

**NATIONAL
STEEL CAR
CORPORATION
LIMITED**

**TWENTIETH
ANNUAL
REPORT
JUNE THIRTIETH
1940**

▼

HAMILTON - ONTARIO - CANADA

**BURVIS HALL
LIBRARIES**

MAR 8 1946

McGILL UNIVERSITY

**NATIONAL
STEEL CAR
CORPORATION
LIMITED**

**TWENTIETH
ANNUAL
REPORT
JUNE THIRTIETH
1940**



HAMILTON - ONTARIO - CANADA

BOARD *of* DIRECTORS

ROBERT J. MAGOR, Chairman

HUGH N. BAIRD

GLYN OSLER, K.C.

RUSSELL D. BELL

F. E. MEREDITH, K.C.

R. S. HART

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

GENERAL OFFICES, HAMILTON, ONTARIO

EXECUTIVE AND SALES OFFICE

437 ST. JAMES ST., MONTREAL, QUEBEC

To the Shareholders:

It is with deep regret that your Directors record the death on October 28th, 1939, of D. B. Dewar, of Hamilton, who served continuously as a Director since December 18th, 1919.

A Balance Sheet as at June 30th, 1940, together with Statement of Profit and Loss and Surplus Accounts are submitted herewith.

The Annual Reports and Balance Sheets for the years 1938 and 1939 and the accompanying figures for the fiscal period ending June 30th, 1940, reflect substantial increases in the Fixed Assets of your Corporation and also an increase in the Capital Stock of 45,500 Shares, the amount for which these shares were sold being \$1,592,500.00. This money, plus a proportion of earnings, was used in building up the Fixed Assets from \$6,135,977.08 as of June 30th, 1937, to \$8,623,557.90 as of June 30th, 1940, an increase of \$2,487,580.82. The amount derived from the sale of 45,500 Shares, viz., \$1,592,500.00 was reflected in last year's Balance Sheet. Almost a million dollars were spent during this past year, in the completion of our Aircraft Plant on the Toronto-Malton Airport.

It will be noted that in spite of heavy capital expenditures and four quarterly dividends (of \$0.50 each, making a total of \$2.00 per share paid during the year under review), the working capital remains practically the same. At June 30th, 1939, it was \$2,765,482.86 and June 30th, 1940, \$2,706,790.25, a reduction of \$58,692.61. Since the close of the fiscal period, it has been more than made up from earnings.

Your Corporation's building programme is now substantially complete and further expenditures will be limited to reasonable amounts that will be required currently for a certain amount of machinery and the completing of general shop facilities.

Further to the above, during the year under review, other capital expenditures have been undertaken, totalling in the neighborhood of \$1,500,000.00. These units, title to which will not remain in your Corporation, are complete and in production

but are not included in the Balance Sheet, as satisfactory arrangements have been made for their complete liquidation, without any liability to your Corporation.

The depreciation on the Fixed Assets has resulted in bringing our reserve for depreciation up from \$3,036,108.20 to \$3,954,825.39. The net profit for the year is shown at \$463,459.85.

Our total current assets stand at \$5,201,500.43 against last year \$3,946,299.50, an increase of \$1,255,200.93. Current liabilities are shown at \$2,494,710.18 against \$1,180,816.64 for 1939, an increase of \$1,313,893.54.

Mr. R. S. Hart, of Hamilton, Vice-President of your Corporation, was elected to the Board to fill the vacancy caused by the death of Mr. D. B. Dewar.

The highly satisfactory results of the year's operations speak for themselves. From the point of view of building new structures, installing highly specialized machinery and in the production of new products, the staff of your Corporation has passed through probably the most difficult period of its history and, as the production secured has been so creditable, the Directors extend their sincere congratulations.

Respectfully submitted on behalf of the Directors.

ROBERT J. MAGOR,
Chairman and President.

September 3, 1940.

Balance Sheet,

ASSETS

CURRENT ASSETS:

Cash on hand and in bank	\$ 209,173.85
Investment in bonds, at cost and accrued interest (Market value \$46,687.50)	52,537.50
Accounts receivable	1,438,427.83
Cash surrender value of life insurance policy	179,500.00
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	3,321,861.25

TOTAL CURRENT ASSETS \$ 5,201,500.43

INVESTMENT IN SHARES OF CANADIAN ASSOCIATED AIRCRAFT, LIMITED..... 166,700.00

DEFERRED CHARGES:

Prepaid taxes, insurance, etc. 40,225.56

PATENTS AND GOODWILL 1.00

FIXED ASSETS:

Land	\$ 396,588.09
Buildings, machinery and equipment	8,226,969.81

8,623,557.90

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.

