

HAYES-DANA  
INC.  
CORPORATE  
PHILOSOPHY  
AND  
REPORT  
FOR THE YEAR ENDED  
AUGUST 31, 1979



A CORNERSTONE FOR GROWTH





## FINANCIAL RESULTS IN BRIEF

	1979	1978	1977
NET INCOME PER COMMON SHARE	\$1.44	\$1.15	\$1.08
DIVIDENDS PER COMMON SHARE	\$.44	\$.32	\$.26
OUR NET INCOME AFTER TAX AMOUNTED TO	\$8,725,000	\$6,936,000	\$6,549,000
WE MADE ON EACH DOLLAR OF SALES	4.1¢	4.6¢	4.5¢
RECEIVED FROM CUSTOMERS FOR PRODUCTS AND SERVICES	\$212,206,000	\$150,081,000	\$145,164,000
NUMBER OF SHAREHOLDERS	2,900	2,820	2,760
NUMBER OF PEOPLE EMPLOYED	2,800	2,150	2,330

## OUR COMPANY

Hayes-Dana is a diversified manufacturer and supplier of products to manufacturers of trucks, cars, off-the-road vehicles and agricultural and industrial equipment. The Company also supplies products to auto and truck parts distributors and operates truck service centres.

## HAYES-DANA PRODUCTS

- Universal joints
- Drive shaft assemblies
- Light truck and van frames
- Heavy truck axle housings
- Light truck driving axles
- Axle components
- Truck trailer axles
- Agricultural drive shafts and gear boxes
- Gaskets
- Remanufactured clutches, water pumps and electrical components

## HAYES-DANA SERVICES

- Distribution of engine parts, drive-line and power-take-offs for cars, trucks and agricultural, industrial and off-the-road equipment
- Drive-line machine shop services
- Auxiliary truck equipment installations
- Body and chassis modifications
- New vehicle pre-delivery services





**HAYES-DANA INC.**  
ST. CATHARINES, ONTARIO  
L2R 7K9

September 26, 1979

TO OUR SHAREHOLDERS :

#### QUITE A YEAR

1979 was a year that had everything! For the first nine months all of our operations were going full tilt to meet an unprecedented demand. Then, with the decline in the light truck market brought on by the gasoline scare in the United States, our attention turned from booming sales to booming industry inventory levels. It was also a year of major expansion and acquisition. An agreement in principle was reached to acquire all of the assets of The Weatherhead Company of Canada, Ltd. effective September 1, 1979. Earlier in the year we announced that we had acquired all of the outstanding shares of Dealers Truck Equipment Ltd. in Regina. In the aftermarket, two new branches were opened — one in British Columbia and one in Saskatchewan. Our largest expansion took place in Barrie where construction began on a new 450,000 square foot production facility. Last but not least, we restructured the Company, changed the name to Hayes-Dana Inc. and amalgamated with our seven subsidiary companies.

#### ANOTHER RECORD YEAR

The result of all this activity was a record year for sales, net income and earnings per share. Sales increased by 41% reaching \$212,206,000. Net income reached an all-time high of \$8,725,000 well over last year's figure of \$6,936,000. Earnings per share were \$1.44, which compares with last year's \$1.15 per share.

Records just don't happen. They are the end product of the efforts of extremely dedicated people and we believe that the quality and determination of our people are also at record levels.

#### THEME FOR THE YEAR

A review of the management philosophies which have contributed towards our success will be our theme for the year. On the next page is a copy of the statement of our goal and philosophy and the succeeding pages offer comments on its various topics. We will highlight certain aspects of the philosophy in our quarterly reports to shareholders during the coming year.

#### THE COMING YEAR

We expect the light truck market, which accounts for slightly less than half our sales, to remain soft through the first half of the year, with a return to more normal levels by next summer. The heavy truck market and the aftermarket remain strong. The addition of Weatherhead will create additional sales of about \$20,000,000 and will increase our penetration into the industrial market and aftermarket. By next summer, we will be producing light truck driving axles in Barrie — a new product for your Company.

G.B. MITCHELL, Chairman of the Board

S.J. MORCOCK, President





## GOAL & PHILOSOPHY

*Our goal is to be the leading Canadian corporation turning power into progress.*

### EARNINGS

The purpose of Hayes-Dana is to earn a fair return for its shareholders and to protect and increase the value of their investment. We believe the best measurement of the accomplishment of our purpose is the constant growth in the Company's earnings per share.

### PEOPLE

Our success as a Company depends upon the participation, motivation and skills of all our people.

We believe people respond to recognition, freedom to contribute, and a fair compensation. All people are encouraged to respond to the opportunity to grow to the limit of their desire and ability.

We believe that increased responsibility deserves increased compensation and we believe that pay increases should relate to job performance. We endorse the practice by offering above-average compensation with incentive potential.

In recruiting people, we will keep in mind the growth goals of our Company, and secure people with the capacity and desire to grow with us.

We believe in utilizing co-operative student programmes and summer employment as recruiting devices and for training of new people.

We believe the education of all our people who desire it is important and that on-the-job training and related classroom training is the most effective method of teaching. We will make available opportunities that will encourage the development of skills in leadership, technology, general management, and personal development to prepare people for additional responsibilities and growth. To achieve this, in addition to on-the-job training, we will utilize Dana U courses, seminars, College and University courses, and specialized training.

In filling vacancies that result in job training and promotion, every effort will be made to find candidates within Hayes-Dana and its associated companies. People interested in moving to other positions in the Company are encouraged to discuss the Hayes-Dana People Resources Programme with their supervisor.

Promotable people must demonstrate supervisory skills and prove proficiency in at least one area of our Company's work — manufacturing, engineering, marketing, finance or personnel.

Since manufacturing is a major part of our Company's activities, experience in this field is highly desirable. Experience in the other areas of specialization is important before assuming senior management responsibility.

Periodic changes in duties are desirable but should vary with the individual and his own capabilities. These changes should not conflict with the operating efficiency of the Company.

### GROWTH

We believe in a reasonable and steady rate of growth through expansion and acquisitions.

We will continually strive to improve our position in all our existing markets. We will enter new markets that are consistent with our goal and compatible with our management and technical abilities.

The Company and our Divisions share in this growth responsibility.

### SAFETY

We believe that safety is an integral part of every activity and the responsibility for safety rests with every individual. Division Managers are responsible for the development and maintenance of an effective safety programme within their Divisions.

### PLANNING

We believe in planning at all levels of the organization.

Divisions will be responsible for detailed one-year and general five-year plans covering products, growth, profitability, investment, source and use of funds, people, etc. These plans will be reviewed regularly and continually updated.

Corporate planning will also be done with a detailed one-year and general five-year plan. This corporate plan should consist of a reasonable summation of the Divisions' plans plus the additional action that is necessary to fulfill the broad corporate objectives.

The practice of management by objective is a key part of this planning process. Naturally, differences in the various divisions will dictate their own objectives in support of the broad corporate objectives.

