

*Standard Chemical
Iron and Lumber Company
of Canada, Limited*



*FIFTH
ANNUAL
REPORT*

*DECEMBER 31st
1915*

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*Standard Chemical
Iron and Lumber Company
of Canada, Limited*



*F I F T H
A N N U A L
R E P O R T*

*DECEMBER 31st
1915*

**Standard Chemical
Iron and Lumber Company
of Canada, Limited**

ANNUAL STATEMENT

FOR TWELVE MONTHS ENDING DECEMBER 31ST, 1915

Officers:

President L. M. WOOD
Vice-President M. L. DAVIES
Secretary and Treasurer J. W. RUGGLES
General Superintendent W. H. OLIVER
Woods Manager A. GREIG
Sales Manager J. L. HOULT

Board of Directors:

L. M. WOOD
M. L. DAVIES
WILLIAM THOMSON
MALCOLM H. ROBINSON
J. B. TUDHOPE
T. H. WATSON
JOHN BAIN

Bankers:

Bank of Nova Scotia
Bank of Montreal

Foreign Agents:

Standard Wood Chemicals Co., Ltd.
5 Lothbury, London, E.C.

A. Borit
69 Avenue de la Republique, Paris

Standard Chemical Iron and Lumber Company of Canada, Limited

Head Office:

**ROYAL BANK BUILDING
TORONTO, CANADA**

Factories:

LONGFORD MILLS, ONT.

THORNBURY, ONT.

SOUTH RIVER, ONT.

COOKSHIRE, QUE.

SAULT STE. MARIE, ONT.

FASSETT, QUE.

Refineries:

MONTREAL, QUE.

LONGFORD MILLS, ONT.

Saw Mills:

LONGFORD MILLS, ONT.

SOUTH RIVER, ONT.

Iron Furnaces:

PARRY SOUND, ONT.

DESERONTO, ONT.

Lime Kilns:

EGANVILLE, ONT.

Subsidiary Companies:

CANADA CHEMICAL CO., LIMITED

Factory: Parry Sound, Ont.

LAURENTIAN CHEMICAL CO., LIMITED

Factory: Mont Tremblant, Que.

WOOD PRODUCTS CO., LIMITED

Factory: Donald, Ont.

Standard Chemical Iron and Lumber Company of Canada, Limited

Report of Directors to Shareholders

Your Directors submit herewith the Balance Sheet of the Company as upon the 31st day of December, 1915, also Statement of Profit and Loss for the year, and Certificate of Messrs. Price, Waterhouse & Company, the Auditors of the Company.

Reference to the Statement of Profit and Loss will show that profits of \$301,859.04 were earned after charging fire losses amounting to \$3,154.92, and proportion of losses of Standard Iron Company, Limited, amounting to \$6,052.42. The operations for the year, therefore, show an improvement of \$280,349.89 over 1914.

Interest on Debentures, Mortgage Notes and Bank Loans amounted to \$102,732.60; and Discounts on securities and special expenses—not applicable to the year's operations—amounted to \$30,018.29. This amount is made up of \$6,578.63 carried forward as a deferred charge from 1914, about \$8,000 expenses in connection with the recent reduction in the Company's capital stock, and \$15,277.19 referred to as loss on B. Biggs & Company's account. Messrs. B. Biggs & Company, London, until January, 1915, were the Company's representatives in England and had been for many years previously. In 1914, in view of the difficulty in adjusting accounts with them, it was decided to establish the Company's own Agency in London. Shortly after this arrangement was effected the firm of B. Biggs & Company failed, and although a small dividend has been received from the Liquidator, it is unlikely that any further dividends will be received and it has been deemed advisable to charge the deficit to Profit and Loss.

After charging up the deficit of \$98,222.49, carried forward from 1914, and appropriating \$65,000 toward depreciation on plants, there remains a surplus of \$5,885.66, which has been carried forward. As your Directors estimate that \$75,000 per annum should be set aside for depreciation, a further appropriation of \$85,000 will be made as soon as the Company's circumstances permit, no provision having been made in 1914.

