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CANADA STEAMSHIP LINES LIMITED

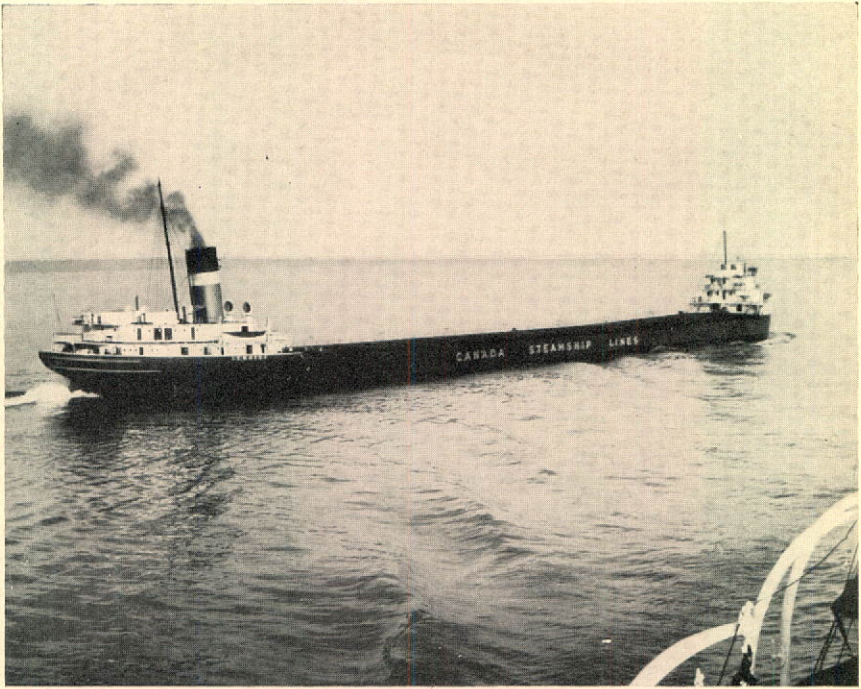


ANNUAL REPORT
1948

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S.S. LEMOYNE

Largest vessels ever to be built in Canada — two new ships for the Upper Lake freighter fleet of Canada Steamship Lines — are now under construction at the Midland and Collingwood yards of the Canadian Shipbuilding and Engineering, Limited, a subsidiary of Canada Steamship Lines. Each of the new ships will have an over-all length of 640 feet, with moulded breadth of 67 feet and moulded depth of 35 feet. The new sister ships will be larger than the S.S. Lemoyne, the flagship of the C.S.L. freighter fleet, which has long held the pennant for size of Canadian cargo carried in Great Lakes shipping. The new vessels will be able to carry larger cargoes than those with which the S.S. Lemoyne has smashed many records, notably a coal cargo of 18,430 tons, and a wheat cargo of 571,886 bushels. All the latest aids to navigation, including radar, will be fitted in both these super-freighters which are expected to be in operation prior to the close of the 1949 navigation season.

CANADA STEAMSHIP LINES LIMITED

DIRECTORS

D. W. AMBRIDGE, ESQ.
C. GORDON COCKSHUTT, ESQ.
W. H. COVERDALE, ESQ.
ARTHUR CROSS, ESQ.
KENNETH T. DAWES, ESQ.
SIR JAMES DUNN, BART.
JAMES A. ECCLES, ESQ.
FRANK J. HUMPHREY, ESQ.
COL. K. R. MARSHALL
J. ARTHUR MATHEWSON, ESQ., K.C.
GEORGE H. MONTGOMERY, ESQ., K.C.
WM. A. MURPHY, ESQ.
A. C. PICARD, ESQ.
JOSEPH M. PIGOTT, ESQ.
PAUL F. SISE, ESQ.

EXECUTIVE OFFICERS

W. H. COVERDALE
President
GEORGE H. MONTGOMERY, K.C.
Vice-President
R. B. THOMSON
Vice-President and Secretary
H. A. CRESSWELL
Vice-President and Treasurer

CANADA STEAMSHIP LINES LIMITED

To the Stockholders:

Your Directors submit the Company's Thirty-fifth Annual Report and Statement of Accounts.

