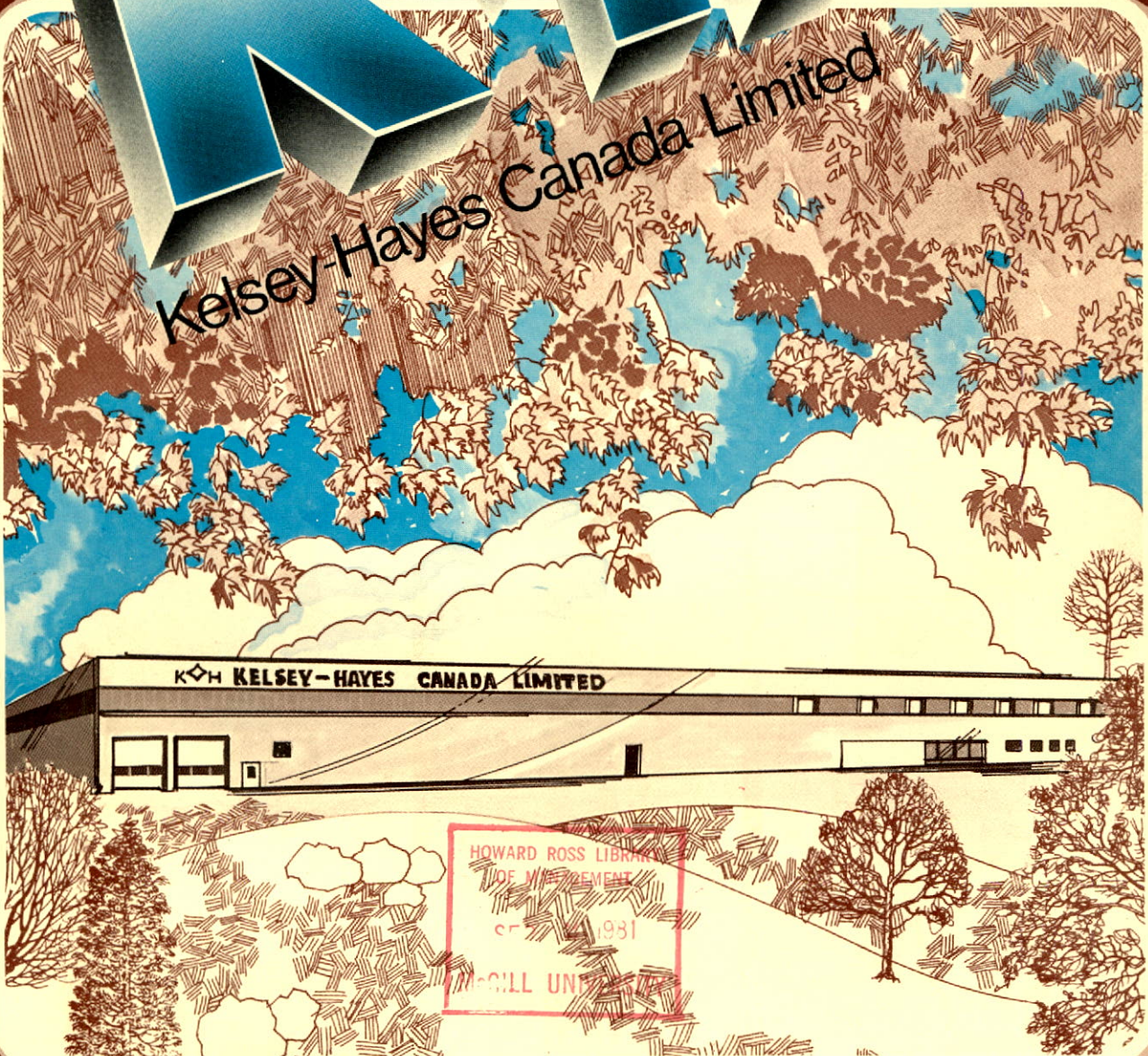




1980
Annual Report
YEAR ENDING
DECEMBER 31, 1980

Kelsey-Hayes Canada Limited



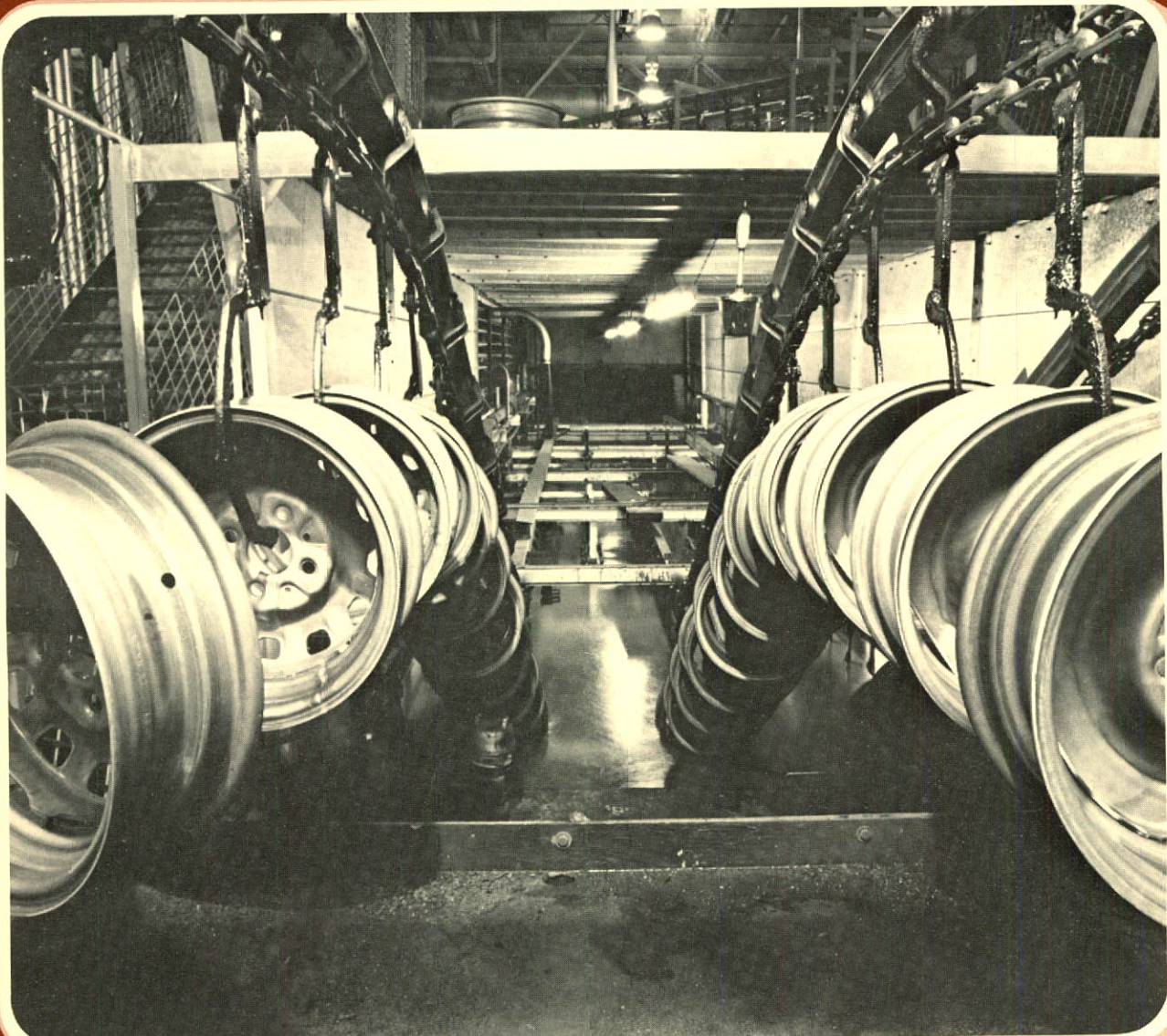
WOODSTOCK BEARDS LANE PLANT

History of the Company

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.



PAINT DIP TANK CONVEYOR — WINDSOR DIVISION

Letter to the Shareholders of Kelsey-Hayes Canada Ltd.



The North American Automotive Industry operated at the lowest level in several years. Reflecting this trend, sales decreased to \$102,910,000 compared with \$138,565,000 recorded in 1979.

