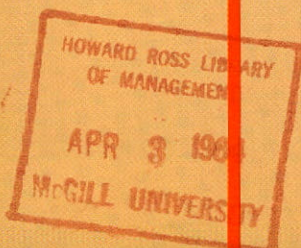
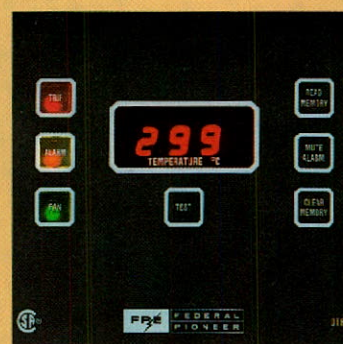
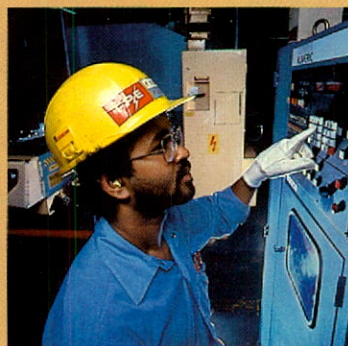


C



# Federal Pioneer Limited

1983 Annual Report





**F**ederal Pioneer Limited was first incorporated in Manitoba on January 15, 1946 and has since been continued under the Canada Business Corporations Act by Certificate of Continuance issued on January 27, 1978.

It is engaged in the manufacture and sale 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 heating equipment

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

#### The Annual and a Special Meeting of Shareholders

The annual and a special meeting of shareholders of Federal Pioneer Limited will be held in The Varley Room of The Westin Hotel, 145 Richmond Street West, Toronto, Ontario, Canada on Thursday, the 26th day of April, 1984, at the hour of 11:00 o'clock in the forenoon (local time).

#### Cover

Left to right

The Corporation's products on display at a major 1983 trade show in Montreal.

Computer-controlled production machinery at the Waterman Avenue plant in Toronto.

The DTR transformer protection relay which provides superior thermal protection.

Inside the computer room at the Corporation's Executive Offices in Toronto.

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

#### Contents

	Page
Financial Highlights	1
Report to the Shareholders	2
Sales and Marketing	4
Operations	6
Corporate Technical Services	8
Finance	9
Statement of Income and Retained Earnings	10
Auditors' Report	10
Balance Sheet	11
Statement of Changes in Financial Position	12
Notes to Financial Statements	13
Five Year Summary	15
Corporate Directory	16
Sales Offices and Plants	17

#### Shareholder Information

Shareholders as at December 31

	1983		1982	
	shareholders	shares held	shareholders	shares held
Residents of Canada	352	498,566	377	498,649
Residents of U.S.A.	7	*730,532	6	*730,382
Others	1	1	2	68
	360	1,229,099	385	1,229,099

\*Includes 729,057 owned by Parent Company, Federal Pacific Electric Company of Raleigh, N.C., U.S.A.

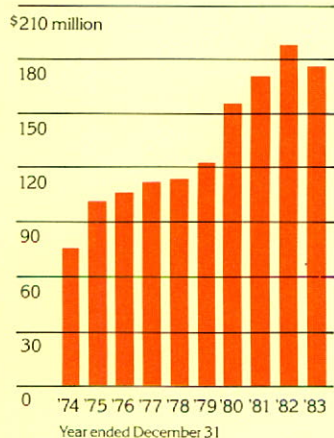
#### Share Trading Summary

	1983	1982
Year ended December 31		
Shares traded	47,461	70,293
Price range	\$57—\$72½	\$47—\$57
Closing price at end of year	\$70	\$57
Valuation Day price		
(December 22, 1971) \$17.50		

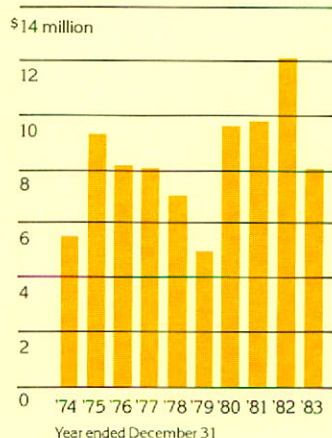


Year ended December 31	1983	1982	Change %
Net sales	\$177,132,204	\$188,133,880	— 5.8
Income before income taxes	12,307,533	20,632,709	—40.3
Net income for the year	8,009,896	12,238,735	—34.6
Net income per sales dollar (cents)	4.5	6.5	—30.8
Earnings per share	6.52	9.96	—34.6
Dividends declared	2,458,198	2,458,198	—
Purchases of property, plant and equipment	3,526,308	5,977,477	—41.0
Depreciation and amortization provided for the year	3,326,804	2,994,950	+11.1
Working capital at end of year	76,546,091	71,620,651	+ 6.9
Shareholders' equity at end of year	92,663,850	87,045,465	+ 6.5
Equity per share at end of year	75.39	70.82	+ 6.5

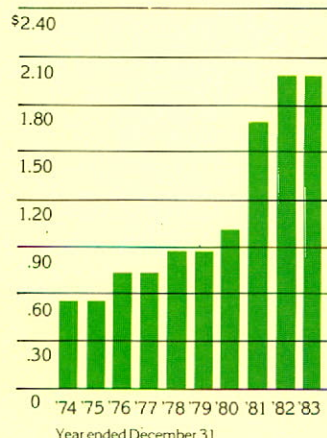
Net Sales



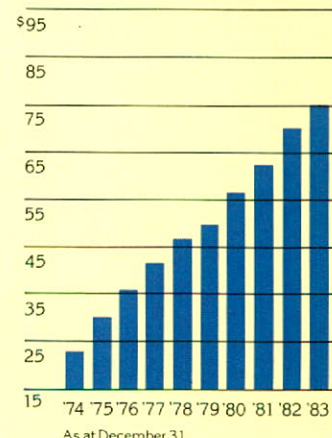
Net Income



Dividends per Common Share  
Class A prior to December 31, 1980



Equity per Common Share  
Class A and B prior to December 31, 1980







**A. Gordon Daley**  
President and Chief Executive Officer

The recession experienced in Canada and throughout the world during 1983 impacted Federal Pioneer Limited in both sales volume and earnings. Nevertheless, the Corporation has maintained a reasonable earnings record in these adverse circumstances. It will be observed that net earnings were 4½% of the sales dollar which exceeds the average for the industry. Fortunately the improvement in the market for standard products which commenced late in 1982 continued throughout 1983. Consequently, sales of products used in residential building and to some extent commercial construction strengthened. Sales of such products as Stab-lok systems and electrical heating units reached record levels in the year and some improvement in profit margins was achieved as the year progressed. However, the demand for the Corporation's engineered products weakened and the backlog of orders declined. This trend was particularly evident in products associated with industrial and electrical utility expansion. It will be seen, therefore, that there has been a twofold impact on the results because of this market situation. First, the overall reduction in demand is not only reflected in the lower sales volume but has also resulted in under-utilization of some of the manufacturing capacity with the consequent additional burden of absorbing the fixed costs. Second, although there were savings through more effective material purchases and improved productivity, these were not sufficient to compensate for the downward pressure on selling prices. It is evident that a continuing investment in new machinery and technology is necessary to increase productivity and reduce material costs.

