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1976 Annual Report

GSW Limited / Limitée
A Canadian Company

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OF MANAGEMENT
AUG 9 1979
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FACTS IN BRIEF

	1976	1975
	(\$000's except per share data)	
SALES	\$139,130	\$134,664
NET INCOME BEFORE EXTRAORDINARY ITEMS	3,127	5,357
NET INCOME AFTER EXTRAORDINARY ITEMS	3,334	5,357
EARNINGS PER COMMON SHARE		
BEFORE EXTRAORDINARY ITEMS	.75	1.30
AFTER EXTRAORDINARY ITEMS	.80	1.30
CURRENT RATIO	1.7 to 1	1.8 to 1
WORKING CAPITAL	19,842	20,799
SHAREHOLDERS' EQUITY	27,433	24,635

GSW Limited / Limitée

Executive Offices
45 St. Clair Avenue West
Toronto, Ontario, Canada

Annual Shareholders Meeting
April 27, 1977
Canada Trust Building
110 Yonge Street,
Toronto, Ontario
at 11.00 a.m.

BOARD OF DIRECTORS

R. M. Barford
 P. de Gaspé Beaubien
 W. J. Bushnell
 H. B. Davis
 G. M. Farquharson, Q.C.
 D. S. R. Leighton
 J. K. Loudon
 R. A. Stevens
 Ben Wosk

Director Emeritus

Miss M. P. Hyndman, Q.C.

OFFICERS

R. M. Barford,
Chairman
 R. A. Stevens,
President
 L. Hollander,
*Group Vice-President,
 Appliance Group*
 N. H. Smith,
*Group Vice-President,
 General Products Group*
 F. O. Price,
*Vice-President,
 Research & Development*
 G. S. Dickson,
Vice-President, Corporate
 N. St. Jean,
Vice-President
 D. G. Fixter,
Treasurer
 G. M. Farquharson, Q.C.,
Secretary
 W. D. Campbell,
Assistant Treasurer
 D. A. Barnes,
Assistant Secretary

Share Transfer Agents

Preferred Shares, The Canada
 Trust Company
 Common Shares, National Trust
 Company Limited

Bank

The Bank of Nova Scotia

Audit

Clarkson, Gordon & Co.

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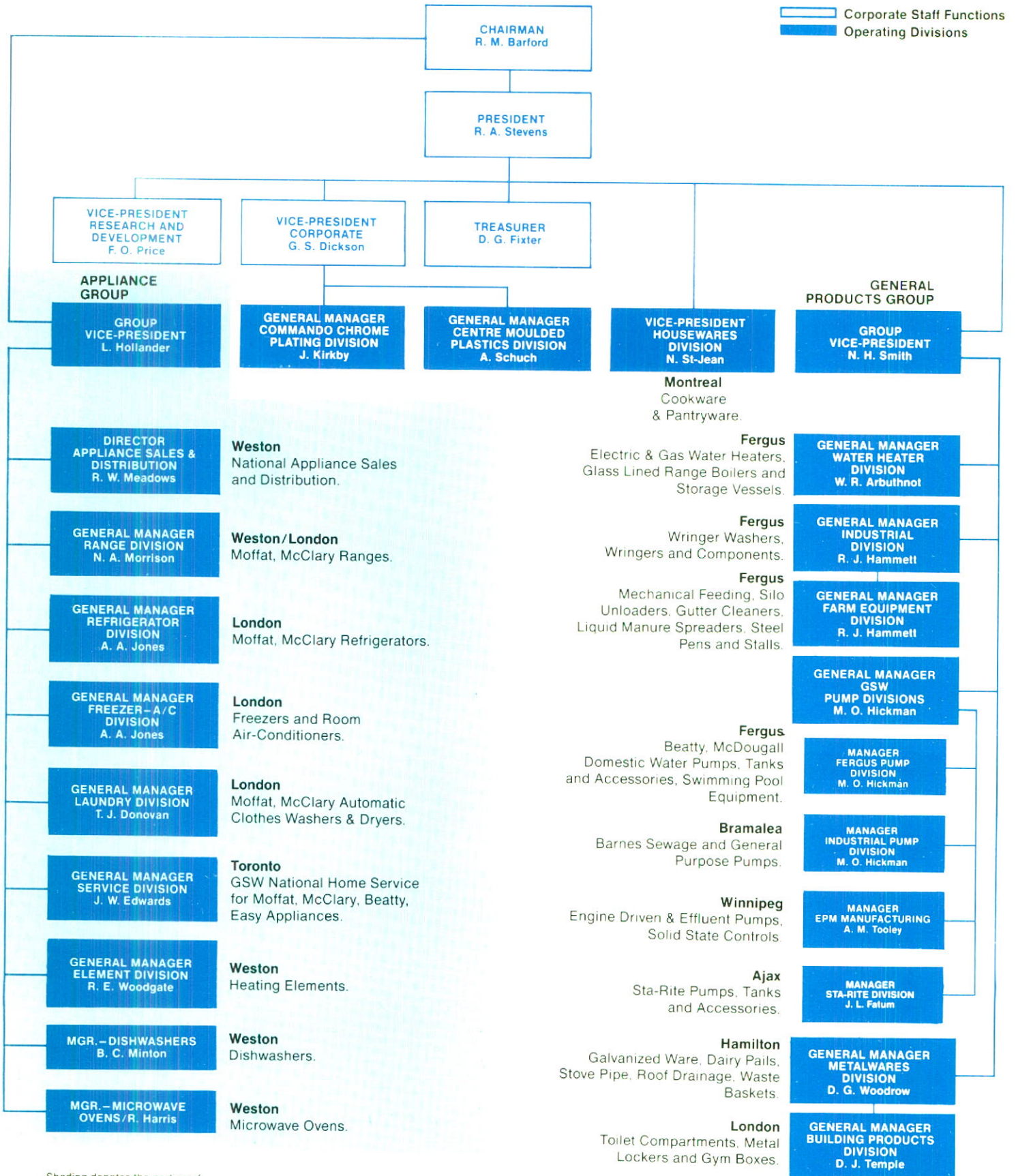
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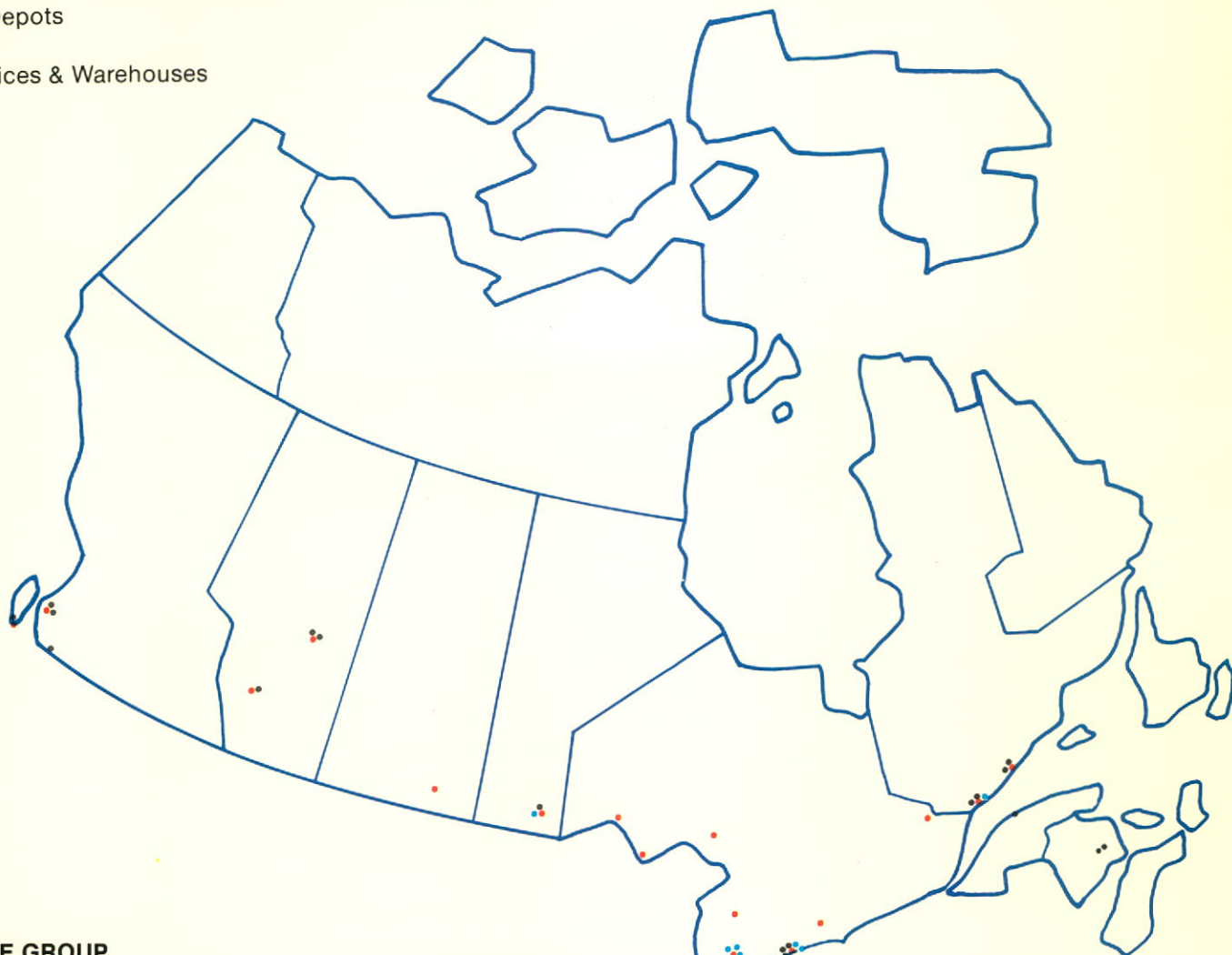
THE COMPANY AND ITS DIVISIONS



