



THIRTY-FIFTH ANNUAL REPORT

MARCH THIRTY-FIRST NINETEEN HUNDRED AND FORTY SIX

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Standard Chemical Company, Limited



ANNUAL STATEMENT

For Twelve Months Ending March 31st, 1946

DIRECTORS

E. P. TAYLOR

Chairman of the Board

K. S. MACLACHLAN

L. M. WOOD

W. E. PHILLIPS

ROBERT FLEMING

ALLAN MILLER

THOMAS ARNOLD

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

35th Annual Report and Statement

Year Ended March 31st, 1946

To the Shareholders:

The Consolidated Balance Sheet of Standard Chemical Company, Limited and its wholly owned subsidiaries as at March 31st, 1946, the Consolidated Profit and Loss and Earned Surplus statements for the year ended March 31st, 1946, together with the report of the Company's auditors, Messrs. Price, Waterhouse and Co., are submitted herewith.

Having regard to the volume of inventories and price levels at which they are held, the reserve against future decline in inventory values was found to be \$125,000 in excess of requirements. This amount has therefore been transferred back to operations. After including this amount the net profit for the year after all charges, but before provision for income and excess profit taxes, amounted to \$503,197.71. This includes the profits of the Dalglish Companies for only the nine months since the date of acquisition.

Consolidated net working capital as at March 31st, 1946, amounted to \$1,811,643.71.

On April 1st, 1945, your Company acquired all the outstanding shares of Schofield-Donald, Limited. The sales of this Company which imports and deals in industrial chemicals are being co-ordinated with the sales of the Parent Company.

On June 30th, 1945, your Company acquired all the outstanding share capital of Dalglish (Ontario) Limited (now Dalglish Chemicals Limited) and Dalglish (Quebec) Limited. These Companies manufacture or deal in chemicals and supplies required by the laundry, dry-cleaning, and other industries. They manufacture and distribute "Javex," the well-known household bleach.

During the year investments in marketable securities of other companies in or associated with the chemical industry have been increased by \$2,171,875.05. These investments permit your Company to benefit by developments in sections of the Canadian chemical industry in which your Company is not actively operating.

In addition to the creation of 50,000 5% cumulative redeemable preferred shares and the issue of 10,000 such shares as referred to in the last Annual Report, the authorized number of common shares without nominal or par value was increased from 300,000 to 750,000 and of these 253,615 shares were sold during the year for cash, making a total of 450,000 common shares issued and outstanding on March 31st, 1946.

During the year arrangements were concluded for the Company to be the exclusive distributor in Canada of the products of United States Industrial Chemicals, Inc. This broadens out the coverage we now enjoy in the provision of chemicals to Canadian industry and good progress has been made in the development of sales.

The wood distillation plant at South River, Ontario, is being operated to capacity. The operations of similar plants at Donald, Ontario, and at Fassett, Quebec, have been discontinued owing to the abnormally high cost of raw material.

The Company's wood distillation plant at Longford, Ontario, has not been operated for some time. Part of the plant is being converted for the production of a new chemical product which has not yet been manufactured in Canada. It is expected that the conversion will be complete and the new process in operation before the end of the year.

Goderich Salt Company, Limited operated during the year at capacity.

The construction of the new salt plant of Maritime Industries Limited in Nova Scotia has been delayed but steady progress is now being made. It is expected that the plant will be completed and in operation by the end of the year.

The activities of the Dalglish Companies have been expanded to Western Canada and a plant is being installed in Vancouver for the production and distribution of Dalglish products in British Columbia.

The new warehouse at 200 Queen's Quay, Toronto, was occupied January, 1946, and the new office building at 195 Fleet Street East, Toronto, in March, 1946. Both moves have provided for more efficient and more economical operation.

The year has been one of adjustment, expansion and growth. The benefit of projects for expansion so far undertaken are only partially reflected in the results of operations for the year under review. Difficulties arising out of shortages and interruptions in the supply of raw materials, equipment and also commodities for resale have hampered operations. We are still faced with these difficulties.

Opportunities for expansion in the general field of chemicals and their manufacture are still available. It is the intention of the Management to continue the careful investigation of the merits of a number of projects involving further expansion and to take advantage of opportunities from time to time as favourable projects develop.

Mr. A. F. Cooper, who for many years was Vice-President in charge of Logging and Lumber operations, retired on March 31st, 1946, after completing thirty-five years continuous service with the Company. The Directors and Officers wish to express their sincere appreciation of the loyal and valuable service rendered by Mr. Cooper.

The organization of the Executive Office of your Company has been rearranged in harmony with the new policy of expansion and growth which has been adopted. A Research and Development Division has been organized and Mr. W. N. Hall, B.A.Sc., has been appointed Vice-President in charge of this activity. Mr. J. E. Wilson, B.Comm., C.A., has been appointed Vice-President and Treasurer.

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)

E. P. TAYLOR,
*Chairman of the Board
of Directors.*

and

(Signed)

K. S. MACLACHLAN,
*President and
Managing Director.*

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 as at March 31 1946 and the consolidated statements of profit and loss and earned surplus for the year then ended, in the case of Standard Chemical Company Limited and two of the subsidiary companies, and for the period of nine months from date of acquisition in the case of three other subsidiary companies, and have obtained all the information and explanations we have required. In connection therewith we examined or tested the accounting records and other supporting evidence but our examination of the detailed transactions was confined to limited tests.

In our opinion, the attached 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 as at March 31 1946 and of the results from operations for the period then ended, 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 21 1946.

