

Dominion Steel and Coal Corporation
LIMITED

ANNUAL REPORTS

BALANCE SHEETS

AND

PROFIT AND LOSS ACCOUNTS

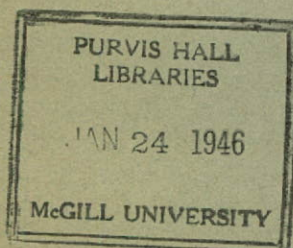
of the Corporation

and its

Subsidiary and Associated Companies

for the Year

1937



Dominion Steel and Coal Corporation Limited

Executive and General Offices

CANADA CEMENT COMPANY BUILDING

Montreal, Que.

DIRECTORS

HON. C. P. BEAUBIEN	SIR HERBERT S. HOLT
C. J. BURCHELL, K.C.	A. N. JONES
HON. J. P. B. CASGRAIN	H. J. KELLEY
A. CROSS	JOS. A. KILPATRICK
GEO. F. DOWNS	GEO. H. MONTGOMERY, K.C.
D. W. FRASER	HON. J. L. RALSTON, K.C.
SIR CHARLES B. GORDON	J. MCG. STEWART, K.C.
J. H. GUNDY	DR. G. B. WATERHOUSE
HON. LORNE C. WEBSTER	

OFFICERS

A. CROSS, *President*
H. J. KELLEY, *First Vice-President and General Manager*
M. W. McDONALD, *Secretary and Treasurer*

C. B. LANG, *Vice-President in charge of Steel Sales*
A. M. IRVINE, *Vice-President in charge of Coal Sales*
W. A. DOIG, *Assistant Secretary*

Dominion Steel and Coal Corporation Limited

Report of the Board of Directors to be submitted to the
Shareholders at the Annual General Meeting
on 18th March, 1938

Your Directors submit herewith the Consolidated Balance Sheet of your Corporation as at 31st December, 1937, with relative Profit and Loss Account for the year, together with the Certificate of the Auditors, Messrs. Price, Waterhouse and Company.

PROFIT AND LOSS ACCOUNT

The combined profits from operations and returns from investments after deduction of manufacturing, selling and administrative expense amounted to \$2,976,696.38 before making provision for Depreciation and Interest, as against a corresponding amount of \$1,460,026.17 in the year 1936. After payment of Bank Interest, Interest on the 6¼% Cumulative Participating Registered Income Bonds for the year and after providing for Depreciation and Income Tax, the profit for the year was \$1,310,828.83.

The balance at credit of earned surplus account brought forward from previous year was \$189,361.19 to which was added the profit for the year of \$1,310,828.83, making a total of \$1,500,190.02. From this amount was paid the arrears of interest at 31st December, 1936, on the 6¼% Cumulative Participating Registered Income Bonds, amounting to \$367,333.33, leaving a balance of \$1,132,856.69 at the credit of Earned Surplus Account at 31st December, 1937.

BALANCE SHEET

During the year the Property Account was reduced by the sale to Dominion Coal Company Limited of the Corporation's interest in the property of the Cumberland Railway and Coal Company.

On 1st September last the Corporation purchased the Capital stock of The Canadian Bridge Company Limited, The Essex Terminal Railway Company Limited, Canadian Steel Corporation Limited, The Canadian Steel and Wire Company Limited and Canadian Steel Lands Company Limited, situated at Walkerville, Ontario. The Corporation also purchased on 1st September, 1937, the Capital stock of the Graham Nail and Wire Products Limited located in the City of Toronto.

The value of properties and plant of the Corporation is shown in the Balance Sheet at \$38,137,858.81, compared with \$34,257,882.02 in the previous year.

Reserves for depreciation stand at \$9,746,933.96, leaving the net value of property at \$28,390,924.85 as compared with \$28,606,409.92 at 31st December, 1936. Capital Liabilities were reduced by the redemption of Equipment Bonds amounting to \$52,000.00 and Seaboard Power Corporation Limited Bonds amounting to \$100,000.00. The Cumberland Railway and Coal Company 5% First Mortgage Bonds do not appear as that Company is no longer a subsidiary of the Corporation.

