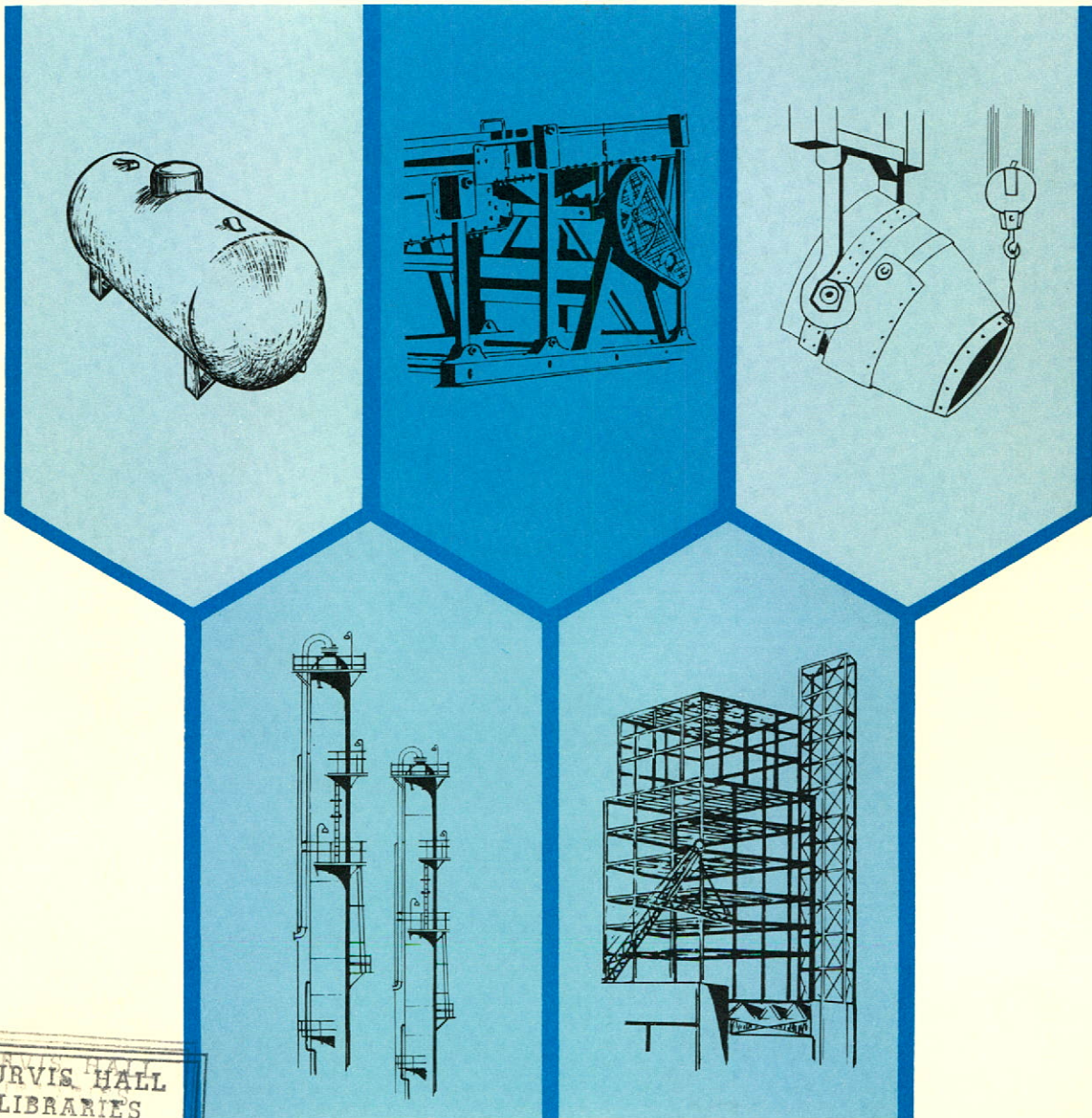


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JAMES



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ANNUAL REPORT FOR THE YEAR 1967

JAMES *united steel limited*

The Annual General Meeting of the Shareholders of the Company will be held at the Calgary Inn, Lake Louise Room, Calgary, Alberta, on June 28th, 1968, at 11:00 A.M. A formal notice of the meeting, together with a form of proxy, is enclosed with this report.

officers and directors

DIRECTORS

B. O. Brynelsen, Vancouver, British Columbia
G. R. Gardiner, Toronto, Ontario
J. F. MacArthur, Calgary, Alberta
J. E. McCaw, Seattle, Washington, U.S.A.
J. M. Pryde, Calgary, Alberta
A. S. Williamson, Calgary, Alberta

OFFICERS

J. F. MacArthur, President & Chief Executive Officer
J. M. Pryde, Senior Vice President
A. J. P. LaPrairie, Executive Vice President
T. H. MacArthur, Vice President
H. E. Beaton, Treasurer
A. S. Williamson, Secretary
G. F. Hayden, Assistant Secretary

REGISTRAR AND TRANSFER AGENTS

Canada Permanent Trust Company at Vancouver, Calgary,
Saskatoon, Winnipeg, Toronto, Montreal, St. John, N.B.,
Halifax, St. Johns, Nfld., Charlottetown.

BANKERS

The Bank of Nova Scotia

AUDITORS

Peat, Marwick, Mitchell & Co.

