

ANNUAL

SHAREHOLDERS OF CANADIAN VICKERS LIMITED

REPORT

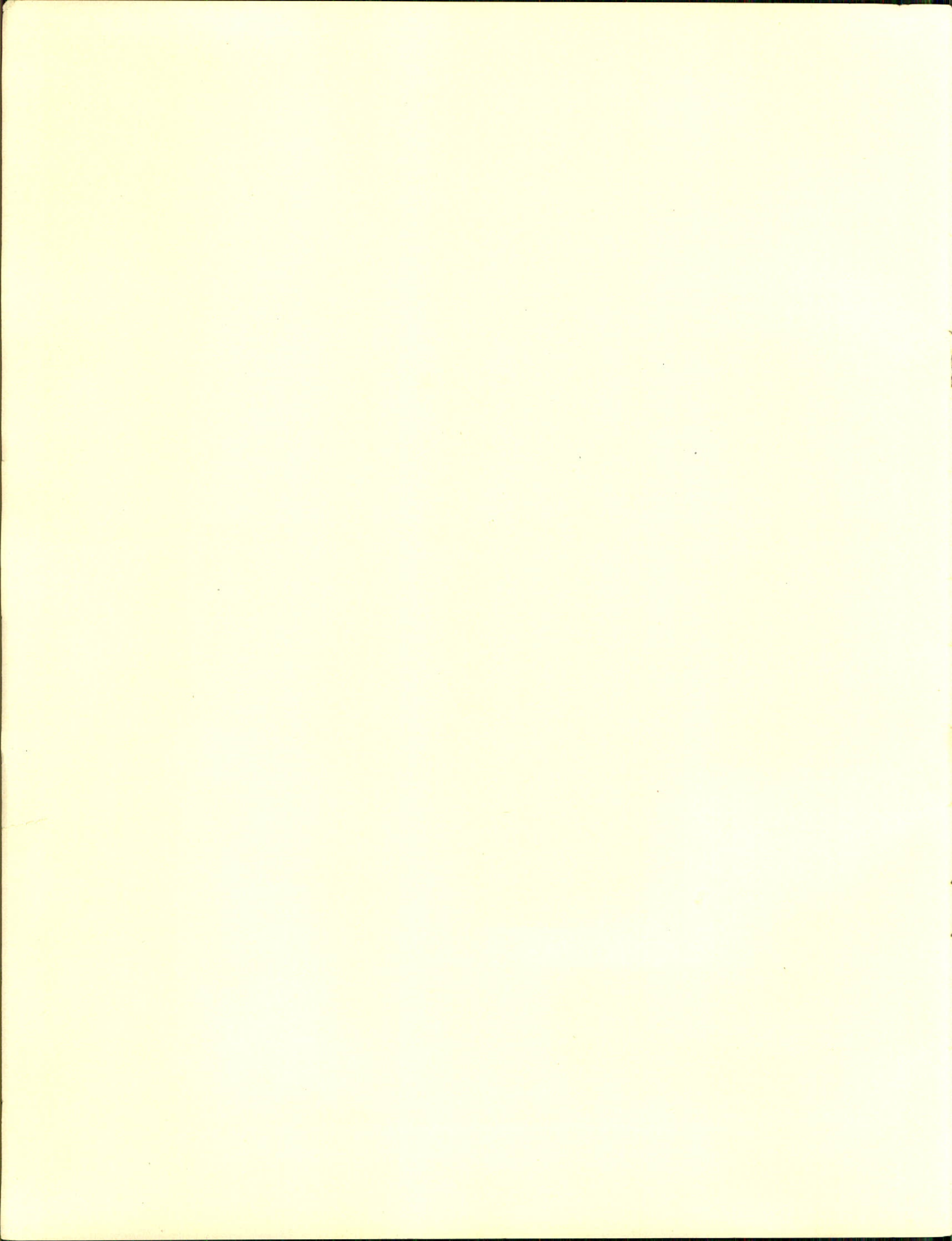
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NOTICE OF ANNUAL
MEETING OF SHAREHOLDERS
UNIVERSITY

FOR THE YEAR ENDED FEBRUARY 28th,

GENERAL MEETING OF SHAREHOLDERS TO BE HELD JUNE 27th,

1946





DIRECTORS

W. L. BAYER

Montreal, P.Q.

LIONEL A. FORSYTH, K.C.

Montreal, P.Q.

T. R. McLAGAN

Montreal, P.Q.

ERNEST BEAUPRE, C.A.

Montreal, P.Q.

G. E. D. GREENE

Toronto, Ont.

J. L. RALSTON, K.C.

Montreal, P.Q.

H. C. FLOOD

Montreal, P.Q.

E. GERALD HANSON

Montreal, P.Q.

J. McL. STEPHEN

Montreal, P.Q.

J. EDOUARD LABELLE, K.C.

Montreal, P.Q.

OFFICERS

J. EDOUARD LABELLE, K.C.

President

J. McL. STEPHEN

Vice-President

W. L. BAYER

Vice-President

T. R. McLAGAN

Vice-President and General Manager

J. W. SAVIDANT

Comptroller, Secretary and Treasurer

CABLES:
"VICKERS MONTREAL"

TELEPHONE:
CLAIRVAL 7711



P.O. BOX 550, PLACE D'ARMES STATION
MONTREAL

REFERENCE NUMBER

J. W. S.

OFFICE & WORKS
NOTRE DAME ST. EAST

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS:

Notice is hereby given that the Annual General Meeting of the Shareholders of Canadian Vickers Limited is called to convene at the Head Office of the Company, 4970 Notre Dame Street, East, in the City of Montreal, Province of Quebec, on Thursday, the 27th day of June, 1946, at 2.30 p.m. (Daylight Saving Time) for purposes of receiving and considering the financial statements of the Company and the report of the Directors for the year ended 28th February, 1946; of election of Directors for the ensuing year; of appointment of Auditors and for the transaction of such other business as may properly come before the meeting.

