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Dominion Steel and Coal Corporation
LIMITED

ANNUAL REPORT

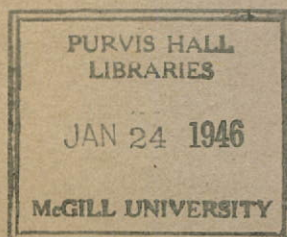
CONSOLIDATED BALANCE SHEET

AND

PROFIT AND LOSS ACCOUNT

for the Year

1942



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

D. W. FRASER

J. H. GUNDY

R. A. C. HENRY

A. N. JONES

H. J. KELLEY

JOS. A. KILPATRICK

C. B. LANG

GEO. H. MONTGOMERY, K.C.

M. W. McDONALD

DR. G. B. WATERHOUSE

COLIN 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 10th June, 1943

Your Directors submit herewith the consolidated Balance Sheet of your Corporation as at 31st December, 1942, with relative Profit and Loss Accounts for the year, together with the certificate of the Auditors, Messrs. Price, Waterhouse and Company.

PROFIT AND LOSS ACCOUNT

The combined net profit from the operation of the Corporation and the subsidiaries consolidated, after payment of all charges and after provision for depreciation and taxes, amounted to \$1,021,744.81, as compared with \$1,166,052.75 for the year 1941. The amount of \$3,247,271.30 was provided for depreciation as compared with an amount of \$1,795,924.56 in the previous year. The increase in the amount of depreciation \$1,451,346.74 for year 1942 represents special depreciation on plant installed for the purpose of producing additional material for war purposes.

The balance at credit of earned surplus carried over from the previous year was \$6,028,059.34 to which has been added the profit for the year of \$1,021,744.81, leaving a balance at credit of earned surplus account at 31st December, 1942, of \$7,049,804.15.

The operations of the Subsidiary and Associated Companies not consolidated have in the aggregate resulted in a profit for the year.

BALANCE SHEET

Additions to the property and plant accounts of the Corporation during the year amounted to \$3,774,164.55. Reserves for depreciation stand at \$18,122,265.36, leaving the net value of properties at \$30,055,348.40 as compared with \$29,232,372.29 at 31st December, 1941.

Current and working assets, including deferred charges, total \$24,732,360.13, and current liabilities \$8,779,030.65. The excess of current and working assets over current liabilities amounted to \$15,953,329.48.

Insurance recoveries on property lost by enemy action represent the capital value of the property lost. This sum has been set aside to provide for future replacement of the property.

First Mortgage Serial Bonds of the Seaboard Power Corporation amounting to \$100,000.00, and Halifax Shipyards Limited amounting to \$165,000.00 have been retired during the year.

Deferred payments on properties increased by \$3,046,483.80, representing advances by the Federal Government in connection with the cost of rehabilitating the Sydney Plate Mill. This amount is repayable by the Corporation over a term of years.

GENERAL

All plants of the Corporation and its Subsidiary Companies, with the exception of the Wabana Mines, operated at full capacity during the year. As a result of the inability to obtain sufficient shipping Wabana Mines operated at only 70% of capacity.

To provide a further outlet for the production of the Sydney Steel Plant, and also, with a view of consolidating the Corporation's operations located in the Montreal district, your Directors, after careful consideration decided to purchase an interest in the Canadian Tube and Steel Products Limited. Up to date 83% of the outstanding capital has been acquired.

The rehabilitation of the 110" plate mill was completed on March 17th, 1942, and the mill has been in satisfactory operation since that date.

The additional open hearth furnace in course of construction last year, was completed early in May and is operating successfully.

Due to delay in delivery of the necessary parts, the 16,000 K.W. electric generator, mentioned in last year's report, has not yet been completed. The balance of the equipment is now en route and the unit should be in operation shortly.

The new blast furnace is expected to be completed shortly and will immediately go into operation.

In view of conditions affecting shipment of iron ore from Wabana Mines, development work was commenced during the latter part of the year on an ore area located in the district of Bathurst, N.B., for the purpose of obtaining a supplementary source of supply. Shipments of this ore are now being made to the plant at Sydney. Due also to the difficulty in obtaining ships, the quantity of limestone required for the operation was not available from the Newfoundland areas last year, and limestone areas of the Company, situated at Point Edward, Cape Breton, were put into operation as an auxiliary source of supply.

As compared with the year 1939, the ingot capacity of the Corporation has been increased from 476,000 net tons to 715,000 net tons.

Notwithstanding the difficulty of carrying out necessary maintenance and repairs while operations were at full capacity in practically all departments, the plants have been maintained in good operating condition.

The employees have made a substantial contribution to the war effort by subscribing up to date for Victory Bonds in an amount of \$1,762,400.00, and War Savings Certificates of \$687,485.00.

The Directors desire to record their appreciation of the loyal and able services rendered by the official staff of the Corporation and also to extend their best wishes to all employees on leave of absence now serving in His Majesty's Forces.

On behalf of the Board of Directors,

Montreal, P.Q.
May 5th, 1943.

A. CROSS,
President.

Dominion Steel and Coal Corporation Limited and Subsidiary Companies

Auditors' Report to the Shareholders

We have examined the books and accounts of Dominion Steel and Coal Corporation Limited and its Subsidiary Companies for the year ending December 31, 1942, and have obtained all the information and explanations we required. In connection therewith we reviewed the system of accounting control and procedures and examined or tested accounting records, but we did not make a detailed audit of the transactions. Provision has been made for Income and Excess Profits Taxes in an amount considered by the Directors to be adequate and this provision is subject to final determination by the Income Tax Department.

