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GSW Limited-GSW Limitée Annual Report for the year ended December 31, 1969

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Company Name Change

We are starting the Seventies with a new name.

Effective January 1, 1970, General Steel Wares Limited becomes GSW Limited-GSW Limitée, a corporate identification that offers a more realistic reflection of the Company's new scope in Canada and Internationally.

Today we are engaged in the manufacture and sale of many products in addition to the housewares business. Our GSW/McClary and Beatty refrigerators, electric ranges and freezers have won wide acceptance for design and product quality among appliance buyers across the land.

Our GSW/Easy and Beatty automatic washers and dryers are bringing new convenience and programmed efficiency to the never-ending chore of doing a daily laundry.

We air-condition homes, pump water, build silos, house and feed live-stock, build trailers for boats and snowmobiles and manufacture products for the construction industry. From the utilitarian garbage can to decorative porcelain enamelware, the GSW name has come to mean modernity, value and diversity.

New products. New markets. New jobs. This is our Company today, and this is the GSW Limited-GSW Limitée of tomorrow. When you change your name, you also change your Company to keep pace with progress.

GSW Limited-GSW Limitée

BOARD OF DIRECTORS

R. M. Barford,

R. C. Berkinshaw, Q.C., LL.D.

G. M. Farquharson, Q.C.

G. R. Gardiner

M. S. Hartley

Miss M. P. Hyndman, Q.C.

F. R. Johnson

D. S. R. Leighton

J. K. Louden

R. A. Stevens

Ben Wosk

OFFICERS

G. R. Gardiner, *Chairman*

R. M. Barford, *President and Chief Executive Officer*

F. R. Johnson, *Executive Vice-President*

R. A. Stevens, *Group Vice-President*

W. H. Hogg, *Vice-President Manufacturing
and Industrial Relations*

G. M. Farquharson, Q.C., *Secretary*

SHARE TRANSFER AGENTS

Preferred Shares, The Canada Trust Company

Common Shares, National Trust Company Limited

BANKERS The Bank of Nova Scotia

AUDITORS Clarkson, Gordon & Co.

GSW LIMITED-GSW LIMITÉE Head Office—

45 St. Clair Ave. West, Toronto 195, Ontario

Report of the Board of Directors

To the Shareholders:

SALES & PROFIT: Sales increased 19% from \$52,872,000 to \$63,160,000. Profits after taxes rose from \$802,000 in 1968 to \$1,003,000 in 1969.

After provision of preferred dividends, earnings per share rose from \$1.04 in 1968 to \$1.37 in 1969.

Sales increases were recorded in all divisions of the Company except Housewares, where some lines were discontinued. Of greater importance than the dollar increase is the fact that our market shares increased in almost all product lines.

Profit improved in the Appliance, Beatty and Housewares Divisions. The Water Heater Division profit fell despite higher volume because of lower industry prices. GSW (UK) profits were much lower than in 1968 on increased sales volume. This was due, in part, to erratic market conditions.

CORPORATE STRUCTURE: Accompanying this report is a proposal to amalgamate GSW Limited-GSW Limitée and Beatty Bros. Limited (whose assets consist of approximately 69% of the outstanding common shares of GSW and \$280,000 of net current assets). The resulting company will be named GSW Limited-GSW Limitée.

Your directors believe that this simplification of corporate structure, and the division of each present common share into one "A" share and two "B" shares will facilitate the expansion of your company's capital base and its acquisition of other companies, through the issuance of securities.

ORGANIZATION AND PERSONNEL: In mid 1969 the management of your company was restructured to allow for its continued profitable growth. F. R. Johnson, Executive Vice-President, assumed responsibility for all corporate services including accounting, legal, manufacturing, engineering, industrial relations, organization and marketing. R. A. Stevens, formerly General Manager of the Appliance Division, was appointed Group Vice-President, with all operating divisions reporting to him. W. H. Hogg was appointed Vice-President of Manufacturing and Industrial Relations.

