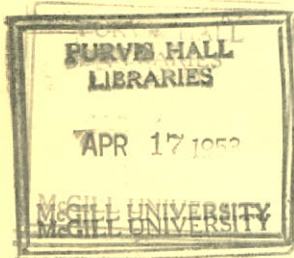


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Orange Crush Limited

N I N E T E E N F I F T Y - T W O

Annual Report





E. G. HANSON

M. W. McCUTCHEON, Q.C.

J. WILLIAM HORSEY

JOHN A. McDOUGALD

DIRECTORS . . .

J. EDOUARD LABELLE, Q.C.

J. M. THOMPSON

F. G. VENABLES

J. WILLIAM HORSEY - - - - - *Chairman of the Board and President*

JOHN A. McDOUGALD - - - - - *Vice-President*

OFFICERS . . .

J. M. THOMPSON - - - *Executive Vice-President and General Manager*

F. A. DWYER, C.A. - - - - - *Vice-President and Secretary-Treasurer*

BANKERS . . . IMPERIAL BANK OF CANADA - - - - - TORONTO

**TRANSFER AGENT
AND REGISTRAR**

· · · MONTREAL TRUST COMPANY - - - - - TORONTO AND MONTREAL

AUDITORS . . . McDONALD, CURRIE & Co. - - - - - TORONTO

Report of the Board of Directors

TO THE SHAREHOLDERS:

*Y*OUR Directors present herewith a statement of the affairs and financial position of your Company for the fiscal year ended October 29, 1952.

Net consolidated operating profit before providing for depreciation of fixed assets and container write off was \$500,550.10, a decrease of \$54,253.55 from the previous year. Net profit after all charges, including \$142,564.25 provision for depreciation of fixed assets, \$104,930.38 provision for depreciation and write off of containers and \$47,669.91 provision for income taxes, was \$130,132.80, compared with \$23,334.27 for the previous year.

Working capital of \$1,549,170.27 is \$97,296.19 higher than last year. In addition, funded debt decreased \$488,750 by the reduction of \$193,750 in notes payable to a United States bank and redemption of 4½% First Mortgage Sinking Fund bonds of \$295,000. On December 15, 1952, a further payment of \$150,000 was made to a United States bank.

Total consolidated net sales increased 10.4% over the previous year. Favourable summer weather in most territories, accompanied by aggressive advertising and merchandising campaigns, was of material benefit in the substantial increase in sales. In April 1952 the special excise tax of 30%, referred to in the report of a year ago, was reduced to 15%, thereby providing a more adequate margin of profit in the Canadian operations.

In common with most industries, material costs were higher than the previous year, with the exception of sugar in Canada. This was the only item showing a decrease of any importance. Wage and other operational costs continued to rise. Provision for depreciation and write off of containers of \$104,930.38 was \$30,800.24 higher than last year. The increased cost of containers in relation to deposits received from customers thereon, accounts for the major portion of this additional expense.

Advertising and merchandising is recognized as a most important factor in the soft drink industry and expenditures were increased substantially in the past year, particularly in the United States. In addition to maintaining the Company's position in relation to competition, it is also hoped that the long-term benefit will result in further increasing customer acceptance of our products.

The policy of your Company with respect to strengthening franchise operations was continued actively during the past year. The reduction in excise tax has attracted new bottlers to territories not previously serviced by the Canadian company, as well as making its franchises more valuable to present holders.

During the year, Mr. J. M. Thompson was elected Executive Vice-President and Mr. F. A. Dwyer Vice-President—Administration of the parent and subsidiary companies. In order to delegate additional responsibility in the Canadian company because of these appointments, Mr. D. F. Philp was appointed Vice-President and Assistant General Manager, Mr. L. J. Ryan Vice-President in charge of Eastern Region and Mr. C. A. Drummond Vice-President in charge of Western Region.

Your Directors wish to acknowledge their appreciation of the loyal and efficient service rendered by the employees during the past year.

Submitted on behalf of the Board

March 27, 1953.

J. WILLIAM HORSEY,
Chairman and President.

◆ **ASSETS**

CURRENT ASSETS:

Cash - - - - -	\$	469,299.47	
Accounts receivable, less reserve for doubtful accounts \$30,079.21 - -		651,642.25	
Deposit with foreign bank—exchange temporarily restricted - - -		26,662.38	
Inventories, at lower of cost or market - - - - -		1,285,731.72	
Prepaid advertising, insurance, etc. - - - - -		112,078.23	\$2,545,414.05

OTHER ASSETS:

Containers on hand, at cost, less depreciation, and with customers at deposit value - - - - -	\$	649,028.85	
Inventory of dispenser equipment and parts at lower of cost or market (estimated amount in excess of current requirements) - - -		100,000.00	
Accounts receivable from customer in Argentina (exchange restricted)		19,271.58	
Investment in, less advances from a foreign subsidiary not consolidated			
Shares—at cost—Note 2 - - - - -	\$12,662.36		
Advances - - - - -	7,114.79	5,547.57	773,848.00

FIXED ASSETS:

Land, buildings, machinery and equipment—at cost - - - - -	\$2,814,540.20		
Less: Reserves for depreciation - - - - -	1,368,853.17		
	\$1,445,687.03		
Cash held by trustee for bondholders (proceeds of sales of land and buildings) - - - - -		72,288.12	
Deferred receivable under agreement of sale - - - - -		74,540.36	1,592,515.51

GOODWILL ARISING FROM CONSOLIDATION - - - - - 4,169,276.09

Approved on behalf of the Board:

J. A. MCDUGALD }
J. EDOUARD LABELLE } *Directors*

\$9,081,053.65

AUDITORS' REPORT

We have examined the consolidated balance sheet of Orange Crush Limited and subsidiaries as at 29th October 1952 and the consolidated statements of profit and loss and surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Depreciation of \$87,449.00 on certain of the fixed assets was provided at approximately one half of maximum rates allowed for income tax purposes. The balance was provided at normal rates.

