

CANADA
STEAMSHIP
LINES
LIMITED

ANNUAL REPORT
1946

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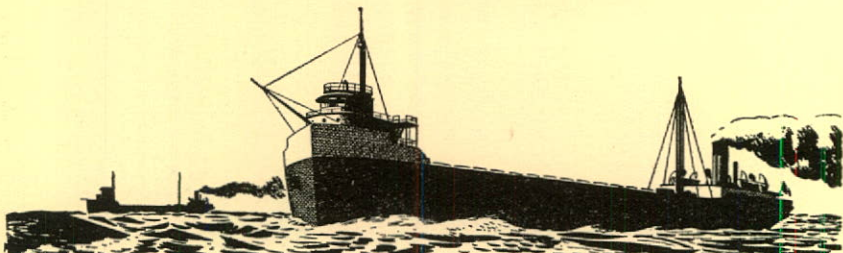
McGILL UNIVERSITY



Keeping Pace with Canada

The progressive policies which characterized the past development of Canada Steamship Lines still dominate its activities. New property assets, new developments in shipbuilding and new methods of moving goods for business and industry *where* they are wanted, *when* they are wanted—at low cost—assure leadership for this great Canadian company. In addition to its large fleet of freight vessels, the company operates luxury passenger ships, world-famous hotels, specialty shops afloat and ashore, grain elevators, coal docks, warehouse terminals, and shipyards on the Great Lakes and the St. Lawrence River geared for any type of ship construction or repair.

CANADA STEAMSHIP LINES



CANADA STEAMSHIP LINES LIMITED

DIRECTORS

D. W. AMBRIDGE, ESQ.

W. H. COVERDALE, ESQ.

ARTHUR CROSS, ESQ.

KENNETH T. DAWES, ESQ.

SIR JAMES DUNN, BART.

FRANK J. HUMPHREY, ESQ.

COL. K. R. MARSHALL

GEORGE H. MONTGOMERY, ESQ., K.C.

A. C. PICARD, ESQ.

JOSEPH M. PIGOTT, ESQ.

JOSEPH A. SIMARD, ESQ.

PAUL F. SISE, ESQ.

R. B. THOMSON, ESQ.



EXECUTIVE OFFICERS

W. H. COVERDALE
President

GEORGE H. MONTGOMERY, K.C.
Vice-President

R. B. THOMSON
Secretary

H. A. CRESSWELL
Treasurer

CANADA STEAMSHIP LINES LIMITED

To the Stockholders:

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

Your Company has now acquired all the shares of Canadian Shipbuilding & Engineering Limited, and the accounts of that Company have been included in the consolidations. There are, however, 27 shares of one of its subsidiaries still unacquired, thereby creating a minority interest in the capital stock and surplus of that Company.

The year under review was a difficult one for your Company. Strikes in the ore and coal fields and the short supply of grain at Lake Head at the opening of the navigating season curtailed the shipments of these commodities, following which the strike of Canadian seamen interfered with the operation of the fleet for a period of nearly five weeks. Shipments of iron ore were also restricted by the steel strike which, in turn, reduced deliveries of steel products to your shipyards, thereby delaying the construction of vessels under contract. The passenger and hotel departments, on the other hand, enjoyed a capacity season.

GROSS REVENUE

The gross revenue for 1946 amounted to \$15,696,903.60, a decrease of \$2,331,505.21 from the previous year.

OPERATING EXPENSES

Operating Expenses amounted to \$13,823,556.23, a decrease of only \$363,137.68, due to increased costs of operation, leaving net earnings, available for interest charges and depreciation, of \$1,873,347.37.

DEDUCTIONS

Interest charges, due to maturing of serial bonds and the effects of refinancing, were reduced by \$39,341.16 to \$290,301.05. Provision was made for depreciation in amount of \$1,493,065.74, an increase of \$63,823.09, due to the acquisition of additional shipyard facilities.

NET INCOME

Net earnings for the year, after all charges, amounted to \$89,980.58, but additional net earnings were available from ship construction completed in 1945 amounting to \$539,804.52.

The net income for the year, after all charges and provision for Income and Excess Profits Taxes of \$226,000.00 amounted to \$403,785.10, a decrease from the previous year of \$704,044.94.

