

Dominion Steel and Coal Corporation
LIMITED

ANNUAL REPORTS

BALANCE SHEETS

AND

PROFIT AND LOSS ACCOUNTS

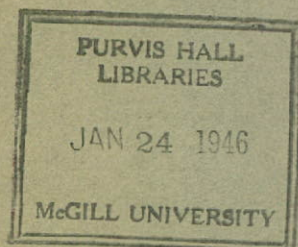
of the Corporation

and its

Subsidiary and Associated Companies

for the Year

1938



Dominion Steel and Coal Corporation Limited

Executive and General Offices

CANADA CEMENT COMPANY BUILDING

Montreal, Que.

DIRECTORS

HON. C. P. BEAUBIEN
C. J. BURCHELL, K.C.
A. CROSS
GEO. F. DOWNS
D. W. FRASER
SIR CHARLES B. GORDON
J. H. GUNDY
SIR HERBERT S. HOLT

A. N. JONES
H. J. KELLEY
JOS. A. KILPATRICK
C. B. LANG
GEO. H. MONTGOMERY, K.C.
HON. J. L. RALSTON, K.C.
J. MCG. STEWART, K.C.
DR. G. B. WATERHOUSE

HON. LORNE C. WEBSTER

OFFICERS

A. CROSS, *President*
H. J. KELLEY, *First Vice-President and General Manager*
C. B. LANG, *Vice-President*
M. W. McDONALD, *Secretary and Treasurer*
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 29th March, 1939

Your Directors submit herewith the Consolidated Balance Sheet of your Corporation as at 31st December, 1938, with relative Profit and Loss Account for the year, together with the certificate of the Auditors, Messrs. Price, Waterhouse & Company.

PROFIT AND LOSS ACCOUNT

The combined profits from operations and returns from investments after deduction of manufacturing, selling and administrative expense, amounted to \$3,009,311.74, before making provision for depreciation and interest, as against a corresponding amount of \$2,976,696.38 in the year 1937. After payment of Bank interest, interest on underlying Bonds of subsidiary companies, interest on 6¼% Cumulative Participating Registered Income Bonds for the year and after providing for depreciation and income tax, the profit for the year amounted to \$1,239,177.31.

The balance at credit of earned surplus brought forward from previous year was \$1,132,856.69 to which was added the profit for the year of \$1,239,177.31, making a balance of \$2,372,034.00 at credit of earned surplus account at 31st December, 1938.

BALANCE SHEET

Additions to properties and plant of the Corporation during the year amounted to \$590,454.81. Reserve for depreciation stands at \$10,805,424.03, leaving the net value of property at \$27,922,889.59 as compared with \$28,390,924.85 at 31st December, 1937.

The investment in stocks of subsidiary Companies not consolidated, shown at \$4,933,075.00 represents the par value of the Common Class B shares issued in exchange for securities of the Nova Scotia Steel & Coal Company Limited.

Capital Liabilities were reduced by redemption of Equipment Bonds amounting to \$16,000 and Seaboard Power Corporation Limited Bonds amounting to \$100,000.00.

Current and Working Assets, including deferred charges, total \$11,459,775.37 and current Liabilities \$2,666,706.01. The excess of current and working assets over current liabilities amounted to \$8,793,069.36, an increase of \$1,378,724.65 over the corresponding amount shown at 31st December, 1937.

Bank loans have been reduced during the year by \$749,263.85 and are shown on the Balance Sheet as \$1,003,722.79.

Capital Stock has been increased by the issue of 197,323 additional Common Class B shares, to provide for the exchange of the Nova Scotia Steel & Coal Company Limited securities.

During the first five months of the year the Sydney Plant operated at practically full capacity. With the general decline in steel operations throughout the world, there was a falling off of operations at the Sydney and other subsidiary plants in the last seven months of the year. Over the year the plants operated at an average capacity of 82%.

The ore mines at Wabana operated at full capacity and a ready sale was obtained for all surplus output not required for the Corporation's use.

All subsidiary plants operated at a reasonable rate of capacity with satisfactory results, the Halifax Shipyards Limited being well over normal.

Your properties have been maintained in good condition.

During the year a plan of reorganization of the Nova Scotia Steel & Coal Company Limited was completed and the Company was released from Receivership. By an arrangement with the security holders an exchange of securities was effected whereby that Company is now a wholly owned subsidiary of the Corporation.

Your Directors desire to express their appreciation of the loyalty of the Officials and Employees of the Corporation during the year.

On behalf of the Board of Directors,

A. CROSS,

President.

Montreal, P.Q., 16th February, 1939.

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, 1938, 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, 1938, and the relative Profit and Loss Account, in which the assets and liabilities and the operating results of Nova Scotia Steel & Coal Company Limited and its Subsidiaries are not included, are, in our opinion, properly drawn up so as to show a true and correct view at that date of the combined affairs of Dominion Steel & Coal Corporation Limited and the Subsidiaries which are consolidated, 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, 1938, and report that the accompanying Balance Sheet at December 31, 1938, 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 16th, 1939.

