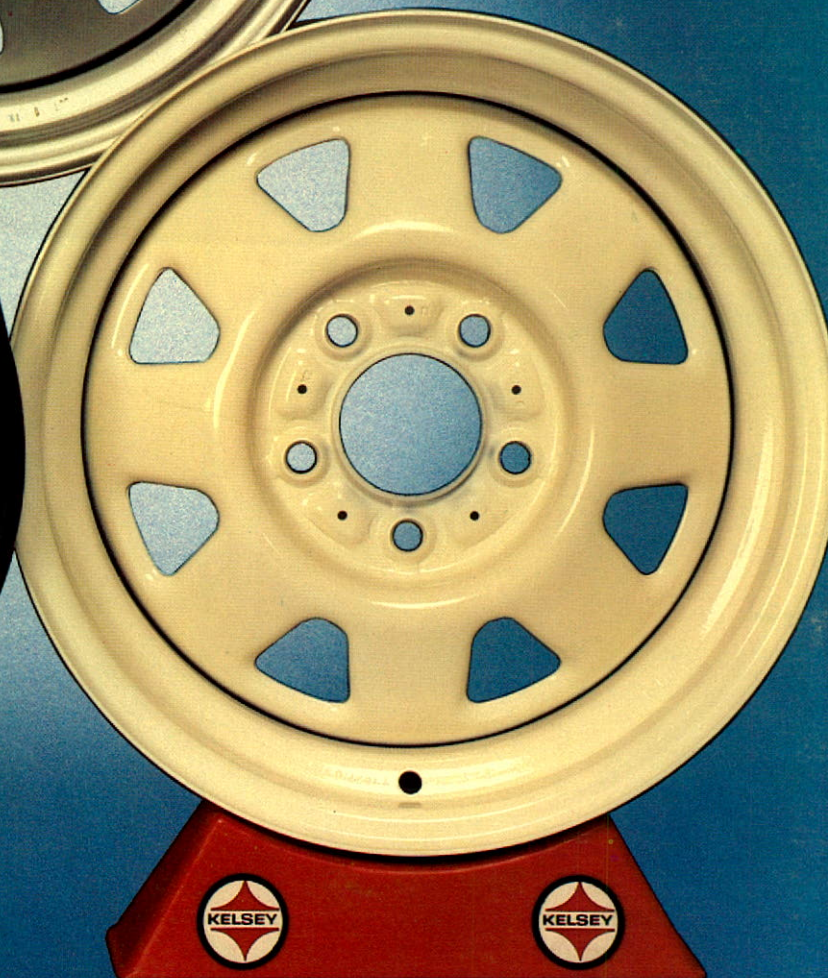
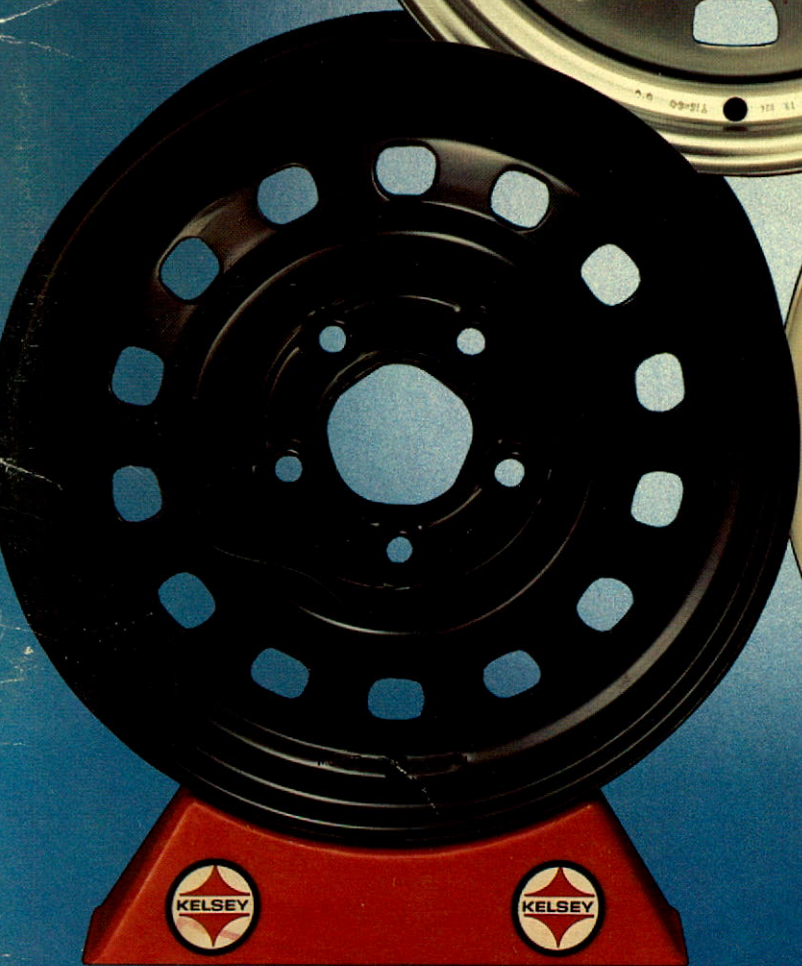