Montreal, June 6th, 1946.

By Order of the Board,

J. W. SAVIDANT,

Secretary.

N.B.—In the event of your inability to be personally present at the meeting, please execute and return the enclosed instrument of proxy PRIOR TO JUNE 27th, 1946.

ANNUAL REPORT OF THE DIRECTORS

Fiscal Year Ended February 28th, 1946

TO THE SHAREHOLDERS:

On behalf of your Directors I have the honour to submit the Annual Report, together with the Balance Sheet and Profit and Loss Account, duly certified to by the Company's Auditors, Messrs. Macintosh, Robertson and Paterson, Chartered Accountants, covering operations of your Company for the fiscal year ended February 28th, 1946.

Profits for the year under review, after provision for all charges except as undernoted, amounted to \$2,659,208.53. After provision for Income and Excess Profits Taxes of \$1,389,281.42 and for Ordinary Depreciation in the amount of \$175,438.07, net profits stand at \$1,094,489.04. That figure includes a portion of earnings falling to your Company out of the Aircraft Division Separation Agreement referred to in the previous year's report. The remaining balance cannot be definitely determined until completion of the Federal Treasury Department's cost audit and it is expected that this will be effected in time for the result to be included in the next annual report.

Net Working Capital stands at \$5,516,629.54, a substantial improvement over that of a year ago, and is due in large measure to retroactive adjustments arising out of recent determination of your Company's Standard Profits allowance, the decision on Subsidy Income as non-taxable, effectual renegotiation of war contracts plus the earnings for the year.

The ironing out of the foregoing features has enabled your Directors—for the first time in the past six years—to evaluate your Company's financial status within close accuracy.

Regarding the improvement of position and the other features which should be considered in that connection, please refer to the letter which I addressed to the Shareholders under date of May 21st, 1946.

At a meeting of the Directors held on May 16th last, it was decided to call for redemption, on August 1st, 1946, the principal amount of your Company's First Mortgage 6% Bonds (1947) Series A, now outstanding \$2,273,000.00, plus premium, and interest accruing to that date.

The Directors of your wholly-owned subsidiary (Montreal Dry Docks Limited) at a meeting held on May 23rd last decided, upon request from your Company, to take similar action in respect of its First Mortgage 6% Bonds (1948) now outstanding in the amount of \$448,000.00. These bonds will be redeemed as of August 1st, 1946.

That Company has not the cash requirements necessary to retire its First Mortgage Bonds.

Your Company, as guarantor of those bonds (principal and interest) will have to provide the funds required to redeem the bonds under the obligation it assumed by the Trust Deed of March 6th, 1928. To meet that obligation full reserve has been made in your Company's Balance Sheet now submitted to you. During past years your Company has from time to time made cash advances to that Company to meet the interest on its First Mortgage Bonds and its Sinking Fund obligation. Your Directors are of the opinion that those advances and interest accruing thereon must be considered as a very doubtful account and have also made reserve to meet this situation.

The retirement of both the bond issues will affect materially the cash resources of your Company. Your Directors, realizing that a substantial working capital is required in its class of business, will have to give special attention to the matter.

Termination of war contracts has naturally affected volume output but your Company has on hand sufficient commercial orders for cargo vessels, ships' engines, boilers and other equipment to carry it into 1947. New lines of equipment for commercial use have been secured and every effort is being directed towards the obtaining of others.

To reduce the cost of production and to fill the orders in hand your Directors bought from War Assets Corporation, prior to the end of the fiscal year, valuable tools and equipment, the property of the Crown, the use of which had been made available to your Company during the war years.

At the Annual Meeting held on June 22nd, 1945, I stated to the Shareholders that a special committee of the Directors had been appointed to develop a plan of reorganization to be submitted to the Shareholders at the earliest date permitted by the circumstances. It was also mentioned that it would not be reasonable to formulate and present a plan of reorganization to the Shareholders until the Company's financial position was more definitely determined.

In view of the developments mentioned above, your Directors are now in a position to proceed and it is anticipated that it will be possible to submit to the Shareholders a plan of reorganization of the capital structure of the Company in approximately sixty days following the Annual Meeting.

On behalf of the Directors I voice their appreciation of the splendid teamwork, efficiency and loyalty of the officers and personnel generally. These are the features that have made successful operation possible.

Respectfully submitted,

J. EDOUARD LABELLE,

President.

Montreal, June 3rd, 1946.

