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INGLIS LIMITED ANNUAL REPORT 1983



Admiral

**Whirlpool**

Inqlis

EDWARD ROSS LIBRARY
OF MANAGEMENT
APR 19 1984
MILL UNIVERSITY

Financial Highlights

	1983	1982
Sales	\$308,598,000	\$222,266,000
Net earnings	\$ 15,728,000	\$ 5,045,000
Per share	\$ 11.95	\$ 3.83
Dividends paid	\$ 974,000	\$ 895,000
Per share	\$.74	\$.68
Working capital	\$ 41,819,000	\$ 41,357,000
Shareholders' equity	\$ 57,598,000	\$ 42,844,000
Per share	\$ 43.77	\$ 32.56

ANNUAL MEETING

The annual meeting of shareholders will be held on Friday, April 27, 1984 at 9 a.m., at the head office of the Company, 1901 Minnesota Court, Mississauga, Ontario.

INGLIS LIMITED

1901 Minnesota Court, Mississauga, Ontario, Canada L5N 3A7

Le secrétaire, au siège social, vous fera volontiers parvenir un exemplaire du rapport annuel en français, sur demande.

Pictured on the cover is the Administration Centre of Inglis Limited in Mississauga, Ontario

Report of the Board of Directors

To the Shareholders:

Your Directors present herewith the Annual Report of your Company for the year ended December 31, 1983.

Net sales for the year ended December 31, 1983 amounted to \$308,598,000, compared to \$222,266,000 for the year ended December 31, 1982. Net earnings for 1983 were \$15,728,000 or \$11.95 per share, as compared with net earnings of \$5,045,000 or \$3.83 per share for 1982.

The increase in earnings for the year resulted in part from improved operating efficiencies realized from cost controls and higher production and sales volumes. Earnings for the year were enhanced by the continuation of non-recurring gains as a result of the 1982 Admiral acquisition. The consumer demand for major home appliances in those segments of the market in which the Company participates was considerably higher than last year, and the Company increased its market share in all major product lines.

Early in 1982, Mr. Douglas J. Peacher retired from the Board of Directors after giving 10 years of outstanding service to the Company.

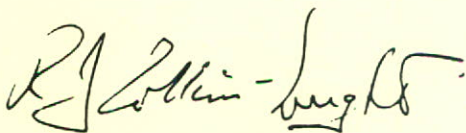
At the Annual Meeting of Shareholders of the Company in April, 1983, Mr. John H. Eser, Vice President of Whirlpool Corporation, was elected a Director of the Company, and we welcome his contribution and guidance.

In January, 1983, the Company announced its plan to relocate dryer manufacturing operations from Strachan Avenue, Toronto, to its Cambridge, Ontario plant acquired in the purchase of selected assets of Canadian Admiral Corporation, Ltd. This move, which will entail an investment of approximately \$5,000,000, will provide greater manufacturing capacity, efficiencies and economies to enable the Company to maintain its strong market position. The move is on schedule with full production at Cambridge expected to commence in July, 1984.

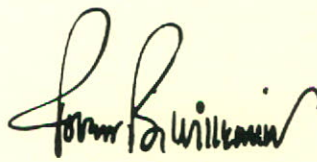
During 1983, the Company completed the installation of automated material handling and storage equipment at its National Parts Distribution Centre in Mississauga, and commenced a 53,000 sq. ft. warehouse addition at its Laval, Quebec facility, which will be ready for occupancy in April, 1984.

Your Directors wish to record their appreciation of the loyalty, support and efforts of the Company employees, and the support of our customers and suppliers during the past year.

On behalf of the Board,



Robert J. Collins-Wright
President and Chief Executive Officer



Robert B. Willemin
Chairman of the Board

February 24, 1984

Balance Sheet

INGLIS LIMITED

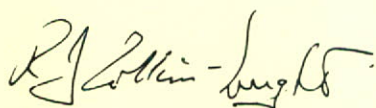
(Incorporated under the laws of Ontario)

	December 31	
	<u>1983</u>	<u>1982</u>
	(in thousands)	
Assets		
Current		
Short-term investments	\$ 20,819	
Accounts receivable	22,238	\$ 19,132
Inventories (note 2)	67,026	64,990
Deferred taxes and prepaid expenses	2,138	1,573
Total current assets	<u>112,221</u>	<u>85,695</u>
Fixed assets		
Land	4,795	4,795
Buildings	18,623	17,678
Equipment	24,670	25,473
	48,088	47,946
Less accumulated depreciation.	19,991	19,230
	28,097	28,716
Unamortized tooling costs	1,524	2,165
	29,621	30,881
	<u>\$141,842</u>	<u>\$116,576</u>


(See accompanying notes)

