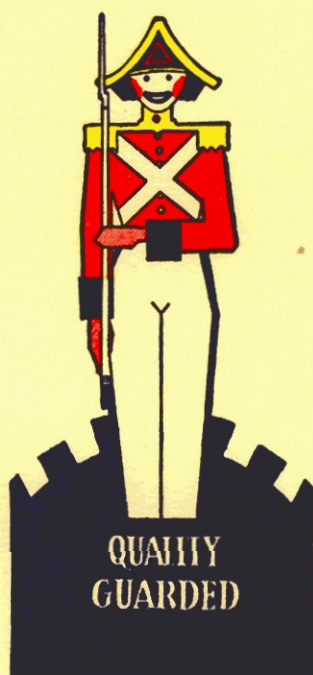


EASTERN DAIRIES LIMITED



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**Annual Report
for the year ending
31st March, 1940**

EASTERN DAIRIES LIMITED

Annual Report
for the year ending
31st March, 1940



OFFICERS

President and Managing Director

W. R. AIRD, Montreal

Vice-President

P. A. THOMSON, Montreal

DIRECTORS^{*}

W. R. AIRD	Montreal
E. W. KING	Toronto
A. J. NESBITT	Montreal
C. B. PRICE	Montreal
P. A. THOMSON	Montreal
C. V. THOMPSON, Secretary-Treasurer		

Fiscal Agents

NESBITT, THOMSON & COMPANY, LIMITED

Transfer Agents

MONTREAL TRUST COMPANY

Auditors

P. S. ROSS & SONS

EASTERN DAIRIES, LIMITED

To the Shareholders:

YOUR Directors submit herewith their Annual Report covering the operations of your Company and its Subsidiaries for the year ended March 31st, 1940, accompanied by a Consolidated Statement of Assets and Liabilities, Capital Deficit Account and Statement of Deficit from Operations, duly certified by the Company's auditors.

The net results from operations for the year and, for the previous fiscal year ended March 31st, 1939, are as follows:

	1940	1939
Operating Profit	\$379,840.62	\$207,165.79
LESS:		
Bond Interest	\$154,091.11	\$157,783.89
Premium paid on foreign funds for Bond Interest	15,684.26	169,775.37
	1,995.60	159,779.49
Profit before Depreciation..	210,065.25	47,386.30
Depreciation	222,669.05	236,744.47
Net Loss	<u>\$ 12,603.80</u>	<u>\$189,358.17</u>

It will be noticed that the expense incurred through having to pay interest on your Company's Bonds in United States funds increased by \$13,688.66 over the previous year. The net result for the year after providing interest and premium on your Company's Bonds and Depreciation shows an improvement of \$176,754.37.

The plant and equipment of all companies has been maintained in excellent condition and the Reserve for Depreciation which was credited with \$222,669.05, is considered adequate.

The Balance Sheet shows a substantial improvement in the Company's current position. Bank Loan of \$54,500.00 compares with loans of \$139,000.00 as at March 31st, 1939, and represents an advance to your Company's Subsidiary in the City of Winnipeg.

During the year your Company purchased and delivered to the Montreal Trust Company, Trustee, for cancellation, \$83,000.00 of your Company's 6% Twenty Year Collateral Trust Bonds due May 1st, 1949, in accordance with the terms of the Trust Deed.

Negotiations conducted during the year resulted in an offer being received by Acme Farmers Dairy, Limited, for its assets in the City of Hamilton which it was considered advisable to accept. Operations in that City have not been on a profitable basis and the disposal of that portion of your Subsidiary's business should have a favourable effect on its operations for the current year.

The continuous and particular effort directed towards improving sales, has again resulted in an increase in the volume of milk and cream sold.

EASTERN DAIRIES, LIMITED



The higher prices obtaining for butter throughout a greater part of the year, as compared with the previous fiscal year, had a favourable effect on the earnings from that department of your Company. This increase in the market value of butter had the effect of increasing the cost of milk purchased for the supply of ice cream and fluid cream, which offset to quite a degree the improved earnings from the sale of butter.

During the first half of the fiscal year under review, the domestic market for milk powder and other by-products was unsettled and prices obtainable were low. The export market during the same period was weak and sales made in this market were at very low levels. This condition resulted in decreased earnings from by-products as compared with the previous year. Towards the close of the fiscal year the markets for these products strengthened somewhat and sales are now on a more satisfactory basis.

The management of your Company continually endeavours to improve efficiency and effect economies in operations. The effort in this direction resulted in a decrease in operating expenses in spite of the fact that during seven months of the year an increase in the cost of supplies was experienced, due to war conditions.

Reference is again made in the Balance Sheet to the Contingent Liability in respect of additional Income Taxes for the years from 1928 onward. The Income Tax Department is making a study of the records and it is expected the amount claimed by them will shortly be known.

