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**AUTOMOTIVE  
HARDWARE  
LIMITED**



# Automotive Hardware Limited

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## Directors

Irwin Goldhart,  
*President,*  
Automotive Hardware Limited

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

Ross M. Hanbury,  
*Consultant*

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

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

Frances A. Reid,  
*Vice-President,*  
Automotive Hardware Limited

## Officers

Irwin Goldhart, *President*  
Kenneth W. Ranney, *Executive Assistant to the President*  
L.E. Gazley, *Vice-President, Marketing*  
Henry Lubaszka, *Vice-President, Finance*  
Goldie Potashin, *Secretary-Treasurer*  
Frances A. Reid, *Vice-President*  
John Cheadle, *Corporate Director of Financial Planning*  
Joseph Vollans, *Corporate Controller*

## Chief Officers of Subsidiaries

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

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

Ronald L. Sinclair,  
*President,*  
ArrowHead Metals Ltd.

## 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  
Lamson & Sessions of Canada Limited,  
Toronto, Ontario

## Registrar and Transfer Agent

National Trust Company Limited,  
Montreal, Toronto, Winnipeg, Calgary and Vancouver

## Bankers

Canadian Imperial Bank of Commerce

## Auditors

Miller, Stone, Saperia and Isaacs

## Share Listing

Toronto Stock Exchange

# Financial Highlights

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(thousands of dollars  
except where indicated)

**1981**                      1980

## Operating Results

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Sales .....	<b>\$278,117</b>	\$ 95,703
Earnings (loss) before extraordinary income .....	<b>\$ 430</b>	(1,034)
Extraordinary income .....	<b>\$ 1,758</b>	\$ 899
Net earnings (loss) .....	<b>\$ 2,188</b>	\$ (135)
Net earnings (loss) per share		
Before extraordinary income .....	<b>\$ 0.19</b>	\$ (0.45)
After extraordinary income .....	<b>\$ 0.96</b>	\$ (0.06)

## Financial Position

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Working capital .....	<b>\$ 86,835</b>	\$ 26,937
Working capital ratio .....	<b>2.7:1</b>	2.0:1
Shareholders' equity .....	<b>\$ 42,187</b>	\$ 41,361
Book value per share .....	<b>\$ 18.49</b>	\$ 18.13
Dividends per share .....	<b>\$ 0.60</b>	\$ 0.60

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Certain 1980 comparative figures have been reclassified to conform to the presentation adopted in 1981.

# President's Message to Shareholders

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Your Company has returned to a level of profitability, albeit a modest one.

In light of the difficult environment throughout the industry and the entire economy, we are encouraged by the performance of each company within the group. Significant cost reductions were instituted in the past year and further measures will be taken as conditions dictate. We intend to control all cost components and to remain lean during this prevailing period of recession and high interest rates, and although we do not anticipate significant gains in 1982 we are definitely positioned to respond vigorously to any improvement that materializes in the economy, be it in Canada or United States.

Automotive Hardware Limited, during the year, became one of the leading fastener companies in the world as a result of acquiring control of the combined operations of Russell, Burdsall & Ward Corporation and the industrial fastener division of The Lamson & Sessions Co. On April 8, 1981, 200,000 \$5.00 cumulative, convertible, preferred shares of Russell, Burdsall & Ward Corporation were acquired for \$20 million U.S. cash. These shares constitute 50.1% voting control of Russell, Burdsall & Ward Corporation. As expected, the combined U.S. operations improved significantly over their previous year and reflected a slight profit. This was achieved despite recessionary pressures encountered by the U.S. economy throughout 1981.

Just prior to this report going to print, we concluded an arrangement with the major shareholders of Thomas William Lench Holdings Ltd., whereby Automotive Hardware Limited and Russell, Burdsall & Ward Corporation jointly have an option to acquire the majority interest in the company. Thomas William Lench Holdings Ltd. is a leading fastener company in the United Kingdom. The association between Automotive Hardware in Canada, Russell, Burdsall & Ward in the U.S., and T.W. Lench in the U.K. would provide excellent opportunities to the group as a whole, and would truly put your Company on an international scale.

Consolidated sales increased by \$182,414,000 to \$278,117,000 for the year ended December 31, 1981, a dramatic increase which is substantially attributable to the inclusion from April 8, 1981, of operations of Russell, Burdsall & Ward Corporation. Consolidated net earnings were \$2,188,000 for 1981 compared to a net loss of \$135,000 in the previous year, which include extraordinary income of \$1,758,000 in 1981 and \$899,000 in 1980.

