





## **Directors**

Joseph H. Firestone  
Chairman of the Board and  
Founder of the Company

Michael J. Firestone  
President and Chief Executive Officer

John W. Henderson, R.I.A.  
Vice-President, Finance and  
Secretary of the Company;  
Member of the Company's  
Audit Committee

Bernard W. Matte  
Vice-President, Corporate  
Development, Imasco Ltd.;  
Member of the Company's  
Audit Committee

Charles A. MacDonald  
Executive Vice-President and  
General Manager,  
Service Merchandising Division

Sheila Allen-Tittel  
President, Sheila Allen-Tittel  
Real Estate

Hubert J. Stitt  
Senior Partner in the law firm of  
Stitt, Baker & McKenzie

Edward J. Kowal  
Barrister and Solicitor,  
Stitt, Baker & McKenzie

## **Corporate**

Michael J. Firestone  
President and Chief Executive Officer

John W. Henderson  
Vice-President,  
Finance and Secretary-Treasurer

Charles A. MacDonald  
Executive Vice-President and  
General Manager,  
Service Merchandising Division

Elmarie Cushnie, C.G.A.  
Corporate Accountant

Diane Churchill  
Assistant Secretary

## **Registrar**

The Bank of Nova Scotia Trust Company  
of New York,  
37 Wall Street, New York, N.Y. 10005

## **Transfer Agent**

Manufacturers Hanover Trust Company  
4 New York Plaza, New York, N.Y. 10015

## **Registrar and Branch Transfer Agent**

National Trust Company, Limited  
21 King Street, Toronto, Ontario M5C 1B3

## **Share Listing**

Toronto Stock Exchange





## Fireco

Fireco Sales Limited is a Canadian company headquartered in Toronto. Operationally, the Company is organized into two major divisions — Service Merchandising and O-Cedar.

The Service Merchandising Division purchases general merchandise in bulk form from a broad spectrum of product manufacturers in Canada and around the world. These items, which include housewares, glassware, baby needs, candles, health and beauty aids — in fact, more than 10,000 individual items in over 60

categories — are then “service merchandised” to more than 2,500 stores from coast-to-coast in Canada including such well-known retailers as A & P, Dominion, Eatons, Food City, I.G.A., K-Mart, Loblaws, Miracle Mart, Overwaitea, Safeway, Sobeys, Steinbergs, Woodwards, Zehrs and others. With major warehouses in Toronto, Calgary and Truro, Nova Scotia, Fireco is not only the largest but also the most effective service distributor of general merchandise in Canada.

Fireco’s second business activity is handled through its divisional

subsidiary O-Cedar Canada Inc. This company manufactures long-handled brush and broom products plus it packages and markets a wide range of other items — all under the very familiar “O-Cedar” trademark — including small brushes, cleaning aids and soft goods. These products are sold through Fireco’s regular service merchandise marketing programs and through most major retail stores in Canada including supermarket, drug, department and chain stores.



# Service Merchandising Division

1979 was a particularly difficult and arduous year for the Service Merchandising Division. Sales were considerably below expectations. The reasons for this were numerous and often subtle. For example, the pressures on supermarket managers to cope with the problem of increasing shelf space for "no-name" grocery products — while not significantly cutting back on corresponding brand name and private label products — had, in some stores, a detrimental effect on sales of general merchandise.

At the same time as these aforementioned factors were having an undesirable effect on general merchandise sales, other things were happening which were paradoxical to these negative factors and which lead to the belief that our problems in 1979 were serious but short-term and without long-term implications. Illustrating this is the very sharp rise in the cost of gasoline for automobiles which is making shoppers much more conscious of the value of one-stop shopping. This, in turn, is pressuring the supermarket manager to increase the level of general merchandise carried in the store in order to take advantage of the higher margins that general merchandise sales can yield.

As we head into the 1980's it is predicted that service merchandising, which is already a dynamic industry, will become an even more challenging field of business. In particular, there are indications that the outlook for service merchandising in Canada

will be very good. The current perception of the future shows that the sophistication of the distribution system will increase several fold. Encompassed by this evolutionary change will be the scale of the physical plant, the procedures used in the warehouse (from bulk product receiving through to order assembly and shipping), the method of delivery to the individual supermarket or store, order processing and data handling techniques — in fact,

all aspects of the service merchandising operation. In order to take advantage of the opportunities which will unfold in the next decade and beyond, Fireco is devoting a considerable amount of management time



to planning and preparing for the future. This investment of time and money underscores the Company's steadfast determination not only to remain Canada's most effective service merchandiser but also to improve our efficiency and thereby increase the value, to our customers, of the Fireco general merchandise and health and beauty aids marketing programs.

