

**WESTERN STEEL PRODUCTS
CORPORATION**

Limited



**Annual Report
1942**

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Western Steel Products Corporation
Limited

Annual Report
1942



Plants and Offices located at:

MONTREAL
TORONTO
WINNIPEG
REGINA

SASKATOON
CALGARY
EDMONTON
VANCOUVER



EXECUTIVE OFFICES:
2-28 ATLANTIC AVENUE, TORONTO

Western Steel Products Corporation Limited

President:

G. W. HUTCHINS

Vice-President:

E. S. SARGEANT

Directors:

A. F. CULVER.....	Montreal, P.Q.
P. F. FOWLE.....	Toronto, Ont.
R. J. GOURLEY.....	Winnipeg, Man.
F. E. HALLS.....	Winnipeg, Man.
G. W. HUTCHINS.....	Winnipeg, Man.
L. L. LANG.....	Waterloo, Ont.
E. S. SARGEANT.....	Toronto, Ont.

Officers:

<i>President</i>	G. W. HUTCHINS
<i>Vice-President</i>	E. S. SARGEANT
<i>Secretary-Treasurer</i>	P. F. FOWLE
<i>Assistant Secretary-Treasurer</i>	W. S. SPARROW

ANNUAL REPORT OF THE DIRECTORS

FISCAL YEAR ENDED DECEMBER 31ST, 1942

To the Shareholders:

It is with pleasure that your Directors submit the Annual Report of your Company, together with the Balance Sheet, Statement of Profit and Loss, and Surplus Account for the year 1942. The Report of the Auditors is appended to the Balance Sheet.

The net profit for the year at \$264,607.43 showed an increase of \$12,957.40 over 1941. Included in the earnings figure, however, was the refundable portion of the Excess Profits Tax amounting to \$39,000.00. As this refund will not be available until after the war, it has been reflected on the Balance Sheet as an Investment and Special Surplus Account, and may be used as a reserve for post-war adjustments should the need arise.

As anticipated a year ago, the gross profit for the year declined, although the physical volume of business was at record high. This was due to the almost total conversion of our plants to war work with narrower profit margins earned thereon. The extent of the Company's production expansion is indicated by a comparison of the payrolls, which in 1942 totalled some three millions of dollars, an increase of 48% over 1941 and 240% over 1939.

It is important to realize that under existing income tax laws, which became effective July 1st, last, the maximum earnings this Company can in future retain will be considerably less than heretofore shown. The refundable portion of the excess profits tax will, however, compensate to some extent. The Company has a back-log of orders that should ensure continued production at a high level during 1943.

Full provision amounting to \$443,000.00 has been made for Dominion Income and Excess Profits Taxes, and in keeping with Government requirements \$280,200.00 was paid on account in 1942.

During the year, \$249,006.16 was spent for new machinery, equipment and plant, the most important single item being an extension to the Toronto building. The Government, following its established policy, recognized that certain of the Company's capital expenditures were for war facilities and authorized the inclusion in 1942 and 1943 production costs of the sum of \$147,929.92.

Inventories were up \$467,203.41 at \$1,699,375.78. Work in process represented 49% of this total, and the remainder consisted largely of materials brought in specifically for war contracts.

More than 50% of the total net Accounts Receivable of \$1,501,386.41 was owed by the Department of Munitions and Supply, and the balance was largely due from firms executing Government contracts. The amount outstanding was reasonable in relation to the volume of business transacted.

During the year the Company's funded debt was reduced by \$39,000.00 and now stands at \$589,000.00. Dividend No. 2 at the rate of fifty cents per share was distributed in 1942. Working Capital at \$1,824,763.32 reflected a gain of \$102,386.40.

While no serious production interruptions were experienced during the past year, your Company, in keeping with industry generally, was affected by the shortage of skilled workmen and in certain areas by labour unrest. The continuance of good employee-employer relations and the maintenance of our supply lines are still tasks of major importance.