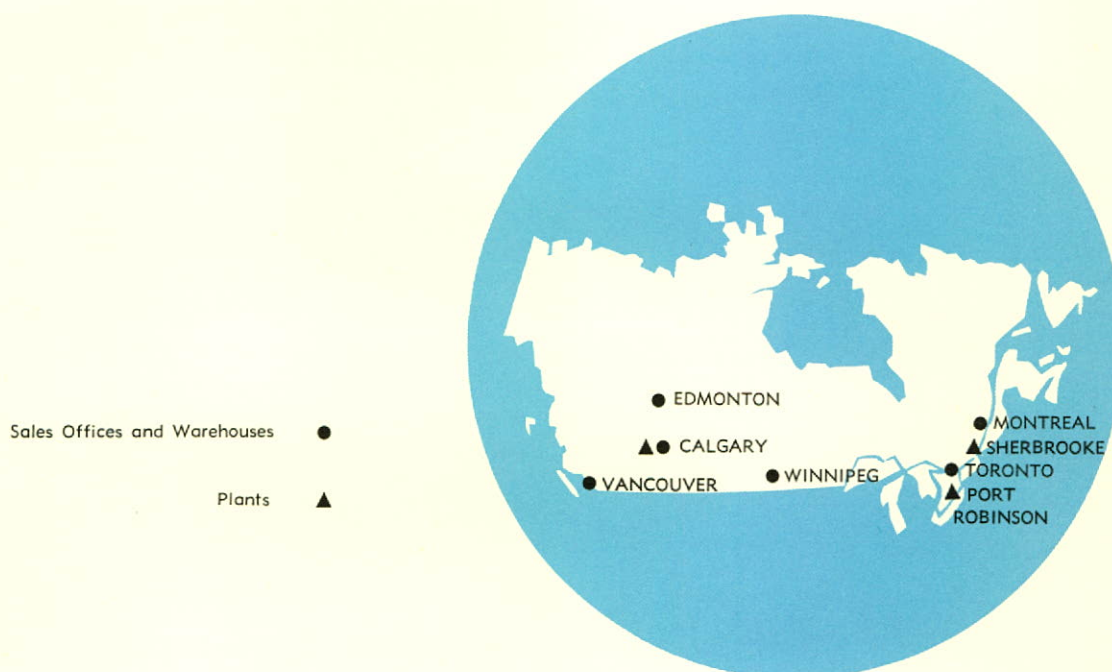
EXECUTIVE AND HEAD OFFICE

816 - 7 Avenue S.W., Calgary, Alberta

SHARES LISTED

Toronto Stock Exchange
Montreal Stock Exchange

scope of operations



highlights

OPERATIONS

Net Sales	\$10,071,622
Net Earnings after Taxes	146,225
Net Earnings per common share19
Capital Expenditures	512,821

YEAR END POSITION

Working Capital	1,823,321
Property, Plant and Equipment	3,583,783
Long Term Debt	1,099,526

OTHER STATISTICS

Working Capital Ratio	1.74
Average Number of Employees	423
Common Shares Outstanding	775,820
Number of Shareholders	2,991

report to shareholders

The Board of Directors of James United Steel Limited submits the following report on the affairs of the Company for the year ended December 31, 1967.

FINANCIAL

Net sales for the year ended December 31, 1967, were \$10,071,622, a decrease of \$474,166 over the year ended December 31, 1966. Net profit for the same period was \$146,225, a decrease of \$354,451 for the like period ended December 31, 1966.

While the above figures reflect a decrease in both sales and profits, the Company made a profit under extremely difficult conditions which prevailed in the steel fabricating industry.

REVIEW OF OPERATIONS

During 1967, the whole of the steel fabricating industry was adversely affected by a reduction in expenditures for capital goods and by increased competition for sales at reduced margins of profit.

The Company's plant at Sherbrooke, Quebec, which manufactures asbestos milling equipment, pressure vessels and specialized equipment for various industries in Eastern Canada, was affected by the reduction in capital expenditures, particularly in the asbestos industry. At present there are indications of an improvement in this condition which should result in an improvement in business at the Sherbrooke plant during the coming year.

The Company's plant at Port Robinson, Ontario was also affected by a province-wide strike in the construction industry which reduced requirements for structural steel during a five month period. A program of diversification has been initiated, reducing this plant's dependency on the structural steel industry, which is subject to widely fluctuating profit margins.

The Company's plant at Calgary, Alberta, which manufactures pressure vessels for the oil and gas industry and particularly for the transportation and storage of propane, was adversely affected by the reduction in capital expenditures in the propane industry. An expansion program, commenced in 1967 and completed early in 1968, has provided this plant with additional plant space and equipment which will enable it to supply a wider range of products for industries in Western Canada and to reduce its dependence on any particular industry.

The Company's Equipment Division, which distributes and services specialized equipment used in the propane and fertilizer industries through offices at Montreal, Toronto, Winnipeg, Edmonton, Calgary and Vancouver, were also adversely affected by the cut-backs in capital expenditures in the propane industry.

As a result of the expansion of the plant at Calgary and the maintenance and improvement of its other facilities, the Company is now in a position to participate in any improvement in markets for the equipment which it supplies to the oil and gas, chemical, pulp and paper, mining and construction industries.

NEW DEVELOPMENTS

The Company has acquired a 51% interest in Inti Engineering Services Ltd., an engineering company which, under a licencing agreement from the patentee, has the exclusive Canadian rights to design, manufacture and install natural gas processing plants using a patented technique. During 1967, the first such plant in Canada was completed for a major oil company and is operating successfully. Present conditions in the natural gas industry indicate an increasing demand for natural gas processing plants and it is expected that the Company will benefit through the participation of Inti Engineering Services Ltd. in this business.

The Company has also acquired from Joy Manufacturing Company (Canada) Limited the exclusive right to distribute in Canada, gas compressors for use in the natural gas industry. Increasing activity in this industry will increase the demand for compressors and the Company expects to participate in filling this demand and to supply related services and equipment.

As set out more fully in the Information Circular accompanying this report, the Company has undertaken the management of Vancouver Iron & Engineering Works Ltd. and has obtained an option to acquire all of the issued and outstanding shares of Vancouver Machinery Depot Ltd., of which Vancouver Iron & Engineering Works Ltd. is the wholly-owned subsidiary. If the Company's management restores Vancouver Iron & Engineering Works Ltd. to a sound financial position, the acquisition of this company will be worthy of consideration, for its asset value and to provide the Company with manufacturing facilities in the heavy steel industry on the Pacific Coast.

MANAGEMENT

In keeping with its program of improving management, the Company has strengthened the departments responsible for manufacturing procedures, product design, quality control, and bidding and estimating, by employing new personnel where required. Managerial personnel are encouraged to undertake self development programs and to attend management seminars. On-the-job training is being conducted for plant employees to ensure the availability of qualified tradesmen.