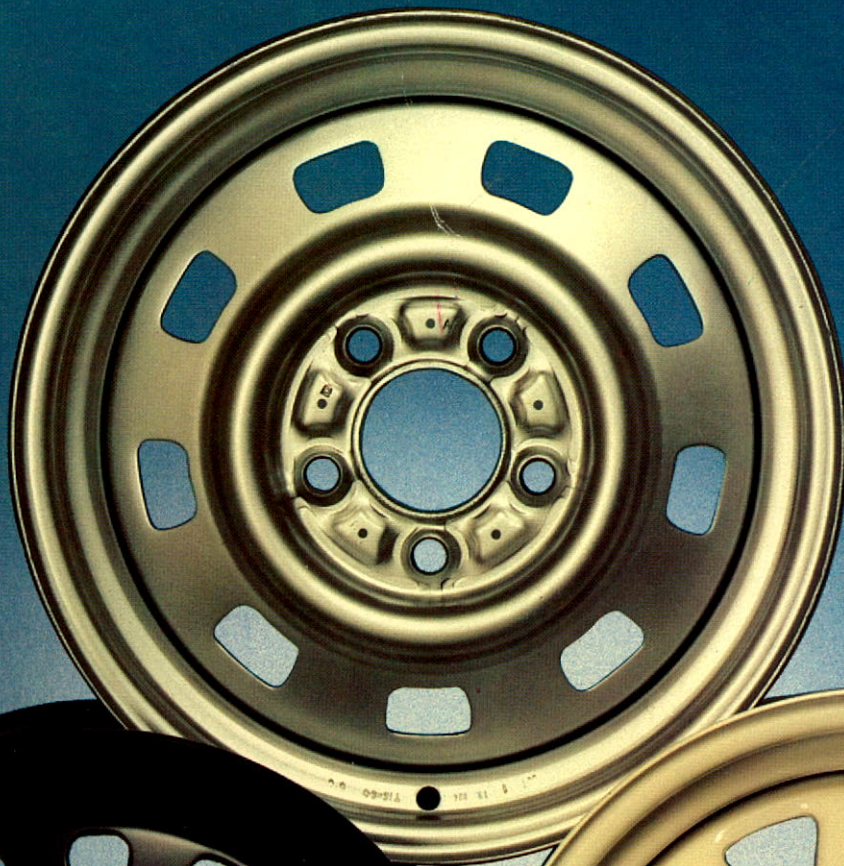