BALANCE SHEET AS AT 28th FEBRUARY, 1946

WITH COMPARATIVE FIGURES FOR THE PREVIOUS YEAR

ASSETS

	As at February 28, 1946	As at February 28, 1945
CURRENT ASSETS:		
Cash on hand and in Bank.....	\$ 1,762,129.02	\$ 2,669,944.24
Dominion of Canada Bonds (at par).... (Market Value \$597,750.00)	595,000.00	275,000.00
Accounts Receivable (less Reserve).....	6,618,029.94	5,446,264.44
Due by wholly owned Subsidiary Company Current Account.....	19,137.31	18,089.88
Work in Progress at Cost plus Estimated Profit, less Amounts invoiced.....	\$ 673,650.77	2,055,258.53
Inventory of Finished Stock, Stores and Supplies, certified to by responsible Officials of the Company as to quanti- ties and as to values which are at lower of cost or market (less Reserve).....	497,679.03	333,144.77
Funds in hands of Trustees for Bond- holders.....	1,171,329.80	4,000.00
Department of Public Works, Subsidy accrued.....	4,000.00	16,153.96
	16,153.96	16,153.96
TOTAL CURRENT ASSETS	10,185,780.03	10,817,855.82
EMPLOYEES VICTORY LOAN TRUST FUNDS—per Contra.....	262,623.17	190,364.79
AMOUNT DUE UNDER AGREEMENT FROM SUBSCRIBERS TO CAPITAL STOCK AL- LOTTED.....	45,000.00	45,000.00
DEFERRED CHARGES:		
Prepaid Taxes, Insurance and other Expenditures made on account of future business.....	80,783.71	99,757.84
INVESTMENT IN AND ADVANCES TO wholly owned Subsidiary Company—		
Investment.....	1.00	\$ 1.00
Advances.....	512,531.99	482,899.56
	512,532.99	482,900.56
OTHER INVESTMENTS:		
Bonds of the Company purchased for Sinking Fund (at par).....	15,000.00	29,500.00
Sundry at Nominal Value.....	2.00	2.00
	15,002.00	29,502.00
REFUNDABLE PORTION OF EXCESS PROFITS TAXES—(estimated).....	691,729.76	1,203,213.08
FIXED ASSETS:		
Real Estate, Buildings, Floating Dock, Plant and Equipment.....	8,527,035.22	7,893,032.90
Leasehold.....	600,000.00	600,000.00
As per valuation of Coverdale & Colpitts dated 30th September, 1927 with subsequent additions at cost, less retirements.....	9,127,035.22	8,493,032.90
LESS Depreciation Reserve.....	5,794,649.89	5,621,470.42
	3,332,385.33	2,871,562.48
	\$15,125,836.99	\$15,740,156.57

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the Books and Accounts of your Company for the Year ended 28th February 1946 and have obtained all the information and explanations required by us. The liabilities in connection with Income and Excess Profits Taxes are subject to final determination by the taxing authorities. Subject to the foregoing, the above Balance Sheet in our opinion is properly drawn up so as to exhibit a true and correct view of the Company's affairs, according to the best of our information and the explanations given to us and as shown by the Books of the Company. In accordance with Section 114 of the Companies' Act 1934, we also report that the profits of your wholly owned Subsidiary Company are carried forward in its own accounts and are not represented in the accounts of your Company.

MONTREAL, 21st May, 1946.

(Signed) MACINTOSH, ROBERTSON & PATERSON,
Chartered Accountants.

LIABILITIES

	As at February 28, 1946	As at February 28, 1945
CURRENT LIABILITIES:		
Bank Loans (Secured).....	\$ 276,000.00
Accounts Payable, including provision for Contracts renegotiation.....	\$ 2,673,607.99	5,351,641.00
Sundry Taxes Payable.....	251,388.85	36,393.53
Reserve for Income and Excess Profits Taxes (Estimated).....	1,744,153.65	2,593,353.03
TOTAL CURRENT LIABILITIES.....	4,669,150.49	8,257,387.56
EMPLOYEES VICTORY LOAN TRUST— per contra.....	262,623.17	190,364.79
PROVISION FOR CONTINGENT LIABILITY in respect to outstanding Bonds of wholly owned Subsidiary Company and for Advances made.....	965,031.99
RESERVES:		
Miscellaneous.....	447,036.42	205,316.64
BONDED INDEBTEDNESS:		
First Mortgage 20 Year 6% Bonds Series "A". (due 1st August, 1947)— Authorized.....	\$5,000,000.00	
Issued.....	\$2,750,000.00	\$ 2,750,000.00
LESS: Redeemed.....	462,000.00	386,500.00
	2,288,000.00	2,363,500.00
CAPITAL STOCK:		
7% Cumulative Redeemable Preferred Stock—		
Authorized 50,000 Shares of \$100 each.....	\$5,000,000.00	
Issued 19,500 Shares of \$100 each.....	1,950,000.00	
Subscribed and Al- lotted—500 Shs.	50,000.00	
	2,000,000.00	2,000,000.00
Dividends paid to 31st October, 1929.		
Common Stock—		
No Par Value—		
Authorized		
100,000 Shares:		
Issued 52,500 Shares.....	\$2,412,500.00	
Subscribed and Al- lotted 500 Shares.	2,500.00	
Surplus as per State- ment attached....	2,415,000.00 1,387,265.16	
	3,802,265.16	1,520,374.50
	5,802,265.16	3,520,374.50
DEFERRED SURPLUS:		
Refundable Portion of Excess Profits Taxes—(estimated).....	691,729.76	1,203,213.08
	\$15,125,836.99	\$15,740,156.57
CONTINGENT LIABILITY: (provided for)		
Guarantee of Principal and Interest of \$452,500.00—6% Bonds due 1948 of Montreal Dry Docks Limited—wholly owned Subsidiary.		
Approved on behalf of the Board of Directors, (Signed) J. EDOUARD LABELLE J. McL. STEPHEN		

STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 28th FEBRUARY 1946
(With comparative figures for the previous year)