LABOUR RELATIONS

The Company is enjoying satisfactory relations with the various unions representing its employees and does not anticipate any major problems in this area.

FINANCING

Due to high interest rates the Company did not proceed with long term financing proposed during 1967. The \$750,000 first mortgage on the Port Robinson, Ontario plant fell due on July 1, 1967 and was paid by replacing the same with a mortgage for \$504,490 securing the Company's promissory note for that amount, payable over 5 years with interest at 7%. The balance was paid out of operating funds.

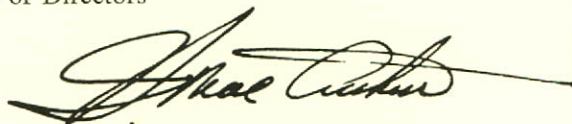
The Company enjoys satisfactory arrangements with its bankers, providing it with adequate funds for operating purposes.

FORECAST FOR 1968

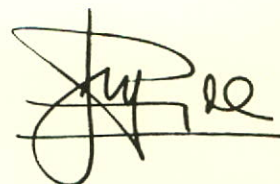
It is expected that the first half of 1968 will witness the continuation of reduced demands and strong competition for available markets. Recent surveys indicate improved demands for goods and services in the last half of the year.

We take this opportunity to acknowledge the efforts of all employees of the Company for their contributions during 1967.

On behalf of the Board of Directors



J. F. MacARTHUR,
President.



J. M. PRYDE,
Vice-President.

April 30, 1968.

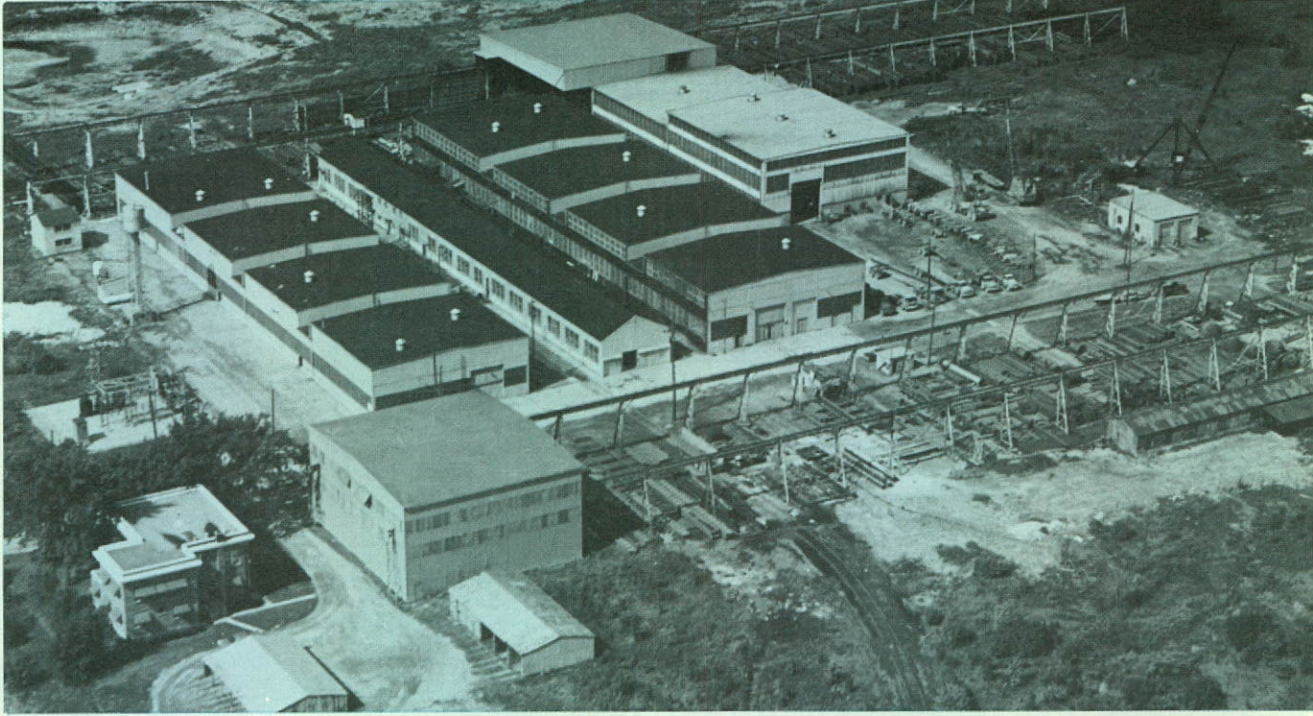


VANCOUVER PLANT

CALGARY PLANT



PORT ROBINSON PLANT



SHERBROOKE PLANT

consolidated balance sheet, december 31, 1967

ASSETS	1967	1966 (Note 1)
Current assets:		
Cash	\$ 12,920	113,908
Accounts receivable	2,097,015	2,442,966
Marketable securities at cost and market	12,000	—
Inventories of raw materials, work in progress and finished goods, at the lower of cost or market	2,102,003	2,742,022
Prepaid expenses and deposits	37,519	25,833
Total current assets	4,261,457	5,324,729
Account receivable not due within one year	170,514	285,261
Government of Canada special refundable tax	30,577	24,000
Fixed assets, at cost less accumulated depreciation:		
Buildings	1,249,057	930,443
Machinery and equipment	2,295,891	2,135,856
	3,544,948	3,066,299
Less accumulated depreciation	2,082,606	1,914,266
	1,462,342	1,152,033
Land	38,835	38,835
	1,501,177	1,190,868
Patents, at cost less amounts written off	29,812	36,640
Unamortized debt discount and expenses	56,047	16,126
Excess of cost of shares of subsidiary companies over underlying net book values at dates of acquisition	445,933	349,787
Undertaking of trustee to hold proceeds from realization of certain assets in satisfaction of amounts owing to unsecured creditors entitled to priority — contra (estimated)	—	162,500
	<u>\$6,495,517</u>	<u>7,389,911</u>