The Pension Fund being now on an actuarially sound basis, it was unnecessary to implement the regular contributions, but an amount of \$200,000 has been appropriated from the surplus arising through the acquisition of Canadian Shipbuilding & Engineering Limited, in order to enable employees of that organization to join the Pension Fund on an equitable basis.

SURPLUS

After payment of regular dividends of 5% on the Company's Preference Stock and \$1.00 per share on the Common Stock, the Earned Surplus amounted to \$2,823,221.56, a decrease of \$469,583.40. To this amount is now added the sum of \$3,011,811.18, representing profits realized from sales of vessels and investments during the year amounting to \$1,731,973.88, together with the balance from similar sources as at December 31, 1945 of \$1,279,837.30. A Capital Surplus of \$1,568,854.95 was created through the acquisition of Canadian Shipbuilding & Engineering Limited. The minority shareholders' interest in the surplus of a subsidiary company amounting to \$1,334.53 has been deducted and the consolidated surplus of \$7,402,553.16 has been carried forward to 1947.

NET CURRENT ASSETS

The excess of current assets over current liabilities at December 31, 1946, amounted to \$6,132,781.30, an improvement of \$2,468,130.72 over the previous year. Included in the current assets were Cash and Government securities amounting to \$6,098,865.73.

FUNDED DEBT

During the year Serial Bonds in amount of \$400,000 matured and were paid.

PROPERTY

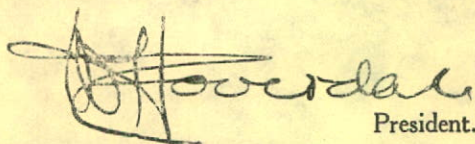
The Company's property has been maintained in sound physical condition. During the year there were net additions of \$2,039,270.00, represented by the completion of a coal handling plant at Depot Harbour, Ontario, further improvements to the Thousand Islands Club property, and the acquisition of property on Victoria Square in Montreal for the housing under one roof of the various Head Office Departments of the Company; the sale of the present inadequate Head Office building has been negotiated.

The fleet now consists of 59 steamers, of which 48 are freight vessels and 11 are passenger.

Shortages of materials have delayed the construction of new vessels required under the Company's construction programme.

Claims resulting from the disaster involving the S.S. "HAMONIC" are the subject of litigation, and it is still impossible to state that the Company's liability in connection therewith is fully covered by insurance.

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



President.

Montreal, Que.,
March 28, 1947.

CANADA STEAMSHIP LINES, LIMITED

CONSOLIDATED BALANCE SHEET

ASSETS

Current Assets:

Cash in banks and on hand.....	\$ 4,003,765.73
Dominion of Canada bonds, at cost.....	2,095,100.00
Accounts receivable, less reserve.....	2,810,947.82
Adjusted losses due by underwriters.....	16,499.16
Insurance and other claims, estimated amount recoverable.....	293,983.63
Interest receivable accrued.....	17,998.02
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.....	6,224,099.31

\$15,462,393.67

Deduct progress payments received on uncompleted shipyard work 6,749,150.38

\$ 8,713,243.29

Prepaid Expenses.....	373,567.48
Refundable Portion of Excess Profits Tax—Estimated.....	842,000.00

Investments at not exceeding cost (including \$141,500.00 par value of 3½% First Mortgage Bonds of the Company)..... 354,497.39

Cash and Dominion of Canada bonds held by Trustee for replacement of assets lost and sold..... 1,356,690.62

Fixed Assets:

Vessels, real estate, buildings, docks and wharves, plant and equipment and miscellaneous, 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..... \$49,310,573.07

Less reserve for depreciation..... 27,583,092.55

21,727,480.52

Signed on behalf of the Board:

W. H. COVERDALE	}	Directors.
GEO. H. MONTGOMERY		

\$33,367,479.30

AUDITORS' REPORT TO

We have examined the accounts of Canada Steamship Lines, Limited and its subsidiary companies for the year ended December 31, 1946, and we have to report that we have obtained all the information and explanations we have required and, in our opinion, they present a correct view of the state of the companies' affairs on a consolidated basis, as of December 31, 1946, according to the provisions of the Companies Act.

Montreal, March 27, 1947.