On the above basis and according to the best of our information and the explanations given to us, we report that, in our opinion, the attached Consolidated Balance Sheet of Dominion Steel and Coal Corporation Limited and its Subsidiaries consolidated, is properly drawn up so as to show a true and correct view of their financial position as at December 31, 1942, according to the best of our information and the explanations given to us and as shown by the books of the Companies.

As mentioned in the report of the Board of Directors, the operations of the Subsidiary and Associated Companies not consolidated, for the year ending December 31, 1942, have resulted in a profit and the value at which the investments in these Companies are carried on the Balance Sheet of the Corporation is substantially below the equity of the Corporation in these Companies as shown by their Financial Statements.

PRICE, WATERHOUSE & CO.,
Auditors.

Montreal, P.Q.,
April 14, 1943.

Dominion Steel and Coal Corporation Limited and Subsidiary Companies

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND SURPLUS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1942

(This Statement does not include the results of the operations of Nova Scotia
Steel and Coal Company Limited and Dominion Coal Company
Limited and their respective Subsidiaries)

Combined Profits from Operations and returns from Investments after deducting Manufacturing, Selling and Administration Expenses and providing for Income and Excess Profits Taxes, but before charging Depreciation and Interest.....		\$ 4,839,791.87
Provision for Depreciation.....		3,247,271.30
		\$ 1,592,520.57
Interest on Bank and Other Loans.....	\$ 153,784.09	
Interest on 6¼% Cumulative Participating Registered Income Bonds	275,500.00	
Interest on Bonds of Subsidiary Companies.....	141,491.67	
		570,775.76
Profit for the year ending December 31, 1942, after providing for Income and Excess Profits Taxes.....		\$ 1,021,744.81
Surplus, December 31, 1941.....		6,028,059.34
Surplus, December 31, 1942.....		\$ 7,049,804.15

Dominion Steel and Coal and Subsidiary

CONSOLIDATED BALANCE SHEET

(This Balance Sheet does not include the
and Coal Company Limited and
their respective

ASSETS

Properties and Plant of Companies at values determined at December 31, 1929.....	\$ 32,492,382.33	
Net additions since.....	15,685,231.43	
	\$ 48,177,613.76	
LESS: Reserve for Depreciation.....	18,122,265.36	\$ 30,055,348.40
Investment in Stocks and Securities of Subsidiary and Associated Companies not consolidated.....		8,060,448.50
Cash in hands of Trustees for Bondholders.....		137,089.75
Insurance Recoveries re Property lost by Enemy Action.....		1,480,704.60
Employees Victory Loan Subscriptions Receivable: Secured by Dominion of Canada Bonds which in turn have been pledged with the bank as security for Special Loan.....		699,408.23
Inventories, as certified by the Management, valued at cost or market, whichever was the lower.....	\$ 15,302,579.68	
Trade Accounts and Bills Receivable, less Reserve.....	6,234,970.87	
Other Accounts Receivable, less Reserve.....	1,463,566.84	
Investments.....	63,997.72	
Cash on hand and in Banks.....	1,109,912.51	
		24,175,027.62
Balance Receivable from: Nova Scotia Steel & Coal Company Limited and Subsidiary Companies.....	\$ 129,883.98	
Dominion Coal Company Limited and Subsidiary Companies....	39,509.44	
		169,393.42
DEFERRED CHARGES: Insurance premiums and Other Charges paid in advance.....	\$ 387,939.09	
Discount and Expenses on Bonds of Subsidiary Companies.....	27,148.30	
		415,087.39

\$ 65,192,507.91

Submitted with our Report dated April 14, 1943.

PRICE, WATERHOUSE & Co.
Auditors.

Corporation Limited

Companies

AS AT DECEMBER 31, 1942

Assets and Liabilities of Nova Scotia Steel
Dominion Coal Company Limited and
subsidiaries)

LIABILITIES

FUNDED DEBT:

Dominion Steel and Coal Corporation Limited—		
Prior Lien Bonds—		
Authorized.....	\$ 3,500,000.00	
Issued and held in Treasury.....	\$ 1,750,000.00	
6 $\frac{1}{4}$ % Cumulative Participating Registered Income Bonds (\$4,500,000.00 Closed) due 1955.....		\$ 4,408,000.00
Wholly Owned Subsidiaries—		
SEABOARD POWER CORPORATION LIMITED—		
4% First (Closed) Mortgage Serial Bonds—payable \$100,000.00 annually October 15, 1943-1944.....		200,000.00
HALIFAX SHIPYARDS LIMITED—		
4% First Mortgage Serial Bonds—payable \$165,000.00 annually August 15, 1943-1949.....		1,155,000.00
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
		\$ 7,733,000.00
Deferred Payments on Properties.....		3,545,236.61
Reserve for Replacement of Property lost by Enemy Action.....		1,480,704.60
Special Bank Loans for Purchases of Victory Bonds for Employees (per contra).....		699,408.23
Bank Loans (secured under Section 88 of the Bank Act).....	\$ 3,700,000.00	
Accounts Payable and Accrued Liabilities including Provision for Taxes	4,425,214.51	
Wages Accrued.....	516,324.47	
Bond Interest Accrued.....	137,491.67	
		8,779,030.65
Operating and Contingent Reserves.....		3,384,519.33
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, per statement attached.....	7,049,804.15	
		39,570,608.49
		\$ 65,192,507.91