Turning from internal operations to the marketplace, an increasing trend towards the use of service merchandisers by drug chains, discount department

stores and other non-food retailers will provide opportunities to large and highly-automated companies like Fireco. In this realm, our competitive position is extremely strong. As Canada's largest general merchandise marketing organization, Fireco can provide service to these retailers much better than the smaller, less competitive companies and even better than these customers could do if they handled these programs on their own.

In the area of supermarkets, Fireco continues to provide a better alternative. Fireco's programs — which feature the selling power of such well-

known names as Rubbermaid, Hartz Mountain, O-Cedar, Corning Glassware, Burlington and hundreds of others — increase variety, sales volume and inventory turns while reducing operating expenses and inventory investment. Also, Fireco's wide variety of seasonal programs, including special promotions on summer hats, winter gloves and headware, and others, add to the profitability of the supermarkets.

An important step in 1979 was Fireco's entry into health and beauty aids. This strong, new





commitment means that Fireco customers can now save time and money by having to deal with only one source for both general merchandise and health and beauty aids. As in the case of general merchandise, Fireco provides its health and beauty aids customers with more in-store service than any other service distributor.

In addition to its service programs, the Service Merchandising Division of Fireco is working with its customers

to develop new approaches to consumer marketing. Today, many different and widely diverse programs are being tried as store operators further embrace the one-stop shopping concept. As more snack foods, jams and jellies, and even canned goods make their way onto the shelves of the discount department stores — and, conversely, as supermarkets expand into broad lines of soft goods, plants and accessories, houseware, hardware, cosmetics, reading materials and wine — Fireco's planning

and general support services are changing and expanding, not only to fill a need, but also to provide direction and innovative leadership for our customers.





# O-Cedar Canada Inc.

In March, 1979 Fireco Sales Limited acquired the O-Cedar Division of Bristol-Myers Canada Limited. This business, which became a wholly-owned subsidiary of Fireco under the name O-Cedar Canada Inc., included a 90,000 sq. ft. manufacturing plant in Stratford, Ont. where long-handled brooms and brushes are manufactured. In addition to these production facilities, Fireco acquired all of the plant employees, the sales force which covers all of Canada and licensed rights to various registered trademarks including "O-Cedar", Gleem, Scotty and many others.

This acquisition represents a major move for Fireco into a new business area. In all respects, we are extremely excited about this new venture, especially the long term potential. In the period since the acquisition, we have transferred to the Stratford plant the packaging of the wide range of products which Fireco has been selling since 1976

under the O-Cedar name. These products, which complement the proprietary long-handled sponge mop, polish and broom products manufactured in Stratford, include kitchen and bathroom cleaning aids, scouring pads, rubber gloves, small brushes, whisks, sponges, a wide assortment of soft goods including dusting cloths, polishing cloths and many other products.

The Administrative and Sales office of O-Cedar Canada Inc. is located in Fireco's main building in Mississauga, Ont. (Toronto). All other functions are located in the Stratford plant. At present, the O-Cedar operation is being improved by updating equipment, installing computer systems, improving efficiency, finding new and better sources of

supply of basic materials and products, carefully evaluating the structure of the existing overall product lines, and adding new products where it is prudent and profitable. In 1980, we expect the sales of O-Cedar Canada Inc. will represent approximately 15% of the Fireco's overall total sales.



---

# Financial Highlights

Fireco Sales Limited and its  
wholly-owned subsidiary companies

---

For the years ended August 25, 1979 and August 26, 1978

	1979 \$	1978 \$
Sales	33,073,182	33,095,717
Net Income	(741,547)	654,340
Working Capital (at year end)	2,512,691	2,525,182
Total Assets (at year end)	12,869,757	11,251,255
Shareholders' Equity (at year end)	3,008,522	3,750,069
Net Income (Loss) Per Share of Common Stock	(1.33)	1.17
Shareholders' Equity Per Share of Common Stock (at year end)	5.38	6.71

---

---

## To The Shareholders

---

Sales, which were expected to rise substantially in 1979, remained at the 1978 level of \$33.1 million. Net income for 1979 was a loss of \$741,547 as compared to a profit of \$654,340 in 1978. These results are particularly distressing in that they follow many years of sustained growth for Fireco.

