Saint Joseph Lead Company Annual Report -- 1943
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PRESIDENT'S ANNUAL REPORT

TO

STOCKHOLDERS

OF THE

ST. JOSEPH LEAD COMPANY

FOR THE YEAR

1943

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ST. JOSEPH LEAD COMPANY

Incorporated March 25, 1864, under the Laws of the State of New York

Executive Offices, 250 Park Avenue, New York

BOARD OF TRUSTEES

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Chairman

FREDERIC E. CAMP,
Hoboken, New Jersey

DANIEL K. CATLIN,
St. Louis, Missouri

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Vice-President

HENDON CHUBB,
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IRWIN H. CORNELL,
Vice-Pres., and Sales Manager

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St. Louis, Missouri

STANLY A. EASTON,
Pres., Bunker Hill & Sullivan Mining & Concentrating Co.

ANDREW FLETCHER,
Vice-Pres., and Treasurer

JAMES H. GROVER,
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J. HOWARD HOLMES,
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EDWARD V. PETERS,
Vice-President

*FRED W. SHIBLEY,
New York, N. Y.

*Mr. Shibley Died March 1st, 1944

EXECUTIVE OFFICERS

CLINTON H. CRANE,
President

IRWIN H. CORNELL,
Vice-Pres., and Sales Manager

ANDREW FLETCHER,
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C. MERRILL CHAPIN, JR.,
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Secretary and Comptroller

ROBERT BENNETT,
Asst. Secretary and Asst. Treasurer

CHARLES FLEIG,
Assistant Secretary

JAMES G. COLVIN,
Assistant Comptroller

STOCK TRANSFER OFFICE

250 Park Avenue,
New York

REGISTRAR

City Bank Farmers Trust Company,
New York

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PRESIDENT'S ANNUAL REPORT TO STOCKHOLDERS

Due to the relaxation of the regulations of the War Department, the statistical information pertaining to the Company's domestic production and stocks for the previous ten years, which was omitted in 1942, is included in this report. However, the regulations will not as yet permit publishing the same data for our Argentine subsidiary and they are, therefore, excluded again this year.

Consolidated Earnings

The consolidated net income for the year 1943, after deducting Federal and State taxes on income in the amount of $1,690,262.17, was $4,033,973.90 as compared with a net income of $5,655,625.61 after deducting taxes of $5,543,393.35, for the previous year, a reduction in net income of $1,621,651.71.

The income for the year before taxes is reduced by non-recurring charges in the total amount of $1,442,471.62 of which $318,738 represents the portion of a retroactive increase in wages applicable to 1942 and a deficit of $1,123,733.62 in Block "P" operations during the year, including depreciation and depletion charges required to write down the property to scrap value. The Block "P" property was permanently closed down October 27, 1943.

Gross profit from operations dropped from $13,500,243.94 in 1942 to $8,229,353.42 in 1943. This decrease of $5,270,890.52 is in general attributable to lower production, higher wages and increased cost of all supplies, in conjunction with a drop in efficiency due to replacement of experienced workers by those of less experience. Although the operating profit of all divisions, with the exception of Kansas Explorations, Inc., was lower than in 1942, the largest decrease was that shown by the combined Southeast Missouri lead divisions which amounted to $4,598,431.77. The reduction in profits of the combined Northern New York and Josephtown, Pennsylvania zinc divisions was $563,740.65. These decreases account for all but $108,718.10 of the total reduction in gross profit from operations.

The comparative consolidated earnings for the ten years ended December 31, 1943 are shown below:

Year	Income after Interest but before Other Deductions	Provision for— Depreciation	Provision for— Federal Income Taxes	Net Income before Depletion, Etc.	Provision* for Depletion, Etc.
1934	$1,936,908.95	$1,121,960.66	$78,862.23	$736,086.06	$1,548,604.47
1935	2,005,781.59	1,072,013.14	35,502.59	898,265.86	412,043.61
1936	4,473,237.08	1,063,605.02	307,944.03	3,101,688.03	590,686.46
1937	10,035,885.12	1,055,575.37	1,329,491.03	7,650,818.72	522,873.57
1938	2,873,815.43	1,059,034.49	173,922.80	1,640,858.14	309,601.68
1939	7,586,972.10	1,058,924.04	672,485.97	5,855,562.09	562,654.53
1940	8,287,597.10	1,064,639.12	1,305,670.04	5,917,287.94	805,346.24
1941	9,070,705.65	994,436.94	2,740,699.45	5,335,569.26	442,114.08
1942	12,633,212.55	939,993.43	5,499,604.80	6,193,614.32	537,988.71
1943	7,940,997.33	1,269,271.24	1,643,240.12	5,028,485.97	994,512.07

