

ANNUAL REPORT  
OF  
THE FOUNDATION COMPANY  
OF CANADA  
LIMITED  
AND SUBSIDIARY COMPANIES  
FOR THE YEAR ENDING  
APRIL 30, 1940

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# THE FOUNDATION COMPANY OF CANADA LIMITED AND SUBSIDIARY COMPANIES

MONTREAL, June 12, 1940.

TO THE SHAREHOLDERS OF  
THE FOUNDATION COMPANY OF CANADA LIMITED

The Annual Report for the fiscal year ending April 30, 1940, together with certified balance sheet and surplus account, is submitted herewith.

Conditions in the construction industry have undergone a marked change during the last nine months and in the light of recent events it seems reasonable to assume that the munitions industry in Canada will proceed at an accelerated pace and that your Company, with its long record of achievement in the industrial building field, will receive its share in the new work that will be necessary if Canada is to put her full weight into her war effort. Since September last, with few exceptions, all business taken by the construction divisions of your Company may be said to be directly connected with the war. Your Company's principal business has been the construction of new plants and additions to existing plants producing raw or semi-manufactured materials for the munitions industry. In addition your Company has undertaken certain important work of a specialized nature under direct contracts with the Government.

Your Company's towing and docking business in the Port of Halifax has been exceedingly active and additional equipment and personnel have been provided to meet all demands. Additional water boats have also been put into operation at that port as required. The Company's pre-war rate schedule has been maintained at the rates in effect under annual contracts with the principal steamship owners normally using the port.

Your Company's marine salvage business in the North Atlantic has assumed greatly increased importance, the area served by your Company's salvage vessels having increased by approximately five hundred per cent since last September due to the withdrawal of foreign flag competition. Arrangements have been concluded for a still further increase in territory as quickly as equipment now on order is put into service.

Application has been made for permission to surrender the charter of one of your Company's wholly owned subsidiaries, Halifax & Canso Steamships Limited, which formerly operated a passenger and freight service on the Nova Scotian Coast. Its personnel has been absorbed and its equipment purchased by Foundation Maritime Limited for services considered more essential under existing conditions.

Capital assets, after crediting the proceeds from plant sold and otherwise disposed of, show a very moderate increase of \$27,936 and a net decrease after depreciation of \$35,814. The principal items affecting capital account are additional repair shop capacity and machine shop equipment at the Company's Dorval Yard and what might be considered as normal replacements of the Company's construction equipment and the purchase of two boats, one for conversion for general salvage and ocean rescue work, the other for service as a water boat. Additional salvage equipment has also been purchased during the fiscal year. In the aggregate these items have to a great extent been offset by rather heavy sales of surplus construction plant, and by the loss at sea of one of the Company's tugs. The fact that sales of equipment have yielded a profit indicate that the Company's policy as regards depreciation has been conservative.

Your Company's buildings, plant and equipment have been maintained in first-class operating condition. Depreciation has been written off your Company's buildings and marine equipment in general at the maximum rates established under income tax regulations, and off your Company's construction plant at a somewhat lower aggregate rate due to the fact that a great deal of this equipment has already been written down to nominal values.

Operations show a net profit for the year, after depreciation and taxes, of \$128,516 as compared with a loss of \$83,126 in the previous year. Net current assets as of April 30, 1940, are \$602,749 as compared with \$447,657 as of the close of the previous fiscal year.

Your Directors have deemed it advisable to change the date of the close of the financial year of the Company from April 30th to December 31st and in consequence the current financial year will comprise operations for the eight month period ending December 31st next.

Your Directors take this opportunity of thanking the members of the staff for their loyal co-operation and unflinching efforts.

