

ALGOMA STEEL CORPORATION, LIMITED



FINANCIAL REPORT

FOR THE PERIOD ENDED DECEMBER 31st 1953





ALGOMA STEEL CORPORATION, LIMITED

Financial Report

FOR THE PERIOD ENDED DECEMBER 31ST 1953

ALGOMA STEEL CORPORATION, LIMITED

Board of Directors

Sir James Dunn, Bart., Q.C. - - - Bathurst, New Brunswick
George C. Bateman, C.M.G., O.B.E. - - - Montreal, Quebec
Hon. T. A. Crerar - - - - - Winnipeg, Manitoba
Philip G. Dunn - - - - - London, England
Harry S. Hamilton, Q.C. - - - - Sault Ste. Marie, Ontario
David S. Holbrook - - - - - Sault Ste. Marie, Ontario
T. R. McLagan, O.B.E. - - - - - Montreal, Quebec
E. Gordon McMillan, Q.C. - - - - - Toronto, Ontario
John A. McPhail, Q.C. - - - - - Sault Ste. Marie, Ontario
Joseph Simard, O.B.E. - - - - - Montreal, Quebec
Leo H. Timmins, M.E. - - - - - Montreal, Quebec

Executive Committee

Sir James Dunn, Bart., Q.C.	John A. McPhail, Q.C.
Philip G. Dunn	T. R. McLagan, O.B.E.
David S. Holbrook	E. Gordon McMillan, Q.C.

Officers

Sir James Dunn, Bart., Q.C. - - - President and Chairman,
Board of Directors
John A. McPhail, Q.C. - - Vice-President and Vice-Chairman
David S. Holbrook - - - Executive Vice-President
E. Gordon McMillan, Q.C. - - - Vice-President
Louis H. Derrer - - - General Manager—Steel Works
Tom Gould - - - Executive Assistant to the President
H. G. MacAdam - - - Secretary
W. E. Morley - - - Treasurer
John B. Barber - - - Comptroller

President's Report

TO THE SHAREHOLDERS:—

Your Directors herewith submit Company's consolidated financial statement and auditors' report for the period of twenty months from 1st May 1952 to 31st December 1953. Your Company's future annual statements will date from 1st January to 31st December instead of 1st May to 30th April.

Following is a summary of the financial results for the period:—

Profit from Operations - - - - -	838,104,452
Deduct—Expense of moving and rearrangement of plant - - - - -	2,857,848
Depreciation - - - - -	26,043,037
Interest and Miscellaneous - - - - -	1,289,286
Taxes on Income - - - - -	1,486,678
Net Profit - - - - -	6,427,603
Retained Earnings - - - - -	47,875,135
Working Capital - - - - -	17,977,890

During the period under review the \$15,000,000 loan referred to in the last annual report was received. Of this loan \$1,268,281 has been repaid as at 31st December last leaving a balance of \$13,731,716 unpaid at that date. This loan is repayable in monthly instalments contingent on sales made to the lender.

THE EXPANSION & MODERNIZATION PROGRAMME HAS GONE STEADILY FORWARD:—

COKE OVENS—The new 57 coke oven battery referred to in the last report has been completed and our total coke oven capacity is now 1,340,000 tons a year.

BLAST FURNACES—The new No. 6 Blast Furnace—25 ft. hearth, as is our No. 5, has been completed and is in operation, bringing our total Blast Furnace capacity up to 1,280,000 tons a year as anticipated in the last report.

THE DWIGHT LLOYD SINTERING UNIT is making the expected contribution to our blast furnace economy.

OPEN HEARTH AND BESSEMER—Open hearth capacity has been increased by the installation of two new 330 ton furnaces and the enlargement of four 135 ton furnaces up to 165 tons. Bessemer plant has been increased by the addition of a second twenty-five ton converter.

11" BLOOMING MILL.—The 11" Blooming Mill with four new batteries of soaking pits added and powered by a 7,000 H.P. electric drive can now roll our entire ingot production of 1,240,000 tons.

NEW RAIL AND STRUCTURAL MILL.—Capacity of this modernized mill is 372,000 tons a year intended for production of structural sections including channels and beams to 18" size, angles, sheet piling, forging billets and large bars, splice bars, rails and tie plates.

