

**CANADIAN
CAR & FOUNDRY
COMPANY
LIMITED**

**THIRTIETH
ANNUAL
REPORT
1939**

MONTREAL - CANADA

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**CANADIAN
CAR & FOUNDRY
COMPANY
LIMITED**

**THIRTIETH
ANNUAL
REPORT
1939**

MONTREAL - CANADA

CANADIAN CAR & FOUNDRY COMPANY, LIMITED

BOARD OF DIRECTORS

V. M. DRURY	- -	<i>President</i>	
W. F. ANGUS	- -	<i>Vice-President</i>	
L. A. PETO	- -	<i>Vice-President and</i> <i>General Manager</i>	
HON. C. P. BEAUBIEN, K.C., MONTREAL			W. A. EDEN, MONTREAL
SIR HUGO CUNLIFFE-OWEN, BART., LONDON, ENGLAND			J. C. NEWMAN, MONTREAL
			HON. LORNE C. WEBSTER, MONTREAL

EXECUTIVE OFFICERS

V. M. DRURY	- -	<i>President</i>	
L. A. PETO	- -	<i>Vice-President and</i> <i>General Manager</i>	
W. S. ATWOOD	- -	<i>Vice-President</i>	
A. C. BOURNE	- -	<i>Secretary</i>	
P. C. McLACHLAN	-	<i>Comptroller and Treasurer</i>	



GENERAL OFFICES

621 CRAIG STREET WEST, MONTREAL



SOLICITORS

WAINWRIGHT, ELDER & McDOUGALL, MONTREAL



BANKERS

BANK OF MONTREAL
THE ROYAL BANK OF CANADA

CANADIAN CAR & FOUNDRY COMPANY, LIMITED

AND WHOLLY OWNED SUBSIDIARY COMPANIES

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CONSOLIDATED STATEMENT OF EARNED SURPLUS

September 30, 1939

Combined net operating loss for the Fiscal Year ending September 30, 1939, before charging depreciation.....		\$50,798.85
 LESS:		
Dividend received from partly owned Subsidiary	\$37,143.00	
Interest on Investments.....	178.43	
Profit on Investments.....	115.63	37,437.06
		13,361.79
 ADD:		
Fees of Directors and Executive Committee...	8,724.68	
Salaries of Officers.....	81,300.00	
Legal Expenses.....	4,359.93	94,384.61
		107,746.40
 Loss for the Fiscal Year before charging Depreciation.....		
		107,746.40
 ADD DEPRECIATION:		
On property written off during the year.....	58,628.90	
Additional reserve provided.....	338,439.92	397,068.82
		504,815.22
 Loss for the Fiscal Year.....		
		504,815.22
 Surplus at September 30, 1938.....		
		3,542,277.09
		3,037,461.87
 DEDUCT:		
Dividends declared on Preference Stock:		
For current year 88¢ per share.....		249,141.20
		249,141.20
 SURPLUS carried forward September 30, 1939.....		
		\$2,788,320.67
		\$2,788,320.67

