CANADIAN
CAR & FOUNDRY
COMPANY
LIMITED

THIRTY-THIRD
ANNUAL
REPORT
1942

MONTREAL - CANADA

CANADIAN CAR & FOUNDRY COMPANY

LIMITED

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CANADIAN CAR & FOUNDRY COMPANY, LIMITED

BOARD OF DIRECTORS

W. F. Angus	W. A. Eden
W. S. Atwood	G. Blair Gordon
Hon. C. P. Beaubien, K.C.	William Harty
V. M. Drury	J. C. Newman

L. A. Peto

OFFICERS

V. M. Drury, *President*

William Harty - - -	*Executive Vice-President*
L. A. Peto - - - -	*Vice-President and General Manager*
W. F. Angus - - - -	*Vice-President*
W. S. Atwood - - -	*Vice-President*
A. C. Bourne - - -	*Secretary*
P. C. McLachlan - - -	*Comptroller and Treasurer*

SOLICITORS

Wainwright & Elder, Montreal

BANKERS

Bank of Montreal
The Royal Bank of Canada

GENERAL OFFICES

621 Craig Street West, Montreal

CANADIAN CAR & FOUNDRY COMPANY, LIMITED

AND WHOLLY OWNED SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS AT SEPTEMBER 30, 1942

Combined net operating profit for the fiscal year ending September 30, 1942, before taking into account the items shown below....			$5,011,292.58
Add:			
Dividend received from partly owned subsidiary		$ 70,593.75	
Income from Other Investments.............		23,259.72	93,853.47
Total Revenue..................................			5,105,146.05
Deduct:			
Fees of Directors and Executive Committee...		5,755.16	
Salaries of Officers..........................		134,971.16	
Legal Expenses...............................		7,691.59	148,417.91
Profit for the fiscal year before charging Depreciation and providing for Income and Excess Profits Taxes......................			4,956,728.14
Deduct: Depreciation:			
Property written off during the year..........		184,670.69	
Normal Depreciation.........................		350,610.13	
Special Depreciation.........................		1,323,063.47	1,858,344.29
Balance of Profits.............................			3,098,383.85
Deduct:			
Provision for Income and Excess Profits Taxes including the Refundable portion of the Excess Profits Taxes, viz., $73,161.85			2,140,000.00
Net Profit for the fiscal year.....................			958,383.85
Surplus at September 30, 1941....................		7,564,905.08	
Add: Profit on Exchange........................		150,500.00	
		$7,715,405.08	
Deduct:			
Provision for Dominion Income and Excess Profits Taxes on dividends received from Agency of Canadian Car and Foundry Company, Limited and United States withholding tax deducted at source......................	$752,500.00		
Prior year adjustments (net) including additional special depreciation for year ending September 30, 1941, $161,158.09	44,088.20	796,588.20	6,918,816.88
Deduct:			$7,877,200.73
Dividends declared and paid on Preference Shares—$1.75 per share.......................................			490,000.00
Balance of Surplus at September 30, 1942.............			$7,387,200.73

CANADIAN CAR & FOUNDRY COMPANY, LIMITED

AND WHOLLY OWNED SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

at September 30, 1942

(EXPRESSED IN CANADIAN DOLLARS)

ASSETS

CAPITAL ASSETS:			
Land, 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)			
Land	$ 1,817,895.92		
Buildings, Machinery and Equipment	16,306,311.37		
Together	18,124,207.29		
LESS: Reserve for depreciation provided since above date	2,736,709.84	$15,387,497.45	
NOTE—The net property value subject to future depreciation for income tax purposes is approximately $7,100,000.00.			
Capital Expenditure re War Contracts	$3,977,882.08		
LESS: Special Depreciation thereon.	2,063,251.80		
		1,914,630.28	
			17,302,127.73
INVESTMENT IN AND ADVANCES TO PARTLY OWNED SUBSIDIARY COMPANY:			
Investment at Cost		$ 470,625.00	
Current Account		231,541.51	
			702,166.51
INVESTMENTS IN OTHER COMPANIES, at cost:			
Canadian Associated Aircraft Limited		$ 166,700.00	
Central Aircraft Corporation		75,000.00	
Canadian Car Munitions Limited		1,000.00	
			242,700.00
DEFERRED ACCOUNT RECEIVABLE:			
Refundable portion of Excess Profits Taxes			73,161.85
CURRENT ASSETS:			
Stocks 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 Government contracts less relative progress billings		$11,184,078.98	
Accounts Receivable (less reserve)		6,226,424.86	
Investment in Dominion of Canada Bonds (Market value $75,000.00)		74,062.50	
Cash on hand and with Bankers		4,042,504.12	
			21,527,070.46
DEFERRED CHARGES			186,150.24
			$40,033,376.79

LIABILITIES

CAPITAL STOCK:			
Preference—Seven per cent cumulative and participating.			
Authorized and issued 300,000 shares of $25.00 ea.		$7,500,000.00	
Less. Purchased for Retirement 20,000 shares of $25.00 ea.		500,000.00	
Outstanding 280,000 shares of $25.00 ea.		$7,000,000.00	
(Dividends in arrear $2,674,000.00) ($9.55 per share)			
Ordinary:			
Authorized 400,000 shares of no par value.			
Issued 365,800 shares of no par value.		9,145,000.00	
			16,145,000.00
CURRENT LIABILITIES:			
Bank Loans—Secured		4,317,000.00	
Accounts Payable and Payrolls		5,364,555.94	
Provision for Income and other taxes		5,191,515.70	
Dividend Payable		120,400.00	
			14,993,471.64
OPERATING AND MISCELLANEOUS RESERVES			616,000.00
DEFERRED CREDIT representing unrealized exchange differences			81,963.97
SURPLUS ACCOUNTS:			
Capital Surplus:			
Balance at September 30, 1941	$809,107.42		
LESS: Proportion of Net Loss in respect of Properties sold and equipment scrapped during year	72,528.82		
		736,578.60	
Refundable portion of Excess Profits Taxes		73,161.85	
Earned Surplus per attached statement		7,387,200.73	
			8,196,941.18
			$40,033,376.79