See accompanying notes to financial statements

(with comparative figures for 1966)

LIABILITIES

Current liabilities:

	1967	1966 (Note 1)
Bank demand loan, secured (Notes 2 and 5)	\$ 974,000	1,418,000
Accounts payable and accrued liabilities	1,302,365	1,336,720
Corporation taxes – estimated	72,626	206,276
6% Promissory Note payable	–	750,000
Current portion of 7% Promissory Note payable ((\$82,542 U.S.)	89,145	–
Total current liabilities	2,438,136	3,710,996
7% Promissory Note payable, less current portion, (\$366,793 U.S.) secured (Note 3)	394,726	–
6½% Convertible General Mortgage Sinking Fund Bonds, Series A, due October 1, 1980 (Note 4)	704,800	706,800
Amounts owing to unsecured creditors entitled to priority – contra (estimated)	–	162,500

Shareholders' equity:

Capital stock (Note 6):

Authorized:

100,000 preferred shares of the par value of \$30 each.

1,200,000 common shares without nominal or par value.

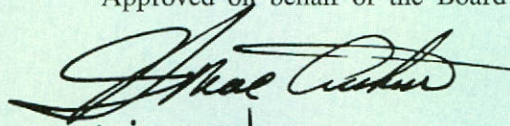
Issued:

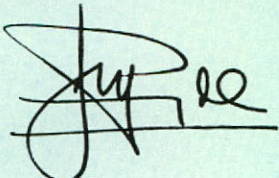
775,820 common shares without nominal or par value

(1966 – 775,510)

Deficit	4,943,580	4,941,565
	1,985,725	2,131,950
	2,957,855	2,809,615

Approved on behalf of the Board:

 Director

 Director

\$6,495,517 7,389,911

consolidated statement of earnings

YEAR ENDED DECEMBER 31, 1967 (with comparative figures for 1966)

	1967	1966 (Note 1)
Sales	\$10,071,622	10,545,788
Cost of sales	8,403,838	8,607,053
Gross trading profit	1,667,784	1,938,735
Selling, general and administrative expenses (Note 8)	1,163,533	1,111,003
Depreciation and amortization	188,464	192,235
Interest and amortization of debt discount and expenses	92,365	93,905
Bank and other interest	93,213	97,366
	1,537,575	1,494,509
Less other income	16,016	56,450
	1,521,559	1,438,059
Earnings before income taxes	146,225	500,676
Income taxes (Note 9)	65,000	245,000
Net earnings before the following	81,225	255,676
Reduction in income taxes due to loss-carry-forward credits	65,000	245,000
Net earnings for the year	\$ 146,225	500,676

consolidated statement of deficit

YEAR ENDED DECEMBER 31, 1967 (with comparative figures for 1966)

	1967	1966 (Note 1)
Deficit at beginning of year	\$2,131,950	2,508,724
Add income tax adjustments of subsidiary companies affecting prior years - net	—	123,902
	2,131,950	2,632,626
Deduct net earnings for the year	146,225	500,676
Deficit at end of year	\$1,985,725	2,131,950

See accompanying notes to consolidated financial statements.

consolidated statement of source and application of funds

YEAR ENDED DECEMBER 31, 1967 (with comparative figures for 1966)

	1967	1966 (Note 1)
Source of funds:		
Current operations:		
Net earnings	\$146,225	500,676
Add charges not requiring the expenditure of funds	195,181	197,282
	<u>341,406</u>	<u>697,958</u>
Sale of fixed assets	19,765	55,339
Issue of 7% Promissory Note payable	504,490	—
Issue of common shares on conversion of 6½% General Mortgage Sinking Fund Bonds and 6% convertible preferred shares	2,015	179,102
Decrease in account receivable not due within one year	114,747	114,748
	<u>982,423</u>	<u>1,047,147</u>
Application of funds:		
Purchase of fixed assets	512,821	104,989
Conversion of 6½% Convertible General Mortgage Sinking Fund Bonds to common shares	2,000	122,200
Conversion of 6% convertible preferred shares to common shares	—	57,000
7% Promissory Note payable:		
Instalment payment	20,619	—
Current portion	89,145	—
Discount and expenses relating to issuance of 7% Promissory Note payable	45,131	—
6% Promissory Note payable becoming current	—	750,000
Government of Canada special refundable tax	6,577	24,000
Excess of cost of shares of subsidiary company over underlying net book value at date of acquisition	96,146	—
Income tax adjustments of subsidiary companies affecting prior years — net	—	123,902
Other	396	—
	<u>772,835</u>	<u>1,182,091</u>
Increase (decrease) in working capital	<u>\$209,588</u>	<u>(134,944)</u>

See accompanying notes to consolidated financial statements.

notes to consolidated financial statements

December 31, 1967

1. The amounts shown for the year ended December 31, 1966 have, in some instances, been reclassified or restated for comparative purposes.

2. Bank demand loan:

The bank demand loan is secured by general assignments of book debts, inventories and hypothecation of the First Mortgage Bonds of a subsidiary company as more fully set out in Note 5.

3. 7% Promissory Note payable, dated June 30, 1967:

The Promissory Note is secured by a first mortgage on the land and buildings comprising the plant of the company at Port Robinson, Ontario and a first chattel mortgage on the machinery at that plant.

The Promissory Note is payable in nineteen equal quarterly instalments, including principal and interest, of \$27,965 (U.S.) and a final payment of \$28,801 (U.S.). The first instalment of \$27,965 (U.S.) was due and paid October 15, 1967.

4. 6½% Convertible General Mortgage Sinking Fund Bonds Series A, due October 1, 1980:

The bonds are secured by:

- (a) A fixed and floating charge on all the immovable and movable property, rights, undertakings and assets of the parent company, both present and future, subject to the prior claim of the 7% Promissory Note payable.
- (b) All the outstanding shares of subsidiary companies.
- (c) The General Mortgage Bonds of a subsidiary company which are secured as to principal and interest by a fixed and specific charge and floating charge on all the immovable and movable property and rights, undertakings and assets of the subsidiary company both present and future subject to the prior charge of the First Mortgage Bonds referred to in Note 5.