Canadian operations improved considerably over 1980 in terms of sales and profits. For the most part, the increases are due to the resumption of operations at ArrowHead Metals in 1981 after their lengthy labour dispute in 1980. Unfortunately a similar problem developed at the corporate headquarters in Toronto, where office and plant employees of the Steelworkers Union were on strike from September 28, 1981 to April 19, 1982. The settlement of this dispute revealed several areas where relations between the Company and the Union could be improved. We intend to take action to achieve better communication and understanding between employees and management, and assist both parties to avoid mutually costly work stoppages. Docap Corporation, which services the automotive aftermarket, capitalized on the strong car repair market and continued its strong performance.

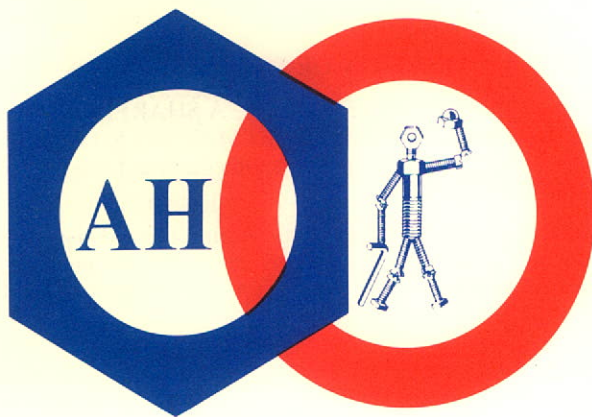
As we look ahead, we are faced with many interesting and challenging opportunities. The key ingredient during these difficult economic times is the need for survival management. Your Company has the management team to cope with these times.

To our employees, customers, suppliers and to our shareholders, I wish to express on behalf of the Board of Directors, our appreciation for their continued support.



Irwin Goldhart, *President*

May 20, 1982



AUTOMOTIVE HARDWARE LIMITED

INFORMATION CIRCULAR AS AT MAY 31, 1982

As at August 1, 1979, the Company entered into a lease with Irwin Goldhart Investments Limited in respect of warehouse space in Vancouver, British Columbia, having an area of about 41,356 square feet for a term of five years at an annual rental of \$82,712.04 plus payment of premiums of insurance in respect of the premises and increases of municipal taxes as set out therein.

The Company rented from Irwin Goldhart Investments Limited warehouse and office space in the Montreal area for a six year term commencing April 1, 1976 at an annual rental of \$69,504.00. Rates and term for an extension are currently being studied. Rates and term for the new Edmonton warehouse space is currently under review.

Irwin Goldhart, the Company President, is a shareholder and President of Irwin Goldhart Investments Limited and Harry Mendelson is a director and officer of Irwin Goldhart Investments Limited, but is not a shareholder thereof.

#### **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.

### **BY-LAW NUMBER 16 OF AUTOMOTIVE HARDWARE LIMITED**

BE IT ENACTED as a Special By-Law of AUTOMOTIVE HARDWARE LIMITED ("the Corporation") as follows:

1. The number of directors of the Corporation is increased from six (6) to seven (7), so that the Board of Directors of the Corporation shall henceforth be composed of seven (7) directors.
2. Four (4) directors shall constitute a quorum at any meeting of the Board of Directors.
3. All prior by-laws, resolutions and proceedings of the Corporation inconsistent herewith are hereby modified and revised in order to give effect to this By-Law.
4. This By-Law shall come into force on the day on which it is confirmed as a Special By-Law by the shareholders of the Corporation.

PASSED by the directors and sealed with the corporate seal this 31st day of May, 1982.

"IRWIN GOLDHART" (Signed)  
President

"GOLDIE POTASHIN" (Signed)  
Secretary-Treasurer

(Corporate Seal)

# Report on Operations

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## CANADA

**Fastener Division** — The fastener division enjoyed a healthy sales, production and profit performance for the first three quarters of 1981. On September 28, 1981, the four union locals representing manufacturing, packaging and office workers employed by Automatic Screw Machine Products Limited, Federal Bolt & Nut Corporation Limited and Automotive Hardware Limited took strike action which curtailed operations at the main Toronto facility. A new extended agreement was ratified April 18, 1982 which covers the period from September 16, 1981 to March 31, 1985. Sales were adversely affected during this period as a result of the strike, but sales also declined due to a deteriorating economy.