Although we were cautious in our outlook for the service merchandising business at the beginning of the year we yet believed that good growth in sales would be achieved and that profits could be maintained. However, net sales in service merchandising actually decreased in 1979 despite the fact that the value of goods shipped this year equalled or exceeded that of last year. Net sales, which are calculated by subtracting returns from gross shipments, were down in 1979 due to an extraordinarily high level of returned merchandise caused, primarily, by enormous pressure for shelf space in supermarkets.

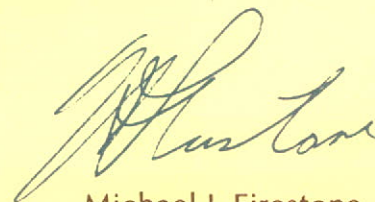
Despite the fact that net sales were down, service merchandising overhead costs did not go down correspondingly since these costs relate directly to the value of gross shipments as opposed to the net sales figure. Also, the increased levels of returns created extra handling and shipping costs. Coupling all of this with the effects of inflation on product costs meant that we were subtracting an increased overhead cost from a lower gross margin, thereby resulting in a substantial loss in 1979. This situation in service merchandising will begin to respond in 1980 to the corrective actions which we have taken. The beginning of a "turn-around" should be evident when the first quarter results for 1980 come out. Some of these actions include the introduction of new products, continuation of our emphasis on regaining suitable margins and special programs designed to reduce returns and expand general merchandise shelf space in the stores.

The acquisition in March of the O-Cedar Division of Bristol-Myers Canada Limited added to our overall sales in 1979. We are pleased with this new avenue of pursuit and look forward to possible future expansion of our presence in the product supply area.

The Master Courier Division was closed in 1979 subsequent to a decision by Fireco's corporate management and board of directors that Master Courier was not going to realize the full potential within Fireco which we had projected.

Because of the circumstances of 1979, payment of quarterly dividends is postponed.

I extend my appreciation to the management team and all of our employees for their dedicated efforts during a difficult year.



Michael J. Firestone  
President

# Comparative Consolidated Balance Sheet

As at August 25, 1979 and August 26, 1978

Fireco Sales Limited and its  
wholly-owned subsidiary companies

	1979 \$	1978 \$
<b>ASSETS</b>		
Current Assets		
Cash on hand .....	3,130	2,823
Accounts receivable .....	5,231,038	4,976,136
Inventories .....	5,254,592	4,722,093
Advance payments to suppliers .....	84,648	44,872
Sundry accounts receivable .....	87,988	59,382
Corporation taxes recoverable (Note 3) .....	527,846	—
Prepaid expenses .....	194,684	221,062
	<u>11,383,926</u>	<u>10,026,368</u>
Non-current investments .....	19,929	52,563
Advances to employees .....	168,162	175,960
Fixed Assets (cost)		
Land .....	15,137	—
Building .....	277,518	—
Equipment and fixtures .....	914,586	853,581
Motor vehicles .....	17,250	18,886
Leasehold improvements .....	187,266	140,452
	<u>1,411,757</u>	<u>1,012,919</u>
Accumulated depreciation .....	687,313	608,652
	<u>724,444</u>	<u>404,267</u>
Racks (unamortized cost) .....	427,245	439,373
	<u>1,151,689</u>	<u>843,640</u>
Goodwill .....	146,051	152,724
	<u>12,869,757</u>	<u>11,251,255</u>

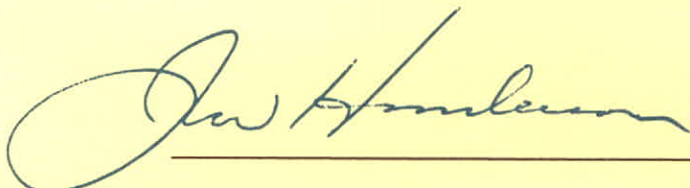
The accompanying notes form an integral part of these financial statements.