Current and Working Assets, including deferred charges and balances receivable from Associated Companies amount to \$12,473,340.17 and Current Liabilities to \$5,058,995.46. The excess of Current and Working Assets over Current Liabilities of \$7,414,344.71 shows an increase of \$1,072,483.30 over the corresponding amount at 31st December, 1936.

Bank loans are shown at \$1,752,986.64, having been reduced by \$895,139.50 during the year.

GENERAL

The improved position of the Steel industry during the latter part of the year 1936, referred to in the last Annual Report, continued practically throughout the year 1937 and as a result the Sydney plant operated at 106% of capacity as compared with 95% during the previous year. All subsidiary plants operated at practically full capacity during the year. The Ore mines at Wabana operated at capacity and sales to Great Britain and Europe were materially increased over the previous year.

During the year the installation of new boilers and additional electrical units at the Sydney plant was completed. This equipment together with the new electric generating unit at the Seaboard Power plant is now in full operation with satisfactory results.

The construction of the Electric Furnace referred to in last year's report was completed during the year. The results from this operation are fully up to expectation.

Other important improvements to the plant include renewal of No. 6 Blast Furnace stoves, installation of three modern mechanical gas producers for No. 7 Blast Furnace, construction of two modern soaking pit furnaces in connection with Blooming Mill operations, electrification of Rod Mill, installation of one modern heavy wire drawing block and two continuous wire drawing machines in the Wire and Nail Mill.

As a result of these expenditures the general efficiency of the plant has been substantially improved.

General increases in wages of $7\frac{1}{2}\%$ effective 1st April and $7\frac{1}{2}\%$ effective 1st July were granted to all employees of the Corporation.

Your Directors desire to express their continued appreciation of the loyalty of the officials and employees.

On behalf of the Board of Directors,

A. CROSS,
President.

Montreal, P.Q., 15th February, 1938.

Dominion Steel and Coal Corporation Limited

and Subsidiary and Associated Companies

Auditors' Report to the Shareholders

We have made an examination of the books and accounts of Dominion Steel & Coal Corporation Limited and its Subsidiary Companies for the year ending December 31, 1937, and have received all the information and explanations which we have required; and we report that the attached Consolidated Balance Sheet as at December 31, 1937, and relative Profit and Loss Account are, in our opinion, properly drawn up so as to show a true and correct view of its affairs at that date, according to the best of our information and the explanations given to us and as shown by the books.

The Corporation's Investments in Dominion Coal Company Limited are, as previously, included on the Balance Sheet under the caption of Investments in Associated Companies. We have examined the books and accounts of Dominion Coal Company Limited for the year ending December 31, 1937, and report that the accompanying Balance Sheet at December 31, 1937, and relative Profit and Loss Account of that Company are, in our opinion, properly drawn up so as to show a true and correct view of its affairs at that date, and the result of its operations for the year.

PRICE, WATERHOUSE & CO.,
Auditors.

Montreal, P.Q.
February 15th, 1938.

Dominion Steel and Coal Corporation Limited and Subsidiary Companies

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND SURPLUS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1937

Combined Profits from Operations and Returns from Investments after deducting Manufacturing, Selling and Administration Expenses, but before charging Depreciation and Interest.....		\$ 2,976,696.38
DEDUCT:—Interest on Bank Loans.....	\$ 95,082.05	
Interest on Underlying Bonds.....	35,937.47	
		131,019.52
DEDUCT:—Provision for Depreciation.....		\$ 2,845,676.86
		1,028,380.79
DEDUCT:—Provision for Income Tax.....		\$ 1,817,296.07
		230,967.24
DEDUCT:—Interest on 6¼% Cumulative Participating Registered Income Bonds for the year 1937.....		\$ 1,586,328.83
		275,500.00
Profit for the year.....		\$ 1,310,828.83
ADD:—Surplus at December 31, 1936.....		189,361.19
DEDUCT:—Interest accrued on 6¼% Cumulative Participating Registered Income Bonds prior to December 31, 1936, paid during year—8.33⅓%.....		\$ 1,500,190.02
		367,333.33
Surplus, December 31, 1937.....		\$ 1,132,856.69