R. E. CHADWICK,  
President.

## CONSOLIDATED BALANCE SHEET, APRIL 30, 1940

ASSETS		
CAPITAL ASSETS AT COST:		
Land and Buildings.....	\$ 260,584.94	
Plant and Equipment.....	1,028,819.72	
Marine Equipment.....	1,036,570.09	
Furniture and Fixtures.....	15,514.60	
	\$2,341,489.35	
Goodwill.....	1.00	
	\$2,341,490.35	
INVESTMENT IN PARTLY OWNED SUBSIDIARY COMPANY.....		14,000.00
CURRENT AND WORKING ASSETS:		
Cash in Banks and on Hand.....	\$295,098.64	
Accounts Receivable (including amounts held back on completed contracts).....	470,171.92	
Investment in Uncompleted Contracts at Cost.....	3,508.22	
Tools and Supplies on hand, valued by the management at the lower of cost or market prices.....	21,749.60	
Investment in Dominion Government Bonds at Cost (Quoted value April 30, 1940, \$173,960.00).....	\$178,640.00	
Accrued Interest on Bonds.....	2,256.04	
	180,896.04	
		971,424.42
DEFERRED CHARGES TO OPERATIONS.....		11,602.87
		\$3,338,517.64

Approved on behalf of the Board:

R. E. CHADWICK, Director.  
LAWRENCE MACFARLANE, Director.

LIABILITIES		
CAPITAL STOCK:		
Authorized—150,000 Common Shares of No Par Value.....		
Issued — 84,600 Common Shares of No Par Value.....		\$ 710,000.00
MORTGAGE PAYABLE 5%—due November 1, 1940.....		10,000.00
CURRENT LIABILITIES:		
Accounts Payable and Accrued Liabilities.....	\$ 312,489.75	
Provision for Income and Other Taxes.....	56,186.11	
	368,675.86	
RESERVES:		
Depreciation.....	\$1,218,845.09	
Uncompleted Contracts.....	10,380.50	
Guarantee Reserve Fund.....	13,121.79	
Fire and Marine Insurance.....	27,635.30	
	1,269,982.68	
EARNED SURPLUS:		
As per statement attached.....		979,850.10
		\$3,338,517.64

### AUDITORS' REPORT TO THE SHAREHOLDERS

We have made an examination of the books and accounts of The Foundation Company of Canada Limited and its Wholly Owned Subsidiary Companies for the year ending April 30, 1940 (with the exception of Maritime Towing & Salvage Limited and Halifax and Canso Steamships Limited, the balance sheets of which were certified by other Chartered Accountants) and have obtained all the information and explanations which we have required; and we report that, in our opinion, the above Consolidated Balance Sheet at April 30, 1940, is properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of The Foundation Company of Canada Limited and its Wholly Owned Subsidiary Companies according to the best of our information and the explanations given to us and as shown by the books of the Companies examined by us and the certified accounts above mentioned.

In accordance with Section 114 of the Companies Act, 1934, we also report that the Companies' proportion of the net profit for the year ending December 31, 1939, of the partly owned Subsidiary Company has been taken up in the above accounts only to the extent of dividends declared therefrom.

PRICE, WATERHOUSE & CO.,  
Auditors.

MONTREAL, June 5, 1940.

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS**  
**APRIL 30, 1940**

Operating Profit for the year ending April 30, 1940, before taking into account the items shown below.....		\$340,476.59
 <b>ADD:</b>		
Profit from sale of Capital Assets (net).....	\$ 9,871.19	
Income from Investments.....	6,267.47	
Miscellaneous Income.....	1,321.48	
	17,460.14	
		\$357,936.73
 <b>DEDUCT:</b>		
Interest on Mortgages.....	\$ 500.00	
*Executive Officers' Remuneration .....	67,254.83	
Directors' Fees.....	4,046.00	
Legal Expenses.....	736.37	
Provision for Depreciation.....	106,185.79	178,722.99
	179,722.99	
Net Profit before providing for Income Taxes.....		\$179,213.74
 Provision for Income and Other Taxes.....		50,698.02
Net Profit for the year.....		\$128,515.72
 Earned Surplus Balance, April 30, 1939.....		851,343.38
		\$979,859.10

\*This item includes remuneration of executive officers of the Company and also of certain employees of the Company and its subsidiaries who are also officers or directors of subsidiary companies, totalling in all ten persons.

