

ANNUAL REPORT

ST

E

STO

G

STORAGE

ANNUAL REPORTS

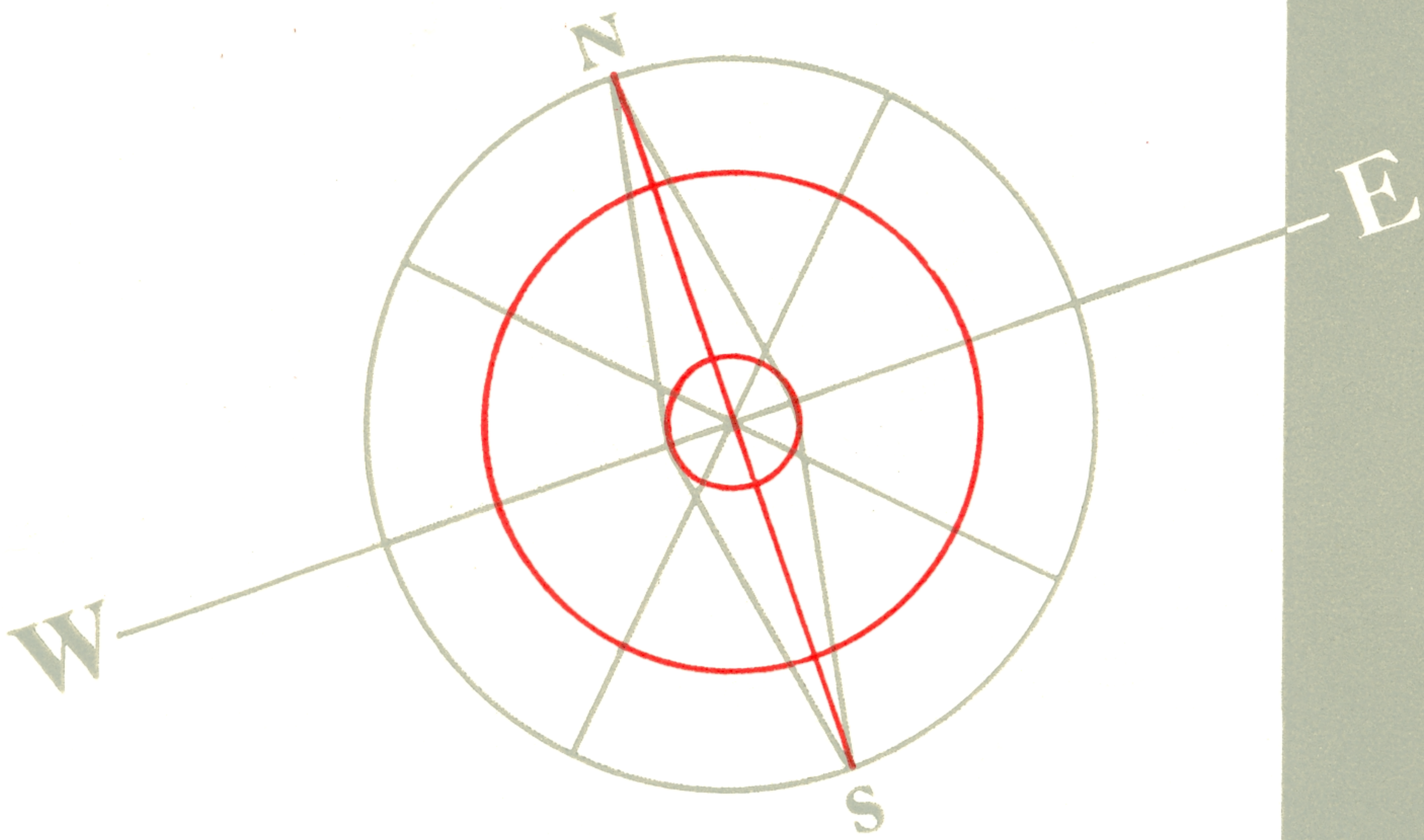
Todd Shipyards Corporation 1959

Foster Business Library
University of Washington

TODD

SHIPYARDS

CORPORATION



ANNUAL REPORT *For the Fiscal Year Ended March 31, 1959*



BUSINESS ADMINISTRATION
LIBRARY
UNIVERSITY OF WASHINGTON

TODD

SHIPYARDS

CORPORATION

ONE BROADWAY, NEW YORK 4, N. Y.

