

# Kelsey-Hayes Canada Limited

## 1982 Annual Report

YEAR ENDING DECEMBER 31, 1982

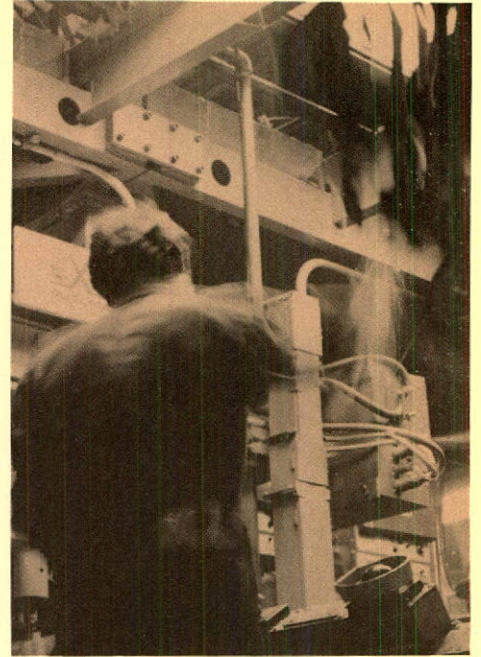
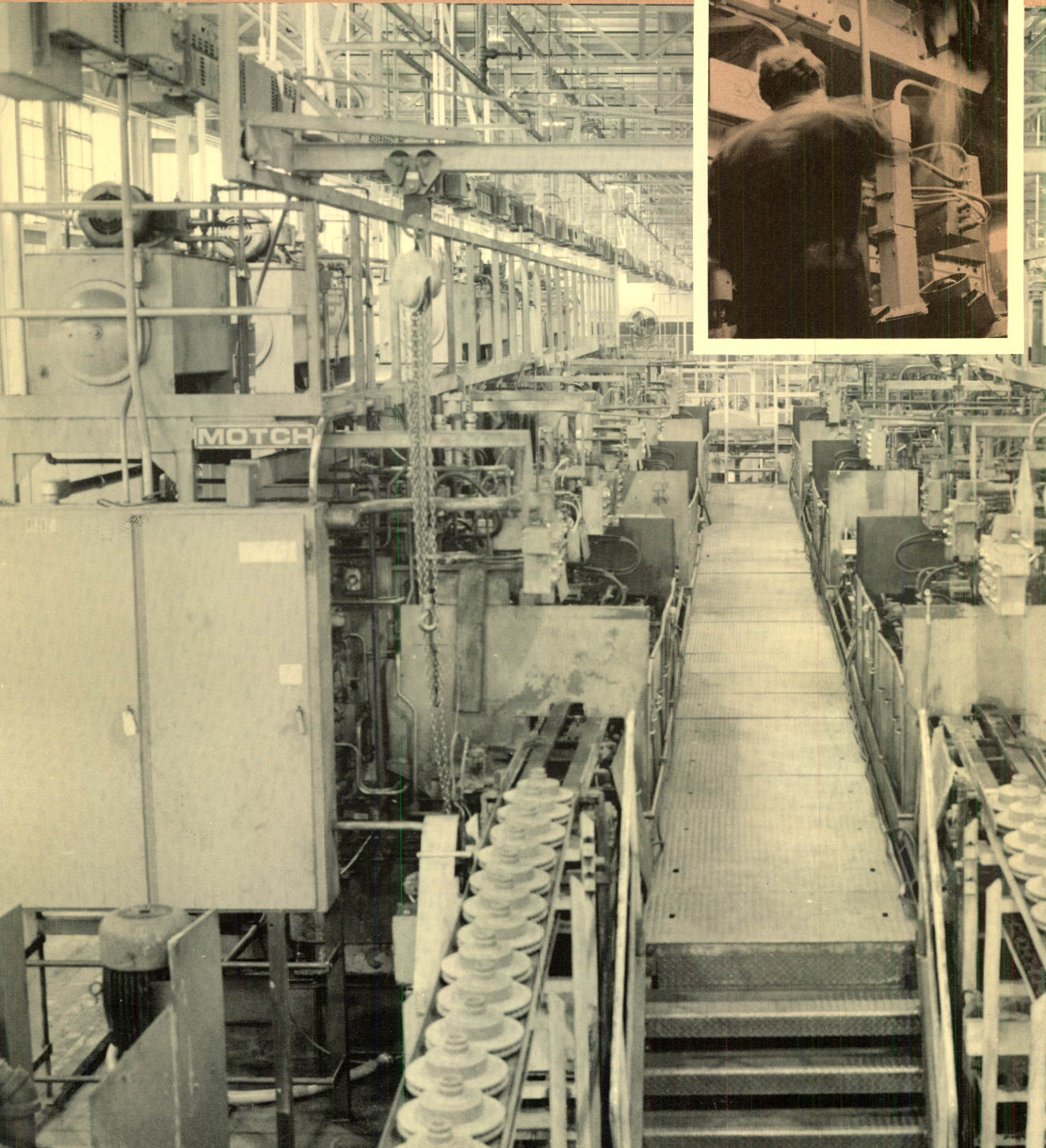