**THE FOUNDATION COMPANY  
OF CANADA  
LIMITED**

**BOARD OF DIRECTORS**

W. F. ANGUS	L. F. GIBLIN
R. E. CHADWICK	G. McG. MITCHELL
V. M. DRURY	F. G. RUTLEY

LAWRENCE MACFARLANE, K.C.

**OFFICERS**

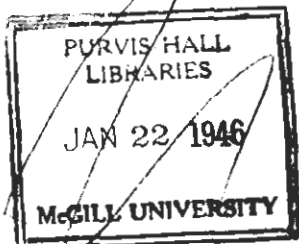
R. E. CHADWICK	- - - - -	President
V. M. DRURY	- - - - -	Vice-President
F. G. RUTLEY	- - - - -	Vice-President
V. G. YOUNGHUSBAND	- - - - -	Vice-President
C. E. GREARSON	- - - - -	Secretary-Treasurer
H. C. LINK	- - - - -	Asst. Secretary-Treasurer

**HEAD OFFICE**

1538 SHERBROOKE STREET WEST  
MONTREAL



ANNUAL REPORT  
OF  
THE FOUNDATION COMPANY  
OF CANADA  
LIMITED  
AND SUBSIDIARY COMPANIES  
FOR THE FISCAL PERIOD ENDING  
DECEMBER 31, 1940





# THE FOUNDATION COMPANY OF CANADA LIMITED AND SUBSIDIARY COMPANIES

MONTREAL, February 27, 1941

TO THE SHAREHOLDERS OF  
THE FOUNDATION COMPANY OF CANADA LIMITED:

The Annual Report for the fiscal period ending December 31st, 1940, together with certified balance sheet and surplus account, is submitted herewith. The report covers the eight months' period from May 1st to December 31st. It will be recalled that the date of the close of the fiscal year of your Company was, since the submission of the last Annual Report, changed to correspond with the close of the calendar year.

Operations show a net profit before Income and Excess Profits Taxes of \$258,786 as compared with \$179,214 for the previous fiscal year or, after provision for taxes, \$98,786 as compared with \$128,516. The item of \$160,000 provided in the profit and loss statement for Income and Excess Profits Taxes is an arbitrary amount subject to adjustment when the Board of Referees appointed under the Excess Profits Tax Act, 1940, renders its decision with respect to the Construction Industry as a whole and your Company in particular.

Net current assets as of December 31st, 1940, are \$649,425 as compared with \$602,749 at the close of the previous fiscal year on April 30, 1940, and \$447,657 as of April 30, 1939.

During the eight months' period ending December 31st last, your Company has paid dividends on its outstanding capital stock at the rate of \$1.00 per share per annum. Earned surplus as of December 31st, 1940, stands at \$1,015,195 as compared with \$979,859 as of April 30, 1940, and \$851,343 as of April 30, 1939.

The period under review has been one of great activity in the construction business. With the exception of a few comparatively small contracts, the entire business of your Company has been directly connected with Canada's war effort and the building up of our munitions industry. Other than certain specialized work for the Royal Canadian Navy, which your Company has handled since the commencement of hostilities, practically all of our construction contracts have been with industrial concerns having munitions contracts with the British or Canadian Governments. During recent months the personnel employed on your Company's construction work has exceeded 10,000 men.

During the year the requirements of the country's war effort have brought about the inauguration of a new department of your Company's business, i.e., a separate department devoted to Engineering and Industrial Design as apart from actual construction. This department has had the privilege of having had assigned to it, under the supervision of British experts, the complete design of an establishment that is expected to be the most important of its kind in the British Empire outside of Great Britain. There has been a most encouraging response on the part of industrialists to avail themselves of the services offered by this new department and your Company's engineers have been associated with the design of an unexpected number of projects ranging in diversification from plants for the manufacture of food containers to plants for the manufacture of aeroplanes, and including marine structures in which the practical operating experience of your Company's personnel has proved of great value.

