

✓ 1982 ANNUAL REPORT

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**AUTOMOTIVE  
HARDWARE  
LIMITED**



# Automotive Hardware Limited

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## Directors

Irwin Goldhart,  
*President,*  
Automotive Hardware Limited

Sidney Goldhart,  
*Chairman and Chief Executive Officer,*  
Automotive Hardware Limited

Ross M. Hanbury,  
*Consultant*

John J. Lohrman,  
*President and Chief Executive Officer,*  
Russell, Burdsall & Ward Corporation

Harry L. Mendelson, Q.C.,  
*Barrister and Solicitor*

Goldie Potashin,  
*Secretary-Treasurer,*  
Automotive Hardware Limited

Kenneth W. Ranney,  
*Vice-President, Operations,*  
Automotive Hardware Limited

## Officers

Irwin Goldhart, *President*  
Sidney Goldhart, *Chairman and Chief Executive Officer*  
Kenneth W. Ranney, *Vice-President, Operations*  
L.E. Gazley, *Vice-President, Marketing*  
Henry Lubaszka, *Vice-President, Finance*  
Goldie Potashin, *Secretary-Treasurer*  
John Cheatle, *Corporate Director of Financial Planning*  
Joseph Vollans, *Corporate Controller*

## Chief Officers of Subsidiaries

Sidney Goldhart,  
*Vice-President and General Manager,*  
Docap Corporation Limited

Robert A. Kay,  
*Vice-President and General Manager,*  
ArrowHead Metals Ltd.

John J. Lohrman,  
*President and Chief Executive Officer,*  
Russell, Burdsall & Ward Corporation

Robert H. Lench,  
*Chairman,*  
Thomas William Lench Holdings Limited

Hugh Henderson,  
*Managing Director,*  
Thomas William Lench Holdings Limited

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## Corporate Office

55 Brown's Line,  
Toronto, Ontario  
M8W 3S4

## Subsidiaries

ArrowHead Metals Ltd., Toronto, Ontario  
Automatic Screw Machine Products Limited,  
Toronto, Ontario

Docap Corporation Limited, Toronto, Ontario  
Federal Bolt & Nut Corporation Limited,  
Toronto, Ontario

Russell, Burdsall & Ward Corporation,  
Mentor, Ohio, U.S.A.

Lamson & Sessions of Canada Limited,  
Toronto, Ontario

Thomas William Lench Holdings Limited,  
Warley, West Midlands, England

## Registrar and Transfer Agent

National Trust Company Limited, Toronto

## Bankers

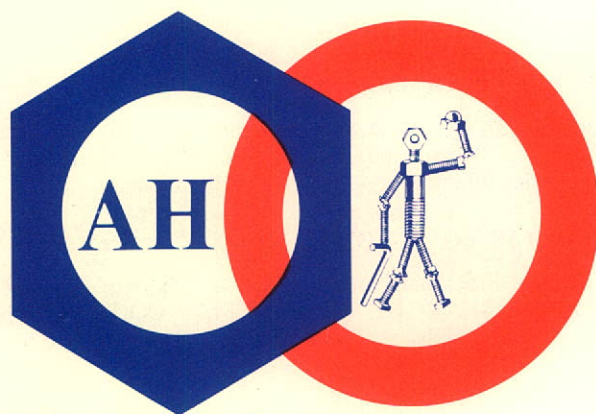
Canadian Imperial Bank of Commerce

## Auditors

Miller, Stone, Saperia and Isaacs

## Share Listing

Toronto Stock Exchange



**AUTOMOTIVE HARDWARE LIMITED**

**INFORMATION CIRCULAR AS AT MAY 13, 1983**

# **AUTOMOTIVE HARDWARE LIMITED**

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## **INFORMATION CIRCULAR**

**AS AT MAY 13, 1983**

### **SOLICITATION OF PROXIES**

This information circular is furnished in connection with the solicitation by the management of Automotive Hardware Limited of proxies to be used at an Annual Meeting of Shareholders of the Company to be held at the time and place and for the purposes set forth in the enclosed notice of meeting. The solicitation will be by mail.

### **APPOINTMENT AND REVOCATION OF PROXIES**

The persons named in the enclosed form of proxy are directors of the Company. A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT HIM AT THE MEETING MAY DO SO either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Secretary of the Company.

A shareholder who has given a proxy may revoke it either (a) by signing a proxy bearing a later date and delivering it to the Secretary of the Company, or (b) as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by signing written notice of revocation and delivering it to the Secretary of the Company or the chairman of the meeting.

### **EXERCISE OF DISCRETION BY PROXIES**

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. IN THE ABSENCE OF SUCH DIRECTION, SUCH SHARES WILL BE VOTED FOR THE APPROVAL OF THE DIRECTORS' REPORT AND FINANCIAL STATEMENTS, FOR THE ELECTION OF DIRECTORS, AND THE APPOINTMENT OF AUDITORS AS STATED UNDER THOSE HEADINGS IN THIS CIRCULAR. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting. At the time of printing this circular the management of the Company knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.

### **VOTING SHARES**

On May 13, 1983, the Company had outstanding 924,636 Class A participating shares and 1,357,464 Class B participating shares all without nominal or par value, each carrying the right to one vote per share. The directors and senior officers of the Company do not know of any person or company beneficially owning, directly or indirectly, shares carrying more than 10% of the voting rights attached to all shares of the Company, other than Mr. Irwin Goldhart who owns 1,290,850 Class B participating shares.

Holders of the shares of the Company of record at the time of the meeting will be entitled to vote at such meeting.

### **APPOINTMENT OF AUDITORS**

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Miller, Stone, Saperia and Isaacs, Chartered Accountants, Toronto, as auditors of the Company, to hold office until the next Annual Meeting of Shareholders. Miller, Stone, Saperia and Isaacs have been auditors of the Company for more than five years.