During the past year many additional employees joined the Armed Forces. The Company's Honour Roll now includes a total of three hundred and sixty names, of which three men have been killed in action or are missing. Their sacrifice brings to those carrying on at home the realization that the additional effort and responsibilities that accrue to them are small by comparison, and should spur one and all to contribute their full energies to the task of winning the war.

By Order of the Board,

G. W. HUTCHINS,

President.

WESTERN STEEL PRODUCTS

(Incorporated under The

BALANCE SHEET AS

ASSETS

CURRENT:

Cash on Hand and in Banks		\$ 53,515.16
Accounts Receivable	\$1,573,950.37	
<i>Less</i> Reserve	72,563.96	
		1,501,386.41
Inventories, as determined and certified by the management and valued at the lower of cost or market:		
Raw Materials	\$ 780,369.55	
Goods in Process	864,225.34	
Finished Stock	54,780.89	
		1,699,375.78
Total Current Assets		\$3,254,277.35

DEFERRED CHARGES		11,021.93
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INVESTMENTS:

Marketable Securities (quoted market value \$4,701.00)	\$ 4,116.79	
Post-war Refund under the Excess Profits Tax Act.....	39,000.00	
Sundry, including Non-Operating Properties at Nominal Values	6.00	
		43,122.79

FIXED, at cost:

Land	\$ 287,036.28	
Buildings	1,771,944.53	
Machinery and Equipment	1,990,540.36	
		\$4,049,521.17
<i>Less</i> Reserves for Depreciation	2,271,218.53	
		1,778,302.64
		\$5,086,724.71

AUDITORS' REPORT T

We have made an examination of the balance sheet of Western Steel Products and surplus for the year ending on that date. In connection therewith we examined the books and records of the Company and the explanations given us and as shown by the books. In connection with our examination we also made a general review of the transactions of the Company and the explanations given us and as shown by the books.

We report that, in our opinion, based upon our examination, the above balance sheet and surplus exhibit a true and correct view of the state of the Company's affairs at 31st December 1942, and the explanations given us and as shown by the books.

Toronto, Canada.
8th March, 1943.

TS CORPORATION LIMITED

(Dominion Companies Act)

AT 31st DECEMBER, 1942

LIABILITIES

CURRENT:

Accounts Payable and Accrued Charges	\$1,167,048.71
Reserve for Income and Other Taxes (after deducting advance payments on account of Dominion Income and Excess Profits Taxes of \$280,200.00)	249,294.48
Bond Interest Accrued	13,170.84
Total Current Liabilities	<u>\$1,429,514.03</u>

FUNDED:

5% General Mortgage Bonds Series "A" Due 31st January, 1956:	
Authorized	<u>\$1,500,000.00</u>
Issued	\$ 700,000.00
Less Redeemed and Cancelled	<u>111,000.00</u>
	589,000.00
RESERVE FOR CONTINGENCIES	500,000.00

CAPITAL AND SURPLUS:

Capital:	
Authorized, 150,000 Shares No Par Value, whereof 118,151 Shares are Issued or to be Issued.....	\$1,450,000.00
Earned Surplus, Per Statement	<u>1,079,210.68</u>
	2,529,210.68
Special Surplus Represented by Post-war Refund under the Excess Profits Tax Act	39,000.00

\$5,086,724.71

On Behalf of the Board:

LOUIS L. LANG,
E. S. SARGEANT,
Directors.

TO THE SHAREHOLDERS

Corporation Limited as at 31st December, 1942, and of the statements of profit and loss or tested accounting records of the Company and obtained all the information and explanation of the accounting methods and of the operating and income accounts for the year, but

sheet and related statements of profit and loss and surplus have been properly drawn up December, 1942, and of the results of its operations for the year, according to the best of

CLARKSON, GORDON, DILWORTH & NASH,
Chartered Accountants.

