

**NATIONAL  
STEEL CAR  
CORPORATION  
LIMITED**

**NINETEENTH  
ANNUAL  
REPORT  
JUNE THIRTIETH  
1939**

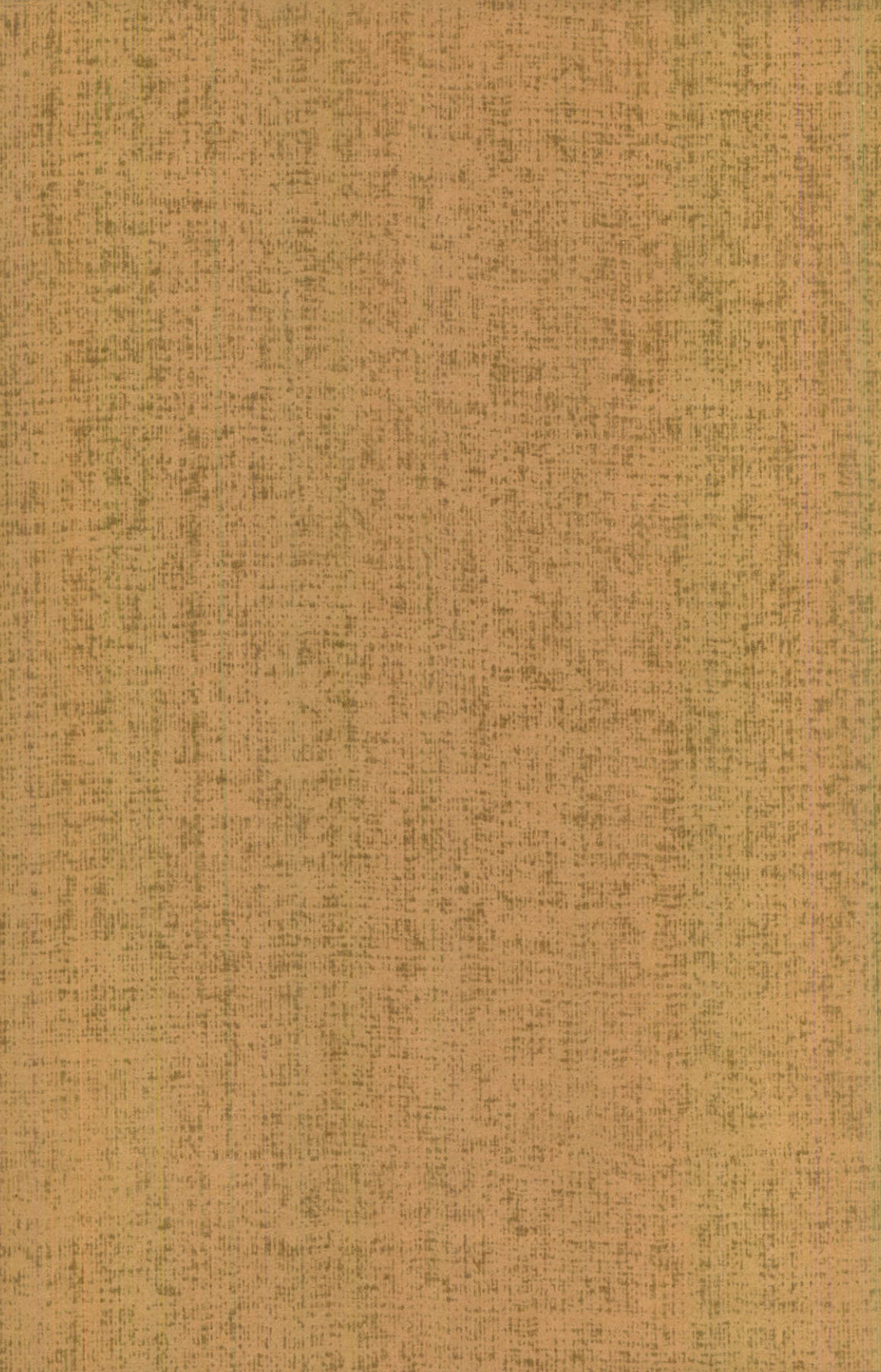
