

“... quality
in products,
facilities,
service
and people.”



Executive Offices

GSW Inc.
20 Eglinton Avenue West
Suite 1903
P.O. Box 2047
Toronto, Ontario
Canada M4R 1K8

Share Transfer Agent
Common Shares,
National Trust Company

Bank
The Bank of Montreal

Audit
Clarkson Gordon

**Annual
Shareholders' Meeting**
April 29, 1987
Royal York Hotel
Library
100 Front Street West
Toronto, Ontario
at 11:00 a.m.

Board of Directors

R. M. Barford
A. H. Crockett
H. B. Davis
G. M. Farquharson, Q.C.
M. R. Gardiner
G. A. Jones
D. S. R. Leighton
R. A. Stevens

Officers

R. M. Barford
Chairman
R. A. Stevens
Vice-Chairman
G. M. Farquharson, Q.C.
Secretary
W. D. Campbell
Assistant Vice-President
J. R. B. Hanna
Treasurer



Corporate Profile

GSW Inc. is a Canadian controlled diversified company which is evolving into an investment holding company. The company owns a 20% interest in Camco Inc., Canada's largest appliance manufacturer, and it operates two independent wholly owned business units which employ 900 people at six manufacturing locations.

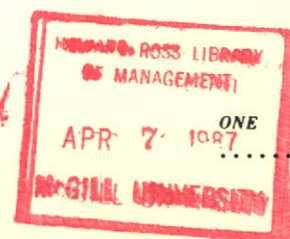
GSW Water Products Company manufactures and distributes Water Heaters, Tanks, and a variety of Pumps to retailers, wholesalers and utilities in Canada.

GSW Building Products Company manufactures and distributes Vinyl Eavestrough, Factory-Built Chimney, Woodburning Accessories, and Lockers and Partitions in Canada and the United States.

Facts in Brief

(\$000's except per share data)

	1986	1985
Sales	\$136,416	\$133,307
Net Income		
– before extraordinary items	8,037	7,710
– after extraordinary items	21,025	3,446
Earnings per common share		
– before extraordinary items	2.16	2.07
– after extraordinary items	5.66	.93
Annual dividend per common share	.40	.34
Working Capital	36,620	11,720
Current ratio	2.2 to 1	1.4 to 1
Shareholders' equity	57,995	38,522



**REPORT OF THE BOARD OF DIRECTORS
TO THE SHAREHOLDERS**

OPERATIONS:

GSW is striving to achieve outstanding quality in its products, its service, its facilities and its people. The descriptions of the past year's activities in our Water Products and Building Products Companies which follow indicate the success that is being achieved in our drive for high quality standards in all aspects of our business.

As we outlined to you one year ago, your corporation is evolving into a holding company. The Head Office has adopted a much more modest structure and size. Each of our operating units has its own President and Chief Executive Officer, its own Board of Directors, and conducts its own business.

During the past year several new products were introduced, and quality generally improved throughout our product offering, resulting in greater customer satisfaction and reduced warranty costs. Credit for this achievement goes not only to the line managers, but to all the people in each company involved with the design, production, shipping, and servicing of our products.

Substantial investments were made in tooling for new products and in upgrading our physical facilities. It is planned to increase these programs during the coming year.

Your company continued to emphasize internal and external training courses, and a record number of technical graduates were hired in the past year.

Our emphasis on quality in all our activities helped produce the following operating results in 1986, compared to 1985:

	1986 (\$000's)	1985 (\$000's)	Increase
Sales	\$136,416	\$133,307	2%
Income before extraordinary items	\$ 8,037	\$ 7,710	4%
Income from GSW's direct operations	\$ 2,398	\$ 1,412	70%

Many of these results are at record levels.

One year ago we told you that our Viewstar operation was being downsized and production of satellite receivers discontinued. Excellent progress was made in 1986 in our converter business with respect to market penetration, production cost and quality. However, after a number of years of unprofitable results we have reluctantly concluded that the business is not viable in the long run and accordingly it will be closed on April 3, 1987.

The Company's share of Camco's earnings was \$4,640,000 or \$1.25 per share compared with \$6,298,000 or \$1.69 per share in 1985. This reduction is due to the fact that GSW reduced its equity interest in Camco Inc. from 34% to 20% in April. The gain realized on the sale of these shares substantially accounts for the extraordinary gain of \$12,988,000. The proceeds from the sale of these shares has been invested in liquid marketable securities which produced after tax income of \$999,000 or \$0.27 per share in 1986.

Net income from GSW operations amounted to \$2,398,000 or \$0.65 per share.

Water Products Company had operating profit before interest and taxes of \$4,712,000

which is an 8% increase over last year. The company, having significantly upgraded its manufacturing facility, is now well positioned for future growth.

