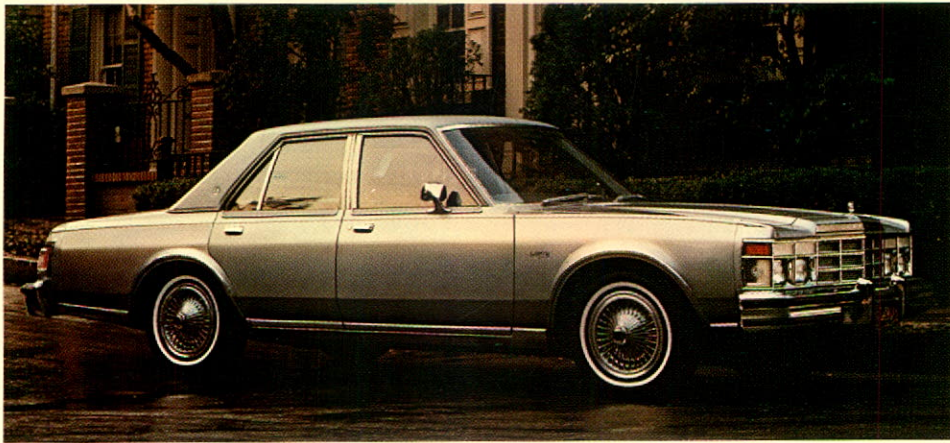


1976 Annual Report



CHRYSLER CANADA LTD.
JUL 12 1976



CHRYSLER
CANADA LTD.

Board of Directors

F. R. Bibeau	C. O. Hurly	Wm. O. Morrow
M. J. Closs	R. F. Kiborn, Q.C.	F. J. O'Reilly
J. H. Coleman	J. H. McGivney, Q.C.	C. A. Warnock
K. H. Gibson	J. G. McKenzie	

Officers

C. O. Hurly, *President*
M. J. Closs, *Vice President — Marketing*
R. F. Kiborn, Q.C., *Vice President — Staff Operations*
F. J. O'Reilly, *Vice President — Manufacturing*
C. A. Warnock, *Vice President and Comptroller-Treasurer*
J. H. McGivney, Q.C., *General Counsel and Secretary*
Wm. Menchions, *Assistant Secretary*

Auditors

Touche, Ross & Co.

Manufacturing Plants

Windsor Car Assembly Plant, *Windsor, Ontario*
Pillette Road Truck Assembly Plant, *Windsor, Ontario*
Tecumseh Road Truck Assembly Plant, *Windsor, Ontario*
Windsor Engine Plant, *Windsor, Ontario*
Windsor Spring Plant, *Windsor, Ontario*
Etobicoke Casting Plant, *Etobicoke, Ontario*
Ajax Trim Plant, *Ajax, Ontario*

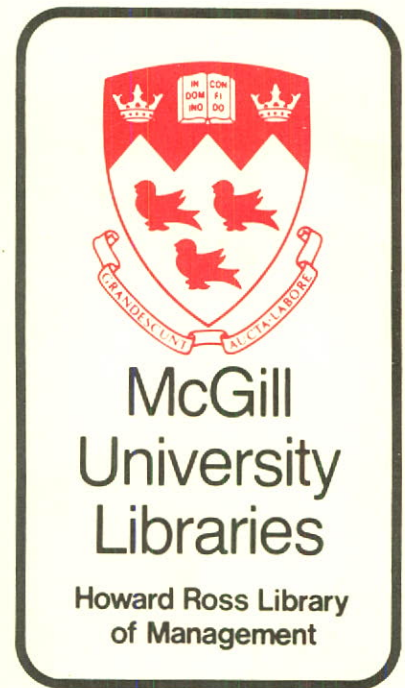
National Parts Depot

Mississauga, Ontario

Regional Offices and Parts Depots

Atlantic Region, *Moncton, New Brunswick*
Quebec Region, *Pointe Claire, Quebec*
Ontario Region, *Mississauga, Ontario*
Prairie Region, *Winnipeg, Manitoba*
Alberta Region, *Red Deer, Alberta*
Pacific Region, *Vancouver, British Columbia*

Additional copies of this Annual Report may be obtained on request by writing to:
The Secretary, Chrysler Canada Ltd., P.O. Box 60, WINDSOR, Ontario, N9A 4H6
On peut se procurer l'édition française de ce rapport en écrivant au Secrétaire,
Chrysler Canada Ltée, Chrysler Centre, Windsor, Ontario, N9A 4H6





CHRYSLER
CANADA LTD

WINDSOR GENERAL OFFICE BUILDING



C. O. Hurly

Message from the President

During 1976 Chrysler Canada Ltd. established new records in sales, earnings, production and employment.

