



ALGOMA STEEL CORPORATION, LIMITED

A N N U A L R E P O R T

FOR THE YEAR ENDED DECEMBER 31st 1954



ALGOMA STEEL CORPORATION, LIMITED

Financial Report

FOR THE YEAR ENDED DECEMBER 31ST 1954



Steel Works, Sault Ste. Marie, Ontario

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

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

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:

The Directors herewith submit your Company's consolidated financial statements and auditors' report for the year ended December 31st, 1954.

FINANCIAL

Following is a summary of the financial results for the year:

Profit from Operations.....	\$12,493,500
<i>Deduct:</i> Depreciation.....	4,983,681
Interest and Miscellaneous.....	1,185,283
Taxes on Income.....	1,860,058
Net Profit.....	4,464,478
Retained Earnings.....	52,339,613
Working Capital.....	20,127,600
Long Term Loan.....	13,344,577

Recent changes in the Income Tax Law provide that depreciation within the limits set in the Act may be claimed for income tax purposes but need not be included in the financial statements.

In view of this change, your Directors decided to provide an adequate amount of depreciation on a straight line basis, being approximately 4.25% of gross depreciable property and 10.6% of the depreciated value, in the financial statements and to claim the maximum allowed for income tax purposes in 1954. The effect of this is that depreciation claimed for income tax purposes in excess of the amount shown in the financial statements resulted in a reduction of \$1,775,000 in income tax payable for 1954. As this amount will be payable at some time in the future when the amount of depreciation which may be claimed for tax purposes is less than the amount provided in the financial statements it has been shown as a deferred liability.

During the year working capital increased by \$2,149,710 to \$20,127,600. In the five year period from January 1, 1950 approximately \$83,000,000 of capital expenditures have been made on your Company's properties and investments have been increased by \$4,961,000.

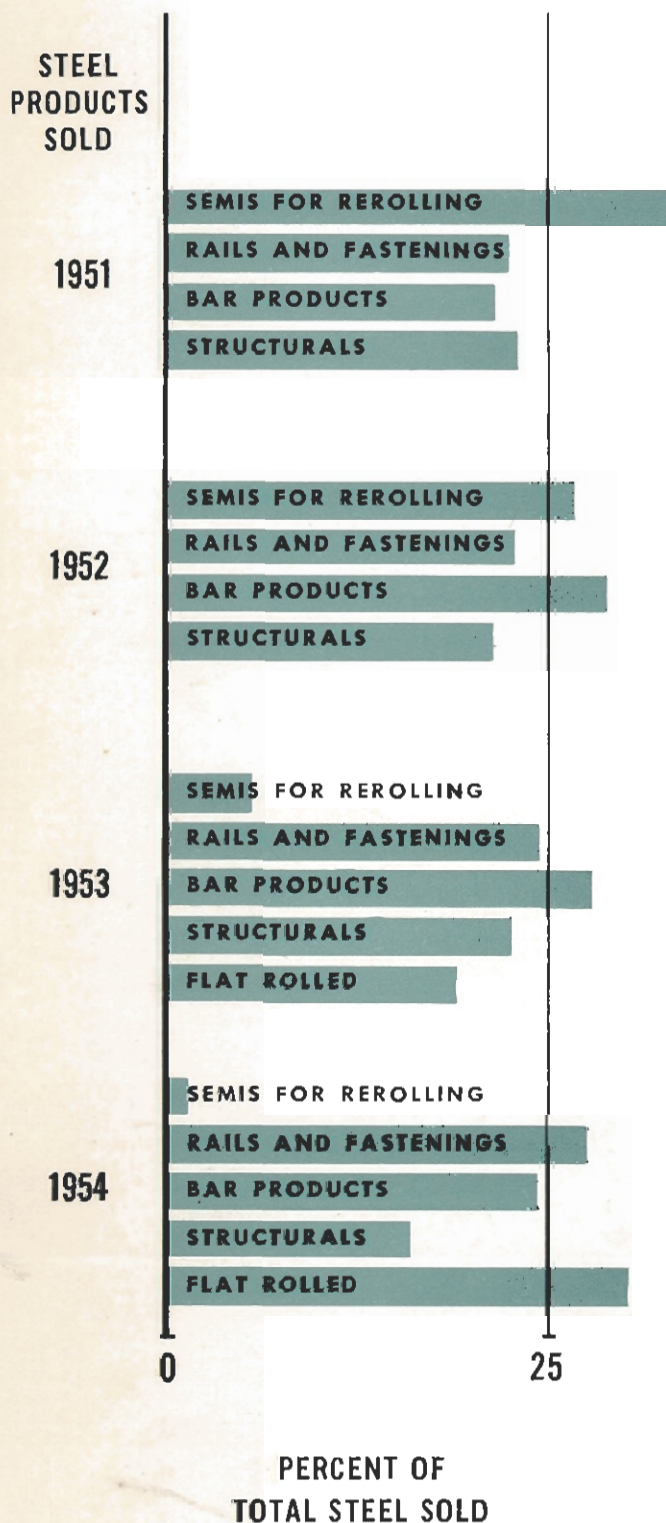
Additional investments in marketable securities during the year amounted to \$2,062,690.