The Company was founded in 1913 as Kelsey Wheel Company Limited. In 1961, Eureka Foundry and Manufacturing Company Limited, Woodstock, Ontario, was acquired. In 1966, Conroy Manufacturing Company Limited, St. Catharines, Ontario, was acquired. Effective February 1, 1967, a statutory merger of the three companies was carried out and the name of the successor Company became Kelsey-Hayes Canada Limited.

### Products of the Company

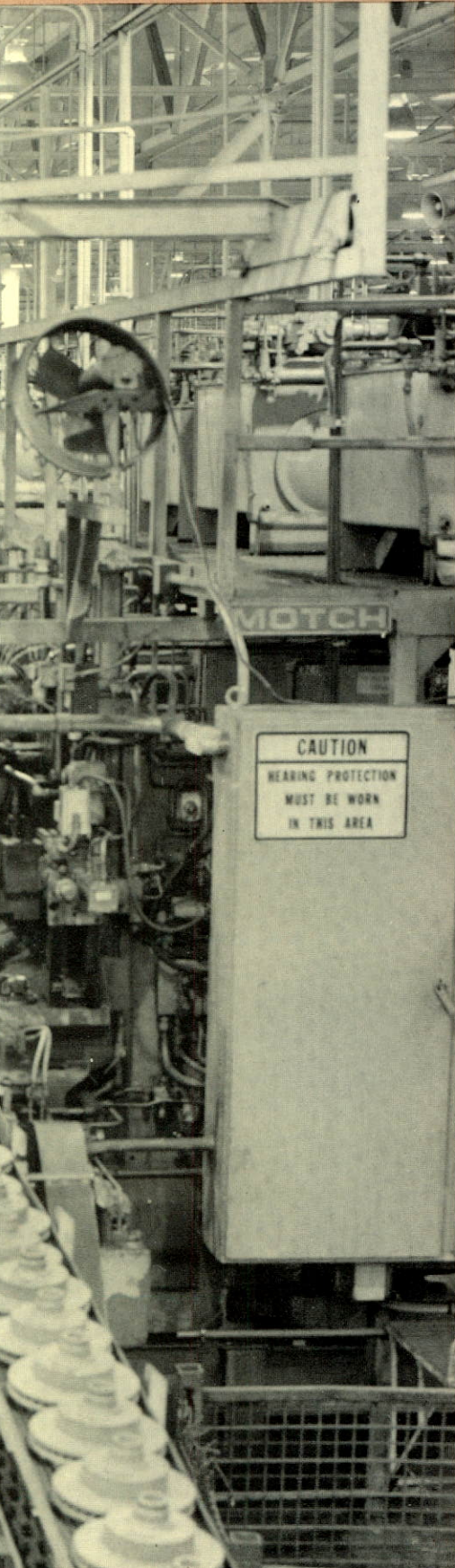
- Passenger car and light truck wheels
- Cast steel type wheels for heavy trucks and trailers
- Rotors for disc brakes for passenger cars and light trucks
- Brake drums for passenger cars and trucks.





# Letter to Shareholders

of Kelsey-Hayes Canada Limited



Production levels in the North American Automotive Industry were the lowest since 1958. However we were able to achieve a modest increase in sales to \$120,131,000 from \$113,629,000 recorded the previous year.

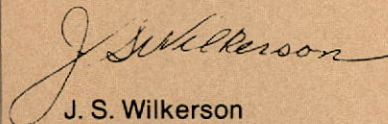
The financial results for the year 1982 were most satisfactory considering the depressed condition of the industry. Net earnings were \$6,774,000 or \$2.05 a share compared with \$8,157,000 and \$2.47 a share earned in 1981. The earning performance was accomplished in a year during which automotive parts suppliers were in a very difficult cost recovery period.


Total capital expenditures for the year were approximately \$6,600,000. The major expenditure was on the modernization programme to improve the moulding facilities at our Woodstock Eureka Foundry. The programme is on schedule and it is anticipated the new moulding technique will be ready for start-up in the spring and ready for full-production by summer of this year. Projected capital expenditures are approximately \$7,000,000. for the year 1983.