	December 31	
	<u>1983</u>	<u>1982</u>
	(in thousands)	
Liabilities		
Current		
Bank loans and advances (note 3)	\$ 10,980	\$ 7,422
Accounts payable, warranties and accrued charges.	39,909	28,539
Income and other taxes payable	12,010	4,351
Deferred service contract revenue	3,247	2,326
Current portion of long-term debt (note 4)	4,256	1,700
Total current liabilities	<u>70,402</u>	<u>44,338</u>
Warranty provision	<u>2,606</u>	<u>2,304</u>
Deferred income taxes	<u>1,452</u>	<u>2,100</u>
Long-term debt (note 4).	<u>9,784</u>	<u>24,990</u>
 Shareholders' equity		
Capital—		
Authorized 10,000,000 shares of no par value		
Issued 1,315,831 shares	11,814	11,814
Retained earnings (note 5)	<u>45,784</u>	<u>31,030</u>
	<u>57,598</u>	<u>42,844</u>
	<u>\$141,842</u>	<u>\$116,576</u>

On behalf of the Board:



Robert J. Collins-Wright, Director



Robert B. Willemin, Director

Statement of Income and Retained Earnings

INGLIS LIMITED

	Year ended December 31	
	1983	1982
	(in thousands)	
Sales	\$308,598	\$222,266
	<u> </u>	<u> </u>
Earnings before the undernoted expenses	\$ 32,014	\$ 17,296
	<u> </u>	<u> </u>
Depreciation and amortization.	3,502	3,009
	<u> </u>	<u> </u>
Interest on long-term debt.	1,799	2,502
	<u> </u>	<u> </u>
Other interest.	278	3,201
	<u> </u>	<u> </u>
	5,579	8,712
	<u> </u>	<u> </u>
Earnings before income taxes	26,435	8,584
	<u> </u>	<u> </u>
Income taxes (note 6)	10,707	3,539
	<u> </u>	<u> </u>
Net earnings for the year	15,728	5,045
	<u> </u>	<u> </u>
Dividends	974	895
	<u> </u>	<u> </u>
	14,754	4,150
	<u> </u>	<u> </u>
Retained earnings, beginning of year	31,030	26,880
	<u> </u>	<u> </u>
Retained earnings, end of year (note 5)	\$ 45,784	\$ 31,030
	<u> </u>	<u> </u>
Earnings per share	\$ 11.95	\$ 3.83
	<u> </u>	<u> </u>

(See accompanying notes)

Statement of Changes in Financial Position

INGLIS LIMITED

Year ended December 31

1983 1982

(in thousands)

Source of funds

Operations

Net earnings for the year	\$15,728	\$ 5,045
Add (deduct) items not affecting working capital		
Depreciation and amortization	3,502	3,009
(Gain) loss on disposal of fixed assets	1,228	(110)
Deferred income taxes	(648)	58
Warranty provision	302	95

20,112 8,097

Proceeds on disposition of fixed assets **262** 127

Canadian Admiral acquisition—

Long-term debt issued	150	16,390
Fixed assets		(13,347)

20,524 11,267

Application of funds

Additions to fixed assets	3,732	1,620
Reduction of long-term debt	15,356	1,700
Dividends	974	895

20,062 4,215

Increase in working capital **462** 7,052

Working capital, beginning of year **41,357** 34,305

Working capital, end of year **\$41,819** \$41,357

(See accompanying notes)

Notes to Financial Statements

INGLIS LIMITED

December 31, 1983

1. Significant accounting policies

These financial statements are prepared in accordance with accounting principles generally accepted in Canada, the more significant of which are as follows:

(a) Inventories—Inventories are valued at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis and includes material, direct labour and applied manufacturing overhead costs.

(b) Fixed assets—Land, buildings and equipment are stated at cost. Depreciation is based on the estimated average useful lives of the various classes of assets, calculated on the straight-line method at the following rates:

Buildings—2½% to 5%
Equipment—10% to 25%

Upon sale or retirement, the cost of the asset and the related accumulated depreciation are removed from the accounts and any gain or loss thereon is taken into earnings.

Major tooling costs are amortized over one to five years based on their estimated useful life.

(c) Service contract revenue—Service contract revenue is deferred on receipt and is amortized over the term of the service contract.

(d) Product warranty—The Company recognizes the estimated cost of warranty obligations to the consumers of its products at the time the product is sold.

(e) Deferred income taxes—Timing differences between reported income and taxable income, principally capital cost allowance claimed for tax purposes in excess of depreciation provided in the financial statements, result in a difference between income taxes currently payable and the provision for taxes on the statement of income and retained earnings. Deferred taxes applicable to the use of accelerated depreciation for income tax purposes, and to other non-current items, are classified as deferred income taxes. Current deferred taxes applicable to the current portion of warranty obligations and differences relating to current assets have been grouped with prepaid expenses.

