

C
stock

THIRTY-FIRST ANNUAL REPORT

III

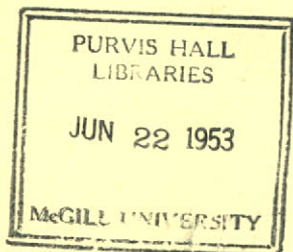
OF

**THE STEEL COMPANY OF CANADA
LIMITED**

HAMILTON - CANADA



**FOR YEAR ENDED
DECEMBER 31, 1940**



THE STEEL COMPANY OF CANADA, LIMITED

DIRECTORS

H. H. CHAMP	HAMILTON
H. T. DIPLOCK	MONTREAL
G. H. DUGGAN	MONTREAL
THE HON. C. A. DUNNING	OTTAWA
H. M. JAQUAYS	MONTREAL
ROSS H. McMASTER	MONTREAL
MAJ.-GEN. THE HON. S. C. MEWBURN, C.M.G.	HAMILTON
F G. OSLER	TORONTO
GLYN OSLER, K.C.	TORONTO
THE RT. HON. ARTHUR B. PURVIS	MONTREAL
THE RT. HON. SIR THOMAS WHITE, G.C.M.G.	TORONTO

EXECUTIVE OFFICERS

ROSS H. McMASTER	PRESIDENT
H. M. JAQUAYS	VICE-PRESIDENT
H. T. DIPLOCK	VICE-PRESIDENT
H. G. HILTON	VICE-PRESIDENT
G. B. ELWIN	VICE-PRES. & TREAS.
H. S. ALEXANDER	SECRETARY
S. E. Le BROcq	COMPTROLLER

TRANSFER AGENT

MONTREAL TRUST COMPANY - - - - - TORONTO AND MONTREAL

REGISTRAR OF TRANSFERS

ROYAL TRUST COMPANY - - - - - TORONTO AND MONTREAL

THE STEEL COMPANY OF CANADA, LIMITED

To the Shareholders:

The Board of Directors submits herewith Consolidated Balance Sheet with Statements of Consolidated Profit and Loss and Earned Surplus for the year ended December 31, 1940, certified by the Auditors.

After providing for all expenses, depreciation and taxes, the manufacturing profits, including those of subsidiary companies, amounted to \$4,206,094.69. Adding the income from investment securities and profits from sales, \$135,697.43, the total for the year was \$4,341,792.12. Deducting interest on funded debt, \$77,407.74, there remained a net profit of \$4,264,384.38, equal to \$5.92 per share on the combined issued shares of Preference and Ordinary stock.

In addition, the net amount of \$438,574.72, after payment of taxes, resulting from inventory adjustments affecting operations of prior years, has been added to surplus.

DIVIDENDS—Quarterly dividends at the rate of 7% per annum were declared payable on the Preference shares of the Company and, besides the quarterly dividends aggregating \$1.75 per share on the Ordinary shares, an additional dividend of \$2.00 per share was declared payable February 1, 1941, thereby equalizing the dividends heretofore paid on the Ordinary and the Preference shares of the Company.

PENSION TRUST FUND—In order to safeguard the position of pensioners, present and prospective, under the Company's Pension Plan, your directors decided in September last to create an irrevocable Pension Trust to be administered by a Board of Trustees. An initial contribution of \$2,343,648.09 representing the accumulations in the Pension Reserve was made to the Trustees on September 30, 1940. A further contribution of \$300,000.00 was made on December 31, 1940.

BONDS—The outstanding 6% First Mortgage and Collateral Trust Bonds of the Company, which became due July 1, 1940, were redeemed by payment to the Trustee of the requisite amount in New York funds. Since provision had been made for this payment prior to the outbreak of war, the required funds were secured at practically no exchange cost.

CONDITIONS—Throughout the year the demand for the varied products manufactured by your Company increased steadily. Domestic and export markets sought supplies of steel which, combined with the requirements for war purposes, taxed to the limit the facilities of most departments. The Company's open hearth capacity, including the new furnace placed in operation in December, 1939, was fully engaged. The additional production made a most valuable contribution towards meeting the greatly increased demand for steel. By the latter part of 1940, operations engaged full steel-making facilities and production reached an annual rate of 60% above any previous high record. It was fortunate that your Company was able to make, at this critical period, such an important contribution to the country's war effort, largely as a result of the programme of plant expenditures undertaken over the last five years, involving an aggregate expenditure of fifteen million dollars, of which seven millions has been expended since the outbreak of war. The extent of the expansion was reflected in an increase of 50% in the ingot production of 1940 over the previous year and an increase of 40% in the value of total shipments. While the extent of the increase in basic steel production was most unusual, still more extraordinary was the ability shown to finish in marketable form, through the medium of the various finishing plants, practically the entire additional tonnage.