Factory sales of the company's products for the 12-month period ending December 31, 1976 were a record \$2.94 billion, up 19.5 per cent over the previous record of \$2.46 billion established in 1975.

Net earnings after taxes were \$42.5 million, or approximately 1.4 per cent of sales, compared with \$19.5 million or 0.8 per cent of sales a year earlier. The previous record was achieved in 1972 with earnings of \$41.5 million or 2.7 per cent on sales of \$1.5 billion. The marked contrast in earnings as a per cent of sales between the two record years clearly demonstrates the erosion of earning power attributable to steadily increasing costs in materials, supplies, services and labour, most of which cannot be recovered through pricing action.

Retail deliveries of passenger cars and trucks by the company's dealers across Canada during 1976 set new records for the fifth consecutive year. Retail deliveries of 215,443 passenger cars were up 4.6 per cent over the 206,062 delivered in 1975, and deliveries of 50,971 Dodge trucks were 12.1 per cent higher than the 45,450 sold at retail in 1975.

The company's Windsor passenger car and truck assembly plants during 1976 produced 329,604 vehicles, up 15.3 per cent over the previous record 285,990 achieved in 1975. Although production

of 245,332 cars was off 6.1 per cent from 261,275 built in 1975, production of 84,272 Dodge trucks was 241 per cent above the 24,715 trucks built the previous year, reflecting the addition of the new Pillette Road Truck Plant to the company's vehicle assembly capacity.

In the company's other Windsor plants, engine production was up 12.4 per cent at 538,306 and seat spring production at 1,889,063 was 14.5 per cent over the 1975 level. Production of cushion and back cover sets at our soft trim plant in Ajax, Ont. was up 36.4 per cent at 707,505, and at our aluminum casting plant in Etobicoke, Ont., piston production was up 17.4 per cent at 13.5 million, and die castings were up 62.5 per cent at 11.7 million.

Employment in our plants and offices continues to increase steadily year by year, and during 1976 exceeded 16,000 for the first time in the 52-year history of the company.

Total current assets on December 31, 1976 were \$522 million compared with \$478 million a year earlier. Expenditures for property, plant and equipment were \$15.8 million in 1976 compared with \$33.9 million in 1975. Expenditures for special tools were \$25.6 million in 1976 against \$13.8 million in 1975. Shareholders' investment at year end was \$320 million compared with \$282 million a year earlier.

The official opening of the Pillette Road Truck Assembly Plant in Windsor took place in May, 1976. Initial production was 160 units daily on a single shift, with employment at 1,200. In August, production was doubled to 320 a day by the addition of a second shift, and more than 800 new employees.

Early in 1977 the company announced a \$40 million expansion program involving major additions to the Pillette Road Truck Assembly Plant and the Windsor Engine Plant, with completion scheduled for mid-1978. The company also announced a \$5 million facility modification program for its Tecumseh Road Truck Assembly Plant to provide two-shift capability by early 1978.

Although inflation and unemployment continue to be Canada's primary domestic economic concerns, forecasts are for moderate growth in the Canadian economy, enabling us to anticipate fairly strong new car and truck sales through calendar 1977. With Chrysler's tradition of engineering excellence, our new product offerings, and efforts to further improve customer service, we are confident that our company will continue to increase its sales in the expanding Canadian motor vehicle market.

We sincerely appreciate the continuing support and co-operation of suppliers, banks, financial institutions and our dealers and employees whose loyalty and confidence contributed much to our success during 1976.



C. O. Hurly
President

New Products

In keeping with Chrysler's long-range product program, the company is introducing two totally new mid-sized passenger car lines in the spring of 1977. The luxurious Chrysler LeBaron and Dodge Diplomat retain traditional big-car feel and handling, but in a trimmer exterior size. Both will be available in high-styled two-door specialty hardtop, and formal four-door sedan models, on 112.7-inch wheelbase.

