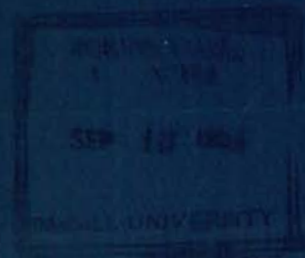


34th ANNUAL REPORT

NATIONAL STEEL CAR CORPORATION LIMITED

HAMILTON, CANADA

JUNE 30, 1954



PURVIS HALL
ARIES

SEP 13 1954

McGILL UNIVERSITY

NATIONAL STEEL CAR CORPORATION, LIMITED

BOARD OF DIRECTORS

	A. P. SHEARWOOD	
H. N. BAIRD	H. J. LANG	B. B. OSLER, Q.C.
P. A. BEIQUE	L. S. MAGOR	N. A. TIMMINS, JR.
R. D. BELL	L. C. McCLOSKEY	A. VAN HASSEL

OFFICERS

A. P. SHEARWOOD	-	-	-	-	-	-	-	CHAIRMAN
H. J. LANG	-	-	-	-	-	-	-	PRESIDENT
J. PEARSON	-	-	-	-	-	-	-	VICE-PRESIDENT—OPERATIONS
J. PLUMPTON	-	-	-	-	-	-	-	SECRETARY-TREASURER
R. W. STEED	-	-	-	-	-	-	-	ASSISTANT SECRETARY-TREASURER

HEAD OFFICE

HAMILTON - ONTARIO - CANADA

SALES OFFICE

437 ST. JAMES ST. WEST, MONTREAL, QUEBEC

BANKERS

THE CANADIAN BANK OF COMMERCE
BANK OF MONTREAL

TRANSFER AGENTS

NATIONAL TRUST COMPANY, LIMITED
TORONTO

BANKERS TRUST COMPANY
NEW YORK

AUDITORS

PRICE WATERHOUSE & CO.

SOLICITORS

BLAKE, CASSELS & GRAYDON
TORONTO

NATIONAL STEEL CAR CORPORATION, LIMITED

Directors' Report to the Shareholders

The Board of Directors takes pleasure in submitting to the Shareholders, the Thirty-fourth Annual Report of the Company for the fiscal year ended June 30, 1954.

GENERAL OPERATIONS

The plant facilities have been operated at peak levels with a substantial number of long-run railway car orders and the production of other diversified products. This, together with modernization of plant facilities and streamlining of operations, has resulted in record earnings for the year and the most successful financial position in the history of the Company.

The future outlook for railway transport equipment on a long term basis appears reasonably encouraging. It is probable, however, that the volume of railway cars purchased in the next twelve months will be reduced from the average of the past few years. The Company is in a good financial position to face a period of curtailed production, but every effort is being made to secure additional business as well as to investigate the possibility of other lines of work.

DIVIDENDS

Dividends totalling \$1,404,000 were paid during the fiscal year. This was equivalent to \$2.00 per share including an extra of fifty cents. The same amount has been distributed each year from 1950 to 1954 inclusive.

EARNINGS

Net income for the year amounted to \$2,752,143 or \$3.92 per share. After deducting the provision for research and contingencies, and after payment of dividends, there remained a balance of \$998,143 which has been retained for use in the business.

PLANT EXPENDITURES

Plans for plant modernization and additions to manufacturing facilities were put into effect. Capital Expenditures authorized amounted to \$1,025,000. Of this total, approximately \$350,000 was used for additions and modernization of buildings and \$376,000 was spent for new equipment and replacement of machinery. The balance represents the amount required to complete capital projects, unfinished at the close of the year. At current high cost levels, annual depreciation charges, based on original costs, have been substantially

NATIONAL STEEL CAR CORPORATION, LIMITED

inadequate to provide funds for replacement and modernization of fixed assets. The additional funds required have been supplied from profits retained in the business.

PROVISION FOR RESEARCH AND CONTINGENCIES

A reserve of \$350,000 has been established out of current earnings for research and contingencies. This is to provide for expenditures to be incurred in the investigation and development of new and approved products, and to provide for the payment of pensions to those employees of the Company with long service who were either already on a retirement allowance or beyond the age of eligibility for membership when the formal pension plan came into force in 1952.

FINANCIAL POSITION

Working Capital at June 30, 1954 amounted to \$11,358,892, an increase of \$1,172,706 during the year. The ratio of Current Assets to Current Liabilities was 3.62 to 1 as compared to 3.13 to 1 at the beginning of the year.

