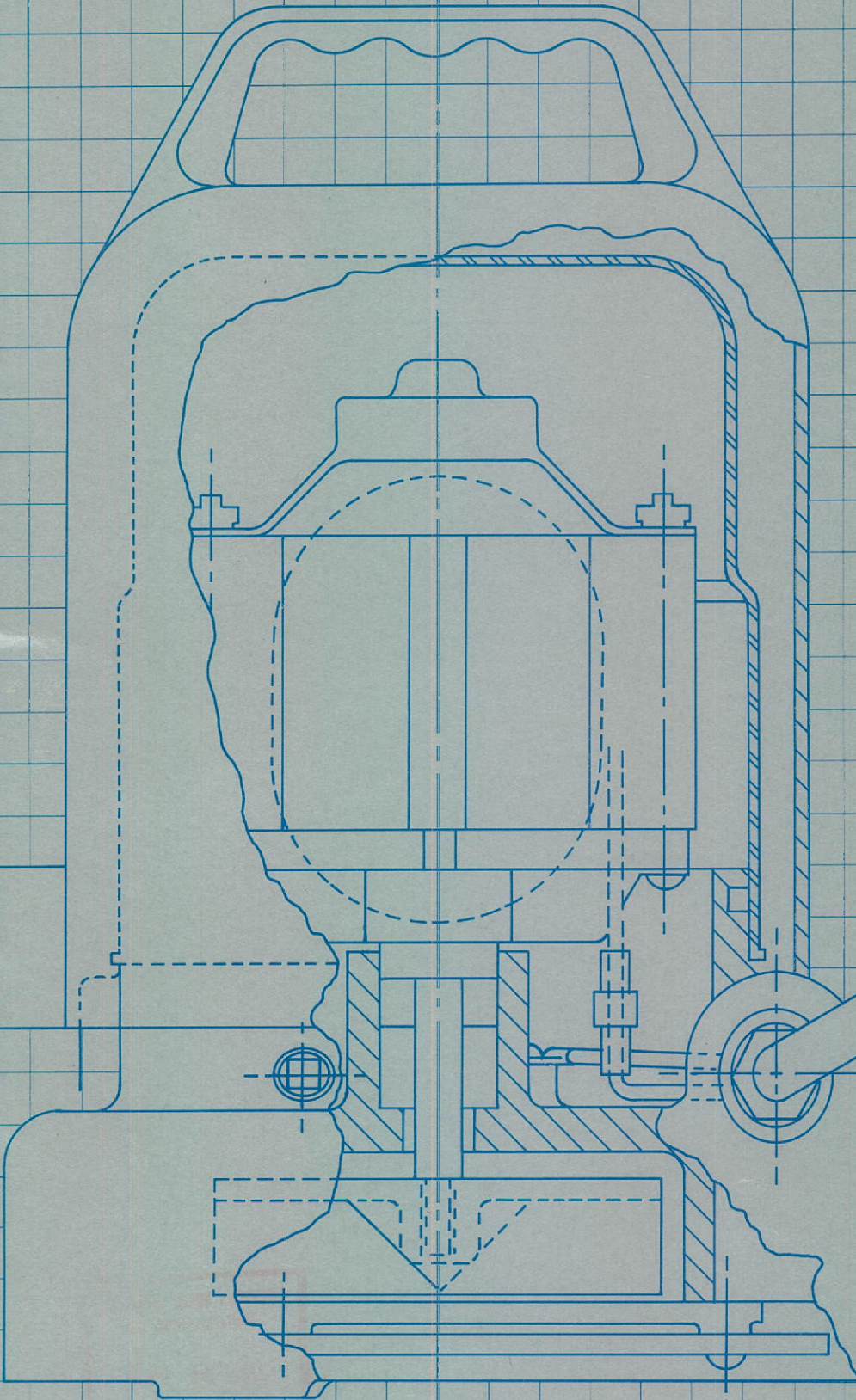


GSW Inc. Annual Report 1980

Expansion and Innovation



GSW
INC.

GSW Inc.
Executive Offices
Royal Bank Plaza
South Tower
Suite 2270
P.O. Box 157
Toronto, Ontario, Canada
M5J 2J4

Facts in Brief

(\$000's except per share data)

	1980	1979 Restated
Sales	\$69,710	\$61,997
Net income	3,003	4,507
Earnings per common share	.73	1.10
Annual dividend on common shares	820	820
Working capital	17,108	10,351
Current ratio	2 to 1	1.9 to 1
Shareholders' equity	23,604	21,421

Board of Directors

H. A. Arrell
R. M. Barford
H. B. Davis
G. M. Farquharson, Q.C.
G. A. Jones
D. S. R. Leighton
R. A. Stevens
Ben Wosk

Directors Emeritus

Miss M. P. Hyndman, Q.C.
Mr. W. J. Bushnell
Mr. J. K. Loudon

Officers

R. M. Barford,
Chairman
R. A. Stevens,
President
W. R. Arbuthnot,
Vice-President
G. S. Dickson,
Vice-President, Corporate
W. A. Farnell,
Vice-President
D. G. Fixter,
Vice-President, Corporate
M. O. Hickman,
Vice-President
F. O. Price,
Vice-President, Corporate
D. G. Woodrow,
Vice-President
D. A. Barnes,
Treasurer
G. M. Farquharson, Q.C.,
Secretary
W. D. Campbell,
Assistant Vice-President

Share Transfer Agent

Common Shares,
National Trust Company
Limited

Bank

The Bank of Montreal

Audit

Clarkson Gordon

Annual Shareholders Meeting

April 29, 1981
Royal York Hotel
Nova Scotia Room
100 Front Street West
Toronto, Ontario
at 11:00 A.M.

Ce Rapport Annuel est
disponible en français, sur
demande. Adressez vos
demandes à:
GSW Inc.
Royal Bank Plaza
P.O. Box 157
Toronto, Ontario, Canada
M5J 2J4
Attention: Treasurer

GSW Inc. 1980

In many ways 1980 represented a pivotal year for GSW. Philosophically, 1980 was viewed not only as the beginning of a new decade, but as a source of fresh opportunities. Pragmatically, 1980 saw GSW strengthen its commitment to market expansion and product innovation. These commitments were dramatically reinforced by the purchase in the United States of Jackes-Evans Manufacturing Company, manufacturers of wood burning heating products, mail boxes and galvanized ware; and by the introduction of product improvements in pumps, water heaters, and stove pipe.

Research & Development was a fundamental contributor to successes in both product innovation and market expansion during 1980. Fulfilling its mandate to develop new products and refine existing ones, R & D has helped the manufacturing plants to remain abreast of new technologies and the International Division to meet the demands of foreign markets.

In 1980 GSW Research & Development engineered commercial-size water heaters, and developed an energy efficient solar-assisted water-heating system. This unique system incorporates special solar collectors, a self-contained heat exchange unit, and a water storage tank.

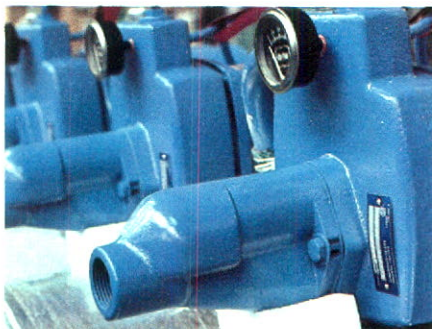
With continued careful planning, strong management, and well-defined objectives GSW anticipates a decade of solid growth.