The company covenants to establish a sinking fund to provide for the retirement of \$100,000 principal amount of the Sinking Fund Bonds on October 1 in each of the years 1971 to 1979 inclusive. To December 31, 1967, \$295,200 of the Sinking Fund Bonds have been converted to common shares and such conversion can be used to cover the sinking fund requirements commencing in 1971.

The bonds are redeemable under certain conditions.

The Trust Deed securing the Sinking Fund Bonds imposes certain restrictions on the company's actions including the declaration or payment of dividends and issuance of additional bonds.

Each Sinking Fund Bond is convertible into common shares under certain conditions as follows:

- (a) At the rate of \$6.50 per share if converted on or before October 1, 1970.
- (b) At \$8.50 per share after October 1, 1970 and on or before October 1, 1975.
- (c) At \$10.50 per share after October 1, 1975 and on or before September 30, 1980.

5. 6% First Mortgage Bonds of a subsidiary company:

Authorized principal amount \$3,000,000.

Issued to the company's bankers as collateral for the bank demand loan, \$1,900,000 principal amount designated as Series A and \$600,000 principal amount designated as Series B maturing July 1, 1966 and July 1, 1971 respectively. These bonds are payable prior to maturity on demand.

Principal and interest are secured by a first fixed and specific charge and a floating charge on all the immovable and movable property and rights, undertakings and assets of the subsidiary company both present and future.

notes to consolidated financial statements - *continued*

December 31, 1967

6. Common shares without nominal or par value:

During the year the company issued 306 common shares without nominal or par value at a stated value of \$6.50 per share in consideration for the conversion of \$2,000 principal amount of 6½% Convertible General Mortgage Sinking Fund Bonds Series A under the conversion terms described in Note 4, being an aggregate stated value of \$1,989. Fractional shares were not issued and cash was paid in lieu thereof. An additional four common shares were issued as an adjustment of the previous year's conversion.

During 1966 a resolution was passed by the directors of the company authorizing the setting aside of 50,000 common shares without nominal or par value for the purpose of establishing an employee stock option plan. By agreement dated December 21, 1967, effective January 1968, the company granted to the executive vice-president, an option to purchase 10,000 common shares of the company at the price of \$3.80 per share. The last bid price of the company's shares was \$3.70 per share, reported by the Toronto Stock Exchange, at the close of the last 1967 business day. The option is exercisable until December 31, 1970 with respect to any shares not purchased previously under the conditions of purchase which permit the exercise of the option as to 4,000 in 1967 and 2,000 shares in each subsequent year.

7. Management agreement and option to purchase shares of another company:

During the year the company entered into an agreement with another company to provide management thereof for a period of four years commencing October 15, 1967. The company proposes to enter into an option to purchase all of the issued and outstanding shares of that company's parent for the aggregate amount of \$1,582,233. The management agreement can be terminated by the company at any time and the option would be exercisable any time up to October 15, 1971, or up to 90 days following the date of notice of termination of the management agreement by the company which ever occurs first.

8. Remuneration paid to directors and senior officers (as defined by The Securities Act, 1966 Ontario):

The consolidated statement of earnings includes remuneration totalling \$154,695 paid to directors, senior officers and certain employees. No remuneration was paid to any director by way of directors' fees or to any officer who was not actively employed by the company.

9. Income taxes:

No income taxes are exigible for the fiscal year ended December 31, 1967 because the subsidiary companies' operations resulted in no taxable income and the parent company sustained losses in prior years which under provisions of the Income Tax Act have been used to offset taxable income.

10. During the year the company loaned \$30,000 to a director.

auditors' report to the shareholders

We have examined the consolidated balance sheet of James United Steel Limited and subsidiaries as of December 31, 1967 and the consolidated statements of earnings, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company and subsidiaries at December 31, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
March 16, 1968

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

manufacturers and distributors of the following products:

CALGARY, ALBERTA PLANT

LPG Plant Storage Tanks, LPG Domestic Storage Tanks, LPG Motor Fuel Tanks, LPG Portable Filling Stations, LPG Farm Carts, LPG Delivery Units, LPG Highway Transport Units, Complete Range of Anhydrous Ammonia Transport and Stationary Tankage, CO Transports, Complete Range of Pressure Vessels for Gas Plants, Refineries, Sulphur Plants and Fertilizer Plants, Packaged Pump and Compressor Units, Portable Flame Burning Units, Skid Mounted LPG and other Pressure Liquid Containers (BTC approved), Prefabricated Piping, Tank Carrying Dolly, Mobile Field Storage Tanks.

SHERBROOKE, QUEBEC PLANT

Asbestos Milling Equipment including Screens, Aspirators, Willows, Mixers, Graders, Fiberizers, Dusters and Packers, Field Engineering and Erection Service, Vessels and Equipment for the Pulp and Paper Industry, General Industrial Equipment inc. Air Receivers, Bins and Hoppers, General Major Machine Shop Work, LPG Plant Storage Tanks, LPG Domestic Storage Tanks, LPG Motor Fuel Tanks, LPG Portable Filling Stations, LPG Farm Carts, LPG Delivery Units, LPG Highway Transport Units, Complete Range of Anhydrous Ammonia Transport and Stationary Tankage, Packaged Pump and Compressor Units, Skid Mounted LPG and other Pressure Liquid Containers (BTC approved), Tank Carrying Dolly, Stainless Steel Storage Tanks and Process Vessels, Materials Handling Equipment inc. Field Erected Conveyor Systems.