Capital Account: Referring to the Balance Sheet, the most important change is the addition to fixed assets during the year of \$351,531.13, which is made up as follows:—

New Acetone Factories.....	\$115,000
Plant of Wood Products Co., Ltd., Donald, Ont.....	236,000

When the war commenced the capacity of your Company's Acetone Department was 450 tons per annum. By the erection of the two new plants above referred to, the capacity has been increased to

1,750 tons per annum. The entire output of these acetone factories has been sold for the current year at satisfactory prices.

The addition of \$236,000 in connection with Wood Products Company, Limited (the acquisition of which is hereinafter referred to), is offset as to \$222,500 by the First Mortgage 4% Debentures of Wood Products Company, Limited, shown in the Statement of Liabilities. These Debentures have been guaranteed by your Company as to interest only, and therefore do not represent an actual investment, nor do they represent an actual liability of your Company, this treatment having been adopted for accounting purposes.

As will be noted by reference to the Balance Sheet, the Liquid Assets of the Company remain practically unchanged, the net profits of the Company having been utilized for the purpose of erecting additional acetone plant, for sinking fund and other requirements.

Sales: The total sales for the year as compared with 1914, show an increase of \$347,830.19 as follows:—

1914.....	\$1,989,370.00
1915.....	2,337,200.19

As you have already been advised the production was not brought up to full capacity until about 1st July, so that the sales for the year do not represent the maximum capacity of the Company. You will be interested to know that during the current year—with all chemical factories running at full capacity, and taking into account the higher prices now prevailing—the sales should be in the vicinity of \$3,000,000.

Inventories: All inventories, including wood on hand, finished and partly finished products, and raw materials, are valued at cost. A complete scale of the wood was made during the year and any shortages taken up.

Investments In and Advances to Agencies in France and Germany: When the war commenced your Company had altogether in plants and alcohol stocks in France and Germany, the sum of \$173,746.23, about \$75,000 of which is represented by an alcohol refinery at Worms, Germany, and the balance by stocks of alcohol, and warehouse at Pont-a-Verdin, France. Your Directors do not think it advisable to make any adjustment in connection with these assets until the war is over.

Standard Wood Chemicals Company, Limited: This Company was formed in January, 1915, for the purpose of handling Sales in Great Britain. The Company is directly under the control of your Directors, which facilitates the sale of your products and the adjustment of accounts. Since the arrangement went into effect the sales in Great Britain have steadily increased.

Wood Products Company, Limited: During the year the Company acquired all the Capital Stock of Wood Products Com-

pany, Limited, in consideration of the guarantee of their Debentures as to interest only, for fifteen years at 4%, and the sum of approximately \$60,000. Already the investment has been amply justified by actual results.

Standard Iron Company, Limited: You will observe by reference to the Balance Sheet that your Company owns 50% of the shares in Standard Iron Company, Limited, at a cost of \$138,750 and has advanced to that Company in charcoal supplies the sum of \$99,522.17. The Standard Iron Company, Limited, operates a Blast Furnace at Deseronto, Ontario, in the manufacture of charcoal iron, and affords an outlet for a great deal of charcoal.

The advances were materially increased during the year, so that as much iron as possible might be held off the market, on account of low prices prevailing. In the month of May, the average price realized for iron sold was \$15.84 per ton, against a cost of \$18.47 per ton. In the month of January, this year, the average price realized was \$18.95, and has since increased to about \$21.00 per ton. The business is now on a profitable basis and the advances above referred to are being materially reduced.

Management: During the year very important changes have been made in the Management. Owing to the wide ramifications of the business it was deemed advisable to establish a system of departmental management and responsibility so as to bring about far closer supervision of the various departments than had been possible under the old system.

The Woods Department, which constitutes really the basis of your business, is receiving the most particular attention of the Management. The fact that the Company is now carbonizing nearly five hundred cords of wood per day will indicate to you the size of the woods operations. The scarcity of labor which has occurred as a result of the war, has a direct effect on the cost of wood. The wood cutters employed in Ontario and Quebec were largely made up of Poles, Italians, Russians, and Finlanders, a great many of whom have had to return to their respective Countries. For this reason, and owing to the activity in other branches of industry, and to the great response to the call for recruits in Canada, the problem of wood supply has become rather difficult.

