

**BURLINGTON STEEL COMPANY,**  
**LIMITED**

*Annual Report* YEAR ENDING MARCH 31 1955

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**BURLINGTON STEEL COMPANY,**  
LIMITED  
HAMILTON, ONTARIO

**Directors**

C. E. ABBS  
MORLEY AYLSWORTH  
NORMAN EAGER  
HAROLD H. LEATHER, M.B.E.  
GRAHAM MORROW, O.B.E.  
FRANK C. O'BRIEN

**Officers**

FRANK C. O'BRIEN  
*President*  
NORMAN EAGER  
*Vice-President and General Manager*  
R. D. FRASER  
*Assistant General Manager*  
M. S. SUTHERLAND  
*Secretary-Treasurer*

**Registrar and  
Transfer Agent**

NATIONAL TRUST COMPANY LIMITED

**Bankers**

THE BANK OF NOVA SCOTIA

# REPORT OF THE BOARD OF DIRECTORS

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## TO THE SHAREHOLDERS

### FINANCIAL REVIEW

The accompanying statements present the financial position of the Company as at March 31 1955 and the result of operations for the fiscal year.

After providing \$171,577 for depreciation and Hydro conversion costs, \$25,000 for contingencies and \$444,431 for income taxes, the profit remaining was \$277,137.

Dividends at the annual rate of \$1.00 with an extra dividend of 50 cents a share were declared.

Investments consist of \$200,000 Government of Canada bonds, and \$100,000 Ontario Hydro Commission bonds.

Expenditures on plant and equipment during the period amounted to \$168,452.

Net current assets at March 31 1955 were \$2,156,325, an increase of \$194,389.

### INVENTORIES

The nature and source of our raw materials require the Company to carry large stocks of rails. It has been our experience, particularly during the last two years, that the conventional method of valuation of rails at the lower of cost or market has not proved satisfactory in the proper determination of our annual income. After considering a number of alternatives your Directors have concluded that the base stock method is appropriate for our Company's operations. This is an accepted accounting basis and in the case of our rail inventories has been adopted as of April 1 1954.

The effect of this change on income account for the year is shown in the following comparison of results:

	1954	1955
Net profit with inventories valued at lower of cost or market . . . . .	\$173,809	\$524,658
Net profit with rails valued on base stock method and applying related income tax . . .	408,736	362,068

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In addition to income tax of \$359,500 provided from profits, a further amount of \$84,931 has been set aside to meet the possible disallowance of the base stock method for tax purposes this year.

Adjustments necessary to the adoption of change in inventory valuation as of April 1 1954 resulted in a net credit of \$183,370 to earnings retained for use in the business.

#### PRODUCTION AND SHIPMENTS

Total tonnage produced was reduced by 9.6% from the previous year, whilst dollar value of shipments showed a decline of 7.9%. A moderate increase in sales price early in 1954, together with lower prices in obtaining raw materials offset to some extent this decrease in business activity.

#### EMPLOYEE RELATIONS

A collective agreement effective April 4 1954 resulted in a wage increase of 5 cents per hour, and an increase of 1.5 cents per hour in the Company's contribution to a revised group insurance plan of which the costs are shared equally between the employees and the Company.

The average straight-time hourly wage during the year was \$1.99 per hour; with the addition of other benefits the average cost of one hour's work was \$2.25.

Your Directors wish to acknowledge with appreciation the industry and co-operation with which officers and employees have discharged their duties.

Respectfully submitted on behalf of the Directors,

NORMAN EAGER,  
*Vice-President.*

Hamilton, May 3 1955.

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# BURLINGTON STEEL

## BALANCE SHEET

### ASSETS

#### CURRENT ASSETS:

Cash on hand and in bank . . . . .	\$	501,049
Marketable securities (Market value \$307,626) .		285,146
Accounts receivable, less provision of \$10,000 for doubtful accounts . . . . .		632,808

#### Inventories:

Rails valued on base stock method . . . . .	\$1,136,753	
Other materials and supplies, work in process and finished products, valued at the lower of cost or market . . . . .	693,266	1,830,019
		\$3,249,022

#### OTHER ASSETS:

Cash surrender value of life insurance policies . .	\$	95,171
Deferred charges . . . . .		10,344
		105,515

#### CAPITAL ASSETS:

On basis of appraised values reported by  
Canadian Appraisal Company, Limited in  
March 1928, with subsequent additions at  
cost—

Land . . . . .	\$	96,121
Buildings . . . . .	\$	636,581
Equipment . . . . .		2,024,144
		\$2,660,725
Less—Accumulated depreciation . . . . .	1,782,243	878,482
		974,603
		\$4,329,140

Auditors' Report to the Shareholders of  
BURLINGTON STEEL COMPANY, LIMITED:

We have examined the balance sheet of Burlington Steel Company, Limited as at March 31 year ending on that date. Our examination included a general review of the accounting procedures circumstances.

