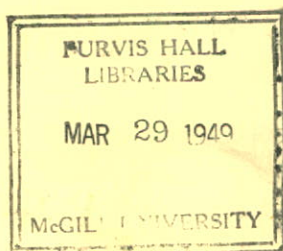


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ANNUAL REPORT 1948



CANADIAN INDUSTRIES LIMITED





CANADIAN INDUSTRIES LIMITED

MONTREAL

BOARD OF DIRECTORS

HON. C. C. BALLANTYNE

GEORGE W. HUGGETT

E. J. BARNESLEY

THE RT. HON. LORD MCGOWAN,
K.B.E., D.C.L., LL.D.

WALTER J. BEADLE

HUGH H. LAWSON

WINTHROP BRAINERD

H. GREVILLE SMITH, C.B.E.

SIR WILLIAM COATES

CRAWFORD H. GREENEWALT

WENDELL R. SWINT

OFFICERS

President and Managing Director

GEORGE W. HUGGETT

First Vice-President

H. GREVILLE SMITH, C.B.E.

Vice-President and Treasurer

ROBERT W. SHARWOOD

Vice-President

HERBERT H. LANK

Vice-President

ROBERT G. BECK

Secretary

RUSSELL SMITH

Assistant Treasurer

F. S. CAPON

Assistant Treasurer

R. C. DOUGHERTY

Assistant Secretary

B. M. OGILVIE

Transfer Agent, Registrar and Dividend Disbursing Agent

NATIONAL TRUST COMPANY, LIMITED, MONTREAL

CHARTS, ETC.

Head Office — C-I-L House, Montreal	Page 6
Number of Employees and Salaries and Wages	" 12
Dividends, Taxes and Undistributed Income	" 14
Volume of Sales	" 16
Selling Prices	" 18
Ten-Year Financial and Operating Record	" 28
Directory of Works and Products	" 29
Modern Works — Nylon, Paint and Sulphuric Acid	" 30

CONTENTS

THE YEAR 1948 IN BRIEF	Page 5
INTRODUCTION	" 7
OPERATING INVESTMENT	" 8
RESEARCH AND DEVELOPMENT	" 10
EMPLOYEES	" 11
FINANCIAL RESULTS	" 15
Sales	
Selling Prices	
Operating Income	
Investment Income	
Taxes	
Dividends and Surplus	
Bonus Plan	
SUBSIDIARY AND OTHER MANAGED COMPANIES	" 22
DIRECTORS	" 22
CONCLUSION	" 23
FINANCIAL STATEMENTS	" 24

THE YEAR 1948 IN BRIEF

Sales

The year 1948 was notable in that three important new units were brought into full-scale operation and a number of lesser plant expansions were completed. The additional capacity in operation, together with a moderate advance in selling prices, resulted in an increase of 16 per cent in the value of sales.

Profits

Increasing costs more than offset the effect of higher selling prices and the improvement in income from operations for 1948 was made possible by the greater volume of output. This advance in income reflected the initial profits on full-scale operation of new and extended plants, construction of which began in earlier years. Common share earnings at \$1.06 a share compared with 98 cents in 1947, but dividends remained unchanged at 75 cents a share. A larger proportion of income was retained within the Company to provide for the plant expansion program and greater working capital requirements.

Outlook

Deferred demand for most chemicals has been met and productive facilities for some products may operate in 1949 with a margin of reserve capacity. For a number of other products, demand justified further plant extensions, and the commercial development of new products still in the experimental stage offers promising opportunities for further growth.



HEAD OFFICE
C-I-L HOUSE, MONTREAL

ANNUAL REPORT

INTRODUCTION

NATIONAL INCOME was at a record level during 1948, but a considerable portion of the increase over 1947 was caused by rising costs and prices. There was some lessening of material and labour shortages, but industrial output at the end of the year was still being impeded by the limited supplies of a number of raw materials and components.

Once a country's productive facilities are being fully utilized, a further increase in its total output becomes difficult, and the volume of Canada's industrial production in 1948 was only about 3 per cent higher than in the preceding year. Despite the filling of many deferred needs, demand was sustained during 1948, and in some instances the effect of demand being in excess of supply was intensified. Ready markets existed for almost all products and one of the major tasks of industry has been to avoid those excesses of investment, costs and selling prices which characterize inflationary periods. Faced on the one hand with rising construction costs and, on the other, with an unfilled demand for a wide variety of products, the problem has been to meet consumer requirements within a reasonable period without jeopardizing the long-term position through excessive investment in manufacturing facilities.

The erection of new plants is not the only means by which an increase in total output may be attained. Modernization of older units and the continued development of new processes and techniques can make important contributions to the total volume of production. Such methods of increasing output can be realized, however, only if the effectiveness of the working force is fully maintained. Concentration on these means of meeting consumer requirements results in more economical operation, which is of the greatest importance when the urgent demand for goods tends to divert attention from high costs.

OPERATING INVESTMENT

ONE FEATURE of the year 1948 was the continued increase in the amount of working capital needed by Canadian Industries Limited to finance the higher level of operations. This change was accentuated by the higher prevailing level of prices. In total, an extra \$3,000,000 was required in 1948 to finance the larger inventories and the increase in accounts receivable from customers. Because of the need for further plant extensions, combined with greater working capital requirements, a larger part of the year's earnings was retained within the Company.

Improved supplies of many of the Company's products permitted some accumulation of stocks of finished goods previously inadequate to meet customers' demands. The absence of any marked increase in the volume of raw materials was the result of efforts made to keep supplies on hand at minimum levels consistent with maintaining regular operating schedules; but in view of future uncertainties, it was considered prudent not to reduce the reserve of \$500,000 established in 1947 as a limited safeguard against a possible drop in inventory values.

The investment in plants, buildings and equipment, and land, at 31st December 1948, stood at \$58,562,000, which figure in the aggregate is considerably lower than present-day replacement costs. Expenditures for new plants and extensions of existing units amounted to \$3,932,000 in 1948 and the reduction from the corresponding figure in the previous year resulted from the completion of several major projects included in the postwar expansion program. Capital outlays, however, are expected to increase in 1949 because of amounts authorized during the past year for new units and further extensions to existing plants.

Extensive changes in the Company's productive facilities have been brought about by the postwar expansion program. Of the total of \$21,600,000 authorized for this expansion, approximately 30 per cent was for the manufacture of products not made by the Company in 1939, and the balance was for the enlargement of manufacturing capacity for other products and the improvement of processes and production methods.

One of the largest projects was the extension of facilities for the manufacture of nylon yarns and staple fibre. The first peacetime extension was designed to double the wartime capacity of the nylon plant and was followed by additional outlays to enlarge the plant still further, to diversify output and to carry the manufacturing operations back one stage nearer to the basic raw materials. Another major addition to the "Cellophane" cellulose film plant is under way to bring capacity to three times the 1939 level. A new paint plant was brought into production in 1948 and a sulphuric acid unit was replaced by a larger and more efficient plant. Smaller units for the manufacture of a number of products, including cellulose sponges and pesticides, have been completed or are under construction. Where necessary the Company's plants have been thoroughly modernized in accordance with the long-standing policy of adhering to the highest standards of operating efficiency.

