefit payments and refunds	**8,087**	7,008
Fees and expenses	**429**	387
	8,516	7,395
Net additions to trust funds	**24,485**	18,624
Market value at beginning of year	**144,506**	132,196
Unrealized increase (decrease) in market value of assets	**13,539**	(6,314)
Market value at end of year	**$182,530**	$144,506

Statement of Financial Position

Years ended December 31

	1982	1981
	(in thousands)	
Bonds	**$ 57,768**	$ 43,434
Stock	**63,039**	52,576
Mortgages and real estate	**34,428**	31,136
Short-term investments	**19,599**	12,605
	174,834	139,751
Other assets	**7,696**	4,755
Total assets at market value	**$182,530**	$144,506

Financial Information by Segment

Years ended December 31
Expressed in thousands

Condensed Statement of Income	1982	1981
Sales • Power Systems	**$277,151**	$236,557
• Industrial Products	**183,618**	186,709
• Components and Construction	**116,025**	120,656
• WESCO	**295,213**	303,007
• Other	**3,234**	4,750
	875,241	851,679
Inter-segment eliminations	**(168,497)**	(172,949)
Sales to outside customers	**$706,744**	$678,730
Export sales	**$175,672**	$150,676
Income before income taxes		
• Power Systems	**$ 28,822**	$ 24,945
• Industrial Products	**14,313**	24,359
• Components and Construction	**4,498**	9,920
• WESCO	**4,447**	10,795
• Other revenue and common costs	**(14,439)**	(18,247)
	37,641	51,772
Income taxes	**(13,725)**	(21,421)
Net income	**$ 23,916**	$ 30,351
Supplementary Information		
Assets • Power Systems	**$157,974**	$142,680
• Industrial Products	**69,637**	84,010
• Components and Construction	**46,217**	54,153
• WESCO	**57,704**	68,384
• Other	**8,455**	11,702
Total assets	**$339,987**	$360,929
Plant and equipment additions		
• Power Systems	**$ 5,702**	$ 6,876
• Industrial Products	**3,526**	5,701
• Components and Construction	**3,309**	3,982
• WESCO	**2,972**	1,922
• Other	**430**	944
Total plant and equipment additions	**$ 15,939**	$ 19,425
Depreciation expense		
• Power Systems	**$ 2,910**	$ 2,682
• Industrial Products	**2,512**	2,186
• Components and Construction	**1,892**	1,892
• WESCO	**1,341**	1,167
• Other	**835**	664
Total depreciation expense	**$ 9,490**	$ 8,591

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.

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

Industrial Products supplies a wide range of products and services, including motors, controls, meters, relays, switchgear, moulded case circuit breakers, machinery, engineering and repair services and distribution to a wide range of customers in such industries as metals, oil, gas, petrochemical, mining, pulp and paper, textile, transportation, rubber and durable goods.

Components and Construction provides lamps and lighting, high technology electronics equipment, elevators and escalators, process equipment and systems for automation of production machinery and other products and services to the construction industry.

WESCO is the sales and distribution channel for most of the corporation's products for the industrial and construction markets. WESCO's mandate also includes the sale of complementary products, not manufactured by the corporation, to serve all the electrical product needs of these customers.

Five-Year Summary

Expressed in thousands except as otherwise noted*

	1982	1981	1980	1979	1978
Condensed Statement of Income					
Total Sales	**$706,744**	678,730	570,115	496,253	398,299
Income before extraordinary items	**$ 23,916**	30,351	29,812	26,861	8,275
Extraordinary items	**$ —**	—	—	(812)	416
Net income	**$ 23,916**	30,351	29,812	26,049	8,691
Condensed Balance Sheet					
Working capital	**$148,265**	140,060	128,773	120,315	105,445
Plant and equipment	**$ 80,536**	75,477	65,431	52,659	48,966
Investments and other assets	**$ 6,474**	5,677	3,019	1,593	1,921
	$235,275	221,214	197,223	174,567	156,332
Less:					
Long-term debt	**$ 14,319**	15,257	15,657	16,590	19,565
Deferred income taxes	**$ 13,220**	14,087	11,997	11,512	10,984
Shareholders' equity	**$207,736**	191,870	169,569	146,465	125,783
Condensed Statement of Changes in Financial Position					
Funds provided from operations (see note)	**$ 32,539**	41,032	37,112	33,176	14,087
Expenditures for plant and equipment	**$ 15,939**	19,425	19,873	9,550	6,957
Dividends paid	**$ 8,050**	8,050	6,708	5,367	4,025
Per Share Data*					
Income before extraordinary items	**$ 8.91**	11.31	11.11	10.01	3.08
Dividends paid	**$ 3.00**	3.00	2.50	2.00	1.50
Shareholders' equity	**$ 77.42**	71.50	63.19	54.58	46.88
General					
Number of common shares outstanding at year-end	**2,683**	2,683	2,683	2,683	2,683
Average number of employees*	**7,500**	7,600	7,300	7,000	7,300

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

Management

Management Committee

From left to right:

Seated: W.J. McNicol, J. Nairn, O.C. Shewfelt, E.B. Priestner, F.H. Tyaack

Standing: J.K. Carman, C.A. Kain, W. Kostyshyn, G.O. Bernhardt, R.M. Daniel, I.W.M. Hendry, E.A. Taylor

† **Franz H. Tyaack**
President and
Chief Executive Officer

† **Gerd O. Bernhardt**
Vice President
Components and Industry
Services Divisions

