
**STANDARD CHEMICAL
COMPANY LIMITED**

**TWENTY-NINTH
ANNUAL REPORT**

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STANDARD CHEMICAL COMPANY Limited

ANNUAL STATEMENT For Twelve Months Ending March 31st, 1940

DIRECTORS

L. M. WOOD	- - -	Chairman
R. M. SEDGEWICK	- -	Vice-President and Treasurer
A. F. COOPER	- - -	Vice-President in Charge of Lumber Operations
O. A. HUTTON	- - -	Vice-President in Charge of Production

M. L. DAVIES
ROBERT FLEMING
E. JAMES BENNETT
L. C. McCLOSKEY
E. M. PEDWELL

Secretary, G. MILLWARD

Head Office:
67 Yonge Street, Toronto, Ont.

Standard Chemical Company

Limited

To the Shareholders:

Your Directors present herewith the Twenty-Ninth Annual Report and Financial Statements, for the year ended March 31st, 1940, together with the Report of the Company's Auditors, Messrs. Price, Waterhouse & Co.

The gross earnings from operations for the year amounted to \$93,130.18. After providing \$17,500.00 for Depreciation and \$18,300.00 Reserve for Income Taxes the Net Profit was \$57,330.18.

Having regard to the decline in prices which may occur at the end of the war your Directors have considered it in the interests of the Shareholders to prepare for that emergency. They have, therefore, commenced to build up an "Inventory Reserve" against the cordwood and lumber inventory by setting aside the sum of \$15,000.00 for that purpose, which amount was provided before arriving at the gross earnings. Before providing for this reserve the actual improvement in operating results for the year was \$38,710.28. The results as printed in Statement of Profit and Loss are an improvement of \$23,710.28 in operating results and \$16,910.28 in net profit.

The sales for the year amounted to \$1,684,197.43, an increase of \$278,115.88 over the preceding year.

The results for the year are considered to be very satisfactory and all departments of your Company's operations show an improvement. This came about because of a general upturn in business throughout the year, augmented in the last six months by war activities which created an increased demand for your Company's products.

The manufacturing plants and equipment were maintained in good order, the cost thereof being charged, as usual, to operations.

You were advised in our report a year ago that Mr. J. L. Hault had been elected President of the Company. Unfortunately, because of a serious illness, Mr. Hault had to relinquish this office as well as his seat on the Board of Directors and revert to his former position as Sales Manager of the Company.

Mr. Hault was succeeded on the Board of Directors by Mr. O. A. Hutton who for many years has been Manager of the Company's Refinery in Montreal.

The office of President has not been filled but in lieu thereof a Supervisory Committee was set up consisting of Mr. E. James Bennett, Chairman, Mr. L. M. Wood and Mr. L. C. McCloskey.

Your Directors again record their appreciation of the loyal services of the staff and all the employees of your Company.

An interim Dividend of Fifty Cents per Share for the year was paid on April 15th and a final Dividend of Seventy-Five Cents per Share has been declared payable on July 15th to Shareholders of record on June 15th, making the total disbursement for the year under review One Dollar and Twenty-Five Cents per Share.

On behalf of the Board,

L. M. WOOD,
Chairman.

Toronto, June 1st, 1940.

AUDITORS' REPORT TO THE SHAREHOLDERS OF STANDARD CHEMICAL COMPANY LIMITED

We have examined the consolidated balance sheet of Standard Chemical Company Limited and subsidiary companies (exclusive of Wood Products Company, Limited) as of March 31 1940 and the consolidated statement of profit and loss for the year then ended and have obtained all the information and explanations we have required. In connection therewith we examined or tested accounting records of the companies and other supporting evidence but our examination of the detail transactions was confined to limited tests thereof.

In accordance with section 114 of The Companies Act 1934 we report that since the investment in the capital stock of and advances to its subsidiary Wood Products Company, Limited have been written down on the books of Standard Chemical Company Limited to \$1.00, it has not been considered necessary to record further losses of Wood Products Company, Limited in the accounts of the parent company.

We report that the attached consolidated balance sheet and related consolidated statement of profit and loss are, in our opinion, properly drawn up so as to exhibit a true and correct view of the state of the affairs of the combined companies as of March 31 1940 and of the results from operations for the year ending on that date, according to the best of our information and the explanations given to us and as shown by the books of the companies.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

May 31st, 1940.