Present-day conditions greatly increase the risk inherent in investment decisions. As a result of the sharp upward trend in construction costs, the amount of new investment required to produce each additional unit of output has progressively increased. There is always the danger that a reversal of this upward trend in building costs will place the plants and equipment erected today at a competitive disadvantage with newer units built at a later date. The advantages of proceeding with new projects are, therefore, carefully weighed in order to decide whether it is possible to defer construction until conditions are more favourable. While such considerations have retarded to some extent the expansion program, the Company has proceeded with a number of new projects in anticipation of the long-term growth in demand for chemicals and related products.

RESEARCH AND DEVELOPMENT

IN VIEW of the need for maintaining the highest degree of efficiency in the Company's manufacturing operations, much of the work of the research personnel is directed towards the improvement of existing products and processes. The research activities are also aimed at broadening the use of existing chemicals as well as the discovery of new products. Investigation of certain new products advanced in 1948 to the stage which required the erection of pilot plants to study the problems involved in full-scale manufacture. An important aspect of development work is the continuous study of Canadian resources with a view to ensuring that opportunities in the chemicals field are not overlooked.

The most effective use of the Company's research personnel is made by directing their efforts largely to problems that are peculiar to this country, but the implementation of this policy is greatly facilitated by access to the scientific findings of other research organizations. Canadian Industries Limited benefits to an important degree by agreements under the terms of which the Company has access to the scientific knowledge of Imperial Chemical Industries Limited and E. I. du Pont de Nemours and Company. Not only the Company, but also the country as a whole, derives tangible benefits from the existence of these agreements which, besides making available valuable sources of technological information, have led to the erection in Canada of new production facilities at an earlier date than would otherwise have been possible.

Expenditures on research and development were increased during 1948 in accordance with the Company's plans for expanding the scope of such activities.

In addition to research carried out in the Company's own laboratories, assistance has been given to universities with the object of increasing research in Canada. To encourage post-graduate research the Company has made available since 1940 fellowships in chemistry and allied fields at various Canadian universities. In 1948, eleven such fellowships were active. Contributions have also been made to universities for the purpose of extending facilities for instruction and for research in chemistry and chemical engineering.

EMPLOYEES

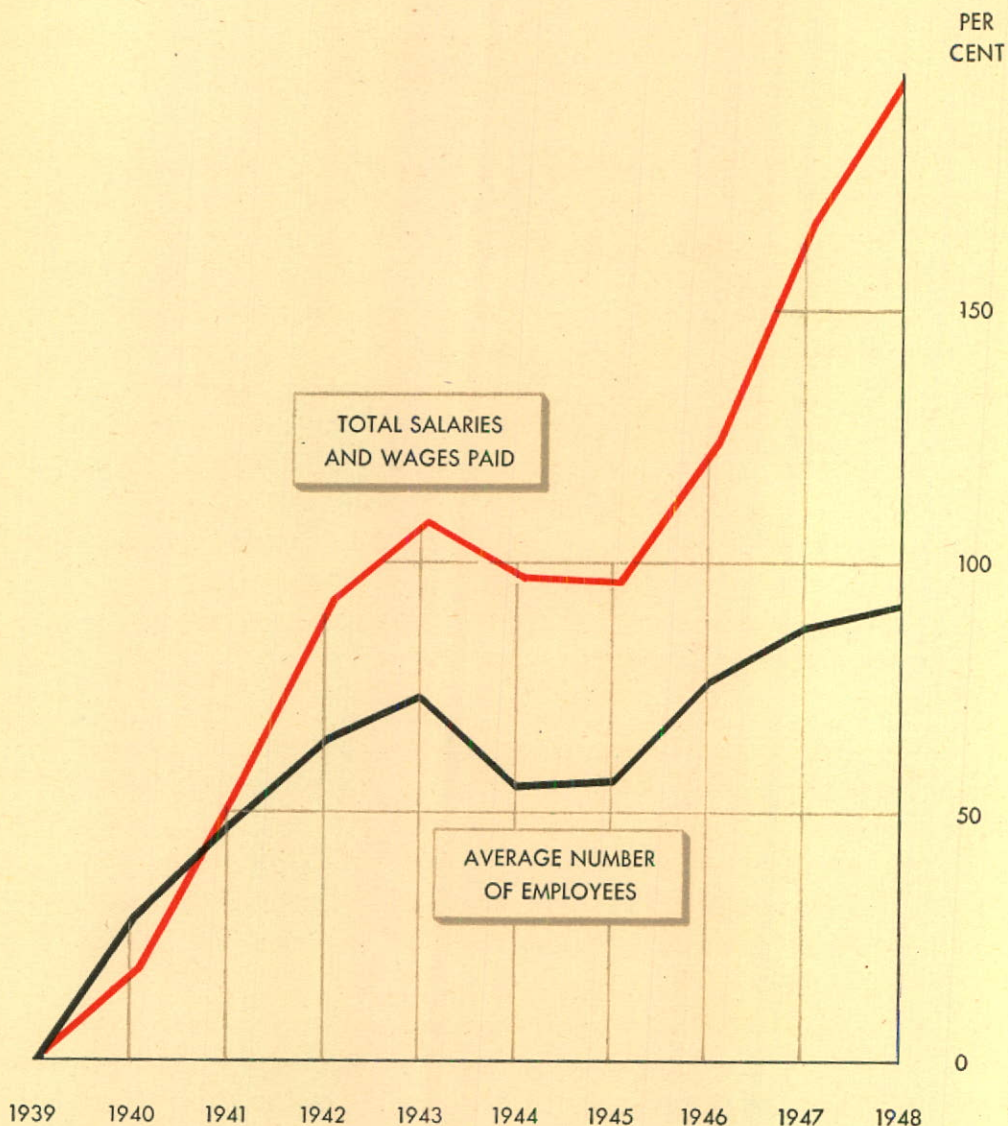
THE BALANCE sheet and income statement of the Company provide an indication of the soundness of its physical resources and the extent of its activities and progress during 1948. In considering future prospects, however, one item of vital importance must be added. What has been accomplished in the past reflects the willingness to work and the goodwill of a large number of men and women in factories and offices throughout Canada. Individually, they possess knowledge, technical training, skill and ability of immeasurable value, and a number of them have been in the service of the Company for upwards of twenty-five years. It is noteworthy that of the 7,500 men and women employed by Canadian Industries Limited at the end of 1948, less than one-third were with the Company in August 1939 when the organization was half its present size. In assuring shareholders that matters concerning employee relations and the recognition of individual merit continue to receive the closest attention from the management, the Board takes the opportunity to record its appreciation of employees' accomplishments during 1948 and its confidence in their future performance.

Recognizing that careful selection is only the first step in the creation of an efficient working force, the Company places special emphasis on employee training. Induction courses are given to younger employees entering industrial life and steps are taken to ensure that supervisory staff has a clear understanding of its responsibilities and the manner in which they should be executed. Staff training courses have been designed to help in the co-ordination of individual roles with broad Company policies and objectives.

Successful endeavours to promote accident prevention and safety measures demonstrate the progress that can be achieved by management leadership and the co-operation of individual employees. A downward trend in the accident frequency rate has been in evidence for some years and the new record of 1.9 lost-time accidents for each million hours worked in 1948 was approximately 30 per cent lower than in the preceding year. During 1948 there were twenty-five injuries involving loss of time and the majority of these were not of a serious nature.

