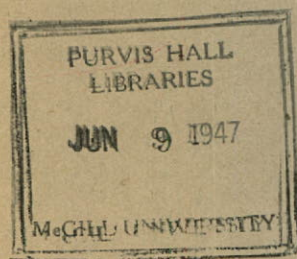


Corporation
Stack

Dominion Steel and Coal Corporation
LIMITED

ANNUAL REPORT
BALANCE SHEETS
AND
PROFIT AND LOSS ACCOUNTS
of the Corporation
and its
Subsidiary and Associated Companies
for the Year
1946



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

L. A. FORSYTH, K.C.

J. H. GUNDY

C. E. HUNT, K.C.

A. N. JONES

H. J. KELLEY

C. B. LANG

GEO. H. MONTGOMERY, K.C.

F. E. NOTEBAERT

D. R. TURNBULL

DR. G. B. WATERHOUSE

COLIN W. WEBSTER

OFFICERS

A. CROSS, *President*

C. B. LANG, *Executive Vice-President*

R. C. McDONALD, *Secretary and Treasurer*

G. C. BROADBENT, *Assistant Secretary-Treasurer*

Dominion Steel and Coal Corporation Limited

Report of the Board of Directors for the year ended December 31st, 1946

TO THE SHAREHOLDERS:

Your Directors submit herewith the Consolidated Balance Sheet of your Corporation as at 31st December, 1946, with relative Profit and Loss Account for the year, together with the Certificate of the Auditors, Messrs. Price, Waterhouse & Co.

PROFIT AND LOSS ACCOUNT

The operations of the Corporation and the Subsidiaries listed on page 8 herein have resulted in a combined net profit for the year of \$847,034.04 after providing \$2,182,913.63 for depreciation and \$816,632.80 for provision for taxes on income as compared with a combined net profit of \$1,249,213.19 for the year 1945. After crediting the profit for the year and the earned surplus of Canadian Tube & Steel Products Limited now consolidated, the balance at credit of the surplus account was \$10,956,314.57 from which there has been deducted the dividend on the Common Class "B" stock, showing the surplus as at December 31st, 1946, as \$10,436,773.07.

BALANCE SHEET

Additions to property and plant during the year amounted to \$8,735,853.09. Reserves for Depreciation total \$28,111,096.97 leaving the net value of properties at \$27,956,508.90 as compared with \$23,537,636.36 at December 31st, 1945. The additions to property and plant are due mainly to the consolidation in the Corporation's accounts this year of Canadian Tube & Steel Products Limited and to the purchase of three 10,000 ton vessels from the Park Steamship Company Limited.

Current Assets including Deferred Charges total \$27,940,744.03 and the current liabilities \$6,999,513.15. Net Working Capital at 31st December, 1946, amounted to \$20,941,230.88.

Deferred payments on properties were increased by \$765,348.57. The increase is accounted for by the balance due on the three steamships purchased, which is payable over the next seven years.

During the year the funded debt was decreased by the retirement of \$165,000 of Halifax Shipyards Limited 1st Mortgage Bonds and \$150,000 of The Canadian Bridge Company Limited 1st Mortgage Serial Bonds, and as indicated in your Directors' last report the 6¼% Cumulative Registered Income Bonds of the Corporation have been redeemed on March 1st and replaced by an issue of \$4,000,000.00. First Mortgage 3½% Bonds \$2,250,000 of which will mature in equal annual amounts of \$225,000 over the next ten years and the remaining \$1,750,000 will mature in 1961.

Following the procedure instituted last year your Directors are pleased to submit herewith on page 9 a schedule of the investments in stocks and securities of Associated and Subsidiary Companies not consolidated, together with certified Balance Sheets and Profit and Loss Accounts of Nova Scotia Steel and Coal Company Limited and Truscon Steel Company of Canada Limited.

The Balance Sheet of Nova Scotia Steel and Coal Company Limited includes the accounts of its subsidiaries as shown on page 16.

On behalf of the Board of Directors.

A. CROSS,
President.

Montreal, P.Q.
March 7th, 1947.

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, 1946, 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 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, 1946, according to the best of our information and the explanations given to us and as shown by the books of the Companies.

PRICE, WATERHOUSE & CO.,
Auditors.

MONTREAL, P.Q., March 4, 1947.

