

Dominion Steel and Coal Corporation
LIMITED

ANNUAL REPORTS

BALANCE SHEETS

AND

PROFIT AND LOSS ACCOUNTS

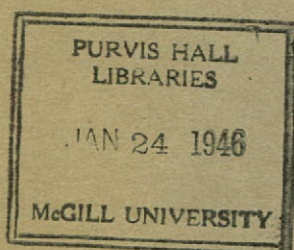
of the Corporation

and its

Subsidiary and Associated Companies

for the Year

1939



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

J. H. GUNDY

SIR HERBERT S. HOLT

A. N. JONES

H. J. KELLEY

JOS. A. KILPATRICK

C. B. LANG

GEO. H. MONTGOMERY, 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 17th April, 1940

Your Directors submit herewith the Consolidated Balance Sheet of your Corporation as at 31st December, 1939, with relative Profit and Loss Account for year 1939, together with the certificate of the Auditors, Messrs. Price, Waterhouse and Company.

PROFIT AND LOSS ACCOUNT

The combined net profit from the operations of the Corporation and its Subsidiaries after payment of all charges and after provision for depreciation and taxes, amounted to \$1,332,599.19 as compared with \$1,239,177.31 for the year 1938.

The balance at credit of earned surplus brought from previous year was \$2,372,034.00, to which was added the profit for the year of \$1,332,599.19, making a balance of \$3,704,633.19 at credit of earned surplus account at 31st December, 1939.

BALANCE SHEET

Additions to properties and plant of the Corporation during the year amounted to \$1,606,305.85, reserves for depreciation stand at \$11,946,523.45, leaving the net value of property at \$28,388,096.02 as compared with \$27,922,889.59 at 31st December, 1938.

Current and working assets, including deferred charges, total \$13,809,568.15 and current liabilities \$3,887,301.83. The excess of current and working assets over current liabilities amounted to \$9,922,266.32, an increase of \$1,129,196.96 over the corresponding amount shown at 31st December, 1938.

During the first quarter of the year the Sydney plant operated at sixty-one per cent of capacity, due to somewhat reduced demand of the domestic market and to a greater extent to the falling off of the export business. There was an appreciable upturn in domestic and export demands in the second quarter which continued to increase in the latter six months of the year, with the result that the Sydney plant operated at an average of ninety-five per cent of capacity over the year as compared with eighty-two per cent in the previous year.

The Ore Mines at Wabana operated at full capacity during the year, but shipments to the United Kingdom were considerably restricted after the outbreak of War due to difficulty of obtaining the necessary number of ships.

During the year work was commenced on the remodelling of the Open Hearth equipment and the construction of two additional furnaces of 100 tons capacity each. A Light Oil Refining plant is also in course of construction for the production of Benzol, Toluol and Xylol. Both projects should be completed early in March.

To meet the increased demand for the Company's products during the period of the War, the spare or third battery of Coke Ovens, together with an additional Blast Furnace, was put in operation in the latter part of the year.

During the first part of the year subsidiary plants operated at reduced capacity, but in the latter part of the year full operation was attained.

All properties have been maintained in the best possible efficiency.

Your Directors desire to express their appreciation of the loyalty of the Employees and Officers of the Corporation.

On behalf of the Board of Directors,

A. CROSS,

President.

28th February, 1940.

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, 1939, 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, 1939, 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, 1939, and report that the accompanying Balance Sheet at December 31, 1939, 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, 1940.

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, 1939

Combined Profits ^{of} from Operations and Returns from Investments after deducting Manufacturing, Selling and Administration Expenses, but before charging Depreciation and Interest.....		\$ 3,039,194.31
DEDUCT:—Interest on Bank Loans and Borrowed Money.....	\$ 61,721.66	
Interest on Underlying Bonds.....	55,604.16	
	117,325.82	
DEDUCT:—Provision for Depreciation.....		\$ 2,921,868.49
		1,212,769.30
DEDUCT:—Provision for Income Tax.....		\$ 1,709,099.19
		101,000.00
		\$ 1,608,099.19
DEDUCT:—Interest on 6¼% Cumulative Participating Registered Income Bonds for the year 1939.....		275,500.00
Profit for the year ending December 31, 1939.....		\$ 1,332,599.19
ADD:—Surplus at December 31, 1938.....		2,372,034.00
Surplus, December 31, 1939.....		\$ 3,704,633.19

Dominion Steel and Co and Subsidiaries

(with the exception of Nova Scotia Steel and
its subsidiary companies, not consolidated)