	As at February 28th, 1946	As at February 28th, 1945
Operating Profit for Year ended 28th February 1946, before taking into account the items shown below, and additional profit arising out of Aircraft Division Settlement.....	\$2,751,583.65	\$ 2,719,778.46
LESS:		
Bond Interest.....	\$ 155,052.42	\$ 166,152.44
Depreciation.....	175,438.07	573,040.21
Directors' Fees.....	1,450.00	1,925.00
Provision for Income and Excess Profits Taxes (estimated).....	1,389,281.42	1,887,258.68
	1,721,221.91	2,628,376.33
	1,030,361.74	91,402.13
ADD:		
Interest earned and Income from Investments.....	37,981.34	40,776.02
Profit on Disposal of Capital Assets.....	620.56	18,584.50
Profit on Realization of Investment.....	27,005.40
	65,607.30	59,360.52
	1,095,969.04	150,762.65
LESS:		
Loss on Bonds purchased for Redemption.....	1,480.00	287.00
Loss on sale of investments.....	406.25
	1,480.00	693.25
NET PROFIT FOR YEAR.....	\$1,094,489.04	\$150,069.40
Remuneration of Executive Officers and Legal Advisers of the Company included in Operating Expenses.....	\$ 51,282.22	\$ 39,146.54

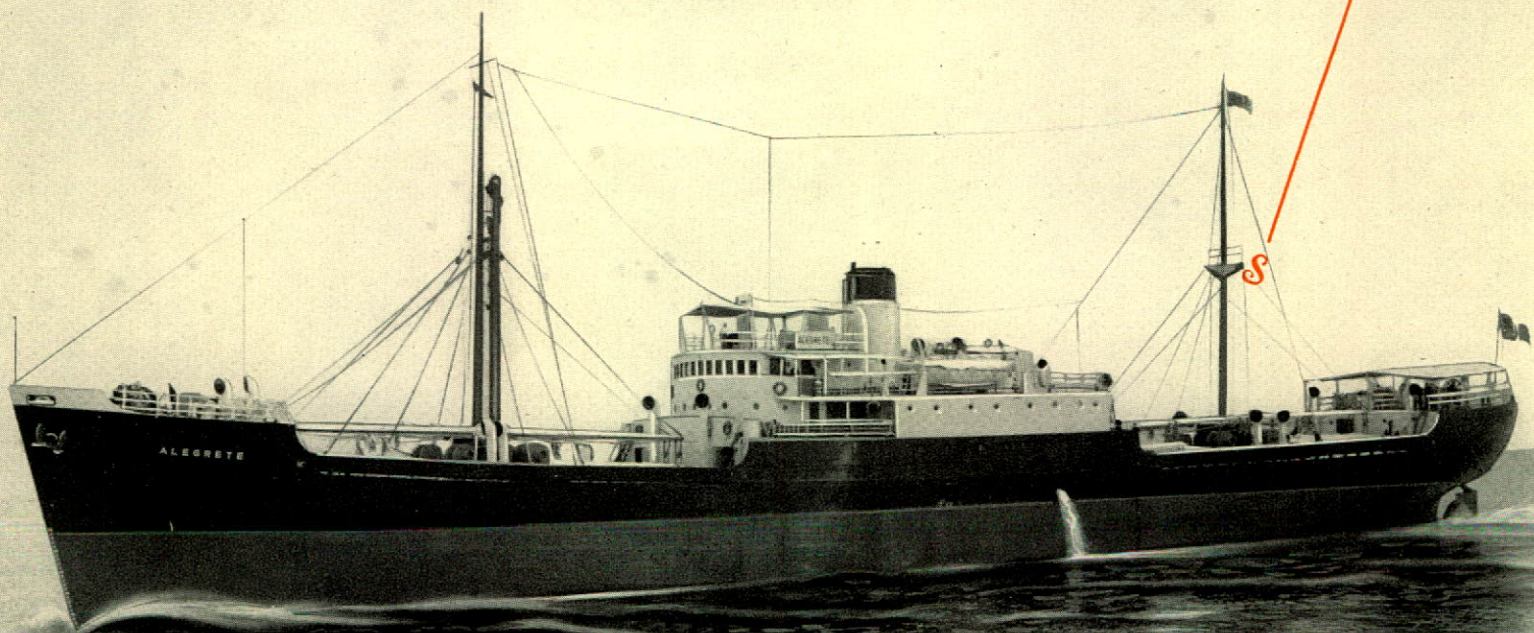
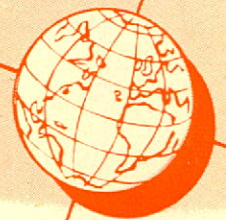
SURPLUS ACCOUNT AS AT 28th FEBRUARY, 1946

Adjustment of Income and Excess Profits Taxes, War Contracts Settlements and other sundry items, less provision for Reconversion of Plant, for a Contingent Liability in respect to outstanding Bonds of wholly owned Subsidiary Company, and for Advances made to that Company.....	\$1,187,401.62
ADD—Net Profit for Year to 28th February 1946.....	1,094,489.04
	2,281,890.66
LESS—Deficit as at 28th February 1945.....	894,625.50
AS PER BALANCE SHEET.....	\$1,387,265.16