Expanding Operations

At GSW, market expansion and product innovation create a synergism: each complements and stimulates the other, each brings to the other added significance. Product innovation, whether it be in the form of new product development or product improvement, contributes to market penetration possibilities. Conversely, the demands of new markets inspire product development. In 1980, all GSW manufacturing operations — building products, pumps, water heaters, and wringer-washers either introduced new products or product refinements to the marketplace, penetrated new markets, or both.

Canada

In Canada, GSW's expanding operations included additional manufacturing activities in Hamilton and Fergus involving the introduction of new and innovative home products and pumps. Capital investments were made in a new automatic paint line that has doubled production capacity of stove pipe, and in storage silos for the vinyl program in Barrie.



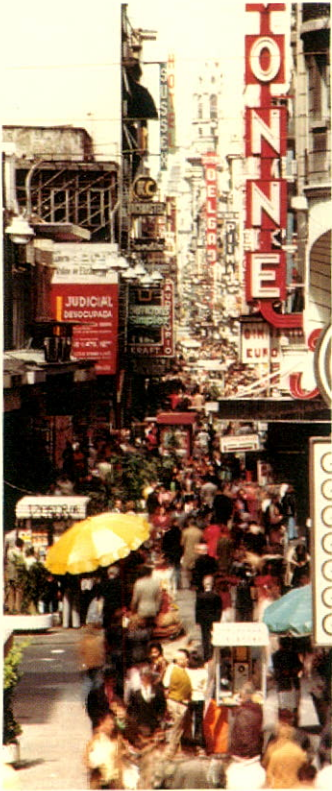
Expanding International Markets



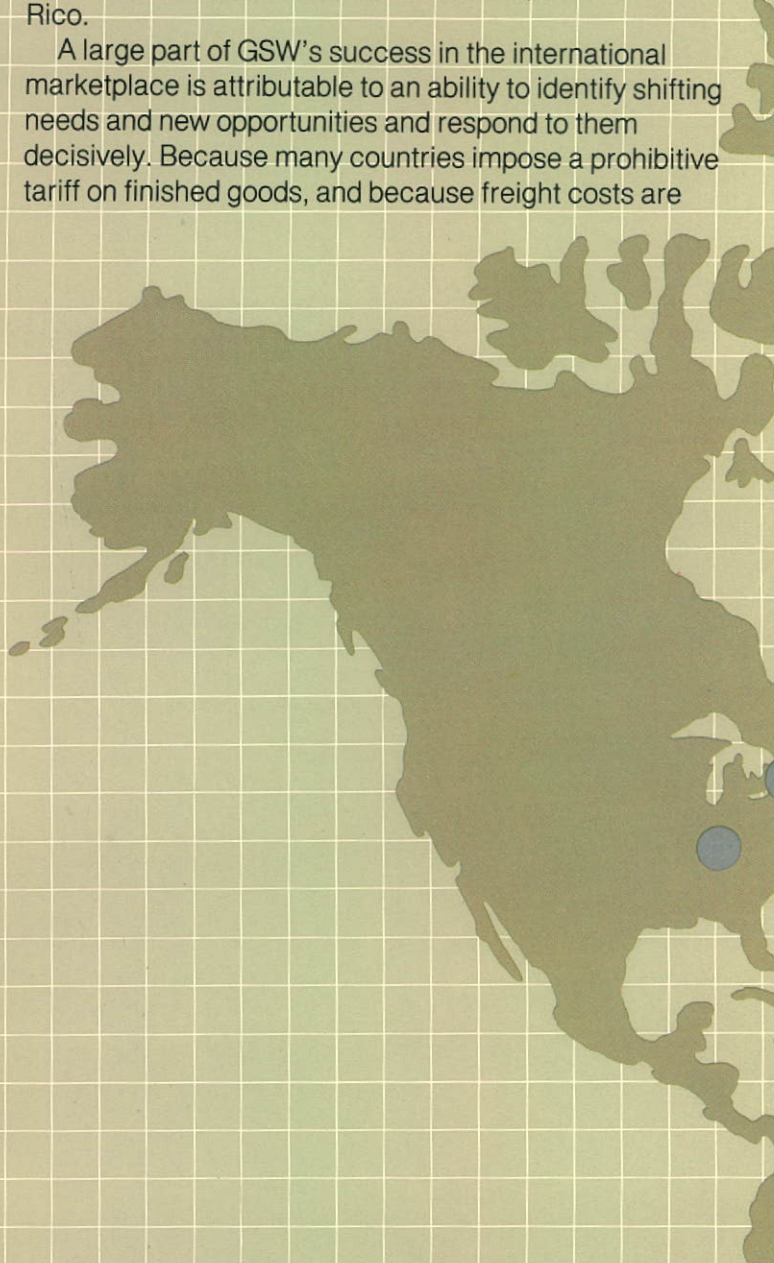
The International Division continued its steady growth in foreign markets in 1980 with substantial gains in sales of wringer-washers, water heaters and related components. GSW products are now serving customers and improving standards of living, in the Middle East, South America, Africa, Europe and Puerto Rico.

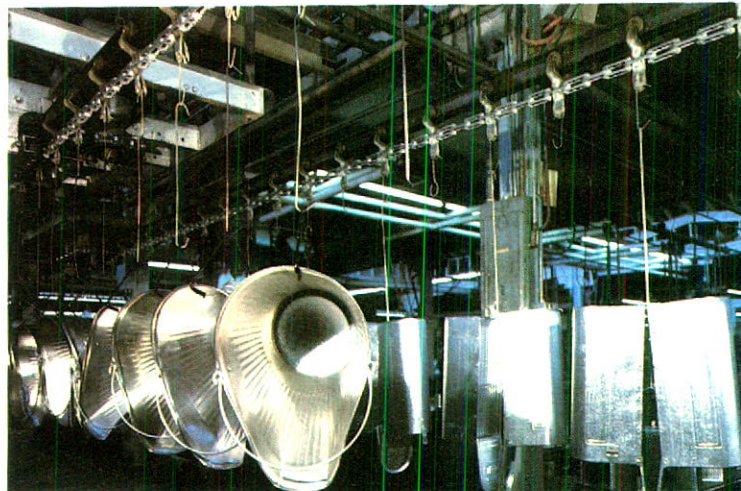
A large part of GSW's success in the international marketplace is attributable to an ability to identify shifting needs and new opportunities and respond to them decisively. Because many countries impose a prohibitive tariff on finished goods, and because freight costs are

SOUTH AMERICA



Many South American countries, provide strong marketplace potential for wringer washing machines. Currently, GSW ships components and kits for these products as well as complete machines to Mexico, Argentina, Equador and Venezuela. And, expectations are high for future expansion.





