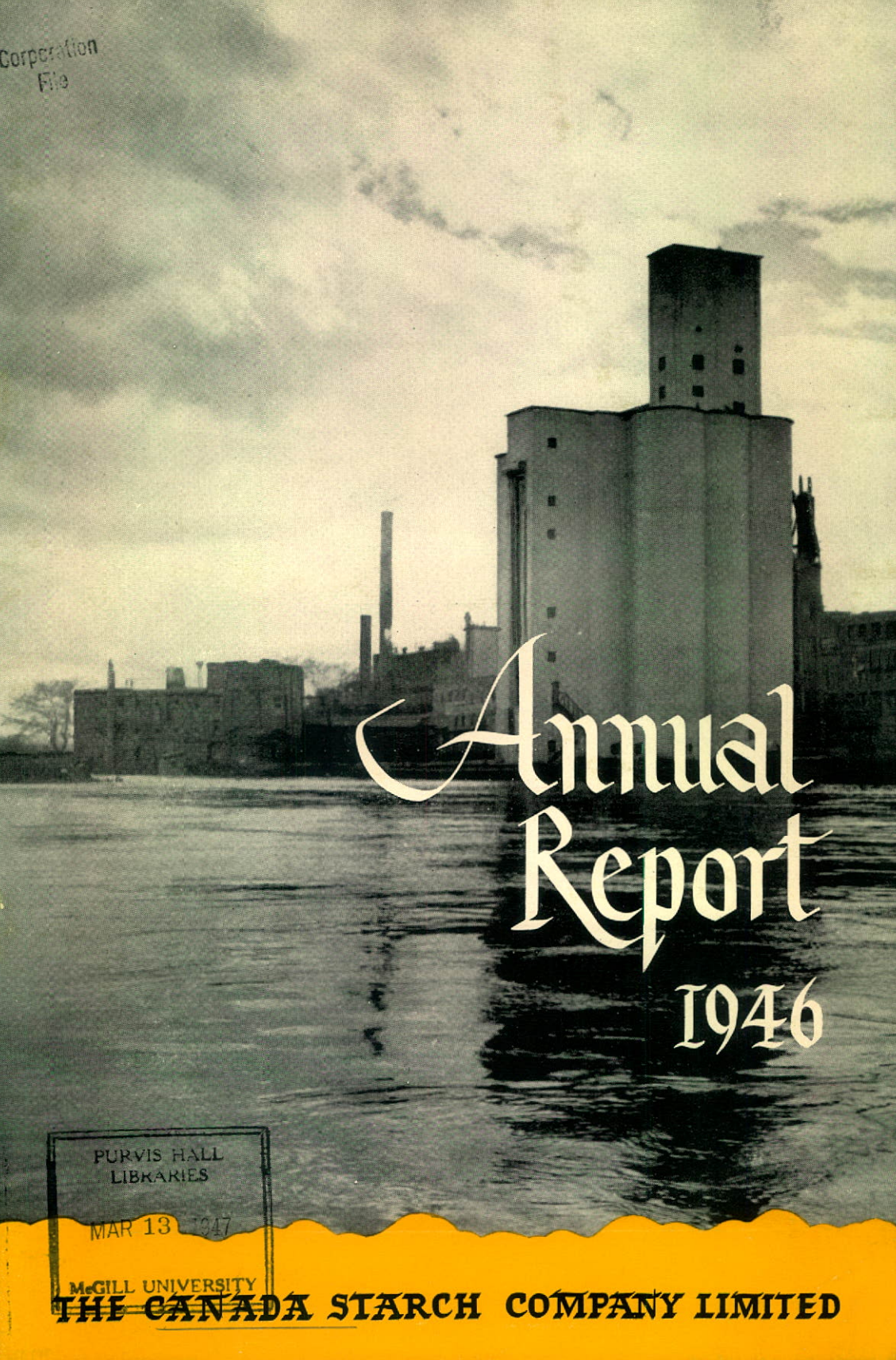


Corporation
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Annual Report 1946

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THE CANADA STARCH COMPANY LIMITED

THE CANADA STARCH COMPANY LIMITED

Directors

GEORGE F. BENSON	NORMAN J. DAWES
G. F. BENSON, Jr.	W. L. MORAN
de GASPE BEAUBIEN	R. E. STAVERT
W. B. BLACKADER	F. A. WARREN

H. G. WASCHER

Executive Offices

SUN LIFE BUILDING, MONTREAL

Officers

GEORGE F. BENSON	CHAIRMAN OF THE BOARD
G. F. BENSON, Jr.	PRESIDENT
de GASPE BEAUBIEN	VICE-PRESIDENT
J. M. KEDDIE	SECRETARY-TREASURER