## ELECTION OF DIRECTORS

It is proposed to nominate the persons listed below for election as Directors of the Company to serve until the next Annual Meeting of the Shareholders or until their successors are duly elected or appointed, unless any such person is not available to act as a director, in which case a substitute may be nominated.

<u>Proposed Nominees</u>	<u>Principal Occupation</u>	<u>Director since</u>	<u>Number of shares owned beneficially May 13, 1983</u>
IRWIN GOLDHART	President, Automotive Hardware Limited	1944	1,290,850 Class B
SIDNEY GOLDHART	Chairman of The Board and Chief Executive Officer, Automotive Hardware Limited	1969	200 Class A
ROSS M. HANBURY	Consultant	1969	5,000 Class B
JOHN J. LOHRMAN	President and Chief Executive Officer, Russell, Burdsall & Ward Corporation	1982	500 Class A
HARRY L. MENDELSON, Q.C.	Barrister and Solicitor	1957	4,102 Class B
GOLDIE POTASHIN	Secretary-Treasurer, Automotive Hardware Limited	1944	2,400 Class A 9,400 Class B
KENNETH W. RANNEY	Vice-President, Operations, Automotive Hardware Limited	1982	100 Class A

**NOTES:**

- (a) The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective Directors individually.
- (b) The above includes shares, if any, owned by family members residing with the nominee.

## REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

	<u>Nature of Remuneration from office &amp; employment</u>
1. As directors (2 in number) .....	\$ 8,000
2. Senior officers (9 in number) .....	\$527,984
3. The Company has paid legal fees to Harry L. Mendelson, Q.C. in the amount of .....	\$ 29,750

## INTEREST OF MANAGEMENT IN MATERIAL TRANSACTIONS

The Company leases the following warehouse premises from Irwin Goldhart Investments Limited of which Irwin Goldhart, the Company's President, is sole shareholder and President. Harry L. Mendelson, a director of the Company, is a director and an officer of Irwin Goldhart Investments Limited but not a shareholder.

Vancouver, British Columbia

August 1, 1979 to July 31, 1984

Annual payments of \$82,712.04 plus proportionate share of insurance and any increases in municipal taxes.

Lachine, Quebec

April 1, 1981 to March 31, 1984

Annual payments of \$105,600.00 plus proportionate share of insurance and municipal taxes.

Dartmouth, Nova Scotia

April 15, 1981 to April 14, 1985

Annual payments of \$87,808.56 plus proportionate share of insurance and municipal taxes.

Edmonton, Alberta

December 1, 1981 to November 30, 1984

Annual payments of \$203,000.04 plus proportionate share of insurance and municipal taxes.

Winnipeg, Manitoba

October 1, 1979 to September 30, 1984

Annual payments of \$80,640.00 during the first three years of the term and \$89,600.00 during the last two years of the term plus proportionate share of insurance and municipal taxes.





# Financial Highlights

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(thousands of dollars  
except where indicated)

**1982**

1981

## Operating Results

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Sales .....	<b>\$ 251,699</b>	261,684
Earnings (loss) before extraordinary items .....	<b>\$ (8,375)</b>	591
Extraordinary items .....	<b>\$ (2,668)</b>	1,758
Net earnings (loss) .....	<b>\$ (11,043)</b>	2,349
Net earnings (loss) per share		
Before extraordinary items .....	<b>\$ (3.67)</b>	0.26
After extraordinary items .....	<b>\$ (4.84)</b>	1.03

## Financial Position

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Working capital .....	<b>\$ 75,656</b>	87,323
Working capital ratio .....	<b>2.5:1</b>	2.7:1
Shareholders' equity .....	<b>\$ 30,414</b>	42,675
Book value per share .....	<b>\$ 13.33</b>	18.70
Dividends per share .....	<b>\$ 0.55</b>	0.60

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Certain 1981 comparative figures have been restated to reflect a prior period adjustment.

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## Corporate Profile

The Automotive Hardware Group manufactures a wide range of industrial fasteners in Canada, United States and United Kingdom and distributes them world-wide. It also manufactures copper and copper alloy mill products and distributes automotive after-market lines in Canada.

Automotive Hardware Limited is a public company whose shares are listed on the Toronto Stock Exchange.

# Chairman's Report to Shareholders

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## Financial Review

The severe economic conditions experienced world-wide were clearly evident in the financial results of the Corporation for 1982. Net sales declined to \$251,699,000 and a net loss of \$8,375,000 was recorded in 1982 compared to net earnings of \$591,000 in 1981. Extraordinary items increased the loss in 1982 to \$11,043,000 and the earnings in 1981 to \$2,349,000.

In view of the uncertain economic climate and the adverse results of the Corporation, the Directors reduced the dividend to 10¢ per share in the final quarter of 1982 and omitted the entire dividend in the first quarter of 1983.

The 1982 results include the operations of the U.S. retail specialty store division which will be phased-out during 1983. The net loss for 1982 attributable to this division was \$3,300,000 which includes the operating loss for all of 1982, the operating loss anticipated during the phase-out period in 1983 and the estimated costs of closing the stores.

In early 1983 a major manufacturing/office facility in Mentor, Ohio was sold. The operations will be transferred to a more suitable facility in Cleveland, Ohio. The net gain on disposal will amount to approximately U.S. \$2,000,000 after providing for estimated shutdown and moving costs and minority interest. This transaction will be reflected on the date of closing which is scheduled for August 1983.

## Business Strategy

After considerable analysis and review, decisions were taken during the year to sell or close the U.S. retail specialty store division and to rationalize plant operations on a major scale. Fastener manufacturing plants in Los Angeles, California and Atherton, England were closed as was the fabricated metal products plant in Livonia, Michigan. These closures eliminated the heavy burden of idle plant costs for the immediate and short term future but also allowed us to restructure and streamline operations for enhanced long-term profitability.

Major changes were also made to strengthen the management of each of the divisions. At the chief operating level:

Kenneth Ranney was appointed Vice-President, Operations of Automotive Hardware Limited.

