

# **EASTERN DAIRIES LIMITED**

7460 UPPER LACHINE ROAD  
**MONTREAL**  
CANADA

EXECUTIVE OFFICES

July 20th, 1943.

To the Preferred and Common Shareholders  
of Eastern Dairies Limited.

Dear Sir or Madam:—

Enclosed herewith is the Annual Report of Eastern Dairies Limited together with the Consolidated Balance Sheet of Eastern Dairies Limited and its subsidiary companies (two of which are not wholly owned) and the Consolidated Profit and Loss Account of these Companies for the fiscal year ended 31st March, 1943.

In addition to these statements there is also enclosed the Financial Statements as at 31st March, 1943 of the following Companies:

Eastern Dairies Limited  
Acme Farmers Dairy, Limited  
Crescent Creamery Company Limited

These additional statements are submitted at this time for your information in the hope that they may be of some assistance to you in appreciating the necessity for the proposed reorganization as outlined in the Plan already sent to you and in order that you may also appreciate the simplification of the capital structure of the proposed new Company as compared with the present holding Company and separate subsidiaries and the benefits which will accrue to you as either a Preferred or Common Shareholder if the Plan of Reorganization becomes effective.

Respectfully submitted,

W. R. AIRD,  
*President.*

**EASTERN DAIRIES, LIMITED**  
**FINANCIAL STATEMENTS**  
**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 71¼% 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>
		<u>\$3,502,066.08</u>

### AUDITORS' REPORT

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.

14th July, 1943.

# EASTERN DAIRIES, LIMITED

## STATEMENT OF CAPITAL DEFICIT AT 31st MARCH, 1943

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

### DEDUCT:

Profit on Sale of Securities..... \$6,359.18  
Amount added to book value of investments in subsidiary companies—

Excess of equity value over purchase cost of additional shares of Crescent Creamery Company Limited..... \$7,316.69  
Adjustment to market value of securities less loss on securities sold..... 1,762.85  
9,079.54

### DEDUCT:

Excess of cumulative dividends on preferred shares of Acme Farmers Dairy, Limited, in hands of public over proportion of net earnings for year ended 31st March, 1943, available therefor..... 1,415.43 7,664.11 14,023.29

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

# EASTERN DAIRIES, LIMITED

## STATEMENT OF DEFICIT ACCOUNT AT 31st MARCH, 1943

Balance at debit—31st March, 1942..... \$436,299.84  
DEDUCT:—Refund of tax on profits applicable to prior year..... 235.55  
436,064.29

Income from Subsidiary Companies being interest on Debenture Notes (pledged under Trust Deed) and Management Fees:

Wholly owned Subsidiaries..... \$103,999.96  
Not wholly owned Subsidiaries..... 84,999.96 \$188,999.92

Interest and Dividends received from other Companies.... 866.53  
Miscellaneous Income..... 1,551.06

Profit of wholly owned Subsidiaries for the year ended 31st March, 1943 (Notes 1 and 3) 39,513.57  
Portion of profits of Subsidiaries—not wholly owned—for year ended 31st March, 1943, applicable to preferred share holdings in such Subsidiaries (Notes 2 and 3)..... 26,115.86 65,629.43  
257,046.94

### DEDUCT:

Administration and Technical Expenses.... 48,489.99  
Cost of Marketing By-Products manufactured by Subsidiary Companies..... 28,608.49  
Remuneration of Executive Officers (Note 4) 19,897.97  
Directors' Fees (Note 4)..... 600.00  
Legal Fees..... 404.60 98,001.05  
159,045.89

### DEDUCT:

Bond Interest..... 148,770.00  
Premium on Foreign Funds for Bond Interest..... 16,120.62  
Provision for Depreciation..... 1,038.70 165,929.32

Loss for the year ended 31st March, 1943..... 6,883.43

Deficit at 31st March, 1943..... \$442,947.72

NOTE 1. Cash dividends declared during the year ended 31st March, 1943, amounted to \$69,782.25.

NOTE 2. No dividends have been declared during the year ended 31st March, 1943.

NOTE 3. Profits from Subsidiaries are added to book value of investments therein and dividends when received are deducted therefrom. Refunds of taxes amounting to \$612.89 are added to the profits for the year ended 31st March 1943.

