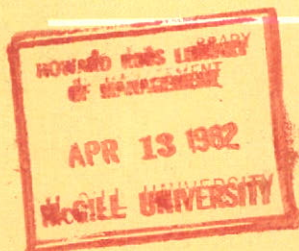




FEDERAL PIONEER LIMITED



1981
ANNUAL REPORT

For the year ended December 31, 1981

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The Annual Meeting

of the shareholders of Federal Pioneer Limited is to be held in the Oak Room of the Inn on the Park, Eglinton Avenue East at Leslie Street, Toronto, Ontario, Canada on Thursday, the 29th day of April, 1982 at the hour of 11:00 o'clock in the forenoon (E.D.S.T.).

Cover

For years the Corporation's products have been shipped to many different countries around the world and the cover symbolizes the extent of these world markets and the commitment of Federal Pioneer Limited to serve them. More information on Export Sales can be found on page 5.

The Corporation

The Corporation is engaged in the manufacture of electrical equipment – primarily that used in the distribution of electrical power. Major product lines include:

Power and Distribution Transformers
Circuit Breakers
Switchgear and Low Voltage
Distribution Equipment
Electric Heaters

11 manufacturing plants and 18 sales offices are located across Canada and a subsidiary company operates a sales office and manufacturing facility in Great Britain. In total the Corporation employs approximately 2,500 people.

Shareholders

as at December 31, 1981

	Number of Shareholders	Number of Shares
Residents of Canada	370	498,741
Residents of U.S.A.	5	*730,357
Others	1	1
	376	1,229,099

*Includes 729,057 owned by Parent Company, Federal Pacific Electric Company of Newark, N.J., U.S.A.

Common share trading summary

for the year ended December 31, 1981

Shares traded	125,169
Price range	\$43¾ – \$55
Closing price December 17, 1981	\$51
Valuation Day Price (December 22, 1971)	\$17.50

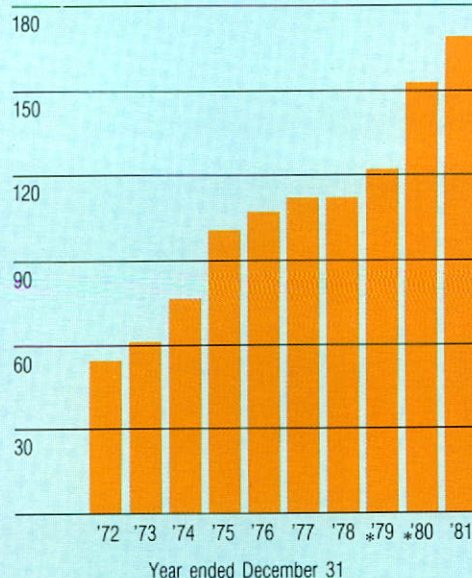
Si vous désirez recevoir ce rapport annuel en français veuillez vous adresser à:

Le Secrétaire
La Cie Federal Pioneer Ltée
19 Waterman Avenue
Toronto, Ontario
M4B 1Y2

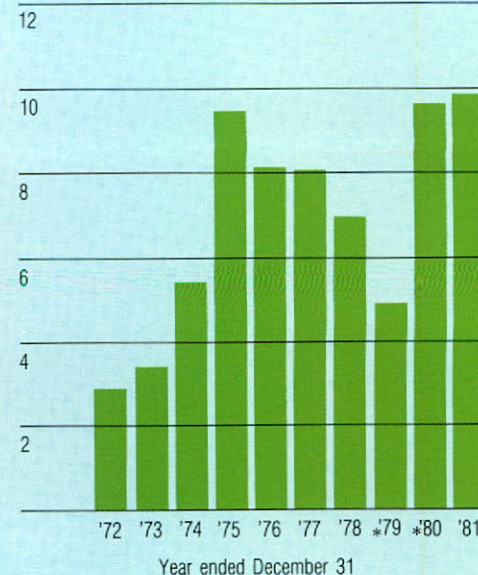
Financial Highlights

Year ended December 31 *1980	Year ended December 31 1981	Change		Year ended December 31 1981	Fourteen months ended December 31 1980
\$	\$	%		\$	\$
153,102,225	169,514,963	+ 10.7	Net sales	169,514,963	175,441,519
17,296,526	18,524,767	+ 7.1	Income before income taxes and extraordinary item	18,524,767	19,156,941
10,357,152	10,209,311	- 1.4	Income before extraordinary item	10,209,311	11,564,167
9,665,152	9,830,876	+ 1.7	Net income for the period	9,830,876	10,872,167
6.8	6.0	- 11.8	Income before extraordinary item per sales dollar (cents)	6.0	6.6
8.43	8.31	- 1.4	Earnings per share Before extraordinary item	8.31	9.41
7.87	8.00	+ 1.7	After extraordinary item	8.00	8.85
1,253,680	2,089,468	+ 66.7	Dividends declared	2,089,468	1,524,082
7,221,901	4,376,944	- 39.4	Purchases of property, plant and equipment	4,376,944	8,083,285
2,535,128	2,675,978	+ 5.6	Depreciation provided	2,675,978	2,905,132
57,077,099	62,433,446	+ 9.4	Working capital at end of period	62,433,446	57,077,099
69,523,520	77,264,928	+ 11.1	Shareholders' equity at end of period	77,264,928	69,523,520
56.56	62.86	+ 11.1	Equity per common share at end of period	62.86	56.56

Net Sales
\$ millions



Net Income
\$ millions



*Figures for the year 1979 consist of the ten months ended October 31 1979 as audited, plus two months ended December 31 1979 unaudited. Balance Sheet amounts are as at December 31 1979 and are unaudited. Figures for the year 1980 consist of the fourteen months ended December 31 1980 as audited, less two months ended December 31 1979 unaudited. Balance Sheet amounts are as at December 31 1980 and are audited.

Report to the Shareholders



B. W. BALL
President and
Chief Executive officer.

Your Company had a very successful year with record sales and profit. In addition, a record order backlog was carried over into 1982.

The year 1981 saw the first year of operation for three major plant expansions providing more than 150,000 square feet of new manufacturing and office space.

