

1958

**A N N U A L
R E P O R T**

A . V . R O E C A N A D A L I M I T E D



Avro Arrow—symbol of Canada's design and technical competence

A. V. ROE CANADA is a vital factor in a number of industrial areas basic to the Canadian economy. These include: aeronautics; steel (primary and fabrication); transportation (road, rail and water); mining (coal, iron ore and limestone); power (aero, industrial, marine and nuclear) and defence for land, sea and air forces. Thus, your company is an integral part of the economic fabric of the country and its continuing industrial development.



A. V. ROE CANADA LIMITED

Annual Report 1958

DIRECTORS

Sir Roy H. Dobson	W. R. McLachlan
Crawford Gordon	Fred T. Smye
Air Marshal W. A. Curtis	J. S. D. Tory
Sir Thomas Sopwith	W. P. Scott
A. C. MacDonald	Colin W. Webster

OFFICERS

Sir Roy Dobson, *Chairman of the Board*
Air Marshal W. A. Curtis, *Vice-Chairman of the Board*
Crawford Gordon, *President and General Manager*
A. C. MacDonald, *Executive Vice-President, Industrial*
W. R. McLachlan, *Executive Vice-President, Administration and Coordination*
Fred T. Smye, *Executive Vice-President, Aeronautical*
J. S. D. Tory, *Vice-President*
A. A. Bailie, *Vice-President (Finance) and Treasurer*
W. H. Dickie, *Vice-President (Industrial Relations)*
John H. Campbell, *Secretary*
George Caton Jones, *Comptroller*

AUDITORS

Price Waterhouse & Co., Toronto, Canada

REGISTRAR AND TRANSFER AGENT

National Trust Company, Limited
Toronto, Montreal, Winnipeg and Vancouver, Canada.

ANNUAL MEETING

The Annual Meeting of Shareholders will be held at the Lord Simcoe Hotel, Toronto, at 11.00 a.m., October 27, 1958. Notice of the meeting is enclosed with this report, together with a proxy form for the convenience of Shareholders.



Sir Roy Dobson

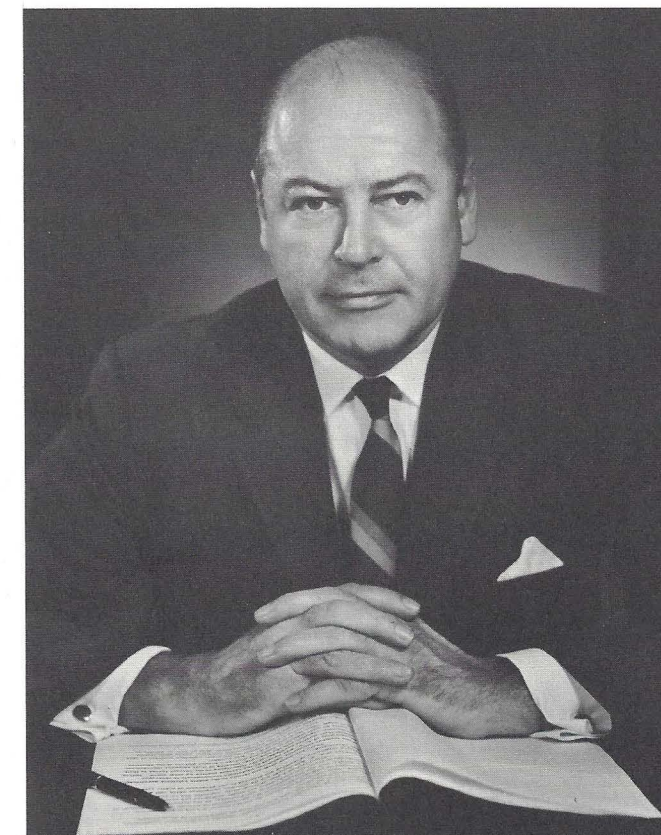
THE BOARD of Directors is pleased to present the Annual Report of the Company and its subsidiary and associated companies for the year ending July 31, 1958.

In certain respects, the past fiscal year was one of paradox. On the one hand we are able to report significant technical and corporate achievements and progress. During the period under review, your company experienced its greatest growth largely as a result of the acquisition of control on September 30, 1957, of Dominion Steel and Coal Corporation, Limited.

On the other hand, due to general economic conditions, earnings did not reach expectations. This report will show consolidated net sales of \$370,751,856 with net profit of \$8,283,071 against sales of \$234,811,024 and net profit of \$7,177,001 in 1957. However, it should be kept in mind that last year's report did not include the operations of Dosco, whereas the net consolidated earnings for this year include your company's share of the earnings of Dosco for ten months to July 31, 1958. An indication of the influence of the business downturn on our operations is that earnings per common share were 92¢ against \$1.50 for 1957.

Photos by Karsh of Ottawa

TO THE SHAREHOLDERS



Crawford Gordon

These and other aspects of the year's operations along with a review of our varied and expanding activities are dealt with in greater detail in the pages that follow.

Submitted on behalf of the Board.

R. H. Dobson, *Chairman*

Crawford Gordon,
President & General Manager

Toronto, Ont., Sept. 22, 1958.

GROWTH AND ACHIEVEMENT

THE YEAR ending July 31, 1958 was one of significant development in the corporate life of your company.

A measure of the growth that occurred in the year is the increase in consolidated assets from \$145,754,527 to \$310,400,714, the increase in consolidated sales from \$234,811,024, to \$370,-751,856 for 1958 and the doubling of employment to 41,000.

Another yardstick of growth is the increase in capital stock. The number of common shares issued and outstanding at the year end was 8,111,941 compared with 4,763,500 the year before together with 140,000 5¼% Preferred Shares. About 43% of the outstanding common is held by the public; the balance by the Hawker Siddeley Group which took up 200,000 out of an issue of 240,000 of the preferred shares and during the year converted 100,000 of them into common shares. There were 16,088 registered holders of preferred and common shares at July 31, 1958 (of which 96% were Canadian residents) against a total of 2,716 shareholders the year before.

In terms of growth, the outstanding event of the year was the acquisition of 77% interest in Dosco. Immediately after assuming control last October a program of reorganization was started to strengthen management and re-align the various units into a more cohesive and effective operation. This program is proceeding satisfactorily. While reduced demand for coal and steel had a substantial effect on Dosco operations, the steps that have and are being taken, augur well for the long-range profitability of Dosco, within the framework of an expanding Canadian economy.

In the matter of technical achievement, the notable events were the success of the initial test flight program of the Avro Arrow; the progress made with the Orenda Iroquois jet engine and the development of an armoured tracked carrier for the Canadian Army. These projects represent tangible evidence of a high level of technical and productive capability.

As a result of events of the year, your company has achieved its aim of broadening its industrial base. The scope of activities now extends from mining basic materials such as coal and iron ore, to the manufacture of products ranging from screws, wire and nails to intricate electro-mechanical devices, advanced aircraft, jet engines, railway rolling stock and equipment, highway trailers, buses, naval and merchant ships.

A. V. Roe Canada Limited was founded in 1945 by the Hawker Siddeley Group Limited, as a subsidiary aircraft company. Its development since that time has been a process of diversification in activity and Canadianization in ownership, management and personnel and today is a holding company with the following components:

Wholly-owned Subsidiaries

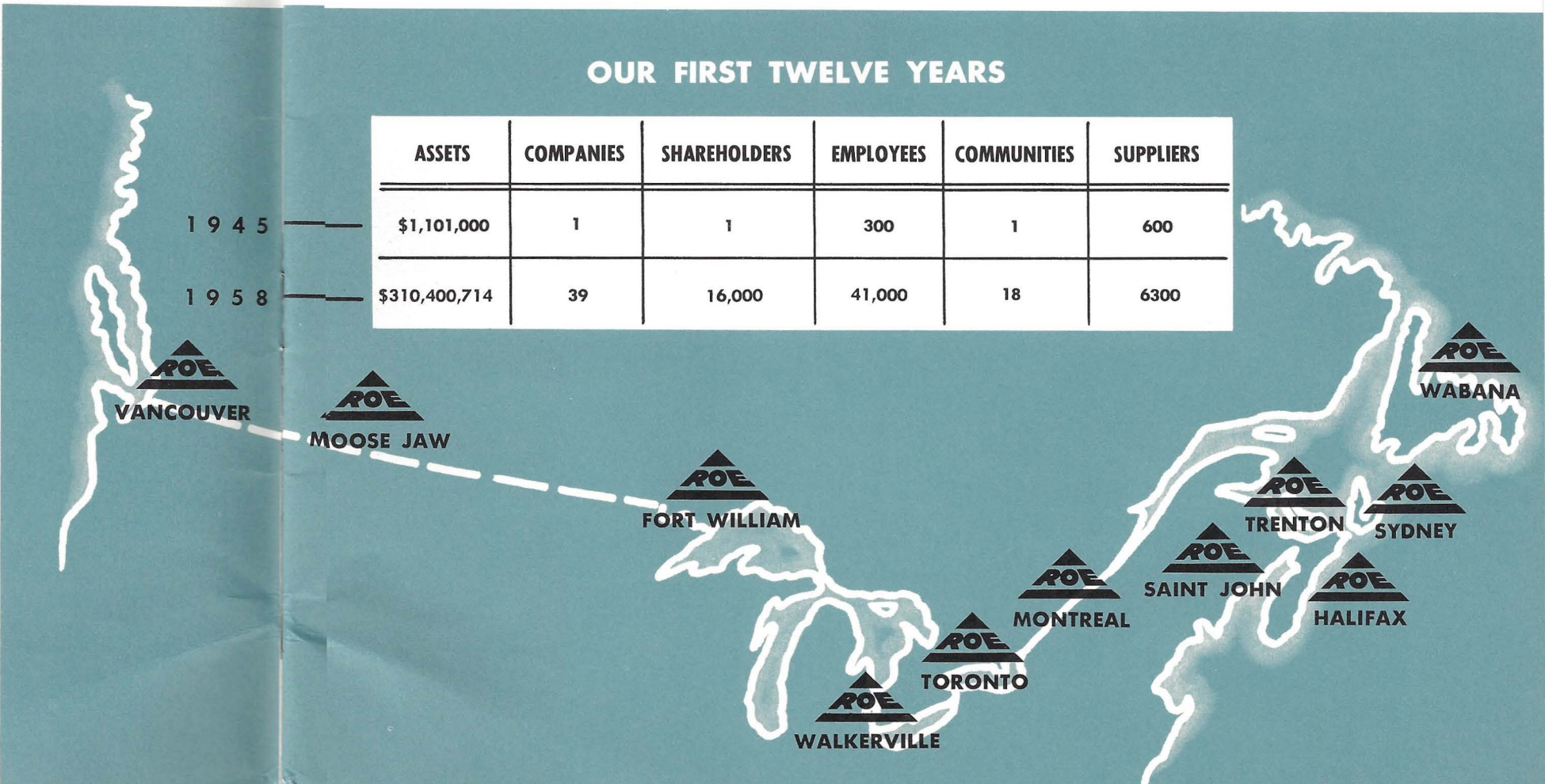
- Avro Aircraft Limited, Malton, Ont.
- Canadian Applied Research Limited, Toronto
- Canadian Car Company Limited, Montreal and Fort William, Ont.
- Canadian Car (Pacific) Limited, Vancouver (wholly-owned subsidiary of Canadian Car Company Limited).
- Canadian Steel Foundries Limited, Montreal
- Canadian Steel Improvement Limited, Etobicoke
- Canadian Thermo Control Company Limited, Montreal
- Orenda Engines Limited, Malton and Nobel, Ont.
- Orenda Industrial Limited, Toronto, Montreal and Vancouver (wholly-owned subsidiary of Orenda Engines Limited)