Dominion Steel and Coal Corporation Limited and Subsidiary Companies

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND SURPLUS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1946

(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 Government Assistance after deducting Manufacturing, Selling and Administration Expenses..	\$	3,560,913.90	
Miscellaneous Income		630,394.57	
		4,191,308.47	
Provision for Depreciation	\$	2,182,913.63	
Provision for Taxes on Income		816,632.80	
Interest on Funded Debt		224,758.35	
Interest on Bank and other Loans		119,969.65	3,344,274.43
		847,034.04	
Balance, Net Profit for the Year	\$		847,034.04
Surplus as at December 31, 1945	\$	9,322,987.70	
Surplus as at December 31, 1945—Canadian Tube & Steel Products Limited		786,292.83	10,109,280.53
		10,956,314.57	
Dividend on Common Class "B" Stock of Dominion Steel and Coal Corporation Limited			519,541.50
			10,436,773.07
Surplus as at December 31, 1946	\$		10,436,773.07
<u>CAPITAL SURPLUS</u>			
Balance at December 31, 1945	\$		6,543,729.34
ADD:			
Reserve for Replacement of Property lost by Enemy Action, Transferred	\$	1,518,638.09	
Capital Surplus of Canadian Tube & Steel Products Limited, now consolidated		282,914.16	
Surplus arising from Acquisition of Capital Stock of Canadian Tube & Steel Products Limited		28,997.93	1,830,550.18
		8,374,279.52	
DEDUCT:			
Premium and Expenses of Conversion from 6¼% Income Bonds of Dominion Steel and Coal Corporation Limited to First Mortgage Bonds			410,090.75
			7,964,188.77
Balance as at December 31, 1946	\$		7,964,188.77

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.....	23,575,223.54	
	\$ 56,067,605.87	
LESS: Reserve for Depreciation.....	28,111,096.97	\$ 27,956,508.90
Investments in Stocks and Securities of Subsidiary and Associated Companies not consolidated.....		6,477,680.21
Funds on deposit with Trustees.....		425,097.56
Insurance Recoveries re Property lost by Enemy Action.....		594,751.17
Advances on account of Employees' purchase of Canada Savings Bonds—per contra.....		439,260.50
Inventories, as certified by the Management, valued at Cost or Market, whichever was the lower.....	\$ 12,491,069.97	
Trade Accounts and Bills Receivable, less Reserve.....	4,089,566.67	
Other Accounts Receivable, less Reserve.....	1,373,128.91	
Investments—		
Dominion of Canada Bonds (Market Value—		
\$7,352,898.19).....	\$ 7,056,300.00	
Others.....	57,258.61	
	7,113,558.61	
Cash on hand in banks and on deposit.....	2,760,572.44	
	\$ 27,827,896.60	
LESS: Insurance Recoveries re Property lost by Enemy Action, shown above.....	594,751.17	27,233,145.43
Balance Receivable from Nova Scotia Steel and Coal Company Limited and its Subsidiary Companies.....		381,754.69
DEFERRED CHARGES:		
Insurance Premiums and Other Charges paid in advance.....	\$ 325,843.91	
Discount and Expenses on Bonds of Subsidiary Companies.....	21,787.50	
	347,631.41	
		\$ 63,855,829.87

Approved on Behalf of the Board,
A. CROSS, Director
C. P. BEAUBIEN, Director

Corporation Limited Companies

AS AT DECEMBER 31, 1946

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

LIABILITIES

FUNDED DEBT:

Dominion Steel and Coal Corporation Limited—

First Mortgage Bonds—

Authorized at rates of interest not exceeding 6% per annum \$ 10,000,000.00

Issued:

First Mortgage Serial 3½% Bonds, Series A, payable
\$225,000.00 annually March 1, 1947-1956.....\$ 2,250,000.00

First Mortgage Fifteen Year 3½% Bonds, Series A, due
March 1, 1961..... 1,750,000.00

\$ 4,000,000.00

Wholly Owned Subsidiaries—

HALIFAX SHIPYARDS LIMITED—

4% First Mortgage Serial Bonds—payable \$165,000.00 an-
nually August 15, 1947-1949..... 495,000.00

THE CANADIAN BRIDGE COMPANY LIMITED—

First Mortgage Serial Bonds—payable \$150,000.00 annually
October 1, 1947-1955 at progressive rates of interest from
2¼% to 3%..... 1,350,000.00

\$ 5,845,000.00

Special Bank Loan—re employees' purchase of Canada Savings
Bonds—per contra..... 439,260.50

Deferred Payments on Properties..... 2,556,205.62

Bank Loan secured under Section 88 of the Bank Act (Canadian
Tube & Steel Products Limited).....\$ 1,995,000.00

Accounts payable and Accrued Liabilities, including provision for Taxes 3,608,808.32

Wages Payable..... 641,517.82

Bond Interest Accrued..... 63,091.68

Dividend Payable..... 259,770.75

6,568,188.57

Balance payable to Dominion Coal Company Limited and its Sub-
sidiary Companies..... 431,324.58

Operating and Contingent Reserves..... 3,637,813.76

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..... 7,964,188.77

Surplus from Operations..... 10,436,773.07

44,378,036.84

\$ 63,855,829.87

Submitted with our Report to the Shareholders dated March 4, 1947.