Four new operating divisions were created—the Building Products Division, Water Heater Division, Appliance Service Division and the Freezer Division; each headed by a General Manager. It is the intention of your Company to separate its businesses into independent divisions as soon as their size warrants.

Company-wide training at all levels, both within and outside the Company, continued throughout the year. In addition, your Company began active recruiting at selected major Canadian and American universities. We feel investment in the hiring and development of our people must receive high priority.

MARKETING: As previously mentioned, market shares were increased in most product lines. New products were introduced by the Beatty Division (steel silos and feeding systems), Appliance Division (self-cleaning ranges, side by side refrigerator-freezers), Housewares Division (pantryware products), and Building Products Division (stock frames and doors).

In addition, customer service depots were established in Windsor, Sudbury and Quebec City. It is your Company's intention to expand its direct factory service, recognizing that today's customer deserves satisfaction from the time of sale throughout the life of the product.

WORKING CAPITAL: While earnings made a substantial contribution to working capital in 1969, the overall working capital position was reduced from \$9,375,000 to \$8,469,000 largely as a result of including in current liabilities a \$1,576,000 provision for retirement of the series "A" bonds due May 1, 1970. We are improving our liquidity by reducing inventories during the first quarter of 1970.

BOARD OF DIRECTORS: On February 7th, 1970, your director, the Honorable Jean Raymond, Q.C., passed away suddenly. M. Raymond had the longest tenure of any current director on the GSW Board and his valued counsel will be missed. The Board also wishes to extend, on behalf of the Company, its deepest sympathy to Madame Raymond and her family.

FACILITIES: During 1969, Metalware products were relocated from Montreal to the GSW/Duro plant in Hamilton. Housewares products will move from Montreal and Hamilton to an 85,000 sq. ft. leased plant in Baie d'Urfe, Quebec, in June, 1970. The land on which our old Montreal plant is situated will be purchased by that city.

In early 1970, our Building Products Division moved to a new 34,000 sq. ft. leased plant in London, Ontario. In addition, new and expanded facilities have been obtained for our Appliance Service Division in London, and for our Appliance warehousing in that city.

The Head Office of the Company was relocated to a modern attractive building at 45 St. Clair Avenue West, in Toronto.

Increased capital machinery expenditures were made in all divisions to provide for improved manufacture, and this program will continue in 1970.

OUTLOOK: In the short term, our sales performance in early 1970 has generally been strong. Compared to the first half of 1969, it will be extremely difficult to offset in the first half of 1970 the large increases in material, labour and interest costs, and the lower earnings resulting from our planned inventory reductions. The economy is too uncertain to forecast sales, cost and profit trends in the second half of 1970.

In the longer term, we are optimistic that our people, organization and facilities will enable us to prosper in the growth markets in which we are now positioned. We expect to grow within these markets both internally and by acquisitions.

The progress made in 1969 was due to the efforts of all GSW people, and the Board extends to all of them its appreciation.

On behalf of the Board,



President

Facts in Brief

GSW LIMITED-GSW LIMITÉE AND SUBSIDIARIES

	<u>1969</u>	<u>1968</u>
Sales.....	\$63,160,000	\$52,872,000
Net profit for year.....	1,003,000	802,000
Dividends on preferred shares.....	139,000	147,000
Earnings per common share.....	1.37	1.04
Goodwill write off to surplus.....	—	1,463,000
Increase (decrease) in earned surplus for year.....	864,000	(808,000)
Bank and short term loans.....	6,687,000	3,687,000
Current assets.....	28,067,000	22,072,000
Current liabilities.....	19,598,000	12,697,000
Current ratio.....	1.4 to 1	1.7 to 1
Working capital.....	\$ 8,469,000	\$ 9,375,000

Consolidated Statement of Profit and Loss

YEAR ENDED DECEMBER 31, 1969 (with comparative figures for 1968)
 GSW LIMITED-GSW LIMITÉE and its subsidiary companies