Robert Kay was appointed Vice-President and General Manager of ArrowHead Metals Ltd.

Hugh Henderson was appointed Managing Director of the T.W. Lench Group, the newly acquired U.K. subsidiary.

Other appointments at the senior level include the following:

Corporate offices in Toronto — Arnold Norris, Director of Industrial Relations and Jim Armstrong, Corporate Manager of Information Systems.

Docap Corporation — Sy Langer, Controller.

ArrowHead Metals — Gary Stephenson, Plant Manager and Keith Baptist, Controller.

Russell, Burdsall & Ward — Boyd Murdoch, Chief Financial Officer; Andy Arena, Vice-President and General Manager of the Distribution Division; Joseph Lencewicz II, Vice-President and General Sales Manager; Raymond Doane, Vice-President and General Manager of R.B. & W. Fastening Service Center; Michael Justice, Vice-President and General Manager of The Fastener House and Terry Capuano, Vice-President of Markets and Products.

T.W. Lench — Graham Beare, Marketing Director.



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In terms of operating costs, aggressive programs were instituted to further reduce inventory and manpower levels and to reduce non-essential operating and capital expenditures. The latter, however, were examined with a long-term view in mind.

The favourable effect of these cost-cutting measures as well as the plant rationalization program will become increasingly apparent in the 1983 results and those of subsequent periods. We are encouraged by the general atmosphere of excitement that pervades about the future prospects of the entire Group of companies, and with good reason, if one considers:

- A new management team that is aggressive, energetic, capable and positive.
- More efficient and effective plant operations.
- An improved, and greatly improving, information system.
- More effective asset management.
- Dedication to the business we know best, the manufacturing and distribution of metal products on a world-wide scale.

### **Outlook**

The economic outlook for 1983 remains uncertain; however, we anticipate a return to growth, albeit moderate, in the second half of the year as business levels improve in the major markets served by the Corporation. We are also encouraged by the reduction in recent months of interest and inflation rates. We are confident that the Corporation will achieve significantly better results in 1983.

### **Director and Executive Changes**

At the time this report went to press, Mr. Irwin Goldhart, our President, was recuperating from major surgery. In view of the circumstances, the Board of Directors appointed me to be Chairman and Chief Executive Officer.

During the year, Mr. Frank Reid, Vice President, Operations and Director retired from the Corporation. We appreciate his major contribution over the years. Mr. Kenneth Ranney and Mr. John Lohrman, both Senior Officers of the Corporation, joined The Board during the year.

We wish to thank all of our employees and shareholders for their continuing loyalty and dedication. We are also grateful to our customers and suppliers for their support during the past year.



Sidney Goldhart,  
Chairman and Chief Executive Officer

May 13, 1983

# Report on Operations

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## CANADA

### Fastener and Automotive Aftermarket Division

Operations were curtailed at the main Toronto fastener location due to strike action which commenced on September 28, 1981 and continued to April 18, 1982 at which time normal operations resumed. Market conditions remained poor for the balance of the year and into the first quarter of 1983. Despite severe competition and price-cutting in the industry, market share lost during the strike is slowly being recovered.

Certain actions were taken to respond to the adverse economic environment:

- Staff reductions were implemented in both the manufacturing and distribution areas.
- The normal year-end shutdown period was extended.
- All operational costs were reviewed and reduced accordingly.
- Raw material requirements were carefully scrutinized and inventory levels lowered to reflect current conditions.
- Capital expenditure and major rebuild programs were carefully examined and several projects were deferred to 1983.

Management at the division was strengthened by creating new positions in the areas of industrial relations and information systems; namely, a Director of Industrial Relations responsible for the main Toronto facility and co-ordination of industrial relations for all Canadian Divisions and a Corporate Manager of Information Systems to upgrade computer-related activities for all Canadian Divisions.

Docap Corporation continues to occupy an enviable position in the Canadian automotive aftermarket offering a broad and diversified product line that provides a "one stop" source of supply from seven warehouse locations. In spite of difficult economic conditions in 1982, Docap's sales exceeded 1981 levels due to a program of aggressive selling and promotional techniques which stimulated sales and improved market share.

### Brass Division

Severely depressed economic conditions especially in the automotive and housing industries, continued through 1981 and for most of 1982. These conditions, combined with high interest rates and high customer inventory levels, caused a sharp reduction in sales in the year.

In response to these conditions and to combat the resulting operating loss, the following actions were implemented:

- The sales department was restructured whereby a new marketing function was created, certain positions eliminated and changes instituted in territory and major account coverage in North America.
- In operations, a senior manufacturing manager was appointed while certain management positions were eliminated; an outside consulting study resulted in the implementation of improved productivity and measurement techniques and as a result, reduced manpower; a preventative maintenance program was installed and quality assurance was expanded.
- In administration, a new controller was appointed.
- Inventories have been significantly reduced and brought into line with the present level of business.
- A new thin gauge rolling mill, installed at a cost of over \$4 million and now in the final stages of commissioning, will provide an opportunity to develop new markets and expand existing ones.

### Outlook

Fastener sales are expected to recover as economic conditions improve throughout the year. Market share lost during the strike period will also be regained. Every opportunity to optimize activities between United States, Canada and the United Kingdom will be explored. Docap will continue to make its presence felt on the Canadian automotive aftermarket with the introduction of new lines and expansion of existing ones. The newly revamped and streamlined version of ArrowHead Metals is prepared to meet 1983 with a keen sense of competition and aggressiveness; profitability will improve in 1983 with even a modest recovery.



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## UNITED STATES

The severe recession which commenced in the last quarter of 1981 continued through the entire year 1982. All of the major markets served by Russell, Burdsall & Ward Corporation including automotive, truck, farm and off-highway equipment, railroads, utilities and construction were at their lowest activity levels in over 20 years.