* Includes abandoned leases for the years 1934 to 1937, inclusive, and provision for obsolescence of the Doe Run Mill for the years 1935 to 1937, inclusive; also the abandonment of Block "P" property in 1943.

Dividends

Quarterly dividends of fifty cents per share were paid on the tenth day of March, June, September and December 1943 making a total of two dollars per share for the year. These dividend distributions aggregating $3,911,360.00, were paid entirely out of the surplus earnings of the Company accumulated after February 28, 1913 and are, therefore, subject to Federal income taxes.

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The following is a record of dividends for the years 1934 through 1943:

Year	Amount	Per Share	Year	Amount	Per Share
1934	$586,701.30	$.30	1939	$3,911,360.00	$2.00
1935	782,269.30	.40	1940	4,400,280.00	2.25
1936	1,955,676.90	1.00	1941	3,911,360.00	2.00
1937	4,889,198.50	2.50	1942	3,911,360.00	2.00
1938	1,955,680.00	1.00	1943	3,911,360.00	2.00

Financial Information

The Consolidated Balance Sheets as of December 31, 1943 and December 31, 1942 of St. Joseph Lead Company and Subsidiaries, and the Summaries of Consolidated Net Income and Surplus for the years ended on those dates, are submitted herewith as a part of this report. All subsidiaries of the St. Joseph Lead Company are included in these statements with the exception of Aguilar Corporation and its foreign subsidiary, which statements are shown separately.

With the surplus funds available for investment, the Company purchased 195,000 shares of New Jersey Zinc Company capital stock on March 9, 1943. This purchase represented about 9.9% of the outstanding capital stock of that Company and was acquired at a cost of $11,651,250.

Inasmuch as the employees of the Missouri mining and milling divisions had been promised the same $1.00 per working day wage increase retroactive to September 19, 1942 as was granted to the Missouri smelter employees by the War Labor Board as soon as approval can be obtained, the $1,362,589.11 estimated to be due to December 31, 1943, has been taken into costs and is shown as a current liability on the balance sheet.

No future commitments have been made for the purchase and sale of commodities which would have a material effect on the financial position of the Company.

Capital expenditures by St. Joseph Lead Company and consolidated subsidiaries for improvements and additions to plant and equipment amounted to $1,033,676.39 in 1943 in comparison with $1,369,261.33 in 1942.

In the audit of the books by Messrs. Haskins & Sells, verification of inventories was again made by physical tests of the quantities shown by the records as being on hand. This firm also handles the audit of the Argentine operations. The Accountants' Certificate addressed to the stockholders is set forth on page 12 of this report.

United States Operating Information

The Company is pleased to announce that the Army-Navy "E" was awarded to the Josephtown Zinc Smelter of the St. Joseph Lead Company of Pennsylvania, at Josephtown, Pennsylvania, on November 9, 1943.

Although all the lead and zinc properties of the Company were operating on a full time basis throughout the year 1943, the lead concentrate production in Southeast Missouri decreased 19,608 tons or 7½%, whereas about the same tonnages of zinc and lead concentrates were produced from the Balmat and Edwards mines in Northern New York as in 1942. The Kansas Explorations, Inc. production of lead and zinc concentrates in the Joplin area showed a 14% improvement over the previous year but a comparatively small tonnage was involved.