During 1983 a stringent control of all expenses has been in place. In total, general, administrative, sales and marketing costs were lower than 1982 even after recognizing modest increases in salary costs. This has been accomplished without weakening the sales and marketing effort which will be so important if the Corporation is to take advantage of any improvement in the general economy.

In October 1983 several changes were announced in senior management responsibilities in the Corporation. These appointments were made to improve the effectiveness of Federal Pioneer's manufacturing plants, sales force and support services. B. J. Ferreira was appointed Senior Vice-President—Operations with responsibility for co-ordinating all of the manufacturing operations in thirteen plants. Reporting to K. J. Thompson, Senior Vice-President Marketing, D. V. Baldwin was appointed Vice-President and General Sales Manager with responsibility for the direction of the domestic field sales organization. S. M. Roberts was appointed Senior Vice-President—Corporate Technical Services with responsibility for Research and Development, Quality Assurance and Corporate Purchasing functions. In addition, S. M. Roberts will be responsible for examining various proposals for expanding the Corporation's activities through the acquisition of complementary businesses and technology. These Senior Vice-Presidents have made comments on their areas of responsibility elsewhere in this Annual Report.

Early in 1983 the Research and Development activities of the Corporation were reorganized under the



direction of a Vice-President of Corporate Research and Development. This has permitted a greater emphasis on the important tasks of developing new products and improving existing ones. The Corporation is presently allocating nearly 1.3 per cent of the sales dollar to Research and Development. This is an important investment for future growth and the reorganization of these activities will assure a clear focus on our continuing programme. To further strengthen its product development, Federal Pioneer is planning the construction of a high power test laboratory to be built near its major switchgear facility in Bramalea, Ontario. The site has already been acquired and it is expected that tenders will be called for construction during 1984. The laboratory will likely be in operation by early 1986.

In the past year a number of new or improved products have been introduced. These include various devices for the automatic control of electric heating loads that enable users to employ dual energy sources with greater economy. Further development has been completed on the range of electronic control relays including a device for monitoring temperature rises in transformers and for performing certain control functions to protect the integrity of the transformer. The range of moulded case breaker products has been expanded and new and improved materials have been tested and approved that enhance product performance and reduce costs.

Once again Federal Pioneer's products have been selected for installation in many notable projects across Canada. These include the Metro Toronto Convention Centre, New-

foundland's Confederation Building, Air Canada's office complex in Winnipeg and electrical control equipment for Edmonton's extensive urban transit system.

Continued emphasis has been placed on the Corporation's export markets. This has resulted in contracts being obtained for projects in Kenya, Indonesia, Peru, Trinidad, Bolivia and other countries. In addition the British subsidiary has had considerable success in some of the Pacific-rim countries as well as middle-eastern markets.

The British subsidiary has continued an energetic cost reduction programme. This has already resulted in substantially reduced costs and improved margins on a number of its basic products. Further capital investments have been made to improve efficiencies and permit greater in-house manufacturing. Whilst trading results are still not satisfactory, this operating unit is now well positioned to take advantage of any improvement in the economies of the various markets that it serves.

Federal Pioneer's position in the market generally has strengthened during the year despite the weakened economy. In several important product groups market penetration has been increased while in others the leadership position has been maintained. The Corporation continues to enjoy strong support from its customers both domestically and overseas. During the period many new customers have been served and every effort will continue to be made to merit their confidence.

During the year the Corporate Officers have continued their strategic planning sessions. This has assured

that appropriate vigilance is maintained to enable the Corporation to adequately plan for the medium and long term future.

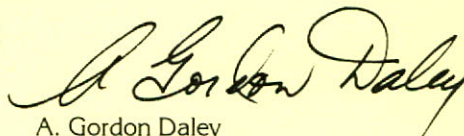
The economic climate for the year 1984 is still uncertain. It appears that there is some improvement in the level of consumer confidence which will result in improved business opportunities in residential and commercial construction. In addition various Government projects will likely result in increased investment in institutional facilities and electrical utilities will continue to expand their distribution networks. However, it should be noted that there will continue to be a lack of major capital investment for large industrial expansions or increased electrical generating capacities. Overall the difficulties experienced in 1983 are not expected to disappear in 1984.

The Corporation continues to receive excellent support and dedication from its employees at all levels both domestically and overseas. The Directors wish to acknowledge the contribution that each of these employees has made and express their sincere appreciation.

Submitted on behalf of the Board of Directors



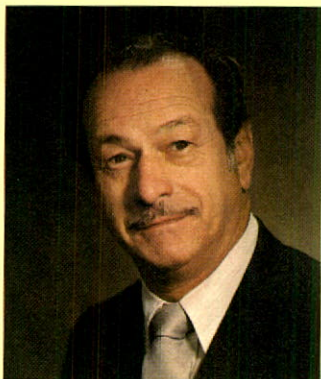
William B. Korb  
Chairman of the Board



A. Gordon Daley  
President and Chief Executive Officer

February 16, 1984





Kenneth J. Thompson  
Senior Vice-President Marketing

Under the direction of K. J. Thompson, Senior Vice-President Marketing, a restructuring of the Corporation's sales and marketing force was undertaken in 1983 to ensure that market opportunities were pursued as effectively as possible. As part of this restructuring, D. V. Baldwin was appointed Vice-President and General Sales Manager with responsibility for domestic Canadian sales and in addition a Marketing Manager was appointed to develop and administer sales programmes with distributors. This strengthening of the sales force combined with a stronger distributor network has improved the ability of the Corporation to meet market needs.

Sales and marketing activities in the residential and commercial fields achieved increased market penetration during 1983 and helped Federal Pioneer offset the significant decline in the demand for large power equipment. New capital equipment commitments by industry and electrical utilities were at near record lows during the year and the market decline which began in 1982 was felt more severely in 1983 as backlogs were significantly reduced.

Sales of equipment for new housing in 1983 strengthened as construction activity improved in this sector aided by Government grants to new homeowners and declining mortgage rates. Some increased activity in the commercial market was also evident.