Sales Offices

SUN LIFE BUILDING, MONTREAL

E. C. McKEOWN	SALES MANAGER
J. E. MERRITT	ASSISTANT SALES MANAGER

Plant

CARDINAL, ONTARIO

A. S. FRASER	PLANT MANAGER
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PRESIDENT'S REPORT

Montreal, March 12th, 1947

TO THE SHAREHOLDERS—

Your Directors submit the Forty-first Annual Report of the Company, together with Consolidated Financial Statements for the year ended December 31st, 1946, and the Report of your Auditors.

The operations for the year resulted in a loss of \$96,100.51 as compared with a profit of \$79,007.95 earned for the year 1945. This loss resulted from serious curtailment of production due to the impossibility of obtaining adequate supplies of corn, the scarcity being caused by a partial corn crop failure in this Country, reduced exports from the United States, and the refusal by the Argentine Government for several months to grant export permits for the release of corn that we had under contract. On this account our operations during the first seven months of the year were reduced to about 35% of capacity.

As the loss shown at July 31st amounted to \$367,000.00 it is evident that during the last five months of the year we made a profit of approximately \$271,000.00. Your Directors therefore felt that they were justified in declaring a dividend on the Preferred Shares of 1 $\frac{3}{4}$ % payable on April 15th, 1947 out of the profits earned for the last quarter of 1946, subject to the approval of the Foreign Exchange Control Board.

Owing to the loss incurred for the year 1946, the taxable income for the year 1945 has been reduced accordingly. There is no Income Tax liability, therefore, in respect of the year 1946, and the amount we are claiming as recoverable out of the tax paid for the year 1945 is roughly \$22,500.00.

The amount written off for Depreciation of Fixed Assets was \$160,411.95, which was about \$52,000.00 less than in the previous year. As the Plant was shut down for a considerable part of the year we reduced the write-off on machinery, as we did not feel justified in claiming the full rate, which only applies when the Plant is being operated at full capacity. The Plant has been maintained in a good state of repair, and operating efficiency, and about \$200,000.00 was expended on new construction.

The Working Capital at the close of the year showed an increase of \$73,372.77, but this is due to a re-grouping of some of the Reserve items previously included under Current Liabilities.

The sum of \$47,215.53 was provided for the Pension Fund Society, and charged to our current operations. This amount is about \$3,000.00 less than the contribution made for the year 1945. The calculation is based on wages and salaries paid which were less than in the previous year owing to curtailed operations.

It will be noted from the Balance Sheet that the Reserve for Contingencies and Deferred Credits shows a balance of \$234,070.05. This figure includes a re-grouping of items shown elsewhere on the Balance

Sheets of previous years, and credits which have been deferred pending the final settlement of certain transactions. It is the opinion of your Directors that it is more satisfactory to deal with these items in this manner.

Your Directors regret that Mr. Walter L. Moran found it necessary to resign from the Board towards the end of the year, as his other duties prevented him from attending our Board meetings regularly. He had been a director of this Company for the past nine years, and his valued services to the Company will be greatly missed. The vacancy caused by Mr. Moran's resignation has been filled by the appointment to our Board of Mr. James A. Moffett, a son of the Chairman of the Board of the Corn Products Refining Company, and Manager of the Foreign Department of that Company.

Our products are still being sold at ceiling prices set by the Wartime Prices and Trade Board. These prices were increased by their authority in May. This was done mainly to compensate us for the removal of most of the subsidy on corn which we had previously received.

Towards the end of the year there was a general increase in salaries, and wages were increased by 8c. per hour. These increases amount to roughly \$140,000.00 per annum.

The continued good labour relations existing between management and employees is very gratifying to the Company. Among the benefits enjoyed by all employees are vacations with pay, Group Life Insurance and Sickness and Hospitalization compensation.

Nearly all of our employees who served in the Armed Forces have now returned to their jobs, and we are delighted to welcome them back.

We have long felt that successful business operation requires a high degree of shareholder-employee-management partnership. Because co-operation among these groups depends largely on understanding of the function of each, we have incorporated into this year's report a brief picture story of our employees at work and at play. We believe all shareholders will be interested in this section of the report.

In recent months there has been a shortage of our products, due to reduced operations previously referred to. However, as the Starch industry in Canada was greatly expanded during the war there is ample capacity in the existing plants to more than take care of Canadian requirements.