Building Products Company had operating profit before interest and taxes of \$1,389,000, down from \$1,767,000 in 1985. This reduction is due to rationalization expenses incurred during the year to optimize production facilities for its various heating goods.

Camco sales in 1986 were \$512,393,000 up 15% from 1985 sales of \$444,670,000 while net income increased by 11% to \$20,558,000.

BOARD OF DIRECTORS:

Following approval by the shareholders of changes to the by-laws, company Boards were created for each of GSW's operating units under the umbrella of GSW Inc.'s Board of Directors (the Holdings Board).

On July 30, 1986 Mr. Roly J. Thompson, President and Chief Executive Officer of GSW Water Products Company and Mr. D. Gordon Woodrow, President and Chief Executive Officer of GSW Building Products Company were appointed Directors of their respective company Boards. On the same date the Honourable Barnett J. Danson, P.C., a distinguished businessman and former federal cabinet minister was appointed a Director of GSW Building Products Board and on March 4, 1987, Mr. Donald R. Montgomery, retired Secretary Treasurer of the Canadian Labour Congress, was appointed a Director of the GSW Water Products Company Board. We are very pleased to have the practical counsel and advice which these new Directors will provide.

DIVIDENDS:

The annual dividend was increased from \$0.34 per share in 1985 to a total of \$0.40 per share in 1986 paid semi-annually.

OUTLOOK:

1986 was a year of solid progress. Our reduced investment in Camco has provided us with a healthy cash reserve which is currently being invested in liquid securities.

We have invested heavily in our Water Products business, and are confident of improving results.

As we mentioned earlier, the cost of the Viewstar operation has been eliminated.

Finally, we have begun the difficult process of rationalizing our Building Products business, which continues to suffer from under utilized facilities and some weak markets. This is our main area of concern for 1987.

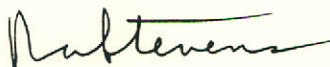
In summary, business conditions are generally strong, and we look for continued improvement in our operating results.

We thank our employees for the fine efforts they put forth in 1986; we also wish to acknowledge the support we have received from our customers and our suppliers.

On behalf of the Board:



R. M. Barford
Chairman



R. A. Stevens
Vice-Chairman

GSW BUILDING PRODUCTS COMPANY

GSW Building Products Company Board of
Directors

R. M. Barford

R. A. Stevens

D. G. Woodrow

B. J. Danson, P.C.

A. Dunlop

W. C. Garriock

D. S. R. Leighton



A selection of products from the Thermoplastics, Heating Products and Construction Products Divisions of GSW Building Products Company

Operating profit before interest and income taxes declined to \$1,389,000 in 1986 from \$1,767,000 in 1985. This reduction is primarily due to costs incurred in the ongoing rationalization program which was commenced during the year.

Sales declined in 1986 to \$46,724,000 from \$49,954,000 in 1985. The divestiture of the mail box product line together with the elimination of Government contracts in the United States largely accounts for the sales reduction. However, market share in vinyl eavestrough systems and lockers has continued to grow while that of heating products, with the exception of stoves, has strengthened.

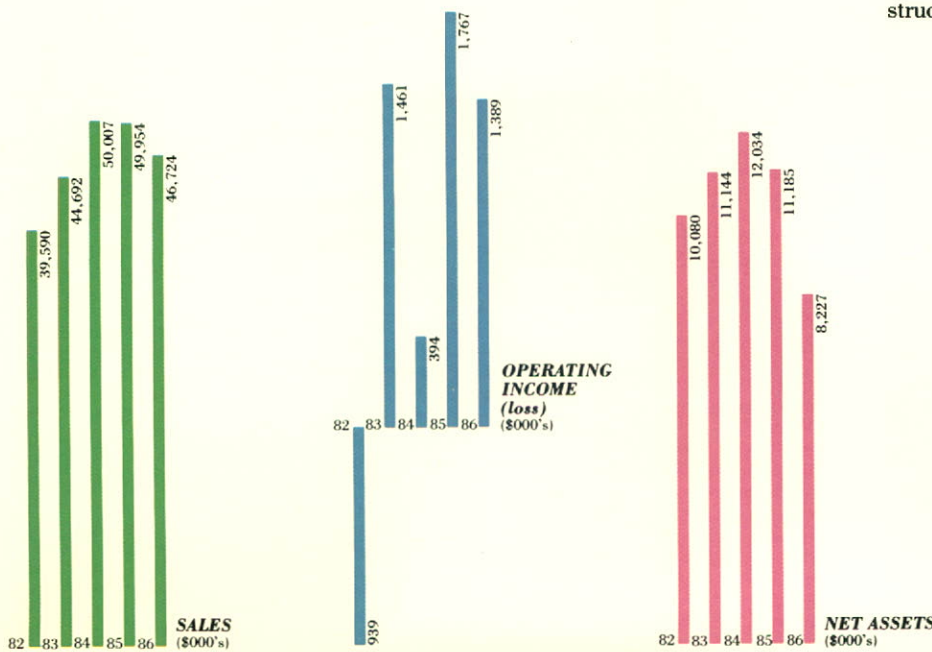
In order to help rationalize our Building Products business we have formed three divisions: Thermoplastics, Construction and Heating Products. This structure will facilitate the identification of under utilized facilities and weak business segments while also