NUMBER OF EMPLOYEES AND SALARIES AND WAGES

PERCENTAGE INCREASE SINCE 1939



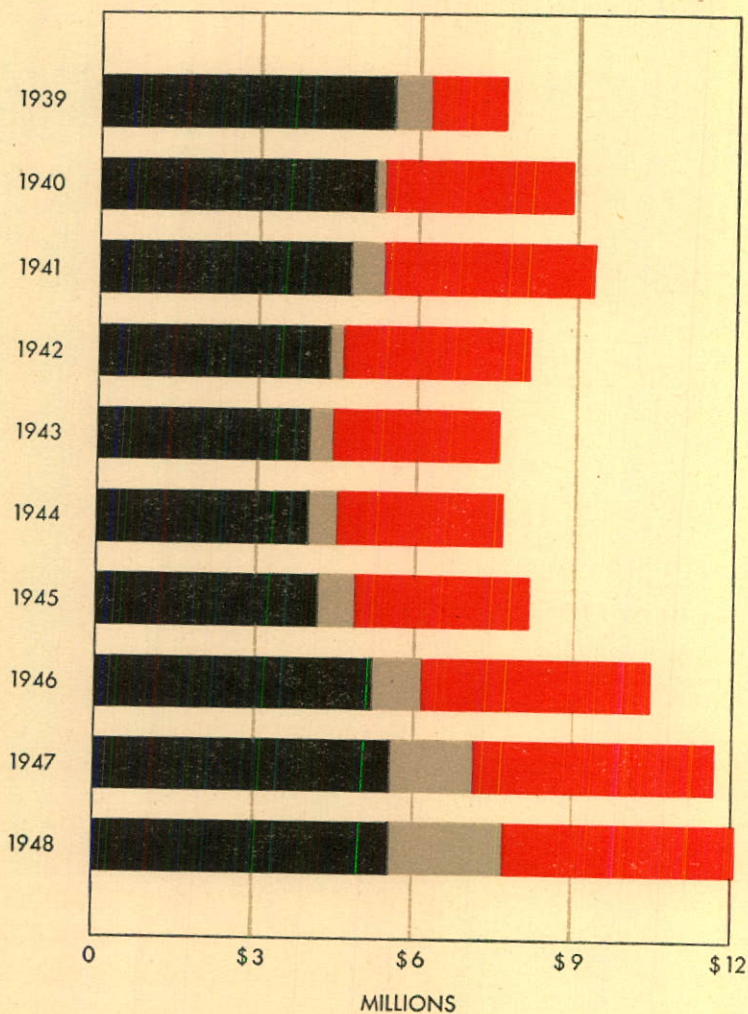
The Company has been a pioneer in the field of industrial relations plans. A pension plan was introduced in 1919 and other personal security benefits were added in subsequent years. The Company at its own expense provides pensions at retirement age, paid vacations, allowances for periods up to thirteen weeks in cases of temporary disability, and disability pensions to employees substantially incapacitated before retirement age. A health insurance plan has been in existence since 1935 and annual physical examinations, together with other medical services, are provided for employees. With government assuming an increasing responsibility for social security of all types, however, it may become impractical for industry to provide employees with such benefits while paying through corporation taxes and other levies a large part of the cost of government schemes.

DIVIDENDS, TAXES AND UNDISTRIBUTED INCOME

FOR THE YEARS 1939 TO 1948

EARNINGS	DIVIDENDS
ON THE COMMON STOCK IN CENTS PER SHARE	
85	75
73	70
72	63
61	58
59	53
60	53
66	55
84	70
98	75
106	75

DIVIDENDS
 UNDISTRIBUTED INCOME
 TAXES



DIVIDENDS include the amounts declared on preferred and common shares.
UNDISTRIBUTED INCOME is that part of the net income of each year not paid out in dividends.
TAXES include Dominion income and excess profits taxes and provincial income taxes.

FINANCIAL RESULTS

FOR THE year 1948, financial results of Canadian Industries Limited showed an improvement over those for the preceding year. New plant capacity was brought into operation, contributing to the gain in sales, and total net income was 8 per cent higher than in 1947. Earnings on the common stock advanced from 98 cents to \$1.06 a share.

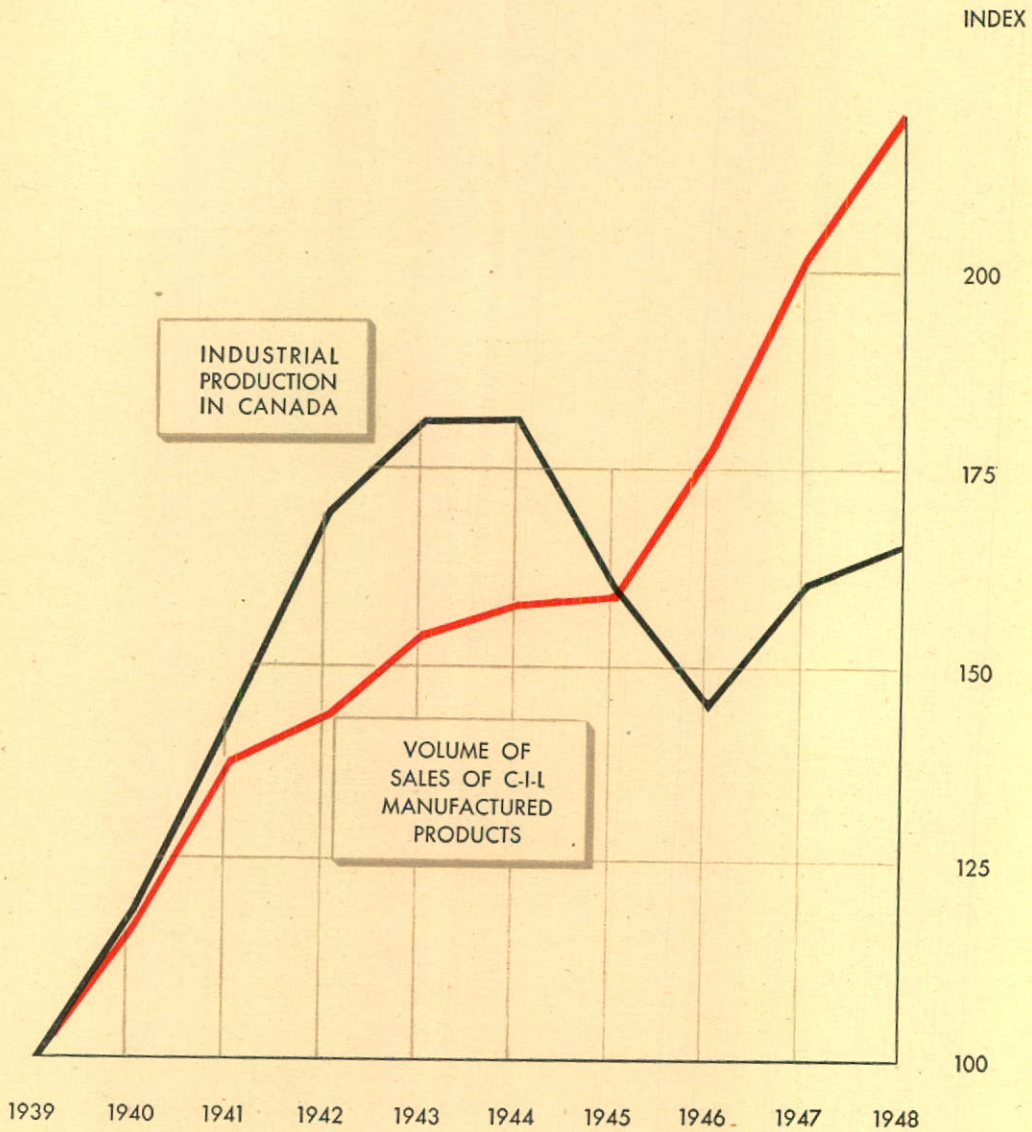
Changes in the purchasing power of the dollar over a short period of time have added to the difficulty of interpreting results. Comparisons with preceding years become quite different when expressed in terms of constant rather than fluctuating monetary values. For example, the increase of 24 per cent over 1939 in net income for 1948 would become a decrease of 19 per cent after adjustment for the reduced purchasing power of the dollar as measured by the cost-of-living index. Similarly, although the rate of dividend remained unchanged in both years, the purchasing power of payments to shareholders was 34 per cent lower in 1948 than in 1939.

