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*Reports*

FOR THE  
SEVEN MONTH  
FISCAL PERIOD ENDED  
JULY 31st, 1958

**DOSCO**

*Dominion Steel and Coal Corporation, Limited*

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*Aerial view of Dosco's Steel Plant at Sydney, N.S.*

# DOMINION STEEL AND COAL CORPORATION, LIMITED

Executive and General Offices: CANADA CEMENT COMPANY BUILDING, Montreal, Que.

## DIRECTORS

SIR ROY DOBSON	*CRAWFORD GORDON
J. A. BRILLANT	*C. L. GUNDY
G. C. BROADBENT	A. N. JONES
C. J. BURCHELL	*A. C. MACDONALD
*F. C. COPE	JEAN RAYMOND
AIR MARSHAL W. A. CURTIS	F. H. SOBEY
*ALBERT L. FAIRLEY, JR.	*COLIN W. WEBSTER
*R. J. WYSOR	

*\*Member of the Executive Committee*

## OFFICERS

SIR ROY DOBSON, <i>Chairman of the Board</i>
CRAWFORD GORDON, <i>President</i>
A. C. MACDONALD, <i>Chairman of the Executive Committee</i>
ALBERT L. FAIRLEY, JR., <i>Executive Vice-President</i>
G. C. BROADBENT, <i>Vice-President and Secretary</i>
J. E. CLUBB, <i>Vice-President Finance and Treasurer</i>
R. E. CROMWELL, <i>General Solicitor</i>

C. M. ANSON <i>Vice-President</i> <i>Dominion Iron &amp; Steel Limited</i>	H. R. SMITH <i>Vice-President and General Manager</i> <i>Steel Fabrication and Manufacturing</i>
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H. C. M. GORDON <i>Vice-President</i> <i>Dominion Coal Company, Limited</i>	M. A. KEAYS <i>General Manager</i> <i>Transportation</i>
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T. H. McEVoy <i>Vice-President</i> <i>Steel Sales</i>	C. W. APPLETON <i>Vice-President</i> <i>Coal Sales</i>	C. R. SNELL <i>Vice-President</i> <i>Purchasing</i>
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R. J. R. NELSON <i>Vice-President and Consultant</i> <i>Halifax Shipyards Limited</i>	A. ST.C. RYLEY <i>Vice-President and Consultant</i> <i>The Canadian Bridge Company, Limited</i>
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**DOMINION STEEL AND COAL CORPORATION, LIMITED  
AND SUBSIDIARY COMPANIES**

## **REPORT OF THE BOARD OF DIRECTORS**

### **To the Shareholders:**

Submitted herewith is the consolidated balance sheet of your Corporation and its subsidiary companies as at July 31, 1958, with relative statement of income and retained earnings for the seven months, together with the report of the auditors, Messrs. Price Waterhouse and Co. In accordance with the resolution adopted at the last annual meeting, the year end of the Corporation was changed to July 31, and therefore this report covers the seven months ended on July 31, 1958. Reports in the future will be made as at July 31, and will cover a twelve month period.

In April 1958 the Corporation purchased the outstanding minority interest in Truscon Steel Company of Canada Limited, which is now a wholly owned subsidiary and is accordingly included in the consolidated accounts at July 31, 1958.

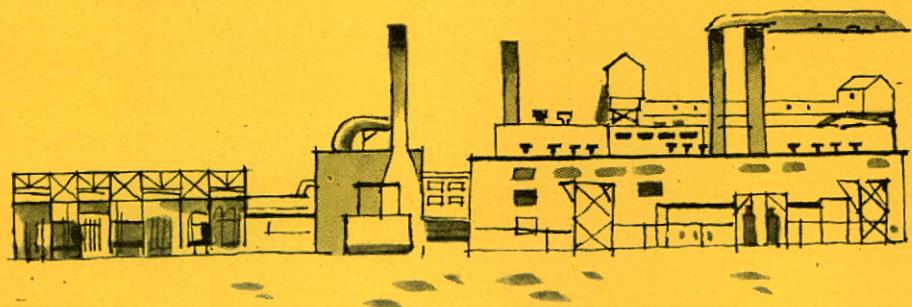
### **Income and Retained Earnings:**

The operations of the Corporation and its subsidiary companies shown on page 10 resulted in a combined net profit for the seven months of \$2,707,717 after providing for depreciation and taxes on income. This compares with a combined net profit for the preceding twelve months of \$7,112,996. After

transferring to retained earnings the net income for the seven months and deducting dividends totalling \$1,471,197, and adding \$2,999,585 representing the equity in retained earnings of Truscon Steel Company of Canada Limited not previously consolidated, the balance of retained earnings at July 31, 1958 was \$44,462,449.

### **Balance Sheet:**

Current assets total \$64,285,378, and current liabilities \$14,074,183, leaving a net working capital at July 31, 1958 of \$50,211,195 compared with \$48,907,081 at December 31, 1957. Accounts receivable are higher at July 31, 1958 due to heavy shipments in the month of July and the consolidation of Truscon accounts; inventories show a substantial reduction. Current liabilities include instalments due during the next twelve months for redemption of serial bonds and payments to sinking funds of \$857,600. Net additions to properties and plants during the seven months ended July 31, 1958 amounted to \$5,332,738 exclusive of the capital assets of Truscon Steel Company of Canada Limited brought into consolidation which, at July 31, 1958, aggregated \$2,518,246. The book value of the properties at July 31, 1958 was \$159,977,059, and at that date total reserves for depreciation were



## For The Seven Month Fiscal Period ended July 31, 1958

\$82,291,187, resulting in a consolidated net book value of \$77,685,872.

