

ANNUAL REPORT
of
THE GOODYEAR TIRE & RUBBER CO.
OF CANADA, LIMITED
NEW TORONTO, ONTARIO

1942



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ANNUAL REPORT

to the Shareholders of

THE GOODYEAR TIRE & RUBBER CO. OF CANADA, LIMITED

For the Fiscal Year ended December 31st, 1942

NEW TORONTO, ONTARIO

BOARD OF DIRECTORS

P. W. LITCHFIELD

Chairman
AKRON

A. G. PARTRIDGE
TORONTO

P. A. THOMSON
MONTREAL

C. H. CARLISLE
TORONTO

P. E. H. LEROY
AKRON

J. E. McALLISTER
TORONTO

E. J. THOMAS
AKRON

EXECUTIVE OFFICERS

A. G. PARTRIDGE
President

P. A. THOMSON
Vice-President

R. C. BERKINSHAW
General Manager
and Treasurer

E. H. KOKEN
Vice-President in Charge of
Production

O. H. BARRETT
Secretary
and General Counsel

D. C. CARLISLE
Comptroller

J. W. PHILP
Assistant Treasurer

H. A. TIPPLE
Assistant Secretary and
Assistant Comptroller

K. E. KENNEDY
Assistant Secretary

ANNUAL REPORT OF THE DIRECTORS
OF
THE GOODYEAR TIRE & RUBBER COMPANY
OF CANADA, LIMITED

February 12th, 1943.

TO THE SHAREHOLDERS:—

Your Directors submit a Consolidated Balance Sheet of THE GOODYEAR TIRE & RUBBER COMPANY OF CANADA, LIMITED, and its subsidiary companies, with your auditors' report thereon, which sets forth the result of the operations for the year ended December 31st, 1942, and the present financial position of the combined companies. Following the plan adopted a year ago, the financial information is submitted with the corresponding figures for the previous year, for purposes of comparison.

The operations of the combined companies for the year 1942 have resulted in a profit of \$2,549,331.72 after charging all manufacturing, selling and administrative expenses, income and excess profits taxes (including refundable portion of excess profits taxes amounting to \$105,493.50), but before providing for depreciation; from this amount there has been set aside a reserve of \$630,774.52 for depreciation of buildings and equipment, leaving a net profit of \$1,918,557.20. The profits as shown by this annual report include the profits on the export business for the previous fiscal year of 1941 and also the estimated accrued profits for 1942, the latter being relatively unimportant in amount due to the effect of the war on our export business.

A comparison of the operations of the year 1942 with those of 1941, shows that although there was a relatively small decrease in sales for the year just ended, the reduction of profit on that account was more than made up by reduced selling and advertising expenses, as a result of the diminished civilian sales and increased sales for war requirements.

As you are probably aware, the production and sale of tires for ordinary civilian use has substantially ceased, but the output of tires for truck and bus transportation purposes, and the production and sale of mechanical rubber goods, although subject to governmental control, continue to represent a very important part of your company's operations.

The net earnings for the year were equivalent to \$6.33 a share on the 257,260 shares of Common stock outstanding, as compared with \$5.09 a share in 1941; \$4.25 a share in 1940; \$5.25 a share in 1939 and \$7.49 a share in 1938.

During 1942 the rubber control (as established by Canadian Government regulations in September 1941 whereby Fairmont Company Ltd., a Government agency, became the sole buyer and seller of this commodity in Canada) continued without change and the established ceiling selling prices to your company were maintained. The price on No. 1-X Ribbed Smoked Sheets was fixed at 25.67c per lb. F.O.B. our factory, with fixed differentials on other grades. The market price of 15/16 inch middling cotton on the New York Cotton Exchange reached a high of 21.39c per lb. on April 9, 1942, while the low of 18.99c per lb. occurred on January 2, 1942. The closing market price on December 31, 1942 was 20.94c per lb.

The customary annual review was made of the stocks of raw materials, work in process and finished goods on hand which are stated in the Balance Sheet on the usual basis of cost or market, whichever was lower.