We believe in planning and conducting the affairs of the Company in such a manner as to ensure as nearly as possible, continuity of employment for all our people, and increases in earnings for our shareholders.

### ORGANIZATION

We believe in a divisionalized corporate structure with full responsibility given to Division and General Managers for the successful performance of their Divisions.

These Managers must have sufficient operating latitude to accomplish their goals within corporate objectives and policies. This environment not only stimulates initiative and innovation, but develops the expertise of management that is the keystone to our success.

When operating procedures are necessary for the effective operation of a Division, their development is the responsibility of the Division Manager.

Our Divisions are based upon products where products are the key and on markets where markets are the key. New Divisions will be added or existing Divisions restructured as circumstances dictate.

The result of this divisionalization is a "store manager" approach to operations. We believe in the store manager concept since it results in management training and it allows operating situations to be broken down into sizes that are readily manageable.

We believe in a small, highly effective corporate support group to service the needs of the corporate group and the Divisions as requested.

### CUSTOMERS

We recognize the importance of our customers.

Once a commitment is made to a customer, every effort must be made to fulfill that obligation.

We believe it is absolutely necessary to anticipate our customers' needs for both product and service. We must exert every effort toward the fulfillment of this philosophy. In anticipating our customers' needs for products and services, we must ensure our delivery capability based upon both internal capacity and consideration of outside procurement possibilities, consistent with sound, economical use of our assets and people.

### COMMUNICATION

We will communicate our goals, policies, and objectives to our shareholders, customers, people, the general public in the communities where our facilities are located and the financial community at large.

It is the responsibility of the Division Managers and the corporate staff to keep our people up to date constantly through newsletters, bulletin boards, group meetings, etc. At least once every year they shall make sure that all their people are informed of the results of their particular operation and what is planned for the coming year.

It is the responsibility of each supervisor to encourage opinions and ideas from his people. Supervisors shall implement those ideas and suggestions that have merit or, if they are impractical or improper, explain the reasons why they cannot be utilized.

### CITIZENSHIP

Hayes-Dana will be a good citizen at the national, provincial and local levels.

We will conduct our business in a professional and ethical manner when dealing with customers, neighbours, governments and the general public and will not wilfully violate any law.

We encourage active participation on the part of all of our people in community activities.

We will contribute to worthwhile community causes consistent with their importance to the good of the community.

Approved by the Board of Directors.

June 13, 1979.



## *We Believe . . .*

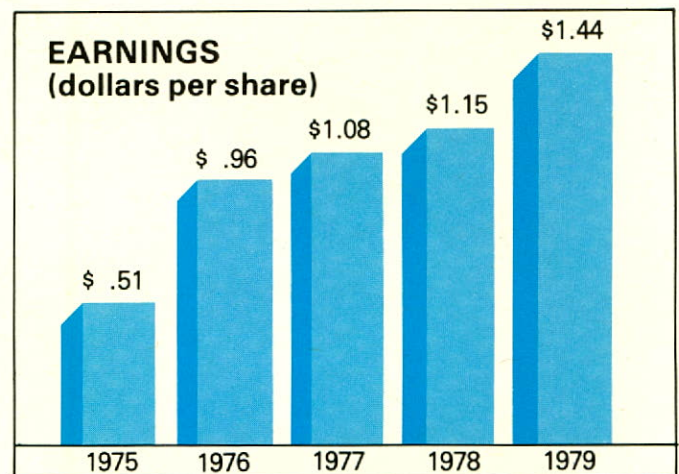
. . . this one page, plain language document to be the only "policy manual" our Company needs.

It is prominently displayed throughout all of our facilities and, when questions of policy arise, serves as a ready reference. It states clearly where we stand on the important issues without subjecting our people to volumes of corporate policies and procedures.

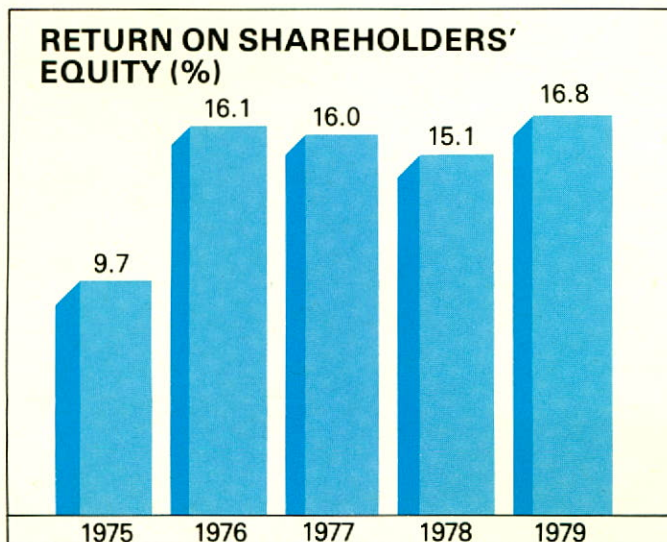
## *Here's How it Works*

### EARNINGS

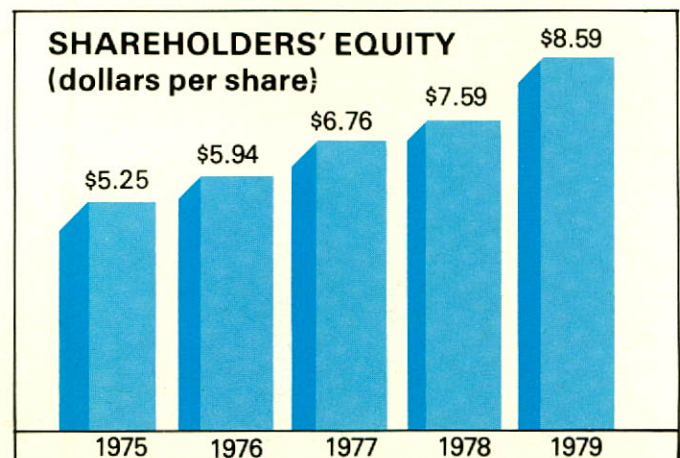
**"The purpose of Hayes-Dana is to earn a fair return for its shareholders and to protect and increase the value of their investment. We believe the best measurement of the accomplishment of our purpose is the constant growth in the Company's earnings per share."**



For the fifth consecutive year earnings per share have increased.



During the past five years Hayes-Dana has returned an average of 14.7% on shareholders' equity. This compares with an average of 10.4% for the previous five year period.



Growth in shareholders' equity is an important measure of progress. Since 1974 the book value per share of Hayes-Dana stock has increased an impressive 73%.





## PEOPLE

More words of our philosophy deal with our people than with any other subject. Our people **are** our Company's most valuable asset. They **are** doing an outstanding job.