No bonds or debentures were issued during the period. The total mortgage indebtedness decreased by the repayment of the following obligations:

DOMINION STEEL AND COAL CORPORATION, LIMITED —	
1st mortgage bonds — Series "B" . . .	\$250,000
SEABOARD POWER CORPORATION LIMITED —	
1st mortgage bonds — Series "A" . . .	130,000
1st mortgage bonds — Series "B" . . .	125,000
1st mortgage bonds — Series "C" . . .	112,000
	<hr/>
	\$617,000

During the seven month period ended July 31, 1958, \$18,000 par value of the 4% convertible debentures maturing in 1961, and \$86,000 par value of the 4 1/4% convertible sinking fund debentures maturing in 1970 were presented for conversion into 5,630 ordinary shares, and at July 31, 1958, the total shares outstanding were 2,944,371.

### Contrecoeur Development:

During the period the Corporation acquired approximately 1,000 acres of land at Contrecoeur, on the St. Lawrence River, a short distance below Montreal, in anticipation of the construction of a flat rolled products mill. Plans for the mill are going forward as rapidly as possible and it is hoped that construction will start this fall. This is an important development in the history of the Corporation in supplying the ever growing market for flat rolled products and while it will not provide immediately an outlet for steel produced at the Sydney plant, future development will provide for the production of steel slabs at Sydney to be shipped to Contrecoeur for further processing.

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The Directors wish to record their gratitude to the employees and officers of the Corporation and its subsidiary and associated companies for their services rendered throughout the period.

*Submitted on behalf of the Board,*

R. H. DOBSON,  
*Chairman of the Board.*  
CRAWFORD GORDON,  
*President.*

MONTREAL, P.Q., SEPTEMBER 19, 1958.

## AUDITORS' REPORT

**TO THE SHAREHOLDERS,  
DOMINION STEEL AND COAL CORPORATION, LIMITED:**

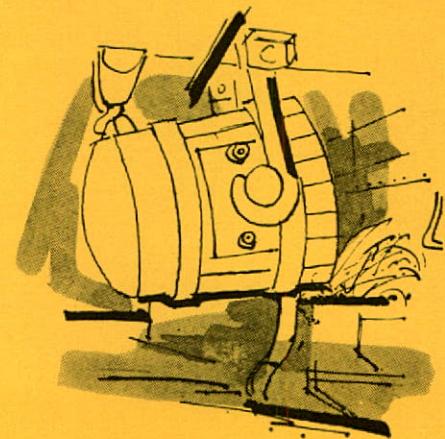
We have examined the consolidated balance sheet of Dominion Steel and Coal Corporation, Limited and subsidiary companies consolidated as at July 31 1958 and the related consolidated statement of income and retained earnings for the seven months then ended, and have obtained all the information and explanations which we required. Our examination included such tests of the accounting records and other supporting evidence and such other procedures as we considered appropriate.

In our opinion, the attached consolidated balance sheet, supplemented by the notes appended thereto, is properly drawn up so as to exhibit a true and correct view of the combined state of affairs of the companies consolidated as at July 31 1958, and the related consolidated statement of income and retained earnings presents fairly the results of the combined operations for the seven months then ended, 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.  
*Chartered Accountants*

MONTRÉAL, SEPTEMBER 17 1958

DOMINION STEEL AND COAL CORPORATION, LIMITED  
AND SUBSIDIARY COMPANIES



CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS  
for the Seven Months ended July 31 1958

	Seven months ended July 31 1958	Year ended December 31 1957
Combined income from operations, after deducting manufacturing, selling and administration expenses . . . . .	\$ 9,391,053	\$21,264,637
Non-operating income . . . . .	250,495	455,726
	<u>\$ 9,641,548</u>	<u>\$21,720,363</u>
Contributions to employees' pension fund (Note 5) . . . . .	\$ 699,939	\$ 1,751,238
Interest on bonds and debentures . . . . .	321,892	947,595
Provision for depreciation . . . . .	3,800,000	6,136,534
	<u>\$ 4,821,831</u>	<u>\$ 8,835,367</u>
	<u>\$ 4,819,717</u>	<u>\$12,884,996</u>
Provision for income taxes (Note 4)—		
Taxes for the period . . . . .	\$ 1,812,000	\$ 4,627,000
Current period's tax reductions applicable to future years. . . . .	300,000	1,145,000
	<u>\$ 2,112,000</u>	<u>\$ 5,772,000</u>
Net income for the period . . . . .	\$ 2,707,717	\$ 7,112,996
Retained earnings at beginning of period . . . . .	40,226,344	36,808,930
Equity in retained earnings of subsidiary company not previously con- solidated, less appropriation of \$225,000 to reserve for contingencies . .	2,999,585	—
Transfer from reserve for capital cost allowances, less applicable reduc- tions in income taxes. . . . .	—	10,672,430
	<u>\$45,933,646</u>	<u>\$54,594,356</u>
Appropriation to reserve for contingencies . . . . .	\$ —	\$11,725,000
Dividends . . . . .	1,471,197	2,643,012
	<u>\$ 1,471,197</u>	<u>\$14,368,012</u>
Retained earnings at end of period . . . . .	<u>\$44,462,449</u>	<u>\$40,226,344</u>

**DOMINION STEEL AND COAL CORPORATION, LIMITED  
AND SUBSIDIARY COMPANIES**

**NOTES to Consolidated Balance Sheet July 31 1958**

**Note 1 — INVENTORIES:**

Raw materials, work and contracts in progress (less progress billings \$5,432,749), finished products, stores and supplies, valued at the lower of cost or market.

