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CONSOLIDATED PRESS LIMITED

19th annual report

AS AT THIRTY-FIRST OF MARCH, NINETEEN FORTY-EIGHT

To the Shareholders:

On behalf of your Directors I herewith submit the 19th Annual Report and Financial Statement of Consolidated Press Limited, which sets forth the results of the operations and financial position of the Company for the year ended March 31st, 1948.

Profit and Loss

The profit from operations for the year (including income from investments) amounted to $171,015.62. From this amount $104,293.56 was deducted for depreciation, bond interest, premium on bonds redeemed, moving expense, etc., resulting in a profit before taxes of $66,722.06. After providing for Dominion and Provincial Taxes, there remained a net profit (including certain reserves provided in other years no longer required) of $41,952.89. After the payment of dividends amounting to $48,755.93, the balance of Earned Surplus Account amounted to $695,574.18.

The substantially lessened amount of net earnings arises in part from a generally increased cost of operating the business, including rising costs of paper and other materials. Production costs were also increased and work curtailed because of the interruptions incidental to the removal of equipment to the Duchess Street plant. The major reason for the decline, however, was due to the fact that the Company was unfortunately subject to a strike in its plant at a time when advertising revenues were at a seasonal peak.

The strike settlement at higher wage schedules necessitated increased advertising rates, which unfortunately could not be made effective until after the close of the fiscal year, as advertising and subscription rates cannot be immediately and arbitrarily altered as costs fluctuate. The increased wages, therefore, particularly on a retroactive basis, had to be absorbed without any corresponding increase in income. The losses incidental to the strike were all absorbed in the year ending March 31st, 1948. We cannot be sure that the new rates will effectively or fully meet the increased costs, but as the Company's operations are again at capacity, we have every reason to feel that the earnings of the Company will be restored during the current fiscal year to the former level.

Balance Sheet—Earned Surplus

During the fiscal year the balance of the bond mortgage indebtedness of the Company, amounting to $230,500.00, was eliminated. The new premises at Duchess Street, which will eventually house the entire printing and publishing facilities, were brought to a state of virtual completion; high speed 5-colour presses and other modern machinery were bought, installed and financed out of the Company's own funds. The Company's working capital, as a result, has been reduced from $798,358.23 to $446,411.96.

General

Plant employees are now enjoying a five-day 40-hour work week, with wage increases of from 70% to over 100% over prewar hourly rates. In addition, male employees are entitled to life insurance without charge to the extent of an average year's earnings, one week's paid vacation based on 12 months' service, or two weeks vacation for five years' service or longer. All may participate on a contributory basis in the Company's Sick Benefit Plan, Blue Cross Hospitalization, and Medical and Surgical Insurance.

Of each advertising and printing sales dollar of income for the fiscal year, 66.6 cents were paid out for raw materials, taxes, bond interest, etc., or set aside for plant and building improvement; 32.2 cents were paid out in wages and salaries; and 1.2 cents went to shareholders in dividends.

I desire at this time to express my appreciation to the Directors and management for their whole-hearted co-operation over the past very troublesome year. I believe that the former level of earnings of the Company will be restored in the coming year. It will depend, however, first, on the maintenance of an adequate volume of advertising and printing business; second, on the continued exercise of the whole-hearted co-operation of the editorial, sales and other departmental staffs; and third, and quite importantly, on the establishment of a competitive and stable production cost level in plant operations. The inflationary post-war sellers' market may be drawing to a close. We feel we should be, and are, prepared to successfully operate this business on the normal competitive basis that prevailed before the war, and which we believe probably lies ahead of us.

