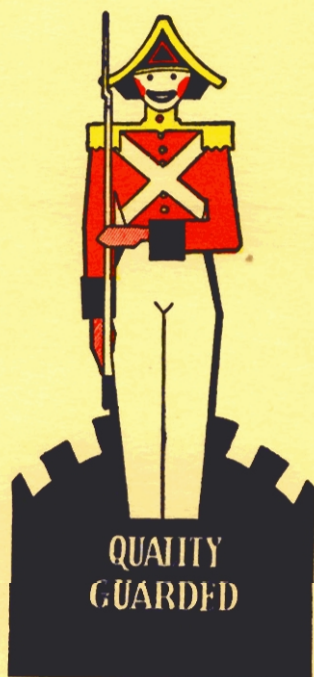


EASTERN DAIRIES LIMITED



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**Annual Report
for the year ending
31st March, 1942**

EASTERN DAIRIES LIMITED

Annual Report
for the year ending
31st March, 1942



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

MAJ.-GEN. 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, 1942, 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.

A comparison of the result of operations for the year ended March 31st, 1942, with that of the previous fiscal year ended March 31st, 1941 follows:

	1942		1941	
Operating Profit.....		\$561,034.21		\$588,273.71
LESS:				
Bond Interest.....	\$145,980.00		\$147,469.40	
Premium paid on foreign funds for Bond Interest	16,065.80		15,754.54	
Provision for Income Taxes.....	41,000.98	203,046.78	24,018.56	187,242.50
Profit before Depreciation.		357,987.43		401,031.21
DEDUCT:				
Depreciation.....	296,471.99		372,836.47	
Proportion of Profits applicable to Preferred shares of Acme Farmers Dairy, Limited and Crescent Creamery Co., Limited, held by public	45,618.22	342,090.21	6,418.46	379,254.93
Net Profit.....		<u>\$ 15,897.22</u>		<u>\$ 21,776.28</u>

The plant and equipment of your Company have been maintained in excellent condition, and the policy of maintaining a substantial Reserve for Depreciation has been continued.

Your Company was obliged to postpone payment of the Sinking Fund instalment due May 1st, 1942, on its 6% Twenty Year Collateral Trust Bonds. The Consolidated Balance Sheet shows substantial cash balances and investments in government bonds of which a large proportion represents assets of two subsidiaries not wholly owned, the dividends on the Preferred Shares of which are in arrears.

The continuous effort directed towards improving sales again resulted in a very substantial increase in the volume of milk and cream sold in all cities where your Subsidiaries operate.

EASTERN DAIRIES, LIMITED

The volume and value of sales of ice cream and other frozen confections of all subsidiaries also improved considerably over the previous year. As a result of the increase obtained, the earnings of your Company's subsidiaries from this source improved over the previous year, although the margin of profit per unit sold was adversely affected by the higher cost of ingredients entering into its manufacture. Sales of ice cream during the current year will be restricted to the same volume as for the past year, due to an order recently issued by the Dairy Products Board.

During the year milk powder and other by-products were much in demand, which was reflected favourably in the general operations of your Company.

The result of butter operations was less favourable than for the previous year. Prevailing prices were fairly high during the summer months when the requirements of butter are manufactured, and the establishing of price control did not permit the normal seasonal increase in market value during the winter months.

Due to increased wages and an increase in the cost of supplies, operating expenses were of necessity greater than for the previous fiscal year. The management of your Company is, however, continuously on the alert for ways and means of increasing the efficiency of all departments in order that expenses may be kept at a minimum.

It is understandable that under present conditions, any attempt to anticipate the result of future operations would be impossible. Regulations that are in the National interest frequently have to be made on short notice, and such interests may demand at any time new regulations that might have an important bearing on the industry in which your Company is engaged. The Directors and management of your Company fully appreciate this situation, and realize that only by being prepared to quickly adapt all phases of operations to rapidly changing conditions, can the best interests of your Company be served.

The officers and staff of your Company have rendered efficient and loyal service through another difficult year, and your Directors wish to express their appreciation for the co-operation received.

Submitted on behalf of the Board.

W. R. AIRD, President.

CONSOLIDATED BALANCE SHEET
OF
EASTERN DAIRIES, LIMITED AND SUBSIDIARY COMPANIES
WHOLLY OWNED
Elmhurst Dairy, Limited
The Producers Dairy, Limited
NOT WHOLLY OWNED
Acme Farmers Dairy, Limited
Crescent Creamery Company, Limited

AT 31 MARCH 1942

ASSETS

Current Assets:

Cash on Hand and in Banks	\$ 357,732.50
Accounts Receivable, less Reserve	461,028.99
Interest Receivable	1,457.44
Investment in Dominion of Canada and Provincial Bonds at quoted market value	164,075.00
Inventories at Cost —	
Products, Raw Materials, Operating, Advertising and Office Supplies as determined by physical inventories and certified by officers of the Companies	316,372.19
	<u>\$1,300,666.12</u>

Other Assets:

Investments in Other Companies—at quoted market value	31,375.50
Deferred Accounts Receivable, less Reserve	27,750.91
Balances due under Agreement of Sale and Mortgages	29,957.97
	<u>89,084.38</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	7,163,542.25
Deduct: Reserve for Depreciation	2,921,085.94
	<u>4,242,456.31</u>
Prepaid and Deferred Charges	62,279.00
	<u>\$5,694,485.81</u>

Approved on behalf of the Board:

W. R. AIRD, Director.

P. A. THOMSON, Director.

EASTERN DAIRIES LIMITED,
MONTREAL.

