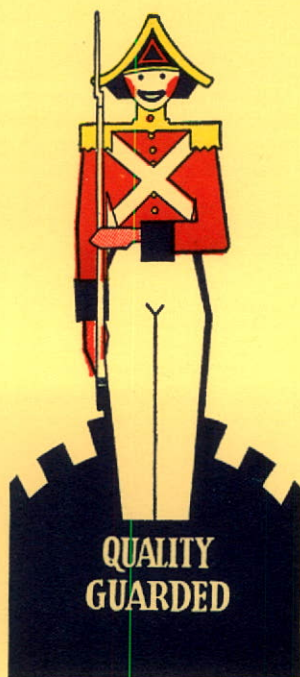


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EASTERN DAIRIES LIMITED



**Annual Report
for the year ending
31st March, 1935**

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McGILL UNIVERSITY

EASTERN DAIRIES, LIMITED

OFFICERS

President and Managing Director

W. R. AIRD, Montreal

Vice-President

P. A. THOMSON, Montreal

DIRECTORS

W. R. AIRD	Montreal
A. J. NESBITT	Montreal
C. B. PRICE	Montreal
P. A. THOMSON	Montreal
H. R. TRENHOLME	Montreal

E. W. KING, Secretary-Treasurer

Fiscal Agents

NESBITT, THOMSON & COMPANY, LIMITED

Transfer Agents

MONTREAL TRUST COMPANY

Auditors

P. S. ROSS & SONS

EASTERN DAIRIES, LIMITED

To the Shareholders:

YOUR Directors submit herewith their Annual Report covering the operations of your Company and its Subsidiaries for the year ended March 31st, 1935, accompanied by a Consolidated Statement of Assets and Liabilities and Surplus Account, duly certified by the Company's auditors.

These statements are compiled on a somewhat different basis from previous years to comply with the amendments to the Dominion Companies Act which came into effect during the fiscal year.

The net profits from operations for the year, and for the previous fiscal year ended March 31st, 1934, are as follows:

	1935	1934
Operating Profit	\$431,625.03	\$396,045.88
Less:		
Bond Interest	\$175,925.00	\$178,100.86
Premium paid on foreign funds for Bond Interest	798.25	6,004.17
Depreciation	225,000.00	200,000.00
Amortization of Bond Discount and Expense	10,453.84	10,453.84
	412,177.09	394,558.87
	\$ 19,447.94	\$ 1,487.01

It will be noticed that the Operating Profit increased by \$35,579.15, and that the cost of paying interest and premium on your Company's bonds decreased by \$7,381.78, a total increase in profits of \$42,960.93. Your Directors decided to credit the Reserve for Depreciation with an additional \$25,000.00.

The increase in the earnings of your Company is principally due to an increase in the sales of the higher priced and more profitable lines, and also the more stable conditions in the dairy industry existing in some sections of the country.

Commencing in the summer of 1934 your Company offered to its customers a Chocolate Milk drink of outstanding quality, which met with considerable success and thus added to the sales and earnings of your Company. Your Company also offered to its customers in the cities of Montreal and Toronto eggs of high quality. While the sale of these eggs is not large they are sold on a profitable basis, and in this way your Company is rendering a service to those of its customers who require direct delivery of quality eggs. Municipal restrictions, and high license fees, prohibit your Company from offering eggs in all the cities in which it operates.

Values of dairy products have continued to be very low throughout the world, and your Company has therefore been unable to obtain fair values in the export market for Powdered Milk, Condensed Milk and other by-products. Your Company has therefore directed its attention to the domestic market and has enjoyed a very large increase in sales of these products in Canada. In view of the fact that Canadian prices are higher than export prices this has resulted in an increase in the earnings of your Company. Your Company has maintained its connection in England for the purpose of providing a market for any of its surplus products, and in order to be able to take advantage of any improvement in the demand which may arise.

Stocks of butter in Canada were very much higher during the months of January, February and March, 1935, than in the same months of the year 1934. As a result the market value of butter during the months of February

EASTERN DAIRIES, LIMITED

and March, 1935, was from four cents to five cents per pound less than during the same months of the previous year. During this period there was practically no decrease in the cost of cream or the cost of manufacture. Your Company's earnings from the sale of butter were therefore adversely affected as compared with the previous year. While your Company does not speculate on the Butter Market it has to accumulate fairly large stocks during the producing period to assure a plentiful supply of quality butter to its customers throughout the year.

The effect on your Company's earnings of sales through relief organizations has been referred to in previous reports. Sales through these organizations were slightly lower than during the previous year, signifying some improvement in employment conditions. Any such improvement resulting in the transferring of these sales from relief organizations to direct sales to the homes means an increase in the earnings of your Company.

Your Company has continued to operate with minimum expenses consistent with efficient operations and the payment of reasonable wages. During the year under review there was a decided increase in commodity prices, and also a further increase in taxation. Federal, Provincial and Municipal authorities have all increased taxes which has had a direct bearing on your Company's expenses, and the outlook is that during the current fiscal year taxes will be still higher.