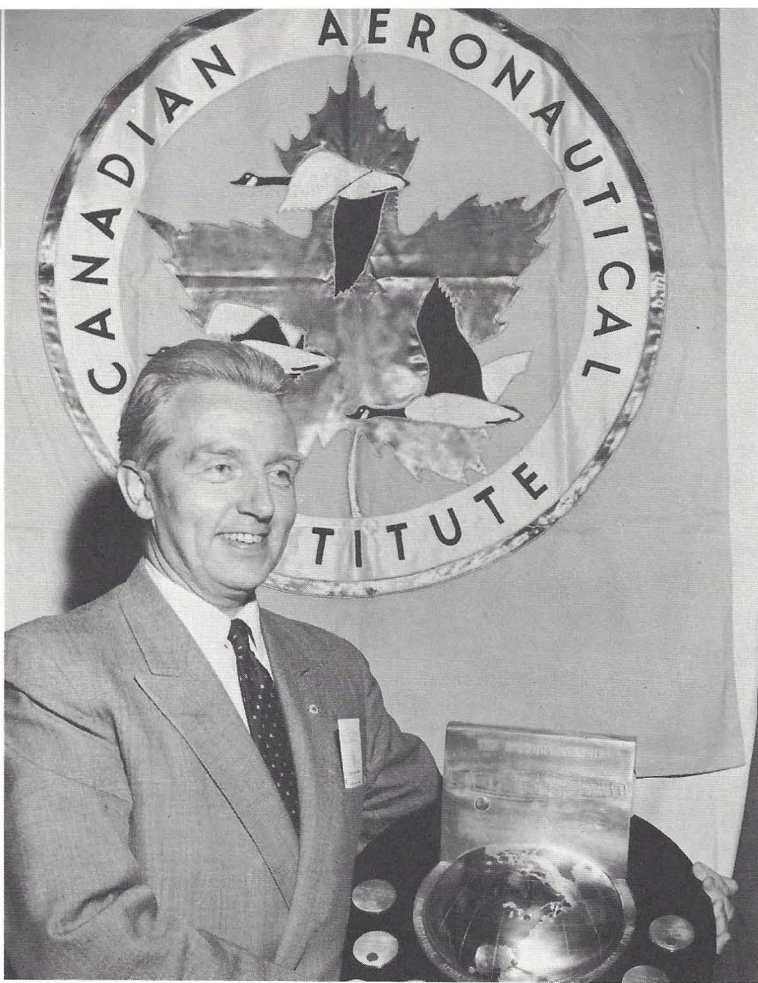
Partly-owned Subsidiaries

- Canadian General Transit Company, Limited, Montreal and Moose Jaw (55%)
- Dominion Steel and Coal Corporation, Limited, head office Montreal (77%) and its subsidiary companies

Associate Company

- Canadian Steel Wheel Limited, Montreal (50%)





CREATIVENESS

**1958 Winner McCurdy Award*

ENGINEERING AND TECHNICAL

**J. C. Floyd, Vice-President, Engineering Avro Aircraft, is the leader of the team which designed the Arrow. He is the only non-American to receive the Wright Medal and this year delivered the Annual British Commonwealth lecture to the Royal Aeronautical Society of Great Britain.*

THE UNPRECEDENTED changes and progress of the last two decades are bringing about public recognition that the greatest single force in economic growth is scientific advance coupled with a dynamic technology. Canada has been largely dependent on other countries in the matter of creative technical thinking. It has been easier to import ideas and know-how from others rather than to provide them ourselves. In such dependency there is a good measure of hazard to the realization of our full potential. The danger lies not so much in the importations themselves as in the possibility that by relying on them too much our own incentive to do things ourselves is reduced.

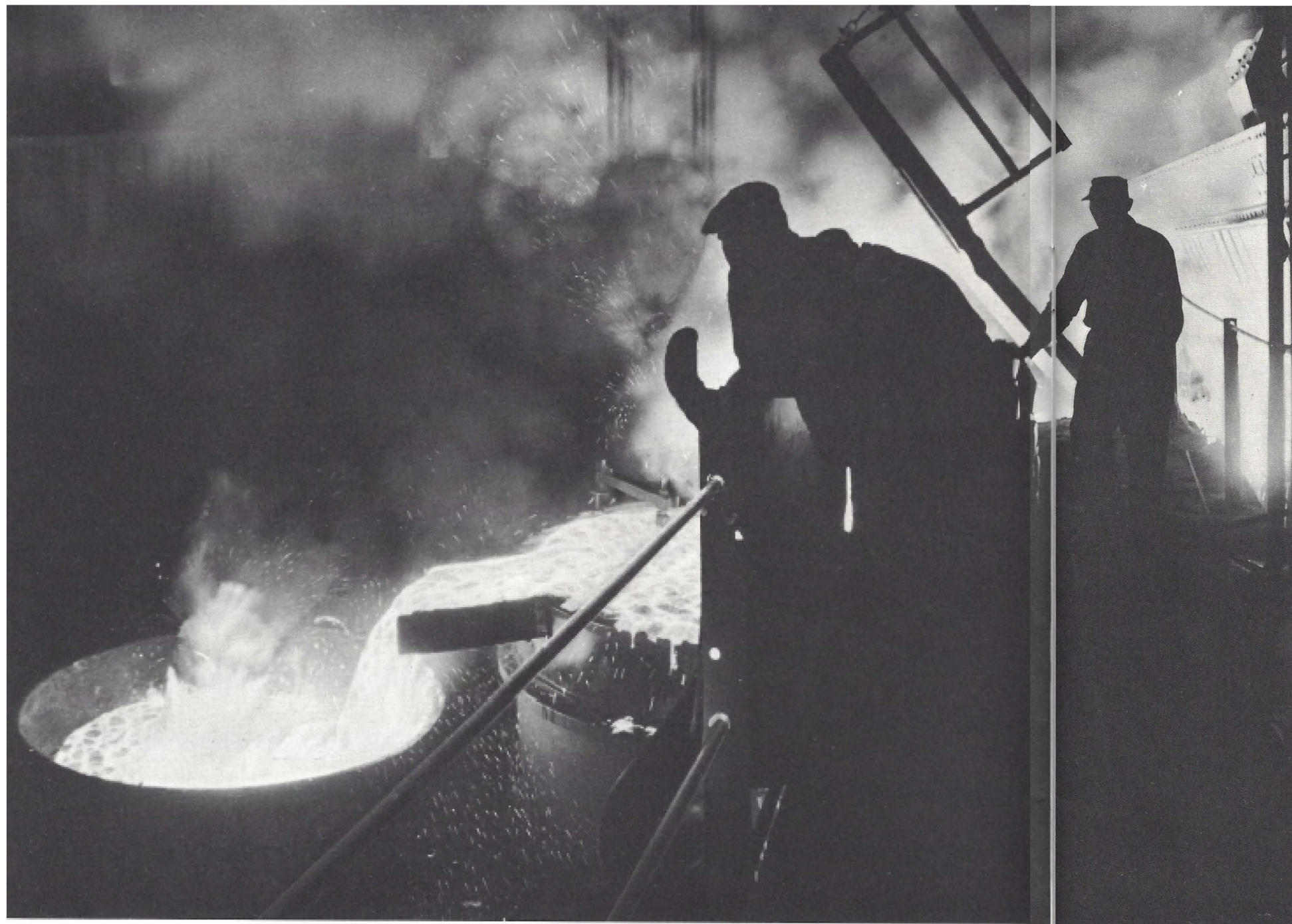
A. V. Roe Canada are firmly convinced that Canada must and can be more independent creatively. This has been the cornerstone of our

corporate philosophy from the beginning. The application of this policy not only resulted in great advances in Canadian aeronautics but it also gave Canada engineering and research resources essential to continued national development. It provided creative opportunities which never existed before for young Canadian scientists and engineers. This has had a permanent and beneficial effect on Canada's overall technological capability.

In the interests of our own corporate development and Canadian progress, it is our intention vigorously to pursue this policy of creative engineering and design, and the development of secondary manufacturing industries, because in the long run, Canada's economic growth will be closely related to its scientific and technological efforts.

Technical Illustration Department — Orenda Engines





Tapping an open hearth at Dosco's Sydney steel mill.

PRIMARY STEEL

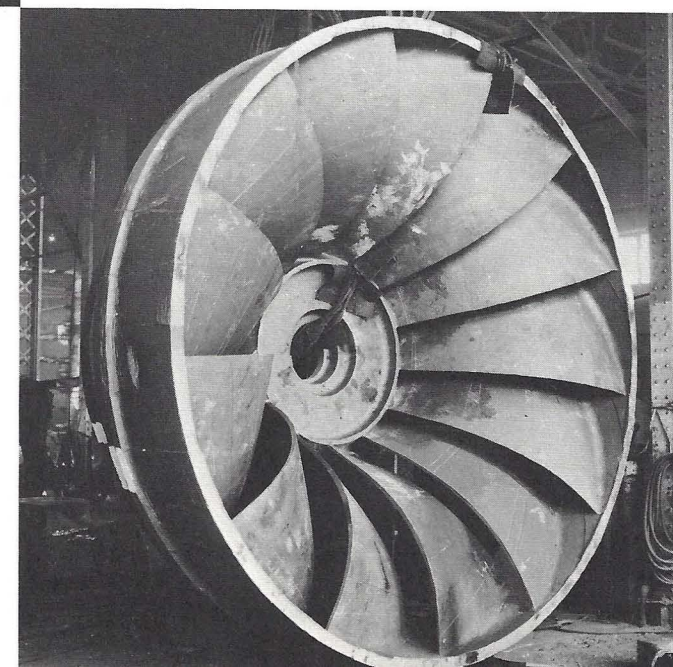
THROUGH ACQUISITION of the controlling interest in Dosco, your company achieved two objectives: first, to bring about a greater degree of diversification of its operations and second, to become part of an industry which is basic and essential to Canada's growth.

