

Westinghouse Canada Inc.

Annual Report

1981

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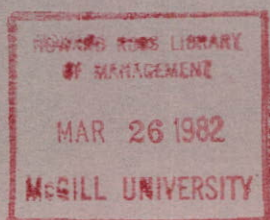
Cover: In 1981, Westinghouse Canada continued its strategy of increasing exports of Canadian-manufactured products. The cover illustration depicts movement of the company's goods in international trade.

The company's strategy to increase diversification and competitiveness through export sales, initiated several years ago, proved successful and was a major factor in achieving increased sales and the unfilled order position at year-end.

Financial Highlights

	1981	1980
Financial		
Domestic sales	\$528,054	\$469,156
Export sales	\$150,676	\$100,959
Total sales	\$678,730	\$570,115
Net income	\$ 30,351	\$ 29,812
Shareholders' equity	\$191,870	\$169,569
Per share		
Net income	\$ 11.31	\$ 11.11
Dividends	\$ 3.00	\$ 2.50
Shareholders' equity	\$ 71.50	\$ 63.19

Expressed in thousands except per share data



President's Report

Net income in 1981 was \$30.4 million, or \$11.31 per share, compared with \$29.8 million, or \$11.11 per share in 1980. Net income increased over the prior year although it was adversely affected by higher financing and material costs. Sales were \$679 million, up 19.1% from \$570 million in 1980.

Orders entered exceeded sales as the result of obtaining several large orders for export. The unfilled order position at the end of 1981 was \$409 million, compared to \$336 million a year earlier.

Dividends of \$3.00 per common share were paid, compared with \$2.50 per share in 1980.

New capital spending on plant expansion and equipment reached \$19.4 million, about the same level as in 1980.

The company's strategy to increase diversification and competitiveness through export sales, initiated several years ago, proved successful and was a major factor in achieving increased sales and the unfilled order position at year-end.

These strategic plans which have been adopted and which are being pursued — specialization in certain products through product mandates for world-wide markets and product rationalization in North American markets — resulted in continued improvement in our ratio of exports to total sales.

Export business accounted for more than \$150 million, 22.2% of sales, and resulted in a further increase in the company's positive balance of trade.

In support of the longer term, the company continued its capital expenditures programs to provide increases in manufacturing productivity, and to increase Canadian value added. In addition, a Corporate Productivity Council continued to develop and promote amongst operating divisions new methodologies for productivity enhancement that are on the leading edge of international manufacturing technology.

Research and development in Westinghouse Canada is market-driven and has been concentrated primarily in operations holding world mandates for specified products within the world-wide Westinghouse family.

In addition, to stimulate more innovation in Canada, Westinghouse established an Energy Resource Centre based in Calgary, Alberta. Its role is to respond, at the early stages, to longer-range technical challenges presented by Canada's resource projects. It will fulfill this role by doing appropriate R&D, by developing products that might not otherwise be developed in this country (import replacement), and by exploiting those products further in international markets through world mandating.

Important consequences of increasing exports and achieving international competitiveness are a different mix of labour skills and a different balance between knowledge workers and manual workers. These will be essential to successful specialized world marketing. To meet these challenges, the company is expanding and strengthening recruitment and internal training programs.

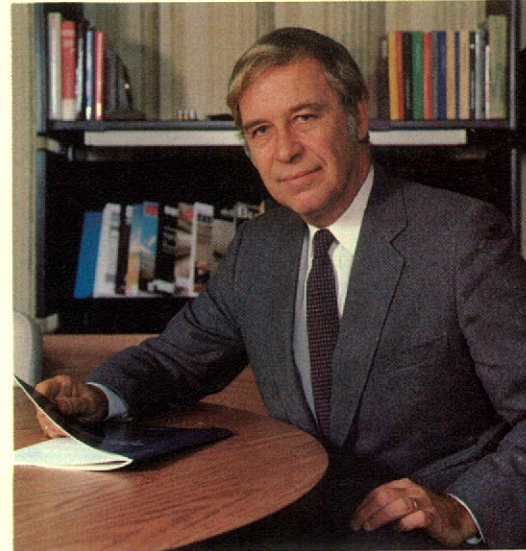
To give unity to the direction and execution of business plans throughout the company, a new organizational structure was adopted at mid-year.

During the year, the company sold its heating and cooling products business to KeepRite Inc. of Brantford, Ontario. These operations had been a rationalized part of North American operations of Westinghouse Electric Corporation, which made the decision to divest during 1981. The Canadian operation was divested separately to Canadian ownership.

In addition to company operations, executive attention was devoted to public issues involving government policies relating to external trading, R&D, economic planning, the role of multinationals, regional growth, productivity and manpower programs to further develop Canada's international competitiveness.

On behalf of the Board of Directors, I extend sincere thanks to all those employees who contributed to producing the 1981 results, which will assist the company to meet the demands of the future.

February 9, 1982



Franz H. Tyaack
President and
Chief Executive Officer

Marketing and Sales

To provide a closer link to the marketplace and to respond faster to customer needs, corporate marketing and sales organizations were consolidated under the Vice President, Marketing and Sales in June. Reporting to the Vice President are WESCO — Westinghouse Sales and Distribution Company, Utility Sales and the Corporate Marketing functions both domestic and international.

During the year, Utility Sales continued to serve the distinct high-technology needs of electrical and pipeline transmission utilities with a wide variety of products and services. In addition to selling for Westinghouse Canada divisions, it provided a link in these markets for Westinghouse products not assigned to specific divisions of this company. About one quarter of the year's business resulted from large projects involving generation, transmission and distribution of electricity.

WESCO continued its strong performance in the domestic marketplace. Volume moved upward significantly from the 1980 level, both in project business and warehouse sales.

Of the many projects in which WESCO participated, four were of particular interest: Cominco's Polaris project involving the construction of a barge-mounted lead-zinc ore processing plant which was towed to Little Cornwallis Island in the Arctic; a water filtration plant in east Montreal, Quebec; British Columbia Place in Vancouver, British Columbia, and Dofasco's new hot strip mill in Hamilton, Ontario.



To improve the effectiveness of employees, new training modules were developed for sales, warehouse, customer service, inventory and other administrative personnel. A training program for supervisors and a new compensation plan were launched.

New branches were opened in Rimouski, Quebec and in northeast Calgary, Alberta.

Corporate Marketing provided leadership to the company's marketing authorities through selected market research, professional translation services, centralized professional marketing communications and product information services.