GROSS REVENUE

The gross revenue for 1948 amounted to \$22,804,320.13, exceeding the Company's best previous year, an increase of \$3,559,737.56 over 1947, due to increased rates on bulk commodities such as grain, coal and iron ore. Following the decision of the Board of Transport Commissioners, rates on package freight were increased, thus affording some relief to this department of the Company's operations; a further upward revision is now the subject of an application before the Board.

OPERATING EXPENSES

Operating expenses amounted to \$18,559,713.68, an increase of \$2,516,863.38, leaving net earnings available for interest and depreciation of \$4,244,606.45. All elements of expense continue to mount, the main contributing items being wages, fuel and provision costs, and repair bills.

DEDUCTIONS

Interest charges amounted to \$341,726.97, an increase of \$26,238.58 over the previous year. Provision was made for depreciation in amount of \$1,814,774.37, an increase of \$120,220.49 due to the acquisition of additional assets.

NET INCOME

Net earnings for the year, after all charges, amounted to \$2,088,105.11 and, after providing \$806,000 for Dominion and Provincial income taxes, the net income for the year amounted to \$1,282,105.11, an increase over the previous year of \$573,307.93.

SURPLUS

After payment of dividends of 5% on the Preferred Stock, and \$1.00 per share on the Common Stock, the earned surplus increased by \$408,980.11 to \$3,067,873.85. Surplus arising from realization of assets amounted to \$3,496,179.66, after deducting the cost of issuing the new 1948 Series Bonds. The consolidated surplus is \$8,198,401.05, an increase of \$307,418.40.

PROPERTY

The Company's property has been maintained in sound physical condition. Two bulk freighters have been added to the Company's Upper Lake fleet and construction is well advanced on two additional vessels. The net increase in the book value of fixed assets during the year was \$3,246,311.71. The fleet now consists of 58 steamers, of which 49 are freight vessels and 9 are passenger.

FUNDED DEBT

During the year \$3,000,000 First Mortgage 4% 1948 Series Bonds, authorized under the Trust Deeds securing the 3½% Bonds were sold, and Serial Bonds in amount of \$400,000 maturing during the year were paid, leaving outstanding fixed debt of \$10,300,000.

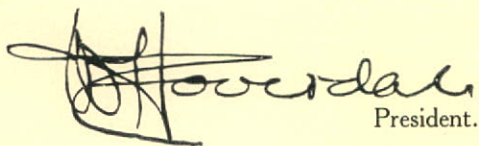
NET CURRENT ASSETS

The excess of current assets over current liabilities at December 31, 1948, amounted to \$7,753,035.80, an increase of \$2,313,369.81 from the previous year. Included in the current assets were cash and government securities amounting to \$3,291,659.69.

NEW CONSTRUCTION

The Company is building the two largest ships ever to be constructed in Canada at the Company's shipbuilding yards at Collingwood and Midland, Ontario. It is expected that these vessels will be commissioned in ample time to take part in the grain movement in the last few months of the 1949 season of navigation.

Your Directors desire to record their appreciation of the loyal and efficient services of the Company's officers and employees.


President.

Montreal, Que.,
March 21, 1949.

CANADA STEAMSHIP LINES, LIMITED

CONSOLIDATED BALANCE SHEET

ASSETS

Current Assets:

Cash in banks and on hand	\$	976,659.69
Dominion of Canada bonds at cost		815,000.00
Guaranteed demand deposits		1,500,000.00
Accounts receivable, less reserve		2,222,558.08
Adjusted losses due by underwriters		74,350.39
Insurance and other claims, estimated amount recoverable		319,824.84
Interest receivable accrued		11,489.71
Refundable portion of Excess Profits Tax		134,319.50
Inventories of stores and supplies at the lower of cost or market (as determined and certified to by responsible officials) and shipyard work in progress at not exceeding cost		10,804,620.68
		16,858,822.89
Deduct progress payments received on uncompleted shipyard work		5,609,713.57
		11,249,109.32
Prepaid Expenses		381,408.73
Refundable portion of Excess Profits Tax after deducting amount included in Current Assets above—estimated		376,489.64
Investments at not exceeding cost		207,492.33
Cash and Dominion of Canada bonds held by Trustee for replacement of assets lost and sold		1,272,575.02

Fixed Assets:

Vessels, real estate, buildings, docks and wharves, plant and equipment and miscellaneous assets on the basis of the reduced valuation made by the management as of December 31, 1936, and approved by the Board of Directors, with subsequent additions based on cost	\$53,727,954.60	
Less reserve for depreciation	30,154,625.40	
		23,573,329.20

NOTE: Additional expenditure necessary to complete the construction of two bulk freighters, and the remodelling of an office building is estimated at \$4,700,000.

