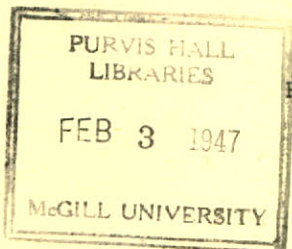


BEATTY BROS. LIMITED

FERGUS · ONTARIO

Beatty

Thirty-Fourth
ANNUAL REPORT



FOR FISCAL YEAR ENDED 31st AUGUST

1946

BEATTY BROS LIMITED

BOARD OF DIRECTORS

W. G. BEATTY
G. E. BEATTY
C. C. CALVIN, K.C.
F. J. COOMBS
T. A. FARNELL

W. L. HAM
R. D. KERR
W. J. MARTIN
D. R. POTTER
J. J. RUTHERFORD

OFFICERS

W. G. BEATTY - - - *President*
W. L. HAM - - - *Vice-President and General Manager*
R. D. KERR - - - *Secretary-Treasurer*
D. RUSSELL - - - *Comptroller*

TRANSFER AGENT

IMPERIAL BANK OF CANADA

TORONTO, ONT.

REGISTRAR

TORONTO GENERAL TRUSTS CORPORATION

TORONTO, ONT.

AUDITORS

CLARKSON, GORDON & CO.

TORONTO, ONT.

ANNUAL REPORT OF BOARD OF DIRECTORS

FOR THE YEAR ENDED 31ST AUGUST 1946



TO THE SHAREHOLDERS:

Your directors are pleased to submit herewith the consolidated balance sheet of your company as at 31st August 1946, and the consolidated statements of profit and loss and earned surplus for the year ended that date, together with the report thereon of your auditors, Messrs. Clarkson, Gordon & Co.

These statements cover our first year of post-war operation. During the war a large part of our facilities were employed in carrying out war contracts and the manufacture of our regular line of products (particularly appliances) was subject to wartime restrictions. We are glad to be able to report that the transition to our normal peace-time activities has been accomplished without great disturbance. No major plant reconversion was required and the reduction in sales volume caused by cancellation of war orders on cessation of hostilities has been more than offset by increased sales of our regular lines. However, profit margins have been squeezed on many lines by the increasing costs of materials and labour for which there was no compensating increase in selling price until shortly before the end of our fiscal year when some increases were authorized.

The profit from 1946 operations, before providing for taxes and excluding non-operating income, amounted to \$823,175.57 or a decrease of approximately \$15,000 as compared with 1945. As a result of profits realized on the sale of investments and fixed assets and reductions in tax rates the net profit of \$579,853.05 for the year transferred to surplus account exceeded that of the previous year by approximately \$122,000.

Settlement of outstanding taxation matters with the New Zealand authorities was completed during the past year and a substantial refund of taxes previously paid was received. This and other adjustments on consolidating the New Zealand assets and liabilities resulted in a credit to surplus of \$40,111.91.

Renegotiation of war contracts was completed during the year, as a result of which our refundable portion of excess profits taxes was reduced by \$77,711.81 and this amount was charged to surplus account.

Dividends were paid to shareholders as follows:

On the Class A shares—four quarterly dividends each of 50c. per share.

On the Class B shares—two quarterly dividends of 25c. per share each and two quarterly dividends of 50c. per share each.

In May 1946, your company acquired all of the outstanding capital stock of The James Stewart Manufacturing Company Limited, of Woodstock, Ontario. This will add to our products a well-established line of warm air furnaces (including warm air conditioning systems), stoves, heaters, etc. The fiscal year of this company at present ends on 31st December and the results of its operations have **not** been included in the consolidated statement of profit and loss.

Prior to the war we did a large business in England which, since 1940, has been cut off by import restrictions. After a great deal of consideration your directors decided that we should be in a position to manufacture our products in England. Accordingly a small plant was purchased at Tenbury Wells, England, in March of this year.