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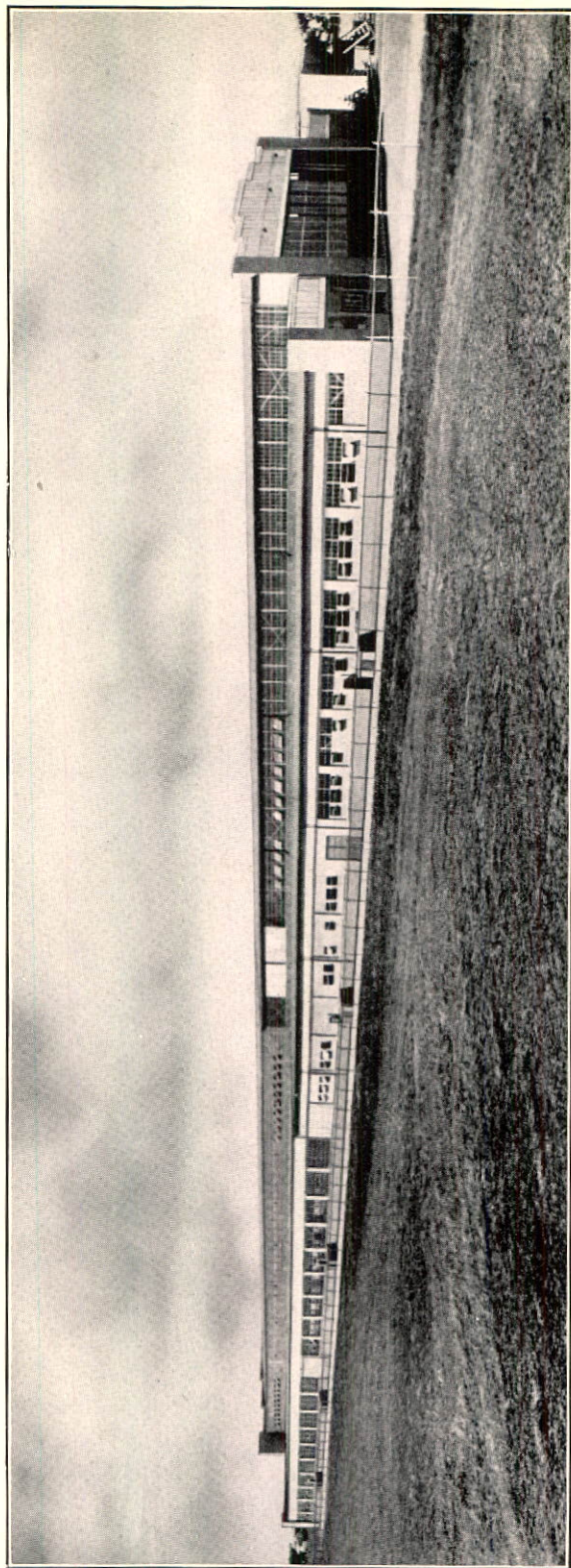
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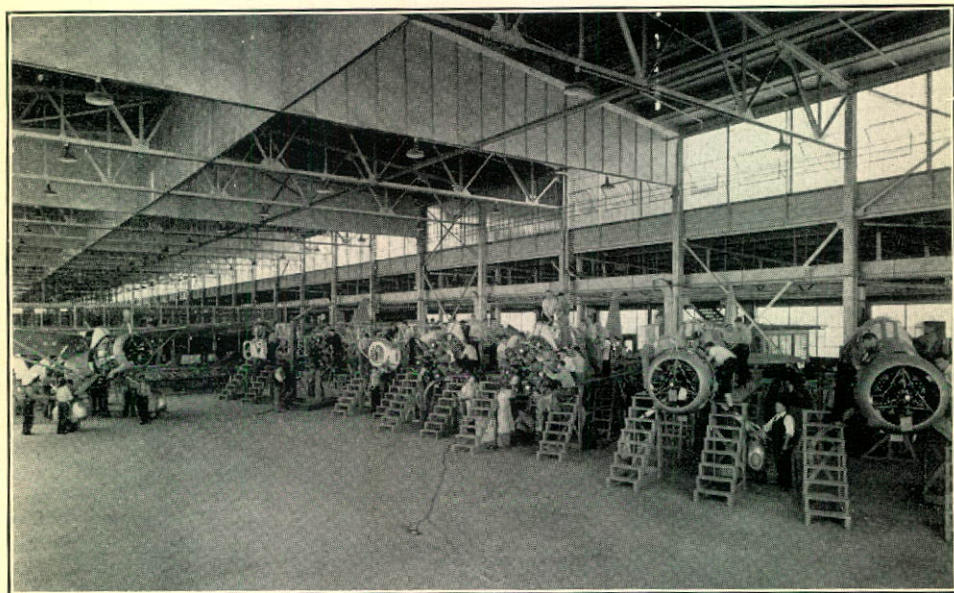




