

ANNUAL
REPORT
FOR THE YEAR
1946

WESTEEL PRODUCTS LIMITED

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WESTEEL PRODUCTS LIMITED

DIRECTORS

A. F. Culver	Montreal
P. F. Fowle	Toronto
R. J. Gourley	Winnipeg
F. E. Halls	Winnipeg
G. W. Hutchins	Winnipeg
L. L. Lang	Waterloo
E. S. Sargeant	Toronto

OFFICERS

<i>President</i>	G. W. Hutchins
<i>Vice-President and Managing Director</i>	E. S. Sargeant
<i>Secretary-Treasurer</i>	P. F. Fowle
<i>Assistant Secretary-Treasurer</i>	W. S. Sparrow

MANAGERS

<i>Montreal</i> —J. Hastie Holden	<i>Saskatoon</i> —R. A. Gyles
<i>Toronto</i> —R. E. L. Johnson	<i>Calgary</i> —C. F. Woodward
<i>Winnipeg</i> —W. S. Sparrow (<i>Western Manager</i>)	<i>Edmonton</i> —A. J. Maure
<i>Regina</i> —C. T. Dempsey	<i>Vancouver</i> —P. A. Styan

EXECUTIVE OFFICES

2 — 28 Atlantic Avenue, Toronto

Transfer Agents and Registrars

National Trust Company Limited, Montreal, Toronto, Winnipeg

Photographed for Westeel by Max Sauer, Montreal.



WESTEEL

DIRECTORS' REPORT

Winnipeg, March 7th, 1947.

To the Shareholders of Westeel Products Limited:

Your Directors have pleasure in submitting herewith the financial statements of your company for the year ended December 31st, 1946, as certified by the Auditors, Messrs. Clarkson, Gordon & Co., Chartered Accountants.

10 YEAR PERIOD

This is the tenth annual report to be issued since the capital re-organization of the company in 1937. It seems fitting, therefore, that some reference should be made to the progress that has taken place since. Your attention is directed to more detailed information to be found on other pages of this report.

The decade thus ended has presented many problems of an unusual character. The aftermath of depression required considerable rehabilitation to both personnel and plant. Then came the war with its five years of pressure, production, taxes and necessary but irksome controls, followed by re-conversion to peacetime operations under vastly different conditions than ever before experienced.

All problems resulting from such circumstances, and there were many, have been met with common sense and intelligence by Management, and your Directors have observed the results with very great satisfaction.

FINANCIAL

The 1946 profits, after the deduction of all income taxes, depreciation and expenses applicable thereto, amounted to \$376,000, which compares to \$272,000 for the previous year, an increase of \$104,000. Earnings per share were \$3.18 in 1946 and \$2.31 in 1945.

Accounts receivable and inventories total \$2,335,000 at the end of the year and are worth that amount. These figures are \$55,000 higher than a year ago.

Working capital is now \$1,991,000, having decreased \$57,000 during the year, due largely to a very substantial reduction in Funded Debt and to heavier capital expenditures made in 1946.

DIVIDENDS

Your Directors felt justified last autumn in placing the company's shares on a regular dividend basis of \$1.00 per share per annum, of which 50 cents is to be paid in June and 50 cents in December each year. This is what has been paid during the past three years and there is every indication that this rate can be maintained. In view of the satisfactory 1946 profit, an extra 50 cents per share was declared and paid in March, 1947.

FUNDED DEBT

Early in 1946, when the company's Funded Debt stood at \$484,000, the outstanding 5% General Mortgage Bonds, Series "A," due January 31, 1956, were called in and redeemed. A new loan of \$300,000 at 2½% interest was then arranged upon the same Mortgage Indenture, with \$50,000 of the principal amount to be repaid each year commencing in 1947. A substantial saving in interest has resulted. The transaction involved a payment out of working capital of \$184,000.

PRODUCTION

The year just ended has been an active one and sales were satisfactory. If it had been possible to secure larger supplies of raw materials from primary producers, a much larger volume of production would have gone through our shops. There is still a very heavy demand for all our products and, when raw materials become in greater supply, production should increase. Greater supplies of raw materials than are currently coming through are from eight months to a year away.

PLANTS AND EQUIPMENT

No plant additions are contemplated for 1947. Machinery and equipment purchases are made as required and when available, under the company's long established policy of maintaining facilities at a good level of efficiency.