Interest costs also became a major factor in 1981. The cost of carrying the substantial inventories required by the warehouses increased significantly as interest rates reached new highs.

On April 8, 1981, Federal Bolt & Nut Corporation Limited and Docap Corporation Limited invested in Russell, Burdsall & Ward Corporation, a major U.S. fastener company. The investment was financed by a \$20 million U.S. bank term loan at a floating U.S. base rate. Although carrying costs were expected to exceed the return on investment for an initial period, the excessive interest rate was even higher than anticipated. On a long-term basis, the investment continues to offer an attractive opportunity with excellent potential. The combined Canadian and U.S. operations form one of the major fastener groups in the world.

A new 72,000 square foot warehouse in Edmonton was occupied in mid-December 1981 which should serve the customers in this region adequately for years to come. The previous warehouse was sold for a substantial profit.

Major capital expenditures included a 3/4" National long stroke header and a new extrusion press.

**Brass Division** — Operations returned to normal in 1981 after a seven month strike which ended in November 1980. As a result of the strike, the tube mill major capital expenditure program was discontinued, and the tube mill operation was closed.

The rolling and rod mill operations are slowly recovering their market; however, severely depressed economic conditions in automotive and housing industries have prevented a recovery to previous business levels.

A program is underway to modernize facilities and streamline operations. A strip rolling machine of advanced design is currently being installed with start up scheduled for late summer of 1982. It is capable of supplying the extremely thin copper and brass strip now demanded by automotive and other industries.

All former lift trucks used by ArrowHead have been replaced with a modern and efficient fleet maintained by the lessor, a prominent and reliable company in the field. This arrangement will ensure availability of up to date equipment at a reasonable, controlled cost with minimum downtime.

Capital expenditures in the casting shop included two melting furnaces, which will provide cost efficient casting of copper and copper alloy billets and cakes, and a direct reading emission spectrometer, which provides almost instantaneous quality control verification of each casting lot.

# Report on Operations (continued)

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## UNITED STATES

On April 8, 1981 Russell, Burdsall & Ward Corporation acquired most of the industrial fastener operations of The Lamson & Sessions Co. The subsequent period was one of transition wherein operations were consolidated, the organization restructured, and product lines of Lamson were assimilated.

A moderate recession in the first nine months of 1981 became a severe recession as economic conditions in the U.S. took a sudden downturn in the final quarter of 1981. Despite reduced business opportunities, U.S. operations improved their operating results significantly over the previous year as a result of aggressive cost reduction, cost avoidance, and asset management programs.

In terms of labour relations, the corporation was successful in negotiating new labour agreements with the unions representing the employees at Rock Falls, Illinois; Chicago, Illinois; Kent, Ohio and Mentor, Ohio. The agreements at Kent, Chicago and Mentor provide significant economic concessions which make these plants more competitive.



# Automotive Hardware Limited

and its subsidiary corporations

## Consolidated Statement of Earnings

for the year ended December 31

	(thousands of dollars except earnings per share)	
	1981	1980
Sales .....	<b>\$278,117</b>	\$ 95,703
Expenses:		
Cost of sales .....	<b>227,781</b>	80,385
Selling, administrative and general .....	<b>31,891</b>	11,272
Depreciation and amortization .....	<b>3,512</b>	1,904
Interest on long-term debt .....	<b>9,090</b>	1,269
Other interest .....	<b>4,061</b>	1,986
	<b>276,335</b>	96,816
Earnings (loss) before income taxes, minority interest and extraordinary income .....	<b>1,782</b>	(1,113)
Income taxes (recovered) .....	<b>1,556</b>	(79)
Earnings (loss) before minority interest and extraordinary income .....	<b>226</b>	(1,034)
Minority interest reduction .....	<b>204</b>	—
Earnings (loss) before extraordinary income .....	<b>430</b>	(1,034)
Extraordinary income (note 8) .....	<b>1,758</b>	899
Net earnings (loss) .....	<b>\$ 2,188</b>	\$ (135)
Earnings (loss) per share before extraordinary income .....	<b>\$ 0.19</b>	\$ (0.45)
Earnings (loss) per share after extraordinary income .....	<b>\$ 0.96</b>	\$ (0.06)

