

BURLINGTON STEEL COMPANY, LIMITED

ANNUAL REPORT OF THE BOARD OF DIRECTORS

TO THE SHAREHOLDERS:

YOUR Directors present herewith a statement of the affairs and financial position of the Company for the fiscal year ended December 31, 1938.

A falling off in steel business which became evident in November, 1937, carried on through most of 1938, although the decline in tonnage in Canada was less than in the United States. Your Company's operations, in line with other Steel Companies in 1938, were considerably curtailed, but the results still show a marked improvement over 1936. Our reduction in business as compared with 1937 occurred in large measure in our reinforcing steel department, where operations were affected by a substantial decline in construction activities.

MacLean Building Reports show a reduction in industrial construction contracts of 52.7% from 1937 and in engineering construction of 32.7%. Our shipments of construction steel were affected by this situation, but we are confident that, if and when construction rises to a more normal level, your Company's operations and earning power will respond favourably to the improvement.

In the past few months a more hopeful condition in steel business has developed in the United States, and steel production has increased materially in that country.

Net profits for the year, after full depreciation and provision for all taxes, amounted to \$90,684.44, and the net current assets of the Company were increased during the year by \$30,278.76, and now stand at \$812,915.32. For the past three years the net current assets have been:

1936	-	\$647,046.59
1937	-	782,636.56
1938	-	812,915.32

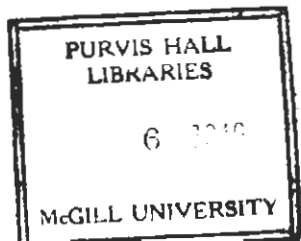
Dividends to the amount of \$84,000. were paid from the year's earnings.

Substantial amounts were spent during the year to maintain your plant and equipment at the highest point of efficiency. Inventories were carried over into the new year at a conservative figure. With your plant in excellent physical condition, and with the support of a keen and loyal staff, your Company is in a favourable position to take full advantage of every opportunity which may present itself in 1939.

Respectfully submitted on behalf of the Directors.

J. B. CARSWELL,
President.

Hamilton, February 8, 1939.



BURLINGTON STEEL COMPANY, LIMITED

BALANCE SHEET, DECEMBER 31, 1938

Current Assets:	ASSETS		Current Liabilities:	LIABILITIES
Cash on hand and in bank.....	\$	72,363.98	Accounts payable and accrued liabilities.....	\$ 194,971.21
Investment in marketable securities..... (Market value \$175,375.00)		167,980.07	Taxes payable and accrued.....	22,417.27
Life insurance policies (cash surrender value).....		29,450.00	Dividend payable January 3, 1939.....	21,000.00
Accounts receivable.....	\$	135,545.98		\$ 238,388.48
Less—Reserve for doubtful accounts.....		10,000.00	Reserve for Contingencies	10,000.00
		125,545.98	Capital and Surpluses:	
Stocks of raw material and supplies, finished product and scrap, as determined and certified to by responsible officials of the company and valued on a basis which is not in excess of market or cost.....		655,963.77	Capital Stock—	
		\$1,051,303.80	Authorized—200,000 shares without nominal or par value	
Capital Assets:			Issued and outstanding—140,000 shares.....	\$940,000.00
On basis of appraised values reported by Canadian Appraisal Company, Limited in March 1928, with subsequent additions at cost—			Distributable surplus.....	116,520.54
Land.....	\$	69,255.00	(No change during the year).	
Buildings.....	\$	349,278.46	Profit and loss—	
Equipment.....		945,094.07	As per statement attached.....	341,088.25
		\$1,294,372.53		1,397,608.79
Less—Reserve for depreciation.....		768,934.06		
		525,438.47		
		594,693.47		
		\$1,645,997.27		\$1,645,997.27

APPROVED ON BEHALF OF THE BOARD:
FRANK P. WOOD, Director.
J. B. CARSWELL, Director.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have made an examination of the balance sheet of Burlington Steel Company, Limited as at December 31, 1938, and of the statement of profit and loss for the year ending on that date. In connection therewith we examined or tested accounting records of the company and other supporting evidence and all our requirements as auditors have been complied with; we also made a general review of the accounting methods and of the operating and income accounts for the year, and the scope of our examination of the detail transactions included extensive tests thereof.

We report that, in our opinion, based upon such examination, the above balance sheet and related statement of profit and loss are properly drawn up so as to exhibit a true and correct view of the state of the company's affairs as at December 31, 1938, and the result of its operations for the year ending on that date, and are as shown by the books of the company.

Toronto, February 3, 1939.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

BURLINGTON STEEL COMPANY, LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDING DECEMBER 31, 1938

PARTICULARS	AMOUNT
Balance brought forward January 1, 1938.....	\$334,403.81
Profit from operations for the year ending December 31, 1938 before providing for depreciation and income taxes.....	\$146,104.23
Income from investments, etc.:	
Interest on investments	\$ 5,810.21
Life insurance: dividends and increase in cash surrender value, less premiums	1,090.00
	<u>6,900.21</u>
	\$153,004.44
Deduct—	
Provision for depreciation.....	\$ 42,000.00
Provision for Dominion and Provincial income taxes.....	20,320.00
	<u>62,320.00</u>
Net profit for the year.....	90,684.44
Together.....	<u>\$425,088.25</u>
Deduct—	
Dividends.....	84,000.00
Balance carried to the balance sheet.....	<u>\$341,088.25</u>