Pacific Coast Office—260 California Street, San Francisco, California

Subsidiaries and Affiliates

TODD ATLANTIC SHIPYARDS
CORPORATION
South Portland, Maine

TODD OIL BURNERS LIMITED
London, England

UNION INDUSTRIAL Y ASTILLEROS
BARRANQUILLA, "UNIAL"
Barranquilla, Colombia, S.A.

LISTER-TODD ENGINEERING
CORPORATION LIMITED
London, England

Annual Report *For the Fiscal Year Ended March 31, 1959*



Directors

RUSSELL W. BOWES
ROBERT FREEBAIRN
JOHN T. GILBRIDE
HARRY G. HILL

JOHN D. REILLY
JOHN D. REILLY, JR.
CLIFFORD A. SHELDRAKE
FRANCIS J. SMYTH

Officers

JOHN D. REILLY	Chairman of the Board of Directors
JOHN T. GILBRIDE	President
JOHN D. REILLY, JR.	Executive Vice President—Operations
HARRY G. HILL	Executive Vice President and Counsel
CLIFFORD A. SHELDRAKE	Vice President—Finance and Comptroller
RUSSELL W. BOWES	Vice President—Products and Industrial
ROBERT FREEBAIRN	Vice President—Sales
FRANCIS J. SMYTH	Vice President—Public Relations
HENRY D. OBST	Vice President—Labor Relations
J. THOMAS EDGE	Treasurer
EDWIN K. LINEN	Secretary

Divisions

BROOKLYN DIVISION
Brooklyn, New York
J. B. Meyer—General Manager

GALVESTON DIVISION
Galveston, Texas
L. E. Briese—General Manager

PRODUCTS DIVISION
Houston, Texas and
Brooklyn, New York
*R. W. Bowes—Vice President
Products and Industrial*

LOS ANGELES DIVISION
San Pedro, California
J. F. Goodrich—General Manager

HOBOKEN DIVISION
Hoboken, New Jersey
R. J. Vanderwende—General Manager

SAN FRANCISCO DIVISION
San Francisco and
Alameda, California
A. D. Shean—General Manager

NEW ORLEANS DIVISION
New Orleans, Louisiana
C. M. Lippincott—General Manager

SEATTLE DIVISION
Seattle, Washington
R. G. Zener—General Manager

Transfer Agent	THE HANOVER BANK, New York, N. Y.
Registrar	FIRST NATIONAL CITY TRUST CO., New York, N. Y.
Auditors	ARTHUR YOUNG & COMPANY, NEW YORK, N. Y.
Counsel	CULLEN AND DYKMAN, Brooklyn, N. Y.

The Corporation's stock is traded on the American Stock Exchange, New York, N. Y.

TODD SHIPYARDS CORPORATION

Significant Facts

	Fiscal Year Ended March 31	
	1959	1958
Sales	\$81,544,885	\$93,434,014
Net Income	\$ 417,286	\$ 2,847,179
Refund of Prior Year Taxes on Income	\$ 2,557,327	\$ —
Net Income and Tax Refund	\$ 2,974,613	\$ 2,847,179
Dividends Paid	\$ 1,248,735	\$ 1,248,304
Net Working Capital	\$23,430,277	\$24,410,326
Current Ratio	3.52	3.37
Fixed Assets—net	\$17,275,333	\$15,075,307
Stockholders' Equity	\$45,283,431	\$43,839,160
Number of Stockholders	2,485	2,107

