

ANNUAL REPORT

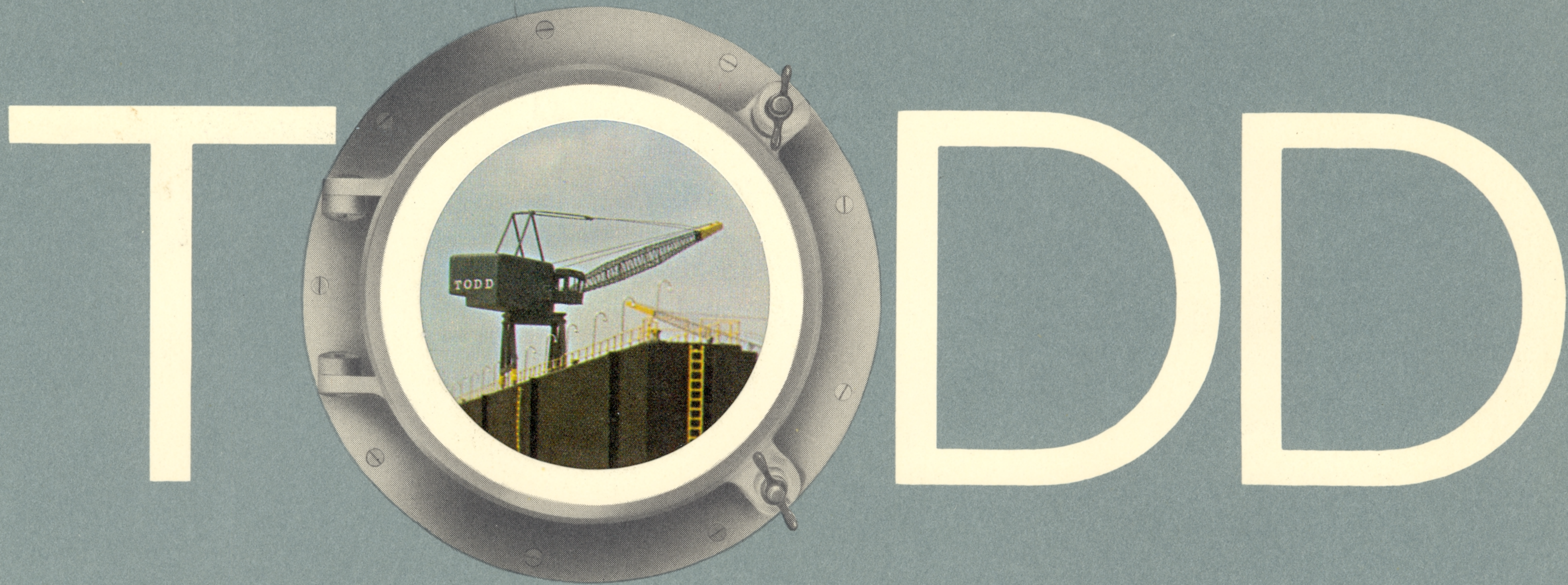
ANNUAL REPORT

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Todd Shipyards Corporation 1968

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Annual Report for the year ended March 31, 1968



Todd Shipyards Corporation

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Todd Shipyards Corporation

ONE BROADWAY, NEW YORK, N. Y. 10004

Annual Report for the year ended March 31, 1968

TRANSFER AGENT

Manufacturers Hanover Trust Company, New York, N. Y.

REGISTRAR

First National City Bank, New York, N. Y.

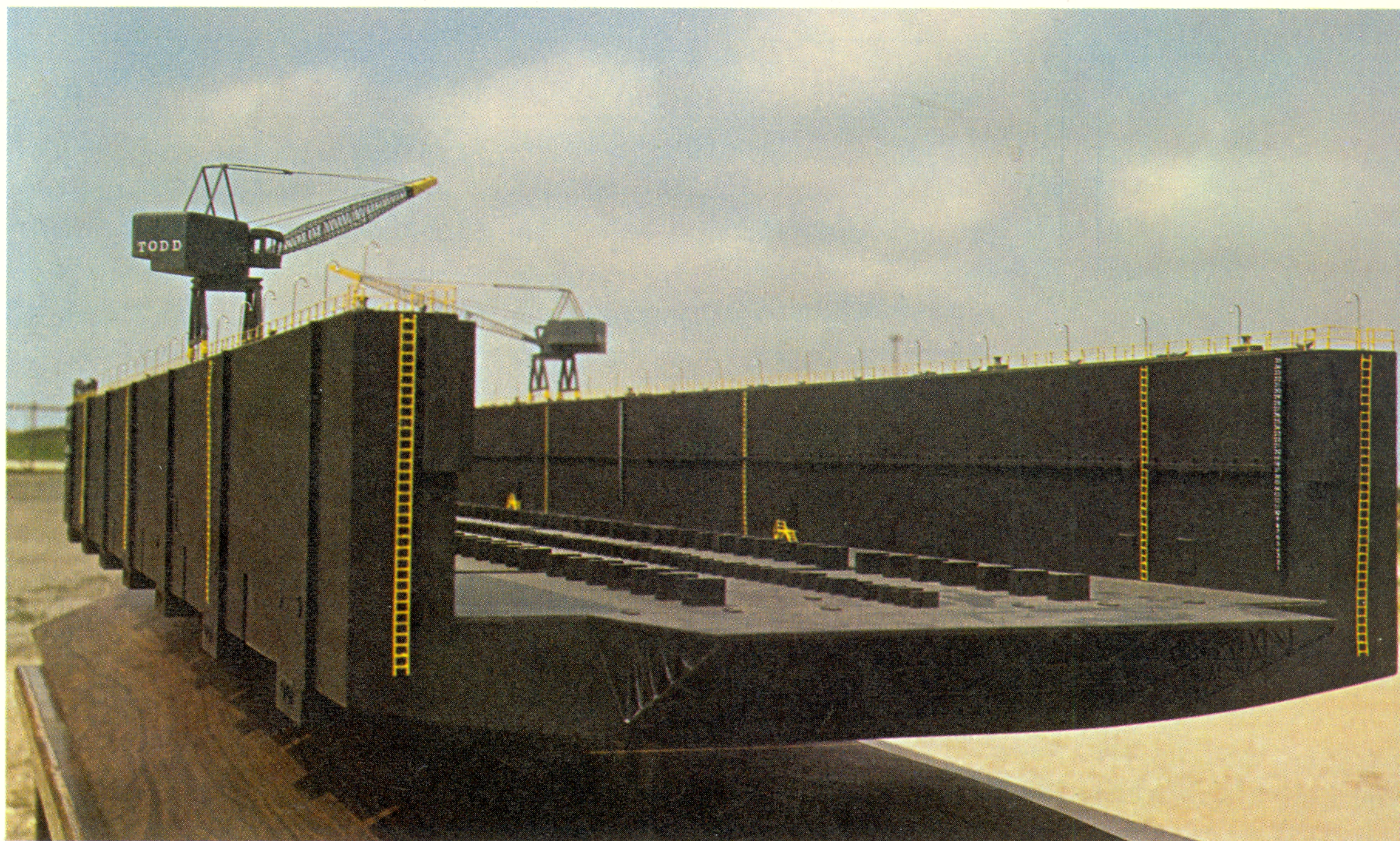
AUDITORS

Arthur Young & Company, New York, N. Y.

