

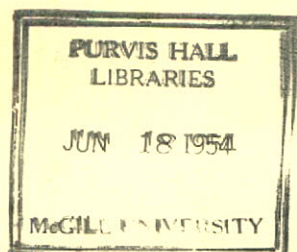
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ANNUAL REPORT

1949



**PAGE-HERSEY
TUBES LIMITED**
CROWLAND ONTARIO



ANNUAL REPORT

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PAGE-HERSEY TUBES, LIMITED

CROWLAND, ONTARIO

BOARD OF DIRECTORS

A. W. HOLMESTED, K.C.	Toronto, Ont.
A. MACFADYEN	Toronto, Ont.
R. C. POSKANZER	Albany, N.Y.
H. J. FULLER	New York, N.Y.
D. W. STEWART, JR.	Renfrew, Ont.
GORDON F. PERRY	Toronto, Ont.
W. G. F. GRANT, K.C.	Toronto, Ont.
JAS. S. DUNCAN	Toronto, Ont.
W. P. BAYLEY	Toronto, Ont.

EXECUTIVE OFFICERS

A. W. HOLMESTED, K.C.	President
A. MACFADYEN	Vice-President and General Manager
D. W. STEWART, JR.	Vice-President
R. C. POSKANZER	Vice-President
W. P. BAYLEY	Secretary-Treasurer
A. C. MITCHELL	Assistant Secretary-Treasurer
C. S. WEBBER	Assistant General Manager
W. E. BANNERMAN	Assistant General Manager
J. S. WILSON	Assistant General Manager
W. J. SPENCER, C.A.	Comptroller

TRANSFER AGENTS

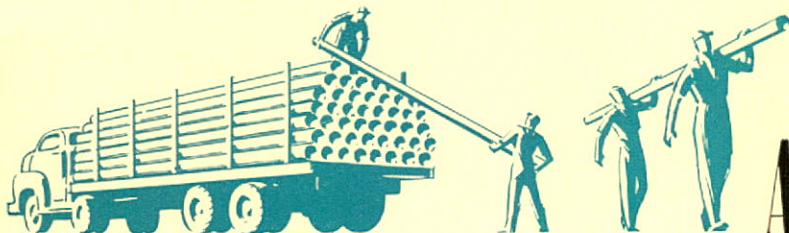
CANADA

NATIONAL TRUST COMPANY, LIMITED, Toronto, Ont.

THE TORONTO GENERAL TRUSTS CORPORATION, Montreal, Que.

UNITED STATES OF AMERICA

THE NATIONAL COMMERCIAL BANK AND TRUST COMPANY, Albany, N.Y.



ANNUAL REPORT

O F T H E D I R E C T O R S O F

P A G E - H E R S E Y T U B E S , L I M I T E D

March 3, 1950.

To The Shareholders:

Your Directors are pleased to submit their report covering the operations of the Company for the year ended December 31, 1949.

Earnings available for dividends, after providing for depreciation and for income taxes, amounted to \$2,075,249.22 or \$2.98 per share. This compares with \$1,588,115.62 or \$2.28 per share in 1948.

Dividends were paid at the rate of \$1.80 per share and amounted to \$1,247,812.20. This compares with \$1,144,172.85 or \$1.65 per share in 1948.

The sum of \$858,962.12 was added to Reserve for Depreciation, an increase of \$367,204.07 over 1948. This large increase is due in part to revised allowances now permitted by the Government for income tax purposes. Under the circumstances, it was not considered necessary to add further to Reserve for Plant Replacement originally set up in 1948.

Working Capital amounted to \$6,004,921.28, a decrease of \$2,502,665.62, which is accounted for as follows:

Net Additions to Plant . . .	\$4,093,615.71	
Dividends Paid	1,247,812.20	
	<u>55,341,427.91</u>	
Profit for the year	\$2,075,249.22	
Net Addition to Deprecia- tion Reserve	763,513.07	
	<u>2,838,762.29</u>	
	<u>\$2,502,665.62</u>	

Current Assets at December 31, 1949, totalled \$9,575,978.69 and Current Liabilities \$3,571,057.41.

This produces a comparative ratio of 2.68 to 1. This is not as satisfactory as the position was a year ago when the ratio was 4.73 to 1, but should be considered temporary in nature as heavy expenditure on plant has now been completed.

Inventory valued at the lower of cost or market, less reserve, stands at \$5,266,063.44, an increase of \$1,781,538.06. This is due to a substantially increased tonnage of semi-finished steel together with further increases in steel prices, higher freight rates, advances in wages and other elements of costs. Inventory is moderate for normal operations. In recent years our inventories have been unduly low. Steel deliveries are uncertain due to recurring labour troubles in the coal mines of the U.S.A. A good stock of materials is essential to sustain regular operations.

The second unit Electric Weld Tubing Mill was completed and commenced operations in 1949. This enables us to produce in two modern mills at Welland Works Electric Weld Tubing up to 4" O.D. and the complete range of sizes previously made by Oxy-acetylene weld process at our Guelph Works. The Guelph equipment, now obsolete, has been demolished or sold and the buildings razed. No disposition of the land has yet been made.

