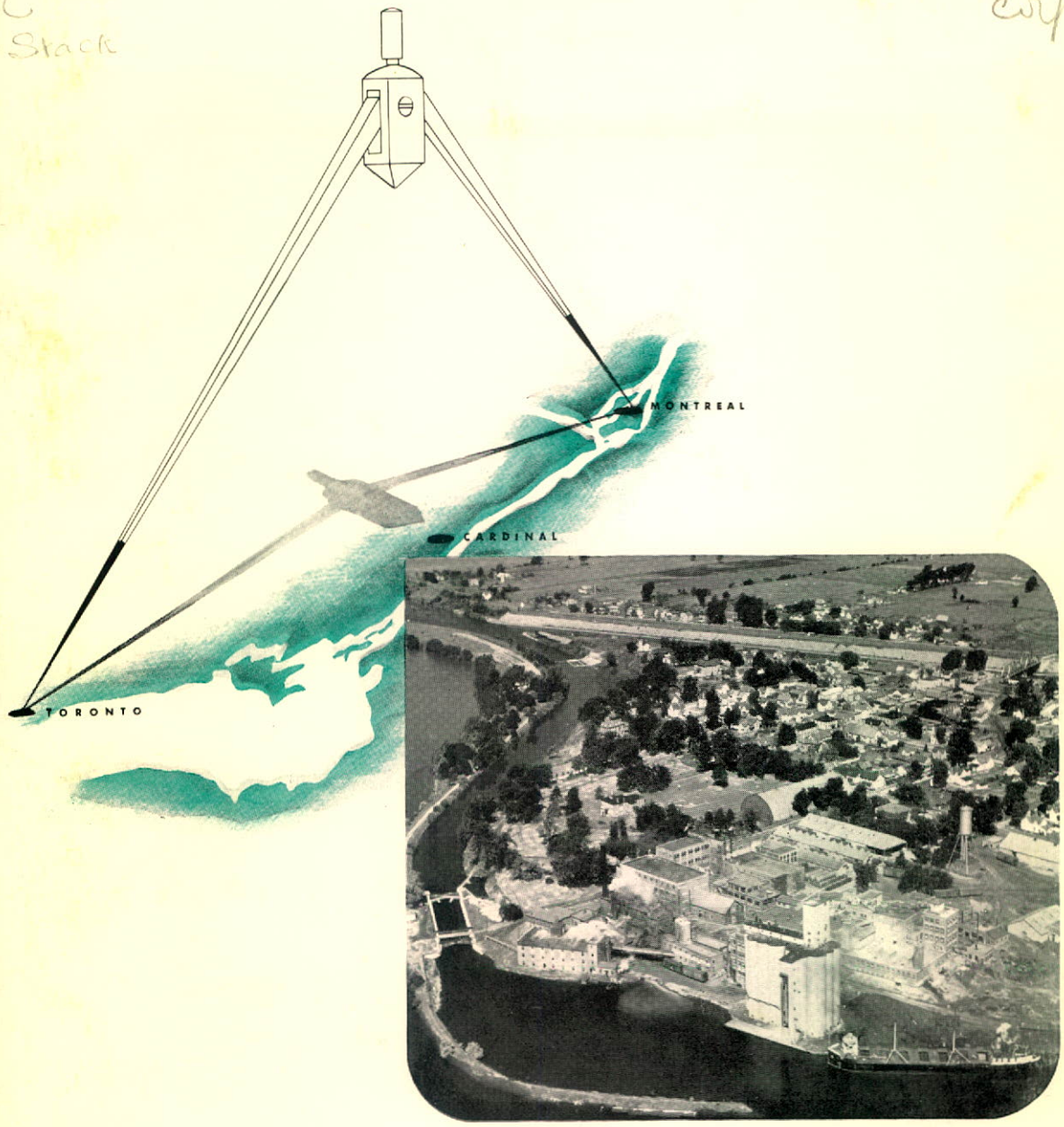


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ANNUAL REPORT

THE CANADA STARCH COMPANY LIMITED

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DIRECTORS AND OFFICERS

THE CANADA STARCH COMPANY LIMITED

Directors

GEORGE F. BENSON	W. B. BLACKADER	R. E. STAVERT
G. F. BENSON, JR.	NORMAN J. DAWES	F. A. WARREN
de GASPE BEAUBIEN	J. A. MOFFETT	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
-------------------------	---------------

Plant

CARDINAL, ONTARIO

A. S. FRASER	PLANT MANAGER
------------------------	---------------

THE DIRECTORS' REPORT

TO THE SHAREHOLDERS OF THE CANADA STARCH COMPANY LIMITED:

Your Directors take pleasure in presenting the Forty-fourth Annual Report of the Company, together with the Consolidated Financial Statements for the year ended 31st December, 1949, and the Report of your Auditors.

