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Annual Report
1945

*Canadian Celanese
Limited*

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MCGILL UNIVERSITY

DIRECTORS

SIR WILLIAM ALEXANDER

H. BLANCKE	A. SCHWARTZ
W. MCC. CAMERON	JOS. SIMARD
DR. CAMILLE DREYFUS	R. H. SPERLING
RT. HON. ARTHUR MEIGHEN	P. A. THOMSON
C. W. PALMER	G. H. WHIGHAM

FINANCE AND EXECUTIVE COMMITTEE

P. A. THOMSON (<i>Chairman</i>)	DR. CAMILLE DREYFUS
G. H. WHIGHAM	W. MCC. CAMERON

OFFICERS

G. H. WHIGHAM, *Chairman of Board of Directors*
DR. CAMILLE DREYFUS, *President*
W. MCC. CAMERON, *Vice-President*
C. W. PALMER, *Vice-President*
R. H. SPERLING, *Vice-President*
R. O. GILBERT, *Secretary*
A. G. ALLAN, *Treasurer*

GENERAL OFFICES

1401 McGill College Avenue
Montreal, P.Q.

FACTORY

Drummondville
P.Q.

AUDITORS

MESSRS. P. S. ROSS & SONS
Montreal, P.Q.

DIRECTORS' REPORT

*To the Shareholders of
Canadian Celanese Limited:*

We take pleasure in presenting herewith the Annual Report of your Company for the year 1945.

The accompanying Balance Sheet and the related Statements of Income and Expenditure and Earned Surplus have been prepared on a comparative basis showing the position of your Company at December 31, 1945 and December 31, 1944, and the result of its operations for the years 1945 and 1944. Also included are Statements of Special Surplus and Special Reserve as at December 31, 1945.

Net Profit for the year 1945 amounted to \$1,638,531.89 of which \$371,000.00, being the refundable portion of excess profits tax, was transferred to Special Surplus Account and the balance of \$1,267,531.89 was transferred to Earned Surplus.

Dominion, Provincial and Municipal taxes, paid or provided for and charged against income for 1945, amounted to \$2,910,919.06.

Despite the severe shortage of materials and labor, much progress was made in the installation of plant to provide for additional filament yarn and the production of cellulose acetate staple. It is anticipated that a part of this new plant will now be brought into production within the next few months. Capital Expenditures for plant and equipment during 1945 amounted to \$1,225,532.46 compared with \$1,019,791.28 during 1944. Further substantial commitments have been made looking to the completion of the general expansion program.

Under a Compromise or Arrangement approved by the Shareholders at a Special Meeting held on August 22, 1945 and confirmed by Supplementary Letters Patent on August 27, 1945, the former 7% Cumulative Participating Preferred Shares, \$100 par value each, became changed into Preferred Shares, \$1.75 Series, \$25 par value each, and Common Shares on the basis of four Preferred Shares, \$1.75 Series and one-half Common Share for each 7% Cumulative Participating Preferred Share. The Preferred Shares, \$1.75 Series are non-participating and are redeemable.

Dividends paid during 1945 amounted to \$1,327,818.00 of which \$570,818.00 was paid to Common Shareholders.

For the Board of Directors,

CAMILLE DREYFUS,

President.

March 5, 1946.

P. S. ROSS & SONS

ROYAL BANK BUILDING,
MONTREAL, QUE.

AUDITORS' REPORT TO THE SHAREHOLDERS

*Canadian Celanese Limited,
Montreal.*

We have examined the accompanying Balance Sheet of Canadian Celanese Limited as at December 31, 1945 and the related Statements of Income and Expenditure and Earned Surplus for the year ended on that date. In connection therewith, we have examined or tested accounting records of the Company and other supporting evidence and have obtained all the information and explanations we have required, but we have not made a detailed audit of the transactions.

In our opinion, the accompanying Balance Sheet and related Statements of Income and Expenditure and Earned Surplus are properly drawn up so as to exhibit a true and correct view of the financial position of the Company as at December 31, 1945 and the result of its 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 Company.

P. S. ROSS & SONS,
Chartered Accountants.

February, 25, 1946.