YOUR CONTRIBUTION TO CANADA'S EXPORT TRADE

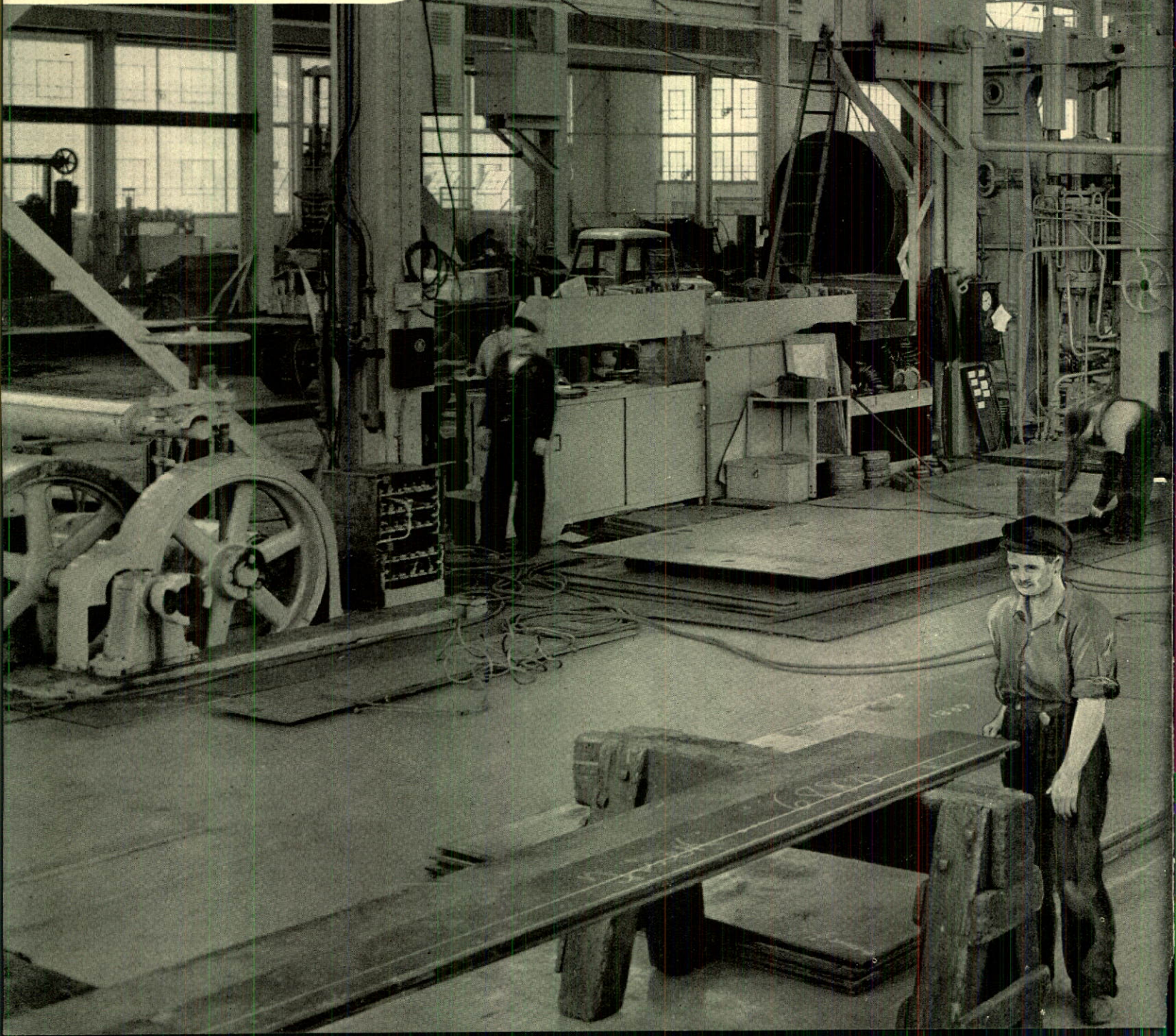
A steady expansion in export trade is vitally essential to Canada's future development and prosperity. To date, ships for Brazil have been your Company's major contribution to this valuable trade; and the steamer "Alegrete" is but one of ten cargo vessels being built.