The following summary sets out the manner in which the profits for the year have been applied:

FUNDS PROVIDED FROM PROFITS

Consolidated net profits for the year.....	\$1,918,557.20
Add—Provision for depreciation.....	630,774.52
	\$2,549,331.72

DISPOSITION OF FUNDS

Dividends on 5% Preferred Stock.....	\$ 289,745.62
Quarterly dividends aggregating \$2.50 on 257,260 shares Common stock and extra dividends of \$2.50 paid in December 1942..	1,286,300.00
	\$1,576,045.62
Redemption of 187 shares Preferred Stock at \$50.00 each..	9,350.00
Increase in Preferred stock redemption fund.....	52,858.93
Expended for additions to plant and equipment (net).....	142,903.10
Increase in deferred charges.....	18,864.28
Increase in net current assets or working capital..	\$1,276,948.77
Less—	
Decrease in misc. investments....	\$ 27,638.98
Reserve for contingencies.....	500,000.00
	527,638.98
	749,309.79
Total as above.....	\$2,549,331.72

Adequate reserves have been established to provide for accruing depreciation of buildings and equipment, and to meet all probable losses in the realization of accounts receivable. Provision has been made for all ascertained liabilities. A reserve of \$2,359,782.34 has been established for adjustments which will arise in the final settlement of prices under government contracts, and, therefore, it should be understood that this provision and the reserve for income and excess profits taxes are subject to adjustment when the final settlement prices under these contracts are determined. As against the provision for price adjustment, a payment of \$1,500,000.00 was made in January 1943.

A review of the Consolidated Balance Sheet will disclose that the companies are in their usual strong financial position, with no bank indebtedness, the working capital amounting to \$10,293,859.30 as compared with \$9,016,910.53, an increase of \$1,276,948.77.

The capital expenditures for the year amounted to \$142,903.10 (net) and represent the cost of certain miscellaneous equipment required to keep pace with the operations.

In order to provide for inevitable post-war adjustments, your Directors have created a Reserve for Contingencies in the amount of \$500,000.00, in the main from reserves previously established and not presently required.

Your Board wishes to record its appreciation of the loyalty, co-operation and effort of the personnel of the organization which has made possible the satisfactory results of the year's operations.

The co-operation of our shareholders has been continued and is much appreciated.

A. G. PARTRIDGE,
President.

On behalf of the Board.

THE GOODYEAR TIRE & RUBBER

and SUBSIDIAR

CONSOLIDATED BALANCE SHEET

ASSETS

	<u>December 31,</u> <u>1942</u>	<u>December 31,</u> <u>1941</u>
<u>CURRENT AND WORKING ASSETS:</u>		
Cash	\$ 3,732,705.33	\$ 2,220,171.32
Government bonds at cost or market whichever is lower	1,249,638.41	94,421.01
	<u>\$ 4,982,343.74</u>	<u>\$ 2,314,592.33</u>
Funds invested in Government securities equivalent to amount of reserve for adjustments in final settlement of prices under government contracts, per contra	\$ 2,359,782.34	—
Accounts receivable	\$ 878,618.68	\$ 2,926,131.02
Less—Reserve for bad and doubtful accounts	125,876.62	274,953.29
	<u>752,742.06</u>	<u>2,651,177.73</u>
Inventories at cost or market whichever is lower:		
Finished goods	\$ 4,237,287.89	\$ 3,435,828.22
Goods in process	491,552.00	567,741.03
Raw materials and supplies	2,533,920.23	2,816,667.71
	<u>\$ 7,262,760.12</u>	<u>\$ 6,820,236.96</u>
	<u>\$15,357,628.26</u>	<u>\$11,786,007.02</u>
Less—Advance payments on Government contracts	1,218,673.62	—
<u>TOTAL CURRENT ASSETS</u>	<u>\$14,138,954.64</u>	<u>\$11,786,007.02</u>
<u>REFUNDABLE PORTION OF EXCESS PROFITS TAX</u>	<u>\$ 105,493.50</u>	<u>—</u>
<u>INVESTMENTS:</u>		
Stocks, bonds and mortgages	\$ 221,152.39	\$ 248,791.37
Preferred stock redemption fund	167,887.92	115,028.99
	<u>389,040.31</u>	<u>363,820.36</u>
<u>LAND, BUILDINGS, MACHINERY AND EQUIPMENT</u>	<u>\$13,739,264.81</u>	<u>\$13,826,497.66</u>
<u>DEFERRED CHARGES TO OPERATIONS:</u>		
Prepaid insurance and other expenses	\$ 89,063.58	\$ 70,199.30
	<u>\$28,461,816.84</u>	<u>\$26,046,524.34</u>