Based on past growth and forecasts for the future, the potential in the steel industry is very promising. In value of output, the steel industry has increased in importance from 15th in 1938 to sixth last year. Capacity increased from two million tons a year in 1938 to three million tons in 1948 and six million tons in 1958. To meet estimated requirements over the next 20 years, the industry will have to double its capacity.

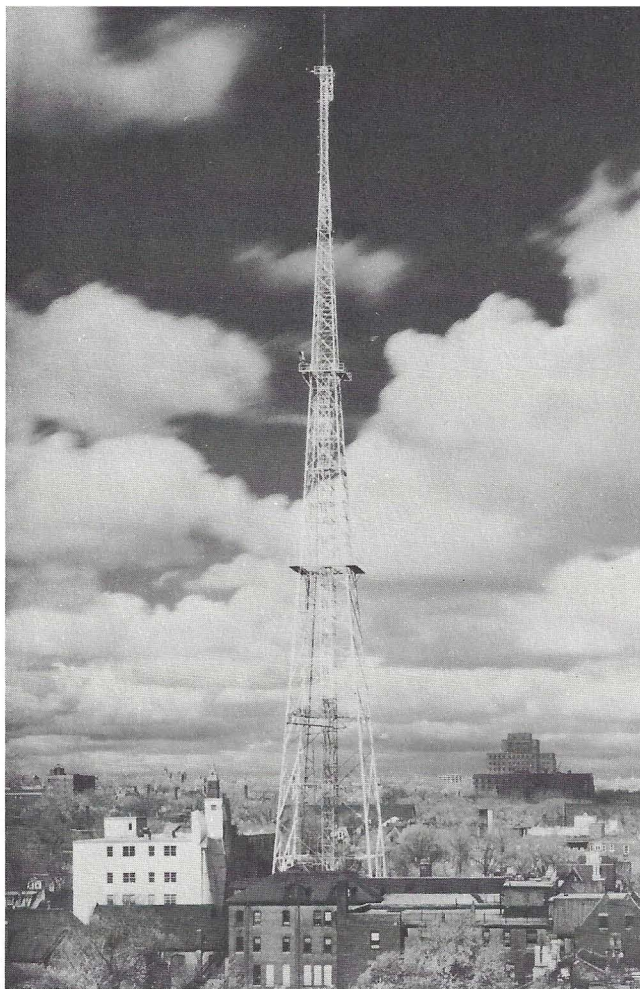
Dosco's current ingot capacity is 1,020,000 tons and during seven months to July 31, 1958 operated at an average of 65% of rated capacity.

An initial step toward strengthening and broadening Dosco's steel operations was the purchase during the year of 1,000 acres of land near Montreal. Detailed engineering studies are now underway for the development there of a flat rolled products mill. This will enable Dosco to enter for the first time this expanding Canadian market.

Also in the area of primary steel is Canadian Steel Foundries Limited, the largest foundry in Canada, producing about 37% of the total Canadian output of steel castings. In addition to supplying a wide variety of castings for railway equipment, C.S.F. is a prime supplier of large steel castings for heavy industry and for power generation facilities, including the Ontario Hydro's St. Lawrence Seaway project.



*C.S.F. 100,000 lb. casting
for hydro electric installation*



CBC's 460 foot Television tower, Toronto

STEEL FABRICATION

ONE OF THE MOST important and profitable aspects of Dosco is steel fabrication. An indication of the importance of these operations is that they employ almost as many as are employed in the basic steel operations at Sydney. Their products represent about half of Dosco's total gross sales, and range from screws, nails and fencing to bridges, power transmission towers, railway rolling stock and ships.

Consolidation of certain facilities and re-alignment of management responsibilities are underway and should make for a more effective overall operation, improve the competitive position and thereby make it possible to take advantage of expanding opportunities.

Another move toward integration was the acquisition of the minority share interest of Republic Steel Corporation in Truscon Steel, which is now a wholly-owned subsidiary of Dosco.

Ten Dosco companies comprise the Steel Fabrication and Manufacturing Division:

Halifax Shipyards Limited;

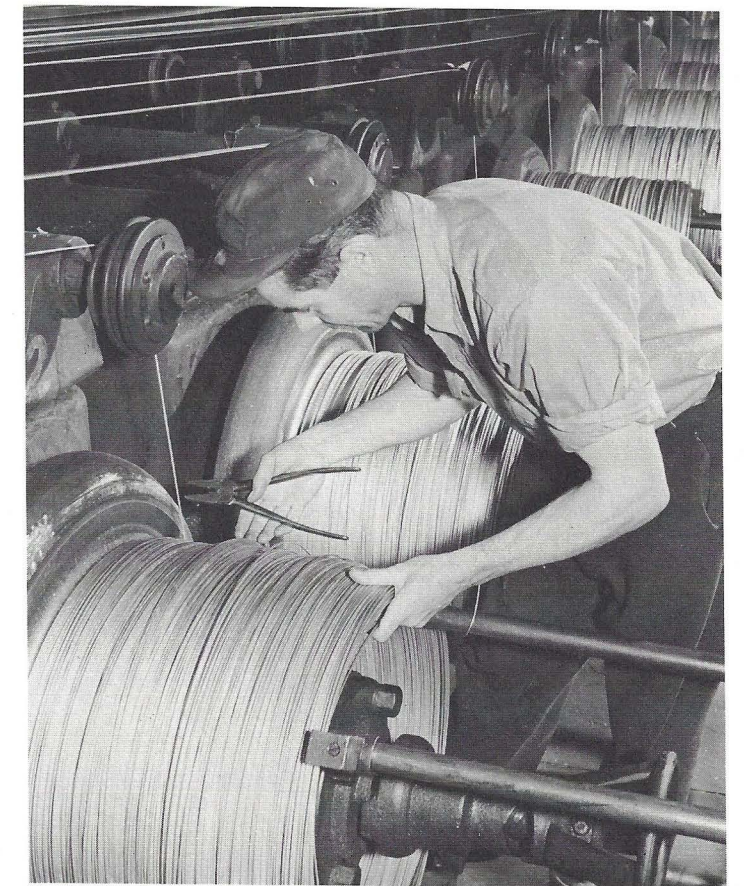
Canadian Bridge Company Limited, and Truscon Steel Company of Canada Limited, both located at Walkerville, Ontario, and Montreal;

Canadian Tube and Steel Company Products Limited and Stowell Screw Company Limited, Montreal;

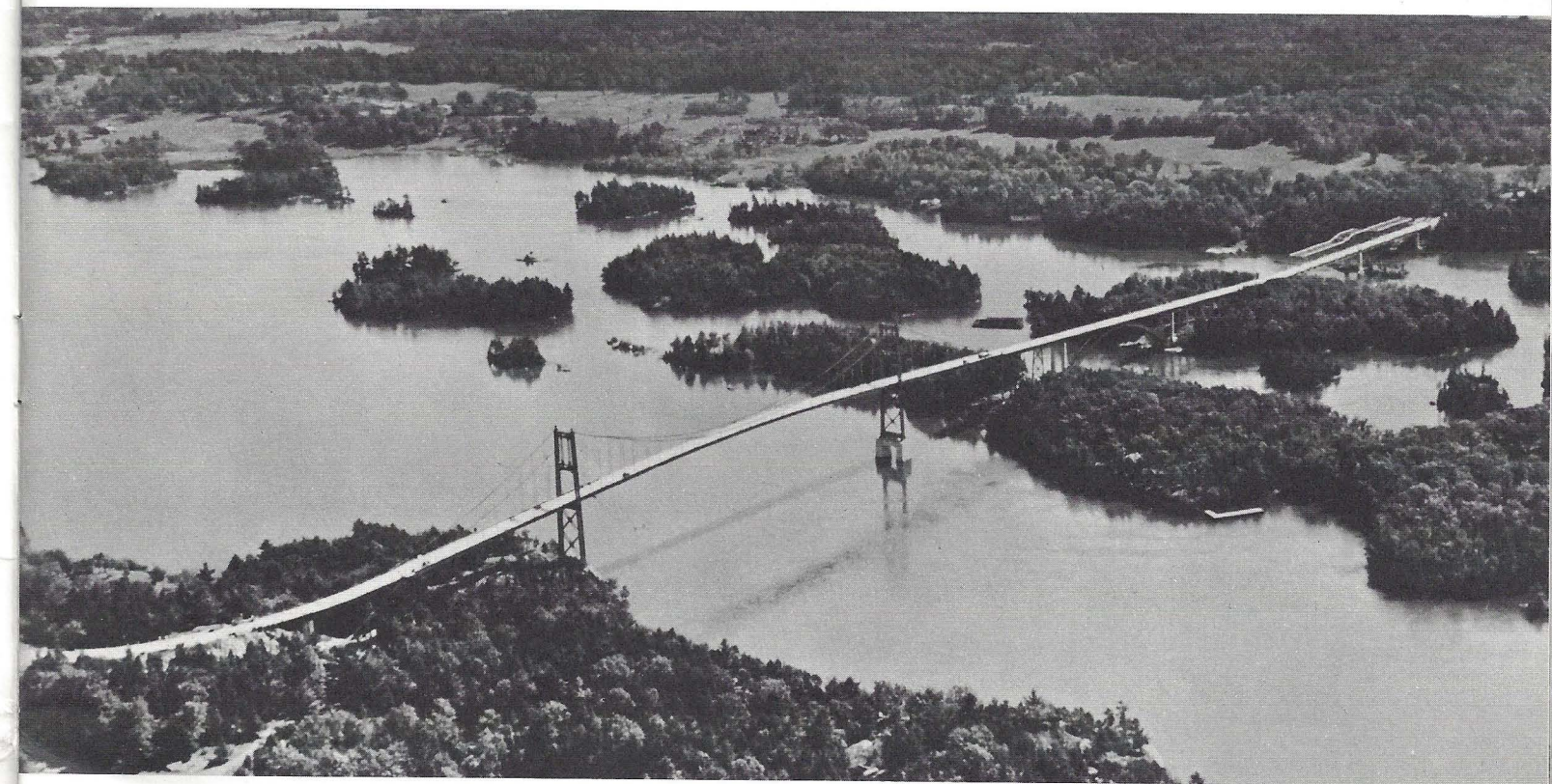
James Pender & Co. Limited, St. John, N.B.;

Graham Nail & Wire Products, Limited, Toronto;

Eastern Car Company Limited, Trenton Steel Works, Limited and Trenton Industries, Limited, all of Trenton, N.S.