Dominion Steel and C and Subsidia

CONSOLIDATED BALANCE SH

ASSETS

Properties and Plant of Companies at values determined at December 31, 1929.....	\$ 32,492,382.33	
Net Additions since.....	5,645,476.48	
	\$ 38,137,858.81	
LESS:—Reserve for Depreciation.....	9,746,933.96	
	\$ 28,390,924.85	
Investment in Stocks and Securities of Associated Companies.....		2,177,650.80
Cash in hands of Trustees for Bondholders.....		43,925.26
Inventories, as certified by the Management.....	\$ 8,134,245.43	
Trade Accounts and Bills Receivable, less Reserve.....	3,402,031.33	
Other Accounts Receivable, less Reserve.....	118,008.48	
Investments.....	56,802.02	
Cash on hand and in Banks.....	459,653.77	
	12,170,741.03	
Balances Receivable from Associated Companies.....		31,149.73
 DEFERRED CHARGES:		
Insurance Premiums and Other Charges paid in Advance.....	\$ 271,449.41	
Discount and Expenses on Bonds of Subsidiary Company.....	20,036.80	
	291,486.21	

\$ 43,105,877.88

al Corporation Limited

y Companies

ET AS AT DECEMBER 31, 1937

LIABILITIES

FUNDED DEBT:

Dominion Steel and Coal Corporation Limited:

Prior Lien Bonds—

Authorized.....\$ 3,500,000.00

Issued, and held in the Treasury.....\$ 3,500,000.00

6¼% Cumulative Participating Registered Income Bonds
(\$4,500,000.00 closed).....

\$ 4,408,000.00

Bonds of Wholly Owned Subsidiaries:

Seaboard Power Corporation Limited—

First (Closed) Mortgage Serial Bonds—

3½% Payable \$100,000.00 annually October 15,
1938-1940.....\$ 300,000.00

4% Payable \$100,000.00 annually October 15,
1941-1944.....400,000.00

700,000.00

Dominion Steel Equipment Bonds due 1938.....

16,000.00

Canadian Bridge Company Limited—

First Mortgage Bonds due 1952.....\$ 1,250,000.00

Fifteen Year Debentures due 1952.....750,000.00

2,000,000.00

\$ 7,124,000.00

Deferred Payments on Properties.....

500,000.00

Bank Loans, Secured under Section 88 of the Bank Act.....\$ 1,752,986.64

Accounts Payable and Accrued Liabilities.....2,250,032.33

Wages Accrued.....144,403.51

Bond Interest Accrued.....104,340.80

4,251,763.28

Balance Payable to Dominion Coal Company Limited:

On Demand Note.....\$ 310,000.00

On Current Account.....497,232.18

807,232.18

Operating and Contingent Reserves.....

1,702,296.39

CAPITAL STOCK AND SURPLUS:

Authorized—

1,000,000 Preferred Class A Shares.....\$ 40,000,000.00

1,100,000 Common Class B Shares.....\$ 27,500,000.00

Issued—

841,760 Common Class B Shares.....\$ 21,044,000.00

Capital Surplus.....6,543,729.34

Surplus from Operations.....1,132,856.69

28,720,586.03

\$ 43,105,877.88

Dominion Coal Company, Limited

Report of the Board of Directors to be submitted to the Shareholders at the Annual General Meeting on 18th March, 1938

Your Directors submit herewith the Balance Sheet of your Company as at 31st December, 1937, together with the Profit and Loss Account for the year as certified by the Auditors, Messrs. Price, Waterhouse and Company.