The prospects for the immediate future are much improved, as there is every indication that we will be able to obtain adequate supplies of corn during 1947. The demand for all our products is excellent, so that we should be able to continue to operate at full capacity for the balance of the year.

By Order of the Board,

G. F. BENSON, JR.,

President.



Partners in Industry

Every company represents, in some form or another, a partnership between those whose money makes the machinery of production possible and those whose labor puts that machinery to productive use. The success of a business organization is usually the measurement of the degree of co-operation existing between these partners in industry.

The Canada Starch Company Limited is no exception to this general rule. Its partnership is represented by the management and employees

at Cardinal, Ont., and Montreal on the one hand; and its shareholders across the Dominion on the other.

With the thought that one section of our partnership would be interested in the life, outlook, and well-being of the other half of a joint undertaking, we are including in our annual report this year a short pictorial story which centres around the 500 employees at Cardinal. This story will be found immediately following the Profit and Loss Statement for 1946.

THE CANADA STARCH
 AN
 CANADA STARCH SALE
 CONSOLIDATED I
as at 31st D

ASSETS

CURRENT ASSETS:

Cash on Hand and in Banks	\$	22,767.55	
Accounts Receivable—Trade, less Reserve for Doubtful Accounts		1,138,063.98	
Accounts Receivable—Sundry		42,760.76	
Claims for Government Subsidies		49,899.84	
Due in respect of Income and Excess Profits Taxes		22,448.55	
Inventories:—			
Determined by actual count, weight or measurement, priced at the lower of cost or market and certified to by responsible officials of the Companies—			
Raw Materials	\$	590,527.10	
Goods in Process		92,030.02	
Finished Goods		310,043.06	
Manufacturing Stores and Supplies		341,984.59	
Mechanical Supplies and Replacement Parts		224,132.94	
		1,558,717.71	\$2,834,658.39

PREPAID INSURANCE 14,875.03

INVESTMENT IN WHOLLY OWNED SUBSIDIARY COMPANY:

Investment in Shares	200,000.00		
<i>Less:</i> Amount due to Subsidiary Company	128,512.99		71,487.01

FIXED ASSETS:

Land, Buildings, Machinery and Equipment and Water Power Rights—at cost, less amounts written off		4,620,982.77	
<i>Less:</i> Reserve for Depreciation		2,808,239.19	1,812,743.58

GOODWILL, TRADEMARKS, RIGHTS AND BRANDS 1.00

APPROVED ON BEHALF OF THE BOARD:

G. F. BENSON, JR. NORMAN J. DAWES	} <i>Directors.</i>		\$4,733,765.01
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AUDITORS' REPORT T

We have examined the books and accounts of The Canada Starch Company Limited and of C 1946, and we have obtained all the information and explanations which we have required. In connec of the companies and examined or tested their accounting records and other supporting evidence confined to limited tests thereof.

The Department of Transport of the Dominion of Canada has made claims in respect of t St. Lawrence Navigation Company Limited, another wholly owned subsidiary company. The com them. Pending the decision of the Exchequer Court of Canada, it is considered that the existing companies may be found liable.

The Department of Income Tax of the Dominion of Canada has reviewed the income tax ret The profits of Lakes and St. Lawrence Navigation Company Limited, a wholly owned su dividend received during the year, which dividend exceeded the net profit for the year of the subsidi forward on the books of that company.

Subject to the foregoing remarks, we report that, in our opinion, according to the best of o above consolidated balance sheet and the related consolidated statements of earned surplus and on a basis consistent with that of the preceding year so as to exhibit a true and correct view of the operations for the year ended on that date.

MONTREAL, 24th February, 1947.

I COMPANY LIMITED
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 ES COMPANY LIMITED
 BALANCE SHEET

December 1946

LIABILITIES

CURRENT LIABILITIES:

Bank Overdraft	\$ 414,418.98	
Bank Loans—against Employees' Subscriptions to Dominion of Canada Bonds	28,179.53	
Accounts Payable and Accrued Liabilities	278,592.66	
Pension Fund Contribution	47,215.53	
Account Payable—Affiliated Company	2,588.45	
Sales and Other Taxes Payable	114,782.51	\$ 885,777.66

RESERVES FOR FUTURE DEPRECIATION IN INVENTORY VALUES		45,000.00
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RESERVES FOR CONTINGENCIES, AND DEFERRED CREDITS		234,070.05
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CAPITAL STOCK AND SURPLUS ACCOUNTS:

Capital Stock—

AUTHORIZED—

32,500 7% Non-Cumulative Preferred Shares of \$100.00 Par Value	\$3,250,000.00	
62,500 Common Shares of \$5.00 Par Value	\$ 312,500.00	

ISSUED AND FULLY PAID—

30,691 Preferred Shares	3,069,100.00	
59,325 Common Shares	296,625.00	
		3,365,725.00

Capital Surplus—

Balance as at 31st December 1945	8,001.00	
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Earned Surplus—

As per Statement	195,191.30	3,568,917.30
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\$4,733,765.01

TO THE SHAREHOLDERS

Canada Starch Sales Company Limited, a wholly owned subsidiary company, as at 31st December 1946. In connection with our examination we reviewed the system of internal control and accounting procedures and the methods and to the extent we deemed appropriate; the audit of the detailed transactions was

limited to the wharfage and wintering charges against The Canada Starch Company Limited and Lakes and the subsidiary companies have not admitted the validity of these claims and, on advice of counsel, have contested the same. The reserves of the companies are sufficient in the aggregate to cover all such amounts for which the

reserves of the companies only up to and including the year ended 31st December 1939. The subsidiary company, have been taken into account in the attached statements to the extent of the subsidiary company. The balance of the accumulated profits of the subsidiary company has been carried

over. The information and the explanations given to us and as shown by the books of the companies, the profit and loss are properly drawn up in conformity with accepted accounting principles applied in the state of the affairs of the combined companies as at 31st December 1946, and the results of their

(Signed) McDONALD, CURRIE & CO.,

Chartered Accountants.

THE CANADA STARCH COMPANY LIMITED
AND
CANADA STARCH SALES COMPANY LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS
For the year ended 31st December 1946

OPERATING PROFIT		\$ 113,203.29
<i>Add:</i>		
Revenue from Investments	\$ 14,101.81	
Profit realized on Sale of Investments	440.00	14,541.81
		127,745.10
<i>Deduct:</i>		
Provision for Depreciation of Fixed Assets	160,411.95	
Salaries and Directors' Fees of Executive Officers and Director	59,355.00	
Fees of Other Directors	3,860.00	
Legal Expenses	218.66	223,845.61
LOSS FOR THE YEAR—transferred to Earned Surplus		\$ 96,100.51

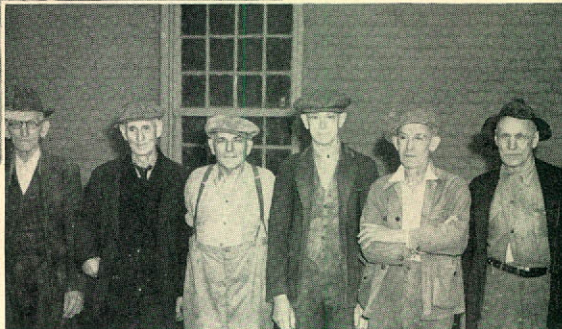
CONSOLIDATED STATEMENT OF EARNED SURPLUS
For the year ended 31st December 1946

BALANCE AT CREDIT AS AT 31ST DECEMBER 1945		\$ 293,695.26
<i>Add:</i>		
Adjustment of Income and Excess Profits Taxes in respect of 1945		20,048.55
		313,743.81
<i>Deduct:</i>		
Adjustment in respect of the Renegotiation of War Business of the years 1941 to 1945	22,452.00	
Loss for the year	96,100.51	118,552.51
BALANCE AT CREDIT as at 31st December 1946		\$ 195,191.30

"Partners in Industry"



Many of the Company's employees today are men recently returned from the armed forces. Here a rehabilitation officer helps a returning veteran to get off on the right foot in civilian life.



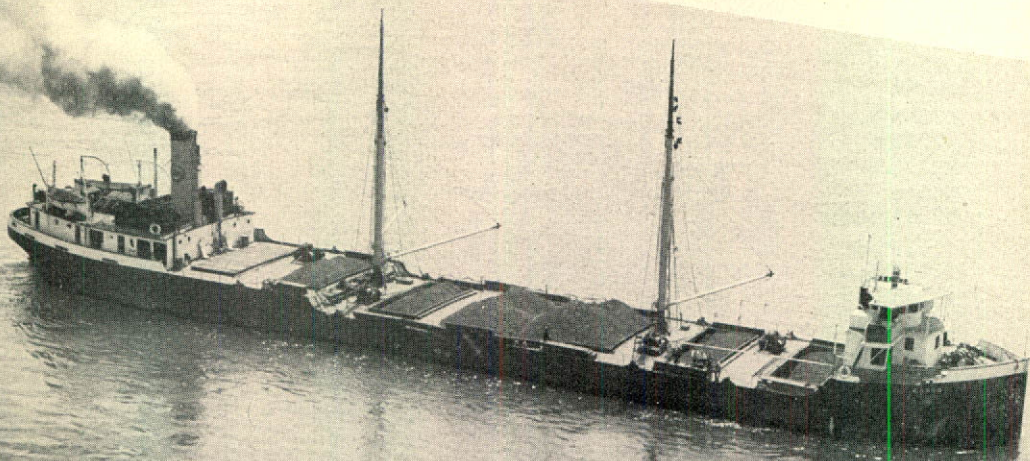
Steady employment brings a feeling of security which automatically makes for better workmanship and a stable working force. The six veteran employees pictured above have spent a combined time of 283 years with the Company.