Manufacturing Dosco wire



Ontario's 1000 Island Bridge—designed and built by Canadian Bridge

FINANCIAL HIGHLIGHTS

	1958	1957
Consolidated net sales	\$370,751,856	\$234,811,024
Depreciation	14,930,163	8,822,494
Special development expenditures	827,625	1,299,607
Taxes on income	8,122,196	6,277,794
Net earnings	8,283,071	7,177,001
Per preferred share	59.16	—
Per common share	.92	1.50
Dividends paid	6,544,814	2,848,320
Per preferred share	4.64	—
Per common share	.80	.60
Invested in capital assets	296,971,333	99,271,575
Working Capital at end of year	39,541,283	2,148,565

The initial dividend on common shares was paid January 2, 1957 and on preferred shares January 2, 1958.

Some of the principal products sold by the A. V. Roe Canada Group of Companies are:

Aeronautical and Defence

Avro CF-100 all-weather interceptor aircraft
Avro Arrow supersonic interceptor aircraft
Iroquois jet engine
Orenda jet engine
Naval vessels
Army tracked vehicle
Mortars

Power

Industrial and marine diesel units from 1½ h.p. to 4,000 h.p.
Electric power for industrial and domestic use

Steel

Steel ingots, blooms and billets
Bars and shapes
Reinforcing bars
Steel castings
Bridges — transmission towers

Steel structures

Pipe and pipe nipples
Bolts, nuts and rivets
Wire (coarse and fine gauges, all qualities and finishes)
Wire (core, rope and spring)
Barbed wire
Wire rods
Cut nails
Wire nails (steel and aluminum)
Screws (machine, wood and sheet metal)
Special fasteners
Bale ties
Triangle mesh and welded fabric
Fencing, (chain link, farm, lawn, ornamental)
Rails and track fastenings
Railway axles
Forgings
Mining equipment
Metal lath
Steel joists
Steel sash
Dosco Miner

Mining

Iron ore
Coal
Limestone
Coke and by-products

Electro-Mechanical Equipment

R-Theta Computer
Aerial survey camera
Radio-activity detectors
Airborne Magnetometers
Airborne Profile Recorders
Radar equipment
Aerial navigation equipment
Aircraft de-icing equipment
Automatic film processing

Transportation

Highway trailers and buses
Railway rolling stock and tank cars
Ships and ship repairs

Light Alloys

Forgings and castings in light and special alloys

A. V. ROE CANADA LIMITED

and consolidated subsidiaries

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS FOR THE YEAR ENDED JULY 31, 1958

	1958	1957
Profit from operations before deducting the items shown below	\$ 33,786,355	\$ 23,937,035
Income from investments	1,023,171	222,502
	<u>34,809,526</u>	<u>24,159,537</u>
Deduct:		
Interest on long term debt	1,215,756	582,641
Special development expenditures	827,625	1,299,607
Provision for depreciation	14,930,163	8,822,494
	<u>16,973,544</u>	<u>10,704,742</u>
	<u>17,835,982</u>	<u>13,454,795</u>
Provision for income taxes:		
Taxes payable for the year	6,346,365	4,610,288
Current year's tax reduction applicable to future years (Note 5)	1,775,831	1,667,506
	<u>8,122,196</u>	<u>6,277,794</u>
Profits for the year before deducting amount attributable to minority shareholders	9,713,786	7,177,001
Deduct: Profits of subsidiaries attributable to minority shareholders	1,430,715	—
Net profits for the year	<u>8,283,071</u>	<u>7,177,001</u>
Earned surplus at beginning of year	34,441,639	29,724,208
Equity in earned surplus of subsidiary company not previously consolidated	417,092	—
Recovery of special development expenditures incurred in a prior year (less applicable income taxes—\$361,250)	—	388,750
	<u>43,141,802</u>	<u>37,289,959</u>
Deduct: Dividends—		
Preferred shares	826,114	—
Common shares	5,718,700	2,848,320
	<u>6,544,814</u>	<u>2,848,320</u>
Earned surplus at end of year	<u>\$ 36,596,988</u>	<u>\$ 34,441,639</u>

The notes to the consolidated financial statements are an integral part of this statement.

A. V. ROE CANADA LIMITED

and consolidated subsidiaries

CONSOLIDATED

ASSETS

CURRENT ASSETS:	1958	1957
Cash.....	\$ 1,401,598	\$ 972,941
Marketable securities, market value \$925,549.....	889,549	—
Accounts receivable, less allowance for doubtful accounts.....	44,456,957	28,302,826
Due from subsidiary company.....	2,499,845	114,578
Income taxes recoverable.....	928,605	—
Inventories, at the lower of cost or market, less progress payments.....	61,271,624	27,706,991
Prepaid expenses.....	2,792,439	1,260,062
	<u>114,240,617</u>	<u>58,357,398</u>
INVESTMENTS AND OTHER ASSETS:		
Common shares in Algoma Steel Corporation, Limited, at cost.....	19,787,322	19,787,322
Shares in subsidiary company not consolidated (Note 2).....	1,027,956	1,155,000
Shares in associated company, at cost.....	2,500,000	300,050
Mortgages receivable.....	8,077,500	—
Other investments and sundry assets.....	2,826,587	902,327
Unamortized discount on long term debt.....	167,837	—
	<u>34,387,202</u>	<u>22,144,699</u>
FIXED ASSETS (Note 4):		
Land, mineral deposits, buildings, machinery and equipment.....	296,971,333	99,271,575
Less—Accumulated depreciation.....	135,198,438	34,019,145
	<u>161,772,895</u>	<u>65,252,430</u>
	<u>\$310,400,714</u>	<u>\$145,754,527</u>

APPROVED ON BEHALF OF THE BOARD:

R. H. DOBSON, *Director*

CRAWFORD GORDON, *Director*

AUDITORS' REPORT TO THE SHAREHOLDERS OF A. V. ROE CANADA LIMITED:

We have examined the consolidated balance sheet of A. V. Roe Canada Limited and consolidated subsidiaries as at July 31, 1958 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, the above consolidated balance sheet and related 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 affairs of the companies as at July 31,

BALANCE SHEET JULY 31, 1958

LIABILITIES

CURRENT LIABILITIES:	1958	1957
Bank advances.....	\$ 28,225,174	\$ 25,191,317
Accounts payable and accrued liabilities.....	24,810,455	17,810,667
Income and other taxes.....	9,369,347	6,841,448
Advances on sales contracts.....	4,237,695	4,101,422
Payments on long term debt due within one year.....	2,386,922	1,441,566
Due to associated companies.....	5,669,741	822,413
	<u>74,699,334</u>	<u>56,208,833</u>
LONG TERM DEBT (Note 3):		
Bonds, debentures and equipment trust certificates.....	17,424,000	—
Balance owing on purchase of assets from the Crown.....	7,468,455	8,526,527
	<u>24,892,455</u>	<u>8,526,527</u>
PROVISION FOR BLAST FURNACE RELINING.....	2,097,082	—
RESERVES:		
Accumulated income tax reductions applicable to future years (Note 5).....	26,521,332	13,590,642
Past service pension costs of certain subsidiaries.....	888,733	1,064,033
Contingencies (Note 6).....	17,486,703	—
	<u>44,896,768</u>	<u>14,654,675</u>
INTERESTS OF MINORITY SHAREHOLDERS IN SUBSIDIARIES.....	24,101,117	—
CAPITAL STOCK AND SURPLUS:		
Share Capital (Note 7)—		
Preferred shares of the par value of \$100 each issuable in series—		
Authorized—250,000 shares		
Issued—240,000 5¾% Cumulative Convertible Redeemable Preferred Shares		
Outstanding—140,000 shares.....	14,000,000	—
Common shares without nominal or par value—		
Authorized—10,000,000 shares		
Issued—8,111,941 shares.....	83,406,704	24,775,000
Earned Surplus.....	36,596,988	34,441,639
	<u>134,003,692</u>	<u>59,216,639</u>
Excess of book values of net assets of subsidiaries over cost of acquisition (Note 8).....	5,710,266	7,147,853
	<u>139,713,958</u>	<u>66,364,492</u>
	<u>\$310,400,714</u>	<u>\$145,754,527</u>

1958 and the results of their operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the companies.

Information with respect to a subsidiary company not consolidated, required by Section 118 of the Companies Act, is included in Note 2 of the accompanying notes to the consolidated financial statements.

September 22, 1958
Toronto, Canada.

PRICE WATERHOUSE & CO.,
Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED JULY 31, 1958

1. As of September 30, 1957 the Company acquired approximately 77% of the issued share capital of Dominion Steel and Coal Corporation, Limited. The consolidated balance sheet, therefore, includes the assets and liabilities of Dominion Steel and Coal Corporation, Limited and its consolidated subsidiaries and the consolidated statement of profit and loss and earned surplus includes the combined earnings of these companies for the ten months from September 30, 1957 to July 31, 1958, with an adjustment for the interest of the minority shareholders in such earnings.

2. Shares In Subsidiary Company Not Consolidated:

	1958	1957
Dominion Coal Company, Limited.....	\$ 1,027,956	—
Canadian General Transit Company, Limited.....	—	\$ 1,155,000

The shares in Dominion Coal Company, Limited are held by Dominion Steel and Coal Corporation, Limited. At July 31, 1958 the book value of the net assets of Dominion Coal Company, Limited attributable to such shares amounted to \$9,348,000.

No profits of Dominion Coal Company, Limited are included in the consolidated statement of profit and loss and earned surplus for the year ended July 31, 1958. For the period of ten months from September 30, 1957 to July 31, 1958, the Company's interest in the net profits of Dominion Coal Company, Limited amounted to \$185,703.

The consolidated financial statements for the year ended July 31, 1958 include the accounts of Canadian General Transit Company, Limited, a subsidiary company not previously consolidated.

3. Long Term Debt:

Bonds, debentures and equipment trust certificates—

Dominion Steel and Coal Corporation, Limited

First Mortgage Bonds

3½% Series "A" due March 1, 1961	\$ 1,528,000	
4 % Series "B" due June 1, 1968.....	2,750,000	
Convertible Debentures		
4 % due August 15, 1961.....	1,223,500	
4¼% due May 15, 1970.....	934,000	\$ 6,435,500

Seaboard Power Corporation Limited First Mortgage Bonds

4 % Series "A" due May 1, 1959-1971.....	\$ 1,690,000	
5½% Series "B" due June 15, 1959-1975.....	2,125,000	
4½% Series "C" due June 1, 1959-1977.....	2,128,000	5,943,000

The Stowell Screw Company, Limited First Mortgage Bonds

4% due November 1, 1959-1965.....		135,000
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Dominion Steel and Coal Corporation, Limited and consolidated subsidiaries

Canadian General Transit Company, Limited Equipment Trust Certificates Issued in Series "A" to "H", interest 3½% to 6%, due in various amounts annually from 1958 to 1978.....	6,230,500	
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Deduct—Amounts due within one year included in current liabilities.....