Automatic transmission, power steering, power brakes and Chrysler's Electronic Lean Burn system on the 318 cubic inch V-8 engine are standard equipment. A full range of convenience and luxury appointments normally found only on high-line full-size cars are available.

People and Programs

In 1976, the company's payroll totalled \$259,785,000. In addition, Chrysler Canada provides its employees with a full range of benefit plans and programs, many of which are completely financed by the company. These include pension and retirement plans, group hospital, medical, surgical, prescription drug and dental coverage, group life, sickness and accident and long-term disability insurance, a thrift-stock ownership savings program and supplementary unemployment benefit plans. At the end of 1976, there were 2,867 retirees receiving monthly benefits under the company's retirement program.

During the past year, 24 sons and daughters of employees, dealers and dealership personnel received Chrysler Scholarships worth a total of \$31,000. Since 1964, 328 young people have participated, 85 of whom are still in undergraduate courses at various universities across Canada.



Chrysler Cordoba 2-Door Specialty Hardtop

Community Service

Chrysler Canada takes pride in its record of meeting community responsibilities, and is equally proud of the contribution made by its employees.

In the past five years, Chrysler Canada employees have pledged more than \$3,064,600 to the Windsor and Essex County United Way, and the company has made donations totalling \$496,000, helping to make this campaign among the most successful of its type in North America.

Also in recent years the company has contributed over \$1.1 million to the development programs of some 29 universities across Canada, and provided substantial financial assistance to other public service programs including hospital building funds, cultural advancement programs and community service projects.



Plymouth Volaré Premier 2-Door Coupe



Dodge Charger Special Edition 2-Door Specialty Hardtop

New Truck Plant

The new Pillette Road Truck Assembly Plant began production of Dodge light-duty compact vans in January, 1976, initially building 160 trucks daily on a single shift. Market demand made it necessary to add a second shift in August, 1976, boosting production to 320 units per day, and increasing employment there from 1,200 to more than 2,000.

Situated on a 92-acre site less than a mile from Chrysler's main plant complex in Windsor, the \$40 million plant is the newest and most modern facility of its type in the Canadian automotive industry with 599,200 square feet of floor space, and more than three miles of conveyors.

It features Chrysler's first North American electrocoat body paint prime process, what is believed to be the largest in-plant conditioned air system in use in Canada, and new high pressure sodium lighting, requiring half the energy used by a conventional system.



Dodge Aspen 4-Door Station Wagon

Canadian Suppliers

Although Chrysler manufactures in its own plants many of the components required for its passenger car and truck production, the company depends on some 2,000 Canadian suppliers for additional materials, supplies and services. The products of Canadian steel, rubber, glass, chemical, paint and textile plants, and many more industries, are used each year. In 1976, the company spent more than \$334 million with Canadian vendors and carriers.

Dealers

Plymouth, Dodge and Chrysler passenger cars and Dodge trucks are marketed across Canada by 676 authorized Chrysler Canada Ltd. dealers.

These dealers are independent businessmen who maintain large investments in sales and service facilities, and vehicle and parts inventories. Their combined investment is approximately \$111 million, and they provide employment for more than 16,000 Canadians.

In addition, Chrysler has 103 Autopar distributors who market a wide range of automotive parts and accessories nationally through a variety of passenger car and truck service outlets.



Chrysler Canada Ltd. Consolidated Statement of Net Earnings

Year Ended December 31, 1976

	1976	1975
Net sales	\$2,941,053,357	\$2,455,618,632
Gain (loss) on exchange rate fluctuations	17,885,795	(6,670,626)
Lease revenue	12,129,687	9,961,051
Other income	3,605,194	1,722,947
	<u>2,974,674,033</u>	<u>2,460,632,004</u>
Cost of goods sold, other than items below	2,827,122,231	2,372,362,344
Depreciation	19,872,043	12,144,151
Amortization of special tools	25,988,000	15,442,000
Pension and retirement plans	25,199,018	20,550,844
Interest	3,940,260	4,308,442
Equity in net loss of dealership subsidiaries	2,388,972	2,316,327
Taxes on income	27,638,750	14,036,520
	<u>2,932,149,274</u>	<u>2,441,160,628</u>
Net earnings	<u>\$ 42,524,759</u>	<u>\$ 19,471,376</u>
Net earnings per common share (based on the number of shares outstanding during the year)	<u>\$ 212.62</u>	<u>\$ 97.36</u>