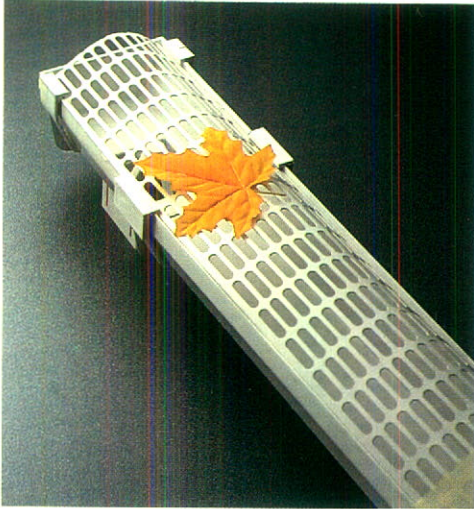
allowing us to concentrate on growth opportunities. Vinyl eavestrough systems and custom moulding are manufactured by the Thermoplastics Products Division, lockers and toilet partitions are produced by the Construction Products Division and Heating Products manufactures stove pipe, super pipe, class A chimney and hearth accessories.

Some reorganization has taken place in the Heating Products Division, providing more efficient production and improved customer service. It is our goal, while proceeding with the rationalization program, to strive for quality in our people and facilities to help improve the quality of our products and customer service.

During the year the following new products were introduced: 'Gutter Guard', a leaf strainer for eavestrough, 'Drip Edge', a product facilitating roof drainage into the eavestrough, 'Super Pipe 6', a double walled stove pipe, and a modified locker. In addition, new innovative technology was commissioned in the production of Class A chimney.

We expect improved operating results in the future as we realize the benefits of our rationalization program and divisionalized structure.





Thermoplastics Division

New **Gutter Guard** and **DripEdge** –

helps solve the age old problem of eaves-trough blockage and overflow caused by the buildup of leaves and other debris. It is durable, long-lasting and can be removed to facilitate cleaning. Compared to current product offerings in the market this product is reusable, made from uPVC and will last a lifetime.



Heating Products Division

Super Pipe 6 – a product line extension to the super chimney group, super pipe 6 has added safety, durability, ease of installation, heat reclamation and is long lasting. As a replacement for stove pipe it permits the installation of stoves to within six inches of combustibles rather than the required eighteen inches for regular stove pipe.

Quality is built in by skilled craftsmen, complementing automated and computer controlled water heater inner tank production facilities.



Construction Products Division

TRI-LOC – lockers designed to meet the rigorous demands of educational, commercial and industrial applications. It is strong, silent and secure, has no lift bars, is available with three lock options and locks in only one location, a definite advantage over competitive products.

GSW WATER PRODUCTS COMPANY

GSW Water Products Company Board of
Directors

R. M. Barford

R. A. Stevens

R. J. Thompson

J. A. Barford

A. H. Crockett

H. B. Davis

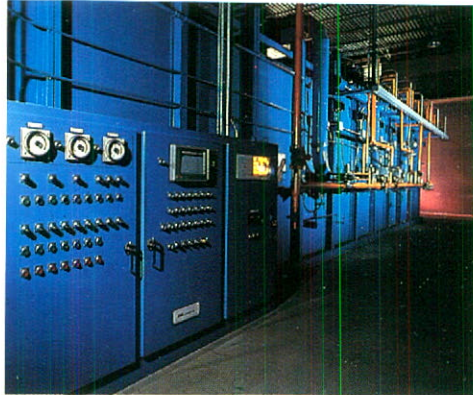
G. A. Jones

D. R. Montgomery



GSW WATER PRODUCTS COMPANY (Continued)

Early in 1986 a state-of-the-art, high-efficiency enameling furnace was commissioned to increase capacity and reduce costs.



Operating profit before interest and income taxes increased to \$4,712,000 in 1986 from \$4,375,000 in 1985. During the year product cost improvements were achieved as well as overhead reductions resulting from the closure of the Toronto plant early in 1986. These savings, however, were offset by anticipated large training expenditures, and start up costs related to integration of the John Wood production.