Kelsey-Hayes
Canada Limited

1983 Annual Report

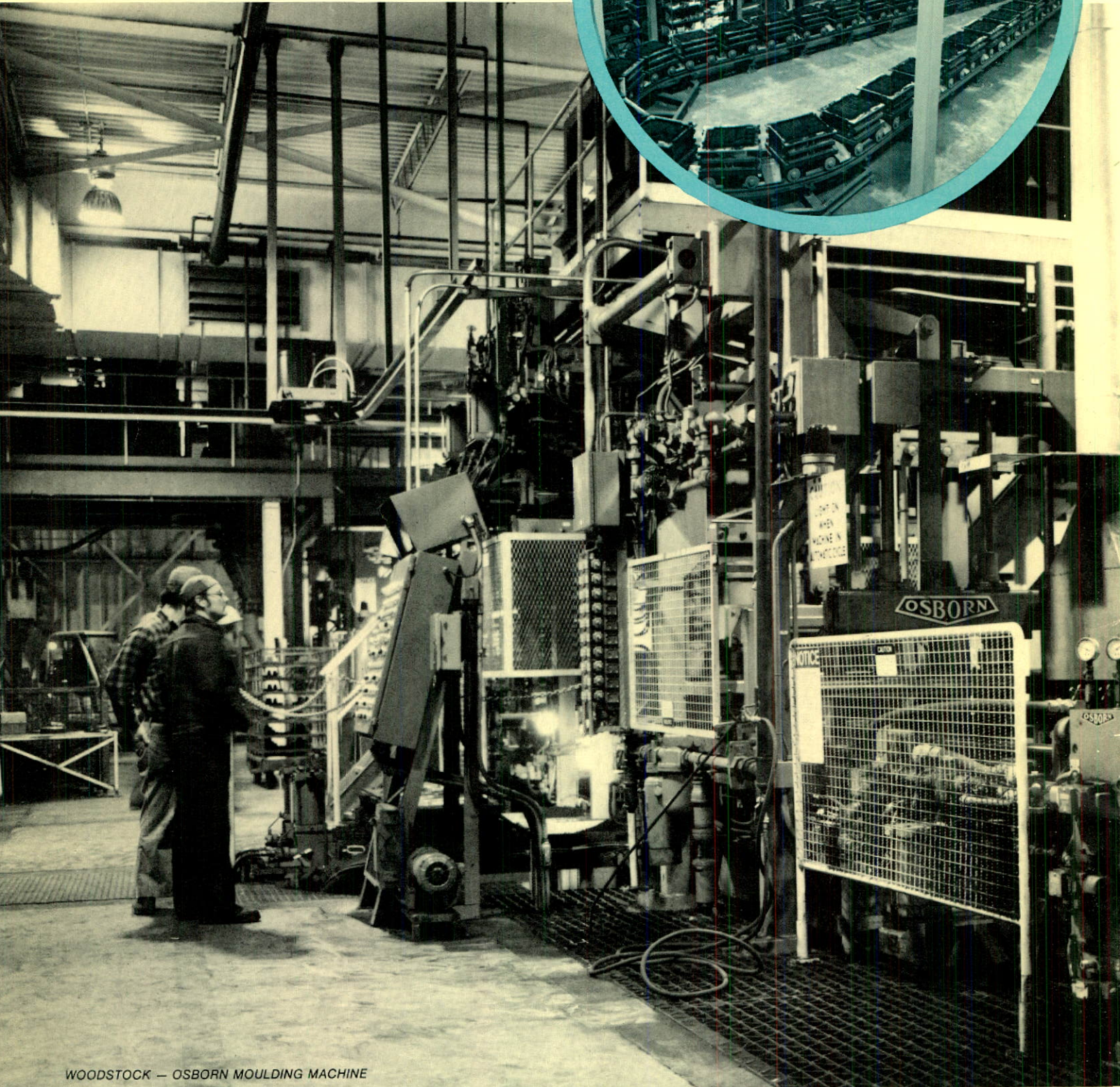


The Company was founded in 1913 as Kelsey Wheel Company Limited. In 1961, Eureka Foundry and Manufacturing Company Limited, Woodstock, Ontario, was acquired. In 1966, Conroy Manufacturing Company Limited, St. Catharines, Ontario, was acquired. Effective February 1, 1967, a statutory merger of the three 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.