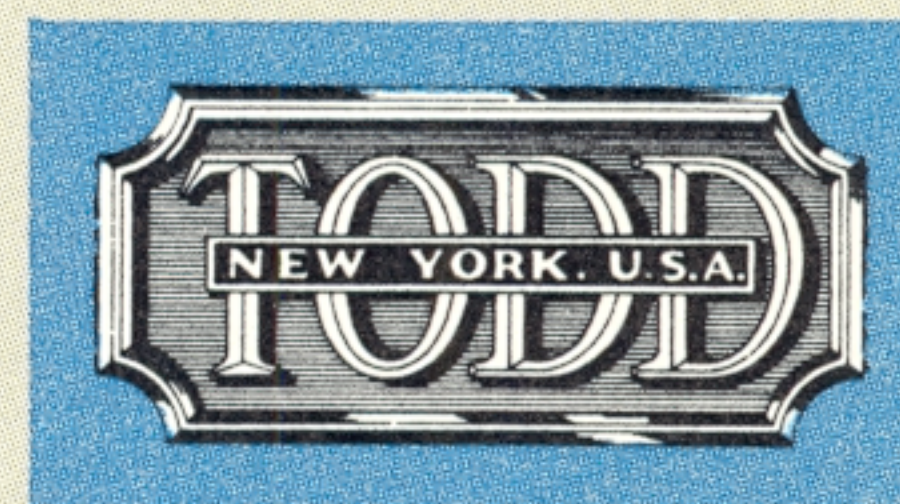
COUNSEL

Cullen and Dykman, Brooklyn, N. Y.

THE ANNUAL MEETING of Stockholders will be held on Wednesday, June 19, 1968, at 12 noon, at the Auditorium of the Chase Manhattan Bank, One Chase Manhattan Plaza, New York City. You are cordially invited to attend.



Scale model of the new Todd dry dock under construction at the Houston Division. On completion this steel sectional floating dry dock will be installed at the Galveston Division. It will be able to lift huge vessels 850 ft. in length in the range of 100,000 deadweight tons. Its unique design permits expansion to greater size and capacity.



SIGNIFICANT FACTS

	Year ended March 31	
	1968	1967
Sales	\$194,124,444	\$159,008,655
Net Income	4,930,955	4,556,760
Dividends Paid	1,386,780	1,021,838
Total Taxes	10,515,648	9,590,391
Working Capital	38,888,057	37,745,902
Current Ratio	2.42	2.22
Fixed Assets—Net	27,949,704	24,250,278
Stockholders' Equity	53,987,054	50,442,879
Number of Shares Outstanding	729,884	729,884
Number of Stockholders	2,697	2,827

Data on a Per Share Basis

Net Income	\$ 6.76	\$ 6.24
Dividends Paid	1.90	1.40
Total Taxes	14.41	13.14
Stockholders' Equity	73.97	69.11

To the Stockholders

For the twelve months ended March 31, 1968, the Company's net income was \$4,930,955 equivalent to \$6.76 per share. These earnings are after deducting costs incurred to March 31, 1968 for the DX Project, commented on later in this Report. These costs had the effect of reducing earnings \$0.54 per share. Thus earnings before DX Project costs were \$7.30 per share which, we feel, is a more objective figure in comparison with the earnings of \$6.24 per share for the previous fiscal year.

Sales of \$194,124,444 for the year compare with \$159,008,655 for the previous year. This increase in large measure is due to several major conversion contracts and an acceleration in the production phase of our shipbuilding program. There was a decrease in ship-repair volume, but this was principally due to a government decision to defer this type of work for budgetary reasons.

While it is always difficult to predict the future, we expect a continued high volume for the present year based upon work now in hand, the international situation and known plans of ship operators, particularly in the area of conversion of their present tonnage. Highly competitive conditions continue to exist within industry and there is an accelerating trend in labor and material cost increases. Because of these conditions, we anticipate greater difficulty in maintaining an appropriate differential between sales and costs. Management will however continue to address itself to this problem.

A most significant development of the past year was Management's decision to compete for the Navy's multi-year procurement program for the construction of a large fleet of destroyers — called the DX Project. In a comparatively new concept the Navy has issued to six qualified contractors a request for each to submit a proposal to develop in depth their concept and construction plans for a destroyer of acceptable effectiveness.

A project of this magnitude is a major undertaking. Your Company has been joined in its proposal by the Sperry Systems Management Division of Sperry Rand Corporation. Todd as prime contractor would design and build the destroyers, while Sperry would be re-

sponsible for the development and integration of the electronics and the design of weapons and communications systems.

Prior to receipt of the Navy's request, your Company had already assembled a team of engineers and technical personnel, a firm of naval architects, facility experts and a number of consultant companies. This DX Project team has worked since last October on the highly technical and most important task of putting together a proposal which, as of this writing, has been submitted to the Navy. The estimated cost to the Company for submitting this proposal will be approximately \$1,500,000, exclusive of substantial funds being spent by Sperry Rand Corporation, which is an indication of the magnitude of the project.

After all proposals are evaluated by the Navy, two or three of the original six contractors will be selected to proceed with complete ship design. This phase of the program is referred to as the Contract Definition period and is funded by the government. If our team is selected for this phase we would be eligible to compete for the final Development and Production contract scheduled to be awarded during the middle of 1969. It is estimated that this contract will be in excess of one billion dollars.

We are hopeful that the Todd team will ultimately succeed in securing this contract. In any event, we intend to continue to maintain the basic engineering pool that has been assembled for this project. It is apparent that future shipbuilding programs will be based on the multi-ship, multi-year concept with the shipbuilder assuming greater responsibility for design. Under this concept an engineering nucleus will be vitally essential to a modern shipbuilding organization. We confidently expect that additional opportunities for multi-ship production will be available in the future, both for government and commercial accounts.

The Company's financial position continues strong as attested by the accompanying financial statement and is believed adequate to meet our requirements for present activities. In the event we are the successful contractor for the DX Project, additional financing would be required. It is too early to state the precise form of

such financing that would be most advantageous to our present stockholders, but it would probably be a combination of debt and equity financing.