	<u>1979</u>	<u>1978</u>
	<u>\$</u>	<u>\$</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities		
Bank indebtedness (Note 4(b)) .....	3,828,628	4,445,954
Accounts payable and accrued liabilities .....	5,005,480	2,709,046
Income and other taxes payable .....	37,127	346,186
	<u>8,871,235</u>	<u>7,501,186</u>
Non-Current Liabilities (Note 5)		
Mortgage payable .....	240,000	—
Non-current bank loan .....	750,000	—
	<u>990,000</u>	<u>—</u>
Total Liabilities .....	<u>9,861,235</u>	<u>7,501,186</u>
Shareholders' Equity		
Capital stock (Note 6) .....	11,140	11,140
Consolidated retained earnings .....	2,997,382	3,738,929
	<u>3,008,522</u>	<u>3,750,069</u>
	<u>12,869,757</u>	<u>11,251,255</u>

Approved on behalf of the board:



Director



Director

## Comparative Consolidated Statement of Earnings

For the years ended August 25, 1979 and August 26, 1978

Fireco Sales Limited and its wholly-owned subsidiary companies

	1979 \$		1978 \$
Sales .....	33,073,182		33,095,717
Cost of Sales .....	23,745,768		22,638,796
Gross Profit .....	9,327,414		10,456,921
Warehouse, Selling and Administrative Expense .....	10,234,857	8,789,484	
Interest on non-current debt .....	29,348	—	
Depreciation (Note 2) .....	224,227	212,502	
Amortization of Goodwill .....	6,672	7,414	9,009,400
	(1,167,690)		1,447,521
Master Courier Division Loss (After Depreciation 1979 — \$1,643, 1978 — \$1,241) .....	90,640		285,215
	(1,258,330)		1,162,306
Investment Income .....	1,035		10,041
Earnings (Loss) Before Incomes Taxes .....	(1,257,295)		1,172,347
Income Taxes Provided (Recoverable) .....	515,748		518,007
Net Earnings (Loss) (Transferred to Consolidated Retained Earnings) .....	(741,547)		654,340

The accompanying notes form an integral part of these financial statements.

## Comparative Consolidated Statement of Retained Earnings

For the years ended August 25, 1979 and August 26, 1978

Fireco Sales Limited and its wholly-owned subsidiary companies

	1979 \$	1978 \$
Balance, at beginning of year .....	3,738,929	3,228,781
Net earnings (Loss) (transferred from Consolidated Statement of Earnings) .....	(741,547)	654,340
	2,997,382	3,883,121
Write down of investment in subsidiary companies to net realizable amount .....	—	144,192
Balance, at end of year .....	2,997,382	3,738,929

The accompanying notes form an integral part of these financial statements.



# Comparative Consolidated Statement of Changes in Financial Position

For the years ended August 25, 1979 and August 26, 1978

Fireco Sales Limited and its  
wholly-owned subsidiary companies

	1979 \$	1978 \$
Sources of Working Capital		
Earnings (loss) for the year .....	(741,547)	654,340
Depreciation .....	225,870	212,502
Amortization of goodwill .....	6,672	7,414
Funds from Operations .....	(509,005)	874,256
Sale of non-current investments (net) .....	32,634	21,288
Repayment of employee advances .....	7,798	7,798
Mortgage proceeds .....	240,000	—
Loan proceeds .....	750,000	—
	<u>521,427</u>	<u>903,342</u>
Uses of Working Capital		
Purchase of fixed assets (less proceeds of disposals) .....	533,918	253,226
Net change in working capital — Increase (Decrease) .....	<u>(12,491)</u>	<u>650,116</u>
Current Assets .....	11,383,926	10,026,368
Current Liabilities .....	8,871,235	7,501,186
Working Capital at End of Year .....	2,512,691	2,525,182
Working Capital at Beginning of Year .....	2,525,182	1,875,066
Net Change in Working Capital — Increase (Decrease) .....	<u>(12,491)</u>	<u>650,116</u>

The accompanying notes form an integral part of these financial statements.

---

# Notes to the Financial Statements

For the year ended August 25, 1979

Fireco Sales Limited and its  
wholly-owned subsidiary companies

---

## 1. BASIS OF CONSOLIDATION

The accompanying financial statements combine the accounts of Fireco Sales Limited and its wholly owned subsidiary companies for the year ended August 25, 1979.

