

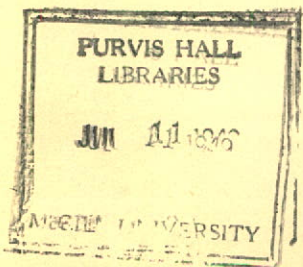
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Standard Chemical



THIRTY-EIGHTH ANNUAL REPORT

MARCH THIRTY-FIRST, NINETEEN HUNDRED AND FORTY-NINE



Standard Chemical Company, Limited

ANNUAL STATEMENT

For Twelve Months Ended March 31st, 1949

DIRECTORS

*W. E. PHILLIPS

Chairman of the Board

*ROBERT FLEMING J. A. McDOUGALD

W. N. HALL *ARTHUR H. MARTIN

HUGH MACKAY ALLAN MILLER

*M. W. McCUTCHEON *E. P. TAYLOR

L. M. WOOD

*MEMBER OF EXECUTIVE COMMITTEE OF THE BOARD

OFFICERS

ARTHUR H. MARTIN

President and Managing Director

W. N. HALL

Vice-President-Operations

W. J. STRAIN

Comptroller

K. W. WENDLAND

Assistant Treasurer

R. M. SEDGEWICK

Vice-President

G. MILLWARD

Secretary

STEELE C. SIFTON

Assistant Secretary

BANKERS

The Royal Bank of Canada

TRANSFER AGENTS

Montreal Trust Company, Toronto, Montreal and Halifax
Eastern Trust Company, Saint John

REGISTRARS

National Trust Company Limited, Toronto and Montreal
Eastern Trust Company, Halifax and Saint John

AUDITORS

Price, Waterhouse & Co.

Standard Chemical Company, Limited

and Subsidiary Companies

38th Annual Report and Statement

Year Ended March 31, 1949

To the Shareholders:

The following report for the year ended 31st March, 1949, covers the operations of the Company and its wholly-owned subsidiaries; it includes the Consolidated Statement of Profit and Loss and Earned Surplus, together with the Consolidated Balance Sheet and the Auditors' Report to the Shareholders.

Total profits for the year after all charges but before provision for Dominion and Provincial income taxes amounted to \$749,436. This amount included a transfer from inventory reserve, less taxes thereon, of \$38,000 to cover reductions in price levels of certain products. The corresponding profit amount for the previous fiscal year was \$744,075.

While the volume of sales was higher than last year, operating profit before provision for depreciation and amortization at \$564,216 is lower by 14%. This is attributable to a substantial decline in alcohol selling prices and a general decline in the selling prices of other chemicals. Other factors affecting this decline were substantial increases in wage rates and cost of basic raw materials. Operations for the year had to absorb the full effect of any declines in selling price levels of finished products without benefit of any reductions in related raw material costs. It is anticipated the costs of basic raw materials will, in general, decline in the current year to ratios more in line with selling prices of finished products.

During the latter part of the year, it was found possible to increase efficiencies materially in a number of operations, but these savings are not fully reflected in the statements for the year under review.

Provision for depreciation and amortization charged to profits during the year was 31% higher than for the previous fiscal year, mainly due to increasing the rates of depreciation on certain classes of assets. It should be noted that prior years' development expenditures in the amount of \$95,864 incurred in respect of certain projects which have been deferred were written off.

Final Net Profit after providing for Income Taxes amounted to \$631,436 compared with \$562,075 for the previous year, an increase of \$69,361.

Net working capital increased during the year by \$467,382, and amounted to \$2,761,595 as at March 31, 1949. The ratio of Current Assets to Current Liabilities was 4.24, an increase of 1.27 compared with last year.

Accounts receivable and inventories remained substantially the same as last year. Accounts payable and accrued liabilities decreased \$305,881 or 34%, and amounted to \$601,097 as at March 31, 1949.

Investments in marketable securities decreased by \$198,181. This was due to a disposal of some securities held and writing down the book value of others, resulting in a profit on security transactions for the year amounting to \$261,194. Your Company's holdings of Voting Trust Certificates in Dominion Tar and Chemical Co. Ltd. increased during the year from 40% to over 45% of the issued and outstanding common shares of that Company.

A special reserve of \$100,000 against buildings and equipment utilized in the wood chemical operations, which has been carried on the Company's books for a considerable number of years, being no longer required, has been transferred in 1949 to General Reserve. Depreciation reserves now available against such assets are ample to cover contingencies.

There were no major additions to fixed assets during the year. Productive capacity of certain operations was increased, and all plants and equipment were maintained in good repair and operating condition.