United States

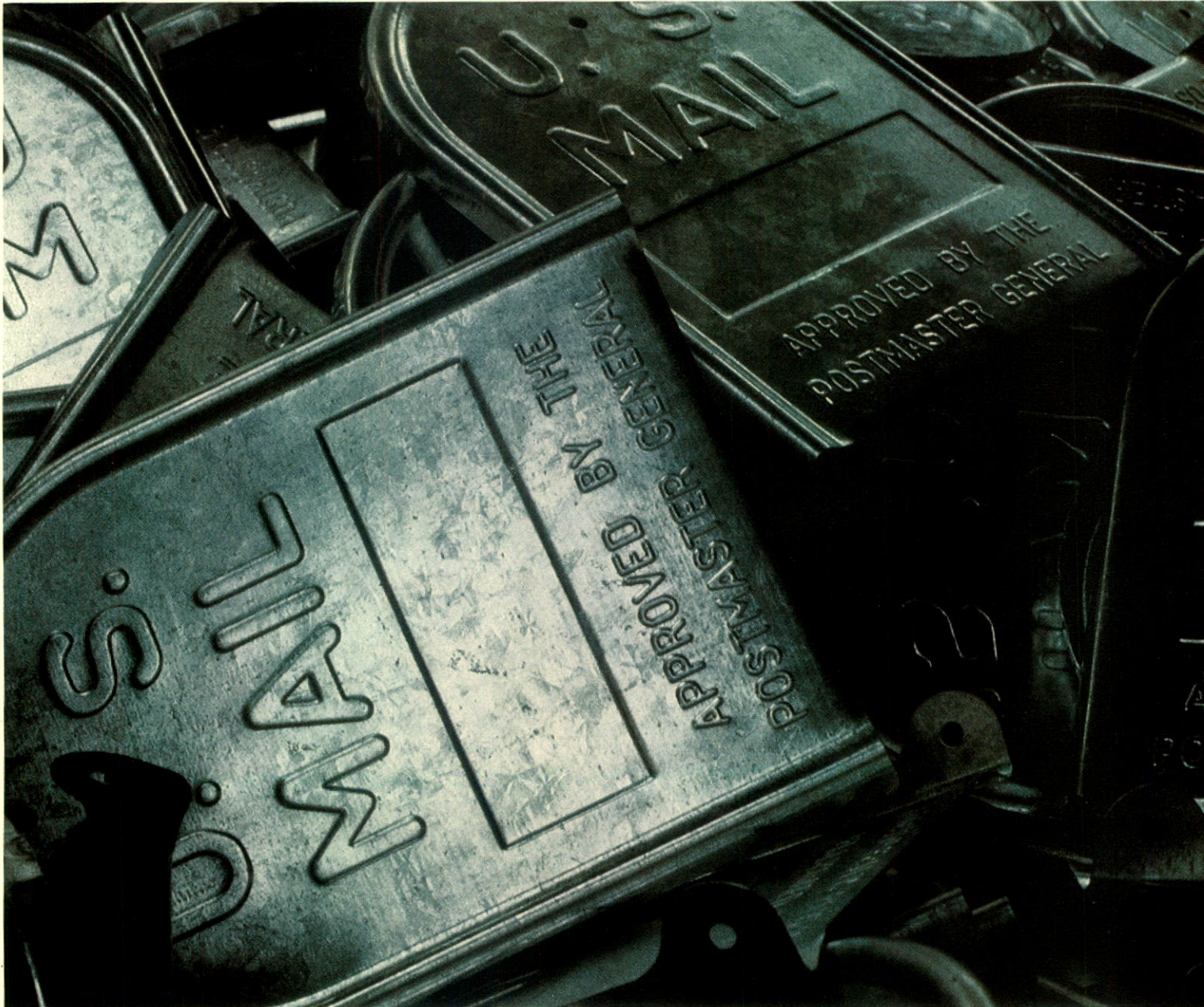
Growth of GSW operations in the United States was best exemplified by the purchase of the Jackes-Evans Manufacturing Company in St. Louis, Missouri. The primary objective of the acquisition was to expand distribution in the United States, already perceived as a defined market, in product areas compatible with Canadian operations. The synergism between Jackes-Evans and the GSW Building Products operations is expected to increase dramatically the rate of growth in both countries.

Jackes-Evans manufactures stove pipe and elbows, wood burning circulators and air-tight stoves (heaters), and galvanized ware, primarily garbage cans. It is also a major manufacturer of rural mailboxes.

Traditionally Jackes-Evans has marketed through a national network of manufacturers' agents selling to hardware wholesalers. Coverage will be expanded to building supply distributors to better participate in the growing do-it-yourself market.

GSW will continue to actively pursue acquisitions in North America.

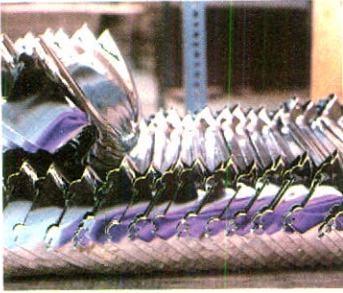
The wide range of practical GSW products are highly valued and in great demand. The reasons are product integrity and sensitivity to the marketplace. GSW products have demonstrated reliability and dependability, but they are never static. Product refinement and improvement is an on-going process. GSW never takes its marketplaces for granted. Improvements in packaging and distribution are constantly implemented, and new market entries are constantly investigated.



PUERTO RICO

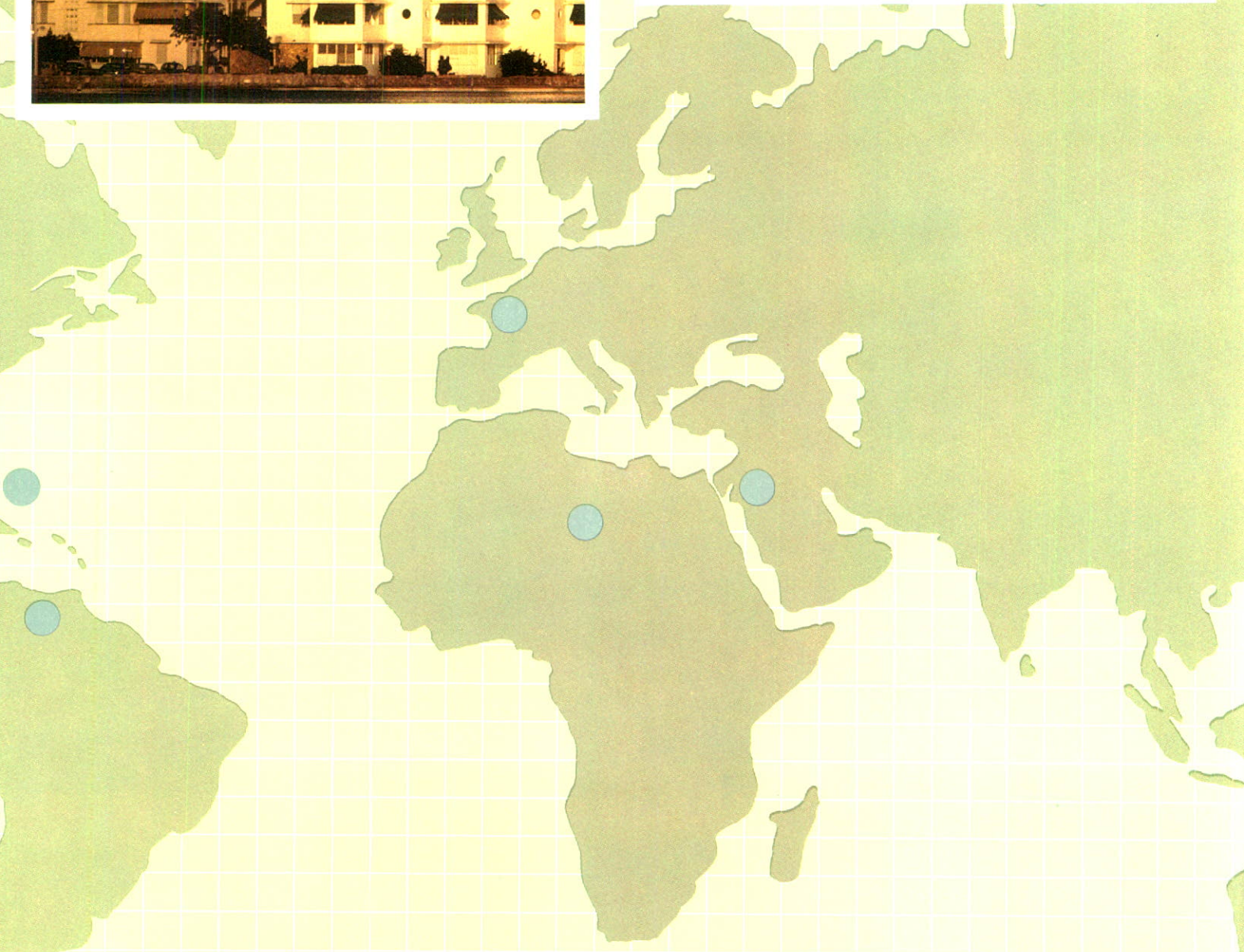
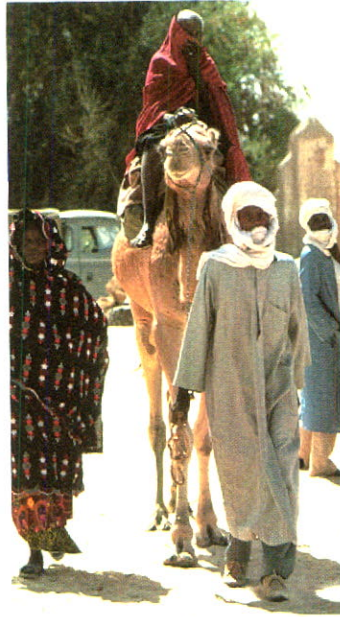
With its expanding consumer population, Puerto Rico is an attractive market for GSW wringer washing machines. The company maintains a substan-