The excess of Current Assets over Current Liabilities is considerably higher than at the end of the previous year. Cash-on-Hand and in Banks totalled \$151,044.36 compared to \$80,068.54 at the end of the previous year. The Bank Overdraft of \$3,213.93 represents outstanding Cash Tickets issued in payment of cream purchases. It is the practice to remit the value of these tickets to the bank as they are presented for payment. At the end of the fiscal year your Company had no bank loan compared with a loan of \$17,000.00 at the end of the previous year. Inventories of products and supplies, and Accounts Receivable, are somewhat higher than at the end of the previous year. During the year collections have been very good, and your Company's losses in this regard are exceedingly small.

During the year your Company purchased on the open market \$64,500.00 of your Company's 6% Twenty Year Collateral Trust Bonds due May 1st, 1949, and delivered to the Montreal Trust Company, Trustee, \$53,000.00 of these bonds for cancellation in accordance with the terms of the Trust Deed. On March 31st, 1935, your Company and its Subsidiaries held \$62,500.00 of these bonds.

The value of your Company's Fixed Assets is approximately the same as at the end of the previous year. Plants have been maintained in excellent condition, and the policy of your Company in offering for sale only dairy products of the best quality has been continued.

In all provinces in which your Company operates the dairy industry is under regulations imposed by Dairy Control Boards appointed by the Provincial Governments. The result of these regulations varies even between cities in the same province. In some locations these regulations have had the effect of stabilizing the industry and putting it on a better basis. In other locations there still is much to be done. Your Directors and management give their close attention to this phase of the industry and offer the benefit of their experience to the Boards in connection with any movements which in their opinion will be to the benefit of the industry. The future of your Company depends to a very great extent on the action which these Boards take.

Your Directors wish to express their appreciation of the services rendered by the officers and staff of your Company.

Submitted on behalf of the Board.

W. R. AIRD, *President.*

EASTERN DAIRIES, LIM

CONSOLIDATED

AT 31st M

ASSETS

Current:

Cash on hand and in Banks.....	\$151,044.36	
Accounts and Bills Receivable less Reserve for Bad Debts.	293,608.66	
Accrued Interest and Dividends Receivable.....	6,447.67	
Inventories of Products, Raw Materials, Ingredients, Manu- facturing, Advertising and other Supplies, certified by responsible officials of the Companies as being on hand and valued at cost price.....	157,869.05	
Investment Securities at Cost*		
Stocks and Bonds of other Companies.....	\$314,640.76	
Preferred Shares of Subsidiary Companies..	120,002.00	
Company's own bonds and common shares held by Subsidiary Companies.....	51,815.00	
Company's own common shares set aside for employees.....	7,500.00	
	<u>493,957.76</u>	

*The aggregate value of these securities at 31st March, 1935, based upon available market quotations, or, in the absence thereof, upon estimated fair values, was approximately \$252,406.51 less than the above book value.

Cash Surrender Value of Life Insurance Policies.....	17,445.54	
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\$ 1,120,373.04

Other Assets:

Bonds held for Sinking Fund Payments—Par Value \$16,- 000.00.....	\$ 11,478.75	
Deferred Accounts Receivable re Ice Cream Equipment less Reserve for Bad Debts.....	23,823.22	
Balances of Agreements of Sale.....	35,500.00	
	<u>70,801.97</u>	

Fixed:

Land, Buildings, Plant and Machinery, Equipment and Furniture and Fixtures at replacement values new, as established by the Canadian Appraisal Company Limited in respect of each subsidiary at various dates between 1st December, 1925, and 9th June, 1928, with subse- quent additions at cost.....	7,411,939.63	
Prepaid and Deferred Expenses.....	54,851.80	
Bond Discount and expenses, and commission on Preferred Shares less amounts written off.....	306,727.71	
Organization Expense.....	20,020.81	
Goodwill (being excess of purchase price of Subsidiary Companies over total book value of Capital Stocks and Surpluses thereof at dates of acquisition).....	2,047,789.87	
	<u>\$11,032,504.83</u>	

Approved on behalf of the Board:

W. R. AIRD (Director)

H. R. TRENHOLME (Director)

ITED, AND SUBSIDIARIES

BALANCE SHEET

ARCH, 1935

LIABILITIES

Current:

Bank Overdraft.....	\$ 3,213.93	
Accounts Payable and Accrued Liabilities.....	288,758.51	
Taxes, due and accrued.....	20,348.53	
Unredeemed Tickets.....	18,506.27	
Salesmen's Deposits.....	52,296.08	
Accrued Bond Interest.....	72,425.00	
		\$ 455,548.32

Deferred Revenue.....		8,586.08
Reserves for Depreciation.....		1,968,602.82

Capital of Subsidiary Companies outstanding:

Crescent Creamery Company Limited—		
7% Cumulative Preferred Stock (callable at 105% upon 30 days' notice)		
Authorized 14,500 shares of \$100.00 each		
Issued and Outstanding 10,000 shares.....	\$1,000,000.00	
(Dividend in arrears since 1st April, 1933, except for \$1.00 per share paid 16th April, 1934)		
Acme Farmers Dairy Limited—		
7% Cumulative Preferred Stock		
Authorized 7,500 shares of \$100.00 each		
Issued and Outstanding 7,000 shares.....	700,000.00	
(Dividend in arrears since 1st January, 1933)		1,700,000.00
Six Per Cent Twenty Year First Collateral Trust Convertible Bonds, Series "A", due 1st May, 1949.....		2,897,000.00

Capital:

7% Cumulative Preferred Stock (callable at 105% upon 30 days' notice)		
Authorized 50,000 shares of \$100.00 each		
Issued and Outstanding 25,000 shares.....		2,500,000.00
(Dividend in arrears since 1st January, 1933)		

Common Stock:

Authorized 200,000 shares of no par value*		
Issued and Outstanding 93,423 shares.....		1,466,995.00
Subscribed and allotted 6,577 shares.....	\$131,540.00	
Less: Unpaid thereon.....	131,540.00	

Earned Surplus.....		35,772.61
*40,558 shares of no par value Common Stock reserved for conversion of bonds.		

\$11,032,504.83

Auditors' Certificate

We have compared the above Consolidated Balance Sheet at 31st March, 1935, with the books and records of Eastern Dairies, Limited, and its Subsidiaries, with the exception of The Producers Dairy, Limited, for which we have received certified statements.

We certify that, in our opinion, the attached Consolidated Balance Sheet has been drawn up so as to set forth a true and correct view of the financial position of Eastern Dairies, Limited, and its Subsidiaries at 31st March, 1935, according to the best of our information, the explanations given to us and as shown by the books of the Companies examined by us and the certified statements given to us.

P. S. ROSS & SONS,
Chartered Accountants.

EASTERN DAIRIES, LIMITED, AND SUBSIDIARIES

CONSOLIDATED EARNED SURPLUS ACCOUNTS AT 31st MARCH, 1935

Balance at credit 31st March, 1934, subject to Federal and Provincial Taxes		\$ 27,762.19
 LESS:		
Federal and Provincial Taxes	\$ 3,904.72	
Prior period adjustments	7,532.80	
	11,437.52	\$ 16,324.67
 ADD:		
Profits from operations for the year ended 31st March, 1935	\$409,950.74	
Profit on sale of securities	2,196.25	
Discount on bonds redeemed	12,705.33	
Income from Investments	14,232.71	
	\$439,085.03	
 LESS:		
Bond Interest	\$175,925.00	
Premium paid on foreign funds for Bond Interest	798.25	
Directors' Fees	5,350.00	
Depreciation	225,000.00	
Amortization of Bond discount and expense	10,453.84	
	\$417,527.09	
		\$ 21,557.94
 LESS:		
Provision for Income Taxes for the year ended 31st March, 1935	\$ 2,110.00	
		19,447.94
Balance at credit 31st March, 1935		\$ 35,772.61

SUBSIDIARY COMPANIES

ACME FARMERS DAIRY, LIMITED TORONTO, ONT.

Main Plant	Walmer Road and Bridgman Street
Ice Cream Plant	254 Berkeley Street
Distributing Depot	2359 Danforth Avenue
“ “	Centre Island
Store	New Toronto
Powder and Condensing Plant	Napanee, Ont.
Powder, Condensing and Cheese Plant	Sydenham, Ont.
Storage Plant	21 Essex Avenue

HAMILTON, ONT. 797 Barton Street, East

ELMHURST DAIRY, LIMITED MONTREAL, QUE.

Main Plant	7460 Upper Lachine Road
Distributing Depot	101 River Street, Verdun
“ “	6240 Hutchison Street, Outremont
Creamery	Richmond, Que.

SUBSIDIARY COMPANIES

CRESCENT CREAMERY COMPANY, LIMITED WINNIPEG, MAN.

Main Plant	542 Sherburn Street
Ice Cream Plant	86 Burnell Street
Storage Plant	85 Lombard Street
Distributing Depot	Kenora, Ont.
“ “	Fort William, Ont.
Branch	Killarney, Man.
“	Portage la Prairie, Man.
“	Swan River, Man.
“	Vita, Man.
“	Yorkton, Sask.
Receiving Station	Giroux, Man.
“ “	Ste. Anne, Man.
“ “	Letellier, Man.
“ “	Oak Island, Man.
“ “	Steinback, Man.
“ “	La Broquerie, Man.

THE PRODUCERS DAIRY, LIMITED OTTAWA, ONT.

Main Plant	275 Kent Street
Garage and Stables	28 Arthur Street
Distributing Depot	200 Boulevard St. Joseph, Hull, P.Q.
Creamery	Almonte, Ont.
“	Shawville, Que.
Cheese Factory	Township of Ramsay, Ont.