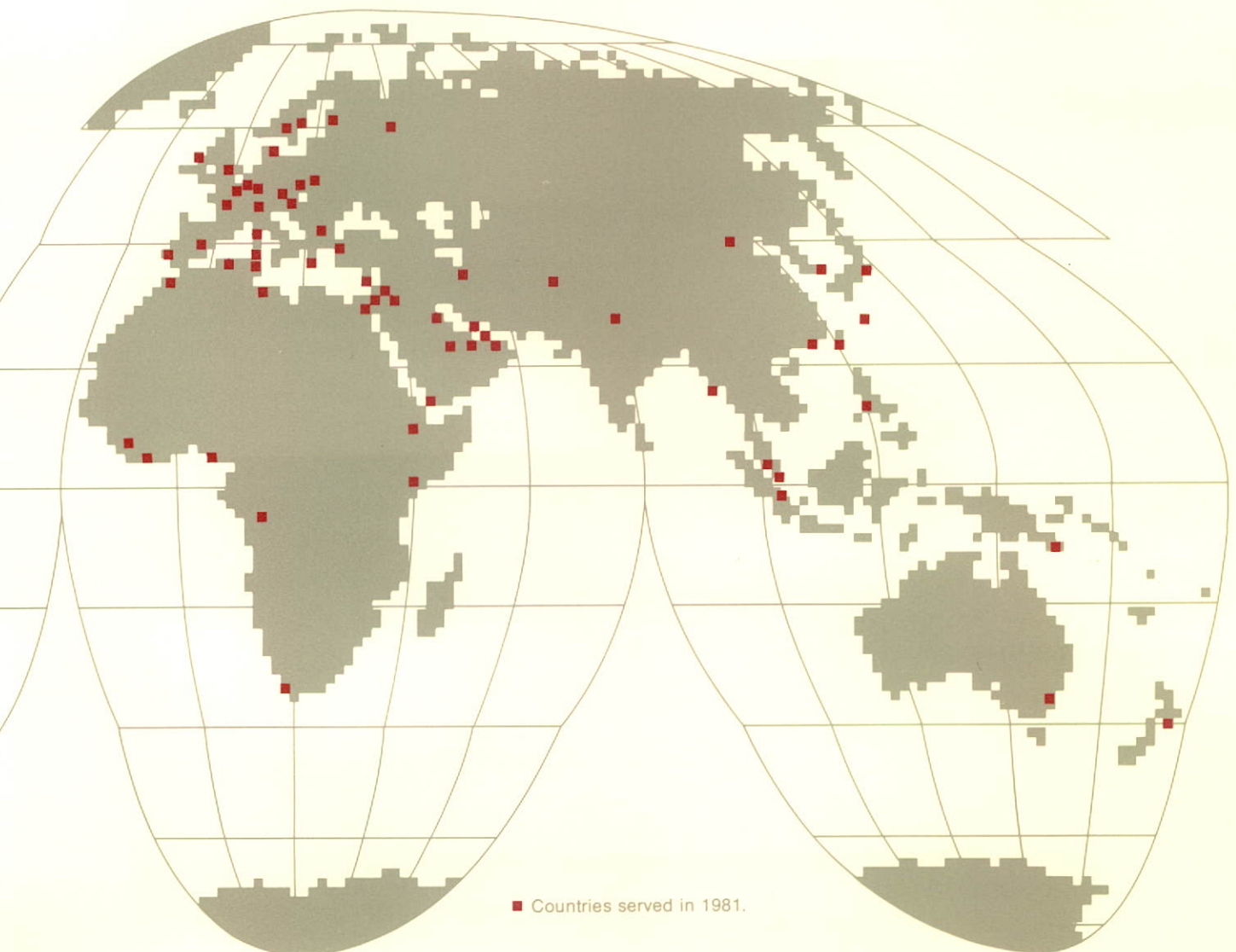
The corporate advertising program was strengthened. This program is designed to communicate to decision-makers examples of Westinghouse Canada's high-technology capabilities and export strengths.

Bilingual presentations to utilities in six Francophone and five Anglophone countries in Africa were given in conjunction with Hydro-Quebec, in order to promote Canadian rural electrification technology. This is the first phase of a program to penetrate growing markets for distribution equipment,

system operation studies and maintenance services in these countries.

Participation in trade shows in England and the United States as well as in Canada gave further support to export activities.

In September, a Francization Certificate was received from the government of the province of Quebec. This attested that the company had completed the steps necessary to comply with those sections of Bill 101 covering the francization of business firms.



In June, all operating units of the company were consolidated under the Vice President, Operations. Some businesses were re-aligned, resulting in four major units: the Electronics and Industrial Products Divisions; the Components and Industry Services Divisions; the Transformer and Nuclear Products Division and the Turbine and Generator Division. The emphasis on product or service departments within large, more self-contained divisions will help shorten communication lines and provide a better ambient for the development of management talent.

1981 was a busy and, for the most part, successful year. Sales and bookings were brisk and employment rose; but this increased activity brought with it higher investment levels at a time of record borrowing costs.

All segments of the Transformer and Nuclear Products Division met or exceeded their objectives for the year. Domestic sales were highlighted by the shipment of medium and large power transformers to B.C. Hydro and Hydro-Quebec, while export sales to 16 countries were highlighted by a \$12 million sale of distribution apparatus to Egypt. Development activity for future export and domestic business was at a high level. Nuclear fuel marketing efforts continued in support of CANDU reactor bids to Mexico and Yugoslavia. Development work was completed on a thyristor-type automatic voltage control for use with transformer rectifiers.

Both sales and orders entered for Turbine and Generator products exceeded \$100 million for the first time. Exports of packaged gas turbine-generators to Third World nations set the pace. An order was received from the Dow Chemical Company for a steam generator set for a unique co-generation application at a nuclear site in Michigan. Heat from the nuclear reactor will be used to generate steam to drive the turbine-generator set before being used in the plant process.

Major bookings in the domestic market involved two steam turbine boiler feed pumps for Alberta's Sheerness generating station, and a CW-352 gas turbine for the ESSO Chemical fertilizer plant in Redwater, Alberta. This will be the fourth unit of this Canadian-developed product to be sold into the Alberta market.

The new turbine components plant at Renfrew, Ontario was officially opened in November. Advanced manufacturing techniques and extensive employee skills training programs are features of this operation.

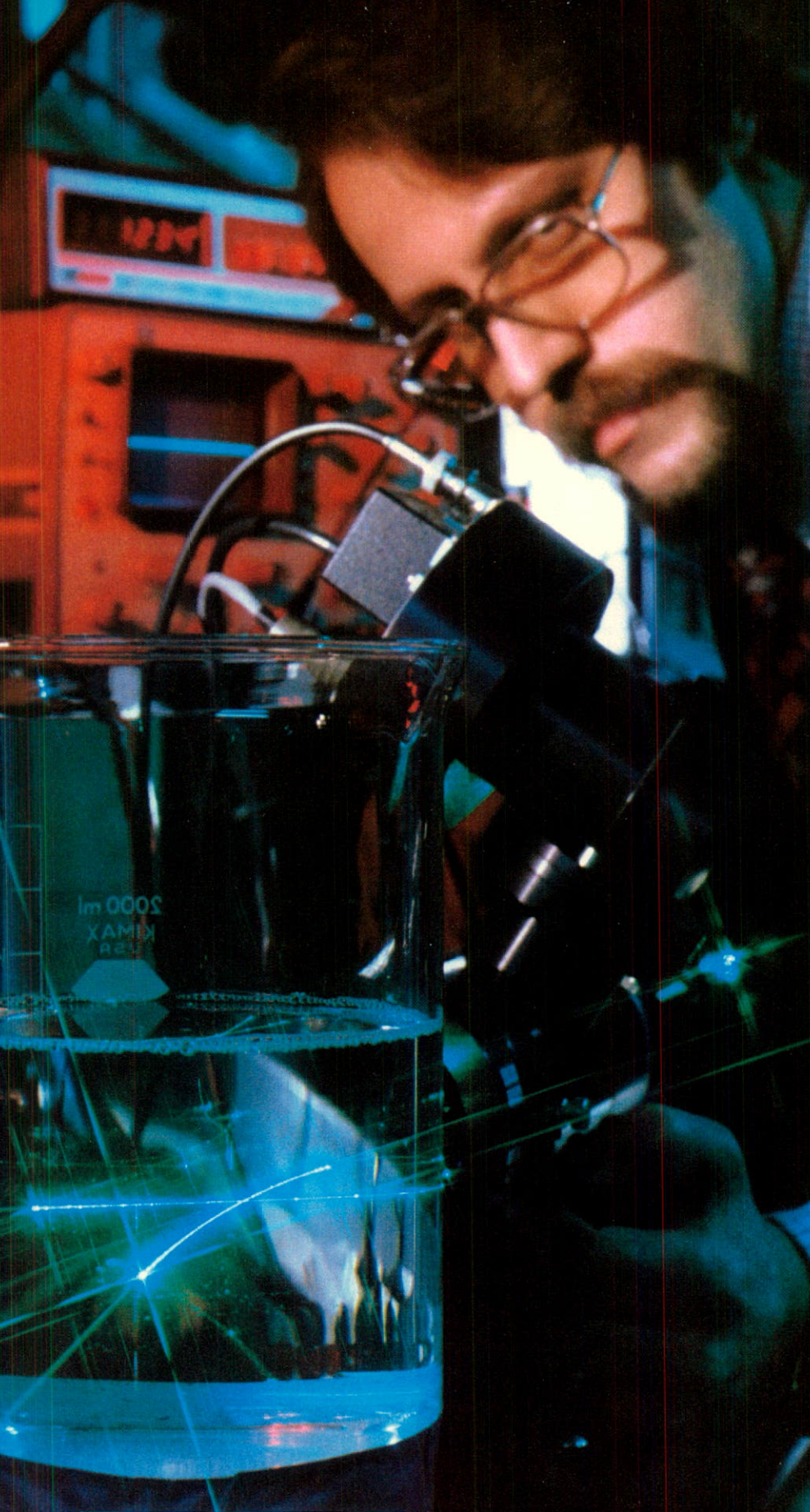
The Motor Division enjoyed a good year. Sales to the pulp and paper industry highlighted domestic activity while an order to supply motors for a large power plant at Surabaya, Indonesia was a feature of our export effort. A new line of extra high-efficiency motors was brought on stream and planning was completed for the use of micro-processors and digital technology for the automation of machine tools used by the division.

