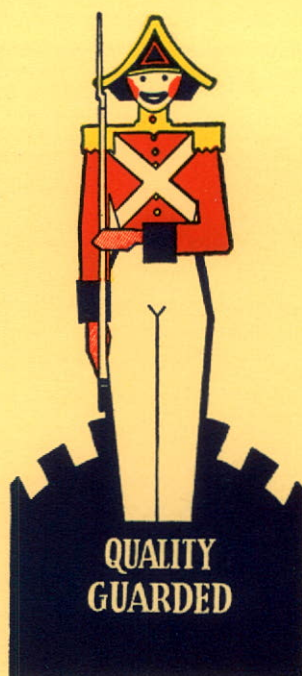


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EASTERN DAIRIES LIMITED



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**Annual Report
for the year ending
31st March, 1939**

EASTERN DAIRIES LIMITED

Annual Report
for the year ending
31st March, 1939

EASTERN DAIRIES, LIMITED

OFFICERS

President and Managing Director

W. R. AIRD, Montreal

Vice-President

P. A. THOMSON, Montreal

DIRECTORS

W. R. AIRD Montreal

E. W. KING Toronto

C. B. PRICE Montreal

P. A. THOMSON Montreal

C. V. THOMPSON, 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, 1939, accompanied by a Consolidated Statement of Assets and Liabilities, Capital Deficit Account and Statement of Deficit from Operations, duly certified by the Company's auditors.

The net results from operations for the year and, for the previous fiscal year ended March 31st, 1938, are as follows:

	1939	1938
Operating Profit	\$207,165.79	\$298,371.24
LESS:		
Bond Interest.....	\$157,783.89	\$167,157.50
Premium paid on foreign funds for Bond Interest	1,995.60	1,819.90
Amortization of Bond Discount and Expense.....	159,779.49	12,514.49
	<u>47,386.30</u>	<u>181,491.89</u>
Profit before Depreciation	47,386.30	116,879.35
Depreciation.....	236,744.47	218,444.30
Net Loss.....	<u>\$189,358.17</u>	<u>\$101,564.95</u>

In previous years Discount on Bonds redeemed and Amortization of Bond Discount and Expense have been reflected in the earnings from operations. For the current year Discount on Bonds redeemed—\$33,138.73 and Amortization of Bond Discount and Expense—\$12,398.81 are reflected in the Statement of Capital Deficit, therefore the result from Operations on the basis of the previous fiscal year would be:

Profit before Depreciation.....	\$68,126.22
Depreciation.....	236,744.47
Net Loss.....	<u>\$168,618.25</u>

It will be noted that Goodwill, Bond Discount and Expenses, Commission on Preferred Shares and Organization Expenses shown in previous years as Assets on the Balance Sheet of your Company have been eliminated from the Assets and charged to Capital Deficit. The accompanying Balance Sheet shows the equity of the Preferred Shares of Acme Farmers Dairy, Limited and Crescent Creamery Company, Limited, held by the public, in the assets of their respective Companies. The equity shown for the Preferred Shares of Acme Farmers Dairy, Limited includes full provision for the dividends accrued but not declared on these shares to the 31st March, 1939, and in the case of the Preferred Shares of Crescent Creamery Company, Limited, provision has been made for accrued dividends to the extent that Net Assets were available for such dividends as at the same date.

These adjustments, as reflected in the accompanying Statements, have the effect of writing down your Company's Investments in its Subsidiaries to its equity in the tangible assets of these Companies. Your Company's investments in Companies other than Subsidiaries have been written down to market value.

EASTERN DAIRIES, LIMITED

Your Directors considered that the presentation of the Financial Statements in this way conveys more clearly the position of your Company.

It should be pointed out that your Company retains an internal auditor who makes a detailed audit of the books and accounting records of all Subsidiary Companies.

Your Directors have continued the policy of maintaining plants in excellent condition and also maintaining a substantial Reserve for Depreciation. The value of your Company's Fixed Assets records only a slight change from the previous year.

During the year your Company purchased sufficient of your Company's 6% Twenty Year Collateral Trust Bonds due May 1st, 1949, to enable it to deliver to the Montreal Trust Company, Trustee, \$67,000.00 of these bonds for cancellation, in accordance with the terms of the Trust Deed.

The earnings of your Company were adversely affected by the low prices obtaining for butter throughout a greater part of the year. Prevailing prices for butter were lower during the Fall and Winter months than for the Summer months, when the requirements of butter are manufactured. This condition had a greater effect on the earnings of your Company's Subsidiaries in the cities of Ottawa and Winnipeg where large quantities of butter are manufactured and, particularly in the City of Ottawa where the ratio of butter sales to total sales is greater than in any other city in which your Company operates.