On March 5, 1979, a newly incorporated subsidiary company acquired the assets of the Canadian O-Cedar division of Bristol-Myers Canada Limited. The accounts of O-Cedar Canada Inc. for the six months ended August 25, 1979 are included in these financial statements.

All inter-company transactions and balances on the aforementioned statements have been eliminated for consolidation purposes.

## 2. DEPRECIATION

Depreciation on buildings, equipment and fixtures, and motor vehicles, is on the declining balance method, and amortization is being provided on leasehold improvements on the straight line method over the term of the lease. The principal rates used are:

Buildings	5% of unamortized balance
Equipment and fixtures	20% of unamortized balance
Motor vehicles	30% of unamortized balance
Leasehold improvements	Cost amortized over term of lease

Expenditures for maintenance and repairs are deducted from income. Expenditures for betterments and major renewals are capitalized, and are written off by depreciation charges. Costs of assets sold or retired are eliminated from the accounts in the year of sale or retirement, and the related amounts of accumulated depreciation are eliminated from the accounts in the year of sale or retirement subject to an adjustment for the gain or loss on disposal.

## 3. INCOME TAXES — PAYABLE AND DEFERRED

The company follows the tax allocation principal of providing for income taxes. Under this principle, deferred income taxes are established to reflect the differences between capital cost allowances claimed for tax purposes and depreciation recorded in the accounts.

The company has a loss available of \$316,031 which amount is deductible from future earnings up to 1984 for purposes of determining income taxes provided in future years. The potential benefit is not reflected on these financial statements.

## 4. COMMITMENTS AND CONTINGENT LIABILITIES

### (a) LEASES

TYPE OF LEASE	TOTAL COMMITMENT	FINAL LEASE TERMINATION
(1) Property	\$639,728 plus realty taxes where applicable	1984
(2) Communications Equipment	\$383,588 plus provincial sales taxes	1984
(3) Motor Vehicles	\$100,315 plus provincial sales taxes	1983
(4) Data Processing Equipment	\$353,373 plus provincial sales taxes	1984

### (b) BANK INDEBTEDNESS      \$3,828,628

The bank loans of the company are secured by a registered general assignment of accounts receivable and the guarantees of subsidiary companies.

---

**5. NON-CURRENT LIABILITIES \$990,000**

**(a) MORTGAGE PAYABLE**

This mortgage secured by the real estate owned by O-Cedar Canada Inc. Under the terms of the mortgage, interest only at 10¼%, is payable monthly commencing in September 1979 with the principal falling due in March 1984.

**(b) NON-CURRENT BANK LOAN**

This term loan is secured by an assignment of the shares of O-Cedar Canada Inc. as well as an assignment of the inventory of O-Cedar Canada Inc. given under Section 88 of The Bank Act. Interest only is currently paid with principal payments of \$12,500 per month commencing in June, 1981.

**6. CAPITAL STOCK**

The share capital of the company is structured as follows:

**(a) AUTHORIZED**

	<b>NOT TO EXCEED</b>
1,000,000 Class A. Convertible, Participating Shares, No Par Value .....	\$1,000,000
999,000 Class B. Convertible, Participating Shares, No Par Value .....	999,000
1,000 Common Shares, No Par Value .....	1,000
	<u>\$2,000,000</u>

**(b) ISSUED AND FULLY PAID**

559,000 Class A and Class B Shares .....	<u>\$ 11,140</u>
--	------------------

**(c) DESCRIPTION OF CLASSES OF SHARES**

- Class A Shares — Participate equally with Class B shares and common shares in all respects, dividend payments being taxable in the hands of the recipient. Class A shares may be converted into Class B shares at the option of the shareholder.
- Class B Shares — Participate equally with Class A shares and common shares in all respects, dividend payments at the rate of 85% of Class A payments being exempt from tax under Section 83 of The Income Tax Act in the hands of the recipient. Class B shares may be converted into Class A shares at the option of the shareholder.
- Common Shares — Participate equally with Class A and Class B shares, but are not convertible.