The Corporation achieved a notable market breakthrough in 1983 in the important urban rapid transit area. Federal Pioneer was selected prime contractor to supply switchgear and rectifiers to the Edmonton urban transit system in Alberta. Under this

contract Federal Pioneer will supply positive DC switchgear, including two rectifier breakers and six feeder breakers, which will feed the overhead trolley bus system. The switchgear will use high-speed 4,000 amp DC air circuit breakers. Rectifiers will be supplied by an associate company, Reliance Electric Canada. In this contract sophisticated protection and relaying equipment is included to ensure safe and reliable operation of the system. This award points to future opportunities for the Corporation in the mass transit sector.

The continued development of new and improved products has provided a more complete line of switchgear and distribution equipment for the distributors. This emphasis will be continued in order to maintain a dominant position with the Corporation's distributor network.

A number of other activities have combined to improve the success of the marketing efforts. The acquisition of a 122,000 square foot electrical distribution products plant at Mark-



◀ Federal Pioneer will supply DC switchgear and rectifiers for the Edmonton Transit System.



▲ Moulded case circuit breakers available from the Corporation's new factory at Markham, Ontario.

▶ Opportunities for sales in international markets are actively pursued.

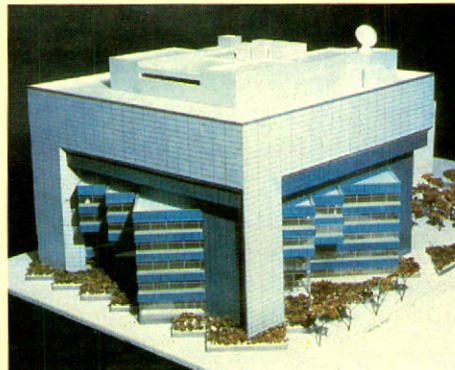


ham, Ontario broadened the product line and has opened new marketing opportunities for the Corporation. At the same time, emphasis has been placed on developing new markets such as switchgear and transformers for the marine industry. As well, the Corporation is actively pursuing opportunities in international markets. In this area the full co-operation of the Federal Government's Export Development Corporation and the Canadian International Development Agency has been important to achievements in the international markets.

During the year computer technology has been increasingly used by the marketing department. Statistical information has been improved with the use of a mini computer and direct access computer terminals have been installed in a number of District Sales Offices. In the near future it will be possible to generate certain customer quotations from mini computers in the District Sales Offices. These investments will lead

to further improvements in customer services in 1984.

The outlook for 1984 is mixed. Demand for electrical generating equipment is unlikely to expand and growth in the manufacturing sector will depend upon a continuation of the economic upswing. Mining, which provides a considerable market for Federal Pioneer, shows no immediate signs of expansion but there are some encouraging signs in the pulp and paper industry. Continued sales growth can be expected in the residential and commercial fields and the increased popularity of electrical heating will accentuate this growth.



▲ A model of the new Air Canada building in Winnipeg which is to be equipped with Federal Pioneer products.

▲ Increased use of computers in the order entry and quotation functions will further improve service to customers.







Bernard J. Ferreira  
Senior Vice-President—Operations

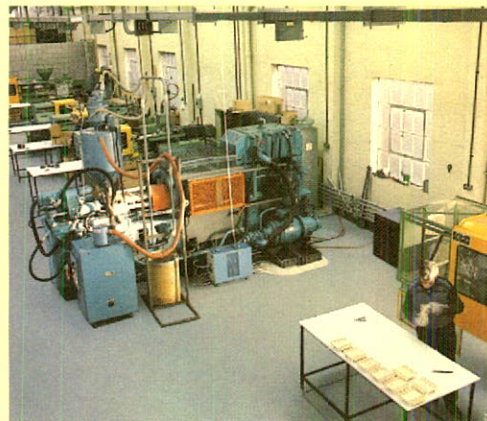
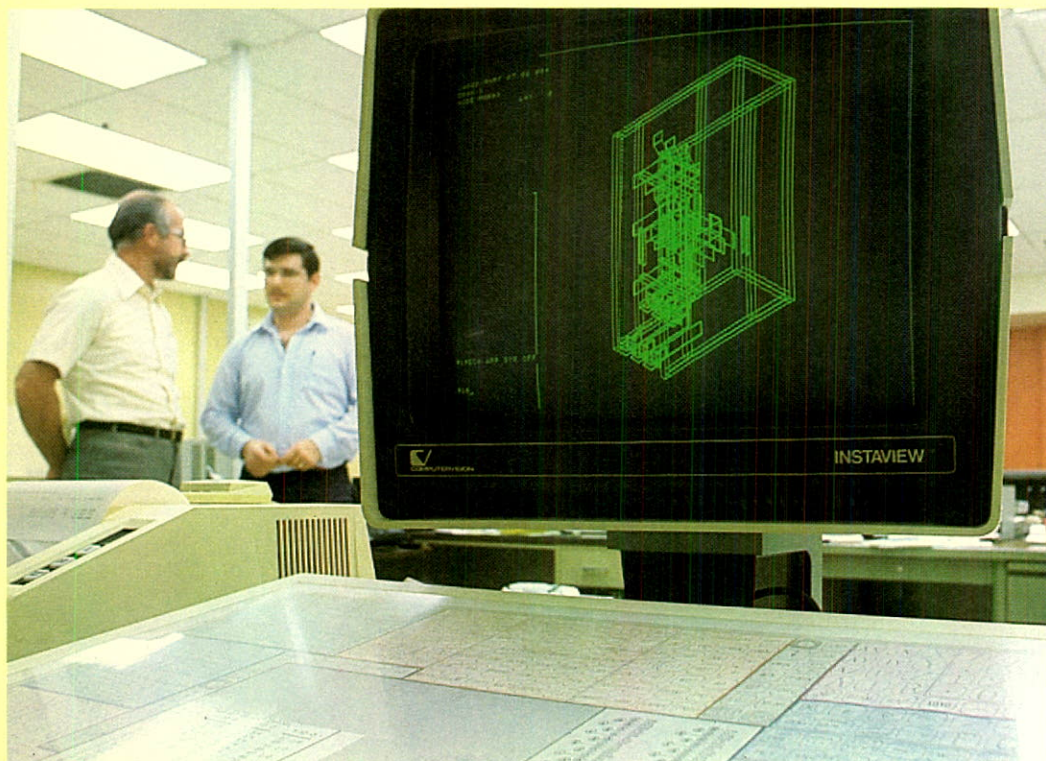
Towards the end of 1983 responsibility for the manufacturing operations of the Corporation was consolidated under one Senior Vice-President, B. J. Ferreira. The twelve Canadian plants were reorganized into three groups based upon their product scope and a Group Manager responding to B. J. Ferreira was appointed for each Group. This new structure will permit greater rationalization, improve co-operation between plants and provide more opportunity for cost reductions.