## Consolidated Statement of Retained Earnings

for the year ended December 31

	(thousands of dollars)	
	1981	1980
Balance, January 1 .....	<b>\$ 33,701</b>	\$ 35,204
Net earnings (loss) .....	<b>2,188</b>	(135)
Dividends .....	<b>35,889</b>	35,069
	<b>1,369</b>	1,368
Balance, December 31 .....	<b>\$ 34,520</b>	\$ 33,701

# Automotive Hardware Limited

and its subsidiary corporations

## Consolidated Balance Sheet

as at December 31

	(thousands of dollars)	
	1981	1980
<b>Assets</b>		
<b>Current assets</b>		
Cash .....	\$ 7,687	\$ —
Accounts receivable .....	36,607	15,965
Inventories .....	87,248	30,782
Deferred income taxes on inventories .....	2,491	6,277
Income taxes recoverable .....	1,319	—
Prepaid expenses .....	1,534	417
	<b>136,886</b>	<b>53,441</b>
<b>Property, plant and equipment</b> (note 3) .....	<b>99,290</b>	<b>61,718</b>
Accumulated depreciation .....	<b>49,396</b>	<b>39,380</b>
	<b>49,894</b>	<b>22,338</b>
<b>Other assets</b> (note 4) .....	<b>4,870</b>	<b>1,859</b>
	<b>\$191,650</b>	<b>\$ 77,638</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank indebtedness (note 5) .....	\$ 21,565	\$ 17,195
Accounts payable and accrued liabilities .....	26,670	7,162
Dividends payable .....	342	342
Income taxes payable .....	—	829
Current portion of long-term debt .....	1,474	976
	<b>50,051</b>	<b>26,504</b>
<b>Long-term debt</b> (note 6) .....	<b>75,235</b>	<b>7,837</b>
<b>Other long-term liabilities</b> .....	<b>2,872</b>	<b>—</b>
<b>Deferred income taxes</b> .....	<b>2,284</b>	<b>1,936</b>
<b>Minority interest</b> .....	<b>19,021</b>	<b>—</b>
<b>Shareholders' equity</b>		
Capital stock (note 7) .....	4,449	4,442
Retained earnings .....	34,520	33,701
Contributed surplus .....	3,218	3,218
	<b>42,187</b>	<b>41,361</b>
	<b>\$191,650</b>	<b>\$ 77,638</b>

Approved on behalf of the Board of Directors

Irwin Goldhart, Director

Goldie Potashin, Director

# Automotive Hardware Limited

and its subsidiary corporations

# Consolidated Statement of Changes in Financial Position

for the year ended December 31

	(thousands of dollars)	
	1981	1980
<b>Source of funds</b>		
Operations —		
Earnings (loss) before extraordinary income . . . . .	\$ 430	\$ (1,034)
Depreciation and amortization . . . . .	3,512	1,904
Deferred income taxes . . . . .	348	(3,920)
Minority interest reduction . . . . .	(204)	—
	<b>4,086</b>	<b>(3,050)</b>
Proceeds on disposal of property, plant and equipment, inventory and other assets, less income taxes . . . . .	3,510	930
Discount earned on redemption of debentures . . . . .	4	—
Issue of capital stock . . . . .	7	30
Increase in long-term debt . . . . .	32,634	—
Working capital of subsidiary at date of acquisition . . . . .	45,395	—
Increase in other long-term liabilities . . . . .	256	—
	<b>85,892</b>	<b>(2,090)</b>
<b>Use of funds</b>		
Purchase of property, plant and equipment . . . . .	21,802	2,525
Dividends . . . . .	1,369	1,368
Reduction in long-term debt . . . . .	—	1,013
Purchase of other assets . . . . .	2,823	—
	<b>25,994</b>	<b>4,906</b>
<b>Increase (decrease) in working capital . . . . .</b>	<b>59,898</b>	<b>(6,996)</b>
<b>Working capital, January 1 . . . . .</b>	<b>26,937</b>	<b>33,933</b>
<b>Working capital, December 31 . . . . .</b>	<b>\$ 86,835</b>	<b>\$ 26,937</b>

# Notes to the Consolidated Financial Statements

December 31, 1981

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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 all its subsidiaries. All significant intercompany transactions have been eliminated. 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 or net realizable value. Cost is determined on a first-in, first-out (FIFO) basis for all corporations except ArrowHead Metals Ltd. which values its major metals inventories on a last-in, first-out (LIFO) basis.