Production: The most important products manufactured by the Company and affiliated Companies, are charcoal, charcoal iron, crude and refined alcohol, acetate of lime, acetone, ketone oils, crude and refined acetic acid, lime, formaldehyde and lumber. The success of the operations depends to a large extent on the cost of production and yields obtained in the carbonizing process. During the year production costs and yields have been considerably improved. For instance, the amount of acetate of lime required to produce a ton of acetone has been materially reduced, which has not only been a good thing for the Company, but has considerably increased the amount of acetone available from Canada for the British Government.

New Business: Owing to the fact that the war has opened avenues of trade to the chemical industry, which were previously occupied by Germany and Austria almost exclusively, the consideration of the manufacture of additional products has received the attention of the Management.

An expert Chemist has been engaged to devote his time to the work and study necessary in the prosecution of this new line of activity. Already the Management has succeeded in closing a favorable contract for the supply of an important product not hitherto produced by the Company.

Capitalization and Earning Power: In view of the increasing earnings of the Company, your Directors have carefully considered the question of dividends on the Preference shares. As there is already a large accumulation of arrears amounting to \$504,378, and as the dividend payable on the preferred stock at present outstanding would seem to be greater than would be justifiable under ordinary conditions, having regard to the desirability of strengthening the Company's financial position, your Directors are endeavouring to formulate a plan of re-organizing the capital stock which will satisfactorily meet this situation. If a plan can be decided upon which will likely, in the opinion of the Directors, meet with the approval of the Shareholders, and at the same time comply with the statutory requirements, it will be submitted to you. In any event your Directors will report to you more fully and definitely upon this subject in the near future.

General Remarks: The general conditions affecting your Company have greatly improved during the year under consideration, particularly in the last six months thereof. Your chemical factories are now operating at full capacity and a market is being found for all the products at profitable prices, except possibly lumber. The operations of your Company, however, in this commodity, have been very much curtailed for the time being.

The process of straightening out the somewhat involved situation which became apparent early in 1914, when the inauguration of the present Management took place, has necessarily been a long one, but your Directors are now in a position to report that the prestige and credit of your Company have been completely established. As the prices prevailing this year are on a considerably higher level than they have been for the last three years, and as only two of your products, i.e., acetate of lime and acetone, can be included in the category of war munitions, and as the sale of these products is protected as far as possible, under a long term contract with H.M. War Office, your Directors feel that the Company may look forward to a more prosperous period.

During the year a considerable number of the employees of the Company have enlisted for active service. Your Directors have intimated to these employees that upon their return after the war, their positions will be still available.

On behalf of the Board,

L. M. Wood,
President.

Standard Chemical Iron and Lumber and Subsidiary Consolidated Balance Sheet,

Assets.

REAL ESTATE, TIMBER LIMITS, PLANTS AND EQUIPMENT:		
Balance January 1, 1915.....	\$3,525,542.36	
Additions during Year—Net.....	351,531.13	
	<u>\$3,877,073.49</u>	
Less—Reserve for Depreciation.....	203,000.00	
		<u>\$3,674,073.49</u>
GOODWILL.....		1,870,724.51
INVESTMENTS IN AND ADVANCES TO AFFILIATED COMPANIES:		
Investments—		
Standard Iron Co., Ltd.—Cost of Shares Owned.....	\$ 138,750.00	
Standard Wood Chemical Co., Ltd.—Cost of Shares Owned.....	2,582.72	
Thornbury Transportation & Reduction Company, Limited—Cost of Shares Owned.....	<u>2,300.00</u>	
	<u>\$ 143,632.72</u>	
Advances to Standard Iron Co., Limited	99,522.17	
		<u>243,154.89</u>
SINKING FUND, CASH, ETC., IN HANDS OF TRUSTEES.....		4,336.55
INVESTMENTS IN AND ADVANCES TO AGENCIES in France and Germany, in addition to \$78,461.61 invested in Plants, subject to adjustment after the war..		
		95,284.62
CURRENT ASSETS:		
Inventories (as certified by responsible officials)—		
Wood.....	\$511,937.55	
Finished and Partly Finished Products,		
Raw Materials, etc.	<u>614,641.14</u>	
		<u>\$1,126,578.69</u>
Accounts Receivable.....	243,179.32	
Working Funds.....	12,731.07	
Cash in Banks.....	<u>14,614.19</u>	
		<u>1,397,103.27</u>
PREPAID INSURANCE PREMIUMS.....		25,909.57

AUDITORS' CERTIFICATE.