Dominion Steel and Coal Corporation Limited and Subsidiary Companies

(with the exception of Nova Scotia Steel & Coal Company Limited and its
subsidiary companies now owned by the Corporation)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND SURPLUS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1938

Combined Profits from Operations and Returns from Investments after deducting Manufacturing, Selling and Administration Expenses, but before charging Depreciation and Interest.....		\$ 3,009,311.74
DEDUCT:—Interest on Bank Loans.....	\$ 139,628.23	
Interest on Underlying Bonds.....	49,104.20	
	188,732.43	
DEDUCT:—Provision for Depreciation.....		\$ 2,820,579.31
		1,213,837.69
DEDUCT:—Provision for Income Tax.....		\$ 1,606,741.62
		92,064.31
		\$ 1,514,677.31
DEDUCT:—Interest on 6¼% Cumulative Participating Registered Income Bonds for the year 1938.....		275,500.00
Profit for the year ending December 31, 1938.....		\$ 1,239,177.31
ADD:—Surplus at December 31, 1937.....		1,132,856.69
		\$ 2,372,034.00
Surplus, December 31, 1938.....		\$ 2,372,034.00

Dominion Steel and C and Subsidia

(with the exception of Nova Scotia
its subsidiary companies, no

CONSOLIDATED BALANCE SH

ASSETS

Properties and Plant of Companies at values determined at December		
31, 1929.....	\$ 32,492,382.33	
Net additions since.....	6,235,931.29	
	\$ 38,728,313.62	
LESS:—Reserve for Depreciation.....	10,805,424.03	
	\$ 27,922,889.59	
Investment in Stocks and Securities of Associated Companies.....		2,178,055.54
Investment in Stocks of Subsidiary Companies not consolidated.....	\$ 4,933,075.00	
Balances receivable from Subsidiary Companies not consolidated.....	174,282.34	
	5,107,357.34	
Inventories, as certified by the Management.....	\$ 8,472,795.21	
Trade Accounts and Bills Receivable, less Reserve.....	2,154,810.04	
Other Accounts Receivable, less Reserve.....	134,442.50	
Investments.....	59,064.26	
Cash on hand and in banks.....	268,892.44	
	11,090,004.45	
DEFERRED CHARGES:		
Insurance Premiums and Other Charges paid in Advance.....	\$ 195,488.58	
Discount and Expenses on Bonds of Subsidiary Companies.....	17,086.60	
	212,575.18	
		\$ 46,510,882.10

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y Companies

el and Coal Company Limited, and
owned by the Corporation)

ET AS AT DECEMBER 31, 1938

LIABILITIES

FUNDED DEBT:

Dominion Steel & Coal Corporation Limited:

Prior Lien Bonds—

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

Issued, and held in the Treasury.....\$ 1,750,000.00

6¼% Cumulative Participating Registered Income Bonds
(\$4,500,000.00 Closed)..... \$ 4,408,000.00

Wholly Owned Subsidiaries:

Seaboard Power Corporation Limited—

First (Closed) Mortgage Serial Bonds—

3½% Payable \$100,000.00 annually October 15,
1939-1940.....\$ 200,000.00

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

600,000.00

The 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

LESS:—Held by Company..... 11,000.00

1,989,000.00

\$ 6,997,000.00

Deferred Payments on Properties..... 450,000.00

Bank Loans, Secured under Section 88 of the Bank Act.....\$ 1,003,722.79

Accounts Payable and Accrued Liabilities..... 960,243.31

Wages Accrued..... 112,639.41

Bond Interest Accrued..... 106,625.00

2,183,230.51

Balance payable to Dominion Coal Company Limited..... 483,475.50

Operating and Contingent Reserves..... 1,504,337.75

CAPITAL STOCK AND SURPLUS:

Authorized—

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

1,460,000 Common Class "B" Shares.....\$ 36,500,000.00

Issued—

1,039,083 Common Class "B" Shares.....\$ 25,977,075.00

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

Surplus from Operations, as per statement attached..... 2,372,034.00

34,892,838.34

Contingent Liability:

The issue of First Mortgage 5% Bonds of Cumberland Rail-
way and Coal Company, of which \$2,177,000.00 are out-
standing, is guaranteed by Dominion Steel & Coal Cor-
poration Limited. \$ 46,510,882.10

Dominion Coal Company, Limited

Report of the Board of Directors to be submitted to the Shareholders at the Annual General Meeting on 29th March, 1939

Your Directors submit herewith the Balance Sheet of your Company as at 31st December, 1938, together with the Profit and Loss Account for the year as certified by the Auditors, Messrs. Price, Waterhouse & Company.

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 \$359,052.09. Dividends were paid at the rate of 6% per annum on the Preferred stock, amounting to \$352,809.75, leaving surplus earnings for the year at \$6,242.34.

The balance at credit of Surplus Account brought forward from the previous year was \$726,343.77, to which is added the surplus earnings for the year 1938, making a balance at credit of surplus account at 31st December, 1938, of \$732,586.11.

