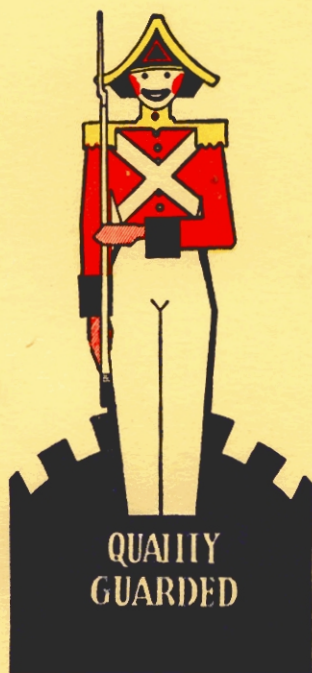


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EASTERN DAIRIES LIMITED



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**Annual Report
for the year ending
31st March, 1943**

EASTERN DAIRIES, LIMITED

BALANCE SHEET AT 31st MARCH, 1943

ASSETS

Current Assets:

Cash on hand and in Bank	\$29,194.70	
Accounts Receivable, less Reserve	33,266.54	
Accounts Receivable from Subsidiary Companies	1,972.89	
Interest on Debenture Notes of Subsidiary Companies deposited with Trustee for Bondholders	\$43,749.99	
Dividends declared by Wholly owned Subsidiary Companies deposited with Trustee for Bondholders when received in April, 1943	27,465.75	71,215.74
(These amounts have been applied by the Trustee for the Bondholders to payment of Bond Interest due 1st May, 1943).		
Inventory at Cost—		
Advertising and office supplies as determined by physical inventory and certified by officers of the Company	6,187.18	\$ 141,837.05

Investments at cost less amounts written off:

Subsidiary Companies—		
Wholly Owned	1,822,081.67	
Not Wholly Owned	1,532,928.11	
Other Companies	1.00	3,355,010.78

Fixed Assets:

Laboratory Equipment and Furniture and Fixtures at replacement values new, as established by Canadian Appraisal Company Limited at 15th November, 1926; subsequent additions at cost	16,375.37	
DEDUCT: Reserve for Depreciation	12,483.07	3,892.30
Prepaid and Deferred Charges		1,325.95
		<u>\$3,502,066.08</u>

Approved on behalf of the Board:

W. R. AIRD, Director.

P. A. THOMSON, Director.

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities	\$10,257.09	
Accounts Payable—Subsidiary Companies	50,763.90	
Taxes, due and accrued	528.15	
Accrued bond interest and provision for premium on U.S. dollars	68,806.12	\$ 130,355.26

6% Twenty Year First Collateral Trust Sinking Fund Convertible Bonds, Series "A", due 1st May, 1949	2,479,500.00
(Sinking Fund instalments due 1st May, 1942, and 1st May, 1943, totalling \$185,630.00 not paid 14th July, 1943.)	

Capital:

Seven per cent Cumulative Preference Stock (Callable on 30 days' notice at \$105.00 per share). Authorized—50,000 Shares of \$100.00 par value each. Issued —25,000 Shares	2,500,000.00
(Dividends in arrears 71¾% at 31st March, 1943.)	

Common Stock:

Authorized—200,000 shares without nominal or par value Issued to the public—99,020 shares	1,579,210.00
(After deducting 300 shares held by Company for employees and 680 shares owned by Subsidiary Companies.)	
	<u>4,079,210.00</u>

DEDUCT:

Capital Deficit—as per statement attached	\$2,744,051.46	
Deficit—as per statement attached	442,947.72	3,186,999.18
		<u>892,210.82</u>

\$3,502,066.08

AUDITORS' REPORT

14th July, 1943.

TO THE SHAREHOLDERS,
EASTERN DAIRIES, LIMITED,
MONTREAL.

We have made an examination of the Balance Sheet of Eastern Dairies, Limited as at 31st March, 1943, and have obtained all the information and explanations required by us. In connection therewith we examined or tested the accounting records and other supporting evidence and made a general review of the accounting methods and of the operating and income accounts of the Company for the year ended 31st March, 1943, but we did not make a detailed audit of the transactions.

The aggregate of profits less losses of subsidiary companies from the dates of acquisition to 31st March, 1943, applicable to the share holdings of Eastern Dairies, Limited in such companies, have been reflected in the attached statements.

