

UNITED STEEL CORPORATION, LIMITED

THIRD ANNUAL REPORT

FOR THE FISCAL YEAR ENDED 31st DECEMBER, 1936

To the Shareholders of United Steel Corporation, Limited:

Your Directors submit, herewith, the Third Annual Report of your Corporation for the year ended 31st December, 1936, comprising a Consolidated Balance Sheet and a Consolidated Statement of Surplus and of Income and Expenditure, duly certified by the Company's Auditors.

The consolidated statement of income and expenditure discloses a consolidated profit from operations amounting to \$237,269.82. After the deductions, as set out in the Profit and Loss statement, the net profit from operations amounted to \$102,557.02. Your Directors, in submitting a consolidated statement of income and expenditure this year, for the first time, were influenced by the fact that your Company now holds over 95% of the issued Common shares of the Subsidiary and, further, that the operations of the two Companies are so closely interwoven.

The products which your Company manufactures have been in increased demand during the year in review, as is reflected in the increased earnings, and your Directors feel reasonably certain that the year 1937 will show further increases over the year 1936. Present bookings, in comparison with the year 1936, are being made at about double the rate this time last year.

The Current Assets of your Company amount to \$1,076,533.30 against Current Liabilities of \$157,810.01, or a ratio of almost 7 to 1.

The pulp and paper industry, which is a large buyer of your Company's products, is making considerable plant expansion; the Mining industry, which is also a large user of the Company's products, gives indication of increased development; industrial expansion is steadily increasing, requiring larger volume of heavy steel products of which your Company will receive its full share. During the year 1936, your Company developed and improved a number of products for these industries, benefits of which will accrue in the year 1937.

Your Directors have been fully alive to the opportunities offered for obtaining export business and to this end, during the latter part of 1936, an office was opened in London, England.

During the year 1936, your Company purchased, and cancelled, \$150,000 Par Value of its 6% First Mortgage Bonds and also purchased an additional \$40,000.00 Par Value First Mortgage Bonds, which it holds in its Investment Account, leaving in the hands of the public bonds in Par Value of \$109,000.00.

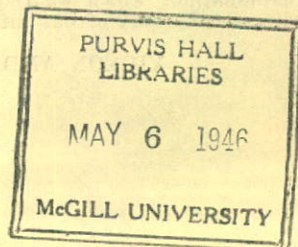
During the year, your Company purchased, for redemption, 11,128 Class "A" Preference shares of your Company in the Par Value of \$278,200.00, and in this connection, you are asked to ratify a by-law passed by the Directors providing for the reduction of the capital by the amount of the capital surplus resulting therefrom.

Your Directors propose declaring a semi-annual dividend of 75c per share on the Class "A" Preference shares of your Company payable May 1st, 1937, to shareholders of record April 15th, 1937.

Your Directors wish to express their appreciation of the efficient services rendered by the Officers, Staff and Employees of the Company throughout the year.

On behalf of the Board,

T. J. DILLON,
President.



UNITED STEEL CORP

CONSOLIDATED BALANCE SHEET

ASSETS

PROPERTY ACCOUNT:

Land, Buildings and Plant appraised by Canadian Appraisal Company Limited in respect of the Dodge Manufacturing Company of Canada Limited on the basis of commercial value 16th January, 1929, and in respect of the Canadian Mead-Morrison Company Limited on the basis of commercial value 31st May, 1929, and in respect of the Standard Steel Construction Company Limited on the basis of appraisal made 5th December, 1928, by the Sterling Appraisal Company with the costs of subsequent additions

\$2,269,180.53

CURRENT ASSETS:

Cash on hand and in Banks	\$172,808.73
Accounts Receivable, Less Reserve	201,606.81
Inventories of Raw Materials and Supplies, Process and Finished Goods as determined and certified to by the Management and valued not higher than cost or market, whichever is the lower	559,571.33
Investments:	
Government and Industrial Bonds (Market value \$102,550.00), including \$40,000 face value of United Steel Corporation Limited First Mortgage Sinking Fund Bonds	101,750.00
Industrial Stocks—Book Value	21,862.18
Cash Surrender Value of Life Insurance Policy	18,934.25

1,076,533.30

SURPLUS VALUE IN INVESTMENT IN SUBSIDIARY OVER BOOK VALUE, BUT UNDER MARKET VALUE BY \$450,000.00

305,962.49

INVESTMENT OF SUBSIDIARY IN SIMILAR COMPANY

65,000.00

EXPENDITURE ON ACCOUNT OF FUTURE BUSINESS, ENGINEERING AND CATALOGUES

10,165.46

LEGAL AND OTHER EXPENSES relative to the issue of Twenty Year First Mortgage 6% Sinking Fund Bonds due in 1954

3,000.00

DEFERRED CHARGES: Prepaid Insurance, Taxes, Royalties, etc.

8,901.99

ORGANIZATION EXPENSES

19,610.20

CASH IN HANDS OF TRUSTEE for 1st Mortgage Bond retirement

560.73

GOODWILL

1.00

APPROVED ON BEHALF OF THE BOARD:

\$3,758,915.70

SALTER A. HAYDEN, Director.