In our opinion, the above balance sheet and related statements of profit and loss and earnings rail inventories as referred to in the note and which change we approve, present fairly the financial on that date.

HAMILTON, April 22 1955.

# COMPANY, LIMITED

MARCH 31 1955

## LIABILITIES

### CURRENT LIABILITIES:

Accounts payable and accrued liabilities . . . . .	\$ 460,239
Purchase obligations in respect of raw materials not yet delivered . . . . .	274,769
Income taxes accrued . . . . .	252,689
Dividend payable April 1 1955 . . . . .	105,000
	<u>\$1,092,697</u>

PROVISION FOR CONTINGENCIES . . . . . 175,000

### SHAREHOLDERS' EQUITY:

#### Capital stock—

Authorized—200,000 shares without nominal or par value	
Issued and outstanding—140,000 shares . . . . .	\$ 940,000
Distributable surplus, balance of amount set aside in 1932 . . . . .	116,521
	<u>\$1,056,521</u>

Earnings retained for use in the business . . . . .	2,004,922	
	<u>2,004,922</u>	3,061,443

Approved on behalf of the Board:

C. E. ABBS, *Director*

NORMAN EAGER, *Director*

\$4,329,140

1955 and the related statements of profit and loss and earnings retained for use in the business for the  
and such tests of accounting records and other supporting evidence as we considered necessary in the

retained for use in the business, in which effect has been given to the change in basis of valuation of  
position of the company as at March 31 1955 and the results of its operations for the year ending

PRICE WATERHOUSE & Co.  
*Chartered Accountants.*

# BURLINGTON STEEL COMPANY, LIMITED

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDING MARCH 31 1955

Profit from operations, with rail inventories valued on base stock method, before deducting the under-noted items . . . . .	\$911,221
<i>Less:</i>	
Depreciation . . . . .	\$150,000
Balance of Hydro conversion costs . . . . .	21,577
Provision for contingencies . . . . .	25,000
Directors' fees . . . . .	6,000
	202,577
	\$708,644
Income from investments, etc. . . . .	12,924
PROFIT BEFORE INCOME TAX . . . . .	\$721,568
<i>Deduct</i> —Income tax on above profit . . . . .	359,500
NET PROFIT FOR YEAR . . . . .	\$362,068
<i>Deduct</i> —Provision for possible additional income tax —to meet statutory requirements regarding inventory valuation . . . . .	84,931
AMOUNT TRANSFERRED TO EARNINGS	
RETAINED FOR USE IN THE BUSINESS . . . . .	\$277,137

NOTE: As of April 1 1954 the Company adopted the base stock method of valuing rail inventories whereas previously such stocks were valued at the lower of cost or market. Under the base stock method 22,000 net tons of rails are deemed to be a basic stock and are carried at the current market price at the date referred to; the quantity in excess of the basic stock is carried at average cost. As a result of this change the profit before deducting income tax for the year ending March 31 1955 was reduced by \$315,750.



# BURLINGTON STEEL COMPANY, LIMITED

## STATEMENT OF EARNINGS RETAINED FOR USE IN THE BUSINESS

Balance brought forward March 31 1954.....	\$1,839,204
<i>Add</i> —To restore to earnings retained for use in the business the balance of provision against future decline in inventory values, after adjustments necessary to the adoption of the base stock method of valuing rail inventories as of April 1 1954....	183,370
	\$2,022,574
<i>Deduct</i> —Past service retirement provision, less income tax thereon.....	84,789
	\$1,937,785
<i>Add</i> —Amount transferred from profit and loss....	277,137
	\$2,214,922
<i>Deduct:</i>	
Four quarterly dividends.....	\$140,000
Extra dividend.....	70,000
	210,000
BALANCE MARCH 31 1955.....	\$2,004,922

## DISTRIBUTION OF THE COMPANY'S SALES DOLLAR FOR THE FISCAL YEARS ENDING MARCH 31 1954 AND 1955

	1954	1955
Cost of rails and scrap.....	46	42
Payments to plant employees, numbering 365 at March 31 1955.....	23	25½
Expenses, consisting of power, fuel, supplies, salaries, general expenses, etc.....	18	18½
Government income taxes.....	2½	7
Spent on new plant and equipment.....	3½	2½
Dividends to shareholders, 1093 in number at March 10 1955.....	3½	3½
Balance for corporate purposes.....	3½	1
	100	100

# BURLINGTON STEEL COMPANY, LIMITED

## PRODUCTS

### **RAIL STEEL**

#### REINFORCING STEEL

Plain and Hi-Bond Deformed

ROUNDS, SQUARES, FLATS,

BANDS, ANGLES, CHANNELS, TEES,

AGRICULTURAL SHAPES

FENCE POSTS

FORGED STEEL GRINDING BALLS

STRUCTURAL TUBING

Butted and Welded

GROUND RODS

SURVEYORS' STAKES

### **INGOT STEEL**

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ROUNDS, SQUARES, FLATS,

BANDS, ANGLES, CHANNELS,

AGRICULTURAL SHAPES