COMPANY OF CANADA, LIMITED

Y COMPANIES

DECEMBER 31, 1942

LIABILITIES

	<u>December 31,</u> <u>1942</u>	<u>December 31,</u> <u>1941</u>
CURRENT LIABILITIES:		
Current accounts payable	\$ 392,170.07	\$ 830,703.37
Reserve for income, excess profits and other taxes (after deducting 1942 prepayments of \$759,180.00)	1,093,142.93	1,938,393.12
Reserve for adjustments in final settlement of prices under Government contracts	2,359,782.34	—
<u>TOTAL CURRENT LIABILITIES</u>	<u>\$ 3,845,095.34</u>	<u>\$ 2,769,096.49</u>
RESERVE FOR CONTINGENCIES	<u>\$ 500,000.00</u>	<u>—</u>
RESERVE FOR DEPRECIATION OF BUILDINGS, MACHINERY AND EQUIPMENT	<u>\$ 9,327,634.01</u>	<u>\$ 8,926,995.44</u>
CAPITAL STOCK:		
Five percent Cumulative Redeemable Preferred Stock:		
Authorized 160,000 shares of \$50.00 each <u>\$8,000,000.00</u>		
	1942	1941
Issued and fully paid	120,000	120,000 shares
Less—Redeemed	4,242	4,055 "
	<u>115,758</u>	<u>115,945</u> "
	\$ 6,000,000.00	\$ 6,000,000.00
	212,100.00	202,750.00
	<u>\$ 5,787,900.00</u>	<u>\$ 5,797,250.00</u>
Common Stock:		
Authorized—290,660 shares of no par value		
Issued—257,260 shares	\$ 128,630.00	\$ 128,630.00
Capital Surplus	463,068.00	463,068.00
	<u>\$ 591,698.00</u>	<u>\$ 591,698.00</u>
SURPLUS:		
Balance at end of previous year	\$ 7,961,484.41	\$ 8,324,493.38
Profit for year ending December 31st, before providing for depreciation, but after deducting income and excess profits taxes (including refundable portion of 1942 excess profits tax amounting to \$105,493.50)	\$ 2,549,331.72	\$ 2,221,211.30
Less—Reserve for depreciation	630,774.52	618,122.14
<u>Net profit</u>	<u>\$ 1,918,557.20</u>	<u>\$ 1,603,089.16</u>
	<u>\$ 9,880,041.61</u>	<u>\$ 9,927,582.54</u>
Deduct—Dividends:		
On five percent Preferred Stock	\$ 289,745.62	\$ 293,908.13
On no par value Common Stock	1,286,300.00	1,672,190.00
	<u>\$ 1,576,045.62</u>	<u>\$ 1,966,098.13</u>
Balance of surplus	<u>\$ 8,303,995.99</u>	<u>\$ 7,961,484.41</u>
DEFERRED SURPLUS:		
Refundable portion of excess profits tax	\$ 105,493.50	—
	<u>\$28,461,816.84</u>	<u>\$26,046,524.34</u>

PRICE, WATERHOUSE & CO.

Chartered Accountants

ROYAL BANK BUILDING

TORONTO, CANADA

January 29, 1943.