F. CONWAY, Director.

UNITED STEEL CORPORATION STANDARD STEEL CONSTRUCTION

CONSOLIDATED GENERAL STATEMENT AND EARNED SURPLUS FOR THE

Profit from Operations
Income from Investments

Deduct: Bond Interest
Remuneration to Executive Officers and
Advisers
Directors' Fees
Expenditure on account of future
Provision for Governmental Taxes
Depreciation

Balance of Earned Surplus for the year
Adjustment of Taxes for prior years
Loss on Sale of Securities, etc.
Life Insurance, Less adjustment Cash Surplus
Preferred Dividends

Balance of Consolidated Earned Surplus, 31st March 1937

Balance of Consolidated Earned Surplus, 31st March 1936

AUDITORS

To the Shareholders, United Steel Corporation Limited:

We have audited the accounts of "United Steel Corporation Limited" for the year ended 31st March 1937. We have received a Balance Sheet of "Standard Steel Construction Company Limited" as of 31st March 1937. Liabilities of that Company as shown by such Balance Sheet have been included in the attached Consolidated Balance Sheet. During the year 11,128 Class "A" Redeemable Preference Shares were purchased for redemption and the redemption is being made.

Subject to the foregoing we obtained all the information and explanations which we required and as to exhibit a true and correct view of the company's affairs according to the best of our information.

Toronto, 6th March, 1937.

VIGEON AND COMPANY
Chartered Accountants

CORPORATION, LIMITED

AS AT 31st DECEMBER, 1936

LIABILITIES

CAPITAL:

Class "A" Redeemable Preference Shares, Par Value \$25.00 each:

Authorized 80,000 shares.

Issued and Outstanding 1st Jan., 1936	32,976 shares	\$824,400.00
Issued during year	127 shares	3,175.00

	33,103 shares	\$827,575.00
Less: Purchased for redemption	11,128 shares	278,200.00

Issued and Outstanding 31st Dec., 1936	21,975 shares	\$ 549,375.00
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Class "B" Redeemable Preference Shares of no par value:

Authorized 5,000 shares.

Issued and Outstanding 1st Jan., 1936	2,500 shares	\$235,000.00
Issued during year	2,500 shares	235,000.00

	5,000 shares	\$470,000.00
Converted into Common No Par Value Shares	2,500 shares	235,000.00

Issued and Outstanding 31st Dec., 1936	2,500 shares	\$235,000.00
Set Aside as distributable Surplus		58,750.00

Common Shares of No Par Value:

Authorized 500,000 shares.

Issued and Outstanding 1st Jan., 1936	285,607 shares
Issued during year	88,774 shares

Issued and Outstanding 31st Dec., 1936	374,381 shares for	1,663,186.61
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SHARES OF SUBSIDIARY IN HANDS OF PUBLIC:

9,790 shares Class "A" Redeemable Preference of No Par Value	\$411,180.00	\$2,388,811.61
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Dividends in Arrears \$51,397.50.

7,829 shares Common No Par Value	10,757.39
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CAPITAL SURPLUS resulting from Purchase for redemption of Class "A"

Preference Shares		421,937.39
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SURPLUS ACCOUNT:

Distributable Surplus	\$ 58,750.00	139,100.00
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Earned Surplus	92,957.52
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RESERVE FOR DEPRECIATION

		151,707.52
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TWENTY YEAR 6% FIRST MORTGAGE SINKING FUND BONDS DUE

1st JANUARY, 1954:		350,549.17
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Authorized	\$300,000.00
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Outstanding, 1st January, 1936	\$299,000.00
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Retired during year	150,000.00
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CURRENT LIABILITIES:

Accounts Payable	\$113,877.96	149,000.00
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Accrued Wages, etc.	2,568.23
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Bond Interest Accrued	4,470.00
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Provision for Taxes payable in 1937	22,208.82
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Dividend declared payable 2nd January, 1937	14,685.00	157,810.01
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LIMITED AND ITS SUBSIDIARY
DUCTION COMPANY LIMITED

\$3,758,915.70

NT OF INCOME AND EXPENDITURE
YEAR ENDED 31st DECEMBER, 1936

	\$234,185.68
	3,084.14
	\$237,269.82

	\$ 15,259.29
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cers and Legal	21,153.42
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	620.00
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usiness	5,000.00
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	22,200.00
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	70,480.09
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	134,712.80
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	\$102,557.02
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	\$ 1,184.13
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	566.00
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ender Value	1,304.57
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	58,740.00
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	61,794.70
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	\$40,762.32
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st December, 1935	52,195.20
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st December, 1936	\$ 92,957.52
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REPORT

December, 1936.

st December, 1936, audited by C. S. Scott and Co., Chartered Accountants, and the Assets and Consolidated Balance Sheet.

and an application for reduction of Capital to the extent of the Capital Surplus resulting therefrom

and we report that in our opinion the attached Consolidated Balance Sheet is properly drawn up so and explanations given us and as shown by the books of the Company on 31st December, 1936.

NY,
red Accountants.

PLANTS

TORONTO WELLAND PORT ROBINSON MONTREAL

OFFICES

TORONTO MONTREAL WINNIPEG VANCOUVER
LONDON, ENGLAND

CHIEF PRODUCTS

Power Transmission Machinery
Elevating and Conveying Equipment
Materials Handling Apparatus
Portable Conveyors
Hydraulic Presses
Grain Elevator Equipment
Coal and Ore Handling Bridges
Structural Steel—Buildings, Bridges
Steel Plate Work and Welded Steel Products
Mine Hoists
Chain and Belt Conveyors
Contractors' Equipment
Edge Moor Water Tube Boilers
Blaw-Knox Products
Automotive Equipment