A new three year labour contract was negotiated at our Windsor Division in February 1983. The contract at our Conroy Division expires in August 1983 and the contract at our Woodstock Division in January 1984.

The prospects for 1983 appear more optimistic at the present time. However they are contingent upon the continuation of the modest recovery in the automotive industry brought on by lower interest rates and reducing fuel prices. It is interesting to observe that if the improvement in the economy continues there is a significantly higher number of older model automobiles in operation than there were a few years back.

The Directors wish to express their sincere appreciation to all employees for their support during a difficult year. Through their efforts we were able to achieve a reasonably good year.

  
J. S. Wilkerson  
Chairman of the Board

  
W. C. McIvor  
President & Secretary-Treasurer

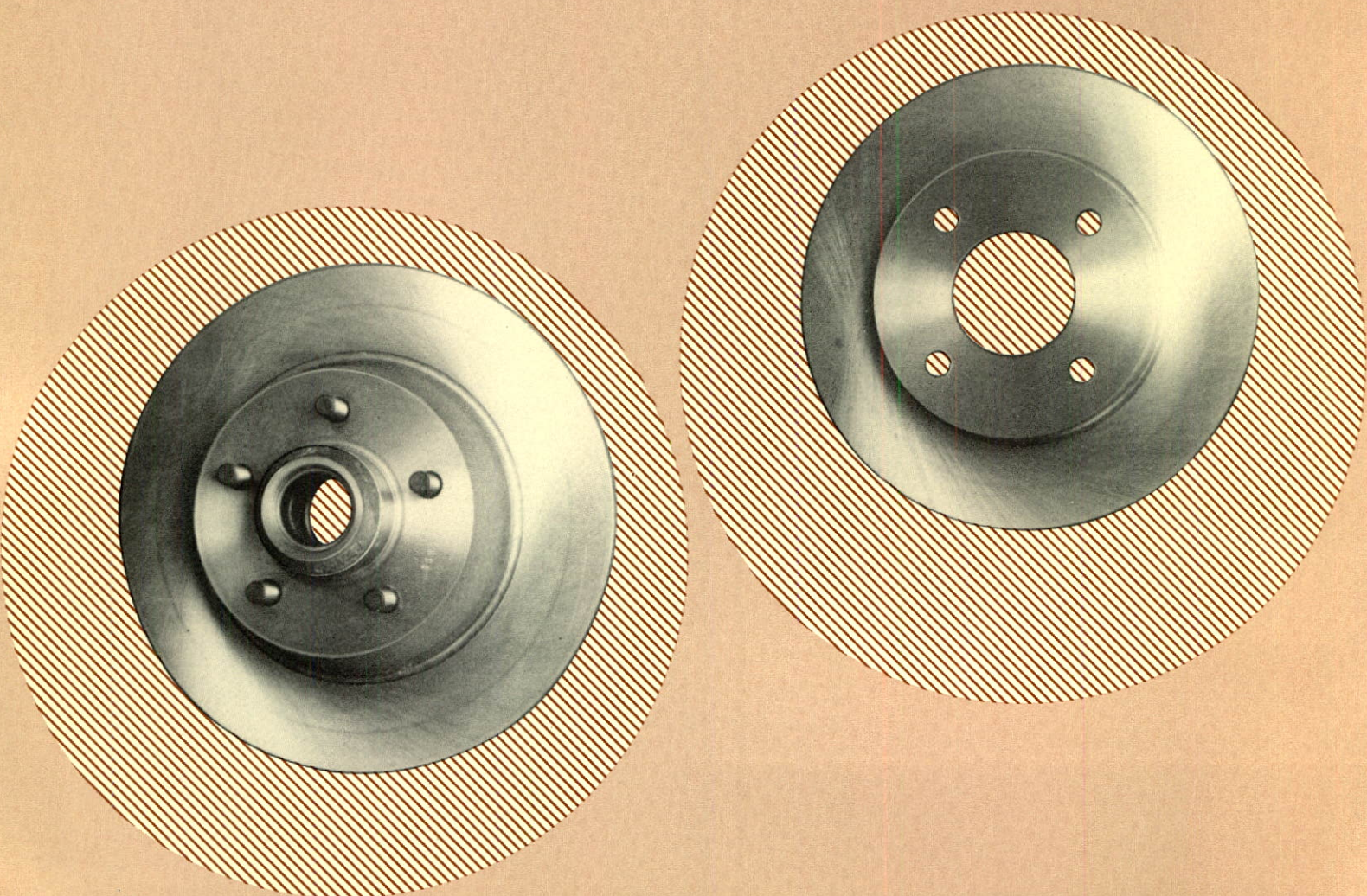
Windsor, Ontario  
March 18, 1983



# Financial Statement

## 1982 Financial Highlights

	1982	1981
Net Sales .....	\$120,131,000	\$113,629,000
Net Earnings .....	6,774,000	8,157,000
Net Earnings per Share .....	2.05	2.47
Working Capital .....	42,489,000	40,543,000
Property, Plant and Equipment		
Expenditures .....	6,614,000	4,308,000
Depreciation .....	2,713,000	2,346,000
Book Value per Share .....	17.98	16.63