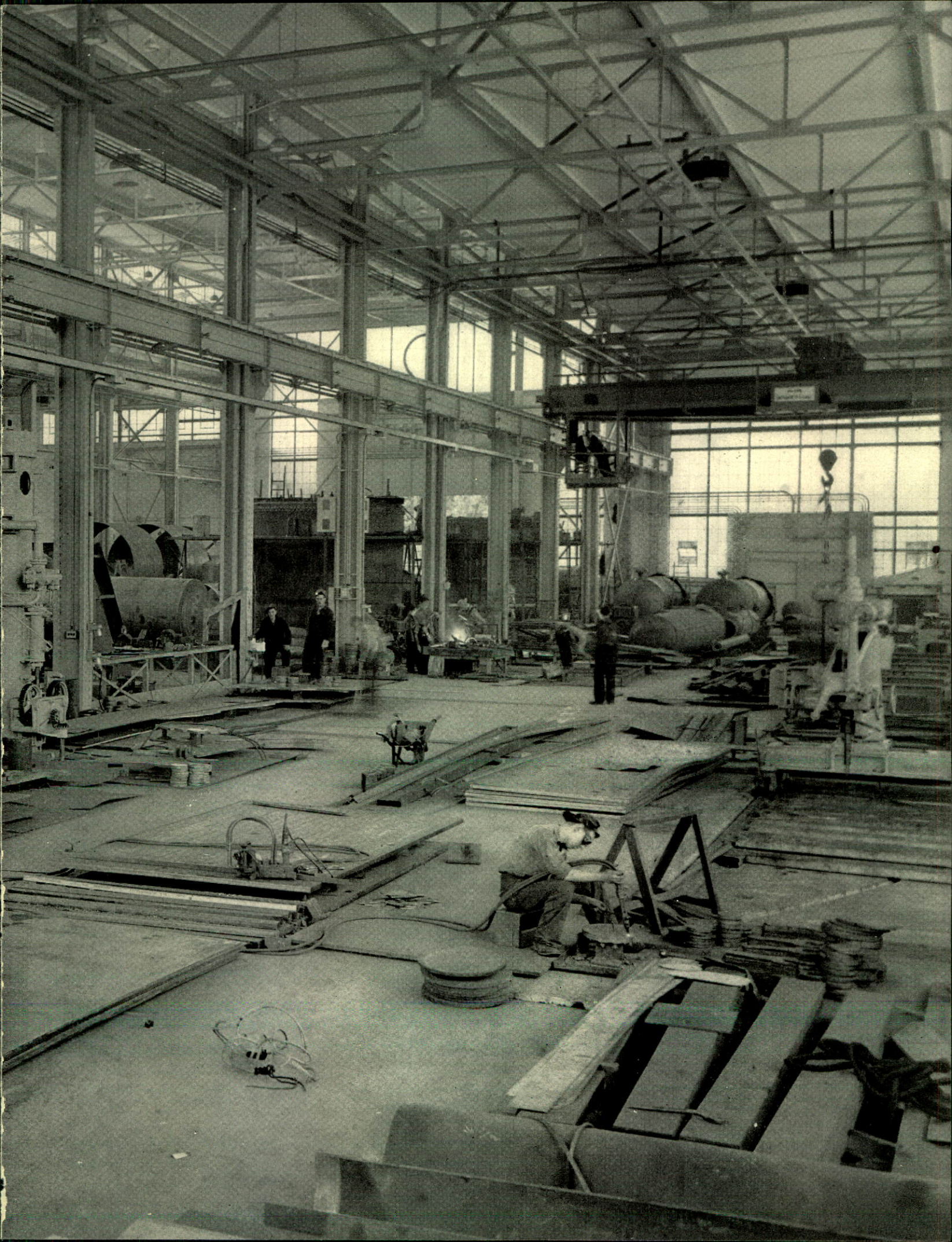
These are the first large ships ever built in Canada for any South American country. They represent many months' work for Vickers' employees.

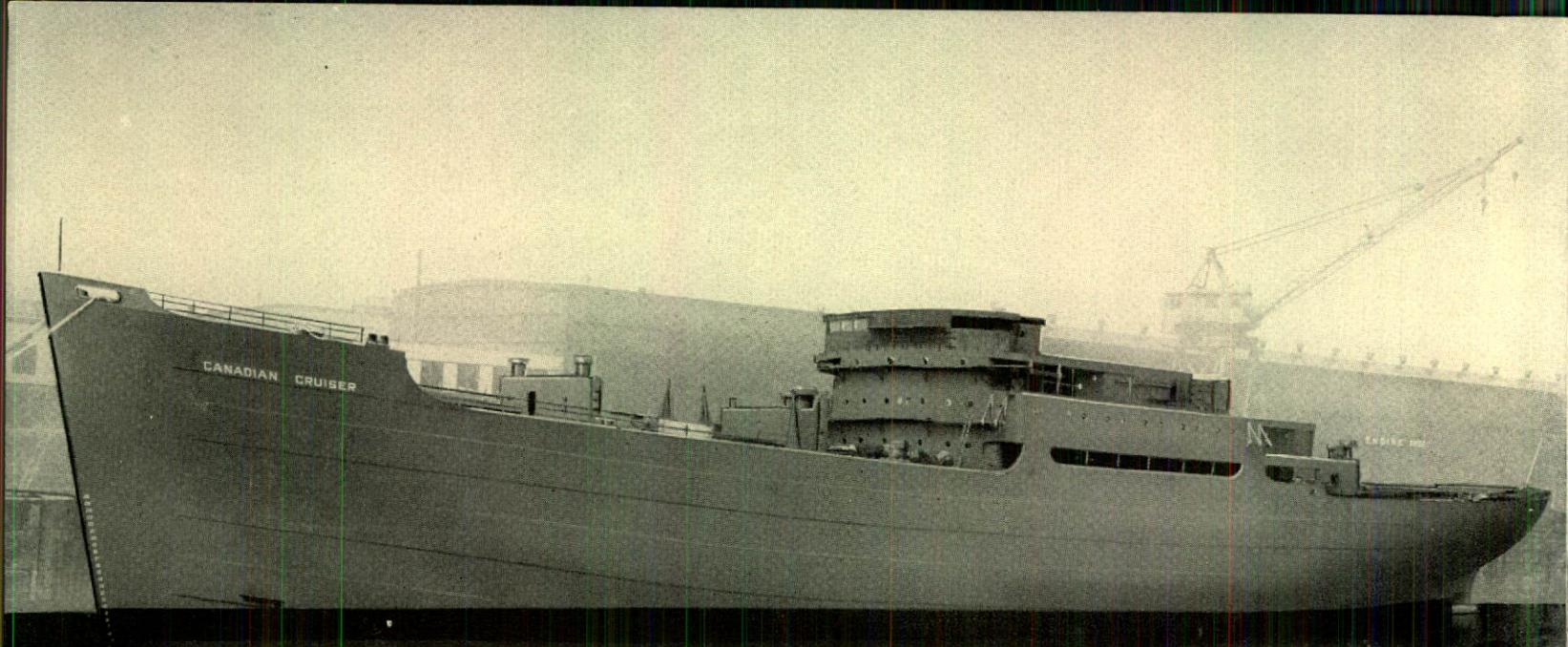


WHERE SHIPS ARE BORN . . .

