

Standard Chemical
Iron and Lumber Company
of Canada, Limited



S I X T H
ANNUAL
REPORT

December 31st
1916

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Standard Chemical
Iron and Lumber Company
of Canada, Limited



S I X T H
ANNUAL
REPORT

December 31st
1916

Standard Chemical
Iron and Lumber Company
of Canada, Limited

ANNUAL STATEMENT

FOR TWELVE MONTHS ENDING DECEMBER 31ST, 1916

Officers:

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

Board of Directors:

L. M. WOOD	MALCOLM H. ROBINSON
M. L. DAVIES	W. J. SHEPPARD
E. F. B. JOHNSTON, K.C.	WILLIAM THOMSON
W. H. LANE	J. B. TUDHOPE
HON. WALLACE NESBITT, K.C.	T. H. WATSON

Bankers:

Bank of Nova Scotia	Bank of Montreal
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Foreign Agents:

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

A. Borit

69 Avenue de la Republique, Paris

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Standard Chemical
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Head Office:

ROYAL BANK BUILDING
TORONTO, CANADA

Factories:

LONGFORD MILLS, ONT.	THORNBURY, ONT.
SOUTH RIVER, ONT.	COOKSHIRE, QUE.
SAULT STE. MARIE, ONT.	FASSETT, QUE.
WEEDON, QUE.	

Refineries:

MONTRÉAL, QUE.	LONGFORD MILLS, ONT.
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Saw Mill:

LONGFORD MILLS, 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, 1916, also Statement of Profit and Loss for the year and certificate of Messrs. Price, Waterhouse & Company, the Auditors of the Company.

An examination of the statement of Profit and Loss will show that a gross amount of \$696,464.63 was earned as against \$301,859.04 in 1915. \$123,268.98 has been reserved for depreciation of buildings and plants during the year; interest on Debentures, Notes and Bank Loans has absorbed \$110,304.82, and contributions to Patriotic Funds amounted to \$5,000. As forecasted in last year's report, an appropriation of \$85,000 has been made to cover the shortage in ordinary depreciation account occasioned by the poor results in 1914.

A special reserve of \$375,000 has been set up to partially provide for excess valuation of Iron Furnaces and Timber Limits and losses on other investments caused by the war, leaving a surplus of \$3,776.49, which has been carried forward. Your Directors are of the opinion that this Special Reserve Account should be increased to \$600,000, and the indications are that the additional provision of \$225,000 can be made from the earnings for the first half of the current year, after which your Directors hope to be able to favorably consider the resumption of dividends on the Preferred Stock.

Over \$300,000 was invested in additional plant and equipment, including the Thornbury Plant formerly leased, the Weedon Chemical Company at Weedon, Quebec, and extensions to our plants at Longford, Montreal, Sault Ste. Marie and Fassett.

Current Assets were increased by \$50,000, while Funded Debt and Floating Liabilities were reduced by \$260,000.

Of the £60,000 6½% three-year notes due May 1st, 1917, £18,000 were retired during the year and an additional £12,000 have been retired since January 1st, reducing the amount outstanding to £30,000, which will be retired at or before maturity.

Following the usual policy, inventories have been taken at cost, which is below present values, and all shortages and doubtful items absorbed.

Our sales for the year, which amounted to \$3,519,124, show a very gratifying increase over sales for 1915, which amounted to \$2,337,200. This improvement is attributable to the higher prices prevailing and to the increased production as a result of additions to plant before referred to. The indications are that this volume of business will be maintained if not increased during the current year.

A complete chemical research laboratory has been established at Montreal under the supervision of an experienced chemist, for the purpose of developing new business. The commercial production of one important product has been successfully established, and plant and apparatus are now in course of construction to manufacture other products which have passed the experimental stage. The prospects are that our business will be considerably augmented by this Department.

In spite of the fact that labor and transportation conditions have been increasingly difficult, it has been possible so far to run all our factories at full capacity and to maintain their efficiency. The cost of labor and raw materials has increased steadily, but has been largely offset by higher prices for our products. At the present time our principal difficulty is transportation. A serious shortage of railway cars has existed for some months, which, owing to the fact that we require for the transportation of our wood and charcoal alone, 300 cars per week, affects us more seriously than most industries.

Your Directors are pleased to report that our wood supply until May 1st, 1918, is now assured, cutting operations having been completed and practically all the wood hauled from the bush.

As pointed out in a previous report, only two of our products, *i.e.*, Acetate of Lime and Acetone, can be placed in the category of war munitions. We are selling our entire output of these commodities directly or indirectly to H.M. War Office, but as the prices

allowed us cannot be considered in any way excessive and have been in fact considerably below the prices prevailing in the United States, and moreover as the sale of these two products is reasonably assured for a long period, it does not seem likely that our business will be seriously affected by the termination of the war.

For the convenience of the shareholders all the Preferred and Common Shares of the Company have recently been listed on the Toronto Stock Exchange.

Since the last Annual Meeting the two vacancies on the Board of Directors have been filled by the election of Mr. E. F. B. Johnston, K.C., Second Vice-President of the Royal Bank of Canada, and Mr. W. J. Sheppard, President of the Georgian Bay Lumber Company.

Respectfully submitted,

L. M. WOOD,

President.

STANDARD CHEMICAL IRON AND LUMBER AND SUBSIDIARY CONSOLIDATED BALANCE SHEET,

Assets.

