



MANAGEMENT
LIBRARY
MAY 6 1974
MCGILL UNIVERSITY

GSW Limited – GSW Limitée

BOARD OF DIRECTORS

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

OFFICERS

R. M. Barford, *Chairman*
G. S. MacDonell, *Vice-Chairman*
R. A. Stevens, *President*
L. Hollander, *Group Vice-President*
G. S. Dickson, *Vice-President – Corporate Supply and Traffic*
M. S. Hartley, *Vice-President – Research and Development*
F. O. Price, *Vice-President – Manufacturing Services*
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

BANKERS The Bank of Nova Scotia

AUDITORS Clarkson, Gordon & Co.

GSW LIMITED-GSW LIMITÉE Head Office –
45 St. Clair Ave. West, Toronto, Ontario M4V 1K9

Report of the Board of Directors

TO THE SHAREHOLDERS:

Sales in 1973 increased by 7% to \$119,948,000 from \$112,084,000 in 1972, with all divisions showing increases.

Net income for the year was \$502,000 and 9¢ per share. This compared to 1972 net income of \$2,686,000 and 63¢ per share before extraordinary items, and \$3,544,000 and 84¢ per share after extraordinary items. There were no extraordinary items in 1973.

Net income for the year was adversely affected by significant start-up costs associated with a new line of appliances introduced in 1973. In addition, the Appliance Division was unable to offset fully, rising material, wage and borrowing costs with price increases, particularly in the second half of the year. All other divisions increased earnings over 1972, except Farm Equipment, which had heavy rearrangement costs.

Substantial investments for the future in tooling, research and development, and facilities continued in 1973. Relocation and further automation of Water Heater equipment was undertaken for completion early in 1974.

At year-end, receivables and inventories were at levels which reflected improved control over 1972. Inventories were reduced by \$2,175,000 in the year.

On April 26, 1973, the Shareholders approved a stock split of authorized Class "A" and Class "B" Common shares on a two for one basis.

ORGANIZATION AND PERSONNEL: In October of 1973 R. A. Stevens, formerly Chairman, was elected President. At that time, G. S. MacDonell became Vice-Chairman of the Board, and R. M. Barford, Chairman.

After many years of valued counsel to the Company, George R. Gardiner retired as Chairman and a Director of the Company. F. R. Johnson, a Director for many years, also resigned. Their help and assistance will be missed.

W. J. Bushnell, Treasurer of Gardiner, Watson Limited and a Director of many Canadian companies, was elected a Director. Also joining the Board was H. B. Davis, Vice-President of Bundy Tubing Corporation, Detroit.

A number of other appointments were made in 1973.

Frank O. Price was appointed Vice-President, Manufacturing Services.

Lou Hollander became Group Vice-President, Consumer Products, and Norman H. Smith was appointed Group General Manager, General Products. In March of 1974, Mr. Smith was appointed Group Vice-President, General Products.

Douglas G. Fixter was appointed Treasurer.

Report of the Board of Directors — continued

NEW BUSINESS DEVELOPMENTS: During 1973, all divisions of the Company continued their emphasis on the development of new products and markets in their areas of business participation, as defined by Corporate Objectives.

The new improved line of appliances has features and styling designed to further enhance consumer acceptance. To strengthen this acceptance, the GSW Home Service Division has continued to improve its capability to provide efficient direct factory service on a national basis.

The Farm Equipment Division acquired the Calumet silo unloader business during 1973. This line of high quality products will be manufactured in the plant at Fergus.

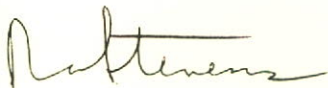
Early in 1974, your Company purchased Peabody Barnes (Canada) Ltd. of Bramalea, Ontario. This acquisition provides entry into the industrial and sewage disposal segments of the Canadian pump market.

Your Company is actively seeking acquisitions which will be within our defined business areas and meet our investment criteria. We will seek opportunities for manufacture of components used in our products to ensure economical availability.

OUTLOOK: The current high levels of demand may result in shortages and unreliable supply of numerous materials and components. Your Company will employ all of its resources to overcome these uncertainties, and we are confident that these efforts will result in improved performance in 1974.

The Board wishes to acknowledge with thanks the contribution of each of the employees of GSW during 1973.