Data on a Per Share Basis

(Restated to reflect distribution of two additional shares of stock for each share held on June 25, 1958)

Net Income	\$.56	\$ 3.81
Refund of Prior Year Taxes on Income	\$ 3.46	—
Net Income and Tax Refund	\$ 4.02	\$ 3.81
Dividends Paid	\$ 1.67 $\frac{2}{3}$	\$ 1.66 $\frac{2}{3}$
Book Value	\$ 61.28	\$ 58.71

TODD SHIPYARDS CORPORATION

May 27, 1959

To the Stockholders:

This is the regular annual report of your Company's operations and activities for the fiscal year ended March 31, 1959.

- The downward trend of activities in the shipping industry, commented upon in our previous annual report, continued through our fiscal year 1958-59. United States foreign trade decreased, particularly the portion carried in American Flag vessels. Additional ships—especially tankers—have been laid up and the vessels remaining in active service are having increased difficulty in obtaining adequate cargo commitments. The Navy Department, due to budget requirements, reduced the amount of repair and conversion work on Navy ships allocated to private shipyards. All these factors have contributed to a drastic reduction in available ship repairs. As this type of work is on a short term basis, with little or no backlog of work to act as a cushion during periods of such adverse conditions, your Company's operating results were immediately affected by reductions in sales and profits.

Ship construction and other marine construction increased during the year, but not sufficiently to offset the drastically reduced ship repair load. While the ship construction program is progressing as contemplated, it must still be considered as being in its initial stages and thus to date has contributed little to profits. Your Company's principal activity is still that of repairing ships.

As a result of these factors sales for the fiscal year were \$81,544,885, down from \$93,434,014 for the previous year. Net income of \$417,286, after provision for current year taxes on income, also represented a marked reduction

from the previous year's comparable figure of \$2,847,179. The net income of \$417,286 does not include the tax refund of \$2,557,327 referred to in Note C to the financial statements.

- The financial position of the Company warranted the continuance of the payment of dividends. During the fiscal year an aggregate of \$1,248,735 was distributed as dividends, equivalent to \$1.67 $\frac{2}{3}$ per share (adjusted to reflect the three-for-one stock split). Your Company's unbroken record of consecutive quarterly dividends was thus maintained.

- With plants such as ours, which by their very nature have necessarily high fixed operating costs, adequate volume is one, if not the most important, prerequisite for satisfactory profits. Maintaining volume is one of the principal problems faced by your management today. It is hoped that the ship construction program in the months ahead will prove to be a partial solution to this problem. An increased work load of ship repairs would, of course, contribute to the solution of the problem and every effort is being made to this end through an even more intensive sales effort both in this country and abroad in order to maintain our position in this highly competitive industry.

Our latest sales brochure for distribution to customers and prospective customers illustrates our overall activities. In lieu of pictures which are usually included in the annual report, we are enclosing a copy of the new brochure in order that stockholders may have an opportunity to become more familiar with the Company's diversified operations.

Savings through reduction in operating costs and increased efficiency have been made, and our efforts in this direction continue with the expectation of further beneficial results.

- During the course of the year you were advised that the Los Angeles Division had been awarded a contract by the Department of the Navy for the construction of a DLG (Guided Missile Frigate) and that ship construction contracts totaling approximately \$85,000,000 have been received.

While no further major shipbuilding contracts have been received, never-

theless, the Navy's proposed program and the shipbuilding programs of some of the private companies and the Maritime Administration include ships of the type which we are building. We are optimistic that the Company will continue to share in these programs.

In the budget message to the Congress it was suggested that a reappraisal be made of the operations of the current laws affecting the Merchant Marine, and conditions of the Merchant Marine generally. Presently the joint program of the Maritime Administration and private industry, which contemplates the building of some 275 ships in the next 20 years, is based on an assumed useful life for a ship of 20 years. Current reports indicate that the study may recommend that the assumed useful life of a ship be extended, perhaps to 25 or 30 years for replacement purposes, which would have the effect of slowing down the program to the detriment of the shipbuilding industry.