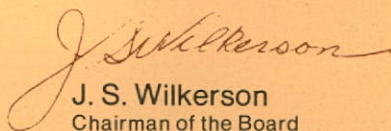
Net earnings in 1980 were \$7,114,000 which is \$6.47 a share. This compares with \$9,471,000 or \$8.61 a share in 1979. The earnings result was a significant achievement in view of the substantial volume decline and the problems confronting the industry.

In view of the surplus capacity position at the present time our capital expenditures were \$2,748,000 approximately the same as the \$2,665,000 expended in 1979.

We negotiated new three year labour contracts at our Windsor and Conroy Divisions during the year. Our Woodstock labour contract expired January 31, 1981 and negotiations on a new contract have not been completed to date.

The automotive industry is still operating at a lower level and a significant portion of the market is being captured by foreign imports. The North American industry is restructuring to meet this competition and we are confident that we have the facilities and capability of meeting this challenge. It is difficult to appraise the outlook for 1981, but we look for another profitable year.

The results recorded in 1980 were achieved through the co-operation and splendid effort of our employees. On behalf of the Board of Directors we wish to express our appreciation for this performance.


J. S. Wilkerson
Chairman of the Board


W. C. McIvor
President & Secretary-Treasurer

Windsor, Ontario.
March 18, 1981

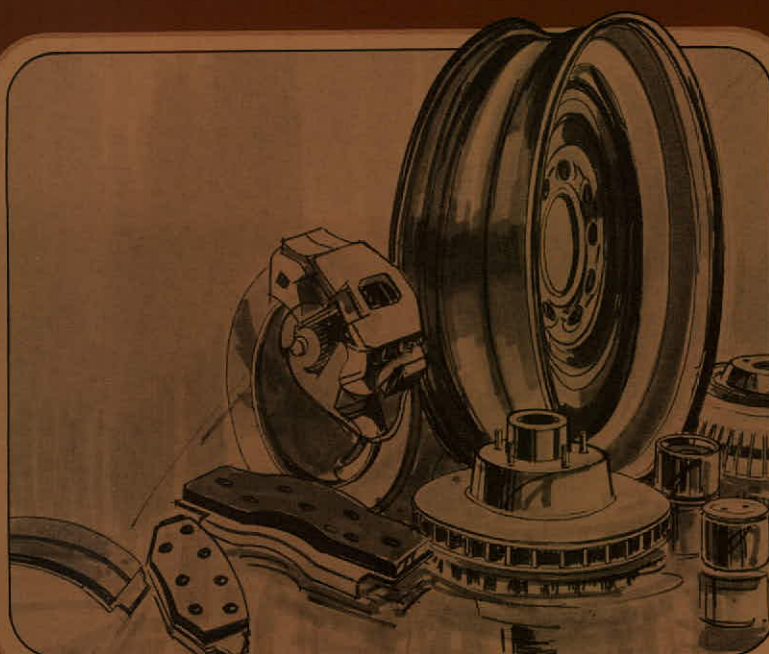
1980 Financial Highlights

	<u>1980</u>	<u>1979</u>
Net Sales	\$102,910,000	\$138,565,000
Net Earnings	7,114,000	9,471,000
Net Earnings per Share	6.47	8.61
Working Capital	35,622,000	30,851,000
Property, Plant and Equipment		
Expenditures	2,748,000	2,665,000
Depreciation	2,194,000	2,181,000
Book Value per Share	44.56	40.09

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

FOR THE YEAR ENDED DECEMBER 31, 1980

	<u>1980</u>	<u>1979</u>
NET SALES	<u>\$102,909,783</u>	<u>\$138,565,141</u>
NET EARNINGS before providing for the following.....	<u>\$ 17,202,455</u>	<u>\$ 20,839,800</u>
DEDUCT		
Depreciation of plant and equipment.....	2,194,266	2,181,438
Employees' pension plans	1,993,900	2,087,569
	<u>4,188,166</u>	<u>4,269,007</u>
NET EARNINGS BEFORE INCOME TAXES	13,014,289	16,570,793
INCOME TAXES	5,900,000	7,100,000
NET EARNINGS FOR THE YEAR	7,114,289	9,470,793
RETAINED EARNINGS, JANUARY 1.....	42,978,992	35,488,199
	<u>50,093,281</u>	<u>44,958,992</u>
DIVIDENDS.....	2,200,000	1,980,000
RETAINED EARNINGS, DECEMBER 31	<u>\$ 47,893,281</u>	<u>\$ 42,978,992</u>
NET EARNINGS PER SHARE OF CAPITAL STOCK (based on the average number of shares outstanding during the year)	<u>\$ 6.47</u>	<u>\$ 8.61</u>