**Note 2 — INVESTMENT IN SHARES OF SUBSIDIARY COMPANY NOT CONSOLIDATED:**

		Amount	
		1958	1957
Dominion Coal Company, Limited —			
*480,000 common shares of \$25 each		\$1,027,956	\$1,027,956
23,921 6% preferred shares of \$25 each	}		
Truscon Steel Company of Canada Limited —			
2,145 common shares of \$100 each		—	681,091
* 714 preferred shares of \$100 each	}		
		<u>\$1,027,956</u>	<u>\$1,709,047</u>

\*Total outstanding issue of these securities.

The Corporation's equity in the net assets shown in the accounts of Dominion Coal Company, Limited at July 31 1958 is \$9,348,000 as compared with \$8,847,000 at December 31 1957.

Truscon Steel Company of Canada Limited became a wholly owned subsidiary in 1958 and is included in the Corporation's consolidated accounts for the first time at July 31 1958.

**Note 3 — FIRST MORTGAGE BONDS:**

	Amount authorized	Issued	Retired	Outstanding
Dominion Steel and Coal Corporation, Limited . . . . .	<u>\$25,000,000</u>			
First mortgage fifteen-year 3½% bonds, series "A", due March 1 1961, \$225,000 sinking fund instalment payable an- nually March 1 1959-1960 . . . . .		\$ 1,750,000	\$ 222,000	\$ 1,528,000
First mortgage twenty-year 4% bonds, series "B", due June 1 1968, redeem- able \$250,000 annually . . . . .		5,000,000	2,250,000	2,750,000
Seaboard Power Corporation Limited . . . . .	<u>\$10,000,000</u>			
First mortgage 4% serial bonds, series "A", due \$130,000 annually May 1 1959-1971 . . . . .		2,600,000	910,000	1,690,000

	Amount authorized	Issued	Retired	Outstanding
First mortgage 5½% serial bonds, series "B", due \$125,000 annually June 15 1959-1975 . . . . .		\$2,500,000	\$375,000	\$2,125,000
First mortgage 4½% serial bonds, series "C", due \$112,000 annually June 1 1959-1977 . . . . .		2,240,000	112,000	2,128,000
The Stowell Screw Company, Limited . . .	\$ 500,000			
First mortgage 4% serial bonds, due an- nually November 1 1958-1965. . . . .		225,000	90,000	135,000
				\$10,356,000
<i>Deduct:</i> Bonds and sinking fund instalments payable within one year, included in cur- rent liabilities . . . . .				857,000
				\$ 9,499,000

**Note 4 — ACCUMULATED INCOME TAX REDUCTIONS APPLICABLE TO FUTURE YEARS:**

The current period's income tax reduction of \$300,000 shown on the consolidated statement of income and retained earnings represents the amount by which income taxes otherwise payable for the seven months ended July 31 1958 will be reduced by claiming for tax purposes capital cost allowances in excess of the depreciation for the period recorded in the accounts. This reduction in income taxes is applicable to future years when capital cost allowances deductible for tax purposes will be less than the depreciation recorded in the accounts and is accordingly included in the consolidated balance sheet, together with similar amounts in respect of prior years, as "Accumulated income tax reductions applicable to future years".

**Note 5 — RESERVE FOR CONTINGENCIES:**

As from January 1 1958 the Corporation has adopted the policy of charging pension payments for past services to reserve for contingencies after deducting related income tax credits. Such payments during the seven months ended July 31 1958 amounted to \$450,297, and after the related credit, the charge to reserve for contingencies amounted to \$238,297.

**Note 6 — CAPITAL STOCK:**

	Number of shares	Amount
Balance, December 31 1957 . . . . .	2,938,741	\$42,980,710
Issued during the seven months ended July 31 1958:		
Conversion of \$18,000 par value 4% Convertible debentures . . . . .	900	19,674
Conversion of \$86,000 par value 4½% Convertible sinking fund de- bentures, 1955 series . . . . .	4,730	84,788
Balance, July 31 1958 . . . . .	2,944,371	\$43,085,172

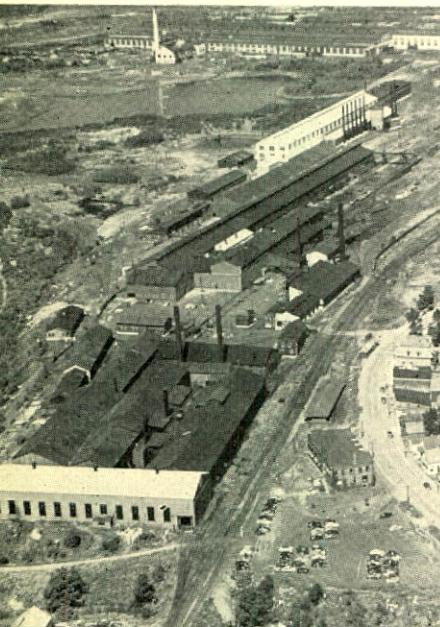
(112,545 ordinary shares are reserved for the conversion of convertible debentures)



# DOSCO

DOMINION STEEL AND COAL  
CORPORATION, LIMITED

**TWO UNITS OF THE STEEL FABRICATION AND MANUFACTURING DIVISION** — Located side by side at Ville LaSalle, Que., are the Truscon Steel and Canadian Bridge plants, both of which commenced operations in 1957. Truscon Steel (foreground) manufactures joists and fabricates reinforcing steel; Canadian Bridge produces and fabricates hydro transmission towers. Plans are underway to include bridges and heavy structurals.



## TRENTON STEEL WORKS

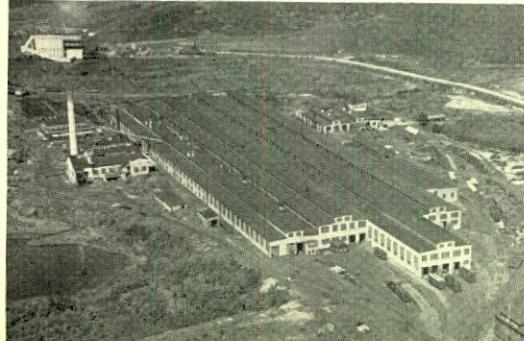
At Trenton, N.S., the principal products of this plant are forgings and railway car axles, with facilities for all types of machine work.