Sales increased from \$83,353,000 in 1985 to \$89,692,000 in 1986. Our domestic markets for pumps and water heaters had strong growth as a result of increased housing activity and a general economic upturn. The company markets pumps under the GSW, Barnes, Beatty, McDougall and STA-RITE brands as well as private brands. Water heaters are marketed under the GSW, John Wood and private brand labels.

In 1986 the company completed its major capital expenditure program undertaken in 1985 to expand and improve Fergus water heater facilities to accommodate the increase in production volume transferred from Toronto, and to provide for future growth. The addition of new and technologically

advanced equipment has enabled the company to move towards a more cost competitive position in North American terms. Moreover, with increased consumer awareness of quality, these expenditures have assisted us in advancing our objective of making "quality" paramount in our organization.

In 1986 a new design of jet pump employing structural plastic technology was developed and successfully test marketed. The expansion of our pump product line allows the company to provide its customers with a broad scope of pump products for domestic water systems.

The establishment of a dedicated research and development department within the company has strengthened the company's capability to develop and introduce innovative new products and improved manufacturing processes.

The expanded use of quantitative and statistical methods for our products and processes is consistent with our commitment to ensure that only quality products reach our customers. Increasingly, computers are being utilized in support of product design, manufacturing controls and quality assurance programs.

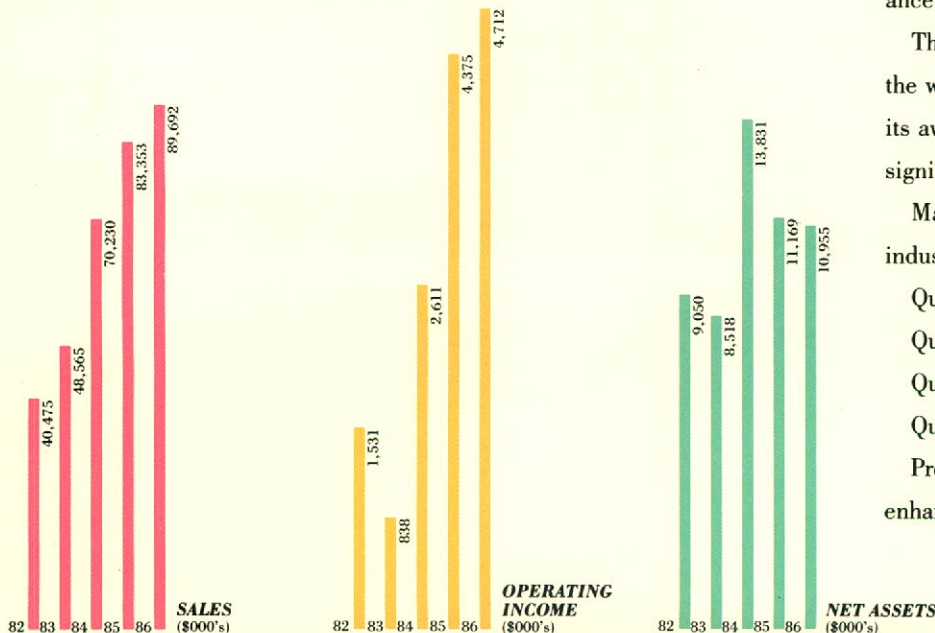
Through continued emphasis on safety in the workplace, the company has continued its award-winning record through a period of significant growth in its workforce.

Management is dedicated to maintaining industry leadership in:

- Quality of our people
- Quality of our work environment
- Quality of our products
- Quality of our service to customers

Programs are in place for 1987 to further enhance these goals.

The expanded application of new technology in designing products and controlling operations is aided by modern computers.



Consolidated Balance Sheet

December 31, 1986 (with comparative figures at December 31, 1985)

GSW Inc.(Incorporated under the Canada
Business Corporations Act)

Restated (note 7)

(\$000's)

1986**1985****ASSETS****Current:**

Accounts receivable	\$16,253	\$14,979
Inventories –		
Finished goods	6,579	9,398
Raw materials and work in process	14,114	13,002
Prepaid expenses	814	1,130
Prepaid income taxes	614	849
Marketable securities (note 3)	28,000	
Total current assets	66,374	39,358

Investment in Cameco Inc. (indicated market value – \$48,000)

16,846

24,151

Fixed:

Land, buildings and equipment	23,677	24,107
Less accumulated depreciation	15,589	14,600
Total fixed assets	8,088	9,507