Long term loan decreased during the year by \$387,139 to \$13,344,577.

SALES AND PRODUCTS

In 1954, as a result of the general reduction in the level of business activity and substantially lower purchases by foundries, railways, automotive and construction industries, the dollar volume of your Company's sales decreased approximately 30% from the previous year and

PRODUCT RELATIONSHIPS



large amounts of freight were required to be absorbed to meet competition where iron and steel products were sold.

The new products made available as a result of new mill installations of recent years and production on modernized equipment greatly enhanced your Company's competitive position. All of the coke, iron, and steel ingots produced during the year were made on equipment either new or completely modernized in the last 13 years and 82% of the steel was rolled on equipment installed since 1942.

In this connection, the accompanying graph illustrates product trends of your Company's steel output.

Intensive sales effort and the availability of new products has greatly increased the number of customers of your Company.

There has been an increase in steel demand since the fall of 1954 and currently the outlook is good. New products are being carefully studied to ensure your Company's development and expansion along lines best suited to its geographical location.

PLANT CONSTRUCTION AND NEW DEVELOPMENTS

During the year 1954 the last of the modernization program undertaken in 1950 was completed and all major production units are in excellent physical condition. New construction to be undertaken in the current year will include a new plant for making grinding balls in a wide size range, extensions to the cold mill installed last year to increase its capacity from 60,000 tons to 80,000 tons per year, extensions to the combination bar and strip mill to increase its capacity from 250,000 to 400,000 tons per year and improvements to blast furnace gas cleaning facilities to gain greater economy in pig iron production and steam generation.

RAW MATERIAL PROPERTIES

Due to lower operations in the North American Steel Industry in 1954 sales of Algoma Sinter

were approximately 9% less than the preceding year while Lake Superior region iron ore shipments as a whole declined 37%. The outlook for the sale of Algoma Sinter in 1955 surpasses any previous year.

The Victoria Underground Mine reached the production stage at the end of the year and is currently accounting for about one-third of the total ore. Progress on the four-year development at the Helen, Victoria and Alexander Mines reported on last year and known as Stage Three is proceeding as planned.

Coal properties in West Virginia have continued to improve their efficiency through further mine mechanization and particularly the Camelton Mine compares with the best practices in the industry.

INDUSTRIAL RELATIONS

Employment at your Company's works and properties in 1954 declined from 8,350 at the beginning of the year to 6,500 at its end due in part to lower industrial activity but primarily to completion of new plant construction at Sault Ste. Marie. Currently employment totals 8,250 with the highest production levels in the history of your Company.

The program of Job Evaluation for hourly rated employees of Algoma Steel Corporation, Limited and Canadian Furnace Co. Limited is nearing completion after almost two years of mutual endeavour of your Company and the CIO United Steelworkers at Sault Ste. Marie and Port Colborne. Results of this mutual endeavour are expected to establish a proper rate structure for all jobs, eliminate any rate discrepancies which may exist and minimize grievances concerning individual rates.