MORGAN MILL: COMBINATION BAR & STRIP MILL.—This mill is a modern eighteen stand production unit especially adapted for production of a wide range of flat and bar steels up to 25" wide. It has complete shearing and slitting lines and batch and continuous pickling units. Its capacity is 244,000 tons of flat rolled and 96,000 tons of bar products a year.

COLD STRIP MILL.—This consists of a reversing cold reduction mill, annealing furnaces, temper mill and slitting and flying shear lines with capacity of 60,000 tons a year of cold rolled sheets and strip.

Prior to the programme of expansion and modification begun in 1950, Algoma was competitive in the trade in coke, pig iron and primary steels but limited in capacity of first class finishing mills to 180,000 tons per annum of which 120,000 tons were rails.

To-day you have an expanded capacity in coke ovens, blast furnaces, open hearths and mills all the way down the line. Particularly outstanding is the increase in first class finishing capacity from 180,000 tons to 682,000 tons of which in each case 120,000 tons is rail capacity. This paragraph is approved by my Executive Vice-President.

CANADIAN FURNACE COMPANY at Port Colborne, Ontario continues to be a satisfactory investment.

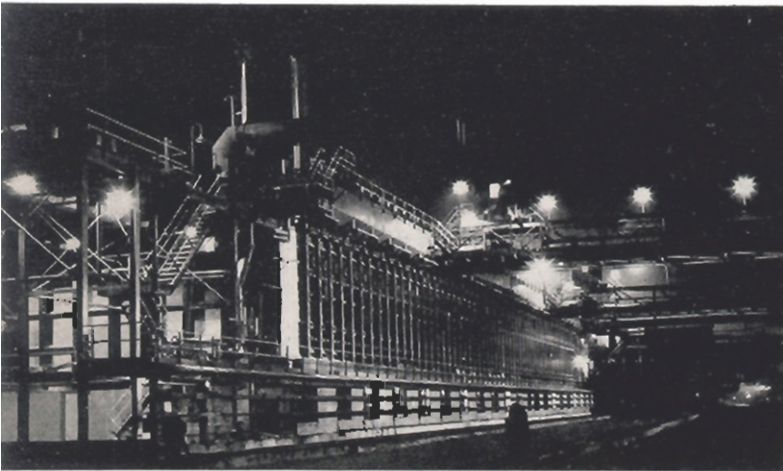
ALGOMA ORE PROPERTIES—The programme of extension at the Helen, Victoria and Alexander Mines is a four year programme to provide 2,500,000 tons of ore a year for twenty years to be sintered into 1,500,000 tons per year of product known on the ore markets as "Algoma Sinter". This programme will call for the investment of \$13,000,000 over the four year period.

COAL COMPANIES—Algoma Steel's wholly owned coal companies in West Virginia—Cannelton and Superior—continue to provide our coal requirements partly from coal produced in these mines by these companies or acquired by them.

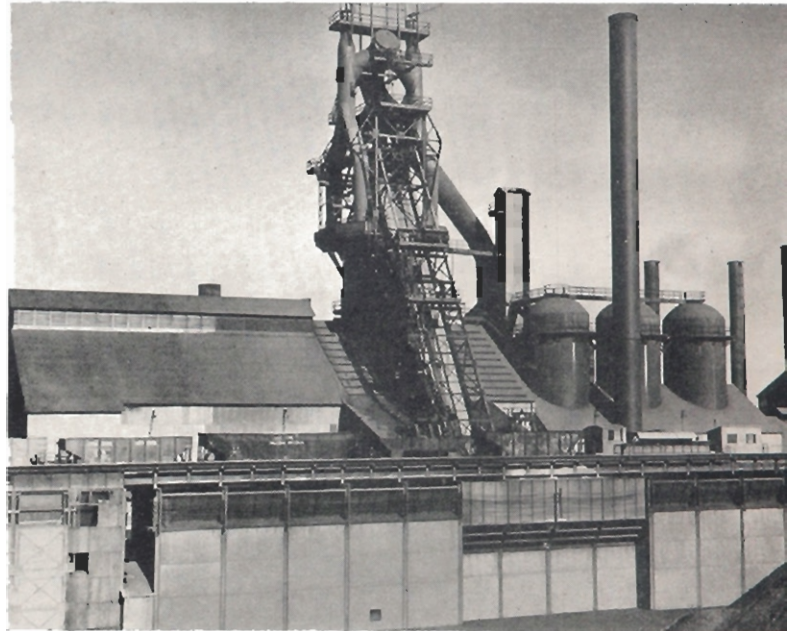
Your Directors express their appreciation and thanks to all the officers and employees of the parent Company and its subsidiaries for their loyal and efficient service.