**7. GENERAL**

- (a) All dollar figures used herein are expressed in Canadian dollars.
- (b) Inventories are valued at the lower of cost (determined by the first-in first-out method) or market (determined by reducing the selling values by the estimated mark-up percentage).
- (c) Expenses for the year include the following remuneration of directors and senior officers:
- |   |                  |
|---|------------------|
| (i) Fees of eight directors as directors .....                              | <u>\$ 6,940</u>  |
| (ii) Remuneration of seven senior officers of whom five are directors ..... | <u>\$268,714</u> |

(d) The following Table sets out the terms and amounts of various advances to employees to assist in purchase of homes for their own occupancy:

NAME AND TITLE	AMOUNT ADVANCED	DATE ADVANCED	PAYMENT TERMS	INTEREST RATE	BALANCES AS AT AUG. 25, 1979
Charles A. MacDonald Vice-President	\$ 80,000	June 26/75	\$266. per month	NIL	\$ 66,962
Michael J. Firestone President	\$115,000	Dec. 5/75	\$4,600 annually	NIL	\$101,200

#### 8. EVENTS SUBSEQUENT TO YEAR END

Subsequent to the year end, the company entered into new leases for computer equipment (\$144,607 over two years) and for new delivery vans (\$725,040 over three years) as well as the purchase of delivery containers amounting to \$439,600.

#### 9. EARNINGS PER SHARE

The fully diluted earnings per share calculation shows the effect on per share earnings which would have resulted if the employee stock options had been exercised, and the funds derived therefrom invested to produce an annual return of 7% before applicable income taxes:

	1979	1978
Options outstanding .....	NIL	2,000
Shares outstanding .....	559,000	559,000
Earnings (Loss) per share based on full potential dilutions:		
1978 — 561,000 shares .....		\$1.17
1979 — 559,000 shares .....	(\$1.33)	
Earnings (Loss) per share based on 559,000 shares issued and outstanding .....	(\$1.33)	\$1.17

---

# Auditors' Report

To The Shareholders of Fireco Sales Limited:

---

We have examined the consolidated balance sheet of Fireco Sales Limited and its wholly owned subsidiary companies as at August 25, 1979, and the related consolidated statements of earnings, 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 of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously made a similar examination of the financial statements for the prior year.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Fireco Sales Limited and its wholly owned subsidiary companies as at August 25, 1979, and August 26, 1978, the consolidated results of operations, and the consolidated changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Toronto, Canada,  
January 7, 1980

MILLER, STONE, SAPERIA AND ISAACS  
Chartered Accountants

### **Service Merchandising Division**

Charles A. MacDonald  
Executive Vice-President &  
General Manager

Kenneth J. Barnett, C.G.A.  
Controller

Raymond E. Forde  
Director of Marketing

Tosh Fujioka  
Vice-President, Distribution

Richard C. Greer  
National Sales Manager

Michael Gold  
National Sales Manager —  
Exclusive Products Division

Andrew R. Jakiwchuk  
Personnel Manager

Roely Vanderboor  
E.D.P. Manager

Richard D. Curley  
Marketing Manager

Robert J. Desjardins  
Marketing Manager

David K. McDonald  
Marketing Manager

C. Larry Nicholls  
Marketing Manager

Catherine Puras  
Distribution/Warehouse Manager,  
Northwest Drive

Bert Niosi  
Distribution/Warehouse Manager,  
Calgary

Barbara Cutten  
Distribution/Warehouse Manager,  
Truro

Douglas C. Bone  
Distribution/Warehouse Manager,  
Voyageur Court

James M. Brubacher  
Regional Sales Manager, Ontario

John M. Stevenson  
Regional Sales Manager,  
Western Provinces

Robert G. Jeffries  
Regional Sales Manager,  
Atlantic Provinces

Michael J. Cartain  
Director, Loss Prevention

Joseph Chan  
Accounting Manager

Donald F. Manns  
Credit Manager/Accounts Receivable

### **O-Cedar Canada Inc.**

Michael J. Firestone,  
President

John W. Henderson, R.I.A.  
Vice-President and General Manager

John W. Dale, R.I.A.  
Operations Manager and Controller

Anthony P. Vigar,  
Plant Manager

Helene R. Fletcher,  
Product Manager

Joseph Mindorff,  
Purchasing Agent

Maurice Mitchell,  
Warehousing Manager

Rose James,  
Quality Control Supervisor



