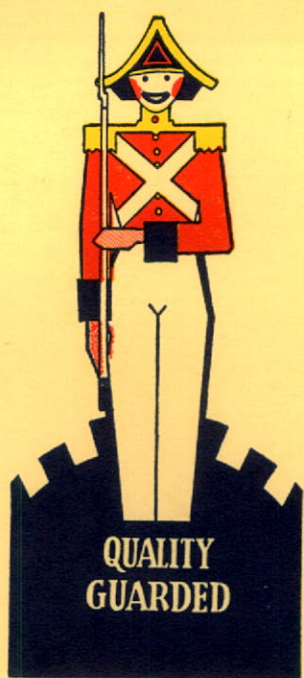


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EASTERN DAIRIES LIMITED



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**Annual Report
for the year ending
31st March, 1937**

EASTERN DAIRIES, LIMITED

OFFICERS

President and Managing Director

W. R. AIRD, Montreal

Vice-President

P. A. THOMSON, Montreal

DIRECTORS

W. R. AIRD Montreal

BOWER HENRY Ottawa

A. J. NESBITT Montreal

C. B. PRICE Montreal

P. A. THOMSON 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, 1937, accompanied by a Consolidated Statement of Assets and Liabilities and Surplus Account, duly certified by the Company's auditors.

The net results from operations for the year, and for the previous fiscal year ended March 31st, 1936, are as follows:

	1937	1936
Operating Profit.....	\$229,691.68	\$349,576.49
LESS:		
Bond Interest.....	\$170,712.50	\$174,085.00
Premium paid on foreign funds for Bond Interest	1,748.78	1,726.64
Amortization of Bond Discount and Expense..	10,453.84	10,453.84
	<u>182,915.12</u>	<u>186,265.48</u>
Profit before Depreciation..	46,776.56	163,311.01
Depreciation.....	225,918.05	215,000.00
Net Loss.....	<u>\$179,141.49</u>	<u>\$ 51,688.99</u>

It will be noticed that the Operating Profit decreased by \$119,884.81, and that the cost of paying interest and premium on your Company's Bonds decreased by \$3,350.36, resulting in a net decrease in earnings before providing for depreciation of \$116,534.45.

The amount credited to the Reserve for Depreciation—\$225,918.05 is \$10,918.05 higher than the previous year. This amount is considered sufficient in view of the excellent condition in which the plants are maintained.

The deduction from the previous year's Surplus of \$8,833.54 is the result of an amendment to The Corporations Tax Act of the Province of Ontario, which came into effect during the year. Prior to this amendment the tax which was paid in June, 1936 was considered to be payment in full of taxes for the calendar year ending December 31st, 1936. After the amendment this payment was considered to cover taxation for the fiscal year ending March 31st, 1935, thus resulting in the necessity of paying taxation for an additional twenty-one months.

In addition to this charge against the previous year's Surplus your Company's expense for taxation has been increased during the year by approximately 22%, of which a substantial amount was due to the increase in the sales tax on ice cream from 6% to 8%. Furthermore, the Operating Expenses of your Company were affected by the increase in the sales tax on supplies purchased. This, added to the 15% increase reported last year, indicates the extent of the effect of the continual increase in taxation on the earnings of your Company.

EASTERN DAIRIES, LIMITED

During the year your Company purchased \$56,500.00 of your Company's 6% Twenty Year Collateral Trust Bonds due May 1st, 1949, and delivered to the Montreal Trust Company, Trustee, \$59,500.00 of these bonds for cancellation, in accordance with the terms of the Trust Deed. On March 31st, 1937, your Company and its Subsidiaries held \$53,000.00 of these bonds.

The increase over the previous year in the value of your Company's Fixed Assets represents the value of ice cream equipment, which it was necessary to purchase in order to meet the requirements of the substantial increase in sales of ice cream obtained during the year.

Your Company has, during the past few years, suffered through the unsatisfactory conditions prevailing in connection with the purchasing and marketing of fluid milk and cream, and it has been particularly affected by the low selling prices of ice cream in the Cities of Toronto and Hamilton and the surrounding territories. During this same period there has been a decided increase in the consumption of condensed and evaporated milk, but as your Company does not include in its activities the production and sale of evaporated milk in tins for domestic use, it has not received this benefit to offset the reduction in earnings obtained from the sale of other products. It is hoped, however, that with the return of more prosperous conditions the consumption of fluid milk will increase.

The cost per hundred pounds of milk purchased for manufacturing purposes by Acme Farmers Dairy Limited, your Subsidiary in the City of Toronto, increased by 25%, and the amount of milk received was reduced by a similar percentage. This increased cost of milk amounted to approximately \$60,000.00 during the fiscal year. The manufacturing cost per pound of milk powder and other products was also higher in view of the decrease in production.

During the year your Company was unable to avoid some increase in Operating Expenses due to an increase in the cost of supplies and other expenses. Your Company also found it necessary to make some adjustments in the working conditions of the employees.

Your Directors desire to repeat that the management of your Company is restricted by the regulations imposed by the various Milk Control Boards. The management is doing everything possible to co-operate with these Boards and to obtain through them regulations which will permit the dairy industry to function on a profitable basis, which is essential if the quality of the products and the service rendered is to be maintained.

Submitted on behalf of the Board.