BALANCE SHEET

The cost of properties, after deducting depreciation reserve, has been reduced during the year by \$639,466.64, leaving the net cost at 31st December, 1938, at \$24,952,546.04 as compared with \$25,592,012.68 at end of previous year.

Current and Working Assets, including deferred charges, amounted to \$5,165,836.58 and Current Liabilities to \$1,168,312.18. The excess of current and working assets over current liabilities amounts to \$3,997,524.40, a decrease of \$579,558.70 over the corresponding figure at 31st December, 1937.

Capital Liabilities were reduced by redemption of First Mortgage Serial 3½% Bonds, \$500,000, Cumberland Railway and Coal Company First Mortgage 5% Bonds, \$28,000, and Dominion Rolling Stock Company Limited Equipment Bonds, \$94,000.

In accordance with terms of issue of the 6% Preferred stock, shares to the amount of \$161,975.00 were retired during the year.

GENERAL

The sales of coal for the year amounted to 3,811,055 gross tons as compared with 4,698,316 gross tons in previous year. The reduction in year 1938 was due to the competition of imported low priced coal from the United States and to the generally lower level of business activities throughout the country.

The development of the colliery to be known as No. 20 on the Harbour seam in the Glace Bay District, has been completed and this colliery will be ready for operation at an early date.

The development of the colliery in the Waterford District is progressing and a satisfactory production from this mine is being presently obtained.

All properties of your Company have been maintained in good condition.

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., 16th February, 1939.

Dominion Coal Company, Limited and Subsidiary Companies

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND SURPLUS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1938

Profit from Operations after deducting Mining Costs, Selling and Administrative Expenses, but before charging Depreciation and Interest on Funded Debt.....	\$ 1,560,227.40
Provision for Depreciation.....	824,000.05
	\$ 736,227.35
Interest on First Mortgage Bonds of Dominion Coal Company Limited \$	235,625.00
Interest on First Mortgage Bonds of Cumberland Railway & Coal Company.....	109,861.90
Interest on Serial Equipment Bonds of Dominion Rolling Stock Company Limited.....	31,688.36
	377,175.26
Profit for the year ending December 31, 1938.....	\$ 359,052.09
DIVIDENDS PAID:	
Dominion Coal Company Limited Preferred Stock.....	352,809.75
	\$ 6,242.34
Surplus as at December 31, 1937.....	726,343.77
	\$ 732,586.11

Dominion Coal and Subsidiary

CONSOLIDATED BALANCE SHEET

	ASSETS	
PROPERTIES:		
At cost as at December 31, 1937.....	\$ 46,514,470.06	
Additions during 1938 (net).....	192,300.67	
	\$ 46,706,770.73	
LESS:—Transferred from Depreciation Reserve.....	682,163.75	
	\$ 46,024,606.98	
LESS:—Reserve for Depreciation.....	21,072,060.94	
	\$ 24,952,546.04	
Cash in hands of Trustees.....		1,032.96
Inventories as certified by the Management.....	\$ 2,554,490.55	
Trade Accounts Receivable, less Reserve.....	1,578,928.10	
Other Accounts Receivable, less Reserve.....	235,433.17	
Investments.....	31,060.00	
Cash in banks and on hand.....	123,990.15	
		4,523,901.97
Balance Receivable from Dominion Steel & Coal Corporation Limited on Current Account.....		483,475.50
DEFERRED CHARGES:		
Insurance and other expenses paid in advance.....	\$ 158,459.11	
Discount on Bonds.....	225,991.93	
		384,451.04
		\$ 30,345,407.51

Company, Limited

Companies

AS AT DECEMBER 31, 1938

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	
LESS:—Redeemed through Sinking Fund... 161,975.00		
		5,838,025.00
		<u>\$ 17,838,025.00</u>

FUNDED AND MORTGAGE DEBT:

Dominion Coal Company Limited—		
First Mortgage Bonds—		
Authorized.....	\$ 12,000,000.00	
Outstanding—		
First Mortgage Serial Bonds 3½% Series "A" due October 1 each year 1939-1943.....	\$ 2,500,000.00	
First Mortgage 15 Year Bonds 4½% Series "A" due October 1, 1952..	3,000,000.00	
		\$ 5,500,000.00
Cumberland Railway & Coal Company—		
First Mortgage 5% Bonds due 1940.....	2,177,000.00	
Dominion Rolling Stock Company Limited—		
4% Serial Equipment Bonds 1939-1945....	\$ 182,000.00	
3½% Serial Equipment Bonds 1939-1942... 272,000.00		
4% Serial Equipment Bonds 1943-1948..... 340,000.00		
		794,000.00
		8,471,000.00
Accounts Payable and Accrued Liabilities.....	\$ 376,033.02	
Wages Payable and Accrued.....	149,486.69	
Accrued Interest on Bonds.....	91,044.17	
		616,563.88
Balance payable to Associated Companies.....		551,748.30

RESERVES:

Renewals and Betterments, Contingencies and other operating reserves.....		2,135,484.22
Surplus, as per statement attached.....		732,586.11
		<u>\$ 30,345,407.51</u>