Those plants involved in the manufacture of engineered products, such as switchgear and transformers, were adversely affected in 1983 by falling securements and backlogs and as a result generally operated below capacity. In some cases this unfortunately involved lay-offs and shorter work weeks. However, those plants involved in the manufacture of such standard products as electric heating devices and circuit breaker systems for use in the residential and commercial markets enjoyed increased demand as the year progressed and

as a result improved their capacity utilization.

During the year there has been an ongoing development of computer installations and programmes to assist the manufacturing functions. Five of the larger manufacturing units employ computers for such complex functions as material and production planning, machine loading, inventory control and plant accounting. Two additional computer-assisted design and computer-assisted manufacturing (CAD/CAM) systems have been installed in 1983. These systems greatly enhance the capability of the plants in engineering design and drafting and in addition can be inter-connected with numerically controlled machinery resulting in the product being manufactured precisely to specifications and with savings in production costs.

1983 was the first year of integration of the Markham, Ontario plant which was purchased at the end of 1982. Some product rationalization has taken place and the programme for the assembly of moulded case breakers under licence was commenced. Facilities for the breaker assembly



▲ The recently installed injection moulding machines at the Wolverhampton factory of the British subsidiary.

◀ The use of computer-assisted drafting and manufacturing has been further expanded in 1983.



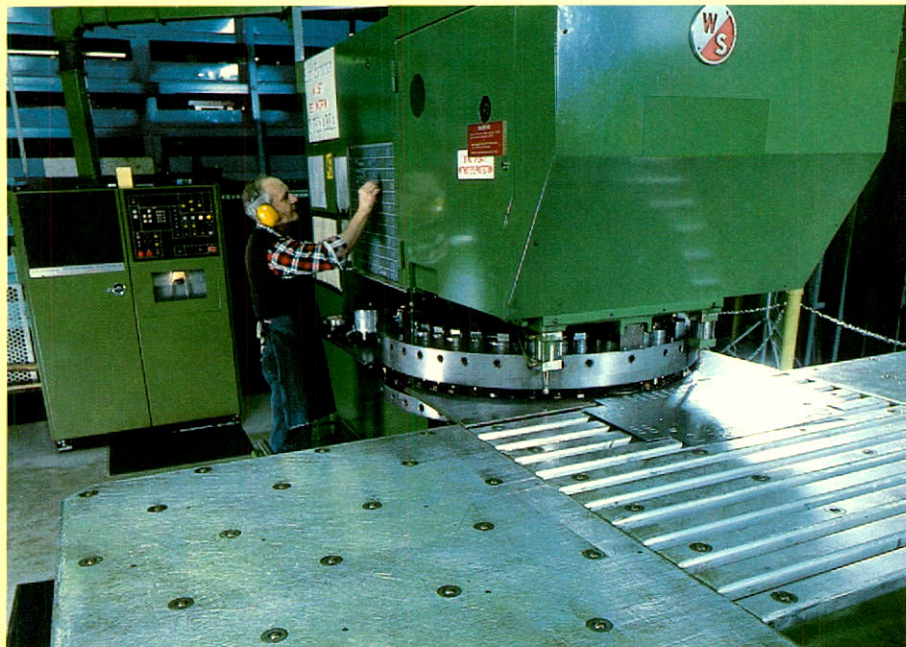
were enhanced, including the construction of a new environment controlled room for final calibration and testing. Additional sizes of letter frame moulded case breakers will be assembled at Markham in 1984.

In addition to the capital investments to improve the productivity of the plants, there has been an energetic approach to make the best use of another major production asset—human resources. The people who comprise the operations work force have demonstrated over the years their ability to provide Federal Pioneer with a competitive advantage in terms of quality production.

In many areas of the business special training in leadership skills is being provided to department heads and foremen in the ever more demanding

aspects of two-way communications with employees. It is believed that furthering this process will be one of the most important aspects of management in the years to come.

The British subsidiary has made good progress in the use of injection moulding techniques and has established a new injection moulding machine department to manufacture parts for Stab-lok® and moulded case breakers as well as for Quadbreak® switches. This has resulted in greater productivity and reduced costs.

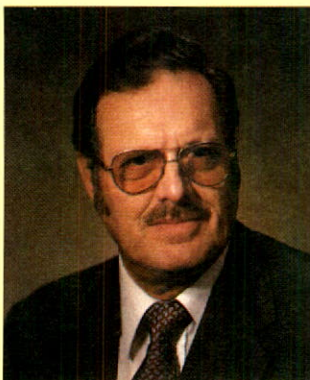


▲► One of many of the Corporation's computer-controlled metal working machines—this one is in the factory at Markham, Ontario.



▲ A training seminar for department heads and foremen in progress at the Corporation's Executive Offices in Toronto.





Stanley M. Roberts  
Senior Vice-President—  
Corporate Technical Services

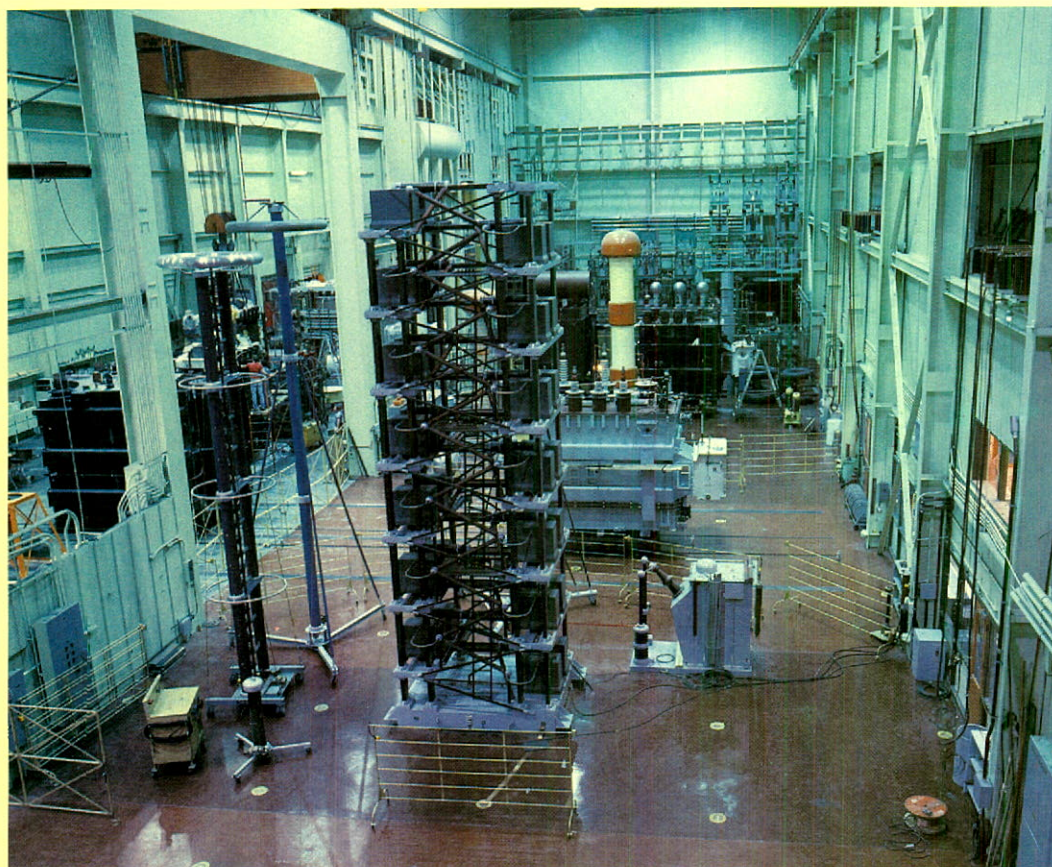
The Corporate Technical Services Group was consolidated in 1983 under a Senior Vice-President, S. M. Roberts, and provides support to the Corporation's manufacturing, sales and marketing functions. The Group comprises Research and Development, Quality Assurance and Corporate Purchasing.