The past year was a very satisfactory one, both from the standpoint of sales volume and profit earned. The chief reasons for the improvement over the year 1948 were heavy production, a very high return from by-products and greater efficiency of operation.

The net profit for the year 1949 amounted to \$541,558 as compared with \$279,980 for the year 1948. These results, of course, are after making full provision for Income Tax, which is estimated at \$545,000 for the year 1949. The regular dividend on the Preferred Shares has been paid in respect of the first half of the year, and the dividend in respect of the second half of the year has now been declared, payable March 31, 1950. In future, it will be the policy of your Directors to consider the Preferred Dividend quarterly. A dividend at the rate of 50¢ per share on the Common Shares of the Company, out of earnings for the year 1949, has also been declared payable on March 31, 1950.

The amount provided for depreciation of Fixed Assets was \$245,738, compared with \$264,970 for the previous year. This reduction is due to the fact that some of the Assets have become fully depreciated under the straight line method of depreciation which has been used again this year. It should be noted that, in future, depreciation for tax purposes will be permitted only on the diminishing balance which will mean a considerable reduction in the amount allowed for tax purposes.

Our Plant and Equipment have been maintained in a good state of repair and operating efficiency. An amount of \$129,938 was expended on additions to Fixed Assets during the year, which was less than in 1948, but it is anticipated that considerably higher expenditures will be necessary during 1950 in order to keep up with modern developments.

The Working Capital at the close of the year was \$2,799,129 as compared with \$2,432,083 at the end of 1948, an increase of \$367,046.

Corn from the United States was in good supply during the year, but deliveries of Canadian corn were not up to expectations. However, since the harvesting of the new crop last Autumn, we have been able to buy sufficient Canadian corn to meet our current requirements.

Our sales volume for the year was very satisfactory. It should be pointed out, however, that there is increasing danger of competition from abroad due to the fact that the duty on corn starch was reduced by the Geneva Trade Agreements. A forced reduction in our selling price, plus a drop in volume which might possibly be expected, would have a serious effect on our Margin of Profit and Earnings.

The contribution to the Pension Fund Society, charged to Current Earnings, amounted to \$70,757 for the year. This compares with a figure of \$61,117 for the year 1948 or an increase of \$9,640. The calculation is based on wages and salaries paid for the year and the increase is due to higher scales of wages and salaries and a greater number of days worked. A formal Pension Plan has been under review for some time and is now receiving close study.

Construction of a much needed public school was completed in Cardinal during 1949. This project, to which the Company gave encouragement and support and to which it contributed through an increase in assessment for local taxes, provides Cardinal with a modern educational institution. It is excellently equipped for schoolroom purposes and, in addition, offers facilities for local events, thus extending its usefulness to everyone in the community.

Following the Financial Statements in this Annual Report will be found an illustrated story on the Community of Cardinal which we feel will be of general interest to all shareholders.

Accident Prevention efforts at our Cardinal Plant continue to be most effective. In 1949, for the third successive year, the Plant won the Annual Safety Award in competition with the three plants of our associated Company in the United States. The work of the Safety Committee and all those co-operating with it to achieve this splendid record is indeed commendable.

The Sports and Recreational Programme which has been developed in Cardinal has been sufficiently successful to attract considerable attention throughout the province. This programme, which serves as a useful health measure and an integrating factor in plant-community relations, is whole-heartedly supported by the Company.

It is with great regret that we have to record the resignation of Mr. W. B. Blackader who, due to ill health, felt that he must relinquish some of his outside activities. Mr. Blackader has served as a very loyal and conscientious Director of both this Company and its predecessor, the Edwardsburg Starch Company, for over half a century.