\$ 18,744,000
1,320,000
\$ 17,424,000

Balance owing on purchase of assets from the Crown—

Avro Aircraft Limited and Orenda Engines Limited

Payable in annual instalments on or before July 27, 1966 with interest at 5% per annum.....	\$ 8,535,377
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Deduct—Amounts due within one year included in current liabilities.....

1,066,922
\$ 7,468,455

4. The fixed assets of A. V. Roe Canada Limited and subsidiaries, other than Dominion Steel and Coal Corporation, Limited, are valued at cost; the fixed assets of Dominion Steel and Coal Corporation, Limited and consolidated subsidiaries are valued at cost or less, including a deduction of \$11,012,621 being the difference between the par value of shares and debentures of subsidiaries and the book value in that Corporation's accounts.

5. The current year's income tax reduction of \$1,775,831 shown on the consolidated statement of profit and loss and earned surplus represents the amount by which income taxes otherwise payable for the year ended July 31, 1958 have been reduced by claiming for tax purposes capital cost allowances in excess of the depreciation for the year recorded in the accounts. This reduction in income taxes is applicable to future years when capital cost allowances deductible for tax purposes will be less than the depreciation recorded in the accounts and is accordingly included in the consolidated balance sheet as "Accumulated income tax reductions applicable to future years."

6. As from January 1, 1958 Dominion Steel and Coal Corporation, Limited has adopted the policy of charging pension payments for past services to reserve for contingencies after deducting related income tax credit. Such payments during the seven months ended July 31, 1958 amounted to \$450,297 and, after the related tax credit, the charge to reserve for contingencies amounted to \$238,297.

7. By supplementary letters patent issued in September, 1957, 240,000 of the 250,000 authorized preferred shares of the par value of \$100 each were designated as 5¾% Cumulative Convertible Redeemable Preferred Shares and the authorized number of common shares without nominal or par value was increased from 7,500,000 shares to 10,000,000 shares.

On September 13, 1957 the Company issued and sold 240,000 5¾% Cumulative Convertible Redeemable Preferred Shares of the par value of \$100 each for \$24,000,000. In accordance with an agreement dated August 27, 1957, Racair Limited, the parent company, subscribed at par for 200,000 of the 5¾% Cumulative Convertible Redeemable Preferred Shares and on January 2, 1958 converted 100,000 of such shares into 500,000 common shares.

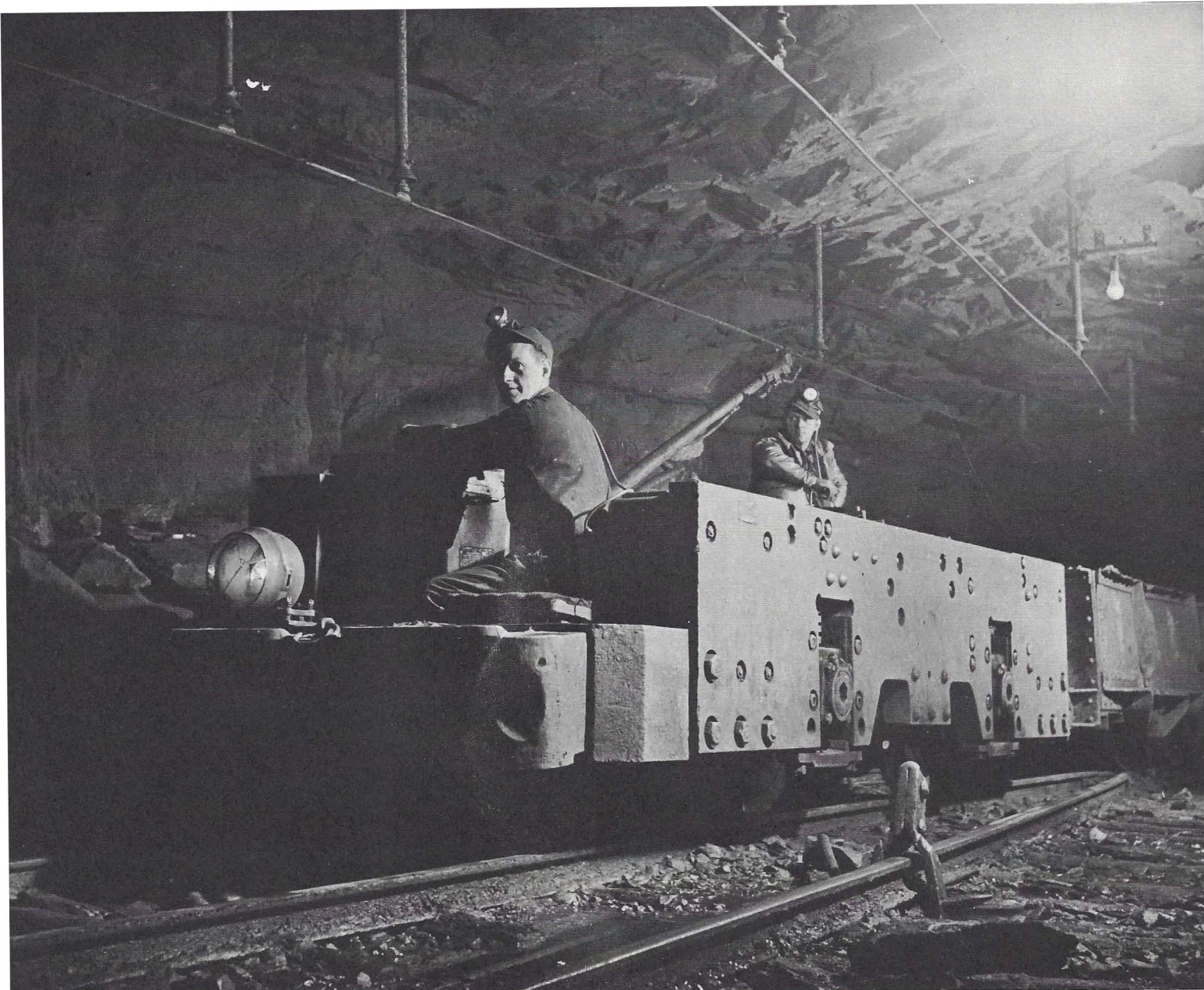
Common Shares Issued:

	Number of Shares	Amount
Balance July 31, 1957.....	4,763,500	\$ 24,775,000
Issued during the year:		
As part of consideration for the acquisition of a majority ownership in the issued share capital of Dominion Steel and Coal Corporation, Limited (valued on the basis of the book value of the net assets attributable to the shares acquired).....	2,843,641	48,571,704
On conversion of 100,000 preferred shares.....	500,000	10,000,000
On exercise of options.....	4,800	60,000
Balance July 31, 1958.....	8,111,941	\$ 83,406,704

At July 31, 1958 there were outstanding options, terminating 1965-1966, which have been granted to certain directors and executive officers of the Company and its subsidiaries, to subscribe for 63,200 of the unissued common shares of the Company at a price of \$12.50 per share.

8. The decrease during the year of \$1,437,587 in the "Excess of book values of net assets of subsidiaries over cost of acquisition" arises from adjustments (net) in the valuation of the assets of a subsidiary company acquired in 1955.

9. The total amount deducted in the consolidated statement of profit and loss and earned surplus in respect of remuneration of executive officers, including salaried directors, and legal fees was \$598,560 for the year ended July 31, 1958.



Underground at Wabana, Newfoundland

MINING

COAL, IRON ORE, LIMESTONE

THROUGH DOSCO'S COAL, iron ore and limestone operations, your company is now an important part of Canada's mining industry. Our interests consist of:

1. One of the continent's most important coal deposits. Located in 15 mines in the Province of Nova Scotia, these deposits have an estimated reserve of three billion tons. Production for seven months to July 31, 1958 was 3,194,721 net tons. Annual production was 4,304,072 net tons in 1957 and 4,238,836 net tons in 1956. It is estimated that with the completion of mechanization, production could be raised to 7,000,000 tons annually.

2. Iron ore deposits on Bell Island, Newfoundland. Production for seven months to July 31, 1958 was 1,394,733 gross tons against 2,847,538 gross tons in the calendar year 1957. Wabana ore finds a ready market in Europe as indicated by contracts with the Netherlands, West Germany and Britain. About 800,000 tons of annual output are used by Dosco in the Sydney steel plant.

3. Limestone quarries at Aguathuna, Newfoundland. Limestone is an essential purifying agent in steel making.

These resources put Dosco in a unique position as the only wholly integrated Canadian steel producer with its own native sources of iron ore, coal and limestone.

Mining activity during the year was affected by the economic decline, particularly coal. At July 31 coal stocks stood at 1,400,000 tons which was twice as high as normal. Despite the Company's best efforts, it was not possible to avoid a five-week shutdown. In cooperation with Federal and Provincial government authorities, every effort is being exerted to find ways and means of meeting the immediate problem and obtain increased foreign and domestic markets. Already this increased marketing program has resulted in the first sale of Nova Scotia coal in the Toronto area since the beginning of the last war.

In addition, ways and means of broadening the company's mining activity through general exploration are being actively examined.

Princess Colliery, Sydney

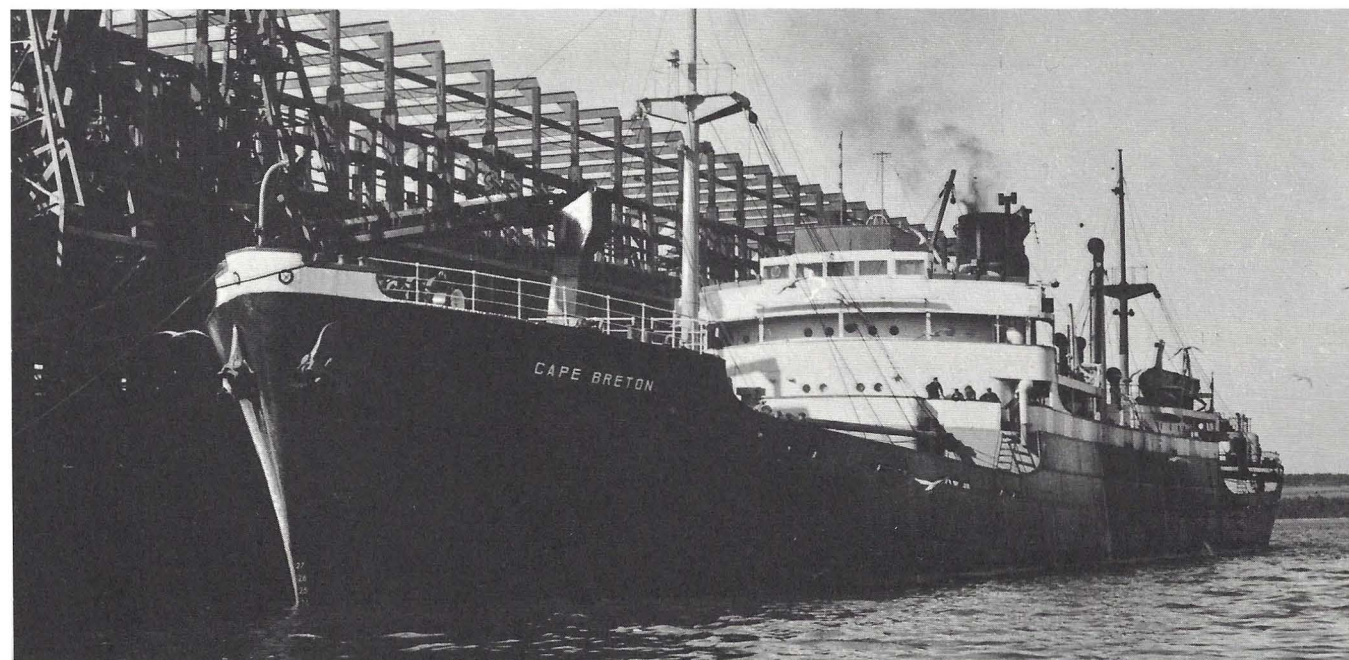




CanCar buses for Vancouver



Railway box cars built by CanCar



Below: Unloading iron ore at Sydney, N. S.

