

ANNUAL REPORT
OF
CANADA BREAD COMPANY
LIMITED

1941

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McGILL UNIVERSITY

CANADA BREAD CO., LIMITED
Head Office 224 Davenport Road, Toronto

BOARD OF DIRECTORS

C. H. CARLISLE

A. W. HOLMESTED, K.C.

G. C. LEITCH

A. V. LOFTUS

C. B. SHIELDS

R. S. WALDIE

A. G. WALWYN

OFFICERS

C. H. CARLISLE
PRESIDENT

R. S. WALDIE
VICE-PRESIDENT

A. V. LOFTUS
GENERAL MANAGER

W. S. ANTLIFF
Secretary-Treasurer
and
Asst. General Manager

L. F. ENRIGHT
Asst. Secretary-Treasurer

Directors' Report to Shareholders

FOR THE FISCAL YEAR ENDING
JUNE 30th, 1941

The earned profit on the year's operation, before charging bond interest, depreciation, income and corporation tax, was \$494,021, as compared with \$523,296 a year ago. Costs were much higher in the current year than in the previous year, with the result that the net addition to surplus for the current year is \$20,027.46, as compared with \$72,363.86 a year ago. The addition to the current year's surplus comprises \$14,964.63 from operating profit, and \$5,062.83 from investment income. Revenue received during the fiscal year, exclusive of revenue from investments, was \$7,607,974.40. The following breakdown of how this revenue was disbursed may be informative:

		%	Per \$1,000
Ingredients and Wrapping	\$3,365,920.35	44.2	442.00
Wages	2,571,149.66	33.8	338.00
Supplies	1,017,601.08	13.4	134.00
		91.4	914.00
Taxes (Municipal, Sales, Corporation and Income)	179,908.34	2.4	24.00
Advertising	74,520.86	1.0	10.00
Depreciation	226,585.54	3.0	30.00
		97.8	978.00
Bond Interest	32,323.94	.4	4.00
Dividends	125,000.00	1.6	16.00
Operating Profits added to Surplus	14,964.63	.2	2.00
	\$7,607,974.40	100.0	1,000.00

Out of the year's operation, you will notice that the net profit carried forward to surplus is two-tenths of one percent. This becomes more striking as there was a very substantial gain in sales volume as compared with last year. In August, 1939, the price of wheat was 53c per bushel. At the present time wheat is selling for 75c per bushel, plus a tax of 15c, making a total of 90c, or an increase of 37c per bushel. During this period conditions existed which made it inadvisable to make a general increase in sales prices.

The results can better be shown by a comparison of net unit profits—the unit being equal to one loaf of bread:

Unit profit for the year 1939.....	1/2c
Unit profit for the year 1940.....	1/4c
Unit profit for the year 1941 (current year).....	1/7c

Due to the conditions growing out of the present war, our Government found it necessary to establish certain controls and to fix certain prices of ingredients used in our products, but failed to give any protection to selling prices. No patriotic individual, company or institution chooses to make an excessive profit when the country is at war, but it is patriotic to see to it that when we enter post-war conditions, the industries of the country are basically sound, and in a position to carry on. This is necessary, not only for the protection of the Company itself, but for the protection of the employees and for the Government as a source of tax revenue. Without undue delay there should be an equitable selling price established, based on the cost of production, whereby the industry may be self-sustaining and take its place in the reconstruction period.

THE SIX-YEAR PERIOD SINCE THE RE-ORGANIZATION OF YOUR COMPANY

Owing to August 1st next being the due date of payment of the outstanding bonds of your Company, it may not be inappropriate to review the operations of your Company since its re-organization.

The re-organization of your Company was not the repudiation of debts or obligations in any sense, but the re-arrangement of capital stock to a better relation to the assets of the Company, and which resulted in a yearly saving to your Company of \$137,500. At the beginning of the period referred to, there were outstanding bonds of \$940,400. The balance of these bonds will be liquidated on due date, August 1st, without public financing. This leaves your Company free of any fixed indebtedness.

Your Company owned properties that served no useful purpose in its operations; they were a liability instead of an asset. These properties have been liquidated at a loss to your Company of \$126,641.47, which does not include interest, taxes, etc., over a period of many years. Your Company now is free from any property that is not a real asset to your Company.

During the period under review, your Company has shown each and every year a satisfactory increase in its business, the total being 48%. The average yearly net profit was \$228,300.86; this compares with a material loss for each of the years 1933 and 1934.

Your Company has maintained quality of product. It has developed many new lines of product. It has kept constantly in touch with the best methods of baking and the best baking products produced in the United States. It has endeavored to give an adequate service. Its plants are in excellent condition. It operates sixty-eight plants and depots from Montreal to Winnipeg. It is not deemed to be in the interest of the Company to make further expansions or capital expenditures during the period of the war.

We sincerely congratulate and commend all the employees, including executives, for their efficient and united work, which work has become more difficult and arduous, due to war conditions.

On behalf of the Board of Directors,

Respectfully yours,

C. H. CARLISLE,
President.

CANADA BREAD CO.