M. R. SUTTON

June 24, 1948

Statement of Profit and Loss

For the year ended 31st March, 1948

Profit from operations before depreciation, interest on bonds and other items shown separately below		$ 168,415.35
Income from investments		2,600.27
		$171,015.62
Less:		
Depreciation	$77,150.85	
Premium on redemption of bonds	3,457.50	
Interest on bonds (prior to redemption)	4,245.02	
Moving expense	18,559.33	
Loss on sale of fixed assets and investments	880.86	104,293.56
Profit for the year before taxes on income		$ 66,722.06
Provision for taxes on income		30,000.00
Net profit for the year		$ 36,722.06
Add reserves provided in other years no longer required		5,230.83
Amount transferred to earned surplus		$ 41,952.89

Note: The expenditures for the year include the following—

Remuneration of executive officers (excluding $9,687.50 provided for in prior years)	$36,000.00
Directors' fees	280.00
Legal fees	1,007.83

Statement of Earned Surplus

Balance at 31st March, 1947		$702,377.22
Amount transferred from statement of profit and loss for the year		41,952.89
		$744,330.11
Deduct:		
Four quarterly dividends of 16¼c. each per share on class "A" shares, including dividend due 1st April, 1948 paid 31st March, 1948	$65,005.93	
Less dividend paid 1st July, 1947 declared prior to 31st March, 1947 and provided for at that date	16,250.00	48,755.93
Balance at 31st March, 1948		$695,574.18

On behalf of the Board

M. R. SUTTON, *Director*
E. L. PATCHET, *Director*

Auditors' Report to the Shareholders

We have examined the above balance sheet of Consolidated Press, Limited as at 31st March, 1948 and the statements of profit and loss and earned surplus for the year ended on that date. In connection therewith we examined or tested accounting records of the company and obtained all the information and explanations we required from its officers and employees; we also made a general review of the accounting methods and of the operating and income accounts for the year but we did not make a detailed audit of the transactions.

We report that in our opinion the above balance sheet and the related statements of profit and loss and earned surplus have been drawn up so as to exhibit a true and correct view of the state of the company's affairs at 31st March, 1948 and of the results of its operations for the year, according to the best of our information and the explanations given us and as shown by the books.

Toronto, Canada,
15th June, 1948

Clarkson, Gordon & Co.
Chartered Accountants

Balance Sheet

As at 31st March, 1948

Assets

Current:			
Cash on hand			$ 2,700.00
Dominion of Canada and United States Treasury bonds at cost (market value $141,925)			141,946.48
Accounts receivable		$420,965.34	
Less reserve for doubtful accounts		12,283.45	408,681.89
Inventories as determined and certified by the management, and valued at the lower of cost or market			313,637.90
Prepaid expenses			32,863.66
Total Current Assets			$ 899,829.93
Fixed—as appraised by the Canadian Appraisal Company at 31st December, 1928 with subsequent additions at cost:			
Graphic Arts Building (leasehold)	$ 279,564.47		
Duchess Street—land and building	364,963.76		
Other real estate and property	16,900.00		
	$ 661,428.23		
Less reserve for depreciation	155,573.85	$505,854.38	
Plant and equipment	$1,049,679.95		
Less reserve for depreciation	653,218.30	396,461.65	
Foundry type, mono sorts and lino metal		30,874.13	
Total Fixed Assets			933,190.16
Refundable Portion of Taxes on Income			43,320.17
Circulation Structure			500,000.00
			$2,376,340.26

Liabilities

Current:		
Bank advances		$ 196,854.27
Accounts payable and accrued charges		247,677.40
Dominion and Provincial taxes on income		8,886.30
Total Current Liabilities		$ 453,417.97
Prepaid Subscriptions		495,271.76
Capital:		
100,000 class "A" shares of no par value authorized and issued, and 100,000 class "B" shares of no par value authorized and issued	$732,076.35	
Class "A" shares are entitled to fixed cumulative preferential dividend at the rate of 65c. per share per annum and thereafter participate further in earnings with class "B" shares.		
Earned Surplus	695,574.18	1,427,650.53
		$2,376,340.26

Note: Commitments are outstanding for the acquisition of fixed assets—$150,000.