Kelsey-Hayes Canada Limited

(INCORPORATED UNDER THE BUSINESS CORPORATION ACT — ONTARIO)

Balance Sheet as at December 31, 1980

Assets

CURRENT

	1980	1979
Cash and short-term deposits	\$24,060,270	\$19,366,602
Accounts receivable	9,204,888	11,495,037
Due from affiliated company	266,586	629,837
Inventories	12,149,420	12,358,044
Special tooling for current production	206,863	126,536
Prepaid taxes, insurance and other expenses	193,809	164,382
	<u>46,081,836</u>	<u>44,140,438</u>

PROPERTY, PLANT AND EQUIPMENT — AT COST

Land	442,382	444,329
Buildings and land improvements	10,151,072	9,521,962
Machinery and equipment	40,557,507	38,501,693
	<u>51,150,961</u>	<u>48,467,984</u>
Less accumulated depreciation	32,354,676	30,215,513
	<u>18,796,285</u>	<u>18,252,471</u>
	<u>\$64,878,121</u>	<u>\$62,392,909</u>

Liabilities and Shareholders' Investment

CURRENT

	1980	1979
Accounts payable	\$ 3,855,924	\$ 5,805,128
Payroll and taxes withheld from employees	2,178,298	2,263,753
Dividends payable	1,210,000	1,155,000
Other accrued expenses	2,305,032	2,843,262
Income taxes	910,586	1,221,774
	<u>10,459,840</u>	<u>13,288,917</u>

DEFERRED INCOME TAXES

	<u>5,400,000</u>	<u>5,000,000</u>
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SHAREHOLDERS' INVESTMENT

Capital Stock		
Authorized		
5,000,000 shares without par value		
Issued		
1,100,000 shares	1,125,000	1,125,000
Earnings retained for use in		
the business	<u>47,893,281</u>	<u>42,978,992</u>

	<u>49,018,281</u>	<u>44,103,992</u>
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Approved by the Directors
Frank P. Coyer, Jr., Director
W. C. McIvor, Director

	<u>\$64,878,121</u>	<u>\$62,392,909</u>
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Statement of Changes in Financial Position

FOR THE YEAR ENDED DECEMBER 31, 1980

	<u>1980</u>	<u>1979</u>
SOURCE OF WORKING CAPITAL		
From operations		
Net earnings for the year	\$ 7,114,289	\$ 9,470,793
Depreciation of plant and equipment	2,194,266	2,181,438
Increase in deferred income taxes	400,000	100,000
	<u>9,708,555</u>	<u>11,752,231</u>
APPLICATION OF WORKING CAPITAL		
Additions to property, plant and equipment less net carrying value of disposals	2,738,080	2,623,146
Dividends	2,200,000	1,980,000
	<u>4,938,080</u>	<u>4,603,146</u>
INCREASE IN WORKING CAPITAL	<u>\$ 4,770,475</u>	<u>\$ 7,149,085</u>
WORKING CAPITAL CHANGES		
Increase (decrease) in current assets		
Cash and short-term deposits	\$ 4,693,668	\$11,912,673
Accounts receivable	(2,290,149)	(4,996,749)
Due from affiliated company	(363,251)	(3,609,697)
Inventories	(208,624)	2,572,470
Special tooling for current production	80,327	108,990
Prepaid taxes, insurance and other expenses	29,427	51,247
Net change in current assets	<u>1,941,398</u>	<u>6,038,934</u>
(Increase) decrease in current liabilities		
Accounts payable	(1,949,204)	(1,295,785)
Payroll and taxes withheld	(85,455)	61,257
Dividend payable	55,000	330,000
Other accrued expenses	(538,230)	(285,533)
Income taxes	(311,188)	79,910
Net change in current liabilities	<u>(2,829,077)</u>	<u>(1,110,151)</u>
INCREASE IN WORKING CAPITAL	<u>4,770,475</u>	<u>7,149,085</u>
WORKING CAPITAL JANUARY 1,	<u>30,851,521</u>	<u>23,702,436</u>
WORKING CAPITAL DECEMBER 31,	<u>\$35,621,996</u>	<u>\$30,851,521</u>

Notes to Financial Statements

DECEMBER 31, 1980

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 \$5,500,000 at December 31, 1980.