Capital expenditures of \$220,000 were made in 1946 and these included \$55,000 for buildings, \$136,000 for machinery replacements and \$29,000 for automotive equipment. Many of the capital expenditures authorized in 1945 were held over to 1946 on account of late deliveries.

EMPLOYEE RELATIONS

The relationship between management and employees continues to be good. Wage and salary adjustments and increases have been made during the past year to bring them in line with current conditions.

All employees have worked well during the year and the Directors take this opportunity of expressing their appreciation to the entire staff.

By order of the Board.

G. W. HUTCHINS,
President.

WESTEEL PRO

(Incorporated under the

BALANCE SHEET AS A

ASSETS

CURRENT:

Cash on hand, in transit and in banks.....	\$	163,562.10
Dominion of Canada bonds at cost (market value \$301,500).....		302,850.00
Accounts receivable.....	\$	737,310.15
<i>Less reserve</i>		66,854.83
		670,455.32
Receivable from employees re purchase of Canada Savings bonds (secured).....		89,317.90
Inventories, as determined and certified by the manage- ment and valued at the lower of cost or market—		
Raw materials.....	\$1,012,995.91	
Goods in process.....	475,246.23	
Finished stock.....	87,253.98	
		1,575,496.12
Total current assets.....		\$2,801,681.44

SUNDRY AND DEFERRED:

Refundable portion of taxes on income.....	\$	247,700.00
Marketable securities (market value \$3,114).....		2,469.54
Prepaid charges.....		26,733.05
		276,902.59

FIXED, at cost:

Land.....	\$	287,536.28
Buildings.....		1,887,371.35
Machinery and equipment.....		2,409,115.72
		\$4,584,023.35
<i>Less reserves for depreciation</i>		2,807,650.00
		1,776,373.35
		\$4,854,957.38

On behalf of the Board:

E. S. SARGEANT, *Director*.
LOUIS L. LANG, *Director*.

WESTEEL PRODUCTS LIMITED

(Incorporated under the Companies Act)

31st DECEMBER, 1946

LIABILITIES

CURRENT:

Accounts payable and accrued charges.....	\$ 495,500.56	
Reserve for income and other taxes.....	314,384.34	
	<u> </u>	\$ 809,884.90

FUNDED DEBT:

General mortgage bonds authorized.....	\$ 800,000.00	
Issued—		
2½% general mortgage bonds series "B" maturing in annual instalments of \$50,000 on 1st June 1947 to 1st June 1952 inclusive.....		300,000.00

RESERVE FOR FUTURE PAYMENTS UNDER EMPLOYEES' PENSION PLAN FOR PAST SERVICE:

Balance 31st December 1945.....	\$ 219,634.32	
Less payment made in 1946.....	30,365.68	
	<u> </u>	189,268.64

CAPITAL AND SURPLUS:

Capital—		
150,000 shares of no par value authorized, whereof 118,151 shares are issued or to be issued.....	\$1,450,000.00	
Capital surplus resulting from reorganization of capital in 1937.....	500,000.00	
Earned surplus.....	1,605,803.84	
	<u> </u>	3,555,803.84
		<u> </u>
		\$4,854,957.38

AUDITORS' REPORT TO THE SHAREHOLDERS

We have made an examination of the balance sheet of Westeel Products Limited as at 31st December, 1946, and of the statements of profit and loss and earned surplus for the year ended on that date. In connection therewith we examined or tested accounting records of the company and obtained all the information and explanations we required from its officers and employees; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

We report that in our opinion the above balance sheet and related statements of profit and loss and earned surplus have been properly drawn up so as to exhibit a true and correct view of the state of the company's affairs at 31st December, 1946, and of the results of its operations for the year, according to the best of our information and the explanations given us and as shown by the books.

Toronto, Canada, 1st March, 1947.

CLARKSON, GORDON & CO.,
Chartered Accountants.