Prices of finished steel in the heavier forms manufactured by your Company have been held unchanged since the outbreak of war, in spite of substantial increases in costs per unit. This policy has been adopted by the steel industry as a means of resisting inflationary tendencies. The combination, therefore, of the lower margin realized per unit of sales and the higher basis of current taxation explains the lower profits earned compared with the previous year.

PLANTS—Your properties have been maintained at the usual high state of efficiency. The extraordinary wear and tear necessarily occasioned by full capacity operations has been offset by additional provision for depreciation. In connection with certain equipment required for war purposes, special depreciation has been sanctioned by the War Contracts Depreciation Board.

At Hamilton Works additions to plant include a one hundred and ten inch plate mill, a tin plate coating mill, and additions and alterations to the sheet mill. The rated annual capacity of the new plate mill is 180,000 tons. It will roll plates up to one hundred inches wide and involves a total expenditure of \$4,700,000.00. Production is expected to start by the end of March and will provide timely aid in the supply of plates for the Government shipbuilding programme.

Supplementing the additions referred to above, further extensions are being made, under orders from the Government to increase both blast furnace and open hearth capacity in order to meet the urgent

THE STEEL COMPANY OF CANADA, LIMITED

needs for pig iron and steel which are growing steadily with the development of the country's war programme. It will be possible to provide these facilities at Hamilton Works at a much lower cost than elsewhere and in a shorter space of time. It is hoped the added production will be available by July next. Under another arrangement with the Government, a new plant is being established for the manufacture of shell forgings which will be operated by a wholly owned subsidiary, Ontario Forgings Limited.

At Canada Works, Hamilton, Swansea Works, Toronto and Notre Dame Works and Dominion Works, Montreal, additional improvements have been effected, while at Brantford Works substantial expenditures were made for new equipment to produce special products for war requirements.

COAL AND ORE PROPERTIES—Operations continued at a high rate throughout the season.

EMPLOYEE RELATIONS—During the year pensions were granted to 16 employees retired under the Company's Pension Plan which continues to be non-contributory. At present there are 131 former employees in receipt of annual pensions.

Under the Sickness and Benefit Plan, jointly supported by the employees and the Company, benefit payments were made during 1940 in 814 cases of sickness and 56 death claims paid under the group insurance incorporated therein.

The total payments under the two above plans from their inception to December 31 last have amounted to \$1,676,978.00. This is in addition to the capital sums transferred to the Pension Trust Fund referred to elsewhere and the allocation previously made to the Benefit Plan Reserve.

During the year the "Vacations with Pay Plan" was extended to include all wage earners with a service of five years or more and 3,532 payroll employees enjoyed vacations with pay graduated according to length of service. The cost to the Company was \$129,447.00.

Your directors authorized special distributions during the past year to all payroll employees in semi-annual payments aggregating the equivalent of three full weeks' wages at a cost to the Company of \$575,972.00.

Under the Military Service Plan instituted shortly after the outbreak of hostilities, employees of at least six months' standing prior to September 1, 1939, enlisting for active service, are maintained in their rights under the Company Pension Plan and Group Insurance policy, without cost to them, and also are credited with a sum equivalent to 15% of their former average monthly earnings, limited to a maximum of \$250.00 per annum. The amount so accumulated is payable on discharge from active service to assist in their civil re-establishment. Of the 272 former employees now in His Majesty's forces, 186 are entitled to these privileges.

The stability of employment afforded by your Company is best illustrated by the fact that 718 employees have twenty-five or more years' service, 771 twenty to twenty-five years' service, 823 fifteen to twenty years' service, and 1,422 ten to fifteen years' service. Eighty employees graduated into the "Quarter Century Club" within the past twelve months. At December 31 last, employees of the Company numbered 7,408.

You will be particularly proud of the record shown by your Company's employees in the purchase of War Loan and War Savings Certificates, and in support of the numerous War and Home Front Charities. There were 3,662 subscriptions to the First War Loan, and an additional 3,550 to the Second War Loan, making a combined subscription of \$750,000.00. They are also subscribing substantially to the War Savings Certificates campaign which is not yet completed.