## LIST OF SUBSIDIARY COMPANIES INCLUDED IN THE CONSOLIDATED BALANCE SHEET AND IN THE CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS JULY 31 1958

Dominion Iron & Steel Limited  
Dominion Wabana Ore Limited  
Dominion Limestone Limited  
Dominion Shipping Company, Limited  
James Pender & Co. (Limited)  
Halifax Shipyards Limited  
Seaboard Power Corporation Limited  
The Canadian Bridge Company, Limited  
The Essex Terminal Railway Company  
Canadian Steel Lands, Limited  
Canadian Bridge Engineering Company, Limited  
Canadian Transmission Tower Company Limited  
Canadian Steel Corporation, Limited  
Graham Nail & Wire Products, Limited  
Truscon Steel Company of Canada Limited  
Canadian Tube & Steel Products, Limited  
The Stowell Screw Company, Limited  
Aluminum Industries Limited  
Nova Scotia Steel and Coal Company, Limited  
Trenton Steel Works, Limited  
Trenton Industries Limited  
Old Sydney Collieries, Limited  
The Scotia Rolling Stock Company Limited  
Acadia Coal Company Limited  
The Eastern Car Company, Limited  
Dosco Overseas Engineering Limited

## THE EASTERN CAR PLANT

Also at Trenton, N.S., this plant produces all types of railway freight cars; steel and aluminum mine cars; conveyor troughing and many other structural steel items.



# SUBSIDIARY AND ASSOCIATED COMPANIES

Acadia Coal Company Limited . . . . .	Stellarton, N.S.
Aluminum Industries Limited . . . . .	Montreal, Que.
The Canadian Bridge Company, Limited . . . . .	Walkerville, Ont.
Canadian Bridge Engineering Company, Limited . . . . .	Walkerville, Ont.
Canadian Steel Corporation, Limited . . . . .	Etobicoke, Ont.
Canadian Steel Lands, Limited . . . . .	Walkerville, Ont.
Canadian Transmission Tower Company Limited . . . . .	Montreal, Que.
Canadian Tube & Steel Products, Limited . . . . .	Montreal, Que.
Cibou Steamship Company Limited ( <i>in voluntary liquidation</i> ) . . . . .	London, Eng.
The Cumberland Railway and Coal Company . . . . .	Springhill, N.S.
Dominion Coal Company, Limited . . . . .	Sydney, N.S.
Dominion Coal Import Company Limited . . . . .	Montreal, Que.
Dominion Iron & Steel Limited . . . . .	Sydney, N.S.
Dominion Limestone Limited . . . . .	Aguathuna, Nfld.
The Dominion Rolling Stock Company Limited . . . . .	Sydney, N.S.
Dominion Shipping Company, Limited . . . . .	Sydney, N.S.
Dominion Wabana Ore Limited . . . . .	Bell Island, Nfld.
Dosco Overseas Engineering Limited . . . . .	Beaconsfield, Bucks., Eng.
Empire Housing Company Limited . . . . .	Sydney, N.S.
The Eastern Car Company, Limited . . . . .	Trenton, N.S.
The Essex Terminal Railway Company . . . . .	Walkerville, Ont.
Graham Nail & Wire Products, Limited . . . . .	Etobicoke, Ont.
Halifax Shipyards Limited . . . . .	Halifax, N.S.
Nova Scotia Steel and Coal Company, Limited . . . . .	Trenton, N.S.
Old Sydney Collieries, Limited . . . . .	Sydney Mines, N.S.
James Pender & Co. (Limited) . . . . .	Saint John, N.B.
The Scotia Rolling Stock Company Limited . . . . .	Trenton, N.S.
Seaboard Power Corporation Limited . . . . .	Sydney, N.S.
The Stowell Screw Company, Limited . . . . .	Montreal, Que.
Sydney and Louisburg Railway Company . . . . .	Sydney, N.S.
Trenton Industries Limited . . . . .	Trenton, N.S.
Trenton Steel Works, Limited . . . . .	Trenton, N.S.
Truscon Steel Company of Canada Limited . . . . .	Walkerville, Ont.

## Ore Mines and Quarries

Bell Island, Nfld.	Aguathuna, Nfld.
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## Coal Mines

Florence, N.S.	Glace Bay, N.S.	New Waterford, N.S.	Springhill, N.S.
Stellarton, N.S.		Sydney Mines, N.S.	Thorburn, N.S.

## Steel Mills and Manufacturing Plants

Sydney, N.S.	Trenton, N.S.	Ville LaSalle, Que.	Etobicoke, Ont.
Halifax, N.S.	Saint John, N.B.	Montreal, Que.	Walkerville, Ont.

## District Sales Offices and Representatives

St. John's, Nfld.	Springhill, N.S.	Ville LaSalle, Que.	Windsor, Ont.
Sydney, N.S.	Charlottetown, P.E.I.	Ottawa, Ont.	Walkerville, Ont.
Halifax, N.S.	Moncton, N.B.	Toronto, Ont.	Winnipeg, Man.
Trenton, N.S.	Saint John, N.B.	Etobicoke, Ont.	Edmonton, Alta.
Stellarton, N.S.	Quebec, Que.	London, Ont.	Vancouver, B.C.
		North Bay, Ont.	