Our U.S. Navy projects now underway continue to progress. The Company's contract for the construction of 14 Destroyer Escorts has experienced some delay because of technical problems stemming from the design requirements specified by the Navy. We have launched eight of the fourteen warships and will launch four more in the current fiscal year.

In the commercial field, the transportation industry is engaged in a far-reaching and highly-publicized revolutionary containership program. During the past fiscal year, Todd yards enhanced their reputations as conversion specialists. Two troopships were converted to modern cargo carriers, two tankers were converted to containerships, and work on conversion of two additional troopships continues. Recently we have also signed a contract for the conversion of two more vessels to containerships. Containerization — and the vast realm of Oceanology — are two distinct fields which hold promise for your Company in the immediate as well as the distant future.

Planning for the future, your Company's program for upgrading, modernizing and expanding facilities continued. Substantial capital expenditures were made in property, dry docks, piers, buildings, equipment and tools. As a result of these expenditures, all Todd divisions have increased their productive capabilities and improved their competitive positions. More than six million dollars was expended during the year on this betterment program.

A major project in this Company-wide program is the construction — begun in the past year — of a seven-section steel dry dock capable of lifting most of the huge vessels now operating. A scale model of this dry dock is depicted on the title page of this Report. It is being built at our Houston Division and will be installed at our Galveston yard on completion in 1969. This dry dock will be the largest facility of its kind on the busy Gulf Coast and one of the largest in the entire nation.

Last year's Annual Report mentioned some disappointment with the performances of the Houston Division and Lester Engineering Company, our Cleveland-based subsidiary. Top level management has since been changed and facilities added and rearranged at

both locations. Both are now operating profitably and their potential for future growth and success seems assured. The fields in which Lester specializes are experiencing continuous growth. During the past year, Lester undertook the design and development of a new line of plastic injection molding machines, a prototype of which is to be exhibited shortly. Lester's significant progress could make that company a springboard for further acquisitions in the same or allied fields.

Previous Annual Reports have stressed our support of all efforts to rehabilitate our nation's aging Merchant Marine and Navy, which are now considered 75% obsolete by modern standards. While there are encouraging developments in proposed programs for the Navy, the required legislation for rebuilding the Merchant Marine has never become a reality. It now seems reasonable to assume that no action will be taken until after the national elections. Certain positive curative action must eventually be taken. It seems almost unbelievable that corrective attention could be so long in coming. Because of the long delays in facing this situation which is so vital to our nation and our people, the shipbuilding programs when they come must be of substantial proportions.

On the following pages are descriptions of the operations and developments at each of our divisions and Lester Engineering Company. Included are photographs and brief biographical sketches of the divisional executives to acquaint Todd stockholders with these key men. Fundamentally these men are representative of all our people whose unrelenting efforts have kept the Company in the forefront of the highly competitive and challenging industries we serve. We are fortunate indeed to have such talented and dedicated men and women. We salute them for their diversified skills and single-minded devotion.

We also extend our sincere thanks to our loyal and helpful stockholders and to our customers and suppliers for their continued support.

Respectfully submitted,

 
CHAIRMAN PRESIDENT

May 23, 1968

Brooklyn Division

ANGEL GARATE

General Manager



Todd Brooklyn is located in the Erie Basin section of the Port of New York, one of the world's busiest harbors. It is the largest private shipyard in the area, featuring the only privately-owned graving dock as well as three floating dry docks to handle our extremely heavy volume of work.

Angel Garate, General Manager, is well equipped to superintend this imposing facility. His experience embraces the entire field of shipyard work including production, engineering and administration. He possesses broad educational and practical backgrounds in the fields of naval architecture and marine engineering. Moving up steadily in various Todd positions starting in 1940, he has been at Todd Brooklyn since 1949, first as Assistant General Manager and then, in 1961, as General Manager.

Mr. Garate has a major responsibility as head of Todd Brooklyn. In fiscal 1967-68 alone, this yard engaged in the dry-docking, repair and alteration of more

than 300 vessels of all sizes and types. Additionally, the yard performed some 200 industrial jobs ranging from rebuilding turbine casings for electric stations to machining valves for atomic energy service.

Highly extensive conversions were completed on two large World War II C-4 troopships to make them modern automated general cargo vessels for a private account. Both vessels were stripped of all troop accommodations and military features and replaced with cargo carrying capabilities.

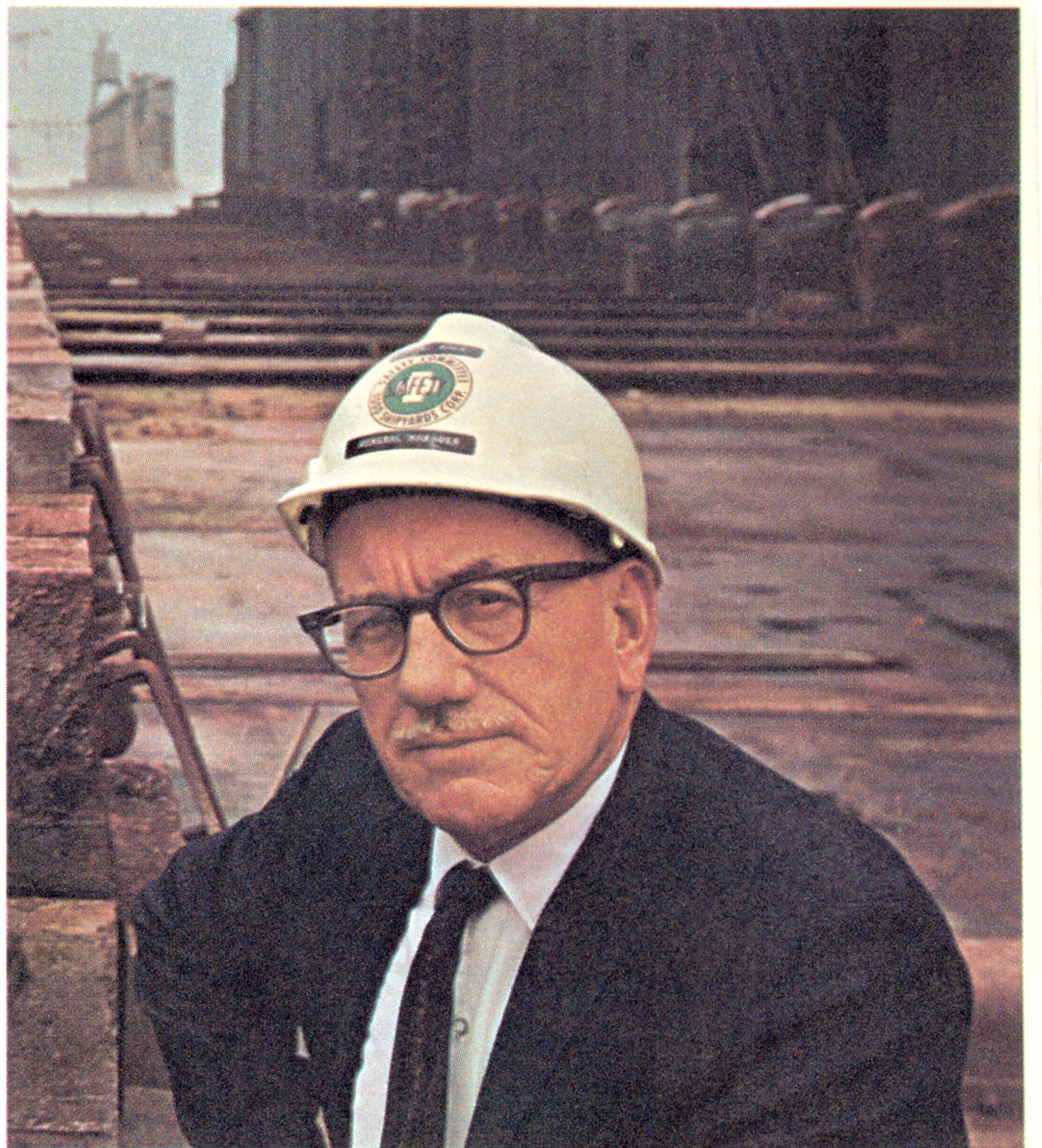
Additionally, Todd Brooklyn dry-docked the Nuclear Ship *Savannah* for normal maintenance and other repairs. This represented the first time a nuclear merchant vessel was dry-docked in the Port of New York.