*Glenn Polson, Quality Control Supervisor, Drive Train Division, Thorold (11 years' service) shown on the right with John Adamson from Dana Warehouse Operations in Hagerstown, Indiana, recently attended a week long materials management course at Dana University in Toledo, Ohio.*



*Gilles Laflamme (1 year's service) gauging concentricity on 1610 Heavy Duty Sleeves in the Drive Train Division, Thorold.*

*Joanne Monteith (3 years' service) assembles an order of replacement parts in the Hayes-Dana Central Distribution Warehouse in Beamsville. Joanne typifies our "promote from within" philosophy. Since this picture was taken she has become a buyer-scheduler in the Heavy Duty Products Division.*



# GROWTH

**“We believe in a reasonable and steady rate of growth through expansion and acquisitions.”**

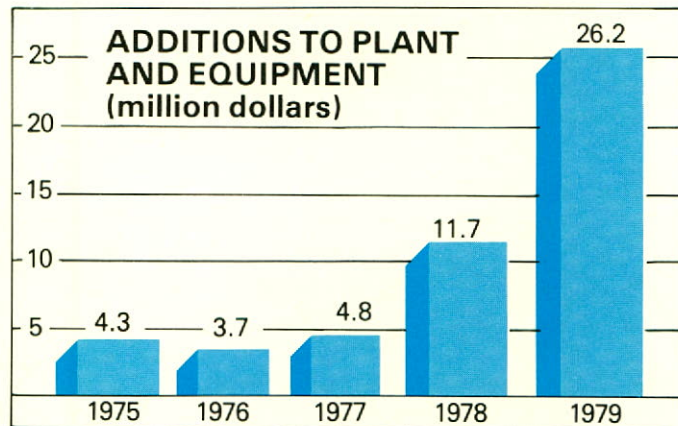
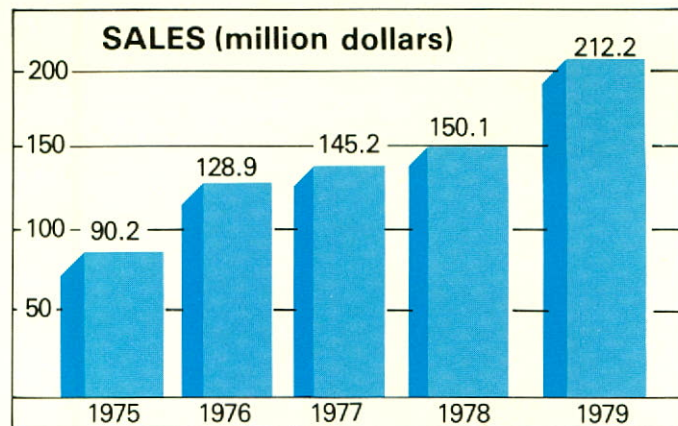
During the Seventies, Hayes-Dana sales have increased almost 300% from \$54.9 million in 1969 to \$212.2 million this year. To support this growth we have added almost \$38 million to our plant and equipment in the last two years alone.

In the past year we have started construction on a new 450,000 square foot plant in Barrie, Ontario to manufacture two new product lines — driving axles and rear axle housings. We also started up a plant in Georgetown, Ontario to produce another new product — trailer axles.

Further expansion also took place in Hayes-Dana's Aftermarket Operations. A new Western Wheel Truck Service Centre was opened in Castlegar, British Columbia and in Regina, Saskatchewan the Heavy Duty Products Division opened a new regional warehouse and drive-line machine shop.

Again in 1979, we grew through acquisition by purchasing Dealer's Truck in Regina, Saskatchewan. We have also agreed in principle to purchase the assets of Weatherhead Canada in St. Thomas, Ontario.

We believe this reinvestment of earnings is the best evidence we can offer of our commitment to growth.



# PLANNING

**“We believe in planning at all levels of the organization.”**

Detailed forecasts covering sales, profits, capital requirements and all other aspects of a division are presented annually at a corporate meeting during what is known throughout the Company as “Hell Week”. A summary of these plans is presented each year at the annual shareholders' meeting.



*Off-site management seminars provide an opportunity to review and critique long range division and corporate plans.*

# SAFETY

**“We believe that safety is an integral part of every activity and the responsibility for safety rests with every individual.”**

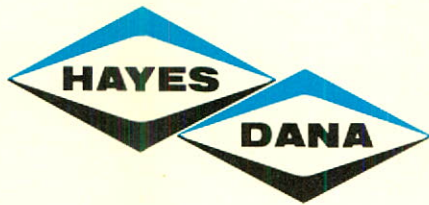
We care about the safety of our people.

Currently our Drive Train Division in Thorold is running a LIFE (Learning Industrial First-aid Effectively) programme covering the treatment of industrial and home accidents. The intensive eight hour training course conducted by our own people, who have been certified by the St. John's Ambulance Association, will include all 850 employees by the end of the year.



*Art Lappa, Industrial Accident Prevention Association representative, (seated right) is shown with Plant Manager, Jim Harris (16 years' service) and the rest of the St. Thomas Safety Committee during presentation of two awards earlier this year for no lost time accidents since August, 1976.*



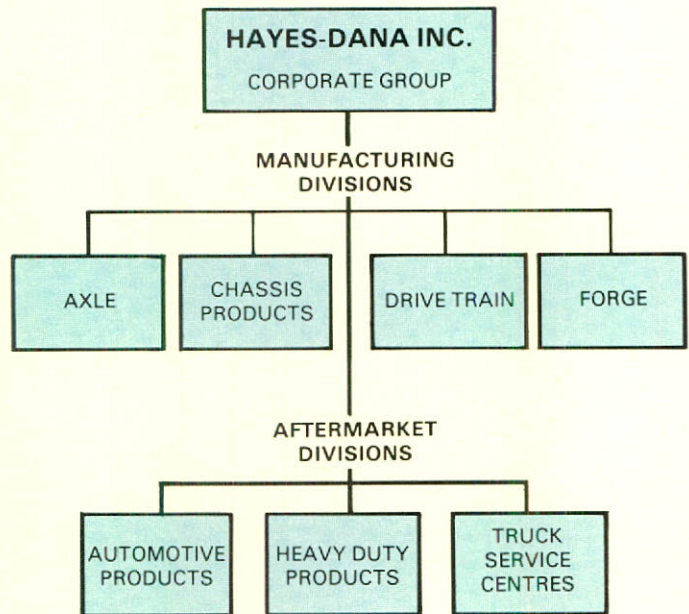


## ORGANIZATION

**"We believe in a divisionalized corporate structure with full responsibility given to Division and General Managers for the successful performance of their Divisions."**

Divisions are created based upon products or markets, whichever is appropriate. Each division is encouraged to be self-sufficient and to develop the expertise necessary to take advantage of the opportunities in its area of activity. This process of pushing the decision-making downward through the organization encourages the development of the entrepreneurial skills of our managers.

An example of the creation of a division based on products is our Axle Division which is new this year.



## CUSTOMERS

**"Once a commitment is made to a customer, every effort must be made to fulfill that obligation."**

Hayes-Dana's strength today is based on its reputation for delivering on schedule a quality product at a competitive price.