SHAREHOLDERS—The stock of the Company is held by 2,593 Preference and 6,317 Ordinary shareholders, making a total of 8,910, an increase of 84 during the year. The average holding is 82 shares; 753 shareholders hold both Preference and Ordinary shares, 88% hold 100 shares or less, and 92% are residents of Canada.

The vacancy on your Board caused by the death of H. G. Dalton, Esq., was filled by the appointment of the Honourable Charles A. Dunning.

The largely increased production of all departments and the unusual demands of war-time operation placed a very heavy burden upon the officers and staff in all ranks for whose loyalty and devotion to duty your directors desire to express their appreciation and thanks.

Submitted on behalf of the directors.

ROSS H. McMASTER,
President.

February 28, 1941.

**THE STEEL COMPANY
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET**

ASSETS

CURRENT ASSETS

Cash on hand and in banks	\$ 2,164,556.40	
Guaranteed call loans and deposits with trust companies and banks	877,363.88	
Dominion of Canada treasury bills, bonds and other securities, (market value December 31, 1940, \$3,950,881.08)	3,794,389.84	
Due from employees on War Loan subscriptions, secured by Dominion of Canada bonds	279,991.74	
Accounts and notes receivable, less reserve	6,372,872.54	
Inventories of raw materials, supplies and products, as determined and certified by responsible officials of the companies and valued at the lower of cost or market, less reserve	9,454,534.48	
	\$ 22,943,708.88	

INVESTMENTS (non current)

Investments in and advances to associated coal and ore mining companies		2,003,301.43
---	--	--------------

FIXED ASSETS

Cost of works owned and operated		54,079,528.18
--	--	---------------

OTHER ASSETS

Benefit Plan—cash and investments (per contra)	\$ 772,043.01	
Shares of the company held in trust for employees	2,846.04	
	774,889.05	

DEFERRED CHARGES

Taxes, insurance and other expenses paid in advance		48,562.15
		\$ 79,849,989.69

Approved on behalf of the Board,
R. H. McMASTER }
H. H. CHAMP } *Directors.*

OF CANADA, LIMITED
RY COMPANIES
SHEET, DECEMBER 31, 1940

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 2,690,662.85	
Accrued wages	423,000.42	
Provision for Dominion, Provincial and other taxes	3,421,594.87	
Unclaimed dividends	7,708.72	
Dividends payable February 1, 1941		
On Preference shares	\$ 113,685.25	
On Ordinary shares	1,121,250.00	
	<u>1,234,935.25</u>	
		<u>\$ 7,777,902.11</u>

PLANT AND OPERATING RESERVES

Depreciation reserve	\$ 27,405,865.08	
Furnace relining and rebuilding and other operating reserves....	2,434,948.76	
	<u>29,840,813.84</u>	

BENEFIT PLAN RESERVE (per contra) 772,043.01

OTHER RESERVES

For betterments and replacements	\$ 1,829,674.06	
For fire insurance	200,000.00	
For contingencies	558,999.01	
	<u>2,588,673.07</u>	

CAPITAL STOCK

Authorized	Issued		
400,000	259,852	7% Cumulative Preference shares—par value \$25.00 each	\$ 6,496,300.00
600,000	460,000	Ordinary shares—no par value	11,500,000.00
			<u>17,996,300.00</u>

EARNED SURPLUS 20,874,257.66
\$ 79,849,989.69

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the books and accounts of The Steel Company of Canada, Limited, and its subsidiary companies for the year ended December 31, 1940, and report that we have verified the cash on hand, bank balances and all securities and have obtained all the information and explanations which we have required and that, in our opinion, the above consolidated balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the companies' affairs at December 31, 1940, according to the best of our information and the explanations given to us and as shown by the books of the companies.

Toronto, Ontario, February 28, 1941.

RIDDELL, STEAD, GRAHAM & HUTCHISON,
Chartered Accountants, Auditors.