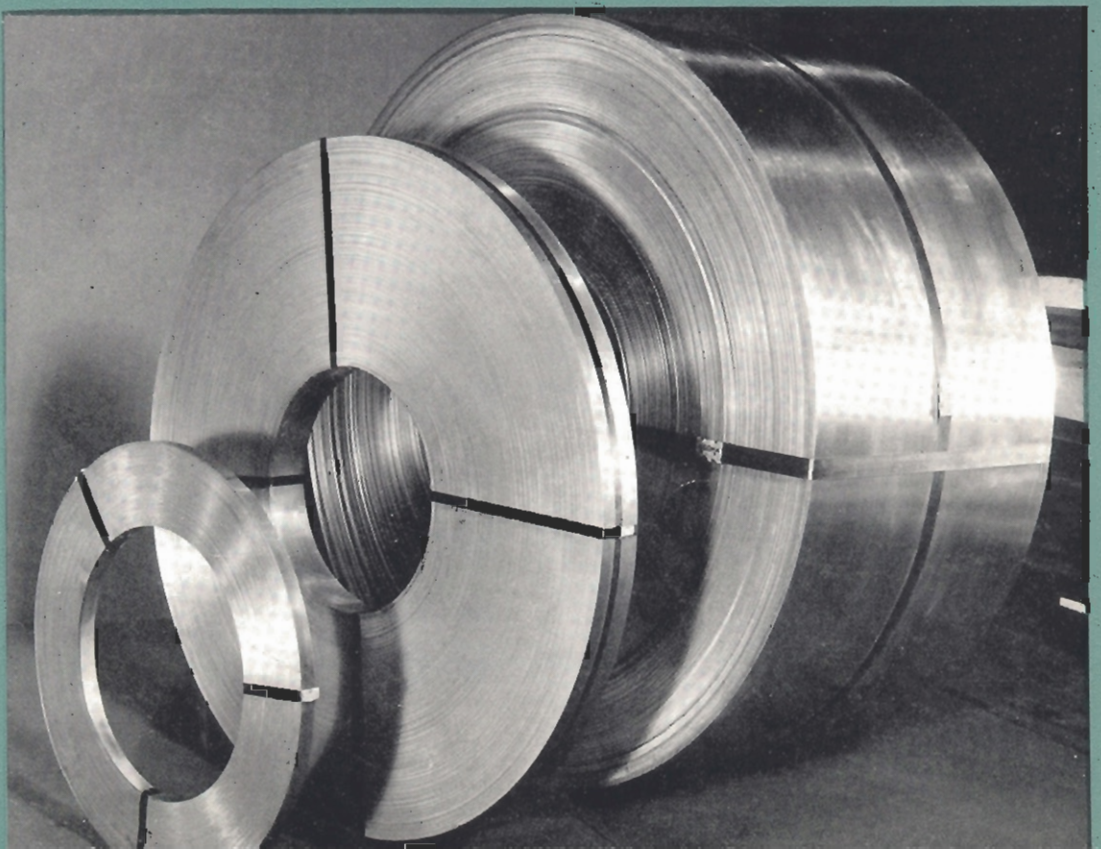
Your Directors express their appreciation and thanks to all the officers and employees of the parent Company and its subsidiaries for their loyal and efficient service.

Sault Ste. Marie, Ontario
15th June, 1955.

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



*Cold Strip
Shearing Operation*



*Coils of Cold
Rolled Strip*

A L G O M A S T E E L C O R P O R A T I O N , L I M I T E D A N D S U B S I D I A R I E S

Consolidated Balance Sheet

A S A T D E C E M B E R 3 1 s t , 1 9 5 4

Assets

Liabilities

CURRENT			
Cash	- - - - -	\$ 827,093	
Bills and Accounts Receivable	- - - - -	7,172,426	
Inventories of raw materials, supplies and saleable products valued at the lower of cost or market	- - - - -	31,146,409	
Prepaid Expenses	- - - - -	939,783	\$10,085,711
ACCOUNTS RECEIVABLE from employees under agreements of sale	- - - - -		494,433
INVESTMENTS			
Marketable shares at cost (Market value \$16,541,000)	- - - - -	6,755,497	
Other Securities at cost	- - - - -	128,075	6,883,572
PROPERTY AND EQUIPMENT			
Land, Buildings, Plant and Equipment, Mining Properties and Leases—at cost (Note 1)	- - - - -	120,862,701	
Less Accruals:			
Depreciation and Depletion	- - - - -	\$68,248,367	
Rebuilding and relining furnaces etc. (Note 3)	- - - - -	1,698,729	69,947,096
DEFERRED CHARGES	- - - - -		196,997
			<u>\$98,576,318</u>

See accompanying notes to financial statements

Signed on behalf of the Board
 D. S. HOLBROOK Director
 GORDON McMILLAN Director

CURRENT			
Bank Loan—secured	- - - - -	\$12,518,000	
Accounts Payable and Accrued Liabilities	- - - - -	7,269,971	
Taxes on Income and other taxes	- - - - -	170,140	\$19,958,111
LONG TERM LOAN (Note 2)	- - - - -		13,344,577
DEFERRED TAXES ON INCOME (Note 5)	- - - - -		1,775,000
CAPITAL STOCK AND SURPLUS			
Common Stock—No Par Value			
Authorized—4,000,000 shares			
Issued	-1,650,800 shares	- - - - -	10,274,500
Contributed Surplus	- - - - -	3,071,745	
Retained Earnings—in use in the business	- - - - -	52,339,613	
			<u>65,685,858</u>
Deduct: Cost of 225,030 shares the property of wholly owned Subsidiary Companies	- - - - -	2,187,228	63,498,630
			<u>\$ 98,576,318</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Algoma Steel Corporation, Limited and subsidiaries as of December 31, 1954 and the statements of consolidated earnings, retained earnings and contributed surplus for the year ended on that date. 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.

