



ENAMEL & HEATING PRODUCTS LIMITED

**ANNUAL
REPORT**
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Board of Directors

M. BOURGET
J. N. COLE
S. R. DONALDSON
D. R. DOWNING
K. DINHAM
R. B. FULLERTON
J. E. MURPHY
G. M. ROSS
P. WARREN
J. P. WARREN

Officers

PIERRE WARREN
President

D. R. DOWNING
Executive Vice President

J-P WARREN
Executive Asst. to the President

R. B. FULLERTON
Comptroller

A. R. FRENCH
Secretary

S. HOPPER
Treasurer, Asst. Secretary

JOHN HOLLOWAY
Asst. Treasurer

G. M. ROSS
Vice-President — Marketing

L. A. WILSON
Manager — Eastern Sales Division

KEN DINHAM
Manager — Western Sales Division

Auditors

Touche, Ross, Bailey & Smart

Transfer Agents

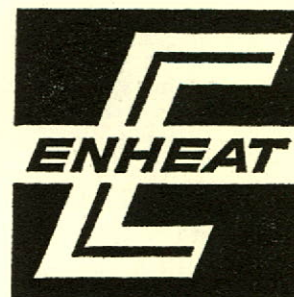
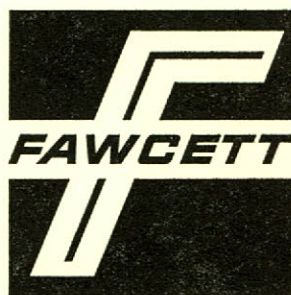
Montreal Trust Company, Montreal, Que.
The Central Trust Co. of Canada,
Moncton, N.B., Amherst, N.S.

Registrars

Canadian Trust Company, Montreal, Que.
The Central Trust Co. of Canada,
Moncton, N.B., Amherst, N.S.

ANNUAL REPORT 1969

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1969



**ENAMEL & HEATING PRODUCTS, LIMITED
AND SUBSIDIARIES**

MANAGEMENT
LIBRARY

AUG 5 1970

ENAMEL & HEATING PRODUCTS, LIMITED

and Subsidiaries

To the Shareholders

Operating results for the year were disappointing showing a loss of \$363,517 due to several causes.

Slow moving and obsolete inventories were written down substantially and it was necessary to increase the Reserve for Doubtful Accounts Receivable created in prior years.

The Appliance Division was responsible for a large part of the loss due to high selling costs in the Quebec market and low productivity in the Plant. These problems are in the process of being corrected and we anticipate, as was always normal, a profitable operation in this division for the coming year. Our Research and Development Department is studying new products to replace the fading solid fuel and oil products.

During the year, in order to reduce manufacturing costs we mechanized the Rolling Mill with a Capital Expenditure of approximately \$400,000.00 for machinery and equipment which will result in large savings in that division. In order to effect this mechanization it was necessary to shut down the plant for five months which contributed to the overall loss for the year.

Selling prices of reinforcing steel for 1969 were low and competition high. There is a short supply of steel in the Maritime Provinces and prices have been increasing.

The Steel Division is working on a two-shift basis and we have booked orders that will take approximately five months to fill.

The Aircraft Division has never been busier. We have booked orders for three years and will very likely have a profitable year. The number of employees has doubled since this time last year.

Airco Products Ltd., a wholly-owned subsidiary, with headquarters in Vancouver, operating a factory making Gas and Oil Furnaces, is to be congratulated for its excellent results. This company is now contributing more and more to the distribution of Fawcett products on the West Coast of Canada, and by the same token Fawcett is reciprocating by distributing their Special Furnaces in Eastern Canada. Airco Products Ltd. is enjoying steady growth in sales and profit.

Mr. D. R. Downing was appointed Executive Vice-President and will be in charge of the Sackville and Amherst Plants. He has been with the company 17 years serving successfully in Appliance, Aircraft and Steel Divisions. His last position was Vice-President in charge of the Steel Division. He will devote special attention to the Appliance Division where the trouble occurred in 1969.

