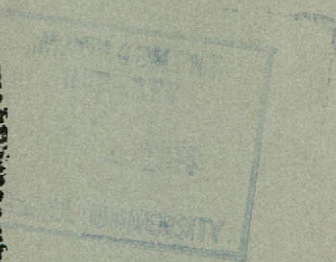


Enamel + Heating Panel ... C



**ENHEAT**

**ANNUAL REPORT '73**

ENHEAT is an industrial corporation supplying goods to the construction, home, and aviation industries. Enheat manufacturing activities fall into four main product lines :

1. reinforcing steel
2. aircraft components
3. heating & cooling systems
4. ranges, oil & electric

**CONTENTS**

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**FRONT PAGE PICTURE :**

Shows a close up view of a reinforcing bar manufactured in our steel division.

# ENAMEL AND HEATING PRODUCTS LIMITED AND SUBSIDIARIES

## **Directors & officers**

### **BOARD OF DIRECTORS**

MAURICE BOURGET  
*Senator*

JOHN COLE  
*Vice-Chairman,  
Wood Gundy  
Montreal, Quebec*

DIMITRI VAN DER BELLEN  
*Vice-President Steel Division  
Enamel & Heating Products Ltd  
Amherst, Nova Scotia*

KEN DINHAM  
*Vice-President  
Airco Products Ltd  
Vancouver, British Columbia*

SAM R. DONALDSON  
*Vice-President — Aircraft Division  
Enamel & Heating Products Ltd  
Amherst, Nova Scotia*

D.R. DOWNING  
*Engineer  
Amherst, Nova Scotia.*

JEAN-PIERRE WARREN  
*President  
Enamel & Heating Products Ltd  
Sackville, New Brunswick*

### **SENIORS OFFICERS**

DENNIS J. CHIPMAN  
*Vice-President Finance  
Secretary Treasurer*

DIMITRI VAN DER BELLEN  
*Vice-President — Steel Division*

KEN DINHAM  
*Vice-President — Airco*

SAM R. DONALDSON  
*Vice-President — Aircraft Division*

JOCELYN DUBOIS  
*Vice-President — Fawcett Division*

JEAN-PIERRE WARREN  
*President*

### **COMMITTEE OF THE BOARD**

*Executive Committee:*  
JEAN-PIERRE WARREN; *Chairman*  
PIERRE WARREN  
DIMITRI VAN DER BELLEN

### **EXECUTIVE OFFICES**

Amherst, Nova Scotia  
Tel. 902 667-3315  
Telex No. 019-33517

### **BANKERS**

Royal Bank  
Sackville, New-Brunswick  
Vancouver, British Columbia

### **TRANSFER AGENTS**

Montreal Trust Co.,  
Montreal, Quebec  
Central Trust Co.,  
Moncton, New Brunswick

### **REGISTRARS**

Canadian Trust Co.,  
Montreal, Quebec  
Central Trust Co.,  
Moncton, New Brunswick

### **AUDITORS**

Touche, Ross  
St Johns, New Brunswick  
Vancouver, British Columbia

### **STOCK LISTINGS**

Montreal Stock Exchange

## **To our shareholders**

In 1973 the Company achieved considerable growth as indicated by the following results.

- Net sales increased by 14% to \$13.5 millions.
- Net income for the year rose 257% to \$350,000.
- Working capital rose 8.7% to \$1.9 millions.
- Per shares earning increased from \$0.53 to \$1.39 on "A" shares and from \$0.03 to \$0.89 on "B" shares.

### **Capital expenditures :**

Looking ahead to planned future growth, the Company's capital expenditure rose to \$556,000.00. Capital outlays were directed towards the purchase of a warehouse and property in Victoria B.C. and the improvement of the rolling mill building in Amherst N.S. as well as the modernization of the Steel Division equipment.

### **Review of operations :**

#### **STEEL DIVISION :**

In general 1973 has been a good year for this Division. Sales and profits are up considerably over last year. After years of depressed market conditions the Steel Division was able to obtain a better price for its product and thereby contribute substantially to profits. However this division is still far from generating an equitable return on investment. Your board has recently approved a reorganisation of the management of this Division in order to take full advantage of the large steel demand over the next few years.

#### **"AIRCO" DIVISION :**

1973 has been another banner year. Profit and sales growth have been maintained. During the year we effected the purchase of a warehouse and property in Victoria B.C. Inventories are up somewhat and we believe this to be to our advantage as a hedge against suppliers slow deliveries and increasing costs.