- Transportation on the inland waterways of the country, of which mention has been made in previous annual reports, has continued and the future appears encouraging. New barges and tugboats are required to meet the demands of this form of transportation, and the Products Division (Houston, Texas) with its facilities for building this floating equipment on a production line basis and protected from the weather, has participated extensively in this building program.

As you know, the Products Division is located on the Houston Ship Channel. Appropriations in the Congress have been made to straighten and deepen this channel so that larger ships may use it with greater economy of time. Your Company is, therefore, in the process of rehabilitating the drydock facility at this Division, heretofore used in the construction of barges and other small craft, so that the Company may be in a position to take advantage of any increased volume of ship repairs generated in the port.

- Your Company continues its close study of the effect of the St. Lawrence Seaway on its business in the Port of New York and other implications of the fact that ocean-going vessels will have ports of call at Great Lakes cities. It is still too early to appraise with accuracy either its impact on such business or

any opportunity it might afford your Company. Full time representation in the Great Lakes area is being maintained.

- Business conditions in our industry were such that the program of upgrading and modernizing production facilities was necessarily curtailed to some extent. Capital expenditures totalled approximately \$3,500,000 for the year which compares with an expenditure of a similar amount for the previous year. However, the current year's figure includes \$1,650,000 for the purchase from Matson Navigation Company of its facilities at the San Francisco Division. These facilities have been operated by the Company under a ten-year lease which expired on May 15, 1958. As a result of negotiations for renewal of this lease it became evident that purchase would be a more advantageous arrangement. A lease of Government-owned facilities, which are an integral and important part of the whole operation at this plant, has been assigned to your Company with the approval and consent of the Navy Department.

At the Los Angeles Division the most modern electronic equipment for marking and cutting steel plates has been installed and is now in operation. It is anticipated that the use of this equipment will increase the efficiency of performing these difficult and time-consuming shipbuilding operations with the consequent savings in costs.

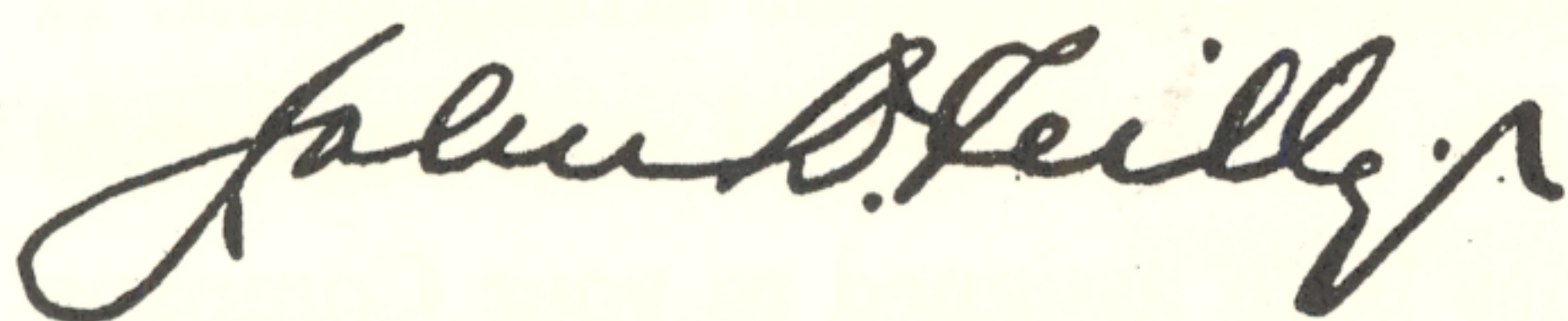
- During the fiscal year your Company purchased, at substantially the book value, the stockholdings of Bath Iron Works Corporation in the Todd Atlantic Shipyards Corporation. This corporation is now wholly-owned.