## Export Representatives

England	Australia	New Zealand	South Africa and the Rhodesias
		British West Indies	Bermuda

## Executive and Sales Offices:

**CANADA CEMENT COMPANY**  
**BUILDING** Montreal, Que.

# DOMINION STEEL AND COAL CORPORATION, LIMITED

## OPERATING DIVISIONS

### Steel Fabrication and Manufacturing Division

ALUMINUM INDUSTRIES LIMITED  
THE CANADIAN BRIDGE COMPANY, LIMITED  
CANADIAN BRIDGE ENGINEERING COMPANY, LIMITED  
CANADIAN STEEL CORPORATION, LIMITED  
CANADIAN TRANSMISSION TOWER COMPANY LIMITED  
CANADIAN TUBE & STEEL PRODUCTS, LIMITED  
DOSCO OVERSEAS ENGINEERING LIMITED  
THE EASTERN CAR COMPANY, LIMITED  
GRAHAM NAIL & WIRE PRODUCTS, LIMITED  
HALIFAX SHIPYARDS LIMITED  
JAMES PENDER & CO. (LIMITED)  
THE STOWELL SCREW COMPANY, LIMITED  
TRENTON INDUSTRIES LIMITED  
TRENTON STEEL WORKS, LIMITED  
TRUSCON STEEL COMPANY OF CANADA LIMITED

### Steel Production Division

DOMINION IRON & STEEL LIMITED  
SEABOARD POWER CORPORATION LIMITED

### Mining Division

ACADIA COAL COMPANY LIMITED  
THE CUMBERLAND RAILWAY AND COAL COMPANY — COAL OPERATIONS  
DOMINION COAL COMPANY, LIMITED  
DOMINION LIMESTONE LIMITED  
DOMINION WABANA ORE LIMITED  
OLD SYDNEY COLLIERIES, LIMITED

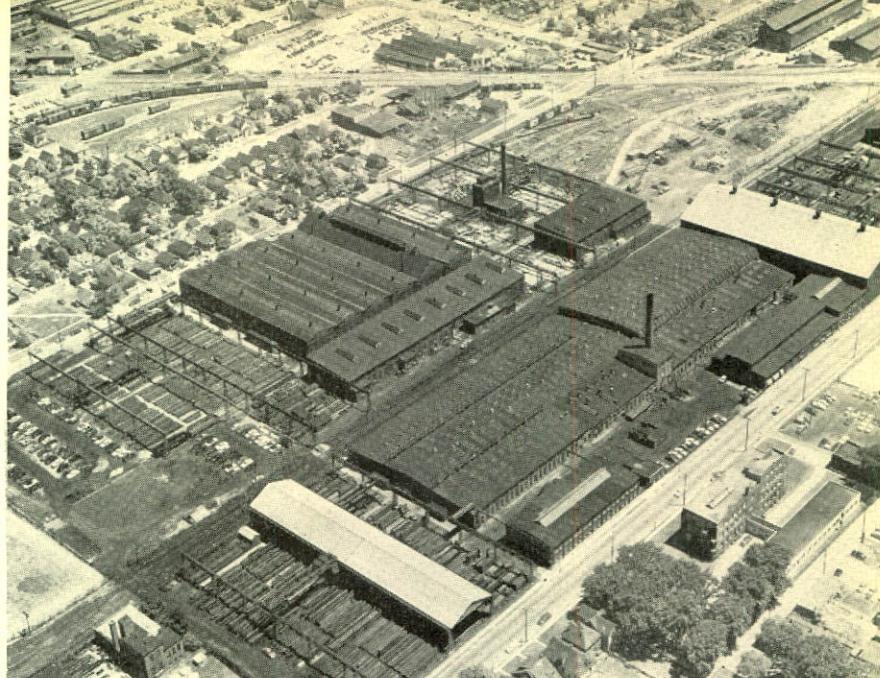
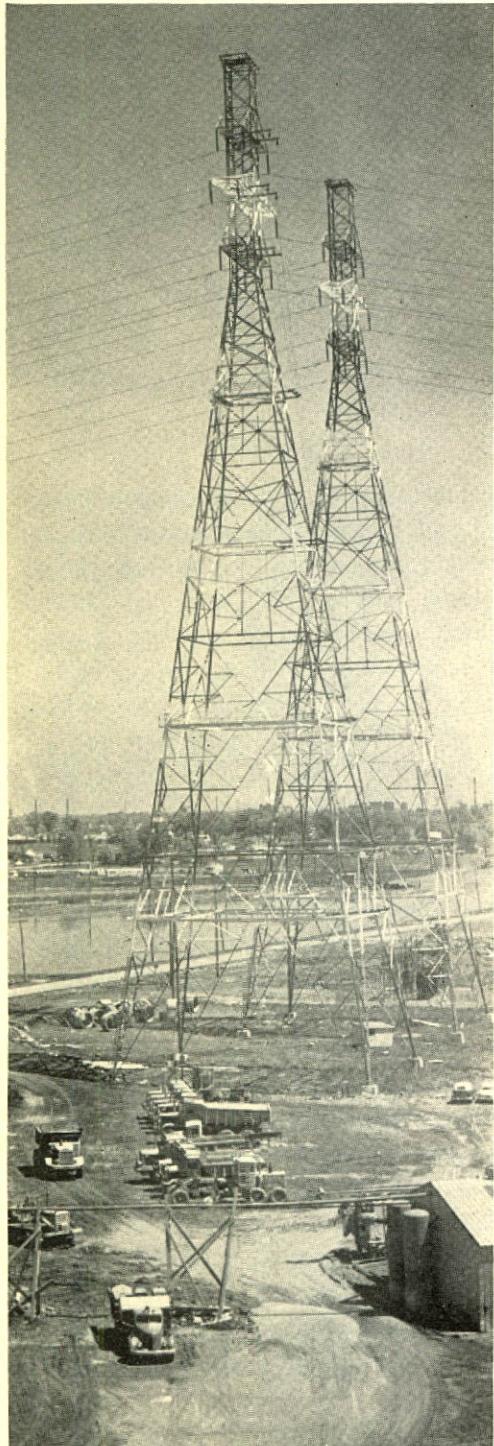
### Transportation Division

