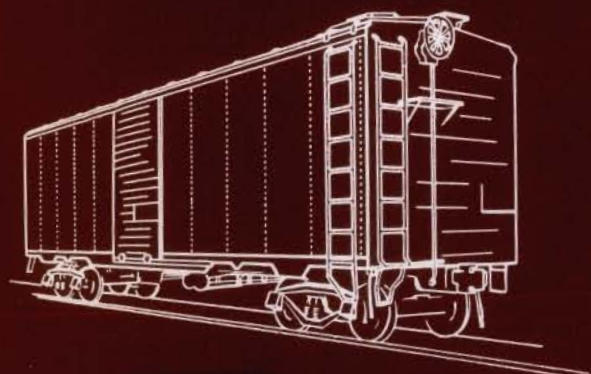


35th ANNUAL REPORT

NATIONAL STEEL CAR CORPORATION LIMITED

HAMILTON, CANADA

JUNE 30, 1955



NATIONAL STEEL CAR CORPORATION, LIMITED

BOARD OF DIRECTORS

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

OFFICERS

A. P. SHEARWOOD	- - - -	<i>Chairman and Chief Executive Officer</i>
H. J. LANG	- - - - -	<i>President and General Manager</i>
J. PEARSON	- - - - -	<i>Vice-President—Operations</i>
O. D. SOUTHWICK	- - - - -	<i>Vice-President—Purchasing</i>
S. S. HERRING	- - - - -	<i>Vice-President—Engineering</i>
J. N. BAIRD	- - - - -	<i>Vice-President—Sales</i>
J. PLUMPTON	- - - - -	<i>Secretary-Treasurer and Comptroller</i>
R. W. STEED	- - - - -	<i>Assistant Secretary-Treasurer</i>

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.
HAMILTON

SOLICITORS

BLAKE, CASSELS & GRAYDON
TORONTO

NATIONAL STEEL CAR CORPORATION, LIMITED

Directors' Report to the Shareholders

This is the Thirty-fifth Annual Report of the Company in which the accompanying statements show the financial position and the result of operations for the fiscal year ended June 30, 1955.

GENERAL OPERATIONS

As anticipated, the number of railway cars purchased in Canada during the last twelve months was very sharply reduced from the average of the past few years. Where possible, the plant was utilized for the fabrication of other lines of products. A Special Products Division was established to investigate alternative uses for existing equipment and the development of diversified interests. A modest profit resulted from these overall operations after providing for the cost of maintaining our extensive facilities.

The plant is now operating at a satisfactory rate with a reasonably good volume of railway car production scheduled for the balance of the calendar year, but profit margins have narrowed considerably due to rapidly increased costs. Present indications seem to forecast an increase in the requirements of the railway transportation systems for new and replacement equipment next year.

EARNINGS

After providing for depreciation totalling \$358,864, the resulting profit from operations amounted to \$279,815. This was supplemented by an investment income of \$186,469. The net income for the year, after deducting income taxes, amounted to \$281,284 and was insufficient to offset current dividends. The dividends declared during the year, amounting to \$2.00 per share including an extra 50¢, were paid from the accumulated earnings of the current and prior years. This policy has been repeated by the declaration of a special dividend of 50¢ per share payable on October 14, 1955.

FINANCIAL POSITION

After maintaining a uniform dividend payment policy in this year of reduced earnings, Working Capital was decreased by \$1,047,656 to \$10,311,236 and retained earnings for use in the business were reduced by \$1,122,716 to \$8,797,307. The ratio of Current Assets to Current Liabilities at June 30, 1954 was 3.62 to 1 and at June 30, 1955, 6.64 to 1. A large decrease in tax liability accruals at June 30, 1955 following a period of low sales volume contributed to this change.

NATIONAL STEEL CAR CORPORATION, LIMITED

PLANT EXPENDITURES

At the beginning of the fiscal year there was outstanding approximately \$300,000 authorized for new capital expenditures, in addition to a number of uncompleted projects for the modernization of manufacturing facilities. This work was accomplished during the year and, as a result, the plant and equipment are in excellent condition for immediate requirements.