## AIRCRAFT DIVISION :

Activity in the Aircraft Division has increased in 1973 due to the decision by the Government to retain the Argus and Tracker Aircraft well into the 1980's. Early in 1973 your company signed a long term contract with Boeing to supply wing lift spoilers. This contract has necessitated a large built up of inventory which will level off as we complete the order.

Negotiations are going on to obtain subcontracts on the L.R.P.A. Aircraft being evaluated by the Canadian Government. We look forward to an improved growth and profit performance in this division over the next few years.

## "FAWCETT" APPLIANCE AND HEATING DIVISION :

The results of this Division have been disappointing although some product lines have made excellent gains. We are presently engaged in a complete review of that Division to see what corrective measures can be implemented to ensure continued growth. Our Fawcett brand products continue to enjoy a strong reputation. Inventories in this Division are up as we edge against slow deliveries.

## Business in 1974.

### OBJECTIVES :

- Improve performance and growth.
- Concentrate on certain selected industrial activities.

There is no denying that 1974 will be a difficult year as we experience tremendous inflationary pressures especially on wages. However we are confident to improve our profit picture as we increase our productivity and take full advantage of market opportunities. Your company is presently deeply committed to strengthen its management team.

Our Steel, Airco, Fawcett and Aircraft Division, each under the direction of Divisional Vice-President, are all strong contenders for future growth, expansion and increased sales.

  
Jean-Pierre Warren *president*

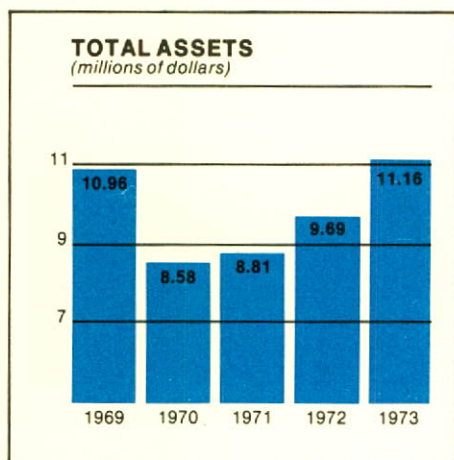
ENAMEL & HEATING PRODUCTS LIMITED AND SUBSIDIARIES  
**Balance sheet**

**ASSETS**

	DECEMBER 31	
	1973	1972
	(thousands)	
<b>Current assets</b>		
Receivables	<b>\$ 2,690</b>	2,493
Inventories — Note 3	<b>4,063</b>	3,114
Prepaid expenses	<b>24</b>	17
	<u><b>6,777</b></u>	<u>5,624</u>

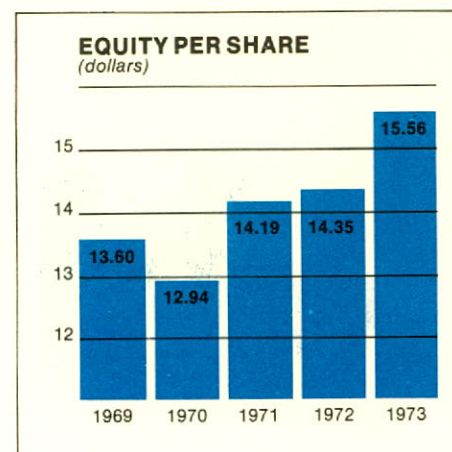
**Other assets**

Deferred charges	<b>19</b>	33
<b>Property, plant and equipment — Note 4</b>	<b>4,365</b>	4,031
	<u><b>\$11,161</b></u>	<u>9,688</u>



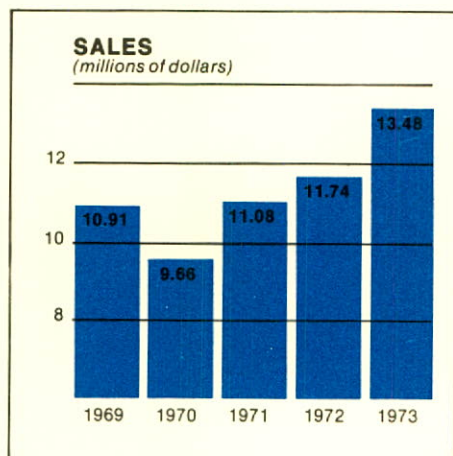
## LIABILITIES AND SHAREHOLDERS EQUITY

	DECEMBER 31	
	1973	1972
	(thousands)	
<b>Current liabilities</b>		
Bank loans — Note 5	\$ 3,021	2,461
Accounts payable	1,767	1,278
Income taxes payable	31	39
Current maturities	64	104
	4,883	3,882
Long term debt — Note 6	1,466	1,566
Deferred income taxes — Note 2	222	
<b>Shareholders equity</b>		
Common shares — Note 7	1,030	1,030
Contributed surplus	80	80
Retained earnings	1,316	966
Appraisal increase	2,164	2,164
	4,590	4,240
	\$11,161	9,688