It is impossible under present conditions to attempt to anticipate what the result of operations will be for the coming year. Your Directors wish to assure you, however, that no effort will be spared to overcome any difficulties with which they may have to contend and, to effect an improvement in the position of your Company.

The officers and staff of your Company have rendered loyal and efficient service, for which your Directors wish to express their appreciation.

Submitted on behalf of the Board.

W. R. AIRD, President.

**CONSOLIDATED BALANCE SHEET
OF
EASTERN DAIRIES, LIMITED**
Acme Farmers Dairy, Limited
Crescent Creamery Company, Limited
Elmhurst Dairy, Limited
The Producers Dairy, Limited

AT 31st MARCH, 1940

ASSETS	
Current Assets:	
Cash on Hand and in Banks.	\$ 258,688.28
Accounts Receivable, less Reserve	332,170.42
Interest Receivable	1,920.95
Inventories at Cost:	
Products, Raw Materials, Operating, Advertising and Office Supplies, as determined by physical inventories and certified by officers of the Companies.	214,683.04
	<u>\$ 807,462.69</u>
Other Assets:	
Investments in Other Companies— at approximate market value.	47,035.50
Deferred Accounts Receivable, less Reserve	32,445.88
Balances due under Agreements of Sale and Chattel Mortgage	39,500.00
	<u>118,981.38</u>
Fixed Assets:	
Land, Buildings, Plant, Equipment, Furniture and Fixtures at replacement values—new, as determined by Canadian Appraisal Company Limited at various dates between 1st December 1925 and 9th June 1928 in respect of the individual Companies; subsequent additions at cost	7,315,305.96
Deduct: Reserve for Depreciation	2,579,024.30
	<u>4,736,281.66</u>
Prepaid and Deferred Charges.	79,513.57
	<u>\$5,742,239.30</u>

Approved on behalf of the Board:

W. R. AIRD, Director.

P. A. THOMSON, Director.

LIABILITIES	
Current Liabilities:	
Bank Loan of a Subsidiary Company Secured under section 88 of Bank Act and pledge of certain securities.	\$ 54,500.00
Accounts Payable and Accrued Liabilities	406,196.09
Taxes Due and Accrued	37,973.79
Salesmen's Deposits and Unredeemed Tickets	72,552.79
Accrued Bond Interest (including provision for premium on U.S. Dollars).	70,050.43
	<u>\$ 641,273.10</u>
Equity of Preferred Shares of Subsidiary Companies in hands of Public:	
5,972 Preferred Shares of Acme Farmers Dairy Limited	900,279.00
6,571 Preferred Shares of Crescent Creamery Company, Limited.	693,176.04
	<u>1,593,455.04</u>
6% Twenty year First Collateral Trust Sinking Fund Convertible Bonds Series "A" due 1st May 1949.	2,521,500.00
(\$46,500. additional bonds owned by a subsidiary Company pledged to Bank as collateral)	
Capital:	
Seven per cent Cumulative Preference Stock (Callable on 30 days' notice at \$105. per share)	
Authorized— 50,000 shares each of \$100 par value	
Issued — 25,000 shares	2,500,000.00
(Dividends in arrears 50 3/4% at 31st March 1940)	
Common Stock -	
Authorized— 200,000 shares without nominal or par value	
Issued to Public—99,020 shares	1,579,210.00
	<u>4,079,210.00</u>
Deduct:	
Capital Deficit—as per statement attached	\$2,641,407.65
Deficit from Operations—as per statement attached	451,791.19
	<u>3,093,198.84</u>
	<u>986,011.16</u>
Contingent Liabilities in respect of—	
1. Income Taxes since 1928 for which assessments have not been received. This liability has not been determined but information available indicates amount may be substantial.	
2. Contracts to purchase machinery and equipment \$25,167.70	
	<u>\$5,742,239.30</u>

Auditors' Report

Eastern Dairies, Limited, Montreal. Montreal, 22nd June 1940.
We have made an examination of the Consolidated Balance Sheet of Eastern Dairies, Limited and its subsidiary companies as at 31st March 1940. In connection therewith, we examined or tested accounting records and other supporting evidence of Eastern Dairies, Limited, Acme Farmers Dairy, Limited, Crescent Creamery Company, Limited and Elmhurst Dairy, Limited and have been furnished with financial statements at 31st March 1940 of The Producers Dairy, Limited, certified by independent auditors, and have obtained all the information and explanations required by us. We also made a general review of the accounting methods of the companies examined by us and of their operating and income accounts for the year ended 31st March 1940 but we did not make a detailed audit of their transactions.

