

Standard Chemical Company Limited

TENTH
ANNUAL
REPORT



March 31st
1921

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Standard Chemical Company
Limited

ANNUAL STATEMENT

(FOR FIFTEEN MONTHS ENDING MARCH 31ST, 1921.)

DIRECTORS:

L. M. WOOD, Chairman.
DAVID GILMOUR, President.
M. L. DAVIES, Vice-President.
HON. WALLACE NESBITT, K.C.
MALCOLM H. ROBINSON.
W. J. SHEPPARD.
WILLIAM THOMSON.
J. B. TUDHOPE, M.P.
W. H. OLIVER.

Standard Chemical Company Limited

TO THE SHAREHOLDERS:—

Your Directors beg to submit their tenth report and balance at 31st March, 1921, together with profit and loss statement for fifteen months ending 31st March, 1921.

The profit from operations is shown to have been \$340,327.79, and against this there remain to be charged the items set forth amounting to \$507,295.33, resulting in a deficit of \$166,967.54.

Depreciation reserve has been taken at \$200,000. Close estimates of the residual life of each plant have now been made and the deduction shown is in accordance with the requirements. The payment of interest on debentures accounted for \$58,558.70, while interest on bank loans and loss on exchange came to \$10,675.60.

Heavy repairs to plants to maintain them in an efficient working condition accounted for \$140,630.07. In future these charges will be met out of a special reserve which is now being gradually set up for the purpose, so that their incidence may not fall too severely on any one year's profits.

The amount of \$97,430.96 is for changes in Refinery processes, of which there have been a number. Important amongst them has been the alteration and re-arrangement of the distilling plant whereby pure methyl alcohol can now be produced in quantity, thereby enhancing the average value of the combined grades.

For many years past inventories of finished and partly finished products, coal, stores and packages have been carried at conservative values in relation to cost price. The collapse of prices has necessitated a large reduction in the values of these to meet which and bring them again into line with the market outlook an amount of \$275,000. has had to be taken out of profits.

The total liabilities have been reduced by \$264,909.48, embracing a reduction of \$200,000. in bank loans, and the ratio of current assets to current liabilities, which at the date of last report stood at 2.75 to 1, has improved to 3.20 to 1 at the present time.

During the 15 month period covered by the accounts 107,490 cords of wood were carbonized and the value of sales amounted to \$4,984,000. The charcoal market keeps firm and practically the whole of the production was disposed of to domestic users. Formalin sales in Western Canada fell off considerably this spring compared with former seasons. The market for hardwood lumber as in most other commodities has shrunk to small dimensions. During the last six months there has been practically no market for acetate of lime, and realization prices have fallen below production cost and remain there. Owing to changes introduced by the Government in the denaturing regulations much of the former usage of methyl alcohol in Canada has disappeared. This will be compensated to a large extent by the plant modifications previously referred to, through which the Company is now able to produce pure methyl alcohol, a grade the use of which is quite outside of denaturing purposes,

and for which there is a good and certain market under normal trade conditions.

Germany having at last been compelled to meet the Treaty obligations, there is now some prospect of getting the Refinery at Worms into action again unless further political complications should intervene. Conditions affecting the Company's interests in France remain much the same as in 1919. The Company's activity and prosperity depends mainly on that of European industries, as Canada is but a small consumer of wood products other than charcoal. Export markets at the moment have diminished almost to vanishing point. A movement has lately been instituted by the wood distillation industry in the U. S. A. to place tariff restrictions on Canadian wood chemicals.

In order to avoid undue accumulation of products, only about 30 per cent of the Company's crude plant capacity is being operated, and this condition is likely to prevail for some time. A healthy, stable condition cannot arise until after the great accumulation of natural and synthetic products at present available throughout the world has been liquidated, which may take a year or more to do.

With a view to counteracting the effect of the fluctuations to which the wood distillation industry appears liable, it had been hoped to do something towards developing other products cognate to those which the Company already manufactures, but the stringency in the industrial and money markets must necessarily defer all such intentions until resources are available for such a policy.

During the period of high prices at the middle of last year, the cost of stores, coal, and other raw materials soared upwards and in the reaction these items did not decline at anything like a rate in keeping with the fall in selling prices of the Company's products. The result has been that much of the working profit made in the earlier period was offset by losses later on.

In common with practically every industry, the Company is passing through a period of depression both as regards volume of business and selling prices of commodities. The last nine months has been a time of considerable anxiety owing to the violent disturbances which appeared in all fields of chemical activity.

The outlook at present is extremely difficult to gauge. All that can be said at this time is that the accounts show that a very trying period has been negotiated, and that the Company's present financial condition combined with the advances in technical processes already established point to its ability to benefit quickly from any forward movement in trade conditions.