Investments in plants acquired a number of years ago are carried on the books at cost figures far below current replacement values. These older plants may have to be replaced at some future date at a price considerably higher than their original cost. Nevertheless, for tax purposes, charges for depreciation are limited to the original cost of the plants. It is because of this situation that one of industry's pressing problems today is to obtain recognition of the fact that depreciation provisions calculated on original cost have the effect of including in taxable profits an amount which represents the recovery of operating capital.

VOLUME OF SALES

VOLUME OF SALES OF C-I-L MANUFACTURED PRODUCTS
COMPARED WITH TOTAL INDUSTRIAL PRODUCTION IN CANADA

INDEX BASE 1939 = 100



The index of VOLUME OF C-I-L MANUFACTURED PRODUCTS is based on the total sales value of these products adjusted by the Company's index of selling prices of manufactured products.

The volume of sales does not include the production of war materials undertaken by the subsidiary company, Defence Industries Limited.

The index of INDUSTRIAL PRODUCTION IN CANADA is based on the annual average of the monthly indexes of industrial production in Canada compiled by the Dominion Bureau of Statistics.

Sales

The provision of additional plant capacity and the achievement of a higher degree of operating efficiency enabled the Company to expand the volume of its business by 8 per cent during 1948. Advances in selling prices also contributed to the increase in sales, and the total value of sales was 16 per cent above that of the preceding year.

The year 1948 gave indications of several trends which appear to be of significance from the long-term viewpoint. As a result of the Company's program of plant additions and extensions in the years since 1945, Canadian Industries Limited is in a position to meet existing demand for the majority of its products. The shortage of "Cellophane" cellulose film still persists, but this situation will be corrected by the major plant expansion under way. Henceforth, therefore, the greatest impetus to expansion in sales is likely to come from the development of wider markets and new products. This has always been a characteristic feature of the chemicals industry and the opportunities for expansion in order to meet the demands thus created continue to be promising. One such opportunity is provided by nylon yarn where the market has absorbed an ever-increasing volume of output and plans for further expansion are under consideration.

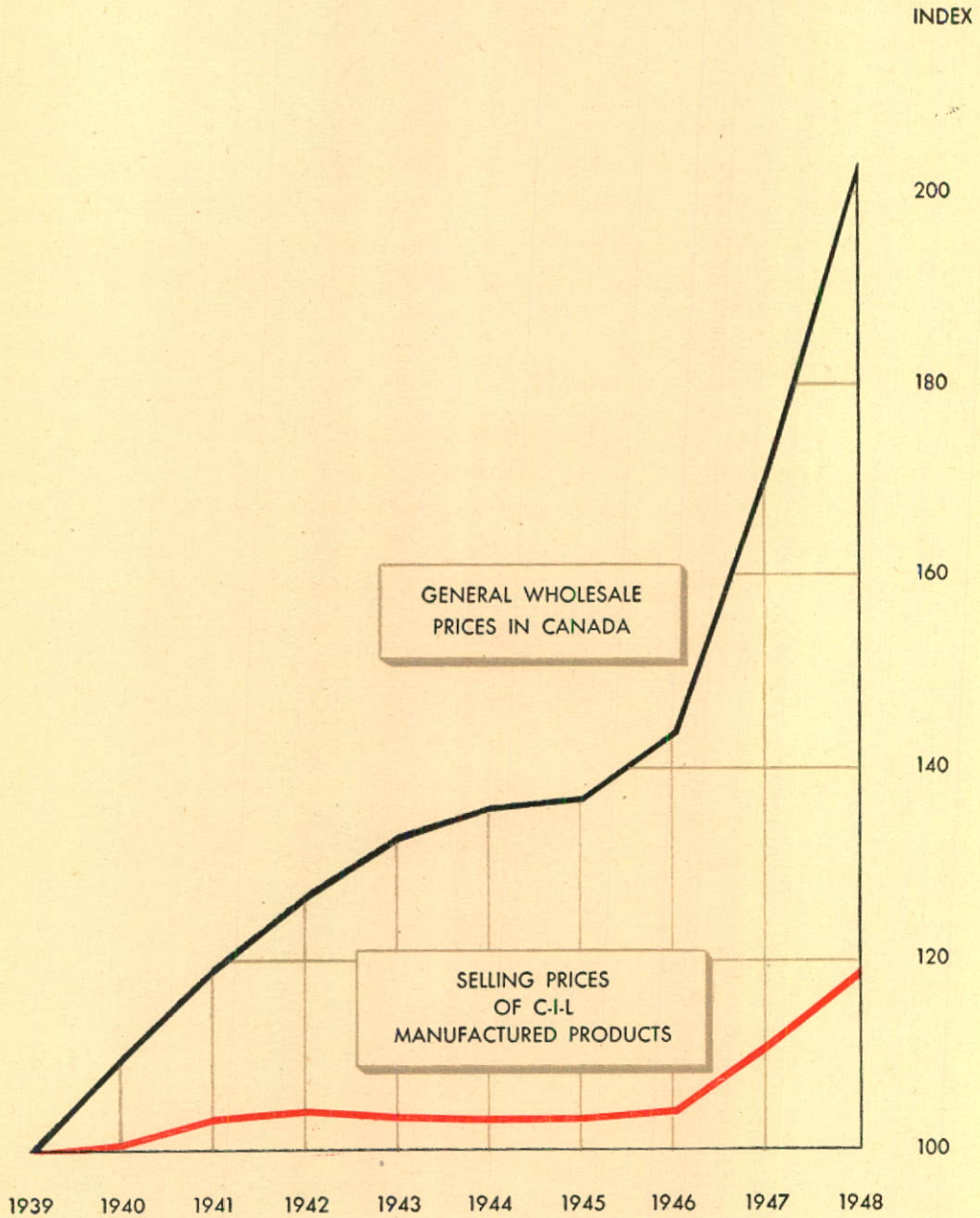
For some products, where output has overtaken demand, an expansion in the volume of business is dependent upon the continued growth in customers' requirements. As a result of the greater plant capacity and the improvement in the supply of raw materials, a number of products, including paints and many industrial chemicals previously in short supply, are available in quantities more closely approaching the needs of consumers.

Some variations are discernible which have a direct bearing on the consumption and production of chemicals. The deferred demand for a large number of chemicals has been met, distribution channels have been replenished, and customer buying may consequently undergo some decline. A number of the industries which consume chemicals have been experiencing some adjustments and their requirements in the months ahead are not likely to be as great as in 1948. Improved supplies will enable customers to select chemicals whose properties best meet their needs. For some products, therefore, it is not improbable that in 1949 productive facilities may operate with a margin of reserve capacity.