NOTE 4. In addition to amount shown above, Subsidiary Companies paid:  
Directors' Fees to Executive Officers of Eastern Dairies, Limited \$1,040.00  
Remuneration of an executive officer of a subsidiary company who is a director of Eastern Dairies, Limited, and Directors' fees to other Directors of Eastern Dairies Limited..... \$9,503.33

**ACME FARMERS DAIRY, LIMITED**  
**FINANCIAL STATEMENTS**  
**31st MARCH, 1943**

# ACME FARMERS DAIRY, LIMITED

## BALANCE SHEET AT 31st MARCH, 1943

### ASSETS

#### Current Assets:

Cash on Hand and in Banks.....	\$218,196.85	
Investment in Dominion of Canada Bonds..... (Quoted market value, \$349,562.50)	350,312.50	
Accounts Receivable, less Reserve.....	109,348.35	
Interest Receivable.....	4,315.05	
Due from Eastern Dairies, Limited.....	44,315.40	
Inventories at cost or market value, whichever lower— Products, Raw Materials, Operating, Advertising and Office Supplies as determined by physical inventory and certified by officers of the Company.....	120,288.61	\$ 846,776.76

#### Other Assets:

Refundable Portion of Excess Profits Tax—estimated.....	3,907.40	
Investment at cost.....	250.00	4,157.40

#### Fixed Assets:

Land, Buildings, Plant, Equipment, Furniture and Fix- tures at replacement values—new, as established by Canadian Appraisal Company Limited as of 15th November and 15th December, 1926, and 15th January, 1927; subsequent additions at cost.....	3,443,488.26	
DEDUCT: Reserve for Depreciation.....	1,394,368.21	2,049,120.05
Prepaid and Deferred Charges.....		35,189.64
Goodwill.....		207,313.37
		<u>\$3,142,557.22</u>

Approved on behalf of the Board:

W. R. AIRD, Director.  
GEO. S. HENRY, Director.

### LIABILITIES

#### Current Liabilities:

Accounts Payable and Accrued Liabilities.....	\$280,112.22	
Taxes, Due and Accrued, subject to final determination of liability for Income and Excess Profits Taxes.....	72,743.97	
Salesmen's Deposits (\$17,304.18) and Unredeemed Tickets.....	37,849.25	\$ 390,705.44
Seven per cent Twenty Year Debenture Notes due 1st May, 1949—Author- ized and Issued..... (held by Eastern Dairies, Limited)		700,000.00

#### Capital:

##### 7% Cumulative Preferred Stock—

Authorized—7,500 Shares of \$100.00 each		
Issued — 7,000 Shares.....	700,000.00	
(Dividends in arrears since 1st January, 1933)		

##### Common Stock—

Authorized—150,000 Shares of No Par Value		
Issued — 83,420 Shares.....	685,500.00	1,385,500.00

Capital Surplus, arising from appraisal of Fixed Assets, less subsequent loss on sale of assets.....		308,005.75
Earned Surplus, subject to final determination of liability for Income and Excess Profits Taxes, as per statement attached.....	354,438.63	
Deferred Surplus, estimated refundable portion of Excess Profits Tax as per contract.....	3,907.40	358,346.03
		<u>\$3,142,557.22</u>

### AUDITORS' REPORT

TO THE SHAREHOLDERS,  
ACME FARMERS DAIRY, LIMITED,  
TORONTO, ONT.

We have made an examination of the Balance Sheet of Acme Farmers Dairy, Limited, as at 31st March, 1943. In connection therewith we examined or tested the accounting records and other supporting evidence and obtained all the information and explanations required by us. We also 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.

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 Acme Farmers Dairy, 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.

P. S. ROSS & SONS,  
Chartered Accountants.

14th July, 1943.

# ACME FARMERS DAIRY, LIMITED

## STATEMENT OF EARNED SURPLUS AT 31st MARCH, 1943

Balance at credit 31st March, 1942.....	\$304,933.60
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ADD:—Prior period adjustment of Provision for Income and Excess Profits Taxes.....	91.80
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	<u>305,025.40</u>
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Profit from operations for the year ended 31st March, 1943.	\$354,690.20
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Profit on Sale of Securities.....	2,069.00
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Income from Investments.....	7,655.38
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	<u>364,414.58</u>
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### DEDUCT:

Interest on Debenture Notes.....	\$ 48,999.96
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Remuneration of Executive Officers.....	8,323.33
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Directors' Fees.....	860.00
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Write off Bottle Account.....	107,630.51
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Depreciation.....	69,934.40
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Provision for Income and Excess Profits	
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Taxes pending final determination of	
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liability (including estimated refund-	
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able portion of Excess Profits Tax	
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amounting to \$3,907.40).....	
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79,253.15	<u>315,001.35</u>
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Profit for the year ended 31st March, 1943.....	<u>49,413.23</u>
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Balance at credit of Earned Surplus at 31st March, 1943, subject to final determination of liability for Income and Excess Profits Taxes.....	<u>\$354,438.63</u>
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**CRESCENT CREAMERY COMPANY, LIMITED**