### (c) Property, plant and equipment

Property, plant and equipment are carried at cost and include construction in progress. Major renewals and betterments are capitalized while maintenance and repair expenditures are expensed as incurred. Equipment held for resale is segregated under other assets.

Depreciation is charged at various rates determined to amortize the cost of assets over their estimated useful lives. The amounts capitalized for retail store buildings under capital leases and leasehold improvements are amortized over the terms of their respective leases.

### (d) 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.

### (e) Foreign currency translation

Current assets and 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 incurred. Income and expense items in foreign currencies, other than depreciation, are translated at average rates prevailing during the year. The gains or losses on translation are reflected in earnings. Unrealized gains or losses resulting from translation of current assets and liabilities of foreign subsidiaries are reflected on the balance sheet.

### (f) Pension costs

The Corporation and its subsidiaries have various pension plans which cover substantially all employees. 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.

## Notes (continued)

### 2. Acquisition

On April 8, 1981, the Corporation, through its subsidiary corporations Federal Bolt & Nut Corporation Limited and Docap Corporation Limited, acquired 200,000 shares of \$5.00 Cumulative Convertible Preferred Stock of Russell, Burdsall & Ward Corporation of Mentor, Ohio, U.S.A., at a cost of \$23,818,000 cash. Such shares now constitute a 50.1% voting control of Russell, Burdsall & Ward Corporation. The convertible feature permits the holders at their option and without further cost, until April 8, 1986 to convert into 50.1% of the then outstanding total common stock of Russell, Burdsall & Ward Corporation.

Summarized below are the assets and liabilities of the acquired corporation on April 8, 1981.

(thousands of dollars)

Working capital	
On date of acquisition .....	\$ 45,395
Cash provided by issue of 200,000 preferred shares, as described above .....	23,692
	69,087
Property, plant and equipment .....	10,398
Other assets .....	938
Long-term liabilities .....	(37,380)
	43,043
Less: minority interest .....	19,225
Total cash consideration .....	\$ 23,818

### 3. Property, plant and equipment

(thousands of dollars)

	1981		1980	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land .....	\$ 4,967	\$ —	\$ 1,392	\$ —
Buildings .....	21,754	10,057	14,270	7,610
Machinery and equipment .....	72,569	39,339	46,056	31,770
	\$ 99,290	\$ 49,396	\$ 61,718	\$ 39,380

### 4. Other assets

(thousands of dollars)

	1981	1980
Equipment held for resale .....	\$ 2,637	\$ 1,859
Royalty rights .....	1,358	—
Other .....	875	—
	\$ 4,870	\$ 1,859

Equipment held for resale is carried at net book value. No provision has been made for depreciation or amortization subsequent to their segregation as other assets.

Royalty rights are carried at net book value and are amortized over 10 years or the expected period to be benefited if less.

## Notes (continued)

### 5. Bank indebtedness

	(thousands of dollars)	
	1981	1980
ArrowHead Metals Ltd. . . . .	\$12,908	\$ 9,136
All other Canadian corporations . . . . .	8,657	8,059
	<b>\$21,565</b>	<b>\$17,195</b>

#### ArrowHead Metals Ltd.

Consisting of banker's acceptances and revolving loans secured by:

- (a) Security under Section 178 of the Bank Act (inventories)
- (b) Registered general assignment of the accounts receivable
- (c) Fixed and floating demand debenture on the corporation's assets
- (d) Guarantee of Automotive Hardware Limited to a maximum of \$2,000,000.

#### All other Canadian corporations

Consisting of revolving loans secured by a registered general assignment of accounts receivable as well as the collateral guarantees of all the Canadian corporations except ArrowHead Metals Ltd.