	1969	1968
	(in thousands)	
Net sales.....	\$63,160	\$52,872
Less cost of sales, selling and administrative expenses before providing for the undernoted items.....	59,843	50,204
	<u>3,317</u>	<u>2,668</u>
Interest on funded debt.....	117	129
Interest on other loans.....	608	549
Depreciation and amortization.....	420	865
Amortization of excess cost of Beatty Bros. assets acquired (note 2).....	—	98
	<u>1,145</u>	<u>1,641</u>
Operating profit before income taxes and extraordinary items.....	2,172	1,027
Provision for income taxes.....	1,095	588
Net profit before extraordinary items.....	1,077	439
Extraordinary income (expense):		
Plant relocation costs (less applicable income taxes \$112,000—note 7).....	(100)	—
Recovery of income taxes resulting from the carry-forward of prior years' losses	26	314
Gain on fixed asset disposals (less applicable income taxes \$25,000).....	—	49
Net profit for the year.....	<u>\$ 1,003</u>	<u>\$ 802</u>

(See accompanying notes to financial statements)

Consolidated Balance Sheet/December 31, 1969

(with comparative figures for 1968)

GSW LIMITED-GSW LIMITÉE and its subsidiary companies
(Incorporated under the laws of Canada)

ASSETS

	1969	1968
	(in thousands)	
Current assets:		
Cash.....	\$ 596	\$ 160
Accounts receivable.....	9,797	8,076
Inventories, valued at the lower of cost and market.....	17,265	13,408
Prepaid expenses and manufacturing supplies.....	409	428
Total current assets.....	<u>28,067</u>	<u>22,072</u>
Fixed assets:		
Land, buildings and equipment, at cost.....	16,660	16,923
Less accumulated depreciation.....	13,696	13,944
Total fixed assets.....	<u>2,964</u>	<u>2,979</u>
Other assets:		
Prepaid income taxes.....	465	394
Engineering, tooling and patent costs, less amounts written off.....	1	1
Total other assets.....	<u>466</u>	<u>395</u>

On behalf of the Board:

R. M. BARFORD, Director

R. A. STEVENS, Director

	<u>\$31,497</u>	<u>\$25,446</u>
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LIABILITIES

	1969	1968
	(in thousands)	
Current liabilities:		
Bank indebtedness.....	\$ 1,587	\$ 1,487
Short term notes.....	5,100	2,200
Accounts payable.....	9,379	7,560
Income and other taxes payable.....	1,467	945
Dividends payable.....	34	36
Due to Beatty Bros. Limited.....	293	276
Funded debt due within one year (note 3).....	1,738	193
Total current liabilities.....	19,598	12,697
Provision for warranties.....	800	700
Funded debt (note 3).....	1,074	2,823
Total liabilities.....	21,472	16,220
Shareholders' equity:		
5% cumulative preferred shares of \$100 each redeemable at \$105 (note 4)—		
Authorized, less redeemed: 52,511 shares		
Outstanding: 27,511 shares.....	2,751	2,882
Common shares without nominal or par value—		
Authorized: 1,000,000 shares		
Outstanding (notes 4 and 5): 631,964 shares.....	4,430	4,405
Contributed surplus.....	215	174
Earned surplus (note 4).....	2,629	1,765
Total shareholders' equity.....	7,274	6,344
Total shareholders' equity.....	10,025	9,226
	\$31,497	\$25,446

(See accompanying notes to financial statements)

Consolidated Statements of Earned Surplus and Contributed Surplus



YEAR ENDED DECEMBER 31, 1969 (with comparative figures for 1968)
GSW LIMITED-GSW LIMITÉE and its subsidiary companies