We have made an examination of the Consolidated Balance Sheet of Eastern Dairies, Limited and its subsidiary companies as at 31st March, 1942. 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 1942 of The Producers Dairy, Limited, certified by independent auditors, and 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, 1942 but we did not make a detailed audit of their transactions.

The attached Consolidated Balance Sheet includes two subsidiary companies, namely, Acme Farmers Dairy, Limited and Crescent Creamery Company, Limited which are not wholly owned. The Current Assets and Current Liabilities of these two Companies amounting to \$782,192.45 and \$456,048.53 respectively are reflected under these captions on the attached Balance Sheet.

Due to

- (1) Arrears of dividends on the 7,000 shares of Acme Farmers Dairy, Limited preferred shares amounting to \$453,250.00 for which provision has been made on 5,972 shares in hands of public and
- (2) Insufficient assets in Crescent Creamery Company, Limited to provide for full liability in respect of par value of 10,000 preferred shares of that Company on which there are also arrears of dividends amounting to 62% for which no provision can therefore be made

No part of the current capital of either of the said subsidiary companies not wholly owned aggregating \$326,143.92 being the excess of Current Assets over Current Liabilities shown above is available to meet liabilities of Eastern Dairies Limited except to the extent dividends may be received in the future on preferred shares of such subsidiary companies held by Eastern Dairies, Limited or wholly owned subsidiary companies.

Subject to the foregoing and based upon the examination referred to above, the attached Consolidated Balance Sheet, in our opinion, 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 1942, 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

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities	\$ 617,062.46
Taxes, Due and Accrued	76,925.95
Salesmen's Deposits and Unredeemed Tickets	77,155.73
Accrued Bond Interest (including provision for premium on U.S. Dollars)	67,515.75
	<u>\$ 838,659.89</u>

Equity available for Subsidiary Companies' Shares in hands of Public:

Acme Farmers Dairy Limited 5,972 Preferred Shares	983,887.00
Crescent Creamery Company Limited 6,551 Preferred Shares	554,103.51
	<u>1,537,990.51</u>
6% Twenty Year First Collateral Trust Sinking Fund Convertible Bonds Series "A" due 1st May, 1949	2,433,000.00

(\$46,500 additional bonds owned by Crescent Creamery Company Limited).

Sinking Fund Installment \$92,400 due 1st May, 1942, not paid 30th May, 1942.

Capital:

Seven per cent Cumulative Preferred 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 64 $\frac{3}{4}$ % at 31st March, 1942)

Common Stock —
Authorized—200,000 shares without nominal or par value
Issued to Public—99,020 shares 1,579,210.00
4,079,210.00

Deduct:

Capital Deficit—as per statement attached	\$2,758,074.75
Deficit—as per statement attached	436,299.84
	<u>3,194,374.59</u>
	<u>884,835.41</u>

Contingent Liability:

Bank Loans in respect of and secured by Dominion of Canada
Bonds subscribed for by employees \$13,415.40.

30th May, 1942.

AUDITORS' REPORT

CONSOLIDATED STATEMENT OF CAPITAL DEFICIT
OF
EASTERN DAIRIES, LIMITED AND SUBSIDIARY COMPANIES
WHOLLY OWNED
 Elmhurst Dairy, Limited
 The Producers Dairy, Limited
NOT WHOLLY OWNED
 Acme Farmers Dairy, Limited
 Crescent Creamery Company, Limited

AT 31st MARCH, 1942

Capital Deficit at 31st March, 1941..... \$2,705,228.27

ADD:

Loss on sale of certain fixed assets of Crescent Creamery
 Company, Limited after deducting portion thereof
 affecting equity of that Company's preferred shares in
 hands of public..... \$ 41,899.89

Excess of cumulative dividend on preferred shares of Acme
 Farmers Dairy, Limited for year ended 31st March, 1942
 over net profits available for such dividend..... 7,443.23

Decline in quoted market value of unsold securities..... 3,503.36
52,846.48

Capital Deficit at 31st March, 1942..... \$2,758,074.75

CONSOLIDATED STATEMENT OF DEFICIT ACCOUNT
OF
EASTERN DAIRIES, LIMITED AND SUBSIDIARY COMPANIES
WHOLLY OWNED

Elmhurst Dairy, Limited
The Producers Dairy, Limited

NOT WHOLLY OWNED
Acme Farmers Dairy, Limited
Crescent Creamery Company, Limited

AT 31st MARCH, 1942

Balance 31st March, 1941		\$ 444,882.63
ADD:		
Income Taxes applicable to prior years		7,314.43
		<u>452,197.06</u>
Profit from Operations for the year ended 31st March, 1942	\$ 593,942.20	
Income from Investments	2,054.46	
		<u>595,996.66</u>
DEDUCT:		
Remuneration of Executive Officers	\$ 29,910.00	
Directors' Fees	3,940.00	
Legal Fees	1,112.45	34,962.45
		<u>561,034.21</u>
DEDUCT:		
Bond Interest	\$145,980.00	
Premium on Foreign Funds for Bond Interest	16,065.80	
Provision for Depreciation	296,471.99	
Provision for Income and Excess Profits Taxes	41,000.98	499,518.77
		<u>61,515.44</u>
Net Profit for the year ended 31st March, 1942		
DEDUCT:		
Proportion applicable to Preferred Shares of Acme Farmers Dairy, Limited and Crescent Creamery Company, Limited held by Public	45,618.22	15,897.22
		<u><u>\$ 436,299.84</u></u>
Deficit 31st March, 1942		

SUBSIDIARY COMPANIES

CRESCENT CREAMERY COMPANY, LIMITED WINNIPEG, MAN.

Main Plant	. . . . .	542 Sherburn Street
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.