Deferred income taxes

3,251

Total assets

\$91,308**\$76,267****LIABILITIES AND SHAREHOLDERS' EQUITY****Current:**

Bank indebtedness	\$ 2,273	\$ 371
Accounts payable and accrued liabilities	25,044	26,815
Taxes payable	2,437	452
Total current liabilities	29,754	27,638

Long-term:

Bank loan		8,000
Deferred taxes	1,369	
Other	2,190	2,107
Total long-term liabilities	3,559	10,107

Shareholders' equity:

Share capital (note 4)	2,298	2,298
Retained earnings	55,246	35,708
Foreign currency translation adjustment	451	516
Total shareholders' equity	57,995	38,522
Total liabilities and shareholders' equity	\$91,308	\$76,267

(See accompanying notes)

On behalf of the Board:


R. M. Barford,
Chairman

R. A. Stevens,
Vice-Chairman

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Consolidated Statement of Income

Year ended December 31, 1986 (with comparative figures for 1985)

GSW Inc.

<i>(\$000's)</i>	1986	Restated (note 7) 1985
Sales	\$136,416	\$133,307
Operating costs:		
Cost of sales, selling and administrative expenses before the following items:	128,496	125,554
Depreciation	1,819	1,611
Interest expense – long-term	612	848
– other	1,110	1,136
	132,037	129,149
Income from continuing operations before income taxes	4,379	4,158
Income taxes (note 5)	2,033	1,648
Income from continuing operations	2,346	2,510
Income (loss) from discontinued operation		
less income taxes of \$47 (income tax recovery of \$989 in 1985) (note 7)	52	(1,098)
Income before the following:	2,398	1,412
Investment income less income taxes of \$498	999	
Share of net income in Camco Inc.	4,640	6,298
Income before extraordinary items	8,037	7,710
Extraordinary items (notes 6 and 7)	12,988	(4,264)
Net income for the year	\$ 21,025	\$ 3,446
Earnings per common share:		
Before extraordinary items	\$2.16	\$2.07
After extraordinary items	\$5.66	\$0.93

(See accompanying notes)

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Consolidated Statement of Retained Earnings

Year ended December 31, 1986 (with comparative figures for 1985)

<i>(\$000's)</i>	1986	1985
Balance, beginning of year	\$ 35,708	\$ 33,526
Add net income for the year	21,025	3,446
	56,733	36,972
Deduct dividends of \$.40 per share (\$.34 in 1985)	1,487	1,264
Balance, end of year	\$ 55,246	\$ 35,708

(See accompanying notes)

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1986 (with comparative figures for 1985)

GSW Inc.

<i>(\$000's)</i>	1986	Restated (note 7) 1985
Cash provided by (used in) operating activities:		
Income from operations	\$ 2,398	\$ 1,412
Add charges to operations not requiring a current cash payment:		
Depreciation	1,819	1,611
Deferred income taxes	2,080	659
Other	124	
	6,421	3,682
Change in other long-term liabilities	18	59
Net change in non-cash working capital balances related to operations	437	(672)
	6,876	3,069
Cash provided by (used in) investment activities:		
Proceeds on sale of Camco Inc. shares	27,973	
Investment in shares in other corporations	(28,800)	
Investment income before deferred taxes	1,497	
Dividend from Camco Inc.	1,739	1,428
Purchase of fixed assets	(1,700)	(2,105)
	709	(677)
Cash provided by (used in) financing activities:		
Dividends	(1,487)	(1,264)
Net increase in cash during the year	6,098	1,128
Cash, beginning of year	(8,371)	(9,499)
Cash, end of year	<u>\$(2,273)</u>	<u>\$(8,371)</u>

*(See accompanying notes)**Negative cash position comprises bank indebtedness***Auditors' Report****To the Shareholders of GSW Inc.:**

We have examined the consolidated balance sheet of GSW Inc. as at December 31, 1986 and the consolidated statements of income, 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 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, 1986 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 18, 1987.

Cherkeson Gordon
Chartered Accountants

Notes to Consolidated Financial Statements

December 31, 1986

These notes are an integral part of the financial statements.

GSW Inc.

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) *Principles of consolidation* – The financial statements include the accounts of the company and its subsidiaries on a consolidated basis and the accounts of Camco Inc. on an equity basis.
- (b) *Inventory valuation* – Inventories are valued at the lower of cost and 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.
- (c) *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. Depreciation rates used are principally 5% for buildings and 20% for equipment. Fixed assets which are no longer in productive use are written down to net realizable value.
- (d) *Product warranty costs* – Anticipated costs related to product warranty are recorded in the year in which the product is sold.
- (e) *Pension plan costs (see also note 9)* – 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.
- (f) *Other significant policies* – Continuing research and development costs have been recognized as expenses when incurred. Engineering, tooling and patent costs have been treated in a similar manner.
- (g) *Foreign currency translation* – The accounts of self-sustaining foreign operations are translated using the current rate method, which translates assets and liabilities at the rate in effect at year-end and revenues and expenses at the average rate for the year. Unrealized translation gains and losses are deferred and included as a separate component of shareholders' equity.