CANADIAN CAR & FOUNDRY COMPANY, LIMITED

AND WHOLLY OWNED SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

September 30, 1939

<u>ASSETS</u>		<u>LIABILITIES</u>	
CAPITAL ASSETS:		CAPITAL STOCK:	
Real Estate, Buildings, Machinery and Equipment at depreciated reproductive values as appraised in 1930 by the Canadian Appraisal Company, Limited, plus the cost of subsequent additions (Net).....	\$19,594,636.63	Preference:	
Less: Reserve for depreciation provided since above date.....	1,767,043.84	Seven per cent cumulative and participating.	
	\$17,827,592.79	Authorized and issued 300,000 shares of \$25 each	\$7,500,000.00
DEPOSITED with The Royal Trust Company as guarantee under Workmen's Compensation Act of Quebec—Government Bonds.....	1,500.00	Less: Purchased for	
INVESTMENTS IN AND ADVANCES TO PARTLY OWNED SUBSIDIARY COMPANY:		retirement 16,885 shares of \$25 each	422,125.00
Investment at Cost.....	408,280.00	Outstanding 283,115 shares of \$25 each	7,077,875.00
Current Account.....	5,391.69	(Dividends in arrear \$2,086,557.55)	
	413,671.69	Ordinary:	
SUBSCRIPTION TO SHARES OF CANADIAN ASSOCIATED AIRCRAFT LIMITED.....	166,700.00	Authorized 400,000 shares of no par value.	
INVESTMENT IN BURNELLI AIRCRAFT CORPORATION, at cost.....	75,000.00	Issued 365,800 shares.....	9,145,000.00
CURRENT ASSETS:			\$16,222,875.00
Inventories of manufactured and partly manufactured products, materials and supplies, certified by responsible officials of the Company, valued at cost or market prices, whichever were lower (less reserve), also expenditures on British Air Ministry contracts less relative progress billings.	3,434,545.88	CURRENT LIABILITIES:	
Accounts Receivable (less reserve).....	1,001,678.63	Bank Loans Secured.....	2,280,000.00
Cash in Bank.....	371,486.92	Accounts Payable and Payrolls.....	827,178.82
	4,807,711.43	Balance payable on subscription for shares of Canadian Associated Aircraft Limited.....	82,600.00
DEFERRED CHARGES.....	143,570.17	Provision for Dominion, Provincial and other Taxes.....	127,644.94
	\$23,435,746.08		3,317,423.76
		OPERATING AND MISCELLANEOUS RESERVES.....	266,000.00
		CAPITAL SURPLUS:	
		Balance at September 30, 1938.....	847,998.30
		Minor Adjustments during year—Net.....	6,871.65
			841,126.65
		EARNED SURPLUS, as per attached statement.....	2,788,320.67
			\$23,435,746.08

AUDITORS' REPORT TO THE SHAREHOLDERS:

We have made an examination of the books and accounts of the Canadian Car & Foundry Company, Limited, and its wholly owned Subsidiary Companies for the year ending September 30, 1939, and have obtained all the information and explanations which we have required; and we report that, in our opinion, the above Consolidated Balance Sheet at September 30, 1939, is properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of the Canadian Car & Foundry Company, Limited, and its wholly owned Subsidiary Companies, after making provision of \$397,068.82 on account of depreciation for the year, according to the best of our information and the explanations given to us and as shown by the books of these companies.

In accordance with the provisions of Section 114 of the Companies Act 1934, we also report that the profits of a partly owned subsidiary company have been included in the above accounts only to the extent of the dividends declared and received therefrom, the balance of profits being carried forward on the books of the subsidiary company.

PRICE, WATERHOUSE & CO.,
Auditors.

MONTREAL, December 12th, 1939.

Approved on behalf of the Board:

V. M. DRURY
Director

L. A. PETO,
Vice-President and General Manager.

W. F. ANGUS,
Director

THIRTIETH ANNUAL REPORT

Year Ending September 30, 1939

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TO THE SHAREHOLDERS:

Your Directors submit herewith the Thirtieth Annual Report of your Company and of its wholly owned subsidiary Companies, covering combined operations for the year ending September 30, 1939.

You will note from the Profit and Loss Account that the operations for the year show a loss of \$504,815.22 after all charges, including \$397,068.82 for depreciation, for the reason that the volume of car orders received during the year was the equivalent of only one month's normal output of your Car Shops. As a result your Steel, Malleable and Wheel Foundries, Spring Shops and other subsidiary departments which contribute to the manufacture of freight and passenger cars were also on correspondingly short time. These conditions were not anticipated a year ago, at which time prospects for car business seemed to justify expectations of as good a year as that enjoyed during 1938.