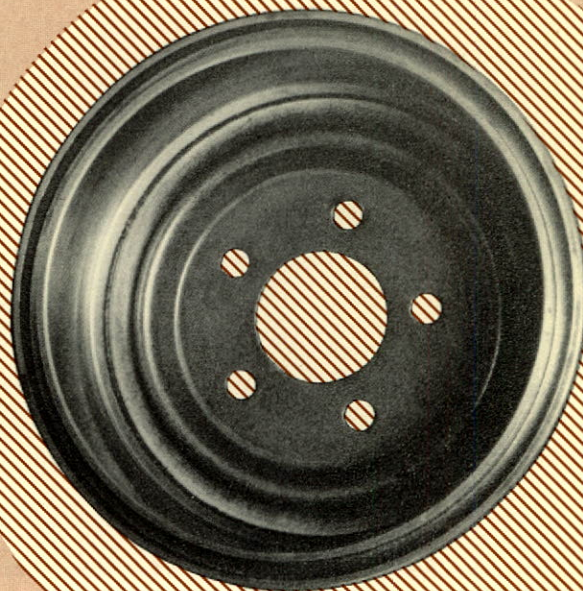
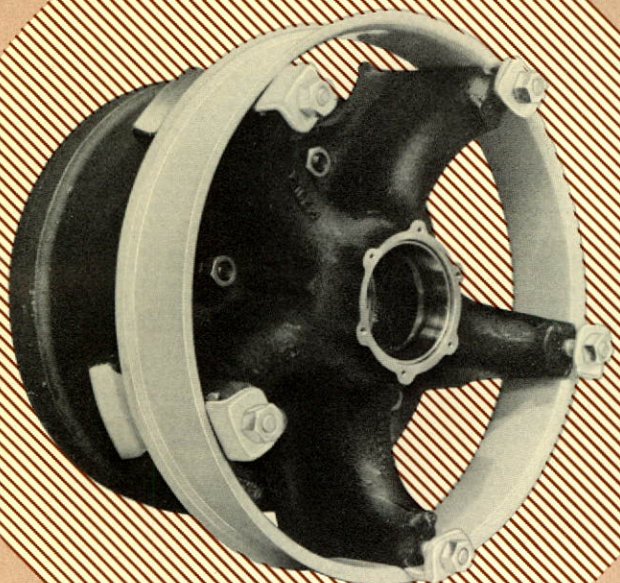
**Statement of Net Earnings  
and Earnings Retained  
for Use in the Business**

FOR THE YEAR ENDED DECEMBER 31, 1982

**1982**

**1981**

NET SALES .....	\$120,131,417	\$113,629,316
INTEREST INCOME .....	4,396,979	4,812,453
	<u>\$124,528,396</u>	<u>\$118,441,769</u>
NET EARNINGS before providing for the following .....	\$ 16,995,226	\$ 19,477,255
DEDUCT		
Depreciaton of plant and equipment .....	2,713,235	2,345,669
Employees' pension plans .....	2,108,254	2,074,469
	<u>4,821,489</u>	<u>4,420,138</u>
NET EARNINGS BEFORE INCOME TAXES .....	12,173,737	15,057,117
INCOME TAXES .....	<u>5,400,000</u>	<u>6,900,000</u>
NET EARNINGS FOR THE YEAR .....	6,773,737	8,157,117
RETAINED EARNINGS, JANUARY 1 .....	<u>53,751,398</u>	<u>47,893,281</u>
	60,525,135	56,050,398
DIVIDENDS .....	<u>2,310,000</u>	<u>2,299,000</u>
RETAINED EARNINGS, DECEMBER 31 .....	<u>\$ 58,215,135</u>	<u>\$ 53,751,398</u>
NET EARNINGS PER SHARE OF CAPITAL STOCK (based on the average number of shares outstanding during the year) .....	\$ 2.05	\$ 2.47





# Kelsey-Hayes Canada Limited

(INCORPORATED UNDER THE  
BUSINESS CORPORATIONS ACT — ONTARIO)