The modern Bramalea Plant, located near the Toronto International Airport, was doubled in size to accommodate the demand for construction materials as well as the new type H3 600 volt Air Circuit Breaker. Numerically controlled production equipment in this plant ensured a high output of precision made components. The new state-of-the-art Type H3 Low Voltage Air Circuit Breaker with its type USD Multi Function Solid State Overcurrent Relay successfully passed Canadian (CSA), American (UL) and European (ASTA) test certification programs, leading to a very healthy international order input. The H3 Breaker and its associated gear is used as a means of safely switching loads and automatically clearing electrical circuits, should abnormal conditions such as short circuits or ground faults occur.

The Waterman Avenue Standard Products Plant expanded by 70,000 square feet to allow increased manufacture of Stab-lok Residential Circuit Breakers, Industrial Safety Switches, Electric Baseboard Heating and Ground Fault Equipment, as well as providing improved Corporate and Executive Office facilities. This enabled Federal Pioneer to sustain its Canadian market leadership in the Stab-lok and Safety Switches products, and to

increase its share in the rapidly expanding electric heat market. With the "Off-Oil" program providing Canadian homeowners with government financial assistance to switch their existing oil heating to an alternative source, the "retrofit" segment of the electric heating market grew dramatically in 1981 and is expected to do so throughout the eighties. Federal Pioneer's new heating products, including the Plenum Heater, are designed to satisfy this new market demand and assist in energy conservation on a national scale. This new Plenum Heater is installed in any existing hot air oil fired furnace to provide more efficient and less costly heating when outside temperatures remain above -5°C .

Continuing as the leading supplier of high technology ground fault protection equipment, both to Original Equipment Manufacturers and heavy industries (pulp mills, steel mills etc.), several new products were introduced in 1981, including the DSA variant of the DSP-MK11 Ground Fault Protection System. The DSP-MK11 Protector detects ground fault with early warning information, indicates faulted circuit and phase, facilitates planned maintenance, and offers optimum protection through priority tripping on a second fault while maintaining critical service continuity. New orders for this unique Canadian product almost tripled in 1981 with the majority of production being exported. Sales are expected to increase substantially in 1982.

A new hospital Line Isolation Monitor, conforming to certain external market requirements, the MICROLIM, was

introduced in late 1981 with anticipated strong world-wide sales for 1982.

The economics of long high voltage transmission lines and the need to inter-connect different utility transmission systems for load sharing has created the high voltage AC/DC business. Federal Pioneer has been involved in this business from its inception and consequently its expertise in this area is well recognized. A recent order underscored its capabilities in that Federal Pioneer is required to provide converter transformers for a DC intertie between the 735kV Hydro Quebec system and the 700kV PASNY (Power Authority of New York) system. This intertie will not only enable the two utilities to share power but will prevent power breakdowns similar to those previously experienced on the East Coast. This will be a DC back-to-back system to enable fast control and to eliminate fluctuating system conditions. Federal Pioneer will supply banks of single phase converter units for a total of 14-200MVA transformers. This will also be a reactive compensation scheme which will use two Federal Pioneer 140MVA, 3-phase transformers of unique design for a very unconventional duty. To assist the Company's technicians in their complex task, new test equipment, a laboratory as well as sophisticated production equipment, was officially opened in November, 1981.

Federal Pioneer Limited has not only been active within Canada but its overseas activities continue to expand. These bring increasingly significant contributions to both sales volumes and profits. Recent activities included a \$7,000,000 shipment of large power

and station service transformers to Kenya. Other interesting transactions included large orders for transformers, bus ducts, switchgear and indoor substations for several Mid-East projects. In addition, there is an order on hand covering \$2,000,000 worth of transformers for Haiti. Of particular interest also, is the sale of a dry type transformer with an on-load tap changer, to a large electrical manufacturer in Europe to be installed in a third country. Dry on-load tap changers involve a rare technology and Federal Pioneer is one of the very few companies offering this product.

Federal Pioneer Limited has also just completed the supply of sophisticated station service equipment for a hydro project in Honduras. This order included the complete control and protection system. Another substantial project involving a complete package of electrical equipment, from the 69kV incoming station to utilization, was recently completed for the Benguet Dizon Copper Mine in the Philippines. For this, Federal Pioneer was a consortium member and its scope covered 15kV switchgear, transformers, low voltage distribution switchgear and specially designed high voltage loader starter cubicles for trailing on skids behind the power shovels.

Domestically in 1981 Federal Pioneer received the prestigious "Supplier of the Year" award from the Canadian Electrical Distributors Association in recognition of quality products, service, cataloguing and product training programs. Management feels that this award is a significant indication of the standing of your Company in the construction trade markets in Canada.

Last year's report stated that the British subsidiary was experiencing difficulties and it was hoped that improvement was in sight. Unfortunately, this did not turn out to be the case and the British Company experienced another unsatisfactory year. Still further significant changes have been introduced which hopefully will begin to bring about the desired results.