South American Operating Information

Inasmuch as the Metals Reserve Company was unwilling to purchase lead concentrates or provide for their export, operations at the Aguilar Mine in Argentina continued on a curtailed basis throughout 1943 and only sufficient lead concentrates were produced to take care of Argentine requirements. The entire production of zinc concentrates, together with such additional tonnage from accumulated stocks as the Argentine State Railway was able to handle, was sold during the current year to the Metals Reserve Company. Similar arrangements have been made for the sale

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of zinc concentrates during the first six months of 1944 and it is expected that the balance of the inventory will be moved by the Railway and sold by July 1, 1944.

As the result of disposing of a portion of the inventory of zinc concentrates, in addition to current production, income before depreciation, depletion, and taxes on income, increased from $809,173.70 in 1942 to $1,614,280.17 in 1943.

The 1943 capital expenditures amounted to $22,244.14 in comparison with $108,227.23 in 1942.

The Consolidated Balance Sheets of Aguilar Corporation and Subsidiary at December 31, 1943 and December 31, 1942, together with Summaries of Consolidated Net Income, etc. for the years ended on those dates, are submitted as a part of this report and will be found on pages Nos. 9 to 11.

The comparative consolidated earnings since the property was placed in operation are as follows:

Year	Income After Interest but before Other Deductions	Provision for— Depreciation	Argentine Income Taxes	Net Income before Depletion, Etc.	Provision for Depletion— On Cost	On Appreciation
1936	$ 192.78	$115,340.41	——	*$ 115,147.63	$ 35,143.18	$ 322,584.30
1937	998,294.21	130,214.52	$ 25,458.01	842,621.68	63,407.60	579,914.66
1938	807,923.50	149,105.03	21,954.42	636,864.05	73,447.08	671,733.70
1939	930,981.17	175,793.81	39,642.36	715,545.00	100,082.61	915,337.33
1940	867,790.12	193,667,52	35,125.21	638,997.39	121,188.16	1,108,320.38
1941	938,733.60	207,305.29	33,181.40	698,246.91	127,786.09	1,168,708.13
1942	809,173.70	216,780.14	28,225.49	564,168.07	80,718.97	738,240.88
1943	1,614,280.17	208,628.83	187,000.00	1,218,651.34	81,987.47	747,778.85

*Loss.

Stockholders

The number of stockholders of record on December 31st of each year since 1934 and a classification of their holdings are as follows:

Year	Total	19 or Less	20-99	100-199	200-Over
1934	5,300	1,549	1,712	873	1,166
1935	5,304	1,491	1,748	911	1,154
1936	5,560	1,483	1,851	1,000	1,226
1937	5,992	1,571	2,038	1,139	1,244
1938	6,463	1,719	2,213	1,227	1,304
1939	6,586	1,695	2,260	1,337	1,294
1940	6,697	1,772	2,263	1,371	1,291
1941	6,858	1,751	2,393	1,417	1,297
1942	7,065	1,697	2,547	1,528	1,293
1943	7,530	1,848	2,758	1,634	1,290

General

The Stockholders are again reminded that the net value of the capital assets set forth on the accompanying Consolidated Balance Sheets are depleted and depreciated figures based on appraised values as of and after March 1, 1913 or on cost as stated. They do not indicate the present day values or prospective future values of the Company's property, plant and equipment, as such values could be arrived at only by current estimates which would vary from time to time depending on the price of metals, rate of production, cost of labor and other factors. Although the appraised value of areas owned on March 1, 1913 have been entirely written off the Company's books by depletion deductions, ore is still being mined from these areas at a profit, and probably will be for years to come.

Due to the additional ore which had been developed through prospecting, or made available by reason of the improvement in mining practices, the basis of determining depletion was changed as of January 1, 1935, by dividing the then undepleted book value by the estimated tonnage of ore in the mines at that date and applying the unit value thus determined to the tonnage sold. This change resulted in a considerably lower provision for depletion than in years prior to that date. and the basis adopted in 1935 has, with minor exceptions, been consistently used for subsequent depletion computations.

Clinton H. Crane,
President.

New York, March 11, 1944.

