

Stock



THIRTY-SIXTH ANNUAL REPORT
MARCH THIRTY-FIRST, NINETEEN HUNDRED AND FORTY-SEVEN

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Standard Chemical Company, Limited

ANNUAL STATEMENT

For Twelve Months Ended March 31st, 1947

DIRECTORS

W. E. PHILLIPS
Chairman of the Board

E. P. TAYLOR THOMAS ARNOLD
K. S. MACLACHLAN A. O. PONDER
ROBERT FLEMING RALPH COLLINS
HUGH MACKAY

OFFICERS

K. S. MACLACHLAN
President and Managing Director

J. E. WILSON
Vice-President and Treasurer

W. N. HALL
*Vice-President
in Charge of Research and Development*

R. M. SEDGEWICK
Vice-President

G. MILLWARD
Secretary

BANKERS

The Royal Bank of Canada

TRANSFER AGENT

Montreal Trust Company, Toronto and Montreal

REGISTRAR

National Trust Company Limited, Toronto and Montreal

AUDITORS

Price, Waterhouse & Co.

Standard Chemical Company, Limited

and Subsidiary Companies

36th Annual Report and Statement Year Ended March 31st, 1947

To the Shareholders:

The Consolidated Balance Sheet of Standard Chemical Company, Limited and its wholly owned subsidiaries as at March 31st, 1947, the Consolidated Profit and Loss and Earned Surplus statements for the year ended March 31st, 1947, together with the report of the Company's auditors, Messrs. Price, Waterhouse & Co., are submitted herewith.

The net profit for the year after all charges and after transferring \$42,383.07 to general reserve but before provision for income and excess profits taxes amounted to \$523,229.27.

The consolidated net working capital increased during the year by \$238,685.01 and as at March 31st, 1947, amounted to \$2,050,328.72. The current ratio of three to one was maintained.

During the year investments in marketable securities of other companies in or associated with the chemical industry have been increased by \$1,470,353.97 and at the end of the year amounted to \$4,077,913.05. Dividends received during the year on these and minor investments amounted to \$173,747.09. Included in these investments were Voting Trust Certificates of Dominion Tar and Chemical Company, Limited representing ownership of 155,960 common shares, being 35% of the issued and outstanding common shares of that company. The Annual Report of Dominion Tar and Chemical Company, Limited for the year ended December 31st, 1946, reported earnings per common share amounting to \$2.40. Their current dividend is at the annual rate of \$1.00 per share.

The book value of fixed assets less reserves increased during the year by \$1,325,934.80. The completion of the salt plant of Maritime Industries Limited, a wholly owned subsidiary, accounted for the greater part of the increase. The completion of the "Carboxel" plant at Longford, Ontario, represented an important investment. Capital investments were also made which have improved the operating and warehousing facilities of the Company and its subsidiaries. The valuations of properties where operations have been discontinued have been reduced to nominal figures. During the year an independent appraisal was made of the value of the buildings and equipment of the Goderich Salt Company, Limited. This report dated March 31st, 1947, sets the replacement value of the buildings and equipment less depreciation at \$642,541.70. The net book value of such assets is \$94,594.01.

During the year under review applications for upward revision of the Standard Profits of two subsidiary companies were approved by the Board of Referees. Adjustments have also been made in respect to Sales Tax and other tax liabilities. The financial savings are as set out in the statement of consolidated earned surplus and amounted to \$145,788.79. Of this amount \$117,884.78 was applicable to the surplus accounts of these companies at date of acquisition and has therefore been applied in the reduction of the consolidated Goodwill from \$905,192.05 as at March 31st, 1946, to \$787,307.27 as at March 31st, 1947.

During the year 300,000 common shares were sold for cash making a total of 750,000 common shares issued and outstanding at the end of the year.

An initial quarterly dividend of 10c per common share was declared payable June 2nd, 1947, to shareholders of record April 30th, 1947.

During the year sales by Standard Chemical Company, Ltd. of agency, distributor and wholesale lines have increased. Manufacturing operations were conducted on a normal basis at the chemical plant at South River, Ontario and at the two hardwood sawmills located at South River, Ontario and at Harcourt, Ontario.

The new plant for the manufacture of "Carboxel" located in the old buildings at Longford, Ontario, commenced operations in December 1946, and trials indicated that the plant could operate at rated capacity. This new and interesting product is now being introduced to Canadian industry.

Operations of the Goderich Salt Company, Limited were at capacity during the year. The new salt plant of Maritime Industries Limited was brought into operation before the end of the year and sales of the product are steadily increasing in the Maritime provinces and in the export trade.

The Dalglish Companies were restricted in their operations during the year as a result of shortage of supplies arising from strikes in the plants of important suppliers. The severity of these restrictions on operations has now eased considerably and current operations are on a satisfactory basis.

It can be stated generally that costs have increased due to increases in the costs of labour, fuel and of a wide range of chemicals. Demand has been active during the year under review. Difficulties are still being experienced arising out of shortages and interruptions in the supply of some raw materials, equipment and commodities for resale.

A great deal of work was done during the year on additional projects for the expansion and development of the Company. It is still the intention of the Management to continue careful investigation of the merits of various projects which have promising features in connection with expansion and development in the chemical industry.

The Directors and Officers of the Company acknowledge with sincere appreciation the valuable service performed by the officials and employees of your Group of Companies who have worked to achieve the results reported herein.