	<u>1969</u>	<u>1968</u>
	(in thousands)	
EARNED SURPLUS		
Balance, beginning of year.....	\$ 1,765	\$ 2,573
Add:		
Net profit for the year.....	1,003	802
	<u>2,768</u>	<u>3,375</u>
Deduct:		
Excess of cost over net book value of assets acquired from Beatty Bros. Limited, less amortization.....	—	1,463
Dividends on preferred shares.....	139	147
	<u>139</u>	<u>1,610</u>
Balance, end of year.....	<u>\$ 2,629</u>	<u>\$ 1,765</u>
CONTRIBUTED SURPLUS		
Balance, beginning of year.....	\$ 174	\$ 135
Add profit on purchase of preferred shares.....	41	39
Balance, end of year.....	<u>\$ 215</u>	<u>\$ 174</u>

(See accompanying notes to financial statements)

Consolidated Statement of Source and Application of Funds

YEAR ENDED DECEMBER 31, 1969 (with comparative figures for 1968)
GSW LIMITED-GSW LIMITÉE and its subsidiary companies

	1969	1968
	(in thousands)	
Funds were derived from:		
Operations—		
Net profit for the year.....	\$ 1,003	\$ 802
Add (deduct):		
Depreciation and amortization.....	420	963
Increase in prepaid income taxes.....	(71)	(47)
	<u>1,352</u>	<u>1,718</u>
Proceeds on disposal of fixed assets (less portion included in net profit).....	33	180
Issue of common shares.....	25	—
Mortgage payments received.....	—	214
Working capital of subsidiaries acquired during the year.....	34	—
	<u>1,444</u>	<u>2,112</u>
Funds were applied to:		
Purchase of fixed assets.....	372	213
Redemption of preferred shares.....	90	94
Preferred share dividends.....	139	147
Provision for reduction of funded debt.....	1,749	206
	<u>2,350</u>	<u>660</u>
Resulting in a decrease (increase) in working capital of.....	<u>\$ 906</u>	<u>\$ (1,452)</u>

Notes to Consolidated Financial Statements

YEAR ENDED DECEMBER 31, 1969

GSW LIMITED-GSW LIMITÉE

1. BASIS OF CONSOLIDATION

The consolidated financial statements reflect a consolidation of GSW Limited-GSW Limitée and its subsidiaries, The Easy Washing Machine Company Limited, Duro Aluminum Limited, Knight Industries Limited, General Steel Wares (U.K.) Limited and several other small subsidiaries. The consolidated financial statements reflect the translation of pounds sterling into Canadian dollars at £1 equals \$2.60.

2. EXCESS OF COST OVER NET BOOK VALUE OF ASSETS ACQUIRED FROM BEATTY BROS. LIMITED

At December 31, 1968 the excess of cost over net book value of assets acquired from Beatty Bros. Limited less amortization to that date was written off against earned surplus. This change had no effect on the profits of 1968, but has the effect of eliminating an annual amortization charge of \$98,000 for 1969 and subsequent years. As a result, the net profit for 1969 is \$98,000 higher than it would have been if the change had not been made.

3. FUNDED DEBT

Details of this debt are as follows:

	<u>Outstanding</u>	<u>Due within one year</u>	<u>Net</u>
GSW Limited-GSW Limitée—			
First Mortgage Bonds:			
Series "A"—3½%, due May 1, 1970	\$1,576,000	\$1,576,000	
Series "B"—5%, due April 15, 1973	1,236,000	162,000	\$1,074,000
	<u>\$2,812,000</u>	<u>\$1,738,000</u>	<u>\$1,074,000</u>

The total amount of GSW Limited-GSW Limitée bonds authorized was \$8,000,000. Of these \$1,500,000 have not been issued.

4. CAPITAL STOCK

During the year 1,305 preferred shares were purchased for cancellation. As a result of these purchases an aggregate of \$130,500 of the earned surplus is designated as capital surplus under Section 61 of the Canada Corporations Act.