Domestic sales of the Industrial Products Division included a \$3 million order for isolated phase bus duct for Ontario Hydro's Darlington generating station. Export sales included switchgear for Africa and dry type transformers and electric heating for the U.S. market.

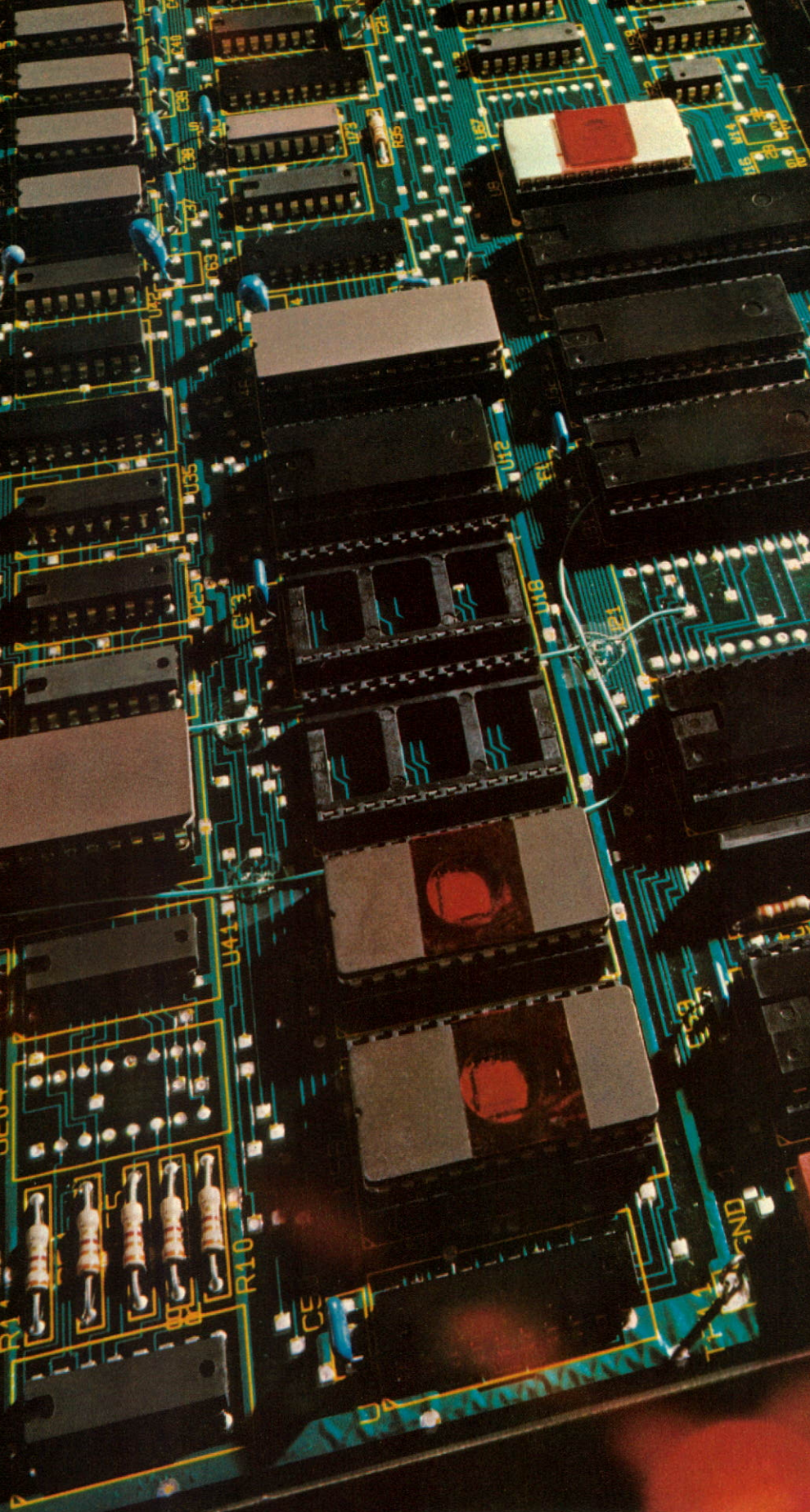
The decentralization of Switchgear and Control manufacturing from Hamilton to smaller, more efficient plants continued during the year. A custom-assembly plant in Mississauga, Ontario

Paul Barritt and Bill Black examine a 35,000-horsepower CW-352 gas turbine after final testing. The Canadian-designed-and-built CW-352 has demonstrated high reliability in the field and is one of a family of turbines exported world-wide.