During the year your Directors authorized participation by your Company in the formation of Canadian Associated Aircraft Limited, with an obligation to subscribe for shares in that Company to the value of \$166,700.00. Your Company thereby became a subcontractor to Canadian Associated Aircraft Limited on orders received by that Company from the British Government. The work thus subcontracted for is now progressing satisfactorily at your Montreal properties.

In addition to the above your Company also received a contract direct from the British Government for the manufacture of first-line aircraft at your Fort William Shops, and deliveries will be made promptly to schedule. An additional contract for Fort William is now under negotiation.

These aircraft contracts have necessitated extensive jiggling and tooling, which will permit a quickly accelerating rate of output in the fiscal period upon which we have now embarked. This preparatory work naturally has not contributed to a profitable operation during the past year.

The extension of your Company's Aircraft Division in the Montreal area, by reason of its participation in Canadian Associated Aircraft, Limited, made it necessary for us to provide a substantial floor area and equipment, which was done at the western extremity of your Turcot property, on the site of the old Thos. Davidson factory, which had been previously acquired for the sum of \$18,000.00. The main buildings were fully utilized, and the cost of remodelling and adding thereto, and equipping it for production, has been \$355,000.00. Further expenditures totalling \$98,000.00 were necessary at your Fort William Shops, in order to meet the specifications and deliveries required by the British Government. Additions to the extent of \$120,000.00 were made at your Point St. Charles Machine Shop in Montreal, which plant supplements the work of the Aircraft Division at Montreal and Fort William on production work as well as in jigging and tooling. The re-modelling of your Wheel Foundry at the Turcot Plant was undertaken during the year at a cost of \$107,000.00. No major repairs had been made to this Wheel Foundry for over 30 years, and the replacement of the wheel pits and general modernization was necessary to meet the requirements of present day specifications. At your Steel Foundry at Longue Pointe, Montreal, it was found necessary to provide new locomotive cranes, and a substantial amount of new equipment which will permit increased efficiency and economy of operation. Expenditures on these improvements at your Longue Pointe property totalled \$123,000.00. Your plants are now in excellent shape to meet the necessary demands in our regular lines of business.

Preferred Dividends in the amount of \$249,141.20 were paid during the year.

The Canadian Government has recently ordered from your Company a total of 2,200 freight cars of various types for delivery to the Canadian National and Canadian Pacific Railways during the year 1940. We have built and are now delivering 12 passenger cars to the Trinidad Government Railways.

Your Directors look forward, with confidence, to the fiscal year we are now entering.

Since the end of your Company's fiscal year your American subsidiary, "Agency of Canadian Car & Foundry Company, Limited", a New York corporation, has received an award from the Mixed Claims Commission for damages against the German

government for sabotage committed during the period of United States neutrality in the last war. The Agency Company's award is for \$5,871,105.20, with interest at the rate of five percent per annum from January 31, 1917, to date of payment. This award has been filed with the United States Treasury for payment, and the Agency Company is given to understand that there are sufficient funds on hand at the present time to pay at least the principal amount of the award. Certain American corporations, holders of prior awards of the Commission, on which some interest is yet due, have sought to enjoin the payment of the award to the Agency Company as well as awards to other American nationals who suffered similar sabotage losses. Counsel for the Agency Company are now engaged in resisting this attempt to further delay the payment of the award.

The operations of the Canadian General Transit Company, Limited, in which your Company owns a controlling interest, continue to expand satisfactorily.

Your Directors deeply regret to have to record the death on January 6th, 1939, of the Hon. Senator J. P. B. Casgrain, who had served as a Director of this Company since December 18th, 1935.

Your Directors also record, with deep regret, the passing of Francis H. Clergue on January 19th, 1939. The late Mr. Clergue had been a Director of the Company since January 15th, 1920, and a member of the Executive Committee since January 29th, 1920

Your Directors take this opportunity of expressing their appreciation of the loyal and efficient services rendered by the officers and employees throughout the year.

For the Directors,

V. M. DRURY,
President.

Montreal, December 12th, 1939.