3. INCOME TAXES

	1980	1979
Currently payable....	\$5,500,000	\$7,000,000
Deferred	400,000	100,000
	<u>\$5,900,000</u>	<u>\$7,100,000</u>

During 1977, the Company received Federal Income Tax reassessments for the fiscal periods ending in 1973 and 1974. Notices of objection have been filed by the Company in respect of these assessments. In the opinion of legal counsel, the Company should be successful in its objection.

4. DIRECTORS AND OFFICERS

Remuneration paid by the Company during the year to directors and senior officers of the Company amounted to \$323,457.

5. SEGMENTED INFORMATION

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

6. RELATED PARTY TRANSACTIONS

Approximately 7% 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, 1980 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.

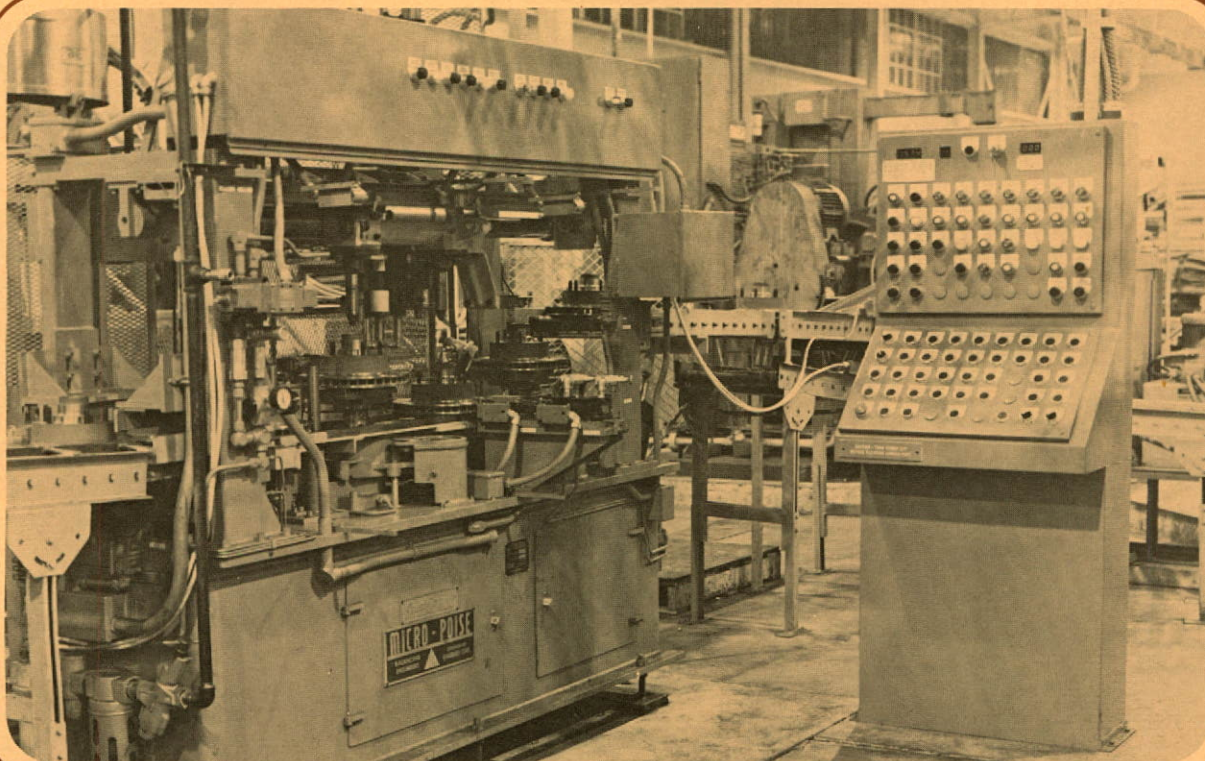
In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Windsor, Ontario.
February 27, 1981