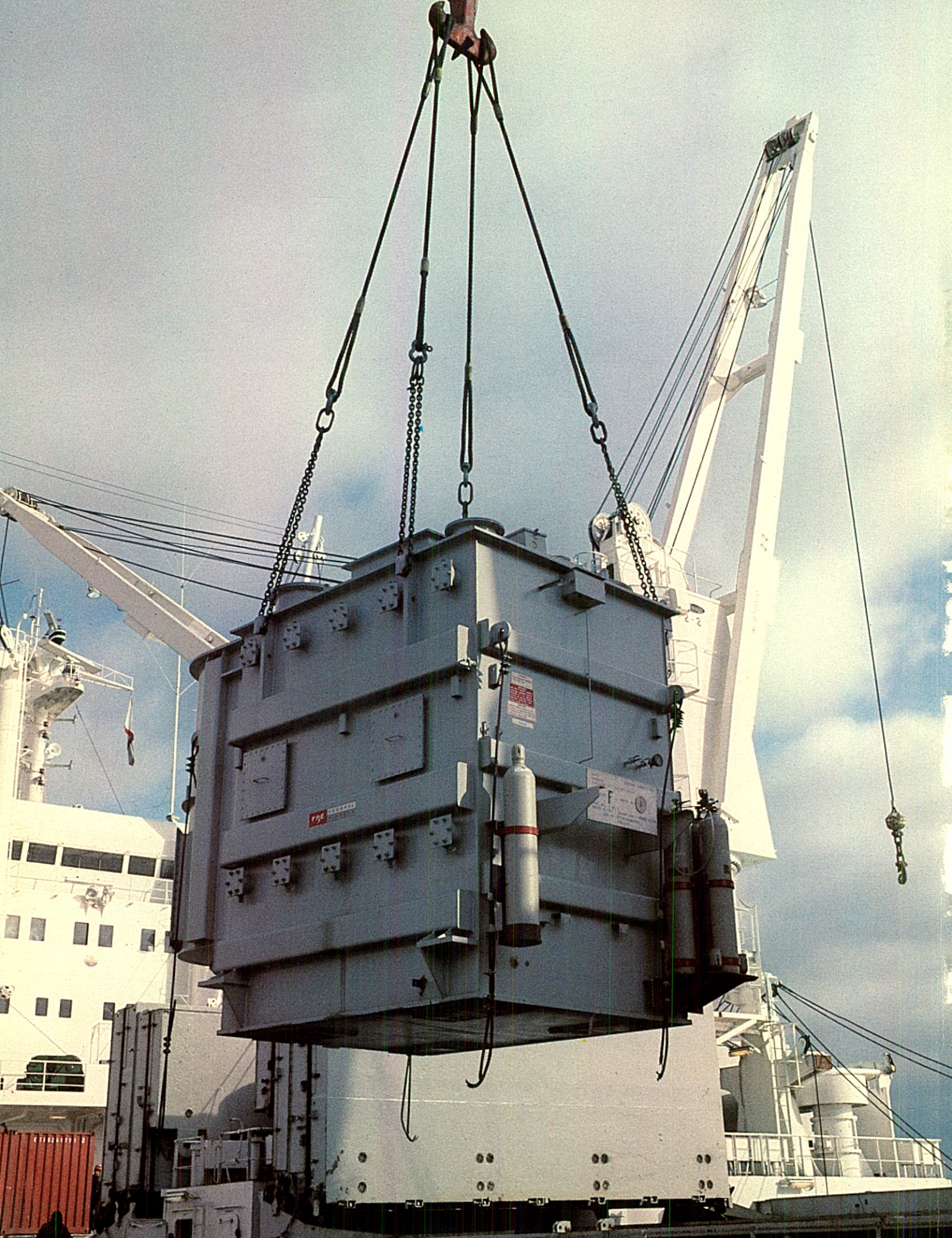
Your Company plans to continue its aggressive development of new facilities and new products. Plans are well along for additions to several existing plants and some new sites are being considered. The great support of the Company's customers, both domestically and overseas, supports this optimistic outlook.

Both at home and abroad the Company continues to enjoy the strong support of all its employees at all levels. Because it is the Company's people that make the difference, your Directors wish to record their appreciation for this enthusiastic support.

Submitted on behalf of
the Board of Directors



B.W. Ball
President and Chief Executive Officer
February 18, 1982



Export Sales

The heavy piece of equipment in the slings of the ship's crane shown in the photograph on the opposite page is a large power transformer with bushings and radiators removed for shipping. It is one of fourteen autotransformers manufactured in the Winnipeg Plant for the East African Power and Lighting Co. in Kenya; this particular one is destined for the Kamburu Substation. It is designed to transform 90,000,000 volt-amperes from 220,000 volts to 138,000 volts and is equipped with an on load tap changer. When assembled at the substation site, it will sit on its own wheels and tracks, weigh approximately 75,000 kilograms, contain 25,000 litres of oil and stand about 7 metres tall, including bushings. Bushings are the tall, slender, round, porcelain devices that are mounted on the top of transformer tanks to terminate the incoming and outgoing high voltage cables. Oil in a transformer serves a dual purpose, it insulates and cools. Radiators, usually mounted on opposite sides of the tank, add to the cooling effectiveness. The purpose of mounting large transformers on wheels and tracks is to provide a relatively easy method of replacing them for maintenance and service.

Other export transformers presently in production are destined for the Caribbean, South-East Asia and U.S.A.

Regarding transformers, your company has a rare technology involving the design and manufacture of dry type power transformers with on load tap changers. This product is gaining in international popularity and while the market is not large, most generating stations require one or more. The company's most recent order was placed

by a European transformer manufacturer for a project in the Philippines.

Federal Pioneer Limited is in the final stages of an interesting project in Central America consisting of a completely coordinated package of station service equipment for a hydro generating site. This package includes all of the medium and low voltage switchgear, as well as the control and protection equipment for the turbines, generators and switchyard.

Your company recently completed for the Benguet Dizon copper mine in the Philippines, an all inclusive supply contract for all of the electrical distribution equipment ranging from the 69,000 volt substation to the skid mounted switchgear for the protection of surface mining equipment and the town site residential services. In view of the wide range of products required, the project was coordinated through the facilities of the "Canada Power Group" of which your company is a founding member.

The Nigerian National Paper Mfg. Co. will be protecting all of its sophisticated machinery with Federal Pioneer Limited equipment. Most of the medium voltage switchgear for this project was shipped in mid-1981 while the motor control and low voltage switchgear is expected to leave for Nigeria during the first quarter of 1982.

The company maintains an active Export Department at the corporate head office in Toronto and is represented by local independent business people in many regions of the world. The Export Department has in-house expertise and facilities to handle all inclusive coordinated packages of electrical equipment, forwarding, documentation and trading.

Having been active and self-sufficient in export sales and marketing for so many years, your company can relate its products and services to electrical systems and climatic conditions that differ from those in Canada.

Another phase of the company's business is the sale of components to foreign manufacturers. Under this programme, the new H-3 line of 600 volt power air circuit breakers, on load tap changers used to regulate the voltage of transformers, DSP-MK II ground protective systems, 'Microlim' hospital hazard indicators and 600 volt Switchmatic safety switches in particular, are receiving excellent acceptance abroad.

Your company is a leader in the development of ground protective devices. This equipment makes the use of electricity safer by guarding against electrical fires as well as electric shock.

