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ENAMEL & HEATING PRODUCTS LIMITED

ANNUAL REPORT

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Board of Directors

M. BOURGET
A. R. FRENCH
R. B. FULLERTON
S. R. DONALDSON
F. R. RAND
J. E. MURPHY
F. B. C. TICE
J-P WARREN
P. WARREN
W. J. WIENAND, JR.
D. F. WILEY

Officers

W. J. WIENAND, JR.
President
P. WARREN
Executive Vice President
R. B. FULLERTON
Vice President and General Manager
J-P WARREN
Executive Asst. to the President
A. R. FRENCH
Vice President, Finance, Secretary-Treasurer
S. R. DONALDSON
Vice President — Aircraft
L. A. WILSON
Manager — Eastern Sales Division
K. 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
1968



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ENAMEL & HEATING PRODUCTS LIMITED

ENAMEL & HEATING PRODUCTS LIMITED
and subsidiary companies

Directors' Report

To the Shareholders:

Your Directors are pleased to present the Company's consolidated financial statements for the year ended December 31, 1968, together with the Auditors' Report thereon.

SALES AND PROFITS:

Sales for the fiscal year 1968 show a slight increase which turned the trend. Net income before taxes amounted to \$241,000.00 which compares very favourably with a loss in the preceding year of \$402,000.00, indicating improvement of \$643,000.00

Our Stove and Warm Air Furnace manufacturing facilities were amalgamated to our Sackville Plant. This change resulted in better utilization of all machinery and facilities, personnel was utilized to the best advantage, and general productivity increased.

Continued modernization program for the Rolling Mill was accomplished late 1968. This resulted in lower man hour content per ton. The full impact of this modernization will not be felt until the entire program is completed.

During 1968 an Autoclave for the production of bonded aircraft assemblies was installed in our Aircraft Division. Included in this installation was a cleanroom, vacuum pump, additional air compressor capacity, as well as water treatment for the processing of aluminum parts which are to be bonded. In addition we installed a Verson Wheelon Press for the production of Aircraft details. While these facilities were installed by August, very little production was obtained during 1968 because it was necessary to qualify all of the equipment and receive approvals from prime Aircraft manufacturers with whom we have sub-contracts.

Expenditures on Capital Assets amounted to \$400,000.00 expended principally in the Steel and Aircraft Divisions.

OUTLOOK FOR 1969:

Stove and Furnace Division: We have introduced a new line of Fawcett ranges which have been completely re-designed by our own personnel which according to sales meetings now being held, have favourable trade and customer acceptance. We have also introduced into our line Refrigerators which will form a package of Stove and Refrigerator for the modern kitchen, these have matching styling. We have added to our Sales personnel and expect to have complete nation-wide coverage. We are confident that these products will enable us to obtain a much greater share of the market. Our Warm Air Furnaces are widely accepted and are being re-engineered to meet customer requirements. At the present time production is falling short of customer demand.

The Rolling Mill with the completion of the modernization program will show better costing per ton of steel. The modernization includes new roughing stands, tilt tables, conveyors and handling equipment. New stands will be installed in the 11" mill. This will result in much greater production at considerable saving. At this time it looks as though construction will be brisk during this year which will give greater demand for our production.

The Aircraft Division is now into production of bonded assemblies for major Aircraft manufacturers, and production will continually climb during the year. We have inquiries from all of the leading Aircraft manufacturers for the production of components. In addition we are still engaged in the repair and overhaul of components, this work is becoming less and less important.

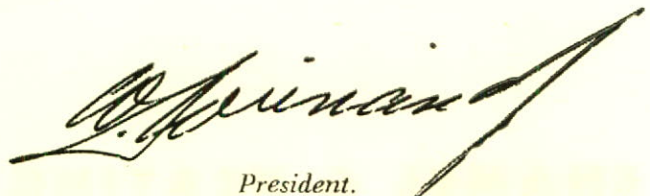
We are pleased to report that the results of the operations for the year of our Subsidiary Company, Airco Products Limited, Vancouver, B. C., showed substantial growth. This growth is expected to continue this year.