Your Company's towing and docking business in the Port of Halifax has been increasingly active, the number of tug operations during the present season being about five times the normal pre-war average. To meet this demand your Company has acquired under charter six harbour tugs in addition to its own fleet, the latter augmented by two tugs purchased during the year, one of which was unfortunately lost in collision. Through the co-operation of the Royal Canadian Navy, the Department of Transport and the National Harbours Board, this loss was promptly made good by the temporary transfer, under charter, of one of the tugs in the Naval Service.

Your Company's marine salvage business has been extended to cover, in case of necessity, approximately ten times the area available to it under pre-war conditions and, to handle this extended

area, your Company purchased the C.G.S. ARANMORE, since renamed "FOUNDATION ARANMORE." This vessel, approximately twice the gross tonnage of the next largest of your Company's fleet, has been refitted for ocean rescue and general salvage work. Your Company's salvage personnel has been enlarged and in this respect, and in respect of equipment generally, the areas in which your Company is operating are now adequately served.

During the period reviewed, your Company's derrick boats on the Atlantic Coast have been operating substantially at capacity either on construction projects or maintenance for the Royal Canadian Navy or on stevedoring, this latter, on its present scale, being an entirely new activity in your Company's business. One additional derrick boat was put into service during the fiscal year.

It might be noted that your Company's towing, docking and marine salvage business is being carried on entirely as a commercial enterprise under its own control, without financial assistance from any Government agency by way of capital advances, loans or subsidies of any kind.

Notwithstanding a very large increase in the volume of your Company's business, capital assets after depreciation and after crediting the proceeds of plant sold and otherwise disposed of, show a net decrease of \$12,087. In short, sales, together with depreciation written off, have more than offset purchases. Depreciation on construction plant purchased for so-called "war contracts" has been computed in accordance with decisions rendered by the War Contracts Depreciation Board. While the Board has hitherto declined to grant your Company the rates of depreciation which your management considers proper as applicable to additional tugs, water boats, salvage vessels and salvage equipment, on the ground that such purchases were made in respect of war contracts, further evidence in support of the Company's contentions will shortly be submitted. Subject to the foregoing, depreciation has been written off your Company's plant and buildings in accordance with its usual policy.

Your Directors take this opportunity of thanking the members of the staff for their loyal co-operation and unfailing efforts during the present difficult period.

R. E. CHADWICK,  
President.

# CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1940

ASSETS				LIABILITIES
<b>CAPITAL ASSETS AT COST:</b>				<b>CAPITAL STOCK:</b>
Land and Buildings .....	\$ 261,140.34			Authorized—150,000 Common Shares of No Par Value.
Plant and Equipment .....	1,062,861.53			Issued — 84,600 Common Shares of No Par Value .....
Marine Equipment .....	1,042,897.38			\$ 710,000.00
Furniture and Fixtures .....	17,589.93			
	\$2,384,489.18			
Goodwill .....	1.00	\$2,384,490.18		<b>CURRENT LIABILITIES:</b>
				Accounts Payable and Accrued Liabilities .....
<b>INVESTMENT IN PARTLY OWNED SUBSIDIARY COMPANY.....</b>		14,000.00		\$ 474,406.55
				Dividend declared, payable January 18, 1941.....
<b>CURRENT AND WORKING ASSETS:</b>				21,150.00
Cash in Banks and on Hand .....	\$ 492,494.05			Provision for Income, Excess Profits and Other Taxes .....
Accounts Receivable (including amounts held back on completed contracts) .....	576,968.67			168,323.47
Investment in Uncompleted Contracts at cost .....	35,454.27			663,880.02
Tools and Supplies on hand, valued by the Management at the lower of cost or market prices .....	21,745.09			
Investment in Dominion Government Bonds at cost (Quoted value December 31, 1940, \$185,306.90)...	\$186,046.25			<b>RESERVES:</b>
Accrued Interest on Bonds .....	596.45			Depreciation .....
	186,642.70	1,313,304.78		\$1,273,932.24
				Uncompleted Contracts .....
<b>DEFERRED CHARGES TO OPERATIONS.....</b>		19,942.83		21,246.17
				Guarantee Reserve Fund .....
		\$3,731,737.79		16,321.79
				Fire and Marine Insurance .....
				31,162.86
				1,342,663.06
				<b>EARNED SURPLUS:</b>
				As per statement attached .....
				1,015,194.71
				\$3,731,737.79

