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Canada and Dominion Sugar Company Limited

and its Subsidiaries

Chatham - - Ontario



Consolidated Annual Statements

December 31, 1948

PHILIPPS HALL
ARIES

MAY 2 1949

McGILL UNIVERSITY

CANADA AND DOMINION AND ITS

(Incorporated Under

Consolidated Balance

ASSETS

CURRENT:

| | | |
|---|-----------------|-----------------|
| Cash on hand and in banks | | \$ 1,104,733.94 |
| Investment in Dominion Government bonds (approximate market value \$8,232,000) | \$ 8,143,625.00 | |
| Interest accrued thereon | 59,761.46 | 8,203,386.46 |
| Accounts receivable | \$ 1,957,729.77 | |
| Less reserve for possible credit losses | 62,000.00 | 1,895,729.77 |
| Inventories of sugar, alcohol, by-products and supplies as determined and certified by company officials and valued at the lower of cost or market values | \$ 8,547,304.18 | |
| Less reserve for possible inventory losses | 200,000.00 | 8,347,304.18 |
| | | \$19,551,154.35 |

FIXED:

| | | |
|---|-----------------|--------------|
| Land, buildings, plant and equipment (as appraised by Canadian Appraisal Company Limited on April 30, 1931) with subsequent additions at cost | \$10,289,914.29 | |
| Less reserve for depreciation | 6,065,169.57 | 4,224,744.72 |

| | | |
|--------------------|--|-----------------|
| OTHER ASSETS | | 305,606.34 |
| | | \$24,081,505.41 |

AUDITORS' REPORT

We have audited the accounts of Canada and Dominion Sugar Company Limited and The Canada Sugar Refining Company Limited for the year ending December 31, 1948, and we report that, in our opinion, the above consolidated balance sheet and the related statements of income and expenses for the year ending December 31, 1948, and the statements of assets and liabilities at that date according to the best of our information, the explanations given us and

Toronto, Canada,
April 11, 1949.

SUGAR COMPANY LIMITED

SUBSIDIARIES

(Dominion Companies Act)

Sheet, December 31, 1948

LIABILITIES

CURRENT:

| | | |
|---|--|------------------------|
| Accounts payable and accrued charges: | | |
| General | | \$ 1,488,373.24 |
| Reserve for Dominion and Provincial income and corporation taxes | | 999,097.11 |
| | | <u>\$ 2,487,470.35</u> |

RESERVES:

| | | |
|--|-----------------|---------------------|
| Contingencies | \$ 2,275,000.00 | |
| Replacement of plant and equipment | 500,000.00 | |
| Insurance | 300,000.00 | |
| Pensions | 300,000.00 | 3,375,000.00 |
| | | <u>3,375,000.00</u> |

CAPITAL:

| | |
|--|-----------------|
| Authorized—3,000,000 shares—no par value | |
| Issued —1,500,000 shares | \$14,000,000.00 |

| | |
|---|--------------|
| DISTRIBUTABLE SURPLUS set aside on organiza- tion of company | 1,000,000.00 |
|---|--------------|

| | | |
|----------------------|--------------|------------------------|
| EARNED SURPLUS | 3,219,035.06 | 18,219,035.06 |
| | | <u>\$24,081,505.41</u> |

Approved on behalf of the Board,

W. J. McGREGOR - Director.
HOWARD F. SMITH - Director.

TO THE SHAREHOLDERS

and its subsidiaries, Montreal Products Company Limited, Dominion Sugar Company
r 31, 1948, and have received all the information and explanations we have required. We
tments of consolidated profit and loss and earned surplus have been drawn up so as
at December 31, 1948, and of the results of their operations for the year ended on
shown by the books.

CLARKSON, GORDON & CO.,
Chartered Accountants.