During the year the Company continued to enjoy the excellent relations between management and employees which have existed for so many years. Your Directors wish at this time to extend their appreciation of the loyal service and co-operation of the employees and staff throughout the Company.

The outlook for the first half of 1950 is satisfactory, but at this date it is difficult to forecast conditions for the second half of the year.

On behalf of the Board,



President.

Montreal, 14th March, 1950.

THE CANADA STARCH COMPANY LIMITED AND

CONSOLIDATED

ASSETS

	AS AT 31ST DECEMBER 1949	1948
CURRENT ASSETS:		
Cash	\$ 525,143	\$ 39,716
Accounts receivable, less reserve for doubtful accounts	801,524	899,270
Inventories—valued at the lower of cost or market, except as noted—		
Corn (see note)	\$ 779,296	
Goods in process	118,077	
Finished goods	719,231	
Manufacturing stores and supplies	360,095	
Mechanical supplies and replacement parts	254,814	
	2,231,513	2,450,351
Prepaid insurance and other expenses	29,447	26,160
	3,587,627	3,415,497
INVESTMENT IN WHOLLY OWNED SUBSIDIARY COMPANY:		
Shares—at cost	\$ 200,000	
Less: Amount due to subsidiary	148,333	
	51,667	27,365
FIXED ASSETS:		
Land and water power rights—at cost	\$ 23,915	
Buildings, machinery and equipment—at cost	4,970,308	
	4,994,223	
Less: Reserve for depreciation	3,498,687	
	1,495,536	
Construction in progress	36,176	
	1,531,712	1,688,666
GOODWILL, TRADEMARKS, RIGHTS AND BRANDS	1	1
	\$5,171,007	\$5,131,529

APPROVED ON BEHALF OF THE BOARD:
 G. F. BENSON, JR. }
 de GASPE BEAUBIEN } *Directors.*

This is the Balance Sheet referred to in the Report of the Board of Directors.

Montreal, 20th February, 1950.

CANADA STARCH SALES COMPANY LIMITED

BALANCE SHEET

LIABILITIES

	AS AT 31ST DECEMBER	
	1949	1948
CURRENT LIABILITIES:		
Bank overdraft		\$ 523,157
Bank loan—secured by employees' subscriptions to Canada savings bonds	\$ 24,603	23,181
Accounts payable and accrued expenses	347,946	240,145
Pension fund contribution payable	70,757	61,117
Account payable—affiliated company	5,440	1,867
Sundry taxes payable	18,948	21,064
Income taxes, less amounts paid on account	320,804	112,883
	<u>788,498</u>	<u>983,414</u>
RESERVE FOR FUTURE DEPRECIATION IN INVENTORY VALUES	250,000	250,000
CREDIT ARISING FROM SALE OF FIXED ASSETS TO A SUBSIDIARY COMPANY	17,500	17,500
CAPITAL STOCK AND SURPLUS:		
Capital stock—		
AUTHORIZED—		
32,500 7% non-cumulative preferred shares of \$100 par value	\$3,250,000	
62,500 common shares of \$5 par value	\$ 312,500	
ISSUED AND FULLY PAID—		
30,691 preferred shares	\$3,069,100	\$3,069,100
59,325 common shares	296,625	296,625
	<u>3,365,725</u>	<u>3,365,725</u>
Earned surplus—		
As per attached statement	749,284	514,890
	<u>4,115,009</u>	<u>3,880,615</u>
	<u>\$5,171,007</u>	<u>\$5,131,529</u>

to in our report of this date.

McDONALD, CURRIE & Co.,
Chartered Accountants.

THE CANADA STARCH COMPANY LIMITED
and
CANADA STARCH SALES COMPANY LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	For the years ended 31st December	
	1949	1948
OPERATING PROFIT		
Before deducting the following items—	\$1,639,880	\$ 855,054
Special write down in value of—	
Inventory of corn (see note)	\$ 148,500	
Inventory of mechanical supplies and replacement parts	43,604	
	192,104	
Provision for depreciation of fixed assets	245,738	264,970
Salaries and directors' fees of executive officers and director	73,980	68,030
Fees of other directors	3,520	3,880
Legal fees and expenses	941	6,502
Contribution to Pension Fund Society	70,757	61,117
	587,040	404,499
	1,052,840	450,555
OTHER INCOME:		
Profit on the sale of fixed assets	\$ 5,093	(980)
Dividend from wholly owned subsidiary company	28,400	19,000
Revenue from investments	225	105
	33,718	18,125
	1,086,558	468,680
PROVISION FOR INCOME TAXES	545,000	188,700
NET PROFIT FOR THE YEAR	\$ 541,558	\$ 279,980

() denotes loss.