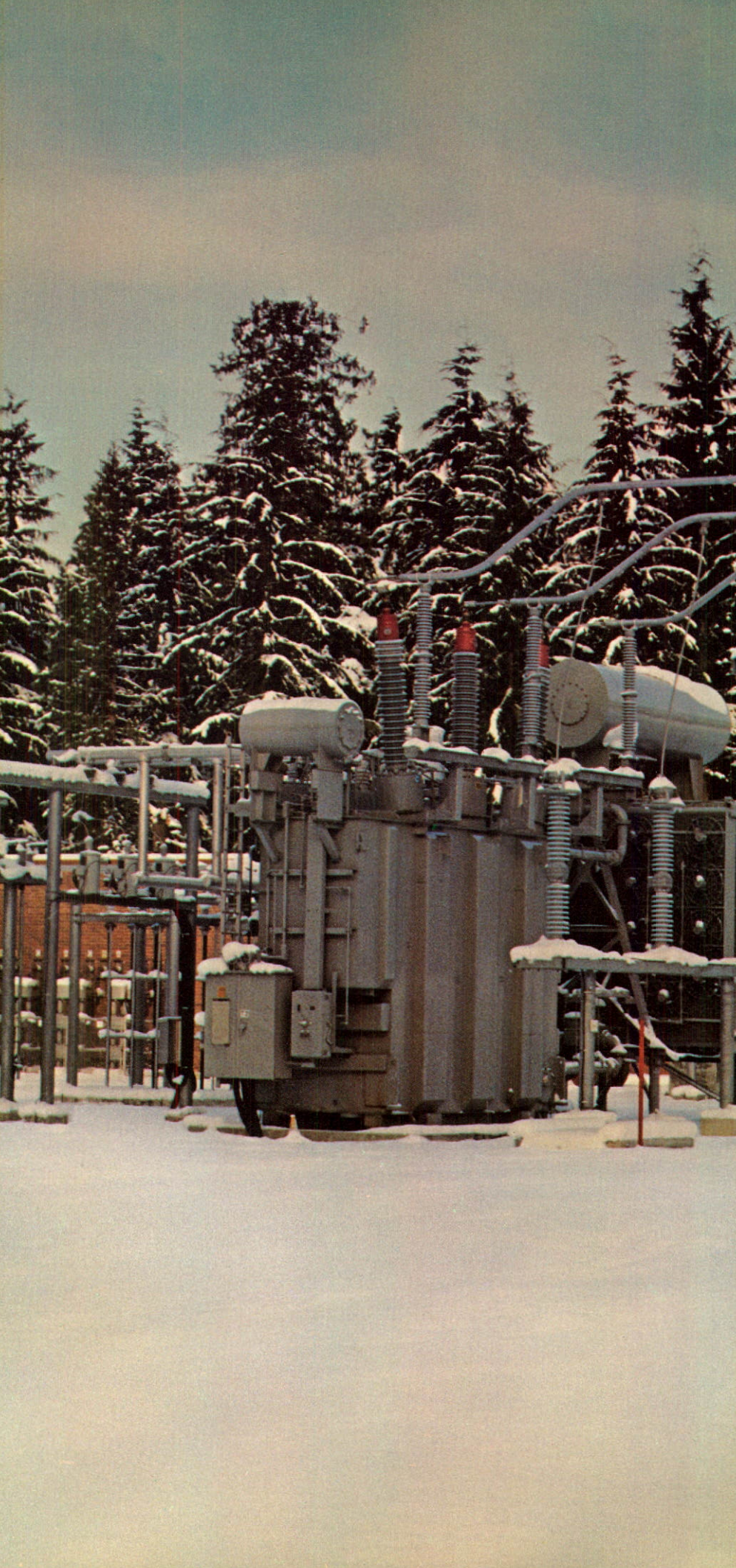




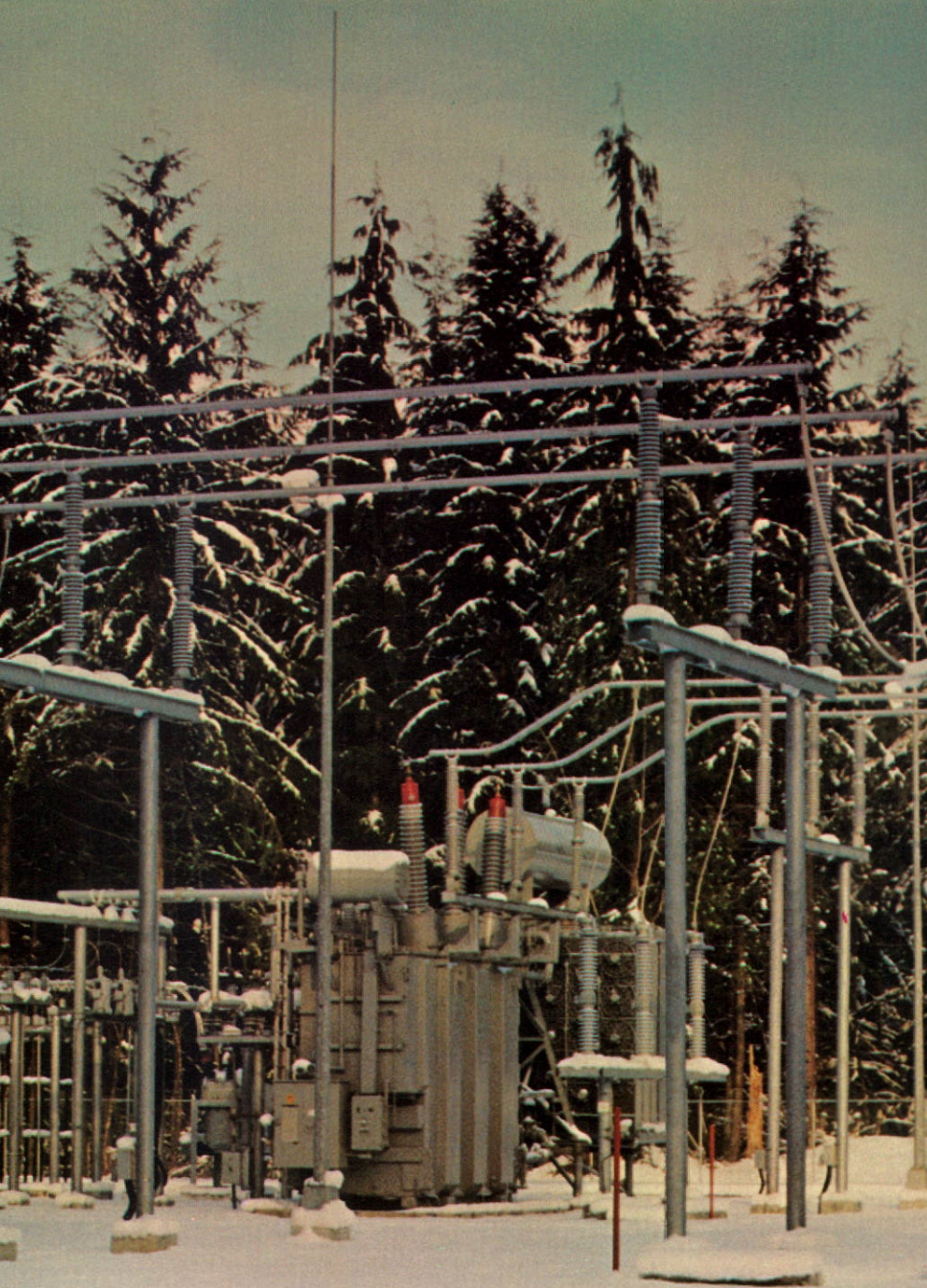
Westinghouse Canada has been commissioned to conduct research into the design of more efficient nuclear fuel bundles for CANDU reactors. Dr. Metin Renksizbulut demonstrates a test using laser beam technology.



A printed circuit board is the heart of the Canadian-developed Westinghouse video display terminal used by airlines for an international computerized reservation system which is linked by satellite.