CANADIAN CELANESE LIMITED

Comparative Balance Sheet as at December 31, 1945 and December 31, 1944

<u>ASSETS</u>	<u>1945</u>	<u>1944</u>	<u>LIABILITIES</u>	<u>1945</u>	<u>1944</u>
Current:			Current:		
Cash on Hand and in Banks	\$ 3,869,892.71	\$ 4,887,054.91	Accounts Payable and Accrued Liabilities	\$ 564,182.39	\$ 638,691.74
Government Bonds and Other Securities, at cost (approximate market value 1945, \$6,121,000.00; 1944, \$5,309,700.00)	4,961,378.15	4,675,191.13	Dominion and Provincial Taxes	1,449,866.21	1,365,267.50
Trade Debtors, less Reserve	959,970.80	940,935.79	Interest on Income Funding Rights	59,202.00	62,499.00
Other Accounts Receivable and Accrued Interest	28,961.10	33,925.92	Accrued Interest on Debentures	58,732.88	58,732.88
Inventories of Raw Materials, Supplies, Work in Process and Finished Goods, as determined and certified by the Management and valued at cost or market, whichever was lower	1,895,275.42	1,957,191.26		2,131,983.48	2,125,191.12
	11,715,478.18	12,494,299.01	3½% Debentures due September 1, 1959 Authorized and Issued	5,000,000.00	5,000,000.00
Deferred and Prepaid Charges:			Reserves:		
Unexpired Insurance and Taxes	169,620.73	26,331.36	For Depreciation of Buildings, Machinery and Equipment	6,032,392.23	5,734,165.34
Expenses applicable to future operations	1,464.31	3,040.00	For Amortization of Patents	683,295.95	620,272.81
Cost of Income Funding Rights purchased in anticipation of Sinking Fund requirements	65,130.12	56,433.12	Special Reserve	450,000.00	500,000.00
Debenture discount and expenses, less amount amortized	128,923.25	138,356.65	Inventory Reserve	43,000.00	56,000.00
	365,138.41	224,161.13		7,208,688.18	6,910,438.15
Securities held for Investment, valued at cost	107,185.63	195,574.39	Capital Stock:		
Refundable portion of Excess Profits Tax	1,411,000.00	1,040,000.00	Authorized—		
Fixed:			At December 31, 1945:		
Real Estate, Plant, Machinery and Equipment, at cost	15,869,541.16	14,940,050.37	600,000 Preferred Shares, par value \$25.00 per share		
Patents and Trade Marks	1,035,557.61	1,027,377.52	750,000 Common Shares, without par value		
Special Fund re Income Funding Rights, as per contra	367,200.00	367,200.00	At December 31, 1944:		
Assets held for Special Fund:	<u>1945</u>	<u>1944</u>	150,000 7% Cumulative Participating Preferred Shares, par value \$100.00 per share		
Government Bonds at cost (market value 1945, \$180,000.00; 1944, \$188,000.00)	\$178,000.00	\$189,000.00	300,000 Common Shares, without par value		
Income Funding Rights valued at \$25.00 per Right—1945, 7,568 Rights; 1944, 7,128 Rights	189,200.00	178,200.00	Issued and Outstanding—		
	\$367,200.00	\$367,200.00	At December 31, 1945:		
	\$30,871,100.99	\$30,288,662.42	400,000 Preferred Shares, \$1.75 Series (cumulative, redeemable)	10,000,000.00	
			310,409 Common Shares	1,219,045.00	
			At December 31, 1944:		
			100,000 Participating Preferred Shares		10,000,000.00
			260,409 Common Shares		1,169,045.00
			Income Funding Rights having the attributes set forth in Special By-Law "A":		
			Number of Rights outstanding at December 31	<u>1945</u>	<u>1944</u>
			(as per footnote 3)	59,202	62,499
			Balance of Sinking Fund re Income Funding Rights set aside in accordance with the provisions of Clause 3 of Special By-Law "A"	9.00	11.00
			Special Fund re Income Funding Rights, as per contra, set aside in accordance with the provisions of Clause 5 of Special By-Law "A"	367,200.00	367,200.00
			Surplus Accounts:		
			Distributable Surplus, set aside in 1936 in accordance with the provisions of sub-section 7 of section 12 of The Companies Act, 1934. Special Surplus, being the refundable portion of the Excess Profits Tax	62,500.00	62,500.00
			Earned Surplus, per Statement attached	1,411,000.00	1,040,000.00
				3,470,675.33	3,614,277.15
				\$30,871,100.99	\$30,288,662.42

See accompanying notes to the Balance Sheet.

Approved on behalf of the Board:
P. A. THOMSON, Director.
A. SCHWARTZ, Director.

This is the Balance Sheet referred to in our attached Report of even date.
P. S. ROSS & SONS,
Chartered Accountants.

Montreal, February 25, 1946.

CANADIAN CELANESE LIMITED

Notes to the Balance Sheet

1. Commitments made by the Company as at December 31, 1945 for the construction of Buildings and the purchase of Machinery and Equipment totalling approximately \$1,200,000.00 are not reflected in the accompanying Balance Sheet.

2. Under the terms of the Compromise or Arrangement of July 10, 1945, effective at the close of business on September 30, 1945:
 - (a) The 150,000 authorized Participating Preferred Shares of the par value of \$100.00 each were changed and subdivided into 600,000 Preferred Shares of the par value of \$25.00 each. Of the said 600,000 Preferred Shares, 400,000 Preferred Shares resulting from the change and subdivision of the 100,000 outstanding Participating Preferred Shares were issued as "Preferred Shares, \$1.75 Series."
 - (b) The Capital of the Company was increased by the creation of 450,000 additional Common Shares without par value and 50,000 Common Shares were issued as fully paid to the holders of the Participating Preferred Shares by the transfer from Earned Surplus to Capital Stock of \$1.00 per share.