Here, in a section of the Marine department of one of the world's largest indoor shipyards, the men of Vickers pre-fabricate the sections ready for erection in the vessels which ply the waterways of every hemisphere . . . building trade,—bringing wealth to Canada and Canadians.





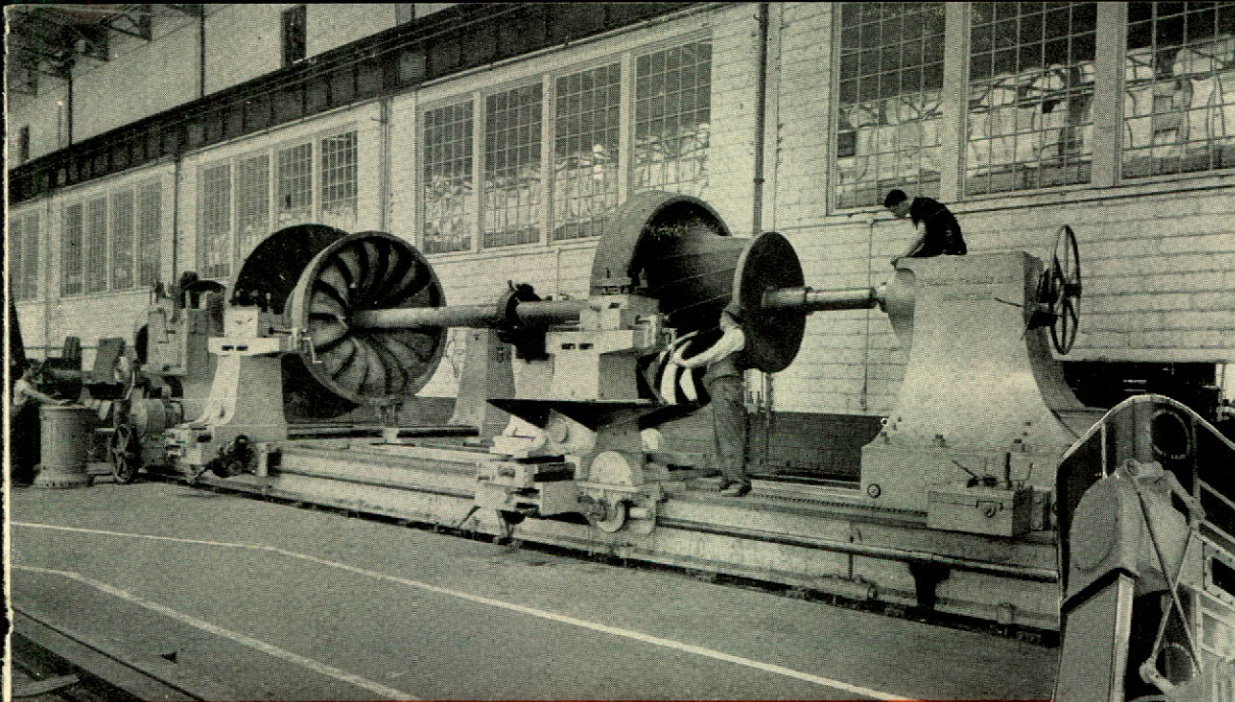


ANOTHER "FIRST" IN CANADIAN SHIPBUILDING

The "Canadian Cruiser," sponsored [by Mrs. R. C. Vaughan, was the first post-war ship launched in the Dominion for Canada's Merchant Marine. She was built entirely by your Company for the use of Canadian National Steamships, in the West Indies trade. She is shown here in the Vickers' Basin being outfitted.

Her large, Vickers-built, marine diesel engines are the first of their type and size to be built in Canada. Their production is widely recognized as a distinct advance in Canadian shipbuilding.



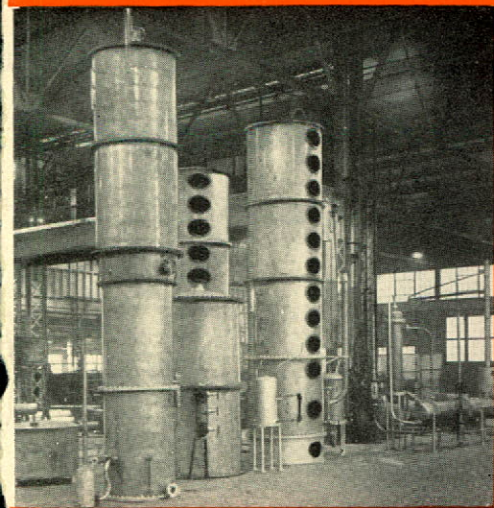
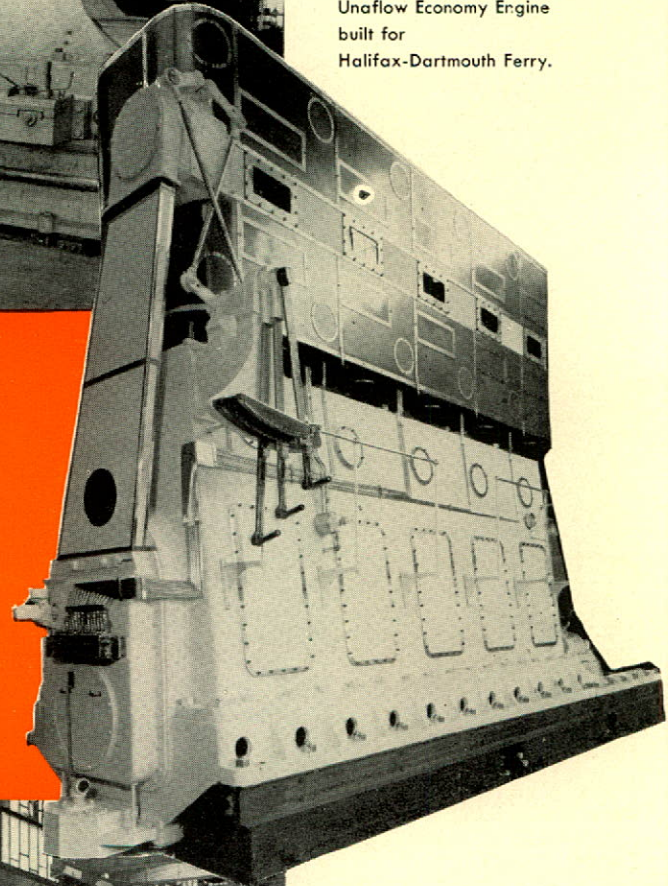