Your Directors feel that 1969 results will show very favourable increases. If the present trend continues we anticipate profits before Income Taxes of \$400,000.00.

OFFICERS AND EMPLOYEES:

Your Directors wish to record their appreciation to the officers and employees of the Company for their efforts and cooperation during the past year.

Respectfully submitted on behalf of the Board.



President.

Auditor's Report

The Shareholders,
Enamel & Heating Products Limited.

We have examined the consolidated balance sheet of Enamel & Heating Products Limited and its subsidiaries as at December 31, 1968 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, 1968 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.

TOUCHE, ROSS, BAILEY & SMART
Chartered Accountants.

Saint John, N. B.
March 6, 1969.

ENAMEL & HEATING

AND SUBSIDIARIES

Consolidated Balance Sheet

ASSETS

CURRENT	<u>1968</u>	<u>1967</u>
Cash	\$ 18,674	\$ 205,472
Accounts receivable	2,483,840	2,249,384
Income taxes recoverable	15,953	16,770
Inventories — valued at the lower of cost and net realizable value	3,237,773	2,979,198
Prepaid expenses	23,563	21,827
Special refundable tax	4,091	11,210
	<u>5,783,894</u>	<u>5,483,861</u>
Investments — at cost	<u>1,350</u>	<u>7,494</u>
FIXED — NOTE 1		
Land	102,718	102,718
Buildings	2,782,257	2,709,074
Machinery and equipment	3,221,473	2,922,495
Motor vehicles	136,075	134,766
	<u>6,242,523</u>	<u>5,869,053</u>
Less accumulated depreciation	2,198,345	2,072,279
	<u>4,044,178</u>	<u>3,796,774</u>
Deferred	<u>35,654</u>	<u>44,742</u>
	<u>\$9,865,076</u>	<u>\$9,332,871</u>
On behalf of the Board:		
W. J. Wienard, Jr., <i>Director</i> .		
Pierre Warren, <i>Director</i> .		

PRODUCTS LIMITED

Y COMPANIES

as at December 31, 1968

LIABILITIES

CURRENT	<u>1968</u>	<u>1967</u>
Bank loan — secured	\$2,034,905	\$1,797,000
Accounts payable	1,087,118	878,878
Accrued liabilities	113,995	100,759
Accrued debenture interest	35,093	36,569
Taxes on income	—	7,586
Dividend on capital stock payable January 31, 1969	22,125	22,125
Long-term debt due within one year	99,500	99,500
	<u>3,392,736</u>	<u>2,942,417</u>
LONG TERM DEBT		
4¾% Sinking fund debentures, Series A due April 1, 1976		
Authorized and issued	1,250,000	1,250,000
Less debentures purchased under Sinking Fund	643,000	596,500
	<u>607,000</u>	<u>653,500</u>
5½% Serial debentures, Series B due 1969-1971		
Authorized and issued	250,000	250,000
Less: Debentures redeemed and cancelled	100,000	50,000
	<u>150,000</u>	<u>200,000</u>
6% Sinking fund debentures, Series B due 1984		
Authorized and issued	1,250,000	1,250,000
	<u>2,007,000</u>	<u>2,103,500</u>
Less due within one year	99,500	99,500
	<u>1,907,500</u>	<u>2,004,000</u>
Accumulated tax reductions applicable to future years —		
Note 2	252,727	158,871

SHAREHOLDER'S EQUITY

CAPITAL STOCK		
Shares of no par value		
Class A — Authorized 250,000 shares		
— Issued 177,000 shares	809,885	809,885
Class B — Authorized 250,000 shares		
— Issued 118,000 shares	219,884	219,884
Earnings retained in the business	1,029,769	1,029,769
Increase in value of fixed assets over depreciated cost in accordance with appraisal — Note 1	1,118,717	1,034,187
	<u>4,312,113</u>	<u>4,227,583</u>
	<u>\$9,865,076</u>	<u>\$9,332,871</u>

The notes to the financial statements are an integral part thereof.