LAND, TIMBER RIGHTS, PLANTS AND EQUIPMENT:	
Balance January 1, 1916.....	\$3,877,073.49
Additions during year.....	330,134.74
	<hr/>
Less—Reserve for Depreciation.....	\$4,207,208.23
	466,689.82
	<hr/>
	\$3,740,518.41
	1,870,724.51
GOODWILL.....	
INVESTMENTS IN AND ADVANCES TO AFFILIATED COMPANIES:	
Investments—	
Standard Iron Company, Limited—cost of shares owned.....	\$138,750.00
Standard Wood Chemicals Company, Limited—cost of shares owned.....	4,866.65
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Advances to Standard Iron Co., Ltd.....	\$143,616.65
	73,637.85
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	217,254.50
SINKING FUND, CASH, ETC., in hands of Trustees.....	5,690.19
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..	88,180.59
CURRENT ASSETS:	
Inventories (as certified by responsible officials)—	
Wood.....	\$516,904.64
Finished and Partly Finished Products, Raw Materials, etc....	632,234.08
	<hr/>
Accounts Receivable.....	\$1,149,138.72
Working Funds.....	284,837.94
Cash in Banks.....	17,617.97
	<hr/>
	14,313.87
PREPAID INSURANCE PREMIUMS, ETC.....	<hr/>
	1,465,908.50
	41,476.75

NOTES:

- (1) There is a Contingent Liability in respect of Notes under Discount amounting to \$67,370.00.
- (2) No provision has been made for Business Profits War Tax.

AUDITORS' CERTIFICATE.

TORONTO, March 21st, 1917.

TO THE SHAREHOLDERS OF THE STANDARD CHEMICAL IRON & LUMBER CO. OF CANADA, LIMITED.

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 31st, 1916, and certify that, in our opinion, the attached 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 31st, 1916, and the results of its operations for the year ending on that date.

All our requirements as Auditors have been complied with.

PRICE. WATERHOUSE & CO.,
Chartered Accountants.

\$7,429,753.45

COMPANY OF CANADA, LIMITED

COMPANIES

DECEMBER 31ST, 1916

Liabilities.

CAPITAL STOCK:

Authorized—7% Cumulative Preferred.....	\$3,750,000.00
Common.....	1,250,000.00
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	\$5,000,000.00
Issued—7% Cumulative Preferred.....	\$3,602,700.00
Common.....	1,250,000.00
	<hr/>
	\$4,852,700.00

Note.—The Preferred Dividends have been paid up to Dec. 31, 1913.

OUTSTANDING STOCK INTERESTS IN SUBSIDIARY COMPANIES.....	118,083.88
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FUNDED AND MORTGAGE DEBT:

First Mortgage 5% Debenture Stock..	£200,000	\$973,333.32
Less—Purchased and held by Trustee.....	30,665	149,236.30
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		\$824,097.02
Three year 6½% Mortgage		
Notes.....	£60,000	\$292,000.00
Less—Purchased and held by Trustee.....	£18,000	87,599.99
		<hr/>
		204,400.01
First Mortgage 5% Gold Bonds of Laurentian Chemical Co., Ltd..	£100,000.00	
Less—Purchased and held by Trustee.....	6,000.00	
		<hr/>
		94,000.00
First Mortgage 4% Debentures of Wood Products Company, Limited.....		222,500.00
Mortgage on Parry Sound and Thornbury properties.		25,500.00
		<hr/>
		1,370,497.03

DEFERRED LIABILITIES:

Loan from Town of Parry Sound, repayable over seventeen years.....	\$21,250.00
Loan from British War Office, being liquidated by shipments of Acetone.....	59,117.42
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	80,367.42

CURRENT LIABILITIES:

Loans from Banks (secured by pledge of products)—	
Standard Chemical Iron & Lumber Co., Limited.....	\$170,000.00
Wood Products Company, Limited	80,000.00
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	\$250,000.00
Bills Payable—Trade.....	60,672.89
Accounts Payable, Accrued Interest, etc.....	312,628.64
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	623,301.53
SPECIAL RESERVE FOR EXCESS valuation of Iron Furnaces, Timber Limits and other Investments, etc.....	381,027.10
SURPLUS, as per statement attached.....	3,776.49
	<hr/>
	\$7,429,753.45

Standard Chemical
Iron and Lumber Company
of Canada, Limited

and Subsidiary Companies

STATEMENT OF PROFIT AND LOSS

YEAR ENDING DECEMBER 31ST, 1916.

PROFITS FROM OPERATIONS of Standard Chemical Iron & Lumber Company of Canada, Limited, and Subsidiary Companies before charging interest, depreciation, etc., as under.....	\$696,464.63
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DEDUCT:	
Depreciation of Buildings and Plants, etc., for 1916.....	\$123,268.98
Interest on Debentures and Notes.....	67,588.02
Interest on Bank Loans, etc.:	
Standard Chemical Iron & Lumber Co. of Canada, Limited.....	\$33,200.11
Wood Products Company, Limited.....	9,516.69
	<hr/>
Donations.....	42,716.80
	5,000.00
	<hr/>
BALANCE.....	238,573.80
ADD—Surplus at January 1st, 1916.....	\$457,890.83
	5,885.66
	<hr/>
BALANCE.....	\$463,776.49
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DEDUCT:	
Shortage in previous year's provisions for depreciation.....	\$ 85,000.00
Special Reserve for excess valuation of Iron Furnaces, Timber Limits, and other Investments..	375,000.00
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SURPLUS CARRIED TO BALANCE SHEET.....	460,000.00
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	\$ 3,776.49