Consolidated Statement of Earnings Retained for Use in the Business

Year Ended December 31, 1976

	1976	1975
Balance at beginning of year	\$280,316,649	\$260,845,273
Net earnings	42,524,759	19,471,376
	<u>322,841,408</u>	<u>280,316,649</u>
Dividend paid	5,000,000	—
Balance at end of year	<u>\$317,841,408</u>	<u>\$280,316,649</u>

See notes to financial statements

 The Shareholders,
Chrysler Canada Ltd.

Auditors' Report

We have examined the consolidated balance sheet of Chrysler Canada Ltd. (wholly-owned subsidiary of Chrysler Corporation) as at December 31, 1976 and the consolidated statements of net earnings, net 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 consolidated financial statements present fairly the financial position of the Company as at December 31, 1976 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, after giving retroactive effect to the change to the consolidated method referred to in Note 2 to the financial statements, on a basis consistent with that of the preceding year.

Windsor, Ontario, March 11, 1977

TOUCHE ROSS & CO.
Chartered Accountants

Assets	1976	1975
Current assets		
Cash	\$ 5,254,173	\$ 4,017,075
Marketable securities — at cost, which approximates market	8,024,030	10,717,423
Accounts receivable	39,259,083	48,547,274
Income taxes recoverable	—	5,008,369
Due from Chrysler Corporation and affiliated companies	296,216,048	257,650,698
Inventories	152,682,494	131,094,338
Prepaid expenses, taxes and other expenses	6,248,725	3,587,478
Income taxes allocable to the following year	14,650,000	17,106,000
Total current assets	522,334,553	477,728,655
Investments and other assets		
Loan to affiliated company — 10%, due 1986	25,000,000	—
Revenue vehicles less accumulated depreciation of \$7,426,975; (1975—\$5,875,962)	29,219,004	20,899,407
Equity in dealership subsidiaries	2,719,003	3,249,068
Income taxes allocable — non-current	6,340,000	4,930,000
Other non-current assets	10,687,381	9,969,914
Total investments and other assets	73,965,388	39,048,389
Property, plant and equipment		
Land, buildings, machinery and equipment	242,522,103	228,436,063
Less accumulated depreciation	121,607,483	112,175,841
	120,914,620	116,260,222
Unamortized special tools	3,946,923	4,361,536
Net property, plant and equipment	124,861,543	120,621,758
Total assets	\$721,161,484	\$637,398,802

On behalf of the Board
 C. O. Hurly, Director
 C. A. Warnock, Director

Liabilities and Shareholders' Investment**1976****1975****Current liabilities**

Short-term debt	\$ 21,825,000	\$ 15,245,000
Accounts payable and accrued expenses	150,645,969	149,663,873
Due to Chrysler Corporation and affiliated companies	157,673,790	138,517,486
Sales and withholding taxes	10,533,486	11,591,931
Income taxes payable	14,776,404	45,104
Total current liabilities	<u>355,454,649</u>	<u>315,063,394</u>

Other liabilities

Other employee benefit plans	7,120,231	3,686,992
Notes payable — affiliated company	3,687,880	4,194,608
Unrealized profits on sales to dealership subsidiaries	1,601,374	1,575,676
Other non-current liabilities	7,035,081	7,211,153
Deferred taxes on income — non-current	26,420,861	23,350,330
Total other liabilities	<u>45,865,427</u>	<u>40,018,759</u>

Shareholders' investment

Capital stock — authorized and issued 200,000 common shares, par value \$10 per share	2,000,000	2,000,000
Net earnings retained for use in the business	317,841,408	280,316,649
Total shareholders' investment	<u>319,841,408</u>	<u>282,316,649</u>

Total liabilities and shareholders' investment	<u><u>\$721,161,484</u></u>	<u><u>\$637,398,802</u></u>
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See notes to financial statements