Signed on behalf of the Board:

W. H. Coverdale	}	Directors.
Geo. H. Montgomery		

\$37,060,404.24

AUDITORS' REPORT TO

We have examined the accounts of Canada Steamship Lines, Limited and its subsidiary companies for the year ended December 31, 1948, and we have to report that we have obtained all the information and explanations we have required and, in our opinion, a correct view of the state of the companies' affairs on a consolidated basis, as of December 31, 1948, according to the books and records produced to us.

Montreal, March 21, 1949.

AND ITS SUBSIDIARY COMPANIES

AS OF DECEMBER 31, 1948

LIABILITIES

Current Liabilities:		
Accounts payable.....		\$ 2,205,603.70
Bond interest accrued.....		79,520.77
Other accrued charges.....		194,422.61
Reserve for taxes—estimated.....		616,526.44
First Mortgage Serial Bonds 3½% Series "A" due March 15, 1949.....		400,000.00
		<u>3,496,073.52</u>
5% Mortgage—due January 1, 1950.....		188,385.64
Funded Debt:		
First Mortgage Serial Bonds 3½% Series "A" due March 15, 1950-1955.....	\$ 2,400,000.00	
First Mortgage 12 Year Bonds 3½% Series "A" due March 15, 1957.....	4,500,000.00	
	<u>6,900,000.00</u>	
First Mortgage Bonds 4% 1948 Series due December 15, 1966.....	3,000,000.00	
		<u>9,900,000.00</u>
Reserves:		
For freight claims.....	57,000.00	
“ insurance losses and repairs.....	325,000.00	
“ shipbuilding contracts.....	39,000.00	
		<u>421,000.00</u>
Minority shareholders' interest in capital stock and surplus of subsidiary company.....		2,544.03
Capital Stock:		
Authorized and outstanding:		
229,250 shares 5% Cumulative Preference Stock of \$50.00 each.....	11,462,500.00	
300,000 shares Common Stock of no par value.....	3,391,500.00	
		<u>14,854,000.00</u>
Surplus:		
Earned Surplus.....	3,067,873.85	
Surplus arising from realization of capital assets....	3,496,179.66	
Capital Surplus arising through acquisition of a subsidiary company.....	1,636,086.95	
	<u>8,200,140.46</u>	
Less: Minority shareholders' interest in surplus of a subsidiary company.....	1,739.41	
		<u>8,198,401.05</u>
Contingent Liability:		
Judgment for damages arising out of a disaster at Point Edward, Ontario, in 1945, the amount of which has yet to be determined and in respect of which the company may have recourse against insurance underwriters.....		<u>\$37,060,404.24</u>

THE SHAREHOLDERS

On the year ended December 31, 1948, and, in accordance with the provisions of the Companies Act (Dominion), we have prepared the above Consolidated Balance Sheet as of December 31, 1948 is properly drawn up so as to exhibit a true and correct view of the financial position of the company and the best of our information and the explanations given to us, and as shown by the books of the companies.

PEAT, MARWICK, MITCHELL & CO.,

Auditors.

