

BURLINGTON STEEL COMPANY, LIMITED

ANNUAL REPORT OF THE BOARD OF DIRECTORS

TO THE SHAREHOLDERS:

The Directors present herewith a statement of the affairs and financial position of the Company for the fiscal year ended December 31, 1943.

Full capacity operation of your rolling mill was maintained throughout the year, but operations were curtailed in some secondary departments producing materials non-essential to the war effort. Early in the year, through an agreement with the Department of Munitions and Supply, raw materials were made available for products urgently needed for the shipbuilding, motor transport, and other war programmes.

Tonnage volume of sales, as well as dollar value, declined 8% and 5% respectively, from the previous year.

After provision of \$91,000 for Income Taxes, net profits amounted to \$123,637, equal to 88 cents per share, as against \$1.14 shown in the year 1942.

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 \$86,220, and now amount to \$1,219,709, equal to \$8.71 per share.

The Company's investments consist of \$650,000 Bonds of the Dominion of Canada, and \$75,000 Bonds of The Hydro-Electric Power Commission of Ontario.

Your plant and equipment have been maintained in a high state of repair. Through the creation of reserves to provide against possible post-war declines, raw and finished material inventories have been carried into the new year at pre-war valuations.

Reduced war demands, combined with continuing Government restrictions on construction and the manufacture of consumer goods, made it necessary to somewhat curtail mill operations at the beginning of 1944. At the moment the future outlook is obscure, but with raw material now in plentiful supply, and with the expected lifting of the above Government restrictions, we are hopeful that your manufacturing facilities may soon be more fully employed.

We feel, however, the shareholders should be advised that the continued rise in labor costs, accompanied by curtailed operations and ceiling prices, has reduced the margin of profit in the steel industry. The present indications are that your Company's earnings in the current year will probably be lower than those of 1943.

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 19, 1944.

BURLINGTON STEEL COMPANY, LIMITED

BALANCE SHEET, DECEMBER 31, 1943

ASSETS	LIABILITIES
Current Assets:	Current Liabilities:
Cash on hand and in bank..... \$ 59,797.81	Accounts payable and accrued liabilities..... \$ 379,583.86
Investment in marketable securities..... 720,001.74 (Market value \$727,106.79)	Taxes payable and accrued..... \$ 95,337.22
Life insurance policies (cash surrender value)..... 48,638.01	Less—Instalments paid..... 57,499.98
Accounts receivable..... \$ 310,102.04	37,837.24
Less—Reserve for doubtful accounts..... 10,000.00	Dividend payable January 3, 1944..... 21,000.00
300,102.04	\$ 438,421.10
Stocks of raw materials and supplies, finished product and scrap, as determined and certified to by responsible officials of the company and valued on the usual basis which is not in excess of market or cost..... 529,591.06	Reserve for Contingencies..... 10,000.00
\$1,658,130.66	Capital and Surplus:
Refundable portion of taxes..... 18,187.12	Capital Stock—
Capital Assets:	Authorized—200,000 shares without nominal or par value
On basis of appraised values reported by Canadian Appraisal Company, Limited in March, 1928, with subsequent additions at cost—	Issued and outstanding—140,000 shares..... \$ 940,000.00
Land..... \$ 69,755.00	Distributable surplus..... 116,520.54
Buildings..... \$ 393,200.52	(No change during the year).
Equipment..... 1,000,108.06	Deferred surplus—
\$1,393,308.58	Refundable portion of taxes..... 18,187.12
Less—Provision for depreciation..... 992,434.06	Profit and loss—
400,874.52	As per statement attached..... 623,818.54
470,629.52	1,698,526.20
<u>\$2,146,947.30</u>	
	<u>\$2,146,947.30</u>

APPROVED ON BEHALF OF THE BOARD:

FRANK P. WOOD, Director.
H. I. STAMBAUGH, Director.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Burlington Steel Company, Limited as of December 31, 1943 and the related statement of profit and loss for the year then ended. In connection therewith we examined or tested accounting records of the company and other supporting evidence and our examination included extensive tests of the detailed transactions.

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 of December 31, 1943, and the result of its operations for the year ending on that date and are as shown by the books of the company. All our requirements as auditors have been complied with.

Toronto, February 3, 1944.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

BURLINGTON STEEL COMPANY, LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDING DECEMBER 31, 1943

PARTICULARS	AMOUNT
Profit from operations for the year including subsidy but before providing for depreciation and taxes on income....	\$252,266.12
Income from investments	\$ 16,672.23
Add— Increase in cash surrender value of life insurance policies, policyholder's dividend less annual premiums	1,198.76
	<u>17,870.99</u>
	\$270,137.11
Deduct—	
Provision for depreciation.....	\$ 55,500.00
Provision for taxes on income.....	91,000.00
	<u>146,500.00</u>
Net profit for the year	\$123,637.11
Add—	
Balance brought forward January 1, 1943....	\$576,230.05
Add—Over-provision of prior year taxes on income.....	\$ 27,333.35
Less—Additional provision in respect of inventories	19,381.97
	<u>7,951.38</u>
	584,181.43
	<u>\$707,818.54</u>
Less—Dividends.....	84,000.00
Balance carried to balance sheet.....	\$623,818.54