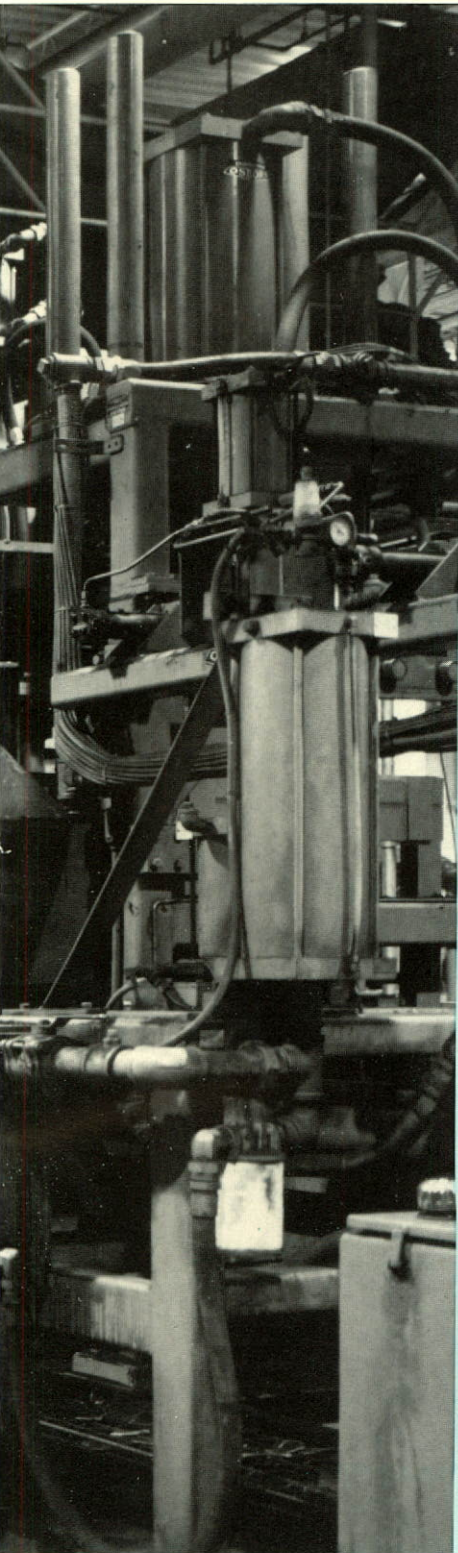
WOODSTOCK — MOULD CONVEYOR SYSTEM



WOODSTOCK — OSBORN MOULDING MACHINE

Letter to Shareholders

of Kelsey-Hayes Canada Limited



The recovery in the North American Automotive industry finally began in 1983 and was quite significant in the latter part of the year. Sales for the year of \$179,382,000 showed a substantial increase from the \$120,131,000. achieved the previous year.

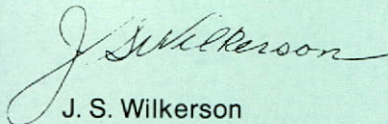
Reflecting the increased activity net earnings were \$12,842,000 or \$3.89 a share compared with \$6,774,000 and \$2.05 per share recorded in 1982. The sales and earnings for 1983 were both the highest ever reached in the history of the Company. In our opinion the moderation of inflation and relative stabilization of interest rates at much reduced levels contributed to the turn around in our industry.

Capital expenditures amounted to \$4,400,000 for the year. The completion of the modernization of the moulding facilities at Woodstock was the most significant expenditure. The project was ready for production on a trial basis in the spring and reached full production capability in the summer as planned. Estimated capital expenditures are \$6,000,000 for 1984.

A new three year labour contract was negotiated at our Conroy Division in September 1983. The contract at our Windsor Division expires in January 1986. The contract at our Woodstock Division expired on January 31, 1984 and a new contract is in the process of being negotiated.

The year 1984 is commencing with a very optimistic outlook. The Automotive Industry is operating at a much higher level than experienced previously during the first three years of this decade. Based on the foregoing we are anticipating a very good year in 1984.

On behalf of the Board of Directors, we extend sincere thanks to all employees who contributed to the outstanding year recorded by your Company.