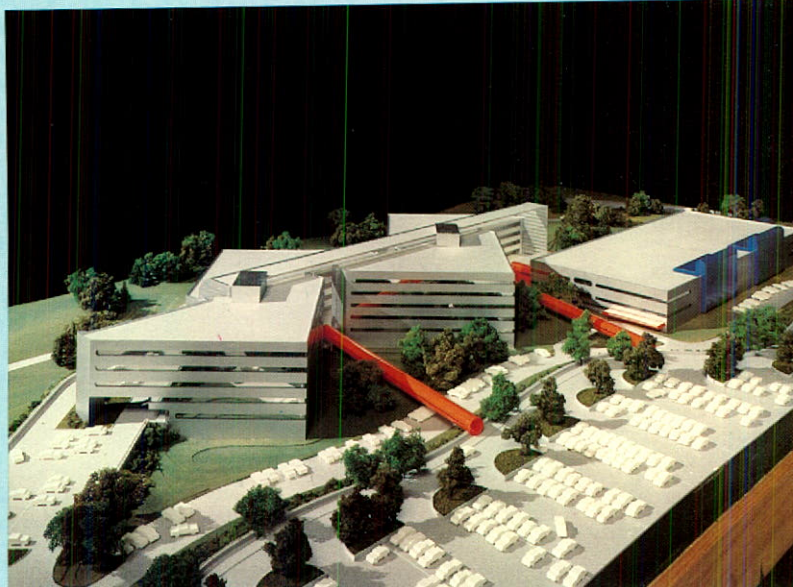
Both the Federal and Provincial Governments are placing ever increasing emphasis on export trade. This is indeed welcome, since Federal Pioneer must compete abroad with foreign firms who already enjoy extensive support from their own governments. The long and extensive experience in such a broad range of international transactions will enable your company to participate more efficiently in many of the large bi-lateral capital projects which are envisaged. Federal Pioneer Limited is committed to export and continually seeks to increase its international activities as a percentage of total capacity.

Project Highlights

Federal Pioneer electrical equipment has been selected for many significant installations throughout Canada during 1981. Illustrated are a few of the projects for which a complete range of products to distribute and control electricity has been provided.



Michelin Tires (Canada) Ltd. – Nova Scotia
A new factory of over one million square feet.



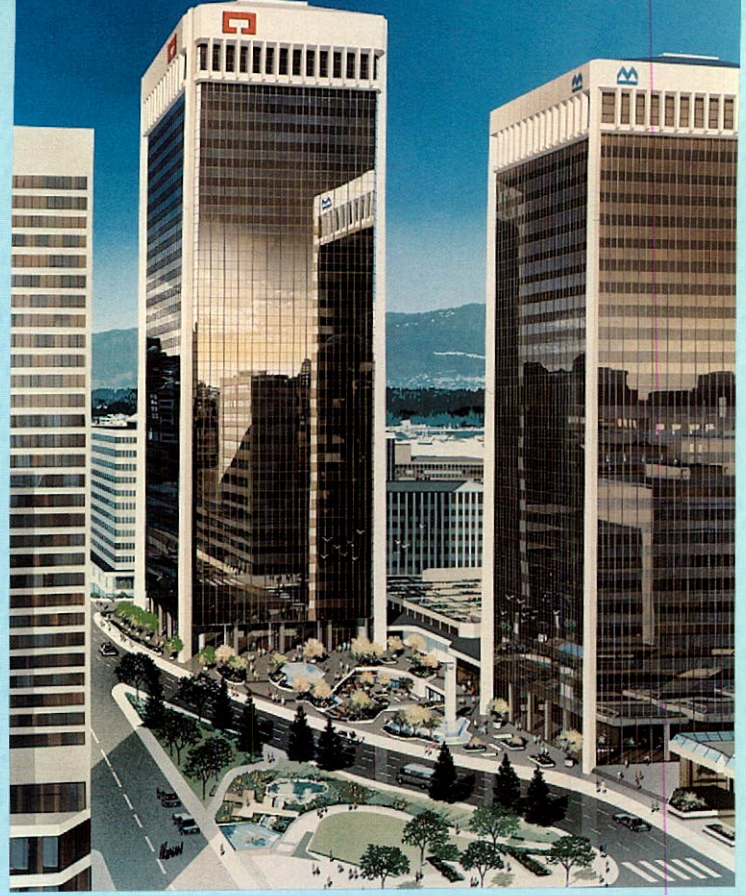
IBM Canada Ltd. – Markham, Ontario
A large new Administration Centre.



New Massey Hall – Toronto's new concert hall now to be named Roy Thomson Hall.



Esso Plaza – Calgary
Imposing twin office towers.

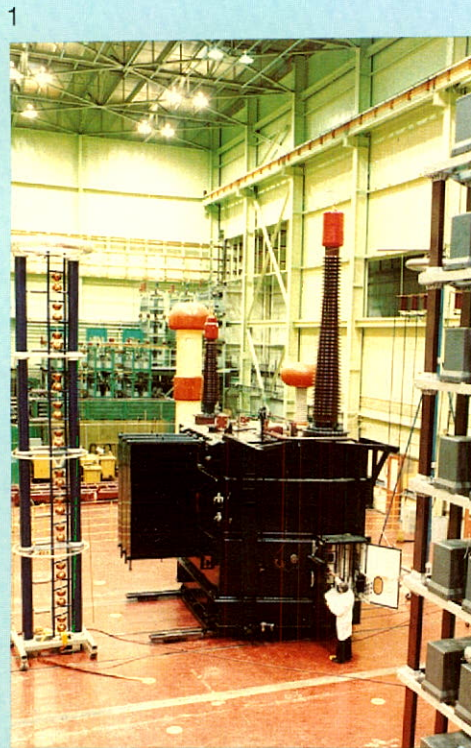


Bentall Towers – Vancouver
Notable additions to Vancouver's skyline.



Revelstoke Dam – British Columbia
Under construction by British Columbia Hydro and Power Authority.

Winnipeg Test Department



In Federal Pioneer's high technology business, the ability to meet all required tests is a paramount requirement, not just to satisfy a customer that what he buys will function correctly but even more importantly that the Company is satisfied that it is building equipment to meet its own exacting standards. Modern transformer test facilities have to be both functional and sophisticated. When dealing with high voltages and currents and the measurement and recording of the various expected tests, the accuracy, reliability and safety in use must be assured. To this end Federal Pioneer has just completed a \$3 million upgrading in the test facilities at Winnipeg which will carry it forward into the next decade with the confidence that it can meet all its testing requirements.