- Labor contracts for all divisions were negotiated during the year. Our negotiations were complicated by the fact that an industry pattern of wage increases had been established by certain competing companies for the same period which was under discussion with the unions representing the employees of your Company. The collective bargaining process was, therefore, prolonged and in the case of Brooklyn, Hoboken and New Orleans divisions extended beyond the contract expiration dates. While there were no work stoppages during negotiations, the uncertainty of continued operations after the contract expiration dates

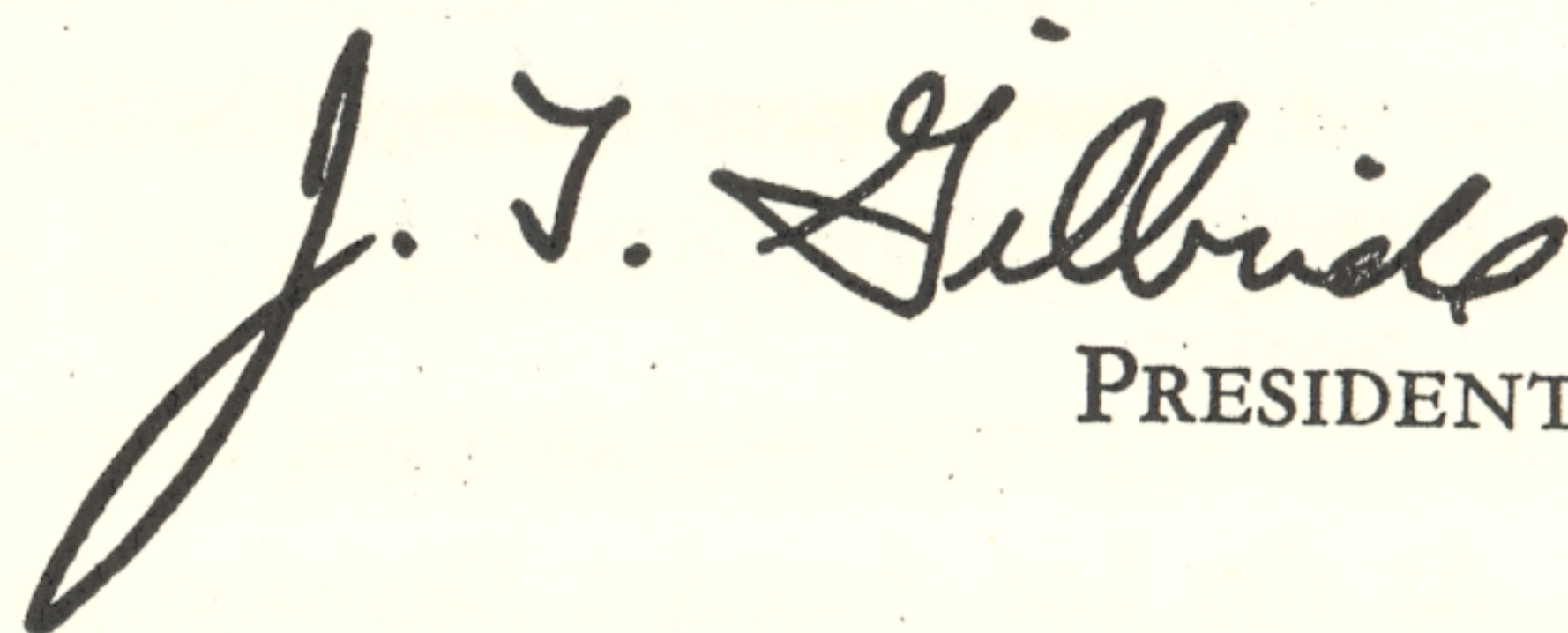
at these divisions was responsible for the diversion of some repair work from these plants, although the contracts finally negotiated were satisfactory under the circumstances.