CONSOLIDATED BALANCE SHEET

ASSETS

Properties and Plant of Companies at values determined at December 31, 1929.....	\$ 32,492,382.33	
Net additions since.....	7,842,237.14	
	\$ 40,334,619.47	
LESS:—Reserve for Depreciation.....	11,946,523.45	\$ 28,388,096.02
Investment in Stocks and Securities of Associated Companies.....		2,178,055.54
Investment in Stocks of Subsidiary Companies not consolidated.....		4,933,075.00
Cash in hands of Trustees for Bondholders.....		56,664.80
Inventories, as certified by the Management, valued at cost or market, whichever was the lower.....	\$ 8,684,149.50	
Trade Accounts and Bills Receivable, less Reserve.....	4,500,064.44	
Other Accounts Receivable, less Reserve.....	132,605.59	
Investments.....	63,826.71	
Cash on hand and in banks.....	272,342.63	
		13,652,988.87
 DEFERRED CHARGES:		
Insurance Premiums and Other Charges paid in advance.....	\$ 156,579.28	
Discount and Expenses on Bonds of Subsidiary Companies.....	14,136.40	
		170,715.68

\$ 49,379,595.91

Submitted with our Report dated February 15, 1940,

PRICE, WATERHOUSE & Co.,
Auditors.

al Corporation Limited

r Companies

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

ET AS AT DECEMBER 31, 1939

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) due 1955.....\$ 4,408,000.00

Wholly Owned Subsidiaries:

Seaboard Power Corporation Limited—

First (Closed) Mortgage Serial Bonds—

3½% Payable October 15, 1940.....\$ 100,000.00

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

500,000.00

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.....30,000.00

1,970,000.00

\$ 6,878,000.00

Deferred Payments on Properties.....

527,500.00

Demand Loan (Secured).....\$ 725,000.00

Accounts Payable and Accrued Liabilities.....1,977,408.73

Wages Accrued.....170,974.14

Bond Interest Accrued.....109,229.16

2,982,612.03

Balance payable to Dominion Coal Company Limited (Secured).....

664,006.77

Balance payable to Subsidiary Companies not consolidated.....

240,683.03

Operating and Contingent Reserves.....

1,861,356.55

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.....3,704,633.19

36,225,437.53

\$ 49,379,595.91

Contingent Liability:

The Issue of First Mortgage 5% Bonds of Cumberland Rail-
way & Coal Company of which \$2,148,000.00 are out-
standing, is guaranteed by Dominion Steel & Coal Cor-
poration Limited.

Dominion Coal Company, Limited

Report of the Board of Directors to the Shareholders at the Annual General Meeting on the 17th April, 1940

Your Directors submit herewith the Balance Sheet of your Company as at 31st December, 1939, together with the Profit and Loss Account for the year as certified by the Auditors, Messrs. Price, Waterhouse and 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 and preferred dividend amounted to \$190,670.09.

The balance at credit of surplus account brought forward from the previous year was \$732,586.11, to which is added the surplus earnings for the year 1939, amounting to \$190,670.09, making a balance at credit of surplus account at 31st December, 1939, of \$923,256.20.

BALANCE SHEET

Additions to properties during the year amounted to \$123,188.52; the reserve for depreciation has been increased to \$22,326,492.30, leaving the net value of properties at \$23,821,303.20 as compared with \$24,952,546.04 at 31st December, 1938.

An amount of \$2,688,000.00 has been allocated to provide for purchase of Railway Equipment for which contracts have been placed amounting to \$540,000 and for redemption of the First Mortgage 5% Bonds of Cumberland Railway and Coal Company due 1st October, 1940, amounting to \$2,148,000.

4½% First Mortgage 1939 Series Bonds of a principal amount of \$1,500,000 were issued on 1st December last to provide in part for the redemption of the First Mortgage 5% Cumberland Railway and Coal Company Bonds. Dominion Rolling Stock Company 4% Serial Bonds of a principal amount of \$424,000 were issued on 1st October, 1939, guaranteed by the Company to provide in part for payment of the purchase of Railway Equipment to be delivered in the month of June next.

Capital Liabilities were reduced by redemption of First Mortgage Serial 3½% Bonds amounting to \$500,000., Cumberland Railway & Coal Company First Mortgage 5% Bonds amounting to \$29,000.00, Dominion Rolling Stock Equipment Bonds amounting to \$94,000.00, and Preferred Stock to the principal amount of \$179,300.00.

Current and Working Assets including deferred charges amounted to \$5,968,386.76 and Current Liabilities to \$1,791,634.22. The excess of Current and Working Assets over Current Liabilities amounts to \$4,176,752.54, an increase of \$179,228.14 over the corresponding amount at 31st December, 1938.

