

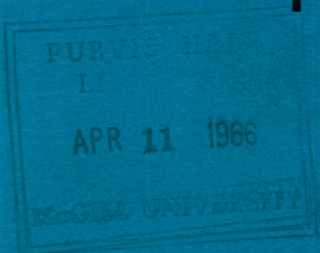
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ENAMEL & HEATING PRODUCTS LIMITED

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
and Comptroller*

S. R. DONALDSON
Vice President — Manufacturing

R. J. HESLER
Vice President — Marketing and Advertising

L. A. WILSON
Sales Manager — Atlantic Division

K. DINHAM
Sales Manager — Western Division

D. F. WILEY
Assistant Secretary-Treasurer

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

1965



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, 1965, together with the Auditors' Report thereon.

SALES AND PROFIT :

Sales for the fiscal year 1965 were approximately the same as for the preceding year. Compared with 1964, net earnings for the year reflect a decrease of \$90,714.

Highly competitive market conditions during the year, coupled with rising costs of raw materials, labour, and a decrease in operating income had an adverse effect on earnings in both the appliance and rolling mill divisions. While market conditions prevented a general increase in selling prices, increased costs were partially offset by improved manufacturing techniques.

Income taxes otherwise payable for the year have been decreased by approximately \$154,000 resulting from special corporate tax allowances for increased capital investment in new plant and equipment. The decrease has been added to the reserve for future Income taxes.

FIXED ASSETS :

During the year your Company substantially completed the capital expansion programme which commenced in 1964. This necessitated an expenditure of approximately \$175,000 in the modernization of the rolling mill division.

OUTLOOK FOR 1966 :

Your Directors are optimistic that during 1966 improved market conditions will have a favourable effect on the operations of the Company's rolling mill and appliance divisions. Further optimism is warranted in the aircraft division as a result of current negotiations for a long-term manufacturing contract.

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 18, 1966

Auditors' Report

To the Shareholders,
Enamel & Heating Products, Limited,
Sackville, N.B.

We have examined the consolidated balance sheet of Enamel & Heating Products, Limited and subsidiary companies as at December 31, 1965 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. With respect to those subsidiaries of which we are not the auditors, we have carried out such enquiries and examinations as we considered necessary in order to accept for purposes of consolidation the reports of the other auditors.

In our opinion the accompanying consolidated balance sheet, the statements of consolidated earnings, retained earnings and source and application of funds present fairly the financial position of Enamel & Heating Products, Limited as at December 31, 1965 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, except as outlined in note 3 to the financial statements with respect to the change, which we approve, in the valuation of inventories, on a basis consistent with that of the preceding year.

TOUCHE, ROSS, BAILEY & SMART
Chartered Accountants.

Saint John, N.B.
March 7, 1966.

ENAMEL & HEATING AND SUBSIDIARIES

Consolidated Balance Sheet

A S S E T S

CURRENT	<u>1965</u>	<u>1964</u>
Cash	\$ 238,478	\$ 118,570
Accounts receivable	3,118,750	3,265,026
Estimated income taxes recoverable	31,020	—
Inventories — valued at the lower of cost and market	3,182,978	3,059,165
	<u>6,571,226</u>	<u>6,442,761</u>
Investments — at cost	7,494	1,500
	<u>7,494</u>	<u>1,500</u>
FIXED		
Land	102,718	96,700
Buildings	2,705,333	2,631,541
Machinery and equipment	2,518,671	2,436,774
Motor vehicles	154,720	141,654
	<u>5,481,442</u>	<u>5,306,669</u>
<i>Less: Accumulated depreciation</i>	1,891,934	1,859,269
	<u>3,589,508</u>	<u>3,447,400</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 as cost, less disposals.		
DEFERRED		
Prepaid insurance	21,781	19,709
Other	20,495	19,090
	<u>42,276</u>	<u>38,799</u>
	<u>\$10,210,504</u>	<u>\$ 9,930,460</u>

Approved on behalf of the Board:

N. A. HESLER, *Director.*

W. J. WIENAND, JR., *Director.*

PRODUCTS LIMITED

Y COMPANIES

as at December 31, 1965

LIABILITIES

CURRENT	1965	1964
Bank loan — secured	\$ 1,751,000	\$ 1,275,000
Accounts payable	1,270,992	1,536,685
Accrued liabilities	77,789	116,031
Accrued debenture interest	38,644	39,242
Provision for taxes on income	—	67,288
Dividend on capital stock payable January 31, 1966	22,125	22,125
	<u>3,160,550</u>	<u>3,056,371</u>
FUNDED 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	500,000	450,000
	<u>750,000</u>	<u>800,000</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>2,250,000</u>	<u>2,300,000</u>
Reserve for future income taxes (Note 1)	274,710	120,739

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	1,331,848	1,221,124
Increase in value of fixed assets over depreciated cost in accordance with appraisal	2,163,627	2,202,457
	<u>4,525,244</u>	<u>4,453,350</u>
	<u>\$10,210,504</u>	<u>\$ 9,930,460</u>

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

STATEMENT OF CONSOLIDATED EARNINGS

For the Year Ended December 31, 1965

	<u>1965</u>	<u>1964</u>
Sales	<u>\$11,072,204</u>	<u>\$10,617,922</u>
Income from operations before deducting the following	<u>\$ 644,313</u>	<u>\$ 681,765</u>
Depreciation	119,373	106,066
Executive salaries	100,000	85,506
Directors' fees and expenses	1,560	1,883
Debenture interest	<u>126,542</u>	<u>64,085</u>
	<u>347,475</u>	<u>257,540</u>
	296,838	424,225
Non-operating income	<u>15,683</u>	<u>16,211</u>
	<u>312,521</u>	<u>440,436</u>
Taxes on income — Note 1	<u>156,221</u>	<u>193,422</u>
Net earnings for the year	<u>\$ 156,300</u>	<u>\$ 247,014</u>