The main thrust of the improvements was to be able to accommodate three transformer tests simultaneously, thereby speeding test times and freeing floor space for improved manufacturing flow. This required that the extended test floor area be excavated and reinforced to support at least one 450 ton transformer and two 250 ton units at the same time. Piles fifty-five feet long were driven below the floor to solid rock and some twenty-four inches of concrete thickness was laid. The whole floor (170 feet x 52 feet) has had an expanded copper mesh bonded and embedded into the concrete to ensure good electrical performance.

To permit the moving into the test area of three large transformers, one factory support column was removed and a reinforced support beam fitted above and across the new opening to accommodate a 450 ton crane load at its centre point.

To accommodate simultaneous testing, a new copper busbar system extending across the whole area has been built requiring some seven tons of copper busbar.

The test equipment has also been supplemented by additional apparatus and

changes. One modification was to provide the ability to manoeuvre the 2.4 Megavolt 210 Kilojoule impulse generator into any of the three test positions. It has included new measuring equipment such as three SF6 gas capacitors of advanced design, a digital peak voltmeter capable of readings up to 1600 kV and three new advanced design oscilloscopes for measuring lightning and surge impulse values. Photograph 1 shows impulse tests in progress in the extended test area on a 512.5 kV 63/84/105 MVA single phase transformer for Revelstoke (B.C. Hydro). Photograph 2 shows the new control room with work in progress on impulse testing using the new oscilloscopes and other test equipment.

A new, three tier, test control room houses special digital voltage, current and loss equipment which not only measures, but rapidly prints all resulting information. A special room above the control area has been furnished for visiting customer inspectors in order to observe tests and carry out their administrative tasks in comfort and security. The third tier houses all the busbar circuitry to extend across the whole test area.

Many other technical features have been added, such as special interlock system and armour plated glass at all observation positions, to ensure the safety of our factory personnel. An overhead crane spanning the fifty-two foot width has been provided to facilitate the service and maintenance to the equipment and units.

The work which has been done at the Winnipeg Plant has brought the test and other manufacturing capabilities up to modern technological standards – possibly the best in Canadian industry. It has required a significant investment in the present and future, perhaps unique in the industry at this time, and it portrays the confidence of the Company's Management in the future of the Federal Pioneer Apparatus business.



Company Officers



Benjamin W. Ball
President and
Chief Executive Officer

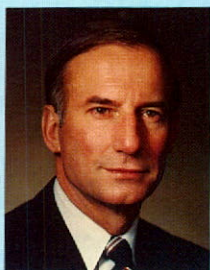
At its February 1982 Meeting, the Board approved the appointment of the five Officers below as Senior Vice-Presidents of the Corporation.



A. Gordon Daley
Senior Vice-
President and
General Manager
- Distribution
Division



Bernard J. Ferreira
Senior Vice-
President
Manufacturing -
Distribution
Division



Edward C. Markwick
Senior Vice-
President Finance
and Secretary



Stanley M. Roberts
Senior Vice-
President and
General Manager
- Distribution and
Small Power
Transformer
Division



Kenneth J. Thompson
Senior Vice-
President
Marketing



Douglas V. Baldwin
Vice-President
and Manager
Marketing
Services



Ellis Hughes
Vice-President
and General
Manager -
Winnipeg Plant



Colin A. A. MacPhee
Vice-President
and Engineering
Manager -
Distribution
Products



John E. Outram
Vice-President
and Engineering
Manager -
Engineered
Products



Paul N. Taylor
Vice-President
and Manager -
Waterman Plant



Edward A. Atkinson
Comptroller and
an Assistant
Secretary

At the same meeting the Board appointed those above as Vice-Presidents of the Corporation.

Consolidated Statement of Income and Retained Earnings

	Year ended December 31 1981	Fourteen months ended December 31 1980
Net sales	\$169,514,963	\$175,441,519
Income before the undernoted items	\$ 19,802,043	\$ 21,220,773
Add: Interest income	2,265,293	1,652,756
	22,067,336	22,873,529
Deduct:		
Depreciation	2,675,978	2,905,132
Interest on long-term debt	424,709	601,479
Other interest	441,882	209,977
	3,542,569	3,716,588
Income before income taxes and extraordinary item	18,524,767	19,156,941
Income taxes:		
Current	8,372,644	7,120,782
Deferred	(57,188)	471,992
	8,315,456	7,592,774
Income before extraordinary item	10,209,311	11,564,167
Extraordinary item less related income taxes of \$312,139 (1980 - \$558,000) (Note 13)	378,435	692,000
Net income for the period	9,830,876	10,872,167
Retained earnings at beginning of period	62,427,988	53,079,903
	72,258,864	63,952,070
Deduct:		
Dividends declared - \$1.70 per share (1980 fourteen months - \$1.24)	2,089,468	1,524,082
Retained earnings at end of period	\$ 70,169,396	\$ 62,427,988
Earnings before extraordinary item per share	\$8.31	\$9.41
Earnings after extraordinary item per share	\$8.00	\$8.85

Auditors' Report

To the Shareholders of
Federal Pioneer Limited:

We have examined the consolidated balance sheet of Federal Pioneer Limited 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 Company 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 period.

Pris Waterhouse
Chartered Accountants

Toronto, Ontario
January 29, 1982

Consolidated Balance Sheet

	December 31	
	1981	1980
Assets		
Current assets:		
Cash	\$ 43,519	\$ 44,079
Short-term deposits	13,500,000	18,500,000
Accounts receivable (Note 14)	28,152,081	22,408,914
Inventories (Note 4)	49,162,224	44,209,940
Prepaid expenses, tender and other deposits	454,122	826,082
	91,311,946	85,989,015
Fixed assets (Note 5)	19,010,495	17,328,988
Goodwill (Note 3)	1,585,828	1,585,828
	\$111,908,269	\$104,903,831
Liabilities		
Current liabilities:		
Bank indebtedness (Note 6)	\$ 3,273,476	\$ 3,285,004
Accounts payable and accrued liabilities (Note 14)	21,118,804	18,093,545
Income and other taxes payable	3,933,125	7,164,637
Dividend payable	553,095	368,730
	28,878,500	28,911,916
Long-term debt (Note 7)	3,695,841	4,342,207
Deferred income taxes	2,069,000	2,126,188
Shareholders' Equity		
Share capital (Note 8)	7,095,532	7,095,532
Retained earnings	70,169,396	62,427,988
	77,264,928	69,523,520
	\$111,908,269	\$104,903,831
Contingent liability (Note 13)		

