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ENAMEL & HEATING PRODUCTS LIMITED

ANNUAL REPORT

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Board of Directors

N. A. HESLER
N. T. AVARD
S. R. DONALDSON
A. R. FRENCH
R. B. FULLERTON
H. GOLDSTEIN
R. J. HESLER
F. R. RAND
F. B. C. TICE
W. J. WIENAND, JR.
C. N. WILSON

Officers

N. A. HESLER
President

W. J. WIENAND, JR.
Vice President

R. B. FULLERTON
Vice President and General Manager

A. R. FRENCH
Vice President, Finance, Secretary-Treasurer

S. R. DONALDSON
Vice President — Manufacturing

R. J. HESLER
Vice President — Marketing

D. F. WILEY
Comptroller

L. A. WILSON
Manager — Eastern Sales Division

G. PLANTE
Manager — Central Sales Division

K. DINHAM
Manager — Western Sales Division

Auditors

Touche, Ross, Bailey & Smart

Advertising Agency

Cusack Advertising Associates Ltd.

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

1966



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, 1966, together with the Auditors' Report thereon.

SALES AND PROFIT:

Sales for the fiscal year 1966 were down approximately five percent compared with 1965, due chiefly to the reduction in Aircraft contracts and residential construction.

Highly competitive market conditions during the year and importation of reinforcing steel from foreign countries, coupled with rising costs of raw materials and labour, had an adverse effect on earnings, in addition to which the Canada Pension Plan increased our costs \$49,976.00. Expenditures on Capital Account increased \$173,830.48 due chiefly to the modernization of our Rolling Mill Division.

OUTLOOK FOR 1967:

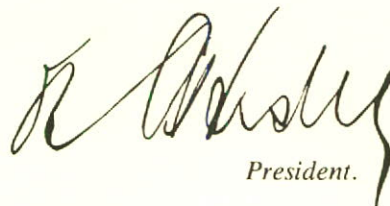
During the past year our Engineering-Development Department in co-operation with a design consultant completed patterns and tooling for a complete new line of electric and gas ranges for 1967 which we expect will substantially increase our sales in the Stove and Furnace Division. The outlook for reinforcing steel is dependent upon construction and we are putting forth every effort to obtain our share of the market.

In our 1965 Report we mentioned the possibility of a long-term manufacturing contract for our Aircraft Division, but due to the financial problems of the American company this had to be abandoned. However we are working on other American contracts and it appears that our aircraft repair and overhaul operations will greatly exceed the year 1966.

OFFICERS AND EMPLOYEES:

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

Respectfully submitted on behalf of the Board.



President.

SACKVILLE, N.B.

March 20, 1967.

Auditors' Report

To the Shareholders,
Enamel & Heating Products, Limited.

We have examined the accompanying consolidated balance sheet of Enamel & Heating Products, Limited and subsidiary companies as at December 31, 1966 and the statements of consolidated earnings, retained earnings and source and application of funds for the year ended on that date. 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 the aforementioned financial statements present fairly the financial position of the company and its subsidiaries and the results of their operations and the source and application of funds for the year ended on that date 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 13, 1967.

ENAMEL & HEATING AND SUBSIDIARIES

Consolidated Balance Sheet

A S S E T S

| CURRENT | <u>1966</u> | <u>1965</u> |
|---|---------------------|---------------------|
| Cash | \$ 122,361 | \$ 238,478 |
| Accounts receivable | 3,058,881 | 3,118,750 |
| Estimated income taxes recoverable | — | 31,020 |
| Inventories — valued at the lower of cost and market | 3,512,527 | 3,182,978 |
| Prepaid expenses | <u>45,842</u> | <u>21,781</u> |
| | <u>6,739,611</u> | <u>6,593,007</u> |
| Investments — at cost | <u>20,471</u> | <u>7,494</u> |
| FIXED | | |
| Land | 102,718 | 102,718 |
| Buildings | 2,715,963 | 2,705,333 |
| Machinery and equipment | 2,686,866 | 2,518,671 |
| Motor vehicles | <u>151,504</u> | <u>154,720</u> |
| | 5,657,051 | 5,481,442 |
| Less accumulated depreciation | <u>1,988,142</u> | <u>1,891,934</u> |
| | <u>3,668,909</u> | <u>3,589,508</u> |
| As appraised by Canadian Appraisal Company Limited under date of August 27, 1955, of fixed assets as of December 31, 1954 on basis of depreciated replacement value plus subsequent additions at cost, less disposals. | | |
| Deferred charges | <u>64,146</u> | <u>20,495</u> |
| | <u>\$10,493,137</u> | <u>\$10,210,504</u> |

Approved on behalf of the Board:
N. A. HESLER, *Director*.
W. J. WIENAND, JR., *Director*.