Consolidated Statement of Changes in Financial Position

Year Ended December 31, 1976

	1976	1975
Additions to working capital		
From operations		
Net earnings	\$ 42,524,759	\$ 19,471,376
Depreciation	19,872,043	12,144,151
Amortization of special tools	25,988,000	15,442,000
Increase in non-current income taxes	1,660,531	13,223,530
Equity in net loss of dealership subsidiaries	2,388,972	2,316,327
	<u>92,434,305</u>	<u>62,597,384</u>
Retirement of property, plant and equipment	752,197	308,744
Increase in other liabilities	2,776,137	841,349
	<u>95,962,639</u>	<u>63,747,477</u>
Dispositions of working capital		
Loan to affiliated company	25,000,000	—
Dividend paid	5,000,000	—
Expenditures for property, plant and equipment	15,822,768	33,861,496
Expenditures for special tools	25,573,387	13,823,300
Increase in investment and other non-current assets	2,576,374	1,786,181
Increase in revenue vehicles on lease	17,775,467	7,638,857
	<u>91,747,996</u>	<u>57,109,834</u>
	<u>\$ 4,214,643</u>	<u>\$ 6,637,643</u>

 Increase (decrease)
 in working capital

Changes in components of working capital

	1976	1975
Cash and marketable securities	\$ (1,456,295)	\$ 82,925
Accounts receivable	(9,288,191)	(10,608,872)
Due from Chrysler Corporation and affiliated companies	19,409,046	39,546,799
Current recoverable and deferred taxes on income	(7,464,369)	3,678,420
Inventories	21,588,156	(24,296,520)
Short-term debt	(6,580,000)	10,738,858
Accounts payable and accrued expenses	(982,096)	(8,350,913)
Sales and withholding taxes	1,058,445	(4,265,584)
Income taxes payable	(14,731,300)	88,606
Other	2,661,247	23,924
	<u>\$ 4,214,643</u>	<u>\$ 6,637,643</u>

Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of Chrysler Canada Ltd. and its wholly owned subsidiaries. Dealership subsidiaries are reflected on the equity basis as they are subject to sale to dealer principals.

All material intercompany profits, transactions and balances have been eliminated.

Foreign exchange

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

Depreciation and tool amortization

Property, plant and equipment are carried substantially at cost less accumulated depreciation. Depreciation is generally provided on a diminishing balance basis at rates as follows: buildings—50 years, machinery and equipment—12 years. The cost of special tools is amortized ratably on a basis designed to allocate the cost to operations during the years in which tools are used in the productive process.

Revenue vehicles

Revenue vehicles are stated at cost less accumulated depreciation. Depreciation is amortized over the term of the lease.

Pension and other retirement benefits

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

The cost of continuing life insurance provided upon retirement is accrued in a manner similar to pension costs but is not funded. Health insurance cost for the retirees is charged to income as applicable premiums are paid.

Taxes on income

Income tax expense is 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 and net realizable value with cost determined substantially on a first-in, first-out basis.

Product warranty

Estimated lifetime costs of product warranty are accrued at the time of sale.

Equity in dealership subsidiaries

This represents the investment stated at equity value in retail dealership subsidiaries. For the year ended December 31, 1976 the Company's investment in these subsidiaries increased by the advance of funds of \$1,858,907 (1975—\$1,889,919) and decreased by its share of net losses totaling \$2,388,972 (1975—\$2,316,327).

Other non-current assets

Included under this caption are income taxes of \$9,063,744 (1975—\$9,063,744) which were paid in a previous year in respect of reassessments which are presently under appeal. The result of this appeal cannot be ascertained at this time.

Pension and retirement plan costs

The Companies have pension and retirement plans covering substantially all of its employees. The total expense of these plans during 1976 was approximately \$25,199,018 (1975—\$20,550,844) which includes amortization of the unfunded prior service costs over a period not exceeding fifteen years.

As of December 31, 1976 the actuarially computed value of the vested benefits for the plans exceeds the total of those pension funds (at market value) by approximately \$83,000,000 (1975—\$101,000,000).

Taxes on income

	1976	1975
Currently payable	\$23,495,433	\$ 6,740,990
Deferred taxes	4,143,317	7,295,530
	<u>\$27,638,750</u>	<u>\$14,036,520</u>

Transactions with parent and affiliated companies

A significant portion of the Companies sales are to its parent Company.