An extensive upgrading and modernization program at this Division has been accomplished over the past several years to meet the demands of the New York Harbor area.

New Orleans Division

BERT L. HALE

General Manager



The New Orleans Division is situated at the center of a tremendous flow of Mississippi River traffic bound to and from the Gulf of Mexico. In addition, the Port of New Orleans is attaining increasing importance as a harbor for seagoing traffic servicing the great southwest and midwest regions.

At the helm of Todd New Orleans is Bert L. Hale, General Manager, whose career has been mingled with the sea and ships ever since boyhood. After varied service both afloat and ashore, he joined the Todd organization in 1953 progressing steadily upward through production, estimating and planning, to Assistant General Manager and then to his present position in 1959. Mr. Hale is a professional Mechanical Engineer registered in the State of California, has an unlimited Chief Engineer's license, and is one of the founders of the Society of Port Engineers of the Pacific Coast where he spent a number of years with Todd's Los Angeles Division.

During the past year more than 200 ships were repaired at this yard. Included among these was a huge tanker damaged by collision and fire, and the com-

pletion of a jumboizing project in which the yard cut a ship in two and inserted a midbody section. The Division also completed the extensive overhaul of a Navy-owned dry dock which had been severely damaged by a hurricane in 1965.

Of significant portent for the future are arrangements developed between the yard and the Board of Commissioners of the Port of New Orleans, which is seeking the modernization and development of this growing port. In one agreement, the Board acquired for our use facilities at a cost of \$750,000 which were previously owned by the U.S. Navy. In another arrangement, the Board authorized the reconstruction of a 1,000 foot section of wharf, an integral part of our facility, at a cost in excess of two million dollars. This sum will be paid to the Board in the form of rent and usage charges over a 30 year period. In addition, other structural repairs and additions were completed at this facility during the year.

The New Orleans Division is keeping pace with the growing ship traffic of the port it serves.

Galveston Division

RALPH ANSELM

General Manager



The Galveston Division is strategically located on the Gulf of Mexico in the heart of the huge tanker trade of our nation's oil industry. The prime location of this yard has resulted in consistent increases in its volume of business.

This yard has been headed by Ralph Anselmi since 1964. Mr. Anselmi came to Todd's Hoboken Division in 1940 as planning engineer directly from Stevens Institute of Technology from which he graduated with a

degree in Mechanical Engineering. Over the ensuing years with Todd he gained wide experience in many phases of the Company's operations, and became General Manager of the Hoboken Division in 1962. He is recognized in the industry as an outstanding engineer and naval architect and has been responsible for the successful completion of many unique and highly technical repair and conversion jobs.

Under his leadership, the Galveston Division has continued to function as one of the world's busiest ship-repair centers. Annually hundreds of sea-going ships of every type are repaired, overhauled and dry-docked at this shipyard.

To increase still further the capacity and workload of the Galveston yard, a large number of projects involving modernization and facility expansion have been completed or are underway. Included in the latter category is a new pier to accommodate the giant seven section steel floating dry dock planned for installation in 1969 as mentioned in the President's letter. Presently under construction is a 675 foot concrete pier to replace an existing wooden pier as well as a large multipurpose building to house shops, tool rooms, store rooms and a warehouse. Additional steel fabrication areas have been provided by the erection of a number of movable steel buildings, which expedite shiprepair operations.

The Galveston Division continues to enhance an excellent reputation as a first-rate commercial conversion specialist. Four conversions to containerships were awarded to the yard by a single account in the past fiscal year. The first two, Mission-type tankers, were completed during the year in record-breaking and less than contract time. The remaining two are World War II troopships and the conversion work on these is now progressing according to schedule.

Nuclear Division

CHARLES W. HATHWAY

Manager



Todd's Nuclear Division is located at the eastern end of the Company's Galveston yard. It is staffed by a highly skilled technical group made up of electrical and mechanical engineers, reactor technicians, instrument specialists and administrative personnel. Its primary concern is the maintenance and servicing of the Nuclear Ship *Savannah*, our Country's first and only atomic powered merchant vessel.

Managing this sensitive area of activity is Charles W. Hathway, a graduate of Bradley University with a degree in Mechanical Engineering. He has had over ten years experience in the nuclear field including system design, reactor operation, installation and administration. He joined the Nuclear Division in 1960 after

service as a design engineer and as Supervisor of the Vallecitos Boiling Water Reactor with the General Electric Company, Atomic Power Department.

There are many unusual installations located at this Division, including a nuclear facilities building, a spent fuel pit, a decontamination room for radioactive components and a dust free air conditioned "clean room". Recent projects include design and fabrication of special tools for reactor refueling and maintenance, and research and development in the areas of electronic automatic controllers and fluidic control systems. The Division is now preparing for the initial refueling of the *Savannah*, scheduled for August of this year.