RESEARCH AND DEVELOPMENT

The development of diversified manufacturing processes is continuing to be actively pursued. The current year's expenses for research and development were charged against the \$350,000 reserve established last year for research and contingencies.

SHAREHOLDINGS

There was no appreciable change in the number of shareholders during the year which was recorded in June, 1955 as 5,730. Canadian ownership of registered shares remained at over 93%.

ORGANIZATION

Additions to the management group were made early in the fiscal year by the appointment of the following executive officers: Mr. O. D. Southwick, formerly General Purchasing Agent was appointed Vice-President—Purchasing; Mr. S. S. Herring, formerly Chief Engineer was appointed Vice-President—Engineering; Mr. J. N. Baird, formerly General Sales Executive was appointed Vice-President—Sales.

The Board of Directors are again pleased to acknowledge and thank all members of the organization for their splendid co-operation and efficient performance of duties.

Respectfully submitted,

FOR THE BOARD OF DIRECTORS

A. P. SHEARWOOD, *Chairman.*

H. J. LANG, *President.*

August 25, 1955.

NATIONAL STEEL CAR

BALANCE

JUNE 30, 1935

ASSETS

CURRENT ASSETS

Cash		\$ 1,183,447	
Marketable investments			
Short term notes at cost and accrued interest	\$ 3,765,907		
Government of Canada bonds and other marketable securities at cost and accrued interest (quoted market value \$4,225,650)	4,219,875		
		7,985,782	
Accounts receivable		1,221,707	
Inventories of raw materials and supplies, work-in-process and finished stock, determined from the records in accordance with the Company's usual procedure, valued at the lower of cost or market		1,562,807	
Prepaid insurance, taxes, etc.		183,674	
			\$12,137,417

DEFERRED CHARGES

Employees' pension plan—estimated past service cost		1,470,000	
Less—Amount written off		588,000	
			882,000

FIXED ASSETS at approximate cost

Land		277,998	
Buildings, machinery and equipment	10,775,722		
Less—Accumulated depreciation	8,074,803		
		2,700,919	
			2,978,917

PATENTS AND GOODWILL

	1
	<u>\$15,998,335</u>

CORPORATION, LIMITED

E SHEET

30 1955

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accruals	\$ 1,197,925	
Income and other taxes payable and accrued	365,006	
Dividend payable July 15 1955	263,250	
	<hr/>	\$ 1,826,181

RESERVE FOR RESEARCH AND CONTINGENCIES		282,347
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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	8,797,307	
	<hr/>	13,889,807

APPROVED ON BEHALF OF THE BOARD:

PAUL A. BEIQUE, Director.

L. C. McCLOSKEY, Director.

\$15,998,335

NATIONAL STEEL CAR CORPORATION, LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED JUNE 30 1955

Operating profit for the year (see note below)		\$ 279,815
Income from investments		186,469
		<hr/>
Total income for the year before providing for income taxes		466,284
Provision for income taxes		185,000
		<hr/>
NET INCOME FOR THE YEAR		281,284
Retained earnings in use in the business at the beginning of the year		9,920,023
		<hr/>
		\$10,201,307
Deduct		
Regular dividends declared during the year—total \$1.50 per share	\$ 1,053,000	
Special dividend paid on October 15 1954—50¢ per share.....	351,000	
	<hr/>	1,404,000
RETAINED EARNINGS—In use in the business at the end of the year		<hr/>
		\$ 8,797,307
		<hr/>

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

Provision for depreciation	\$ 358,864
Employees' pension cost	268,812
Remuneration of executive officers	127,133
Directors' fees (other than to executive officers)	17,500
Legal fees	1,178

PRICE WATERHOUSE & Co.

PIGOTT BUILDING

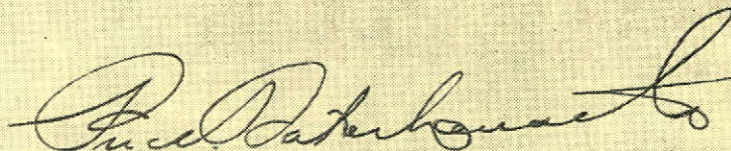
HAMILTON

August 26 1955

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 1955 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 1955 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, with a prominent initial 'P' and 'W'.

Chartered Accountants.