CONSOLIDATED STATEMENT OF EARNED SURPLUS

	For the years	
	ended 31st December	1948
	1949	1948
OPENING BALANCE		
Preferred dividend paid in respect of prior period	\$ 514,890	\$ 313,391
	214,837	107,418
	300,053	205,973
Net profit for the year	541,558	279,980
Amount transferred from reserve for doubtful accounts	15,091	
Reserve for contingencies and deferred credits as at 31st December, 1947		234,070
Capital surplus as at 31st December, 1947		8,001
Adjustment of income and excess profits taxes in respect of prior years		44,800
	856,702	772,824
Preferred dividend paid in respect of the first half of the year	107,418	
Further provision for future depreciation in inventory values		205,000
Provision for claims by the Department of Transport of the Dominion of Canada for top wharfage in respect of prior years		35,434
Portion of reserve for contingencies and deferred credits now designated as credit arising from sale of fixed assets to a subsidiary company		17,500
	107,418	257,934
	\$ 749,284	\$ 514,890
CLOSING BALANCE		

NOTE TO FINANCIAL STATEMENTS: As at 31st December, 1949 a basic quantity of the inventory of corn was valued at a fixed price which was lower than cost or market and which required a write down of \$148,500.

McDonald, Currie & Co.

Chartered Accountants

ASSOCIATED WITH
SCOVELL, WELLINGTON & CO.
ACCOUNTANTS AND AUDITORS
UNITED STATES OF AMERICA
AND
COOPER BROTHERS & CO.
CHARTERED ACCOUNTANTS
GREAT BRITAIN EUROPE
SOUTH AND EAST AFRICA
SOUTHERN RHODESIA
AUSTRALIA NEW ZEALAND

MONTREAL QUEBEC OTTAWA TORONTO SAINT JOHN
SHERBROOKE VANCOUVER KIRKLAND LAKE MONCTON

TELEPHONE MARQUETTE 8311
CABLE ADDRESS "CURMAC"

507 PLACE D'ARMES
MONTREAL 1

20th February, 1950.