Standard Chemical Company Limited

And Subsidiary Companies
(Exclusive of Wood Products Company, Limited)

Consolidated Balance Sheet, March 31st, 1940

ASSETS

CURRENT ASSETS:

Cash on Hand and in Banks	\$	83,807.95
Working Funds		11,205.77
Accounts Receivable, less Reserve		237,736.65
Inventories, determined from the records of the Company in the case of cordwood and by physical inspection in the case of other stocks, valued on the bases indicated:		
Finished and partly finished products, at estimated cost	\$157,360.65	
Purchased products and sundry supplies, at or below cost	104,014.36	
Cordwood and lumber (cordwood at approximate cost including advances, and other expenditures on logging operations; lumber at estimated realizable value less allowances for selling and delivery expenses and profit) less reserve..	563,683.20	825,058.21
		\$1,157,808.58

INVESTMENTS:

Dominion of Canada bonds, at cost and accrued interest (market value \$10,980.00)	\$	10,742.65
Sundry investments, at cost, less amounts written off		3,502.00
Wood Products Company, Limited: a wholly owned subsidiary		1.00
	\$	14,245.65

FIRE INSURANCE FUND INVESTMENTS:

Dominion of Canada and Canadian National Railway bonds, at cost and accrued interest (market value \$69,511.00)		67,908.02
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UNEXPIRED INSURANCE PREMIUMS, PREPAID TAXES, etc.

7,237.28

FIXED ASSETS:

Land, Timber Limits, Plant and Equipment on the basis of depreciated values as at March 31, 1927, as determined by the management, plus the cost of subsequent additions and less amounts written off for amortization, etc.....	\$767,942.79	
LESS: Reserve for depreciation of plant.....	297,500.00	
	470,442.79	
		\$1,717,642.32

Standard Chemical Company Limited

And Subsidiary Companies
(Exclusive of Wood Products Company, Limited)

Consolidated Balance Sheet, March 31st, 1940

LIABILITIES

CURRENT LIABILITIES:

Accounts Payable and Accrued Liabilities.....	\$170,821.98	
Taxes Payable and Accrued	24,601.13	
Dividend Payable, April 15th, 1940	18,638.50	
		\$ 214,061.61

FIRE INSURANCE FUND 67,908.02

RESERVE FOR CONTINGENCIES 24,154.71

(A charge of \$1,279.18 was made to this reserve during the year in respect of a reduction in the book value of sundry investments)

CAPITAL:

Capital Stock:

Authorized—38,750 shares without nominal or par value, of which 37,277 shares are issued fully paid \$1,301,549.95

Note: 554 2/10 of the above shares are held by the Trust Company, to be exchanged for 7% Cumulative Preferred and Common shares not yet surrendered.

Earned Surplus from April 1st, 1937:

Balance as at April 1st, 1939.... \$ 89,914.85

ADD: Net Profit for the Year
Ending March 31st, 1940..... 57,330.18

\$147,245.03

DEDUCT: Dividends 37,277.00

\$ 109,968.03
1,411,517.98

APPROVED ON BEHALF OF THE BOARD:

L. M. WOOD, Director.

R. M. SEDGEWICK, Director.

\$1,717,642.32

Standard Chemical Company Limited

And Subsidiary Companies

(Exclusive of Wood Products Company, Limited)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the Year Ending March 31st, 1940

Operating Profit for the year before deducting the undernoted charges, and after providing a special inventory reserve of \$15,000.00		\$150,432.34
Income from Investments	\$ 2,374.51	
LESS: Portion applicable to Fire Insurance Fund	2,321.74	52.77
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		\$150,485.11
DEDUCT: Amounts written off railway construction accounts, sawmill, timber limits, etc., and charges in connection with re-valuation of miscellaneous equipment	\$24,912.12	
Remuneration of Executive Officers.....	29,361.16	
Directors' Fees	1,583.32	
Legal Fees	1,498.33	\$ 57,354.93
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Profit before providing for Depreciation of Plants and for Income Taxes		\$ 93,130.18
DEDUCT: Provision for Depreciation of Plants		17,500.00
		<hr/>
Profit before providing for Income Taxes.....		\$ 75,630.18
DEDUCT: Provision for Income Taxes		18,300.00
		<hr/>
NET PROFIT FOR THE YEAR		<u><u>\$ 57,330.18</u></u>