3. Details of Income Funding Rights:	<u>1945</u>	<u>1944</u>
Rights issued under the Scheme of Arrangement of November 7, 1934	90,000	90,000
<i>Less:</i>		
Rights purchased by the Company:		
Held in Special Fund	7,568	7,128
Held in anticipation of Sinking Fund requirements	2,808	2,479
Delivered to Sinking Fund	20,422	17,894
Rights outstanding at December 31	<u>59,202</u>	<u>62,499</u>
(Rights purchased by the Company cannot be reissued)		

CANADIAN CELANESE LIMITED

Comparative Statement of Income and Expenditure for the two years ended December 31, 1945

	<i>Year ended December 31</i>	
	<u>1945</u>	<u>1944</u>
Net Operating Profit before taking up the items below	\$4,816,587.72	\$4,857,920.23
Income from Investments	203,557.60	133,525.68
Profit on Income Funding Rights purchased for Special Fund and for Sinking Fund	5,358.75	5,803.49
Profit on Investment Securities sold	34,328.37	11,503.98
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	5,059,832.44	5,008,753.38
Remuneration of Executive Officers and Directors required to be shown separately under Section 113 (2) of The Companies Act	124,774.85	129,960.09
Fees of Directors not included above	10,335.60	7,264.40
Legal Fees	19,065.00	19,025.00
Depreciation of Plant, Machinery and Equipment	527,371.23	509,752.27
Special Depreciation of Machinery and Equipment (as per claim filed)	66,897.33	133,794.67
Amortization of Patents	13,023.14	13,862.33
Interest on Debentures	175,000.00	52,979.48
Amortization of Debenture discount and expenses	9,433.40	3,144.47
Inventory Reserve	13,000.00	—
Provision for Dominion Income Tax and Excess Profits Tax (less refundable portion of Excess Profits Tax, \$371,000.00 in 1945 and \$371,000.00 in 1944)	2,366,000.00	2,374,000.00
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	3,298,900.55	3,243,782.71
Net Profit before provision for Interest and Sinking Fund re Income Funding Rights	1,760,931.89	1,764,970.67
Deduct:		
Interest on Income Funding Rights	59,202.00	62,499.00
Sinking Fund for Income Funding Rights	63,198.00	59,901.00
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	122,400.00	122,400.00
Net Profit for year	1,638,531.89	1,642,570.67
Deduct:		
Amount equivalent to refundable portion of Excess Profits Tax transferred to Special Surplus Account	371,000.00	371,000.00
	<hr/>	<hr/>
Balance of Net Profit for year transferred to Comparative Statement of Earned Surplus	<u>\$1,267,531.89</u>	<u>\$1,271,570.67</u>

CANADIAN CELANESE LIMITED

Comparative Statement of Earned Surplus for the two years ended December 31, 1945

	<i>Year ended December 31</i>	
	<u>1945</u>	<u>1944</u>
Earned Surplus at beginning of year	\$3,614,277.15	\$3,616,524.48
Deduct:		
Transfer to Capital Stock of an amount equivalent to \$1.00 per share on 50,000 shares of Common stock issued under the terms of the Compromise or Arrangement of July 10, 1945	50,000.00	
Expenses incurred in connection with changes in Capital Stock	33,315.71	
	83,315.71	—
	3,530,961.44	3,616,524.48
Add:		
Balance of Net Profit for year transferred from Comparative Statement of Income and Expenditure	1,267,531.89	1,271,570.67
	4,798,493.33	4,888,095.15
Deduct:		
Dividends Paid:		
Participating Preferred Shares:		
For 1945—\$5.25 per share for the nine months ended September 30, 1945 and Participating Dividend of 57 cents per share	582,000.00	
For 1944—\$7.00 per share and Participating Dividend of 53 cents per share		753,000.00
Preferred Shares, \$1.75 Series:		
43.75 cents per share for the three months ended December 31, 1945	175,000.00	—
Common Shares:		
\$2.00 per share	570,818.00	520,818.00
	1,327,818.00	1,273,818.00
Earned Surplus at end of year	\$3,470,675.33	\$3,614,277.15

Statement of Special Surplus (Refundable Portion of the Excess Profits Tax) as at December 31, 1945

Balance at credit January 1, 1945	\$1,040,000.00
Add:	
Amount equivalent to refundable portion of Excess Profits Tax for 1945	371,000.00
Balance at credit December 31, 1945	\$1,411,000.00

Statement of Special Reserve as at December 31, 1945

Balance at credit January 1, 1945	\$ 500,000.00
Deduct:	
Amount transferred to Reserve for Amortization of Patents	50,000.00
Balance at credit December 31, 1945	\$ 450,000.00