\$14,031,984.89

AUDITORS' REPORT TO

We have made an examination of the balance sheet of National Steel Car Corporation, surplus, and capital surplus for the year ending on that date. In this connection we examined information and explanations which we required; we made a general review of the accounts; the detail transactions was confined to tests thereof. We report that, in our opinion balance sheet, loss, earned surplus, and capital surplus are properly drawn up so as to exhibit a true and correct statement of the Company's operations for the year ending on that date according to the books of the Company.

Approved on behalf of the Board:

R. D. BELL, Director.

L. C. McCLOSKEY, Director.

June 30, 1940

LIABILITIES

CURRENT LIABILITIES:

Bank loan (secured)	\$ 775,000.00
Accounts payable	1,287,104.49
Accrued wages, etc.	84,080.49
Reserve for taxes	260,775.20
Dividend payable July 15, 1940	87,750.00

TOTAL CURRENT LIABILITIES..... \$ 2,494,710.18

RESERVE FOR DEPRECIATION OF BUILDINGS, MACHINERY AND EQUIPMENT..... 3,954,825.39

CAPITAL AND SURPLUS:

Capital Stock—

Authorized—

250,000 shares without nominal or par value

Issued for cash—

175,500 shares without nominal or par value \$ 5,092,500.00

Capital Surplus, as per statement attached ... 17,825.95

Earned Surplus, as per statement attached ... 2,472,123.37

TOTAL CAPITAL AND SURPLUS,
represented by 175,500 shares without nominal or par value 7,582,449.32

\$14,031,984.89

THE SHAREHOLDERS

ation, Limited as at June 30, 1940, and of the statements of profit and loss, earned
aminated or tested accounting records and other supporting evidence and obtained all the
nting methods and of the operating and income accounts for the year but our audit of
sed upon such examination, the above balance sheet and related statements of profit and
correct view of the state of affairs of the Company as at June 30, 1940, and the
best of our information and the explanations given to us and as shown by the books of

PRICE, WATERHOUSE & Co.,
Chartered Accountants.

Toronto, August 26, 1940.

STATEMENT OF PROFIT AND LOSS ACCOUNT

For the year ending June 30, 1940

PARTICULARS	AMOUNT
Operating profit for the year ending June 30, 1940, before providing for depreciation and income taxes, etc., as under	\$ 1,957,044.73
DEDUCT—	
Executive officers' salaries	\$ 77,733.31
Directors' fees	3,675.20
Legal fees	10,819.32
	<u>92,227.83</u>
	\$ 1,864,816.90
ADD—Income from investments	13,561.24
	<u>13,561.24</u>
PROFIT FOR THE YEAR, BEFORE PROVIDING FOR DEPRECIATION AND INCOME TAXES	\$ 1,878,378.14
DEDUCT—	
Provision for depreciation of buildings, plant and machinery	\$921,065.45
Provision for amortization of special equipment	318,852.84
	<u>1,239,918.29</u>
PROFIT FOR THE YEAR BEFORE INCOME TAXES	\$ 638,459.85
DEDUCT—Provision for Dominion and Provincial income and for excess profits taxes for the year ending June 30, 1940	175,000.00
	<u>175,000.00</u>
NET PROFIT FOR THE YEAR	<u><u>\$ 463,459.85</u></u>

STATEMENT OF SURPLUS ACCOUNTS

For the year ending June 30, 1940

PARTICULARS	AMOUNT
Earned Surplus:	
Balance at credit, July 1, 1939	\$ 2,021,867.95
DEDUCT—Prior year's income taxes	13,204.43
	<u>\$ 2,008,663.52</u>
ADD—Net profit for the year ending June 30, 1940.....	463,459.85
	<u></u>
BALANCE AT CREDIT OF EARNED SURPLUS, JUNE 30, 1940	<u><u>\$ 2,472,123.37</u></u>
Capital Surplus:	
Balance at credit, July 1, 1939	\$ 368,825.95
Dividends declared during the year ending June 30, 1940, charged to capital surplus under resolution of shareholders September 14, 1938	351,000.00
	<u></u>
BALANCE AT CREDIT OF CAPITAL SURPLUS, JUNE 30, 1940	<u><u>\$ 17,825.95</u></u>