## Balance Sheet as at December 31, 1982

### Assets

1982

1981

#### CURRENT

Cash and short-term deposits .....	\$29,172,140	\$30,097,746
Accounts receivable .....	7,918,593	8,164,050
Due from affiliated companies .....	696,093	26,756
Inventories .....	12,080,747	10,270,651
Income taxes receivable .....	292,869	—
Special tooling for current production .....	2,275,454	1,082,921
Prepaid taxes, insurance and other expenses .....	111,184	141,843
	<u>52,547,080</u>	<u>49,783,967</u>

#### PROPERTY, PLANT AND EQUIPMENT, AT COST

Land .....	510,038	510,038
Buildings and land improvements .....	11,401,986	10,962,288
Machinery and equipment .....	<u>49,497,705</u>	<u>43,702,127</u>
Total — at cost .....	61,409,729	55,174,453
Less accumulated depreciation .....	<u>36,958,218</u>	<u>34,441,445</u>
	<u>24,451,511</u>	<u>20,733,008</u>
	<u>\$76,998,591</u>	<u>\$70,516,975</u>

### Liabilities and Shareholders' Investment

#### CURRENT

Accounts payable .....	\$ 4,521,701	\$ 4,082,780
Payroll and taxes withheld from employees .....	3,143,173	2,704,574
Dividends payable .....	924,000	990,000
Other accrued expenses .....	1,469,582	1,311,933
Income taxes .....	—	151,290
	<u>10,058,456</u>	<u>9,240,577</u>

#### DEFERRED INCOME TAXES .....

7,600,000      6,400,000

#### SHAREHOLDERS' INVESTMENT

Share Capital		
Authorized		
15,000,000 shares without par value .....		
Issued		
3,300,000 shares .....	1,125,000	1,125,000
Earnings retained for use in the business .....	<u>58,215,135</u>	<u>53,751,398</u>

Approved by the Directors	<u>59,340,135</u>	<u>54,876,398</u>
Frank P. Coyer, Jr., Director	<u>\$76,998,591</u>	<u>\$70,516,975</u>
W. C. McIvor, Director		



## Statement of Changes in Financial Position

FOR THE YEAR ENDED DECEMBER 31, 1982

1982

1981

### SOURCE OF WORKING CAPITAL

#### From operations

Net earnings for the year .....	\$ 6,773,737	\$ 8,157,117
Depreciation .....	2,713,235	2,345,669
Increase in deferred income taxes .....	1,200,000	1,000,000
	<u>10,686,972</u>	<u>11,502,786</u>

### APPLICATION OF WORKING CAPITAL

#### Additions to property, plant and equipment

less net carrying value of disposals .....	6,431,738	4,282,392
Dividends .....	2,310,000	2,299,000
	<u>8,741,738</u>	<u>6,581,392</u>

INCREASE IN WORKING CAPITAL .....	<u>\$ 1,945,234</u>	<u>\$ 4,921,394</u>
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### WORKING CAPITAL CHANGES

#### Increase (decrease) in current assets

Cash and short-term deposits .....	\$ (925,606)	\$ 6,037,476
Accounts receivable .....	(245,457)	(1,040,838)
Due from affiliated companies .....	669,337	(239,830)
Inventories .....	1,810,096	(1,878,769)
Special tooling for current production .....	1,192,533	876,058
Prepaid taxes, insurance and other expenses .....	(30,659)	(51,966)

Net change in current assets .....	<u>2,470,244</u>	<u>3,702,131</u>
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#### Increase (decrease) in current liabilities

Accounts payable .....	438,921	226,856
Payroll and taxes withheld .....	438,599	526,276
Dividend payable .....	(66,000)	(220,000)
Other accrued expenses .....	157,649	(993,099)
Income taxes .....	(444,159)	(759,296)

Net change in current liabilities .....	<u>525,010</u>	<u>(1,219,263)</u>
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INCREASE IN WORKING CAPITAL .....	<u>1,945,234</u>	<u>4,921,394</u>
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WORKING CAPITAL, JANUARY 1 .....	<u>40,543,390</u>	<u>35,621,996</u>
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WORKING CAPITAL, DECEMBER 31 .....	<u>\$42,488,624</u>	<u>\$40,543,390</u>
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## Notes to Financial Statements

DECEMBER 31, 1982

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Foreign currency conversion

Assets and liabilities of the Company in United States dollars are converted into Canadian dollars at the year-end exchange rate.

#### Depreciation

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided on a basis which amortizes the cost of the asset over its estimated useful life.

#### Pension and other retirement benefits

Current service costs of pension plans are accrued and funded on a current basis. Past service costs are amortized and funded over a period not exceeding fifteen years.

#### Income taxes

Income taxes are determined in a manner that recognizes the tax effect of all transactions included in the determination of pre-tax accounting income even though a transaction may affect taxable income in another period.