CANADA STEAMSHIP LINES, LIMITED

AND ITS SUBSIDIARY COMPANIES

STATEMENT OF PROFIT AND LOSS

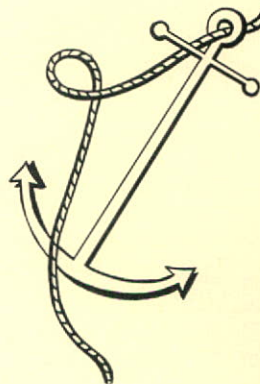
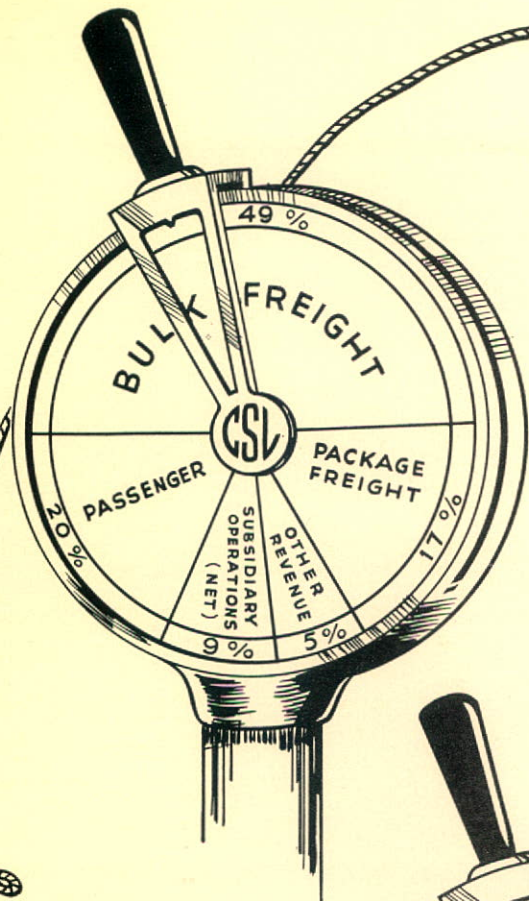
For the Year ended December 31, 1948

Operating Revenue:		
Vessels.....	\$19,903,658.81	
Docks and wharves.....	930,971.59	
Miscellaneous operating revenue—net.....	1,823,554.84	
	<u>22,658,185.24</u>	
Other Revenue (including income from investments \$45,040.57).....	146,134.89	
	<u>22,804,320.13</u>	
Expenses (including salaries of executive officers \$83,000.00, directors' fees \$14,540.50 and legal fees \$39,377.36).....	18,559,713.68	
	<u>4,244,606.45</u>	
From which deduct:		
Interest on funded debt.....	\$ 258,813.88	
Other interest.....	82,913.09	
Provision for depreciation.....	1,814,774.37	
	<u>2,156,501.34</u>	
	2,088,105.11	
Provision for taxes on income—estimated.....	806,000.00	
Net Income for Year.....	<u>\$ 1,282,105.11</u>	

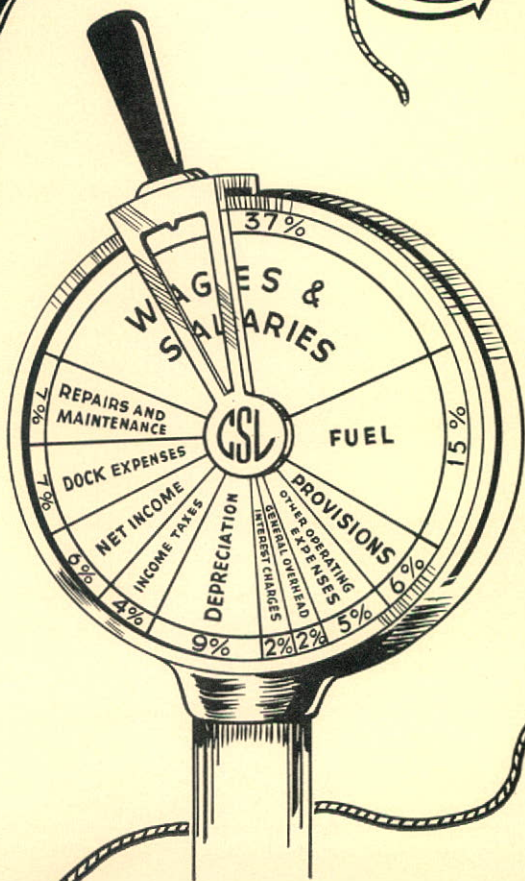
STATEMENT OF SURPLUS

Earned Surplus at December 31, 1947.....	\$ 2,658,893.74	
Add:		
Net income for year ended December 31, 1948.....	1,282,105.11	
	<u>3,940,998.85</u>	
Deduct dividends paid:		
To preference shareholders.....	\$ 573,125.00	
To common shareholders.....	300,000.00	873,125.00
		<u>3,067,873.85</u>
Surplus arising from realization of capital assets:		
Amount at December 31, 1947.....	3,597,619.24	
Deduct:		
Discount and expenses of bond issue.....	101,439.58	
		<u>3,496,179.66</u>
Capital Surplus arising through acquisition of a subsidiary company.....	1,636,086.95	
	<u>8,200,140.46</u>	
Less: Minority shareholders' interest in surplus of a subsidiary company.....	1,739.41	
Amount at December 31, 1948.....	<u>\$ 8,198,401.05</u>	

