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Algoma Steel Corporation, Limited

FOURTH ANNUAL REPORT

**FOR THE YEAR ENDED
30TH APRIL, 1939.**

PRESIDENT'S REPORT

Sault Ste. Marie, Ontario
July 5th, 1939

To the Shareholders

ALGOMA STEEL CORPORATION, LIMITED

The Directors submit herewith the audited balance sheet and profit and loss account of your Corporation for the fiscal year ended 30th April, 1939, during which period there was a general decline in business throughout Canada. Your Corporation's gross sales were down by \$2,600,000 (20.1%). The Directors express their satisfaction with the operating costs obtained on the reduced business. The net addition to surplus for the year amounts to \$227,431.50 and has been added to the earned surplus which now amounts to \$1,600,423.65. During the year net additions to property, plant and equipment called for the expenditure of \$2,026,810.70. The additions included the construction of steel tanks for storage of 4,000,000 Imperial Gallons of fuel oil—the equipment of Open Hearth furnaces to use fuel oil with Coke Oven gas—installation of plant to produce grinding balls for the mining industry and the completion of the Sheet and Tinplate Mill. These developments take your Corporation into new markets, widen the range of operations, effect improvements in costs throughout your Works and entitle your Directors to expect a material increase of earnings during the next year.

Your Corporation's wholly-owned subsidiary—Algoma Ore Properties, Limited—has about completed the development of the New Helen Iron Mine and Sintering Plant. The Mine is now shipping ore over the 2½ mile aerial tramway to the Sintering Plant and sintering should be in regular operation by the end of July. The first unit is designed to produce 300,000 tons of sintered ore (51.50% iron) a year and the installation is made to permit of economic extension. Arrangements have been made for the marketing on satisfactory terms of 200,000 tons of the sinter, leaving 100,000 tons for use in the Blast Furnaces at Sault Ste. Marie.

It is very satisfactory to your Directors to be able to inform you that the New Helen has now become a working iron mine on a scale to earn a substantial profit for your Corporation. The ore reserves in sight justify the expectation of 100 years of operations at double the capacity of the present installation.

By the opening of the New Helen your Corporation not only secures its own position as a user of iron ore, but becomes an important factor in the preparation and merchandising of iron ore on the Great Lakes.

This great body of mineral wealth, which has lain dormant through all the centuries, could not have been financed and undertaken by your Corporation without the bounty courageously given by the Government of Prime Minister Hepburn.

The development of this vast body of siderite opens a new era in Canada where no other iron ore body is mined today.

The Directors wish to draw your attention to the strong balance sheet now presented, showing a working capital of over \$5,000,000. This position has been arrived at by ploughing back the earnings into the business and the successful sale of \$3,000,000 of bonds, of which \$1,200,000 were 3½%, 4%, 4½% serial bonds and \$1,800,000 5% 10 year bonds. Your Corporation has, since commencement of its operations on May 4th, 1935, expended on property, plant and equipment at Sault Ste. Marie \$3,722,692.05, has advanced \$572,100 to Algoma Ore Properties, Limited for the development of the New Helen Mine and Sintering Plant and has increased its working capital by \$2,749,310.55.

The Directors wish to express their thanks to the officers and employees for the loyal and efficient service rendered by them during the year.

JAMES DUNN,
Chairman and President.

ALGOMA STEEL CORPORATION, LIMITED

BALANCE SHEET AS AT 30TH APRIL, 1939

ASSETS

CURRENT ASSETS:

Cash	\$	544,108.43
Bills and Accounts Receivable		
Sundry Debtors, less reserve	\$	1,635,220.39
Subsidiary Companies	10,217.20	1,645,437.59
Inventories:		
Valued at the lower cost or market:		
Raw materials, semi-finished products and supplies	2,523,363.87	
Ore—subject to the lien of the supplier until discharge of \$ 140,014.94 shown as liability per contra	295,887.22	
Saleable products	634,140.47	
	<u>\$ 3,453,391.56</u>	
Steel rolled under Contracts (valued at net selling price)	631,475.42	4,084,866.98
Advance payments on Contracts	38,382.40	\$ 6,312,795.40
ADVANCES TO SUBSIDIARY COMPANIES		607,100.00
INVESTMENTS		1,069,525.01
PROPERTY AND EQUIPMENT:		
Lands, Buildings, Plant and Equipment	\$ 17,541,910.04	
Less:—Reserve for Depreciation	2,118,694.45	15,423,215.59
PREPAYMENT AND DEFERRED CHARGES		126,636.60
		<u>\$ 23,539,272.60</u>