JAMES DUNN,
*President and Chairman,
Board of Directors.*

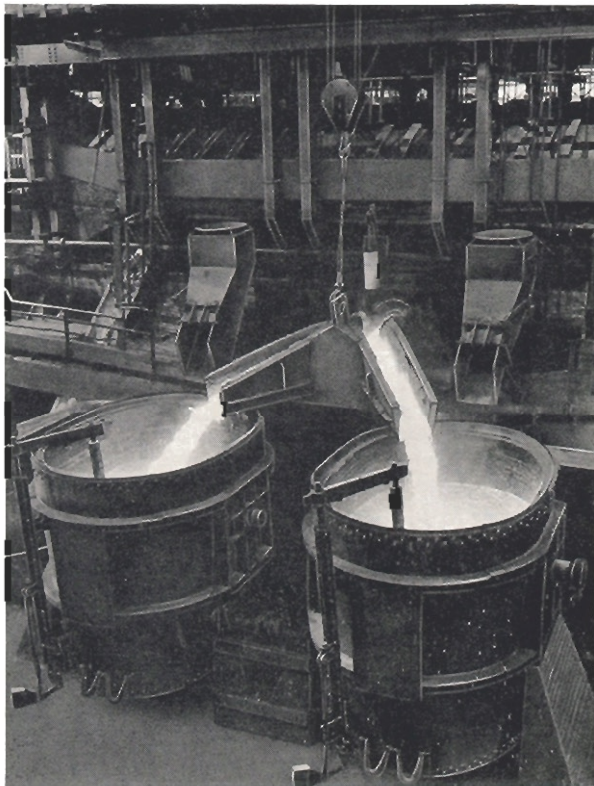
Sault Ste. Marie, Ontario
12th April 1951.