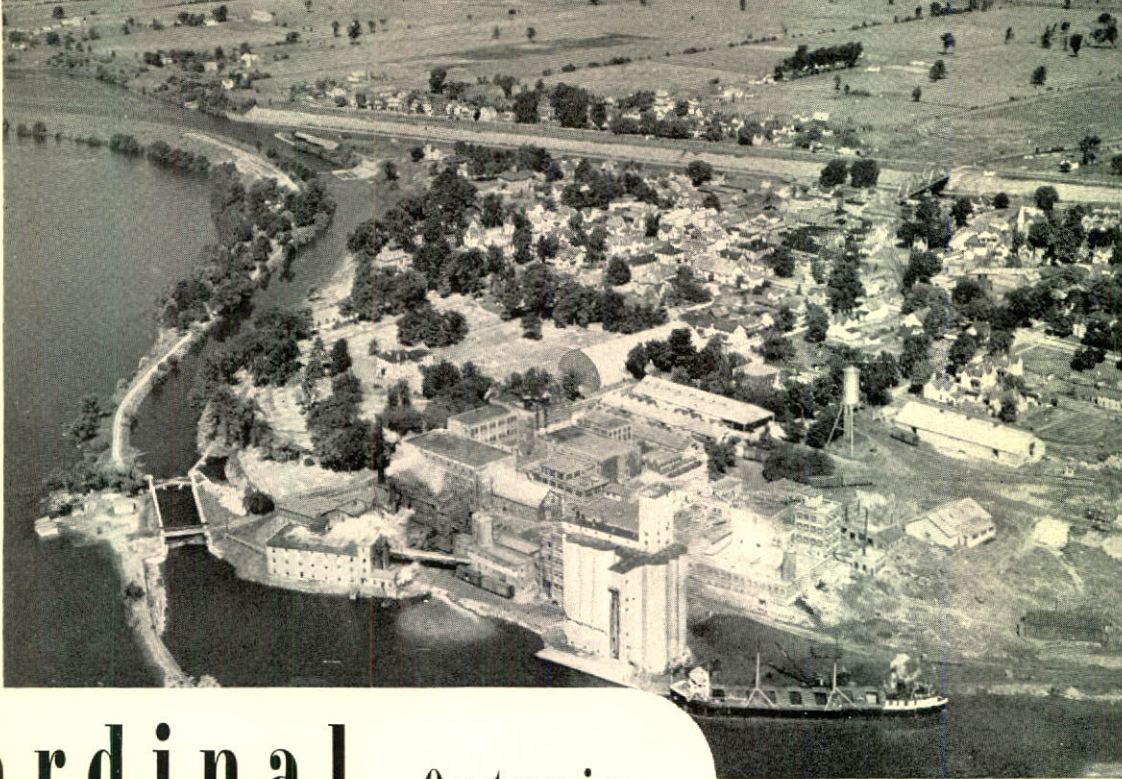
AUDITORS' REPORT TO THE SHAREHOLDERS

We have made an examination of the books and accounts of The Canada Starch Company Limited and of those of Canada Starch Sales Company Limited, a wholly owned subsidiary company, for the year ended 31st December, 1949, and we have obtained all the information and explanations which we have required. 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 accordance with the provisions of Section 114 of The Companies Act, we report that the dividend received from Lakes and St. Lawrence Navigation Company Limited, a wholly owned subsidiary company, and included in the income of the parent company exceeded the profits for the year of the subsidiary company by an amount of \$26,923. Such excess has been paid out of the accumulated profits of the subsidiary company.

We report that, in our opinion, according to the best of our information and the explanations given to us and as shown by the books of the companies, the attached consolidated balance sheet and the accompanying consolidated statements of surplus and profit and loss are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at 31st December, 1949 and of the results of their operations for the year ended on that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except as noted.

McDONALD, CURRIE & CO.,
Chartered Accountants.

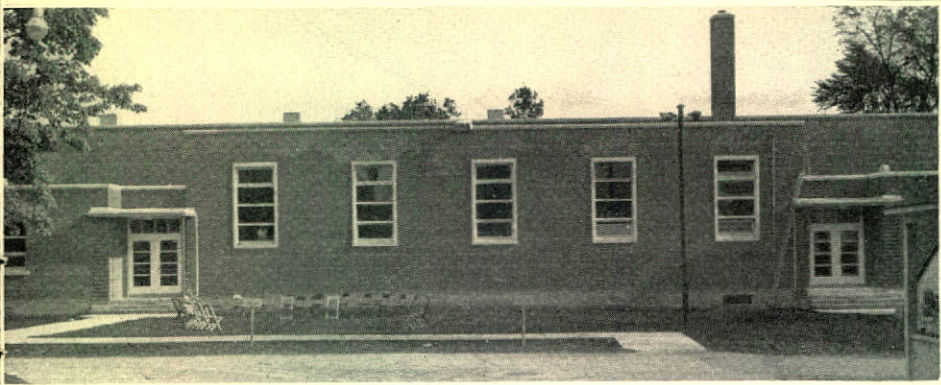


Cardinal, Ontario

To the cartographer, and to the majority of Canadians in this widespread land of ours the Town of Cardinal, Ontario, is nothing more than an unfamiliar name or a tiny dot on a gaily-coloured map. But to many other Canadians—to those associated with The Canada Starch Company, and to the 1,700 citizens of the Town itself—Cardinal is a vibrant, realistic and progressive entity.

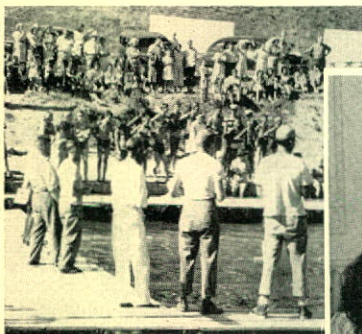
Cardinal and The Canada Starch Company have grown up together and each has benefited greatly from a long and fruitful association. Many, almost a third, of the Town's inhabitants earn their livelihood from the Company's Plant at Cardinal and, in turn, the Company 'works' in various ways for the Town. The end results of this partnership are contentment and happiness, well-being and good-will.