In our opinion, based upon the examination referred to above, the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of affairs of Eastern Dairies, Limited, and its subsidiary companies at 31st March 1940, according to the best of our information and the explanations given to us and as shown by the books of the companies examined by us and the certified statements furnished to us.

P. S. ROSS & SONS,
Chartered Accountants.

CONSOLIDATED STATEMENT OF CAPITAL DEFICIT OF

EASTERN DAIRIES, LIMITED

Acme Farmers Dairy, Limited

Crescent Creamery Company, Limited

Elmhurst Dairy, Limited

The Producers Dairy, Limited

AT 31st MARCH 1940

Capital Deficit at 31st March 1939.....	\$2,580,382.06
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ADD:

Loss on sale of fixed assets of Subsidiary Companies.....	\$ 60,931.07	
Provision for Dividends accrued during year ended 31st March 1940 but not declared, on Preferred Shares of Acme Farmers Dairy, Limited in hands of Public.....	41,804.00	102,735.07
		2,683,117.13

DEDUCT:

Gain on Bonds redeemed during year ended 31st March 1940..	33,080.00	
Profit on sales of securities and increase in market value of unsold securities.....	7,865.60	40,945.60
		2,642,171.53

DEDUCT:

Adjustments applicable to the Preferred Shares of Crescent Creamery Company, Limited in the hands of the Public arising from loss on sale of Fixed Assets and increase in value of securities of that Company.....		763.88

Capital Deficit at 31st March 1940.....	\$2,641,407.65
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CONSOLIDATED STATEMENT OF DEFICIT FROM OPERATIONS
OF

EASTERN DAIRIES, LIMITED

Acme Farmers Dairy, Limited

Crescent Creamery Company, Limited

Elmhurst Dairy, Limited

The Producers Dairy, Limited

AT 31st MARCH 1940

Balance at Debit 31st March 1939.....		\$449,412.59
DEDUCT:		
Adjustments pertaining to prior periods		
Proceeds from Life Insurance Policy in excess of Cash Surrender value.....	\$ 12,460.00	
LESS: Other adjustments.....	2,234.80	
		10,225.20
		439,187.39
Profit from Operations for the year ended 31st March 1940....	419,017.07	
Income from Investments.....	2,791.00	
	421,808.07	
DEDUCT:		
Remuneration of Executive Officers.....	\$34,461.89	
Directors' Fees.....	3,800.00	
Legal Fees.....	1,040.64	
	39,302.53	
		382,505.54
DEDUCT:		
Bond Interest.....	154,091.11	
Premium on Foreign Funds for Bond Interest.....	15,684.26	
Provision for Depreciation.....	222,669.05	
Provision for Provincial Income Taxes.....	2,757.25	
	395,201.67	
Loss.....		12,696.13
LESS: Proportion of loss applicable to Preferred shares of Crescent Creamery Company, Limited held by Public....		92.33
Loss from Operations for the year ended 31st March 1940.....		12,603.80
Deficit from Operations at 31st March 1940.....		\$451,791.19

NOTE:—Liability for Income Tax for the year ended 31st March 1940 not determinable at this date. Information received indicates there may be a liability of a substantial amount in respect of income taxes for the years 1928-1939 inclusive but assessments have not been received.

SUBSIDIARY COMPANIES

CRESCENT CREAMERY COMPANY, LIMITED WINNIPEG, MAN.

Main Plant	542 Sherburn Street
Storage Plant	85 Lombard Street
Distributing Depot	Kenora, Ont.
Branch	Killarney, Man.
“	Portage la Prairie, Man.
“	Swan River, Man.
“	Yorkton, Sask.
Receiving Station	Ste. Anne, Man.
“ “	Letellier, Man.
“ “	Steinbach, Man.

THE PRODUCERS DAIRY, LIMITED OTTAWA, ONT.

Main Plant	275 Kent Street
Garage and Stables	28 Arthur Street
Storage Plant	200 Boulevard St. Joseph, Hull, P.Q.
Creamery	Almonte, Ont.
“	Shawville, Que.
Cheese Factory	Township of Ramsay, Ont.

SUBSIDIARY COMPANIES

ACME FARMERS DAIRY, LIMITED TORONTO, ONT.

Main Plant	Walmer Road and MacPherson Ave.
Ice Cream Plant	254 Berkeley Street
Distributing Depot	2359 Danforth Avenue
“ “	Centre Island
Store	420 Spadina Road
Powder and Condensing Plant	Napanee, Ont.
Powder, Condensing and Cheese Plant	Sydenham, Ont.

ELMHURST DAIRY, LIMITED MONTREAL, QUE.

Main Plant	7460 Upper Lachine Road
Distributing Depot	101 River Street, Verdun
“ “	6240 Hutchison Street, Outremont
Creamery	Richmond, Que.