#### Inventories

Inventories are stated at the lower of cost or market with cost determined substantially on a first-in, first-out basis.

### 2. PENSIONS

Unfunded past service costs under pension plans for employees are estimated at approximately \$5,700,000 (1981 — \$6,600,000) at December 31, 1982.

### 3. INCOME TAXES

	1982	1981
Currently payable.	\$4,200,000	\$5,900,000
Deferred .....	1,200,000	1,000,000
	<u>\$5,400,000</u>	<u>\$6,900,000</u>

### 4. DIRECTORS AND OFFICERS

Remuneration paid by the Company during the year to directors and senior officers of the Company amounted to \$356,916 (1981 — \$355,775).

### 5. SEGMENTED INFORMATION

The Company is a supplier of parts components to the automotive industry. Approximately 66% (1981 — 65%) of the Company's sales are to its customers in the United States.

### 6. RELATED PARTY TRANSACTIONS

Approximately 8% (1981 — 8%) of the total sales are to the Company's parent and related companies.

## Auditors' Report

The Shareholders,  
Kelsey-Hayes Canada Limited.

We have examined the balance sheet of Kelsey-Hayes Canada Limited as at December 31, 1982 and the statements of net earnings and earnings retained for use in the business 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, 1982 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.

Windsor, Ontario.  
January 28, 1983

*Touche Ross & Co.*  
Chartered Accountants



## 5 Year Financial Review

1982

1981

1980

1979

1978

December 31,  
(Dollar Amounts in Thousands)

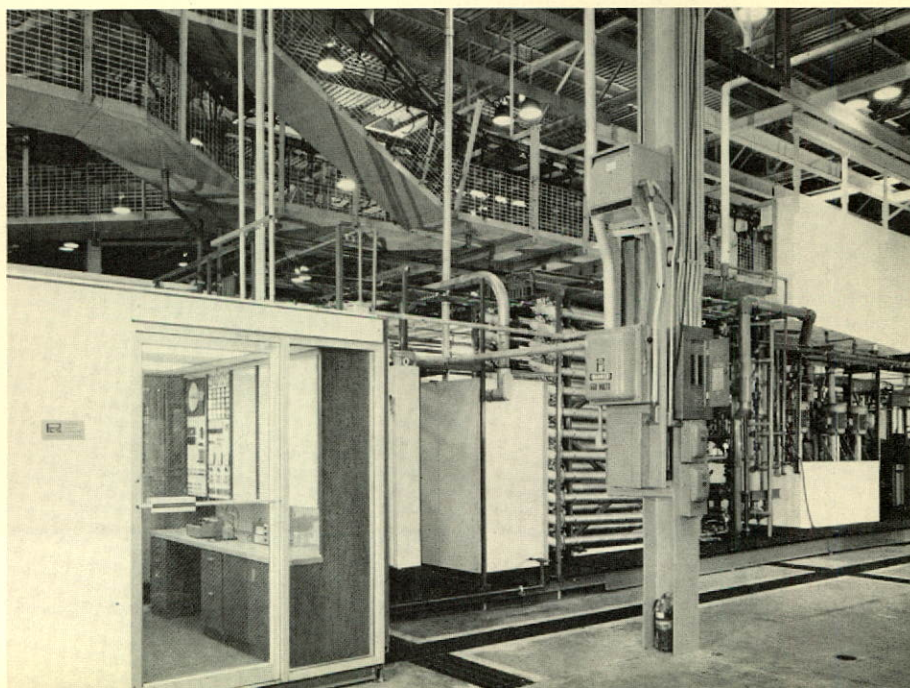
### OPERATING RESULTS:

Net Sales	\$120,131	\$113,629	\$102,910	\$138,565	\$130,463
Earnings before taxes on income	12,174	15,057	13,014	16,571	13,387
Provision for taxes on income	5,400	6,900	5,900	7,100	5,550
Net Earnings	6,774	8,157	7,114	9,471	7,837
Dividends	2,310	2,299	2,200	1,980	1,485
Net increase in retained earnings	4,464	5,858	4,914	7,491	6,352
Expenditures for property, plant and equipment	6,614	4,308	2,748	2,665	2,356
Depreciation	2,713	2,346	2,194	2,181	2,252
Per share of Common stock:					
Net earnings	\$ 2.05	\$ 2.47	\$ 2.16	\$ 2.87	\$ 2.37
Dividends	\$ .70	\$ .70	\$ .67	\$ .60	\$ .45

### FINANCIAL POSITION:

Current assets	\$52,547	\$49,784	\$46,082	\$44,347	\$38,101
Current liabilities	10,058	9,241	10,460	13,496	14,399
Working Capital	42,489	40,543	35,622	30,851	23,702
Property, plant and equipment (net)	24,452	20,733	18,796	18,252	17,811
Shareholders' investment	59,340	54,876	49,018	44,104	36,613
Per share of Common Stock	\$ 17.98	\$ 16.63	\$ 14.85	\$ 13.36	\$ 11.09

NOTE: Earnings, dividends and shareholders' investment per share have been restated on a comparable basis for the years 1978 through 1980, giving effect to the share sub-division of July 7, 1981.