THE STEEL COMPANY OF CANADA, LIMITED
AND SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED PROFIT AND LOSS
FOR THE YEAR ENDED DECEMBER 31, 1940

PROFIT FROM OPERATIONS after deducting depreciation and all expenses of manufacturing, selling and administration		\$ 4,206,094.69
Add		
Net income from securities, and profit from sales		135,697.43
		\$ 4,341,792.12
Deduct		
Interest on funded debt		77,407.74
NET PROFIT FOR THE YEAR		\$ 4,264,384.38

The following amounts have been charged before determining the profit for the year

Provision for depreciation, including special depreciation for "War" plant and equipment		\$ 1,969,871.00
Provision for Dominion and Provincial income taxes and excess profits tax		3,005,000.00
Directors' fees		14,000.00
Remuneration of executive officers		197,444.00
Legal expenses		6,586.00

51,929

STATEMENT OF CONSOLIDATED EARNED SURPLUS

Balance at December 31, 1939		\$ 18,651,039.56
Add		
Net profit for the year ended December 31, 1940		\$ 4,264,384.38
Items applicable to previous years		
Inventory adjustments	\$ 587,060.00	
Less provision for taxes	148,485.28	
		438,574.72
		4,702,959.10
		\$ 23,353,998.66
Deduct		
Dividends declared during the year 1940		
On preference shares at 7% per annum		\$ 454,741.00
On ordinary shares		
At \$1.75 per share	\$ 805,000.00	
At \$2.00 per share equalizing the dividends heretofore paid on the ordinary and the preference shares of the Company	920,000.00	1,725,000.00
		\$ 2,179,741.00
Contributions to Pension Trust Fund		
Initial payment	\$ 2,343,648.09	
Additional contribution	300,000.00	
	\$ 2,643,648.09	
Less		
Transfer from Pension Plan reserve	2,343,648.09	300,000.00
		2,479,741.00
Balance at December 31, 1940		\$ 20,874,257.66

PRINCIPAL PRODUCTS

COKE

FURNACE
FOUNDRY
DOMESTIC

COKE BY-PRODUCTS

SULPHATE OF AMMONIA
COAL TAR
BENZOL
TOLUOL
SOLVENT NAPHTHA

PIG IRON

BASIC
MALLEABLE
FOUNDRY

SEMI-FINISHED STEEL

BLOOMS
BILLETS
SLABS
WIRE RODS
SHEET BARS

ROLLED PRODUCTS

MERCHANT BARS
ANGLES
PLOW BEAMS
AGRICULTURAL SHAPES
FURNACE BAND
BUMPER SECTIONS
CONCRETE REINFORCING
BARS AND RODS

SPRING STEEL
ALLOY STEEL

SHEETS

HOT ROLLED
HOT ROLLED ANNEALED
GALVANIZED
GALVANNEALED
VITREOUS ENAMELLING
COPPER BEARING
COPPER BEARING GALVANIZED
ELECTRICAL

PLATES

SHIP
TANK
STRUCTURAL
UNIVERSAL

TIN PLATE

TRACK FASTENINGS

SPLICE BARS
TIE PLATES
TRACK BOLTS
SPIKES
TIE RODS
"S" TIE STEELS

DROP FORGINGS

CARRIAGE HARDWARE
AUTOMOBILE
TURNBUCKLE ASSEMBLIES
SPECIAL LIGHT FORGINGS
THRESHER TEETH

BOLT AND NUT PRODUCTS

MACHINE
CARRIAGE
ELEVATOR
HANGER
STOVE
TIRE AND SLEIGH SHOE
STAINLESS STEEL
COACH AND LAG SCREWS
BLANK AND TAPPED NUTS
LOCK NUTS
UPSET RODS

RIVETS

STEEL AND COPPER RIVETS
AND BURRS
ALUMINUM, BRASS
BOILER, STRUCTURAL
AND TANK RIVETS

SPIKES

TRACK SPIKES
SHIMMING SPIKES
PRESSED SPIKES
DRIFT SPIKES

WASHERS

ROUND AND SQUARE WROUGHT
STELCO LOCK WASHERS

POLE LINE HARDWARE

POLE STEPS
CROSS ARM BRACES
GUY CLAMPS
GUY RODS

STEEL PIPE

SCALE FREE BLACK AND
GALVANIZED PIPE
COUPLINGS AND NIPPLES
ADJUSTABLE PIPE HANGERS
PIPE SIGN POSTS
FLAG POLES

FENCING AND ACCESSORIES

FARM FENCE
POULTRY FENCE
CHAIN LINK FENCE
SNOW FENCE
ANGLE PICKET FENCE
IRON FENCE
LAWN FENCE
"T" BAR POSTS
"T" RAIL POSTS
ANGLE IRON POSTS
SCALE FREE PIPE POSTS
FARM GATES
LAWN GATES
FENCE ERECTION TOOLS