Mr. S. R. Donaldson will manage the Steel Mill and Aircraft Divisions in Amherst, Nova Scotia. He has been with the company since 1952 and is knowledgeable with the operation of all divisions.

The Directors join with me in expressing their appreciation to all company personnel for their co-operation during the past year.

Approved on behalf of the Board of Directors,



Pierre Warren - President.

Sackville, N. B.
March 31, 1970.

Auditors' Report

The Shareholders,
Enamel & Heating Products, Limited

We have examined the consolidated balance sheet of Enamel & Heating Products, Limited and subsidiaries as at December 31, 1969 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 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, 1969 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.

TOUCHIE ROSS & CO.
Chartered Accountants.

Quebec, P. Q.
February 23, 1970.

ENAMEL & HEATING PRODUCTS, LIMITED

AND SUBSIDIARIES

Consolidated Balance Sheet as at December 31, 1969

ASSETS

CURRENT	<u>1969</u>	<u>1968</u>
Cash	—	\$ 18,674
Accounts receivable (Note 2)	\$ 3,128,858	2,487,931
Inventories — valued at the lower of cost and net realizable value (Note 3)	3,428,445	3,237,773
Prepaid expenses	21,738	23,563
Income taxes recoverable	—	15,953
	<hr/>	<hr/>
	6,579,041	5,783,894
	<hr/>	<hr/>
 FIXED — (NOTE 4)		
Land, buildings, machinery and equipment	6,581,576	6,242,523
Less		
Accumulated depreciation	2,300,556	2,198,345
	<hr/>	<hr/>
	4,281,020	4,044,178
	<hr/>	<hr/>
 Deferred operating cost	 100,803	 37,004
	 <hr/>	 <hr/>
	<u>\$10,960,864</u>	<u>\$9,865,076</u>

Approved on behalf of the Board:

Pierre Warren, *Director*.

D. R. Downing, *Director*.

LIABILITIES

CURRENT	<u>1969</u>	<u>1968</u>
Bank indebtedness (Note 5)	\$ 3,561,901	\$2,034,905
Accounts payable and accrued liabilities	1,448,083	1,236,206
Taxes on income	4,149	—
Dividends on Class A shares	4,425	22,125
Current portion of long-term debt	124,226	99,500
	5,142,784	3,392,736
LONG TERM DEBT (NOTE 6)	1,890,405	1,907,500
DEFERRED INCOME TAXES (NOTE 7)	—	252,727

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized		
Class A — 250,000 shares without par value		
Class B — 250,000 shares without par value		
Issued and fully paid		
Class A — 177,000 shares	809,885	809,885
Class B — 118,000 shares	219,884	219,884
	1,029,769	1,029,769
Retained earnings	702,100	1,118,717
Contributed surplus (Note 8)	32,179	—
Excess of appraised value of fixed assets over depreciated cost (Note 4)	2,163,627	2,163,627
	3,927,675	4,312,113
	\$10,960,864	\$9,865,076

ENAMEL & HEATING PRODUCTS, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1969

	<u>1969</u>	<u>1968</u>
Balance at beginning of year		
As previously reported	\$1,118,717	\$1,034,187
Adjustment of prior years' expenses	—	21,612
	<hr/>	<hr/>
As restated	1,118,717	1,012,575
(Loss) net earnings for the year	(363,517)	147,737
	<hr/>	<hr/>
	755,200	1,160,312
Dividends on Class A shares	53,100	41,595
	<hr/>	<hr/>
Balance at end of year	<u>\$ 702,100</u>	<u>\$1,118,717</u>

CONSOLIDATED STATEMENT OF EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1969

	<u>1969</u>	<u>1968</u>
Sales	\$10,914,473	\$9,656,806
Operating costs	11,518,763	9,407,408
	<hr/>	<hr/>
Operating (loss) income before income taxes	(604,290)	249,398
Income taxes (Note 7)	240,773	101,661
	<hr/>	<hr/>
(Loss) net earnings	<u>(\$ 363,517)</u>	<u>\$ 147,737</u>