The following statement summarizes the factors contributing to the change in working capital during the year:

FUNDS PROVIDED:

Net profit for the year (excluding refundable taxes of \$16,000).....	\$ 563,853.05	
Add provision for depreciation charged to operations but not requiring an outlay of current funds	104,892.06	
Recovery by New Zealand subsidiary of prior years' income taxes, etc., credited to surplus....	40,111.91	
	<hr/>	\$ 708,857.02
Amounts realized on mortgages receivable, agreements of sale and sundry securities.....		11,145.79
Repayment by subsidiary of advances.....		8,050.29
		<hr/>
Total funds provided.....		\$ 728,053.10

APPLIED AS FOLLOWS:

Dividends paid to shareholders.....	\$ 228,000.00	
Additions to fixed assets (net).....	335,585.17	
Purchase of all of the outstanding capital stock of The James Stewart Manufacturing Company Limited.....	269,640.00	
Additional appropriation in respect of past service benefits to employees under retirement annuity plan.....	10,702.60	843,927.77
	<hr/>	<hr/>
Resulting in a reduction in working capital of.....		\$ 115,874.67

At 31st August 1946, the company remained in a strong liquid position with working capital of \$4,285,254.01.

Steps are being taken to meet the increasing demand for your company's products. Plant extensions are now in the course of construction at the Spencer Division at Penetanguishene and plans are being made to extend the production facilities of The James Stewart Manufacturing Company Limited. A program for modernizing and enlarging our production equipment at Fergus is well under way. With these improvements and extensions to our facilities we are hopeful of further increasing our sales volume in the coming year.

The directors wish to express their sincere appreciation to the employees of the company for their faithful and efficient service during the past year.

On behalf of the Board,

WM. G. BEATTY, *President.*

BEATTY BR

(INCORPORATED UNDER THE

CONSOLIDATED

AS AT 31ST

ASSETS

CURRENT:

Cash on hand and in banks.....	\$ 146,743.26
Investment in Dominion Government bonds at cost (market value \$2,046,475).....	1,953,997.50
Accounts receivable (less reserve for doubtful accounts \$149,037.03).....	653,149.07
Accrued interest on investments.....	17,859.25
Inventories of raw materials, work-in-process and finished goods, as determined and certified by the management, valued at or below the lower of cost or market.....	2,126,839.04
Prepaid insurance, taxes, etc.....	23,936.23
Life insurance—cash surrender value.....	283,398.52
	<hr/>
	\$5,205,922.87

SUNDRY:

Investments in wholly-owned subsidiaries not consolidated:

The James Stewart Manufacturing Company Limited—shares at cost.....	\$ 269,640.00
The Fergus Housing Company Limited—shares and advances at cost less reserves of \$10,000.....	16,591.66
	<hr/>
	\$ 286,231.66
Mortgages, agreements of sale and sundry securities (less reserves).....	68,043.77
Refundable portion of excess profits taxes (estimated).....	215,088.08
	<hr/>
	569,363.51

FIXED:

Buildings and equipment—at cost.....	\$2,132,375.47
Less reserve for depreciation.....	1,407,846.86
	<hr/>
	\$ 724,528.61
Land—at cost.....	73,414.28
	<hr/>
	797,942.89

GOODWILL, PATENTS AND PATTERNS.....	1.00
	<hr/>
	<u>\$6,573,230.27</u>

OS. LIMITED

(DOMINION COMPANIES ACT)

BALANCE SHEET AUGUST 1946

LIABILITIES

CURRENT:

Accounts payable and accrued charges.....	\$ 554,000.38
Owing on purchase of assets (secured).....	121,473.65
Provision for taxes (including income and excess profits taxes)	<u>245,194.83</u>
	\$ 920,668.86

CAPITAL STOCK:

AUTHORIZED:

40,000 Redeemable first preferred shares of \$100 each (whereof 12,500 shares issued and redeemed).

7,000 7% Cumulative convertible redeemable second preferred shares of \$100 each (whereof 6,796 shares issued and redeemed).

100,000 Class A common shares of no par value.

100,000 Class B common shares of no par value.

ISSUED AND OUTSTANDING:

39,000 Class A common shares of no par value } \$1,475,000.00
100,000 Class B common shares of no par value }

EARNED SURPLUS.....	<u>4,177,561.41</u>	5,652,561.41
---------------------	---------------------	--------------

\$6,573,230.27

Approved on behalf of the Board.