WESTEEL PRODUCTS LIMITED

STATEMENT OF PROFIT AND LOSS

For the Year Ended 31st December, 1946

Gross profit on sales before providing for depreciation.....		\$1,450,053.95
<i>Deduct:</i>		
Selling, administrative and financial expenses.....	\$570,506.13	
Depreciation.....	119,048.01	
Remuneration of executive officers' and directors' fees.....	43,183.00	
Bond interest.....	14,314.74	
Legal fees.....	2,059.99	
	749,111.87	
		\$ 700,942.08
Add rentals, investment and sundry income, etc. (net).....		11,490.62
		\$ 712,432.70
Profit before provision for taxes on income.....		\$ 712,432.70
Provision for taxes on income.....		336,000.00
		\$ 376,432.70
Net profit for the year.....		\$ 376,432.70

STATEMENT OF EARNED SURPLUS

For the Year Ended 31st December, 1946

Balance at credit 31st December, 1945.....		\$1,357,684.64
Net profit for the year ended 31st December, 1946.....		376,432.70
		\$1,734,117.34
<i>Less:</i>		
Dividends paid.....	\$118,013.50	
Settlement of renegotiation claims applicable to prior years, less adjustment of taxes thereon.....	10,300.00	
	128,313.50	
Balance at credit 31st December, 1946.....		\$1,605,803.84

Information of Interest to Shareholders and Employees

History

WESTEEL, as the company is familiarly called, is really an amalgamation, by purchase or otherwise, of several well and favourably known concerns in the sheet metal manufacturing business. This group includes the Winnipeg Ceiling and Roofing Company Limited, established in 1904, Metallic Roofing Company of Canada, Toronto, commenced in 1886, the George W. Reed & Company Limited, Montreal, which dates back to the year 1852, and a number of smaller concerns located in Western Canada, all of which were acquired by Western Steel Products Limited. All these companies had earned good reputations for quality workmanship and fair dealing and, as each was added, the organization rounded out into a strong business calculated to serve its customers from coast to coast.



In order to avoid the confusion incidental to the multiple use of names, the name and style "Westeel Products Limited" was adopted in September, 1945, when the "Reed," "Metallic" and "Western Steel" names were dropped.

Some over expansion in the early 30's, followed almost immediately by a period of world depression, seriously impaired the company's resources and eventually resulted in its capital re-organization in November, 1937. In the decade which has followed, progress has been steady and sure and the company's affairs, in a financial sense as well as in point of sales and profits, are now in a sound and vigorous condition.

Stockholders

At the end of 1946, the 118,151 shares of the company were held by 1122 shareholders of record. The following table shows the distribution of the stock



grouped according to the number of stockholders.

Number of shares held	Number of Stockholders in each group
Under 100.....	991
101 to 500.....	107
Over 500.....	24

The head office of the company is located at Winnipeg, where annual meetings are always held. The Winnipeg office is also the headquarters of the western manager, who is responsible for the plants located in Winnipeg and west. Executive offices, however, are in Toronto, which is geographically more convenient for the administration of the business as a whole. The company operates under a Dominion charter. Transfer agents and registrars for the company's stock are National Trust Company Limited, and shares may be transferred either at Montreal, Toronto, or at Winnipeg.

Dividends

The company's dividend record is as below.

Year	Paid per Share
1941.....	\$.50
1942.....	.50
1943.....	.75
1944.....	1.00
1945.....	1.00
1946.....	1.00

The Directors feel that it will be possible to maintain the regular dividend of \$1.00 per share per annum, and they may be expected to declare extras from time to time, when profits justify such action.

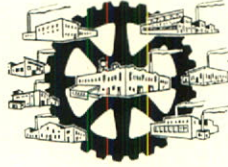
Funded Debt

Ten years ago the company had outstanding \$700,000 5% General Mortgage Bonds. This debt was steadily reduced year by year, commencing 1939, and at the end of 1945 the figure stood at \$484,000. Early in 1946, the company paid off \$184,000 and refunded the remaining \$300,000 at the low rate of 2½%, committing itself to repay \$50,000 of the principal amount each year. The first of such payments is due early in 1947.



Plants

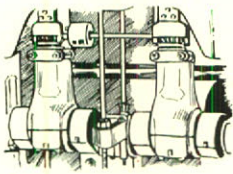
The company owns and operates eight plants across Canada, all of which are well equipped to serve the localities and territories in which they are situated.



Location	Floor Space (Sq. feet)
Montreal.....	165,700
Toronto.....	103,700
Winnipeg.....	163,000
Regina.....	30,000
Saskatoon.....	25,000
Calgary.....	58,000
Edmonton.....	32,000
Vancouver.....	40,000
Total.....	617,400

All properties are well maintained and are efficient units. Owing to the present unprecedented demand for company products, facilities are taxed almost to the limit and more space could be used if it was available. Due, however, to the present high cost of construction, the matter of additions to present facilities and redesign is being left to a time when such costs may be found to be more reasonable. Meantime, plant lay-out has been carefully studied and many changes have been made to create greater efficiency in plant operations.