LIABILITIES

CURRENT LIABILITIES:

Bank Loan, secured	\$	165,000.00
Interest First Mortgage Bonds—Due 1st May, 1939		69,000.00
Accrued Wages and Salaries		126,840.03
Accounts Payable:		
Sundry Creditors	\$ 318,797.41	
Subsidiary Companies	4,915.33	323,712.74
Notes Payable		43,438.00
Deposits on Contracts		5,000.00
Accrued Liabilities:		
Contract Ores, secured	140,014.94	
Deferred Payments on Contracts	34,713.18	
Coal Duties	113,294.25	
Royalties, Commissions and Sundries	51,882.64	
Taxes, General	93,740.41	
Provision for Income Taxes	117,091.38	550,736.80
		\$ 1,283,727.57
RESERVES:		
For Rebuilding and Relining Furnaces, etc		2,379,323.30
For Contingencies		91,940.86
		2,471,264.16
FUNDED DEBT:		
First Mortgage Bonds - Series "A"		
Serial Bonds - 1939 to 1944		* 1,200,000.00
Convertible Bonds due 1948		1,800,000.00
		3,000,000.00
CAPITAL STOCK AND SURPLUS:		
5% Preference (Non-cumulative until January 1, 1940) Authorized - 27,000 shares at \$100.00 par value Issued		26,300 Shares
Less: Purchased and Redeemed	2,215	
Converted into Common Stock	2,160	4,375 "
Outstanding	22,015	"
		2,201,500.00
Common - No Par Value Authorized - 1,000,000 Shares Issued - 407,540 "		10,188,500.00
Distributable Surplus		2,793,857.22
Earned Surplus:		
As at 1st May, 1938	1,372,992.15	
Net Surplus for Year ended 30th April, 1939	227,431.50	1,600,423.65
		16,784,280.87

\$ 23,539,272.60

*Of this issue, \$200,000.00 matures 1st November, 1939.

THE SHAREHOLDERS,
ALGOMA STEEL CORPORATION, LIMITED,
Sault Ste. Marie,
Ontario, Canada.

We have examined the books and accounts of Algoma Steel Corporation, Limited, for the year ended 30th April, 1939, and report that we have obtained all the information and explanations which we have required.

In our opinion the accompanying Balance Sheet and relative Profit and Loss Account are properly drawn up so as to exhibit a true and correct view of the state of the Corporation's affairs as at 30th April, 1939, and the result of its operations for the year ended that date, according to the best of our information and the explanations given to us, and as shown by the books of the Corporation.

Montreal, 3rd July, 1939.

BARROW, WADE, GUTHRIE & CO.,
Auditors.

ALGOMA STEEL CORPORATION, LIMITED

Profit and Loss Account

For the Year Ended 30th April, 1939

SALES OF ROLLED PRODUCTS, PIG IRON, COKE AND BY-PRODUCTS — including net selling price of contract steel not yet delivered	\$ 10,344,254.91
Less: Selling and shipping expenses, Royalties, etc.....	297,378.00
	<u>\$ 10,046,876.91</u>
COST OF PRODUCTS SOLD.....	<u>9,086,206.07</u>
Operating Profit:.....	960,670.84
OTHER INCOME:	
Interest earned	<u>22,329.21</u>
	983,000.05
INTEREST:	
On Loans.....	62,771.36
First Mortgage Bonds	<u>69,000.00</u>
	<u>131,771.36</u>
Profit Before Depreciation and Income Taxes	851,228.69
DEPRECIATION—Plant and equipment	<u>566,828.06</u>
	284,400.63
PROVISION FOR INCOME TAXES	<u>56,969.13</u>
Net Addition to Surplus for year ended 30th April, 1939.....	<u><u>227,431.50</u></u>