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ST. JOSEPH LEAD COMPANY AND SUBSIDIARIES

Summaries of Consolidated Net Income

For the Years Ended December 31, 1943 and 1942

	Year ended December 31, 1943		1942	
Net Sales		$47,099,749.12		$51,360,604.63
Cost of Sales (exclusive of depreciation and depletion)		38,870,395.70		37,860,360.69
Gross Profit from Operations before Depreciation and Depletion		$ 8,229,353.42		$13,500,243.94
Deduct:				
Selling, general and administrative expenses	$ 725,796.41		$ 719,382.97	
Capital stock and miscellaneous taxes	66,945.13	792,741.54	156,456.07	875,839.04
Net Profit from Operations before Depreciation and Depletion		$ 7,436,611.88		$12,624,404.90
Other Income:				
Dividends on The New Jersey Zinc Company stock	$ 487,500.00		—	
Other dividends, interest, etc.	63,907.50	551,407.50	$ 52,596.20	52,596.20
Income before Depreciation, Depletion, and Taxes on Income		$ 7,988,019.38		$12,677,001.10
Deduct Provisions for:				
Depreciation (including amortization of war facilities, $257,576.14 in 1943 and $64,305.12 in 1942)—see note 2	$1,269,271.24		$ 939,993.43	
Depletion—see note 2	994,512.07	2,263,783.31	537,988.71	1,477,982.14
		$ 5,724,236.07		$11,199,018.96
Provision for Taxes on Income:				
Federal excess profits taxes	$ 270,063.19		$3,990,533.39	
Federal normal income and surtaxes	1,400,411.93		1,907,225.55	
	$1,670,475.12		$5,897,758.94	
Deduct post-war excess profits tax refund	27,235.00		398,154.14	
	$1,643,240.12		$5,499,604.80	
State income taxes	47,022.05	1,690,262.17	43,788.55	5,543,393.35
Net Income for the Year		$ 4,033,973.90		$ 5,655,625.61

Summaries of Consolidated Surplus

For the Years Ended December 31, 1943 and 1942

	Year ended December 31, 1943	1942
Surplus at Beginning of the Year (including surplus from revaluation of ore reserves—1943, $56,098.98; 1942, $78,171.80)	$13,332,494.78	$11,588,229.17
Add net income for the year	4,033,973.90	5,655,625.61
Total	$17,366,468.68	$17,243,854.78
Deduct cash dividends paid during the year	3,911,360.00	3,911,360.00
Surplus at End of the Year (including surplus from revaluation of ore reserves—1943, $36,948.17; 1942, $56,098.98)	$13,455,108.68	$13,332,494.78

Notes:

(1) All subsidiaries of the parent company are included in the above summaries with the exception of Aguilar Corporation and its foreign subsidiary, the consolidated income and surplus (deficit) statements of which appear on page 9.

(2) The provisions for depreciation and depletion were increased in 1943 to reduce to salvage value the Block "P" property which was closed in October 1943. The provisions made for depreciation and depletion, respectively, of the Block "P" property were $230,113.74 and $532,538.69 in 1943 and $111,726.09 and $45,615.38 in 1942.