In response to this uncertain economic environment, management undertook a critical study to identify the best long-term opportunities and developed major programs to reposition the company in those directions. The goal was to position all of their operations to produce attractive returns in the future regardless of economic swings. To implement the above programs, the following specific steps were taken:

### **Metal Forming Division**

The major actions taken to restructure this division to match manufacturing capacity with anticipated market requirements were:

- The Mentor, Ohio fastener plant was sold with the operations being transferred to a smaller and more efficient facility and to other company locations.
- The RB&W Fabricated Metal Products plant in Livonia, Michigan, which had an operating loss in 1982, was closed because this facility did not offer adequate future profit opportunity.
- The Los Angeles, California fastener manufacturing plant was closed and the majority of business was transferred to the Distribution Division or to other manufacturing facilities in the company.

Other actions included:

- Aggressive programs to reduce inventory levels.
- Disposal of excess and surplus equipment.
- Cost containment programs to reduce each plant's break-even point.

### **Distribution Division**

Steps taken in 1982 included the following:

- The operations of four branches and distribution centers were consolidated into other existing branches. This will reduce facility overhead but will not curtail the ability to respond to present and foreseeable future market demands.
- Reduction of personnel and operating costs to reduce each branch operation's break-even point.
- New inventory management programs have been introduced to control investment in inventories.
- Improved sourcing techniques have been introduced to reduce acquisition cost of all products.
- Division training programs have been developed to improve marketing, selling, warehousing and product knowledge for all branch personnel.

### **Retail Division**

A decision was made to phase out of the specialty retail business by selling Mangel Stores. It will continue as an ongoing operation while discussions are held with potential buyers. This segment is treated as a discontinued operation in the accompanying financial statements.

### **Outlook**

1983 will be a year of slow recovery in the United States. The automotive industry should improve over 1982, but only back to 1981 levels. Construction and farm implement industries will have little growth until 1984, however, the other industries served by the company should start improving during the second half of 1983. The steps taken in 1982 and the continuing action programs outlined above should position the company to deliver acceptable returns.

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## UNITED KINGDOM

Severe economic conditions existed in the United Kingdom and Europe throughout 1982. High interest rates prevailed early in the year and significant reductions in rates came too late to have any significant impact. Poor customer demand for fastener products, excess capacity existing within the industry and market penetration by low cost imports of Far East and Eastern Bloc origins, all severely impacted both the manufacturing and distribution segments.

The T.W. Lench Group of companies has undergone considerable restructuring in 1982 in response to the economic conditions. A major rationalization reduced manpower levels by a third and closed one unprofitable facility. Particular attention was also given to the introduction of an inventory reduction program with emphasis on slow moving parts. Fixed assets surplus to the Group's needs have been identified and sales of certain properties and buildings have already been finalized. A major strengthening of the Group's management team included the hiring of new Managing and Marketing Directors. A new Financial Director will also be hired in the near future.

The new management team has developed, in conjunction with the Group's Chairman and senior management from both Canada and the United States, a continuing strategy to deal with the recessionary period and to be poised and ready when the upturn occurs. The major components of this action plan include:

- Minimize the Group overhead structure.
- Reorganize the manufacturing facilities in a central location.
- Improve equipment utilization with emphasis on low cost automation in the finishing departments.
- Further rationalization of manpower levels to ensure maximum productivity.
- Broaden the customer sales base by manufacturing standard product lines.
- Increase the existing distribution network with specific reference to the south and south-west of England.
- Set up a central import point thus making imported products available to all distribution companies.
- Integration of the Lench Group's distribution activities with those of Fastener House's U.K. operations.

### Outlook

The outlook for 1983 anticipates a return to profitability even though no significant upturn in business activity is anticipated until late 1983, early 1984. The changes already implemented and the program outlined above will place the Group in a much improved position by mid 1983.



# Automotive Hardware Limited

and its subsidiary corporations

## Consolidated Statement of Earnings

for the year ended December 31

	(thousands of dollars except earnings per share)	
	1982	1981 (restated)
Sales .....	<b>\$251,699</b>	\$261,684
Expenses:		
Cost of sales .....	<b>215,339</b>	216,800
Selling, administrative and general .....	<b>30,122</b>	26,381
Depreciation and amortization .....	<b>4,655</b>	3,224
Interest on long-term debt .....	<b>10,546</b>	8,617
Other interest .....	<b>3,636</b>	4,061
	<b>264,298</b>	259,083
Earnings (loss) from continuing operations before income taxes (recovered) .....	<b>(12,599)</b>	2,601
Income taxes (recovered) .....	<b>(2,579)</b>	1,851
Earnings (loss) from continuing operations .....	<b>(10,020)</b>	750
Loss from discontinued operations (note 3) .....	<b>(2,167)</b>	(363)
Earnings (loss) before minority interest and extraordinary items .....	<b>(12,187)</b>	387
Minority interest reduction .....	<b>3,812</b>	204
Earnings (loss) before extraordinary items .....	<b>(8,375)</b>	591
Extraordinary items (note 12) .....	<b>(2,668)</b>	1,758
Net earnings (loss) .....	<b>\$ (11,043)</b>	\$ 2,349
Earnings (loss) per share before extraordinary items .....	<b>\$ (3.67)</b>	\$ 0.26
Earnings (loss) per share after extraordinary items .....	<b>\$ (4.84)</b>	\$ 1.03

## Consolidated Statement of Retained Earnings

for the year ended December 31

	(thousands of dollars)	
	1982	1981 (restated)
Balance, January 1		
As previously reported .....	<b>\$ 34,520</b>	\$ 33,701
Adjustment of prior years' business and realty taxes (note 10) .....	<b>488</b>	327
As restated .....	<b>35,008</b>	34,028
Net earnings (loss) .....	<b>(11,043)</b>	2,349
Dividends .....	<b>23,965</b>	36,377
	<b>1,265</b>	1,369
Balance, December 31 .....	<b>\$ 22,700</b>	\$ 35,008