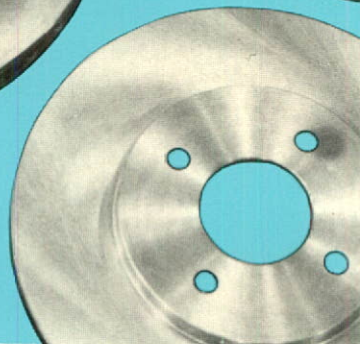
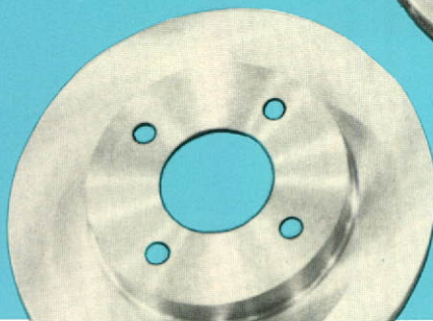
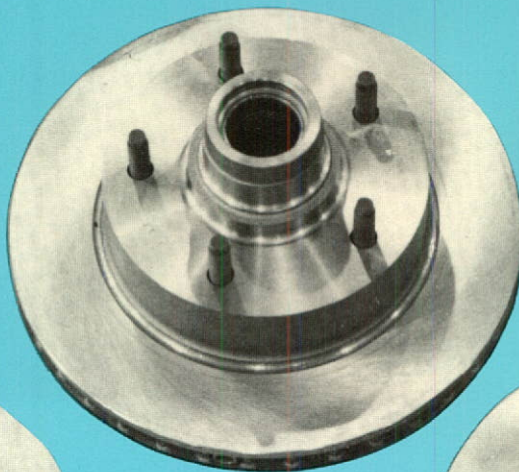
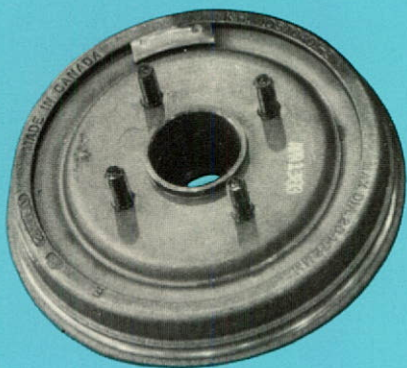
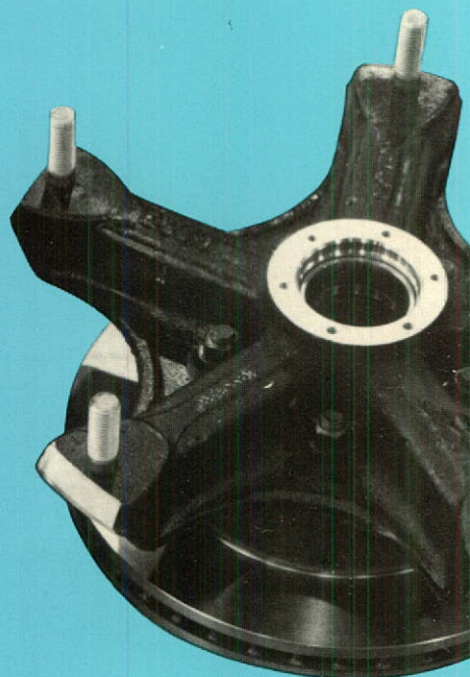
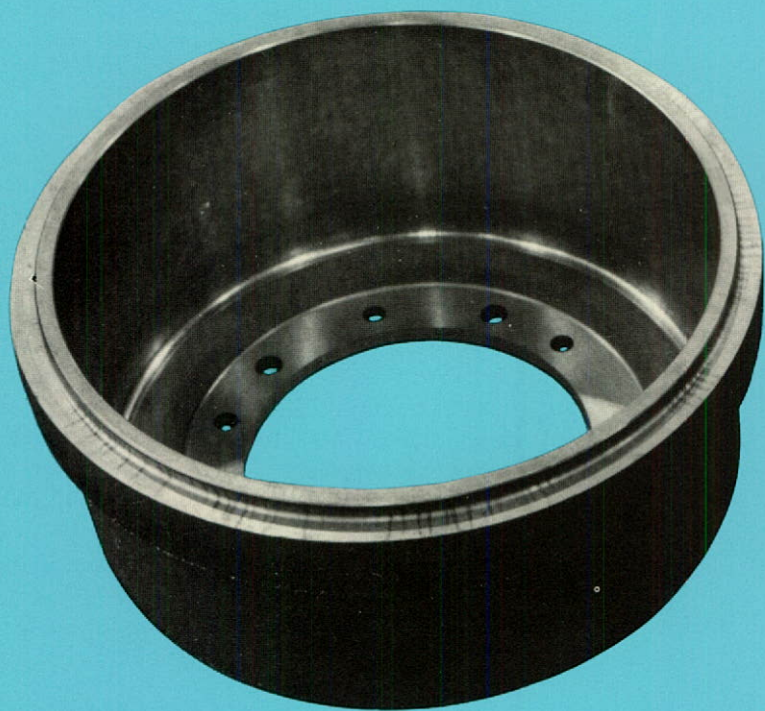


J. S. Wilkerson
Chairman of the Board



W. C. McIvor
President & Secretary-Treasurer

Windsor, Ontario
March 14, 1984



Financial Statement

1983 Financial Highlights

	1983	1982
Net Sales	\$179,382,000	\$120,131,000
Net Earnings	12,842,000	6,774,000
Net Earnings per Share	3.89	2.05
Working Capital	51,606,000	42,489,000
Property, Plant and Equipment		
Expenditures	4,401,000	6,614,000
Depreciation	3,093,000	2,713,000
Book Value per Share	21.05	17.98