2. Camco Inc.

The company owns 2,000,900 (20%) of the common shares of Camco Inc., with a value at December 31, 1986 of \$48,000,000, based on the market price quoted on the Toronto Stock Exchange. This value makes no provision for any income taxes. The real value of this investment may be more or less than that indicated by the market quotation less applicable income taxes. On April 14, 1986 the company sold to the public 1,399,000 shares of Camco (see note 6). Prior to that the company held a 34% interest.

Set forth below is a summary of the financial position of Camco Inc. as at December 31, 1986 and a summary of the results of its operations for the year then ended.

Summary of financial position

December 31

	(\$000's)	1986	1985
Cash and receivables		\$ 88,499	\$ 83,366
Inventories		86,290	71,749
Other current assets		6,771	3,414
	Total current		
	assets	181,560	158,529
Short-term bank borrowings		5,527	2,270
Other current liabilities		98,127	82,374
	Total current		
	liabilities	103,654	84,644
Working capital		77,906	73,885
Net fixed and long-term assets		34,454	32,394
		112,360	106,279
Notes payable		8,981	8,981
Term bank borrowings		7,886	17,137
Other non-current liabilities		11,301	9,127
		28,168	35,245
Net assets		\$ 84,192	\$ 71,034
GSW interest therein		\$ 16,846	\$ 24,151

Summary of operations

Year ended December 31

	(\$000's)	1986	1985
Sales of products and services		\$512,393	\$444,670
Operating costs:			
Cost of sales, selling and administrative expenses before depreciation		461,887	406,639
Depreciation		5,705	4,700
	Total operating		
	costs	467,592	411,339
Income from operations		44,801	33,331
Net interest expense		1,960	3,794
Plant closure costs – London		5,304	
Income before income taxes		37,537	29,537
Income taxes		16,979	11,014
Net income for the year		\$ 20,558	\$ 18,523
GSW equity interest included in statement		\$ 4,640	\$ 6,298

3. Marketable securities

During the year preferred shares in other corporations were acquired at a cost of \$28,000,000 which is their approximate quoted market value at December 31, 1986.

4. Share capital

The authorized capital of the company consists of an unlimited number of Class "A" common shares without nominal or par value, an unlimited number of Class "B" subordinate voting shares without nominal or par value, and an unlimited number of preference shares without nominal or par value.

The Class "A" shares are equal to the Class "B" shares 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" shares.

The details of issued share capital are as follows:

	Issued	Amount (\$000's)	
		1986	1985
Class "A" common	1,195,261	\$ 703	\$ 704
Class "B" subordinate voting	2,521,792	1,595	1,594
	<u>3,717,053</u>	<u>\$2,298</u>	<u>\$2,298</u>

5. Income taxes

The company's provision for income taxes is made up as follows:

	(\$000's)	1986	Restated (note 7) 1985
Income taxes based on combined statutory tax rates –			
Canadian federal and provincial – 53.1% (1985 – 52%)		\$1,699	\$1,992
U.S.A. federal and state – 46.2% (1985 – 47%)		550	154
		<u>2,249</u>	<u>2,146</u>
Decrease in income taxes resulting from –			
Manufacturing and processing profits		(208)	(245)
Inventory allowance		(35)	(247)
Other items		27	(6)
		<u>\$2,033</u>	<u>\$1,648</u>

At December 31, 1986 the company has tax losses in U.S. subsidiaries which have not been claimed for tax purposes and could result in tax recoveries in future years of approximately \$700,000 (U.S.). If not utilized, these tax benefits will principally expire in 1997.

6. Extraordinary item

During the year the company sold 1,399,000 of its shares of Camco Inc. as well as a subsidiary company. Total gains of \$12,988,000 were realized on these transactions, net of income taxes of \$3,968,000.

7. Discontinued operation

Subsequent to December 31, 1986 the decision was made to discontinue the Electronics Products operation effective April 3, 1987 and to liquidate its assets. Accordingly the Balance Sheet as at December 31, 1985, the Income Statement and the Statement of Changes in Financial Position for the year ended December 31, 1985 have been restated to identify the net assets, liabilities and income from continuing operations. During 1985 an extraordinary charge was made against the earnings for that year to allow for the write down of assets and for other costs relating to certain electronic product lines. It has been determined that there is sufficient reserve remaining to allow for future closure costs.

8. Research and development

Operating costs include expenditures for research and development of \$692,000 in 1986 (1985 – \$641,000).

