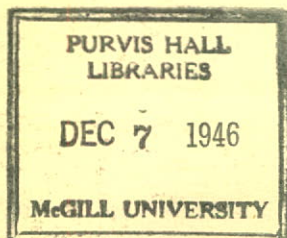


ALGOMA STEEL
CORPORATION, LIMITED

ELEVENTH
ANNUAL REPORT



FOR THE YEAR ENDED
APRIL 30th, 1946



ALGOMA STEEL CORPORATION, LIMITED

DIRECTORS

SIR JAMES DUNN, Bart., President and Chairman	-	-	-	Bathurst, N.B.
Board of Directors.				
JOHN A. McPHAIL, K.C., Vice-President	-	-	-	Sault Ste. Marie, Ontario
J. GORDON FOGO, K.C., Vice-President	-	-	-	Ottawa, Ontario
E. GORDON McMILLAN, K.C.	-	-	-	Toronto, Ontario
JOHN W. HOBBS	-	-	-	Toronto, Ontario
Hon. T. A. CRERAR	-	-	-	Ottawa, Ontario
JOSEPH SIMARD	-	-	-	Montreal, Quebec
LEO H. TIMMINS	-	-	-	Montreal, Quebec
JOHN L. LANG	-	-	-	Sault Ste. Marie, Ontario

PRESIDENT'S REPORT

Sault Ste Marie, Ontario
November 16th, 1946

To the Shareholders,

ALGOMA STEEL CORPORATION, LIMITED

The Directors herewith submit your Company's audited Balance Sheet and Profit and Loss Account for the year ended April 30th, 1946.

Before dealing with these statements it is with deep regret that I refer to our late Vice-President, Mr. W. C. Franz. Mr. Franz had been a Director and Vice-President of this Company since its incorporation in 1934 up to the day of his death. He was President of the predecessor Company having begun his association with that Company as early as 1908. Only those familiar with Sault Ste. Marie in the days of the old Company can appreciate the fine citizenship of Mr. Franz and the courage and tenacity he showed in many difficult periods in holding the enterprise together without money to extend it into new fields.

Net Profit for the year after providing for taxes amounted to \$1,009,715.88 as compared with \$1,112,132.06 last year, a decrease of \$102,416.18. Profit from operations amounted to \$2,778,157.71 as against \$3,482,796.46 last year, a decrease of \$704,638.75 and profit before taxes \$1,650,913.36 against \$2,284,272.85, a decrease of \$633,359.49.

The Profit from operations and profit before taxes are down as a result of further increased cost for wages and materials and a decrease in sales of 6.87% from last year.

From the Net Profit of \$1,009,715.88 dividends amounting to \$85,760.00 were paid on Preference Stock leaving a balance of \$923,955.88. This has been transferred to Earned Surplus which now amounts to \$7,205,676.61 including \$163,349.63 shown in Earned Surplus Account as an adjustment of the amount set up as reserve for Excess Profits Tax last year.

Working Capital is shown at \$10,718,788.99 an increase of \$1,627,656.22 over last year. This is a moderate Working Capital for an enterprise of such extent. Capital Expenditure made in the year under review amounted to \$285,593.00 and your Company retired \$190,500.00 First Mortgage Bonds—Series "A" through the Sinking Fund and paid \$500,000.00 on account of liability for Plant Extension.

Your Company's wholly owned Subsidiary, Algoma Ore Properties, Limited during the year opened up a new mine known as the Victoria which is operating successfully. Ore from this mine is sintered in the Company's sintering plant which heretofore had only sintered ore from the Helen Mine. From the ore furnished by these two mines there was produced and shipped during the year 550,223 tons of sinter of which 243,544 tons were shipped to customers in the United States and 306,679 tons to the blast furnaces of your Company at Sault Ste. Marie. The sinter produced this year exceeded the amount produced in the previous year by 62,698 tons.

During the year important drilling of Algoma Ore Properties, Limited unexplored territory has been carried out with gratifying results and it is the Company's policy to continue such explorations.

Algoma Ore Properties, Limited has a contract with Michipicoten Iron Mines Limited to take the latter company's production of lump ore and concentrate for a period of seven years. The deliveries from the Michipicoten Company during the year were of token quantities.

During the year many of the Company's former employees have returned from service in the armed forces and resumed their employment with your Company and every effort is being made to promote their welfare.

The Directors wish to express their thanks to the officers and employees for the loyal and efficient service rendered by them during the year.