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

FOR THE YEAR ENDED DECEMBER 31, 1983	1983	1982
NET SALES	\$179,382,194	\$120,131,417
INTEREST INCOME	2,974,271	4,396,979
	<u>\$182,356,465</u>	<u>\$124,528,396</u>
NET EARNINGS before providing for the following	<u>\$ 28,106,116</u>	<u>\$ 16,995,226</u>
DEDUCT		
Depreciation of plant and equipment	3,093,134	2,713,235
Employees' pension plans	1,670,892	2,108,254
	<u>4,764,026</u>	<u>4,821,489</u>
NET EARNINGS BEFORE INCOME TAXES	23,342,090	12,173,737
INCOME TAXES	<u>10,500,000</u>	<u>5,400,000</u>
NET EARNINGS FOR THE YEAR	12,842,090	6,773,737
RETAINED EARNINGS, JANUARY 1	58,215,135	53,751,398
	71,057,225	60,525,135
DIVIDENDS	2,706,000	2,310,000
RETAINED EARNINGS, DECEMBER 31	<u>\$ 68,351,225</u>	<u>\$ 58,215,135</u>
NET EARNINGS PER SHARE (based on the average number of shares outstanding during the year)	<u>\$ 3.89</u>	<u>\$ 2.05</u>

Kelsey-Hayes Canada Limited

(INCORPORATED UNDER THE BUSINESS CORPORATIONS ACT — ONTARIO)

Balance Sheet as at December 31, 1983

Assets	1983	1982
CURRENT		
Cash and short-term deposits	\$41,505,102	\$29,172,140
Accounts receivable	13,585,073	7,918,593
Due from affiliated companies	765,930	696,093
Inventories	15,921,314	12,080,747
Income taxes receivable	—	292,869
Special tooling for current production	1,144,041	2,275,454
Prepaid taxes, insurance and other expenses	402,120	111,184
	<u>73,323,580</u>	<u>52,547,080</u>
PROPERTY, PLANT AND EQUIPMENT		
Land	510,038	510,038
Buildings and land improvements	11,602,298	11,401,986
Machinery and equipment	53,486,546	49,497,705
Total — at cost	65,598,882	61,409,729
Less accumulated depreciation	39,878,411	36,958,218
	<u>25,720,471</u>	<u>24,451,511</u>
	<u>\$99,044,051</u>	<u>\$76,998,591</u>

Liabilities and Shareholders' Investment

CURRENT		
Accounts payable	\$ 9,080,998	\$ 4,521,701
Payroll and taxes withheld from employees	4,660,959	3,143,173
Dividends payable	1,320,000	924,000
Other accrued expenses	1,569,173	1,469,582
Income taxes	5,086,696	—
	<u>21,717,826</u>	<u>10,058,456</u>
DEFERRED INCOME TAXES	<u>7,850,000</u>	<u>7,600,000</u>
SHAREHOLDERS' INVESTMENT		
Share Capital		
Authorized		
15,000,000 shares		
Issued		
3,300,000 shares	1,125,000	1,125,000
Earnings retained for use in the business	68,351,225	58,215,135
	<u>69,476,225</u>	<u>59,340,135</u>
	<u>\$99,044,051</u>	<u>\$76,998,591</u>

Approved by the Directors
Frank P. Coyer, Jr., Director
W. C. McIvor, Director

Statement of Changes in Financial Position

FOR THE YEAR ENDED DECEMBER 31, 1983	1983	1982
SOURCE OF WORKING CAPITAL		
From operations		
Net earnings for the year	\$12,842,090	\$ 6,773,737
Depreciation	3,093,134	2,713,235
Increase in deferred income taxes	250,000	1,200,000
	<u>16,185,224</u>	<u>10,686,972</u>
APPLICATION OF WORKING CAPITAL		
Additions to property, plant and equipment less net carrying value of disposals	4,362,094	6,431,738
Dividends	2,706,000	2,310,000
	<u>7,068,094</u>	<u>8,741,738</u>
INCREASE IN WORKING CAPITAL	<u>\$ 9,117,130</u>	<u>\$ 1,945,234</u>
WORKING CAPITAL CHANGES		
Increase (decrease) in current assets		
Cash and short-term deposits	\$12,332,962	\$ (925,606)
Accounts receivable	5,666,480	(245,457)
Due from affiliated company	69,837	669,337
Inventories	3,840,567	1,810,096
Special tooling for current production ..	(1,131,413)	1,192,533
Prepaid taxes, insurance and other expenses	290,936	(30,659)
Net change in current assets	<u>21,069,369</u>	<u>2,470,244</u>
Increase (decrease) in current liabilities		
Accounts payable	4,559,297	438,921
Payroll and taxes withheld from employees	1,517,786	438,599
Dividends payable	396,000	(66,000)
Other accrued expenses	99,591	157,649
Income taxes	5,379,565	(444,159)
Net change in current liabilities	<u>11,952,239</u>	<u>525,010</u>
INCREASE IN WORKING CAPITAL	<u>9,117,130</u>	<u>1,945,234</u>
WORKING CAPITAL, JANUARY 1	<u>42,488,624</u>	<u>40,543,390</u>
WORKING CAPITAL, DECEMBER 31	<u>\$51,605,754</u>	<u>\$42,488,624</u>