The basis for recording depreciation of property and equipment during the year has been

Toronto, Ontario, April 29, 1955.

changed in accordance with note (1) 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, 1954 and the results of their operations for the year ended on that date.

"PEAT, MARWICK, MITCHELL & Co.,"
Chartered Accountants.

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 year ended December 31st, 1954

PROFIT FROM OPERATIONS before deducting the undernoted items - - - -		\$12,493,500
Deduct: Depreciation and Depletion (Note 4) - - - -	\$4,983,681	
Remuneration of Directors including their salaries		
as executive officers - - - - -	129,478	
Contribution to Pension Funds - - - - -	317,765	5,430,924
NET OPERATING PROFIT - - - - -		7,062,576
Other Deductions—net		
Interest on long term loan - - - - -	411,198	
Other interest—net - - - - -	531,418	
	975,616	
Less: Dividends and Interest on Investments - -	237,576	738,040
PROFIT BEFORE PROVIDING FOR TAXES ON INCOME - - - -		6,324,536
Taxes on Income (Note 5) - - - - -		1,860,058
NET PROFIT - - - - -		\$ 4,464,478

STATEMENT OF CONSOLIDATED RETAINED EARNINGS

Amount at December 31st, 1953 - - - - -		\$47,875,135
Net Profit for the year ended December 31st, 1954 - - - - -		4,464,478
AMOUNT AT DECEMBER 31ST, 1954 - - - - -		\$52,339,613

STATEMENT OF CONSOLIDATED CONTRIBUTED SURPLUS

Amount at December 31st, 1953 and December 31st, 1954		
(no change in the period) - - - - -		\$ 3,071,715

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

December 31st, 1954

NOTE (1)

A four year program to bring three new mining levels below the Helen Mine first and second levels into production was commenced in 1953. This development will require estimated expenditures of \$13,000,000. At December 31, 1954 \$2,738,000 had been spent with an estimated expenditure of \$2,800,000 in 1955.

NOTE (2)

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

NOTE (3)

At December 31, 1953 accruals for rebuilding and relining furnaces, etc. were included under the heading of Operating Reserves in the balance sheet. At December 31, 1954 such accruals are deducted from the Property and Equipment in the balance sheet.

NOTE (4)

Due to a change in Income Tax regulations, it is no longer necessary to record depreciation of property and equipment to claim it for tax purposes. Consequently Algoma Steel Corporation, Limited and certain of its subsidiaries have changed their basis and in 1954 have provided depreciation on a straight line basis at amounts which are considered adequate to amortize the remaining cost over the estimated future useful life of the assets.

Depreciation for the twenty months period ended December 31, 1953 determined on the basis used in 1954 would have amounted to approximately \$7,600,000 as compared with the amount recorded of approximately \$26,000,000 and net profit would have been increased by approximately \$9,200,000.

NOTE (5)

The amount provided for income taxes in the statement of consolidated earnings includes \$1,775,000 for deferred taxes on income which results from claiming for tax purposes an amount greater than the depreciation recorded in the accounts. The deferred taxes are included in the balance sheet as "Deferred Taxes on Income" and are applicable to those future periods in which the amounts claimed for depreciation for tax purposes will be less than the amounts recorded in the accounts.

NOTE (6)

The assets and liabilities of the United States subsidiaries are included in the financial statements at par of exchange. At December 31, 1954 the United States dollar was at a discount of approximately 3% in terms of the Canadian dollar. If the assets and liabilities had been converted at existing exchange rates the exchange adjustment would have been immaterial.

NOTE (7)

Minority interests in subsidiary Companies, which are not significant, are included in Accounts Payable and Accrued Liabilities in the balance sheet. The minority interests in earnings for the year 1954 are provided for in Profit from Operations in the earnings statement.

ALGOMA STEEL CORPORATION, LIMITED

Products

GOKE

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 Building, Windsor, Ontario
Sun Life Building, Montreal, Quebec



This picture shows the continuing growth of Jamestown—the home of Algoma Ore Properties Limited and its employees