The Financial Statements have been approved by the Board of Directors:



Director



Director

Consolidated Statement of Changes in Financial Position

	Year ended December 31 1981	Fourteen months ended December 31 1980
Source of working capital:		
Net income for the period before extraordinary item	\$10,209,311	\$11,564,167
Items not requiring working capital –		
Depreciation	2,675,978	2,905,132
Deferred income taxes	(57,188)	471,992
Working capital provided from operations	12,828,101	14,941,291
Disposals of fixed assets	19,459	50,530
	12,847,560	14,991,821
Use of working capital:		
Fixed asset additions	4,376,944	8,083,285
Dividends	2,089,468	1,524,082
Reduction in long-term debt	646,366	360,759
Extraordinary item (excluding related deferred income taxes in 1980)	378,435	827,000
	7,491,213	10,795,126
Increase in working capital	5,356,347	4,196,695
Working capital at beginning of period	57,077,099	52,880,404
Working capital at end of period	\$62,433,446	\$57,077,099
Working capital is represented by:		
Current assets	\$91,311,946	\$85,989,015
Less: Current liabilities	28,878,500	28,911,916
	\$62,433,446	\$57,077,099

Notes to Consolidated Financial Statements

December 31, 1981

1. Incorporation:

The Corporation has been continued under the Canada Business Corporations Act.

2. Nature of business:

The Corporation and its three subsidiaries are engaged in the manufacture and sale of equipment used in the control and distribution of electrical energy. The directors have determined that such business represents a single class of business. One subsidiary operates a plant in Great Britain. Its sales and assets represented less than 10% of those of the Group. Export sales in 1981 from operations of the Corporation and its two subsidiaries in Canada accounted for less than 10% of the total sales.

3. Significant accounting policies:

The accounting policies of the Corporation are in accordance with generally accepted accounting principles in Canada. The more significant policies are stated below:

Basis of consolidation –

The consolidated financial statements include the financial statements of Federal Pioneer Limited and its three subsidiary companies.

Translation of foreign currencies –

Foreign currencies are translated into Canadian dollars as noted below–

Current monetary assets and liabilities and long-term debt – at the exchange rates prevailing on the balance sheet date.

Fixed assets, inventories, prepaid expenses, retained earnings and depreciation expense – at the appropriate historical exchange rates.

Revenue and expenses – at the approximate rate of exchange at the time of the transaction.

Revenue and expenses (other than depreciation) of the foreign subsidiary – at the average exchange rate for the year.

Unrealized gains or losses arising from the translation of long-term debt are deferred and amortized over the remaining life of the debt. Other exchange gains and losses are included in income.

Inventories –

Raw material inventories are valued at the lower of cost and replacement cost while work in process and finished goods are valued at the lower of cost and net realizable value, cost being determined generally by the first-in, first-out (FIFO) method but with certain inventories being valued on an 'average' basis.

Fixed assets –

Fixed assets are stated at cost. Expenditures on major replacements, extensions and improvements are capitalized. Cost of maintenance, repairs and renewals or replacements other than those of a major nature are charged to

expense as incurred. The Corporation and its subsidiaries provide for depreciation generally using the diminishing balance method applying rates which will reduce the original cost to the estimated residual value over the useful lives of the assets. The annual rates used are 5% -10% for buildings and 20% for machinery and equipment. Moulds, jigs and dies are fully depreciated in the year of acquisition.

Goodwill –

Goodwill, which represents the excess of cost of shares of subsidiaries over net book value at dates of acquisition, is not being amortized as no permanent impairment in value is considered to have taken place.

Income taxes –

Income taxes are accounted for on the tax allocation basis. The major portion of accumulated deferred income taxes arises from differences between the amounts of depreciation claimed for income tax purposes and those recorded in the financial statements.

4. Inventories:

	December 31	
	1981	1980
Raw material and work in process	\$46,633,419	\$40,251,587
Finished goods	6,310,802	6,015,489
	<u>52,944,221</u>	<u>46,267,076</u>
Less: Progress payments	(3,781,997)	(2,057,136)
	<u>\$49,162,224</u>	<u>\$44,209,940</u>

5. Fixed assets:

	December 31	
	1981	1980
Cost –		
Land	\$ 466,643	\$ 466,643
Buildings	15,240,363	14,450,842
Machinery and equipment	23,470,718	20,066,283
	<u>39,177,724</u>	<u>34,983,768</u>
Accumulated depreciation –		
Buildings	5,114,927	4,434,512
Machinery and equipment	15,052,302	13,220,268
	<u>20,167,229</u>	<u>17,654,780</u>
Net book value –		
Land	466,643	466,643
Buildings	10,125,436	10,016,330
Machinery and equipment	8,418,416	6,846,015
	<u>\$19,010,495</u>	<u>\$17,328,988</u>

6. Bank indebtedness:

Bank indebtedness of the foreign subsidiary amounting to \$3,219,092 (1980 – \$3,678,960) is secured by a floating charge on all of its assets. Of this sum \$584,280 (1980 – \$980,197) is payable after one year and is included as a long-term debt.

7. Long-term debt:

	December 31	
	1981	1980
6¾% secured sinking fund debentures, Series A, maturing April 15, 1987, with annual sinking fund payments of \$204,000 in 1982 and thereafter gradually increasing to \$267,000 in 1986. The balance of \$1,505,000 is payable at maturity	\$2,678,000	\$2,869,000
10% mortgage loan repayable in monthly instalments maturing in 1990	489,275	505,917
6¾% mortgage loan repayable in monthly instalments maturing in 1989	185,278	204,120
8¾% chattel mortgage loan of a subsidiary repayable in monthly instalments maturing in 1982	7,966	20,733
Bank loan of the foreign subsidiary of £342,858 (1980 – £428,572) repayable in equal half-yearly instalments by 1985 with interest at 1¼% above the base rate secured by a floating charge on all of its assets	779,040	1,225,240
	<u>4,139,559</u>	<u>4,825,010</u>
Amount payable within one year included in current liabilities	443,718	482,803
Amount payable after one year	<u>\$3,695,841</u>	<u>\$4,342,207</u>
The aggregate amount of long-term debt required to be repaid in each of the next five years is:		
1982	\$ 443,718	
1983	452,803	
1984	472,236	
1985	491,976	
1986	318,290	
	<u>\$2,179,023</u>	

The 6¾% secured sinking fund debentures, Series A, are secured by a Deed of Trust and Mortgage which, inter alia, provides for dividend restrictions under certain conditions. The financial position of the Corporation is such that these restrictions are not applicable at this time.