Earned Surplus increased \$181,436 during the year, and amounted to \$853,171 at March 31st, 1949. Dividends on common shares have been paid at the quarterly rate of 10¢ per share throughout the year.

As at January 31st, 1949, Standard Chemical Company, Limited was owned by 3,755 shareholders, compared with 3,619 as at January 31st, 1948.

At a Special General Meeting held July 28th, 1948, of the Preferred Shareholders, authority was given to issue the remaining 20,000 preferred shares, authorized, but as yet unissued, notwithstanding the restriction contained in Paragraph 10 of the Preferred Share Provisions. The Company has no immediate intention of issuing these shares, but they are available should additional financing be required.

During the year, particular emphasis was placed by management in consolidating your Company's activities with respect to marketing and operations. Plans have been formulated leading toward the consolidation of all possible administrative and operational functions at central control points, conducted under the name of Standard Chemical Company, Limited, rather than as a group of subsidiary companies as in the past.

The employees of your Company continue to enjoy the benefits of our retirement income plan and the protection of group insurance, supported by the Company's contributions which amounted to approximately \$41,000.

Your Company has enjoyed harmonious relations with its employees, and has not suffered the loss of any operating time due to labour disputes.

The Directors wish to record their appreciation of the loyalty and of the efficient service rendered by the Officers and employees during the period under review.

Submitted on behalf of your Directors.

(Signed)
W. E. PHILLIPS
Chairman of the Board
of Directors

(Signed)
ARTHUR H. MARTIN
President and
Managing Director

TORONTO, Ont.
20th June, 1949.

**TO THE SHAREHOLDERS OF
STANDARD CHEMICAL COMPANY, LIMITED**

We have examined the consolidated balance sheet of Standard Chemical Company, Limited and subsidiary companies as at March 31, 1949 and the related statements of profit and loss and earned surplus for the year ended on that date and have obtained all the information and explanations which we required. Our examination included such tests of the accounting records and other supporting evidence and such other procedures as we considered appropriate in the circumstances.

In our opinion, the accompanying consolidated balance sheet and related statements of profit and loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the combined companies at March 31, 1949 and the total profits, including profits (net) of a special nature, for the year ended 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.,
Auditors.

May 27, 1949.

Standard Chemical
and Subsidiary
Consolidated Balance Sheet

ASSETS	March 31	
	1949	1948
CURRENT ASSETS:		
Cash on hand and in banks.....	\$ 418,391	\$ 371,611
Accounts and notes receivable, less reserve.....	1,286,237	1,231,569
Receiver General of Canada in respect of tax adjustments.....	33,522	39,371
Inventories, certified by responsible officials of the companies as to quantities, condition and amount, and valued at the lower of cost or market.....	1,776,782	1,764,286
Prepaid expenses.....	99,610	53,087
	\$ 3,614,542	3,459,924
REFUNDABLE PORTION OF EXCESS PROFITS TAX.....	\$ 34,638	50,644
INVESTMENTS:		
Shares in other companies, including Common (voting trust) shares of Dominion Tar & Chemical Company Limited..... (value based on quoted market prices—1949—\$5,772,000; 1948—\$5,541,000)	\$ 5,347,172	5,544,965
Sundry investments.....	63,440	63,828
	\$ 5,410,612	5,608,793
FIXED ASSETS, at or below cost:		
Land.....	\$ 232,002	233,260
Timber limits and salt leases, less amounts written off.....	47,881	51,241
Buildings, plant and equipment.....	3,670,678	3,592,809
	\$ 3,950,561	3,877,310
<i>Less</i> —Reserve for depreciation.....	1,102,909	970,117
	\$ 2,847,652	2,907,193
DEFERRED OPERATING CHARGES.....	\$ 127,445	89,662
GOODWILL ARISING IN CONSOLIDATION:		
Excess of cost of shares in subsidiary companies acquired, over the net book value of such shares at dates of acquisition.....	\$ 787,307	787,307
	\$12,822,196	12,903,523

