Standard Chemical, Iron and Lumber Company

OF CANADA, LIMITED

Annual Statement for Twelve Months ending December 31st, 1916

BOARD OF DIRECTORS

PRESIDENT .... L. M. WOOD
VICE-PRESIDENT .... M. L. DAVIES

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

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 per cent. 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 tha. 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.

CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1916.

ASSETS.

Land, Timber Rights, Plants and Equipment	$4,207,208.23	
Less Depreciation	466,689.82	
		$3,740,518.41
Goodwill		1,870,724.51
Investments in and Advances to Affiliated Companies		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
Inventories		1,149,138.72
Accounts Receivable		284,837.94
Cash in Bank and Working Funds		31,931.84
Prepaid insurance Premiums, etc.		41,476.75
		$7,429,753.45

LIABILITIES.

Capital Stock issued	$4,852,700.00
Outstanding Stock interests in Subsidiary Companies	118,083.88
Funded and Mortgage Debt	1,370,497.03
Deferred Liabilities	80,367.42
Bank Loans	250,000.00
Bills and Accounts Payable	373,301.53
Special Reserve	381,027.10
Surplus	3,776.49
	$7,429,753.45

We have examined the books and accounts of the Standard Chemical Iron and Lumber Company of Canada, Limited, and its subsidiary companies for the year ending December 31st, 1916, and certify that, in our opinion, the above 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.

(Signed) PRICE, WATERHOUSE & COMPANY,
Chartered Accountants.

STATEMENT OF PROFIT AND LOSS. Year Ending December 31st, 1916.

Profits from Operations of Standard Chemical Iron and Lumber Company of Canada, Limited, and Subsidiary Companies before charging interest, depreciation, etc., as under			$696,464.63
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 Company, of Canada, Limited	$33,200.11		
Wood Products Company, Limited	9,516.69		
		42,716.80	
Donations		5,000.00	
			238,573.80
Balance			$457,890.83
Add—Surplus at January 1st, 1916			5,885.66
Balance			$463,776.49
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	
			460,000.00
Surplus carried to Balance Sheet			$ 3,776.49