In our opinion, based upon the examination referred to above, the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of affairs of Eastern Dairies, Limited at 31st March, 1943, according to the best of our information and the explanations given to us and as shown by the books of the Company examined by us.

P. S. ROSS & SONS,
Chartered Accountants.

EASTERN DAIRIES LIMITED

**Annual Report
for the year ending
31st March, 1943**

EASTERN DAIRIES, LIMITED

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
J. A. SMITH, 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 31st March, 1943, accompanied by a Consolidated Statement of Assets and Liabilities, Capital Deficit Account and Statement of Deficit from Operations duly certified by the Companies' Auditors.

A comparison of the result of operations for the year ended 31st March, 1943, with that of the previous fiscal year ended 31st March, 1942 follows:

	1943		1942	
Operating Profit.....		\$767,563.11		\$561,034.21
LESS:				
Bond Interest.....	146,263.46		145,980.00	
Premium paid on foreign funds for Bond Interest	16,120.62		16,065.80	
Write-off — Bottle Account.....	169,866.16			
Provision for Income and Excess Profits Taxes (1943 includes refundable portion of Excess Profit Taxes estimated at \$13,168.49).....	184,805.93	517,056.17	41,000.98	203,046.78
Profit before Depreciation.		\$250,506.94		\$357,987.43
DEDUCT:				
Depreciation.....	176,935.37		296,471.99	
Proportion of Profits applicable to Preferred shares of Acme Farmers Dairy Ltd., and Crescent Creamery Co., Limited.....	81,067.89	258,003.26	45,618.22	342,090.21
NET LOSS.....		\$ 7,496.32	Net Profit	\$ 15,897.22

During the fiscal year regulations were imposed by the Milk Control Board of Ontario and the Dairy Commission of the Province of Quebec and concurred in by the Wartime Prices and Trade Board whereby all milk bottles carried a deposit of five cents each. These regulations had the effect on your Company of incurring an extraordinary bottle loss of \$169,866.16.

The Company was unable to meet its Sinking Fund Instalments due May 1st, 1942, and May 1st, 1943, on the 6% Twenty-Year Collateral Trust Bonds and in this respect is in default an amount aggregating \$185,630.00. The Consolidated Balance Sheet shows an improved working capital and substantial cash balances and investment in Government Bonds of which a large proportion represents assets of two Subsidiaries not wholly owned, the dividends on the Preferred Stock of which are in arrears and which arrears must be satisfied before any dividends can be paid on the Common Stock of said Subsidiaries held by the parent Company.

CONSOLIDATED BALANCE SHEET
AT 31 MARCH 1943
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

ASSETS

Current Assets:

Cash on Hand and in Banks	\$ 589,542.98	
Accounts Receivable, less Reserve	396,112.34	
Accrued Interest Receivable	5,273.87	
Investment in Dominion of Canada bonds, at quoted market value	424,531.25	
Amount deposited with Trustee for bondholders (being interest on debenture notes of subsidiary companies pledged under Trust Deed and applied by Trustee to payment of bond interest due 1st May, 1943)	43,749.99	
Inventories at cost or market whichever lower— Products, raw materials, operating, advertising and office supplies, as determined by physical inventories and certified by officers of the Companies	350,759.53	
		\$1,809,969.96

Other Assets:

Investments in other companies—at quoted market value	5,851.00	
Deferred Accounts Receivable, less Reserve	17,359.28	
Balances due under Agreement of Sale and Mortgages	26,188.08	
Refundable portion of Excess Profits Tax—estimated	13,168.49	
		62,566.85

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	7,077,702.37	
Deduct: Reserve for Depreciation	3,072,477.56	
		4,005,224.81
Prepaid and Deferred Charges		69,077.58
		<u>\$5,946,839.20</u>

Approved on behalf of the Board:

W. R. AIRD, Director.
P. A. THOMSON, Director.

To the Shareholders,
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, 1943. 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, 1943, 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, 1943, but we did not make a detailed audit of their transactions.

The above 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 \$1,189,393.98 and \$544,511.53 respectively are reflected under these captions on the above Balance Sheet.