Restrictions under Anti-Inflation Legislation

Effective October 14, 1975 the Canadian Federal Government passed the Anti-Inflation Act and subsequently issued regulations which are presently in force until December 31, 1978. Under this legislation, the Government has established guidelines to control prices, profit margins, employee compensation and dividends. Accordingly, the ability of the Companies to increase prices, profit margins and dividends may be restricted during the period in which the Act and regulations are in effect.

Performance bond

The Company incurred a liability with respect to custom, duty and Federal sales tax on imported trucks for the 1973 and 1974 model years. As a result of an Order-in-Council dated May 20, 1975, the Company will be permitted to offset the liability if it can achieve a specified favourable production/sales ratio before July 31, 1978. It is the opinion of management that the specified production/sales ratio will be achieved by that date. In addition, to secure this liability, the Company posted a \$20,000,000 performance bond.

Contingent liabilities

On December 16, 1976 the Company entered into a foreign exchange risk agreement with a Canadian affiliate whose business is to provide retail and wholesale financing for the automotive products of the Company. The terms of this agreement provide that the Company will indemnify the affiliate for losses, or receive any gains that arise as a result of the affiliate's transactions in foreign currency.

Directors and Officers

Aggregate remuneration of the eleven directors as directors amounted to \$15,000 (1975—\$13,500) and the seven officers as officers amounted to \$341,426 (1975—\$348,689). Six of the officers are also directors.

Property, plant and equipment

A summary by major classifications of property, plant and equipment follows:

	1976	1975
Land	\$ 18,992,769	\$ 16,817,947
Buildings	95,212,523	71,726,050
Machinery	107,969,853	85,532,613
Furniture	8,569,326	7,587,995
Construction-in-process	11,777,632	46,771,458
	<u>242,522,103</u>	<u>228,436,063</u>
Less accumulated depreciation	121,607,483	112,175,841
	<u>120,914,620</u>	<u>116,260,222</u>
Unamortized special tools	3,946,923	4,361,536
Net property, plant and equipment	<u>\$124,861,543</u>	<u>\$120,621,758</u>

Production

	1976	1975
Cars	245,332	261,275
Trucks	84,272	24,715
Engines	538,306	479,173
Springs	1,889,063	1,650,000
Cushion and back cover sets	707,505	518,696
Aluminum Die Castings	11,700,000	7,200,000
Aluminum Pistons	13,500,000	11,500,000

Retail Sales of Passenger Cars & Trucks

Calendar Year	Passenger Cars	North American Car Market		Truck Market Share	
		Share *	Trucks	Trucks	Market Share %
		%			%
1970	124,436	25.9	15,824		13.0
1971	141,457	24.4	18,837		13.2
1972	163,596	25.3	29,091		15.7
1973	188,708	24.3	34,886		15.1
1974	194,327	24.6	44,778		15.9
1975	206,062	24.6	45,450		14.9
1976	215,443	27.0	50,971		15.6

New Vehicle Shipments

Years	Cars Built in Canada for U.S.		Cars Built in U.S. for Canada	
	Total Industry	Chrysler Products	Total Industry	Chrysler Products
1970	681,872	208,585	245,746	97,914
1971	779,769	202,785	352,130	110,246
1972	836,630	223,558	382,463	120,165
1973	862,407	215,129	476,099	146,927
1974	802,370	183,291	500,463	157,794
1975	713,407	225,545	549,353	166,531
1976	808,788	215,020	562,635	186,764

Years	Trucks Built in Canada for U.S.		Trucks Built in U.S. for Canada	
	Total Industry	Chrysler Products	Total Industry	Chrysler Products
1970	157,532	7,671	53,646	13,004
1971	166,709	13,987	69,026	16,384
1972	204,405	22,438	94,453	27,026
1973	215,260	19,286	120,463	29,383
1974	188,895	17,259	167,514	45,837
1975	181,165	17,913	133,701	34,980
1976	265,623	63,088	128,524	29,551

*Includes Colt/Arrow



Chrysler New Yorker 2-Door Hardtop

A selection of Chrysler quality engineered passenger cars and trucks for 1977



Plymouth Fury 2-Door Hardtop and 4-Door Sedan



Dodge Monaco 4-Door Sedan



Colt 2-Door Custom Coupe



Arrow 3-Door Hatchback



Dodge Adventurer SE Pickup



Dodge Royal Sportsman Wagon