### 6. Long-term debt

	(thousands of dollars)		
	Maturity	1981	1980
<b>ArrowHead Metals Ltd.</b>			
Bank term loan, 7/8 of 1% over prime . . . . .	1988	\$ 7,488	\$ 8,141
<b>Other Canadian Corporations</b>			
Equipment contracts payable, at various interest rates . . . . .	1981 1984	— 203	115 —
Realty mortgage, 10% . . . . .	1981	—	85
Realty mortgage, 6-7/8% . . . . .	1986	352	426
Series A debenture, 6% . . . . .	1981	—	46
Bank term loan (\$20,000 U.S.), prime rate on U.S. dollar loans . . . . .	1996	23,692	—
<b>Russell, Burdsall &amp; Ward Corporation</b>			
Term loan (\$18,000 U.S.), 11 1/2% . . . . .	1996	21,323	—
Revolving loan (\$13,500 U.S.), 1/2% to 1 1/2% over U.S. prime rate, plus a commitment fee of 1/2 of 1% on the average unused portion of the commitment . . . . .	1986	15,991	—
Capitalized lease obligations . . . . .	1993	7,660	—
		<b>76,709</b>	<b>8,813</b>
Less: amounts due within one year . . . . .		1,474	976
		<b>\$ 75,235</b>	<b>\$ 7,837</b>

Payments required in the next five years are as follows:

1982	\$1,474
1983	1,591
1984	5,605
1985	5,554
1986	7,596

#### ArrowHead Metals Ltd.

The bank term loan is secured by the same fixed and floating demand debenture on ArrowHead's assets and guarantee of Automotive Hardware Limited referred to in note 5, and is to be repaid in equal annual principal payments of \$705,882, with the balance due on May 31, 1988.

## Notes (continued)

### Other Canadian Corporations

The bank term loans of \$10,000,000 U.S. to each of Federal Bolt & Nut Corporation Limited and Docap Corporation Limited relate to the acquisition of 200,000 shares of Russell, Burdsall & Ward Corporation, and are secured by the acquired shares, by the guarantee of Automotive Hardware Limited to a maximum of \$2,000,000 U.S., and by the guarantees of Docap Corporation Limited and Federal Bolt & Nut Corporation Limited for each other. The loans are to be repaid in 10 equal annual payments of \$2,000,000 U.S. commencing on April 8, 1987.

### Russell, Burdsall & Ward Corporation (R.B. & W.)

The 15 year term loan is with an insurance company and is to be repaid in 10 equal annual principal payments of \$1,800,000 U.S. beginning February 15, 1986.

The revolving loan credit agreement with various U.S. banks provides for revolving loans up to and including February 14, 1983. At February 14, 1983 R.B. & W. may borrow up to the amount of the commitment then in effect under term notes which will mature in 16 consecutive quarterly installments commencing February 28, 1983.

Both the term loan and revolving loan are secured by a major portion of the current assets and substantially all of the property, plant and equipment of R.B. & W.

The capitalized lease obligations substantially represent an industrial development first mortgage revenue bond issued by the city of Mentor, Ohio, U.S.A. This capitalized lease is to be repaid \$2,360,000 U.S. during the five years ended 1987, \$3,080,000 U.S. during the five years ended 1992, and the balance in 1993.

## 7. Capital Stock

	Number of shares	
	1981	1980
<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 non-voting, redeemable shares, par value 1¢ .....	504,516,905	600,171,410
Common shares, without par value .....	520,000	520,000
<b>Issued and outstanding</b>		
Class A shares .....	700,716	683,665
Class B shares .....	1,581,384	1,597,675
	2,282,100	2,281,340
	\$ 4,449,256	\$ 4,441,561

During the year 16,291 Class B shares were converted into 16,291 Class A shares, 760 Class A shares were issued under employee stock options for a consideration of \$7,695, and 95,654,505 Class C shares were issued as stock dividends and redeemed in the amount of \$956,545.

Employee stock option plan — Class A	Number of shares	
	1981	1980
Outstanding .....	16,600	14,600
Reserved .....	23,760	25,520

During the year options were granted on 3,000 shares, terminated on 240 shares, and exercised for 760 shares. The option price of the shares is 90% of the market value on the date granted. Options are outstanding to 21 employees at December 31, 1981, at various expiry dates up to 1986.