9. Pension 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 surpluses of these plans as at December 31, 1986 amount to approximately \$524,000.

10. Lease commitments

The company leases premises and equipment over various lease terms, generally up to five years. The annual rental payments for these operating leases is approximately \$500,000.

11. Segmented information

The company operates in two industries which are water products and building products. Water products operations comprise pumps, water heaters and wringer washer machines and Building products comprise metal and vinyl rain goods, lockers and wood burning products.

A. Industry segments

(\$000's)	1986			Restated (note 7) 1985		
	Water Products	Building Products	Total	Water Products	Building Products	Total
Sales	<u>\$89,692</u>	<u>\$46,724</u>	<u>\$136,416</u>	<u>\$83,353</u>	<u>\$49,954</u>	<u>\$133,307</u>
Segment operating profit	<u>\$ 4,712</u>	<u>\$ 1,389</u>	<u>\$ 6,101</u>	<u>\$ 4,375</u>	<u>\$ 1,767</u>	<u>\$ 6,142</u>
Interest expense			(1,722)			(1,984)
Income taxes			(2,033)			(1,648)
Income (loss) from discontinued operations			52			(1,098)
Share of net income in Camco Inc.			4,640			6,298
Investment income			999			
Income for the year before extraordinary items			<u>\$ 8,037</u>			<u>\$ 7,710</u>
Identifiable assets	<u>\$29,349</u>	<u>\$16,057</u>	<u>\$ 45,406</u>	<u>\$28,227</u>	<u>\$19,194</u>	<u>\$ 47,421</u>
Corporate assets			45,902			28,846
Total assets			<u>\$ 91,308</u>			<u>\$ 76,267</u>
Capital expenditures	<u>\$ 258</u>	<u>\$ 511</u>		<u>\$ 2,319</u>	<u>\$ 790</u>	
Depreciation	<u>\$ 1,156</u>	<u>\$ 646</u>		<u>\$ 880</u>	<u>\$ 661</u>	

B. Geographical segments

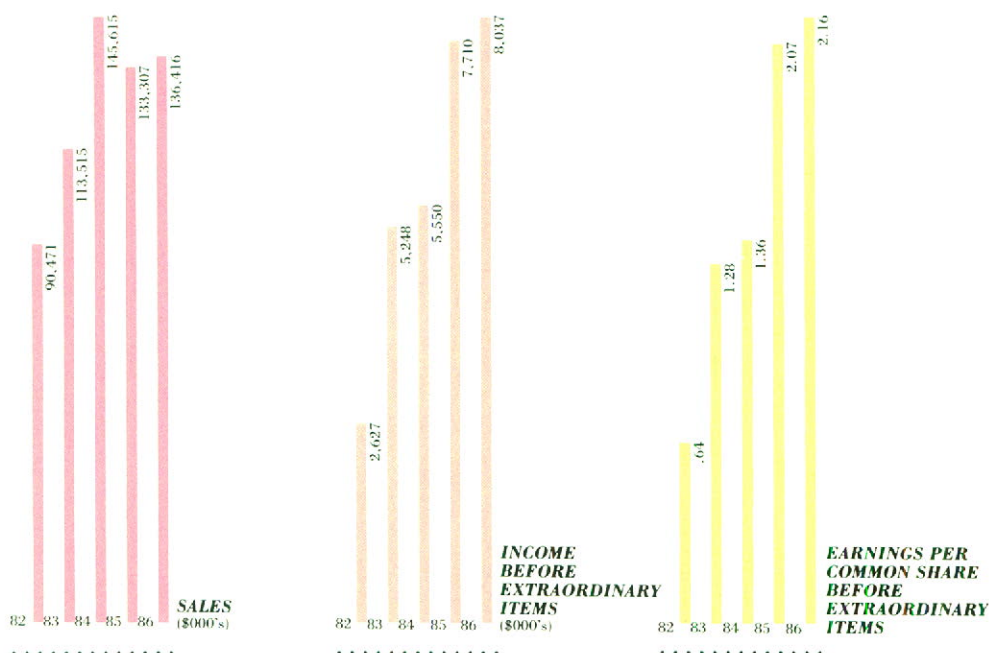
(\$000's)	1986		Total	Restated (note 7) 1985		Total
	Canadian Operations	U.S.A. Operations		Canadian Operations	U.S.A. Operations	
Sales to customers	<u>\$113,460</u>	<u>\$22,956</u>	<u>\$136,416</u>	<u>\$108,183</u>	<u>\$25,124</u>	<u>\$133,307</u>
Sales to other segments	<u>5,016</u>	<u>572</u>		<u>3,514</u>	<u>352</u>	
	<u>\$118,476</u>	<u>\$23,528</u>		<u>\$111,697</u>	<u>\$25,476</u>	
Segmented operating profit	<u>\$ 5,029</u>	<u>\$ 1,072</u>	<u>\$ 6,101</u>	<u>\$ 5,800</u>	<u>\$ 342</u>	<u>\$ 6,142</u>
Interest expense			(1,722)			(1,984)
Income taxes			(2,033)			(1,648)
Income from discontinued operations			52			(1,098)
Share of net income in Camco Inc.			4,640			6,298
Investment income			999			
Income for the year before extraordinary items			<u>\$ 8,037</u>			<u>\$ 7,710</u>
Identifiable assets	<u>\$ 38,481</u>	<u>\$ 6,925</u>	<u>\$ 45,406</u>	<u>\$ 38,128</u>	<u>\$ 9,293</u>	<u>\$ 47,421</u>
Corporate assets			45,902			28,846
Total assets			<u>\$ 91,308</u>			<u>\$ 76,267</u>