8. Share capital:

The Corporation is authorized to issue an unlimited number of common shares without nominal or par value. At December 31, 1981 there were issued and outstanding 1,229,099 common shares without nominal or par value with a stated value of \$7,095,532. These amounts remained the same throughout the year.

9. Research and development costs:

Research and development costs incurred during the year and charged to expense amounted to \$999,960 (1980 fourteen months – \$931,000). No costs qualified for deferral.

10. Long-term leases:

The Corporation and its subsidiaries are lessees under leases for plants, warehouses and sales offices in Canada and Great

Britain. All of these leases are treated as operating leases with the rents charged to operations in the period to which they relate. No leases have been entered into since January 1, 1979 which meet the definitions of a capital lease.

The longest term of any lease expires in 2002. The aggregate rentals payable for the unexpired terms of these leases are as under:

1982	\$ 410,000
1983	389,000
1984	371,000
1985	348,000
1986	282,000
thereafter	<u>\$2,573,000</u>
	<u>\$4,373,000</u>

11. Unfunded pension costs:

Current service costs of the Corporation's various pension plans are funded and charged to operations as they accrue. Based upon estimates by independent actuaries, unfunded past service pension costs at December 31, 1981 amounted to \$1,308,000 (1980 – \$2,768,000) of which approximately \$393,000 (1980 – \$273,000) related to vested past service benefits. Annual payments of \$283,000 (1980 – \$279,000) charged to operations are designed to fund this total unfunded liability, including interest, by 2001.

12. Capital commitments:

The Corporation and its subsidiaries have entered into capital commitments as at December 31, 1981 for expenditures on machinery and moulds amounting to \$946,000 (1980 – \$713,000).

13. Contingent liability:

In 1976 an accidental spill of transformer oil containing polychlorinated biphenyls occurred at the Corporation's Regina plant. The Corporation, in co-operation with environmental authorities, has taken steps to contain the spill and is monitoring the results thereof. Remedial work to contain the spill was commenced in 1980 and completed in 1981. The total cost thereof, after deducting applicable income taxes of \$870,139, was \$1,070,435. Of this sum \$692,000 was charged as an extraordinary item in 1980 with the balance of \$378,435 being charged in 1981. The charge in 1981 arose because the work undertaken in 1981 proved to be more extensive than had originally been anticipated. At this time the need for, or nature of, any further action or cost which might be required in the longer term cannot be determined.

14. Related party transactions:

The parent company, Federal Pacific Electric Company of Newark, New Jersey, U.S.A. is the registered holder of 59.3% of the issued and outstanding common shares of the Corporation. Under the terms of a licence the Corporation pays a royalty to the parent for the use of patents, trademarks and the supply of technical knowhow. The royalty is based upon a percentage of the sales value of specified products and during the year amounted to \$646,000 (1980 fourteen months – \$680,000). In addition the Corporation supplies products to the parent and purchases components from it. The value of such purchases and sales is less than 10% of the aggregate. Accounts receivable at December 31, 1981 includes \$191,764 (1980 – \$51,186) due from affiliated companies. Accounts payable and accrued liabilities at December 31, 1981 includes \$195,191 (1980 – \$876,753) due to affiliated companies.

Five Year Summary

	Year ended December 31				
	1981	*1980	*1979	1978	1977
Net sales	\$169,514,963	\$153,102,225	\$121,882,286	\$112,617,341	\$112,195,355
Income before income taxes, minority interests and extraordinary item	18,524,767	17,296,526	6,724,533	11,566,812	13,160,007
Income taxes	8,315,456	6,939,374	1,840,710	4,567,089	5,137,699
Income before extraordinary item	10,209,311	10,357,152	4,893,374	7,027,738	8,008,353
Net income for the year	9,830,876	9,665,152	4,893,374	7,027,738	8,008,353
Net income before extraordinary item per sales dollar (cents)	6.0	6.8	4.0	6.2	7.1
Earnings per common share before extraordinary item:					
Undiluted	8.31	8.43	3.98	5.76	7.01
Fully diluted	8.31	8.43	3.98	5.71	6.51
Dividends declared:					
First Preference shares	—	—	319	4,803	58,533
†Common shares	2,089,468	1,253,680	1,081,607	1,056,469	781,208
Class B shares	—	—	—	19,807	57,019
Total	2,089,468	1,253,680	1,081,926	1,081,079	896,760
Dividends per share:					
First Preference shares	—	—	1.37½	2.75	2.75
†Common shares	1.70	1.02	0.88	0.88	0.73
Class B shares	—	—	—	0.88	0.73
Property, plant and equipment – at cost	39,177,724	34,983,768	28,414,444	24,771,098	22,976,998
– net	19,010,495	17,328,988	12,689,560	10,798,095	10,425,166
Purchases of property, plant and equipment during the year	4,376,944	7,221,901	3,892,447	1,997,131	1,530,309
Depreciation provided for the year	2,675,978	2,535,128	1,940,248	1,602,388	1,659,568
Working capital at end of year	62,433,446	57,077,099	53,404,916	52,775,795	45,699,598
Long-term debt at end of year	3,695,841	4,342,207	4,703,039	5,022,397	4,027,461
Shareholders' equity at end of year	77,264,928	69,523,520	61,112,048	57,312,200	51,365,541
Number of shares outstanding at end of year:					
First Preference shares	—	—	—	904	9,434
†Common shares	1,229,099	1,229,099	1,229,099	1,203,903	1,114,183
Class B shares	—	—	—	22,508	78,108
Equity per common share at end of year after allowing for conversion of any outstanding First Preference shares	62.86	56.56	49.72	46.59	41.76

* Figures for the year 1979 consist of the ten months ended October 31 1979 as audited, plus two months ended December 31 1979 unaudited. Balance Sheet amounts are as at December 31 1979 and are unaudited. Figures for the year 1980 consist of the fourteen months ended December 31 1980 as audited, less two months ended December 31 1979 unaudited. Balance Sheet amounts are as at December 31 1980 and are audited.