Todd holds high hopes for the future of its Nuclear Division. West Germany, Japan and Italy have built or are building nuclear merchant ships and undoubtedly others will follow. Many bills have been introduced into Congress calling for the construction of more U.S. flag ships powered by atomic energy. Our Nuclear Division is the only commercial facility of its kind in the United States.

Houston Division

ARTHUR W. STOUT, JR.

General Manager

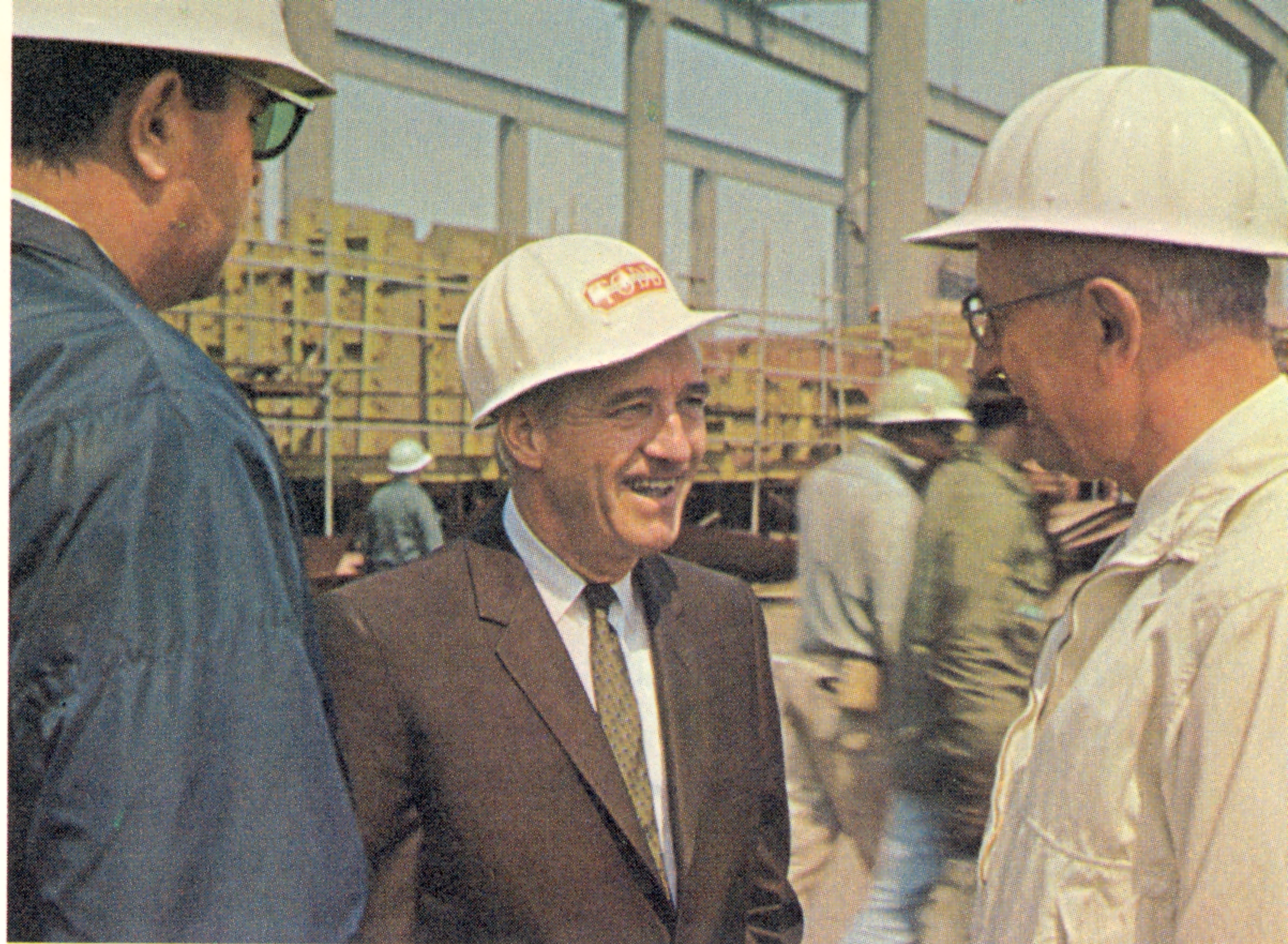


Located on the Houston Ship Channel fifty miles north of the Gulf of Mexico, this Division, with its highly automated construction installations, built 45 barges of all types and descriptions and completed more than 100 industrial projects for a variety of customers. In addition repairs were performed on over 100 ships.

Much of the credit for this year's exceptional progress of the Houston Division is due to the leadership of Arthur W. Stout, Jr., who was appointed General Manager in September, 1967. Mr. Stout began his shipbuilding career with Todd in 1937 as a machinist helper while still a student at Tulane University. Upon graduation he served in the United States Navy throughout World War II. He rejoined Todd in 1946 as a ship supervisor and gradually advanced to Assistant General Superintendent. Then came a period of service with other shipbuilding companies during which time he supervised the delivery of the *Savannah*, the Aircraft Carrier *Kitty Hawk*, numerous other naval and commercial vessels and a considerable amount of industrial steel fabrication and heavy machine shop work.

Now back with Todd as executive officer of the Houston Division, Mr. Stout was given the task of revitalizing this important facility. The record so far speaks for itself — Todd Houston has the largest backlog of orders in its history with construction contracts exceeding \$7 million and a \$750,000 contract for steel fabrication work. Houston is also presently engaged in the construction of steel dry dock sections for the huge Todd dry dock which on completion will be located at the Galveston Division. The increase in volume has seen employment grow and it is expected to reach 1,000 men during the next few months. Long regarded as a major producer of every kind of small craft, Todd Houston has energetically entered the field of larger and more specialized barges.

The influx of new and expanded business has required substantial additions and improvements to the yard's facilities. Three heavy-lift cranes were added and major improvements were made to its overall facilities for fabricating and transporting large sub-assemblies.



Los Angeles Division

CARL M. LIPPINCOTT

General Manager

The Los Angeles Division, located at the head of the main San Pedro Channel, is one of the Company's largest operations. Spread over an area of 85 acres, it employs more than 3,300 men and women.

Carl M. Lippincott, Los Angeles General Manager, has been with Todd for 24 years. He is a graduate of Armour Institute of Technology with a degree in Civil Engineering and has taken advanced studies in metallurgy. He has had a comprehensive background of many years of engineering experience in shipyard and allied industries including work for the U.S. Navy Department. He has served successively as General Manager of the New Orleans and Galveston Divisions and has held his present position for the past four years.

