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BURLINGTON STEEL COMPANY,
LIMITED

Annual Report

YEAR ENDING MARCH 31 1957

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McGILL UNIVERSITY

BURLINGTON STEEL COMPANY,
LIMITED
HAMILTON, ONTARIO

Directors

C. E. ABBS
MORLEY AYLSWORTH
NORMAN EAGER
R. D. FRASER
G. B. GORDON
HAROLD H. LEATHER, M.B.E.
GRAHAM MORROW, O.B.E.

Officers

NORMAN EAGER
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

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

ROUNDS, SQUARES, FLATS,

BANDS, ANGLES, CHANNELS,

AGRICULTURAL SHAPES

REPORT OF THE BOARD OF DIRECTORS

TO THE SHAREHOLDERS

FINANCIAL REVIEW

With rail inventories valued on the base stock method, the net profit for the year ending March 31 1957 was \$465,895.

Reference is made in the balance sheet to changes in the Company's capital during the year. Three quarterly dividends of 25¢ each were paid on the old shares; the fourth quarterly dividend, on the new shares after a two for one subdivision, was increased from 12½¢ to 15¢. An extra dividend of 25¢ per share was also declared at the year end.

Net current assets at March 31 1957 were \$2,529,016, an increase of \$229,881. The source and application of funds is shown below:

Source—

Net profit	\$465,895	
Depreciation	165,000	
Provided for contingencies	25,000	
	<u> </u>	\$655,895

Application—

Appropriated for possible additional income tax	\$ 5,000	
Plant and equipment	201,070	
Dividends	217,000	
Increase in cash surrender value of life insurance policies	2,944	
	<u> </u>	426,014

Increase in working capital	<u> </u>	<u>\$229,881</u>
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On April 1 1954 the Company adopted the base stock method of valuing its principal raw materials—rails—which are purchased in widely fluctuating world markets. Realizing the stability gained in the proper determination of income through the use of this method, a decision was made this year to include inventories of scrap on the same basis. Representations have been made to the Department of National Revenue to allow this method for tax purposes.

To avoid possible tax penalties, however, appropriations of \$204,152 have been made over the last three fiscal years, as the Federal Government has not as yet accepted either base stock or physical movement methods of valuing our inventory.

The costs of raw materials during 1956 rose to unprecedented heights. Although operating at record levels, these costs were not recovered despite general revisions in the selling prices of our products.

PLANT AND EQUIPMENT

Your plant and equipment have been maintained in a high state of repair. During the year, expenditures of \$201,070 were made on capital equipment. This outlay included a substantial amount for induction heating furnaces to be used in the forged steel grinding ball department. These furnaces will be in operation during the coming summer, and should not only increase the quality of this product, but will produce operating savings.

PRODUCTION AND SHIPMENTS

New records showing moderate increases from the previous year were established both for production and shipments. Whilst dollar values of shipments reached a new high—12% above the previous fiscal year—the increase in net profit was only 4%, reflecting the high cost of raw materials as mentioned above. In order to alleviate the persistent demand for reinforcing steel, the mill was operated on a partial overtime schedule on a commission basis.

Increased over-all productivity of our operations, as measured by the value added in the process of manufacture, is shown by the following comparison:

	<u>1948</u>	<u>1952</u>	<u>1956</u>
Production values created in one hour of operation:			
Actual dollars.....	481	805	1020
Adjusted to 1948 dollars, using consumers' price index	481	670	837

Similarly, production values per man-hour worked have increased from \$2.61 in 1948 to \$4.36 in 1956 (constant 1948 dollars) using consumers' price index. This indicates that the plant force has made good use of improved plant facilities provided by the Company, as well as taking advantage of liberal incentive plans designed to encourage individual output.

EMPLOYEE RELATIONS

Under the terms of a collective agreement with Local 4752 of the United Steelworkers of America covering the period April 1 1956 to August 31 1958, wage increases paralleling those obtained under agreements with the basic steel companies in Canada were negotiated. It was also agreed to establish a new pension plan in line with the pattern established in the Canadian basic steel industry.

The contract expiry date of August 31 should permit negotiations to take place after contract settlements at the larger steel companies in the United States and Canada. This change in the anniversary date of the contract will be mutually advantageous to labour and management.

GROWTH

The narrowing margin of profit per ton of steel shipped experienced during the last few years points to the necessity for careful consideration of the needs for the continued growth of your Company.

With this in mind, changes in staff responsibilities have been made recently in order to strengthen the organization. Proposals to increase our output and create operating efficiencies are being constantly studied. The modification in authorized capital made in January will allow the Company to give effect to a programme of expansion when plans mature.

GENERAL

Mr. Robert D. Fraser, Assistant General Manager of the Company was appointed a Director on May 17 1956.

The Company's business is carried on by experienced and co-operative employees. Your Directors wish to acknowledge the substantial contribution that they are making toward the growth of the Company, and also wish to express appreciation of the efforts of all personnel for the successful results obtained during the past year.

Respectfully submitted on behalf of the Directors,

NORMAN EAGER,
President.