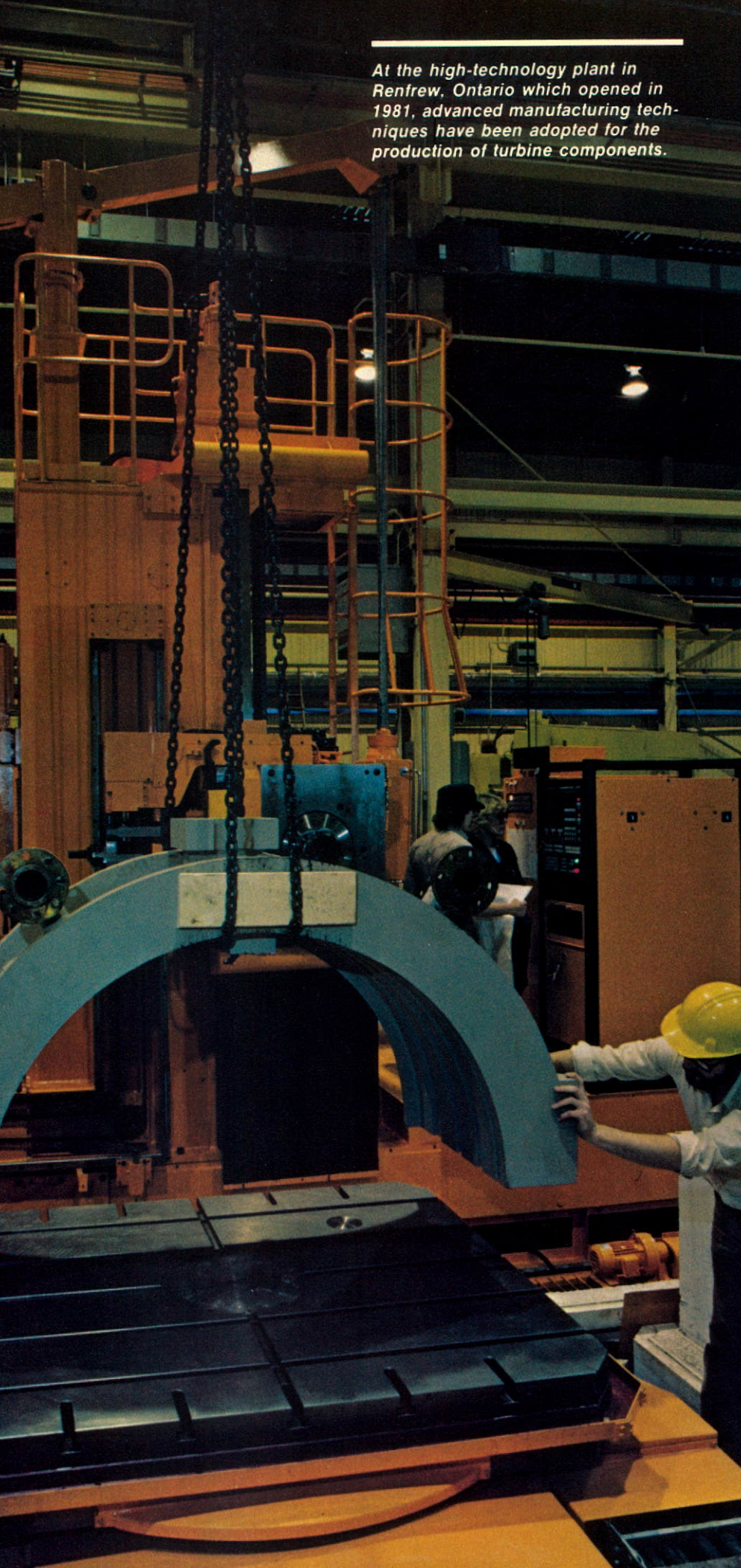
Transformers at B.C. Hydro's Lynn Valley substation in North Vancouver were shipped in 1981.

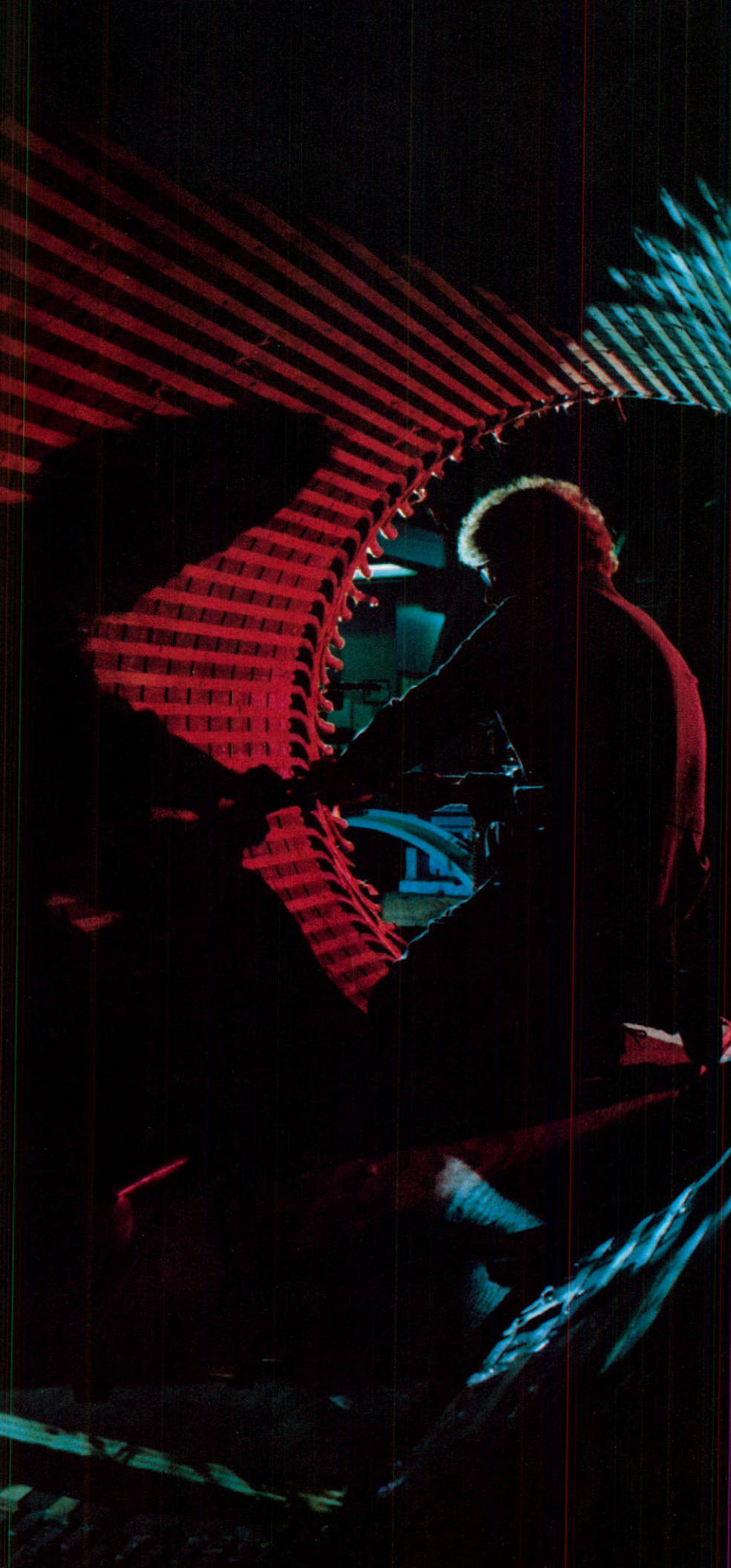




Steel was one of many Canadian industries served with a broad range of Westinghouse products during 1981.

At the high-technology plant in Renfrew, Ontario which opened in 1981, advanced manufacturing techniques have been adopted for the production of turbine components.





was brought to full capacity and a sub-assembly feeder plant commenced operations at Airdrie, Alberta. A transportation terminal was opened in Georgetown, Ontario to serve the network of plants.

Sales of switchgear and control products, especially metal-clad and metering products, were strong. Significant orders were placed by Algoma Steel, Shell Oil, Dofasco and Sherritt-Gordon Mines.

The Electronic Systems Division enjoyed further penetration into the European and U.S. markets. An order for additional ship-board sonar systems was received from the Netherlands, and North-West Airlines selected the division as its principal supplier of video display terminals.

A data communications and display products subsidiary in Dublin, Ireland was officially opened in September. This will enable us to better serve the European market for these products.

Continued improvement in the Lamp-Lighting business was due chiefly to the production-rationalization accomplished between Westinghouse plants in Canada and the United States.

Announcement was made of a \$5 million program involving incandescent lamp manufacturing at Trois-Rivières, Quebec to improve productivity, cost-competitiveness and the quality of working life.

Energy-saving designs of Westinghouse indoor lighting resulted in these products being favoured for major building projects in 1981.

Outdoor lighting sales reflected a continuing high demand for energy-saving high-pressure-sodium street lighting luminaires and floodlighting.