The new Electric Resistance Weld Pipe Mill of the most modern design, for the production of 4½" to 16" outside diameter pipe, commenced operations late in 1949. It is now in full production of 16" pipe for oil lines in Western Canada.

Net additions to plant and equipment amount to \$4,093,615.71. This is made up mainly of expenditure on 16" Electric Weld buildings and machinery

and second Electric Weld Tube Mill. Final expenditure on the Rotary Hearth Furnace, installation of a conveyor system and purchase of a Billet Shear were additions in the Seamless Mill.

Sales were the highest in the history of the Company. A limited tonnage was shipped for export, but the outlook for overseas trade in 1950 still remains obscure due to the many import restrictions now in effect in most countries and the severe impact of devaluation on prices. A clarification of existing conditions should result in increased export sales. Domestic business continues on a satisfactory basis and, with the new plant facilities now available, in particular the new Electric Resistance Weld Pipe Mill, your Company is in a position to undertake a considerably increased turnover compared to previous years.

The current production from the Electric Resistance Weld Pipe Mill is being sold on a conversion basis, the buyer furnishing the steel. Upon completion of present orders your Company will require to maintain adequate stocks of semi-finished steel for fabrication into large diameter pipe not previously made in Canada. This will call for additional working capital. It is to provide the Company with this additional working capital for the aforementioned purpose, and also to take care of its generally expanding business, that the Company is about to create and sell an issue of \$3,000,000 of 3½% Fifteen Year Debentures. It is to authorize such issue of Debentures that a special meeting of

Shareholders will be held immediately following the forthcoming annual meeting of Shareholders to consider and, if deemed advisable, confirm a By-law of the Company authorizing the creation and sale of the said Debentures. Your support by your personal attendance, or by the forwarding of your appointment of a proxy to vote for you in the form herewith enclosed is requested.

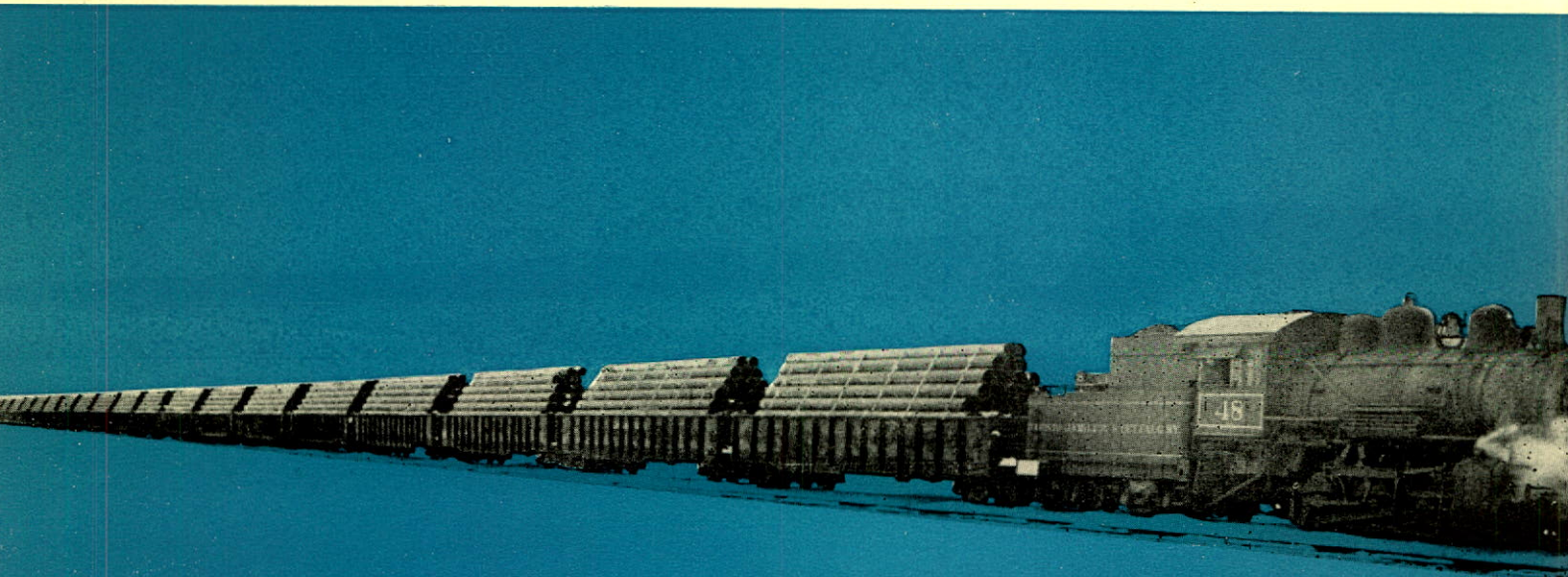
Employee relations continue on a satisfactory basis. Steady operations, providing regular employment, were maintained during the year. Wage rates were increased and, at no cost to employees, additional benefits were provided under our Group Disability and Weekly Indemnity Insurance. Employees were also given the opportunity of increasing their life insurance under our Group Policy. Employees contribute under this plan but the larger portion of cost is borne by the Company.