ENAMEL & HEATING PRODUCTS, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1969

	<u>1969</u>	<u>1968</u>
<i>Source of Funds</i>		
Net earnings and charges not requiring cash outlay	—	\$ 391,797
Contributed surplus (Note 8)	\$ 32,179	—
Reduction in investments	749	5,550
Increase in long-term debt	125,035	—
	157,963	397,347
 <i>Application of Funds</i>		
Loss and charges not requiring cash outlay	445,967	—
Additions to fixed assets	442,933	387,926
Dividends on Class A shares	53,100	41,595
Repayment of long-term debt	106,000	96,500
Adjustment of prior years' expenses	—	21,612
Increase in deferred operating costs	64,864	—
	1,112,864	547,633
 Decrease in working capital	 (954,901)	 (150,286)
Working capital at beginning of year	2,391,158	2,541,444
 Working capital at end of year	 \$1,436,257	 \$2,391,158
	\$1,436,257	\$2,391,158

ENAMEL & HEATING PRODUCTS, LIMITED

AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1969

1. Principles of consolidation

The consolidated financial statements include the accounts of the Company and those of its wholly owned subsidiaries, Mitchell Manufacturing Ltd., Airco Products Ltd., and Atlantic Salvage Limited. This latter company was incorporated pursuant to letters patent dated June 2, 1969.

2. Accounts receivable

Accounts receivable are broken down as follows:

	1969	1968
Trade	\$2,939,484	\$2,484,107
Special refundable tax	3,046	3,824
Insurance claim	186,328	—
	\$3,128,858	\$2,487,931

3. Inventories

This account includes the following:

	1969	1968
Raw materials	\$1,402,389	\$1,137,033
Work-in-process	585,652	544,908
Finished goods	1,440,404	1,555,832
	\$3,428,445	\$3,237,773

4. Fixed assets

Fixed assets and the related accumulated depreciation are classified as follows:

	1969		1968	
	Cost and appraised value	Accumulated depreciation	Net	Net
Land	\$ 102,718	—	\$ 102,718	\$ 102,718
Buildings	2,755,920	\$ 563,848	2,192,072	2,192,072
Machinery and other equipment	3,541,098	1,636,953	1,904,145	1,718,961
Automotive equipment	181,840	99,755	82,085	30,427
	\$6,581,576	\$2,300,556	\$4,281,020	\$4,044,178

ENAMEL & HEATING PRODUCTS, LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1969

4. Fixed assets

Fixed assets 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. The appraisal increment is broken down as follows:

	1969			1968
	Cost	Appraisal increment	Total	Total
Land	\$ 64,215	\$ 38,503	\$ 102,718	\$ 102,718
Buildings	1,160,307	1,595,613	2,755,920	2,782,257
Machinery and other equipment	3,011,587	529,511	3,541,098	3,221,473
Automotive equipment	181,840	—	181,840	136,075
	<u>\$4,417,949</u>	<u>\$2,163,627</u>	<u>\$6,581,576</u>	<u>\$6,242,523</u>

During the year 1968, the Company entered into a capital assistance agreement whereby the Canadian Government financed the acquisition of plant machinery costing \$72,261. Of this, 50% represents a reduction in the capital cost of the purchased machinery. The balance is to be repaid in five equal annual instalments. Title to the assets will pass to the Company on payment of the final instalment.

5. Bank indebtedness

The bank indebtedness is secured by a pledge of the book debts, inventories and fire insurance on the fixed assets.