tial share of the market, selling under the GSW label as well as other brand names. Puerto Rico will continue to offer growth opportunities for the International Division.



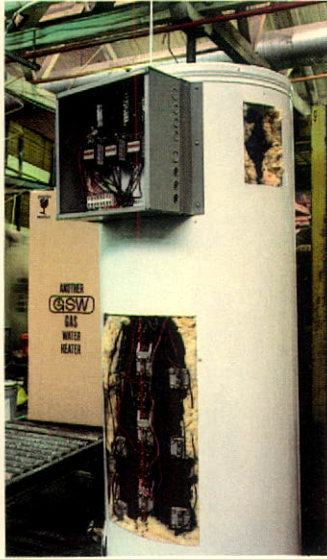
AFRICA

The recent emergence of African nations with growing economic vitality holds out the promise of active future trade of several GSW product lines. GSW exports of water pumps and wringer washing machines have just begun to penetrate these markets.





With the conversion from electricity to natural gas under way in European countries as a result of high energy costs, North American style storage water heaters are in great demand. Alert to this opportunity, GSW now exports to this new market.



rising dramatically GSW has put increasing emphasis on components and kits in wringer-washers and inner tanks for solar heating, especially in South America and the Caribbean. This encourages local industry and allows for shipping economies at the same time.

Recognizing the need for trading area diversification as well as viable and productive trading partners, the International Division broadened its horizons in 1980 to encompass more of South America and Europe.

The Division is pursuing a strategy to balance export sales which has proven extremely effective in allowing the Division to increase sales volume between the Middle East, the Far East, South America and Europe in a balanced ratio.

GSW's growing share of market, world-wide, in its product areas, is the result of the measured, carefully-considered approach to merchandising abroad that has characterized the International Division's efforts since its inception.

MIDDLE EAST

Oil-rich countries in the Middle East are eager importers of Western goods. GSW exports both finished wringer washing machines and kits to the Middle East where its

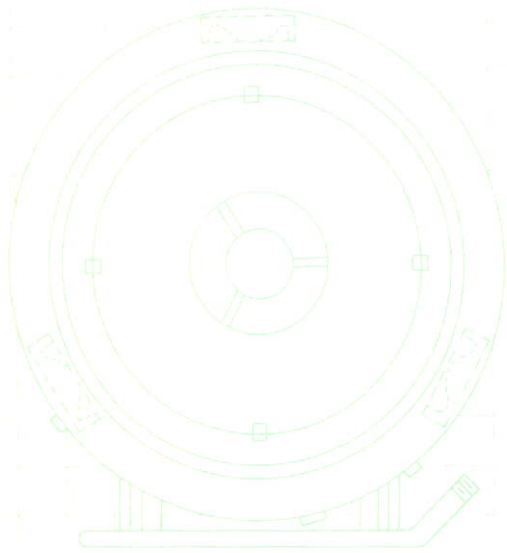
franchise is strong. More recently, GSW storage water heaters have been sold to Saudi Arabia, primarily in conjunction with large government-sponsored housing developments.



Innovation and Development

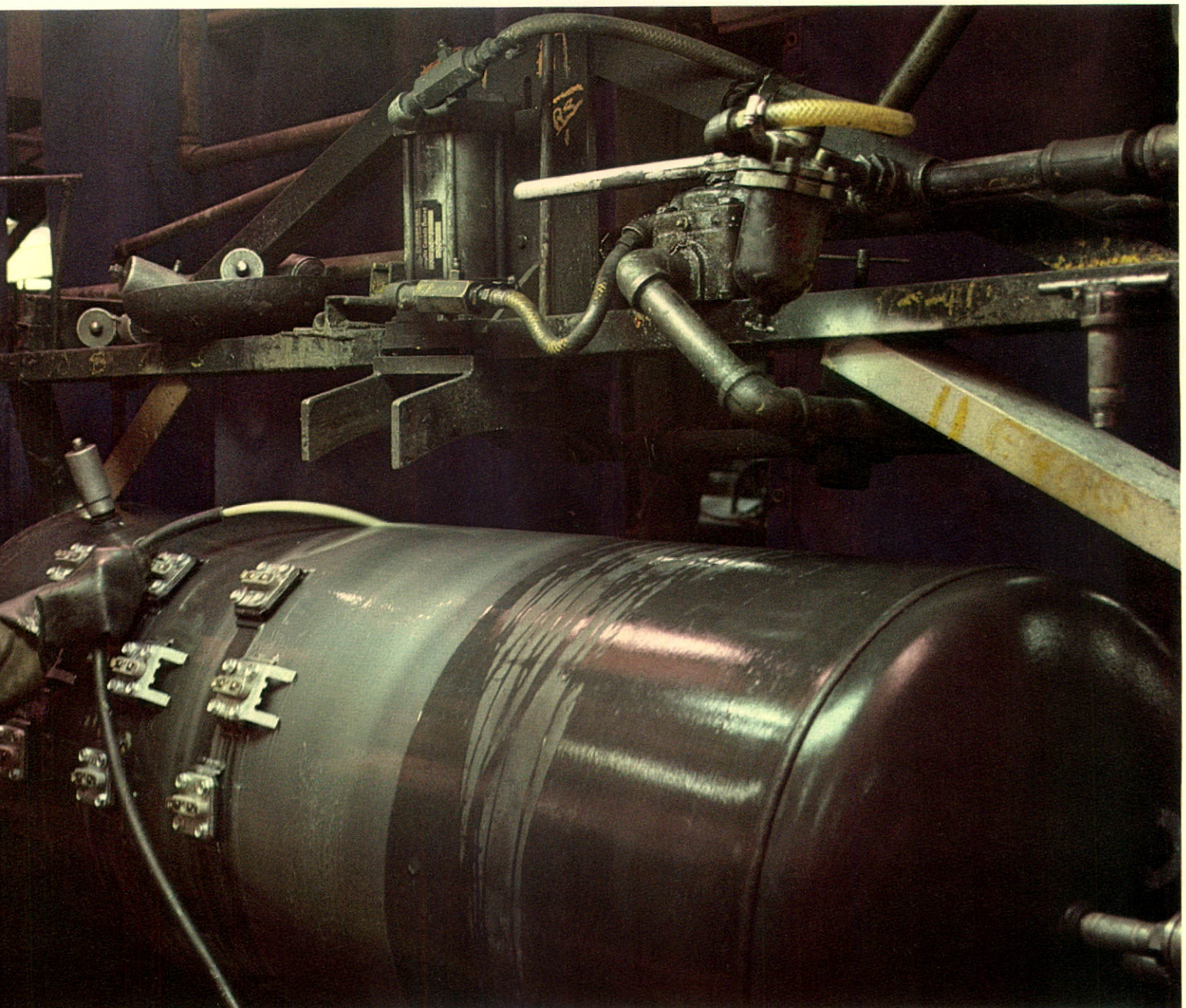
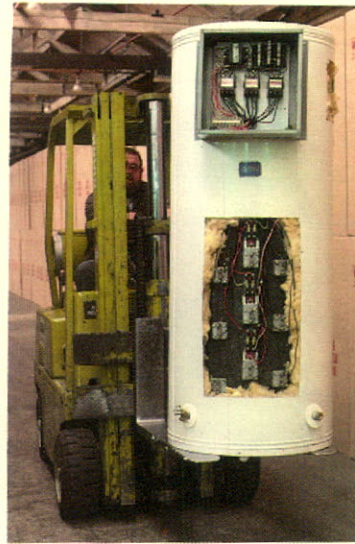
In 1980 new water heaters were designed, engineered and introduced in both gas and electrically operated commercial size models. This new product line will have application in apartment buildings, office towers, industrial plants and shopping malls. It is expected to substantially increase GSW's penetration of the water heater market both in Canada and abroad.