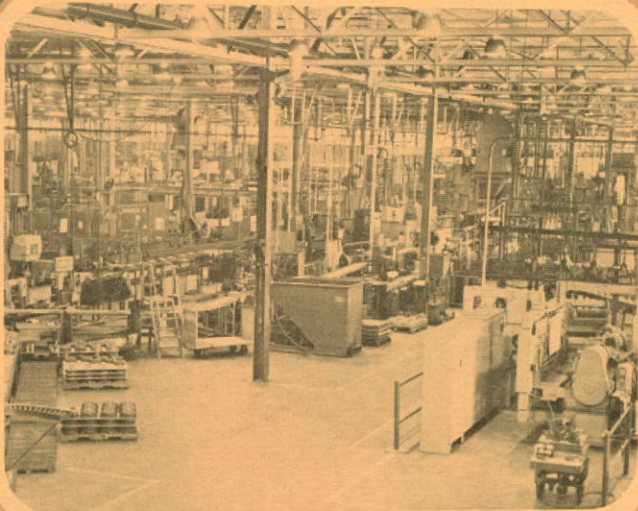
Touche Ross & Co.
Chartered Accountants

Five Year Financial Review

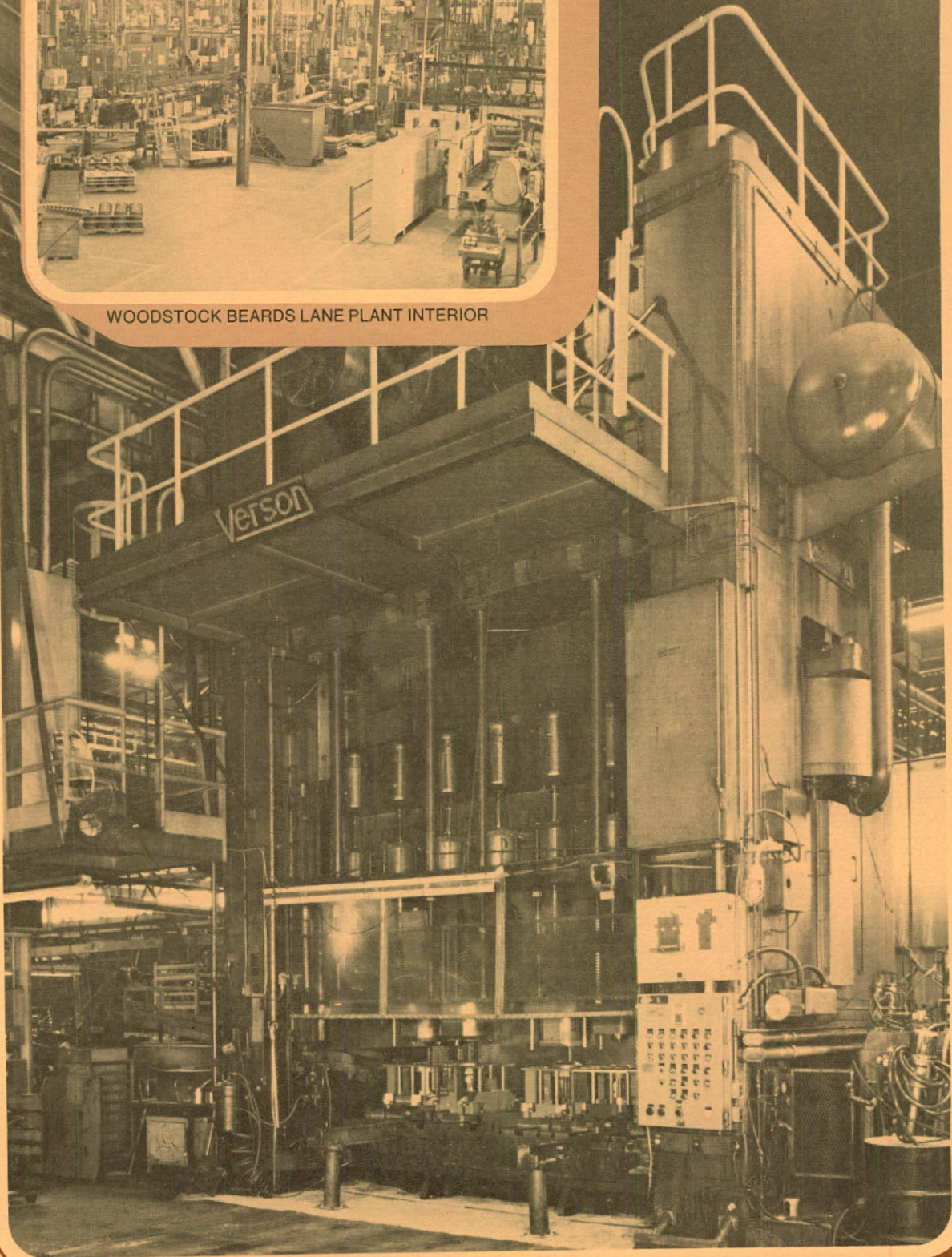
	December 31,				
	1980	1979	1978	1977	1976
	(Dollar Amounts in Thousands)				
OPERATING RESULTS:					
Net Sales	\$102,910	\$138,565	\$130,463	\$114,462	\$102,304
Earnings before taxes on income	13,014	16,571	13,387	10,081	10,290
Provisions for taxes on income	5,900	7,100	5,550	4,250	4,450
Net Earnings	7,114	9,471	7,837	5,831	5,840
Dividends	2,200	1,980	1,485	1,155	1,045
Net increase in retained earnings	4,914	7,491	6,352	4,676	4,795
Expenditures for property, plant and equipment	2,748	2,665	2,356	2,457	2,846
Depreciation	2,194	2,181	2,252	2,462	2,335
Per share of Common stock:					
Net earnings	\$ 6.47	\$ 8.61	\$ 7.12	\$ 5.30	\$ 5.31
Dividends	\$ 2.00	\$ 1.80	\$ 1.35	\$ 1.05	\$.95
FINANCIAL POSITION:					
Current assets	\$46,082	\$44,347	\$38,101	\$29,285	\$27,007
Current liabilities	10,460	13,496	14,399	11,865	13,459
Working Capital	35,622	30,851	23,702	17,420	13,548
Property, plant and equipment (net)	18,796	18,252	17,811	17,743	17,843
Long-term debt	—	—	—	—	1,000
Shareholders' investment	49,018	44,104	36,613	30,261	25,585
Per share of Common Stock	\$ 44.56	\$ 40.09	\$ 33.28	\$ 27.51	\$ 23.26