Shading denotes the portion of the company transferred to Camco

COMPANY LOCATIONS

- Service Depots
- Plants
- Sales Offices & Warehouses



APPLIANCE GROUP

Appliance Sales Offices & Warehouses

1. Toronto (Weston), Ontario
2. Winnipeg, Manitoba
3. Montreal (Lachine), Quebec
4. Edmonton, Alberta
5. Vancouver, B.C.
6. Moncton, N.B.
7. Calgary, Alberta—Warehouse
8. Victoria, B.C.—Warehouse

Range Division

1. Weston, Ontario—Plant

Refrigeration Division

1. London, Ontario—Plant

Laundry Division

1. London, Ontario—Plant

Element Division

1. Weston, Ontario—Plant

Freezer Division

1. London, Ontario—Plant

Home Service Division

1. Weston, Ontario—Head Office & Warehouse
2. Toronto, Ontario—Service Depot
3. Barrie, Ontario—Service Depot
4. London, Ontario—Service Depot
5. Sudbury, Ontario—Service Depot
6. Peterborough, Ontario—Service Depot
7. Sault Ste. Marie, Ontario—Service Depot

8. Hamilton, Ontario—Service Depot
9. Windsor, Ontario—Service Depot
10. Ottawa, Ontario—Service Depot
11. Fergus, Ontario—Service Depot
12. Thunder Bay, Ontario—Service Depot
13. Regina, Saskatchewan—Service Depot
14. Edmonton, Alberta—Service Depot
15. Quebec, Quebec—Service Depot
16. Calgary, Alberta—Service Depot
17. Vancouver, B.C.—Service Depot
18. Winnipeg, Manitoba—Service Depot
19. Montreal, Quebec—Service Depot
20. Victoria, B.C.—Service Depot

COMMANDO CHROME PLATING DIVISION

1. London, Ontario—Plant

CENTRE MOULDED PLASTICS DIVISION

1. Barrie, Ontario—Plant

HOUSEWARES DIVISION

1. Baie d'Urfé, Quebec—Plant
2. Weston, Ontario—Sales Office

GENERAL PRODUCTS GROUP

Pump Division

1. Fergus, Ontario—Plant
2. Ajax, Ontario—Plant
3. Montreal, Quebec—Sales & Warehouse

4. Edmonton, Alberta—Sales & Warehouse
5. Chilliwack, B.C.—Sales & Warehouse
6. Moncton, N.B.—Sales & Warehouse

Industrial Pump Division

1. Winnipeg, Manitoba—Plant
2. Bramalea, Ontario—Sales Office

Water Heater Division

1. Fergus, Ontario—Plant
2. Dundas, Ontario—Plant
3. Montreal, Quebec—Sales Office
4. Vancouver, B.C.—Sales & Warehouse

Building Products Division

1. London, Ontario—Plant

Metalwares Division

1. Hamilton, Ontario—Plant
2. Vancouver, B.C.—Sales & Warehouse

Industrial Division

1. Fergus, Ontario—Plant

Farm Equipment Division

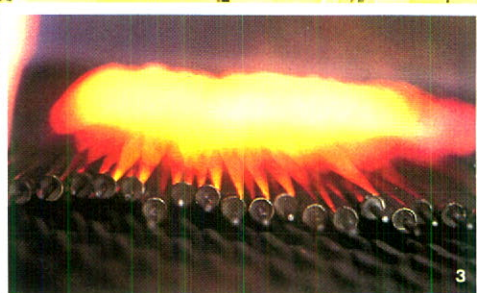
1. Fergus, Ontario—Plant

R & D CENTRE

1. Mississauga, Ontario—Research Facility (Sheridan Park)

CORPORATE OFFICE

1. Toronto, Ontario



APPLIANCE GROUP

Range Division

The Division's sales volume increased during 1976 despite a downturn in the Canadian Range Industry. This growth came primarily as a result of strong promotional activity concentrated in the second half of the year. These programmes included materials for use by dealers in increasing the sales of both Moffat and McClary brands. The Moffat programme also featured television advertising in Ontario and a direct mail campaign in the Western provinces. The advertising for both brands was geared to communicate the benefits of Moffat and McClary self-clean ranges to the consumer.

In addition to increased sales promotion activity, the Range Division's efforts resulted in improved quality, increased production, and lower cost levels in the plant. Reduced warranty costs are now reflecting the positive actions taken in late 1975 and early 1976 to improve quality. Recently, additional test equipment was installed to further detect potential problems at the plant, rather than in the field.

Range production in the fall reached record levels at the highest productivity ever achieved. Production controls and routines were modified to allow for significant reductions in third shift operations in the Press and Enamel Departments, in spite of the record production levels. The improved plant performance was the result of better understanding and team work by all Range Division employees and we are looking forward to new challenges in 1977.

1 Informal training seminar on Microwave ovens in progress.

2 Stacks of element units ready for oven installation.

3 Interior view showing rows of elements in annealing furnace.

4 Built-in ranges on assembly line at Weston.

5 Salesman demonstrates Moffat Gourmet 2000 oven.

6 Exterior view of element annealing furnace.

Microwave Ovens

The Microwave Division improved its share of an increasingly competitive market in 1976. In-store demonstrations, cooking classes, and sales training form the core of our marketing strategy. Consumer advertising was used for the first time in 1976, and new store displays were introduced.

A five-year magnetron tube warranty was announced in May and a new feature, Vari-Temp, was introduced in September. Vari-Temp is a probe which enables the oven to sense when the food has been cooked to the desired degree and to shut off automatically. These innovations were made possible through our partnership with Litton Microwave Cooking Products in Minneapolis.

GSW will continue to make substantial promotional expenditures to expand its already significant share of this growth market.

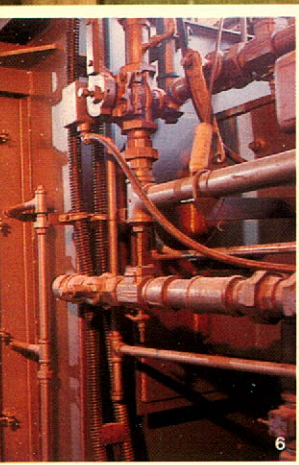
Element Division

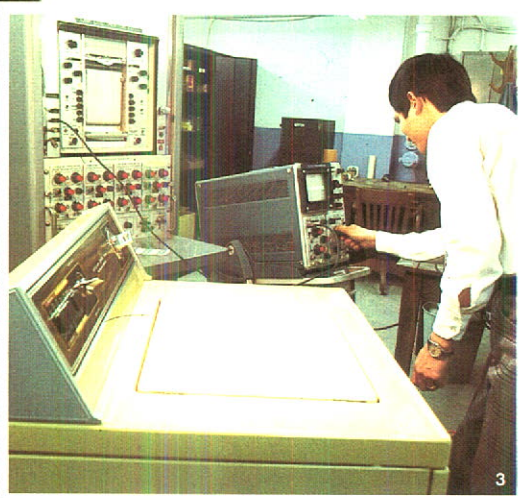
During 1976 the Division's sales of range elements increased significantly from the depressed market of 1975. Furthermore, sales of baseboard elements continued their strong growth pattern.