Product innovation was accomplished in the residential market with the introduction in 1980 of new models that are more energy-efficient and therefore more cost-efficient than traditional models. These, too, are expected to spur sales demand.



Increased volume resulting from the entry of GSW water heaters into international markets will provide greater utilization of manufacturing resources, encourage greater capital investment, and accelerate technological and product innovations.

Overall, the domestic water heater market remained static in 1980. Gains made in the replacement segment of the market were off-set by the significant decline in new housing starts. Continuation of the marketing emphasis on customer service, combined with strengthened distribution, resulted in performance achieving expectations however.



Innovation and Development

The activities of the Building Products Division in 1980 were highlighted by product improvements and new product development in stove pipe. Many fittings were improved; and adjustable couplings, tapers, new stove boards, ash buckets, log holders, and fuel dampers were introduced into the product line. Convenience packaging for stove pipe kits was also introduced in 1980.

GSW's line of lockers benefited from improvements and additions accomplished in 1980. Lockers were redesigned to provide a vastly improved locking mechanism and closing system. Four new products were



added into the line to increase penetration in North American markets. These were erected lockers, 60" lockers (especially designed for U.S.), lockers with three locking arrangements in one pocket, and three-tier lockers. This expansion of the product line was in direct response to marketplace demands.

In other areas, new joint locking mechanisms were devised for GSW's line of stalls; and development of a new brown vinyl raingoods system was completed.

1980 marked a steady growth of sales in Canada of GSW products, as well as increased penetration in the United States. Performance of GSW building products in the United States made the purchase of Jackes-Evans a particularly viable proposition.

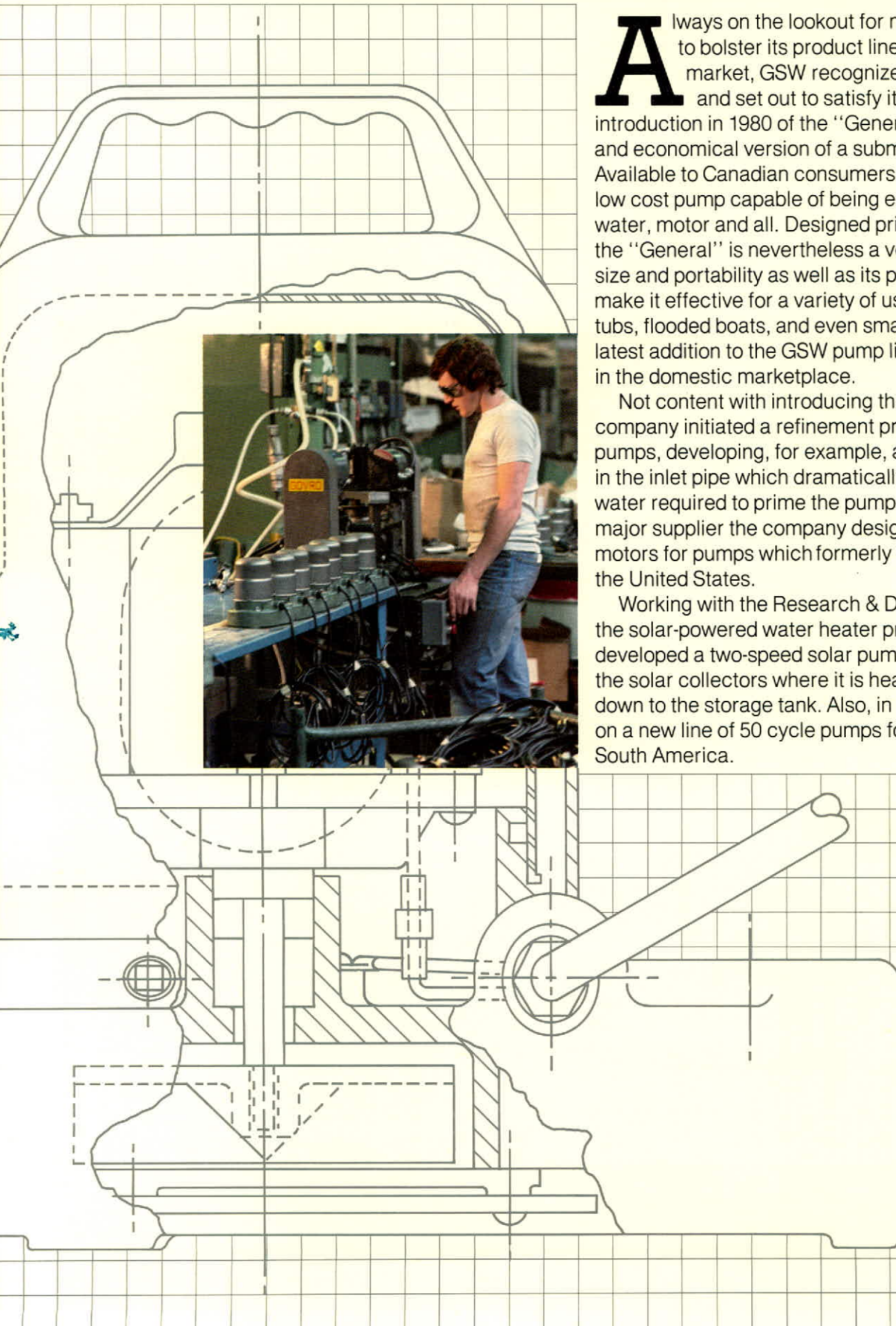
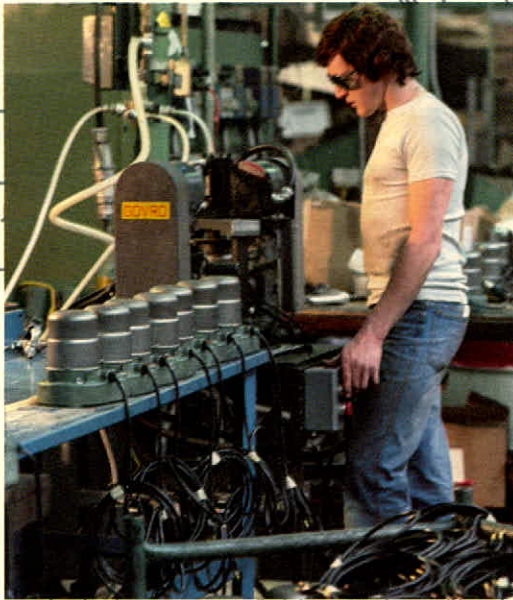