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

and

(Signed)
K. S. MACLACHLAN,
*President and
Managing Director.*

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, 1947 and the consolidated statements of profit and loss and earned surplus for the year ended on that date. In connection therewith we examined or tested accounting records and other supporting evidence; we also made a general review of the accounting methods and we obtained all the information and explanations which we required.

In our opinion the accompanying consolidated balance sheet and related consolidated 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 affairs of the combined companies at March 31, 1947 and the results of the companies' operations 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 22, 1947.

Standard Chemical

and Subsidiary

Consolidated Balance Sheet

ASSETS

CURRENT ASSETS:

Cash on hand and in banks.....	\$	680,340.57	
Accounts receivable, less reserves.....		946,779.09	
Receiver General of Canada in respect of tax adjustment.....		191,423.90	
Inventories, certified by responsible officials of the company as to quantities, condition and amount—			
Logs at cost.....	\$316,527.87		
Other inventories at the lower of cost or market....	871,422.80		
		1,187,950.67	
Prepaid expenses.....		53,016.09	
			\$ 3,059,510.32

REFUNDABLE PORTION OF EXCESS PROFITS TAX.....		55,267.46	
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INVESTMENTS:

Shares in other companies, at cost (value based on quoted market prices \$5,015,000).....	\$4,077,913.05		
Sundry investments at cost, less amounts written off.....	60,681.68		
			4,138,594.73

FIXED ASSETS, at or below cost:

Land.....	\$	106,553.61	
Timber limits and salt leases.....		54,417.00	
Buildings, plant and equipment.....	\$2,860,056.60		
Less Reserve for depreciation.....	901,763.20	1,958,293.40	
			2,119,264.01

DEFERRED OPERATING CHARGES.....		86,554.17	
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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.....		787,307.27	
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\$10,246,497.96

Submitted with our report to the S
PRICE,

Company, Limited

Companies

March 31, 1947

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities.....	\$ 746,848.95	
Taxes payable and accrued.....	174,832.65	
Dividends payable June 2, 1947.....	87,500.00	
	<hr/>	\$1,009,181.60

SPECIAL BANK LOAN:

Due October 18, 1948, secured by pledge of the capital stock of a subsidiary company and other securities.....		1,000,000.00
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RESERVE AGAINST FUTURE DECLINE IN INVENTORY VALUES..... 175,000.00

GENERAL RESERVE..... 100,000.00

CAPITAL STOCK AND SURPLUS:

Capital Stock:

5% cumulative redeemable preferred shares—

Authorized—50,000 shares of a par value of \$100.00 each..... \$5,000,000.00

Issued and outstanding—10,000 shares..... \$1,000,000.00

Common Shares—

Authorized—750,000 shares without nominal or par value.

Issued and outstanding—750,000 shares—

As at March 31, 1946—450,000 shares..... \$3,591,077.95

Issued during the year for cash—300,000

shares..... 2,700,000.00 6,291,077.95

\$7,291,077.95

Earned Surplus, as per statement attached..... 671,238.41

7,962,316.36

APPROVED ON BEHALF OF THE BOARD:

W. E. PHILLIPS, Director.

K. S. MACLACHLAN, Director.

\$10,246,497.96

Shareholders dated May 22, 1947.

WATERHOUSE & CO.,

Auditors.

Standard Chemical Company, Limited

and Subsidiary Companies

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the Year Ended March 31, 1947

Earnings for the year including investment income \$173,747.09 and profits on disposal of fixed assets and other income \$50,837.00 less amount transferred to general reserve \$42,383.07, after charging interest on bank loans \$24,055.13 but before deducting the undernoted charges.....	\$599,989.92*
Provision for depreciation and amortization.....	76,760.65
	<u>\$523,229.27</u>
Provision for Dominion and Provincial income and excess profits taxes.....	152,892.03
	<u>NET PROFIT FOR THE YEAR.....</u>
	<u>\$370,337.24</u>

*After charging directors' fees \$5,500.00, remuneration of executive officers and salaried directors of Standard Chemical Company, Limited \$47,972.77 and legal fees \$6,583.83.

CONSOLIDATED STATEMENT OF EARNED SURPLUS

For the Year Ended March 31, 1947

Balance as at April 1, 1946.....	\$488,615.80
ADD:	
Adjustment of prior years' income and excess profits taxes of two subsidiary companies, less reduction in refundable portion of excess profits tax.....	\$126,074.05
Adjustment of prior years' sales tax, etc.....	19,714.74
	<u>\$145,788.79</u>
LESS:—Portion thereof applicable to surplus of subsidiary companies at date of acquisition.....	117,884.78 27,904.01
	<u>\$516,519.81</u>
Net profit for the year.....	370,337.24
	<u>\$886,857.05</u>
DEDUCT:—Expenses incurred during the year in connection with the issue of common shares, including legal fees of \$2,355.16.....	90,618.64
	<u>\$796,238.41</u>
DEDUCT:—Dividends:	
On preferred shares.....	\$50,000.00
On common shares.....	75,000.00 125,000.00
	<u>BALANCE AS AT MARCH 31, 1947.....</u>
	<u>\$671,238.41</u>

EXECUTIVE OFFICES:
195 FLEET ST. EAST, TORONTO 2, 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.