Further sales growth is expected in 1977, particularly in the replacement element market where the Division's product is distributed as the Con-Rad line by the Service Division. This line was expanded in 1976 to include many additional models.

The Division's facility improvement programme continued in 1976 with the start-up of a new controlled atmosphere annealing furnace, the upgrading of surface element assembly facilities and the installation of improved product inspecting and testing equipment.

The challenge to the Division in 1977 is the further upgrading of manufacturing facilities and processes. With the support of all employees, the management team is confident this can be achieved.





APPLIANCE GROUP

Refrigerator Division

The Refrigerator Division continued to strengthen its position in the manufacture and sale of McClary, Moffat and private brand refrigerators during 1976. A growth in market share has resulted in sales and production levels showing solid improvement over 1975.

The Division continued to place emphasis on value for money and improved the quality of its products, which accounts for the improved dealer acceptance, and continued confidence in our products. The Moffat and McClary lines were updated and expanded further, in preparation for a major launch in January 1977. This included larger sizes and innovative features.

In the plant, new receiving, storing and shipping facilities have been introduced. Improvements in space utilization continue, with improvement in materials and product handling, and inventory control. The plant operating expense levels continue to decline with the co-operation of all levels of employees, union and management.

A new two-year labour contract was negotiated during 1976 and the excellent relationships which have been established by labour and management over many years continued throughout the year.

The Division looks forward with confidence to its future operation with the objective of supplying the best consumer value to our customers, and full employment to all our employees, while earning a satisfactory return for our shareholders on their investment.

1 Technicians working in Freezer testing laboratories.

2 Testing Moffat dryer efficiency and assembly at London, Ontario.

3 Electronic testing of McClary 700 washer unit at London, Ontario Laboratory.

4 Consumer making use of GSW foam insulated chest freezer.

5 Consumer demonstration of McClary Refrigerator in London Retail Store.

Freezer and Air Conditioner Division

Following a very buoyant 1975, 1976 has been a disappointing year for the Division. Sales in the first quarter continued at the 1975 high levels, but the market fell off in the 2nd quarter, and continued at a low level for the balance of the year. With the decline in sales and the sudden increase in industry inventories, production interruptions were required.

Because of the increased demand for foam-insulated freezers, production of fibre-insulated freezers at the Fergus Belwood plant was stopped in November, and all future production of freezers will be of the energy-saving foam-insulated design manufactured in London, Ontario.

The Company has assisted the Belwood employees to relocate or find alternative employment, having established a Relocation Committee made up of Union Executive, Management, and Government agencies.

The Freezer Division enters 1977 with a complete line of foam-insulated freezers, redesigned to meet the expected competitive pressures of 1977.

Laundry Division

Product quality, reliability and consumer awareness have been the bywords in the Laundry Division this year. We are recognized as a producer of excellent quality laundry appliances.

In the plant, we have achieved a major consolidation of space requirements while also reducing utility costs and improving plant efficiencies.

Physical divisionalization is nearing completion on the London site with virtually all manufacturing, assembly, engineering, purchasing, shipping, receiving, and administration now consolidated in buildings east of Adelaide Street, making possible a vastly improved manufacturing facility for laundry products. With completion of our divisionalization plan, we are capable of responding quickly to the needs of consumers and our dealers.

Additional cost savings will be achieved in 1977 through further integration of the manufacture of component parts for laundry products.





APPLIANCE GROUP

Appliance Sales and Distribution

Through aggressive and distinctly separate dealer assistance programmes directed by our District Sales Managers, both the McClary and Moffat dealer franchises were expanded in 1976. These programmes included the addition of new features, new products, carefully planned seasonal promotions and the use of prize incentives for retail salesmen and for qualifying dealers. Our regular co-operative advertising programme with dealers was complemented with a substantial amount of high-quality consumer advertising on television and in magazines. All of these programmes have increased consumer awareness of the GSW brand names and have helped to increase our market share in 1976.

Further improvements in physical distribution in London, facilitating shipment consolidation, have enabled us to maximize carload shipments. This has produced cost benefits for our customers as well as ourselves, while enabling GSW to provide better overall service to our McClary and Moffat dealers.

Improvements in inventory deployment and communication techniques have helped to provide the correct inventories in our warehouses across the country, resulting in improved dealer order service levels, and better inventory turnover at lower inventory carrying costs. Further refinement of our modern computerized techniques will continue in 1977, and we look forward to providing our customers with the finest sales and distribution support in the industry.

Dishwashers

The dishwasher product line was changed early in 1976 to provide a product line with improved consumer acceptance which assists our dealers to sell the line more effectively, and more profitably.

The dishwasher line is a reflection of our ongoing programme of supplying products which respond to the consumer's needs. The line now provides for progressive feature improvements from the value priced Fiesta model through the mid-range Provençal and on to the ultimate in dishwashing luxury, the Epicure. The latter product leads the competition with totally automatic operation and an exclusive soak cycle.

Home Service Division

Our 1976 objectives were met as a result of our previous accomplishments in the areas of consolidation, computerization, microfilming and other improvements in business controls.

The national introduction of our new Con-Rad catalogue made our entry into the after-market for replacement elements and other related parts most successful.

Our use of professionally developed TV advertisements, using a well-known spokeswoman, was also a significant factor in achieving our objectives, despite uncertain economic conditions.

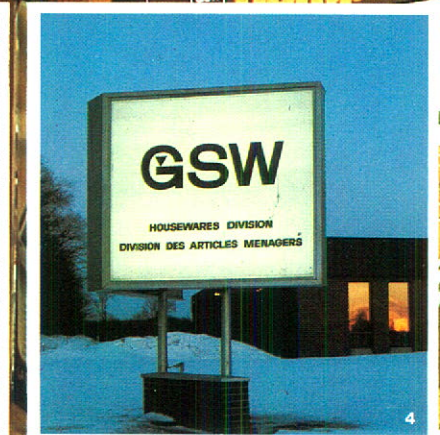
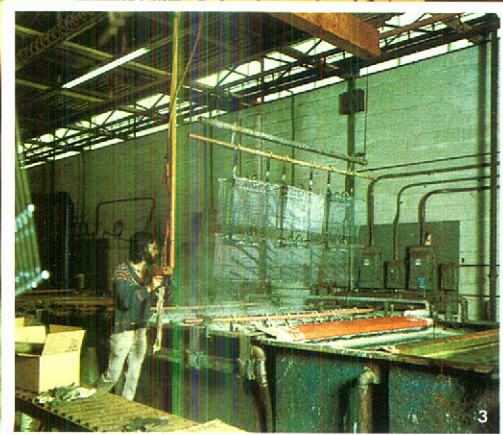
Early 1977 will see further improvement in controls and efficiency when we convert our inventory control system to direct on-line computer application. This will enable quick response to consumer service needs.

As always, our primary purpose is to supply superior service to GSW consumers, that will maintain the respected image for the name brands (McClary, Moffat, Beatty) distributed by the Appliance Group.

- 1 Fork lift truck loading ranges for shipment.
- 2 A GSW range becomes topic of discussion during promotional meeting between client and GSW Sales Executives.
- 3 Consumer examines features of her new dishwasher.



HOME FURNISHING



Housewares Division

Division growth continued strong in 1976. New products were well received by consumers and retailers alike, especially the Compak waste storage unit. A major sales increase occurred in all lines of stainless steel cookware, and pantryware sales were firm.

A study of manufacturing capacity and productivity was undertaken to ensure our ability to serve a growing market in the years to come. The resulting major investments will be made with the long term objective of increasing output and achieving cost and value leadership.

The Compak waste disposal unit is the first of a co-ordinated line of kitchen storage items. Its design is the result of extensive kitchen studies by GSW Research Centre, a well-known university, and the GSW marketing department.