During the year prices of powdered milk and other by-products declined. The domestic market was generally unsettled and milk powder prices were reduced in October and December, 1938, and, again in March, 1939. The export market was also abnormally low and sales made in this market were at considerably lower prices than the previous year.

Your Company's expense for direct taxation amounted to approximately \$140,000.00 and the indirect taxes included in the cost of supplies purchased is a substantial amount.

The sales tax on ice cream is particularly a burden and, in our opinion, its application to ice cream is discriminatory, because we consider ice cream as a food product.

Efforts made by the management of your Subsidiary Companies to improve sales have been vigorous and as a result all Subsidiaries show an increase in the volume of sales of fluid milk and cream.

The management is making every effort to effect economies consistent with efficiency in operations, and Operating Expenses are kept at a minimum.

Your Directors wish to express their regret at the death on April 20th, 1939, of Mr. Bower Henry, who rendered valuable service as a member of the Board of Directors of your Company.

Your Directors wish to express their appreciation of the services of the officers and employees of your Company who are making every effort to overcome the difficulties that have affected the business and earnings of your Company.

Submitted on behalf of the Board.

W. R. AIRD, President.

CONSOLIDATED

EASTERN DAI
Acme Farmers
Crescent Creamery
Elmhurst D
The Producers

AT 31st M

ASSETS

Current Assets:

Cash on Hand and in Banks.....	\$ 107,225.79	
Accounts and Bills Receivable less Reserve.....	349,245.37	
Interest and Dividend Receivable.....	2,330.87	
Inventories at cost:		
Products, Raw Materials, Operating, Advertising and Office Supplies, as determined by physical inventories and certified by officers of the companies.....	189,090.15	
Cash Surrender Value of Life Insurance Policy.....	7,540.00	
		\$ 655,432.18

Other Assets:

Investments in other companies—at approximate market value.....	65,281.25	
Deferred Accounts Receivable less Reserve.....	42,111.67	
Balances due under Agreements of Sale.....	35,500.00	
		142,892.92

Fixed Assets:

Land, Buildings, Plant, Equipment, Furniture and Fixtures at replacement values—new, as determined by Canadian Appraisal Company Limited at various dates between 1st December 1925 and 9th June 1928 in respect of the indivi- dual subsidiary companies; subsequent additions at cost..	7,536,080.18	
Deduct: Reserve for Depreciation.....	2,571,831.47	
		4,964,248.71
Prepaid and Deferred Charges.....		84,648.32
		<u>\$5,847,222.13</u>

Approved on behalf of the Board:

W. R. AIRD, Director.

P. A. THOMSON, Director.

BALANCE SHEET OF EASTERN DAIRIES, LIMITED Dairy, Limited Company, Limited Dairy, Limited Dairy, Limited

MARCH 1939

LIABILITIES

Current Liabilities:

Bank Loans of Subsidiary Companies	
Secured under Section 88 of Bank Act and	
pledge of certain securities.....	\$79,000.00
Guaranteed by Eastern Dairies, Limited....	60,000.00
	<u>\$ 139,000.00</u>
Accounts Payable and Accrued Liabilities.....	327,802.62
Taxes, due and accrued.....	33,661.66
Salesmen's Deposits and Unredeemed Tickets	75,222.75
Accrued Bond Interest.....	65,112.50
	<u>\$ 640,799.53</u>

Equity of Preferred Shares of Subsidiary Companies in hands of public—5,972 Preferred Shares of Acme Farmers Dairy, Limited.....	858,475.00
(569 additional shares owned by a Subsidiary Company pledged to Bank as collateral)	
6,571 Preferred Shares of Crescent Creamery Company, Limited.....	694,032.25
	<u>1,552,507.25</u>
6% Twenty year First Collateral Trust Sinking Fund Convertible Bonds Series "A" due 1st May 1949.....	2,604,500.00
(\$46,500. additional bonds owned by a Subsidiary Company pledged to Bank as collateral)	

Capital:

Seven per cent Cumulative Preference Stock	
(Callable on 30 days' notice at \$105. per share)	
Authorized—50,000 shares each of \$100. par value	
Issued —25,000 shares.....	2,500,000.00
(Dividends in arrears 43¾% at 31st March 1939)	
Common Stock—	
Authorized—200,000 shares without nominal or par value	
Issued to public—99,020 shares.....	1,579,210.00
	<u>4,079,210.00</u>

Deduct:

Capital Deficit—as per statement attached...	2,580,382.06
Deficit from Operations of Eastern Dairies, Limited from date of incorporation to 31st March 1939 and aggregate of losses less profits of subsidiary companies since dates of acquisition to 31st March 1939—as per statement attached.....	449,412.59
	<u>3,029,794.65</u>
	<u>1,049,415.35</u>

Contingent Liabilities in respect of—

Contract of subsidiary company to purchase machinery—\$12,206.90	
Additional Income Taxes—1928-1938, Assessment not received;	
Company informed amount will be substantial.	

