

BURLINGTON STEEL COMPANY, LIMITED

ANNUAL REPORT OF THE BOARD OF DIRECTORS

TO THE SHAREHOLDERS:

The accompanying statement of the financial position of the Company for the fiscal year ended December 31, 1946, is presented by the Directors of your Company.

After provision of \$85,000 for Dominion Taxes on income, and \$42,000 for depreciation, the net profit, including profit of \$8,446 on sales of Securities, was \$140,616, equal to \$1.00 per share.

Dividends totalling \$84,000, at the regular rate of 60 cents per share, were paid from the year's earnings.

The Company's investment in Securities consists of Dominion of Canada Bonds having a par value of \$500,000.

It will be observed that there has been a change in the method of valuing inventories. This has not had a material effect on the net profits for the year, as the credit arising from the change has been treated as a reserve against future decline in inventory values.

Renegotiation of war contracts with the Dominion Government was completed during 1946, and final settlement has been made.

The installation of modern equipment, commenced in 1945, has now been completed. It has made possible increased output, and the results are proving very satisfactory. Expenditures on this account during 1946 were \$129,000, and the total cost to the end of 1946 was \$272,000.

Net Current Assets of the Company at December 31, 1946 were \$1,130,827.

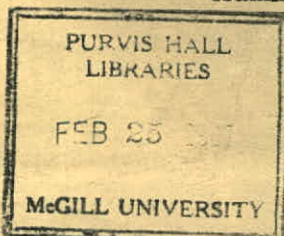
The Company has a large backlog of orders, and capacity operation throughout 1947 is expected.

The Directors express their appreciation to the entire personnel of the Company for their services during 1946.

Respectfully submitted on behalf of the Directors.

F. C. O'BRIEN,
President.

Hamilton, February 22, 1947.



BURLINGTON STEEL

BALANCE SHEET,

ASSETS

Current Assets:

Cash on hand and in bank	\$	39,261.81	
Dominion of Canada bonds, at cost		504,250.00	
(Market value \$526,750.00)			
Life insurance policies (cash surrender value)...		44,832.79	
Accounts receivable, less reserve of \$10,000.00 for doubtful accounts		262,721.53	
Inventories of raw materials and supplies, work in process and finished products, as determined and certified by responsible officials of the company and valued at the lower of cost or market	\$	693,191.03	
NOTE: The method of valuing inventories in previous years has been changed to the basis of the lower of cost or market and the credit arising therefrom is treated in this balance sheet as a reserve against future decline in inventory values.			
Less—Reserve against future decline in inven- tory values		100,000.00	
		<u>593,191.03</u>	\$1,444,257.16
Refundable portion of taxes on income			10,041.97

Capital Assets:

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

Land	\$	77,349.00	
Buildings	\$	440,100.75	
Equipment		1,213,847.19	
		<u>\$1,653,947.94</u>	
Less—Provision for depreciation		1,054,688.77	
		<u>599,259.17</u>	676,608.17
			<u>\$2,130,907.30</u>

To the Shareholders of
BURLINGTON STEEL COMPANY, LIMITED:

We have examined the balance sheet of Burlington Steel Company, Limited as of December 31, 1946, in accordance with generally accepted auditing standards applicable in the circumstances and in our opinion we considered necessary.

In our opinion the above balance sheet and related statement of profit and loss are properly drawn up for the year ending on that date and are as shown by the books and records.

Toronto, February 13, 1947.

COMPANY, LIMITED

DECEMBER 31, 1946

LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities.....	\$ 101,000.37	
Purchase obligations in respect of raw materials not yet delivered	146,240.01	
Taxes payable and accrued.....	45,188.99	
Dividend payable January 2, 1947.....	21,000.00	
		<u>\$ 313,429.37</u>

Capital and Surplus:

Capital Stock—		
Authorized—200,000 shares without nominal or par value		
Issued and outstanding—140,000 shares.....	\$ 940,000.00	
Distributable Surplus.....	116,520.54	
(No change during the year.)		
Deferred Surplus—		
Refundable portion of taxes on income.....	10,041.97	
Profit and loss—		
As per statement attached.....	750,915.42	
		<u>1,817,477.93</u>

\$2,130,907.30

1946 and the statement of profit and loss for the year then ended. Our examination was made in extensive tests of the accounting records and other supporting evidence and such other procedures as

up so as to exhibit a true and correct view of the state of the company's affairs as at December 31, of the company. All our requirements as auditors have been complied with.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

BURLINGTON STEEL COMPANY, LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDING DECEMBER 31, 1946

PARTICULARS	AMOUNT
Profit from operations for the year before providing for depreciation and taxes on income	\$242,531.71
Less—Provision for depreciation	42,000.00
	<u>\$200,531.71</u>
Income from investments, etc.	\$ 16,637.98
Profit on sales of securities	8,446.50
	<u>25,084.48</u>
	\$225,616.19
Deduct—Provision for taxes on income	85,000.00
	<u>\$140,616.19</u>
Net profit for the year	\$140,616.19
Add—Other credits, prior year adjustments of taxes, etc. (net)	10,327.24
	<u>\$150,943.43</u>
Add—Balance brought forward January 1, 1946	683,971.99
	<u>\$834,915.42</u>
Deduct—Dividends	84,000.00
	<u>\$750,915.42</u>
Balance carried to balance sheet	<u>\$750,915.42</u>