Full colour packaging and TV advertising produced excellent sales results with the emphasis on Compak and cookware. This approach will continue for several new products slated for introduction in late 1977. The new Jardinière line of indoor planters made at Baie d'Urfé is selling well and will be expanded during 1977.

The Housewares Division's employees in the plant and in the office worked as a team and were effective in providing quality products and good customer service. A union-management committee has dealt with current issues, quickly and effectively. During 1977 this committee will address itself to the issue of greater productivity. The division will benefit from improved production planning which will enable the division to be more responsive to market demand in 1977.

1 Overview of GSW plastic injection moulding machinery at Barrie.

2 Department Manager of Simpsons discussing Coronet Stainless Steel Cookware with Consumer.

3 Operator lowers production components for plating at Commando Chrome.

4 GSW Housewares Division Montreal.

Commando Chrome Plating Division

The Plating Division continued to operate in 1976 as the principal source of plating services for GSW components. During the year, reductions were attained in the cost of production while upgrading the quality of electro-plating. These efficiencies have enabled division management to aggressively expand services to its growing customer base.

Also, during 1976, a number of facility improvements were implemented and these included devices for better worker safety and expanded pollution controls. The division's work force has good morale and is looking ahead to 1977 with enthusiasm.

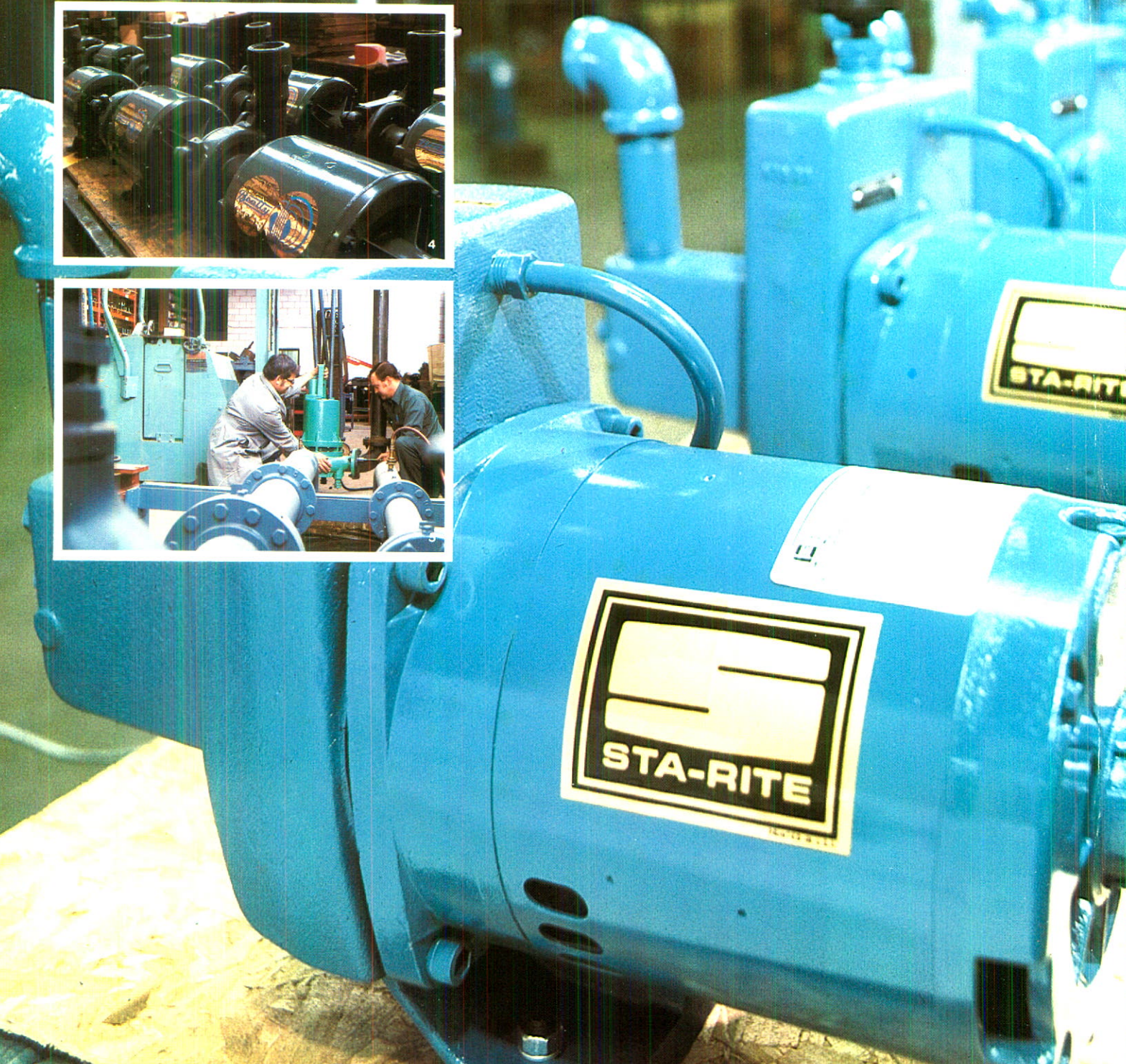
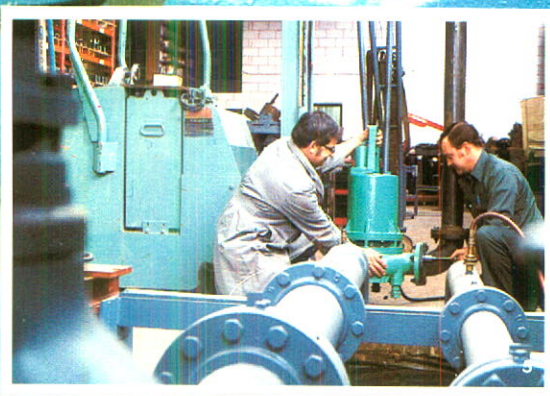
Centre Moulded Plastics Division

The Plastics Division, located in Barrie, Ontario, was acquired by GSW on April 1, 1976. The modern 30,000 sq. ft. building is situated on 1.6 acres of land in an Industrial Estate, with excellent access.

Centre Moulded Plastics is equipped with the most up-to-date machinery available and produces a wide range of injection and compression moulded parts for use in the manufacture of major home appliances, small appliances, cookware and batteries.

The plant employs 50 people and is operated on a 3-shift basis five days a week. The addition of this new division and its people brings plastics technology to GSW, and is a further step in our efforts to become self-sufficient in critical areas of component supply.

In 1977 parts will be produced for use in GSW by the Range, Refrigerator, Laundry, Freezer, Pump and Housewares Divisions, in addition to its substantial production for sale to other customers.



GENERAL PRODUCTS GROUP

Pump Division

In a static market for its products, the Domestic Pump Division's sales were marginally ahead of last year but depressed prices have reduced profit margins.

Organizational changes were implemented at year-end to add strength to the marketing of all brands and to counter the effect of price competition. In addition, during the year additional sales personnel were added in key areas across Canada to augment customer service.

New and updated products introduced during 1976 included a line of jet pumps, a new column sump pump, glass-lined package system tanks, and an expanded range of the popular "Sub Pack" models.

The Division's manufacturing capabilities were substantially improved by the addition of new machining equipment and a mechanized sump pump assembly line. Work continued on improving sources of supply, with particular emphasis on Canadian content and making the Division more self-sufficient. All machining for the Division is now in Fergus, thus increasing machine shop volumes and justifying further investment in more efficient machine tools. The Ajax facility now becomes a modern assembly and distribution facility primarily for the Sta-Rite brand of pumps.

Comparative studies of U.S. pump manufacturers have continued with the objective of ensuring that our products are competitive on North American standards and well positioned to increase our share of the Canadian market.

In addition, further rationalization of manufacturing and distribution facilities is planned, which together with the strengthening of the marketing organization will ensure that GSW continues as a major factor in the pump market it serves.

Industrial Pump Division

During 1976, the Industrial Pump Division, with the Barnes and EPM brands, continued to expand its distribution, and sales increased substantially over the previous year. While the majority of the division's sales were made in Canada, several large sewage pumps were also sold to Panama.

A branch office was opened in Montreal in order to give better direction and co-ordination to the division's marketing activities in Quebec and the Maritimes. Literature and technical bulletins have been updated and are available in both French and English.