We are now aggressively engaged in research and development of new products in order to spread our dependency over a wider range of customers and to further penetrate the truck market.

A prime example of this is our timely entry into the trailer axle business. This product line has now been moved into its own factory at Georgetown and customer acceptance is far exceeding our expectations.



*A company that has adopted Spicer Trailer Axles as standard is Davies Truck Equipment Ltd. in Acton, Ontario. Our new plant in Georgetown is only ten miles away and well situated to serve them.*

*From the left, examining a print, are Bob MacPherson, mechanic, Ralph Burgess, Manager - Trailer Axle Plant (3 years' service) and Angus MacPherson, Vice-President of Davies Truck Equipment.*

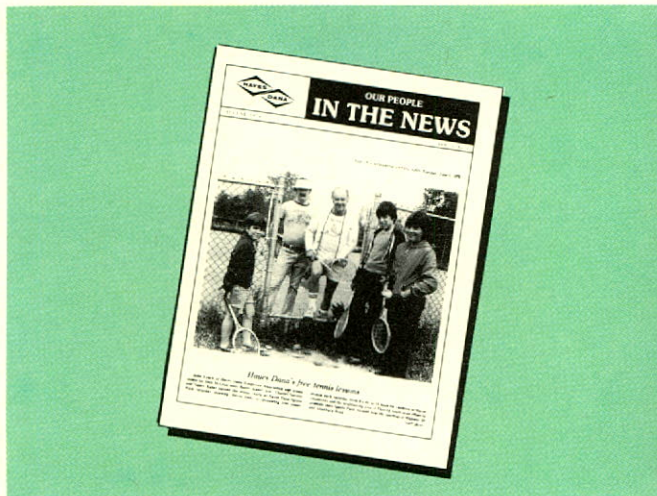


# COMMUNICATIONS

**"We will communicate our goals, policies and objectives . . ."**

In a company that is expanding geographically as well as by products, markets and sales, communications are vitally important. We are working very hard to keep our people informed.

Effective communications must be two-way. We are constantly talking to our employees, shareholders, customers and the people in our communities. To be successful we require the best possible input from everyone.



*"Our people in the News" is a new publication issued to all our employees as news clippings accumulate.*



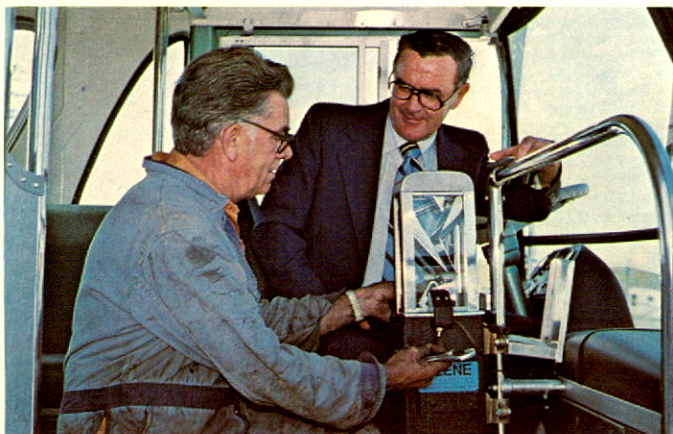
*At least once a year top management reports to Hayes-Dana people in all divisions at all levels. Here, a group at the Chassis Products Division, Thorold, listens as Woody Morcock outlines the company's plans for the year.*

# CITIZENSHIP

**"Hayes-Dana will be a good citizen at the national, provincial and local levels".**

We believe our prime responsibility is to earn profits to provide a fair return for our shareholders and steady work for our people.

Hayes-Dana also encourages its people to participate in community service in the belief that outside involvement benefits the community, the company and the individual.



*Hugh Cosgrove, Manager-Forge Division (30 years' service), is one of our people who devotes time to community betterment. At present he is a member of the St. Catharines Transit Commission. He is shown here with Norm DeBitt, a Transit Commission employee.*



*These young ball players know the thrill of a winning team spirit. They were coached to the championship in their division by Jack Phillipson (6 years' service) on the left, the branch manager of Byers Truck and Trailer in Toronto.*





## HAYES-DANA INC.

# BALANCE SHEET

		AUGUST 31	
ASSETS		1979	1978
CURRENT ASSETS:			
Cash	funds available immediately.	\$216,000	170,000
Accounts receivable	amounts owed to the company under normal credit terms.	21,105,000	19,498,000
Recoverable income taxes	tax payments to be applied against future tax instalments.	3,933,000	1,950,000
Inventories (note 3)	products being held for sale as well as raw materials and partially finished products.	56,698,000	34,359,000
Prepaid expenses	advance payments for services yet to be received such as insurance.	780,000	749,000
		<u>82,732,000</u>	<u>56,726,000</u>
FIXED ASSETS, AT COST:			
Land and improvements to land		2,106,000	1,132,000
Buildings	tangible property of relatively long life that is used in the production and sale of our products.	18,734,000	12,467,000
Machinery and equipment		71,320,000	52,569,000
		<u>92,160,000</u>	<u>66,168,000</u>
Less — Accumulated depreciation	portions of the cost of fixed assets charged off to expense over their estimated useful lives.	33,133,000	29,566,000
		<u>59,027,000</u>	<u>36,602,000</u>
OTHER ASSETS:			
Investment at equity	investment in 50% owned company at cost plus share in its retained earnings.	183,000	142,000
Goodwill	intangible asset representing the difference between purchase price and book value of acquired companies.	820,000	949,000
		<u>1,003,000</u>	<u>1,091,000</u>
TOTAL ASSETS		<u>\$142,762,000</u>	<u>\$94,419,000</u>



LIABILITIES AND SHAREHOLDERS' EQUITY		AUGUST 31	
		1979	1978
CURRENT LIABILITIES:			
Bank advances and notes payable	loans normally payable within one year.	\$29,857,000	\$14,313,000
Notes payable to Dana Corporation and affiliate		7,300,000	3,300,000
Accounts payable and accrued liabilities	amounts owed to suppliers and other creditors under normal credit extension.	29,486,000	19,191,000
Dividend payable	dividend declared but payable after fiscal year end.	725,000	407,000
Due to Dana Corporation and affiliates	amounts owed to Dana Corporation and affiliates for materials and services.	5,375,000	1,086,000
		<u>72,743,000</u>	<u>38,297,000</u>
LONG-TERM DEBT: (note 4)	loan payable with a term exceeding one year.	1,000,000	—
DEFERRED INCOME TAXES:	deferred taxes arising from timing differences between accounting and taxable income.	16,969,000	10,274,000
SHAREHOLDERS' EQUITY: (notes 5 & 6)			
Common shares	capital contribution by the common shareholders.	9,682,000	9,545,000
Retained earnings	cumulative increase in the shareholders' investment as a result of company operations.	42,368,000	36,303,000
		<u>52,050,000</u>	<u>45,848,000</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>\$142,762,000</u>	<u>\$94,419,000</u>

