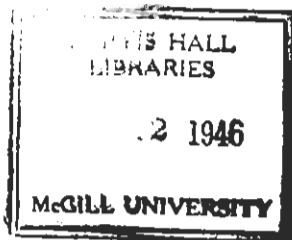


ANNUAL REPORT
OF
THE FOUNDATION COMPANY
OF CANADA
LIMITED
AND WHOLLY OWNED
CANADIAN SUBSIDIARY COMPANIES
FOR THE YEAR ENDING
DECEMBER 31, 1942



THE FOUNDATION COMPANY OF CANADA LIMITED AND WHOLLY OWNED CANADIAN SUBSIDIARY COMPANIES

MONTREAL, March 25, 1943.

TO THE SHAREHOLDERS OF
THE FOUNDATION COMPANY OF CANADA LIMITED

The Annual Report for the year ending December 31, 1942, together with certified balance sheet and surplus account, is submitted herewith.

Operations show a net profit before Income and Excess Profits taxes of \$662,014. This compares with a figure of \$526,415 for the previous year. Shown separately on the statement on account of its being of a non-recurring nature, is an item of \$101,884, being profit from sale of capital assets.

Net current assets as of December 31, 1942, are \$993,051 as compared with \$660,882 at the close of the previous fiscal year. Your Company has paid dividends during the year on its outstanding capital stock aggregating \$1.55 per share. Earned surplus as of December 31, 1942, stands at \$1,276,167 as compared with \$1,130,860 as of December 31, 1941.

The balance sheet shows an increase in your Company's investment in land and buildings of \$52,530, accounted for principally by additional machine shop and machine-shop stores' capacity in your Company's properties at Dorval and Halifax. Your Company's investment in construction plant and equipment and marine equipment shows a decrease of \$153,777 and in this connection it may be recalled that these items showed an increase of \$119,561 during 1940, indicating little change over the two-year period. Depreciation has been written off your Company's buildings and equipment in general in accordance with its customary policy. Certain units in your Company's tug fleet have been transferred to the Ministry of War Transport of the United Kingdom and replaced for the time being by transfer of units by the United States.

The preceding year has been one of continued activity in your Company's construction business. Censorship regulations bar descriptive matter pertaining to specific projects but information concerning your Company's work in the building of the Shipshaw Power Development has been released and given wide publicity. This, together with Chute-a-Caron, is expected to have a power output when completed exceeding that of any other plant in the world. A notable feature of Shipshaw is the elapsed time between the commencement of the work and the delivery of commercial power believed to be unprecedented in point of speed.

Your Company's fleet of salvage vessels has been increased substantially in effective strength during the year and additional responsibilities have been assumed by it. One notable operation successfully carried out during the year, a description of which was subsequently released to the Press, was the righting and refloating of the M. V. Maurienne, an ocean-going freighter capsized and sunk in a position that necessitated her removal, even though this might mean the destruction of the ship. She was, however, delivered afloat with comparatively little damage.

Your Company's towing and docking and derrick-boat business has had continued activity.

Your Company has, almost from the commencement of hostilities, been to some extent engaged in shipbuilding, chiefly barge-building and conversion of vessels for special uses. This branch of our business has been extended during the year to include ocean freighters and a number of such ships have already been launched. Your Company's barge-building facilities are also being increased.

Construction operations of the magnitude of your Company's work on the Saguenay are unfortunately not carried out without loss of life and personal injury to the workers. Despite considerable publicity given in the Press to loss of life in two disastrous fires in your Company's camps, it may be a source of satisfaction to the Shareholders to know that their Company has been complimented by letter from the Quebec Workmen's Compensation Commission upon the accident record of these particular contracts. Amongst your Company's salvage personnel, numbering several hundreds of men engaged in a particularly hazardous occupation, there have been but three accidental fatalities, one a master diver trapped in the flooded hold of a stranded ship, one drowning and one death by asphyxiation as a result of exposure to gases generated by the decomposition of perishable cargoes. Amongst the passengers and crews of ships salvaged by your Company, there appear to have been no fatal casualties other than those caused by direct enemy action.