TRANSPORTATION

ROAD, RAIL, AND WATER

THROUGH CANCAR, Canadian General Transit and Dosco, your company is deeply involved in something else basic to the Canadian economy — the transportation of Canadian people and products.

For many years, CanCar has been Canada's major manufacturer of passenger, freight and industrial railway rolling stock and equipment and the only manufacturer of city and inter-urban buses. More CanCar buses are used in Canada than any other kind. Since becoming part of A. V. Roe Canada, CanCar activities have been increased and diversified to include highway trailers and refrigeration equipment for transportation units.

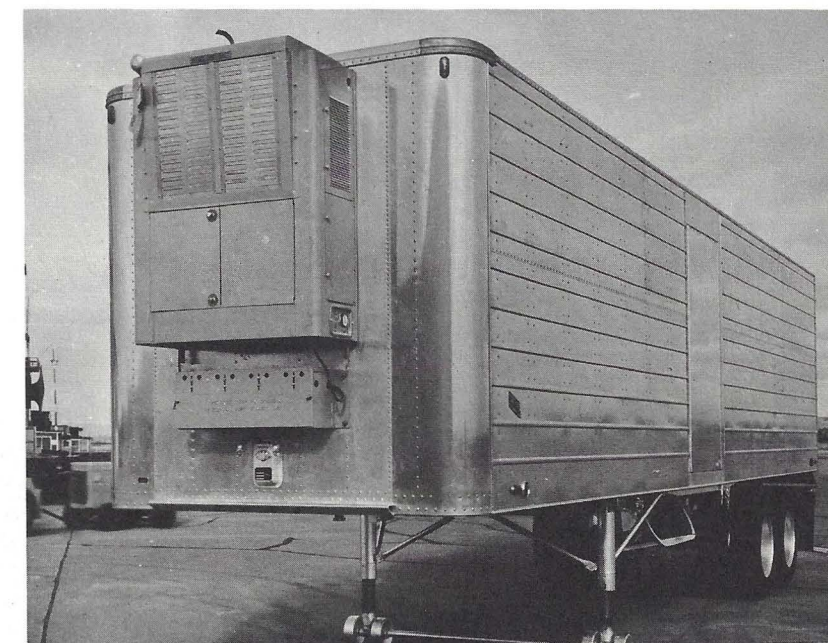
Canadian General Transit leases railway tank cars to the oil, chemical and other industries. It has about 4,600 tank cars in service. Your company owns 55% of the out-

standing share capital and the rest is held by General American Transportation Corporation.

Dosco builds and repairs naval and merchant ships; moves coal, iron ore and limestone by water and land. It operates a fleet of bulk carriers, 164 miles of railways in the Atlantic Provinces, and a switching line serving 60 industries in Windsor, Ont. Halifax Shipyards operates one of the country's biggest shipyards and can build vessels up to 615 feet long and 60 feet wide.

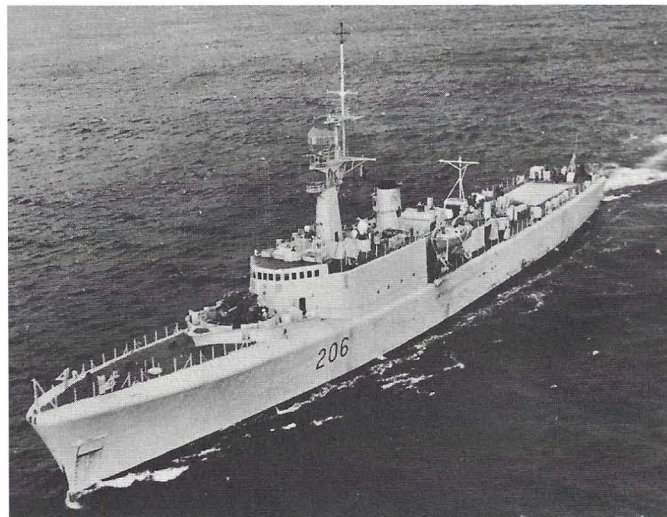
Avro Aircraft and CanCar are investigating newer forms of public transportation. Avro's engineering department is engaged in studies of monorail transit systems. This form of transit has important implications for your company in that we have the engineering and manufacturing facilities which would be required in the designing and building of the equipment.

CanCar trailer equipped with Thermo-King refrigeration unit

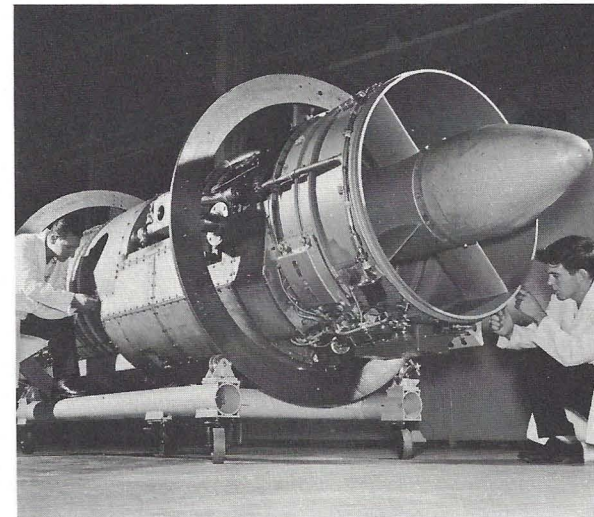


DEFENCE

LAND, SEA AND AIR



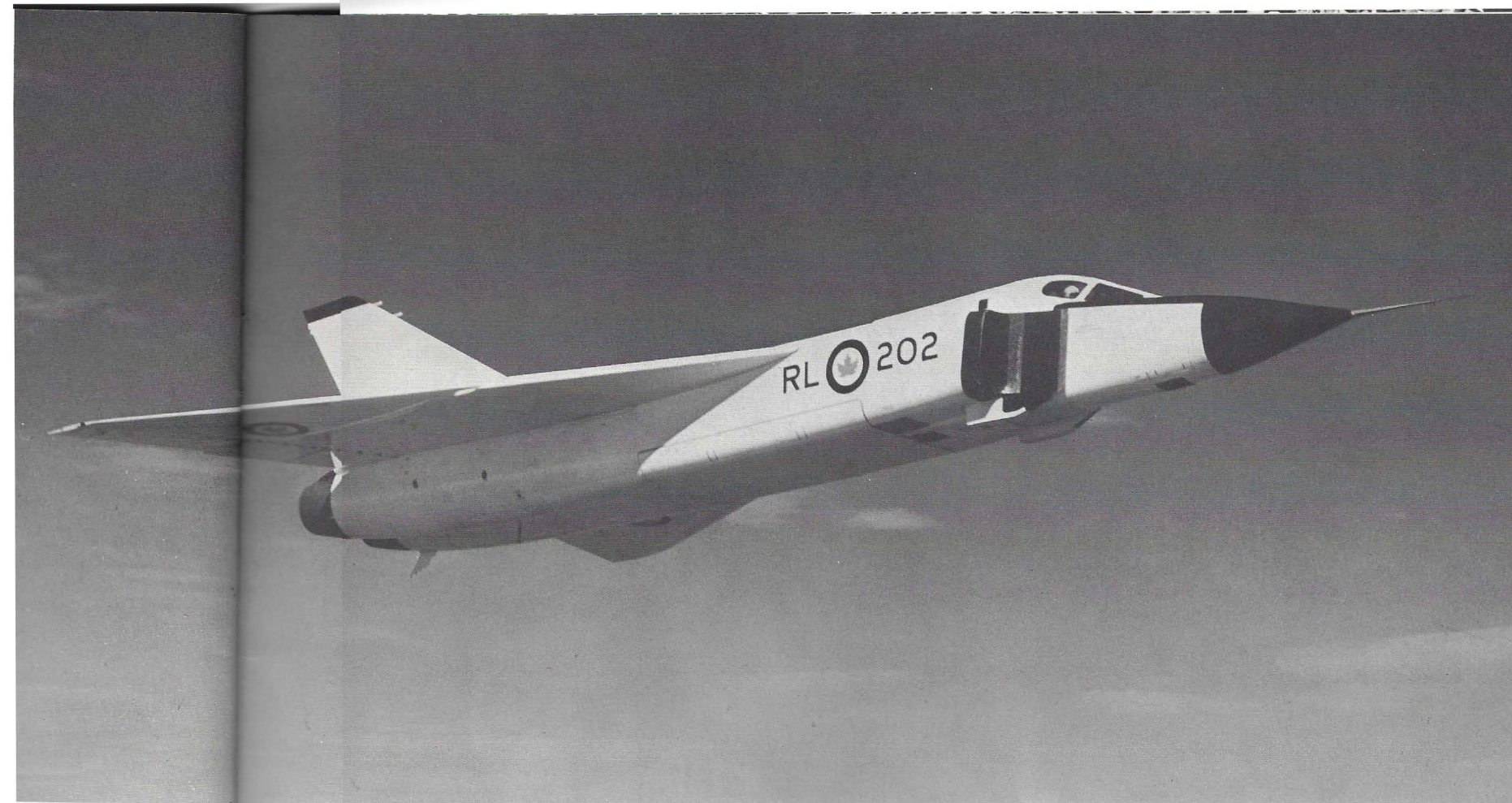
RCN Destroyer built by Halifax Shipyards



Orenda's Iroquois jet engine



CanCar's "Bobcat" for the Canadian Army



The Avro Arrow

THERE IS NO GREATER responsibility a Canadian company can assume than that of providing the weapons for our national security. Your company's activity in air defence is well-known. Now, through Dosco and CanCar, it has assumed additional responsibilities to the Royal Canadian Navy and the Canadian Army.