PRICE, WATERHOUSE & Co.,

Auditors.

Dominion Steel and Coal Corporation Limited

LIST OF SUBSIDIARY COMPANIES INCLUDED IN THE CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1946

DOMINION SHIPPING COMPANY LIMITED
SYDNEY LUMBER COMPANY LIMITED
JAMES PENDER & Co. (LIMITED)
PECK ROLLING MILLS LIMITED
HALIFAX SHIPYARDS LIMITED
SEABOARD POWER CORPORATION LIMITED
ST. LAWRENCE WIRE CO. LIMITED
SECURITY FENCE CO. LIMITED
THE CANADIAN BRIDGE COMPANY LIMITED
THE ESSEX TERMINAL RAILWAY COMPANY
CANADIAN STEEL LANDS LIMITED
THE CANADIAN STEEL & WIRE COMPANY LIMITED
CANADIAN TRANSMISSION TOWER COMPANY LIMITED
CANADIAN STEEL CORPORATION LIMITED
CANADIAN BRIDGE ENGINEERING COMPANY LIMITED
GRAHAM NAIL & WIRE PRODUCTS LIMITED
THE SARNIA FENCE COMPANY (1939) LIMITED
CANADIAN TUBE & STEEL PRODUCTS LIMITED

Dominion Steel and Coal Corporation Limited

INVESTMENTS IN STOCKS AND SECURITIES OF SUBSIDIARY AND ASSOCIATED COMPANIES NOT CONSOLIDATED DECEMBER 31, 1946

Nova Scotia Steel and Coal Company Limited—		
*30,000 Shares of Common Stock of \$100.00 each	}	\$4,933,075.00
\$6,917,500.10 of 6% Debentures		
The Eastern Car Company Limited—		
\$1,200.00 of First Mortgage Serial Bonds.....		1,200.00
Dominion Coal Company Limited—		
*480,000 Shares of Common Stock of \$25.00 each	}	862,313.81
16,048 Shares of 6% Preferred Stock of \$25.00 each		
Truscon Steel Company of Canada Limited—		
2,145 Shares of Common Stock of \$100.00 each	}	681,091.40
714 Shares of Preferred Stock of \$100.00 each		
Book value per Consolidated Balance Sheet of Dominion Steel and Coal Corporation Limited.....		<u>\$6,477,680.21</u>

*Total issue of these securities.

Dominion Coal Company Limited and Subsidiary Companies

DECEMBER 31, 1946

Negotiations are still proceeding with the Dominion Government in regard to the amount of the subsidy and until this matter has been finalized it is impossible to produce a Balance Sheet as at December 31, 1945 and 1946.

The Subsidiary Companies of Dominion Coal Company Limited are:—

THE CUMBERLAND RAILWAY & COAL COMPANY
SYDNEY AND LOUISBURG RAILWAY COMPANY
THE DOMINION ROLLING STOCK COMPANY LIMITED

Nova Scotia Steel and Coal Company Limited

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the books and accounts of Nova Scotia Steel and Coal Company Limited and its Subsidiary Companies for the year ending December 31, 1946, 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.

On the above basis we report that, in our opinion, the attached Consolidated Balance Sheet of Nova Scotia Steel and Coal Company Limited and its Subsidiaries is properly drawn up so as to show a true and correct view of their financial position as at December 31, 1946, according to the best of our information and the explanations given to us and as shown by the books of the Companies.

PRICE, WATERHOUSE & CO.,
Auditors.

MONTREAL, P.Q., March 4, 1947.