APPROVED BY THE BOARD  
G.B. MITCHELL, Director  
S.J. MORCOCK, Director



# HAYES-DANA INC.

## STATEMENT OF INCOME

		YEAR ENDED AUGUST 31	
		1979	1978
SALES	revenues from the sale of our products and services.	\$212,206,000	\$150,081,000
Interest and other income (net)		688,000	470,000
		<u>212,894,000</u>	<u>150,551,000</u>
Costs and expenses			
Cost of sales	material, labour, and overhead costs used in the manufacture of our products.	186,261,000	130,014,000
Selling, general and administrative expenses	costs associated with general sales and administrative activities.	10,224,000	8,370,000
Interest expense	charges for the use of borrowed money.	2,666,000	876,000
		<u>199,151,000</u>	<u>139,260,000</u>
Income before income taxes	excess of total revenues over total expenses before income taxes.	13,743,000	11,291,000
Income taxes	taxes computed on income.	5,018,000	4,355,000
Net income for the year	excess of total revenues over total expenses.	<u>\$8,725,000</u>	<u>\$6,936,000</u>
Net income per share		\$1.44	\$1.15

## STATEMENT OF RETAINED EARNINGS

Balance at beginning of year		\$36,303,000	\$31,299,000
Net income for the year	per Statement of Income.	8,725,000	6,936,000
Dividends	\$.44 per share in 1979 versus \$.32 per share in 1978.	2,660,000	1,932,000
Balance at end of year		<u>\$42,368,000</u>	<u>\$36,303,000</u>



# STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED AUGUST 31  
1979 1978

## FINANCIAL RESOURCES WERE PROVIDED BY:

Net income for the year	<i>per Statement of Income.</i>	\$8,725,000	\$6,936,000
Charges not requiring current funds —			
Amortization of goodwill	<i>goodwill arising from acquisition of shares of subsidiaries being amortized over a ten year period.</i>	129,000	129,000
Depreciation	<i>portions of the cost of fixed assets charged to expense according to a predetermined schedule.</i>	3,735,000	3,223,000
Deferred income taxes	<i>deferred taxes resulting from differences between accounting and taxable income.</i>	6,695,000	2,481,000
Working capital provided by operations		19,284,000	12,769,000
Increase in long-term debt		1,000,000	—
Common stock issued	<i>options exercised under Stock Option Plan and stock dividends elected under the Optional Dividend Policy.</i>	137,000	11,000
		<u>\$20,421,000</u>	<u>\$12,780,000</u>

## FINANCIAL RESOURCES WERE USED FOR:

Additions to plant and equipment (net)	<i>expenditures for machinery and equipment primarily to increase capacity.</i>	\$26,160,000	\$11,635,000
Dividends	<i>dividends on common shares.</i>	2,660,000	1,932,000
Decrease in long-term debt		—	4,898,000
Increase in investment at equity	<i>reinvested earnings from 50% owned company.</i>	41,000	23,000
		<u>\$28,861,000</u>	<u>\$18,488,000</u>
Increase (decrease) in working capital		<u>\$(8,440,000)</u>	<u>\$(5,708,000)</u>
Working capital at beginning of year		18,429,000	24,137,000
Working capital at end of year		<u>\$9,989,000</u>	<u>\$18,429,000</u>





## NOTES TO FINANCIAL STATEMENTS — AUGUST 31, 1979

### 1. SUMMARY OF ACCOUNTING POLICIES:

The significant accounting practices and policies employed in the preparation of the financial statements of Hayes-Dana Inc. are summarized below:

The Company's investment in the corporate joint venture is carried at cost plus equity in its undistributed net income.

Depreciation is computed over the estimated useful lives of property, plant and equipment using the straight-line method at rates of 2-1/2% and 5% on buildings and generally 10% on machinery and equipment. The carrying value of properties retired or otherwise disposed of, and accumulated depreciation thereon are eliminated from the accounts and any resulting gain or loss is recognized in income. Expenditures for maintenance and repairs are charged to income and renewals and betterments are capitalized.

The Company follows the tax allocation basis of accounting for taxes on income whereby deferred income taxes are provided on all significant timing differences between accounting and taxable income, primarily accelerated depreciation claimed for tax purposes in excess of amounts recorded in the accounts. The Company uses the "flow-through" method of accounting for investment tax credits as a reduction of the current provision for federal income taxes.

The Company's operations are affected to some extent by model changes. It is the Company's policy to defer expenditures incurred to bring manufacturing operations into full production as a result of major expansions and model changeovers, and to amortize such expenditures over the estimated production life of the new design.

All research and development costs are expensed as incurred (1979-\$166,000; 1978-\$1,278,000).

Foreign currency balances and transactions are translated into Canadian dollars as follows: long-term assets and liabilities at exchange rates in effect at dates of acquisition; current assets and liabilities at rates in effect at August 31; revenue and expenses at

average rates for the year. Unrealized gains on translation of foreign currency are deferred and carried forward on the balance sheet; unrealized losses are charged to income. An unrealized gain of \$1,369,000 as at August 31, 1979 (1978 — \$1,486,000) resulting from the translation of net current balances at year-end rates of exchange was deferred in the accounts.

Goodwill arising from acquisitions is being amortized over a ten year period.

Earnings per share are computed on the basis of the weighted average number of shares outstanding during the year. Shares reserved for issuance under the stock option plan would not materially dilute earnings per share.

### 2. AMALGAMATION OF SUBSIDIARY COMPANIES:

During the year, Hayes-Dana Limited and all of its wholly-owned subsidiaries applied for and received Articles of Continuance under the Canada Business Corporations Act. Effective August 31, 1979 all of the wholly-owned subsidiary companies were amalgamated and are continuing operations under the name of Hayes-Dana Inc.

### 3. INVENTORIES:

Inventories are valued at the lower of cost and net realizable value with cost determined on a first-in, first-out basis, and consisted of:

	1979	1978
Raw materials	\$17,262,000	\$8,722,000
Work-in-process and finished goods	<u>39,436,000</u>	<u>25,637,000</u>
	<u>\$56,698,000</u>	<u>\$34,359,000</u>

### 4. LONG-TERM DEBT:

Per an Agreement dated November 29, 1978, the Company obtained a \$1,000,000 loan from The Ontario Development Corporation. The loan requires no principal repayments and is interest free until October 15, 1983. Thereafter, interest will be charged at a rate of 11-3/4% per annum and the Company will make monthly payments of \$21,979 until the loan matures on October 15, 1988.



## 5. STATED CAPITAL:

The Company has an unlimited number of authorized common and preference shares and there is no limit to the consideration to be received by it upon issue of such shares. During the year, the Company adopted an optional stock dividend policy where the shareholders have the right to receive dividends in stock rather than cash.