HAMILTON, May 7 1957

BURLINGTON STEEL

BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash on hand and in bank.....		\$ 113,045	
Marketable securities (Market value \$465,700).		475,532	
Accounts receivable, less provision of \$10,000 for doubtful accounts.....		1,127,364	
Inventories:			
Rails valued on base stock method.....	\$1,120,137		
Other materials and supplies, work in process and finished products, valued at the lower of cost or market.....		947,309	2,067,446
			<u>\$3,783,387</u>

OTHER ASSETS:

Cash surrender value of life insurance policies...		73,742	
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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.....	\$ 639,548		
Equipment.....	<u>2,513,981</u>		
	\$3,153,529		
Less—Accumulated depreciation	<u>2,130,247</u>	<u>1,023,282</u>	
			<u>1,119,403</u>
			<u>\$4,976,532</u>

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 the year ending on that date. Our examination included a general review of the accounting procedure in the circumstances.

In our opinion, the above balance sheet and related statements of profit and loss and earnings for 1957 and the results of its operations for the year ending on that date.

HAMILTON, April 25 1957

COMPANY, LIMITED

MARCH 31 1957

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities.....	\$ 889,671
Purchase obligations in respect of raw materials not yet delivered.....	77,440
Income taxes accrued.....	175,260
Dividend payable April 1 1957.....	112,000
	<u>\$1,254,371</u>

PROVISION FOR CONTINGENCIES

225,000

SHAREHOLDERS' EQUITY:

Capital—

Authorized—600,000 shares without par value
Issued and outstanding—280,000 shares.... \$ 940,000

Distributable surplus, balance of amount set
aside in 1932..... 116,521
\$1,056,521

Earnings retained for use in the business.... 2,440,640

3,497,161

By supplementary letters patent dated January 2 1957 each of the shares without par value in the capital of the Company, issued and unissued, were subdivided into two shares without par value, and then the authorized capital of the Company was increased by an additional 200,000 shares without par value.

Approved on behalf of the Board:

C. E. ABBS, *Director*

NORMAN EAGER, *Director*

\$4,976,532

1957 and the related statements of profit and loss and earnings retained for use in the business for
ures and such tests of accounting records and other supporting evidence as we considered necessary

ngs retained for use in the business present fairly the financial position of the company as at March

PRICE WATERHOUSE & Co.

Chartered Accountants.

BURLINGTON STEEL COMPANY, LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDING MARCH 31 1957

Profit from operations, with rail inventories valued on base stock method, before deducting the undernoted items.....		\$1,086,474
<i>Less:</i>		
Depreciation.....	\$165,000	
Provision for contingencies.....	25,000	
Directors' fees.....	<u>7,000</u>	
		197,000
		<u>\$ 889,474</u>
Income from investments, etc.....		<u>16,421</u>
PROFIT BEFORE INCOME TAX.....		\$ 905,895
<i>Deduct</i> —Income tax on above profit.....		<u>440,000</u>
NET PROFIT FOR YEAR.....		\$ 465,895
<i>Deduct</i> —Appropriation for possible additional in- come tax—to meet statutory requirements re- garding inventory valuation.....		5,000
AMOUNT TRANSFERRED TO EARNINGS RE- TAINED FOR USE IN THE BUSINESS.....		<u><u>\$ 460,895</u></u>

BURLINGTON STEEL COMPANY, LIMITED

STATEMENT OF EARNINGS RETAINED FOR USE IN THE BUSINESS

Balance brought forward March 31 1956		\$2,196,745
<i>Add:</i>		
Amount transferred from profit and loss.....		<u>460,895</u>
		\$2,657,640
<i>Deduct:</i>		
Four quarterly dividends.....	\$ 147,000	
Extra dividend.....	<u>70,000</u>	
		<u>217,000</u>
BALANCE MARCH 31 1957		<u><u>\$2,440,640</u></u>

BURLINGTON STEEL COMPANY, LIMITED

DISTRIBUTION OF THE COMPANY'S SALES DOLLAR FOR THE YEAR ENDING MARCH 31 1957

<i>Particulars:</i>	<i>Cents of each Sales Dollar</i>	
COST OF RAILS AND SCRAP.....	47½	
PAYMENTS TO PLANT EMPLOYEES, numbering 395 at March 31 1957.....	23	
OTHER EXPENSES, consisting of power, fuel, supplies, salaries, office, selling, general expense, etc.....	17½	
GOVERNMENT INCOME TAXES.....	5	
SPENT ON NEW PLANT AND EQUIPMENT.....	2	
DIVIDENDS TO 1163 SHAREHOLDERS.....	2½	
RETAINED IN BUSINESS.....	2½	
	100	

The above statement shows, that after meeting all expenditures, there were 5 cents left out of each sales dollar, of which 2½ cents were distributed to the shareholders.

BURLINGTON STEEL COMPANY, LIMITED

AGENTS

VANCOUVER

Grinding balls

B. C. EQUIPMENT CO. LIMITED,
551 Howe Street,
Vancouver 1, B.C.

Other products

LEITH MURRAY & COMPANY LTD.,
1029 Marine Building,
Vancouver, B.C.

PRAIRIE PROVINCES

Grinding balls

MANITOBA BRIDGE & ENGINEERING
WORKS LTD.,
Winnipeg, Manitoba.

Other products

W. BRUCE CAMPBELL,
825 Royal Bank Building,
Winnipeg, Manitoba.

**NORTHERN ONTARIO
AND
NORTHERN QUEBEC**

Grinding balls

THE CANADIAN FAIRBANKS-MORSE
COMPANY LIMITED,
137 Harbour Street,
Toronto, Ontario.