THE CUMBERLAND RAILWAY AND COAL COMPANY — RAILWAY OPERATIONS  
DOMINION SHIPPING COMPANY, LIMITED  
THE ESSEX TERMINAL RAILWAY COMPANY  
SYDNEY AND LOUISBURG RAILWAY COMPANY  
COAL AND ORE DOCK OPERATIONS

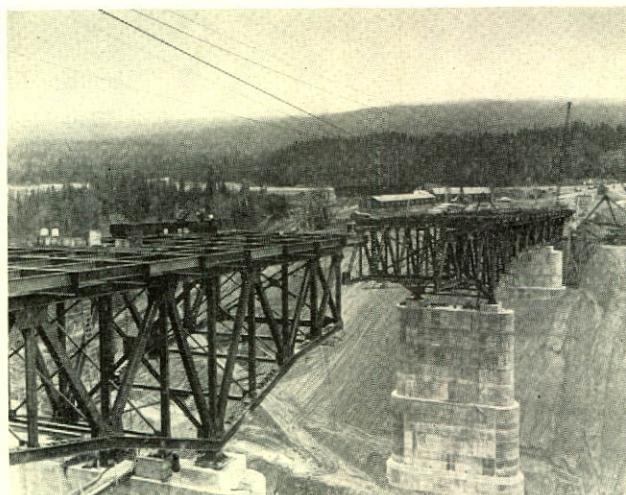
## PRODUCTS

Iron Ore	Pipe	Fencing (Chain Link, Farm, Lawn, Ornamental)
Coal	Pipe Nipples	Wire Nails (Standard and Special Patterns — Steel and Aluminum)
Coke	Bolts, Nuts and Rivets	Cut Nails
By-products of Coke	Triangle Mesh and Welded Fabric	Special Fasteners
Pig iron	Wire Rods	Shipbuilding and Ship Repairs
Ingots, Blooms and Billets	Wire (Coarse and Fine Gauges, all qualities and finishes)	Railway Freight Cars
Forgings	Wire (Core, Rope and Spring)	Bridges and Towers
Railway Car Axles	Screws (Machine, Wood and Sheet Metal)	Steel Structures
Rails and Track Fastenings	Barbed Wire	Metal Lath
Bars and Shapes	Bale Ties	Steel Joists
Reinforcing Bars (Plain and Deformed)		Steel Sash
		Dosco Miner

These two 335-foot transmission line towers, carrying power lines across the St. Lawrence River near Cornwall, Ont., are the tallest in the Ontario Hydro system and were designed and fabricated by Canadian Bridge, who also furnished the drawings for a similar pair of towers erected on the New York side of the river.

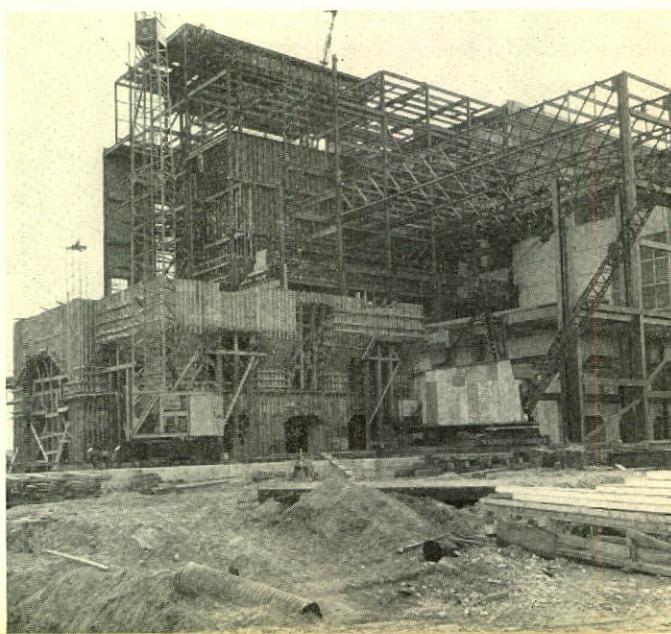


*Aerial view of the Canadian Bridge plant at Walkerville, Ont.*



*This Cantilever Truss Bridge, shown during construction, was fabricated and erected by Canadian Bridge for the crossing of Highway 17 over the Little Pic River in Ontario and contains 1,085 tons of steelwork.*

*Fabricated and erected by Canadian Bridge, depicted is the steelwork for Unit No. 5 of the Richard L. Hearn Generating Station of the Hydro-Electric Power Commission of Ontario. Steelwork for additional units is now in process of fabrication.*



# CONSOLIDATED BALANCE SHEET

## ASSETS

	July 31 1958	December 31 1957
<b>CURRENT ASSETS:</b>		
Cash . . . . .	\$ 73,254	\$ 131,169
Trade accounts receivable, less allowance for doubtful accounts . . .	3,469,943	4,247,917
Other accounts receivable . . . . .	2,168,977	1,351,373
Inventories, valued at the lower of cost or market, less reserve —		
Coal. . . . .	12,364,602	6,851,969
Materials and supplies . . . . .	3,148,331	3,914,812
Prepaid expenses . . . . .	388,173	176,030
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	\$21,613,280	\$16,673,270
<b>FIXED ASSETS:</b>		
Land, mining leases, collieries, buildings, machinery and equipment, at cost . . . . .	\$58,011,558	\$57,174,798
Less: Accumulated depreciation. . . . .	34,174,507	33,519,349
	<hr/>	<hr/>
	\$23,837,051	\$23,655,449
<b>OTHER ASSETS:</b>		
Coal mine mechanization project . . . . .	\$ 250,988	\$ 306,988
Sundry investments . . . . .	49,651	49,651
Unamortized bond discount . . . . .	36,146	35,625
	<hr/>	<hr/>
	\$ 336,785	\$ 392,264