CANADA and DOMINION SUGAR COMPANY LIMITED
AND ITS SUBSIDIARIES

Statement of Consolidated Profit and Loss
FOR THE YEAR ENDING DECEMBER 31, 1948

| | |
|---|------------------------|
| Net operating profit after all charges (including \$94,744.19 remuneration to executive officers and solicitors' fees, \$8,400 directors' fees and \$489,062.48 depreciation) | \$ 3,368,235.93 |
| Add income from investments | 214,725.00 |
| Profit before taxes on income | \$ 3,582,960.93 |
| Deduct provision for taxes on income | 1,375,000.00 |
| Net profit for the year | \$2,207,960.93 |
| Deduct provision for replacement of plant and equipment | 500,000.00 |
| Total carried to statement of consolidated earned surplus | <u>\$ 1,707,960.93</u> |

Statement of Consolidated Earned Surplus

| | |
|---|------------------------|
| Balance December 31, 1947 | \$ 2,711,074.13 |
| Add balance transferred from statement of profit and loss | 1,707,960.93 |
| | <u>\$ 4,419,035.06</u> |
| Deduct four quarterly dividends of 20c per share each | 1,200,000.00 |
| Balance December 31, 1948 | <u>\$ 3,219,035.06</u> |

To the Shareholders
Canada and Dominion Sugar Company, Limited

Our consolidated net profit for 1948, after provision for income taxes of \$1,375,000 and Reserve for replacement of Plant and Equipment of \$500,000, was \$1,707,960. At the year end our current assets were \$19,551,154 and current liabilities \$2,487,470, so that working capital was \$17,063,684.

Net additions to fixed assets during the year amounted to \$505,622. Good progress was made during the year on the rehabilitation program of your Company's plants and equipment. Additional modernization projects are already under way but the program will not be completed until 1950.

The decreased purchasing power of the dollar has resulted in a substantial increase in the cost of replacement of plant and equipment. Normal depreciation is based on the original cost of fixed assets but is insufficient in an inflationary period to cover replacement of that portion of plant and equipment being consumed annually through production of the Company's products.

Recognizing as an element of cost the annual additional loss in the value of fixed assets over and above allowable depreciation based on original cost, and having regard for cost of indispensable replacements at much higher levels, your Directors decided it was essential to set aside a reserve of \$500,000 from current earnings.

Out of 18,445 acres harvested in 1948, 197,151 tons of sugar beets were delivered and processed at your Chatham plant, producing 55,893,250 pounds of refined sugar. The average yield was 10.7 tons per acre with an average sugar content of 17.4%. Ontario farmers received an average price of \$155.88 per acre for beets delivered at the plant, the highest return in the history of the Company.

While the acreage harvested was far below the 5-year prewar (1935-39) average of 31,084 acres, the sugar content and yield showed appreciable improvements over the prewar figures of 9.15 tons per acre with sugar content 15.98%.

Your Wallaceburg plant again remained idle during the beet processing season but 39,080 tons of raw cane sugar were refined there during the year, thus compensating in large measure for the lack of beet sugar operations.

Production of your well-known brands of "Redpath" and "Dominion Crystal" cane sugar aggregated 392,214,434 pounds in 1948 as compared with 313,317,374 pounds in 1947.

Output of all your Company's sugars, cane and beet, totalled 448,107,684 pounds in 1948 as compared with 352,641,974 pounds the previous year, or an increase of 95,465,710 pounds.

Sugar beet acreage contracted to date is 32,414 acres, holding promise of a two-plant beet operation next fall for the first time in seven years.

Your Company, in close co-operation with the Dominion government, is continuing its program under which farmer-sponsored sugar beet workers are being emigrated from Belgium and Holland in considerable numbers again this spring. This long-term program, which placed thousands of the finest type of European farm families mainly from Belgium and Holland, has not only maintained but actually increased the number of family-operated farms in our sugar beet area. These farm immigrants as a class, are the finest exponents of soil building and conservation and they have become a strong counter to the modern trend of exodus from farms to the cities.

Your Company is also establishing mobile labour pools in the sugar beet district manned by European farmers screened by the Dominion government.

Effective March 31st, 1949, the government removed price controls on refined cane and beet sugar. The Canadian Sugar Stabilization Corporation continues as sole purchaser of imported raw cane sugars and allocates and sells them to the Canadian refiners.

It is with regret that we report the death on January 14th of our Director, G. H. Moulthrop of Bay City, Michigan.

The ingenuity, industry and team work throughout our entire organization have resulted in progress for the business as a whole to which every employee has contributed. With such a spirit in the organization we look forward to meeting the problems of the future with confidence.

Respectfully submitted

FOR THE BOARD OF DIRECTORS,

W. J. McGregor, President.

Chatham, Ont.,
April 25th, 1949.