Manufacturing and Assembly Aircraft Plant at Malton



Interior View of the Machine Department



Interior View of the Assembly Department





First Westland Lysander II Aircraft Built for the Royal Canadian Air Force

## BOARD *of* DIRECTORS

ROBERT J. MAGOR, Chairman

HUGH N. BAIRD

GLYN OSLER, K.C.

RUSSELL D. BELL

F. E. MEREDITH, K.C.

D. B. DEWAR

LEO C. McCLOSKEY

## OFFICERS

ROBERT J. MAGOR . . . . . PRESIDENT

HUGH N. BAIRD . . . . . VICE-PRESIDENT

ROBERT S. HART . . . . . VICE-PRESIDENT

CHARLES W. ADAM . . . . . SECRETARY-TREASURER

ABRAM VAN HASSEL . . . . . ASSISTANT SECY.-TREAS.

## BANKERS

THE CANADIAN BANK OF COMMERCE

BARCLAYS BANK LIMITED

## SOLICITORS

BLAKE, LASH, ANGLIN & CASSELS, TORONTO, ONTARIO

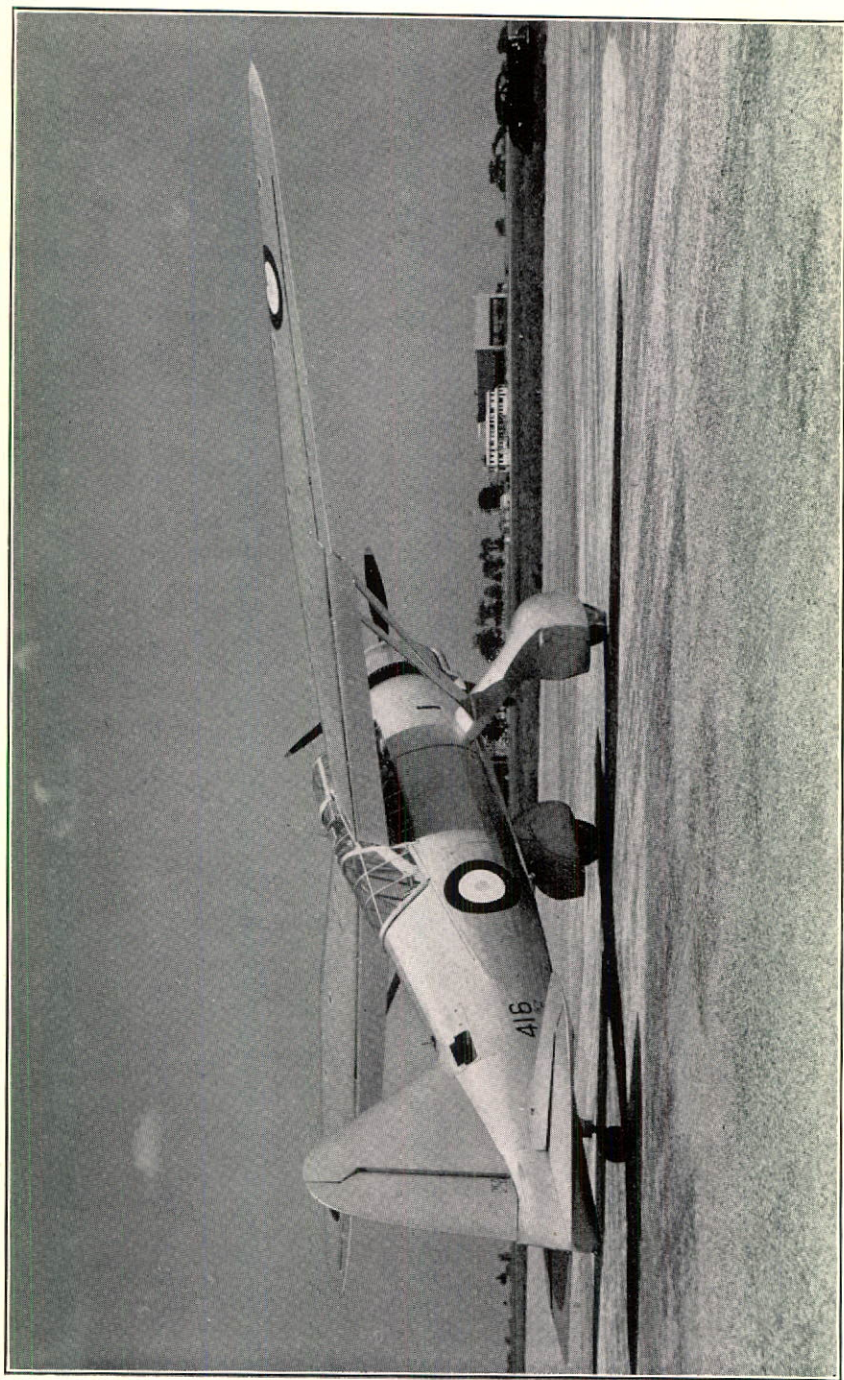
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GENERAL OFFICES, HAMILTON, ONTARIO

EXECUTIVE AND SALES OFFICE

437 ST. JAMES ST., MONTREAL, QUEBEC





First Westland Lysander II Aircraft Built for the Royal Canadian Air Force



To the Shareholders:

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It is with deep regret that your Directors record the death on February 16th, 1939, of W. E. Phin, of Hamilton, who served continuously as a Director since February 6th, 1928.

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A balance sheet as at June 30th, 1939, together with Statement of Profit and Loss and Surplus Accounts for the year ending on that date are submitted herewith.

The net profit for the year ending June 30th, 1939, was \$630,106.13 as compared with \$1,205,396.49 for the year ending June 30th, 1938, a decrease in the later year of \$575,290.36. In last year's report a paragraph dealing with the profits for that year referred to the fact that, due to business produced in the year being booked in the previous year, a more accurate view of the results would be afforded by averaging the combined profits of the two years ending June 30th, 1937 and 1938, which annual average was \$683,189.86. It will, therefore, be seen that the profit for the year under review is very little less than the average annual profits of the two previous fiscal periods.

There has been reserved for depreciation of buildings, plant and machinery, an amount of \$151,999.25, which is the maximum amount allowable on buildings and equipment other than special equipment as a charge against taxable profits. In addition a provision of \$105,826.32 for amortization of special equipment has been made.