# Automotive Hardware Limited

and its subsidiary corporations

## Consolidated Balance Sheet

as at December 31

	(thousands of dollars)	
	1982	1981 (restated)
<b>Assets</b>		
<b>Current assets</b>		
Cash .....	\$ 4,730	\$ 7,687
Accounts receivable .....	32,094	37,095
Inventories (note 4) .....	84,390	87,248
Deferred income taxes on inventories .....	3,612	2,491
Income taxes recoverable .....	846	1,319
Prepaid expenses .....	1,402	1,534
	<b>127,074</b>	<b>137,374</b>
<b>Property, plant and equipment</b> (note 5) .....	<b>114,429</b>	<b>99,290</b>
Accumulated depreciation .....	<b>58,464</b>	<b>49,396</b>
	<b>55,965</b>	<b>49,894</b>
<b>Other assets</b> (note 6) .....	<b>5,979</b>	<b>4,870</b>
	<b>\$189,018</b>	<b>\$192,138</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank indebtedness (note 7) .....	\$ 19,630	\$ 21,565
Accounts payable and accrued liabilities .....	29,818	26,670
Dividends payable .....	228	342
Current portion of long-term debt .....	1,742	1,474
	<b>51,418</b>	<b>50,051</b>
<b>Long-term debt</b> (note 8) .....	<b>89,178</b>	<b>75,235</b>
<b>Other long-term liabilities</b> .....	<b>1,797</b>	<b>2,872</b>
<b>Deferred income taxes</b> .....	<b>1,268</b>	<b>2,284</b>
<b>Minority interest</b> .....	<b>14,943</b>	<b>19,021</b>
<b>Shareholders' equity</b>		
Capital stock (note 9) .....	4,643	4,449
Retained earnings .....	22,700	35,008
Contributed surplus (note 11) .....	3,071	3,218
	<b>30,414</b>	<b>42,675</b>
	<b>\$189,018</b>	<b>\$192,138</b>

Approved on behalf of the Board of Directors

Sidney Goldhart, Director

Goldie Potashin, Director



# Consolidated Statement of Changes in Financial Position

for the year ended December 31

## Automotive Hardware Limited

and its subsidiary corporations

	(thousands of dollars)	
	1982	1981 (restated)
<b>Source of funds</b>		
Operations —		
Earnings (loss) before extraordinary items	\$ (8,375)	\$ 591
Depreciation and amortization on		
continuing operations	4,655	3,224
Depreciation on discontinued operations	387	288
Deferred income taxes	(762)	348
Minority interest reduction	(3,934)	(204)
	<b>(8,029)</b>	4,247
Proceeds on disposal of property, plant and equipment, inventory and other assets, less income taxes	1,253	3,510
Discount earned on redemption of debentures	—	4
Issue of capital stock	194	7
Increase in long-term debt	9,697	32,634
Working capital of subsidiary at date of acquisition	—	45,395
Increase in other long-term liabilities	—	256
	<b>3,115</b>	86,053
<b>Use of funds</b>		
Purchase of property, plant and equipment	6,183	21,802
Purchase of other assets	—	2,823
Dividends	1,265	1,369
Working capital deficiency of subsidiary at date of acquisition	3,418	—
Decrease in other long-term liabilities	1,075	—
Reduction in contributed surplus	148	—
Deferred closure costs	1,157	—
Working capital of discontinued operations	1,536	—
	<b>14,782</b>	25,994
<b>Increase (decrease) in working capital</b>	<b>(11,667)</b>	60,059
<b>Working capital, January 1</b>		
As previous reported	86,835	26,937
Adjustment of prior years' business and realty taxes (note 10)	488	327
As restated	<b>87,323</b>	27,264
<b>Working capital, December 31</b>	<b>\$ 75,656</b>	\$ 87,323

# Notes to the Consolidated Financial Statements

December 31, 1982

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## 1. Summary of significant accounting policies

### (a) Basis of consolidation

The consolidated financial statements include the accounts of Automotive Hardware Limited and its subsidiary corporations. Acquisitions are accounted for on the purchase method; accordingly, the results of operations are included from the date of acquisition.

### (b) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis, except for ArrowHead Metals Ltd. which values its major metals inventories on a last-in, first-out basis.

### (c) Property, plant and equipment

Property, plant and equipment are carried at cost. Major renewals and betterments are capitalized while maintenance and repair expenditures are expensed as incurred. Property, plant and equipment held for sale are segregated under 'Other Assets' and are carried at the lower of cost and estimated net realizable value.

Depreciation is charged at various rates determined to amortize the cost of assets over their estimated useful lives. Assets acquired under capital leases are amortized over the terms of their leases.

### (d) Intangibles

Goodwill represents the excess of the cost of shares in the acquired subsidiary over the net book value of its assets. Amortization is charged on a straight-line basis over a period not exceeding ten years.

Royalty rights are carried at net book value. Amortization is charged on a straight-line basis over a period not exceeding ten years.

### (e) Income taxes

Income taxes are provided on the tax allocation basis. Under this method, taxes on cumulative timing differences between reported and taxable incomes are provided for as deferred income taxes. Such timing differences result principally from claiming depreciation and inventories for tax purposes at amounts differing from those charged to reported earnings. Income tax benefits arising from accounting losses are reflected in earnings in the year they arise to the extent of deferred income tax credits available. Income tax benefits, in excess of those above, are not recorded where the realization is not virtually certain.

Investment tax credits are recognized in earnings when claimed as a reduction of income taxes payable.

### (f) Pension costs

Current service costs are charged to earnings as they accrue. Past service costs are charged to earnings at rates which, based on independent actuarial estimates, will fully provide for the obligations over periods not longer than those permitted by various regulatory bodies.

### (g) Foreign currency translation

Current assets and current liabilities in foreign currencies are translated at year end exchange rates. All other assets and liabilities in foreign currencies are translated at rates prevailing when the assets were acquired or the liabilities were incurred. Income and expense items in foreign currencies, other than depreciation, are translated at average rates prevailing during the year. Gains or losses on translation are reflected in earnings, except that unrealized gains or losses resulting from translation of current assets and current liabilities of foreign subsidiaries are reflected on the balance sheet.