## Notes (continued)

### 8. Extraordinary income

	(thousands of dollars)	
	1981	1980
Gain on disposal of property, plant and equipment . . . .	\$ 1,434	\$ 59
Gain on disposal of ArrowHead tube mill equipment and inventory . . . . .	1,451	2,137
Other . . . . .	(16)	(12)
	2,869	2,184
Income taxes . . . . .	1,111	1,285
	\$ 1,758	\$ 899

### 9. Income taxes

Certain of the Corporation's subsidiaries have taxable losses available to reduce applicable taxable incomes in future years, as follows:

	Latest year available for deduction	(thousands of dollars)
Canadian	1985	\$ 7,656
	1986	1,346
		\$ 9,002
		(thousands of U.S. dollars)
U.S.A.	1990	\$ 6,800
	1991	11,700
	1995	3,000
	1996	2,200
		\$23,700

### 10. Commitments

#### (a) Leases

The corporation and its subsidiaries have entered into operating leases terminating at various times. Minimum lease commitments at December 31, 1981 are as follows:

1982 to 1987 . . . . .	\$13,703,000
Subsequent years . . . . .	3,171,000
	\$16,874,000

#### (b) Pension plans

During the year the amount expensed for current and past service obligations was \$2,082,258 (1980 - \$1,973,798).

Funding requirements for past service of the Canadian operations are currently estimated by independent actuaries to be \$9,996,359 payable in varying amounts up to 1995.

#### (c) Letters of credit outstanding

U.S. dollars . . . . .	629,000
Japanese yen . . . . .	19,419,000

(d) Contracts for future equipment purchases were approximately \$3,341,000.

(e) Forward foreign exchange contracts were \$1,325,000 U.S.



## Notes (continued)

### 11. Related party transactions

Pursuant to lease commitments Irwin Goldhart Investments Limited, of which corporation Mr. Irwin Goldhart is the sole shareholder and president, received rentals totalling \$398,450 from Automotive Hardware Limited, for warehouses in Vancouver, Winnipeg, Edmonton, Montreal and Dartmouth. Mr. Goldhart is also president of Automotive Hardware Limited.

### 12. Segmented information

The Corporation and its subsidiaries 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 such that no meaningful segregation of sales, profitability or assets can be made other than on a geographical basis.

The U.S.A. segment came into effect on April 8, 1981, on which date a controlling interest in Russell, Burdsall & Ward Corporation of Mentor, Ohio, was acquired. Transfers between geographic segments are made at fair market value.

Canadian sales to outside customers include export sales in 1981 of \$13,468,000 (1980 — \$14,306,000) primarily to customers in the United States.

Highlighted below is a summary of sales, operations and identifiable assets by geographic segment for 1981 and 1980.

	(thousands of dollars)				
	1981			1980	
	Canada	U.S.A.	Eliminations	Consolidated	Consolidated
Sales					(Canada only)
Outside customers	\$124,419	\$153,698	\$ —	\$278,117	\$ 95,703
Intersegment transfers	—	398	(398)	—	—
	\$124,419	\$154,096	\$ (398)	\$278,117	\$ 95,703
Segment earnings (loss)					
before income taxes	\$ 2,573	\$ 213	\$ (1,004)	1,782	(1,113)
Income taxes (recovered)				1,556	(79)
Earnings (loss) before minority interest				226	(1,034)
Minority interest reduction				204	—
Earnings (loss) before extraordinary income				430	(1,034)
Extraordinary income				1,758	899
Net earnings (loss)				\$ 2,188	\$ (135)
Assets identifiable by segment	\$104,103	\$107,260	\$ (19,713)	\$191,650	\$ 77,638
Capital expenditures in the year	\$ 3,393	\$ 18,409	\$ —	\$ 21,802	\$ 2,525

## Notes (continued)

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### 13. Contingent matters

- (a) Legal action was instituted in 1980 against a customer for costs incurred pursuant to a contract. The amount claimed is \$298,400 of which \$88,440 has been recorded as expenses. Notwithstanding a counter-claim of \$224,500, counsel for the Corporation is of the opinion that the claim is valid but the realizable amount is unknown.
  - (b) Two lawsuits claiming the amount of \$2.4 million plus costs have recently been commenced against Automotive Hardware Limited and certain of its subsidiaries by a number of individuals alleging wrongful dismissal from Lamson & Sessions of Canada Limited (a wholly owned subsidiary of Russell, Burdsall & Ward Corporation). The Corporation and its subsidiaries deny that they are indebted or liable for any amount whatsoever. Counsel is unable to form an opinion at this early date in regard to merits of the claims.
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### 14. Event subsequent to the year end

On April 1, 1982, a subsidiary corporation, entered into a lease-maintenance contract for a fork lift truck fleet for a five year period. The total commitment under this contract is \$1,841,000.

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### 15. Comparative figures

Certain 1980 comparative figures have been reclassified to conform to the presentation adopted in 1981.