On the following pages we are pleased to present a brief pictorial record of some of the many communal projects and activities to be found in Cardinal. Time and space prevent a more comprehensive representation but we feel certain that from the selection reproduced herein a good idea may be gained of the general tenor of life and achievement in this small, but bustling, progressive Town.



NEW PUBLIC SCHOOL

On Wednesday, September 14th, 1949 an audience of over 1,000 citizens and guests attended the opening of Ontario's new Public School at Cardinal. Officially opened by Hon. Leslie M. Frost, Premier of Ontario, the School is another indication of the character and ambition of the townspeople, and reveals their awareness of the part education plays in building a better community and country. Shown above is one of the four main entrances to this modern school which will house some 325 pupils; and (r), G. F. Benson, Jr., President and General Manager of The Canada Starch Company, in the act of laying the corner stone at the official ceremonies.

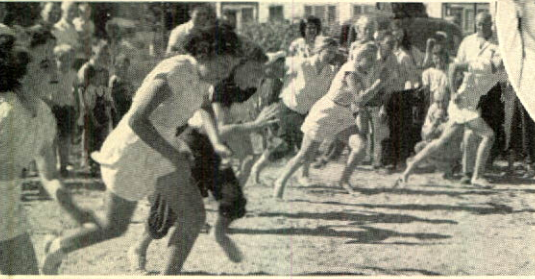


RECREATION

The Cardinal Swimming Team last year competed at the Canadian National Exhibition, besides gracing many regional and Provincial meets. By training and organizing local trials in their own swimming pool, these Cardinal citizens learn and absorb the fundamental tenets of competition and sportsmanship which they will carry into their later years. During the summer months the Cardinal Community Recreation Association, with the co-operation of The Canada Starch Company and the local branch of the Red Cross, employs a Director of Recreation. Among his many duties is the teaching of water safety and life saving.

The Town of Cardinal boasts of one of the finest Baseball fields in Eastern Ontario. Its peppery hockey teams have earned glory and recognition in the circuit leagues, while on hard-packed tennis courts that are maintained and cared for by the community, the people of Cardinal enjoy stimulating physical and social activity. Because the Town realizes the necessity and significance of a balanced life, the outlets for play and recreation come in for deserved attention.





COMMUNITY PICNIC

Each year a Community Committee organizes a Gay Community Picnic for the residents of the town. Replete with parade, floats, games, tournaments, competitions, fireworks, dances and refreshments this picnic is one of the highlights of the year in Cardinal. One theme characterizes the picnic—fun and frolic for one and all. A grand spirit of camaraderie takes hold on this occasion, a spirit that has become so embedded that it has become part and parcel of the relationships in everyday living.

DEVELOPMENTS BY VETERANS

The site of the new Club House of the Cardinal Branch of the Canadian Legion overlooks the broad waters of the beautiful St. Lawrence. Another noteworthy project is the Housing Development on the North side of the Montreal-Toronto Highway, sponsored by the Canadian Corps Association. These projects are designed to contribute in great measure to the community life of the Town and like all communal ventures have the full support of every citizen behind them.





BOARD OF TRADE

Significant of the close co-operation between Town and Industry are these pictures taken when 125 members representing 22 different Boards of Trade visited Cardinal as the guests of The Canada Starch Company. After their tour of the Company's Plant the visitors were entertained by the Cardinal Board of Trade at a dinner prepared by the Cardinal branch of The Women's Institute. In this way, a representative industrial and social picture of the town was revealed to the delighted guests.



CITIZEN'S BAND AND GLEE CLUB

The Cardinal Citizen's Band and Glee Club make up in energy and honesty of purpose what they lack in size. These two groups are the focal points around which all entertainment activities revolve and year after year sees them growing in size, scope and achievement.