To the Shareholders of

THE GOODYEAR TIRE & RUBBER COMPANY
OF CANADA, LIMITED:

We have made an examination of the consolidated balance sheet of The Goodyear Tire & Rubber Company of Canada, Limited and its subsidiary companies as at December 31, 1942. In connection therewith, we examined or tested accounting records and other supporting evidence, and all our requirements as auditors have been complied with; we also made a general review of the accounting methods and of the operating and income accounts for the year, but our audit of the detailed transactions was confined to limited tests thereof.

We satisfied ourselves that all charges to property accounts are in respect of actual additions, and sufficient provision has been made for accruing depreciation. The stocks on hand or contracted for have been taken and valued by the companies at cost or market prices, whichever were lower; the bad debt reserve is considered sufficient to provide for all doubtful accounts; the bank balances and government bonds were confirmed by certificates and we have taken all reasonable precautions to satisfy ourselves that all liabilities as at December 31, 1942, are included in the balance sheet.

In our opinion, based upon such examination, the annexed consolidated balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the affairs of the combined companies as at December 31, 1942, and the results from the operations for the year ending on that date, according to the best of our information and the explanations given to us, and as shown by the books of the companies.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

THE GOODYEAR TIRE & RUBBER COMPANY OF CANADA, LIMITED



General Offices: NEW TORONTO, ONT.

Factories: { NEW TORONTO, ONT.
 { BOWMANVILLE, ONT.

Cotton Plant: ST. HYACINTHE, QUE.



BRANCHES

ST. JOHN, N.B.	112 Princess St.
QUEBEC, QUE.	Cor. Crown and Fleury Sts.
MONTREAL, QUE.	679 St. James St. W.
TORONTO, ONT.	204 Richmond St. W.
LONDON, ONT.	539 Richmond St.
WINNIPEG, MAN.	97 Higgins Ave.
REGINA, SASK.	Cor. Broad St. and 6th Ave.
SASKATOON, SASK.	Cor. 24th St. and Pacific Ave.
CALGARY, ALTA.	537—8th Ave. West
VANCOUVER, B.C.	Cor. Nelson and Hamilton Sts.



WHOLESALE DISTRIBUTORS

Sydney, N.S. . . Cape Breton Battery & Vulcanizing Co. Ltd.	416 George St.
Halifax, N.S. . . Maritime Accessories Limited	Sackville and South Park Sts.
Victoria, B.C. . . B. R. Ciceri & Co.	847 Yates St.

To the PEOPLE of CANADA Goodyear gives this report of its services at HOME AND ABROAD

SOMETIMES you may ask "What does a rubber company like Goodyear do when the rubber supply is almost completely cut off?" As a citizen of Canada you are entitled to know, and we feel we should give you the answer.

First has been our war work! We have made tires and rubber parts for planes, guns, trucks, tanks and mechanical war equipment of all kinds . . . belting and industrial rubber goods for war industries . . . fire hose for Britain and a countless array of other rubber products for war use. These goods have gone to the four corners of the world . . . and in the making of them, Goodyear technicians have literally worked minor miracles, by employing their experience to reduce the rubber normally used, without impairing performance. These same technical men have developed entirely new formulas for using reclaimed rubber to eke out the existing supply of crude.

Then, too, the whole of Goodyear's trained personnel has been

on call constantly for advice on the multitude of problems facing the government as a result of the critical rubber situation. Many Goodyear men have been loaned by the company for as long as their services are required.

Now you may ask "Where do you get the rubber?" Through foresight, rubber stocks in Canada were higher than usual at the end of 1941. With prompt pooling of these stocks and drastic curtailment in the sale of all unessential rubber products, supplies were made available for war work and immediate essential civilian services.

This curtailment meant that almost 1,000,000 motorists couldn't buy any kind of tires "for the duration." It meant that many truckers couldn't buy new tires, and that others would have to "go easy" even if their tires were replaceable.