Early in 1976 a new sewage grinder pump was successfully introduced and packaged sewage systems, plus progressing cavity pumps, were also added in the latter part of the year. All of the Barnes products have good markets in Canada and these new models will ensure continued sales and profit growth for 1977. The EPM product range was also enlarged during the year and new sump pumps, together with new sewage ejectors, were introduced to the product line.

The manufacturing plant in Winnipeg experienced a slowdown in the demand for some of its products due in part to the reduced activity levels in the construction industry. To offset this we commenced manufacturing several high volume pumps which had been imported previously. The manufacture of electrical controls is being phased over from custom designs to production type output.

A plan for the development of new distribution is now in place in order to expand the sale of Barnes and EPM products throughout Canada in 1977.

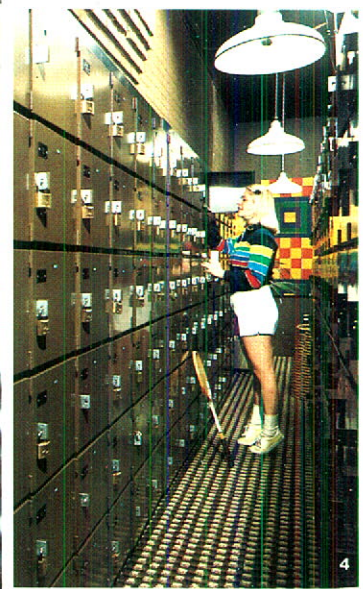
1 Submersible water pump receives its final approval.

2 McDougall 399 Series pumps mounted on Water Storage Tanks.

3 Final assembly of Beatty jet pump just before packaging.

4 Rows of Beatty jet pumps on final assembly line at Fergus.

5 Lowering of Industrial Sewage Pump into position for installation.



GENERAL PRODUCTS GROUP

Metalwares Division

The significant sales increase achieved by Metalwares Division in 1976 was accomplished through a dramatic increase in our market share of products sold through Home Improvement Supply outlets. A successful national advertising programme was undertaken to support the sales force, and this will be followed up in 1977 by television and radio promotions of key do-it-yourself products. Despite price controls and cost increases of basic materials, the Division management team was able to exceed all of its targets for sales, profits and return on investment.

Ongoing programmes for improved working conditions contributed to the high morale of the employees. Consumer oriented modification programmes for many products were implemented successfully and will be supplemented in 1977 with a unique raingoods installation system designed to maintain our leadership in this segment of the home improvement business. The redesign of the rectangular waste basket has strengthened our position in this product line in Canada and in the U.S. Although galvanized ware is not a product line of great growth potential, we maintained volumes in 1976 and successfully withstood continued competition from plastic products.

During 1976 the major management emphasis within the Metalwares Division was on internal growth programmes. The plans for 1977 are directed to a continuation of this growth, with concentration on the theme of "Customer Service" through improved quality, distribution, communications, and systems designed for the consumer.

Building Products Division

The decline in institutional construction and a general reduction in capital spending during 1976 resulted in a reduced market for both lockers and toilet partitions in Canada. However, tight operational controls in Building Products Division minimized the effect of this downturn while market share was improved through the implementation of revised marketing plans and strategies in tune with the economy.

The expansion of the plant facilities which was completed in the first half of the year has provided a 30% increase in manufacturing area, and the opportunity for improved production flow and lower costs.

A plan to develop export opportunities is starting to show success with an increasing flow of orders received from both the U.S.A. and Britain. This effort in the export area will be continued in order to allow the Division to broaden its market base, and offset the impact of economic fluctuations on our domestic markets.

The Division completed the development work in 1976 for a new locker design which is to be introduced in 1977. This locker will add depth to the present product line, as it is well suited to architecturally specified construction work, and will also allow the Division to expand into new consumer markets, both in Canada and abroad.

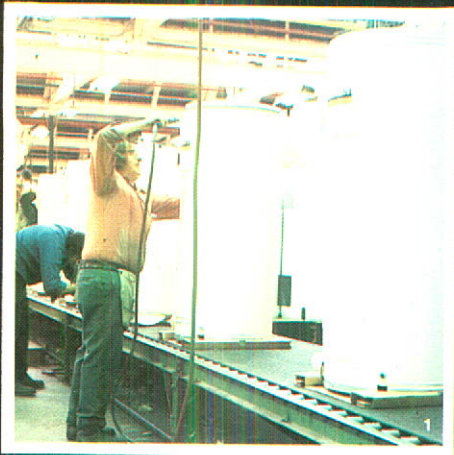
Consequently, despite the uneven economy and a depressed Canadian construction industry into which our building products are sold, the Division is well positioned to expand its market share and achieve its targets again in 1977.

1 Rainware display of GSW products in Milton Hardware Store.

2 A Marketing department team discusses newly designed rectangular waste basket.

3 GSW lockers installed in the C.N. Tower complement the futuristic structure.

4 GSW Lockers form corridor at "Twenty-one McGill Street" women's Club.



GENERAL PRODUCTS GROUP

Water Heater Division

The Water Heater Division achieved a substantial increase in sales and in the volume of units shipped in 1976. However, aggressive price competition in all channels of distribution brought pressure on margins.

In contrast to this, the combined efforts of the division's plant employees, with the engineering and production management teams, produced significant gains in productivity throughout the year, and the Water Heater Division is soundly based to capitalize on market opportunities.

The galvanized pump tank operations were successfully integrated into the division in 1976 and further additions to the pump tank product line in the form of glass-lined and epoxy-lined tanks are planned for 1977. Additional equipment was also added to the tank fabricating department to provide improved quality, efficiency and safety in that area of operations.

An improved Quality Audit programme was introduced at various control points within the manufacturing departments during 1976. In addition, standards for glass coatings for inner tanks were developed in conjunction with the Canadian Standards Association, the Canadian Water Heater Manufacturers' Association and various provincial utilities. GSW's active participation in this industry initiative has contributed to a higher level of consumer satisfaction and acceptance throughout the industry for Canadian manufactured water heaters.

The major challenge facing the division's management team in 1977 will be to increase our share of the water heater market in Canada and to continue to work toward the attainment of U.S. manufacturing costs.

1 Knight electric water heaters under assembly.

2 Overhead conveyor line carrying finished wringer units to packaging area.

3 Packing finished wringer washers for export to Saudi Arabia.

4 Liquid manure spreaders in warehouse ready for distribution.

5 Hamilton Hydro display, with various models of Knight Water Heaters.

6 Consumer and Dealer discussing features of GSW Wringer washer.

Industrial Division

In 1976 the Industrial Division again increased its sales of wringer washing machines and components. In the domestic market, additional sales through major accounts resulted in a significant increase in market share. There was also an overall strengthening of volume through our existing export distributors as a result of our careful attention to the requirements of their markets and recognition of the high quality of our product. A major breakthrough was achieved with the sale of components in Latin America.

The manufacturing operation has succeeded in increasing production in a reduced manufacturing area. This, with other engineering projects, has raised productivity and helped maintain a competitive position in the international market. In early 1977, we will complete new packing specifications which will further reduce the landed cost to our export customers, and create new marketing opportunities.

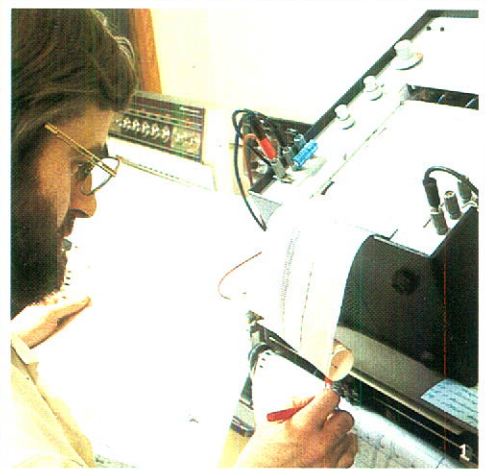
Farm Equipment Division

A depressed market for the Division's products in 1976 resulted in a reduction of sales.

During 1976 the Division was re-organized, and slow-moving and unprofitable products were removed from the line. The divisional resources are directed to the production and marketing of a narrower range of products through established Distributors and Dealers. Water bowls are again being sold by the GSW Pump Division in order to expand distribution.

Engineering development has been concentrated on the standardization of current product lines and the addition of two sizes of Slurry Wagons to complement the range of Pump Agitators.