Notes to Financial Statements

DECEMBER 31, 1983

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. Transactions during the year are converted at the current rates in effect.

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 \$2,250,000 (1982 — \$5,700,000) at December 31, 1983.

3. INCOME TAXES

	1983	1982
Currently payable	\$10,250,000	\$4,200,000
Deferred	250,000	1,200,000
	<u>\$10,500,000</u>	<u>\$5,400,000</u>

The basic corporate tax rate of 51.5% has been reduced to the effective provision rate of 45.0% by the application of the manufacturing and processing credit of 6.3%, and by other tax incentives netting .2%.

4. SEGMENTED INFORMATION

The Company is a supplier of parts components to the automotive industry. Approximately 64% (1982 — 66%) of the Company's sales are to its customers in the United States.

5. RELATED PARTY TRANSACTIONS

Approximately 7% (1982 — 8%) of the total sales are to the Company's parent and related companies. Additionally the Company pays to its parent a royalty charge of .75% on sales to non-related parties.

6. EFFECTS OF CHANGING PRICES

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles on a historical cost basis. The only material difference between the basis used and a current cost basis would be in the valuation of the Company's property plant and equipment and the related effects on depreciation expense. The following summarizes this difference.

	Historical Cost	Current Cost
Net book value of property, plant and equipment	\$25,720,471	\$39,200,000
Depreciation expense	\$ 3,093,134	\$ 4,700,000
Net after tax earnings	<u>\$12,842,090</u>	<u>\$11,950,000</u>

Auditors' Report

The Shareholders,
Kelsey-Hayes Canada Limited.

We have examined the balance sheet of Kelsey-Hayes Canada Limited as at December 31, 1983 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, 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.

Windsor, Ontario.
January 23, 1984

Touche Ross & Co.
Chartered Accountants

5 Year Financial Review

	1983	1982	1981	1980	1979
OPERATING RESULTS:					
	December 31 (Dollar Amounts in Thousands)				
Net Sales	\$179,382	\$120,131	\$113,629	\$102,910	\$138,565
Earnings before taxes on income	23,342	12,174	15,057	13,014	16,571
Provision for taxes on income	10,500	5,400	6,900	5,900	7,100
Net Earnings	12,842	6,774	8,157	7,114	9,471
Dividends	2,706	2,310	2,299	2,200	1,980
Net increase in retained earnings	10,136	4,464	5,858	4,914	7,491
Expenditures for property, plant and equipment	4,401	6,614	4,308	2,748	2,665
Depreciation	3,093	2,713	2,346	2,194	2,181
Per share of Common stock:					
Net earnings	\$ 3.89	\$ 2.05	\$ 2.47	\$ 2.16	\$ 2.87
Dividends	\$.82	\$.70	\$.70	\$.67	\$.60
FINANCIAL POSITION:					
Current assets	\$73,324	\$52,547	\$49,784	\$46,082	\$44,347
Current liabilities	21,718	10,058	9,241	10,460	13,496
Working Capital	51,606	42,489	40,543	35,622	30,851
Property, plant and equipment (net)	25,720	24,452	20,733	18,796	18,252
Shareholders' investment	69,476	59,340	54,876	49,018	44,104
Per share of Common Stock	\$ 21.05	\$ 17.98	\$ 16.63	\$ 14.85	\$ 13.36

NOTE: Earnings, dividends and shareholders' investment per share have been restated on a comparable basis for the years 1979 and 1980, giving effect to the share sub-division of July 7, 1981.