The sales of coal for the year were 4,698,316 tons as compared with 4,221,629 tons for the previous year.

The net profit after payment of all mining, selling and administrative charges and after provision for depreciation, payment of interest on current loans and funded debt, amounted to \$500,297.62. Dividends were paid at the rate of 6% per annum on the Preferred stock, amounting to \$360,000, leaving surplus earnings for the year of \$140,297.62.

The balance at credit of surplus account brought forward from the previous year was \$586,046.14, to which is added the surplus earnings for the year 1937, leaving a balance at credit of surplus account at 31st December, 1937, of \$726,343.77.

BALANCE SHEET

The Balance Sheet includes the accounts of Cumberland Railway and Coal Company and The Dominion Rolling Stock Company Limited, both of which companies are now wholly owned subsidiaries of your Company.

The value of Properties and Plant was increased by \$4,653,707.17, which includes the properties of the Cumberland Railway and Coal Company and The Dominion Rolling Stock Company Limited. Reserves for depreciation have been increased by \$1,323,844.41, leaving the net cost of the consolidated properties at \$25,592,012.68, as compared with \$22,262,149.92 at December 31st, 1936.

Current and Working Assets, including deferred charges, amounted to \$5,746,177.16 and Current Liabilities to \$1,169,094.06. The excess of Current and Working Assets over Current Liabilities amounts to \$4,577,083.10, an increase of \$217,093.04 over the corresponding figure at 31st December, 1936.

In accordance with the terms of issue of the 6% Preferred shares of the Company the sum of \$60,000 has been appropriated toward, and stands at credit of, Sinking Fund in respect of these shares.

As authorized by the shareholders at a Special Meeting held on the 12th August last, the 5% First Mortgage Sinking Fund Gold Bonds due 1940 and the 6% Cumulative Registered Sinking Fund Debentures outstanding were retired, and the Mortgage Deed of Trust dated 1st July, 1925, securing an issue of \$15,000,000 of 6% First Refunding Mortgage Sinking Fund Gold Bonds due 1955 was cancelled.

The shareholders at the said meeting approved of the issue of \$12,000,000 of First Mortgage Bonds under the terms of a Mortgage Deed of Trust dated 24th September, 1937. On 1st October, 1937, Series "A" Bonds were issued consisting of principal amounts of \$3,000,000 First Mortgage 3½% Five Year Serial Bonds and \$3,000,000 First Mortgage 4½% Fifteen Year Sinking Fund Bonds.

GENERAL

The stone tunnels which were being driven from the Phalen Seam in Dominion No. 2 Colliery for the opening of a new colliery in the Harbour Seam were completed in September of last year and the development of this seam is being actively carried forward.

Your Directors authorized the opening of a new colliery in the Waterford District to recover an area of coal which could not be economically mined by the existing collieries. Work was started on this development in the latter part of the year and approximately 50,000 tons should be obtained from this mine during the year 1938.

A modern Coal Washing Plant has been erected in the Springhill district for cleaning the nut size coal from those collieries.

The other properties of the Company have been maintained in good condition.

On 1st February, 1937, an agreement was reached with the United Mine Workers covering wages and working conditions of the employees, for the two years following that date.

Your Directors desire to express their continued appreciation of the loyalty and co-operation of the officials and employees.

On behalf of the Board of Directors,

A. CROSS,
President.

Montreal, P.Q., 15th February, 1938.

Dominion Coal Company, Limited and Subsidiary Companies

STATEMENT OF PROFIT AND LOSS AND SURPLUS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1937