Since your management has been working for some time on a study of improved facilities for the more economical and efficient production of important items entering into the steel part of the construction of modern railroad cars and other special lines of production, and also in view of the fact that your Corporation has been participating in the production of British and also Canadian Defence requirements, your Directors decided to combine the financing of the requirements for the extraordinary expenditures involved in the necessary extensions by offering an additional number of shares of the Company's Capital Stock to existing shareholders at an attractive price. On December 17th, 1938, a circular was mailed, embodying the Balance Sheet of the Corporation as at November 30th, 1938,

and a summary of your Corporation's capital expenditures covering the years 1937, 1938 and projected for 1939. Also enclosed was notice of a special Shareholders' Meeting, to be held in Hamilton, on Wednesday, December 28th, 1938, for the purpose of authorizing an increase of 120,000 shares in the capital stock of the Corporation, from 130,000 to 250,000 shares. The circular also stated that if this increase in capital were approved, it was proposed to offer 45,500 shares for sale to the Shareholders, on the basis of  $3\frac{1}{2}$  shares for every 10 shares held at \$35.00 per new share. The proposed increase of capital was unanimously approved by a very large vote and the offer was duly made.

The response to this offer may be of interest:—

Shares offered shareholders as of record January 3rd, 1939 .....	45,500
Total subscribed .....	45,378
No response (less than $\frac{3}{10}$ of 1%) .....	122
These 122 shares have been taken up by the Underwriters.	

Although many thousands of shares are held in Great Britain and a scattering in distant British dependencies, every share was accounted for.

The owners of the following number of shares were not heard from: Canada 7—5/20: France 9—2/20: Portugal 1—1/20: United States 94—3/20. The remaining 10—9/20 represented untraceable fractional warrants. The subscription by United States shareholders was remarkable, because owing to the provisions of the United States Securities Act, we were precluded from communicating this offer to the holders of shares in that country.

Notwithstanding the low price at which this issue was offered, your Directors desire to record their appreciation to the Shareholders for the manner in which it was taken up.

At the close of the year under review, the major part of the expenditures for extensions for which this money was raised had been completed and provision has been made in the current liabilities shown on the attached Balance Sheet for all unpaid bills and obligations in connection with this work.

The important transactions referred to above have had a material effect on the financial position of the Company. The



capital expenditures during the year amounted to \$984,196.71. The working capital at June 30th, 1939, was \$2,765,482.86, as compared with \$1,779,976.12 at the beginning of the year, an increase of \$985,506.74; the Company has also acquired at a cost of \$166,666.67, an interest in the share capital of Canadian Associated Aircraft Limited, on account of which \$84,100.00 have been paid, and the balance of the installments payable in this connection has been provided for in the current liabilities. For your information, a statement of the funds provided during the year and the disposition of such funds is given below:—

Funds Provided:

From sale of 45,500 shares of Capital Stock without nominal or par value .....	\$ 1,592,500.00
From Profits from Operations	
Net Profits .....	\$630,106.13
Add:—Provision for Depreciation....	151,999.25
	<hr/> 782,105.38
Increase in reserve for completion of Contracts	68,964.15
	<hr/> \$ 2,443,569.53
	<hr/>

Disposition of Funds Provided—

Dividends Paid .....	\$ 305,500.00
Capital Expenditures .....	984,196.71
Shares of Canadian Associated Aircraft Limited	166,666.67
Increase in Deferred Charges .....	1,699.41

Increase in Working Capital—

	June 30/38	June 30/39	
Current Assets .....	\$3,615,873.41	\$3,946,299.50	
Current Liabilities ..	1,835,897.29	1,180,816.64	
	<hr/>	<hr/>	
Working Capital ..	\$1,779,976.12	2,765,482.86	985,506.74
			<hr/>
			\$ 2,443,569.53
			<hr/>

In accordance with the resolution passed at the Annual General Meeting held on September 14th, 1938, the Capital Surplus has been charged with all dividends declared during the

years ending 30th June, 1938 and 1939, and now stands at \$368,825.95.

The recent expenditures are due principally to your Corporation's participation in the production of British and also Canadian defence requirements and to improve our Car Shop facilities. The Directors' report of one year ago reflected expenditures of \$495,266.63, on building and equipping an aircraft plant on the Toronto-Malton Airport at Malton, Ontario, for the production of aircraft for the Canadian Government. Since that time the Canadian Associated Aircraft Limited, in which your Company has acquired an important shareholding, was formed and as a result of negotiations with the British Air Ministry, it has been necessary for your Corporation to install additional aircraft manufacturing facilities in accordance with the undertaking entered into.