Company, Limited

by Companies

Balance Sheet

LIABILITIES

	March 31	
	1949	1948
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities.....	\$ 601,097	906,978
Taxes payable and accrued.....	139,350	146,232
Dividends payable.....	112,500	112,500
	<u>\$ 852,947</u>	<u>1,165,710</u>
SPECIAL BANK LOAN:		
Due September 30, 1950, secured.....	\$ 1,500,000	1,500,000
RESERVE AGAINST FUTURE DECLINE IN INVENTORY VALUES.....		
	\$ 125,000	175,000
GENERAL RESERVE.....		
	\$ 200,000	100,000
A special reserve of \$100,000 against buildings and equipment being no longer required, was transferred in 1949 to general reserve.		
CAPITAL STOCK AND SURPLUS:		
Capital Stock:		
5% cumulative redeemable preferred shares—		
Authorized—50,000 shares of a par value of \$100 each.		
Issued and outstanding—30,000 shares.....	\$ 3,000,000	3,000,000
Common shares—		
Authorized—750,000 shares without nominal or par value		
Issued and outstanding—750,000 shares.....	6,291,078	6,291,078
Earned Surplus, as per statement attached.....	853,171	671,735
	<u>\$10,144,249</u>	<u>9,962,813</u>

APPROVED ON BEHALF OF THE BOARD:

W. E. PHILLIPS, Director.

ARTHUR H. MARTIN, Director.

\$12,822,196

12,903,523

Standard Chemical Company, Limited

and Subsidiary Companies

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Particulars	Year ended 1949	March 31 1948
Profit from operations, before deducting the undernoted charges.....	\$ 564,216	654,642
Income from investments.....	253,231	225,707
Together	\$ 817,447	880,349
Profits and losses of a special nature:		
Profits less losses and provision for losses on investments.....	\$ 261,194	19,605
Profits less losses on fixed assets.....	14,082	69,692
Transfer from inventory reserve, less tax thereon.....	38,000	
Expenditures in prior years in respect of projects not proceeded with	95,864	
	\$ 217,412	89,297
	\$ 1,034,859	969,646
DEDUCT:		
Provision for depreciation and amortization.....	\$ 172,327	131,257
Interest on borrowed money.....	72,454	59,203
Contribution to employees' pension and insurance funds.....	40,642	35,111
	\$ 285,423	225,571
PROFITS before providing for taxes on income.....	\$ 749,436	744,075
Provision for taxes on income.....	118,000	182,000
TOTAL PROFITS FOR THE YEAR, including profits (net) of a special nature, carried to earned surplus.....	\$ 631,436	562,075

NOTE:—The following items were paid during the year ended March 31, 1949—
Directors fees \$4,850; remuneration of executives and salaried directors \$78,791; and legal fees \$5,262.

CONSOLIDATED STATEMENT OF EARNED SURPLUS

	Year ended 1949	March 31 1948
Balance as at April 1.....	\$ 671,735	671,238
Total profits for the year, including profits (net) of a special nature....	631,436	562,075
	\$ 1,303,171	1,233,313
DEDUCT:—Expenses incurred in 1948 in connection with the issue of preferred shares, including legal fees of \$4,658.....		161,578
	\$ 1,303,171	1,071,735
DEDUCT:—Dividends:		
On preferred shares.....	\$ 150,000	100,000
On common shares.....	300,000	300,000
	\$ 450,000	400,000
BALANCE AS AT MARCH 31.....	\$ 853,171	671,735

EXECUTIVE OFFICES:
99 VANDERHOOF AVE. LEASIDE, TORONTO 17, ONTARIO

Standard Chemical Company, Limited

Manufacturing Locations:

South River, Ontario - Harcourt, Ontario - Longford, Ontario - Montreal, Quebec

Warehouse Locations:

Toronto, Ontario - Montreal, Quebec - Winnipeg, Manitoba

Wholly-Owned Subsidiary Companies

GODERICH SALT COMPANY, LIMITED

Manufacturing and Warehouse Location: Goderich, Ontario

MARITIME INDUSTRIES LIMITED

Manufacturing and Warehouse Location: Nappan, Nova Scotia

DALGLISH CHEMICALS LIMITED

Manufacturing Locations: Toronto, Ontario; Vancouver, British Columbia

Warehouse Locations:

Toronto, Ontario - Winnipeg, Manitoba - Vancouver, British Columbia

DALGLISH (QUEBEC) LIMITED

Manufacturing and Warehouse Location: Montreal, Quebec

Principal Products Manufactured:

Methyl alcohol, calcium acetate, charcoal, hardwood lumber, sodium carboxymethylcellulose (Carboxel), methyl acetone, fine and coarse evaporated salt, sodium hypochlorite, Javex, laundry and dry-cleaning specialty chemicals.

Principal Products Handled on an Agency or Distributor Basis:

Acetic acid, acetone, pure and denatured alcohol, Super Pyro anti-freeze, isopropyl alcohol, formaldehyde, natural and synthetic resins, insecticides, magnesia products—carbonates and oxides, talc, shellac, mica, laundry and dry-cleaning supplies and equipment.