Profit from Operations after deducting Mining Costs, Selling and Administrative Expenses, but before charging Depreciation and Interest on Funded Debt.....		\$ 1,998,404.99
DEDUCT:—Rental of Springhill Properties paid to Cumberland Railway & Coal Company for half year to June 30, 1937.....		15,000.00
		\$ 1,983,404.99
Provision for Depreciation.....		1,076,999.96
		\$ 906,405.03
Interest on First Mortgage Bonds, Dominion Coal Co. Limited:		
(Old Issue to Sept. 30, 1937).....	\$ 61,623.84	
(Present Issue Oct. 1 to Dec. 31, 1937).....	60,000.00	
Interest on Cumulative Registered Sinking Fund Debentures to September 30, 1937.....	145,049.44	
Interest on First Mortgage Bonds of Cumberland Railway & Coal Company.....	111,295.80	
Interest on Serial Equipment Bonds of Dominion Rolling Stock Company Limited.....	28,138.32	
		406,107.40
Profit for the year.....		\$ 500,297.63
DIVIDENDS PAID:		
Dominion Coal Company Limited Preferred Stock.....		360,000.00
		\$ 140,297.63
Surplus as at December 31, 1936.....		586,046.14
		\$ 726,343.77
Surplus December 31, 1937.....		\$ 726,343.77

Dominion Coal and Subsidiary

CONSOLIDATED BALANCE SHEET

ASSETS

Cost of Properties.....	\$ 46,514,470.06	
LESS:—Reserve for Depreciation.....	20,922,457.38	
	\$ 25,592,012.68	
Cash in Hands of Trustees.....	\$ 951.59	
Sinking Fund Cash.....	60,000.00	
	60,951.59	
Inventories as certified by the Management.....	\$ 2,315,820.07	
Trade Accounts Receivable, less Reserve.....	1,889,296.46	
Other Accounts Receivable, less Reserve.....	152,295.36	
Investments.....	305,437.43	
Cash in Bank and on Hand.....	151,085.46	
	4,813,934.78	
Balance Receivable from Dominion Steel & Coal Corporation Limited:		
On Demand Note.....	\$ 310,000.00	
On Current Account.....	497,232.18	
	807,232.18	
DEFERRED CHARGES:		
Insurance and other Expense paid in advance.....	\$ 125,010.20	
Discount on Bonds.....	253,991.93	
	379,002.13	

\$ 31,653,133.36

Company, Limited

Companies

AS AT DECEMBER 31, 1937

LIABILITIES

CAPITAL STOCK:

Common Stock, authorized and issued—		
480,000 shares of a par value of \$25.00 each (owned by Dominion Steel & Coal Corporation Limited).....	\$ 12,000,000.00	
6% Cumulative Sinking Fund Preferred Stock—		
Authorized—400,000 shares of a par value of \$25.00 each.....	\$ 10,000,000.00	
Issued—240,000 shares of a par value of \$25.00 each.....	6,000,000.00	
		<u>\$ 18,000,000.00</u>

FUNDED AND MORTGAGE DEBT:

Dominion Coal Company Limited—		
First Mortgage Bonds—		
Authorized.....	\$ 12,000,000.00	
Issued—		
First Mortgage Serial Bonds, 3½%		
Series "A" due October 1 each year 1938-1943.....	\$ 3,000,000.00	
First Mortgage 15 Year Bonds 4½%		
Series "A" due October 1, 1952..	3,000,000.00	
		<u>\$ 6,000,000.00</u>
Cumberland Railway & Coal Company—		
First Mortgage 5% Bonds due 1940.....	2,205,000.00	
Dominion Rolling Stock Company Limited—		
4% Serial Equipment Bonds 1938-1945.....	\$ 208,000.00	
3½% Serial Equipment Bonds 1938-1942...	340,000.00	
4% Serial Equipment Bonds 1943-1948.....	340,000.00	
		<u>888,000.00</u>
		9,093,000.00

Accounts Payable and Accrued Liabilities.....	\$ 698,182.25	
Wages Payable and Accrued.....	199,591.82	
Accrued Interest on Bonds.....	96,710.82	
		<u>994,484.89</u>
Balance Payable to Associated Companies.....		174,609.17

RESERVES:

Renewals and Betterments, Contingencies and other operating reserves.....		2,664,695.53
Surplus, as per statement attached.....		726,343.77
		<u>\$ 31,653,133.36</u>