SHARE HOLDINGS

The 702,000 shares issued were recorded in June as owned by 5,575 shareholders. Residents of Canada owned 93% of this stock. The majority of the shares are held in amounts of less than five hundred units.

MANAGEMENT

On August 25, 1954, Mr. H. J. Farnan was granted leave of absence prior to retirement after forty-one years of loyal and valued service. He had been Secretary-Treasurer of the Company since 1941.

Mr. J. Plumpton, formerly Comptroller, was appointed Secretary-Treasurer and Comptroller to succeed Mr. Farnan.

The success of the Company's activities as reflected by this Annual Report has been dependent on the loyalty and ability of the employees and their co-operation with management. The Board of Directors are pleased to acknowledge this efficient performance of duties by the whole organization.

Respectfully submitted,

H. J. LANG,
President.

Approved by the Board of Directors,
August 25, 1954,

A. P. SHEARWOOD,
Chairman.

NATIONAL STEEL CAR

BALANCE

JUNE 30, 1934

ASSETS

CURRENT ASSETS

Cash \$ 2,634,325

Marketable investments

Short term notes at cost and accrued
interest \$ 2,246,807

Government of Canada bonds and other
marketable securities at par value and
accrued interest (Quoted market value
\$4,246,550) 4,242,275

6,489,082

Accounts receivable 2,485,865

Inventories of raw materials and supplies,
work-in-process and finished stock, deter-
mined from the records in accordance with
the Company's usual procedure, valued at
the lower of cost or market 3,870,414

Prepaid insurance, taxes, etc. 214,465

\$15,694,151

DEFERRED CHARGES

Employees' pension plan—estimated past
service cost 1,470,000

Less—Amount written off 441,000

1,029,000

FIXED ASSETS at approximate cost

Land 277,998

Buildings, machinery and equipment 10,417,506

Less—Accumulated depreciation 7,720,874

2,696,632

2,974,630

PATENTS AND GOODWILL

1

\$19,697,782

CORPORATION, LIMITED

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LIABILITIES

CURRENT LIABILITIES

Accounts payable and accruals	\$ 2,243,466	
Income and other taxes payable and accrued	1,828,543	
Dividend payable July 15 1954	263,250	
	<hr/>	\$ 4,335,259

RESERVE FOR RESEARCH AND CONTINGENCIES	350,000
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SHAREHOLDERS' EQUITY

Capital stock		
Authorized		
1,000,000 shares without nominal or par value		
Issued and outstanding		
702,000 shares	5,092,500	
Retained earnings—in use in the business	9,920,023	
	<hr/>	15,012,523

APPROVED ON BEHALF OF THE BOARD:

L. C. McCLOSKEY, Director.

PAUL A. BEIQUE, Director.

\$19,697,782

NATIONAL STEEL CAR CORPORATION, LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED JUNE 30 1954

Operating profit for the year (see note below)		\$ 5,304,555
Income from investments		<u>147,588</u>
Total income for the year before providing for income taxes		5,452,143
Provision for income taxes		<u>2,700,000</u>
NET INCOME FOR THE YEAR		2,752,143
Provision for research and contingencies		<u>350,000</u>
Balance of income		2,402,143
Deduct		
Regular dividends declared during the year—total \$1.50 per share	\$ 1,053,000	
Special dividend paid on October 15 1953—50¢ per share.....	<u>351,000</u>	
		<u>1,404,000</u>
Retained earnings		998,143
Balance at the beginning of the year		<u>8,921,880</u>
RETAINED EARNINGS—In use in the business at the end of the year		<u>\$ 9,920,023</u>

NOTE: The following expenses have been deducted in arriving at the operating profit—

Provision for depreciation	\$ 402,862
Employees' pension cost	370,010
Remuneration of executive officers	114,390
Directors' fees	17,850
Legal fees	<u>234</u>

NATIONAL STEEL CAR CORPORATION, LIMITED

AUDITORS' REPORT

PRICE WATERHOUSE & CO.

PIGOTT BUILDING

HAMILTON

August 27 1954.

To the Shareholders of
NATIONAL STEEL CAR CORPORATION, LIMITED:

We have examined the balance sheet of National Steel Car Corporation, Limited as at June 30 1954 and the related statement of income and retained earnings for the year then ended and have obtained all the information and explanations which we required. 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.

In our opinion, the accompanying balance sheet and related statement of income and retained earnings are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at June 30 1954 and the result of operations for the year then ended according to the best of our information and the explanations given to us and as shown by the books of the company.

A large, stylized handwritten signature in dark ink, likely representing the firm Price Waterhouse & Co. The signature is fluid and cursive, spanning across the width of the page.

Chartered Accountants.