These operating principles will be followed again in 1977 in order to maximize profit contribution from the Division's products.



DEVELOPMENT

Research and Development Centre

In 1976 the Research Centre undertook a diversity of projects in technical support of the operating groups.

The need to conserve energy has placed emphasis on the design of domestic appliance products with lower energy consumption. GSW is responding to this need as it receives increased attention from industry associations and governmental agencies.

Hot water is the second largest user of energy in the home, and automatic washers and dishwashers are two of the principal users of hot water. In order to reduce hot water consumption, research projects were undertaken to determine the effect of lower water temperatures on personal health and on the cleanliness of dishes and clothes. The findings will influence future product designs.

To aid in reducing the energy required for domestic refrigeration, a method of designing low energy refrigerators was developed. Experiments were conducted to increase food storage life resulting in reduced food spoilage and improved food quality.

Alternate methods of designing clothes dryers were investigated to reduce substantially the energy required for drying clothes.

In recent years, microwave cooking has been introduced to a growing number of homes, and GSW has become the acknowledged leader in this market with our Litton / Moffat and Litton / McClary microwave ovens. The Research Centre has

evaluated the numerous performance improvements and new feature developments. Such innovations as automatic defrost cycles and electronic controls have made microwave ovens easier to operate. Simultaneously, design changes have increased heating uniformity and improved the quality of cooking performance.

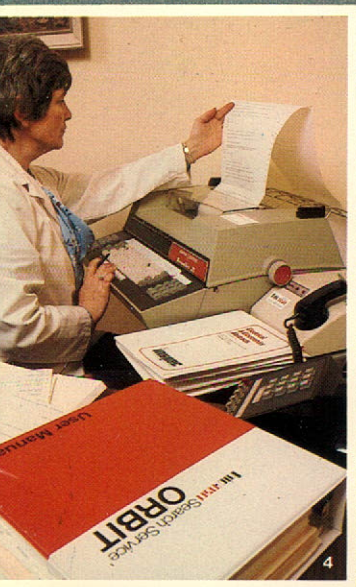
In the future we can expect to see domestic ranges which combine microwave and regular oven cooking. Research has been concerned with the development of ranges which combine the best features of both of these cooking methods. Although it may be a few years before cooking appliances of this type are in general use, the superior performance of these appliances assures that they will eventually be found in most homes.

Kitchen utensils for the preparation and serving of food are undergoing design changes in keeping with our new life styles. Development work is going forward on new types of cookware using various material combinations to reduce energy consumption, to improve cooking efficiency, and to accommodate microwave cooking.

To assist the Pump Division, research was undertaken to develop equipment for pumping water, which would be satisfactory for developing countries. Field experience had shown that no available product is satisfactory for this purpose. In co-operation with the Canadian International Development Agency and with consultants to the Canadian Government, a new pump was developed. The new equipment will be field tested in Ghana in 1977 and is expected to fill a major need in the developing world.

The increasing use of engine-driven implements around the home has created the need for greater safety in the handling of flammable liquids. New government regulations require rigid safety standards for the storage and handling of hazardous substances such as gasoline. GSW devoted substantial research effort towards developing a safety gas can which will provide consumers with the necessary protection.

- 1 Conducting energy consumption tests to determine Refrigerator efficiency.
- 2 Technician checking graph on instrument for testing Microwave range performance variables.
- 3 Prototype Microwave oven undergoing door opening tests.
- 4 Retrieving Data Bank information from Computer Terminal to supplement research at Sheridan Park.



Report of the Board of Directors:

To the Shareholders:

Sales of \$139,130,000 in 1976 were 3% higher than 1975 sales of \$134,664,000. The markets for our products showed modest growth in the first three quarters of 1976 over 1975, but declined sharply in the fourth quarter. Appliance Group sales in 1976 were at the 1975 level as freezer sales declined substantially in a much less buoyant market. Sales gains were recorded in all other major appliance products on the strength of increased market share.

The Housewares and Metalwares Divisions achieved excellent sales increases in 1976 by increasing share in their respective consumer markets. The Industrial Division achieved another substantial increase in its sales of wringer washers in export markets. The Water Heater Division continued its sales growth in a very competitive market. The sales of Farm, Pump and Building Products showed no growth in 1976 as these divisions encountered depressed markets.

Net income for the year was \$3,127,000, or 75¢ per share before extraordinary items, compared to \$5,357,000, or \$1.30 per share, in 1975. The 1976 net income after extraordinary items was \$3,334,000, or 80¢ per share. Appliance Group profits declined in 1976 as a result of the significantly lower freezer volume, and a substantial increase in promotional and advertising expenditures. These expenditures improved public awareness of GSW Home Service as well as Moffat and McClary appliances, and their improving market share attests to the present and future value of these expenditures. Metalwares, Industrial and Housewares Divisions recorded profit improvements over 1975 on increased volume. Water Heater margins were under intense pressure due to price competition, and profit declined despite a sales increase. The Farm Division incurred a loss and the Pump and Building Products Divisions earned lower profits in 1976.

Accounts receivable levels were under excellent control throughout 1976 and at year-end were below the December

31, 1975 level in days outstanding. Inventories increased by \$5,892,000 during 1976 to \$28,932,000 at December 31. The total increase occurred in the Appliance Group and resulted primarily from planned marketing programs, although the sudden market deterioration in the fourth quarter had substantial adverse effect. Significant capital investment during 1976 was directed to improved facilities and lower unit production and operating costs. In the Appliance Group, a major warehouse consolidation was undertaken in London to improve customer service. Further major rearrangement resulted in relocation of Laundry and Refrigerator Divisions into separate manufacturing facilities on the Adelaide Street site in London. Growing consumer preference for foam-insulated freezers resulted in the closing of the fibre freezer plant in Fergus, Ontario. Production of freezers was consolidated in the London plant.

The Building Products Division completed its facility expansion in London, Ontario early in 1976 as planned, and no start-up problems were encountered. Metalwares, Water Heaters and Pumps all had major equipment additions during 1976 which are designed to help attain GSW's goal of being internationally competitive in each of its business areas.

The operating divisions, in collaboration with the Research and Development Centre at Sheridan Park, continued their programs of designing and developing new products to meet consumer needs. The product profiles of ranges, refrigerators, microwave ovens and dishwashers were broadened and the Housewares and Pump Divisions successfully introduced new products to their markets.

During 1976 a corporate advertising program was undertaken to strengthen consumer association of GSW with its well-known brands.

Organization and Personnel:

We continued to enjoy a good working relationship with the Unions representing our employees, and a new two-year contract was negotiated during 1976 covering employees at

most major manufacturing locations. Management development continues to be a high priority in GSW and is essential to the policy of promoting from within the company.

Acquisitions and Mergers:

Early in 1976, GSW completed the acquisition of Centre Moulded Plastics Limited in Barrie, Ontario. This manufacturer of injection and compression moulded plastic components provides GSW with technology and manufacturing capability in a critical area of supply. During 1976 GSW entered into an agreement with Canadian General Electric Company Limited to form a new corporate joint venture, Canadian Appliance Manufacturing Company Limited (CAMCO). This new company assumed the Canadian major appliance operations of the two shareholder companies effective January 1, 1977.

In addition, CAMCO has entered into an agreement with Westinghouse Canada Limited to purchase the appliance operations of Westinghouse Canada during 1977. The creation of CAMCO results in the rationalization of a key segment of secondary manufacturing in Canada. GSW's often stated objective of becoming internationally competitive has taken a large step forward with this merger and we are pleased that Canadian General Electric is our partner in this exciting new venture.

Outlook:

With the uncertain prospects for the Canadian economy for 1977, demand for GSW products is not expected to increase significantly from 1976 levels. Efforts to increase participation in our served markets will continue, consistent with the requirement for a satisfactory return on our shareholders' equity.

The Board wishes to thank all of the employees of GSW for their contribution to the Company's achievements in 1976.