Obviously this situation called for a nation-wide conservation program . . . not to one class of

vehicle owners . . . but to all, no matter where they lived or how they used their vehicles. Promptly the Goodyear Tire-Life Extension Plan for cars and the Truck Tire Engineering Service for trucks were made available through Goodyear dealers from coast to coast. Mileage conservation was under way . . . IN TIME!

But . . . we saw that if conservation was to be complete and thorough, it must be practised by all kinds of industrial plants, too. Therefore, fullest and most up-to-date information was broadcast nation-wide, to get extra wear from transmission and conveyor belting and from all types of hose and rubber materials. Industry responded!

On the nation's farms, too, Goodyear-suggested rubber conservation methods were put into effect—as implement agents and Goodyear dealers passed on a flow of ideas and advice from our Service Departments.

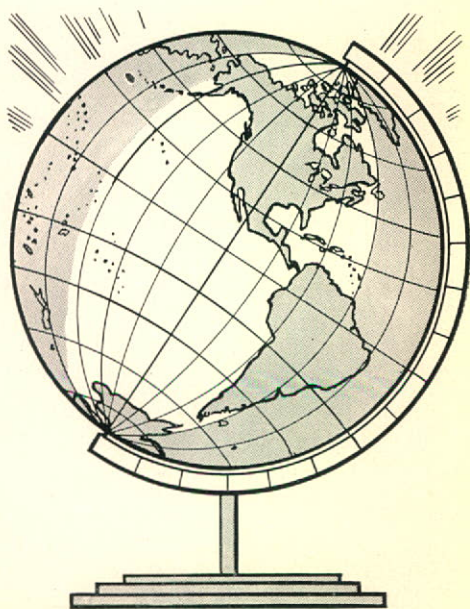
Up to now you can see we had a busy year. Then came the question of scrap rubber. Government agencies set up the machinery and told Canadians about the importance of getting their scrap rubber into piles across the country. Goodyear added the full weight of countrywide advertising to spur on this effort, and Goodyear dealers in cities, towns and villages became active participants in scrap rubber collection.

A few months ago we reported to you on Goodyear's effort to hasten the quantity production of "synthetic" rubber . . . of how we

had pooled our 16 years' experience and 65 patents with the resources of others. Our work on "synthetic" rubber has been unceasing and is still going on.

There, in the briefest possible form, we have given you some knowledge of what a rubber company does in a "rubberless" year. These are the things you would expect Goodyear to do, but we have sought other ways to serve, such as extensive public support to Canada's Victory Loans, War Savings drives, to the Civilian Defense Corps in its Air Raids Precaution work, to leadership in working out a practical "share-the-ride" plan for industry, and many other similar patriotic measures. This aid has been effective from Halifax to Victoria.

Thus Goodyear reports to you . . . and to all the people of Canada . . . on the acceptance of its responsibilities and how it discharged them in 1942.



Text of an Advertisement Published Across Canada Paying Tribute to Every Goodyear Dealer

"HE *also* SERVES" . . .



Once you took this man for granted. He sold you tires, he checked your air pressures, and he gave you the kind of service you liked to have.

For almost a year he has had no tires to sell except to those engaged in essential civilian services, but he is still in business. Now he's more important to you than ever. He is your Goodyear dealer . . . the guardian of your tire miles.

Perhaps you haven't realized that your tires are now middle-aged. In fact, if times were normal, you might even be discarding them. Your Goodyear dealer knows this. He knows, too, that you're in for some kind of tire trouble if you don't get the right advice and service . . . the kind he has for you in the Goodyear Tire-Life Extension Plan. It's the only complete systematic plan of tire care . . . needed more than ever today.

Even if you can't say to your old friend the Goodyear dealer "put on four new ones, buddy," go in and see him anyway. He's well aware that a big responsibility rests on him . . . the job of seeing your tires through this emergency.

Your Goodyear dealer is not alone in this crusade to get every last mile out of tires on Canadian cars. Goodyear is right behind him all the way . . . helping him to render even better service as Canada enters its second rubberless year.