In line with the experience of many companies in Canada, the volume of direct exports by Canadian Industries Limited has been affected by the worldwide shortage of hard currencies. The increased supply of chemicals within the United States caused a decline in the demand which had resulted in export of some products to that country in 1947. Sales of products of the Company to Canada's leading exporting industries continued at a high level throughout the year.

SELLING PRICES

INDEX BASE 1939 = 100



The index of SELLING PRICES OF C-I-L MANUFACTURED PRODUCTS is based on a weighted yearly average of the prices of a large number of representative manufactured products.

The index of GENERAL WHOLESALE PRICES IN CANADA is based on the annual average of the monthly general indexes of wholesale prices compiled by the Dominion Bureau of Statistics.

Selling Prices

The index of selling prices of the Company's manufactured products increased by 7 per cent during 1948. Nevertheless, there has been no deviation from the long-standing policy of striving for low prices in order to foster increasing demand for the Company's products. In comparison with an increase of over 100 per cent in the Canadian index of general wholesale prices, the increase of 19 per cent in the selling price index of C-I-L manufactured products between 1939 and 1948 is relatively small.

Advances in selling prices of the Company's products were inevitable in view of the increased manufacturing costs. The Company's index of raw material costs for the full year 1948 was 70 per cent higher than in 1939, and over the same period an increase of 85 per cent took place in the weighted average hourly wage rate.

Operating Income

The greater part of the Company's postwar plant expansion program was not in full operation until 1948 and the Company had not previously received any appreciable return on a large part of the capital outlays made in preceding years. Accordingly, income from operations was 16 per cent higher than in the year 1947. The increase in operating income since 1939 has not been commensurate with the expansion in the investment in production facilities and working capital, because selling prices have not been advanced to the same extent as costs. As a result of these efforts to combat inflation, the Company is in a position where profits are vulnerable to a drop in the volume of sales, at a time when the investment in use and at risk is higher than ever before. With a view to minimizing the risk, emphasis has been placed on the diversification of activities and every endeavour is being made to develop additional uses for existing products and to establish markets for new products.

Investment Income

Investment income in 1948 was lower than in the preceding year because 1947 income included a final dividend from Defence Industries Limited. Dividends from General Motors Corporation were higher in 1948, but the income received from investments in subsidiary and other managed companies was reduced because of the sale of holdings as reported for the year 1947.

In accordance with past policy, earnings of subsidiary companies have not been consolidated with those of Canadian Industries Limited and have been included in

investment income only to the extent of dividends declared. All operating subsidiaries earned profits during 1948 and, because of the need for conserving cash with which to finance plant construction, the sum of dividends declared was \$273,000 less than the total income of such subsidiaries. The Company has an equity of \$241,000 in these undistributed profits.

Taxes

The elimination of the excess profits tax at the end of 1947 resulted in a reduction in taxes on profits, and the provision for taxes on the income of Canadian Industries Limited for 1948 amounted to \$4,351,000 and was \$240,000 less than in the preceding year. The enactment of the new Income Tax Act, which became effective on 1st January 1949, was a progressive step in Canadian tax legislation. New groupings and wording of sections that had been mutilated by repeated amendments through the years have gone far towards clarifying an Act which must always be drafted in technical language. Many major taxation problems, however, remain unsolved. According to the present basis for calculating taxable income, with particular reference to depreciation allowances, there is in fact a tax on operating capital. Moreover, dividends earned by shareholders are still penalized by a form of double taxation which is not applied to any other type of income.

Dividends and Surplus

Dividends amounting to 75 cents a share, declared on the common stock, were unchanged from those paid for the year 1947. Payments of 17½ cents a share in each of the first three quarters of the year were followed by a final distribution of 22½ cents a share paid in January 1949 in respect of 1948 profits. Regular dividends were paid on the cumulative 7 per cent preferred stock.

The substantial amounts authorized for new construction expenditures and the need for more working capital made it desirable again to distribute a lower proportion of earnings by way of dividends, and an amount of \$2,150,000 was added to earned surplus in 1948 as compared with \$1,586,000 in 1947. Capital surplus was increased by \$1,920,000, mainly by the restoration of the amount of \$1,200,000 originally set aside from capital surplus as a reserve against depreciation of securities and no longer required for that purpose. Following the recovery of the amount originally invested in Dunlop Tire and Rubber Goods Company Limited, through the sale of the shares of that company, the proceeds in excess of the book value of the shares were also restored to capital surplus.

Bonus Plan

The Bonus Plan, which has been in effect since 1923, makes it possible to reward those employees who have made an outstanding contribution to the Company's progress by their ability, efficiency and initiative. In accordance with the provisions of the Plan, the Board of Directors establishes each year a fund of not more than 15 per cent of the amount by which the net income of the Company for the year, after all charges except the amount transferred to the bonus fund, exceeds 6 per cent of the issued capital stock and earned and capital surplus; the investment in shares of General Motors Corporation and the income therefrom are excluded in calculating the amount of the fund. A committee of directors, who are not salaried officers of the Company and who do not participate in the fund, is appointed annually by the Board of Directors to decide on the individual awards.

For the year 1948, awards were made to 288 employees, including the President and Managing Director and the First Vice-President who is also a director of the Company. Under the terms of the Plan the awards are delivered to employees in four equal annual instalments, and the Bonus Committee is empowered to decide the extent to which each annual instalment, as it becomes due, will be delivered in the form of cash or shares or both. For many years preceding 1941 it was the practice of the Company to distribute the awards under the Bonus Plan in the form of shares of common stock of the Company, but during the war years the high rates of tax on personal income made it advisable to suspend this practice and to distribute bonus awards in the form of cash. Experience has shown that interest in the progress of the Company is encouraged by stock ownership, and as with the first and second quarters of the 1947 bonus award, the form of delivery of the first quarter of the 1948 award will be partly in cash and partly in common stock to be issued by the Company.

SUBSIDIARY AND OTHER MANAGED COMPANIES

AN IMPROVEMENT in the sales of the three operating subsidiary companies, Alchem Limited, Canadian Hanson & Van Winkle Company Limited and Canadian Safety Fuse Company Limited, was shown in 1948 as a result of the expansion of productive facilities in each company. In total the net income of the three companies was higher than in the preceding year, although the expenses of plant alterations reduced slightly the income of one company. At 31st December 1948, the cost of the total investment of Canadian Industries Limited in shares of all subsidiary companies was about 1 per cent of the Company's total assets and included a small amount of additional capital subscribed in 1948 to complete the plant expansion program in those companies. Sales and profits of Cornwall Chemicals Limited increased as a result of the introduction of a new product and greater demand for that company's other products.

DIRECTORS

AT THE beginning of the year the sudden death of George W. Spinney, C.M.G., which was recorded in the Annual Report for 1947, caused a vacancy on the Board and the number of directors of the Company was reduced from twelve to eleven by a by-law ratified by the shareholders on 17th April 1948.

In December, for personal reasons, Ross H. McMaster tendered his resignation as a director which was accepted by the Board with much regret. Mr. McMaster had been a director of the Company for a period of over twenty-eight years and the Board paid high tribute to the keen interest which he had always displayed in the progress and welfare of the Company.

CONCLUSION

THE GROWTH of Canadian Industries Limited during the past three years has been greater than at any time since the formation of the Company. The measures taken to promote this development have been founded on confidence in Canada's future and have been facilitated by the unprecedented level of demand which has prevailed. Although the chemical industry will continue to grow with the new market opportunities that follow utilization of resources and product development, it is inevitable that consumer requirements for existing products will fluctuate. The resilience needed to meet varying conditions is provided, however, by the Company's physical and technological resources, by its highly trained, flexible organization, and by the diversification of its operations.