On behalf of the Board,



R. A. Stevens,
President



R. M. Barford,
Chairman

Facts in Brief

GSW LIMITED-GSW LIMITÉE	<u>1973</u>	<u>1972</u>
	(\$000's except per share data)	
Sales	\$119,948	\$112,084
Net income before extraordinary items	502	2,686
Net income after extraordinary items	502	3,544
Dividends on preferred shares	120	123
Earnings per common share:		
before extraordinary items	.09	.63
after extraordinary items	.09	.84
Bank indebtedness	11,158	9,951
Current assets	40,248	41,918
Current liabilities	26,537	28,161
Current ratio	1.5 to 1	1.5 to 1
Working capital	13,711	13,757
Shareholders' equity	\$ 16,995	\$ 16,758

Consolidated Statement of Income (\$000's)

YEAR ENDED DECEMBER 31, 1973 (with comparative figures for 1972)
GSW LIMITED-GSW LIMITÉE

	1973	1972
Net sales	<u>\$119,948</u>	<u>\$112,084</u>
Income before undernoted items	<u>\$ 3,053</u>	<u>\$ 7,363</u>
Interest on long-term debt	195	235
Interest on other loans	1,106	687
Depreciation	<u>840</u>	<u>843</u>
	<u>2,141</u>	<u>1,765</u>
Operating income from continuing operations	912	5,598
Income taxes	<u>410</u>	<u>2,658</u>
Net income from continuing operations	502	2,940
Operating loss on discontinued operations (note 6)	<u> </u>	<u>254</u>
Net income before extraordinary items	502	<u>2,686</u>
Extraordinary items:		
Income tax reduction from application of loss carry-forwards of subsidiary companies		1,148
Losses and costs relating to the discontinuance of operations (note 6)		<u>(290)</u>
		<u>858</u>
Net income for the year	<u>\$ 502</u>	<u>\$ 3,544</u>
Earnings per common share before extraordinary items	<u>\$.09</u>	<u>\$.63</u>
Earnings per common share after extraordinary items	<u>\$.09</u>	<u>\$.84</u>

(See accompanying notes)

Consolidated Balance Sheet

December 31, 1973 (\$000's)

(with comparative figures for 1972 [note 11])

GSW LIMITED-GSW LIMITÉE
(Incorporated under the laws of Canada)

ASSETS	<u>1973</u>	<u>1972</u>
Current assets:		
Cash	\$ 159	\$ 233
Accounts receivable	17,283	17,109
Inventories — finished goods	10,854	14,425
— raw materials and work in process	10,873	9,477
Income taxes recoverable	535	
Prepaid expenses and manufacturing supplies	544	674
Total current assets	<u>40,248</u>	<u>41,918</u>
Fixed assets:		
Land, buildings and equipment	20,353	19,917
Less accumulated depreciation	13,723	13,469
Total fixed assets	<u>6,630</u>	<u>6,448</u>
Other assets:		
Prepaid income taxes	502	473
On behalf of the Board:		
R. A. Stevens, Director		
R. M. Barford, Director		
Total assets	<u><u>\$47,380</u></u>	<u><u>\$48,839</u></u>

LIABILITIES AND SHAREHOLDERS' EQUITY	<u>1973</u>	<u>1972</u>		
Current liabilities:				
Bank indebtedness (note 2)	\$11,158	\$ 9,951		
Accounts payable and accrued charges	13,446	14,750		
Income and other taxes payable	1,735	2,509		
Dividends payable	28	31		
Long-term debt due within one year	170	920		
Total current liabilities	<u>26,537</u>	<u>28,161</u>		
Provision for warranties — non-current portion (note 1)	1,128	1,030		
Long-term debt (note 3)	2,720	2,890		
Total liabilities	<u>30,385</u>	<u>32,081</u>		
Shareholders' equity:				
Share capital (notes 4 and 5) —				
5% cumulative preferred shares of \$100 each redeemable at \$105				
Authorized, less redeemed: 22,473 shares				
Outstanding:				
22,473 shares (1,990 shares were purchased for cancellation in 1973)	<u>2,247</u>	<u>2,446</u>		
Common shares without par value —				
	<u>Authorized</u>	<u>Issued</u>		
Class A	1,361,490	1,316,842	774	768
Class B	20,000,000	2,755,214	1,637	1,620
	<u>21,361,490</u>	<u>4,072,056</u>	<u>2,411</u>	<u>2,388</u>
Contributed surplus	339	308		
Retained earnings	11,998	11,616		
Total shareholders' equity	<u>16,995</u>	<u>16,758</u>		
Total liabilities and shareholders' equity	<u>\$47,380</u>	<u>\$48,839</u>		

(See accompanying notes)

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

YEAR ENDED DECEMBER 31, 1973 (with comparative figures for 1972)
GSW LIMITED-GSW LIMITÉE