Innovation and Development

Always on the lookout for new opportunities to bolster its product line in a highly-competitive market, GSW recognized an unfulfilled need and set out to satisfy it. The result was the introduction in 1980 of the "General," GSW's innovative and economical version of a submersible sump pump. Available to Canadian consumers for the first time was a low cost pump capable of being entirely submerged in water, motor and all. Designed primarily as a well pump the "General" is nevertheless a versatile product. Its size and portability as well as its performance capabilities make it effective for a variety of uses such as draining hot tubs, flooded boats, and even small swimming pools. This latest addition to the GSW pump line is fast making inroads in the domestic marketplace.

Not content with introducing the "General," the company initiated a refinement project for its entire line of pumps, developing, for example, a horizontal check valve in the inlet pipe which dramatically reduces the amount of water required to prime the pumps. In association with a major supplier the company designed and built oilfilled motors for pumps which formerly were only available from the United States.

Working with the Research & Development centre on the solar-powered water heater project, pump engineers developed a two-speed solar pump to drive water up into the solar collectors where it is heated and pushed back down to the storage tank. Also, in 1980 development began on a new line of 50 cycle pumps for export to Asia and South America.





Report of the Board of Directors



To the Shareholders:

Net income in 1980 was \$3,003,000 or \$.73 per share compared to \$4,507,000 or \$1.10 per share in 1979.

The lower income in 1980 was almost entirely attributable to the company's equity interest in Canadian Appliance Manufacturing Company Limited. The substantially lower earnings from CAM Co. were due in part to weak consumer demand for appliances throughout the year. Other factors causing lower earnings have led GSW to sell its interest in CAM Co. to Canadian General Electric Company, subject to Foreign Investment Review authority.

GSW Operations:

As part of GSW's ongoing program of expansion, it bought Jackes-Evans Manufacturing Company of St. Louis, Missouri, on October 1, 1980. The operations are consolidated with GSW's from the date of acquisition.

Sales of \$69,710,000 in 1980 were 12% higher than 1979 due in part to the inclusion of Jackes-Evans sales in the final quarter of the year. Our domestic markets were generally flat; however, market share was maintained or increased in most product lines. Real growth was experienced in our export markets.

Net income for the year from GSW operations was \$2,417,000 or \$.59 per common share, almost identical to 1979.

Canadian Appliance Manufacturing Company Limited Operations:

As mentioned above, agreement was reached in December 1980 for GSW to sell its interest in Canadian Appliance Manufacturing Company Limited to Canadian General Electric Company Limited for \$21.4 million. The sale is subject to review under the provisions of the Foreign Investment Review Act. CAM Co. sales in 1980 were \$309,228,000 compared to \$291,511,000 in 1979. Net income was \$1,581,000 compared to \$5,314,000 in 1979.

GSW's share of the CAM Co. net income in 1980 was \$586,000 or \$.14 per share after amortization of acquisition costs, compared to \$2,080,000 or \$.51 per share after amortization of acquisition costs in 1979.

The 1980 annual report of CAM Co. has been mailed to GSW shareholders.

Corporate Developments:

(a) Board of Directors: After many years of valuable service to the company, Mr. J. K. Loudon and Mr. W. J. Bushnell retired prior to the Shareholders meeting in April 1980. They were subsequently appointed Directors Emeritus in recognition of their important contribution to the Board.

Mr. Philippe de Gaspé Beaubien, a Director for many years, whose counsel was greatly appreciated by the Board, resigned in May 1980. Mr. H. Anthony Arrell, Vice-President and Director of Gardiner, Watson Limited, and Mr. George A. Jones, Executive Vice-President of the Marmon Group, Chicago, were elected as Directors at the Annual Shareholders meeting on April 30, 1980. Their talents will make a substantial contribution to the company.

(b) Organization and Personnel: In November 1980 Mr. F. O. Price was appointed Vice-President, Corporate. Mr. M. O. Hickman, formerly Vice-President and General Manager of the Pump Division, was appointed Vice-President, Research and Development, reporting to Mr. Price.

Mr. W. A. Farnell, Vice-President Water Heater Division, was also appointed General Manager Pump Division with overall responsibility for both Divisions.

Mr. R. J. Thompson was appointed General Manager, Water Heater Division, reporting to Mr. Farnell.

Mr. D. G. Fixter, Vice-President, Corporate, with responsibility for Acquisition activities, also assumed operating responsibility for the new Jackes-Evans subsidiary.

(c) Acquisitions: A major event in the long term growth strategy of GSW was the acquisition in October 1980 of the Jackes-Evans Manufacturing Company of St. Louis, Missouri. This acquisition will lead to increased sales of Canadian products in the U.S.

This was the first step in a comprehensive program of planned growth through acquisitions.

Completion of the sale of GSW's equity investment in Canadian Appliance Manufacturing Company Limited will increase the scope of the acquisition program substantially. In recognition of this development, a major evaluation of the company's resources has been initiated, with particular emphasis on the organization and personnel developments for the future.

(d) Continuance under the Canada Business Corporations Act: Effective October 1, 1980, the company was continued under the provisions of the Canada Business Corporations Act as GSW Inc. Under the articles of continuance, the Class "A" and Class "C" common shares were combined into Class "A" common shares and the Class "B" and Class "D" common shares were combined into Class "B" common shares.

(e) Dividends: As a result of the regular annual dividend policy established in 1979 by the Board of Directors, the second consecutive annual dividend of 20¢ per common share was paid on October 1, 1980.

Outlook:

Despite unsettled economic conditions throughout North America and political unrest in some other markets, our confidence in continued growth for the future is based on three areas:

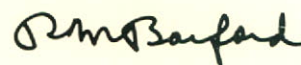
1. Product development.
2. Market development.
3. Growth through acquisition.

The Board would like to take this opportunity to thank all employees for their contribution to the company in a challenging year.

On behalf of the Board:



R. A. Stevens
President



R. M. Barford
Chairman

February 25, 1981.