The Canadian operations of the company include export sales to customers of \$5,169,000 (1985 - \$6,900,000).

Five Year Review

(\$000's except per share data)

	1986	1985	1984	1983	1982
Results for the Year					
Sales	\$136,416	\$133,307	\$145,615	\$113,515	\$90,471
Income					
– before investment income, share of Camco and extraordinary items	2,398	1,412	756	162	25
– investment income and share of net income in Camco Inc.	5,639	6,298	4,794	5,086	2,602
Income before extraordinary items	8,037	7,710	5,550	5,248	2,627
Extraordinary items	12,988	(4,264)	(1,356)	3,174	–
Net income for the year	21,025	3,446	4,194	8,422	2,627
Earnings per common share					
– before extraordinary items	2.16	2.07	1.36	1.28	.64
– after extraordinary items	5.66	.93	1.02	2.05	.64
Dividend paid per common share	.40	.34	.34	.25	.11
Financial Highlights at Year-end					
Working Capital	36,620	11,720	17,485	14,315	12,856
Current Ratio	2.2 to 1	1.4 to 1	1.7 to 1	1.6 to 1	1.7 to 1
Fixed assets at net book value	8,088	9,507	9,359	5,561	4,990
Total assets	91,308	76,267	71,634	60,978	51,686
Long term debt	–	8,000	8,000	–	3,748
Shareholders' equity	57,995	38,522	36,077	36,093	28,697
Common Shares outstanding at December 31	3,717	3,717	3,717	4,102	4,102



Officers

GSW BUILDING PRODUCTS COMPANY

D. G. Woodrow
President and
Chief Executive Officer

W. Harrison
Vice-President,
Heating Products

H. B. McDonald
Vice-President,
Sales Marketing, and
Construction, Canada

E. J. Sepanik
Vice-President,
Operations, U.S.A.

G. A. Wilde
Vice-President,
Finance and Administration

GSW WATER PRODUCTS COMPANY

R. J. Thompson
President and
Chief Executive Officer

W. R. Arbuthnot
Vice-President

J. P. Cushing
Vice-President,
Sales

J. E. Ewenson
Vice-President,
Industrial Relations

D. G. Fixter
Sr. Vice-President,
Finance and Planning

M. O. Hickman
Vice-President,
Research and Development

L. A. Sattler
Vice-President,
Management Information Services

T. L. Smith
Vice-President,
Manufacturing

Corporate Directory

GSW BUILDING PRODUCTS COMPANY

Company Headquarters
281 Birch Avenue,
Hamilton, Ontario. L8L 7X6

Manufacturing Locations

281 Birch Avenue,
Hamilton, Ontario. L8L 7X6

26 Lorena Street,
Barrie, Ontario. L4N 4P4

2995 Page Street,
London, Ontario. N6A 4L6

Woods Road,
Nobel, Ontario. P0G 1G0

4427 Geraldine Avenue,
St. Louis, Missouri. 63115

Products

Waste Baskets
Metal and Vinyl Roof Drainage
Stove Pipe
Stove Boards
Class "A" 2100° Chimney
Toilet Compartments
Lockers and Gym Boxes

GSW WATER PRODUCTS COMPANY

Company Headquarters
599 Hill Street West,
Fergus, Ontario. N1M 2X1

Manufacturing Location

599 Hill Street West,
Fergus, Ontario. N1M 2X1

Products

Domestic Water Pumps
Tanks and Accessories
Sewage Pumps
Effluent and General Purpose
Pumps
Engine Driven Contractor
Pumps
Electric and Gas Water Heaters
Glass-Lined Range Boilers
Storage Vessels
Wringer Washers and
Components



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