	<u>1973</u>	<u>1972</u>
RETAINED EARNINGS		
Balance, beginning of year	\$11,616	\$ 7,999
Add:		
Net income for the year	502	3,544
Adjustment of purchase price of Moffats Limited based on agreement with vendor as to valuation of assets and liabilities at date of acquisition	<u>12,118</u>	<u>196</u>
	12,118	11,739
Deduct dividends on preferred shares	<u>120</u>	<u>123</u>
Balance, end of year	<u>\$11,998</u>	<u>\$11,616</u>
CONTRIBUTED SURPLUS		
Balance, beginning of year	\$ 308	\$ 304
Add profit on purchase of preferred shares	<u>31</u>	<u>4</u>
Balance, end of year	<u>\$ 339</u>	<u>\$ 308</u>

(See accompanying notes)

Consolidated Statement of Source and Application of Funds (\$000's)

YEAR ENDED DECEMBER 31, 1973 (with comparative figures for 1972)
GSW LIMITED-GSW LIMITÉE

	<u>1973</u>	<u>1972</u>
Funds were derived from:		
Operations —		
Net income for the year	\$ 502	\$ 3,544
Less dividends on preferred shares	120	123
Income retained	382	3,421
Depreciation	840	843
Increase in prepaid income taxes	(29)	(4)
Provision for warranties — non-current	98	58
Funds from operations	1,291	4,318
Adjustment of purchase price of Moffats Limited		196
Issue of common shares	23	179
Increase in bank indebtedness (net of cash)	1,281	2,299
	<u>\$ 2,595</u>	<u>\$ 6,992</u>
Funds were applied to:		
Purchase of fixed assets (net)	\$ 1,022	\$ 583
Increase non-cash net current assets	1,235	5,477
Reduce long-term debt	170	920
Redeem preferred shares	168	12
	<u>\$ 2,595</u>	<u>\$ 6,992</u>

(See accompanying notes)

Notes to Consolidated Financial Statements

GSW LIMITED-GSW LIMITÉE
DECEMBER 31, 1973

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation —

The consolidated financial statements reflect a consolidation of GSW Limited-GSW Limitée, GSW Appliances Limited, McDonald Appliance Service Limited, The Easy Washing Machine Company Limited, Duro Aluminium Limited, Sta-Rite Industries of Canada Limited, and several small subsidiaries.

(b) Inventory valuation —

Inventories are valued at the lower of cost and market. Cost is determined principally on a first-in, first-out basis. 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. This results in accumulated depreciation of approximately two thirds of the cost of an asset during the first half of its estimated useful life.

(d) Goodwill —

In prior years the company has followed the practice of writing off the amounts paid for goodwill on the acquisition of subsidiary companies by a direct charge to retained earnings at the date of acquisition. The Canadian Institute of Chartered Accountants in December 1973 has recommended that the cost of any goodwill arising on acquisitions of subsidiaries after March 31, 1974 must be amortized by charges to income on a straight-line method over the estimated life of such goodwill. Thus, the company will adopt this accounting for significant amounts of goodwill purchased in any future acquisitions.

(e) Product warranty costs —

Anticipated costs related to product warranty are recorded in the period in which the product is sold. The provision for warranties has this year been broken down into the current portion (included in accounts payable and accrued charges) and the non-current portion. (The 1972 figures have been reclassified to reflect this change.)

(f) Pension Plan costs (see also note 7) —

Costs relating to improvements in pension benefits granted by the company for employment in prior periods are amortized over the period to December 31, 1989.

(g) Income taxes —

Taxable income differs from income reported in these financial statements principally because warranty costs become tax deductions when paid rather than when provided for in the accounts and because there are differences between depreciation claimed as tax deductions and that recorded. Appropriate provision is made for the prepaid or deferred income tax effect of these differences.

(h) 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

The bank borrowings are secured by a simple debenture containing a fixed charge on fixed assets and a floating charge on other assets.

3. LONG-TERM DEBT

The long-term debt consists of:

	1973	1972
	(\$000's)	
6% mortgages payable, due December 31, 1981	\$ 2,890	\$ 3,060
5% Series "B" first mortgage bonds, due April 15, 1973		750
	<u>2,890</u>	<u>3,810</u>
Less amounts due within one year	170	920
	<u>\$ 2,720</u>	<u>\$ 2,890</u>

Annual principal repayments on the 6% mortgages payable amount to \$170,000 to 1980, with a final payment of \$1,700,000 on December 31, 1981.

4. SHARE CAPITAL

In 1973 the company obtained supplementary letters patent subdividing the Class "A" and Class "B" shares on the basis of 2 for 1.