† **Robert H. Broad**
Treasurer

† **Laurence K. Burke**
Comptroller

† **James K. Carman**
Vice President
Strategic Resources and
External Affairs

Richard M. Daniel
Vice President
Transformer and Nuclear
Products Division

Ingram B. Gillmore
Vice President
Manitoba-Saskatchewan
District

† **Iain W.M. Hendry**
Vice President
Secretary and General Counsel

† **J. Douglas Keppy**
Assistant Treasurer

† **Charles A. Kain**
Vice President
Electronics and Industrial
Products Divisions

William Kostyshyn
Vice President
Turbine and Generator
Division

† **Thomas H. Lawrason**
Assistant Secretary

Cecil F. MacNeil
Vice President
Switchgear and Control
Division

John B. McCullum
Vice President
Corporate Marketing
International

† **William J. McNicol**
Vice President
Corporate Resources

† **Jack Nairn**
Vice President
Marketing and Sales

Raymond A. Plouffe
Vice President
Québec District

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

† **Edward B. Priestner**
Vice President
Operations

J. Arthur Reid
Vice President
British Columbia District

† **Owen C. Shewfelt**
Vice President
Finance

† **Edwin A. Taylor**
Vice President
Human Resources

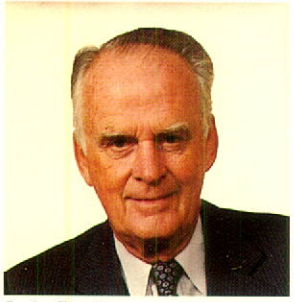
George Wilkinson
Vice President
Utility Sales Division

John R. Williamson
Vice President
Atlantic District

† Officers

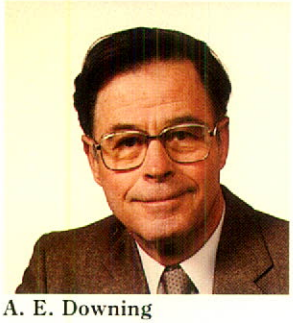
Board of Directors


D. C. Marrs


J. A. Boyle

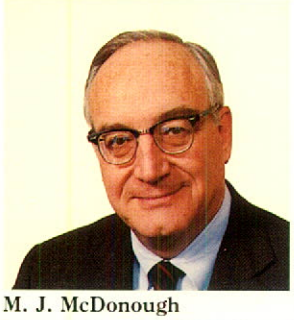

R. W. Campbell

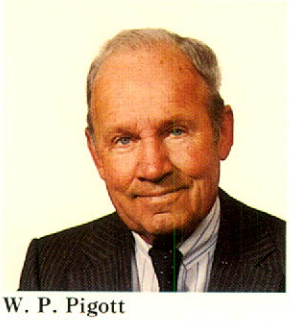

E. J. Cattabiani


A. E. Downing


L. Y. Fortier

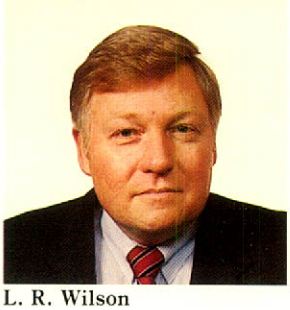

J. C. Marous

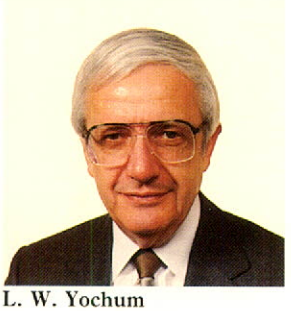

M. J. McDonough


W. P. Pigott


D. D. Stark


F. H. Tyaack


L. R. Wilson


L. W. Yochum

*‡† **Douglas C. Marrs**
Chairman of the Board
Westinghouse Canada Inc.
Hamilton, Ontario

‡ **J. Allan Boyle**
Former President
Toronto Dominion Bank
Toronto, Ontario

*† **Robert W. Campbell**
Vice Chairman
Canadian Pacific Enterprises Limited
Calgary, Alberta

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

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

L. Yves Fortier, Q.C.
Partner — Ogilvy, Renault
Barristers and Solicitors
Montréal, Québec

*† **John C. Marous**
President, International
Westinghouse Electric Corporation
Pittsburgh, Pennsylvania

Mathias J. McDonough
Senior Executive Vice President
Corporate Resources
Westinghouse Electric Corporation
Pittsburgh, Pennsylvania

*‡ **William P. Pigott**
Chairman of the Board
Pigott Construction Limited
Hamilton, Ontario

Douglas D. Stark
Executive Vice President
Components and Materials
Westinghouse Electric Corporation
Pittsburgh, Pennsylvania

* **Franz 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

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

* Executive Committee
‡ Audit Committee
† Compensation Committee

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

Locations

PLANTS
Québec
- Granby
- Saint-Jean-sur-Richelieu
- Trois-Rivières (2)
- Varennes

Ontario
- Alliston
- Burlington
- Cambridge
- 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.
- Toronto, Ont.
- Hamilton, Ont.
- Winnipeg, Man.
- Calgary, Alta.
- Edmonton, Alta.
- Vancouver, B.C.

Lamp Sales
- Halifax, N.S.
- Moncton, N.B.
- Dorval, Qué.
- Lachine, Qué.
- Québec, Qué.
- Don Mills, Ont.
- Winnipeg, Man.
- Saskatoon, Sask.
- Calgary, Alta.
- Edmonton, Alta.
- Vancouver, B.C.

Architectural Systems
Furniture Sales
- Montréal, Qué.
- Toronto, Ont.

Elevator Sales
- Charlesbourg, Qué.
- Etobicoke, Ont.
- London, Ont.
- Montréal, Qué.
- Ottawa, Ont.
- Calgary, Alta.
- Edmonton, Alta.
- Vancouver, B.C.

Longines-Wittnauer
- Brampton, Ont.

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