Consolidated Balance Sheet

December 31, 1980 (with comparative figures for 1979)

(\$000's)		1980	1979
Assets	Current:		
	Cash and short term deposits	\$ 4,690	\$ 501
	Accounts receivable	10,430	8,066
	Inventories —		
	Finished goods	6,488	4,551
	Raw materials and work in process	11,124	7,637
	Prepaid income taxes and expenses	636	1,103
	Total current assets	33,368	21,858
	Investment in Canadian Appliance Manufacturing Company Limited shares (note 5)	9,790	9,204
	Fixed:		
	Land, buildings and equipment	13,653	10,388
Less accumulated depreciation	8,982	7,180	
Total fixed assets	4,671	3,208	
Total assets	\$47,829	\$34,270	

On behalf of the Board:

R. A. Stevens, Director



R. M. Barford, Director



		1980	1979	
Liabilities	Current:			
	Bank loans		\$ 645	
	Accounts payable and accrued liabilities	\$15,615	10,081	
	Income and other taxes payable	645	781	
	<hr/>			
	Total current liabilities	16,260	11,507	
	<hr/>			
	Long-term:			
	Bank loans (notes 7 & 8) (U.S. \$3,500,000)	4,180		
	Note payable, 10 3/4 % due October 1, 1983 (note 7) (U.S. \$1,500,000)	1,795		
Provision for warranties, non-current portion	778	1,031		
Other	816			
<hr/>				
Total long-term liabilities	7,569	1,031		
<hr/>				
Deferred income taxes	396	311		
<hr/>				
Shareholders' Equity	Share capital (note 2) —			
	Common shares	2,537	2,537	
	Contributed surplus	427	427	
	Retained earnings	20,640	18,457	
	<hr/>			
Total shareholders' equity	23,604	21,421		
<hr/>				
Total liabilities and shareholders' equity		\$47,829	\$34,270	

(See accompanying notes)

Auditors' Report

To the Shareholders of GSW Inc.:

We have examined the consolidated balance sheet of GSW Inc. as at December 31, 1980 and the consolidated statements of income, retained earnings, contributed surplus 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, 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.

Toronto, Canada,
February 20, 1981.

Clarkson Gordon
Chartered Accountants.

Consolidated Statement of Income

Year ended December 31, 1980 (with comparative figures for 1979)

(\$000's)	1980	1979
Sales	\$69,710	\$61,997
Operating costs:		
Employee compensation including benefits	17,507	14,576
Materials, supplies, services and other costs	46,812	42,339
Depreciation	748	631
Total operating costs	65,067	57,546
Income from operations	4,643	4,451
Other expenses (income):		
Interest income — other	(98)	(16)
Interest expense	656	240
	558	224
Income before income taxes	4,085	4,227
Income taxes — current	1,448	1,670
— deferred	220	130
	1,668	1,800
Income before equity interest in Canadian Appliance Manufacturing Company Limited	2,417	2,427
Share of net income in Canadian Appliance Manufacturing Company Limited (note 5)	586	2,080
Net income for the year	\$ 3,003	\$ 4,507
Earnings per common share	\$.73	\$ 1.10

(See accompany notes)

Consolidated Statement of Retained Earnings and Contributed Surplus

Year ended December 31, 1980 (with comparative figures for 1979)

(\$000's)		1980	1979
Retained Earnings	Balance, beginning of year	\$18,457	\$14,773
	Add net income for the year	3,003	4,507
		21,460	19,280
	Deduct dividends:		
	Preferred shares		3
Common shares	820	820	
	Balance, end of year	\$20,640	\$18,457
Contributed Surplus	Balance, beginning of year	\$ 427	\$ 456
	Deduct premium paid on redemption of preferred shares		29
	Balance, end of year	\$ 427	\$ 427

(See accompanying notes)

Consolidated Statement of Changes in Financial Position

GSW INC.

Year ended December 31, 1980 (with comparative figures for 1979)

(\$000's)	1980	1979
Funds were derived from:		
Operations—		
Income before equity interest in Canadian Appliance Manufacturing Company Limited	\$ 2,417	\$ 2,427
Add charges (credits) not requiring funds:		
Depreciation	748	631
Other	(168)	(337)
Total funds from operations	2,997	2,721
Term bank loans	4,180	
Note payable on acquisition of subsidiary company	1,795	
Total funds provided	8,972	2,721
Funds were applied to:		
Acquisition of subsidiary company	8,503	
Less working capital acquired	7,831	
	672	
Dividends	820	823
Purchase of fixed assets	723	847
Redemption of preferred shares		601
Total funds applied	2,215	2,271
Increase in working capital for the year	\$ 6,757	\$ 450

(See accompanying notes)

Notes to Consolidated Financial Statements

December 31, 1980

1. Summary of significant accounting policies

The following is a summary of the significant accounting policies followed in the preparation of the consolidated financial statements:

(a) *Inventory valuation* –

Inventories are valued at the lower of cost or market. Cost is determined principally on a first-in, first-out basis. Cost includes material, labour and variable and fixed manufacturing overhead costs. No fixed manufacturing overhead costs are included in inventory valuation on quantities judged to be in excess of normal minimum inventory levels. Market value is net realizable value for finished goods and work in process, and replacement cost for raw materials.

(b) *Fixed assets and depreciation* –

Fixed assets are stated at acquisition cost, including

transportation and installation charges.

Generally, depreciation is determined using the declining balance method. This results in accumulated depreciation of approximately two-thirds of the cost of an asset during the first half of its estimated useful life.

(c) *Product warranty costs* –

Anticipated costs related to product warranty are recorded in the year in which the product is sold.

(d) *Pension plan costs* (see also note 3) –

Costs relating to improvements in pension benefits granted by the company for employment in prior periods are amortized over fifteen years from the date such costs are established.

(e) *Income taxes* –

The company follows the tax allocation method of accounting for income taxes. Under this method, timing differences between

reported and taxable income (which occur when revenues and expenses recognized in the accounts in one year are taxed or claimed for tax purposes in another year) result in deferred or prepaid taxes.

(f) Investment in Canadian Appliance Manufacturing Company Limited –

The investment in Canadian Appliance Manufacturing Company Limited is reflected on the equity method by which 40% of its net income is included in the income of the company. The acquisition costs in connection with this investment are being amortized over a five year period commencing in 1977.

(g) Other significant policies –

Continuing research and development costs are recognized as expenses when incurred. Engineering, tooling and patent costs are treated in the same manner.

(h) Foreign currency translation –

The basis of translation is the current rate method with translates all assets and liabilities at the rate in effect at the balance sheet date. For revenues and expenses, the current rate used is the rate which approximates the exchange rate in effect when the transaction occurred.

2. Share capital

On October 1, 1980 the company received a certificate of continuance under Section 181 of the Canada Business Corporations Act which set forth the Classes and maximum number of shares that the company is authorized to issue. The charter of the company was amended to:

- (a) change the Class "C" common shares without nominal or par value on the basis of one Class "A" share for each Class "C" share; and
- (b) change the Class "D" common shares without nominal or par value into Class "B" common shares without nominal or par value on the basis of one Class "B" share for each Class "D" share.

The capital of the Corporation shall consist of an unlimited number of Class "A" common shares without nominal or par value ("the Class "A" common shares"), an unlimited number of Class "B" common shares without nominal or par value ("the Class "B" common shares") and an unlimited number of preference shares without nominal or par value ("the preference shares").