Mr. Lippincott is a key man in a key job. During the past fiscal year, shiprepairs, dry-dockings and alterations at the Los Angeles yard were extremely heavy and included overhauls of considerable magnitude on three naval vessels. The Division also is currently engaged on a project to build seven Destroyer Escorts for the U.S. Navy. Three of these warships were launched and immediately thereafter the keels were laid for three more. There are now two D.E.'s on the building ways and four being outfitted prior to commissioning for active naval service.

The jumboizing of the USS *Ashtabula*, a U.S. Navy fleet oil tanker, is nearing completion. The ship entered the yard during the year and was severed in dry dock so that the huge new Todd-built midbody section could be inserted. This job, which also entailed total overhaul and modernization of the ship, is scheduled for completion during the present calendar year.

An all-encompassing improvement and modernization program is also being conducted at the Los Angeles Division. A principal project has been the installation of an aluminum storage and fabrication facility made necessary because of the large amounts of aluminum now used in naval construction. Total rehabilitation of Pier C was completed during the year and work is in progress on the rebuilding of another pier.

Todd anticipates a substantial expansion of the Los Angeles Division and many further improvements based on the requirements of large shipbuilding projects are envisaged for the future.

San Francisco Division

AUSTIN D. SHEAN

General Manager

Located in Alameda, in the Bay area of San Francisco, this Division is busily engaged in dry-docking and repair work on commercial and military vessels committed to Pacific operations. Port activity, particularly in the containership trade, is growing rapidly.

Austin D. Shean, General Manager of this Division, has served in administrative and management posts since Todd began operations in this region in 1948. He was Assistant General Manager at the San Francisco plant for two years before assuming the position of General Manager in 1958. He is a graduate of Stanford University.

The yard recently negotiated with a private account an \$8,000,000 contract to convert two C-4 troopships to containerships for Trans-Pacific operations.



Among the projects undertaken by this yard were machining installations for the giant Aircraft Carriers *Enterprise* and *Ranger*. Numerous projects, unique in nature, were also handled; one recently involved the straightening and machining of the large generator rotor for a California power plant. The unit weighed 31 tons and was transported from its site in the Sierra Mountains some 300 miles away. Such projects indicate the fine reputation Todd San Francisco enjoys for the quality of its industrial work.

To meet the growing demands on the facilities of this Division, extensive improvements and modernization work are being undertaken, including the rebuilding of 800 feet of wharfage.

Seattle Division

CARL R. MEURK

General Manager

This Todd Division, located on Puget Sound in the Pacific Northwest, is sharing fully in the huge expansion in shipbuilding and repair being experienced in this region. Indicative of this rapid growth was the acquisition by the Division during the year of vital adjacent waterfront property covering approximately ten acres which will allow improved straight line production methods used in ship construction. In view of the

trend toward the production of many ships of similar specifications on multi-year contracts, this acquisition of land was deemed highly desirable.

Carl R. Meurk is General Manager of this busy Division. A veteran of 26 years experience with Todd, Mr. Meurk has a solid background in all phases of shipbuilding, shiprepair and industrial work. In addition to a degree in Naval Architecture and Marine Engineering from MIT, he has also completed a graduate course in Marine Engineering at New York University, holds a Professional Mechanical Engineer's license and has completed the Management Course for Senior Executives at MIT's Sloan School. Like so many of our senior executives, he has risen through the ranks.

Todd Seattle, while handling all phases of shipyard work, also enjoyed a large volume of industrial work for marine, aircraft, aerospace, hydroelectric and other customers. This Division is building seven Destroyer Escort vessels for the U.S. Navy of which two were launched during the year and keels laid immediately for an additional two. Four of these vessels are now at the yard's outfitting pier. Several very large repair projects resulting from ship collisions were completed in record time. The Division handled over 400 repair jobs including major overhauls of five naval vessels.

Considerable expenditures were made during the fiscal year for additional facilities and the improvement of existing installations including the acquisition of a large capacity crane and the modernization of Pier 3.



Products Division

WILLIAM H. BOHN

General Manager



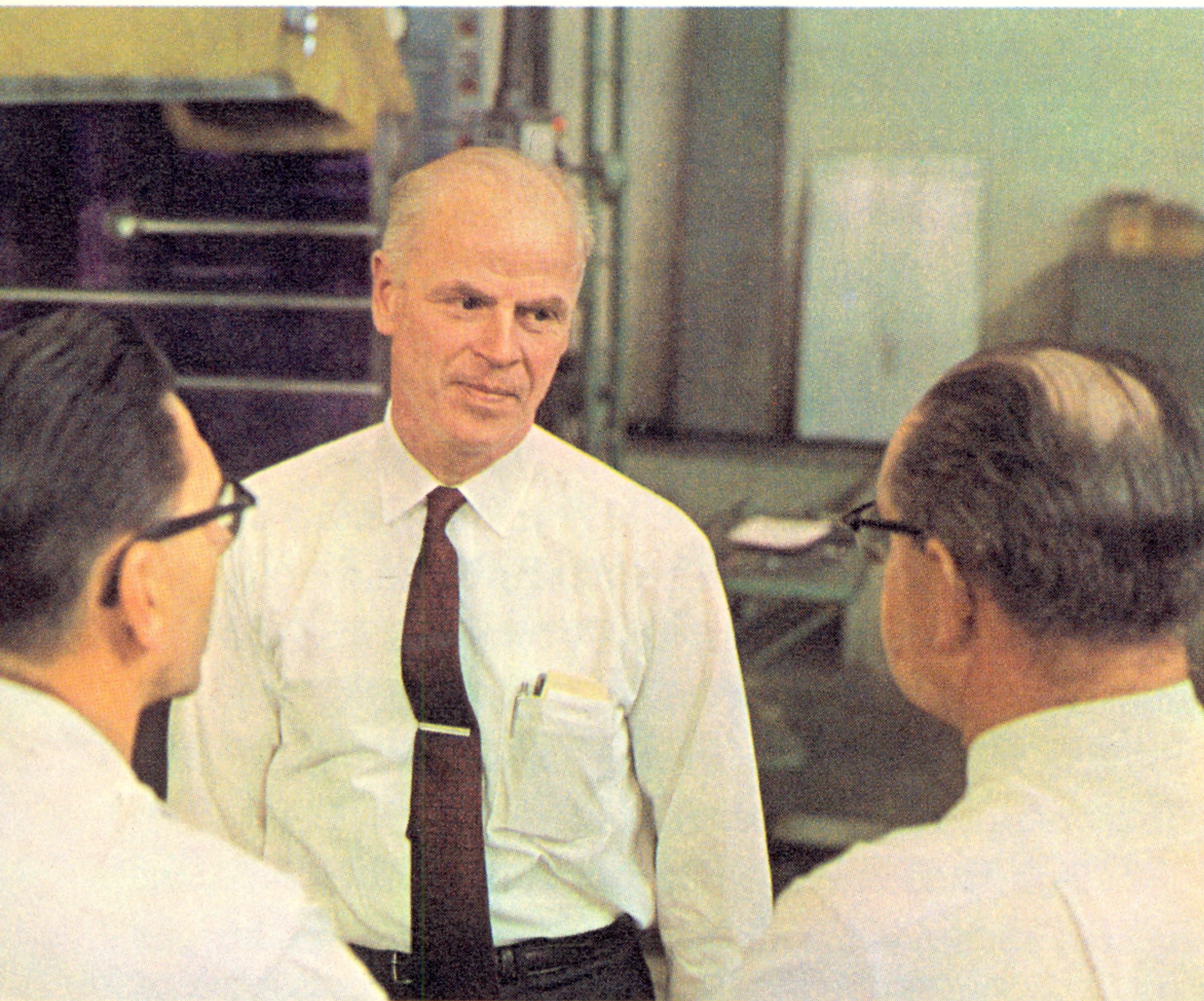
The Products Division, with its manufacturing facility located at our Houston yard and its head office in New York City, is allied with our subsidiary companies — Todd Combustion Limited in England and Todd-Rock Combustion Limited, in Canada. This Division and the two above subsidiaries presently manufacture oil, gas and combination burners, package burner units, industrial air heating units, fuel atomizers and insecticidal fog applicators. Worldwide marketing of these products is carried out through a system of 125 distributorships and representatives.