On behalf of the board:  
 Jean-Pierre Warren, director  
 John Cole, director

## Financial review



### SALES & EARNINGS

Sales performance in 1973 has been strong in all divisions. The sales and earnings have been particularly strong in the Steel Division and Solid Fuel Heater lines. The Aircro Division has also experienced a strong year in both sales and earnings. The Appliance Division is encountering disappointing returns due to productivity problems now under close scrutiny by the Company.

Total sales are up 14% to \$13.5 million. Earnings of \$350 thousand are up 257% from 1972. Earnings per share on Class "A" are up to \$1.39 per share from \$0.53 per share. Class "B" earnings per share are up to \$ .89 per share from .03 per share in 1972.

### FINANCIAL POSITION

Financial position improved somewhat during 1973.

Working capital has increased by 8.7% to stand at \$1.9M or 1.38 times current liabilities. The generation of funds from operations of \$816 thousand has provided more than enough to cover internal capital expenditure programs of \$556 thousand and \$100 thousand in long term debt reductions.

Total assets are \$11.2 million compared to \$9.7 million in 1972. Shareholders equity has risen to \$4.6 million or \$15.56 per share. Comparative figures for December 31, 1972 were \$4.2 million and \$14.35 per share respectively.

### LINES OF CREDIT

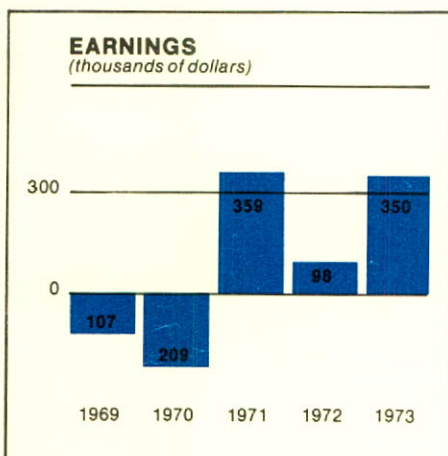
The Company's line of credit remains unchanged at \$3 million. In the 1973 the loan level was fully utilized during much of the year.

### RETURN ON EQUITY

A return on equity of 7.6% was earned for the year, a substantial increase over 1972.

### THE ECONOMIC SETTING

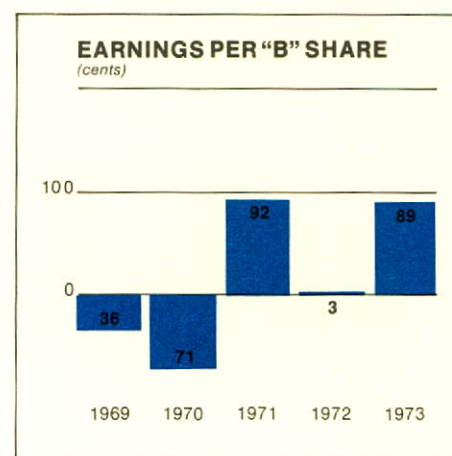
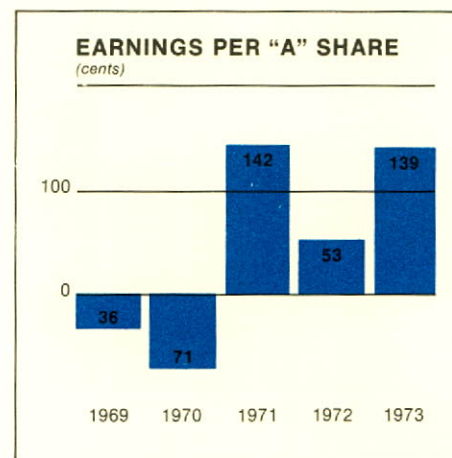
Inflation and energy appear to be key issues in 1974. The energy situation is a mixture of good and bad news. Inflation is, of course, an adverse factor on costs and interest rates. We are, however, optimistic about the company's ability to adjust favourably to these circumstances.