## SIGNED ON BEHALF OF THE BOARD:

R. H. DOBSON, *Director.*

CRAWFORD GORDON, *Director.*

\$45,787,116      \$40,720,983

## AUDITORS' REPORT TO THE SHAREHOLDERS,

We have examined the consolidated balance sheet of Dominion Coal Company, Limited and subsidiary companies as at July 31 1958 and the related consolidated statement of income and deficit for the seven months then ended, and have obtained all the information and explanations which we required. Our examination included such tests of the accounting records and other supporting evidence and such other procedures as we considered appropriate.

In our opinion, the above consolidated balance sheet is properly drawn up so as to exhibit a true and correct view of the combined state

JULY 31 1958

DOMINION COAL COMPANY, LIMITED  
AND SUBSIDIARY COMPANIES

LIABILITIES

CURRENT LIABILITIES:

	July 31 1958	December 31 1957
Bank loans and overdrafts (secured) . . . . .	\$ 9,547,103	\$ 7,903,375
Accounts payable and accrued . . . . .	2,373,184	2,796,996
Wages payable and accrued . . . . .	2,342,334	1,915,006
Taxes payable and accrued . . . . .	552,280	129,534
Dominion Steel and Coal Corporation, Limited and its subsidiary companies . . . . .	2,472,454	173,377
Serial bonds due within one year . . . . .	713,500	759,000
	<hr/>	<hr/>
	\$18,000,855	\$13,677,288

4% SPECIAL LOAN:

Advance under Maritime Coal Production Assistance Act — maximum \$7,500,000 repayable commencing in 1963 and on or before June 30 1975 —		
Total advances . . . . .	\$ 6,476,525	\$ 6,432,525
Less: Repayments . . . . .	1,278,279	1,278,279
	<hr/>	<hr/>
	\$ 5,198,246	\$ 5,154,246

FIRST MORTGAGE BONDS:

Per statement attached . . . . .	\$ 3,054,500	\$ 3,018,000
	<hr/>	<hr/>
OPERATING AND CONTINGENT RESERVES . . . . .	\$ 3,878,169	\$ 3,878,169

SHAREHOLDERS' INVESTMENT:

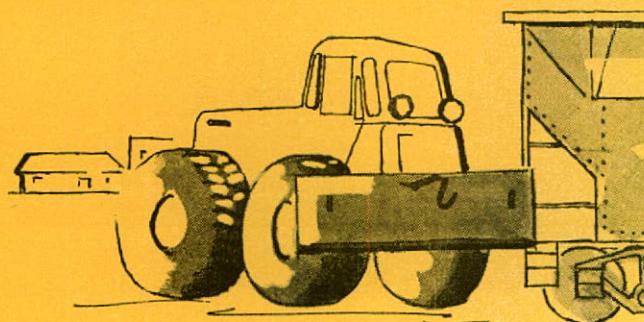
Capital stock —		
6% cumulative sinking fund preferred shares, par value \$25 each —		
Authorized — 400,000 shares . . . . .	<u>\$10,000,000</u>	
Outstanding — 208,759 shares . . . . .		\$ 5,218,975
(Preferred dividends in arrears \$1,904,926)		\$ 5,218,975
Common shares —		
Authorized and issued — 480,000 shares, par value \$25 each (owned by Dominion Steel and Coal Corporation, Limited) . . . . .		
Deficit . . . . .		
	<hr/>	<hr/>
	12,000,000	12,000,000
	(1,563,629)	(2,225,695)
	<hr/>	<hr/>
	\$15,655,346	\$14,993,280
	<hr/>	<hr/>
	\$45,787,116	\$40,720,983

DOMINION COAL COMPANY, LIMITED:

of affairs of the companies as at July 31 1958 and the related consolidated statement of income and deficit presents fairly the results of the combined operations for the seven months then ended, 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.,  
Chartered Accountants.

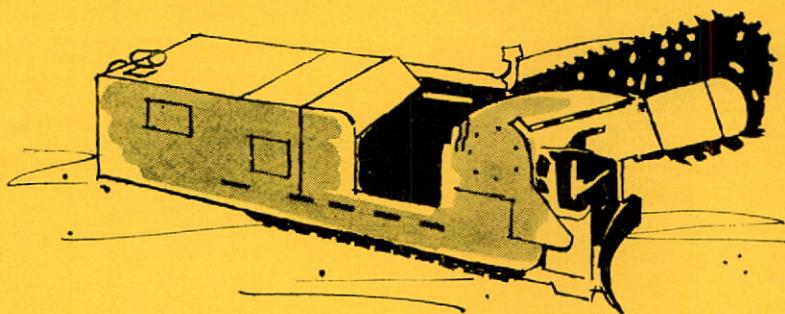
Montreal, September 17 1958.