Issued shares at August 31, 1979 and 1978 and consideration received were: 6,058,969 (1978 - 6,039,546) common shares \$9,682,000 (1978 - \$9,545,000).

During the year ended August 31, 1979, the Company issued 19,423 common shares for \$137,000; of which 7,028 were from treasury under the optional stock dividend policy and 12,395 were from the exercise of employees' stock options.

## 6. STOCK OPTIONS:

The Employees Stock Option Plan provides for options to be granted to key employees to purchase up to 310,250 shares of the Company's common stock at a price equal to the market value of the shares at the date granted. During the year ended August 31, 1979, 12,395 options were exercised for cash of \$63,697 and options on 43,500 shares were granted. At August 31, 1979 the following options to purchase were outstanding:

Expiry Date	Option Price Per Share	For Shares at Aug. 31	
		1979	1978
Sept. 26, 1978	\$9.050	—	8,925
Sept. 25, 1979	\$5.000	3,000	10,500
Dec. 16, 1981	\$5.625	28,390	30,610
Sept. 13, 1982	\$5.125	37,375	40,050
Sept. 27, 1983	\$10.000	43,500	—
		<u>112,265</u>	<u>90,085</u>

Options for 34,835 shares are held by six officers, one of whom is a director.

## 7. REMUNERATION OF DIRECTORS AND OFFICERS:

The Company and its subsidiaries paid \$47,000 to twelve directors, as directors, and \$366,000 to nine officers, as officers, three of whom are directors.

## 8. PENSION PLANS:

The unfunded past service liability of the Company's pension plans which is being amortized over not more than fifteen years is estimated by independent actuaries to be approximately \$16,219,000 (1978 — \$16,438,000) of which \$14,103,000 represents employee vested benefits (1978 — \$13,859,000). Pension plan expenses for the year amounted to \$3,809,000 (1978 — \$3,298,000).

## 9. SUBSEQUENT EVENT:

Effective September 1, 1979 the Company acquired all of the assets of The Weatherhead Company of Canada, Ltd. except for inventories which were acquired on August 31, 1979. The aggregate purchase price amounts to \$12,400,000.

## 10. COMMITMENTS:

At August 31, 1979 the Company was committed under non-cancellable leases for the following minimum annual rentals:

1980	\$973,000
1981	\$806,000
1981	\$709,000
1983	\$589,000
1984	\$372,000

Outstanding commitments relating to the purchase of machinery and equipment amount to approximately \$5,158,000 at August 31, 1979.

# AUDITORS' REPORT

## To the Shareholders of Hayes-Dana Inc.:

We have examined the balance sheet of Hayes-Dana Inc. as at August 31, 1979 and the statements of income, 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 August 31, 1979 and the results of its operations and the changes in its financial position for the year ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hamilton, Ontario  
September 26, 1979

PRICE WATERHOUSE & CO.  
Chartered Accountants





## DIRECTORS

**HARRY J. CARMICHAEL**

- Toronto, Ontario  
Industrialist

**A. GRAHAM COULTER**

- Toronto, Ontario  
Director - Seaburn Metal  
Products Limited

**GEORGE D. DORESCO**

- Toledo, Ohio  
President - Vehicular Group  
Dana Corporation

**MERVYN L. LAHN**

- London, Ontario  
President and Chief Operating  
Officer - Canada Trust Company

**RENE C. McPHERSON**

- Toledo, Ohio  
Chairman of the Board  
Dana Corporation

**GERALD B. MITCHELL**

- Toledo, Ohio  
Chairman of the Board  
Hayes-Dana Inc.

**S. J. "WOODY" MORCOCK**

- St. Catharines, Ontario  
President - Hayes-Dana Inc.

**BENJAMIN P. NEWMAN**

- St. Catharines, Ontario  
President - Newman Steel Limited

**SAMUEL T. PATON**

- Toronto, Ontario  
Company Director

**JOHN D. STEVENSON, Q.C.**

- Toronto, Ontario  
Partner - Smith, Lyons, Torrance  
Stevenson & Mayer

**JOHN J. WETTLAUER**

- London, Ontario  
Professor - Business Administration  
University of Western Ontario

**DONALD G. WILLMOT**

- Toronto, Ontario  
Chairman of the Board  
— The Molson Companies Limited

## CONDENSED FINANCIAL SUMMARY

FOR THE FISCAL YEARS

1979

1978

1977

1976

### OPERATING DATA

NET SALES .....	<b>\$212,206,000</b>	\$150,081,000	\$145,164,000	\$128,944,000
Cost of Sales .....	<b>186,261,000</b>	130,014,000	127,328,000	112,724,000
Interest Expense .....	<b>2,666,000</b>	876,000	857,000	874,000
Income before Income Taxes .....	<b>13,743,000</b>	11,291,000	10,819,000	9,961,000
Income Taxes .....	<b>5,018,000</b>	4,355,000	4,270,000	4,170,000
NET INCOME .....	<b>8,725,000</b>	6,936,000	6,549,000	5,791,000*
Net Income for the Year Retained for Growth .....	<b>6,065,000</b>	5,004,000	4,597,000	4,345,000
Net Income per Share of Common Stock .....	<b>\$ 1.44</b>	\$1.15	\$1.08	\$ .96*
Cash Dividends per Share of Common Stock .....	<b>\$ .44</b>	\$ .32	\$ .26	\$ .24

### YEAR END FINANCIAL POSITION

Working Capital .....	<b>9,989,000</b>	18,429,000	24,137,000	19,681,000
Property, Plant and Equipment at cost .....	<b>92,160,000</b>	66,168,000	62,570,000	59,106,000
Property, Plant and Equipment, Less Accumulated Depreciation .....	<b>59,027,000</b>	36,602,000	28,190,000	27,754,000
Total Assets .....	<b>142,762,000</b>	94,419,000	66,453,000	65,445,000
Long-Term Debt .....	<b>1,000,000</b>	—	4,898,000	4,898,000
Shareholders' Equity .....	<b>52,050,000</b>	45,848,000	40,833,000	35,876,000
Ratio of Current Assets to Current Liabilities .....	<b>1.1:1</b>	1.5:1	2.9:1	2.2:1
Shareholders' Equity per Share ....	<b>\$8.59</b>	\$7.59	\$6.76	\$5.94