New No. 6 Coke Oven Battery

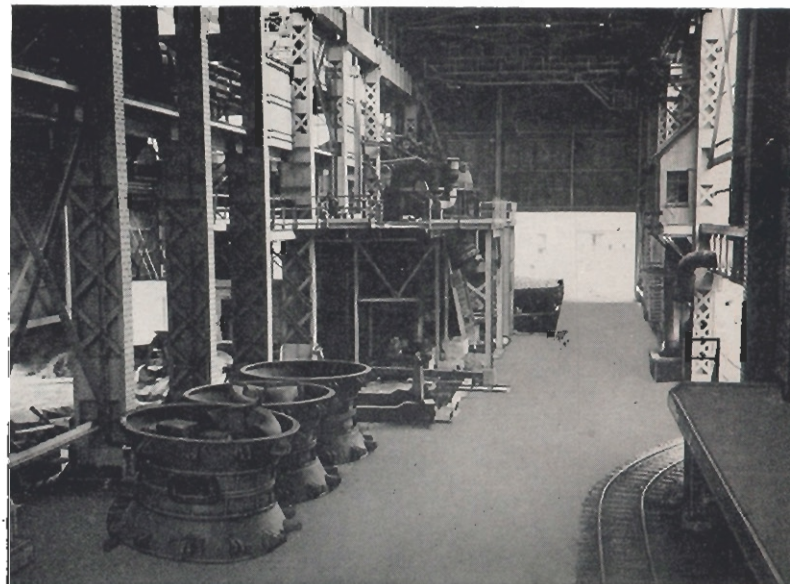


No. 6 Blast Furnace

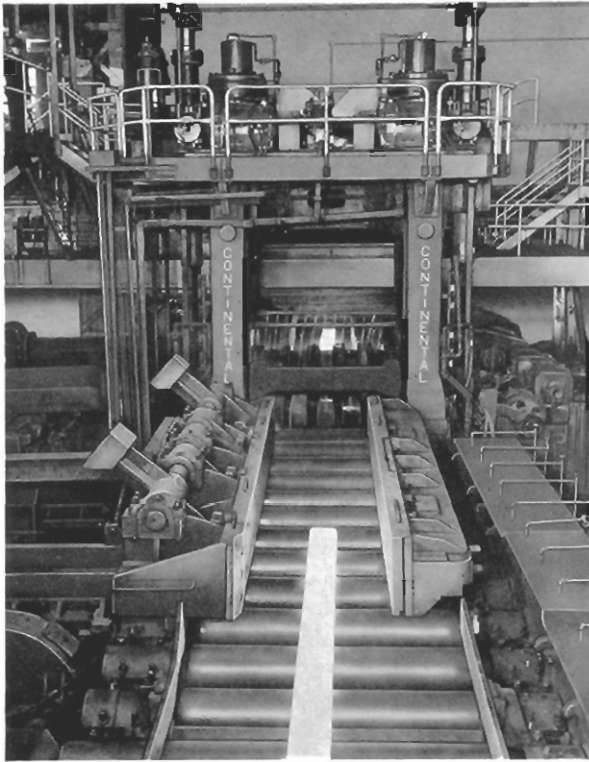
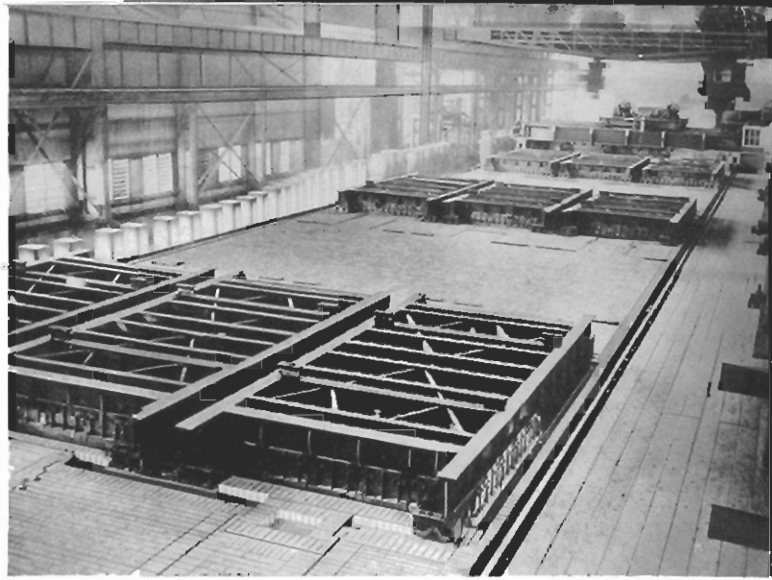


View showing 330 ton heat being tapped into two ladles. Simultaneous production of two analyses of steel from the same heat retains versatility of smaller furnaces and at the same time obtains economies inherent to the largest furnaces in Canada.