Largest lathe in Canada engaged here in machining twin water turbines.

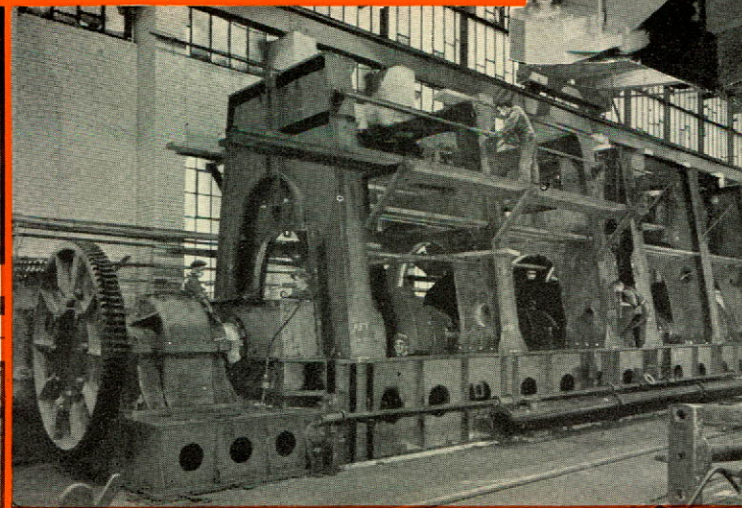
Vickers-Skinner Marine Unaflo Economy Engine built for Halifax-Dartmouth Ferry.

BUILDING PROSPERITY FOR CANADA . . . FOR YOU

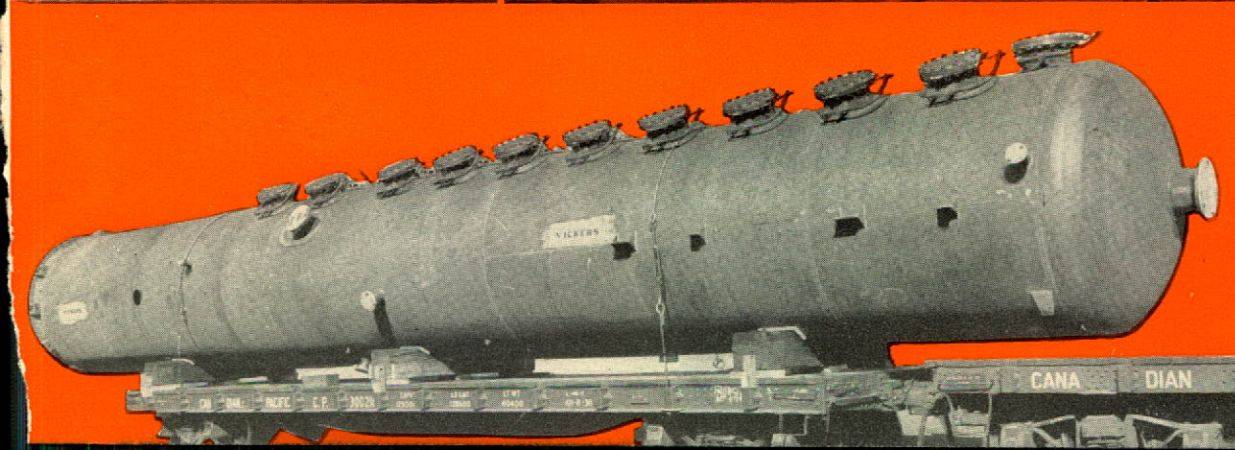
An industry thrives on the skilful and economical coordination of men, machines and materials. When, to this, we add aggressive planning and keen farsightedness, then the efforts of that industry are almost invariably rewarded. Every phase of your Company's activity . . . whether it involves ships, engines or general engineering . . . is backed by sound policies and high business principles. It is for these reasons that we can look forward to the future confidently.



(Left) Copper distilling column for prominent Canadian distillery.



(Right) Early stage of construction of Vickers Sun-Doxford Marine Diesel Engine



Vickers built fractionating column for Oil industry



THE QUARTER CENTURY CLUB . . .

A large list of long-service employees is one of the most significant proofs of stability and sound direction in any organization. Outstanding evidence that this situation prevails in your Company is the existence of the group shown above—The Quarter Century Club.

This Club, consisting at the present time of 102 men and one woman, is made up of persons who have worked in the interests of Canadian Vickers Limited for twenty-five years or more. Each is the proud possessor of a suitably engraved gold watch, the traditional symbol of membership.

The loyalty of these people and their influence on younger and newer employees cannot be over-estimated; and we are sure that you share our feeling of pride in their record.