## 2. Acquisition

On August 1, 1982, the Corporation, through a newly incorporated United Kingdom subsidiary, acquired 592,800 shares (a 52% interest) of Thomas William Lench Holdings Limited of Warley, West Midlands, England, at a cost of \$2,985,000.

Summarized below are the assets and liabilities of the acquired corporation on August 1, 1982.

	(thousands of dollars)
Working capital deficiency	\$(3,418)
Property, plant and equipment	8,960
Goodwill	791
Long-term liabilities	(1,324)
	5,009
Less: minority interest	2,024
Total consideration	\$ 2,985
Consideration:	
Cash	\$ 63
Unsecured loan note (note 8)	2,922
	\$ 2,985

## 3. Discontinued operations

During the year, decisions were made to close or sell certain of the operations. The assets and liabilities of these operations have been segregated at cost and provision made for losses on realization and closure costs. These net assets are included in Other assets (note 6):

Book Value	(thousands of dollars)
Inventory	\$ 2,461
Property, plant and equipment	4,016
Accounts payable and accrued expenses	(925)
Long-term debt	(449)
	5,103
Provision for losses on realization and closure costs	3,268
	\$ 1,835

Results of the retail division, which is to be sold in 1983, are reported separately in 1982 and 1981 as a loss from discontinued operations. The details are as follows:

	(thousands of dollars)	
	1982 (12 months)	1981 (9 months)
Sales	\$17,581	\$ 16,433
Loss for period	\$ 2,167	\$ 363

Provision has been made in 1982 earnings for certain non-recurring charges. These charges, after allowing for minority interest, are reported as Extraordinary items (note 12) and include:

	(thousands of dollars)
a) Anticipated 1983 operating loss for the retail division	\$ 554
b) Anticipated plant and retail store closure costs, net of recoveries on the sale of related assets	1,802
	\$ 2,356

**4. Inventories**

(thousands of dollars)

	1982	1981
Raw materials	\$ 11,767	\$13,582
Work-in-process	11,284	12,681
Finished goods	56,095	55,306
Supplies	5,244	5,679
	\$ 84,390	\$ 87,248

Inventories held by ArrowHead Metals Ltd. on a first-in, first-out basis exceed last-in, first-out cost by \$7,280,000 as at December 31, 1982 (1981 - \$10,648,000).

**5. Property, plant and equipment**

(thousands of dollars)

	1982		1981	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 5,875	\$ —	\$ 4,967	\$ —
Buildings	22,886	8,886	21,754	10,057
Machinery and equipment	85,668	49,578	72,569	39,339
	\$114,429	\$ 58,464	\$ 99,290	\$ 49,396

**6. Other assets**

(thousands of dollars)

	1982	1981
Net assets from discontinued operations held for sale (note 3)	\$ 1,835	\$ —
Other equipment held for sale	1,508	2,637
Goodwill	783	—
Royalty rights	1,220	1,358
Other	633	875
	\$ 5,979	\$ 4,870

**7. Bank indebtedness**

Bank indebtedness is secured generally by the assignment of accounts receivable and inventories as well as fixed and floating demand debentures on certain assets.



## 8. Long-term debt

(thousands of dollars)

	1982	1981
<b>Secured</b>		
Bank term loan, prime plus 1/2%, payable in annual instalments of \$705,882, with the balance due in 1988	\$ 6,729	\$ 7,488
Bank term loan, prime plus 1/2%, due 1989	5,500	—
Bank term loan (U.S. \$20,000,000), U.S. prime, payable in annual instalments from 1987 to 1996	23,692	23,692
Bank term loan (£556,000), London Inter-Bank Rate plus 2-1/2%, payable in annual instalments to 1986	1,192	—
Revolving bank loan (U.S. \$18,142,000), U.S. prime plus 3/4%, due 1985 and convertible to term notes, payable in quarterly instalments from 1985 to 1988	21,491	15,991
Term loan (U.S. \$18,000,000), 11-1/2%, payable in annual instalments from 1986 to 1995	21,323	21,323
Realty mortgage, 6-7/8%, blended monthly payments, due in 1985	272	352
Capitalized lease obligations (U.S. \$5,299,000)	6,286	7,660
Equipment contract (DM 2,642,000) 9-3/4%, payable in quarterly instalments from 1984 to 1986	1,378	—
<b>Unsecured</b>		
Loan note payable (£1,334,000), non-interest bearing, principal repayment conditional on profitability of the United Kingdom subsidiary corporation and the unpaid liability, if any, ceases in the year 2000	2,922	—
Other	135	203
	<b>90,920</b>	<b>76,709</b>
Less — Amount due within one year	1,742	1,474
	<b>\$ 89,178</b>	<b>\$ 75,235</b>

Principal payments required in the next five years are:

	(thousands of dollars)
1983	\$ 1,742
1984	2,127
1985	7,766
1986	9,882
1987	11,445

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**9. Capital stock**

	1982	1981
	(number of shares)	
<b>Authorized</b>		
Class A, voting, convertible shares, without par value .....	7,000,000	7,000,000
Class B, voting, convertible shares, without par value .....	7,000,000	7,000,000
Class C, 5%, non-cumulative, non-voting, redeemable shares, par value 1¢ .....	438,167,915	504,721,205
Common Shares, without par value .....	520,000	520,000
<b>Outstanding</b>		
Class A Shares .....	917,036	700,716
Class B Shares .....	1,365,064	1,581,384
Class C Shares .....	19,362,750	—
	(thousands of dollars)	
<b>Total Capital Stock</b> .....	\$ 4,643	\$ 4,449

During the year 224,520 Class B shares were converted into 224,520 Class A shares; 8,200 Class A shares were converted into 8,200 Class B shares; and 85,916,040 Class C shares were issued as stock dividends in the amount of \$859,160 of which 66,553,290 shares were redeemed in the amount of \$665,532.