Growth of the Industry Services Division continued. Major orders involved power transformer rewinds in the 50 MVA - 100 MVA range; vertical water-wheel generator rewinds in Alberta and Manitoba; rehabilitation and modernization of hoist drives and controls for the New Brunswick potash industry and rewind of the largest synchronous motor in Canada, a 27,500 horsepower unit owned by Canadian Liquid Air.

New field service facilities were opened in Chicoutimi, Quebec and Victoria, British Columbia bringing the number of service locations to 30.

The Elevator Division booked a six-year contract to maintain 90 units at Complexe Desjardins in Montreal. Work continued on the installation of 100 escalators for the Montreal Metro and elevators for PanCanadian Place in Calgary and The Insurance Company of British Columbia in Vancouver.

The Architectural Systems Department recorded a year of significant growth in new orders for open office furniture.

All in all, 1981 was a good year for the operating units of the company. Continued attention will be directed to quality and productivity improvements and to better management of working capital assets to ensure future success.

A major assignment entrusted to the industry services business involved the rewind of this large synchronous motor. Working on the 27,500-horsepower machine is employee John Nock.

As part of the new organizational structure adopted in June, several corporate functions were brought together under the Vice President, Corporate Resources. These specialized internal functions exist to assist the President, his immediate staff and operating executives in managing the company. Included are corporate relations and government affairs, human resources, strategic planning, productivity services, corporate purchasing and the Energy Resource Centre.

Highlights of activities in these functions reflect their contributions to company performance.

In late 1979, Westinghouse Canada launched a major campaign to improve productivity. This campaign was started in order to improve the competitiveness of the company in both domestic and international markets. It supports the corporate strategy of increasing exports to a level of over half of Canadian production.

The company measures productivity in terms of value added per employee and has set an annual constant dollar improvement goal of 7.5% on a corporate basis. A fund administered by a Corporate Productivity Council was established to help finance projects that make a contribution to this goal.

Since the start of the program, many projects have been completed in office automation, computer-aided design (CAD), computer-aided manufacturing (CAM), robotics, automated test, material handling, microprocessor use in factory and office and Value Engineered Inventory programs.

Quality Circles — small groups of manufacturing, administrative or service employees who meet voluntarily to discuss productivity, safety, the quality of their working life and other job-related matters — continued to bring individual creativity to the solving of workplace problems.

The company continued strategies during 1981 that were directed to increasing research and development carried out in Canada. For the most part R&D is directed to the support of world mandate products assigned to the company within the Westinghouse family. Such programs in electronics, steam and gas turbines and other areas of the company attract Canadian-based research and development. The expenditures are directed to maintaining technical leadership in the marketplace, strengthening the company's technology base and supporting the Canadian thrust for export markets.

Westinghouse works closely with Canadian universities in order to extend its own research and development capabilities and in 1981 entered into a three-year program of support to a Chair in Energy Technology at McMaster University in Hamilton.

Management showed its commitment to the concept of Affirmative Action by signing an agreement with the Federal Government early in the year. The company agreed to study various aspects of employment practices, policies, compensation issues, promotability information and external statistics regarding the employment of minority groups. An Affirmative Action Committee, consisting of employees from various divisions, has made recommendations respecting Affirmative Action plans for the company.

Last year, the collective agreement in Hamilton between the company and the union representing about 1,600 employees was settled after hard but responsible bargaining without strike or lockout. Seventeen other collective agreements were concluded successfully with bargaining units representing 2,000 employees from Dartmouth, Nova Scotia to Nanaimo, British Columbia.

Under the Graduate Recruitment Program, ninety-one graduates were placed in career-developing positions throughout the company as a result of campaigning in more than 50 universities and colleges with visits, "career days" and "Open House" sessions. Ten were placed in a new Graduate Training Program and the remainder in specifically selected positions for on-the-job training within the divisions.

Recruitment of Co-op students is providing meaningful employment on a part-time basis for nearly 100 students. These students are performing duties ranging from production and inventory control to the installation of gas turbines abroad. The Co-op Education System includes 12 community colleges and 14 universities across Canada and is a valuable source of employment and training for business and industry. Westinghouse Canada has expanded its involvement in co-operative skills training through the Industrial Craftsman Internship program of the Hamilton Industrial Training Advisory Council.

Employee involvement in decision-making is a major factor in successful productivity programs. At the new meter plant in Alliston, Ontario, manager Ray Murray (centre), Dianne Morrison and Dieter Elsner discuss improvement measures.





*From left to right:
Owen C. Shewfelt,
Jack Nairn,
William J. McNicol,
Franz H. Tyaack,
Edward B. Priestner
and Iain W.M. Hendry.*

Management

- *† **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
- * **Alexander A. McArthur**
Director, Corporate Communications
- *† **William J. McNicol**
Vice President
Corporate Resources
- *† **Jack Nairn**
Vice President
Marketing and Sales
- Raymond A. Plouffe**
Vice President
Quebec 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
- John R. Williamson**
Vice President
Atlantic District

On June 1, 1981, the company reorganized its structure and made the following appointments — E.B. Priestner was named Vice President, Operations; J. Nairn was named Vice President, Marketing and Sales; W.J. McNicol was named Vice President, Corporate Resources; O.C. Shewfelt was named Vice President, Finance. D.I.W. Bruce remained Vice President, Secretary and General Counsel. Effective July 14, 1981, L.K. Burke was elected Comptroller.

On November 30, 1981, D.I.W. Bruce, upon reaching normal retirement age, retired from the corporation after 30 years of service. Effective December 1, 1981, I.W.M. Hendry was elected Vice President, Secretary and General Counsel.

On June 1, 1981, F.D. Priestly was named Vice President of the Energy Resource Centre located in Calgary, Alberta.

R.M. Daniel was appointed Vice President, Transformer and Nuclear Products Division on November 1, 1981. N.A. Bryson, who previously held the position, was transferred to Westinghouse Electric Corporation effective December 1, 1981.

Board of Directors



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

Douglas I. W. Bruce, Q.C.
Barrister and Solicitor
Hamilton, 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
Montreal, Quebec

*‡ **Allen T. Lambert**
Former Chairman of the Board
Toronto Dominion Bank
Toronto, Ontario

*† **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**
President
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

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

* Executive Committee
‡ Audit Committee
† Compensation Committee

At the annual meeting of shareholders on April 14, 1981, Price Waterhouse were appointed new auditors for the corporation.

O.C. Shewfelt was elected Vice President, Finance effective June 1, 1981. L.K. Burke was elected Comptroller effective July 14, 1981.

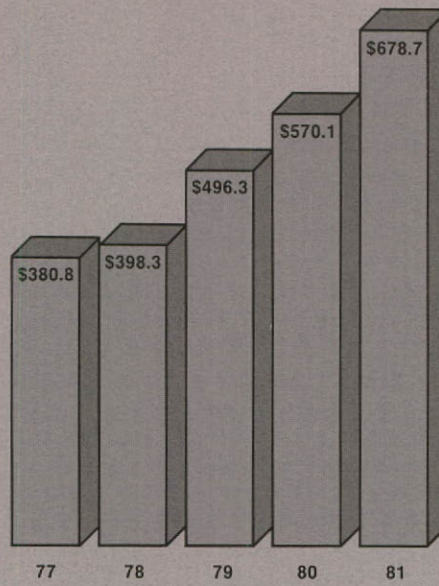
On November 30, 1981, D.I.W. Bruce retired from the corporation but continues to serve as a Director. I.W.M. Hendry was elected Vice President, Secretary and General Counsel effective December 1, 1981. At the December 8th meeting of the Board, T.H. Lawrason was elected Assistant Secretary.