William H. Bohn, General Manager of this Division, has had many years of experience in the oil and gas field. Coming to Todd in 1961 from Tennessee Gas

Transmission Company, where he had been manager of operations for a subsidiary company, Mr. Bohn is active in trade association work at the American Boiler Manufacturers Association of which he is a Director.

The Products Division was responsible for the development of the "Todd AO Sonic Burner" which is adaptable to air pollution control requirements and has made Todd a leader in the residual fuel burning field, both in the United States and elsewhere in the world. The increased acceptance of this burner in England and Canada has contributed greatly to the success attained by these subsidiary companies during the past year. Because of this development, Todd holds an exclusive position internationally in the fuel burning and gas turbine field.

The Products Division has undertaken a system of automated firing of crude oil on ships. Several installations have been made on the tankers of a prominent oil company and we anticipate further orders from this source and from other U. S. companies. Automation and upgrading of burners on existing ships is progressing at a rapidly increasing pace.



Lester Engineering Company

JAMES D. LIGHTBODY

President

The Cleveland-based Lester Engineering Company, a Todd subsidiary, manufactures die casting and plastic injection molding machinery.

As operating results had been unsatisfactory, steps were taken during the past fiscal year to strengthen our management team. Mr. James D. Lightbody was elected President in July and additional changes were made in executive and operating personnel.

Mr. Lightbody brought to the Company a record of successful management experience acquired in his previous associations. He graduated from Harvard in 1940 with a degree in Mechanical Engineering.

Under Mr. Lightbody's leadership, Lester has made considerable progress on a number of diverse fronts. Recently initiated was the design of a new, competitive line of plastic injection molding machines. A complete new line of these machines ranging from 125 to 2500 tons will be introduced with some models being available to the market in the latter part of 1968.

Research efforts are being directed toward the development of techniques for injection molding of thermoset plastics and rubber, and for die casting of ferrous metals as well as aluminum, magnesium and zinc. Efforts are being intensified to obtain larger shares of the die casting and plastic markets. It is anticipated that the plastic market will multiply four times by 1980.

Numerically Controlled machine tools will be installed to improve Lester's products, deliveries and profits. Also in the Company's plans for the future is a new, larger plant to meet the expected growth of this subsidiary.

Todd Shipyards Corporation

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	Year ended March 31	
	1968	1967
Sales	\$194,124,444	\$159,008,655
Operating expenses:		
Labor, material and other expenses	173,632,496	140,910,545
Taxes, other than federal taxes on income	6,365,648	5,340,391
Depreciation	2,387,410	2,114,354
Contributions to retirement and pension plans	1,715,876	964,120
	<u>184,101,430</u>	<u>149,329,410</u>
Profit from operations	10,023,014	9,679,245
Other income (deductions):		
Interest and debt expense, less interest income of \$70,613 and \$71,160, respectively	(1,079,242)	(995,364)
Miscellaneous	137,183	122,879
	<u>(942,059)</u>	<u>(872,485)</u>
	9,080,955	8,806,760
Federal taxes on income, less investment tax credit of \$195,000 and \$145,000, respectively	4,150,000	4,250,000
Net income	4,930,955	4,556,760
Retained earnings at beginning of year	36,050,343	32,515,421
	<u>40,981,298</u>	<u>37,072,181</u>
Dividends paid	1,386,780	1,021,838
Retained earnings at end of year	<u>\$ 39,594,518</u>	<u>\$ 36,050,343</u>
Per share of common stock:		
Net income	\$6.76	\$6.24
Dividends	\$1.90	\$1.40

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Source of funds:		
Net income	\$ 4,930,955	\$ 4,556,760
Expenses not requiring outlay of funds, principally depreciation	2,600,643	2,286,217
Total funds provided	<u>7,531,598</u>	<u>6,842,977</u>
Application of funds:		
Additions and improvements to fixed assets	6,124,996	3,374,214
Less segregated funds applied	2,336,456	1,484,486
	<u>3,788,540</u>	<u>1,889,728</u>
Cash dividends to stockholders	1,386,780	1,021,838
Other—net	1,214,123	(47,452)
Total funds used	<u>6,389,443</u>	<u>2,864,114</u>
Increase in working capital	<u>\$ 1,142,155</u>	<u>\$ 3,978,863</u>

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEET**March 31, 1968 and 1967**

ASSETS	1968	1967
Current assets:		
Cash	\$ 4,252,122	\$ 1,456,083
Accounts and notes receivable, including amounts unbilled of \$9,859,498 and \$17,594,876, respectively:		
U. S. Government	8,907,374	16,787,368
Other	21,364,214	22,309,747
	30,271,588	39,097,115
Work in progress, less progress billings	22,437,341	19,345,470
Materials and supplies, at lower of cost or replacement market	6,853,821	6,253,327
Prepaid insurance and other expenses	2,475,304	2,639,114
Total current assets	66,290,176	68,791,109
 Funds segregated for plant betterment program		2,336,456
 Tools and tool parts, at depreciated value	1,410,072	1,406,158
Fixed assets, at cost:		
Plant, dry docks and equipment	52,696,086	48,027,421
Less accumulated depreciation	30,943,670	29,268,320
	21,752,416	18,759,101
Land	4,875,393	4,505,352
Leasehold improvements, less amortization	1,321,895	985,825
	27,949,704	24,250,278
Other assets	2,239,221	1,079,085
	\$97,889,173	\$97,863,086