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, 1942, and have obtained all the information and explanations which we have required. Provision has been made for Income and Profits Taxes in respect to the current year's operations of the Company and its subsidiaries in amounts considered by the Management to be sufficient and this provision is subject to final determination by the Income Tax Department, but no provision has beeo made for possible taxes that may be payable in connection with the ultimate distribution of the surplus of the Agency of the Canadian Car & Foundry Company, Limited—a wholly owned subsidiary operating in the United States.

On the above basis we report that, in our opinion, the above Consolidated Balance Sheet at September 30, 1942, 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 $1,673,673.60 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 23, 1942.

Approved on behalf of the Board:

V. M. DRURY,
Director.

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

W. F. ANGUS,
Director.

THIRTY-THIRD ANNUAL REPORT

Year Ending September 30, 1942

To the Shareholders:

Your Directors submit herewith the Thirty-Third Annual Report of your Company and of its wholly owned Subsidiary Companies, covering combined operations for the year ending September 30th, 1942.

The report shows net earnings for the year, before provision for Depreciation, and for Income Taxes, of $4,956,728.14, against a corresponding figure of $2,294,759.87 last year. The excess of Current Assets over Current Liabilities amounts to $6,533,598.82, a reduction of $1,329,020.90 as compared with the corresponding figure of last year, after providing for Income Taxes. A comparison of the value shown for your Capital Assets, as compared with corresponding figure of last year, reveals that approximately $2,500,000.00 was expended in providing additional floor space and equipment to carry out the various Government contracts which have been allotted to us. These expenditures are being written off over a period of from two to three years, depending upon the duration of the respective contracts. The increase in the amount written off during the year for depreciation, Ordinary and Special, reduced the net addition to Capital Assets for the fiscal period to approximately $600,000.00.

Bank loans stand at $4,317,000.00, representing a reduction of $1,073,400.00 from the corresponding figure of last year. This reduction in bank loans was made possible by the receipt of a dividend from Agency of Canadian Car & Foundry Company, Limited, of the equivalent of $3,500,000.00 United States funds.

The Profit and Loss Account shows an extraordinary provision of $752,500.00 additional for United States Government and Canadian Government taxes on the dividend which was declared by the Agency Company during the period under review. The tax on this particular transaction is heavier than was anticipated, and the Reserve created last year for taxes, due to both Governments, must be allowed to stand until negotiations between the Agency Company and the United States Government are completed.

Car business continued to suffer owing to the shortage of materials which has been created by war-time requirements. However, during the year we have been able to deliver freight car equipment to the value of approximately $4,000,000.00, of which three-quarters of a million dollars was for export. We also delivered in Canada thirty-five (35) passenger cars and sixty (60) street cars, of a total aggregate value of approximately $3,000,000.00. Uncompleted car orders on hand at the end of the fiscal year aggregated in value more than $20,000,000.00, of which an amount in excess of $6,000,000.00 is for export.

Work on aircraft contracts has been continuously hampered by the difficulty in obtaining essential materials, but the achievements by all of your plants on this type of work has been satisfactory. The construction of Hurricane aircraft is rapidly nearing completion, and work is already underway in preparation for the production of Curtiss Navy Dive Bombers, which have been ordered from us by the United States Government through the Department of Munitions and Supply. The production of the Anson (twin-engine advance trainer) will continue throughout the coming calendar year. The wings for this aircraft are constructed in your Montreal Car Plants, and the assembly and fly-away takes place at Amherst, Nova Scotia, where your plant has also been extended to handle repair and maintenance work for training and operational machines in the Maritime area.

Additional orders have been received for substantial quantities of our aeroplane propellers (Hoover design) which were brought into production last year. The supply of propeller blades to the United States Government, mentioned in the last Annual Report, has been continuous to date.

The production of shells of large calibre has continued satisfactorily throughout the fiscal year, and is expected to continue uninterruptedly throughout the next calendar year.

The Cherrier Plant of Canadian Car Munitions, Limited, has been in full production during the past fiscal year, and is now producing, and has done so during the whole of this calendar year, at a rate approximately double the capacity for which the Plant was designed and built. This operation is conducted entirely with Government funds, and the large variety of work undertaken there, with an average employment of about 12,000 persons, has made substantial demands on the personnel of your organization. Our work of supervision and management is performed for a nominal fee, being considered by your Directors as a contribution to the war effort of the Empire.

During the past fiscal year, Agency of Canadian Car & Foundry Company, Limited, received a further recovery of $151,484.00. Steps are being taken in an endeavour to secure further payments on the balance of approximately $8,000,000.00 which still remains due to the Company.

The operations of Canadian General Transit Company Limited (a partly owned Subsidiary Company) continue to show substantial progress.

Within a few days of the mailing of this report, notices will be going forward to shareholders of meetings to be called pursuant to court order to consider a Plan providing for disposition of the arrears of dividends on your Company's Preference shares. At the last annual meeting your Directors were requested to develop such a Plan, and the above-mentioned Plan based on suggestions made by representatives of both classes of stock has been prepared accordingly.

On July 27th, 1942, Mr. G. Blair Gordon was elected a Director of your Company in succession to the late Hon. Lorne C. Webster.

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 29th, 1942.

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