The present stagnation in buying prevents the Company from deriving the full benefit of the improvements in plant economy and efficiency which had to be undertaken last year as a first essential to its success in the competition which lies ahead. They were vitally important to the future of the concern, and the results so far achieved have amply justified the cost. Their effectiveness on profit earning will show up in their proper light when trade ultimately recovers.

DAVID GILMOUR,
President.

TORONTO, May 19th, 1921.

STANDARD CHEMICAL

CONSOLIDATED BALANCE SHEET,

ASSETS.

LAND, TIMBER LIMITS, PLANT AND EQUIPMENT:		
Balance, January 1, 1920	\$3,970,821.21	
ADD: Net additions for fifteen months.....	3,629.90	
	\$3,974,451.11	
DEDUCT: Reserve for Depreciation of Plant.....	1,116,689.82	\$2,857,761.29
GOODWILL		1,870,724.51
INVESTMENTS		68,616.65
SINKING FUND CASH, ETC.		6,421.21
INVESTMENT IN AND ADVANCES TO AGENCIES in France and Germany, in addition to \$78,461.61 in- vested in Plants subject to adjustment.....		85,891.67
CURRENT ASSETS:		
Inventories (as certified by responsible officials):		
Cordwood, less reserve.....	\$ 651,637.94	
Finished and partly finished products, raw materials, etc., after making provi- sion for decline in market values.....	965,176.42	
	\$1,616,814.36	
Accounts Receivable, less reserve	298,567.39	
Working Funds	15,722.87	
Cash on hand and in bank.....	10,960.89	
	1,942,065.51	
PREPAID INSURANCE PREMIUMS, ETC.		49,004.30
		\$6,880,485.14

We have examined the Books and Accounts of the Standard Chemical Company, Limited, and its Subsidiary Companies for the fifteen months ending March 31, 1921, and we have obtained all the information and explanations which we required; and we certify that the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the financial position of the combined Companies at March 31, 1921, according to the best of our information and the explanations given to us and as shown by the Books of the Companies.

PRICE, WATERHOUSE & COMPANY,

Chartered Accountants.

MONTREAL, May 18th, 1921.

APPROVED ON BEHALF OF THE BOARD:

L. M. WOOD, Director.

DAVID GILMOUR, Director.

COMPANY, LIMITED

MARCH 31ST, 1921

LIABILITIES.

CAPITAL STOCK:

Authorized—7% Cumulative Preferred..... \$3,750,000.00
 Common..... 1,250,000.00

\$5,000,000.00

Issued—7% Cumulative Preferred..... \$3,602,700.00
 Common..... 1,250,000.00

\$4,852,700.00

FUNDED AND MORTGAGE DEBT:

First Mortgage 5% Debenture Stock £200,000... \$ 973,333.32
 LESS: Purchased and held by Trustee..... 332,232.70

\$ 641,100.62

First Mortgage 6% Gold Bonds of
 Laurentian Chemical Co., Ltd.. \$ 100,000.00

LESS: Purchased and
 held by Company \$3,000.00
 Purchased and
 held by Trustee.. 18,000.00

21,000.00

79,000.00

First Mortgage 4% Debentures of Wood Products
 Company, Limited..... 222,500.00
 Mortgage on Parry Sound Properties..... 13,500.00

956,100.62

DEFERRED LIABILITY:

Canada Land Immigration Company payable over
 two and one-half years..... 25,000.00

CURRENT LIABILITIES:

Loans from Banks (secured under Section 88 of the
 Bank Act)..... \$ 225,000.00

Accounts Payable, Accrued Interest, etc..... 362,178.12

Reserve on account of Canadian Government
 Taxes..... 19,044.88

606,223.00

RESERVES:

For Foreign Investments and Contingencies..... 302,181.77

SURPLUS:

As per statement attached..... 138,279.75

\$6,880,485.14

CONTINGENT LIABILITY:

For Bills under Discount..... \$ 94,896.52

Standard Chemical Company

Limited

and Subsidiary Companies

STATEMENT OF PROFIT AND LOSS

FOR

FIFTEEN MONTHS ENDING MARCH 31, 1921

PROFITS FROM OPERATIONS of Standard Chemical Company, Limited, and Subsidiary Companies after providing for decline in market values of inventories and for Contingencies, but before charging Interest, Depreciation, etc., as under.....		\$ 340,327.79
DEDUCT:		
Special repairs to Crude Factory plants and Railroads.....	\$ 140,630.07	
Alterations to and rearrangement of Refinery Plant and Processes.....	97,430.96	
Depreciation of Buildings, Plants, etc.....	200,000.00	
Interest on Outstanding Debentures.....	58,558.70	
Interest on Bank Loans, etc.—		
Standard Chemical Co., Limited.....	\$ 9,050.95	
Wood Products Co., Limited..	1,624.65	
	10,675.60	507,295.33
Loss for the year.....		166,967.54
Surplus, January 1, 1920.....		305,247.29
Surplus, March 31, 1921, carried to Balance Sheet		<u>\$ 138,279.75</u>