Research and Development activities in 1983 continued to represent a major area of expenditure for the Corporation and a key requirement to ensure that new products are brought to the marketplace to maintain the Corporation's reputation as a leader in electrical technology. As a result of the reorganization the administration of all of the Corporation's Research and Development programmes has been consolidated under the control of one Vice-President rather than being dealt with on a Divisional basis as was the case in the past.

A number of new products were introduced by the Corporation which resulted from the Research and

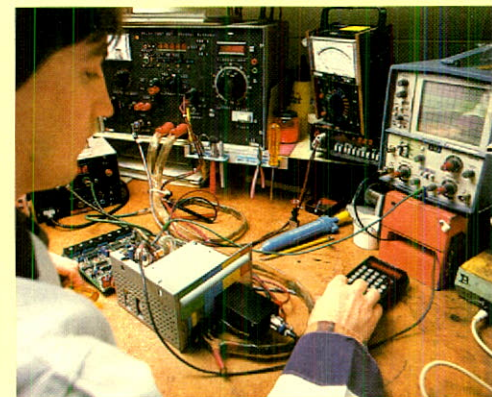
Development programme, including devices for the automatic control of electric heating loads and various electronic devices for detecting and controlling hazardous conditions in electrical systems. New and improved materials have been tested and approved that enhance product performance and reduce costs. In addition, planning will proceed in 1984 on a new high power test laboratory to be built in Ontario which will greatly benefit the Research and Development activity. Bright, innovative people are the major "raw material" of any Research and Development programme and Federal Pioneer has recruited an outstanding staff. Most are graduates of Canadian universities and their knowledge and abilities are of world standard.

Quality assurance begins with suppliers before the material is delivered and extends to the customers who are encouraged to supply ideas and information aimed at quality improvement. Formal Quality Assurance programmes administered by a Vice-President are in operation in all plants under the direction of local Quality Control Managers. The quality programmes of the Canadian Standards Association are used as the basis of Federal Pioneer's Quality



◀ The main test laboratory at the factory in Winnipeg. This facility is used for testing the large power transformers manufactured at Winnipeg as well as for research and development.

▼ The USD over-current relay undergoing tests in the solid state department laboratory at Waterman Avenue.





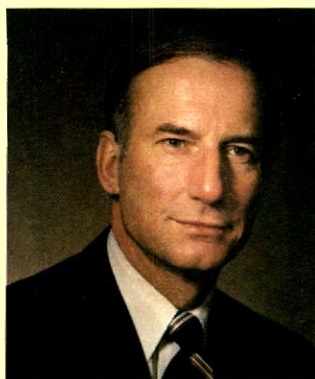
Assurance programme and are supplemented through employee training aimed at building awareness and participation in the manufacture of quality products.

In 1983 steps were taken to improve the purchasing capability and strength of the Corporation by moving towards a central purchasing system. In addition to taking advantage of the size of the overall Corporation in making purchases, there are significant advantages in ensuring the standardization of material throughout the organization not the least of which is the resulting benefit to the Quality Assurance programmes.

Corporate Technical Services also has responsibility for seeking out acquisitions both in Canada and abroad. Activity in this area is ongoing and several opportunities are currently under review. It is the Corporation's intention to expand its service to customers in the electrical and electronic field by acquisition as well as by the development of new products and technology.

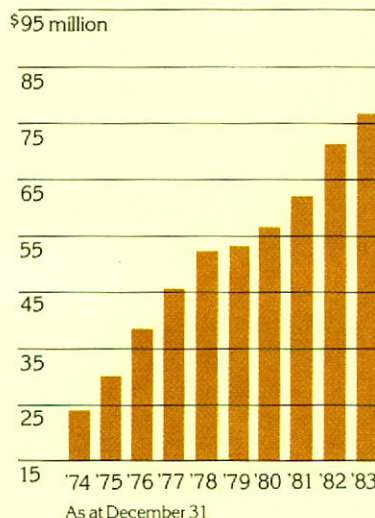


▲ Computer modelling permits the simulation of circuit breaker operations and greatly assists research and development work.

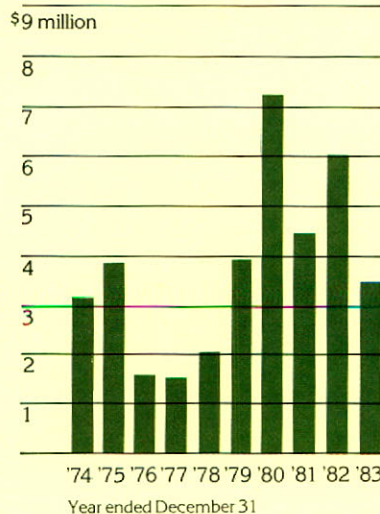


Edward C. Markwick  
Senior Vice-President  
Finance and Secretary

#### Net Working Capital

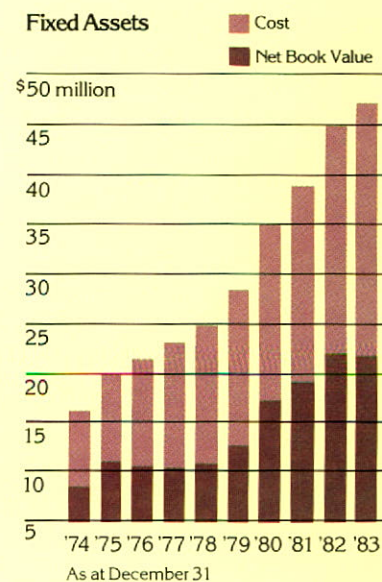


#### Fixed Asset Additions



During 1983 the utilization of working capital was closely monitored. Net sales were lower by 6% and the investment in gross Inventories and Accounts Receivable declined 9% and 5% respectively. Additions to fixed assets amounted to \$3.5 million slightly exceeding the \$3.3 million set aside for depreciation. In total the Corporation added \$4.9 million to working capital and this is reflected in the higher short term deposits. The average net capital employed for the year—consisting of the sum of the shareholders' equity and interest bearing debt—amounted to \$97.9 million. The earnings before charging interest paid and income taxes amounted to \$12.9 million and the before tax return on average net capital employed was therefore 13.2%. The Corporation's financial position remains very strong and adequate resources exist to support any suitable acquisitions that may be identified.