AND ITS SUBSIDIARY COMPANIES

STATEMENT AS OF DECEMBER 31, 1946

LIABILITIES

Current Liabilities:

Accounts payable.....	\$ 1,699,311.52
Reserve for taxes—estimated.....	318,921.99
Bond interest accrued.....	82,687.50
Other accrued charges.....	79,540.98
First Mortgage Serial Bonds 3½% Series "A" due March 15, 1947.....	400,000.00
	<u>\$ 2,580,461.99</u>

5% Mortgage (payable in quarterly instalments of \$7,500.00 on account of principal and interest, balance due January 1, 1949) . . . 227,325.00

Funded Debt:

First Mortgage Serial Bonds 3½% Series "A" due March 15, 1948-1955.....	\$ 3,200,000.00
First Mortgage 12 Year Bonds 3½% Series "A" due March 15, 1957.....	4,500,000.00
	<u>7,700,000.00</u>

Reserves:

For freight claims.....	\$ 51,000.00
" insurance losses and repairs.....	325,000.00
" shipbuilding contract.....	25,000.00
" special contribution to pension fund to permit admission of employees of a subsidiary company.....	200,000.00
	<u>601,000.00</u>
Minority shareholders' interest in capital stock and surplus of subsidiary company.....	2,139.15

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.....	\$ 2,823,221.56
Surplus arising from realization of capital assets....	3,011,811.18
Capital Surplus arising through acquisition of a subsidiary company.....	1,568,854.95
	<u>\$ 7,403,887.69</u>

Less: Minority shareholders' interest in surplus of a subsidiary company..... 1,334.53 7,402,553.16

Contingent Liability:

In respect of claims arising out of a disaster in 1945 the Company's liability for which (if any) has yet to be determined. \$33,367,479.30

THE SHAREHOLDERS

year ended December 31, 1946, and, in accordance with the provisions of the Companies Act (Dominion) we the above Consolidated Balance Sheet as of December 31, 1946 is properly drawn up so as to exhibit a true 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