GENERAL

The sales of coal for the year amounted to 4,518,040 gross tons, compared with 3,811,055 gross tons in the previous year, an increase of 706,985 gross tons during the year 1939.

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

Your Directors desire to express their appreciation of the loyalty and co-operation of the Employees and Officials of the Company.

On behalf of the Board of Directors,

A. CROSS,
President.

28th February, 1940.

Dominion Coal Company, Limited and Subsidiary Companies

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND SURPLUS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1939

Profit from Operations after deducting Mining Costs, Selling and Administrative Expenses, but before charging Depreciation and Interest on Funded Debt, and providing for Income Tax thereon		\$ 2,349,573.27
Provision for Depreciation		1,250,000.00
		\$ 1,099,573.27
Interest on First Mortgage Bonds of Dominion Coal Company Limited	\$ 223,719.17	
Interest on First Mortgage Bonds of Cumberland Railway & Coal Company	108,450.12	
Interest on Serial Equipment Bonds of Dominion Rolling Stock Company Limited	33,038.32	
		365,207.61
Profit before providing for Income Tax thereon		\$ 734,365.66
Provision for Income Tax		200,000.00
		\$ 534,365.66
DIVIDENDS PAID:		
Dominion Coal Company, Limited Preferred Stock		343,695.57
		\$ 190,670.09
Surplus as at December 31, 1938		732,586.11
		\$ 923,256.20
		\$ 923,256.20

Dominion Coal and Subsidiary

CONSOLIDATED BALANCE SHEET

ASSETS

PROPERTIES:

At cost as at December 31, 1938.....	\$ 46,024,606.98	
Additions during 1939 (net).....	123,188.52	
	\$ 46,147,795.50	
LESS:—Reserve for Depreciation.....	22,326,492.30	
	\$ 23,821,303.20	
Cash in hands of Trustees for Bondholders.....		80,047.70
Amount, including proceeds of sale of Bonds, allocated for payment of Railway Equipment and redemption of Bonds maturing 1940..		2,688,000.00
Inventories, as certified by the Management, valued at cost or market, whichever was the lower.....	\$ 3,047,086.86	
Trade Accounts Receivable, less Reserve.....	2,780,275.65	
Other Accounts Receivable, less Reserve.....	268,582.08	
Demand Note Receivable.....	725,000.00	
Investments.....	31,060.00	
Cash in banks and on hand.....	1,013,441.62	
	\$ 7,865,446.21	
DEDUCT:—Amount, including proceeds of sale of Bonds, allocated for payment of Railway Equipment and redemption of Bonds maturing 1940, as specified above.....	2,688,000.00	
	\$ 5,177,446.21	
Balance Receivable from Dominion Steel & Coal Corporation Limited on Current Account.....		664,006.77
DEFERRED CHARGES:		
Insurance and other expenses paid in advance.....	\$ 126,933.78	
Discount on Bonds.....	255,755.60	
	382,689.38	

Submitted with our Report dated February 15, 1940,

PRICE, WATERHOUSE & CO.,
Auditors.

\$ 32,813,493.26

Company, Limited Companies

AS AT DECEMBER 31, 1939

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.... 341,275.00

5,658,725.00

\$ 17,658,725.00

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 1940-1943.....\$ 2,000,000.00

First Mortgage 15 Year Bonds 4½%
Series "A" due October 1, 1952.. 3,000,000.00

4½% First Mortgage Bonds 1939
Series, due 1952..... 1,500,000.00

\$ 6,500,000.00

Cumberland Railway & Coal Company—

First Mortgage 5% Bonds due 1940..... 2,148,000.00

Dominion Rolling Stock Company Limited—

4% Serial Equipment Bonds 1940-1945.....\$ 156,000.00

3½% Serial Equipment Bonds 1940-1942... 204,000.00

4% Serial Equipment Bonds 1943-1947..... 340,000.00

4½% - 4% Serial Equipment Bonds 1940-1947..... 424,000.00

1,124,000.00

9,772,000.00

Accounts Payable and Accrued Liabilities.....\$ 1,093,541.05

Wages Payable and Accrued..... 214,190.04

Bond Interest Accrued..... 107,010.00

1,414,741.09

Balance Payable to Associated Companies..... 376,893.13

RESERVES:

Renewals and Betterments, Contingencies and other operating reserves.....

2,667,877.84

Surplus, as per statement attached.....

923,256.20

\$ 32,813,493.26