AUTOMATIC STATIC DISC BRAKE ROTOR BALANCER — WOODSTOCK DIVISION



WOODSTOCK BEARDS LANE PLANT INTERIOR



VERSON TRANSMAT PRESS — WINDSOR DIVISION



KELSEY-HAYES CANADA LIMITED

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

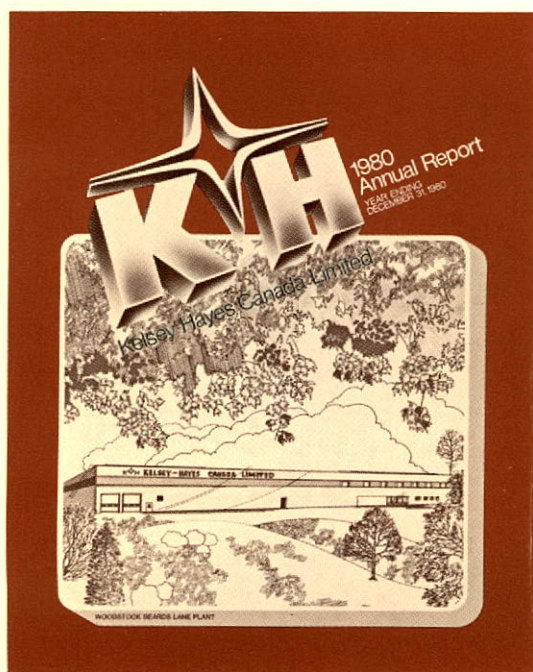
National Trust Company, Limited

Toronto, Montreal, Winnipeg & Vancouver

Auditors

Touche Ross & Co.,

Windsor, Ontario





Kelsey-Hayes Canada Limited