W. R. AIRD, President.

ASSETS

Current:

Cash on Hand and in Banks.....	\$214,711.80	
Accounts and Bills Receivable, less Reserve for Bad Debts.....	322,404.92	
Accrued Interest and Dividends Receivable.....	5,656.10	
Inventories of Products, Raw Materials, Ingredients, Manufacturing, Advertising and other Supplies, certified by responsible officials of the Companies as being on hand and valued at cost price.....	180,694.25	
Investment Securities at cost*		
Stocks and Bonds of other Companies.....	\$288,654.93	
Company's own bonds held by Subsidiary Company.....	39,990.00	328,644.93
*The aggregate value of these securities at 31st March, 1937, based upon available market quotations, or, in the absence thereof, upon estimated fair values, was approximately \$99,634.93 less than the above book value.		
Cash Surrender Value of Life Insurance Policies.....	23,522.89	
		<u>\$ 1,075,634.89</u>

Other Assets:

Preferred Shares of Subsidiary Companies at cost.....	221,254.37	
Company's own Common Stock—		
Held by Subsidiary Companies (at cost).....	11,825.00	
Set aside for Employees.....	7,500.00	
		<u>19,325.00</u>
Company's own bonds held for Sinking Fund purposes—		
Par Value \$6,500.00.....	5,519.15	
Deferred Accounts Receivable, re Ice Cream Equipment, less Reserve for Bad Debts.....	42,484.05	
Balances of Agreements of Sale.....	35,500.00	
Guarantee Deposit with Public Utility Board of Manitoba..	950.00	
		<u>325,032.57</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 subsequent additions at cost.....	7,463,359.15	
Prepaid and Deferred Expenses.....	58,683.69	
Bond Discount and Expenses, and Commission on Preferred Shares, less amounts written off.....	281,409.80	
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	
Deficit.....	178,360.06	
		<u><u>\$11,450,290.84</u></u>

Approved on behalf of the Board:

W. R. AIRD, (Director)

C. B. PRICE, (Director)

ED, AND SUBSIDIARIES

BALANCE SHEET

ARCH, 1937

LIABILITIES

Current:

Bank Loan—Secured	\$ 83,000.00	
Accounts Payable and Accrued Liabilities	345,759.69	
Taxes, due and accrued	26,691.79	
Unredeemed Tickets	18,082.26	
Salesmen's Deposits	55,058.21	
Accrued Bond Interest	69,525.00	
		\$ 598,116.95
Deferred Revenue		8,921.52
Reserves for Depreciation		2,263,717.37

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		2,781,000.00

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—100,000 shares		1,598,535.00
*33,372 shares of no par value Common Stock reserved for conversion of bonds.		

11,450,290.84

Auditors' Certificate

Eastern Dairies, Limited, Montreal.

Montreal, 11th June, 1937.

We have compared the above Consolidated Balance Sheet at 31st March, 1937, 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, and have obtained all the information and explanations that we have required.

We certify that, in our opinion, the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of affairs of Eastern Dairies, Limited and its Subsidiaries at 31st March, 1937, according to the best of our information and the explanations given to us, and as shown by the books of the Companies.

P. S. ROSS & SONS,
Chartered Accountants.

EASTERN DAIRIES, LIMITED, AND SUBSIDIARIES

CONSOLIDATED EARNED SURPLUS ACCOUNT

AT 31st MARCH, 1937

Balance at Credit 31st March, 1936.....	\$	9,223.19	
DEDUCT:			
Adjustment of taxes pertaining to Prior Periods.....	\$	8,833.54	
LESS:			
Adjustment of Reserve for Bad Debts.....		391.78	
		<u>8,441.76</u>	
	\$		781.43
DEDUCT			
Profits from Operations for the year ended 31st March, 1937, before providing for the undernoted charges...		267,294.89	
Discount on Bonds redeemed.....		6,817.63	
Income from Investments.....		12,450.62	
		<u>286,563.14</u>	
LESS:			
Bond Interest.....	170,712.50		
Premium paid on Foreign Funds for Bond Interest.....	1,748.78		
Remuneration of Executive Officers.....	39,611.56		
Directors' Fees.....	2,460.00		
Legal Fees.....	12,654.05		
Depreciation.....	225,918.05		
Amortization of Bond Discount and Expense.....	10,453.84		
		<u>463,558.78</u>	
Net Loss for the year ended 31st March, 1937, before providing for Provincial Income Taxes.....		176,995.64	
ADD:			
Provision for Provincial Income Taxes.....		2,145.85	
Net Loss for the year ended 31st March, 1937.....		<u>179,141.49</u>	
Balance at Debit 31st March, 1937.....		<u>\$178,360.06</u>	

SUBSIDIARY COMPANIES

ACME FARMERS DAIRY, LIMITED

TORONTO, ONT.

Main Plant Walmer Road and MacPherson Ave.

Ice Cream Plant 254 Berkeley Street

Distributing Depot 2359 Danforth Avenue

“ “ Centre Island

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.
" "	Selkirk, Man.
Branch	Killarney, Man.
"	Portage la Prairie, Man.
"	Swan River, Man.
"	Vita, Man.
"	Yorkton, Sask.
Receiving Station	Ste. Anne, Man.
" "	Letellier, Man.
" "	Steinbach, 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.