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

R. E. CHADWICK, M.E.I.C.,
President.

CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1942

ASSETS				LIABILITIES
CAPITAL ASSETS AT COST:				CAPITAL STOCK:
Land and Buildings	\$ 442,988.76			Authorized—150,000 Common Shares of No Par Value.
Plant and Equipment	1,004,681.07			Issued — 84,600 Common Shares of No Par Value
Marine Equipment	1,066,861.73			\$ 710,000.00
Furniture and Fixtures	32,740.89			
Automobiles and Trucks	5,308.40			
	\$2,552,580.85			CURRENT LIABILITIES:
Goodwill and Process Rights	25,501.00	\$2,578,081.85		Accounts Payable and Accrued Liabilities
				\$1,522,563.38
SUBSIDIARY COMPANIES NOT CONSOLIDATED:				Dividend declared payable January 20, 1943
Investment	\$ 15,000.00			29,610.00
Advances	68,325.95	83,325.95		Provision for Income, Excess Profits and Other Taxes, less amounts paid on account
				350,998.94
CURRENT AND WORKING ASSETS:				Bank Loan
Cash in Banks and on hand	\$1,461,020.99			150,000.00
Accounts Receivable	1,104,714.88			2,053,172.32
Deposits on Contracts	10,425.00			RESERVES:
Investment in Uncompleted Contracts at cost	186,438.20			Depreciation
Tools and Supplies on hand, valued by the Management at the lower of cost or market prices	45,563.04			\$1,596,690.49
Investment in Dominion Government Bonds at cost (Quoted value December 31, 1942, \$236,661.25)	\$236,375.00			Uncompleted Contracts
Accrued Interest on Bonds	1,686.45			71,811.66
	238,061.45			Guarantee Reserve Fund
		3,046,223.56		28,401.79
				Fire and Marine Insurance
				33,743.09
				1,730,647.03
REFUNDABLE PORTION OF EXCESS PROFITS TAX (Contra)		45,136.34		DEFERRED SURPLUS:
DEFERRED CHARGES TO OPERATIONS		62,355.14		Refundable Portion of Excess Profits Tax (Contra)
		\$5,815,122.84		45,136.34
				EARNED SURPLUS:
				As per statement attached
				1,276,167.15
				\$5,815,122.84

Approved on behalf of the Board:

R. E. CHADWICK, Director.

LAWRENCE MACFARLANE, Director.

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 December 31, 1942 (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, the above Consolidated Balance Sheet at December 31, 1942, 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 Canadian 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 aggregate of the profits less losses of subsidiary companies for the year 1942 has not been taken up in the above accounts except to the extent of a dividend declared out of such profits.

PRICE, WATERHOUSE & CO.,
Auditors.

MONTREAL, March 22, 1943.

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS
DECEMBER 31, 1942**

Operating Profit for the year ending December 31, 1942, before taking into account the items shown below		\$ 936,864.64
ADD:		
Income from Investments		6,339.60
		\$ 943,204.24
DEDUCT:		
Executive Officers' Remuneration	\$ 86,357.43	
Directors' Fees	6,915.00	
Legal Expenses	3,370.50	
Loss on Investments	2,046.25	
Provision for Depreciation	177,206.15	
Organization Expenses written off	794.50	
Amortization of Process Rights	4,500.00	
		281,189.83
Net Profit before providing for Income and Excess Profits Taxes		\$ 662,014.41
Provision for Income and Excess Profits Taxes		487,461.42
Net Profit for the year ending December 31, 1942		\$ 174,552.99
Earned Surplus, Balance December 31, 1941	\$1,130,859.88	
ADD: Profit from Sale of Capital Assets	101,884.28	
		\$1,232,744.16
DEDUCT: Dividends	131,130.00	
		1,101,614.16
Earned Surplus, Balance December 31, 1942		\$1,276,167.15

**THE FOUNDATION COMPANY
OF CANADA
LIMITED**

BOARD OF DIRECTORS

W. F. ANGUS	WILLIAM HARTY
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. YOUNGHUSBAND	- - - - -	Vice-President
C. E. GREARSON	- - - - -	Secretary-Treasurer
H. C. LINK	- - - - -	Asst. Secretary-Treasurer

HEAD OFFICE
1538 SHERBROOKE STREET WEST
MONTREAL