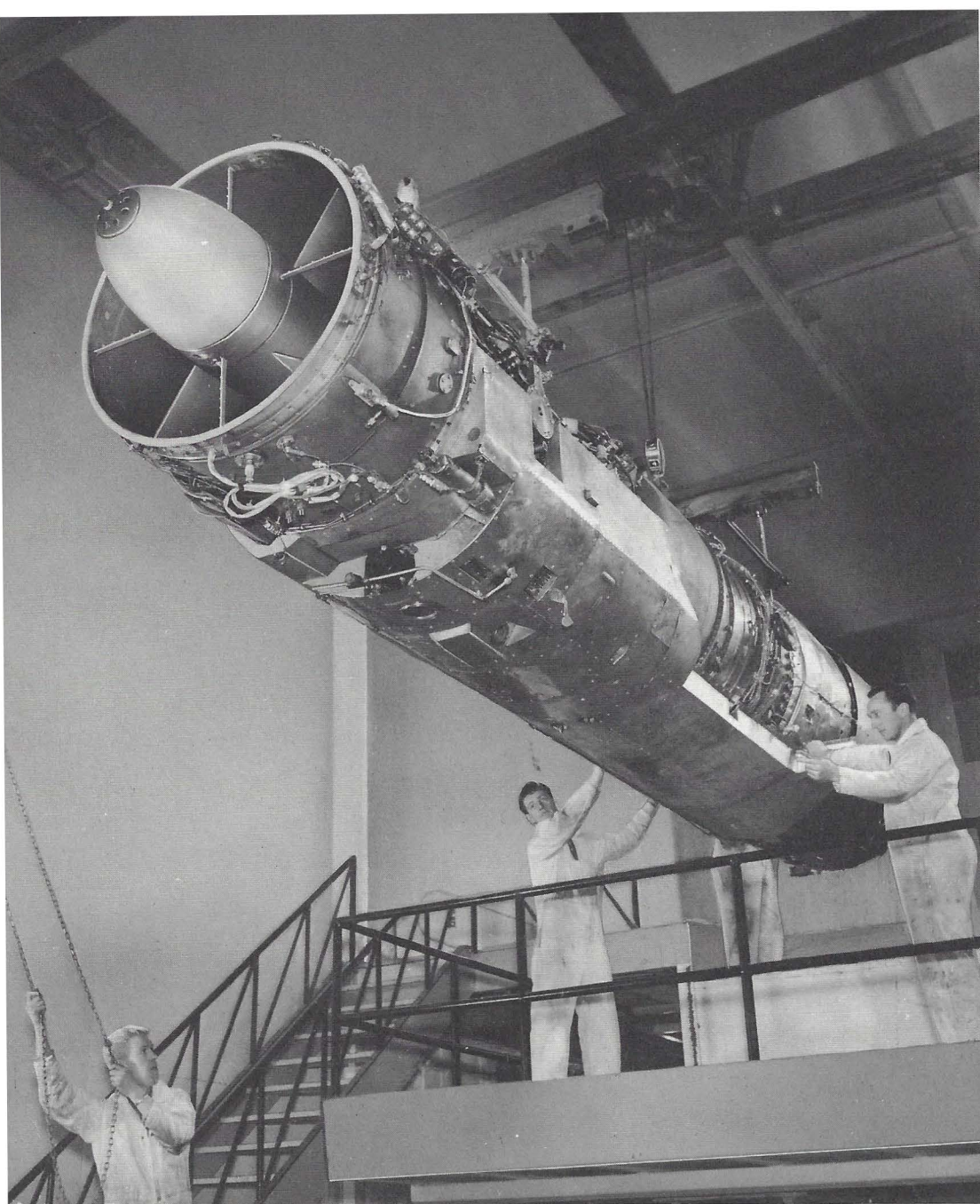
The achievements of Avro Aircraft and Orenda Engines need no emphasis here. The CF-100 all-weather interceptor aircraft and the Orenda jet engine are not only important to our national security — they also represent a technical and production achievement of a high order in a most exacting field as do their successors the Avro Arrow and the Iroquois jet.

In addition, Avro Aircraft is engaged in development of a highly advanced type of aircraft which has unique military and commercial possibilities. At present the project is being financed privately by the company, by the United States Air Force and the U.S. Army.

Two other member companies are also actively engaged on defence projects: Canadian Steel Improvement Limited, in the advanced metallurgical field, produces precision forgings and castings in light and special alloys while Canadian Applied Research Limited designs and manufactures electro-mechanical devices. Both companies are also engaged in expanding commercial activity.

One of the new responsibilities is the operation of Halifax Shipyards Limited, a wholly-owned subsidiary of Dosco. This company, which built the first destroyer launched in Canada is one of the major shipbuilding and repair contractors for the Royal Canadian Navy.

For the Canadian Army, CanCar is developing an armoured tracked vehicle. This vehicle has passed its initial tests and a number of pre-production models are under construction. CanCar is also a major sub-contractor on the Tracker, an anti-submarine aircraft for the Canadian Navy.



POWER

AERONAUTICAL, INDUSTRIAL, MARINE

Orenda Engines, Canada's sole source of jet engine design, development and manufacture, took the first step during the year toward implementing a long-range plan to move into the broader field of industrial and marine power.

In April, the formation was announced of Orenda Industrial Limited, a wholly-owned subsidiary of Orenda Engines. Initially, Orenda Industrial will market and service diesel power units supplied by J. & H. McLaren Ltd., Mirrlees, Bickerton and Day Ltd., National Gas and Oil Engine Co. Ltd. and Petters Ltd., all members of the Brush Group Limited of the United Kingdom. However, when sales warrant manufacturing will be started in Canada. At present, most diesel engines used in Canada are imported.

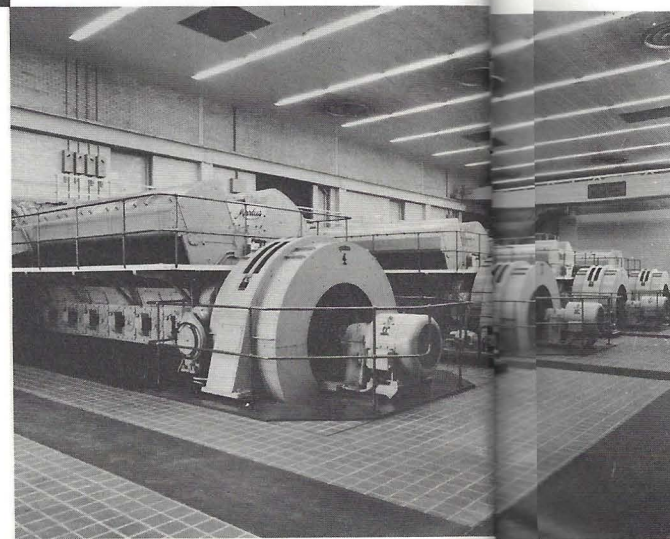
Brush, which was acquired last year by the Hawker Siddeley Group, has over 50 years'

experience in the diesel and electrical fields and manufactures, among other products, a full line of diesel engines from 1½ h.p. to 4,000 h.p. for industrial and marine uses. Many of these units are in service in Canada in mining camps, power and pumping stations and on Canadian ships. This established market gives Orenda a good start in its program to broaden and diversify its activities.

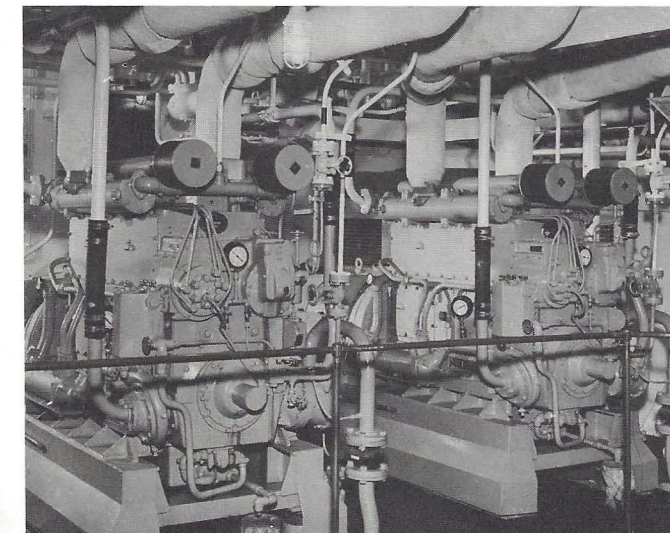
Two other important phases of Orenda's activity are studies and work underway on the industrial application of gas turbines and nuclear power, the latter in conjunction with Atomic Energy of Canada Limited.

In addition, your Company is also engaged in another aspect of power. Seaboard Power Corporation Limited, a Dosco subsidiary, operates a modern steam generating station supplying electrical energy for industrial and domestic purposes on Cape Breton Island, Nova Scotia.