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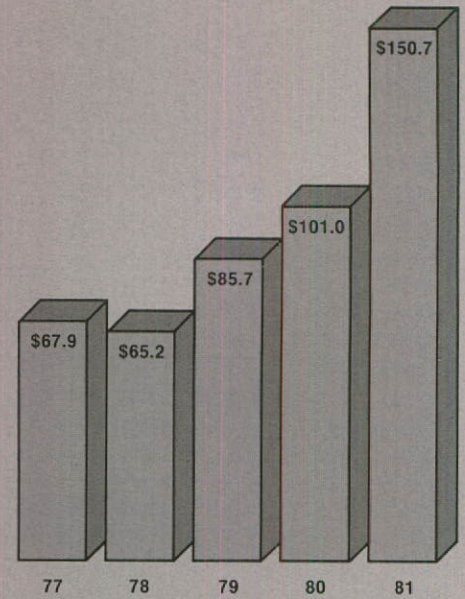
Key Financial Graphs

Expressed in millions

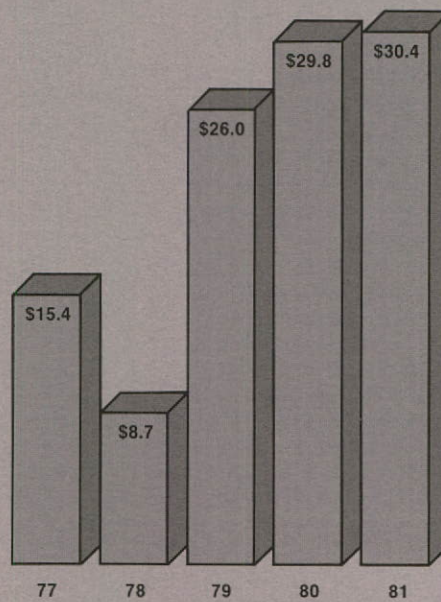
Total Sales*



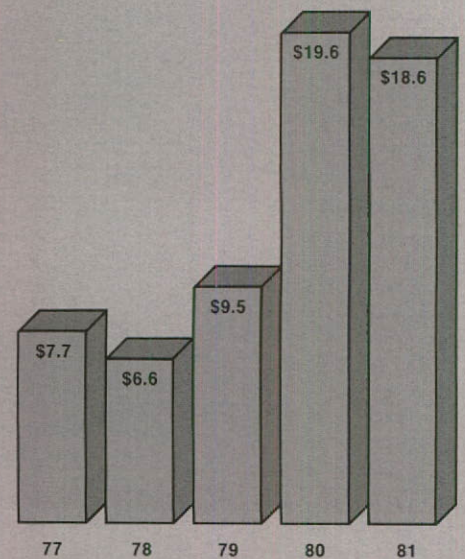
Export Sales



Net Income



Capital Spending



Note — The 1978 results reflect the effects of lengthy strikes at five manufacturing plants.
* Total Sales chart excludes sales of Household Appliances.

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.

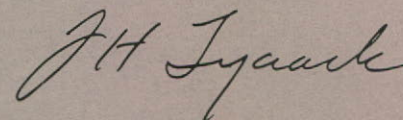
The Audit Committee of the Board of Directors is responsible for reviewing the financial statements prior to their approval by the Board. The Audit Committee meets periodically and privately with the independent auditors, with our internal auditors, as well as with management, to review accounting, auditing,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

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 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**

Westinghouse Canada Inc.

Years ended December 31

Expressed in thousands except per share data

	1981	1980
Sales	\$678,730	\$570,115
Costs and expenses excluding depreciation and interest	610,969	509,342
Depreciation	8,591	6,815
Interest expense less interest income of \$468 in 1981; (\$575 in 1980)	7,398	1,326
Income before taxes	51,772	52,632
Income taxes — current	19,331	22,335
— deferred	2,090	485
Net income	30,351	29,812
Retained earnings at beginning of year	154,622	131,518
Dividends paid	184,973 8,050	161,330 6,708
Retained earnings at end of year	\$176,923	\$154,622
Earnings per share	\$ 11.31	\$ 11.11
Dividends paid per share	\$ 3.00	\$ 2.50

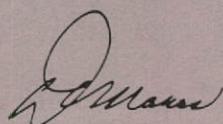
Consolidated Balance Sheet

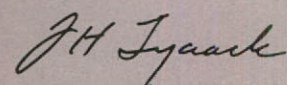
Westinghouse Canada Inc.

At December 31
Expressed in thousands

	1981	1980
Assets		
Cash and short-term deposits	\$ 367	\$ 598
Accounts receivable	125,440	93,359
Inventories (note 1)	151,515	133,355
Other current assets	2,820	2,034
Total current assets	280,142	229,346
Plant and equipment (note 2)	75,477	65,431
Investments and other assets	5,677	3,019
Total assets	\$361,296	\$297,796
Liabilities and shareholders' equity		
Liabilities		
Bank indebtedness	\$ 47,767	\$ 13,181
Accounts payable and accrued charges	90,791	86,049
Income taxes payable	1,124	1,343
Current portion of long-term debt	400	—
Total current liabilities	140,082	100,573
Long-term debt (note 3)	15,257	15,657
Deferred income taxes	14,087	11,997
Total liabilities	169,426	128,227
Shareholders' equity		
Share capital (note 4)	14,947	14,947
Retained earnings	176,923	154,622
Total shareholders' equity	191,870	169,569
Total liabilities and shareholders' equity	\$361,296	\$297,796

On behalf of the Board:

 Director,

 Director

**Consolidated Statement of
Changes in
Financial Position**

Westinghouse Canada Inc.

Years ended December 31
Expressed in thousands

	1981	1980
Source of funds		
Operations —		
Net income	\$ 30,351	\$ 29,812
Items not affecting working capital:		
Depreciation	8,591	6,815
Deferred income taxes	2,090	485
Gain on redemption of debentures	—	(235)
Funds provided from operations	41,032	36,877
Use of funds		
Plant and equipment additions, net	18,637	19,587
Dividends paid	8,050	6,708
Reduction in long-term debt	400	698
Increase in investments and other assets	2,658	1,426
	29,745	28,419
Increase in working capital	11,287	8,458
Working capital beginning of year	128,773	120,315
Working capital end of year	\$140,060	\$128,773

Notes to Consolidated Financial Statements

December 31, 1981 and 1980

(1) Inventories

	1981	1980
	(in thousands)	
Raw materials, work in process and replacement parts	\$132,200	\$111,436
Finished goods	47,714	41,769
	<u>179,914</u>	<u>153,205</u>
Less progress billings	28,399	19,850
Net investment in inventories	<u>\$151,515</u>	<u>\$133,355</u>

(2) Plant and equipment

			1981	1980
			(in thousands)	
	Cost	Accumulated Depreciation	Net	Net
Land	\$ 3,812	\$ —	\$ 3,812	\$ 3,106
Buildings	48,079	17,870	30,209	23,125
Equipment	91,719	60,726	30,993	28,226
Leasehold improvements	1,905	1,028	877	738
New additions not yet in use	9,586	—	9,586	10,236
	<u>\$155,101</u>	<u>\$ 79,624</u>	<u>\$ 75,477</u>	<u>\$ 65,431</u>

The cost of plant and equipment additions during the year was reduced by government assistance of \$2,750,000 (\$2,744,000 in 1980).

(3) Long-term debt

	1981	1980
	(in thousands)	
8% 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 in 1980)	\$ 15,657	\$ 15,657
Less portion due within one year including balance of sinking fund requirements	400	—
	<u>\$ 15,257</u>	<u>\$ 15,657</u>

Interest on long-term debt amounted to \$1,311,000 in 1981 (\$1,321,000 in 1980). Unamortized debenture discount and issue expenses of \$198,000 (\$219,000 in 1980) are included in Investments and Other Assets in the Consolidated Balance Sheet.

(4) Share capital

At December 31, 1981 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 2,683,389 were outstanding and fully paid. There was no change in the number of issued shares during the year.