JAMES DUNN,

President and Chairman,
Board of Directors.

ALGOMA STEEL COR

BALANCE SHEET a

ASSETS

CURRENT

Cash		\$ 3,528,158.36	
Cash—Employees' Deposits for War Savings Certificates per contra.....			222.00
Bills and Accounts Receivable:			
Employees' Victory Bonds	\$ 267,773.00		
Sundry Debtors	4,507,516.86		4,775,289.86
			<hr/>
Inventories:			
As determined by the management valued at the lower of cost or market:			
Raw materials, semi-finished products and supplies	5,320,128.12		
Saleable products	597,009.17		
			<hr/>
		5,917,137.29	
Advance Payments on Contracts.....	93,863.99	6,011,001.28	\$14,314,671.50
		<hr/>	<hr/>

ADVANCES TO SUBSIDIARY COMPANIES 130,713.22

INVESTMENTS

Subsidiary Companies		1,065,424.01	
Other		32,046.48	1,097,470.49
		<hr/>	<hr/>

PROPERTY AND EQUIPMENT

Land, Buildings and Equipment		28,149,031.00	
Less: Reserve or Depreciation.....		11,738,386.52	16,410,644.48
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PREPAYMENTS AND DEFERRED CHARGES 229,110.29

\$32,182,609.98

THE SHAREHOLDERS,
Algoma Steel Corporation, Limited
Sault Ste. Marie, Ontario, Canada

We have examined the books and accounts of Algoma Steel Corporation, Limited and explanations which we have required.

In our opinion, the above Balance Sheet and accompanying Profit and Loss Account's affairs as at April 30th, 1946, and the result of its operations for the year then end by the books of the Corporation.

Toronto, Ontario, November 4th, 1946

CORPORATION, LIMITED

at APRIL 30th, 1946

LIABILITIES

CURRENT

Employees' Deposits for War Savings		
Certificates per contra	\$	222.00
Interest—First Mortgage Bonds—Due May 1, 1946		38,087.50
Accrued Wages and Salaries		476,630.28
Accounts Payable and Accrued Liabilities:		
Sundry Creditors	\$	1,877,226.81
Subsidiary Companies		313,105.29
		<u>2,190,332.10</u>
Current Liability re Plant Extension....		250,000.00
Unclaimed Dividends		313.13
Unclaimed Interest on First Mortgage Bonds		8,600.00
First Mortgage Bonds—Series "A"		
Sinking Fund Payment—Due Nov. 1, 1946		190,500.00
Income and Excess Profits Taxes.....		441,197.50
		<u>\$3,595,882.51</u>

DEFERRED LIABILITY RE PLANT EXTENSION 1,239,312.93

RESERVES

For Rebuilding and Relining Furnaces and other Operating Reserves.....		3,873,610.50	
For Excess Profits Tax.....		74,369.83	
For Contingencies		38,334.98	3,986,315.31
		<u>3,986,315.31</u>	

FUNDED DEBT

First Mortgage Bonds—Series "A"		1,523,500.00	
Less: Sinking Fund Payment—Due Nov. 1, 1946 (as above)		190,500.00	
		<u>1,333,000.00</u>	
Sinking Fund Payment—Due 1947....		190,500.00	
Balance Due 1948		1,142,500.00	1,333,000.00
		<u>1,333,000.00</u>	

CAPITAL STOCK AND SURPLUS

5% Cumulative Redeemable Preference Stock			
Authorized 27,000 Shares of \$100.00 par value			
Issued	26,390	Shares	
Less: Purchased and Redeemed 7,078			
Converted into Common Stock 2,160	9,238	"	
Outstanding.....	17,152	"	1,715,200.00
Common Stock—No par value			
Authorized —1,000,000 Shares			
Issued 412,700 "			10,274,500.00
			<u>11,989,700.00</u>
Distributable Surplus			2,832,722.62
Earned Surplus			7,205,676.61
			<u>22,028,099.23</u>

NOTE: Under the provisions of Section 6 (1) (b) of the Excess Profits Tax Act the effect of an inventory reserve has been applied in calculating the current tax liability.

\$32,182,609.98

for the year ended April 30th, 1946, and report that we have received all the information are properly drawn up so as to exhibit a true and correct view of the state of the corporation, according to the best of our information and the explanations given to us and as shown

BARROW, WADE, GUTHRIE & CO.,
Chartered Accountants.