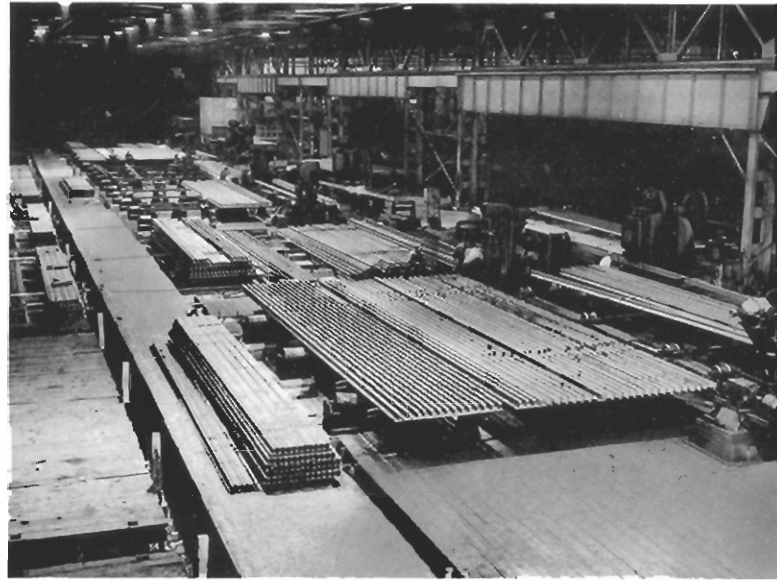
Bessemer Plant



41" Blooming Mill—Soaking Pits



*Rail and Structural Mill—
New 32" Reversing Roughing Mill Stand*

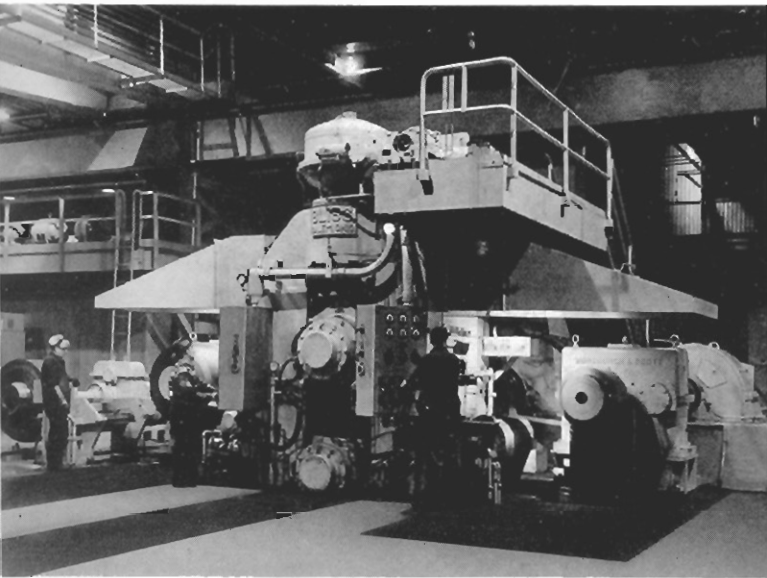
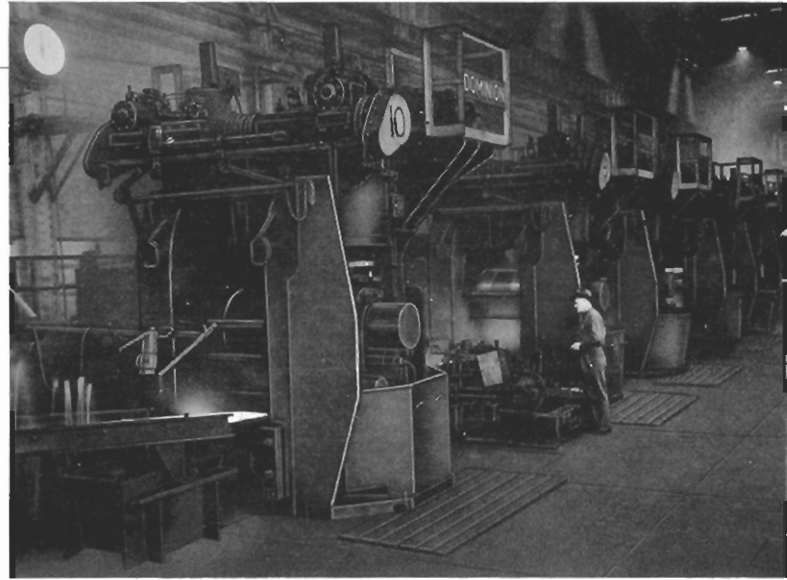


