



MEMBER HAWKER SIDDELEY GROUP

A. V. ROE CANADA LIMITED

AN EXTRACT FROM THE 1957 ANNUAL REPORT

Following is the slightly condensed and edited Directors' report to the first annual meeting of A. V. Roe Canada Limited, October 24th, 1957, covering the fiscal year ending July 31, 1957. The report was submitted by Sir Roy H. Dobson, Chairman of the Board and Crawford Gordon, President and General Manager.

It is gratifying to report a year of substantial progress. Not only were sales and earnings maintained at high levels but many important steps were taken during the year to further implement the company's established policy of diversification and expansion which promises still higher levels of activity.

When the company was formed in 1945, it had only 300 employees and sales were negligible. For the year under review, employment was in excess of 20,000 and combined sales of all consolidated subsidiary companies were \$234,811,024, operating profit \$23,937,035, before depreciation and certain other charges and net profit was \$7,177,001 (equal to \$1.50 per share).

EXPANSION AND DIVERSIFICATION

More significant, we believe, than the high level of current operations was the substantial progress made toward increased activity and growth through the broadening of the operations of existing subsidiaries and the acquisition and formation of new ones.

During the year, two new companies, Canadian Steel Wheel Limited and Canadian Thermo Control Company Limited, were established and a third, Canadian Applied Research Limited, acquired. In addition, certain moveable assets and the railway equipment business of Standard Railway & Equipment Manufacturing Company (Canada) Limited, were acquired and merged with Canadia Car Company Limited. The products of three of these companies are largely commercial. This brings the number of the company's wholly-owned subsidiaries to seven, and partly owned and associated companies to two.

Prior to the year under review, our main products were: aircraft and aero engines; railway rolling stock; buses; heavy steel castings and light alloy products. To these have been added: Budd type stainless steel mainline railway equipment and rail diesel cars; wrought steel wheels for all types of railway rolling stock; highway trailers; diesel powered trucks and tractors; refrigeration equipment for the transportation industry; a wide range of specialized electro-mechanical products, equipment and systems, automatic computers, flight simulators and specialized motion picture equipment.

Many of these new lines are now being or will be produced in existing facilities. Production facilities have been expanded and modernized through the expenditure of \$10,301,778 in the year, resulting in part, in an increase in depreciation from \$4,008,200 in 1956 to \$8,822,494 in 1957. At the same time, \$1,299,607 was expended and charged against current earnings on long-term research and development projects in the aeronautical field, aimed at maintaining the company's pre-eminent position in Canada in the design and manufacture of aircraft, aero engines and related products.

All these developments should add measurably to the future stability, strength and profitability of the company.

THE DOSCO OFFER

Although subsequent to the year under review, reference should be made to the offer on August 29, 1957 to acquire control of Dominion Steel and Coal Corporation, Limited.

Basically the offer was to acquire Dosco ordinary shares in consideration of 1¼ fully paid A. V. Roe common shares plus \$10.25 for each ordinary share of Dominion Steel and Coal Corporation, Limited.

To provide A. V. Roe common shares and cash for the purpose of this offer, the Company's authorized common shares were increased with the approval of the shareholders at a special general meeting held on August 29, 1957 from 7,500,000 to 10,000,000 shares and the company issued on September 13, 1957 and sold at par 240,000, 5¼% Cumulative Convertible Redeemable Preferred shares.

(As of October 9th, 1957 the holders of the equivalent of 2,228,817 Ordinary Shares of DOSCO had accepted the offer of A. V. Roe Canada Limited. This represents almost 76% of the outstanding ordinary shares if all DOSCO debentures were converted, thereby giving A. V. Roe Canada Limited control of Dominion Steel and Coal Corporation and making it a part of the A. V. Roe Canada Group.)

CANADA'S SELF-SUFFICIENCY

The offer to shareholders of Dosco, and the other phases of the expansion program are designed to provide a broader industrial base which will further assist the Company in playing an important part in Canada's growing economic self-sufficiency.

Canadian industry has a vital role to play in the social and economic development of our nation. To the greatest extent practicable industrial independence must be achieved. We must ourselves produce more of the products we need and which we now import, particularly from the United States. Only in this way can we hope to reduce our staggering trade deficit with the U.S., and at the same time provide employment for our rapidly increasing population. We cannot expect forever to finance this deficit by long-term foreign investment as has been the case so far.

This situation poses a challenge to Canadian industry. A review of the company's history and activities indicates the extent to which the management has met this challenge and seized opportunities for expansion.