The Quarter Century Club held its second annual meeting last Summer and 21 additional employees became members. Membership now stands at 178 with an additional 20 becoming eligible in 1950.

The number of shareholders continues to increase. As compared with a year ago the number increased by 6.3% and by nearly 30% over the 1944 total.

Your Directors desire to express their thanks to employees of the Company for their loyal support and co-operation throughout the year.

Submitted on behalf of the Board of Directors,
A. W. HOLMESTED, President.



Trainload of 16" O.D. Electric Weld Pipe shipped to Western Canada for Inter-Provincial Pipe Line Company.

AS AT DECE

ASSETS**FIXED**

Real Estate, Buildings, Plant, Machinery and Equip- ment, at cost	\$14,409,737.87	
Investment in Stock of Subsidiary Company	50,000.00	
		\$14,459,737.87

CURRENT

Cash on hand and in Banks	\$ 789,777.71	
Accounts and Bills Receivable—less reserves	2,302,276.83	
Due from Employees—fully secured by Canada Savings Bonds, Series No. 4	166,241.00	
Employees' Stock Purchase Fund	63,436.50	
Investment in Government Bonds and other Marketable Securities (Market Value \$1,673,597.98)	988,183.21	
Merchandise Inventory—Valued at the lower of cost or market—less reserve	5,266,063.44	
		9,575,978.69

\$24,035,716.56



L I M I T E D

BER 31, 1949

LIABILITIES

CAPITAL STOCK

NO PAR VALUE

Authorized—1,000,000 shares	
Issued and Outstanding—697,104 shares	\$ 6,249,670.68
Earned Surplus	2,762,756.00
Profit and Loss Account	3,717,309.25
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	\$12,729,735.93

RESERVES

Depreciation of Buildings, Plant, Machinery and Equipment	\$ 6,834,923.22
Contingencies	450,000.00
Furnace Reconstruction	150,000.00
Plant Replacement	300,000.00
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	7,734,923.22

CURRENT

Accounts Payable	\$ 2,253,766.88
Wages and Miscellaneous Expenses Accrued	141,711.62
Due to Subsidiary Company	88,003.86
Dividend declared and payable January 3, 1950 . . .	311,953.05
Provision for Income Taxes—less amounts paid . .	775,622.00
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	3,571,057.41
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	\$24,035,716.56

Signed on behalf of the Board:

A. W. HOLMESTED, Director

A. MACFADYEN, Director

Certified as per Auditors' Report attached.

PAGE-HERSEY TUBES, LIMITED

Profit and Loss Account

FOR THE YEAR ENDED DECEMBER 31, 1949

Profit from Operations	\$4,128,076.53	
Income from Investments.	71,134.81	\$4,199,211.34
		<hr/>
Depreciation of Plant	858,962.12	
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NET PROFIT FOR THE YEAR	\$3,340,249.22	
Provision for Income Taxes	1,265,000.00	
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BALANCE AVAILABLE FOR DIVIDENDS	\$2,075,249.22	
Dividends paid and declared	1,247,812.20	
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		\$ 827,437.02
Balance forward from 1948	2,889,872.23	
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BALANCE AS AT DECEMBER 31, 1949	\$3,717,309.25	
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The following items have been deducted from Income in determining profits noted above:

Directors' Fees	\$ 10,401.25
Executive Salaries and Solicitors' Fees	\$ 146,179.19

Certified as per Auditors' Report attached.

AUDITORS' REPORT

Oscar Hudson & Company *Chartered Accountants*

February 10, 1950

To the Shareholders,
Page-Hersey Tubes, Limited,
CROWLAND, Ontario.

Gentlemen:

As instructed, we have completed the audit of the accounts of Page-Hersey Tubes, Limited for the year ended 31 December, 1949.

Cash and Bank Vouchers were checked in detail, and the balances verified by count or certificate as at 31 December, 1949.

The Bonds and Securities owned by your Company were verified by count or certificate from the Depository as at 31 December, 1949. The Income therefrom for the year under review was verified.

The inventories of merchandise have not been checked by us and are included in the attached Balance Sheet at values established by your office.

The profit from the Subsidiary Company has not been included in the attached statements.

We have examined the accounts of Page-Hersey Tubes, Limited for the year ended 31 December, 1949, and report that, subject to the above, in our opinion the attached Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as at 31 December, 1949, according to the best of our information and the explanations given to us, and as shown by the books of the Company. We have obtained all the information and explanations we have required.

Respectfully submitted,

Oscar Hudson & Company
CHARTERED ACCOUNTANTS.

CHP/VD.

PAGE-HERSEY TUBES, LIMITED

TORONTO

HALIFAX • MONTREAL • WINNIPEG • VANCOUVER