Your Directors feel, as a matter of interest, you would wish to know of the progress made in our aircraft development. On the 13th of April, 1938, the ground was first broken on the Malton Airport. In fifty-two working days all the building contracts were completed. By the end of September all the machinery was installed and in operation on the production of jigs for the first order of aircraft. These were sufficiently far advanced during March to start working on aeroplane material as it commenced to arrive. The work on the first order for the Canadian Government is well advanced and is up to the Company's obligations in respect of time.

These results have and are being secured by an organization consisting mostly of a young Canadian personnel. Of a constantly growing Organization, (which now totals over 600) over 90% are either in their late teens or early twenties. The results secured have been excellent, and with the constant application of executive attention to detail, continued improvements in technique and efficiency will be obtained. To help secure maximum results, the Organization has been supplied with the very best shop and machine facilities which technical ability and money could supply.

Dividends are being paid currently. Four quarterly dividends, at 50c each per share, have been paid during the year under review.



Mr. Leo C. McCloskey, of Toronto, Vice-President of Imperial Oil Limited, was elected to the Board to fill the vacancy caused by the death of Mr. W. E. Phin.

It is felt by your Directors that substantial progress has been made by your Corporation during the year and considering the difficulties, incident to the production of new commodities and plant extensions, full credit is extended to the whole staff for the results secured.

Respectfully submitted on behalf of the Directors.

ROBERT J. MAGOR,  
Chairman and President.

August 26, 1939.

## Balance Sheet,

## ASSETS

## CURRENT ASSETS:

Cash on hand and in bank .....	\$ 753,933.45
Call loans and accrued interest .....	826,376.75
Investment in bonds, at cost and accrued interest (Market value \$389,660.83).....	395,763.33
Accounts receivable .....	739,673.36
Cash surrender value of life insurance policy .....	170,000.00
Inventories of raw materials, supplies, work in process, and finished stock, valued on the basis of cost or market prices, which ever were lower—as determined and certified by responsible officials of the company .....	1,060,552.61

TOTAL CURRENT ASSETS ..... \$ 3,946,299.50

INVESTMENT IN SHARES OF CANADIAN ASSOCIATED AIRCRAFT, LIMITED.....	166,666.67
(In respect of which \$84,100.00 has been paid and the balance is included in Current Liabilities)	

## DEFERRED CHARGES:

Prepaid taxes, insurance, etc. ....	15,618.29
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PATENTS AND GOODWILL .....	1.00
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## FIXED ASSETS:

Land .....	\$ 396,588.09
Buildings, machinery and equipment .....	7,093,909.34
Estimated additional expenditures to complete plant under construction at June 30, 1939 .....	150,000.00

7,640,497.43

NOTE:—The fixed assets are valued on the basis of the book value of the predecessor company from which they were acquired in December, 1919, plus subsequent additions at cost.

\$11,769,082.89

## AUDITORS' REPORT TO

We have made an examination of the balance sheet of National Steel Car earned surplus, and capital surplus accounts for the year ending on that date. In this and obtained all the information and explanations which we required; we also made for the year but our audit of the detail transactions was confined to tests thereof, and related statements of profit and loss, earned surplus, and capital surplus accounts of the company as at June 30, 1939, and the results of the company's operations for given to us and as shown by the books of the Company.