At December 31, 1982, 23,760 Class A shares were reserved for employee stock options. Options were outstanding to 20 employees for a total of 14,600 shares with various expiry dates up to 1986. The option price is 90% of the market value on the date granted. During the year, options were cancelled on 2,000 shares.

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**10. Prior period adjustment**

As a result of a re-assessment of property value for the year 1975, a refund of realty and business taxes was received for the years 1975 to 1981, amounting to \$488,000. Of the \$488,000, \$161,000 is applicable to 1981 and has been credited to earnings for that year. The remaining \$327,000 is applicable to years prior to January 1, 1981 and the balance of retained earnings at that date has been adjusted accordingly. The comparative figures for 1981 have been restated to reflect this adjustment.

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**11. Contributed surplus**

In accordance with the terms and conditions of an agreement to acquire a subsidiary in 1978, a portion of the realty and business taxes (\$147,000) referred to in note 10 will be refunded to the vendor. The refund, relating to the precontrol period, has been charged to contributed surplus.



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**12. Extraordinary items**

	(thousands of dollars)	
	1982	1981
Gain on disposal of redundant assets .....	\$ 154	\$ 2,869
Write-down to estimated net realizable value of equipment held for sale .....	(825)	—
Costs related to discontinued operations (note 3) .....	(2,356)	—
	(3,027)	2,869
Income taxes (recovered) .....	(359)	1,111
	\$ (2,668)	\$ 1,758

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**13. Income taxes**

- a) The Corporation and subsidiary corporations have losses carried forward which may be used to reduce taxable incomes in future years. The losses expire in the following years:

In Canada	(thousands of dollars)
1985	\$ 7,116
1986	1,241
1987	5,030

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\$ 13,387

In United States	(thousands of U.S. dollars)
1990	\$ 6,800
1991	11,700
1992	3,000
1996	1,600
1997	8,000

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\$ 31,100

In United Kingdom	(thousands of pounds)
No time limit	£ 2,525

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- b) The Corporation and subsidiary corporations have investment tax credits amounting to \$464,700 Canadian and \$742,000 U.S. which can be used to reduce income taxes payable in future years.
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**14. Related party transactions**

A private corporation owned by a director received \$624,990 (1981 — \$398,450) for various warehouses occupied by the Corporation, pursuant to lease commitments.

## 15. Segmented information

The Corporation and its subsidiary corporations have substantially all their operations in the metal industry as producers of fasteners and brass products, and as distributors of fasteners and automotive aftermarket products. These operations are integrated and no meaningful segregation of sales, profitability or assets can be made other than on a geographical basis.

The Corporation acquired its U.K. segment on August 1, 1982 and its U.S. segment on April 8, 1981. The geographic information below reflects those dates. Transfers between geographic segments are made at fair market value.

Highlighted below is a summary of sales, operations and identifiable assets by geographic segment for 1982 and 1981.

	(thousands of dollars)	
	1982	1981 (restated)
Sales		
Canada .....	\$ 87,797	\$124,419
United States .....	153,770	137,663
United Kingdom .....	10,638	—
	252,205	262,082
Inter-segment elimination .....	506	398
	\$251,699	\$261,684
Segment earnings (loss) before income taxes		
Canada .....	\$ (4,302)	\$ 2,734
United States .....	(7,120)	871
United Kingdom .....	(431)	—
	(11,853)	3,605
Inter-segment elimination .....	(746)	1,004
Segment earnings (loss) before income taxes .....	(12,599)	2,601
Income taxes (recovered) .....	(2,579)	1,851
Earnings (loss) from continuing operations .....	(10,020)	750
Loss from discontinued operations .....	(2,167)	(363)
Earnings (loss) before minority interest and extraordinary items .....	(12,187)	387
Minority interest reduction .....	3,812	204
Earnings (loss) before extraordinary items .....	(8,375)	591
Extraordinary items .....	(2,668)	1,758
Net earnings (loss) .....	\$ (11,043)	\$ 2,349
Assets Identifiable by Segment		
Canada .....	\$ 95,347	\$104,591
United States .....	96,215	107,260
United Kingdom .....	21,069	—
	212,631	211,851
Inter-segment elimination .....	23,613	19,713
	\$189,018	\$192,138
Capital Expenditures in the Year		
Canada .....	\$ 2,360	\$ 3,393
United States .....	2,332	18,409
United Kingdom .....	1,491	—
	\$ 6,183	\$ 21,802



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## 16. Commitments and contingencies

- a) The Corporation and its subsidiary corporations have lease commitments which require payments, exclusive of executory costs, as follows:

(thousands of dollars)

1983	\$ 4,220
1984	3,127
1985	1,919
1986	904
1987	426
Subsequent years	168
	<hr/> \$10,764 <hr/>

The amount expensed during the year was \$4,866,000 (1981 — \$3,685,000).

- b) The Corporation and its subsidiary corporations have various pension plans which cover substantially all employees. During the year, the amount expensed for current and past service obligations was \$1,902,000 (1981 — \$2,082,000). Funding requirements for past service are currently estimated by an independent actuary to be \$2,818,000 payable in various annual instalments over the next fourteen years.
- c) Legal action was instituted in 1980 against a customer for costs incurred, pursuant to a contract. The amount claimed is \$298,400. Notwithstanding a counter-claim of \$244,500, counsel for the Corporation is of the opinion that the claim is valid, but the realizable amount cannot be determined.
- d) Three lawsuits, claiming approximately \$2,700,000 plus costs and interest, have been commenced against the Corporation and certain of its subsidiary corporations by individuals alleging wrongful dismissal by a subsidiary corporation. The corporations deny any indebtedness or liability. Counsel is unable to form an opinion in regard to the merits of the claims.