During 1969 supplementary letters patent were obtained cancelling 15,246 preferred shares which had previously been redeemed and reducing the capital surplus by \$1,524,600.

Twenty common shares were issued during the year, in exchange for common shares of The Easy Washing Machine Company Limited, at \$9.00 per share.



5. STOCK OPTIONS

During 1969, the company issued 3,000 common shares for a total of \$24,000 to employees who had been granted options to purchase these shares under the stock option plan approved by the shareholders in 1966. Under this plan, 30,000 common shares were set aside for allocation to employees. To date, options to purchase all 30,000 shares set aside under the stock option plan have been granted at prices of \$8.00 and \$15.25 per share being the closing bid market prices at the time of granting the options. At December 31, 1969 options on 27,000 common shares had been granted but not exercised.

6. PENSION PLANS

There are a number of pension plans for present and retired employees of the company. As of the last actuarial valuation dates of these plans (which are updated at least every 3 years) the total estimated unfunded liabilities amounted to \$1,350,000, which is being amortized over a period ending December 31, 1989.

7. RELOCATION OF MANUFACTURING FACILITY

During the year the company negotiated the sale of the land on which one of its plants is situated. This sale will be closed in 1970 and operations will be transferred to a new plant which is to be leased. In anticipation of this move, certain operations have already been transferred to other plants and relocation costs have been incurred in 1969.

8. FEES AND SALARIES

Aggregate remuneration to directors as directors and officers of the company was \$209,000 and \$172,000 for 1968.

Auditors' Report



To the Shareholders of
GSW Limited-GSW Limitée:

We have examined the consolidated balance sheet of GSW Limited-GSW Limitée and its subsidiary companies as at December 31, 1969 and the consolidated statements of profit and loss, earned surplus, contributed surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at December 31, 1969, the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles. These have been applied on a basis consistent with that of the preceding year except for the change described in note 2 with which we concur.

Toronto, Canada,
February 17, 1970.

Clarkson, Gordon & Co.
Chartered Accountants

The Divisions of the Company and the products they market

APPLIANCE DIVISION

London, Ont. and Fergus, Ont.

George S. Dickson, General Manager

GSW-McClary and Beatty refrigerators,
electric ranges and freezers
GSW-Easy and Beatty automatic washers
and dryers
wringer washers
twin-tub washers
GSW air conditioners
Easy coin laundry equipment

HOUSEWARES & METALWARES DIVISION

Gene Webber, General Manager

Montreal, Quebec Plant
stainless steel cookware
aluminum cookware
pantryware
enamel cookware

Hamilton, Ont. Plant (Duro)

galvanized ware
dairy pails
stove pipe and elbows
roof drainage
waste paper baskets
sheet iron cookware

BEATTY DIVISION

Fergus, Ont.

Lou Hollander, General Manager

mechanical feeding equipment
silo unloaders
gutter cleaners
liquid manure spreaders and equipment
steel pens and stalls
vitreous enamel steel silos
Beatty and McDougall domestic water pumps,
tanks and equipment

Beatty boat and snowmobile trailers
wringer washers
Lovell wringers for laundry equipment

FREEZER DIVISION

Fergus, Ont.

Keith Pifer, General Manager

chest freezers

WATER HEATER DIVISION

London, Ont. and Dundas, Ont.

Bill Arbuthnot, General Manager

electric water heaters
gas water heaters
glass-lined range boilers
galvanized range boilers

BUILDING PRODUCTS DIVISION

London, Ont.

Douglas High, General Manager

toilet partitions and shower cabinets
custom steel doors
standard doors and frames
lockers
fire doors

SERVICE DIVISION

London, Ont.

Jim Alexander, General Manager

replacement parts for appliances
servicing appliances

UK DIVISION

Hatfield, UK.

Mike Maskall, Managing Director

McClary warm air gas
and electric furnaces
McClary coin-operated gas dryers
McClary coin-operated laundry equipment
Temco gas space-heaters