On behalf of the Board of Directors,

G. W. HUGGETT,
President and Managing Director.

24th March 1949,
MONTREAL, CANADA.

AUDITORS' REPORT TO THE SHAREHOLDERS

Canadian Industries Limited,
Montreal.

We have audited the books of account and financial records of Canadian Industries Limited for the year ended 31st December 1948, and have obtained all the information and explanations we have required.

The inventories shown on the attached Balance Sheet have been determined and certified by the management of the Company.

In accordance with Section 114 of the Dominion Companies Act, we report that profits earned by subsidiary companies for the year 1948 have been included in the attached accounts only to the extent of the dividends declared and received or receivable by the Company.

We certify that, in our opinion, the attached Balance Sheet and relative statements of Income and Surplus are properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as at 31st December 1948, and the result from operations for the year ended 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.

Montreal, 24th February 1949.

CANADIAN INDUSTRIES LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 1948

Income from operations after charging all expenses including depreciation		\$11,296,308
Income from investments	\$ 780,621	
Profit on sale of government securities	<u>2,500</u>	<u>783,121</u>
		\$12,079,429
Provision for Dominion and provincial income taxes		<u>4,351,500</u>
NET INCOME FOR THE YEAR		\$ 7,727,929
Dividends declared:		
Preferred 7% cumulative stock	\$ 325,500	
Common stock (75 cents a share)	<u>5,252,766</u>	<u>5,578,266</u>
BALANCE OF NET INCOME FOR 1948 TRANSFERRED TO EARNED SURPLUS		<u>\$ 2,149,663</u>

NOTE: Included in the expenses charged against operations are the following items: depreciation \$2,807,406, remuneration of executive officers including bonus awards \$417,842, directors' fees \$18,086 and legal expenses \$2,564.

STATEMENT OF EARNED AND CAPITAL SURPLUS

FOR THE YEAR ENDED 31ST DECEMBER 1948

	EARNED SURPLUS	CAPITAL SURPLUS
SURPLUS AT 1ST JANUARY 1948	\$ 9,716,105	\$15,670,238
Balance of net income for the year 1948 as per Income Statement	2,149,663	
Net gain on realization of assets in 1948		719,784
Reserve for depreciation of securities no longer required		<u>1,200,000</u>
SURPLUS AT 31ST DECEMBER 1948	<u>\$11,865,768</u>	<u>\$17,590,022</u>

CANADIAN INDU

BALANCE SHEET AT

ASSETS

CURRENT ASSETS

Cash	\$ 4,873,267	
Dominion Government securities (Market value \$5,255,000)	5,248,063	

Accounts receivable, less reserve for doubtful accounts	8,246,731	
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Customers	\$ 7,797,335	
Subsidiary companies	101,641	
Other accounts	<u>347,755</u>	

Inventories, valued at the lower of cost or market price, less reserve of \$500,000 against future loss in inventory values	<u>15,182,945</u>	
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\$33,551,006

DEFERRED CHARGES		330,484
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FIXED ASSETS

Plants, buildings and equipment, based on the appraisals of the National Appraisal Company (1927 to 1929) adjusted by the Company's own engineers, with subsequent additions at cost .	\$56,287,960	
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Land, at cost	2,274,487	
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Goodwill, patents and processes	<u>3,377,151</u>	
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61,939,598

Investments in subsidiary companies	\$ 1,369,133	
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Shares in other companies (Including marketable shares, book value \$2,500,000, market value \$7,344,000)	<u>2,700,300</u>	
--	------------------	--

4,069,433

\$99,890,521

Approved on behalf of the Board,

G. W. HUGGETT	} Directors.
C. C. BALLANTYNE	

STRIES LIMITED

31st DECEMBER 1948

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 4,317,417	
Subsidiary companies	14,306	
Dominion, provincial and municipal taxes	3,431,700	
Dividends declared	<u>1,657,205</u>	\$ 9,420,628

DEFERRED LIABILITIES 213,995

RESERVES

Depreciation of plants, buildings and equipment	\$34,952,426	
Property self-insurance	1,622,309	
Retirement and disability pensions	<u>3,632,484</u>	40,207,219
(In addition \$4,093,954 is held in an irrevocable pension trust fund)		

CAPITAL STOCK

Authorized	Shares	
Preferred 7% cumulative stock (par value \$100)	75,000	
Common stock (no par value)	<u>13,500,000</u>	
Issued and fully paid		
Preferred stock	46,500	\$ 4,650,000
Common stock	7,003,688	15,942,889
(Issued during the year to employees under the Company's Bonus Plan, 2,278 shares of Common stock—\$43,282)		

CAPITAL SURPLUS 17,590,022

EARNED SURPLUS 11,865,768 50,048,679

\$99,890,521

This is the Balance Sheet referred to in our attached report of even date.

P. S. ROSS & SONS, Chartered Accountants.

Montreal, 24th February 1949.

CANADIAN INDUSTRIES LIMITED

TEN-YEAR FINANCIAL AND OPERATING RECORD—YEARS 1939 TO 1948 INCLUSIVE

No attempt has been made to adjust the figures in this tabulation to reflect variations in the purchasing power of the dollar; changes in the general price level should therefore be taken into consideration in comparing the figures for the ten-year period.

Year	Volume of Business		Selling Prices		Operating Investment (Note C)		Expenditures on New Plants, Buildings and Equipment and Land <i>In Thousands of Dollars</i>	Net Income from Operations as Percent Return on Average Operating Investment (Note D)	Average Number of Employees	Total Wages and Salaries <i>Indexes Base 1939=100</i>	Total Net Income <i>In Thousands of Dollars</i>	Taxes on Income		Dividends	
	C-I-L Manufactured Products (Note A)	Industrial Production in Canada (Note B)	C-I-L Manufactured Products	General Wholesale Prices in Canada (Note B)	Amount <i>In Thousands of Dollars</i>	Index <i>Base 1939=100</i>						Total Cash Paid to Preferred and Common Shareholders <i>In Thousands of Dollars</i>	Percent of Total Net Income Paid Out in Dividends		
							Total <i>In Thousands of Dollars</i>	Percent of Total Net Income							
1939	100	100	100	100	\$52,697	100	\$1,768	10.5%	100	100	\$6,232	\$1,421	23%	\$5,523	89%
1940	117	119	101	110	55,732	106	2,803	8.5	129	118	5,396	3,563	66	5,204	96
1941	138	144	104	119	59,561	113	3,056	7.6	148	153	5,383	3,986	74	4,701	87
1942	144	170	104	127	63,739	121	3,804	5.9	165	192	4,611	3,520	76	4,351	94
1943	155	182	104	133	67,024	127	926	5.6	174	208	4,445	3,151	71	4,001	90
1944	159	182	104	136	70,744	134	460	5.7	156	197	4,556	3,133	69	4,001	88
1945	160	161	104	137	75,919	144	1,688	5.7	157	196	4,929	3,236	66	4,176	85
1946	178	146	104	144	78,202	148	5,192	6.3	177	223	6,225	4,285	69	5,226	84
1947	202	161	111	171	82,723	157	5,343	6.4	188	266	7,163	4,591	64	5,577	78
1948	220	166	119	203	89,656	170	3,932	8.0	193	297	7,728	4,351	56	5,578	72

(A) This column reflects the approximate changes in the quantity of manufactured products sold and excludes resale business and sales of subsidiary companies. Production of war materials was undertaken by the subsidiary company, Defence Industries Limited.