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ASSETS

	December 31, 1943		December 31, 1942	
Capital Assets (Note 1):				
Ore reserves and mineral rights:				
Appraised value as of March 1, 1913	$13,500,000.00		$13,500,000.00	
Less reserve for depletion	13,500,000.00	—	13,500,000.00	—
Additions subsequent to March 1, 1913 (at cost)	$19,984,127.97		$20,951,173.56	
Less reserve for depletion	16,443,394.20	$ 3,540,733.77	16,381,153.99	$ 4,570,019.57
Appreciation arising from revaluation subsequent to March 1, 1913	$ 3,500,000.00		$ 3,500,000.00	
Less reserve for depletion	3,463,051.83	36,948.17	3,443,901.02	56,098.98
Total ore reserves and mineral rights, net		$ 3,577,681.94		$ 4,626,118.55
Shafts and underground equipment (at cost)	$ 5,721,677.69		$ 5,512,517.37	
Less reserve for depreciation	4,531,655.38	1,190,022.31	4,338,584.50	1,173,932.87
Land, buildings, plant and equipment (at cost)	$18,683,283.42		$19,100,719.62	
Less reserve for depreciation	13,171,703.39	5,511,580.03	13,267,796.91	5,832,922.71
Total capital assets, net		$10,279,284.28		$11,632,974.13
Investments and Advances:				
Aguilar Corporation (at cost—90% owned)	$ 137,759.72		$ 137,759.72	
Mine La Motte Corporation (at cost—50% owned)	550,000.00		550,000.00	
The New Jersey Zinc Company (at cost—9.9% owned)	11,651,250.00		—	
Sundry securities, loans, etc. (at cost, less reserve, $200,000.00)	216,995.61	12,556,005.33	232,354.81	920,114.53
Current and Working Assets:				
Cash on hand and in banks	$ 4,126,287.08		$ 9,229,880.32	
U. S. tax anticipation notes (at cost)	2,660,000.00		6,000,000.00	
U. S. Treasury certificates and savings bonds (at cost)	—		4,000,000.00	
Notes and accounts receivable—trade (less reserve—1943, $16,102.82; 1942, $17,825.73)	4,087,909.06		3,985,471.51	
Other notes and accounts receivable	119,713.97		92,458.31	
Inventories (valuation not in excess of market):				
Finished lead, zinc, etc. (at cost, exclusive of depreciation and depletion)	1,379,031.65		1,111,191.26	
Lead, zinc, etc., in process (at cost, exclusive of depreciation and depletion)	1,660,904.89		986,387.96	
Purchased lead and zinc concentrates, etc. (at cost)	542,131.23		737,163.94	
Materials and supplies (at cost, less reserve for slow-moving items — 1943, $80,294.29; 1942, $68,623.63)	2,736,299.93	17,312,277.81	2,862,509.12	29,005,062.42
Miscellaneous Assets:				
U. S. Treasury, State and Municipal securities on deposit with Federal and State departments (at amortized cost; market quotation value — 1943, $190,870.00; 1942, $176,650.00)	$ 175,985.28		$ 157,186.08	
Post-war excess profits tax refund	425,389.14		398,154.14	
Cash in closed banks	4,110.13	605,484.55	5,842.83	561,183.05
Deferred Charges:				
Deferred operating costs	$ 31,361.26		$ 251,756.84	
Prepaid insurance, taxes, royalties, etc.	146,387.78	177,749.04	163,411.73	415,168.57
Total		$40,930,801.01		$42,534,502.70

Notes:

(1) The net value of the capital assets as shown in the above consolidated balance sheets does not indicate the present value of the companies' property, plant and equipment, as such value could be arrived at only by current estimates which would vary from time to time depending on the price of metals, rate of production, cost of labor, and other factors.

(2) All subsidiaries of the parent company are included in the above consolidated balance sheets with the exception of Aguilar Corporation and its foreign subsidiary, the consolidated balance sheets of which appear on pages 10 and 11. The ownership by St. Joseph Lead Company of Aguilar Corporation is represented by 8,020

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LIABILITIES

	December 31, 1943		December 31, 1942	
Capital Stock:				
Authorized, 2,500,000 shares of $10.00 each	$25,000,000.00		$25,000,000.00	
Issued, 1,996,840.85 shares	$19,968,408.50		$19,968,408.50	
Less in treasury, 41,160.35 shares	411,603.50		411,603.50	
Outstanding, 1,955,680.5 shares		$19,556,805.00		$19,556,805.00
Current Liabilities:				
Accounts payable	$ 2,525,509.82		$ 2,541,752.42	
Due to subsidiary not consolidated	316,480.64		201,221.60	
Wages payable	173,120.03		111,927.04	
Estimated retroactive wage increases	1,362,589.11		—	
Accrued taxes:				
Federal income and excess profits	2,385,802.40		5,613,994.23	
Other	298,534.18	7,062,036.18	320,794.89	8,789,690.18
Deferred Income		—		1,953.44
Reserves:				
For injury claims and workmen's liability insurance	$ 231,852.87		$ 188,738.27	
For employees' life insurance and retirement	315,059.73		354,882.48	
For contingencies	309,938.55	856,851.15	309,938.55	853,559.30
Surplus:				
Earned	$13,418,160.51		$13,276,395.80	
Revaluation of ore reserves	36,948.17	13,455,108.68	56,098.98	13,332,494.78
Total		$40,930,801.01		$42,534,502.70

Notes Continued:

shares of the preferred and 80,764 shares of the common stocks of that company. Gross profit, before depreciation and depletion, of the foreign subsidiary on its sales to St. Joseph Lead Company of products which remained in the inventories of the latter at December 31, 1943 and 1942 amounted to approximately $25,000.