PORT ROBINSON, ONTARIO PLANT

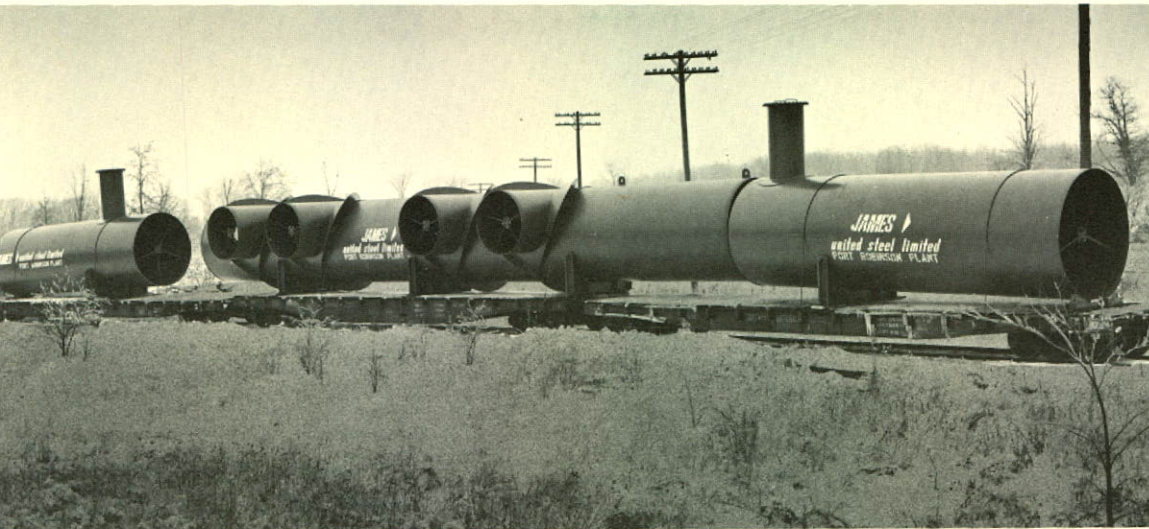
Complete Range of Fabricated Structural Weldments inc. Completed Bridges, Structural Steel Erected for Buildings, LPG Plant Storage Tanks, LPG Delivery and Highway Transport Units, Complete Range of Industrial Bins, Hoppers, Process Tanks, Storage Tanks, Cat Walks, Ladders and Railings, Packaged Pump Units, Prefabricated Piping, Anhydrous Ammonia Nurse Tanks and Applicator Tanks, Complete Range of Dry, Solution and Pressure Liquid Fertilizer Applicator Tanks, Fertilizer Spreaders, and other Portable Handling Equipment, Stainless Steel Storage Tanks and Process Vessels, Field Engineering Erection Service.

equipment stocked in our warehouses

AT VANCOUVER, EDMONTON, CALGARY, WINNIPEG, REXDALE, MONTREAL AND SHERBROOKE

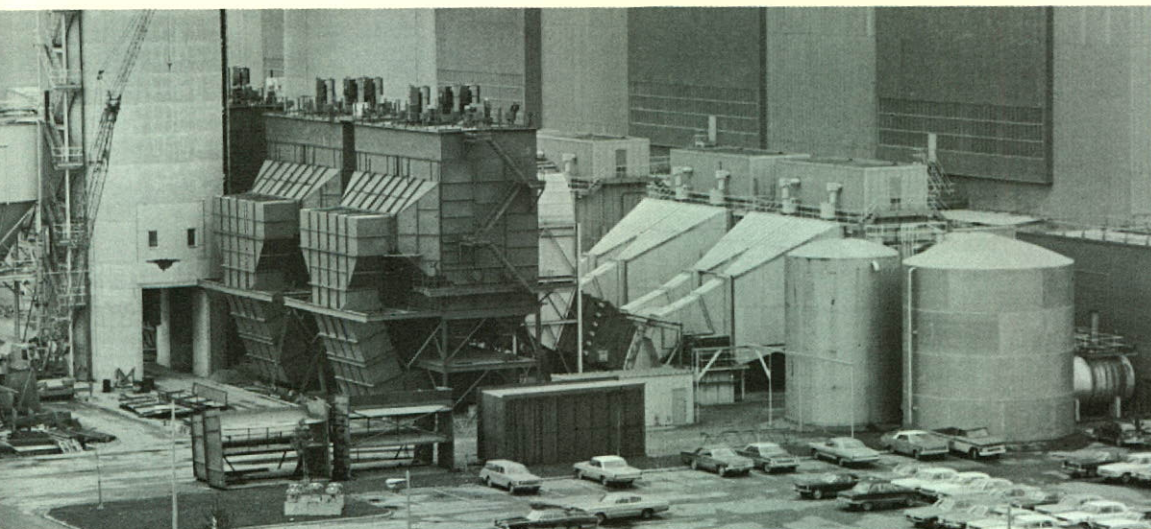
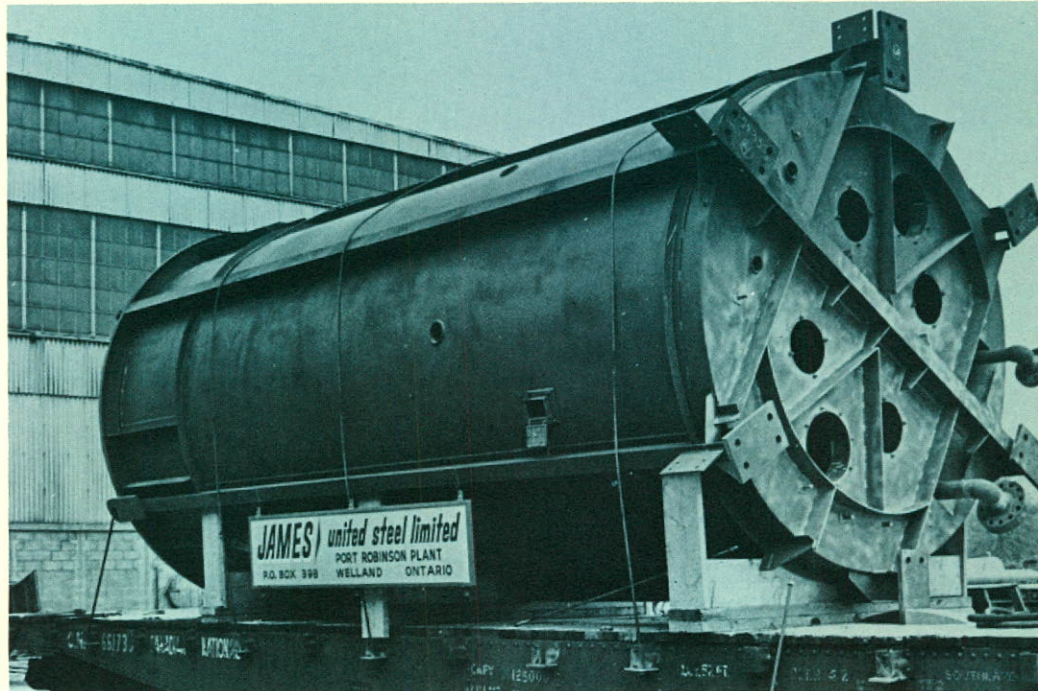
Full Range of Regulators, Relief Valves, Control Valves and other Pressure Control Equipment, Full Range of Pressure Liquid Transfer Pumps, Vapour Compressors, Gas Fired Waterless Toilets, Full Range of Gas Fired Liquid Vaporizers, Vapour Actuated Liquid Transfer Pumps, LPG Cylinders, LPG Torches, LPG Carburetion Equipment, Platform Scales, Electric Vaporizers, Garlock Gaskets, Paint, Packing, and Pipe Joint Compound, Walworth Globe, Angle, Plug Valves, Lubricant and Grease Guns, Squibb-Pitzer Globe and Angle Valves, Rockwood Ball Valves, Okadee Full Opening Disc Valves, Squibb Taylor Float Gauges, Pressure Gauges, Roney Valves, Fittings, and Roto Gauges, Stratoflex Hose and Reusable Fittings, Flare and Compression Brass Fittings, Hydraulic Pumps and Valves, Champlin LPG Engine Oil, Line Strainers - All Sizes, Gas Engines, Electric Motors and Switches, Neptune Liquid Meters, Rockwell Vapour Meters, Copper Tubing, Flare Tools, Pipe, Pipe Unions - Elbows - Tees and Crosses, Swages - Reducers - Nipples and Couplings, Steel Plugs and Flanges, Security Break-Away Valves, Cement Block Tank Supports. Complete Parts Stocked for All Equipment Sold.