Standard Chemical
And Subsidiaries

Consolidated Balance Sheet

ASSETS

CURRENT ASSETS:

| | | |
|---|---------------|----------------|
| Cash on hand and in banks | \$ 776,454.64 | |
| Dominion of Canada bonds at cost plus accrued interest (Market value — \$108,445.65) | 107,905.65 | |
| Accounts receivable, less reserves | 833,483.44 | |
| Inventories of raw materials and supplies, goods in process and finished products, determined from the records in the case of cordwood, fuel and containers (including containers in customers' hands) and by physical inspection of other stocks, valued at the lower of cost or market, as certified to by responsible officials | 887,063.01 | |
| Prepaid expenses | 71,801.04 | |
| | | \$2,676,707.78 |

REFUNDABLE PORTION OF EXCESS PROFITS TAX 112,500.76

INVESTMENTS:

| | | |
|--|----------------|--------------|
| Shares in other companies, at cost (value based on quoted market prices \$3,060,000.00) | \$2,607,559.08 | |
| Sundry investments, less amounts written off | 35,818.64 | |
| | | 2,643,377.72 |

DEFERRED CHARGES TO OPERATIONS 63,822.56

FIXED ASSETS:

| | | |
|---|----------------|------------|
| Land, timber limits, salt leases, buildings, plant and equip- ment, at or below cost | \$1,733,048.22 | |
| Less Reserve for depreciation | 939,719.01 | |
| | | 793,329.21 |

GOODWILL ARISING IN CONSOLIDATION:

| | | |
|---|--|------------|
| Excess of cost of shares in subsidiary companies acquired, over the net book value of such shares at dates of acquisi- tion | | 905,192.05 |
|---|--|------------|

APPROVED ON BEHALF OF THE BOARD:

E. P. TAYLOR, Director.
K. S. MACLACHLAN, Director.

\$7,194,930.08

Submitted with our report to the s

PRICE

Company, Limited

y Companies

heet March 31 1946

LIABILITIES

CURRENT LIABILITIES:

| | | |
|---|---------------|---------------|
| Accounts payable and accrued liabilities | \$ 661,672.32 | |
| Taxes payable and accrued | 190,891.75 | |
| Dividend on preferred shares payable June 1, 1946 | 12,500.00 | |
| | | \$ 865,064.07 |

| | | |
|--|--|--------------|
| SPECIAL BANK LOAN — Due October 1, 1947, secured by pledge of the capital stock of a subsidiary company and other securities | | 1,000,000.00 |
| RESERVE AGAINST FUTURE DECLINE IN INVENTORY VALUES..... | | 175,000.00 |
| GENERAL RESERVE | | 75,172.26 |

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 during the year for cash and outstanding — 10,000 shares | \$1,000,000.00 | |
|--|----------------|--|

Common shares —

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

Issued and outstanding — 450,000 shares:

As at March 31, 1945, 196,385 shares.. \$1,351,549.95

Issued during the year for cash (in-
cluding 32,500 shares taken up
under option) — 253,615 shares.... 2,239,528.00 3,591,077.95

\$4,591,077.95

NOTE:

By Supplementary Letters Patent dated June 18, 1945, the authorized capital of the company was increased by the creation of 50,000 5% cumulative redeemable preferred shares of a par value of \$100.00 each.

By Supplementary Letters Patent dated February 13, 1946, the authorized number of common shares without nominal or par value was increased from 300,000 to 750,000 shares.

| | | |
|---|------------|--------------|
| Earned Surplus, as per statement attached | 488,615.80 | 5,079,693.75 |
|---|------------|--------------|

CONTRACTUAL OBLIGATIONS:

Contractual obligations of the company and its subsidiaries for capital expenditures amounting to approximately \$400,000.00 were outstanding at March 31, 1946, in addition to which further capital expenditures of approximately \$600,000.00 are contemplated.

\$7,194,930.08

shareholders dated May 21, 1946.

E., WATERHOUSE & CO.,

Auditors.

Standard Chemical Company, Limited

And Subsidiary Companies

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the Year Ending March 31 1946

(Including the Results of Operations for the Nine Months ended March 31 1946
of Three Subsidiary Companies Acquired June 30 1945)

| | |
|---|---------------|
| Earnings for the period ended March 31 1946, including \$63,556.90 investment income and after charging \$33,811.66 interest on bank loans, but before taking into account the undernoted items | \$442,882.67* |
| DEDUCT: | |
| Amount written off railway construction accounts, sawmill, etc. | \$12,093.63 |
| Provision for depreciation of plants | 52,591.33 |
| | 64,684.96 |
| | \$378,197.71 |
| ADD: Amount of reserve against future decline in inventory values no longer required | 125,000.00 |
| | \$503,197.71 |
| DEDUCT: Provision for income and excess profits taxes, less refundable portion of excess profits taxes amounting to \$24,213.38..... | 215,791.02 |
| | \$287,406.69 |
| NET PROFIT, including an amount of \$125,000.00 transferred from inventory reserve | \$287,406.69 |

STATEMENT OF CONSOLIDATED EARNED SURPLUS

For the Year Ended March 31 1946

| | |
|---|--------------|
| Balance as at April 1 1945 | \$311,935.00 |
| Adjustment of prior years' taxes on income | 5,078.51 |
| | \$317,013.51 |
| Balance transferred from profit and loss | 287,406.69 |
| | \$604,420.20 |
| DEDUCT: Expenses incurred during the year in connection with the issue of preferred and common stock and the acquisition of other companies, including legal fees of \$6,607.43 | 70,187.96 |
| | \$534,232.24 |
| DEDUCT: Dividends on preferred stock | 45,616.44 |
| | \$488,615.80 |
| BALANCE AS AT MARCH 31 1946 | \$488,615.80 |

*After charging remuneration of executive officers and salaried directors of Standard Chemical Company Limited amounting to \$47,066.28 and legal fees amounting to \$12,014.95.