#### Fixed Assets





Consolidated Statement of Income and Retained Earnings	Year ended December 31	
	1983	1982
Net sales	\$ 177,132,204	\$ 188,133,880
Income before the undernoted items	\$ 14,399,735	\$ 22,969,365
Add: Interest income	1,870,781	1,311,652
	16,270,516	24,281,017
Deduct:		
Depreciation and amortization	3,326,804	2,994,950
Interest on long-term debt	485,183	315,659
Other interest	150,996	337,699
	3,962,983	3,648,308
Income before income taxes	12,307,533	20,632,709
Income taxes (Note 8)	4,297,637	8,393,974
Net income for the year	8,009,896	12,238,735
Retained earnings at beginning of year	79,949,933	70,169,396
	87,959,829	82,408,131
Deduct:		
Dividends declared—\$2.00 per share (1982—\$2.00)	2,458,198	2,458,198
Retained earnings at end of year	\$ 85,501,631	\$ 79,949,933
Earnings per share	\$6.52	\$9.96

**Auditors' Report**

To the Shareholders of  
Federal Pioneer Limited:

We have examined the consolidated balance sheet of Federal Pioneer Limited as at December 31, 1983 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1983 and the

results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles which have been consistently applied with the preceding year, except for the change in 1983 in accounting for the translation of foreign currencies as described in Note 2.

*Price Waterhouse*

Chartered Accountants

Toronto, Ontario  
January 27, 1984



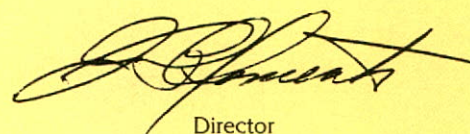
Consolidated  
Balance Sheet

December 31	1983	1982
<b>Assets</b>		
Current assets:		
Cash	\$ 49,032	\$ 1,027,071
Short-term deposits	24,000,000	17,000,000
Accounts receivable (Note 14)	30,599,530	32,204,809
Inventories (Note 3)	45,466,927	48,112,419
Prepaid expenses and deposits	592,974	476,630
	100,708,463	98,820,929
Fixed assets (Note 4)	21,895,148	22,027,637
Goodwill	1,427,245	1,506,536
	\$124,030,856	\$122,355,102
<b>Liabilities</b>		
Current liabilities:		
Bank indebtedness (Note 5)	\$ 1,040,222	\$ 2,406,496
Accounts payable and accrued liabilities (Note 14)	20,249,737	21,395,561
Income and other taxes payable	2,257,863	2,783,671
Dividend payable	614,550	614,550
	24,162,372	27,200,278
Long-term debt (Note 6)	5,762,634	6,446,359
Deferred income taxes	1,442,000	1,663,000
<b>Shareholders' Equity</b>		
Share capital (Note 7)	7,095,532	7,095,532
Retained earnings	85,501,631	79,949,933
Cumulative translation adjustment account (Note 2)	66,687	—
	92,663,850	87,045,465
	\$124,030,856	\$122,355,102

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	1983	1982
Source of working capital:		
Net income for the year	\$ 8,009,896	\$ 12,238,735
Items not requiring working capital—		
Depreciation and amortization	3,326,804	2,994,950
Deferred income taxes	(221,000)	(406,000)
Working capital provided from operations	11,115,700	14,827,685
Disposals of fixed assets	16,301	44,677
Increase in long-term debt	—	3,250,000
	11,132,001	18,122,362
Use of working capital:		
Fixed asset additions	3,526,308	5,977,477
Dividends	2,458,198	2,458,198
Reduction in long-term debt	683,725	499,482
	6,668,231	8,935,157
Effect of translation adjustment on working capital (Note 2)	461,670	—
Increase in working capital	4,925,440	9,187,205
Working capital at beginning of year	71,620,651	62,433,446
Working capital at end of year	\$ 76,546,091	\$ 71,620,651
Working capital is represented by:		
Current assets	\$100,708,463	\$ 98,820,929
Less: Current liabilities	24,162,372	27,200,278
	\$ 76,546,091	\$ 71,620,651



# Notes to Consolidated Financial Statements

December 31, 1983

## 1. Nature of business:

The Corporation is 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 Britain. Its sales and assets represented less than 10% of those of the Group. Export sales in 1983 from Canadian operations accounted for less than 10% of the total sales.

## 2. 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 both of its subsidiary companies.

### Translation of foreign currencies—

Effective January 1, 1983 the Corporation adopted the recommendations on foreign currency translation issued in 1983 by The Canadian Institute of Chartered Accountants. The effect on net income for the year of this change in accounting principles is not significant.

Transactions in foreign currencies are translated at the approximate rate of exchange at the time of the transaction. Assets and liabilities are translated at the exchange rates prevailing at the balance sheet date.

Translation gains and losses on consolidation of the foreign subsidiary are included in the cumulative translation adjustment account under Shareholders' Equity. 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 generally provides for depreciation 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, 20% for machinery and equipment and 30% for computer equipment. Moulds, jigs and dies are fully depreciated in the year in which they are first used.

### Goodwill—

Goodwill, which represents the excess of cost of shares of subsidiaries over net book value at dates of acquisition, is being amortized on a straight-line basis over a period of twenty years commencing in 1982.

### 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.

## 3. Inventories:

	December 31	
	1983	1982
Raw material and work in process	\$37,125,706	\$42,289,728
Finished goods	8,847,804	8,124,294
	<u>45,973,510</u>	<u>50,414,022</u>
Less: Progress payments	(506,583)	(2,301,603)
	<u>\$45,466,927</u>	<u>\$48,112,419</u>

## 4. Fixed assets:

	December 31	
	1983	1982
Cost—		
Land	\$ 1,463,495	\$ 1,074,413
Buildings	18,427,174	17,980,887
Machinery and equipment	27,367,000	25,795,921
	<u>47,257,669</u>	<u>44,851,221</u>
Accumulated depreciation—		
Buildings	6,592,774	5,809,866
Machinery and equipment	18,769,747	17,013,718
	<u>25,362,521</u>	<u>22,823,584</u>
Net book value—		
Land	1,463,495	1,074,413
Buildings	11,834,400	12,171,021
Machinery and equipment	8,597,253	8,782,203
	<u>\$21,895,148</u>	<u>\$22,027,637</u>

## 5. Bank indebtedness:

Bank indebtedness of the foreign subsidiary amounting to \$826,716 (1982—\$2,747,745) is secured by a floating charge on all of its assets.