(Incorporated under the

AND ITS WHOLLY

CONSOLIDATED BALANCE SHEET

AS AT 30th JUNE, 1941

ASSETS

Cash on hand and in banks.....		\$ 139,915.32
Call loan		200,000.00
Dominion of Canada 3% Victory bonds due 1951—\$50,000 par value, at cost		50,000.00
Accounts receivable less reserve for doubtful accounts.....		203,372.08
Inventories of ingredients, finished products and supplies, as determined and certified by the management, valued at not more than the lower of cost or market		247,092.23
		<u>\$ 840,379.63</u>
Mortgages receivable		18,419.80
Buildings and equipment—at cost.....	\$5,112,455.20	
Less reserve for depreciation	2,753,789.58	
	<u>\$2,358,665.62</u>	
Land—at cost	341,465.64	2,700,131.26
Prepaid insurance, taxes and other charges.....		89,496.49
Goodwill (less amounts written off).....		500,000.00
		<u>\$4,148,427.18</u>

LIABILITIES

Accounts payable, wages and other accrued charges.....		\$ 355,204.99
Reserve for taxes (including income and excess profits taxes).....		108,405.37
Bond interest accrued		15,760.00
Dividends on preference shares—payable 2nd July, 1941.....		31,250.00
		<u>\$ 510,620.36</u>
Deposits by salesmen	\$ 71,744.23	
Less cash and government bonds held in trust.....	71,744.23	
	<u></u>	
First mortgage 6% sinking fund gold bonds, due 1st August, 1941:		
Issued less redeemed	\$ 630,400.00	
Less held for redemption	101,700.00	528,700.00
	<u></u>	
Reserve for contingencies—after deduction made during the year		85,000.00
Capital:		
Authorized and issued—		
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	
25,000 5% Cumulative participating redeemable Class "B" preference shares of \$50 each, redeemable at \$100 per share	1,250,000.00	
200,000 Common shares of no par value.....	25,000.00	
	<u>\$2,525,000.00</u>	
Earned surplus—as per statement attached.....	499,106.82	3,024,106.82
		<u>\$4,148,427.18</u>

COMPANY, LIMITED

(Ontario Companies Act)

DOWNED SUBSIDIARY

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30th JUNE, 1941

Profit on operations before charging bond interest, depreciation and income, excess profits and corporation taxes.....	\$ 494,020.86	
Add interest earned on investments and bank deposits.....		5,062.83
		<u>\$ 499,083.69</u>
Deduct:		
Bond interest	\$ 32,323.94	
Provision for depreciation of buildings and equipment.....	226,585.54	
Premium paid on company's bonds purchased for redemption	146.75	259,056.23
		<u>\$ 240,027.46</u>
Deduct provision for income, excess profits and corporation taxes.....		95,000.00
		<u>\$ 145,027.46</u>

CONSOLIDATED SURPLUS ACCOUNT

FOR THE YEAR ENDED 30th JUNE, 1941

Balance at 30th June, 1940.....	\$ 479,079.36	
Add net consolidated profit for the year ended 30th June, 1941.....		145,027.46
		<u>\$ 624,106.82</u>
Deduct:		
Dividends on preference shares:		
First preference shares—5%.....	\$ 62,500.00	
Class "B" preference shares—5%.....	62,500.00	125,000.00
		<u>\$ 499,106.82</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have made an examination of the foregoing consolidated balance sheet of Canada Bread Company, Limited, and its subsidiary as at 30th June, 1941 and of the consolidated statements of profit and loss and surplus for the year ended on that date. In connection therewith, we examined or tested accounting records of the head office of the company and of its subsidiary and of certain of the principal branches. 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. The accounts of all branches are examined periodically by the company's staff auditor.

We report that in our opinion, based upon our examination and upon the report furnished to us by the company's staff auditor, the foregoing consolidated balance sheet and related statements of profit and loss and surplus have been drawn up in accordance with accepted principles of accounting and on a basis consistent with that of the preceding year, so as to exhibit a true and correct view of the state of the companies' affairs as at 30th June, 1941, and of the results of their operations for the year, according to the best of our information and the explanations given to us and as shown by the books and branch statements. All our requirements as auditors have been complied with.

Toronto, Canada,
24th July, 1941.

CLARKSON, GORDON, DILWORTH AND NASH,
Chartered Accountants.

Canada Bread Products

comprise a choice

of

22 varieties of WHITE LOAVES

14 varieties of BROWN LOAVES

15 varieties of ROLLS

13 varieties of TARTS AND CUP CAKES

12 varieties of PIES

27 varieties of COOKIES

33 varieties of COFFEE CAKES

9 varieties of DOUGHNUTS

62 varieties of CAKES

5 varieties of POPCORN AND POTATO CHIPS

and

A WIDE CHOICE OF

BIRTHDAY, ANNIVERSARY AND WEDDING
CAKES

All products are made from first quality ingredients and completed by skilled craftsmen who take a sincere pride in preparing a variety of baked goods unexcelled in quality.

Our Standard For Thirty Years


"The Quality Goes In Before The Name Goes On"

Canada Bread Factories

Brantford	Ontario	Montreal	Quebec
Cornwall	Ontario	Ottawa	Ontario
Galt	Ontario	Sarnia	Ontario
Guelph	Ontario	Toronto—Avenue Road.....	Ontario
Hamilton	Ontario	—Bloor St.	Ontario
Kingston	Ontario	—Danforth Ave.	Ontario
Kirkland Lake	Ontario	Windsor	Ontario
London	Ontario	Winnipeg	Manitoba

Quantities of Major Ingredients and Supplies Used During the Year

Flour	- - - - -	67,200,000 lbs. milled from 1,550,000 bushels of wheat
Sugar	- - - - -	4,400,000 lbs.
Shortening	- - - - -	2,950,000 lbs.
Milk	- - - - -	1,475,000 lbs.
Eggs	- - - - -	630,000 doz.
Yeast	- - - - -	750,000 lbs.
Fruits	- - - - -	1,570,000 lbs.
Gasoline	- - - - -	540,000 gals.
Oats	- - - - -	66,000 bu.



Our Policy,

Quality of product

Diversity of product

Service to customers

Sound Business Ethics

Competitive Prices

Co-operation with
the Industry

CANADA BREAD COMPANY LIMITED

C.H. Carlisle
President

A.V. Loftus
General Manager



ART IN BAKING