typical products manufactured by James United Steel



Circulating water piping for the Pickering Thermal Generating Station of Ontario Hydro consists of 2,500 feet of 9 and 6 ft. diameter fabricated pipe.

Direct fired heater equipped with heater coils and lined with refractory brick for Foster Wheeler.

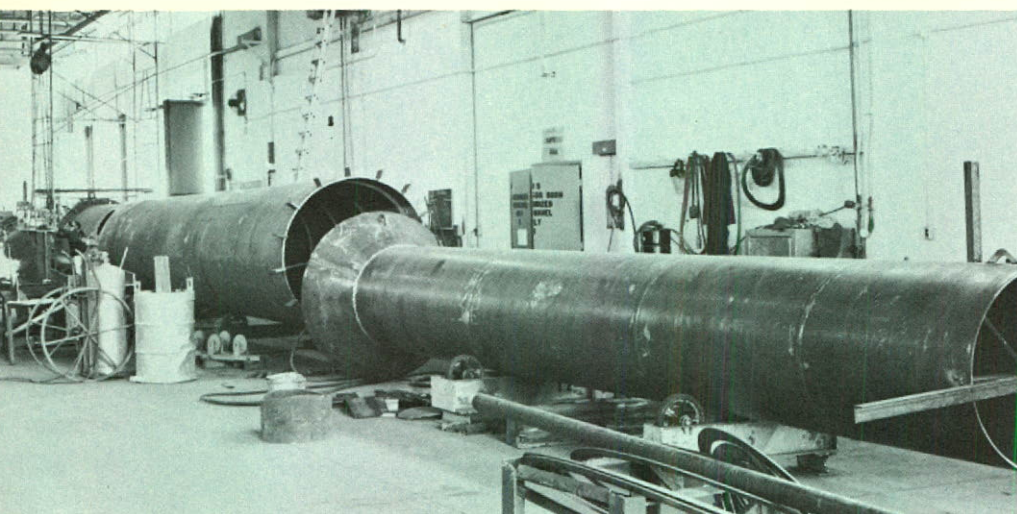
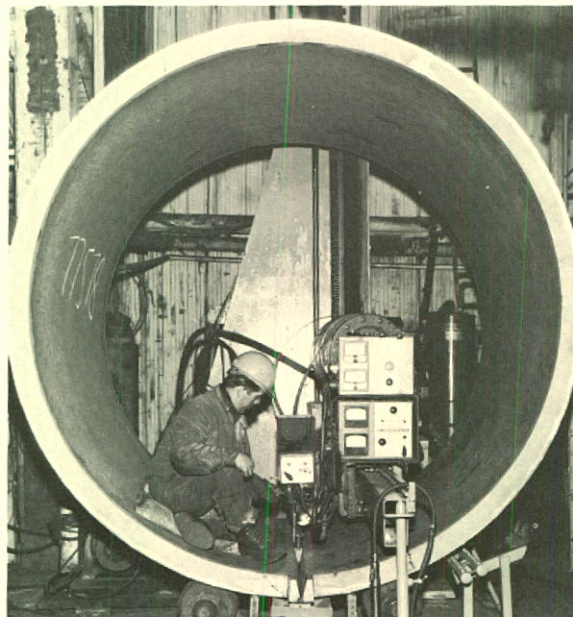


Precipitators built for Research Cottrell Ltd. and installed at the Lakeview Generating Station of Ontario Hydro.