## 6. Long-term debt:

	December 31	
	1983	1982
6¼% secured sinking fund debentures, Series A, maturing April 15, 1987, with sinking fund payments of \$185,000 in 1985 and \$267,000 in 1986. The balance of \$1,505,000 is repayable at maturity	\$ 1,957,000	\$ 2,474,000
10% mortgage loan repayable in monthly instalments maturing in 1990	450,699	470,927
8.46% mortgage loan repayable in four equal instalments in 1985	3,250,000	3,250,000
6¼% mortgage loan repayable in monthly instalments maturing in 1989	148,411	168,226
Bank loan of the foreign subsidiary	—	511,871
	<u>5,806,110</u>	<u>6,875,024</u>
Amount payable within one year included in current liabilities	43,476	428,665
Amount payable after one year	<u>\$ 5,762,634</u>	<u>\$ 6,446,359</u>



**Notes to  
Consolidated  
Financial Statements**  
continued

**6. Long-term debt: (continued)**

Long-term debt is required to be repaid as follows:

1984	\$ 43,476
1985	3,482,216
1986	318,290
1987	1,560,728
1988	60,565
	<u>\$5,465,275</u>

The 6½% 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.

**7. Share capital:**

The Corporation is authorized to issue an unlimited number of common shares without nominal or par value. At December 31, 1983 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.

**8. Income taxes:**

	Year ended December 31	
	1983	1982
Current	\$4,518,637	\$8,799,974
Deferred	(221,000)	(406,000)
	<u>\$4,297,637</u>	<u>\$8,393,974</u>

The Corporation's effective income tax rate is made up as follows:

	Year ended December 31	
	1983	1982
	%	%
Combined basic federal and provincial income tax rate	49.0	49.5
Federal income tax surcharge	0.7	1.4
Inventory allowance	(5.7)	(3.7)
Manufacturing and processing profits deduction	(6.0)	(5.7)
Research and development allowance	(1.5)	(0.3)
Miscellaneous	(1.6)	(0.5)
	<u>34.9</u>	<u>40.7</u>

**9. Research and development costs:**

Research and development costs incurred during the year and charged to expense amounted to \$2,260,000. The comparable figure for 1982 was \$1,982,000. No costs qualified for deferral.

**10. Long-term leases:**

The Corporation leases plants, warehouses and sales offices in Canada and Britain. All of these leases are treated as operating leases with the rents charged to operations in the year to which they relate.

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

1984	\$ 362,000
1985	339,000
1986	271,000
1987	183,000
1988	179,000
thereafter	1,908,000
	<u>\$3,242,000</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, 1983 amounted to \$2,333,000 (1982—\$726,000) of which approximately \$517,000 (1982—\$503,000) related to vested past service benefits. Annual payments of \$240,000 (1982—\$61,000) charged to operations are designed to fund this total unfunded liability, including interest, by 2001.

**12. Capital commitments:**

The Corporation has entered into capital commitments as at December 31, 1983 for expenditures on machinery and moulds amounting to \$379,000 (1982—\$1,473,000).

**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. 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 Raleigh, N.C., 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 \$582,000 (1982—\$702,000). 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, 1983 includes \$167,654 (1982—\$744,682) due from affiliated companies. Accounts payable and accrued liabilities at December 31, 1983 includes \$54,504 (1982—\$18,085) due to affiliated companies.



Five Year  
Summary

Year ended December 31	1983	1982	1981	1980	1979
Net sales	\$177,132,204	\$188,133,880	\$169,514,963	\$153,102,225	\$121,882,286
Income before income taxes, minority interests and extraordinary item	12,307,533	20,632,709	18,524,767	17,296,526	6,724,533
Income taxes	4,297,637	8,393,974	8,315,456	6,939,374	1,840,710
Income before extraordinary item	8,009,896	12,238,735	10,209,311	10,357,152	4,893,374
Net income for the year	8,009,896	12,238,735	9,830,876	9,665,152	4,893,374
Net income before extraordinary item per sales dollar (cents)	4.5	6.5	6.0	6.8	4.0
†Earnings per common share before extraordinary item	6.52	9.96	8.31	8.43	3.98
Dividends declared:					
First Preference shares	—	—	—	—	319
†Common shares	2,458,198	2,458,198	2,089,468	1,253,680	1,081,607
Total	2,458,198	2,458,198	2,089,468	1,253,680	1,081,926
Dividends per share:					
First Preference shares	—	—	—	—	1.375
†Common shares	2.00	2.00	1.70	1.02	0.88
Property, plant and equipment					
—at cost	47,257,669	44,851,221	39,177,724	34,983,768	28,414,444
—net	21,895,148	22,027,637	19,010,495	17,328,988	12,689,560
Purchases of property, plant and equipment during the year	3,526,308	5,977,477	4,376,944	7,221,901	3,892,447
Depreciation and amortization provided for the year	3,326,804	2,994,950	2,675,978	2,535,128	1,940,248
Working capital at end of year	76,546,091	71,620,651	62,433,446	57,077,099	53,404,916
Long-term debt at end of year	5,762,634	6,446,359	3,695,841	4,342,207	4,703,039
Shareholders' equity at end of year	92,663,850	87,045,465	77,264,928	69,523,520	61,112,048
†Number of common shares outstanding at end of year	1,229,099	1,229,099	1,229,099	1,229,099	1,229,099
†Equity per common share at end of year	75.39	70.82	62.86	56.56	49.72

†Class A shares prior to December 31 1980.