Nova Scotia Steel and Coal Company Limited and Subsidiary Companies

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND DEFICIT ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1946

Combined Profits from Operations and Government Assistance after deducting Manufacturing, Selling and Administrative Expenses, .		\$ 1,280,578.43
Miscellaneous Income		401,902.74
		\$ 1,682,481.17
Provision for Depreciation	\$ 447,220.62	
Provision for Taxes on Income	398,278.63	
Interest on First Mortgage and Serial Bonds	138,892.50	
Interest on Bank and Other Loans	4,787.01	
		989,178.76
Balance, Net Profit for the Year		\$ 693,302.41
Deficit, December 31, 1945		454,886.74
Surplus as at December 31, 1946		\$ 238,415.67

NOTE: No interest was paid on 6% Debentures, which are all held by Dominion Steel and Coal Corporation Limited.

Nova Scotia Steel and and Subsidiary

CONSOLIDATED BALANCE SHEET

ASSETS

Properties and Plant of Companies at cost, except in the case of Nova Scotia Steel and Coal Company Limited properties, which are at values determined at August 1, 1938, with subsequent changes (net).....	\$ 21,132,759.55	
LESS: Reserve for Depreciation.....	7,948,266.72	
	\$	13,184,492.83
Cash in hands of Trustees for Bondholders.....		120,960.80
Insurance Recoveries re Property lost by Enemy Action.....		214,086.05
Advances on account of Employees' purchase of Canada Savings Bonds—per contra.....		170,964.45
Inventories, as certified by the Management, valued at cost or market, whichever was the lower.....	\$ 1,058,444.01	
Trade Accounts Receivable, less Reserve.....	863,376.32	
Other Accounts Receivable, less Reserve.....	572,209.40	
Investments—		
Dominion of Canada Bonds (Market value \$2,657,009.37).....	2,594,937.50	
Cash on hand, in Banks and on Deposit.....	2,552,859.08	
	\$	7,641,826.31
LESS: Insurance Recoveries re Property lost by Enemy Action, shown above.....		214,086.05
		7,427,740.26
Balance Receivable from Dominion Coal Company Limited and its Subsidiary Companies.....		119,852.61
Refundable Portion of Excess Profits Tax.....		145,815.29
Deferred Charges to Operations.....		376,418.99

\$ 21,760,331.28

NOTE:

ACADIA COAL COMPANY LIMITED:

The balance receivable from Emergency Coal Production Board taken up in the accounts in an amount of \$282,441.00 is subject to re-negotiation.

Approved on behalf of the Board,

A. CROSS, Director
A. N. JONES, Director

Coal Company Limited

Companies

AS AT DECEMBER 31, 1946

LIABILITIES

Funded and Debenture Debt:

First Mortgage 3½% Twenty-five Year Bonds due January 2, 1963 Authorized and Issued.....	\$ 4,000,000.00	
LESS: Redeemed through Sinking Fund.....	979,000.00	
		\$ 3,021,000.00
6% Debentures, payable on demand (Owned by Dominion Steel and Coal Corporation Limited).....	6,917,500.10	
		\$ 9,938,500.10
The Scotia Rolling Stock Company Limited—3% Serial Equipment Bonds 1947-1956.....	320,000.00	
The Eastern Car Company Limited— First Mortgage Bonds—Series A—Authorized \$2,000,000.00		
Outstanding in serial form repayable \$100,000.00 annually July 1, 1947 to 1955 at progressive rates of interest from 2¼ to 6%.....	900,000.00	
		\$ 11,158,500.10
Reserve for Replacement of Property lost by Enemy Action.....		214,086.05
Special Bank Loan—re Employees' purchase of Canada Savings Bonds—per contra.....		170,964.45
Bank Loan—secured under Section 88 of the Bank Act (Acadia Coal Company Limited).....	\$ 67,000.00	
Accounts payable.....	421,865.13	
Taxes payable.....	46,028.16	
Wages payable.....	181,156.48	
Bond Interest Accrued.....	70,367.50	
		786,417.27
Balance payable to Dominion Steel and Coal Corporation Limited and its Subsidiary Companies.....		381,754.69
Operating and Contingent Reserves.....		1,918,477.76
Capital Surplus, being the difference between the par value of the Capital Stock of Acadia Coal Company Limited as carried in the accounts of that Company and the value at which the shares were brought into the accounts of the Nova Scotia Steel and Coal Company Limited on the termination of Receivership of the latter Company in 1938.....		3,650,700.00
Capital Stock of Acadia Coal Company Limited, held by public.....		95,200.00
Capital Stock and Surplus: Authorized and Issued— 30,000 shares of \$100.00 each (Owned by Dominion Steel and Coal Corporation Limited).....	\$ 3,000,000.00	
Surplus from Operations.....	238,415.67	
Refundable Portion of Excess Profits Tax.....	145,815.29	
		3,384,230.96
		\$ 21,760,331.28

Submitted with our Report to the Shareholders dated March 4, 1947.