ALGOMA STEEL CORPORATION, LIMITED

Profit and Loss Account

For the Year Ended April 30th, 1946

PROFIT FROM OPERATIONS.....		\$ 2,778,157.71
OTHER INCOME		
Interest Earned		9,009.58
		<hr/>
		2,787,167.29
INTEREST CHARGES		
On Loans	\$ 15,988.63	
On First Mortgage Bonds	82,320.45	
	<hr/>	
	98,309.08	
PREMIUM ON BONDS REDEEMED.....	3,685.00	101,994.08
	<hr/>	
PROFIT BEFORE DEPRECIATION.....		2,685,173.21
DEPRECIATION		
Plant and Equipment		1,034,259.85
		<hr/>
PROFIT FOR YEAR before providing for Income and Excess Profits Taxes.....		1,650,913.36
PROVISION FOR INCOME AND EXCESS PROFITS TAXES		641,197.48
		<hr/>
NET PROFIT FOR THE YEAR.....		\$ 1,009,715.88
		<hr/> <hr/>

Earned Surplus Account

Balance at credit April 30th, 1945.....		\$ 6,118,371.10
Net Profit for the year ended April 30th, 1946.....	\$ 1,009,715.88	
Less: Dividends on Preference Stock.....	85,760.00	923,955.88
	<hr/>	
Adjustment of Reserve for Excess Profits Tax for prior year		163,349.63
		<hr/>
Balance at credit April 30th, 1946.....		\$ 7,205,676.61
		<hr/> <hr/>

ALGOMA STEEL CORPORATION, LIMITED

Subsidiary Companies



ALGOMA ORE PROPERTIES, LIMITED (An Ontario Corporation).

ALGOMA STEEL PRODUCTS COMPANY LIMITED (A Manitoba Corporation).

ALGOMA TRAMWAYS LIMITED (An Ontario Corporation).

CANNELTON COAL AND COKE COMPANY (A West Virginia Corporation).

FIBORN LIMESTONE COMPANY (A Michigan Corporation).

LAKE SUPERIOR COAL COMPANY (A West Virginia Corporation).

THE SOUTHERN ALGOMA RAILWAY COMPANY (An Ontario Corporation).



ALGOMA STEEL CORPORATION LIMITED
SAULT STE. MARIE

Algoma Steel Corporation, Limited

A Report To Employees

Yours sincerely,

Sault Ste. Marie, Ontario

[Signature]

General Manager - Steel Works

ALGOMA STEEL CORPORATION, LIMITED
SAULT STE. MARIE,
ONTARIO

IN YOUR REPLY PLEASE QUOTE
ATTENTION OF

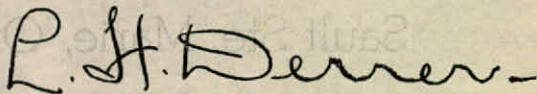
Dear Fellow Workers:

Last year Algoma Steel Corporation, Limited gave to all of its employees a brief report on the Company's operations for the year. The accompanying statements show the distribution of each \$1.00 of sales for the year ended April 30th, 1946 and a comparative statement of wages and salaries paid to employees and the average wage rate per hour for the years 1936 to 1946 inclusive.

Owners of preference shares received only one quarter of a cent in dividends from each \$1.00 of sales and for the eleventh successive year owners of common shares did not receive any dividend.

Again all profits for the year after payment of the small amount required for dividend on preference shares have been reinvested in the Company.

Yours sincerely,



General Manager - Steel Works.

ALGOMA STEEL CORPORATION, LIMITED

Distribution of each \$1.00 of Sales
for the year ended April 30, 1946

Expenses necessary to conduct the business	
Cost of raw materials including coal, ore limestone, etc., power, supplies for maintenance of plant, duty, freight, rents, insurance, etc	68 $\frac{1}{3}$ cents
Depreciation of Plant and Equipment (Amount provided this year for replacements as plant and equipment become worn out)	2 $\frac{2}{3}$ cents
Interest	$\frac{1}{4}$ cent
Employees' wages and salaries and Company's contribution to employees' unemployment insurance	24 $\frac{1}{2}$ cents
<u>Total Expenses for each \$1.00 of Sales</u>	<u>95$\frac{3}{4}$ cents</u>
Income Taxes	1 $\frac{2}{3}$ cents
Dividends to Preference Shareholders	$\frac{1}{4}$ cent
Amount remaining	2 $\frac{1}{3}$ cents

This amount is reinvested in the business to help pay for needed plant and equipment and provide additional working capital to meet post-war problems.

\$1.00 of Sales