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## 17. Events subsequent to the year-end

In March 1983, Russell, Burdsall & Ward Corporation, a subsidiary of the Corporation, entered into a sales agreement to sell a major manufacturing/office facility in Mentor, Ohio for \$7,400,000 U.S. The sales consideration includes the assumption by the purchaser of industrial revenue bonds with a face value of \$5,735,000 U.S. and the balance payable in cash. The gain on disposal, amounting to approximately \$2,000,000 U.S. after minority interest, will be recognized in earnings on the date of closing.

# Auditors' Report

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To the Shareholders of  
Automotive Hardware Limited:

We have examined the consolidated balance sheet of Automotive Hardware Limited as at December 31, 1982, and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the corporation as at December 31, 1982, and the results of its operations and changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario  
April 21, 1983

MILLER, STONE, SAPERIA AND ISAACS  
Chartered Accountants

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## Management's Report

The consolidated financial statements of the Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied in all material respects.

Management is responsible for all information in the annual report. Where appropriate, financial and operating data in the report is consistent with the financial statements.



# Automotive Hardware Limited

and its subsidiary corporations

## Five Year Financial Summary

(thousands of dollars except where indicated)

	1982	1981	1980	1979	1978
<b>Operating Results</b>					
Sales	\$251,699	261,684	95,703	162,919	92,640
Depreciation and amortization	\$ 4,655	3,224	1,904	2,408	1,921
Earnings (loss) before income taxes	\$ (12,599)	2,601	(1,049)	10,021	5,042
Income taxes (recovered)	\$ (2,579)	1,851	(79)	3,761	1,933
Loss from discontinued operations	\$ (2,167)	(363)	—	—	—
Realization of deferred income taxes	\$ —	—	—	1,033	1,015
Minority interest reduction	\$ 3,812	204	—	—	—
Extraordinary items	\$ (2,668)	1,758	899	18	7,433
Net earnings (loss)	\$ (11,043)	2,349	(71)	7,311	11,557
Net earnings (loss) per share —					
Before extraordinary items	\$ (3.67)	0.26	(0.43)	3.20	1.95
After extraordinary items	\$ (4.84)	1.03	(0.03)	3.23	5.47
<b>Financial Position</b>					
Working capital	\$ 75,656	87,323	27,264	34,196	26,086
Working capital ratio	2.5:1	2.7:1	2.0:1	2.2:1	2.0:1
Capital expenditures	\$ 6,183	21,802	2,525	2,156	14,347
Property, plant and equipment (net)	\$ 55,965	49,894	22,338	22,631	22,909
Total assets	\$189,018	192,138	77,965	87,035	75,978
Long-term debt	\$ 89,178	75,235	7,837	8,850	10,862
Shareholders' equity	\$ 30,414	42,675	41,688	43,097	36,117
Book value per share	\$ 13.33	18.70	18.27	18.94	17.11
Dividends per share	\$ 0.55	0.60	0.60	0.54	0.42

Certain prior years figures have been restated to reflect a prior period adjustment relating to the period 1975 to 1981.

# Directory of Operations

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**CANADA:** Automotive Hardware Limited  
Head Office, Toronto, Ontario

**Manufacturing:**

ArrowHead Metals Ltd., Toronto, Ontario  
Automatic Screw Machine Products Limited,  
Toronto, Ontario  
Docap Corporation Limited, Toronto, Ontario  
Federal Bolt & Nut Corporation Limited,  
Toronto, Ontario

**Distribution:**

Vancouver, British Columbia  
Edmonton, Alberta  
Calgary, Alberta  
Winnipeg, Manitoba  
Toronto, Ontario  
Montreal, Quebec  
Dartmouth, Nova Scotia

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**UNITED STATES:** Russell, Burdsall & Ward Corporation  
Head Office, Mentor, Ohio

**Manufacturing:**

Metal Forming  
Screw Products  
Chicago, Il.  
Mentor, Oh.  
Rock Falls, Il.

Nut Products  
Coraopolis, Pa.  
Kendallville, In.  
Kent, Oh.  
Toronto, Canada

Sales Offices  
Chicago, Il.  
Southfield, Mi.  
Mentor, Oh.

Product Development  
Cleveland, Oh.

RB&W Powdered Metal Products  
Coldwater, Mi.

**Distribution:**

Bosco Fastening Service Center: Headquarters, Dallas, Tx.

Branches

Little Rock, Ar.  
Colorado Springs, Co.  
Denver, Co.  
Wichita, Ks.

Baton Rouge, La.  
Kansas City, Mo.  
Omaha, Nb.  
Albuquerque, Nm.

Oklahoma City, Ok.  
Tulsa, Ok.  
Memphis, Tn.  
Beaumont, Tx.

Dallas, Tx.  
El Paso, Tx.  
Fort Worth, Tx.  
Houston, Tx.

The Fastener House: Headquarters, Cleveland, Oh.

Branches

Elk Grove Village, Il.  
Fort Wayne, In.  
Indianapolis, In.  
Livonia, Mi.

Jamestown, Ny.  
Rochester, Ny.  
Cincinnati, Oh.  
Cleveland, Oh.

Columbus, Oh.  
Mansfield, Oh.  
Ontario, Oh.  
Youngstown, Oh.

Erie, Pa.  
Pittsburgh, Pa.  
London, England

RB&W Fastening Service Centre: Headquarters, City of Commerce, Ca.

Branches

Phoenix, Az.  
City of Commerce, Ca.

Pocatello, Id.  
Tigard, Or.

Orem, Ut.  
Salt Lake City, Ut.

Seattle, Wa.

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**UNITED KINGDOM:** Thomas William Lench Holdings Limited  
Head Office, Warley, West Midlands, England

**Manufacturing:**

T.W. Lench Limited, Warley, West Midlands, England  
Newton Abbot Engineering Limited, Devon, England  
Yew Tree Fasteners Limited, Warley, West Midlands, England

**Distribution:**

Blakemore & Company Limited, Atherton, England  
Gladstone Limited, Stockton on Tees, England  
Warley Fasteners Limited, Warley, West Midlands, England  
Gwent Fasteners Limited, Newport, Wales





