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Stock*

Canada Bread Company Limited

26th *Annual Statement*

June 30th, 1937

BOARD OF DIRECTORS:

C. H. CARLISLE
President

C. W. BAND
Vice-President

A. W. HOLMESTED, K.C.

G. C. LEITCH

C. B. SHIELDS

R. S. WALDIE

A. G. WALWYN

DEC 10 1945

A. V. LOFTUS, General Manager

McGILL UNIVERSITY

CANADA BREAD COMPANY, LIMITED

AND ITS SUBIDIARY

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the Year Ended 30th June, 1937

Profit on operations before charging bond interest, depreciation and income and corporation taxes	\$ 472,479.31	
Interest earned on investments and bank deposits	4,709.38	
		\$ 477,188.69
Deduct:		
Bond Interest	\$ 50,693.50	
Provision for Depreciation of Buildings and Equipment	165,159.06	
Premium Paid on Bonds Redeemed	16,176.53	
Loss on Sale of Real Estate	4,016.66	
		236,045.75
Net Consolidated Profit for the year before charging Income and Corporation Taxes		241,142.94
Deduct:		
Provision for Income and Corporation Taxes		54,251.49
Balance transferred to Surplus Account		\$ 186,891.45

CONSOLIDATED SURPLUS ACCOUNT

For the Year Ended 30th June, 1937

Balance at 30th June, 1936		\$ 75,579.85
Add: Net Consolidated Profit for the year ended 30th June, 1937, after charging provision for Income and Corporation Taxes		186,891.45
		\$ 262,471.30
Deduct:		
Dividends on Preference Shares		
First Preference Shares (5%)	\$ 62,500.00	
Class "B" Preference Shares (5%)	62,500.00	
	\$ 125,000.00	
Additional Income Tax Provision in Respect of Prior Years Operations	7,300.00	
		132,300.00
Balance at 30th June, 1937		\$ 130,171.30

DIRECTORS' REPORT

TO THE SHAREHOLDERS:

Your Board of Directors submit along with this report the Annual Statement of the Canada Bread Company, Limited, and its subsidiary for the year ended June 30th, 1937.

During the year just closed Net Profit, before deduction of Income and Corporation Taxes, amounted to \$241,142.94 in comparison with \$202,893.38 for the year ended June 30th, 1936. This represents an improvement in current earnings of \$38,249.56. After deduction of Income and Corporation Taxes from profits an amount of \$186,891.45 was added to Surplus Account. Total Dividends of \$125,000 have been paid, \$62,500 on the First Preference Shares being at the rate of 5%, and \$62,500 on the Class "B" Preference Shares being at the rate of \$2.50 per share. These, along with Income Tax adjustment of \$7,300 applicable to prior years, comprise a total deduction from Surplus of \$132,300. Surplus Account at June 30th, 1937, accordingly, stands at \$130,171.30, in comparison with \$75,579.85 at June 30th, 1936. Dividends of \$2.50 per share are still in arrears on the Class "B" Preference Stock. These will be liquidated as speedily as profits justify, having in mind the necessity of making adequate provision for bonds maturing and payable in 1941.

Bonded Indebtedness of \$911,300 at June 30th, 1936, was decreased during the year by \$156,400, leaving \$754,900 outstanding at June 30th, 1937. This reduction was effected partially by purchases in the market and partially by calling \$100,000 of bonds for redemption February 1st, 1937. Funds necessary to finance these transactions were provided by a disbursement of \$62,583.96 from the Bond Redemption Fund, together with \$93,816.04 from Current Cash. Notwithstanding withdrawal of the foregoing amounts, Working Capital at June 30th, 1937, stands at \$232,087.75.

During the year Plant and Equipment have been maintained in efficient operation, additional machinery has been added and territories served have been extended. A number of new varieties of product have also been placed on the market. The introduction of our Coronation loaf met with an immediate response from the buying public. This loaf is outstanding in quality and is responsible for added sales. Gretna Slices is another popular variety introduced during the fiscal year. Perhaps no product brought out by Canada Bread has met a more favorable demand. This demand will continue and rapidly expand due to the high and unusual quality of these Slices. Many new varieties of cakes and sweet goods have been added during the year. It is our purpose to keep this department abreast, not only of the Canadian market, but of other countries as well. During the year we had one of our efficiency men inspect the leading baking establishments in the British Isles, France, Germany, Belgium, Holland, Denmark and the United States. Your Company is, accordingly, not only conversant with types and quality of products being manufactured in these countries, but also their methods of manufacturing, selling and packaging. The information gained is necessary if Canada Bread is to give to its customers a product second to none.