\*After extraordinary charge





## SENIOR MANAGEMENT

**HUGH COSGROVE (30 years)**  
Forge Division Manager

**LEWIS DENSMORE (42 years)**  
Vice-President, Administration

**ROGER HEISE (8 years)**  
Axle Division Manager

**GEORGE HOUGH (26 years)**  
Vice-President, Controller

**LEO MANNI (10 years)**  
Chassis Products Division Manager

**BOB McFARLAND (17 years)**  
Truck Service Centres Division  
General Manager

**JIM MCGILL (38 years)**  
Manager, Facilities and Safety

**BUD McLAUGHLIN (13 years)**  
Manager, Personnel and  
Corporate Relations

**WOODY MORCOCK (16 years)**  
President

**MABEL MOSS (38 years)**  
Corporate Secretary

**BOB MOSSBERGER (30 years)**  
Heavy Duty Products  
Division Manager

**BOB NEELIN (28 years)**  
Treasurer

**JACK REED (23 years)**  
Vice-President,  
Manufacturing Divisions

**BASIL REID (17 years)**  
Acting Drive Train Manager

**DAYNARD WELSH (23 years)**  
Automotive Products Division  
General Manager

1975	1974	1973	1972	1971	1970
\$90,187,000	\$90,051,000	\$97,735,000	\$64,596,000	\$51,305,000	\$54,945,000
79,785,000	81,124,000	85,805,000	55,467,000	44,851,000	48,340,000
1,219,000	1,194,000	1,040,000	553,000	521,000	637,000
5,273,000	4,312,000	7,939,000	5,722,000	3,375,000	3,275,000
2,228,000	1,904,000	3,290,000	2,370,000	1,654,000	1,925,000
3,045,000	2,408,000	4,649,000	3,352,000	1,721,000	1,350,000
1,609,000	805,000	3,281,000	2,120,000	527,000	156,000
\$ .51	\$ .40	\$ .78	\$ .56	\$ .29	\$ .23
\$ .24	\$ .24	\$ .23	\$ .20	\$ .20	\$ .20
9,568,000	8,423,000	8,158,000	7,575,000	6,498,000	6,592,000
55,259,000	52,580,000	48,943,000	42,738,000	34,277,000	32,738,000
31,221,000	31,198,000	30,812,000	27,260,000	20,754,000	21,199,000
61,326,000	65,148,000	61,792,000	55,856,000	41,207,000	42,818,000
1,500,000	4,000,000	6,000,000	4,000,000	—	1,000,000
31,271,000	29,662,000	28,704,000	25,417,000	23,297,000	22,770,000
1.5:1	1.4:1	1.4:1	1.4:1	1.5:1	1.5:1
\$5.22	\$4.96	\$4.80	\$4.25	\$3.89	\$3.81





## FACILITIES

Hayes-Dana operates eight manufacturing plants, seven distribution warehouses and nineteen truck service centres throughout Canada. Currently these facilities total 296 acres, 1,952,000 square feet and 2,800 people.



**AGMASTER PRODUCTS PLANT - ST. THOMAS**

7 ACRES 58,000 SQ.FT.  
64 EMPLOYEES



**DRIVE TRAIN DIVISION - THOROLD**

76 ACRES 340,000 SQ.FT.  
900 EMPLOYEES



**FORGE DIVISION - ST. CATHARINES**

15 ACRES 220,000 SQ. FT.  
300 EMPLOYEES



**VICTOR PRODUCTS PLANT - ST. THOMAS**

6 ACRES 67,000 SQ.FT.  
85 EMPLOYEES



**CHASSIS PRODUCTS DIVISION - THOROLD**

80 ACRES 345,000 SQ.FT.  
850 EMPLOYEES





**HAYES-DANA INC.**

ST. CATHARINES, ONTARIO L2R 7K9

## ANNOUNCEMENT

Effective September 1, 1979 the name of Hayes-Dana Limited was changed to Hayes-Dana Inc. which is fully bilingual and reflects the fact that the Corporation carries on business throughout Canada.

The corporate offices are now located at One St. Paul, St. Catharines, Ontario (see map attached), mailing address is P.O. Box 3029, St. Catharines, Ontario L2R 7K9, telephone (416) 688-9511, telex 061-5390.

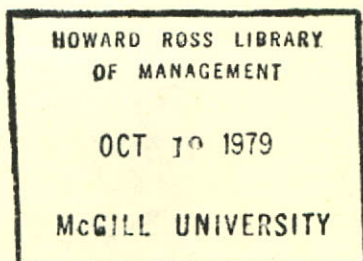
At the same time, to permit more efficient taxation and internal reporting procedures, and to streamline the organization, the Corporation amalgamated with its seven wholly-owned subsidiaries:

- HDSP Parts Limited
- Hayes-Dana Special Services Limited
- Hayes-Dana Parts Co. Ltd.
- Hayes-Dana Properties Limited
- Byers Truck and Trailer Equipment Limited
- Dealers Truck Equipment Ltd.
- Western Wheel and Parts Ltd.

The last three will continue under their present names, but operate as divisions of Hayes-Dana Inc. instead of subsidiaries.

These changes permit us to more efficiently serve our shareholders, our customers and our markets.