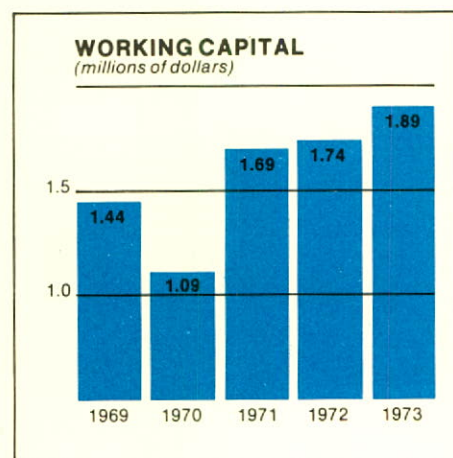
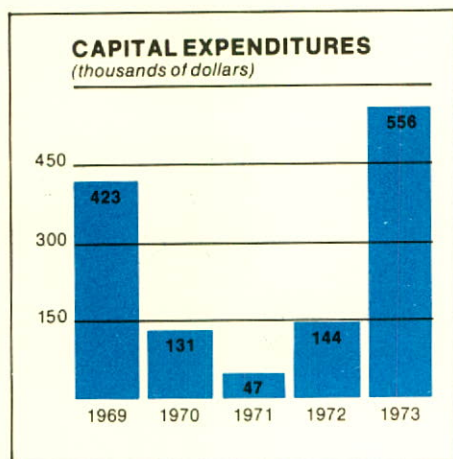


# Earnings

	YEAR ENDED DECEMBER 31	
	1973	1972
	(thousands)	
<b>Sales and revenue</b>		
Net sales and operating revenue	\$13,480	11,739
<b>Cost and expenses</b>		
Cost of sales and operating expenses	11,199	10,084
Selling and administrative expenses	1,095	1,065
Depreciation	215	158
Interest on long term debt	92	97
Other interest	227	175
	<u>12,828</u>	<u>11,579</u>
Earnings before income taxes	652	160
<b>Income taxes</b>		
Current	80	54
Deferred — Note 2	222	—
	<u>302</u>	<u>54</u>
Net earnings	<u>350</u>	<u>106</u>
Earnings per share "A"	1.39	.53
"B"	.89	.03
<b>Retained earnings</b>		
Opening balance	966	904
Net earnings	350	106
	<u>1,316</u>	<u>1,010</u>
Cash dividends paid	—	44
Closing balance	<u>\$ 1,316</u>	<u>966</u>



## Source and application of funds



YEAR ENDED DECEMBER 31  
1973 1972  
(thousands)

### Source

Net earnings	\$ 350	106
Depreciation	215	158
Amortization of Deferred operating costs	29	47
Deferred income taxes	<u>222</u>	<u>47</u>
Funds provided from operations	<u>816</u>	<u>311</u>
Disposal of fixed assets	<u>7</u>	<u>12</u>
	<u>823</u>	<u>323</u>

### Application

Property, plant and equipment	556	144
Increase in costs deferred	15	23
Long term debt reduction	100	107
Dividends on class A's shares	—	44
	<u>671</u>	<u>318</u>

### Working capital

Increase during year	152	5
Opening balance	<u>1,742</u>	<u>1,737</u>
	<u>\$1,894</u>	<u>1,742</u>

**Notes to financial statements****1. PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements include the accounts of the Company and those of its wholly owned subsidiaries, Mitchell Manufacturing Limited and Airco Products Limited.

**2. ACCOUNTING POLICIES**

The following is a summary of the major accounting policies used in the preparation of financial statements and other data presented in this report.

**Rounding**

All dollar amounts, except statutory information, are presented to the nearest \$1 000.

**Inventories**

Inventories of raw materials, work in process, and finished goods are valued at the lower average or estimated realizable value. Manufacturing supplies are included with raw materials.

**Depreciation**

Depreciation is determined at rates which will reduce original cost to estimated residual value over the useful life of each asset. Depreciation on the majority of property, plant and equipment is computed on the diminishing balance method. All material profits and losses resulting from disposal of property, plant and equipment are included in earnings when realized and the carrying value of such assets is removed from the accounts.

**Maintenance and repair**

Maintenance and repairs are charged to earnings as incurred. Renewals and replacements of a routine nature are also charged to earnings while those expenditures which improve or extend the useful life of assets are capitalized.