REVENUE
(After Deducting
Handling Expenses)



DISPOSITION OF REVENUE





HOTEL TADOUSSAC

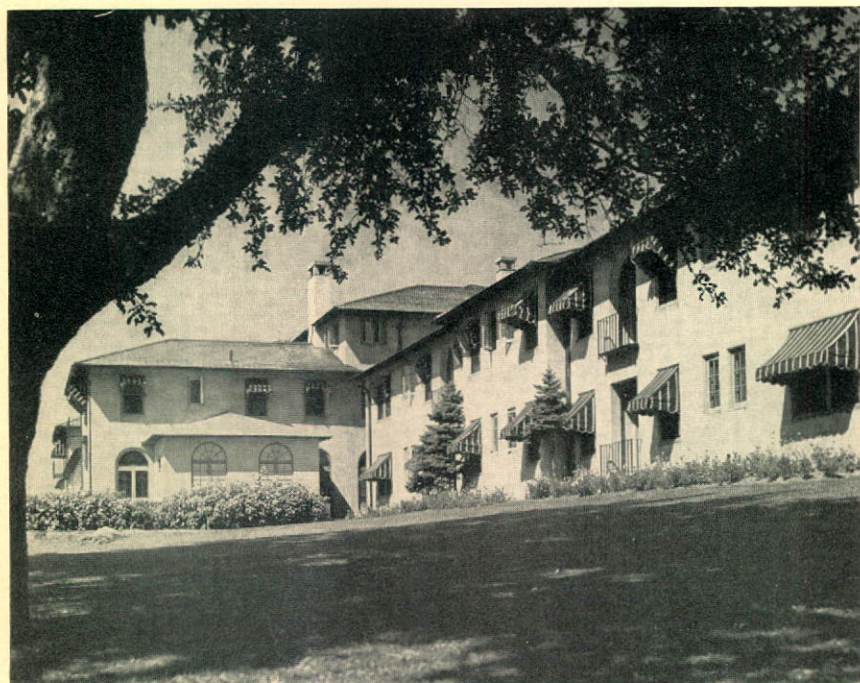
Tadoussac, P.Q.

Season June to September

Here is a holidayer's paradise — a modern, picturesque hotel, nestled on the site of Canada's first settlement, overlooking the Saguenay and the St. Lawrence. A sandy beach and heated salt water pool, tennis courts and sporty 9-hole golf course offer hours of pleasure to all ages, while a comfortable fishing camp in the balsam hills and lakes, stocked annually with speckled trout, challenges the skill of the fisherman.

Daily service by luxury river steamers from Montreal and intermediate ports. For information and reservations, apply to any Canada Steamship Lines office or write the Manager, Hotel Tadoussac, 715 Victoria Square, Montreal.

A DIVISION OF CANADA STEAMSHIP LINES



THOUSAND ISLANDS CLUB

Alexandria Bay, N.Y.

Season May to October

The Thousand Islands Club combines the informal charm of a country club with the dignity and service of a vast country estate. Situated on one of the most beautiful of the Thousand Islands — Wellesley Island — the Club is popular with Americans and Canadians alike. All the facilities of an exclusive resort are available to guests in this quiet retreat. The island is easily reached by steamer, rail or automobile.

Reservations should be made as far in advance as possible. Full information from the Manager, Thousand Islands Club, Inc., Alexandria Bay, N.Y., during the summer season. Between seasons apply to Canada Steamship Lines Limited, P.O. Box 100, Montreal, or company offices in principal cities.

A DIVISION OF CANADA STEAMSHIP LINES



MANOIR RICHELIEU

Murray Bay, P.Q.

Season June to September

This famous resort is a solution to the problem of "whether to go to the mountains or the sea"! For the Manoir offers *both* in an atmosphere of old-world France. Perched high on the Laurentian banks of the St. Lawrence—where salt water mingles with fresh—you'll find all the facilities of an unusually fine hotel. The celebrated golf course, tennis courts and superb stable; the heated salt water pool, archery butts; the indoor amusements . . . all add up to a perfect vacation.

Daily service by luxury river steamers from Montreal and intermediate ports. For information and reservations, apply to any Canada Steamship Lines office or write the Manager, Manoir Richelieu, 715 Victoria Square, Montreal.

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