\$5,847,222.13

Auditors' Report

Eastern Dairies, Limited, Montreal.

Montreal, 15th June 1939.

We have made an examination of the Consolidated Balance Sheet of Eastern Dairies, Limited and its subsidiary companies as at 31st March 1939. In connection therewith, we examined or tested accounting records and other supporting evidence of Eastern Dairies, Limited, Acme Farmers Dairy, Limited, Crescent Creamery Company, Limited and Elmhurst Dairy, Limited and have been furnished with financial statements at 31st March 1939 of The Producers Dairy, Limited, certified by independent auditors, and have obtained all the information and explanations required by us. We also made a general review of the accounting methods of the companies examined by us and of their operating and income accounts for the year ended 31st March 1939 but we did not make a detailed audit of their transactions.

In our opinion, based upon the examination referred to above, 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 subsidiary companies at 31st March 1939, according to the best of our information and the explanations given to us and as shown by the books of the companies examined by us and the certified statements furnished to us.

P. S. ROSS & SONS.

Chartered Accountants

CONSOLIDATED STATEMENT OF CAPITAL DEFICIT OF

EASTERN DAIRIES, LIMITED

Acme Farmers Dairy, Limited
Crescent Creamery Company, Limited
Elmhurst Dairy, Limited
The Producers Dairy, Limited

AT 31st MARCH 1939

Goodwill written off.....		\$2,048,217.83
Balance of Bond Discount and Expense and Commission on Preferred Shares —Eastern Dairies, Limited—written off.....	268,895.31	
Organization Expenses written off.....	20,020.81	
Adjustment of Investment Securities to quoted values at 31st March 1939.....	161,664.51	
Transfer from Deficit from Operations of accumulated amortization of Bond Discount and Expenses to 31st March 1938 less gain on Bonds redeemed to that date.....	20,772.42	
Provision for Dividends—accrued but not declared on preferred shares of subsidiary companies in hands of public, to extent net assets in respective companies available therefor.....		
Acme Farmers Dairy, Limited.....	\$ 261,275.00	
Crescent Creamery Company, Limited.....	36,932.25	298,207.25
		<hr/> 2,817,778.13
DEDUCT:		
Discount on inter-company holdings of bonds of Eastern Dairies, Limited and Preferred Shares of subsidiary companies.....	203,829.38	
Gain on Bonds redeemed during fiscal year ended 31st March 1939.....	33,138.73	
Surplus arising from appraisal of fixed assets—Eastern Dairies, Limited.....	427.96	237,396.07
Capital Deficit 31st March 1939.....		<hr/> <hr/> \$2,580,382.06

CONSOLIDATED STATEMENT OF DEFICIT FROM OPERATIONS OF

EASTERN DAIRIES, LIMITED

Acme Farmers Dairy, Limited
Crescent Creamery Company, Limited
Elmhurst Dairy, Limited
The Producers Dairy, Limited

AT 31st MARCH 1939

Balance at debit 31st March 1938.....	\$279,795.28	
ADD: Adjustments pertaining to prior periods.....	1,031.56	
	<u>280,826.84</u>	
DEDUCT: Accumulated amortization of Bond Discount and expenses to 31st March 1938 less gain on Bonds redeemed to that date transferred to Capital Deficit.....	20,772.42	
	<u>245,459.72</u>	\$260,054.42
Profit from Operations for the year ended 31st March 1939.....		
Income from Investments.....	5,042.11	
Profit on Sale of Securities.....	<u>(3,593.75)</u>	
	<u>254,095.58</u>	
DEDUCT:		
Remuneration of Executive Officers.....	\$41,438.46	
Directors' Fees.....	2,640.00	
Legal Fees.....	1,650.65	45,729.11 ✓
	<u>208,366.47</u>	
DEDUCT:		
Bond Interest.....	157,783.89	
Premium paid on Foreign Funds for Bond Interest.....	1,995.60	
Provision for Depreciation.....	236,744.47	
Provision for Provincial Income Tax.....	1,200.68	397,724.64
	<u>3500</u>	
Loss for the year.....		<u>189,358.17</u>
Deficit from Operations Eastern Dairies, Limited from date of incorporation to 31st March 1939 and aggregate of losses less profits of subsidiary companies from dates of acquisition to 31st March 1939.....		<u>\$449,412.59</u>

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	Ste. Anne, Man.
" "	Letellier, Man.
" "	Steinbach, Man.

THE PRODUCERS DAIRY, LIMITED OTTAWA, ONT.

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

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
Store	420 Spadina Road
Powder and Condensing Plant . . .	Napanee, Ont.
Powder, Condensing and Cheese Plant	Sydenham, Ont.

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.