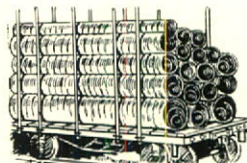
Equipment



It has been the company's aim and purpose to give its employees good machines and tools to work with, and management has not hesitated to replace obsolete and worn out equipment in the interest of better production. In the past ten years, capital expenditures, including items of such nature, have amounted to \$1,050,000.

Products

Westeel manufactures a varied line of metal products for use in industrial plants, farm buildings, road building, grain elevators, the oil industry and general construction, as may be gathered from the list shown on another page of this report. The company also handles and distributes a complete line of steel sheets for the trade. In



addition, it executes outside contracts for built up roofing, ventilation work, etc. During war years, company plants were engaged almost exclusively in the production of goods to aid in the Allied cause. Since the war ended, civilian requirements have kept all shops busy and the experience with new techniques, gained during the emergency period, has added greatly to the ability of the company to meet a demand for its products greater than ever before experienced.

The 1946 strike in the basic steel industry slowed up but did not entirely interrupt production in Westeel's shops and, now that the trouble is settled, raw materials are gradually becoming more available.

The Sales Dollar

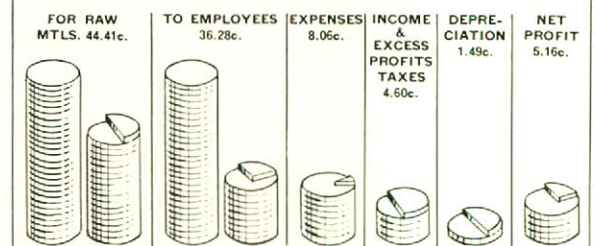
Management has a varied responsibility, which includes the interests of both shareholders and employees. A programme which is good for the one is usually good for both. Thus Management is responsible for saving sufficient out of each sales dollar to insure the steady growth of the business in order to make the investment of the shareholder profitable on the one hand, and to provide steady work and good working conditions for its employees on the other. Both groups must be considered.



Out of each 1946 sales dollar there was paid—

For raw materials, such as sheets, metal shapes, hardware, pumps, felt, etc.	44.41c
For wages and salaries to employees.....	36.28c
For expenses, consisting of supplies, power and light, maintenance, office expenses, taxes, etc.....	14.15c
The remainder—profit on operations and available for distribution was.....	5.16c
Dividends paid to shareholders.....	1.62c
Remainder out of each sales dollar left in the business for its expansion and improvement.....	3.54c

DISTRIBUTION of NET SALES DOLLAR, 1946



Employee Relations

The company's relations with its employees have been friendly and satisfactory and Westeel has not suffered from interruptions to production through disputes of any kind.

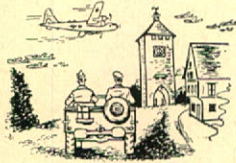


Our shops are under agreements with Unions and both company and Union officials have been able to co-operate effectively for the benefit of all concerned.

In normal times, the company employs about 800 persons, in war years this number was expanded to over 3000; to-day there are approximately 1400 in shops and offices.

Many shop operations involve precision work to close tolerances and Westeel personnel, including workers, foremen, superintendents and engineers, are well qualified by experience and training for such work.

War Record



Employees of the company responded promptly to the nation's call to arms and Westeel's Honour Roll includes the names of 637 men and women who joined the armed forces. Six were decorated for gallantry in the field and twenty were wounded. We remember with profound sorrow that seventeen of our men who went into battle cannot return.

Those who were left in offices and shops, unfit for active service or unable for one reason or another to join up, sent out an amazing volume of war material to the armed forces, all of which helped the cause of freedom and assisted in the final achievement of Victory.

Welfare and Benefits

All employees are covered by a Group Insurance Plan, the cost of which is shared by the company. This plan was inaugurated in 1938.



In 1945, a Retirement Pension Plan was established for all employees wishing to join who had five years or more of service. The entire cost of past service benefits (approximately \$250,000.00) was assumed by the company to be amortized over a period of years. The cost of future benefits is on a joint basis with employees.

These two plans have done much to relieve employees and their dependents of anxiety and to provide a measure of independence upon retirement after faithful service.

All employees of the company receive vacations with pay.