Rail Finishing Department

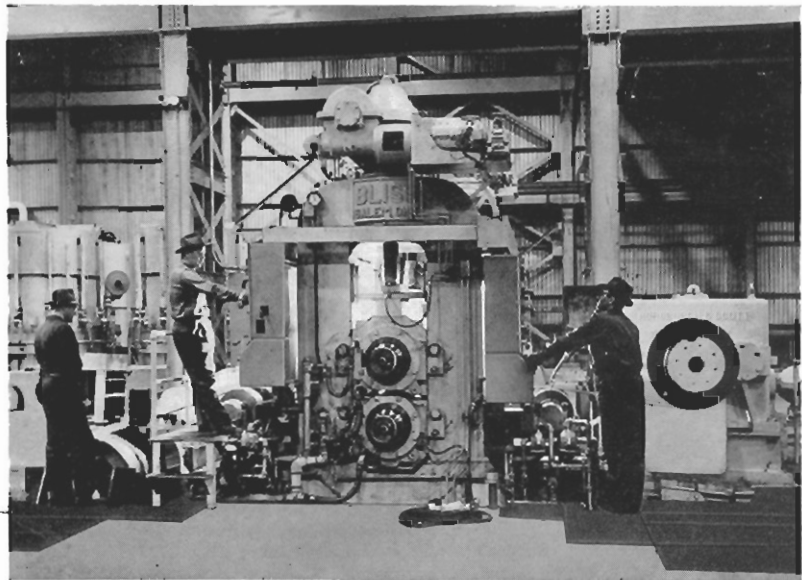


*Bar and Strip Mill—
Continuous Rolling Merchant Bars*

Bar and Strip Mill—Continuous Rolling Sheets



Cold Reduction Mill



Cold Temper Mill

ALGOMA STEEL CORPORATION, LIMITED AND SUBSIDIARIES

Consolidated Balance Sheet

AS AT DECEMBER 31st, 1953

Assets

Liabilities

<p>CURRENT</p> <p>Cash - - - - - \$ 748,244</p> <p>Bills and Accounts Receivable - - - - - 6,763,284</p> <p>Inventories of raw materials, supplies and saleable products valued at the lower of cost or market - - - - - 31,986,623</p> <p>Prepaid Expenses - - - - - <u>891,116</u> \$40,389,267</p> <p>ACCOUNTS RECEIVABLE from employees under agreements of sale - - - - - 448,041</p> <p>INVESTMENTS</p> <p>Marketable shares at cost - - - - - 4,692,807</p> <p>Other Securities at cost - - - - - <u>122,098</u> 4,814,905</p> <p>PROPERTY AND EQUIPMENT (Note 1)</p> <p>Land, Buildings, Plant and Equipment, Mining Properties and Leases—at cost - - - - - 115,253,090</p> <p>Less: Allowances for Depreciation and Depletion - - - - - <u>63,745,171</u> 51,507,919</p> <p>DEFERRED CHARGES - - - - - <u>183,295</u></p> <p style="text-align: right;"><i>See accompanying notes to financial statements</i> <u>\$97,343,427</u></p>	<p>CURRENT</p> <p>Bank Loan—secured - - - - - \$13,718,000</p> <p>Accounts Payable and Accrued Liabilities - - - - - 8,297,673</p> <p>Taxes on Income and other taxes - - - - - <u>395,704</u> \$22,411,377</p> <p>LONG TERM LOAN (Note 2) - - - - - 13,731,716</p> <p>OPERATING RESERVES (Note 3) - - - - - 2,116,264</p> <p>CAPITAL STOCK AND SURPLUS</p> <p>Common Stock—No Par Value</p> <p>Authorized—4,000,000 shares</p> <p>Issued —1,650,800 shares - - - - - 10,274,500</p> <p>Contributed Surplus - - - - - 3,071,745</p> <p>Retained Earnings—in use in the business - - - - - <u>47,875,135</u></p> <p style="text-align: right;">61,221,380</p> <p>Deduct: Cost of 223,830 shares the property of wholly owned Subsidiary Companies - - - - - <u>2,137,310</u> <u>59,081,070</u></p> <p style="text-align: right;"><u>\$97,343,427</u></p>
---	---

Signed on behalf of the Board

D. S. HOLBROOK Director

GORDON McMILLAN Director

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Algoma Steel Corporation, Limited and subsidiaries as of December 31, 1953 and the statements of consolidated earnings, retained earnings and contributed surplus for the twenty months period from April 30, 1952 to December 31, 1953. 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.

Depreciation of Property and Equipment for the twenty months period from April 30, 1952

to December 31, 1953 includes allowances on assets under construction and additional accelerated allowances in accordance with note (4) attached to the accompanying financial statements.

In our opinion, subject to the foregoing, the accompanying consolidated balance sheet and statements of consolidated earnings, retained earnings and contributed surplus present fairly the consolidated position of the companies at December 31, 1953 and the results of their operations for the twenty months period ended on that date.

Toronto, Ontario, March 19, 1954.

"PEAT, MARWICK, MITCHELL & Co."
Auditors.

A L G O M A S T E E L C O R P O R A T I O N

STATEMENT OF CONSOLIDATED EARNINGS

For the twenty months period from April 30th, 1952 to December 31st, 1953

PROFIT FROM OPERATIONS before deducting the undernoted items - - - -		\$38,104,452
Less: Expense of moving and rearranging plant - - - - -		2,857,848
		35,246,604
Deduct: Depreciation and Depletion (Note 4) - - - -	\$26,043,037	
Remuneration of Directors including their salaries		
as executive officers - - - - -	215,200	
Contribution to Pension Funds - - - - -	342,519	26,600,756
NET OPERATING PROFIT - - - - -		8,645,848
Other Deductions—net		
Interest on long term loan - - - - -	589,114	
Other Interest—net - - - - -	455,490	
	1,044,604	
Less: Dividends and Interest on Investments -	313,037	731,567
PROFIT BEFORE PROVIDING FOR TAXES ON INCOME - - - -		7,914,281
Provision for Taxes on Income - - - - -		1,486,678
NET PROFIT FOR THE PERIOD - - - - -		\$ 6,427,603