(B) The indexes of industrial production in Canada and general wholesale prices in Canada are based on the annual average of the monthly indexes of industrial production and wholesale prices compiled by the Dominion Bureau of Statistics.

(D) Net income from operations, which is expressed as a percent return on average operating investment, is the income from operations as shown in the income statement less the taxes applying to such income. If the average operating investment were to be increased to include plants, building and equipment, at current replacement values instead of at book values, the percentage return would be lower, particularly in more recent years.

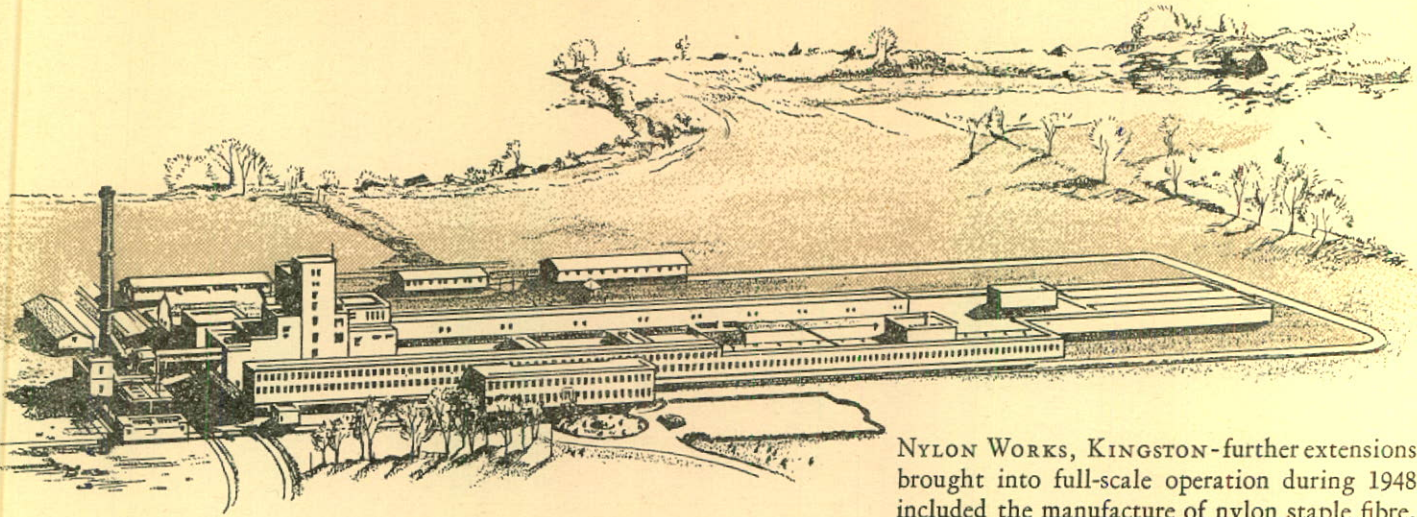
(C) Operating investment comprises total assets as shown in the Company's balance sheets exclusive of goodwill, patents and processes and investments in shares of subsidiary and other companies; the average is based on the investment at the beginning of each calendar month.

CANADIAN INDUSTRIES LIMITED

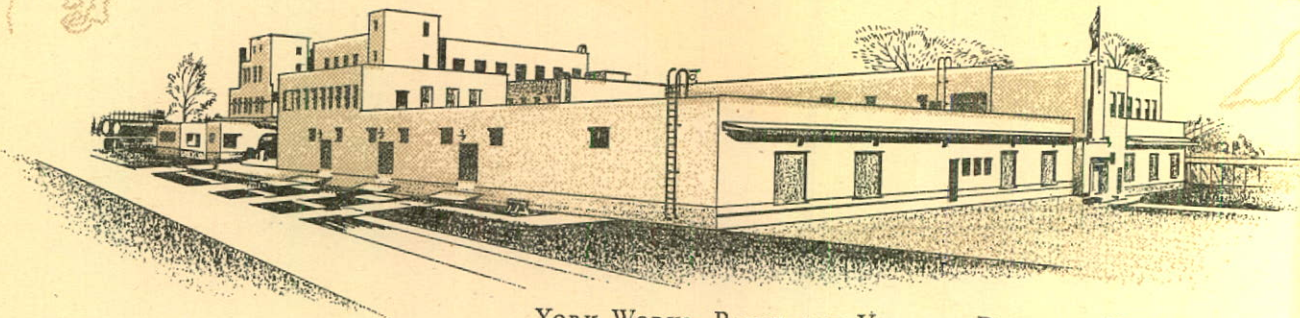
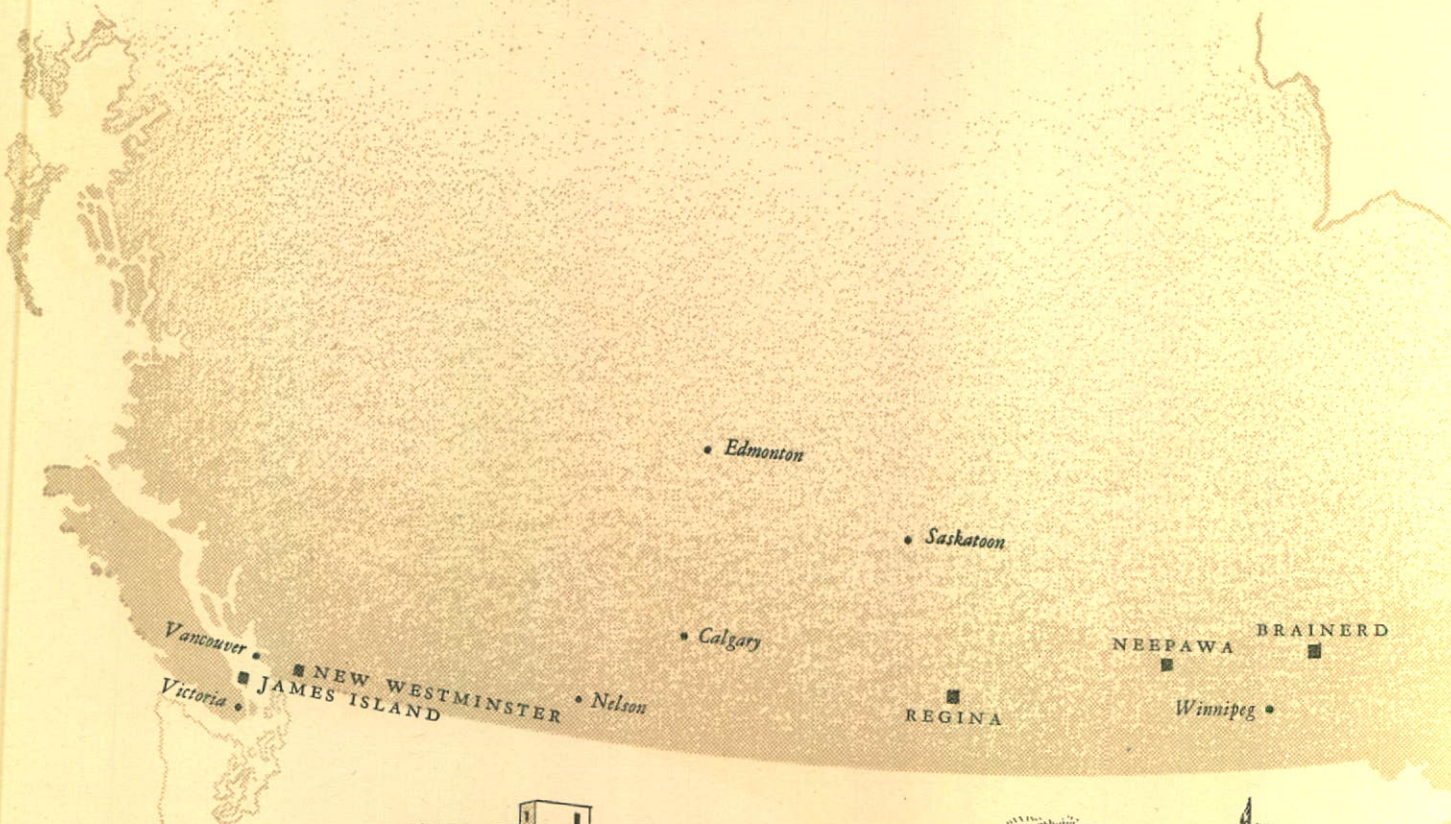
DIRECTORY OF WORKS, PRODUCTS AND MAJOR MARKETS