A large proportion of company employees have been with Westeel since they first started to work, a fact that speaks well for employment conditions

in shops and offices. In order to recognize long and faithful service, a Quarter Century Club was started several years ago and now has 82 members. New members qualify and are enrolled as members as they complete twenty-five continuous years of service. Upon joining the Club, each member is presented with an engraved watch and a lapel pin as a memento of the occasion. Membership in this Club entitles one to an extra week's holiday with pay during the year of entry to Club membership. Each year the members are entertained at dinner when new members are introduced.

Company Policy



It is Management's view that opportunities should be made available to creative and thinking members of the staff in order to increase the employees' interest in and knowledge of the company's affairs. Towards this end, suggestions from all are encouraged and rewarded. Periodical meetings of department heads and foremen are convened for the purpose of discussing problems and studying company products. Plant superintendents from our various shops meet regularly to exchange ideas, while Management meetings for the formulation of overall policies are held at least twice a year. Such gatherings are a great help in meeting eventualities with intelligent foresight and are very necessary to the safe conduct of the company's business.

It is the aim of management to maintain high quality production, with reasonable costs, thus ensuring good volume and steady employment in its shops. Where possible to do so, price increases will be avoided and extra wage costs absorbed, giving stress to more efficient production methods in order to meet competition.

Outlook

The nearby view is one of great demand for company products, limited only by shop capacity and the ability to secure raw materials in sufficient volume.



The long range outlook indicates a period of keen competition, a situation where volume will be maintained only through intelligent sales effort and quality merchandise, produced with efficient and low-cost shop practices.

Westeel Management has entire confidence in its ability to meet the present and future. The industry which it represents is established on sound principles and Westeel in particular has good facilities, capable employees and a comfortable financial position.

G.W.H.

The drawings on these pages are the work of Edna Higgerty, a member of Westeel's staff.

WESTEEL PRODUCTS

CONSTRUCTION

Casement Windows
Ceilings
Conductor Pipe
Corner Bead
Corrugated Iron
Door Frames
Eavestrough
Exhaust Systems
Fire Doors
Hangar Doors
Hollow Metal Doors
Hollow Metal Windows
Lavatory, Shower Partitions
Linen Chutes
Metal Roofings
Metal Lath
Metal Shingles
Metal Trim
Office Partitions
Radiator Enclosures
Ready Roofings
Roof Deck
Roof Insulation
Roofings, Built-up
Roofings, Copper and Steel
Ridge Caps
Smoke Stacks
Salamanders
Spanish Tile
Stair Treads
Steel Frames
Steel Sash
Sidings
Skylights
Toilet Partitions
Valleys
Ventilators
Wall Ties

ELEVATOR EQUIPMENT

Dust Collecting Systems
Elevator Buckets
Elevator Spouting

INDUSTRIAL EQUIPMENT

Airport Re-fuelling Tenders
Boilers
Boiler Breeching
Brick Pallets
Bulk Storage Tanks
Coal Chutes
Cold Storage Lockers
Fuel Oil Tanks
Measuring Cans
Metal Booths
Steel Shelving
Sinks
Special Sheet Metal Work
Steel Lockers
Steel Drums
Tote Boxes
Truck Tanks
Underground Tanks
Ventilating Systems
Water Tanks

ROAD AND DRAINAGE

Centre Joint
Corrugated Culverts
Crack Fillers
Illuminated Warning Signs
Road Signs
Sign Posts
Weeping Tiles

COMPLETE BUILDINGS

Barns
Garages
Implement Sheds
Rinks
Warehouses

FARM

Barns
Corrugated Iron
Granaries
Grain Picklers
Grain Dusters
Hog Waterers (Automatic)
Hog Troughs
Implement Sheds
Ribbed Roofing
Seed Treaters
Silo Roofs
Tank Heaters
Ventilators
Water Troughs
Weather Vanes
Well Curbing
Well Casing

OFFICE EQUIPMENT

Cabinets
Document Boxes
Lockers
Lockerettes
Shelving

MISCELLANEOUS

Ash Cans
Boiler Breechings
Cans, Ice-making
Column Guards
Coolers, Soft Drink
Coal Hoppers
Display Stands
Fan Housings
Flat Sheets
Flumes
Fire Escapes
Kettles, Pitch
Machine Guards
Mortuary Racks
Shower Stalls
Smoke Stacks

WESTEEL