STATEMENT OF CONSOLIDATED RETAINED EARNINGS

Amount at April 30th, 1952 - - - - -		\$41,447,532
Net Profit for the twenty months period from April 30th, 1952		
to December 31st, 1953 - - - - -		6,427,603
AMOUNT AT DECEMBER 31ST, 1953 - - - - -		\$47,875,135

STATEMENT OF CONSOLIDATED CONTRIBUTED SURPLUS

Amount at April 30th, 1952 and December 31st, 1953		
(no change in the period) - - - - -		\$ 3,071,745

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

December 31st, 1953

NOTE (1)

Property and Equipment includes approximately \$53,750,000 of a plant expansion programme which has been almost completed. It is estimated that completion in 1954 will cost a further \$3,750,000. A four year programme to bring into production three new mining levels below the Helen Mine first and second levels has been commenced. This development will require expenditures of approximately \$13,000,000 in the four years of which \$3,000,000 will be expended in 1954.

NOTE (2)

Long term loan is repayable in monthly instalments contingent on sales to the lender and to be completely repaid by December 31, 1967.

NOTE (3)

At December 31, 1953, \$3,847,388 was transferred from Operating Reserves to Allowances for Depreciation. This amount represented depreciation accumulated in prior years against assets formerly depreciated through Operating Reserves. The transfer did not affect the total amount of depreciation accrued, the provision for depreciation nor the net profit for the twenty months period from April 30, 1952 to December 31, 1953.

Summary of Operating Reserves for the twenty months period from April 30, 1952 to December 31, 1953 follows:

Balance at April 30, 1952	- - - - -	\$ 5,896,329
Accruals provided from Profit and Loss	- - - - -	5,809,682
		<u>11,706,011</u>
Less: Expenditures	- - - - -	\$5,742,359
Transfer to Allowances for Depreciation	- - - - -	3,847,388
		<u>9,589,747</u>
Balance December 31, 1953	- - - - -	<u>\$ 2,116,264</u>

NOTE (4)

Under the provisions of the Income Tax Act allowances for depreciation of property and equipment can be claimed in excess of normal depreciation and in the twenty months period from April 30, 1952 to December 31, 1953 such additional allowances recorded in the accounts consist of the following:

1. Additional accelerated allowances provided on assets in operation
 - approximately - - - - - \$6,326,000
2. Allowances on assets under construction
 - approximately - - - - - \$5,688,000

The allowances on assets under construction and additional accelerated allowances on other assets had the effect of reducing the net profit for the period by approximately \$5,340,000.

The assets and liabilities of the United States subsidiaries are included in the financial statements at par of exchange. At December 31, 1953 the United States dollar was at a discount of 2-11/16% in terms of the Canadian dollar. If the assets and liabilities had been converted at existing exchange rates the exchange adjustment would have been relatively immaterial.

Minority interests in subsidiary Companies, which are not material, are included in Accounts Payable and Accrued Liabilities in the accompanying Consolidated Balance Sheet and are provided for in Profit from Operations in the accompanying statement of Consolidated Earnings.

ALGOMA STEEL CORPORATION, LIMITED

Products

COKE

Industrial

COAL CHEMICALS

*Benzol, Light Oil,
Sulphate of Ammonia,
Tar, Naphthaline, Pyridine*

PIG IRON

*Foundry
Malleable
Basic*

BLOOMS, BILLETS & SLABS

HEAVY AND LIGHT RAILS

RAIL FASTENINGS

HEAVY STRUCTURALS

**CARBON MERCHANT BARS
& LIGHT STRUCTURALS**

ALLOY MERCHANT BARS

SHEET PILING

GRINDING BALLS

UNIVERSAL PLATE

HOT ROLLED SHEET AND STRIP

COLD ROLLED SHEET AND STRIP

SKELP

PLANT - - - - Sault Ste. Marie, Ontario

EXECUTIVE OFFICES - Sault Ste. Marie, Ontario

SALES OFFICES - - Sault Ste. Marie, Ontario
Bank of Montreal Building, Toronto, Ontario
Canada Life Building, Windsor, Ontario
Sun Life Building, Montreal, Quebec