PRODUCTS LIMITED

Y COMPANIES

as at December 31, 1966

LIABILITIES

| CURRENT | 1966 | 1965 |
|--|---------------------|---------------------|
| Bank loan — secured | \$ 2,436,746 | \$ 1,751,000 |
| Accounts payable | 766,335 | 1,270,992 |
| Accrued liabilities | 120,911 | 77,789 |
| Accrued debenture interest | 38,046 | 38,644 |
| Provision for taxes on income (Note) | 39,752 | — |
| Dividend on capital stock payable January 31, 1967 | 22,125 | 22,125 |
| Long-term debt due within one year | 100,000 | 50,000 |
| | <u>3,523,915</u> | <u>3,210,550</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 | | |
| provisions and cancelled | 550,000 | 500,000 |
| | <u>700,000</u> | <u>750,000</u> |
| 5½% Serial debentures, Series B due 1967-1971 | | |
| Authorized and issued | 250,000 | 250,000 |
| 6% Sinking fund debentures, Series B due 1984 | | |
| Authorized and issued | 1,250,000 | 1,250,000 |
| | <u>2,200,000</u> | <u>2,250,000</u> |
| Less due within one year | 100,000 | 50,000 |
| | <u>2,100,000</u> | <u>2,200,000</u> |
| Reserve for future income taxes (Note) | 353,533 | 274,710 |
| | <u>353,533</u> | <u>274,710</u> |
| SHAREHOLDERS' 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 |
| | <u>1,029,769</u> | <u>1,029,769</u> |
| Earnings retained in the business | 1,322,293 | 1,331,848 |
| Increase in value of fixed assets over depreciated cost in | | |
| accordance with appraisal | 2,163,627 | 2,163,627 |
| | <u>4,515,689</u> | <u>4,525,244</u> |
| | <u>\$10,493,137</u> | <u>\$10,210,504</u> |

NOTE: As a result of claiming capital cost allowances for tax purposes in excess of depreciation recorded in the accounts, income taxes payable are less than the 1966 provision by approximately \$79,000 and this amount has been added to Reserve for future income taxes.

**ENAMEL & HEATING PRODUCTS LIMITED
AND SUBSIDIARY COMPANIES**

STATEMENT OF CONSOLIDATED EARNINGS

For the Year Ended December 31, 1966

| | <u>1966</u> | <u>1965</u> |
|--|-----------------------------|-----------------------------|
| Sales | \$10,650,486 | \$11,072,204 |
| | <u> </u> | <u> </u> |
| Income from operations before deducting the following | \$ 575,370 | \$ 644,313 |
| | <u> </u> | <u> </u> |
| Depreciation | 120,778 | 119,373 |
| Executive salaries | 100,000 | 100,000 |
| Directors' fees and expenses | 1,641 | 1,560 |
| Debenture interest | 118,444 | 126,542 |
| | <u> </u> | <u> </u> |
| | 340,863 | 347,475 |
| | <u> </u> | <u> </u> |
| | 234,507 | 296,838 |
| Non-operating income | 10,381 | 15,683 |
| | <u> </u> | <u> </u> |
| | 244,888 | 312,521 |
| | <u> </u> | <u> </u> |
| Taxes on income — Note | 121,028 | 156,221 |
| | <u> </u> | <u> </u> |
| Net earnings for the year | \$ 123,860 | \$ 156,300 |
| | <u> </u> | <u> </u> |

**ENAMEL & HEATING PRODUCTS LIMITED
AND SUBSIDIARY COMPANIES**

STATEMENT OF CONSOLIDATED RETAINED EARNINGS

For the Year Ended December 31, 1966

| | <u>1966</u> | <u>1965</u> |
|--|---------------------|---------------------|
| Balance at beginning of year | \$ 1,331,848 | \$ 1,221,124 |
| <i>Add:</i> Net earnings for the year | 123,860 | 156,300 |
| Net gain on realization of fixed assets | 824 | 42,987 |
| Gain on debentures redeemed | 2,750 | 2,500 |
| | <u>1,459,282</u> | <u>1,422,911</u> |
| <i>Deduct:</i> Dividends on Class "A" shares | 88,500 | 88,500 |
| Adjustment of prior years' earnings | 48,489 | 2,563 |
| | <u>136,989</u> | <u>91,063</u> |
| Balance at end of year | <u>\$ 1,322,293</u> | <u>\$ 1,331,848</u> |