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## Auditors' Report

To the Shareholders of  
Automotive Hardware Limited:

We have examined the consolidated balance sheet of Automotive Hardware Limited and its subsidiary corporations as at December 31, 1981, 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 of the accounting records and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the corporations as at December 31, 1981 and the results of their operations and the changes in their financial position for the year then ended, all in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada  
April 15, 1982

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)

	1981	1980	1979	1978	1977
<b>Operating Results</b>					
Sales	\$278,117	95,703	162,919	92,640	35,543
Depreciation and amortization	\$ 3,512	1,904	2,408	1,921	917
Earnings (loss) before income taxes	\$ 1,782	(1,113)	9,961	4,986	3,768
Income taxes (recovered)	\$ 1,556	(79)	3,761	1,933	1,492
Realization of deferred income taxes	\$ —	—	1,033	1,015	—
Minority interest reduction	\$ 204	—	—	—	—
Extraordinary income	\$ 1,758	899	18	7,433	334
Net earnings (loss)	\$ 2,188	(135)	7,251	11,501	2,610
*Net earnings (loss) per share —					
Before extraordinary income	\$ 0.19	(0.45)	3.18	1.93	1.21
After extraordinary income	\$ 0.96	(0.06)	3.19	5.45	1.39
<b>Financial Position</b>					
Working capital	\$ 86,835	26,937	33,933	25,883	16,700
Working capital ratio	2.7:1	2.0:1	2.2:1	2.0:1	4.5:1
Capital expenditures	\$ 21,802	2,525	2,156	14,347	3,534
Property, plant and equipment (net)	\$ 49,894	22,338	22,631	22,909	10,447
Total assets	\$191,650	77,638	86,772	75,775	33,020
Long-term debt	\$ 75,235	7,837	8,850	10,862	3,621
Shareholders' equity	\$ 42,187	41,361	42,834	35,914	22,068
* Book value per share	\$ 18.49	18.13	18.82	17.01	11.72
* Dividends per share	\$ 0.60	0.60	0.54	0.42	0.40

\* These items give effect to the 1979 subdivision of shares on the basis of two for one.

Certain prior year figures have been reclassified to conform to the presentation adopted in 1981.

# Directory of Operations

**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

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

**Manufacturing:** Headquarters, Mentor, Ohio

**Metal Forming**

**Screw Products**

Chicago, Il.  
Mentor, Oh.  
Rock Falls, Il.  
Los Angeles, Ca.

**Nut Products**

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

**Sales Offices**

Chicago, Il.  
Southfield, Mi.  
Mentor, Oh.  
Los Angeles, Ca.

**Product Development**

Cleveland, Oh.

**RB&W Powdered Metal Products**

Coldwater, Mi.

**RB&W Fabricated Metal Products**

Livonia, Mi.

**Distribution:** Headquarters, Mentor, Ohio

**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.  
Nashville, 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

**Bosco Fastener House:** Headquarters, City of Commerce, Ca.

**Branches**

Phoenix, Az.  
City of Commerce, Ca.

Rancho Cucamonga, Ca.  
Pocatello, Id.

Tigard, Or.  
Orem, Ut.

Salt Lake City, Ut.  
Seattle, Wa.

**Retailing:** Headquarters, North Bergen, New Jersey

**Specialty Shop Locations**

Alabama	Atlanta	Saginaw	Ohio	Fort Worth
Birmingham	Augusta	Mississippi	Canton	Galveston
Mobile	Macon	Greenville	Niles	Harlingen (2)
Montgomery	Savannah	Meridan	Pennsylvania	Lubbock
Arkansas	Thomasville	Tupelo	Beaver Falls	McAllen (2)
Jonesboro	Kentucky	Missouri	(Monaca)	San Antonio (2)
Little Rock (2)	Lexington	St. Louis	So. Carolina	Brownsville
Pine Bluff	Louisiana	New Mexico	Aiken	El Paso
Florida	Baton Rouge	Santa Fe	Charleston	Big Springs
Miami (2)	Hammond	Albuquerque	Tennessee	Del Rio
Panama City	New Iberia	Carlsbad	Jackson	Victoria
Pensacola	New Orleans	Alamogordo	Texas	West Virginia
Tampa	Opelousas	No. Carolina	Corpus Christi	Charleston
Georgia	Michigan	Elizabeth City	Dallas	Huntington



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