On behalf of the Board:



R. A. Stevens
President

R. M. Barford
Chairman

Consolidated Statement of Income (\$000's)

GSW LIMITED - GSW LIMITÉE

Year ended December 31, 1976

(with comparative figures for 1975)



	<u>1976</u>	<u>1975</u>
Sales revenue:		
Major appliance.....	\$ 93,213	\$ 93,026
General products and other	45,917	41,638
Net sales	<u>\$139,130</u>	<u>\$134,664</u>
Income before undernoted items.....	\$ 8,324	\$ 12,181
Interest on long-term debt.....	216	204
Interest on other loans.....	1,033	1,180
Depreciation	1,303	1,085
	<u>2,552</u>	<u>2,469</u>
Income before income taxes and extraordinary items.....	5,772	9,712
Income taxes	2,645	4,355
Income before extraordinary items	3,127	5,357
Extraordinary items:		
Gain on repayment of long-term debt.....	445	
Costs of plant closing less related income taxes (note 7).....	<u>(238)</u>	
	207	
Net income for the year.....	<u>\$ 3,334</u>	<u>\$ 5,357</u>
Earnings per common share:		
Income before extraordinary items.....	\$ 0.75	\$ 1.30
Extraordinary items	0.05	
Net income for the year	<u>\$ 0.80</u>	<u>\$ 1.30</u>

(See accompanying notes)

Consolidated Balance Sheet (\$000's)

GSW LIMITED - GSW LIMITÉE

(Incorporated under the laws of Canada)

December 31, 1976 (with comparative figures for 1975)

Assets	Pro forma (note 10)	1976	1975
Current:			
Cash.....	\$ 1,010	\$ 1,010	\$ 1,106
Accounts receivable	18,780	18,780	20,357
Inventories—			
Finished goods	3,847	17,719	11,362
Raw materials and work in process	5,003	11,213	11,678
Prepaid income taxes.....	579	579	1,192
Prepaid expenses.....	288	701	901
Cash due from CAMCO	4,957		
Total current assets	<u>34,464</u>	<u>50,002</u>	<u>46,596</u>
Investment in Canadian Appliance Manufacturing Company Limited (note 10):			
Acquisition costs.....		246	
Shares.....	5,176		
Notes receivable.....	4,957		
Total investments	<u>10,133</u>	<u>246</u>	
Fixed:			
Land, buildings and equipment.....	11,550	26,064	23,385
Less accumulated depreciation.....	<u>6,958</u>	<u>16,542</u>	<u>15,321</u>
Total fixed assets	<u>4,592</u>	<u>9,522</u>	<u>8,064</u>
Other:			
Prepaid income taxes, non-current portion	12	12	143
Total assets	<u>\$49,201</u>	<u>\$59,782</u>	<u>\$54,803</u>

On behalf of the Board:

(See accompanying notes)

R. A. Stevens, Director

R. M. Barford, Director

Liabilities	Pro forma (note 10)	1976	1975
Current:			
Bank indebtedness (note 2)	\$ 9,111	\$ 9,111	
Accounts payable and accrued liabilities	9,184	19,345	\$20,135
Income and other taxes payable.....	975	1,395	5,428
Dividends payable	11	11	19
Debt due within one year	<u>298</u>	<u>298</u>	<u>215</u>
Total current liabilities	19,579	30,160	25,797
Provision for warranties, non-current portion.....	1,604	1,604	1,589
Long-term debt (note 3).....	<u>585</u>	<u>585</u>	<u>2,782</u>
Total liabilities	<u>21,768</u>	<u>32,349</u>	<u>30,168</u>
Shareholders' equity:			
Share capital (note 4)–			
5% cumulative preferred shares of \$100 each, redeemable at \$105			
Authorized and issued less redeemed:			
8,691 shares (1975–15,149).....	<u>869</u>	<u>869</u>	<u>1,515</u>
Common shares without par value:			
	<u>Authorized</u>	<u>Issued</u>	
Class A	1,360,901	1,316,253	774
Class B	<u>20,000,000</u>	<u>2,785,803</u>	<u>1,763</u>
	<u>21,360,901</u>	<u>4,102,056</u>	<u>2,537</u>
Contributed surplus	446	446	417
Retained earnings.....	<u>23,581</u>	<u>23,581</u>	<u>20,292</u>
Total shareholders' equity	<u>27,433</u>	<u>27,433</u>	<u>24,635</u>
Total liabilities and shareholders' equity	<u>\$49,201</u>	<u>\$59,782</u>	<u>\$54,803</u>

(See accompanying notes)

Consolidated Statements of Retained Earnings and Contributed Surplus (\$000's)

GSW LIMITED - GSW LIMITÉE

Year ended December 31, 1976

(with comparative figures for 1975)

	<u>1976</u>	<u>1975</u>
RETAINED EARNINGS		
Balance, beginning of year	\$20,292	\$15,012
Add net income for the year.....	<u>3,334</u>	<u>5,357</u>
	23,626	20,369
Deduct dividends on preferred shares	<u>45</u>	<u>77</u>
Balance, end of year.....	<u>\$23,581</u>	<u>\$20,292</u>
 CONTRIBUTED SURPLUS		
Balance, beginning of year	\$ 417	\$ 362
Add gain on purchase of preferred shares.....	<u>29</u>	<u>55</u>
Balance, end of year.....	<u>\$ 446</u>	<u>\$ 417</u>

(See accompanying notes)

Consolidated Statement of Changes in Financial Position (\$000's)



GSW LIMITED – GSW LIMITÉE
Year ended December 31, 1976
(with comparative figures for 1975)

	<u>1976</u>	<u>1975</u>
Funds were derived from:		
Operations—		
Income before extraordinary items	\$ 3,127	\$ 5,357
Add charges not requiring funds:		
Depreciation	1,303	1,085
Reduction in prepaid income taxes, non-current	131	63
Provision for warranties, non-current	15	156
Total funds from operations	<u>4,576</u>	<u>6,661</u>
Issue of common shares	126	
Issue of long-term debt		447
Total funds provided	<u>4,702</u>	<u>7,108</u>
Funds were applied to:		
Repayment of long-term debt	1,984	215
Purchase of fixed assets	1,694	1,537
Acquisition of subsidiary company including \$235,000 working capital deficiency (note 8)	835	
Redemption of preferred shares	617	503
Dividends on preferred shares	45	77
Plant closing costs (note 7)	238	
Acquisition costs (note 10)	246	
Total funds applied	<u>5,659</u>	<u>2,332</u>
Increase (decrease) in working capital for the year	(957)	<u>\$ 4,776</u>
Pro forma:		
Notes of Canadian Appliance Manufacturing Company Limited to be received on transfer of net current assets to joint venture (note 10) ...	<u>(4,957)</u>	
Pro forma decrease in working capital for the year	<u>\$ (5,914)</u>	

(See accompanying notes)

Notes to Consolidated Financial Statements

GSW LIMITED – GSW LIMITÉE

December 31, 1976

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 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.
- (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 5)
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—
Income taxes are provided for on reported income in accordance with the tax allocation method of accounting. Under this method prepaid or deferred income taxes are recorded in respect of timing differences between reported income and current taxable income. These timing differences relate principally to warranty costs which are deductible when paid rather than when accrued and differences between depreciation claimed for income tax purposes and that recorded in the accounts.

- (f) 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.

2. Bank indebtedness

Subsequent to December 31, 1976 the company utilized cash flows from operations and the collection of accounts receivable of the major appliance division (see note 10) to repay its bank indebtedness.

3. Long-term debt

The long-term debt consists of:

	1976	1975
	\$(000's)	
10½% agreement of purchase and sale, due 1985	\$402	\$ 447
10¾% mortgage payable, due 1999	231	
6% mortgages payable, due 1981	633	2,550
	<u>585</u>	<u>2,997</u>
Less amounts due within one year	48	215
	<u>\$585</u>	<u>\$2,782</u>

The 10½% agreement of purchase and sale is payable in annual principal instalments of \$45,000. The 10¾% mortgage is repayable in equal annual instalments of principal and interest of \$27,000.

4. Share capital

The Class "A" and Class "B" common shares are equal in all respects except that the Class "A" common shares have 100 votes per share and the Class "B" common shares have one vote per share. A holder of Class "A" common shares, at any time may convert them into an equal number of Class "B" common shares. During the year 25 Class "A" shares were converted into Class "B" shares.

During the year 30,000 Class "B" shares were issued for an aggregate cash consideration of \$125,625 to employees who had been granted options to purchase these shares under stock option plans. There were no further stock option plans outstanding at December 31, 1976.