The details of issued share capital are as follows:

	Issued	Amount (\$000's)	
		1980	1979
Class "A"	1,309,714	\$ 770	\$ 116
"B"	2,792,342	1,767	271
"C"			654
"D"			1,496
	4,102,056	\$2,537	\$2,537

Both classes of common shares are equal in every respect except that the Class "A" shares have 100 votes per share and the Class "B" shares have one vote per share. A holder of Class "A" shares may at any time convert them into an equal number of Class "B" common shares. All common shares participate equally, share for share, as to dividends.

The details of the net share conversions during the year are as follows:

	Shares issued Dec. 31, 1979	Converted in year	Shares issued Dec. 31, 1980
Class "A"	197,441	1,112,273	1,309,714
"B"	428,693	2,363,649	2,792,342
"C"	1,112,355	(1,112,355)	
"D"	2,363,567	(2,363,567)	
	4,102,056		4,102,056

During the year dividends totalling \$.20 per share were declared and paid.

3. Pensions plans

There are a number of pension plans for present and retired employees of the company. Based upon the most recent actuarial valuations the total estimated unamortized obligations of these plans as at December 31, 1980 amount to approximately \$273,000.

On January 1, 1981 the company consolidated its existing pension plans for salaried employees into one plan with improved benefits. As a result estimated unamortized obligations were increased by approximately \$252,000.

4. Lease commitments

The company leases premises and equipment over various lease terms, with the annual rental payments being as follows:

1981	\$299,000
1982	247,000
1983	170,000
1984	128,000
1985	42,000

5. Canadian Appliance Manufacturing Company Limited

The company owns shares in Canadian Appliance Manufacturing Company Limited (CAM Co.) having 50% of the total votes and 40% of the equity participation. Set forth below is a summary of the financial position of CAM Co. as at December 31, 1980 and a summary of the results of its operations for the year then ended.

A. Summary of Financial Position

December 31, 1980
(with comparative figures for 1979)

	1980	1979
Cash and receivables	\$ 54,794	\$ 47,932
Inventories	74,801	70,237
Other current assets	3,362	2,873
Total current assets	132,957	121,042
Short term bank borrowings	7,344	3,564
Other current liabilities	56,301	55,973
Total current liabilities	63,645	59,537
Working capital	69,312	61,505
Net fixed assets	22,423	23,166
Total fixed assets and working capital	91,735	84,671
Notes payable (net of current portion reflected above)	8,982	9,993
Term bank borrowings	49,530	42,190
Other non-current liabilities	8,893	9,739
Total non-current liabilities	67,405	61,922
Net assets	\$ 24,330	\$ 22,749
GSW interest therein	\$ 9,731	\$ 9,099
Unamortized acquisition costs	59	105
Equity interest in CAM Co.	\$ 9,790	\$ 9,204

Note 5 (continued)

B. Summary of Results of Operations

Year ended December 31, 1980
(with comparative figures for 1979)

(\$000's)	1980	1979
Sales of products and services	\$309,228	\$291,511
Operating costs:		
Employee compensation	97,520	92,138
Materials, supplies, services and other costs	198,428	182,140
Depreciation	2,573	2,921
Total operating costs	298,521	277,199
Income from operations	10,707	14,312
Financial expense	9,600	7,684
Income before income taxes	1,107	6,628
Income taxes	(474)	1,314
Net income for the year	\$ 1,581	\$ 5,314
GSW interest therein	\$ 632	\$ 2,126
Less amortization of acquisition costs	46	46
Equity interest included in statement of income	586	\$ 2,080

On December 12, 1980 GSW Inc. and Canadian General Electric Company Limited entered into an agreement whereby GSW Inc. will sell its shares and interest in Canadian Appliance Manufacturing Company Limited to Canadian General Electric Company Limited for \$21,400,000. This transaction is subject to review under the provisions of the Foreign Investment Review Act.

6. Segmented information

The company operates in primarily two industries – water products and domestic building products. Water products operations comprise the production and sale of pumps, water heaters and wringer washer machines. Building products operations comprise the production of metal and vinyl rain goods, lockers, waste disposal containers and wood burning stoves and accessories.

Segmented statement	1980			1979		
	Water Products	Building Products	Total	Water Products	Building Products	Total
	(\$000's)			(\$000's)		
Sales	\$45,891	\$23,819	\$69,710	\$44,845	\$17,152	\$61,997
Segment operating profit	\$ 2,705	\$ 1,938	\$ 4,643	\$ 3,405	\$1,046	\$ 4,451
Interest expense net			(558)			(224)
Income taxes			(1,668)			(1,800)
Net income before CAM Co.			2,417			2,427
Equity in net income of CAM Co.			586			2,080
Net income			\$ 3,003			\$ 4,507
Identifiable assets	\$17,160	\$15,775	\$32,935	\$15,267	\$ 7,693	\$22,960
Corporate assets			14,894			11,310
Total assets			\$47,829			\$34,270
Capital expenditures	\$ 321	\$ 1,890		\$ 356	\$ 491	
Depreciation and amortization	\$ 264	\$ 484		\$ 227	\$ 404	

The Canadian operations of the company include export sales of \$13,142,000 (1979 — \$10,711,000). No geographic segment information is presented for the current year since the company's only foreign operation (Jackes-Evans Manufacturing Company) was acquired October 1, 1980.

7. Acquisition of a subsidiary company

On October 1, 1980 the company acquired all of the outstanding shares of Jackes-Evans Manufacturing Company of St. Louis, Missouri.

A summary of the net assets purchased and consideration paid is set out below:

Jackes-Evans Manufacturing Company	(\$000's)	
Net assets purchased –		
Working capital		\$7,831
Fixed assets		1,488
		9,319
Less pension obligation assumed, net of income taxes		816
		\$8,503
Consideration paid –		
Cash (financed by term bank loans)		\$4,097
10¾% notes payable:		
January 26, 1981	2,611	
October 1, 1983	1,795	4,406
		\$8,503

8. Term bank loans

Interest is payable at one-half of one percent above Bank of Montreal U.S. base rate. As at December 31, 1980 the applicable interest rate was 21%. Repayment terms are as follows:

1982	\$ 240,000
1983	300,000
1984	2,690,000
1985	950,000
Total	\$4,180,000

9. Comparative figures

Certain of the 1979 comparative figures have been reclassified to conform with the presentation adopted in 1980.



**GSW
Manufacturing
Locations**

599 Hill Street West
Fergus, Ontario
N1M 2X1

281 Birch Avenue
Hamilton, Ontario
L8L 7X6

26 Lorena Street
Barrie, Ontario
L4N 4P4

2995 Page Street
London, Ontario
N6A 4L6

4427 Geraldine Avenue
St. Louis, Missouri
63115

International Division

1183 Finch Avenue West
Suite 307
Downsview, Ontario
M3J 2G2

**Research and Development
Centre**

2275 Speakman Drive
Mississauga, Ontario
L5K 1B1

**GSW
Products**

Galvanized Ware
Dairy Pails
Stove Pipe
Waste Baskets
Metal and Vinyl Roof Drainage
Toilet Compartments
Lockers and Gym Boxes
Beatty, McDougall, Sta-Rite
Domestic Water Pumps, Tanks
and Accessories
Barnes Sewage Pumps
Effluent and General Purpose
Pumps
Engine Driven Contractor
Pumps
Sta-Rite Swimming Pool
Equipment
Wringer Washers
Wringers and Components
Electric and Gas Water
Heaters
Glass Lined Range Boilers and
Storage Vessels
Wood Circulators
Wood Heaters
Stove Boards
Stove Venting Equipment
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