

BURLINGTON STEEL COMPANY, LIMITED

ANNUAL REPORT OF THE BOARD OF DIRECTORS

TO THE SHAREHOLDERS:

IN presenting herewith a statement of the affairs and financial position of the Company for the fiscal year ended December 31, 1940, your Directors have pleasure in advising that, in spite of largely increased taxes, the net earnings show a satisfactory improvement over those of the previous year.

An increase of approximately 40% in sales more than compensated for the increase in taxes and for several unfavorable conditions which obtained, such as higher cost of raw materials and American exchange and war tax paid on various raw materials and supplies not obtainable in Canada.

In addition to this non-controllable increase in operating costs, there has been a decrease in the general selling price of our steel products since July, 1938 of nearly 6%.

After provision of \$95,000 for Dominion Excess Profits Tax and Dominion and Provincial Income Taxes (as compared with \$31,628 in 1939), net profits amounted to \$130,713.72, equal to 93 cents per share, as against 79 cents per share earned in 1939.

Dividends totalling \$84,000, at the regular rate of 60 cents per share, were paid from the year's earnings. Net current assets were increased by \$62,007.35, and now amount to \$934,551.66.

Your plant and equipment have been maintained at a high point of efficiency. Inventories have been carried into the new year on a very conservative basis.

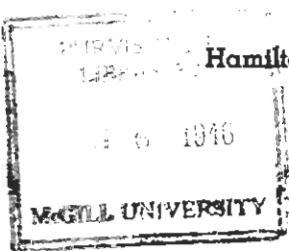
The large demand for steel products experienced in 1940 has continued during January and February of the current year, and an increasingly important portion of our output is being diverted to war uses. With the Defence program rapidly expanding, it would appear that your plant will be fully employed for some time to come.

The Directors of your Company wish to express appreciation to the staff for their loyal services during the past year.

Respectfully submitted on behalf of the Directors.

H. J. STAMBAUGH,
President.

Hamilton, February 10, 1941.



BURLINGTON STEEL COMPANY, LIMITED

BALANCE SHEET, DECEMBER 31, 1940

| ASSETS | | LIABILITIES | |
|--|----------------|--|----------------|
| Current Assets: | | Current Liabilities: | |
| Cash on hand and in bank | \$ 58,497.30 | Accounts payable and accrued liabilities | \$ 115,991.30 |
| Investments in marketable securities | 167,991.34 | Taxes payable and accrued | 99,721.51 |
| (Market value \$175,657.64) | | Dividend payable January 2, 1941 | 21,000.00 |
| Life insurance policies (cash surrender value) | 33,692.50 | | \$ 236,712.81 |
| Accounts receivable | \$ 273,582.50 | Reserve for Contingencies | 10,000.00 |
| Less—Reserve for doubtful accounts | 10,000.00 | | |
| | 263,582.50 | Capital and Surpluses: | |
| Stocks of raw materials 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 | 647,500.83 | Capital Stock— | |
| | \$1,171,264.47 | Authorized—200,000 shares without nominal or par value | |
| | | Issued and outstanding—140,000 shares | \$940,000.00 |
| Capital Assets: | | Distributable surplus | 116,520.54 |
| On basis of appraised values reported by Canadian Appraisal Company, Limited in March, 1928, with subsequent additions at cost— | | (No change during the year). | |
| Land | \$ 69,255.00 | Profit and loss— | |
| Buildings | \$ 354,586.15 | As per statement attached | 406,808.27 |
| Equipment | 967,870.06 | | 1,463,328.81 |
| | \$1,322,456.21 | | |
| Less—Provision for depreciation | 852,934.06 | | |
| | 469,522.15 | | |
| | 538,777.15 | | |
| | \$1,710,041.62 | | \$1,710,041.62 |

APPROVED ON BEHALF OF THE BOARD:
FRANK P. WOOD, Director.
H. J. STAMBAUGH, Director.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Burlington Steel Company, Limited as at December 31, 1940 and 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, 1940, 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 6, 1941.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

BURLINGTON STEEL COMPANY, LIMITED

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

| PARTICULARS | AMOUNT |
|---|---------------------|
| Profit from operations for the year ending December 31, 1940 before providing for depreciation, income taxes and excess profits tax | \$264,539.81 |
| Income from investments | \$ 5,993.76 |
| Deduct — Life insurance premiums less increase in cash surrender value..... | 2,819.85 |
| | <u>3,173.91</u> |
| | \$267,713.72 |
| Deduct— | |
| Provision for depreciation..... | \$ 42,000.00 |
| Provision for Dominion and Provincial income taxes..... | 59,000.00 |
| Provision for Dominion excess profits tax..... | 36,000.00 |
| | <u>137,000.00</u> |
| Net profit for the year..... | \$130,713.72 |
| Add— | |
| Balance brought forward January 1, 1940..... | \$367,824.43 |
| Less—Adjustment of 1939 income taxes | 7,729.88 |
| | <u>360,094.55</u> |
| | \$490,808.27 |
| Less—Dividends..... | 84,000.00 |
| Balance carried to balance sheet..... | <u>\$406,808.27</u> |