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**Corporate Office:**  
Windsor, Ontario, Canada

Plants located in:  
Windsor, Woodstock and  
St. Catharines, Ontario

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**Board of Directors**

Frank P. Coyer, Jr.  
T. Neal Combs  
J. G. Crean  
W. A. Harrison  
W. C. McIvor  
Morgan Reid  
James S. Wilkerson

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**Officers**

James S. Wilkerson  
Chairman of the Board  
W. C. McIvor  
President & Secretary-Treasurer  
D. O. Remter  
Vice-President Operations  
Eric H. H. Meyer  
Assistant Secretary-Treasurer

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**Transfer Agent and Registrar**

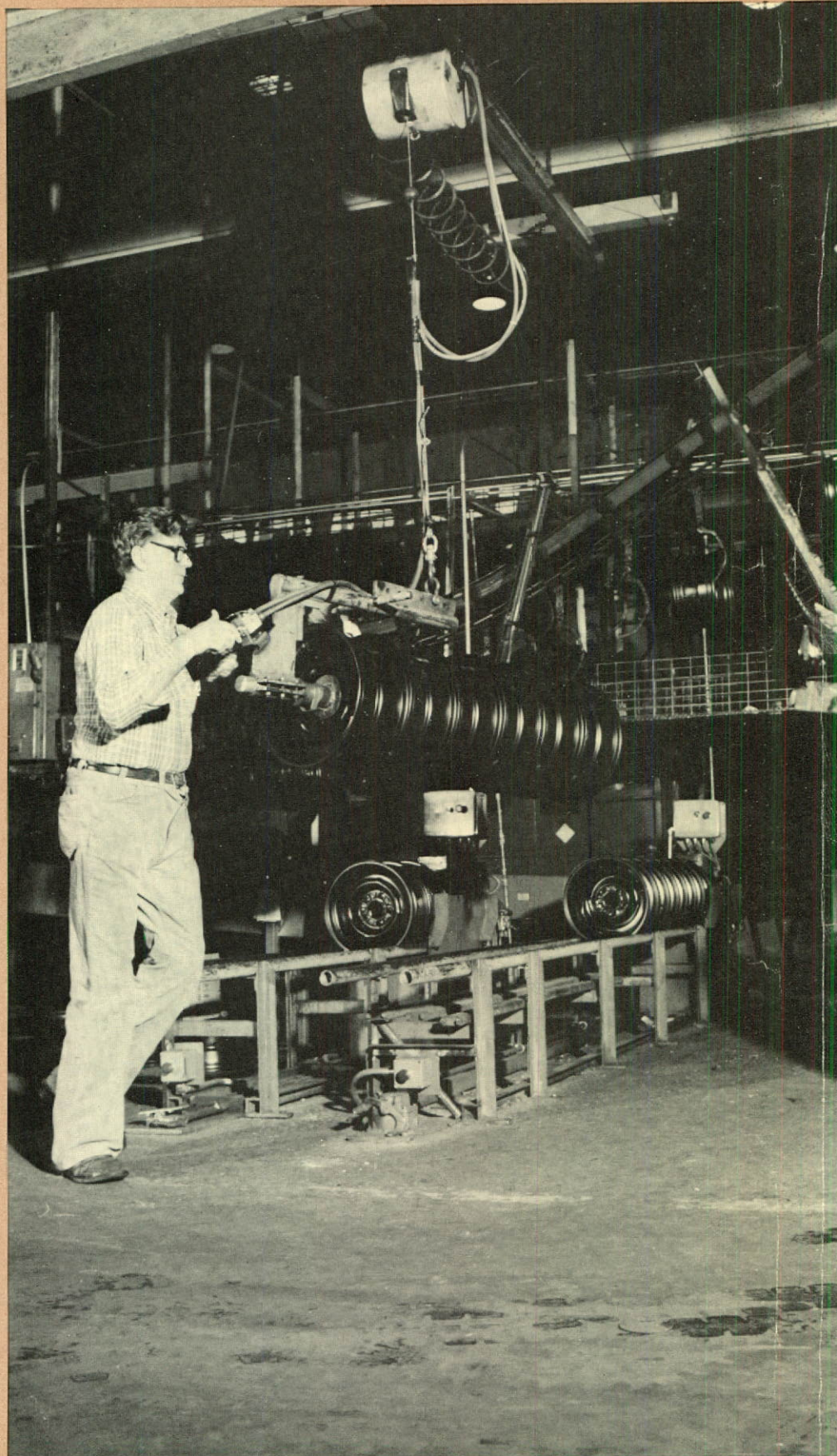
National Trust Company, Limited  
Toronto, Montreal,  
Winnipeg & Vancouver