Todd Shipyards Corporation

LIABILITIES

	1968	1967
Current liabilities:		
Notes payable to banks		\$ 3,800,000
Accounts payable	\$19,998,445	18,756,810
Payrolls and vacations	4,946,673	4,276,559
Taxes, other than federal taxes on income	1,996,688	1,819,811
Federal taxes on income	460,313	2,392,027
Total current liabilities	27,402,119	31,045,207
5½ % Notes due 1985, payable \$1,000,000 annually commencing February 1, 1971	15,000,000	15,000,000
Deferred federal taxes on income	1,500,000	1,375,000

STOCKHOLDERS' EQUITY

Preferred stock, \$20 par value: Authorized, but unissued, 500,000 shares		
Common stock, \$20 par value: Authorized, 1,500,000 shares		
Issued, 746,709 shares	14,934,180	14,934,180
Retained earnings	39,594,518	36,050,343
	54,528,698	50,984,523
Less 16,825 shares of common stock held in treasury, at cost	541,644	541,644
	53,987,054	50,442,879
	\$97,889,173	\$97,863,086

The accompanying notes are an integral part of this statement.

Todd Shipyards Corporation

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1968

NOTE 1 — SALES

Sales consist of the estimated realizable value of work performed under repair and construction contracts and sales of manufactured products. Profits on short-term repair and construction contracts are recorded upon completion and on contracts requiring a construction period in excess of twelve months on a percentage of completion basis; full provision is made for estimated losses on contracts not completed. Revisions to contract estimates are recorded as estimating factors are refined.

NOTE 2 — NOTES DUE 1985

The 5½% Notes limit the payment of cash dividends and the purchase of the Company's common stock. At March 31, 1968 retained earnings of approximately \$8,725,000 were not subject to this limitation.

NOTE 3 — STOCK OPTIONS

The Company's qualified stock option plan covering 50,000 shares of common stock, approved by stockholders June 21, 1967, provides that options granted are exercisable over a period of not more than five years from, and at prices not less than market value on, dates of grant. Options for 16,050 shares were granted and options for 700 shares cancelled; at March 31, 1968 options for 15,350 shares were outstanding and exercisable at \$41.00-\$46.25 per share and options for 34,650 shares were available for grant.

NOTE 4 — PENSION PLANS

Pension cost represents required contributions to pension plans for employees subject to collective bargaining agreements; pension cost for other employees was fully funded in prior years.

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

ARTHUR YOUNG & COMPANY

277 Park Avenue
New York, N.Y. 10017

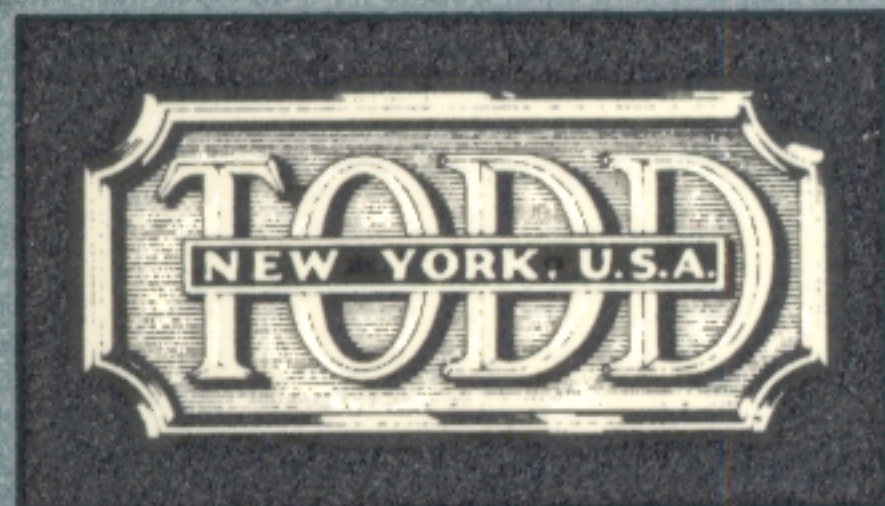
The Board of Directors and Stockholders
Todd Shipyards Corporation

We have examined the accompanying consolidated balance sheet of Todd Shipyards Corporation at March 31, 1968 and the related consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Todd Shipyards Corporation at March 31, 1968 and the consolidated results of operations and source and application of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



May 1, 1968



Corporation Management

DIRECTORS

JOHN D. REILLY, *Chairman*

JOHN T. GILBRIDE

HARRY G. HILL

JOHN D. REILLY, JR.

CLIFFORD A. SHELDRAKE

JOHN H. BAKER

EDWIN K. LINEN

ROBERT C. HILL

OFFICERS

JOHN D. REILLY
Chairman of the Board

JOHN T. GILBRIDE
President

HARRY G. HILL
Executive Vice President and Counsel

JOHN D. REILLY, JR.
Vice President (San Francisco)

CLIFFORD A. SHELDRAKE
Vice President—Finance

JOHN H. BAKER
Vice President—Sales

HENRY D. OBST
Vice President—Industrial Relations

ROBERT J. FARRINGTON
Vice President (Washington, D.C.)

LEROY V. HONSINGER
Vice President—Shipbuilding

EDWIN K. LINEN
Secretary

ALBERT C. CORBIN
Treasurer

JOHN G. VAN DALEN
Comptroller

LANGDON S. GODDARD
Assistant to the President

JOHN S. SMITH, JR.
Assistant to the President (Houston)

PAUL J. O'KEEFE
Assistant to the President

OPERATING DIVISIONS

General Managers

ANGEL GARATE, Brooklyn
Brooklyn, New York

BERT L. HALE, New Orleans
Algiers, Louisiana

RALPH ANSELM, Galveston
Galveston, Texas

ARTHUR W. STOUT, JR., Houston
Houston, Texas

CARL M. LIPPINCOTT, Los Angeles
San Pedro, California

AUSTIN D. SHEAN, San Francisco
Alameda, California

CARL R. MEURK, Seattle
Seattle, Washington

WILLIAM H. BOHN, Products
New York, New York

Manager

CHARLES W. HATHWAY, Nuclear
Galveston, Texas

SUBSIDIARIES

LESTER ENGINEERING COMPANY
Cleveland, Ohio
James D. Lightbody, *President*

TODD COMBUSTION LIMITED
London, England
David L. Nicolson, *Chairman*

TODD-ROCK COMBUSTION LIMITED
Montreal, Quebec, Canada
Samuel Aboud, *President*

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