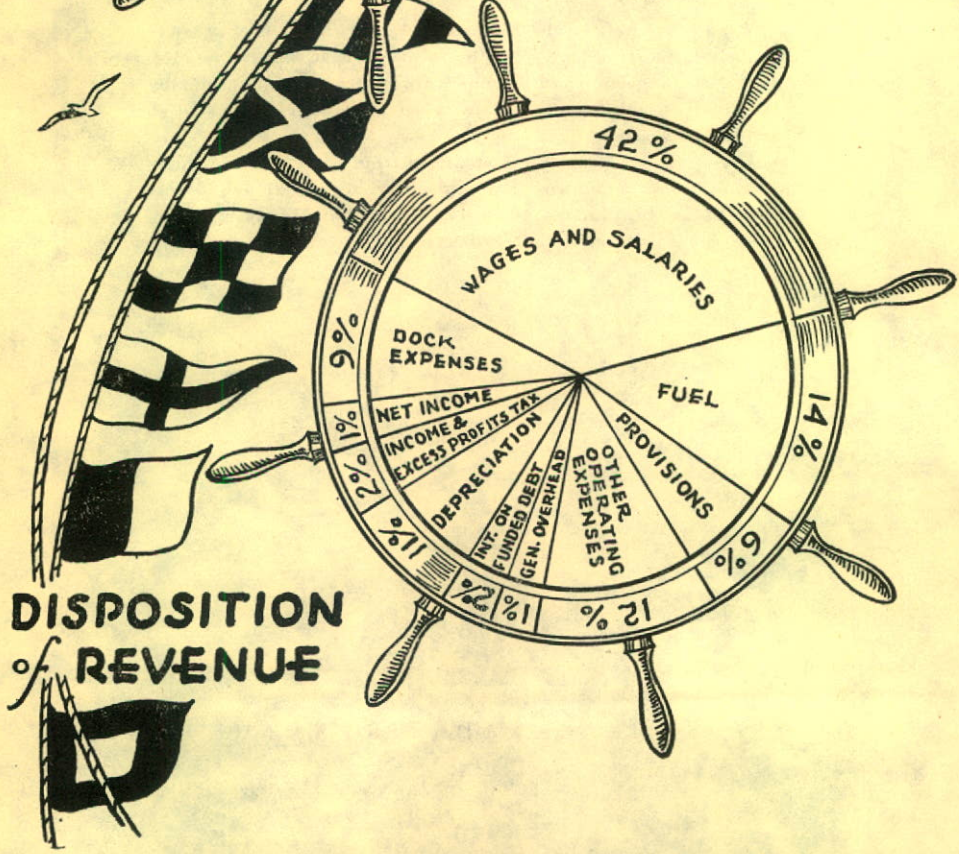
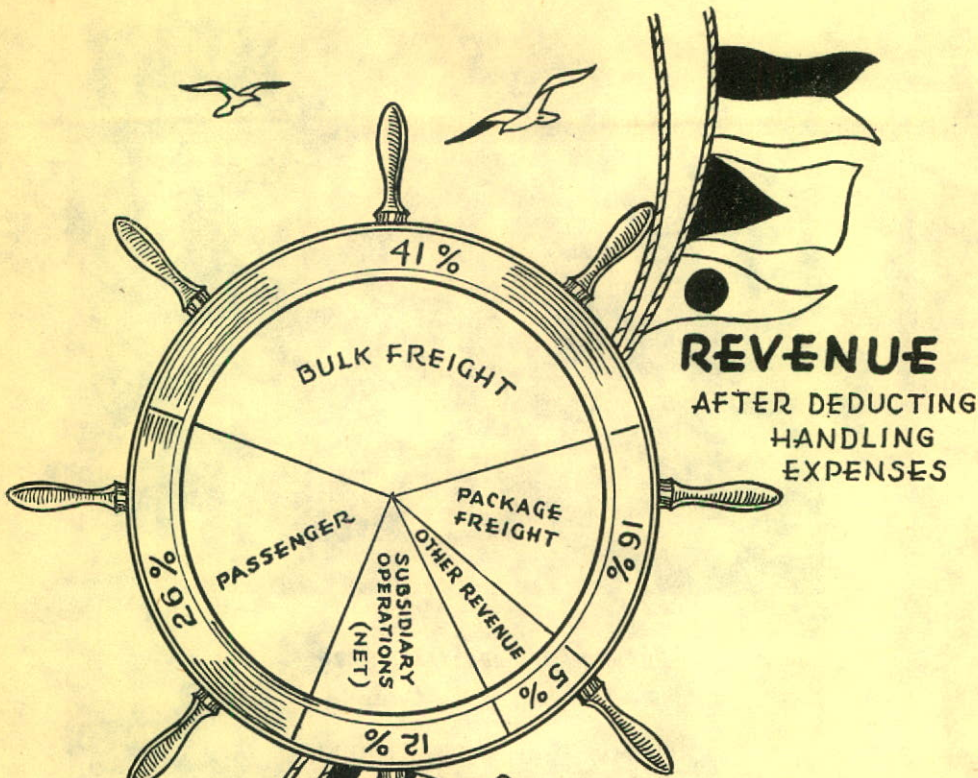
STATEMENT OF PROFIT AND LOSS