INDUSTRIAL DIVISIONS	PLANT LOCATIONS	PRODUCTS	MAJOR MARKETS SERVED
AGRICULTURAL CHEMICALS	Halifax, N.S. Beloeil, Que. Montreal, Que. Chatham, Ont. Hamilton, Ont. New Westminster, B.C.	Manufactured: Superphosphate 20% compound fertilizer; pest control products; mineral feed; supplements for livestock. Resale: Fertilizer material; seed disinfectants; seed treaters; low-volume power sprayers; feeding urea.	Farm fertilizer manufacture; home gardens; household and industrial pest control; formulators and processors of pest control products.
SALT	Windsor, Ont. Neepawa, Man.	Manufactured: Household, agricultural and industrial salt.	In the home, farming, food processing, leather tanning, beverages and chemicals manufacturing, public works and utilities.
"CELLOPHANE"	Shawinigan Falls, Que.	Manufactured: Plain and moisture-proof transparent cellulose film.	Packaging of foods, tobacco, textiles and drugs.
NYLON	Kingston, Ont.	Manufactured: Nylon yarns and staple fibre.	Hosiery, clothing and industrial textile manufacturing.
CHEMICALS	Shawinigan Falls, Que. Cornwall, Ont. Toronto, Ont. Hamilton, Ont. Windsor, Ont. Copper Cliff, Ont.	Manufactured: Acids, commercial, chemically pure; ammonia - anhydrous, aqua; ammonium chloride; bleaching powder; caustic soda; chlorine; chlorhydrocarbons; fluxes; hydrogen peroxide; sodium silicate solutions; sodium sulphites; zinc chloride. Resale: Inorganic and organic chemicals including: aluminum sulphate, carbon black, dyes and intermediates, neoprene, pigments and ceramics, rubber chemicals, sodium cyanide, sodium phosphates, sodium silicate, sodium sulphate.	Pulp and paper manufacturing; mining and metal refining; metal processing and fabricating; textile manufacturing; petroleum refining; rubber processing; soaps and cleansers; chemical manufacturing; food processing; refrigeration.
EXPLOSIVES	Beloeil, Que. Nobel, Ont. Brainerd, Man. James Island, B.C.	Manufactured: Commercial explosives and blasting accessories. Resale: Safety fuse; smokeless rifle powder.	Mining, quarrying, logging, oil prospecting, road building, and general construction work.
AMMUNITION	Brownsburg, Que.	Manufactured: Small arms ammunition; loaded and empty shot shells and metallic cartridges; cartridge and shot shell components; railway fuses and track signals; motorists' flares; detonators; metal sundries. Resale: Explosive rivets.	Sports, hunting, railroad and highway transportation services, cosmetic containers, automotive accessory manufacturing.
"FABRIKOID"	New Toronto, Ont.	Manufactured: Pyroxylin, rubber and synthetic resin coated fabrics and unsupported synthetic resin film.	Automotive industry, book binding, furniture, footwear, handbags, luggage and raincoat manufacturing.
PAINT AND VARNISH	Montreal, Que. Toronto, Ont. York, Ont. Regina, Sask.	Manufactured: Paints; enamels; varnishes; lacquers; automotive and household specialties; anti-freeze; polishes; waxes; adhesives.	Automotive, industrial, marine, railway and retail trades. Public, industrial and residential construction and maintenance.
PLASTICS	Brownsburg, Que.	Manufactured: Nylon monofilament; toothbrushes; specialties. Resale: X-ray film and photo products; moulding powders, adhesives, sheetings.	Automotive industry, furniture and apparel accessories manufacturing, brush making, commercial, industrial and hospital photography.

M O D E R N

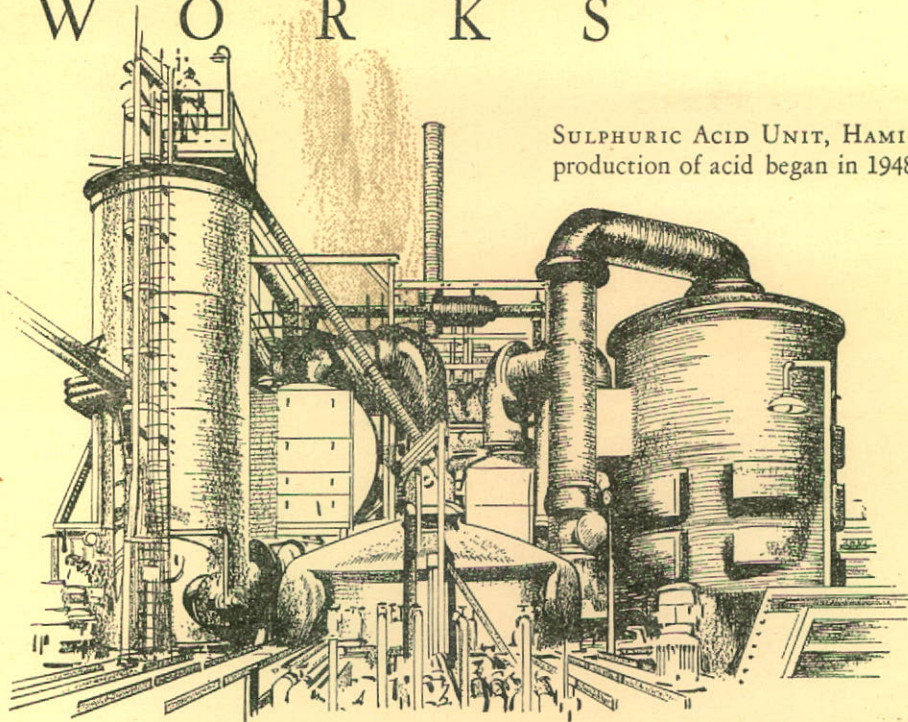


NYLON WORKS, KINGSTON—further extensions brought into full-scale operation during 1948 included the manufacture of nylon staple fibre.



YORK WORKS, PAINT AND VARNISH DIVISION, TORONTO occupies a total floor area of 87,000 square feet and was brought into operation in 1948.

W O R K S



SULPHURIC ACID UNIT, HAMILTON
production of acid began in 1948.