WINDSOR — PAINT CONTROL PANEL

Corporate Office:
Windsor, Ontario, Canada

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

Board of Directors

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

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

Transfer Agent and Registrar

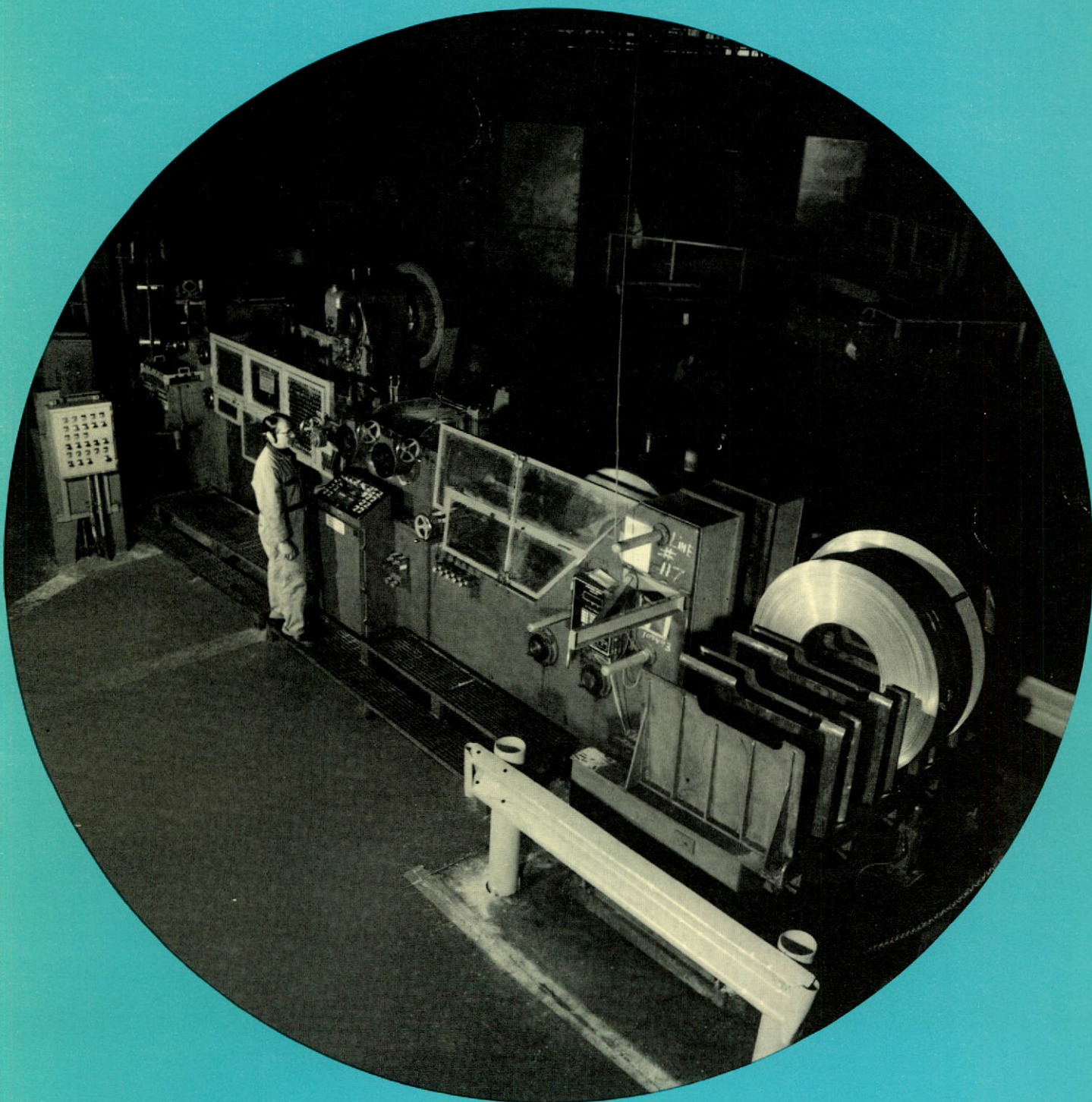
National Trust Company, Limited
Toronto, Montreal, Winnipeg & Vancouver

Auditors

Touche Ross & Co.,
Windsor, Ontario



WINDSOR — AUDIT GAUGE



WINDSOR — NEW RIMLINE FRONT END



Keeping the Wheels of the Automotive Industry Turning
Kelsey-Hayes Canada Limited