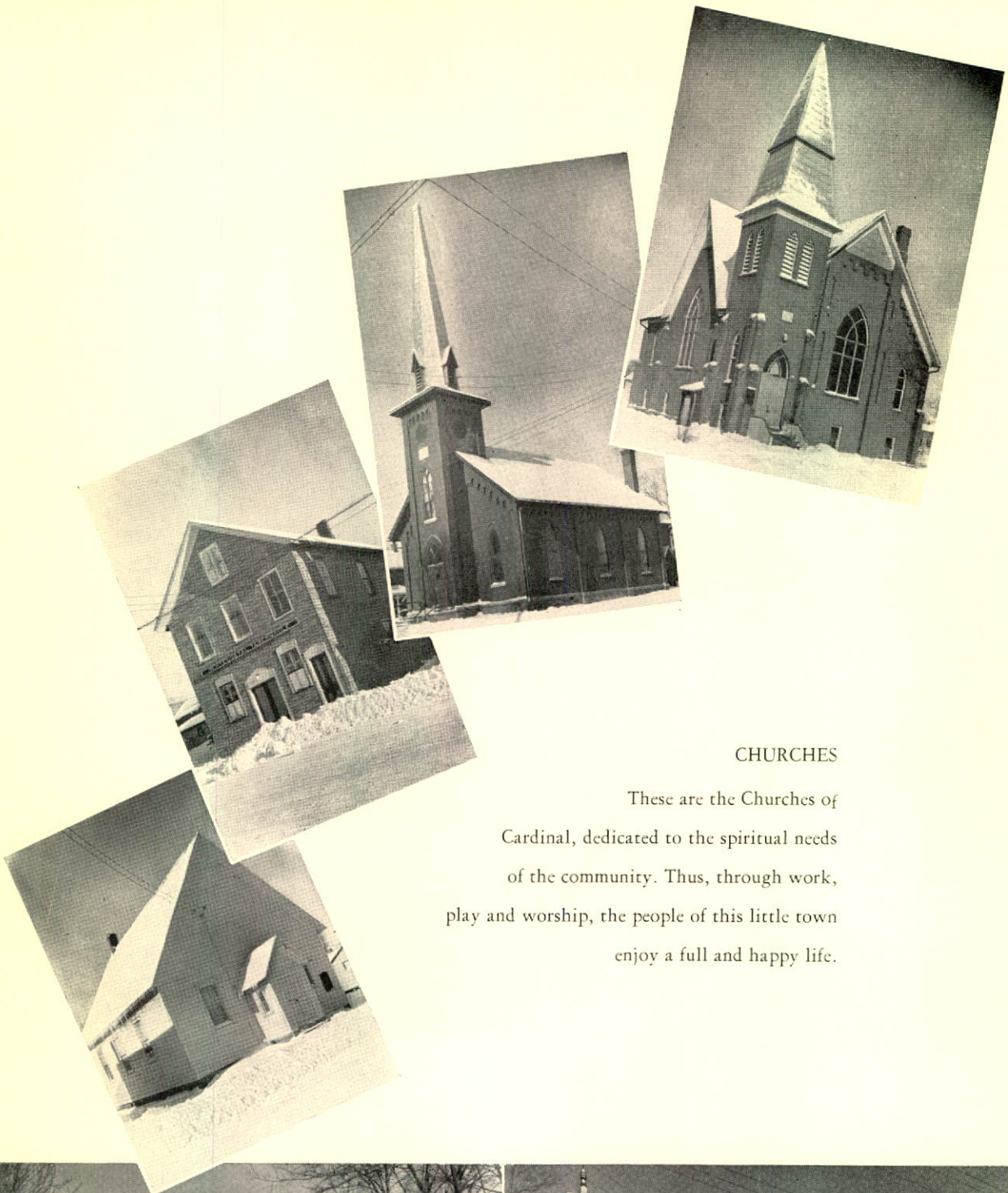
PUBLIC LIBRARY

The Cardinal Public Library now has the largest membership since its organization. Books of many types are to be found here and the stock is steadily augmented by monthly purchases. The Library's facilities are available to all, at an annual membership fee of 5¢!

WOLF CUBS AND BROWNIES

Realizing that today's children are tomorrow's citizens, the Town has conscientiously seen fit to train its youngsters in group play and organization. This effort is Cardinal's contribution to the preparation of its children for the task of communal and business leadership, and for the development in the children of the feelings of responsibility to community and democracy.





CHURCHES

These are the Churches of Cardinal, dedicated to the spiritual needs of the community. Thus, through work, play and worship, the people of this little town enjoy a full and happy life.