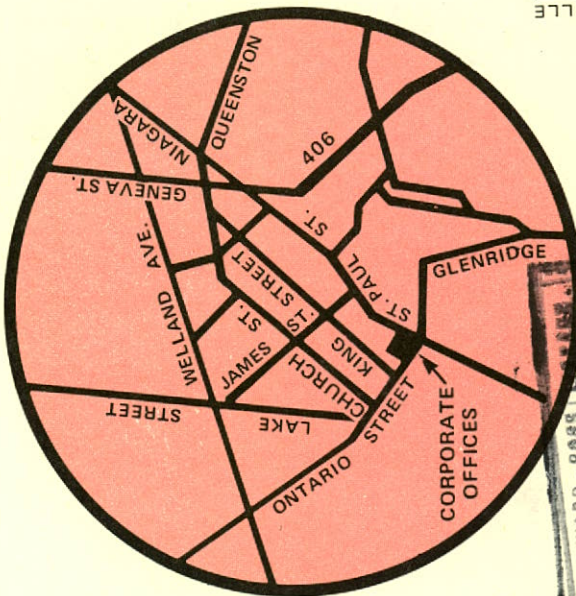
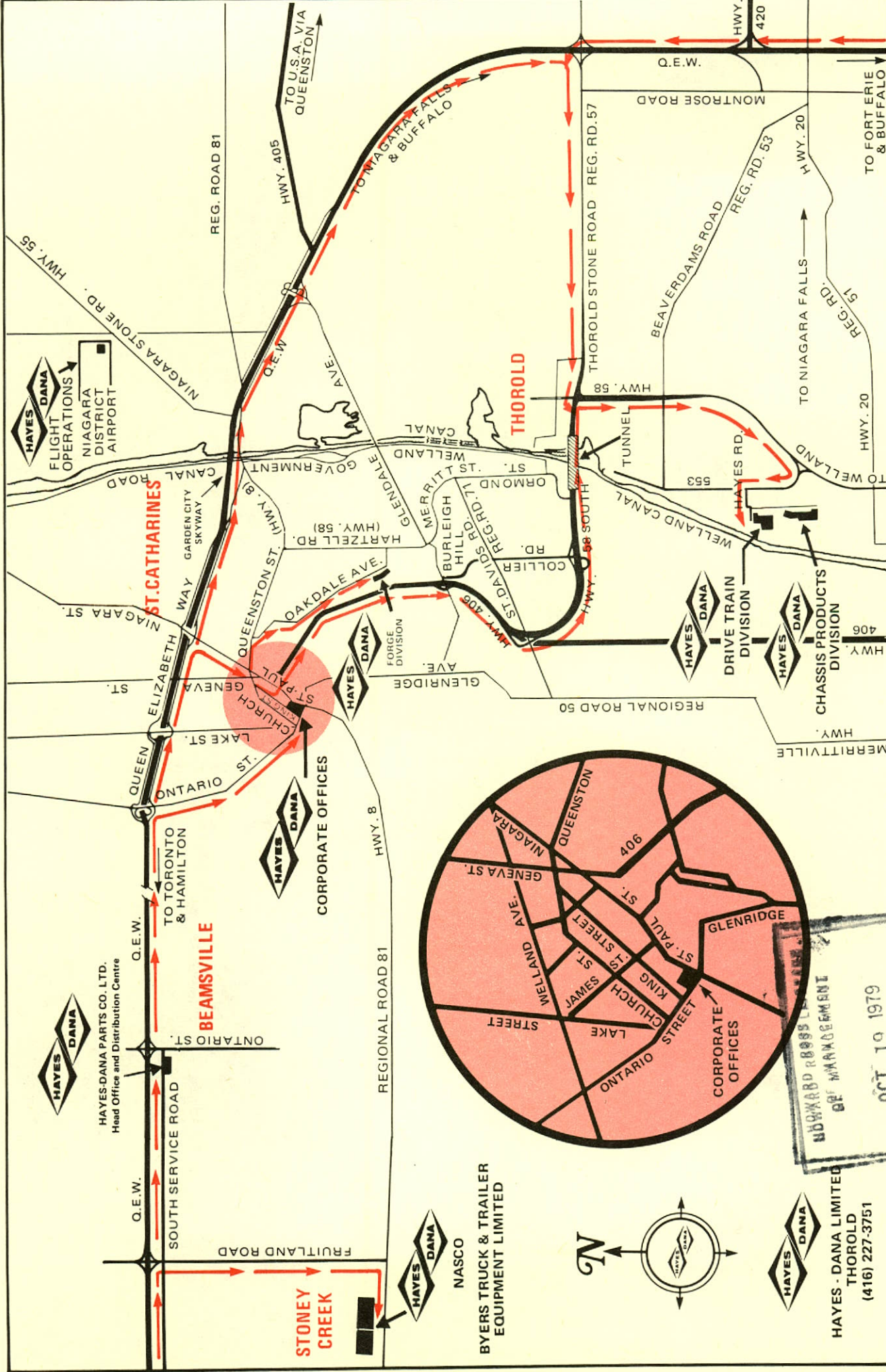
S. J. Morcock  
President



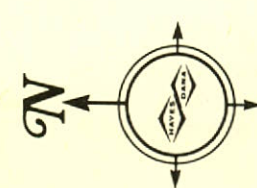








HOWARD ROSS  
 OF MANAGEMENT  
 OCT 19 1979  
 MCGILL UNIVERSITY



HAYES - DANA LIMITED  
 THOROLD  
 (416) 227-3751



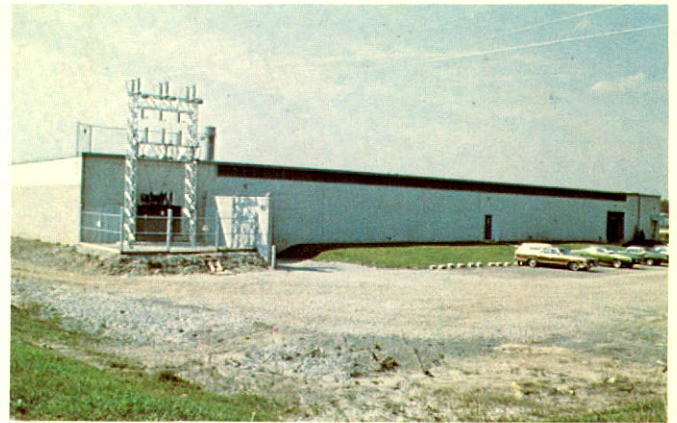






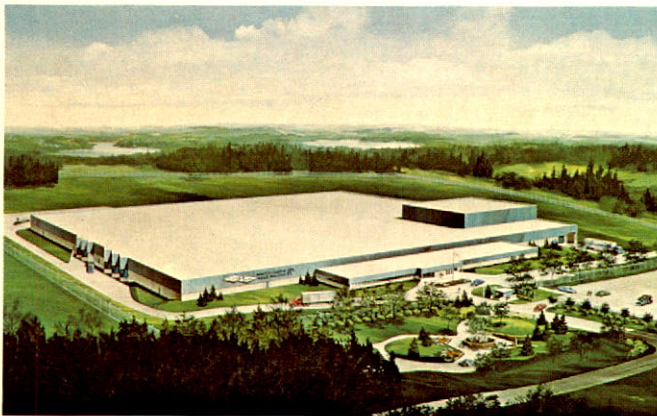
### **NASCO PLANT - STONEY CREEK**

14 ACRES 130,000 SQ. FT.  
150 EMPLOYEES



### **TRAILER AXLE PLANT - GEORGETOWN**

13 ACRES 22,000 SQ. FT.  
23 EMPLOYEES



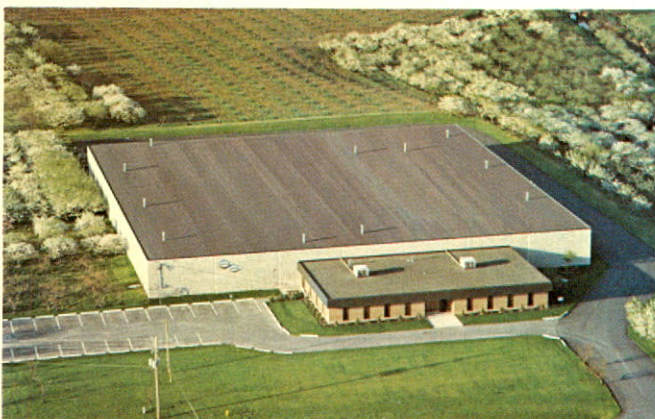
### **AXLE DIVISION - BARRIE**

35 ACRES 450,000 SQ. FT.  
100 EMPLOYEES



### **HEAVY DUTY PRODUCTS DIVISION**

SEVEN LOCATIONS  
10 ACRES 90,000 SQ. FT.  
70 EMPLOYEES



### **AUTOMOTIVE PRODUCTS DIVISION**

TWO LOCATIONS  
10 ACRES 30,000 SQ. FT.  
30 EMPLOYEES



### **TRUCK SERVICE CENTRES**

NINETEEN LOCATIONS  
30 ACRES 200,000 SQ. FT.  
180 EMPLOYEES





*Our goal is to be the leading Canadian corporation*

*turning power into progress.*