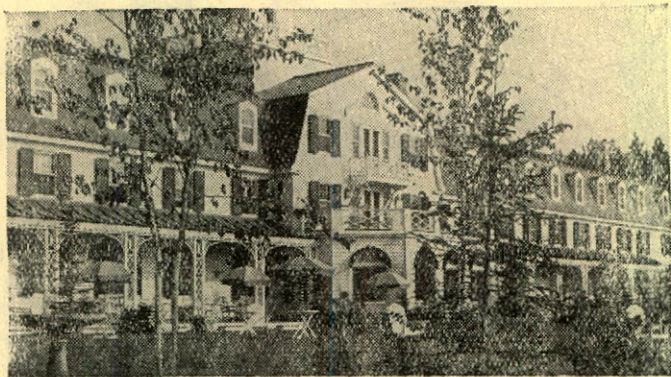
For the Year ended December 31, 1946

Operating Revenue:		
Vessels.....		\$13,361,754.61
Docks and Wharves.....		529,533.46
Miscellaneous operating revenue—net.....		1,639,923.56
		15,531,211.63
Other Revenue (including income from investments \$67,257.55).....		165,691.97
		15,696,903.60
Expenses (including salaries of executive officers, \$78,000.00, directors' fees, \$14,940.00, and legal fees, \$7,599.43).....		13,823,556.23
		1,873,347.37
From which deduct:		
Interest on Funded Debt.....	\$ 286,416.73	
Other interest.....	3,884.32	
Provision for depreciation.....	1,493,065.74	
		1,783,366.79
Profit for Year.....		89,980.58
Add:		
Additional amounts collected under contracts for ship construction completed in prior years.....		539,804.52
		629,785.10
Provision for income and excess profits taxes—estimated.....		226,000.00
Net Income for Year.....		\$ 403,785.10

STATEMENT OF SURPLUS

Earned Surplus at December 31, 1945.....		\$ 3,292,804.96
Add net income for year ended December 31, 1946.....		403,785.10
		3,696,590.06
Deduct dividends paid:		
To preference shareholders.....	\$ 573,125.00	
To common shareholders.....	300,000.00	
To minority shareholders in subsidiary company...	243.50	
		873,368.50
		2,823,221.56
Surplus arising from realization of capital assets:		
Amount at December 31, 1945.....	1,279,837.30	
Add profits realized from sale of vessels and investments for year ended December 31, 1946.....	1,731,973.88	
		3,011,811.18
Capital Surplus arising through acquisition of a subsidiary company...		1,568,854.95
		7,403,887.69
Less: Minority shareholders' interest in surplus of a subsidiary company.....		1,334.53
Amount at December 31, 1946.....		\$ 7,402,553.16





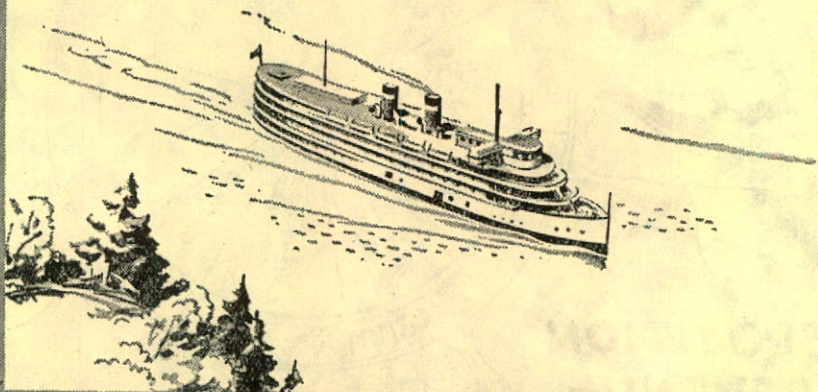
Hotel Tadoussac

Tadoussac, P.Q., Canada

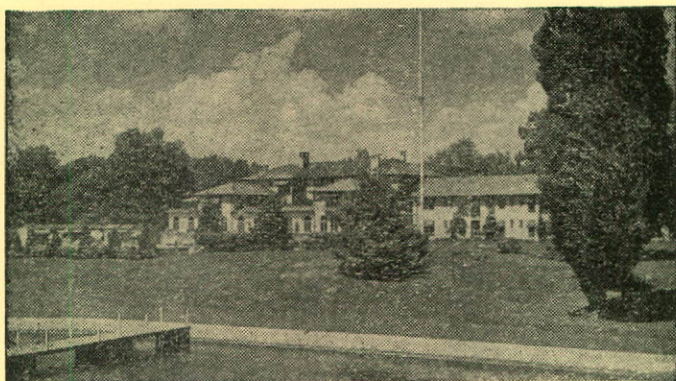
SEASON JUNE TO SEPTEMBER

This famous hotel, at the picturesque spot where the Saguenay joins the St. Lawrence . . . with its own beach, fine 9-hole golf course . . . fishing camp and seven private lakes in the hills, annually stocked with speckled trout . . . will provide a delightful vacation or summer-long visit.