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 3,000 Class "A" shares were converted into Class "B" shares.

5. STOCK OPTIONS

During 1973, the company issued 3,000 Class "A" and 6,000 Class "B" common shares for a total consideration of \$23,000 to employees who had been granted options to purchase these shares under stock option plans. At December 31, 1973 options on 30,000 Class "B" shares have been granted but not exercised under these plans.

Option prices on these shares are as follows:

15,000 Class "B" shares at \$4.00 per share.

15,000 Class "B" shares at \$4.38 per share.

The exercise of these options would not materially dilute earnings per share.

6. DISCONTINUANCE OF OPERATIONS

In May 1972, the company decided to wind down and terminate the operations of its subsidiaries doing business in the United Kingdom in view of the substantial losses being incurred. All operations had been discontinued as at December 31, 1972. The net losses and costs incurred in winding down the operations and disposing of assets had been charged to income as an extraordinary item in 1972.

7. PENSION PLANS

There are a number of pension plans for present and retired employees of the company and its subsidiaries. Based upon the most recent actuarial valuations the total estimated unfunded liabilities as at December 31, 1973 amount to approximately \$2,200,000.

8. REMUNERATION OF DIRECTORS AND OFFICERS

The company has eleven directors. The aggregate remuneration of directors (including past directors) as directors was \$32,000 in 1973 and \$20,000 in 1972. The company has eleven officers of whom four are also directors. The aggregate remuneration of officers (including past officers) as officers was \$432,000 in 1973 and \$448,000 in 1972. No amounts were paid by subsidiary companies to these directors and officers.

9. LEASE AGREEMENTS

Under the terms of various lease agreements the company is obligated to annual rental payments of \$275,000.

10. FIXED ASSET COMMITMENTS

At December 31, 1973 the company was committed to approved programs which on completion will result in additions to fixed assets of approximately \$550,000.

11. COMPARATIVE FIGURES

Certain figures for 1972 have been reclassified to conform with the presentation reflected in 1973.

Auditors' Report

To the Shareholders of
GSW Limited-GSW Limitée:

We have examined the consolidated balance sheet of GSW Limited-GSW Limitée and its subsidiary companies as at December 31, 1973 and the consolidated statements of income, retained earnings, contributed surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 28, 1974.

Clarkson, Gordon & Co.
Chartered Accountants

Divisions of the Company and the products they market

Lou Hollander — Group Vice-President — Consumer Products Group

APPLIANCE DIVISION

Lou Hollander, Group Vice-President — General Manager
London, Fergus, Weston, Ont.
Moffat, McClary, GSW
electric ranges
microwave ovens
gas ranges
refrigerators
dishwashers
automatic washers
dryers
wringer washers
twin-tub washers

HOUSEWARES DIVISION

Norm St. Jean, General Manager
Montreal, P.Q.
stainless steel cookware
aluminum cookware
pantryware
enamel cookware
sheet iron cookware

ELEMENT DIVISION

John Dellevoet, General Manager
Weston, Ont.

FREEZER/AIR CONDITIONER DIVISION

Bob Meadows, General Manager
Fergus, Ont.
chest freezers
air conditioners

SERVICE DIVISION

Jim Edwards, General Manager
Head Office, Weston, Ont.
GSW Home Service

Norm Smith — Group Vice-President — General Products Group

FARM EQUIPMENT DIVISION

Paul Rodgers, General Manager
Fergus, Ont.
mechanical feeding equipment
silo unloaders
gutter cleaners
liquid manure spreaders and equipment
steel pens and stalls
vitreous enamel steel silos

PUMP DIVISION

Dave Green, General Manager
Fergus, Ont. and Ajax, Ont.
Beatty, McDougall and Sta-Rite
domestic water pumps, tanks
and accessories
swimming pool equipment

WATER HEATER DIVISION

Bill Arbuthnot, General Manager
Fergus, Ont.
electric water heaters
gas water heaters
glass-lined range boilers
galvanized range boilers
glass-lined storage vessels

METALWARES DIVISION

Gord Woodrow, General Manager
Hamilton, Ont.
galvanized ware
dairy pails
stove pipe and elbows
roof drainage
waste paper baskets

BUILDING PRODUCTS DIVISION

Tom Donovan, General Manager
London, Ont.
toilet compartments
metal lockers and gym boxes

INDUSTRIAL DIVISION

Richard Hammett, General Manager
Fergus, Ont.
wringer washers
Lovell wringers
components

TRAILER DIVISION

Dave Temple, Manager
Fergus, Ont.
boat and snowmobile trailers

GSW