(3) St. Joseph Lead Company and the foreign subsidiary of Aguilar Corporation were contingently liable at December 31, 1943 to refund to customers the sales price, $591,385.05, of concentrates paid for by the customers and stored in Argentina, in the event any future Argentine law should prevent shipment thereof, and were similarly contingently liable at December 31, 1942 in the amount of $939,056.71.

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U. S. REFINED LEAD STOCKS, LEAD AND ZINC PRICES

Comparative Annual Statistics

Year	Tons of U. S. Refined Lead Stocks At End of Year	Average Lead and Zinc Prices in Cents Per Lb. Lead F.O.B. St. Louis E. & M. J. Average	Lead F.O.B. St. Louis St. Joe Average	Zinc F.O.B. St. Louis E. & M. J. Average
1934	235,457	3.724	3.700	4.158
1935	222,306	3.915	3.878	4.328
1936	171,856	4.560	4.534	4.901
1937	129,131	5.859	6.015	6.519
1938	115,902	4.589	4.598	4.610
1939	58,777	4.903	4.942	5.110
1940	40,926	5.029	4.986	6.335
1941	20,185	5.643	5.617	7.474
1942	34,937	6.331	6.346	8.250
1943	33,090	6.350	6.320	8.250

ST. JOSEPH LEAD COMPANY AND SUBSIDIARIES

Production in Tons

Year	Ore Mined	Lead Concentrates	Pig Lead Equivalent	Zinc Concentrates	Slab Zinc Equivalent
1934	3,269,864	124,240	86,060	46,353	22,389
1935	3,382,403	133,044	92,611	47,214	22,857
1936	3,804,451	147,160	101,999	54,590	26,400
1937	5,536,952	212,827	146,274	71,031	34,519
1938	3,816,637	157,188	107,600	60,797	29,606
1939	5,255,960	202,003	138,307	74,681	38,188
1940	6,209,863	225,041	154,281	85,571	44,406
1941	6,192,805	219,819	149,035	88,236	45,907
1942	7,674,941	269,854	179,602	105,502	53,606
1943	7,476,873	253,736	165,584	104,986	54,172

Lead Sales and Stocks at End of Year in Tons

Year	Lead Sales St. Joe Production	Purchased Lead Sold	Total Lead Sales	*Pig Lead Equivalent of Stocks
1934	84,964	39,566	124,530	103,918
1935	87,077	41,714	128,791	108,849
1936	126,846	47,776	174,622	83,575
1937	160,091	38,930	199,021	72,969
1938	97,865	50,782	148,647	79,775
1939	172,481	39,347	211,828	46,173
1940	178,111	60,199	238,310	30,737
1941	155,475	60,241	215,716	20,767
1942	178,561	67,152	245,713	15,896
1943	157,659	45,242	202,901	23,716

* Includes purchased lead and estimated recoverable lead in concentrates together with other lead stocks in process of refining at smelters.

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AGUILAR CORPORATION AND SUBSIDIARY

Summaries of Consolidated Net Income
For the Years Ended December 31, 1943 and 1942