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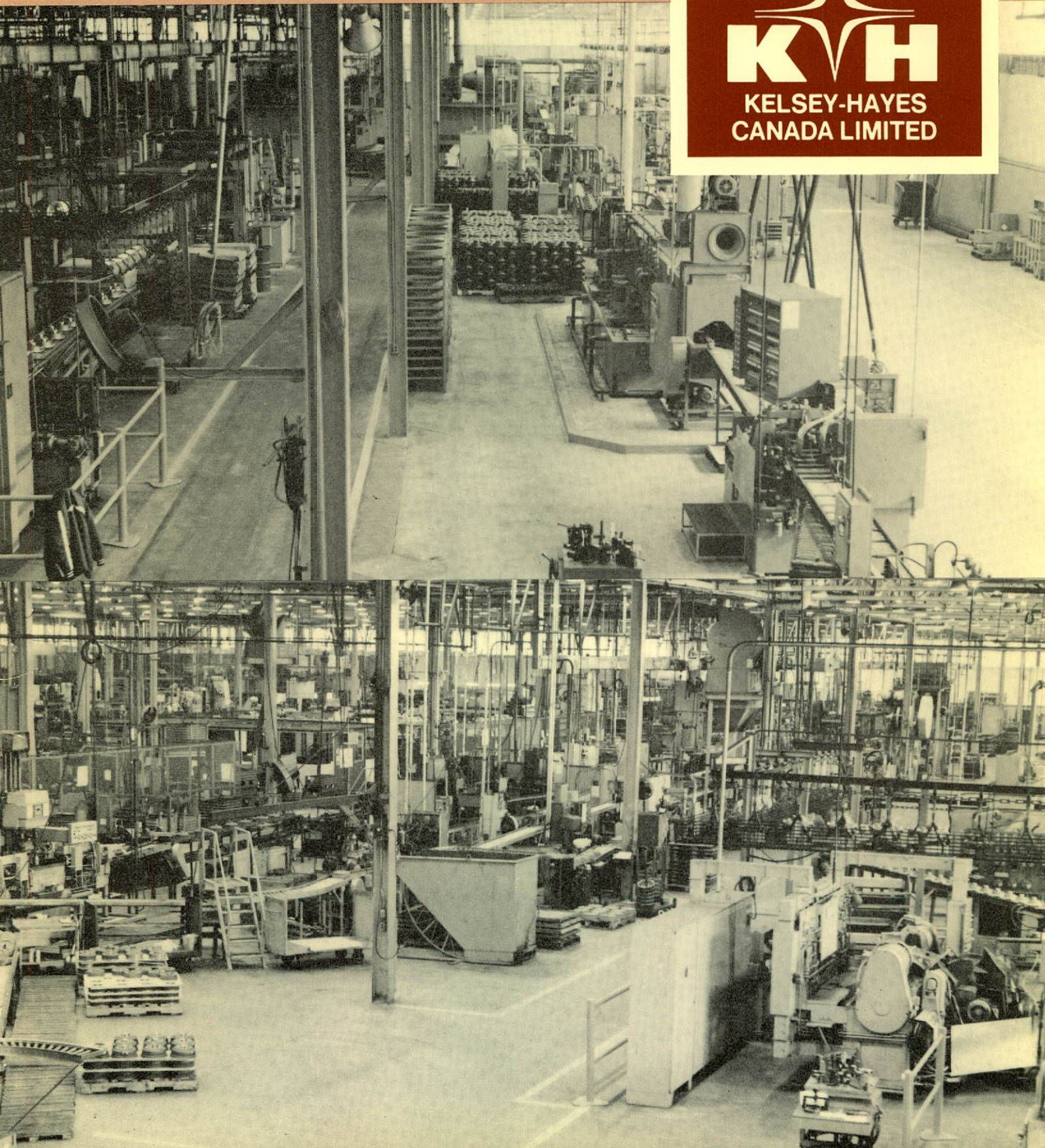
**Auditors**

Touche Ross & Co.,  
Windsor, Ontario

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**Keeping the Wheels of the Automobile Industry Turning**



**Kelsey-Hayes Canada Limited**