Approved on behalf of the Board:

R. D. BELL, Director.

L. C. McCLOSKEY, Director.



June 30, 1939

## LIABILITIES

## CURRENT LIABILITIES:

Accounts payable .....	\$ 593,029.33
Estimated additional expenditures to complete plant under construction at June 30, 1939 .....	150,000.00
Balance payable on subscription for shares of Canadian Associated Aircraft, Limited .....	82,566.67
Accrued wages, etc. ....	33,598.77
Reserve for taxes .....	233,871.87
Dividend payable, July 15, 1939 .....	87,750.00

TOTAL CURRENT LIABILITIES .....	\$ 1,180,816.64
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## RESERVES:

For depreciation of buildings, machinery and equipment .....	\$ 3,036,108.20
For completion of contracts in progress .....	68,964.15
	3,105,072.35

## CAPITAL AND SURPLUS:

Capital Stock—	
Authorized—	
250,000 shares without nominal or par value .....	
Issued for cash—	
175,000 shares without nominal or par value .....	\$ 5,092,500.00

NOTE:—During the year the company's authorized capital was increased by supplementary letters patent from 130,000 shares to 250,000 shares without nominal or par value, and 45,500 of the additional shares so created were sold for \$35.00 per share cash.

Capital Surplus, as per statement attached ...	368,825.95
Earned Surplus, as per statement attached ...	2,021,867.95

TOTAL CAPITAL AND SURPLUS, represented by 175,500 shares with- out nominal or par value .....	7,483,193.90
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	<u>\$11,769,082.89</u>
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## THE SHAREHOLDERS

Corporation, Limited as at June 30, 1939, and of the statements of profit and loss, connection we examined or tested accounting records and other supporting evidence a general review of the accounting methods and of the operating and income accounts. We report that, in our opinion based upon such examinations, the above balance sheet are properly drawn up so as to exhibit a true and correct view of the state of affairs the year ending on that date according to the best of our information and explanations

PRICE, WATERHOUSE & Co.,  
Chartered Accountants.  
Toronto, August 10, 1939.

## STATEMENT OF PROFIT AND LOSS ACCOUNT

For the year ending June 30, 1939

PARTICULARS	AMOUNT
Operating profit for the year ending June 30, 1939, before providing for depreciation and income taxes, etc., as under .....	\$ 1,082,956.50
DEDUCT—	
Executive officers' salaries .....	\$ 76,400.00
Directors' fees .....	3,568.25
Legal fees .....	7,605.82
	<u>87,574.07</u>
	\$ 995,382.43
ADD—	
Income from investments .....	\$ 25,422.00
Interest on notes receivable .....	2,589.17
	<u>28,011.17</u>
PROFIT FOR THE YEAR, BEFORE PROVIDING FOR DEPRECIATION AND INCOME TAXES .....	\$ 1,023,393.60
DEDUCT—	
Provision for depreciation of buildings, plant and machinery .....	\$151,999.25
Provision for amortization of special equipment .....	105,826.32
	<u>257,825.57</u>
PROFIT FOR THE YEAR BEFORE INCOME TAXES .....	\$ 765,568.03
DEDUCT—	
Provision for Dominion and Provincial income taxes for the year ending June 30, 1939 .....	135,461.90
NET PROFIT FOR THE YEAR .....	<u><u>\$ 630,106.13</u></u>

NOTE:—In addition to the legal fees shown above, an amount of \$1,210.00 was charged to fixed assets account during the year.



## STATEMENT OF SURPLUS ACCOUNTS

For the year ending June 30, 1939

### EARNED SURPLUS:

Balance at credit, July 1, 1938 .....\$ 1,131,761.82

### ADD—

Net profit for the year ending June 30, 1939.....\$630,106.13

Dividends declared during the year ending June  
30, 1938, now charged to Capital Surplus,  
as below, and credited to this account  
under resolution of Shareholders September

14, 1938 ..... 260,000.00

890,106.13

### BALANCE AT CREDIT OF EARNED

SURPLUS, JUNE 30, 1939 ..... \$ 2,021,867.95

### CAPITAL SURPLUS:

Balance at credit, July 1, 1938 .....\$ 934,325.95

### DEDUCT—

Dividends declared during the year ending June

30, 1938 .....\$260,000.00

Dividends declared during the year ending June  
30, 1939, charged to Capital Surplus under  
resolution of Shareholders September 14,  
1938 ..... 305,500.00

565,500.00

### BALANCE AT CREDIT OF CAPITAL

SURPLUS, JUNE 30, 1939 ..... \$ 368,825.95