ENAMEL & HEATING PRODUCTS, LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1969

6. Long-term debt

	<u>1969</u>	<u>1968</u>
Issued by Enamel & Heating Products, Limited		
4¾% Sinking Fund Debentures, Series A, maturing April 1, 1976		
Authorized and issued		
\$1,250,000 less purchased for redemption	\$ 559,000	\$ 607,000
Sinking fund payments of \$49,500 are due April 1 in each of the years 1970 to 1975		
5½% Serial Debentures Series B, maturing September 1, 1971		
Authorized and issued		
\$250,000 less purchased for redemption	100,000	150,000
Serial payments of \$50,000 are due September 1 in each of the years 1970 and 1971		
6% Sinking Fund Debentures, Series B maturing September 1, 1984		
Authorized and issued	1,250,000	1,250,000
Sinking fund payments of \$50,000 are due September 1 in each of the years 1972 and 1977 and of \$100,00 in each of the years 1978 to 1983		
6% promisory note, payable in annual instalments of \$10,000	30,000	—
Government of Canada — capital assistance agreement, payable in annual instalments of \$7,226	36,131	—
Issued by Atlantic Salvage Limited		
9% mortgage, payable in monthly instalments of \$825, secured by a pledge of machinery and equipment	39,500	—
	<u>2,014,631</u>	<u>2,007,000</u>
Less: current portion	124,226	99,500
	<u>\$1,890,405</u>	<u>\$1,907,500</u>

ENAMEL & HEATING PRODUCTS, LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1969

7. Income taxes

The Company has available the following potential income tax benefit:

Tax losses carried forward	\$758,368
Less: Excess of net book value of fixed assets over undepreciated capital cost	653,502
	\$104,866

No recognition has been made of this benefit in the books of accounts as the date of its utilization through future taxable earnings cannot be determined. The benefit of the tax losses is subject to earnings being available before expiry of the period stipulated by income tax regulations.

8. Contributed surplus

This amount represents a grant of \$32,179 received under a provision of the Area Development Incentive Act.

9. Contingent liabilities and commitments

- i) The Company has issued two indemnity bonds of \$100,000 each to two of its officers. These bonds would indemnify them for personal liability in respect of a mortgage of \$40,000 granted to Atlantic Salvage Limited, by Industrial Development Bank, for which repayment has been personally guaranteed by these two officers.
- ii) Airco Products Ltd. is contingently liable for outstanding lease obligations falling due from June 15, 1970 to June 1, 1985 requiring annual payments of \$69,440.

10. Statutory information

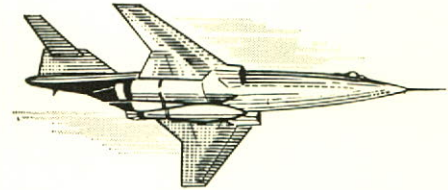
The operating costs include:

	1969	1968
Depreciation of fixed assets	\$170,277	\$141,771
Remuneration of executive officers	86,043	109,721
Directors' fees and expenses	1,516	2,375
Interest on long-term debt	113,177	114,321

PRODUCTS OF YOUR COMPANY

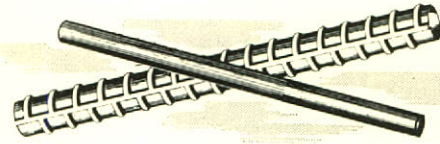
AIRCRAFT

Advanced facilities for the manufacture of components and the maintenance of aircraft for National Defence.



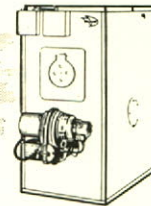
CONSTRUCTION

The fabrication of concrete reinforcing steel, to custom specifications, for immediate delivery.



HEATING UNITS

Oil, gas, electric and solid fuel furnaces and heaters for home and business, engineered for top efficiency with utmost economy.



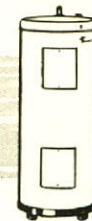
COOKING APPLIANCES

Electric, gas, oil and solid fuel ranges . . . known and preferred by generations of Canadian women.



WATER HEATERS

Electric or oil-fired glass lined water heaters provide a constant supply of crystal-clear hot water.



FAWCETT . . . growing with Canada . . . anticipating the needs and desires of the people . . . establishing the standards of quality . . . serving the homes and industries of the Nation for more than a century.



FAWCETT INDUSTRIES