Under the terms and conditions relating to the 5% cumulative preferred shares, a sinking fund is to be set aside by July 1 each year for the purchase or redemption of these shares, the amount being determined in accordance with a formula based on the consolidated net income for the previous year. In 1976, 6,458 shares were purchased for cancellation. As a result of preferred share purchases made during 1976 no preferred shares need be called for redemption in 1977.

5. Pension plans

There are a number of pension plans for present and retired employees of the company. During the year the company granted increased pension benefits, the past service cost of which amounted to approximately \$2.8 million. Based upon the most recent actuarial valuations the total estimated unfunded obligations as at December 31, 1976 amount to approximately \$5.0 million.

As part of the agreement relating to the formation of Canadian Appliance Manufacturing Company Limited (see note 10), CAMCO will assume the unfunded past service obligations relating to the employees of the major appliance divisions of the company. The remaining unfunded obligations will not be known until the completion of actuarial valuations of the various plans.

6. Remuneration of directors and officers

The company has nine directors. The aggregate remuneration paid to directors as directors was \$34,000. The company has eleven officers of whom three are also directors. The aggregate remuneration paid to officers as officers was \$791,000.

7. Plant closing

During the year the company closed its fibre freezer plant at Fergus, Ontario. Production volume was transferred to the foam insulated freezer manufacturing facility in London, Ontario. These costs include such items as loss on inventories, and cost of moving certain equipment and inventories to London less related income taxes of \$179,000.

8. Acquisition of subsidiary company

On April 1, 1976 the company acquired all of the outstanding shares of Centre Moulded Plastics Limited and its associated company, Concord Plastics Inc. A summary of the net assets purchased and consideration paid is set out below:

Net assets purchased:	(\$000's)
Fixed assets,	
at net book value	\$732
Less long-term debt	<u>232</u>
	500
Less working capital deficiency	<u>235</u>
Net book value acquired	265
Premium ascribed to value of fixed assets	<u>335</u>
Net assets purchased	<u>\$600</u>
Consideration paid:	
Cash	\$350
9¾% note payable, March 31, 1977	<u>250</u>
Total consideration paid	<u>\$600</u>

9. The Anti-Inflation Program

Under the federal government's Anti-Inflation Program (presently scheduled to be in force until December 31, 1978) the company is subject to mandatory compliance with legislation which controls prices, profit margins, employee compensation and shareholder dividends.

10. Formation of joint venture

Effective January 1, 1977, the company (GSW) and Canadian General Electric Company Limited (CGE) formed an incorporated joint venture, Canadian Appliance Manufacturing Company Limited (CAMCO) to operate their combined major appliance divisions. Under the agreements relating to the formation of the joint venture each of GSW and CGE transferred to CAMCO their major appliance division inventories and prepaid expenses. As consideration for these assets CAMCO will assume certain liabilities of GSW and CGE and the balance of the purchase price is to be satisfied by cash and notes receivable. Each of GSW and CGE also transferred their major appliance division fixed assets in exchange for CAMCO shares. The shares to be issued will give GSW a 40% equity interest in CAMCO and CGE a 60% equity interest. Voting shares, however, are to be held 50% by GSW and 50% by CGE.

The transfer price of the inventory and prepaid expenses was equal to GSW's book value of these assets. The shares of CAMCO have been reflected on the pro forma balance sheet at the underlying net book value of the fixed assets transferred plus certain expenses and professional fees associated with the transaction. No profit or loss to GSW has been realized in connection with the formation of CAMCO.

GSW's major appliance division accounts receivable, which amount to \$12.9 million at December 31, 1976, were not transferred to CAMCO and will be collected by GSW in 1977. CAMCO has agreed to fulfill warranty obligations on products sold prior to January 1, 1977 by GSW and CGE but the cost of providing such warranty on their respective products will be billed back to GSW and CGE. Accordingly the provision for warranties on such GSW major appliances will continue to be included in the balance sheet of GSW.

The details of the assets transferred by GSW and the consideration received are:

Assets transferred:	(000's)	
Inventories		
– finished goods		\$13,872
– raw materials		6,210
Prepaid expenses		413
Fixed assets		
– cost	\$14,514	
– less		
accumulated depreciation	(9,584)	4,930
Total assets transferred		<u>\$25,425</u>
Consideration to be received:		
Accounts payable and accrued liabilities to be assumed by CAMCO		\$10,581
Notes to be issued by CAMCO		4,957
Amount to be received in cash		4,957
Common shares of CAMCO to be issued at stated capital value		<u>4,930</u>
Total consideration to be received		<u>\$25,425</u>

The pro forma balance sheet as at December 31, 1976 gives effect to the above transaction.

The notes to be received from CAMCO bear interest at prime bank rate. Repayment terms are subject to final determination pursuant to the agreement.

The common shares to be received from CAMCO consist of 1,000,000 Class "A" Voting shares and 3,000,000 Class "C" non-voting shares. CAMCO will issue to CGE, 1,000,000 Class "B" voting shares and 5,000,000 Class "C" non-voting shares.

GSW will reflect its investment in CAMCO in future years on the equity method by which 40% of the net income of CAMCO will be included in the income of GSW.

In addition to the acquisition of the major appliance businesses of GSW and CGE, CAMCO has entered into an agreement to acquire the major appliance business of Westinghouse Canada Limited during 1977.

Auditors' Report

To the Shareholders of GSW Limited – GSW Limitée:

We have examined the consolidated balance sheet of GSW Limited – GSW Limitée as at December 31, 1976 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, 1976 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.

We have also examined the pro forma consolidated balance sheet of GSW Limited – GSW Limitée as at December 31, 1976 and in our opinion this pro forma consolidated balance sheet presents fairly the financial position of the company as at December 31, 1976, after giving effect to the transaction described in note 10 to the consolidated financial statements.

Clarkson, Gordon & Co.

Toronto, Canada,
March 15, 1977.

Chartered
Accountants



In 1976 the company expanded communication of employee benefit plans. Each employee receives a personalized benefits package which describes the individual parts in detail. An annual Benefacts statement shows each employee the amount of personal protection afforded by company and government plans.

Five-Year Review

(in thousands except per share data)

GSW LIMITED - GSW LIMITÉE
Year ended December 31



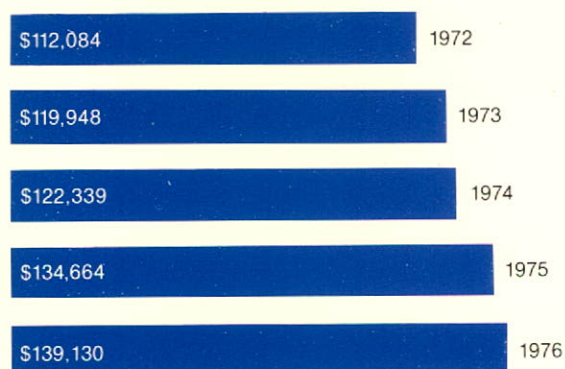
GSW RESULTS FOR THE YEAR	1976	1975	1974	1973	1972
Net Sales.....	\$139,130	\$134,664	\$122,339	\$119,948	\$112,084
Net Income before extraordinary items.....	3,127	5,357	3,119	502	2,686
Net Income after extraordinary items.....	3,334	5,357	3,119	502	3,544
Earnings per common share (see note)					
Before extraordinary items.....	.75	1.30	.74	.09	.63
After extraordinary items80	1.30	.74	.09	.84
Depreciation.....	1,303	1,085	1,078	840	843
Additions to fixed assets	2,761	1,537	2,060	1,022	583

GSW FINANCIAL HIGHLIGHTS AT YEAR-END

Working capital.....	\$ 19,842	\$ 20,799	\$ 16,023	\$ 13,711	\$ 13,757
Current ratio.....	1.7 to 1	1.8 to 1	1.4 to 1	1.5 to 1	1.5 to 1
Fixed assets at net book value.....	9,522	8,064	7,612	6,630	6,448
Total assets	59,782	54,803	61,205	47,380	48,839
Long-term debt	585	2,782	2,550	2,720	2,890
Shareholders' equity	27,433	24,635	19,858	16,995	16,758
Common shares outstanding (see note) ..	4,102	4,072	4,072	4,072	4,063
Preferred shares outstanding.....	9	15	21	22	24

Note: Common share data for 1972 has been adjusted to give effect to a 2 for 1 stock split in 1973.

Sales (in thousands of dollars)



Net Income after extraordinary items (in thousands of dollars)