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

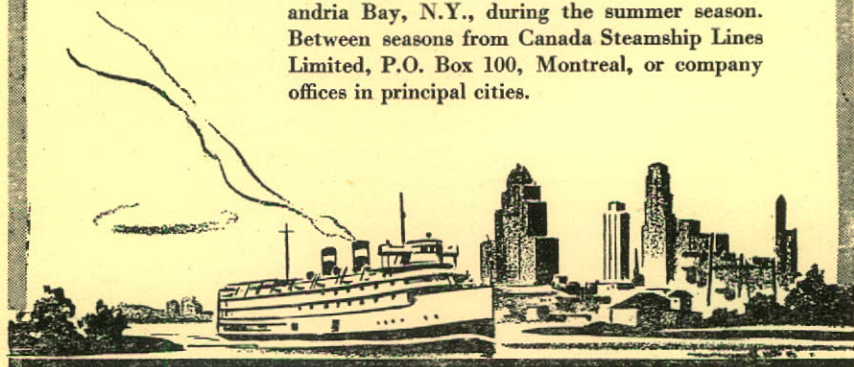


Thousand Islands Club

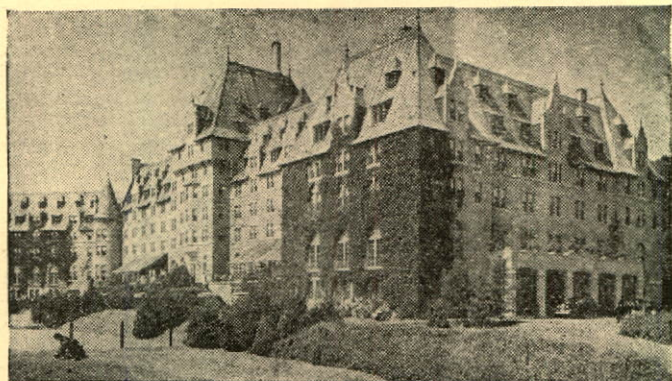
A GOOD-NEIGHBOUR PLAYGROUND

The Thousand Islands Club is on beautiful Wellesley Island—in the very heart of a region that Indians described as "The Garden of the Great Spirit". This area has retained the freshness, peace and quiet of former days and the Thousand Islands Club is itself sheltered from the outside world by stately trees and the wide, calm river. Offering a summer retreat with the gracious hospitality, attentive service and generous facilities of a great country estate, the Thousand Islands Club is easily accessible by steamer, rail or automobile, being situated near Alexandria Bay, N.Y., and the famous Thousand Islands (International) Bridge.

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 from Canada Steamship Lines Limited, P.O. Box 100, Montreal, or company offices in principal cities.



A DIVISION OF CANADA STEAMSHIP LINES



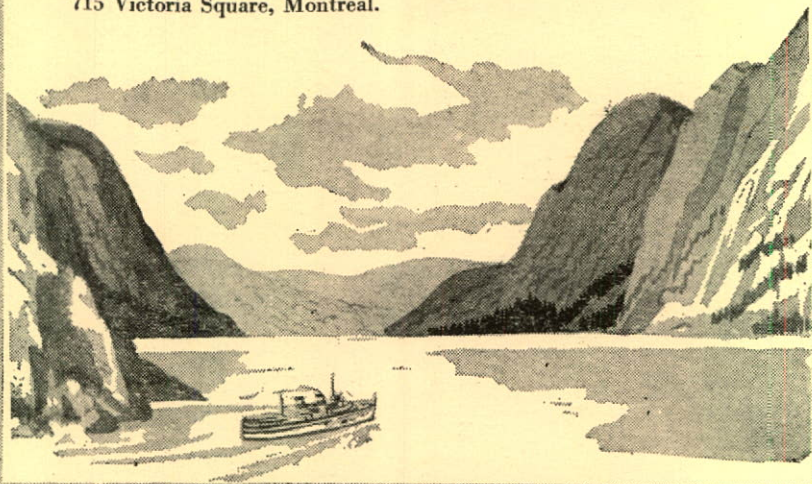
Manoir Richelieu

Murray Bay, P.Q., Canada

SEASON JUNE TO SEPTEMBER

Beyond question . . . one of the world's great resorts! The setting, high on the bank of the St. Lawrence overlooking Murray Bay . . . the magnificent building and grounds . . . the celebrated golf course . . . tennis courts, salt-water swimming pool, archery butts, stable of fine riding horses . . . nothing has been spared to please the most demanding.

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.



A DIVISION OF CANADA STEAMSHIP LINES