

*Annual
Report
1962*

Canadian Marconi Company

CANADIAN MARCONI COMPANY

NOTICE OF ANNUAL GENERAL MEETING
OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual general meeting of shareholders of Canadian Marconi Company will be held at 405 Ogilvy Avenue in the City of Montreal, on Tuesday, the 5th day of March, 1963, at the hour of 11:00 o'clock of the forenoon, for the following purposes:—

1. Receiving the Annual Report, Financial Statements and Report of the Auditors for the year ended December 31, 1962;
2. Electing a board of ten directors;
3. Appointing auditors and authorizing the directors to fix their remuneration.

Shareholders who are unable to be present at the meeting in person are requested to sign and return to the Secretary of the Company at 2442 Trenton Avenue, Montreal, the attached form of instrument of proxy for use at the meeting, which must be deposited with him not later than 11:00 a.m. on Monday, the 4th day of March, 1963.

BY ORDER OF THE BOARD

ANDREW G. McCAUGHEY

Secretary-Treasurer.

2442 Trenton Avenue
MONTREAL, January 29th, 1963.

CANADIAN MARCONI COMPANY

Shareholder's Appointment of Proxy

I/We the undersigned.....
(PLEASE PRINT NAME IN FULL)

being a holder of.....Shares of Canadian Marconi Company, hereby constitute and appoint S. M. Finlayson, Hon. A. K-Hugessen or C.-E. Belanger, or any of them to be my/our Attorney and Proxy, to act and vote on my/our behalf at the Annual General Meeting of Shareholders of the Company, to be held in Montreal, on Tuesday, March 5th, 1963, and at any adjournment thereof.

DATED this.....day of.....1963.

Signature.....

Address.....

N.B. — All proxies must be in favour of a shareholder, and lodged with the Secretary of the Company at least twenty-four hours before the meeting.

Canadian Marconi Company

2442 TRENTON AVENUE, MONTREAL 16, P.Q.

Directors

C.-E. BELANGER, Sherbrooke
J. A. BOYD, Toronto
R. A. EMERSON, Montreal
S. M. FINLAYSON, Montreal
HON. A. K-HUGESSEN, Q.C., Montreal
THE RT. HON. LORD NELSON OF STAFFORD,
London, England
MAJOR-GENERAL SIR LESLIE B. NICHOLLS,
K.C.M.G., C.B., C.B.E., London, England
J. G. NOTMAN, O.B.E., Montreal
SIR GORDON RADLEY, K.C.B., C.B.E.,
London, England
N. A. TIMMINS, JR., Montreal

Officers

S. M. FINLAYSON, President
J. A. BOYD, Vice-President
W. V. GEORGE, General Manager
A. G. McCAUGHEY, C.A., Secretary-Treasurer
C. S. STEPHENS, C.A., Comptroller

Registrars

Montreal Trust Company

Transfer Agents

Chartered Trust Company

Auditors

Price Waterhouse & Co.

Directors' Report to the Shareholders

SUMMARY OF RESULTS Your Directors report with pleasure that operations in 1962 resulted in the highest level of both sales and earnings in the company's sixty-year history. Net profit for the year amounted to \$1,553,900 compared with a net profit of \$48,573 in 1961.

TELEVISION STATION The television station showed an operating profit before fixed charges. After providing for depreciation and interest expense and absorbing in full the balance of pre-production expenses amounting to \$351,110, the resultant deficit was substantially below that of 1961, its initial year of broadcasting.

BALANCE SHEET Working capital at December 31, 1962 amounted to \$5,399,543, an increase of \$2,137,758 over the previous year end. Accounts receivable and inventories were both higher as a result of the greater volume of business being handled.

Investments in associated companies declined during the year following the sale of your company's 50% interest in Cornwall Broadcasting Limited on terms that will fully recover its investment in and advances to that company. Formation of the CTV Network made unnecessary the original plan to use the television station at Cornwall to link Montreal and Ottawa, in a local network.

OPERATIONS Efforts to improve the ratio of capital employed to volume of business handled, to increase organizational efficiency and marketing strength as well as to replace marginal lines with new products and services of greater promise, have been aggressively pursued with encouraging results. Your company has been able to increase its sales volume, particularly in highly engineered products for defence and civil use. Special mention must be made of the support and encouragement given to your company by the Canadian Government in this respect through the Department of Defence Production and the Department of National Defence.

Research and development is probably of greater importance in the electronics industry than in most others and your company continues to employ a large and capable team to develop products to meet the future requirements of each area of its activities.

Export business has begun to play an important role in your company's affairs and the more realistic valuation of the Canadian dollar and improvement of export credit arrangements by the Canadian Government should materially assist future growth.