**FINANCIAL STATEMENTS**

**31st MARCH, 1943**



# CRESCENT CREAMERY COMPANY, LIMITED

## BALANCE SHEET AT 31st MARCH, 1943

### ASSETS

#### Current:

Cash on Hand and in Banks.....	\$112,326.78	
Accounts Receivable, less Reserve for Bad Debts.....	100,943.18	
Accrued Interest Receivable.....	646.32	
Investment in Dominion of Canada Bonds—at cost— (Quoted market value—\$50,000.00).....	50,000.00	
Inventories at Cost— Products, Raw Materials, Operating, Advertising and Office Supplies, as determined by physical inventory and certified by officers of the Company.....	78,700.94	\$342,617.22

#### Other Assets:

Securities of Affiliated and other Companies..... (Aggregate quoted market value at 31st March, 1943— \$46,547.50)	\$90,815.00	
Deferred Accounts Receivable re Ice Cream Equipment, less Reserve for Bad Debts.....	28,380.78	
Balances due under Agreement of Sale and Mortgages.....	26,188.08	
Refundable Portion of Excess Profits Tax—estimated.....	3,884.49	149,268.35

#### Fixed:

Land, Building, Plant, Equipment and Furniture and Fixtures at replacement value—new, as established by Canadian Appraisal Company as of 6th August, 1927; subsequent additions at cost.....	1,271,587.74	
Deduct: Reserve for Depreciation.....	710,205.23	561,382.51
Prepaid and Deferred Charges.....	10,834.39	
Goodwill.....	273,962.62	
		<u>\$1,338,065.09</u>

### LIABILITIES

#### Current:

Accounts Payable and Accrued Liabilities.....	\$105,086.82	
Taxes, Due and Accrued, subject to final determination of liability for Excess Profits Tax.....	39,145.99	
Unredeemed Tickets.....	2,052.28	
Salesmen's Deposits.....	7,521.00	\$153,806.09

Deferred Revenue.....	11,021.50
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#### Capital:

7% Cumulative Preferred Stock— (Callable at \$105.00 per share upon thirty days' notice) Authorized—14,500 Shares of \$100.00 each Issued —10,000 Shares.....	1,000,000.00
(Dividend in arrears since 1st April, 1933, except for \$1.00 per share paid 16th April, 1934).	

Common Stock— Authorized—50,000 Shares of No Par Value Issued —50,000 Shares.....	50,000.00
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Capital Surplus arising from Appraisal of Fixed Assets, less subsequent loss on disposal of certain Assets.....	23,945.97
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Earned Surplus, subject to final determination of liability for Excess Profits Tax.....	99,291.53
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\$1,338,065.09

Approved on behalf of the Board:

W. R. AIRD, Director.

J. E. WOODS, Director.

### AUDITORS' REPORT

TO THE SHAREHOLDERS,  
CRESCENT CREAMERY COMPANY, LIMITED,  
WINNIPEG, MANITOBA.

18th June, 1943

We have compared the above Balance Sheet at 31st March, 1943, with the books and records of Crescent Creamery Company, Limited, and have obtained all the information and explanations that we have required. We certify that, in our opinion, the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of affairs of Crescent Creamery Company, 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. All the transactions of the Company that have come within our notice have been within the objects and powers of the Company, to the best of our information and belief.

P. S. ROSS & SONS,  
Chartered Accountants.

# CRESCENT CREAMERY COMPANY, LIMITED

## EARNED SURPLUS ACCOUNT AT 31st MARCH, 1943

Balance at credit 31st March, 1942..... \$44,909.32

### ADD:

Profit from Operations for the year ended 31st March, 1943, before providing for Depreciation and Income and Excess Profits Tax.....	\$153,440.31
Income from Investments.....	3,328.46
Profit on sale of Equipment.....	125.00
	<hr/>
	\$156,893.77

LESS: Loss on sale of Securities (net)..... \$ 9,375.00

Provision for Depreciation..... 38,207.04

Provision for Income and Excess

Profits Taxes pending final de-  
termination of liability for Ex-

cess Profits Tax..... \$58,814.01

### LESS:

Refundable portion of Excess

Profits Tax estimated.....	3,884.49	54,929.52	102,511.56
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Profit for the year ended 31st March, 1943..... 

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54,382.21

Balance at credit 31st March, 1943, subject to final determination of liability  
for Excess Profits Tax..... 

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\$99,291.53