Consolidated Balance Sheet

AS AT 29TH OCTOBER 1952

LIABILITIES ◆

CURRENT LIABILITIES:

Bank loan—Secured - - - - -	\$ 271,500.00	
Equipment notes payable and accrued interest—Secured - - - -	17,285.82	
Accounts payable and accrued expenses - - - - -	440,599.29	
Sundry taxes payable - - - - -	54,622.11	
Provision for taxes on income—Note 3 - - - - -	62,236.56	
Notes payable to United States bank—Secured—current portion— Note 4 - - - - -	150,000.00	\$ 996,243.78

REFUNDABLE DEPOSITS ON CONTAINERS - - - - -		285,324.29
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NOTES AND BONDS PAYABLE:

3% Notes payable to United States bank—Secured by shares of Orange-Crush Company, Chicago— Note 4 - - - - -	\$875,000.00	
Less: Current portion - - - - -	150,000.00	\$ 725,000.00
3% General Mortgage and Collateral Trust Serial Bonds due in equal annual instalments 1956 to 1965	700,000.00	1,425,000.00

MINORITY INTEREST IN CAPITAL STOCK AND SURPLUS OF ORANGE-CRUSH COMPANY, CHICAGO - - - - -		562,717.46
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CAPITAL STOCK AND SURPLUS:

Capital stock—		
Authorized—		
500,000 common shares without nominal or par value - - -	—	
Issued—		
425,582 common shares - - - - -	\$5,408,232.63	
Earned surplus—		
As per attached statement - - - - -	403,535.49	5,811,768.12

CONTINGENT LIABILITY—Note 3

\$9,081,053.65

TO THE SHAREHOLDERS

Subject to the foregoing, in our opinion, the accompanying consolidated balance sheet and consolidated statements of profit and loss and surplus, supplemented by the explanatory notes 1 to 4 appended thereto, are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at 29th October 1952 and the results of their 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.

4th March 1953

McDONALD, CURRIE & Co.
Chartered Accountants

ORANGE CRUSH LIMITED AND SUBSIDIARY COMPANIES

Consolidated Statements of Profit and Loss and Surplus

FOR THE YEAR ENDED 29TH OCTOBER 1952

◆ **Consolidated Statement of Profit and Loss**

NET OPERATING PROFIT BEFORE DEPRECIATION ON FIXED ASSETS AND CONTAINER WRITE OFF - - - - -		\$500,550.10
OTHER EXPENSES:		
Bond interest - - - - -	\$23,365.94	
Bank and other interest (Net) - - - - -	60,784.81	
Amortization of bond discount, etc. - - - - -	6,486.46	
Provision for depreciation of fixed assets - - - - -	142,564.25	
Provision for depreciation and write off of containers - - - - -	<u>104,930.38</u>	338,131.84
		162,418.26
OTHER INCOME:		
Profit on sale of fixed assets - - - - -	311.31	
Income from foreign subsidiary not consolidated - - - - -	<u>26,662.38</u>	26,973.69
		189,391.95
PROVISION FOR INCOME TAXES - - - - -		<u>47,669.91</u>
		141,722.04
DEDUCT:		
Portion of earnings of subsidiary companies applicable to minority interest - - - - -		<u>11,589.24</u>
NET INCOME FOR THE YEAR - - - - -		<u><u>\$130,132.80</u></u>

◆ **Consolidated Statement of Earned Surplus**

BALANCE—31ST OCTOBER 1951 - - - - -		\$355,544.24
Net income for the year - - - - -		130,132.80
		485,677.04
Provision for prior years' tax on inter-company dividends - - - - -	\$ 3,332.45	
Premium on bond redemption and other related expenses - - - - -	11,757.72	
Net loss on liquidation of Houston, Texas and London, Ontario plants - - - - -	\$28,427.55	
Loss on disposition of interest in plant and equipment acquired under foreclosure proceedings - - - - -	<u>16,784.45</u>	
	45,212.00	
Less: Tax reduction attributable thereto - - - - -	<u>10,532.00</u>	
	34,680.00	
Less: Portion applicable to minority interest - - - - -	<u>6,936.18</u>	27,743.82
Foreign exchange adjustment on consolidation - - - - -	39,307.56	82,141.55
BALANCE—29TH OCTOBER 1952 - - - - -		<u><u>\$403,535.49</u></u>

ORANGE CRUSH LIMITED AND SUBSIDIARY COMPANIES

Explanatory Notes to the Financial Statements

1. The earnings for the current year and assets and liabilities of the United States subsidiaries have been included at par, whereas at the balance sheet date the United States dollar was at a discount of 3½% in terms of the Canadian dollar. The net current assets included in the balance sheet and subject to conversion were \$1,781,000.00 U.S. At 31st October 1951 the company employed a conversion rate of \$1.05 to \$1.00 U.S. funds.
2. The equity as shown by audited financial statements of the subsidiary is \$152,065.00.
3. Additional taxes amounting to \$13,008.83 for a prior year have been assessed against a consolidated subsidiary by the Puerto Rican government. Company's counsel is of the opinion that the assessment will ultimately be reversed. If the liability were to prevail for the year under litigation and succeeding years, the additional assessment would amount to approximately \$137,946.00. Refunds of applicable United States income taxes would amount to approximately \$90,574.00. No provision for these amounts has been made in the accounts.
4. These notes mature as follows:

15th December, 1952	\$150,000.00	(Paid 15th December, 1952)
31st October, 1953	175,000.00	
31st October, 1954	200,000.00	
31st October, 1955	350,000.00	