PRICE, WATERHOUSE & Co.,
Auditors.

Nova Scotia Steel and Coal Company Limited

DECEMBER 31, 1946

The Subsidiary Companies included in the Consolidated Balance Sheet at December 31, 1946,
are:—

OLD SYDNEY COLLIERIES LIMITED
TRENTON INDUSTRIES LIMITED
TRENTON STEEL WORKS LIMITED
ACADIA COAL COMPANY LIMITED
THE EASTERN CAR COMPANY LIMITED
THE SCOTIA ROLLING STOCK COMPANY LIMITED

Truscon Steel Company of Canada Limited

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 1946

Profit from operations before provision for Depreciation and taxes on income.....	\$ 87,986.45
Provision for depreciation.....	10,696.66
	<hr/>
Provision for taxes on income.....	\$ 77,289.79
	25,000.00
	<hr/>
Net profit for the year.....	\$ 52,289.79
	<hr/>

STATEMENT OF SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1946

Balance at credit December 31, 1945.....	\$ 325,325.26
ADD: Net profit for the year.....	52,289.79
	<hr/>
DEDUCT: Dividend on 7% preference shares covering the year ended July 10, 1946..	\$ 377,615.05
	4,998.00
	<hr/>
Balance at credit December 31, 1946.....	\$ 372,617.05
	<hr/>

Truscon Steel Company

(Incorporated under the

BALANCE

AS AT 31st

ASSETS		
CURRENT:		
Cash on hand and in banks—		
Imprest funds.....	\$ 4,631.00	
The Canadian Bank of Commerce, current account.....	27,513.01	
		\$ 32,144.01
Investments in Dominion of Canada bonds at par value (market value \$238,025)		227,500.00
Accounts receivable—		
Trade accounts including holdbacks.....	\$ 410,998.86	
Amounts due by Employees re Dominion of Canada Bonds (secured)	8,115.00	
	\$ 419,113.86	
LESS: Reserve for doubtful accounts.....	41,079.63	
		378,034.23
Inventories as determined and certified by the management, based on perpetual stock records partially confirmed by physical count as at 31st December, 1946, and valued at the lower of cost or market—		
Raw materials.....	\$ 190,913.95	
Goods in process.....	47,068.47	
Finished stock.....	69,411.80	
Stores.....	11,362.04	
	\$ 318,756.26	
LESS: Reserve for future decline in prices.....	15,834.39	
		302,921.87
		\$ 940,600.11
PREPAID CHARGES AND OTHER ASSETS.....		11,930.31
REFUNDABLE PORTION OF TAXES ON INCOME.....		61,600.00
FIXED:		
Land, buildings, plant, equipment, automobiles and dies.....	\$ 782,750.83	
LESS: Reserve for depreciation.....	695,073.82	
		87,677.01
PATENTS.....		1.00
		\$1,101,808.43

Approved on Behalf of the Board.

A. CROSS, Director.

C. B. LANG, Director.

of Canada Limited

(Ontario Companies Act)

SHEET

DECEMBER, 1946

LIABILITIES

CURRENT:

Bankers' loans on bonds purchased and held on behalf of employees (secured) ..	\$	7,135.00
Accounts payable and accrued charges		324,725.74
Reserve for taxes on income		5,346.95
		<hr/>
	\$	337,207.69

RESERVE FOR POST-WAR CONVERSION (after charging expenditures of \$15,716.31 in 1946)		14,283.69
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CAPITAL:

1,000 7% cumulative preferred shares of \$100 each authorized, whereof issued 714 shares	\$	71,400.00
(NOTE: Dividends paid to 10th July, 1946)		

4,000 common shares of \$100 each authorized, whereof issued 3,063 shares		306,300.00
		<hr/>

\$ 377,700.00

SURPLUS		372,617.05
		<hr/>

750,317.05

\$1,101,808.43

AUDITORS' REPORT TO THE SHAREHOLDERS :

We have made an examination of the above balance sheet of Truscon Steel Company of Canada Limited as at 31st December, 1946, but we did not make a detailed audit of the transactions for the year.

We report that in our opinion the above balance sheet is drawn up so as to exhibit a true and correct view of the state of the company's affairs as at 31st December, 1946, according to the best of our information and the explanations given us and as shown by the books.

We have received all the information and explanations we have required.

CLARKSON, GORDON & CO.,
Chartered Accountants.

TORONTO, CANADA, 19th February, 1947.