Prevention is better than cure where accidents are concerned, and the Cardinal plant has an outstanding record in safety work. Safety policy is set at meetings with Safety Committee-men such as are shown here.



"All work and no play . . ." etc. Below a group of employees relax while watching boat races at the Company's Annual Picnic, an event which means a holiday to practically everybody in Cardinal.





The Company ship, the Casco, carrying a full load of coal to the Cardinal plant. Throughout the navigation season, the Casco is kept busy taking supplies to the plant and carrying finished products to market.



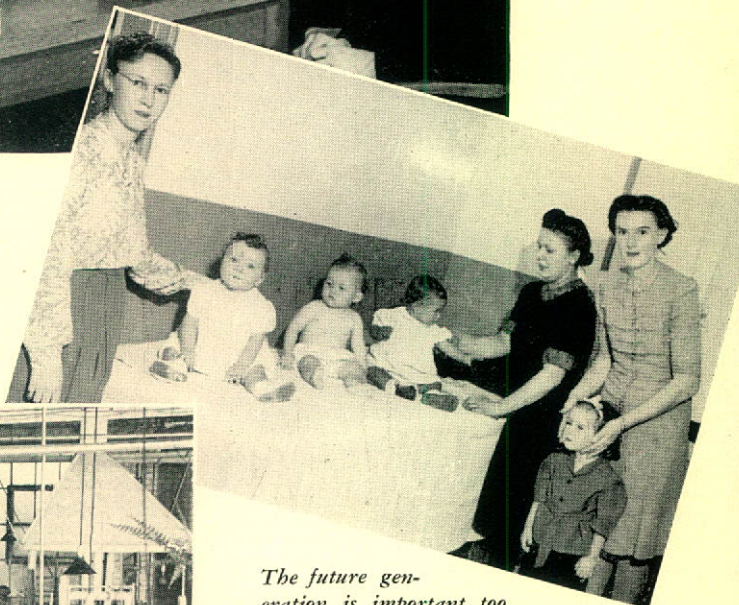
"Anytime is tea time", and the canteen at Cardinal plant has become a popular relaxation spot. In this picture, a couple of old hands claim recognition as the canteen's first customers.



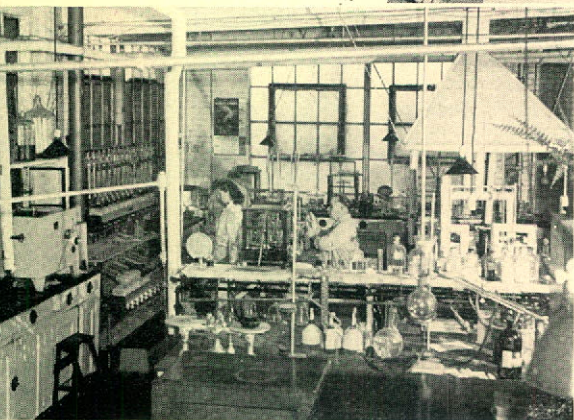
As corn is the basis of our entire operation, the Company is extremely interested in fostering the growth of hybrid strains. With this aim in view, it is sponsoring annual contests among junior farmers of the Cardinal area. Prizes are awarded to successful contestants such as the budding agriculturists at left.



Canada Starch has an enviable record of happy labour relations. One reason is willingness on both sides to sit down together in search of solutions to common problems. Labour—Management meetings such as this are regular occurrences at Cardinal.



The future generation is important too. Four future stalwarts get a check-up at The Canada Starch Company baby clinic.



Constant testing assures high standards of products. Employees, management and shareholders all benefit from the reputation for quality which results.



Competitive sports help maintain a spirit of unity among employees. The Cardinal baseball team competes in the St. Lawrence District League and gets a lot of vocal support from Casco employees.