**LONG TERM
INDEBTEDNESS**

During the year, your company offered and The English Electric Company, Limited accepted a 5½% unsecured, convertible, redeemable debenture due December 31, 1971, in the amount of £1,266,082, to replace equal indebtedness in notes payable in 1963, and carried in the company's accounts at \$3,500,000. The maturity of the remaining note in the amount of \$500,000 was also extended.

**ELECTRONIC
TUBE PLANT**

The outlook for this facility declined markedly in the latter part of 1961 and after full consideration your Directors decided that this operation should cease. Accordingly, operations were discontinued early in 1962. This action made the premises available for other expanding operations thereby obviating capital outlay for plant extension.

Considerable recovery was made in the disposal of the equipment and the relatively small residual cost has been fully absorbed in the year.

**RADIO
STATION**

As part of our continuing review of each of your company's activities, the performance and potential of the radio broadcasting business has been carefully scrutinized. An attractive offer to purchase the assets of radio broadcasting stations CFCF and CFCF-FM was received just prior to the close of the year and your Directors accepted this offer. Final completion of this sale awaits approval of the Board of Broadcast Governors and the Department of Transport of the Government of Canada. In the event of such approval, financial aspects will be reflected in the 1963 accounts.

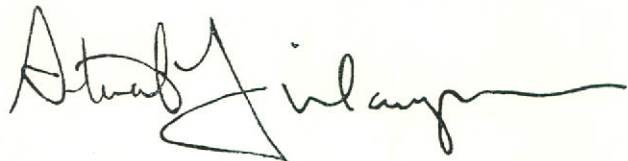
APPRECIATION

Your Directors express their warmest appreciation to all members of the staff, who now number nearly 3,000, for their loyalty and excellent achievements during the year.

OUTLOOK

In the light of the encouraging results in 1962 and the constantly increasing efficiency of the organization, your Directors view the future with confidence.

Submitted on behalf of the Board,



Montreal, P.Q.
January 29, 1963.

President.

Canadian Marconi Company

and Subsidiary Companies

CONSOLIDATED BALANCE SHEET — DECEMBER 31 1962

Assets

	1962	1961
CURRENT ASSETS:		
Cash	\$ 136,539	\$ 99,230
Accounts receivable, less allowance for doubtful accounts	9,001,821	8,151,640
Inventories — finished goods, work in process and materials, valued at the lower of cost or market	11,632,114	8,621,448
Prepaid expenses	566,083	661,538
	\$21,336,557	\$17,533,856

SUNDRY ASSETS:		
Deferred accounts receivable	\$ 268,700	\$ 566,149
Television preproduction expenses, less amount written off	—	351,110
Associated companies — Investments, at cost	27,925	115,125
Advances	—	119,000
	\$ 296,625	\$ 1,151,384

FIXED ASSETS:		
Land, buildings, equipment, patents and patent rights, at cost	\$13,960,831	\$13,847,571
<i>Deduct:</i> Accumulated depreciation and amortization	5,776,233	5,933,874
	\$ 8,184,598	\$ 7,913,697

SIGNED ON BEHALF OF THE BOARD:
S. M. FINLAYSON, *Director*.
J. A. BOYD, *Director*.

Liabilities and Capital

	1962	1961
CURRENT LIABILITIES:		
Bank indebtedness — secured	\$ 8,618,870	\$ 8,462,226
Accounts payable and accrued liabilities	5,972,823	5,596,057
Income taxes payable	1,050,000	—
Sales and excise taxes payable	295,321	213,788
	\$15,937,014	\$14,272,071

LONG TERM INDEBTEDNESS:		
5½% unsecured convertible redeemable debenture, due December 31 1971 — £1,266,082 carried at (Note I)	\$ 3,500,000	—
Note payable to associated company	500,000	—
Notes payable to associated companies	—	\$ 4,000,000
	\$ 4,000,000	\$ 4,000,000

CAPITAL:		
Capital stock (Note I) — Authorized — 7,500,000 shares of \$1 each	\$ 4,554,682	\$ 4,554,682
Issued — 4,554,682 shares	300,000	300,000
General reserve	5,026,084	3,472,184
Earned surplus, per statement attached	\$ 9,880,766	\$ 8,326,866

CONTINGENT LIABILITY:		
Trade paper discounted	\$ 1,218,922	—

	\$29,817,780	\$26,598,937
--	---------------------	---------------------

Canadian Marconi Company

and Subsidiary Companies

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS FOR THE YEAR ENDED DECEMBER 31 1962