**DOMINION COAL COMPANY, LIMITED  
AND SUBSIDIARY COMPANIES**

**STATEMENT OF FIRST MORTGAGE BONDS JULY 31 1958**

	<b>Amount authorized</b>	<b>Issued</b>	<b>Retired</b>	<b>Outstanding</b>
Dominion Coal Company, Limited . . . . .	<u>\$12,000,000</u>			
3½% First mortgage serial bonds, 1950 series, due \$500,000 annually October 1 1958-1962 . . . . .		\$6,000,000	\$3,500,000	\$2,500,000
The Dominion Rolling Stock Company Limited —				
3¼% Serial equipment bonds, 1951 series, due \$36,000 annually March 1 1959-1961	360,000	252,000	108,000	
4% Serial equipment bonds, 1953 series, due \$80,000 annually March 1 1959-1963	800,000	400,000	400,000	
4¼% Serial equipment bonds, 1954 series, due \$85,000 annually February 1 1959-1964 . . . . .	850,000	340,000	510,000	
6% Serial equipment bonds, 1958 series, due \$12,500 annually March 1 1959-1978	250,000	—	250,000	
5½% Serial equipment bonds, 1958 series (U.S. funds), due \$50,000 annually March 1 1959-1973. . . . .	\$750,000	To be issued December 1 1958.		
				<u>\$3,768,000</u>
<i>Deduct:</i> Bonds due within one year, included in current liabilities . . . . .			713,500	
				<u><u>\$3,054,500</u></u>

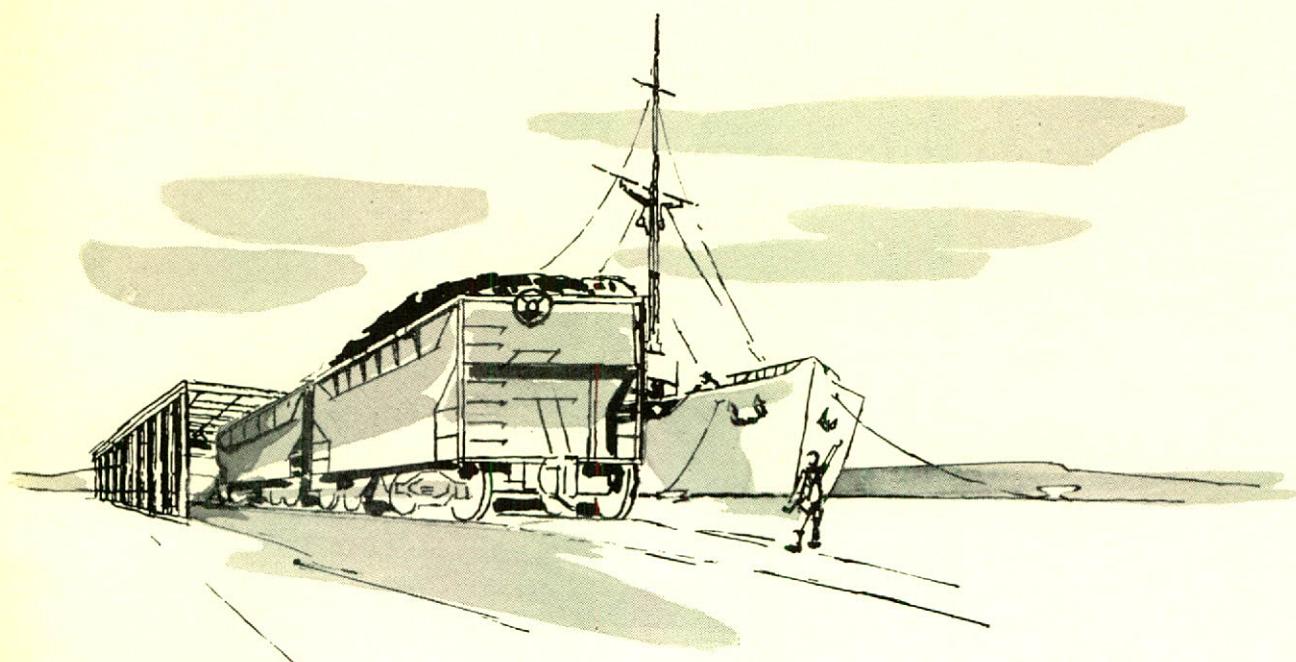


## CONSOLIDATED STATEMENT OF INCOME AND DEFICIT

for the Seven Months ended July 31 1958

	Seven months ended July 31 1958	Year ended December 31 1957
Combined income from operations, after deducting mining costs, selling and administration expenses . . . . .	\$2,629,026	\$4,045,972
Non-operating income . . . . .	68,191	(56,036)
	<u>\$2,697,217</u>	<u>\$3,989,936</u>
Pension payments . . . . .	\$ 610,138	\$1,014,072
Interest on first mortgage bonds . . . . .	82,184	153,214
Interest on bank and special loans . . . . .	437,529	517,174
Provision for depreciation . . . . .	996,900	1,699,447
	<u>\$2,126,751</u>	<u>\$3,383,907</u>
Estimated income taxes . . . . .	\$ 570,466	\$ 606,029
	<u>210,000</u>	<u>125,000</u>
Net income for the period . . . . .	\$ 360,466	\$ 481,029
Deficit at beginning of period . . . . .	(2,225,695)	(3,559,490)
Additional subvention received in respect of prior years . . . . .	301,600	402,766
Price adjustment in respect of prior year . . . . .	—	450,000
Deficit at end of period . . . . .	<u>(\$1,563,629)</u>	<u>(\$2,225,695)</u>

*Note: As a result of carry-forward losses, income taxes payable on the above income and prior year adjustments have been reduced by approximately \$269,000 for 1958 and \$685,000 for 1957.*



## DOMINION COAL COMPANY, LIMITED

LIST OF SUBSIDIARY COMPANIES INCLUDED IN THE  
CONSOLIDATED BALANCE SHEET AND IN THE CONSOLIDATED  
STATEMENT OF INCOME AND DEFICIT JULY 31 1958

Sydney and Louisburg Railway Company  
The Dominion Rolling Stock Company Limited  
The Cumberland Railway and Coal Company  
Dominion Coal Import Company Limited



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