TRAFFIC MARKERS

MONEL METAL CAPPED

WIRE PRODUCTS

STEEL, BRASS, COPPER AND
BRONZE WIRE
HEAVY AND FINE WIRE
ROPE WIRE
TIRE WIRE
SPRING WIRE
TELEPHONE AND TELEGRAPH WIRE
HOT GALVANIZED
TELEPHONE AND TELEGRAPH WIRE
"ZINC TIGHT" (ELECTRO GALV)
WIRE, ALL QUALITIES
VALVE SPRING WIRE—SWEDISH
AND DOMESTIC
TINNED STITCHING WIRE
OIL TEMPERED SPRING WIRE
BRIGHT, ANNEALED, COPPERED
AND LIQUOR BRIGHT WIRE
TINNED WIRE
STRANDED STEEL AND
COPPER CABLE
CLOTHES LINE
GALVANIZED AND BARBED WIRE
CONCRETE MESH
BRIGHT GOODS
BOOT CALKS
GAS AND ELECTRIC WELDING RODS
WIRE HOOPS
FLAT WIRE
SQUARE AND SHAPED WIRE

NAILS, STAPLES, TACKS

WIRE, CUT, BOAT AND HORSE
SHOE NAILS
COPPER, BRASS, ALUMINUM
TACKS AND SHOE NAILS
LEAD HEAD NAILS
STEEL, BRASS AND
COPPER STAPLES
INSULATED ELECTRICIANS STAPLES

WOOD, MACHINE AND SHEET METAL SCREWS

STEEL, BRASS, BRONZE AND
SPECIAL METALS
SLOT HEAD, SOCKET HEAD AND
PHILLIPS RECESSED HEAD

LEAD PRODUCTS

WHITE LEAD
PUTTY
LEAD PIPE
SHOT

HORSE SHOES

"M.R.M." BRAND
"BELL" BRAND
"PHOENIX" BRAND

TOE AND HEEL CALKS

STEEL HOOPS

WIRE BEADED

COMMERCIAL HOT PROCESS GALVANIZING

SPECIALTIES FOR AIRCRAFT CONSTRUCTION

RIVETS
MACHINE SCREWS
WOOD SCREWS
SHEET METAL SCREWS
BOLTS
COTTER PINS
HIGH TENSILE STRENGTH AEROPLANE WIRE
WASHERS AND BURRS

THE STEEL COMPANY OF CANADA, LIMITED

HEAD OFFICE

HAMILTON, ONTARIO, CANADA

GENERAL OFFICES

HAMILTON, ONTARIO

MONTREAL, QUEBEC

DISTRICT SALES OFFICES

LONDON, ENGLAND

6 BROAD STREET PLACE, E.C. 2

HALIFAX, N.S.
105½ HOLLIS STREET

LONDON, ONT.
100 ST. GEORGE STREET

OTTAWA, ONT.
46 ELGIN STREET

ST. JOHN, N.B.
76 PRINCE WILLIAM STREET

TORONTO, ONT.
67 YONGE STREET

VANCOUVER, B.C.
850 HASTINGS STREET WEST

WINDSOR, ONT.
209 CANADA BLDG.

WINNIPEG, MAN.
504 MAIN STREET

PLANTS

HAMILTON WORKS	HAMILTON, ONT.
ONTARIO WORKS	HAMILTON, ONT.
CANADA WORKS	HAMILTON, ONT.
BRANTFORD WORKS	BRANTFORD, ONT.
SWANSEA WORKS	TORONTO, ONT.
GANANOQUE WORKS	GANANOQUE, ONT.
ST. HENRY WORKS	MONTREAL, QUE.
NOTRE DAME WORKS	MONTREAL, QUE.
DOMINION WORKS	LACHINE, QUE.
THE WESTERN WIRE AND NAIL CO., LIMITED	LONDON, ONT.

COAL AND ORE PROPERTIES IN WHICH THE COMPANY

OWNS AN INTEREST

MATHER COLLIERIES	MATHER, PA.
PLYMOUTH MINING COMPANY	WAKEFIELD, MICH.
HOYT MINING COMPANY	HIBBING, MINN.
JAMES MINING COMPANY	CASPIAN, MICH.
PALMER MINING COMPANY	PALMER, MICH.

STELCO