From present indications, it would appear that the fiscal year 1937-1938 will be one of higher costs. To maintain the status and earning power of the Company during this period will impose a greater responsibility both on management and employees and will also call for the full co-operation of the shareholders.

We take it that the Directors are expressing the views, not only of the shareholders, but also of the communities in which we operate when we commend our employees in general for their co-operation and excellent service during the past year, and thank them for the part they have taken in building our Company into a better position.

Very truly yours,

C. H. CARLISLE,
President.

CANADA BREAD COMPANY, LIMITED

(Incorporated under the Ontario Companies Act)

AND ITS SUBSIDIARY

CONSOLIDATED BALANCE SHEET AS AT 30TH JUNE, 1937

ASSETS		LIABILITIES	
Cash on Hand and in Banks	\$ 130,738.07	Accounts Payable, Wages and Other Accrued Charges	\$ 216,126.53
Accounts Receivable..\$	209,018.08	Taxes Due and Accrued	57,767.08
Less: Reserve for Doubtful Accounts	50,000.00	Bond Interest Accrued	18,870.00
	159,018.08	Dividends on Preference Shares— Payable 2nd July, 1937	34,375.00
Inventories of Ingredients, Fin- ished Products and Supplies, as determined and certified by the management, valued at the lower of cost or market	160,278.57		\$ 327,138.61
Bonds guaranteed by the Domin- ion of Canada—at cost (Market Value, \$107,525)	109,191.64	Deposits by Salesmen	\$ 70,613.38
	\$ 559,226.36	Less: Cash and Government Bonds held in trust	70,613.38
Mortgages Receivable	20,199.80	First Mortgage 6% Sinking Fund Gold Bonds, due 1941, Issued Less Redeemed	754,900.00
Buildings and Equipment—at cost..	\$4,813,099.43	Capital:	
Less: Reserve for Depreciation..	2,611,996.86	Authorized and Issued—	
	\$2,201,102.57	12,500 Cumulative Redeemable First Preference Shares of \$100 each, redeemable at \$110 per share, entitled to cumulative dividends at 5% per annum to 1st July, 1941, and 6% per annum thereafter	\$1,250,000.00
Land—at cost, less amounts writ- ten off	381,184.82	25,000 5% Cumulative Partici- pating Redeemable Class "B" Preference Shares of \$50 each, redeemable at \$100 per share (Note: Divi- dends in arrears from 1st July, 1936)	1,250,000.00
	2,582,287.39	200,000 Common Shares of no par value	25,000.00
Prepaid Insurance, Taxes and Other Charges	75,496.36		\$2,525,000.00
Goodwill (less amounts written off)	500,000.00	Earned Surplus—as per statement attached	130,171.30
			2,655,171.30
	<u>\$3,737,209.91</u>		<u>\$3,737,209.91</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have made an examination of the balance sheet of Canada Bread Company, Limited, and its subsidiary, as at 30th June, 1937, and of the statements of profit and loss and surplus for the year ended on that date. In connection therewith, we examined or tested the accounting records of the Head Office of the Company and those of certain branches and we obtained all the information and explanations we required from the Company's officers and employees; the accounts of the remaining branches are incorporated from the signed returns verified by the Company's staff auditor. We also made a general review of the accounting methods and of the operating and income accounts for the year but we did not make a detailed audit of the transactions.

We report that in our opinion based upon our examination and upon the report furnished to us by the Company's staff auditor, the accompanying balance sheet and related statements of profit and loss have been drawn up in accordance with accepted principles of accounting and on a basis consistent with the preceding year, so as to exhibit a true and correct view of the state of the Company's affairs as at 30th June, 1937, and of the results of its operations for the year, according to the best of our information and the explanations given to us and as shown by the books.

Toronto, Canada,
23rd July, 1937.

CLARKSON, GORDON, DILWORTH & NASH,
Chartered Accountants.