(f) Investment tax credits—The benefits arising from the investment tax credit provisions of the Income Tax Act are treated as a reduction of the current year's income tax provision.

(g) Foreign exchange—Foreign currency transactions are translated into Canadian dollars at the rates prevailing on the date of the transactions. Current assets and liabilities in foreign currencies at the close of the year are translated at the year-end rate of exchange.

2. Inventories

Inventories consist of:

	1983	1982
	(in thousands)	
Finished products	\$42,250	\$42,351
Materials and work in process	24,776	22,639
	<u>\$67,026</u>	<u>\$64,990</u>

3. Bank loans and advances

Accounts receivable and inventories have been pledged as security for the current operating and term loans. Interest is payable on the operating loan at the prime rate. The term loan of \$7,000,000 bearing interest at 10½%, matures April 23, 1984.

4. Long-term debt

	1983	1982
	(in thousands)	
11% secured sinking fund debentures, Series "A" due \$1,700,000 annually from 1984 to 1987 and \$1,800,000 at maturity in 1988	\$ 8,600	\$10,300
12¼% convertible redeemable debenture, due 1987, redeemable after March 26, 1983		7,000
Mortgages, due 1984, with interest at 2% below prime, repayable at any time	2,500	6,600
Government of Canada non-interest bearing capital assistance loans due 1985 to 1990	1,940	1,790
Ontario Development Corporation debenture, interest free to 1984 and at 16½% for 1985, due 1984 and 1985	1,000	1,000
	<u>14,040</u>	<u>26,690</u>
Less current portion	4,256	1,700
	<u>\$ 9,784</u>	<u>\$24,990</u>

Security for long-term debt is set out below:

- (a) First fixed charges on certain lands, buildings, machinery and equipment to secure the 11% debentures and the mortgages; and
- (b) First and second floating charges on all property and assets to secure the 11% debentures and the Ontario Development Corporation debenture respectively.

Repayments on long-term debt are as follows: 1985—\$2,935,000; 1986—\$2,088,000; 1987—\$2,088,000; 1988—\$2,188,000 and \$485,000 thereafter.

5. Restrictions on distributions of retained earnings

The trust indenture for the 11% debenture includes provisions relating to the level of working capital and restrictions on payment of dividends. As at December 31, 1983, dividends of up to \$21,171,000 could be distributed.

6. Variations in the effective income tax rate

	<u>1983</u>	<u>1982</u>
The Company's income tax rate is made up as follows:		
Combined basic Canadian federal and provincial income tax rate	49.7%	50.7%
Increase (decrease) in tax rate resulting from—		
Manufacturing and processing profits deduction	(5.7)	(6.2)
Inventory allowance	(3.6)	(8.4)
Miscellaneous	0.1	5.1
Effective income tax rate	<u>40.5%</u>	<u>41.2%</u>

7. Lease commitments

Future payments under operating leases with a term of more than one year are as follows: 1984—\$3,105,000; 1985—\$2,924,000; 1986—\$2,489,000; 1987—\$283,000 and 1988—\$133,000.

8. Pension and retirement plans

Based on the latest actuarial estimate at December 31, 1983 of the Company's pension and retirement plans, the unfunded obligation for past service pension benefits is approximately \$3,000,000. This obligation will be amortized over periods not exceeding fifteen years.

9. Related party transactions

Whirlpool Corporation and Simpsons-Sears Limited are associated companies and account for their investments in the Company on an equity basis.

During the year, the Company made sales to and acquired goods and services from Whirlpool Corporation of \$4,573,000 and \$12,800,000 respectively (1982—\$5,874,000 and \$11,083,000). An amount payable of \$945,000 is outstanding to Whirlpool Corporation at year end.

Approximately 31% (1982—32%) of the Company's sales in 1983 were made to Simpsons-Sears Limited and at December 31, 1983 there is a receivable balance of \$877,000 outstanding.

10. Segmented information

The Company operates in one industry, the manufacture and sale of major appliances.

Auditors' Report

To the Shareholders of Inglis Limited:

We have examined the balance sheet of Inglis Limited as at December 31, 1983 and the 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 financial statements present fairly the financial position of the Company 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 applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 10, 1984.