Due to: (1) Arrears of dividends on the 7,000 shares of Acme Farmers Dairy, Limited preferred shares amounting to \$502,250.00 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 60¢ for which no provision

no part of the current capital of either of the said subsidiary companies not wholly owned aggregating \$644,882.45, 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 above 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, 1943, 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	\$ 647,892.67	
Taxes due and accrued, subject to final determination of liability for Income and Excess Profits Taxes	135,250.67	
Salesmen's deposits and unredeemed tickets	105,364.64	
Accrued Bond Interest (including provision for premium on U. S. Dollars)	68,806.12	
		<u>\$ 957,314.10</u>
Equity available for Subsidiary Companies' shares in hands of Public:		
Acme Farmers Dairy, Limited 5,972 Preferred Shares	1,025,691.00	
Crescent Creamery Company, Limited 6,383 Preferred Shares	578,954.79	
		<u>1,604,645.79</u>
6% Twenty Year First Collateral Trust Sinking Fund Convertible Bonds, Series "A", due 1st May, 1949		2,479,500.00
(Sinking Fund instalments due 1st May, 1942, and 1st May, 1943, totalling \$185,630.00 not paid 14th July, 1943).		

Capital:

Seven per cent Cumulative Preference Stock (Callable on 30 days' notice at \$105.00 per share)	
Authorized—50,000 Shares at \$100.00 par value each	
Issued —25,000 Shares	2,500,000.00
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	\$2,744,051.46
Deficit—subject to final determination of liability for Income and Excess Profits Taxes, as per statement attached	442,947.72

3,186,999.18

Less: Deferred surplus—estimated refundable portion of Excess Profits Tax, as per contra	13,168.49	3,173,830.69	905,379.31
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\$5,946,839.20

Contingent Liability:

Bank Loans in respect of and secured by Dominion of Canada bonds subscribed for by employees \$4,166.78.

Montreal, 14th July, 1943.

AUDITORS' REPORT

EASTERN DAIRIES, LIMITED

✻✻ ————— ✻✻

The Plant and Equipment of your Company have been maintained in good condition notwithstanding the difficulties of obtaining replacements and supplies.

Your Company's efforts directed towards improving sales again resulted in all subsidiaries showing a substantial increase in the volume of the various products sold with the exception of ice cream, the sales of which were limited to the same volume as that of the previous year due to an order issued by the Dairy Products Board.

Due to the increased volume of sales operating expenses were of necessity greater than for the previous fiscal year but the management of your Company has been successful in preventing the increase in expenses becoming greater than the increased volume of sales warranted.

Under present conditions any attempt to anticipate the result of future operations would be impossible. Regulations that are of national interest have to be made with very little notice and the difficulties of obtaining supplies, labour and other services required for efficient operation are continually becoming more acute.

The Directors and Management of your Company fully appreciate the situation and are doing everything possible to be prepared to adapt quickly all phases of operations in order that the interests of your Company will be protected.

The Directors of your Company have followed the policy of offering their co-operation to the authorities with regard to any adjustments in operations of your business which would appear to be in the national interest and particularly in the furtherance of the war effort.

Your Directors wish to express their regret of the death on August 13th, 1942 of Mr. C. V. Thompson who rendered valuable service as Secretary-Treasurer of your Company.

The Officers and staff of your Company have rendered efficient and loyal service throughout 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 STATEMENT OF CAPITAL DEFICIT
AT 31st MARCH, 1943
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

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

DEDUCT:

Profit on sale of securities and adjustment of unsold securities to quoted market value after providing for portion applicable to preferred shares of Crescent Creamery Company Limited in hands of public..... \$ 8,122.03

Adjustment to equity available for shares of subsidiary Companies in hands of public arising from purchase of shares during the year ended 31st March, 1943..... 7,316.69

15,438.72

DEDUCT:

Excess of cumulative dividends on Preferred shares of Acme Farmers Dairy, Limited, in hands of public, for the year ended 31st March, 1943, over net profits available for such dividends..... 1,415.43

14,023.29

Capital Deficit at 31st March, 1943..... \$2,744,051.46

CONSOLIDATED BALANCE SHEET
AT 31 MARCH 1943
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

ASSETS

Current Assets:

Cash on Hand and in Banks.....	\$ 589,542.98	
Accounts Receivable, less Reserve.....	396,112.34	
Accrued Interest Receivable.....	5,273.87	
Investment in Dominion of Canada bonds, at quoted market value.....	424,531.25	
Amount deposited with Trustee for bondholders..... (being interest on debenture notes of subsidiary companies pledged under Trust Deed and applied by Trustee to payment of bond interest due 1st May, 1943)	43,749.99	
Inventories at cost or market whichever lower— Products, raw materials, operating, advertising and office supplies, as determined by physical inventories and certified by officers of the Companies.....	350,759.53	
		\$1,809,969.96