We have examined the books and accounts of the STANDARD CHEMICAL IRON & LUMBER COMPANY OF CANADA, LIMITED, and its SUBSIDIARY COMPANIES, for the year ending December 31, 1915, and certify that, in our opinion, the above Balance Sheet and relative Statement of Profit and Loss are drawn up so as to show the true financial position of the Company at December 31, 1915, and the results of its operations for the year ending on that date, after providing \$65,000.00 towards meeting the Depreciation accruing during 1914 and 1915. All our requirements as Auditors have been complied with.

(Signed) PRICE, WATERHOUSE & CO.,
Chartered Accountants.

\$7,310,586.90

Company of Canada, Limited

Companies

December 31st, 1915

Liabilities.

CAPITAL STOCK:

Authorized—

7% Cumulative Preferred	\$3,750,000.00
Common	1,250,000.00
	<u>\$5,000,000.00</u>

Issued—

7% Cumulative Preferred	\$3,602,700.00
Common	1,250,000.00

\$4,852,700.00

NOTE.—The Preferred Dividends have been paid up to December 31, 1913.

OUTSTANDING STOCK INTERESTS IN SUBSIDIARY COMPANIES

112,840.75

FUNDED AND MORTGAGE DEBT:

First Mortgage 5% Debenture Stock—

Authorized and Issued £200,000	\$973,333.32
Less — Purchased and Held by Trustee....	23,587
	<u>114,790.04</u>
	<u>£176,413</u>
	<u>\$858,543.28</u>

Three-Year 6½% Mortgage Notes.....

£60,000 292,000.00

First Mortgage 6% Gold Bonds of Laurentian Chemical Company, Ltd.

100,000.00

First Mortgage 4% Debentures of Wood Products Company, Limited.....

222,500.00

Mortgages on Sault Ste. Marie and Parry Sound Properties (\$37,000.00 due in 1916).....

58,000.00

1,531,043.28

DEFERRED LIABILITY:

Loan from Town of Parry Sound, repayable over 18 years.....

\$ 22,500.00

Loan from British War Office, being liquidated by Shipments of Acetone.....

69,398.35

91,898.35

CURRENT LIABILITIES:

Bank Loans (secured by pledge of Products)—

Standard Chemical Iron &

Lumber Co., Ltd.... \$215,000.00

Wood Products Co., Ltd. 115,000.00

\$330,000.00

Bills Payable—Trade.....

90,705.36

Accounts Payable, Accrued Interest, etc.

295,513.50

716,218.86

SURPLUS as stated in Exhibit

5,885.66

CONTINGENT LIABILITY in respect

of Notes under Discount \$51,011.00

\$7,310,586.90

Standard Chemical Iron and Lumber Company of Canada, Limited

STATEMENT OF PROFIT AND LOSS YEAR ENDING DECEMBER 31ST, 1915.

GROSS PROFIT FROM OPERATIONS of Standard Chemical Iron & Lumber Company of Canada, Limited, before charging Depreciation or Interest on Borrowed Money	\$278,711.64
ADD:	
Standard Company's Proportion of Profits of Subsidiary Companies before charging Interest or Depre- ciation:	
Canada Chemical Company, Limited.....	\$ 9,727.16
Laurentian Chemical Com- pany, Limited.....	5,478.42
Wood Products Company, Limited.....	13,994.24
	<u>\$29,199.82</u>
Less—Proportion of Losses of Stand- ard Iron Company, Limited.....	6,052.42
	<u>23,147.40</u>
Combined Profits, before Deduct- ing Interest or Depreciation, etc.	\$301,859.04
DEDUCT:	
Interest on Debentures and Mortgage Notes	\$62,668.55
Interest on Bank Loans, etc.....	40,064.05
Discounts on Securities and Special Expenses.....	14,741.10
Loss on Biggs & Co.'s Account Appli- cable to previous years	15 277.19
	<u>132,750.89</u>
NET PROFITS FOR YEAR, before providing for Depreciation ...	\$169,108.15
DEDUCT:	
Deficit at Beginning of Year.....	98,222.49
BALANCE.....	\$ 70,885.66
LESS:	
Amount Appropriated towards Meet- ing Depreciation Accruing during the Years 1914 and 1915.....	65,000.00
SURPLUS AS PER BALANCE SHEET.	<u>\$ 5,885.66</u>