	1962	1961
Profit from operations before taking into account the items shown below (Note 2)	\$4,804,627	\$1,895,607
Allowance for depreciation and amortization	1,018,602	930,263
Television preproduction expenses written off	351,110	175,555
Profit before interest expense and taxes on income	<u>\$3,434,915</u>	<u>\$ 789,789</u>
Interest expense (Note 3)	831,015	741,216
Profit before taxes on income	<u>\$2,603,900</u>	<u>\$ 48,573</u>
Taxes on income (Note 4)	<u>1,050,000</u>	<u>—</u>
Net profit for the year	<u>\$1,553,900</u>	<u>\$ 48,573</u>
Earned surplus — January 1	<u>3,472,184</u>	<u>3,423,611</u>
Earned surplus — December 31	<u><u>\$5,026,084</u></u>	<u><u>\$3,472,184</u></u>

NOTES TO FINANCIAL STATEMENTS

1. The debenture is convertible into 670 fully-paid shares of the company for each £1,000 of indebtedness if converted on or before December 31 1965, thereafter 574 shares if converted on or before December 31 1968, and thereafter 502 shares if converted on or before December 30 1971. At December 31 1962, 848,220 of the unissued shares of the company were reserved for such conversion.

2. Profit from operations is stated after charging remuneration of executive officers — \$149,003, directors' fees — \$10,760, and legal expenses — \$13,981.

3. Interest expense includes \$237,387 on long term indebtedness.

4. Income taxes have been reduced by the application of losses of prior years carried forward for tax purposes.

Auditors' Report

AUDITORS' REPORT
TO THE SHAREHOLDERS OF
CANADIAN MARCONI COMPANY:

We have examined the consolidated balance sheet of Canadian Marconi Company and subsidiary companies as at December 31 1962 and the consolidated statement of profit and loss and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statement of profit and loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of the companies as at December 31 1962 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.,
Chartered Accountants.

January 28 1963.

Canadian Marconi Company

After Sixty Years  Keeps Growing.

The year under review was the Diamond Anniversary of Canadian Marconi Company. Today, it is organized into five operating and two administrative Divisions each staffed with specialists in particular fields to handle the affairs of a Company with assets totalling nearly thirty million dollars.

COMMERCIAL PRODUCTS DIVISION This unit employs some 1,000 people. They design, make and sell products requiring sophisticated engineering, particularly airborne navigation systems and radio relay communication equipment and associated engineering services. It has built up a substantial sales volume in civil and military equipment which it has sold in 22 countries. The experience of customers is good and a firm foundation has been laid in recent years for further growth and development.

MARINE AND LAND COMMUNICATIONS DIVISION This is a relatively new Division, having been created at the beginning of 1962 to permit greater specialization in its field by engineers and sales people. It concentrates on mobile and marine communication and navigation as well as point-to-point communication as far as development and manufacture are concerned, together with associated engineering services. In addition, it also markets equipment that could not be economically designed and made in Canada such as broadcasting and TV station apparatus with the special electronic tubes used in such equipment. These are highly interesting fields in which the Company has done much pioneering over the years.

SPECIAL SERVICES DIVISION This Division with over 800 people on its strength carries important responsibilities in connection with our national security. It installs, maintains and, in some cases, operates defence networks often in remote areas of the sub-Arctic. While most of its effort is in the field of defence, it also installs equipment for commercial organizations.

HOME ELECTRONICS DIVISION The design, manufacture and sale of home entertainment equipment — radio receivers, television sets, record players and combination sets is the function of this Division. It has for years been one of the major factors in the Canadian market and now is starting an export activity. Additionally, this Division markets receiver tubes on a large scale — a responsibility assigned to it fairly recently. The principle of having the same overall responsibility for the sale of equipment and its tube requirements is one we regard as sound and results support the theory.

BROADCASTING DIVISION The first broadcasting station to be established in Canada, CFCF in 1919, its associated FM station and television station CFCF-TV, all in Montreal, are the physical plant of this Division. The TV station has just passed its second anniversary and is firmly established in the minds of a large audience of viewers in the Montreal area. In fact at many peak viewing periods it has the largest audience of any English language television station seen in Canada.

INDUSTRIAL RELATIONS DIVISION This Division performs administrative functions related to personnel. It formulates and administers policies relative to salaries and wages, employee benefits and the general field of human relations between employee and employer. Success is indicated by the high level of goodwill that exists and the absence of interruption of the work effort.

ADMINISTRATION The vital functions of finance, accounting, legal and associated corporate activities are in the hands of people who in their field are as highly trained and specialized as are the scientists and engineers in theirs. Much attention has been paid to this side of the Company's activities in recent years.