Other Assets:

Investments in other companies—at quoted market value....	5,851.00	
Deferred Accounts Receivable, less Reserve.....	17,359.28	
Balances due under Agreement of Sale and Mortgages.....	26,188.08	
Refundable portion of Excess Profits Tax—estimated.....	13,168.49	
		62,566.85

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.....	7,077,702.37	
Deduct: Reserve for Depreciation.....	3,072,477.56	
		4,005,224.81
Prepaid and Deferred Charges.....		69,077.58
		\$5,946,839.20

Approved on behalf of the Board:

W. R. AIRD, Director.
P. A. THOMSON, Director.

To the Shareholders,
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, 1943. 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, 1943, 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, 1943, but we did not make a detailed audit of their transactions.

The above 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 \$1,189,393.98 and \$544,511.53 respectively are reflected under these captions on the above Balance Sheet.

Due to: (1) Arrears of dividends on the 7,000 shares of Acme Farmers Dairy, Limited preferred shares amounting to \$502,250.00 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 69¢, for which no provision therefore can be made

no part of the current capital of either of the said subsidiary companies not wholly owned aggregating \$644,882.45, 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 above 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, 1943, 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.....	\$ 647,892.67	
Taxes due and accrued, subject to final determination of liability for Income and Excess Profits Taxes.....	135,250.67	
Salesmen's deposits and unredeemed tickets.....	105,364.64	
Accrued Bond Interest (including provision for premium on U. S. Dollars).....	68,806.12	
		\$ 957,314.10

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

Acme Farmers Dairy, Limited 5,972 Preferred Shares.....	1,025,691.00	
Crescent Creamery Company, Limited 6,383 Preferred Shares.....	578,954.79	
		1,604,645.79

6% Twenty Year First Collateral Trust Sinking Fund Convertible Bonds, Series "A", due 1st May, 1949..... (Sinking Fund instalments due 1st May, 1942, and 1st May, 1943, totalling \$185,630.00 not paid 14th July, 1943).		2,479,500.00
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Capital:

Seven per cent Cumulative Preference Stock (Callable on 30 days' notice at \$105.00 per share) Authorized—50,000 Shares at \$100.00 par value each Issued —25,000 Shares.....		2,500,000.00
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..	\$2,744,051.46	
Deficit—subject to final determination of liability for Income and Excess Profits Taxes, as per statement attached.....	442,947.72	
		3,186,999.18

Less: Deferred surplus—estimated refundable portion of Excess Profits Tax, as per contra..	13,168.49	3,173,830.69	905,379.31
			\$5,946,839.20

Contingent Liability:

Bank Loans in respect of and secured by Dominion of Canada bonds subscribed for by employees \$4,166.78.

Montreal, 14th July, 1943.

AUDITORS' REPORT

CONSOLIDATED STATEMENT OF DEFICIT ACCOUNT
AT 31st MARCH, 1943
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

Balance 31st March, 1942.....	\$ 436,299.84
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DEDUCT:

Refund of tax on profits applicable to prior year.....	848.44
	435,451.40

ADD:

Profit from operations for the year ended 31st March, 1943. \$	791,711.70
Income from investments.....	10,473.48
	802,185.18

DEDUCT:

Remuneration of executive officers.....	\$ 29,761.30		
Directors' fees.....	3,760.00		
Legal fees.....	1,100.77	34,622.07	
		767,563.11	

DEDUCT:

Bond interest.....	\$146,263.46		
Premium on foreign funds for bond interest..	16,120.62		
Provision for depreciation.....	176,935.37		
Write-off—bottle account.....	169,866.16		
Provision for Income and Excess Profits Taxes pending final determination of liability (including estimated refundable portion of Excess Profits Tax amounting to \$13,168.49)	184,805.93	693,991.54	

Net profit for the year ended 31st March, 1943.....	73,571.57
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DEDUCT:

Proportion applicable to preferred shares of Acme Farmers Dairy, Limited and Crescent Creamery Company, Limited held by public.....	81,067.89	7,496.32
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Deficit 31st March, 1943.....	\$ 442,947.72
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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	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
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.