**Income taxes**

During the year the Company adopted the tax allocation method of recording charges for income taxes. Taxes deferred, as the result of claiming for tax purposes amounts different from those recorded in the accounts, are charged against current earnings and are recorded in the balance sheet as deferred income tax credits.

**3. INVENTORIES**

Inventories are valued at lower of cost or net realizable value.

	1973	1972
	(thousands)	
Raw materials	\$2,235	\$1,488
Work In Process	581	439
Finished Goods	1,247	1,187
	<u>\$4,063</u>	<u>\$3,114</u>

**4. PROPERTY PLANT AND EQUIPMENT**

Property plant and equipment and the related accumulated depreciation are classified as follows :

	1973		1972	
	Cost and Appraised Value	Accumulated Depreciation	Net	Net
	(thousands)			
Land	\$ 163	\$ —	\$ 163	\$ 103
Buildings	2,884	675	2,209	2,131
Machinery and other equipment	4,083	2,174	1,909	1,708
Automotive equipment	178	94	84	89
	<u>\$7,308</u>	<u>\$2,943</u>	<u>\$4,365</u>	<u>\$4,031</u>

ENAMEL & HEATING PRODUCTS LIMITED AND SUBSIDIARIES

**Notes to the consolidated  
financial statement**

Property plant and equipment are shown as appraised by Canadian Appraisal Company Limited on the basis of depreciated replacement value as at December 31, 1954, plus subsequent additions at cost, less disposals. An analysis of the appraisal increment is as follows :

	1973		(thousands)		1972
	Cost	Appraisal Increment	Total		Total
Land	\$ 125	\$ 38	\$ 163		\$ 103
Buildings	1,288	1,596	2,884		2,779
Machinery & other equipment	3,553	530	4,083		3,719
Automotive equipment	178	—	178		168
	<u>\$5,144</u>	<u>\$2,164</u>	<u>\$7,308</u>		<u>\$6,769</u>

**5. BANK LOANS**

The Bank loans are secured by a general assignment of book debts under section 86 of the Bank Act, as well as by assignment of inventories under section 88.

**6. LONG TERM DEBT**

	1973	1972
	(thousands)	
4¾ % Sinking Fund Debentures, Series A, maturing April 1, 1976		
Authorized and issued		
\$1,250,000 less purchased for redemption	\$ 484	\$ 401
Sinking fund payments of \$49,500 are due April 1 in each of the years 1974 and 1975		
6% Sinking Fund Debentures, Series B, maturing September 1, 1984		
Authorized and issued		
\$1,250,000 less purchased for redemption	1,172	1,122
Sinking fund payments of \$50,000 are due September 1 in each of the years 1974 to 1977 and of \$100,000 in each of the years 1978 to 1983		
Government of Canada — capital assistance agreement, payable in annual instalments of \$7,082	14	7
	<u>\$1,670</u>	<u>\$1,530</u>
Less : current maturities	104	64
	<u>\$1,566</u>	<u>\$1,466</u>

Sinking fund requirements and debt maturities during the next five years are as follows:

1974 - \$ 99,500	1975 - \$99,500
1976 - \$385,000	1977 - \$50,000
1978 - \$100,000	

**7. COMMON SHARES**

Authorized - Class "A" - 250,000 shares without par value	
- Class "B" - 250,000 shares without par value	
	(thousands)
Issued - Class "A" - 177,000 shares	\$ 810
- Class "B" - 118,000 shares	220
	<u>\$1,030</u>

## 8. STATUTORY INFORMATION

Depreciation recorded in the accounts for the year was \$215,384 (1972 — \$157,346)

### Parent company

The Board of Directors consisted of eight members. Their aggregate remuneration as Directors was \$900.

The Board appointed three officers to serve during the year. Their aggregate remuneration was \$55,854.

Two persons who served as officers also served as Directors.

### Subsidiary company

The Board of Directors consisted of four members. No remuneration was paid to any member as a Director.

The Board appointed four officers to serve during the year. Their aggregate remuneration was \$65,336.

The four persons who served as officers formed the Board of Directors.

9. Airco Products Limited has outstanding lease obligations expiring in 1985 requiring annual payments of \$69,440 before taxes.

10. 95% of the shares of the company are held by Canadians.

## Auditors report

### To the Shareholders, Enamel & Heating Products, Limited

We have examined the consolidated balance sheet of Enamel & Heating Products, Limited and its subsidiary companies as at December 31, 1973 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of 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 which, except for the change to the deferral method of income tax allocation as referred to in note 2 to the financial statements, have been applied on a basis consistent with that of the preceding year.