- Our sincere thanks and appreciation go to all stockholders, customers and employees for their helpfulness in a difficult year that required the utmost in cooperation and effort. While in some respects it was a year that was disappointing, it was, nevertheless, one of continued growth of the Company and we look to the future with confidence and optimism.

Respectfully submitted,



CHAIRMAN OF THE BOARD



PRESIDENT

TODD SHIPYARDS CORPORATION *Balance Sheet* March 31, 1959

Assets

CURRENT ASSETS:

Cash	\$ 3,738,984	
Securities, at cost which approximates market	1,944,917	
Accounts and notes receivable for completed repair, conversion and other work, less payments on account (less reserve) (Note A):		
U. S. Government Departments (including amounts unbilled \$1,111,368)	\$ 2,446,911	
Other (including amounts unbilled \$2,308,726)	<u>14,522,356</u>	16,969,267
Work in progress on contracts for U. S. Government Departments and on commercial repair and other contracts, less progress billings (Note A)		5,818,842
Materials and supplies, at lower of cost or replacement market	<u>4,255,600</u>	
Total current assets		<u>32,727,610</u>

INVESTMENTS IN AFFILIATED COMPANIES (not consolidated) (Note B)

585,999

TOOLS, TOOL PARTS, ETC. (at depreciated value)

1,390,510

OTHER ASSETS:

Secured loans to employees, not officers or directors	164,009	
Notes and accounts receivable (less reserve) not expected to be collected within one year, partly secured by preferred mortgages on ship	527,387	
Miscellaneous	<u>253,995</u>	945,391

FIXED ASSETS, at cost:

Plant, dry docks and equipment (including \$8,207,655 emergency facilities fully reserved for)	36,924,671	
Less: Reserve for depreciation	<u>24,776,680</u>	
	12,147,991	
Real estate	<u>3,778,668</u>	
	15,926,659	
Leasehold improvements, less amortization	<u>1,348,674</u>	17,275,333

DEFERRED CHARGES:

Prepaid insurance premiums and other deferred charges	<u>1,655,921</u>	
	<u>\$54,580,764</u>	

See accompanying notes to financial statements.

Liabilities

CURRENT LIABILITIES:

Accounts payable	\$ 5,570,364
Accrued payrolls and vacations	1,846,946
Accrued taxes, other than Federal taxes on income	565,864
Accrued Federal taxes on income (Note C)	<u>1,314,159</u>
Total current liabilities	<u>9,297,333</u>

Capital Stock and Surplus

Common stock, \$20 par value:

Authorized, 1,000,000 shares

Issued, 746,709 shares \$14,934,180

Earned surplus, per accompanying statement 30,630,858
45,565,038

Less: 7,720 shares of common stock held in treasury,

at cost 281,607 45,283,431

\$54,580,764

See accompanying notes to financial statements.

TODD SHIPYARDS CORPORATION

Statement of Income and Earned Surplus

Year ended March 31, 1959

Net charges for repair, conversion, construction and other work performed		\$81,544,885
Operating expenses:		
Labor, material and other expenses	\$77,658,106	
Taxes, other than Federal taxes on income	2,521,386	
Depreciation	1,227,955	
Contributions to retirement system	555,412	81,962,859
Loss from operations		(417,974)
Other income:		
Dividends from affiliates (Note B)	116,550	
Management fees	24,000	
Interest (including \$683,112 interest on tax refund shown below)	722,674	
Gain on disposition of fixed assets (including final adjustment resulting from fire at Houston, Texas in 1956)	345,123	
Miscellaneous—net	(98,087)	1,110,260
		692,286
Federal taxes on income		275,000
Net income		417,286
Refund of income and excess profits taxes for the year 1945 (Note C)		2,557,327
Net income and tax refund		2,974,613
Earned surplus at March 31, 1958		40,197,771
		43,172,384
Deduct:		
Distribution of two (2) additional shares of stock for each share held on the record date, June 25, 1958—		
Aggregate par value of 467,807 new shares transferred to capital account	9,356,140	
Cost of 29,999 shares of treasury stock which were used as part of the distribution to stockholders	1,936,651	
Total distribution, 497,806 shares	11,292,791	
Dividends paid during year, \$1.67 ² / ₃ per share	1,248,735	12,541,526
Earned surplus at March 31, 1959		<u>\$30,630,858</u>

See accompanying notes to financial statements.