## Directors

As at February 16, 1984

**John B. Clements, Q.C.**, Toronto  
Partner, Lash, Johnston (barristers and solicitors)

**\*A. Gordon Daley**, Toronto  
President and Chief Executive Officer of the Corporation

**†W. Douglas H. Gardiner**, Vancouver  
Financial Consultant

**†William B. Korb**, Cleveland, Ohio, U.S.A.  
An Operating Vice-President of Reliance Electric Company

**Emory G. Orahod, 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

\*Member of the Audit Committee

†Member of the Compensation Committee

## Officers

As at February 16, 1984

**William B. Korb**, Cleveland, Ohio, U.S.A.  
Chairman of the Board

**A. Gordon Daley**, Toronto  
President and Chief Executive Officer

**Bernard J. Ferreira**, Toronto  
Senior Vice-President—Operations

**Edward C. Markwick**, Toronto  
Senior Vice-President Finance and Secretary

**Stanley M. Roberts**, Toronto  
Senior Vice-President—Corporate Technical Services

**Kenneth J. Thompson**, Toronto  
Senior Vice-President Marketing

**Douglas V. Baldwin**, Toronto  
Vice-President—General Sales Manager

**Ellis Hughes**, Winnipeg  
Vice-President—Group Manager Transformer Plants

**Colin A. A. MacPhee**, Toronto  
Vice-President—Corporate Research and Development

**John E. Outram**, Toronto  
Vice-President—Corporate Quality Assurance

**Thomas J. Rowlands**, Bramalea  
Vice-President—Group Manager Engineered Products Plants

**Paul N. Taylor**, Toronto  
Vice-President—Group Manager Standard Products Plants

**Edward A. Atkinson**, Toronto  
Comptroller and an Assistant Secretary

**James H. Taylor**, Winnipeg  
An Assistant Secretary

## Corporate Information

### Registered Office:

19 Waterman Avenue  
Toronto, Ontario, M4B 1Y2  
Telex 06 963724 Phone 416-752-8020

### Parent Company:

Federal Pacific Electric Company  
Raleigh, N. C., U.S.A.

### Subsidiary Companies:

(both wholly-owned)

Federal Electric Limited  
Wolverhampton, England

La Compagnie Électrique  
Pioneer du Québec, Inc.  
Granby, Quebec

### Share Listing:

Common shares—The Toronto Stock Exchange—symbol FPE

### Registrars and Transfer Agents:

Common shares—National Trust Company, Limited, Toronto and Montreal

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**

**ATLANTIC DISTRICT**  
F. W. Bailey, District Sales Manager

1000 Windmill Road, Suite 12  
Dartmouth, Nova Scotia B3B 1L7  
Phone 902-465-2157  
Telex 019 31598

136 Gordon Street  
Box 2698  
Moncton, New Brunswick  
E1G 8T8  
Phone 506-389-3085

**QUEBEC DISTRICT**  
W. E. Ferris, District Sales Manager

3300 Cavendish Boulevard  
Suite 275  
Montreal, Quebec H4B 2M8  
Phone 514-482-9600  
Telex 05 267632

2900 Quatre Bourgeois Street  
Suite 202  
Ste-Foy, Quebec G1V 1Y4  
Phone 418-653-8825  
Telex 051 31653

P.O. Box 550  
561 Maisonneuve Street  
Granby, Quebec J2G 3H5  
Phone 514-378-9025  
Telex 05 832513

2668 Alta Vista Drive  
Suite 205  
Ottawa, Ontario K1V 7T4  
Phone 613-737-5178

**ONTARIO DISTRICT**  
L. S. Smith, District Sales Manager

255 Orenda Road  
Bramalea, Ontario L6T 1E6  
Phone 416-459-8805  
Telex 06 97509

3 Bellevue Crescent  
North Bay, Ontario P1B 8V2  
Phone 705-476-1466

20 Pintail Drive  
Elmira, Ontario N3B 3C4  
Phone 519-669-1771

425 Dundas Street, Suite 202  
London, Ontario N6B 1V9  
Phone 519-433-8441  
Telex 064 5806

**MID-WEST DISTRICT**  
W. R. Webb, District Sales Manager

1255 Clarence Avenue  
Winnipeg, Manitoba R3T 1T4  
Phone 204-453-4840  
Telex 07 55436

P.O. Box 336  
1600 First Avenue  
Regina, Saskatchewan S4P 3A1  
Phone 306-525-3351  
Telex 071 2250

3754 Fairlight Drive  
Saskatoon, Saskatchewan  
S7M 4K1  
Phone 306-384-6626

**ALBERTA DISTRICT**  
J. F. Cozens, District Sales Manager

3844—8th Street S.E.  
Calgary, Alberta T2G 3A8  
Phone 403-243-8890  
Telex 03 821636

P.O. Box 3971  
12019—160 Street  
Edmonton, Alberta T5L 4K1  
Phone 403-452-9971  
Telex 037 2524

**PACIFIC DISTRICT**  
J. B. Howell, District Sales Manager

2551 Viking Way  
Richmond, British Columbia  
V6V 1N4  
Phone 604-273-3711  
Telex 043 55505

1417 Naish Drive  
Penticton, British Columbia  
V2A 3B7  
Phone 604-493-2840  
Telex 048 88163

**EXPORTS**  
H. Kroeker, Manager International Sales

19 Waterman Avenue  
Toronto, Ontario M4B 1Y2  
Phone 416-752-8020  
Telex 06 963724

**Britain** B. W. Peter, Marketing Director  
Federal Electric Limited  
Fordhouse Road  
Wolverhampton WV10 9ED  
England  
Phone 0902-732521  
Telex 51339828

**Plants Canada**

**ENGINEERED PRODUCTS GROUP**  
T. J. Rowlands—Bramalea  
Vice-President—Group Manager

P.O. Box 550  
561 Maisonneuve Street  
Granby, Quebec J2G 3H5  
R. Babineau, Plant Manager

255 Orenda Road  
Bramalea, Ontario L6T 1E6  
M. Moloney, Plant Manager

2551 Viking Way  
Richmond, British Columbia  
V6V 1N4  
M. R. Abrahamson, Plant Manager

**STANDARD PRODUCTS GROUP**  
P. N. Taylor—Toronto  
Vice-President—Group Manager

P. O. Box 700, Willow Street  
Truro, Nova Scotia B2N 5E5  
P. E. Hynes, Plant Manager

19 Waterman Avenue  
Toronto, Ontario M4B 1Y2  
J. A. Linthwaite, Plant Manager

160 Bullock Drive  
Markham, Ontario L3P 1W2  
R. B. Murray, Plant Manager

P.O. Box 550, 914 Douglas Street  
Brandon, Manitoba R7A 5Z7  
P. T. Burns, Plant Manager

**TRANSFORMER GROUP**  
E. Hughes—Winnipeg  
Vice-President—Group Manager

P.O. Box 272, Bernard Road  
Granby, Quebec J2G 8E5  
S. G. Watt, Plant Manager

445 Horner Avenue  
Toronto, Ontario M8W 2A7  
S. G. Watt, Plant Manager

101 Rockman Street  
Winnipeg, Manitoba R3T 0L7  
E. Hughes, Plant Manager

P.O. Box 336, 1600 First Avenue  
Regina, Saskatchewan S4P 3A1  
K. G. Booth, Plant Manager

P.O. Box 738, 5727—53A Avenue  
Red Deer, Alberta T4N 5H2  
K. G. Booth, Plant Manager

**Britain** I. K. P. Ross, Managing Director  
Federal Electric Limited  
Fordhouse Road  
Wolverhampton WV10 9ED  
England





Federal Pioneer Limited