Chartered Accountants.

Saint John, N. B.  
February 25, 1974

ENAMEL & HEATING PRODUCTS LIMITED AND SUBSIDIARIES

**Historical summary**

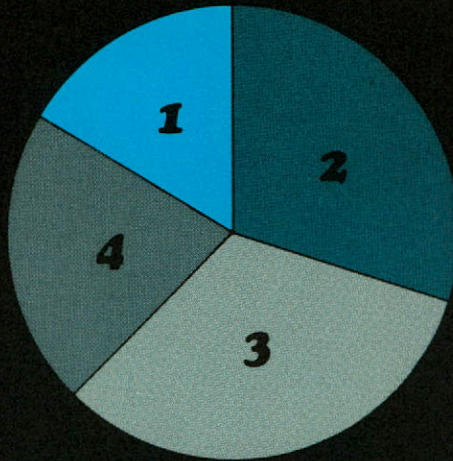
	<i>(dollars in thousands except amounts per share)</i>				
<b>For the year</b>	<b>1973</b>	1972	1971	1970	1969
Sales	<b>\$ 13,480</b>	11,739	11,078	9,660	10,914
Net earnings (loss)	<b>350</b>	98	359	(209)	(107)
Cash flow	<b>816</b>	311	785	(137)	(445)
Dividends paid on "A" Share	<b>—</b>	44	—	18	53
Return on equity	<b>7.6%</b>	2.3%	8.6%	(5.5%)	(2.7%)
Capital expenditure	<b>556</b>	144	47	131	423
 <b>Per share</b>					
Net earnings (loss)					
"A" shares	<b>1.39</b>	.53	1.42	(.71)	(.36)
"B" shares	<b>.89</b>	.03	.92	(.71)	(.36)
Cash flow	<b>2.77</b>	1.05	2.66	(.46)	(1.51)
Dividends paid on "A" Shares	<b>—</b>	.25	—	.10	.30
Equity	<b>15.56</b>	14.35	14.19	12.94	13.60
 <b>Year end position</b>					
Total assets	<b>11,161</b>	9,688	8,814	8,581	10,961
Working capital	<b>1,894</b>	1,742	1,688	1,088	1,436
Shareholders equity	<b>4,590</b>	4,232	4,185	3,816	4,011
Employees	<b>644</b>	655	625	640	620
Shareholders	<b>666</b>	715	741	784	749
"A" shares outstanding	<b>177,000</b>	177,000	177,000	177,000	177,000
"B" shares outstanding	<b>118,000</b>	118,000	118,000	118,000	118,000
 <b>Ratios</b>					
Working capital	<b>1.38</b>	1.45	1.56	1.33	1.28
Inventory turnover	<b>3.12</b>	3.39	3.58	3.38	3.5
Accounts receivable turnover	<b>5.2</b>	5.5	5.8	3.7	3.9

**AIRCO PRODUCTS LTD.**

SALES  
\$3,420,000  
PRODUCTS  
— Warm Air furnaces  
— Registers  
— Ductwork  
— Chimneys  
PLANT SPACE  
74,000 sq ft  
NUMBER OF EMPLOYEES  
75  
LOCATION  
Vancouver, British Columbia

**STEEL DIVISION**

SALES  
\$3,814,000  
PRODUCTS  
— Reinforcing Steel  
— Plain Rounds  
PLANT SPACE  
145,000 sq ft  
NUMBER OF EMPLOYEES  
183  
LOCATION  
Amherst, Nova Scotia



**FAWCETT APPLIANCE HEATING DIVISION**

SALES  
\$4,096,000  
PRODUCTS  
— Oil & electric ranges  
— Warm Air Furnace  
— Ductwork  
— Franklin heater  
PLANT SPACE  
176,000 sq ft  
NUMBER OF EMPLOYEES  
220  
LOCATION  
Sackville, New-Brunswick

**AIRCRAFT DIVISION**

SALES  
\$2,150,000  
(80% Governments 20% Commercial)  
PRODUCTS  
— Aircraft Components  
(repair and overhaul)  
PLANT SPACE  
175,000 sq ft  
NUMBER OF EMPLOYEES  
166  
LOCATION  
Amherst, Nova Scotia



**ENAMEL & HEATING PRODUCTS LIMITED AND SUBSIDIARIES**  
SACKVILLE, NEW BRUNSWICK