TODD SHIPYARDS CORPORATION

Notes to Financial Statements

NOTE A:

Contracts completed at March 31, 1959 are included in accounts receivable at estimated cash realization value. Contracts, other than long-term contracts, not completed at March 31, 1959 are carried in work in progress at the lower of cost, or estimated final realizable value reduced by the estimated additional costs to completion. Long-term contracts (i.e. contracts requiring a construction period in excess of twelve months) are carried in work in progress at cost increased or reduced by estimated profits and losses based on percentage of completion.

NOTE B:

Included in investments in affiliated companies, not consolidated, is \$444,500 applicable to Todd Atlantic Shipyards Corporation, a wholly-owned company formerly engaged in shipbuilding and shiprepair activities. At March 31, 1959 the audited balance sheet of this company indicated equity of \$34,369 in excess of the investment. A dividend of \$99,675, paid out of prior years' earnings for the most part, was received by the Corporation during the year.

NOTE C:

The Corporation's Federal income tax returns for 1954 and prior years have been examined by the Internal Revenue Service. The provision on the balance sheet is considered adequate to cover the Corporation's liability for Federal taxes on income for the years examined and subsequent years subject to examination.

The Corporation received a refund of income and excess profits taxes for the year 1945 in the amount of \$2,557,327. The Internal Revenue Service has indicated that similar claims approximating \$1,700,000 applicable to other prior years will be rejected. It is the Corporation's intention upon such rejection to initiate the necessary litigation. These claims have not been reflected in the accompanying financial statements.

NOTE D:

Renegotiation proceedings for all years through 1955 have been completed and no refund has been required. It is not anticipated that any refund will be required on profits which arose from renegotiable business subsequent thereto.

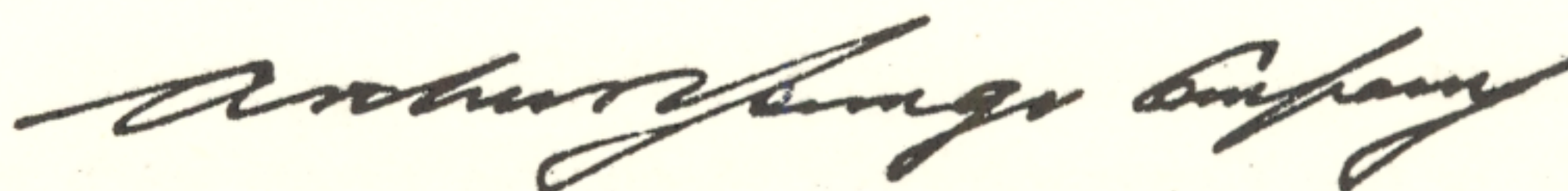
ARTHUR YOUNG & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

165 BROADWAY
NEW YORK 6

THE BOARD OF DIRECTORS AND STOCKHOLDERS,
TODD SHIPYARDS CORPORATION:

We have examined the accompanying balance sheet of Todd Shipyards Corporation at March 31, 1959 and the related statement of income and earned surplus 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. It was not practicable to confirm receivables from U. S. Government Departments, as to the substantial accuracy of which we satisfied ourselves by other auditing procedures.

In our opinion, the statements mentioned above present fairly the financial position of Todd Shipyards Corporation at March 31, 1959 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



May 6, 1959

DEC 0 5 1997

DEC 0 5 1997 Pet's Business