	Year ended December 31, 1943		1942	
Net Sales (Including sales to St. Joseph Lead Company in 1942, $115,974.39)		$3,475,353.46		$1,795,163.92
Cost of Sales (exclusive of depreciation and depletion)		1,728,004.26		856,593.36
Gross Profit from Operations before Depreciation and Depletion		$1,747,349.20		$ 938,570.56
Deduct:				
Selling, general and administrative expenses	$131,279.80		$122,981.05	
Taxes, other than taxes on income	31,296.43	162,576.23	24,862.48	147,843.53
Net Profit from Operations before Depreciation and Depletion		$1,584,772.97		$ 790,727.03
Other Income		30,984.23		26,225.93
Total		$1,615,757.20		$ 816,952.96
Interest on indebtedness		1,477.03		7,779.26
Income before Depreciation, Depletion and Taxes on Income		$1,614,280.17		$ 809,173.70
Provision for:				
Depreciation	$208,628.83		$216,780.14	
Depletion computed on cost	81,987.47		80,718.97	
Depletion computed on appreciation of ore reserves	747,778.85	1,038,395.15	738,240.88	1,035,739.99
		$ 575,885.02		*$ 226,566.29*
Provision for Argentine income and excess profits taxes		187,000.00		——
Net Income for the year (*net loss*)		$ 388,885.02		**$ 226,566.29*

*Loss.

Summaries of Consolidated Deficit
For the Years Ended December 31, 1943 and 1942

	Year ended December 31, 1943		1942	
Deficit at Beginning of the Year		$1,749,412.42		$1,522,846.13
Add Argentine Income Taxes for Years 1937 to 1942		183,586.89		——
		$1,932,999.31		$1,522,846.13
Deduct:				
Net income for the year (*net loss*)	$388,885.02		**$226,566.29*	
Reversal of provisions for transportation expenses, etc. set up in previous years	133,077.09	521,962.11	——	**226,566.29*
Deficit at End of the Year		$1,411,037.20		$1,749,412.42

*Loss.

Notes:

(1) Included in the above summaries are Aguilar Corporation and its only subsidiary, Compania Minera Aguilar, S. A. (a foreign corporation).

(2) The operations of the foreign subsidiary are included in the above summaries in U. S. dollars at the approximate average free rate of exchange for the year except as to provisions for depreciation and depletion which have been converted on the basis of the rates of exchange at which the balances in the related asset accounts are stated.

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AGUILAR CORPORATION AND SUBSIDIARY

Consolidated Balance Sheets, December 31, 1943 and 1942

ASSETS

	December 31, 1943		December 31, 1942	
Capital Assets:				
Ore reserves and mineral rights:				
Cost, including exploration and development prior to the commencement of operations	$ 1,517,391.03		$ 1,507,858.82	
Less reserve for depletion	663,230.41	$ 854,160.62	581,242.94	$ 926,615.88
Appreciation arising from revaluation	$13,790,750.50		$13,790,750.50	
Less reserve for depletion	6,064,847.78	7,725,902.72	5,317,068.93	8,473,681.57
Total ore reserves and mineral rights, net		$ 8,580,063.34		$ 9,400,297.45
Land, buildings, plant and equipment (at cost)	$ 2,631,188.76		$ 2,628,281.71	
Less reserve for depreciation	1,391,377.60	1,239,811.16	1,186,933.21	1,441,348.50
Total capital assets, net		$ 9,819,874.50		$10,841,645.95
Current and Working Assets:				
Cash on hand and in banks	$ 495,226.53		$ 207,104.31	
Argentine Government securities — at cost (market quotation value $1,057,000)	1,045,523.58		—	
Accounts receivable—trade	549,696.94		384,831.19	
Other accounts receivable, etc.	14,227.59		14,614.54	
Inventories (concentrates at cost exclusive of depreciation and depletion—valuation not in excess of market; silver at estimated value; materials and supplies at cost)	1,687,405.41	3,792,080.05	1,652,157.86	2,258,707.90
Goodwill		50,000.00		50,000.00
Deferred Charges		80,896.33		64,028.55
Total		$13,742,850.88		$13,214,382.40

Notes:

(1) Included in the above consolidated balance sheets are Aguilar Corporation, a domestic holding company, and its only subsidiary, Compania Minera Aguilar, S. A., incorporated and conducting business in Argentina.

(2) Current assets, current liabilities, deferred charges and reserves of the foreign subsidiary are included in the above consolidated balance sheets in U. S. dollars at the closing quoted rate of exchange at December 31, 1943 and 1942, respectively (except in a few instances where original dollar values applicable to foreign transactions are used). Capital assets and related reserves and capital stock and capital surplus accounts reflect the approximate dollar equivalents at the rates prevailing at the dates of the transactions of which the balances in these accounts consist.