†Class A shares prior to December 31 1980.

Directors

- ***Benjamin W. Ball**, Toronto
President and Chief Executive Officer of the Corporation
- ***John B. Clements**, Q.C., Toronto
Partner, Lash, Johnston (barristers and solicitors)
- ***W. Douglas H. Gardiner**, Vancouver
Financial Consultant
- William B. Korb**, South Bend, Indiana, U.S.A.
Group Vice-President of Reliance Electric Company
- Emory G. Orahoad, Jr.**, Atlanta, Georgia, U.S.A.
Executive Vice-President and Chief Operating Officer of Reliance Electric Company
- ***Pauline Ouimet**, Montreal
President of Les Chefs Volants Inc.
- ***Venceslas Sirois**, Toronto
Consultant
- *Members of the Audit Committee

Officers

- Benjamin W. Ball**, Toronto
President and Chief Executive Officer
- A. Gordon Daley**, Toronto
Senior Vice-President and General Manager – Distribution Division
- Bernard J. Ferreira**, Toronto
Senior Vice-President Manufacturing – Distribution Division
- Edward C. Markwick**, Toronto
Senior Vice-President Finance and Secretary
- Stanley M. Roberts**, Toronto
Senior Vice-President and General Manager – Distribution and Small Power Transformer Division
- Kenneth J. Thompson**, Toronto
Senior Vice-President Marketing
- ***Douglas V. Baldwin**, Toronto
Vice-President and Manager Marketing Services
- ***Ellis Hughes**, Winnipeg
Vice-President and General Manager – Winnipeg Plant
- ***Colin A.A. MacPhee**, Toronto
Vice-President and Engineering Manager – Distribution Products
- ***John E. Outram**, Toronto
Vice-President and Engineering Manager – Engineered Products
- ***Paul N. Taylor**, Toronto
Vice-President and Manager – Waterman Plant
- Edward A. Atkinson**, Toronto
Comptroller and an Assistant Secretary
- James H. Taylor**, Winnipeg
An Assistant Secretary

*Appointed February 18, 1982

Registered Office:

19 Waterman Avenue
Toronto, Ontario, M4B 1Y2

Parent Company:

Federal Pacific Electric Company
Newark, New Jersey, U.S.A.

Subsidiary Companies:

	Percentage of voting securities owned
Federal Electric Limited Wolverhampton, England	100
Federal Pioneer Eastech Limited Truro, Nova Scotia	100
La Compagnie Electrique Pioneer du Québec, Inc. Granby, Quebec	100

Share Listing:

Common shares – The Toronto Stock Exchange – symbol FPE

Registrars and Transfer Agents:

Common shares – National Trust Company, Limited Toronto, Montreal, Winnipeg and Vancouver

6¾% secured sinking fund debentures, Series A – The Canada Trust Company Toronto, Montreal, Winnipeg and Vancouver

Trustees for the Debenture Holders:

The Canada Trust Company, Toronto

Auditors:

Price Waterhouse, Toronto

Bankers:

The Canadian Imperial Bank of Commerce, Toronto and London, England



● Sales Offices

Canada

11 Limerick Place
St. John's, Newfoundland
A1B 2H2

1496 Bedford Highway
Suite 210, Bedford Tower
Bedford, Nova Scotia B4A 1E5
P.O. Box 2698
Moncton, New Brunswick
E1C 8T8

2900 Quatre Bourgeois Street
Suite 103
Ste. Foy, Quebec G1V 1Y4

P.O. Box 550
561 Maisonneuve Street
Granby, Quebec J2G 3H5
3300 Cavendish Boulevard
Suite 275

Montreal, Quebec H4B 2M8
2668 Alta Vista Drive, Suite 205
Ottawa, Ontario K1V 7T4

445 Horner Avenue
Toronto, Ontario M8W 2A7

255 Orenda Road
Bramalea, Ontario L6T 1E6

P.O. Box 353, 2445 Industrial Street
Burlington, Ontario L7P 3E1

20 Pintail Drive
Elmira, Ontario N3B 3C4
425 Dundas Street, Suite 202
London, Ontario N6B 1V9
1255/57 Clarence Avenue
Fort Garry, Manitoba R3T 1T4
P.O. Box 336, 1600 First Avenue
Regina, Saskatchewan S4P 3A1
7144 Fisher Street S.E.
Calgary, Alberta T2H 0W5
P.O. Box 3971
12019 – 160 Street
Edmonton, Alberta T5L 4K1
2551 Viking Way
Richmond, British Columbia
V6V 1N4

Export Sales

19 Waterman Avenue
Toronto, Ontario M4B 1Y2

Great Britain

Fordhouse Road
Wolverhampton, England
WV10 9ED

■ Plants

Canada

P.O. Box 700, Willow Street
Truro, Nova Scotia B2N 5E5

P.O. Box 550
561 Maisonneuve Street
Granby, Quebec J2G 3H5
P.O. Box 272, Bernard Road
Granby, Quebec J2G 8E5

19 Waterman Avenue
Toronto, Ontario M4B 1Y2

445 Horner Avenue
Toronto, Ontario M8W 2A7

255 Orenda Road
Bramalea, Ontario L6T 1E6

101 Rockman Street
Winnipeg, Manitoba R3T 0L7

P.O. Box 550, 914 Douglas Street
Brandon, Manitoba R7A 5Z7

P.O. Box 336, 1600 First Avenue
Regina, Saskatchewan S4P 3A1

P.O. Box 738, 5727 – 53A Avenue
Red Deer, Alberta T4N 5H2

2551 Viking Way
Richmond, British Columbia
V6V 1N4

Great Britain

Fordhouse Road
Wolverhampton, England
WV10 9ED



FEDERAL PIONEER LIMITED