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have made an examination of the books and accounts of The Foundation Company of Canada Limited and its Wholly Owned Subsidiary Companies for the eight months ending December 31, 1940 (with the exception of Maritime Towing and Salvage Limited, the Balance Sheet of which was certified by other Chartered Accountants) and have obtained all the information and explanations which we have required; and we report that, in our opinion, subject to the final determination of the liability for Excess Profits Taxes, the above Consolidated Balance Sheet at December 31, 1940, is properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of The Foundation Company of Canada Limited and its Wholly Owned Subsidiary Companies, according to the best of our information and the explanations given to us and as shown by the books of the Companies examined by us and the certified accounts above mentioned.

In accordance with Section 114 of the Companies Act, 1934, we also report that the Companies' proportion of the net profit for the year ending December 31, 1940, of the partly owned Subsidiary Company has been taken up in the above accounts only to the extent of dividends declared therefrom.

PRICE, WATERHOUSE & CO.,  
Auditors.

Approved on behalf of the Board:

R. E. CHADWICK, Director.  
V. M. DRURY, Director.

MONTREAL, February 22, 1941.

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS  
DECEMBER 31, 1940**

Operating Profit for the eight months ending December 31, 1940, before taking into account the items shown below .....		\$ 434,494.69
 <b>ADD:</b>		
Profit from sale of Capital Assets (net) .....	\$ 2,560.70	
Income from Investments .....	5,152.91	
Insurance Proceeds—Marine Loss "Chandler" .....	3,555.68	
	11,269.29	
		\$ 445,763.98
 <b>DEDUCT:</b>		
Interest on Mortgage (redeemed during period) .....	\$ 250.00	
Executive Officers' Remuneration .....	*69,202.82	
Directors' Fees .....	3,600.34	
Legal Expenses .....	1,366.08	
Loss on Investment (Balance) .....	61.01	
Provision for Depreciation .....	112,498.12	
	186,978.37	
Net Profit before providing for Income and Excess Profits Taxes .....		\$ 258,785.61
Provision for Income and Excess Profits Taxes .....		160,000.00
		\$ 98,785.61
Net Profit for the eight months ending December 31, 1940 .....		\$ 98,785.61
Earned Surplus, Balance April 30, 1940 .....	\$ 979,859.10	
Deduct: Dividends .....	63,450.00	
	916,409.10	
Earned Surplus, Balance December 31, 1940 .....		\$1,015,194.71

\*This item includes remuneration of executive officers of the Company and also of certain employees of the Company and its subsidiaries who are also officers or directors of subsidiary companies totalling in all ten persons.

**THE FOUNDATION COMPANY  
OF CANADA  
LIMITED**

**BOARD OF DIRECTORS**

W. F. ANGUS	L. F. GIBLIN
D. A. CAMPBELL	LAWRENCE MACFARLANE, K.C.
R. E. CHADWICK	G. McG. MITCHELL
V. M. DRURY	F. G. RUTLEY

**OFFICERS**

R. E. CHADWICK	- - - - -	President
V. M. DRURY	- - - - -	Vice-President
F. G. RUTLEY	- - - - -	Vice-President
V. G. YOUNGSHUSBAND	- - - - -	Vice-President
C. E. GREARSON	- - - - -	Secretary-Treasurer
H. C. LINK	- - - - -	Asst. Secretary-Treasurer

**HEAD OFFICE**

**1538 SHERBROOKE STREET WEST  
MONTREAL**