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AGUILAR CORPORATION AND SUBSIDIARY

Consolidated Balance Sheets, December 31, 1943 and 1942

LIABILITIES

	December 31, 1943		December 31, 1942	
Capital Stock:				
Preferred stock—$7.00 cumulative shares without par value (entitled upon redemption or liquidation to $115.00 a share) Authorized 89,776 shares; issued 9,976 shares at a stated value of $1.00 a share	$ 9,976.00		$ 9,976.00	
Common stock—Shares without par value—authorized 248,070 shares; issued, 88,470 shares at a stated value of $.05 a share	4,423.50	$ 14,399.50	4,423.50	$ 14,399.50
Current Liabilities:				
Loans payable—bank	$ —		$ 185,878.19	
Accounts payable—trade	119,248.99		106,096.06	
Wages payable	16,786.46		16,711.90	
Accrued taxes	203,794.97		7,608.39	
Proceeds from sales of concentrates for future export	233,900.00		233,900.00	
Estimated expenses on concentrates held for future delivery	539,045.90		459,728.52	
Other accounts payable	6,880.82	1,119,657.14	7,464.68	1,017,387.74
Deferred Credits:				
Unrealized profit on foreign exchange, etc		64,482.88		—
Reserves:				
For compensation and accidents	$ 45,217.63		$ 37,447.19	
For other expenses	33,177.74	78,395.37	17,607.20	55,054.39
Surplus:				
Capital surplus:				
Arising from revaluation of ore reserves by the subsidiary	$13,790,750.50		$13,790,750.50	
Arising from reductions by Aguilar Corporation in stated value of its capital stock, $1,758,278.50, less excess of cost over stated value of stock purchased and retired, $1,672,075.81	86,202.69		86,202.69	
Total capital surplus	$13,876,953.19		$13,876,953.19	
Earned surplus (deficit):				
Surplus based on depletion computed on cost	$ 4,653,810.58		$ 3,567,656.51	
Deduct depletion computed on appreciation of ore reserves	6,064,847.78		5,317,068.93	
Earned surplus (*deficit)	$*1,411,037.20		$*1,749,412.42	
Remainder		12,465,915.99		12,127,540.77
Total		$13,742,850.88		$13,214,382.40

Notes Continued:

(3) Cumulative dividends on the $7.00 preferred stock have not been declared since its issuance, and at December 31, 1943 and 1942 amounted to $911,380.75 and $841,548.75, respectively.

(4) The foreign subsidiary and St. Joseph Lead Company were contingently liable at December 31, 1943, to refund to customers the sales price, $591,385.05, of concentrates paid for by the customers and stored in Argentina, in the event any future Argentine law should prevent shipment thereof, and were similarly contingently liable at December 31, 1942, in the amount of $939,056.71.

(5) Contingent liabilities also existed in respect of customs duties on materials and supplies imported into Argentina duty free, not yet officially exempted from duties. The Company does not anticipate that any loss will result from this source.

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HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

1 EAST 44TH STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

To the Stockholders of St. Joseph Lead Company:

We have examined the consolidated balance sheets of St. Joseph Lead Company (incorporated in New York) and its wholly-owned subsidiary companies, and of Aguilar Corporation (incorporated in Delaware—a majority-owned subsidiary not consolidated) and its subsidiary, Compania Minera Aguilar, S. A. (incorporated under Argentine law) as of December 31, 1943 and the related summaries of consolidated net income and surplus for the year ended that date, have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control; it was not practicable to confirm receivables from the United States Government but we have satisfied ourselves with respect to such receivables by means of other auditing procedures.

In our opinion, the accompanying consolidated balance sheets and summaries of consolidated net income and surplus, with the footnotes thereon, fairly present the financial condition of St. Joseph Lead Company and its wholly-owned subsidiary companies, and of Aguilar Corporation and its foreign subsidiary company, at December 31, 1943 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

New York, February 28, 1944.

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ST. JOSEPH LEAD COMPANY

PRESIDENT'S ANNUAL REPORT TO STOCKHOLDERS

FOR THE YEAR 1943

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