ENAMEL & HEATING PRODUCTS LIMITED
AND SUBSIDIARY COMPANIES
STATEMENT OF CONSOLIDATED EARNINGS
For the Year Ended December 31, 1968

	<u>1968</u>	<u>1967</u>
Sales	\$9,656,806	\$9,616,527
Income (loss) from operations before deducting the following	\$ 612,797	(\$ 51,487)
Depreciation	141,771	115,596
Executive salaries	109,721	118,249
Directors' fees and expenses	2,375	1,924
Debenture interest	114,321	121,103
	368,188	356,872
Non-operating expense (income)	244,609	(408,359)
	3,030	(5,874)
Income (loss) before taxes	241,579	(402,485)
Income taxes		
Provision for current income taxes	(7,805)	—
Transfer to accumulated tax reductions — Note 2	(93,856)	194,662
Amounts to be recovered	—	10,264
	(101,661)	204,926
Net income (loss) for the year	\$ 139,918	(\$ 197,559)

STATEMENT OF CONSOLIDATED RETAINED EARNINGS

	<u>1968</u>	<u>1967</u>
Balance — January 1	\$1,034,187	\$1,322,293
<i>Add:</i> Net income for the year	139,918	—
Gain on disposal of assets	854	—
Gain on debentures redeemed	6,965	3,420
	1,181,924	1,325,713
<i>Deduct:</i> Dividends on Class "A" shares	41,595	88,500
Adjustment of prior years' earnings	21,612	—
Loss on disposal of assets	—	5,467
Loss for the year	—	197,559
	63,207	291,526
Balance — December 31	\$1,118,717	\$1,034,187

The notes to the financial statements are an integral part thereof.

ENAMEL & HEATING PRODUCTS LIMITED
AND SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

For the Year Ended December 31, 1968

<i>Source of Funds</i>	<u>1968</u>	<u>1967</u>
From operations		
Net income (loss) for the year	\$139,918	(\$197,559)
Amounts charged against income but not requiring outlay of funds:		
Depreciation	141,771	115,596
Transfer to accumulated tax reductions — Note 2	93,856	(194,662)
	375,545	(276,625)
Gain on debentures redeemed	6,965	3,420
Proceeds on sale of fixed assets	13,380	17,660
Refund of refundable tax	—	5,123
Decrease in deferred charges	8,433	19,414
Proceeds on sale of investments	4,800	—
Decrease in value of investment	750	—
From working capital	150,286	685,462
	\$560,159	\$454,454
 <i>Application of Funds</i>		
Acquisition of plant and equipment	\$400,452	\$266,598
Dividends	41,595	88,500
Debentures redeemed	96,500	96,000
Prior years' items	21,612	—
Investment in refundable tax	—	3,356
	\$560,159	\$454,454

The notes to the financial statements are an integral part thereof.

ENAMEL & HEATING PRODUCTS LIMITED
AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

as at December 31, 1968

NOTE 1:

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.

NOTE 2:

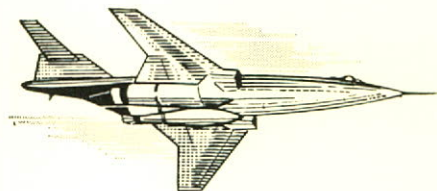
Due to the application of a portion of the tax loss carried forward from last year there are no income taxes payable. As at December 31, 1968 \$265,572 of such losses remain to reduce taxable income in future years. The accumulated tax reductions applicable to future years comprises:

A credit arising from claiming capital cost allowances in excess of depreciation recorded	\$385,513
Less: A charge applicable to the tax loss carried forward	132,786
	<u>\$252,727</u>

PRODUCTS OF YOUR COMPANY

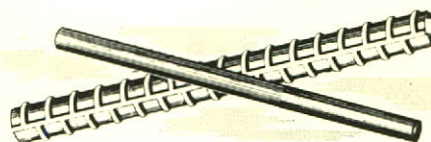
AIRCRAFT

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



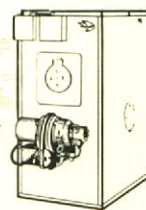
CONSTRUCTION

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.



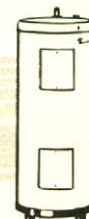
COOKING APPLIANCES

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