Western Steel Products Corporation Limited

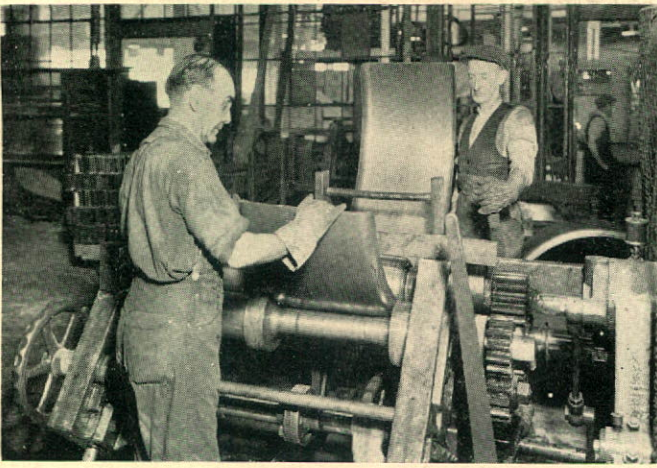
STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS

FOR YEAR ENDING 31ST DECEMBER, 1942

Gross Profit on Sales, before providing for depreciation	\$1,311,448.45
DEDUCT:	
Selling, Administrative and Financial Expenses	\$399,400.64
Depreciation	204,968.09
Remuneration of Executive Officers	36,450.00
Bond Interest	30,502.26
Legal Fees	945.90
	672,266.89
	\$ 639,181.56
ADD: Rentals, Investment and Sundry Income	29,425.87
	\$ 668,607.43
Net Operating Profit	\$ 668,607.43
Provision for Dominion Income and Excess Profits Taxes....	\$443,000.00
Less Refundable Portion of Excess Profits Tax	39,000.00
	404,000.00
Net Profit for Year	\$ 264,607.43

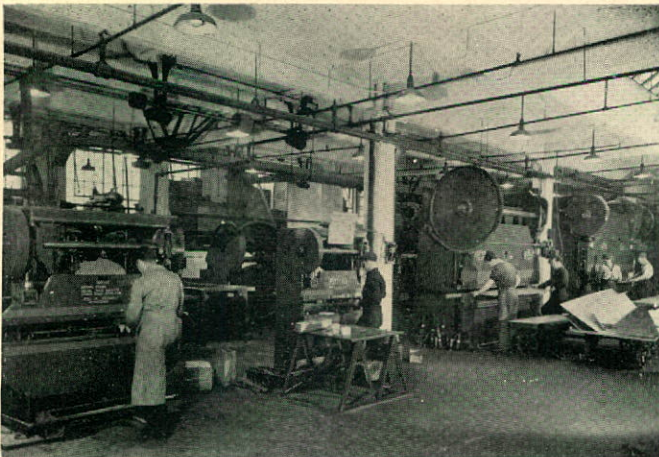
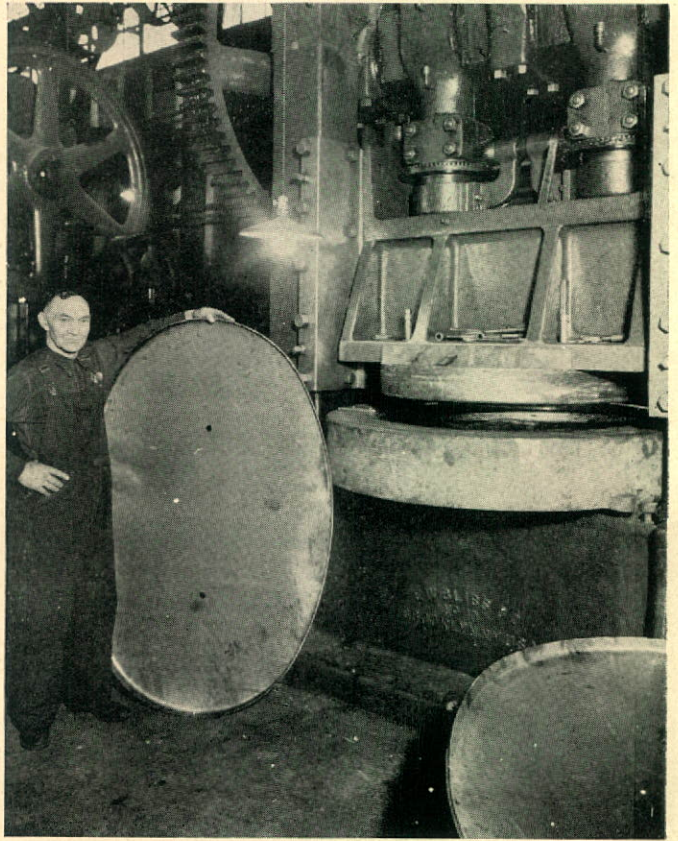
EARNED SURPLUS