W. L. HAM }
R. D. KERR } *Directors*

BEATTY BROS. LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st AUGUST 1946

Profit from operations after deducting provision for depreciation and all operating charges(*).....		\$ 823,175.57
Income from investments.....		74,896.31
		\$ 898,071.88
Profit on sale of investments and fixed assets.....		85,781.17
		\$ 983,853.05
Provision for income and excess profits taxes.....	\$ 420,000.00	
Less refundable portion thereof.....	16,000.00	404,000.00
		\$ 579,853.05
Net profit for the year.....		\$ 579,853.05

(*) The following items are included in the operating charges deducted before determining the profit from operations:

Provision for depreciation		\$ 104,892.06
Remuneration of executive officers and salaried directors		64,382.02
Other directors' fees.....		600.00
Legal fees.....		6,278.87

CONSOLIDATED STATEMENT OF EARNED SURPLUS

Earned surplus at 1st September 1945		\$3,868,851.49
Add:		
Net profit for the year.....		579,853.05
Recovery by New Zealand subsidiary of prior years' income taxes, etc.....		40,111.91
Adjustment of prior years' depreciation provisions.....		5,159.37
		\$4,493,975.82
Deduct:		
Additional appropriation in respect of past service benefits to employees under retirement annuity plan.....	\$ 10,702.60	
Reduction in refundable portion of excess profits taxes as a result of settlement made on re-negotiation of war contracts.....	77,711.81	88,414.41
		\$4,405,561.41
Deduct dividends paid:		
On Class A common— totalling \$2.00 per share.....	\$ 78,000.00	
On Class B common— totalling \$1.50 per share.....	150,000.00	228,000.00
		\$4,177,561.41
Earned surplus at 31st August 1946		\$4,177,561.41

AUDITORS' REPORT TO THE SHAREHOLDERS

To the Shareholders of
Beatty Bros. Limited,

We have made an examination of the consolidated balance sheet of Beatty Bros. Limited as at 31st August 1946, and of 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 of the company and obtained all the information and explanations we required from its officers and employees; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In accordance with Section 114 of the Dominion Companies Act, we report in respect of the two subsidiary companies not consolidated that the profits of one company have not been included in income for the year and that the other subsidiary has not completed a fiscal period since acquisition in May 1946.

We report that in our opinion the accompanying consolidated balance sheet and related statements of profit and loss and earned surplus have been drawn up so as to exhibit a true and correct view of the state of the consolidated companies' affairs at 31st August 1946, and the results of their operations for the year, according to the best of our information, the explanations given to us and as shown by the books.

CLARKSON, GORDON & Co.

Chartered Accountants,

Auditors

Toronto, Canada,
4th December 1946.

PRODUCTS MANUFACTURED

BARN AND STABLE EQUIPMENT

Barn Door Track	Sanitary Steel Pens
Bull Staffs	Sanitary Steel Cow Stalls
Floor Trucks and Feed Carriers	Steel Supporting Columns
Hay Carriers, Forks, Slings, Pulleys, Track, etc.	Steel Storage Tanks
Horse Stable Fittings	Steel Hog Troughs
Manure Carriers	Ventilators
	Water Bowls

CONVEYORS

Factory and Warehouse Floor Trucks	Monorail Systems
------------------------------------	------------------

ELECTRIC APPLIANCES—LAUNDRY EQUIPMENT

Floor Waxers and Polishers	Clothes Racks
Hand Wringers	Ceiling Driers
Ironing Machines	Ironing Tables
Vacuum Cleaners	Laundry Tubs
Washing Machines (Electric, Engine and Hand)	Tub Benches and Tub Drainers

PUMPING EQUIPMENT

Cistern and Well Pumps and Fittings	Pump Jacks
Electric and Engine Drive Pumps	Shallow and Deep Well Pumps
Hand and Power Pumps	Automatic Water Pressure Systems
Windmills	

STOVES (SPENCER DIVISION)

Jacket Heaters	Stoves—Coal and Wood	Spencer Self-Feeding Boilers
----------------	----------------------	------------------------------

WOODENWARE

Butter Workers	Laundry Equipment (ironing tables, clothes racks, tub benches)
Ladders (step, extension, painters', fire, fruit, household)	Painters' Equipment (painters' lad- ders, paste tables, trestles and ex- tension trestles)

OTHER LINES

Brooder Stoves	Grain Grinders	Grinder Plates
Line Shafting and Pulleys		Silo Irons