Chartered Accountants

Five Year Statistical Review 1979—1983

(In Thousands of Dollars)

INGLIS LIMITED

	1983	1982	1981	1980	1979
Operations					
Sales	\$308,598	\$222,266	\$200,516	\$173,348	\$154,527
Earnings before income taxes	\$ 26,435	\$ 8,584	\$ 5,701	\$ 3,125	\$ 6,449
Per cent to sales	8.6%	3.9%	2.8%	1.8%	4.2%
Net earnings for the year	\$ 15,728	\$ 5,045	\$ 3,563	\$ 2,213	\$ 4,125
Per cent to sales	5.1%	2.3%	1.8%	1.3%	2.7%
Per share	\$ 11.95	\$ 3.83	\$ 2.71	\$ 1.68	\$ 3.13
Earned on shareholders' equity	31.3%	12.4%	9.5%	6.3%	12.6%
Dividends paid	\$ 974	\$ 895	\$ 895	\$ 737	\$ 737
Per share	\$.74	\$.68	\$.68	\$.56	\$.56
Depreciation on buildings and equipment	\$ 2,110	\$ 2,092	\$ 2,343	\$ 1,796	\$ 1,573
Amortization of tooling	\$ 1,392	\$ 917	\$ 826	\$ 722	\$ 866
Additions to land, buildings and equipment—net	\$ 1,491	\$ 13,762	\$ 3,148	\$ 3,456	\$ 1,323
Additions to tooling	\$ 751	\$ 1,188	\$ 1,258	\$ 634	\$ 434
Balance Sheet					
Working capital	\$ 41,819	\$ 41,357	\$ 34,305	\$ 33,429	\$ 34,528
Ratio of current assets to current liabilities	1.59:1	1.93:1	2.15:1	2.28:1	2.55:1
Land, buildings and equipment—net	\$ 28,097	\$ 28,716	\$ 17,046	\$ 16,047	\$ 14,589
Unamortized tooling	\$ 1,524	\$ 2,165	\$ 1,894	\$ 1,462	\$ 1,550
Long-term debt	\$ 9,784	\$ 24,990	\$ 10,300	\$ 11,150	\$ 12,000
Shareholders' equity					
Capital	\$ 11,814	\$ 11,814	\$ 11,814	\$ 11,814	\$ 11,814
Retained earnings	\$ 45,784	\$ 31,030	\$ 26,880	\$ 24,212	\$ 22,736
	\$ 57,598	\$ 42,844	\$ 38,694	\$ 36,026	\$ 34,550
Number of shares outstanding (in thousands)	1,316	1,316	1,316	1,316	1,316
Book value per share	\$ 43.77	\$ 32.56	\$ 29.41	\$ 27.38	\$ 26.26
Non-Financial					
Number of employees (year end)	2,869	2,484	1,977	1,955	1,932
Number of shareholders (year end)	571	630	686	721	786
Current Cost Information					

The Canadian Institute of Chartered Accountants has recently issued recommendations entitled "Reporting the Effects of Changing Prices". These recommendations have not been fully implemented as management believes the information that would be provided using the methods suggested involves numerous estimates and subjective assumptions which might impair the validity of the information provided to the shareholders. Had the recommendations been adopted using specific price level indices, the depreciation and amortization charge would have increased by approximately \$574,000 and cost of sales by approximately \$505,000.

Directors

Donald S. Anderson
Hervé Belzile, C.A.
Sidney L. Boyar
Robert J. Collins-Wright
John H. Eser
Arthur H. Mingay
Donald M. Pringle, Q.C.
C. Richard Sharpe
R. Barrett Simpson
Robert B. Willemin

Products

Home Laundry
Automatic Washers
Automatic Dryers

Refrigerators
Top Freezer
Side-by-Side

Residential Trash Compactors

Dehumidifiers

Dishwashers
Undercounter
Portable

Electric Ranges
Free-Standing
Wall Ovens
Surface Units

Commercial Laundry
Coin-Operated Washers
Coin-Operated Dryers

Officers

Robert B. Willemin Chairman of the Board
Robert J. Collins-Wright President and Chief Executive Officer
Alfred C. Chink Vice President—Finance and Treasurer
Gordon I. Forsell Vice President—Inglis, Whirlpool and Admiral Sales
Peter A. Ketchum Vice President—Management Information Systems and Physical Distribution
Leonard G. Patterson Vice President—Manufacturing Operations
G. Douglas Smith Vice President—Personnel
Norman A. Stewart Vice President—Consumer Services
Donald H. Hobbs Corporate Secretary

Bankers

The Royal Bank of Canada
Royal Bank Plaza,
Toronto, Canada M5J 2J5

Auditors

Clarkson Gordon
P.O. Box 251,
Toronto-Dominion Centre,
Toronto, Canada M5K 1J7

Transfer Agent and Registrar

Canada Permanent Trust Company
20 Eglinton Avenue West, Toronto, Canada M4R 2E2
600 Dorchester Boulevard West,
Montreal, Canada H3B 1N6

Stock Exchanges

Common Stock of Inglis Limited is listed on The Toronto Stock Exchange and the Montreal Stock Exchange.

The exchange symbol for Inglis Limited is ING.

INGLIS LIMITED
1901 Minnesota Court, Mississauga, Ontario, Canada L5N 3A7