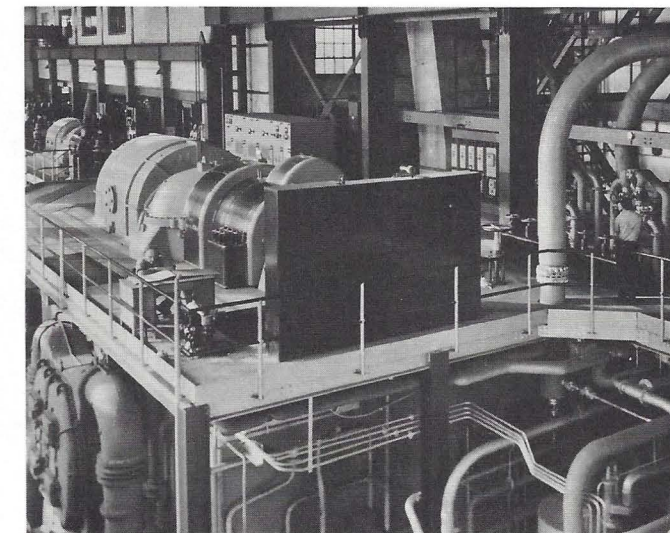
Power by Orenda Engines



Diesel installation in Toronto Pumping Station



Power unit in Canadian merchant ship



Electric power in Nova Scotia

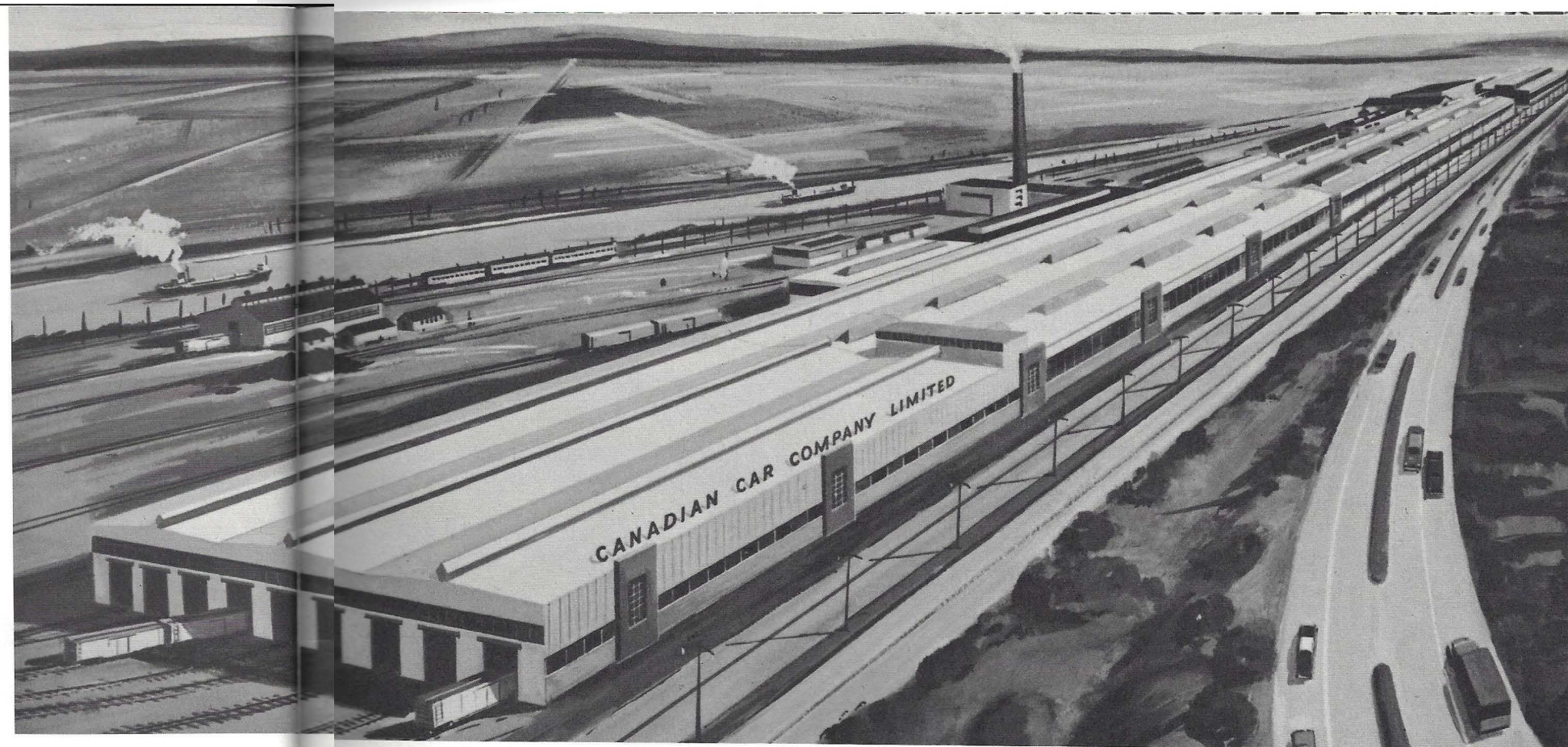
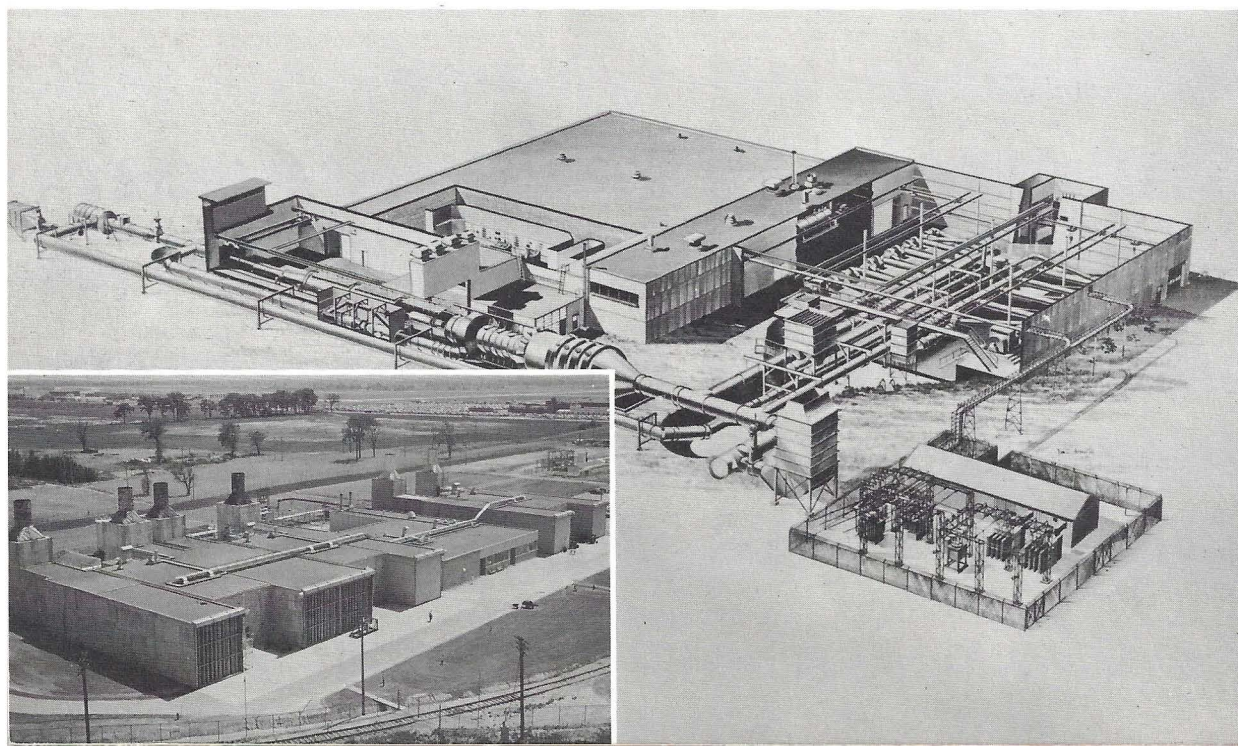
FOR THE FUTURE

DURING THE YEAR under review, satisfactory progress was made on the following construction projects:

- Canadian Car modernized railway car building plant at Montreal.
- New high altitude test facilities for development and testing of jet and advanced flight propulsion at Orenda Engines, Malton.
- Dosco's new manufacturing plant on the outskirts of Toronto which went into production during the year.
- Canadian Steel Wheel's plant nearing completion in Montreal to produce wrought steel wheels for railway equipment.
- In the planning stage is Dosco's flat rolled products mill to be built in the Montreal area.

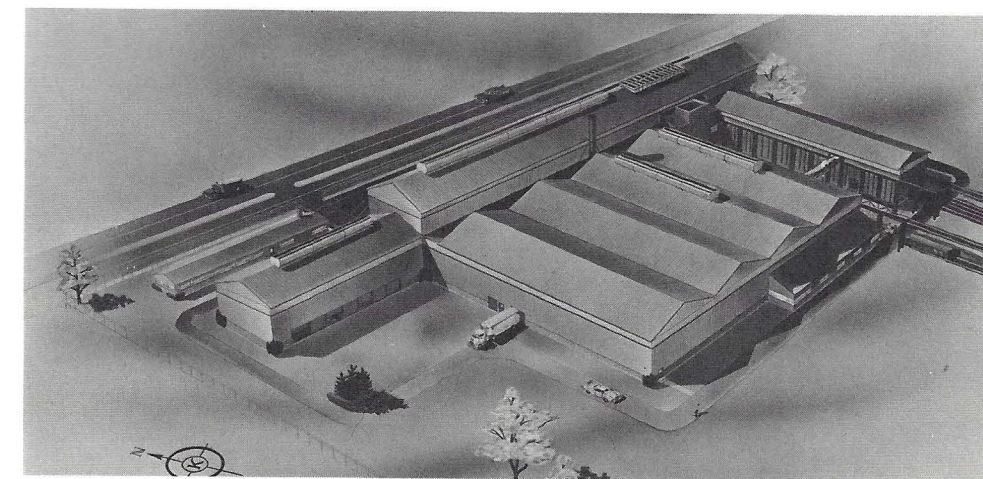
This continuing program of modernization and expansion helps root A. V. Roe Canada more firmly in things that are basic to Canadian growth. Thus, as Canada grows, so will your company.

New high altitude test facilities at Orenda

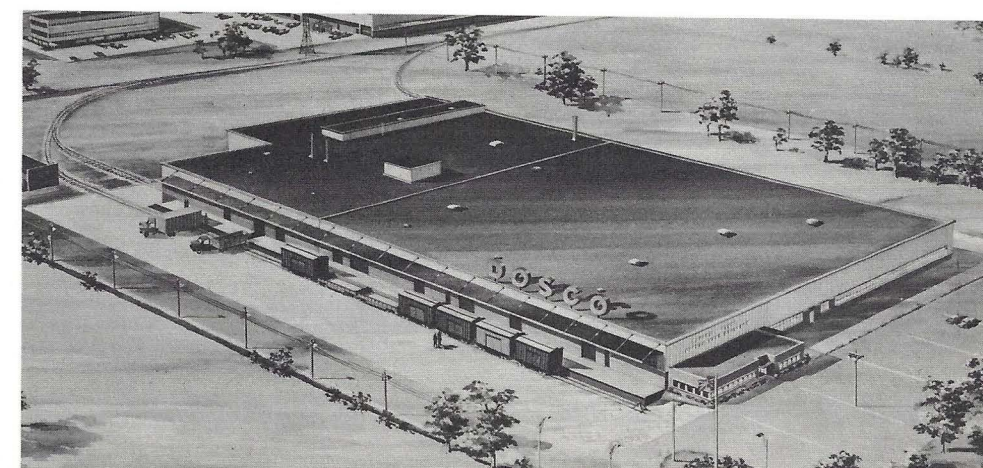


CanCar's modernized railway car plant

Dosco's planned cold strip mill



New Dosco manufacturing plant at Toronto



OUR PUBLIC RESPONSIBILITY

PEOPLE ALWAYS have been, still are and always will be, the deciding factor in the degree of success and progress of a company, a community, a nation. To the men and women of A. V. Roe Canada Limited who are giving unstintingly of their time and talent, your management pledges its best efforts toward the goal of a still brighter future for them individually and the company as a whole. Your management recognizes and accepts its responsibility to them and to the public generally, first in the 18 communities coast-to-coast in which companies of the Roe Group are located, and also to the public at large.

A. V. Roe Canada will strive to ensure that its interests are identified to the greatest possible degree with the public interest so that the profits earned and the operations of the company will be contributing to the good of the Canadian people and the Canadian economy.

Avro Employees at Arrow roll-out ceremony