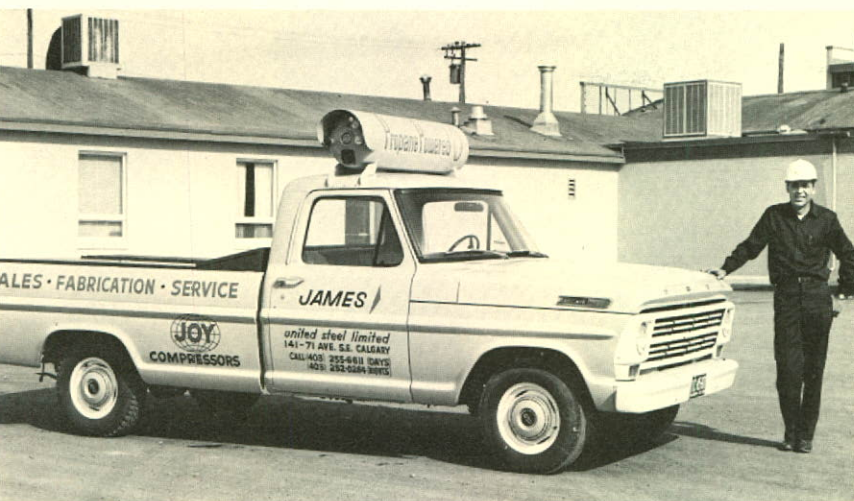


Water circulating pipe 9 ft. diameter. For the Pickering Thermal Generating Station, Ontario Hydro.

Automatic welding longitudinal seam in 4" thick plate. This shell section is 8'0" diameter and weighs approximately 17 tons.

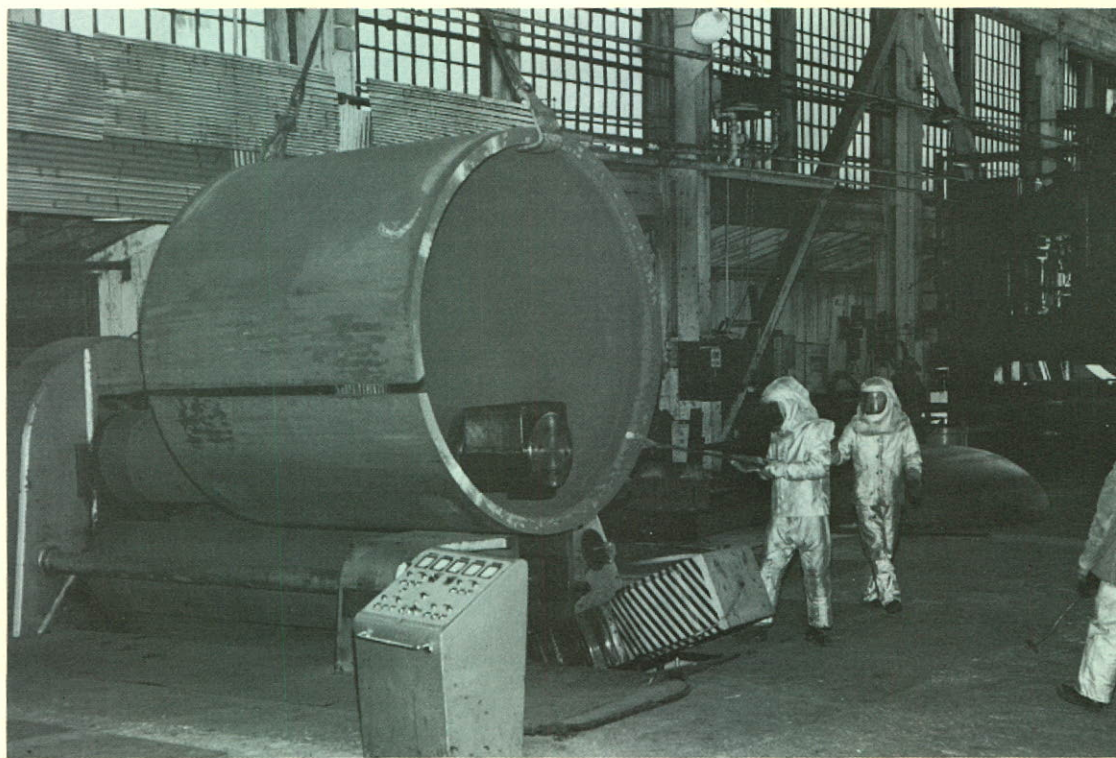


Gas process tower being fabricated for an Alberta Gas Plant at the Calgary Plant of the company.



Field service vehicle of a type used by the Calgary Plant throughout Saskatchewan, Alberta and British Columbia. This vehicle is operated on propane gas motor fuel.

Rolling 4" plates 8'2" wide to 8'0" diameter. The weight of this shell section is 17 tons. This plate is rolled hot at approximately 1350°F. Note the asbestos protective clothing worn by the workmen.



Over the highway transport unit for carbon disulphide. This is the first unit of its kind in the world for over the highway transportation of this product.

manufacturing plants

SHERBROOKE, QUEBEC

124 Grandes Fourches St. S.,

P.O. Box 877, Sherbrooke, Quebec

Area Code 819

Phone 569-3685

Telex 01-8243

PORT ROBINSON, ONTARIO

P.O. Box 398, Welland, Ontario

Area Code 416

Phone 384-5511

Telex 02-1573

CALGARY, ALBERTA

141 - 71st Avenue S.E., Calgary, Alberta

Area Code 403

Phone 255-6611

Telex 038-2475

sales offices & warehouses

VANCOUVER, BRITISH COLUMBIA

1034 Commercial Drive, Vancouver, B.C.

Area Code 604

Phone 253-7561

Telex 04-5583

EDMONTON, ALBERTA

9755 - 62nd Avenue, Edmonton, Alberta

Area Code 403

Phone 439-6681

Telex 037-2593

CALGARY, ALBERTA

141 - 71st Avenue S.E., Calgary, Alberta

Area Code 403

Phone 255-6611

Telex 038-2475

WINNIPEG, MANITOBA

870 Bradford Street, Winnipeg, Manitoba

Area Code 204

Phone 775-2002

TORONTO, ONTARIO

11 Racine Road, Rexdale, Ontario

Area Code 416

Phone 247-5355

Telex 022-9255

MONTREAL, QUEBEC

311 Churchill Blvd.,

Greenfield Park, Quebec

Area Code 514

Phone 672-2890

Telex 012-0933

JAMES 