NOTES :

- (1) Taxes on income have been reduced by approximately \$154,000 by taking advantage of maximum capital cost allowances for income tax purposes which are in excess of the rates used to record depreciation in the accounts.
- (2) The company acquired three subsidiary companies on May 1, 1964. Accordingly the net earnings for the year ended December 31, 1964 include earnings from such subsidiaries for an eight month period.
- (3) During the year, in order to achieve uniformity in accounting, the Company caused its subsidiary, Airco Products Limited, to effect a change in accounting practice which necessitated the inclusion of overhead in the valuation of its inventories. The overhead so included at December 31, 1965 amounted to \$29,000 which resulted in an increase in earnings for the year of a like amount.

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

STATEMENT OF CONSOLIDATED RETAINED EARNINGS

For the Year Ended December 31, 1965

	<u>1965</u>	<u>1964</u>
Balance at beginning of year	\$ 1,221,124	\$ 1,234,163
<i>Add:</i> Net earnings for the year	156,300	247,014
Profit on disposal of assets	42,987	—
Profit on debentures redeemed	2,500	3,500
	1,422,911	1,484,677
<i>Deduct:</i> Dividends on Class "A" shares	88,500	88,500
Adjustment of prior year's earnings	2,563	—
Loss on disposal of assets	—	1,143
Bond issue expense	—	54,833
Goodwill on consolidation	—	119,077
	91,063	263,553
Balance at end of year	\$ 1,331,848	\$ 1,221,124

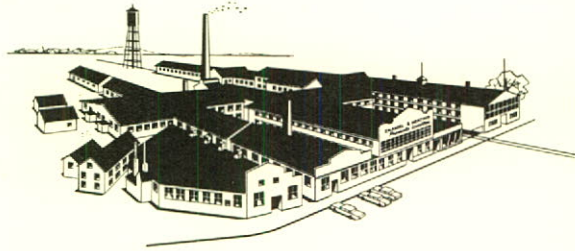
STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Source of funds

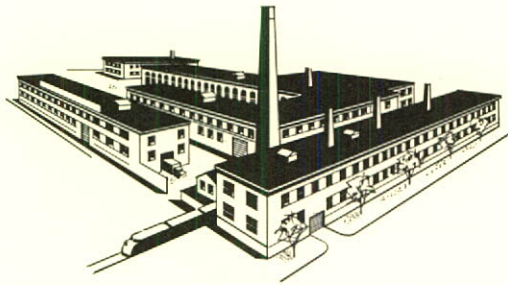
Net earnings	\$ 156,300	
Provision for depreciation	119,373	
Transfer to reserve for future income taxes	153,971	
	429,644	
Profit on debentures redeemed	2,500	
Proceeds on disposal of assets	61,397	
	\$ 493,541	

Application of funds

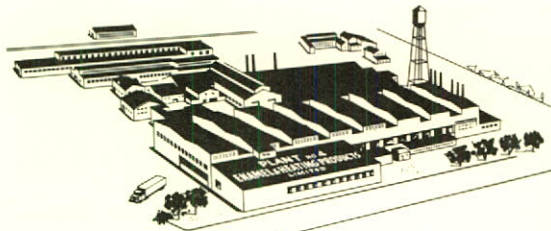
Dividends paid	88,500	
Debentures redeemed and cancelled	50,000	
Purchase of fixed assets	318,721	
Purchase of investments	5,994	
Payment of prior year's taxes on income	2,563	
Increase in deferred charges	3,477	
	469,255	
Increase in working capital		\$ 24,286



Plant No. 1 — SACKVILLE, N.B.

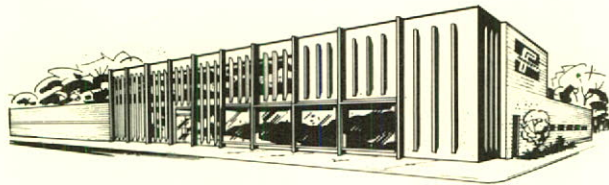


Plant No. 2 — AMHERST, N.S.



Plant No. 4 — AMHERST, N.S.

Since
1852

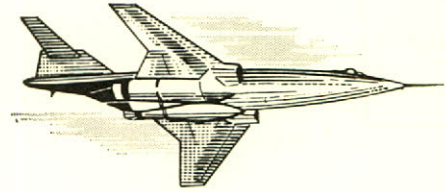


AIRCO PRODUCTS LIMITED, VANCOUVER, B.C.
(A Subsidiary)

PRODUCTS OF YOUR COMPANY

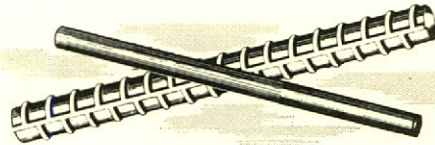
AIRCRAFT

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



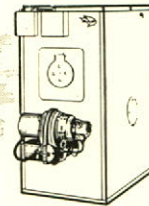
CONSTRUCTION

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



HEATING UNITS

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



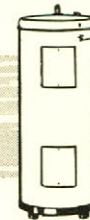
COOKING APPLIANCES

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