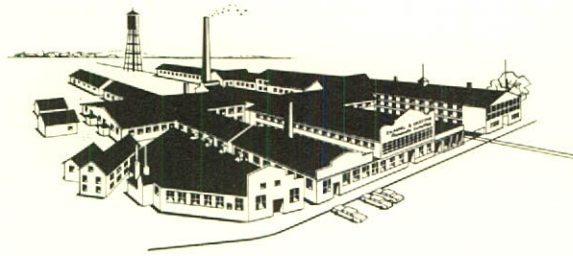
STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Source of funds

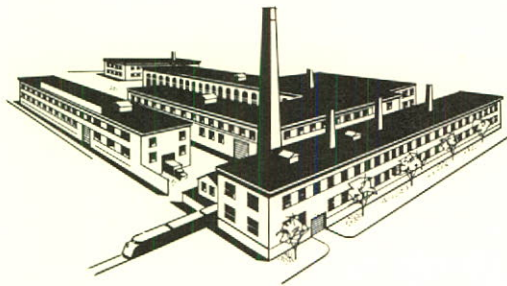
| | |
|--|-------------------|
| From operations | |
| Net earnings for the year | \$ 123,860 |
| Amounts charged against income but not requiring outlay of funds | |
| Depreciation | 120,778 |
| Income taxes deferred | 78,823 |
| | <u>323,461</u> |
| Gain on debentures redeemed | 2,750 |
| Proceeds of sale of fixed assets | 13,138 |
| From working capital | 116,761 |
| | <u>\$ 456,110</u> |

Application of funds

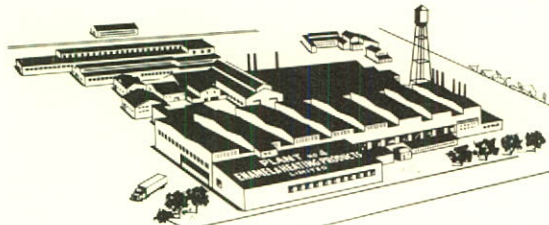
| | |
|--|-------------------|
| Investment in refundable tax | 12,977 |
| Acquisition of plant and equipment | 212,493 |
| Increase in deferred charges | 43,651 |
| Dividends | 88,500 |
| Debentures redeemed | 50,000 |
| Prior years' taxes on income | 48,489 |
| | <u>\$ 456,110</u> |



Plant No. 1 - SACKVILLE, N.B.

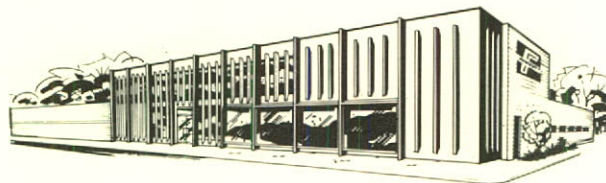


Plant No. 2 - AMHERST, N.S.



Plant No. 4 - AMHERST, N.S.

Since
1852

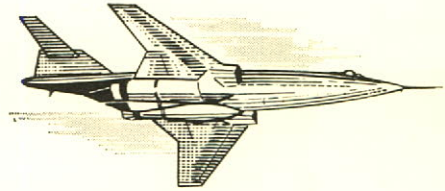


AIRCO PRODUCTS LIMITED, VANCOUVER, B.C.
(A Subsidiary)

PRODUCTS OF YOUR COMPANY

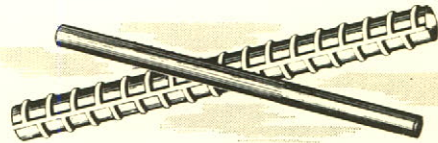
AIRCRAFT

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



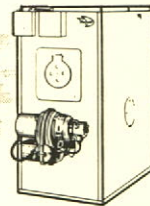
CONSTRUCTION

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.



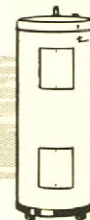
COOKING APPLIANCES

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.



ENAMEL & HEATING PRODUCTS LIMITED . . . 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.

ENAMEL & HEATING PRODUCTS LIMITED