(5) Related-party transactions

As at December 31, 1981, approximately 93 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 1981 and 1980. 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 inter-company balances with Westinghouse Electric Corporation and its affiliates in the following amounts:

	1981	1980
	(in thousands)	
Accounts payable and accrued charges	\$7,088	\$7,159
Accounts receivable	\$3,192	\$3,477

(6) Pension funds

Total pension expense for 1981 was \$12,800,000 (\$10,500,000 in 1980). Amendments during the year, upgrading the level of benefits for all salaried and hourly employees, increased the unfunded past service liability by approximately \$21,030,000. Independent actuarial evaluations indicated the total unfunded obligations of the two pension plans sponsored by the corporation were approximately \$63,392,000 as at December 31, 1981 (\$43,029,000 as at December 31, 1980). 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	1981	1980
	(in thousands)	
Additions:		
Employer contributions	\$ 11,236	\$ 10,500
Employee contributions	2,080	1,763
Income from investments	14,452	10,456
Net gain (loss) from disposal of assets	(1,749)	3,926
	26,019	26,645
Reductions:		
Benefit payments and refunds	7,008	5,798
Fees and expenses	387	228
	7,395	6,026
Net additions to trust funds	18,624	20,619
Market value at beginning of year	132,196	108,902
Unrealized increase (decrease) in market value of assets	(6,314)	2,675
Market value at end of year	\$144,506	\$132,196

Statement of Financial Position

Years ended December 31	1981	1980
	(in thousands)	
Bonds	\$ 43,434	\$ 44,025
Stocks	52,576	45,464
Mortgages and real estate	31,136	22,788
Short-term investments	12,605	16,269
	139,751	128,546
Cash and other assets	4,755	3,650
Total assets at market value	\$144,506	\$132,196

Financial Information by Segment

Westinghouse Canada Inc.

Years ended December 31
Expressed in thousands

	1981	1980
Condensed Statement of Income		
Sales		
• Power Systems	\$236,557	\$176,888
• Industrial Products	186,709	159,831
• Components and Construction	120,656	116,321
• WESCO	303,007	256,578
• Other	4,750	3,770
	851,679	713,388
Inter-segment eliminations	(172,949)	(143,273)
Sales to outside customers	\$678,730	\$570,115
Export sales	\$150,676	\$100,959
Income before income taxes		
• Power Systems	\$ 24,945	\$ 23,134
• Industrial Products	24,359	21,739
• Components and Construction	9,920	10,467
• WESCO	10,795	7,815
• Other revenue and common costs	(18,247)	(10,523)
	51,772	52,632
Income taxes	(21,421)	(22,820)
Net income	\$ 30,351	\$ 29,812
Supplementary Information		
Assets		
• Power Systems	\$142,680	\$107,849
• Industrial Products	84,010	65,435
• Components and Construction	54,153	58,109
• WESCO	68,384	58,107
• Other	12,069	8,296
Total assets	\$361,296	\$297,796
Plant and equipment additions		
• Power Systems	\$ 6,857	\$ 5,471
• Industrial Products	5,601	7,842
• Components and Construction	3,427	3,054
• WESCO	1,819	1,860
• Other	933	1,360
Total plant and equipment additions, net	\$ 18,637	\$ 19,587
Depreciation expense		
• Power Systems	\$ 2,682	\$ 2,317
• Industrial Products	2,186	1,684
• Components and Construction	1,892	1,494
• WESCO	1,167	801
• Other	664	519
Total depreciation expense	\$ 8,591	\$ 6,815

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, heating and cooling equipment, 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

Westinghouse Canada Inc.

Expressed in thousands except as otherwise noted*

	1981	1980	1979	1978	1977
Condensed Statement of Income					
Total Sales (note A)	\$678,730	570,115	496,253	398,299	430,962
Income before extraordinary items	\$ 30,351	29,812	26,861	8,275	15,429
Extraordinary items	—	—	(812)	416	—
Net income	\$ 30,351	29,812	26,049	8,691	15,429
Condensed Balance Sheet					
Working capital	\$140,060	128,773	120,315	105,445	100,117
Plant and equipment	75,477	65,431	52,659	48,966	47,520
Investments and other assets	5,677	3,019	1,593	1,921	1,838
	\$221,214	197,223	174,567	156,332	149,475
Less:					
Long-term debt	15,257	15,657	16,590	19,565	17,984
Deferred income taxes	14,087	11,997	11,512	10,984	10,374
Shareholders' equity	\$191,870	169,569	146,465	125,783	121,117
Condensed Statement of Changes in Financial Position					
Funds provided from operations (note B)	\$ 41,032	37,112	33,176	14,087	19,568
Expenditures for plant and equipment, net	\$ 18,637	19,587	9,480	6,620	7,674
Dividends paid	\$ 8,050	6,708	5,367	4,025	2,952
Per Share Data*					
Income before extraordinary items	\$ 11.31	11.11	10.01	3.08	5.75
Dividends paid	\$ 3.00	2.50	2.00	1.50	1.10
Shareholders' equity	\$ 71.50	63.19	54.58	46.88	45.14
General					
Number of common shares outstanding at year-end	2,683	2,683	2,683	2,683	2,683
Average number of employees*	7,600	7,300	7,000	7,300	7,400

Note A — 1977 sales include \$50,120 sales of Household Appliance Division Business which was discontinued during 1977.

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

**Auditors'
Report**

To the Shareholders of
Westinghouse Canada Inc.

We have examined the consolidated balance sheet of Westinghouse Canada Inc. as at December 31, 1981 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, 1981 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.

The 1980 consolidated financial statements were reported on by other Chartered Accountants.

Price Waterhouse

Chartered Accountants
January 12, 1982

Locations

Plants

- Quebec
 - Granby
 - St. Jean
 - Trois Rivières (2)
 - Varennes
- Ontario
 - Alliston
 - Burlington
 - Cambridge
 - Cobourg
 - Hamilton (3)
 - London
 - Mississauga
 - Perth
 - Port Hope
 - Renfrew
 - Toronto
- Alberta
 - Airdrie
 - Calgary
- British Columbia
 - Richmond
- Wescan Europe Limited
 - Dublin, Ireland

Industry Services

- Newfoundland
 - St. John's
- Nova Scotia
 - Dartmouth
 - Sydney
- New Brunswick
 - Campbellton
 - Moncton
- Quebec
 - Chicoutimi
 - Ste-Foy
 - St. Laurent
 - Sept-îles
- Ontario
 - Burlington
 - Hamilton
 - Kingston
 - Kitchener
 - London
 - St. Catharines
 - Sarnia
 - Sudbury
 - 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.
- Houston, TX, U.S.A.
- London, England

Utility Sales

- Halifax, N.S.
- Fredericton, N.B.
- Montreal, Que.
- Hamilton, Ont.
- Toronto, Ont.
- Winnipeg, Man.
- Calgary, Alta.
- Edmonton, Alta.
- Vancouver, B.C.

Lamp Sales

- Halifax, N.S.
- Moncton, N.B.
- Dorval, Que.
- Lachine, Que.
- Quebec, Que.
- Don Mills, Ont.
- London, Ont.
- Sudbury, Ont.
- Winnipeg, Man.
- Saskatoon, Sask.
- Calgary, Alta.
- Edmonton, Alta.
- Vancouver, B.C.

Architectural Systems

Furniture Sales

- Montreal, Que.
- Toronto, Ont.
- Hamilton, Ont.
- Saskatoon, Sask.
- Calgary, Alta.

Elevator Sales

- Charlesbourg, Que.
- Lasalle, Que.
- Etobicoke, Ont.
- London, Ont.
- 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
- Quebec
 - Chicoutimi
 - Lachine
 - Rimouski
 - Ste-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