Surplus 31st December, 1941	\$ 903,392.35
ADD:	
Net Profit for Year	\$264,607.43
Miscellaneous Adjustments	9,206.90
	273,814.33
	\$1,177,206.68
DEDUCT:	
Dividend Paid 1st December, 1942	\$ 58,996.00
Transfer to Special Surplus Represented by Post-war Refund under the Excess Profits Tax Act	39,000.00
	97,996.00
Surplus 31st December, 1942	\$1,079,210.68



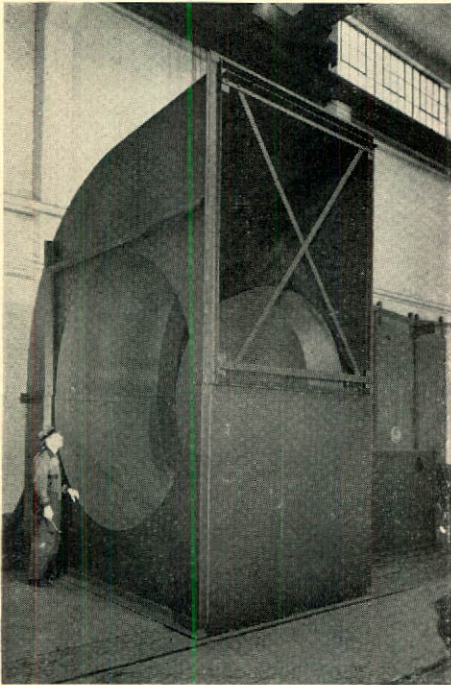
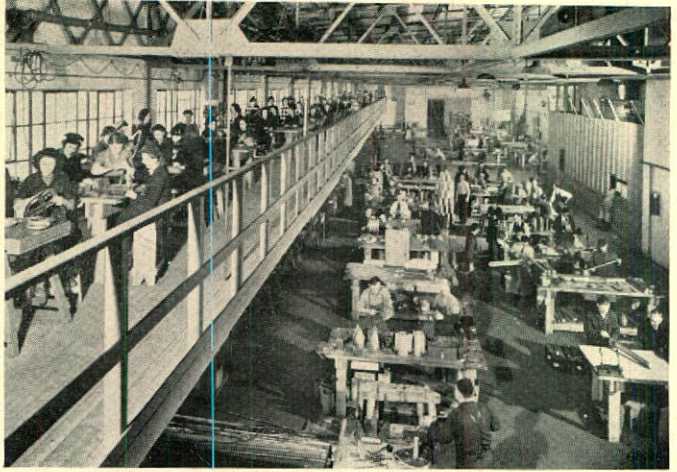
Culvert rolls converted
to make Army truck
fenders

Power press stamping
heads for
military truck tanks.



A battery of
power brakes.

New mezzanine floor gives added space for production of aircraft parts.



Fan housing for centrifugal fan.

Fuel tanks for Mosquito Bomber.