PROGRESS IN AERONAUTICS

Our aeronautical subsidiaries have demonstrated that they can, in Canada, design, develop and produce aeronautical products of the highest quality and most advanced design and sell them both at home and in international markets. Belgium selected the Avro CF-100 over all others. The Orenda jet engine is being exported to West Germany, South Africa, Colombia and now Belgium. Their successors, the Avro Arrow and the Orenda Iroquois are both in the supersonic class and are considered to be in advance of anything in their fields.

An important result of this pioneering is that the RCAF is no longer completely dependent upon sources of supply outside Canada which could be and have been cut off in times of greatest need. At the same time, it has had a secondary but important effect of reducing our imports of military aircraft and to this extent has improved our trade position. In terms of Canadian growth, it has perhaps had an even greater result by creating engineering and manufacturing facilities and employment opportunities which previously did not exist. A network of more than 3,500 Canadian sub-contractors and suppliers has been established stretching from coast-to-coast.

It has been clearly established that the degree of aeronautical independence which has been achieved to date has been good for Canada and

we believe it should be extended eventually to include all types of commercial aircraft. A National Air Policy which would encourage such a development is essential.

There would appear to be no insurmountable reason why Canadian operators should continue to spend millions of dollars for aircraft made outside Canada in view of this country's demonstrated technical and manufacturing capability.

PROGRESS IN OTHER FIELDS

The company can also point to other examples of growing industrial maturity. In partnership with British interests, we will be producing wrought steel wheels for railway rolling stock, and in the near future we will be manufacturing Budd equipment. We are also gearing up to produce a wide variety of railway equipment and many other products including refrigeration equipment for the transportation industry. Few of these products have previously been made in Canada.

In terms of the Canadian economy generally, this kind of industrial development is of paramount importance if for no other reason than its impact on our increasingly unfavourable balance of trade.

A RARE OPPORTUNITY

The recognized need of Canada to produce more and import less presents both a challenge and a rare opportunity. It will mean tackling vigorous competition which will require vision, courage, and determination. The rewards could be three-fold:

1. A marked increase in Canadian manufacturing industries which will mean greater economic activity and more jobs.
2. A proportionate decrease in Canada's deficit.
3. Increase in Canadian exports as volume and range of products increase.

THE OUTLOOK

The outlook for the company in the light of these developments and opportunities is favourable, and continuing satisfactory results are indicated in both commercial and defence fields.

On the aeronautical side, production is continuing on the CF-100 and the Orenda jet engine for both domestic and export markets. The research, engineering and design resources which enable us to conceive and successfully produce these products are now engaged in development of three of the most advanced projects of their type in the western world.

On the industrial and commercial side, there is good reason for confidence as new products are brought into production thereby bringing a greater degree of strength, balance and stability to the Company's position within the economy of the country.

APPRECIATION

In this first annual report we have attempted to record something of the history, achievements and corporate philosophy of the company and to point up its significance in the Canadian economy. None of its achievements would have been possible without the people who work in its plants—the thousands of men and women in management, in the offices, in the shops. To them we say thanks, for in the final analysis, they are responsible for the company's progress and for the contribution it is making towards Canada's growth.

*THESE COMPANIES CONSTITUTE THE A. V. ROE CANADA GROUP

WHOLLY OWNED SUBSIDIARIES:

AVRO AIRCRAFT LIMITED, MALTON, ONTARIO
 CANADIAN APPLIED RESEARCH LIMITED, TORONTO, ONTARIO
 CANADIAN CAR COMPANY LIMITED, MONTREAL, QUEBEC
 CANADIAN STEEL FOUNDRIES (1956) LIMITED, MONTREAL, QUEBEC
 CANADIAN STEEL IMPROVEMENT LIMITED, TORONTO, ONTARIO
 CANADIAN THERMO CONTROL COMPANY LIMITED, MONTREAL, QUEBEC
 ORENDA ENGINES LIMITED, MALTON, ONTARIO

PARTIALLY OWNED SUBSIDIARY:

CANADIAN GENERAL TRANSIT COMPANY, LIMITED, MONTREAL, QUEBEC

ASSOCIATE COMPANY:

CANADIAN STEEL WHEEL LIMITED, MONTREAL, QUEBEC

* A. V. Roe Canada has acquired the equivalent of 2,228,817 ordinary shares of Dominion Steel and Coal Corporation thereby gaining 76% control of DOSCO and making it a part of the A. V. Roe Canada Group.

A. V. ROE CANADA LIMITED

170 UNIVERSITY AVENUE, TORONTO 1, ONTARIO

MEMBER HAWKER SIDDELEY GROUP

SERVING AIR DEFENCE TRANSPORTATION, HEAVY INDUSTRY AND METALLURGY