



1953

MASSEY-HARRIS-FERGUSON LIMITED

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ANNUAL REPORT





# MASSEY - HARRIS - FERGUSON LIMITED

Head Office, 915 KING ST. W., TORONTO, CANADA

## DIRECTORS

H. G. Ferguson Chairman of the Board	H. B. Housser	*W. E. Phillips Chairman Executive Committee
*H. H. Bloom	H. G. Klemm	J. A. Simard
G. P. Campbell, Q.C.	*G. C. Leitch	*E. P. Taylor
H. J. Carmichael	*M. W. McCutcheon, Q.C.	*J. S. D. Tory, Q.C.
*J. S. Duncan President	J. A. McDougald	*C. W. Webster
C. L. Gundy	W. H. Moore, Q.C.	E. W. Young

\*Members of Executive Committee

## OFFICERS

J. S. Duncan	President
H. H. Bloom	First Vice-President. President, United States Division
C. N. Appleton	Vice-President and Secretary
G. T. M. Bevan	Vice-President. Director of Massey-Harris Engineering, Eastern Hemisphere Division
E. G. Burgess	Vice-President. Manufacturing and Engineering General Manager, Canadian Division
W. Lattman	Vice-President. Planning and Procurement
W. W. Mawhinney	Vice-President. General Manager, Eastern Hemisphere Export Division
R. H. Metcalfe	Vice-President. General Administration
M. F. Verity	Vice-President.
E. W. Young	Vice-President. Managing Director, Eastern Hemisphere Division

## GENERAL COUNSEL

J. S. D. Tory, Q.C.

## AUDITORS

Clarkson, Gordon & Co., Toronto, Ont.

## TRANSFER AGENTS

National Trust Company, Limited, Toronto, Ont. • The Toronto General Trusts Corporation, Montreal, Que.

## REGISTRARS

The Toronto General Trusts Corporation, Toronto, Ont. • The Canadian Bank of Commerce, Montreal, Que.

# FINANCIAL HIGHLIGHTS

	1953 Year ended Oct. 31	1952 Year ended Oct. 31
Sales—Regular . . . . .	\$144,184,613	\$180,707,289
Defence . . . . .	\$ 44,943,729	\$ 44,099,251
Total . . . . .	\$189,128,342	\$224,806,540
Net Income (after appropriations of \$1,625,000 in 1952) . . . . .	\$7,365,521	\$10,868,600
Per share of stock on basis of 7,695,800 shares outstanding throughout the year (not including 1,805,055 additional shares issued as of Oct. 31, 1953) . . . . .	96¢	\$1.41
Taxes on income . . . . .	\$7,650,000	\$12,550,000
Dividends on common shares . . . . .	60¢	60¢
Unappropriated earnings retained for use in the business . . . . .	\$49,149,771	\$46,714,320
Current assets . . . . .	\$129,627,818	\$130,140,956
Current liabilities . . . . .	\$ 22,759,713	\$ 27,543,379
Net working capital . . . . .	\$106,868,105	\$102,597,577
Ratio of current assets to current liabilities . . . . .	5.7	4.7
Funded debt . . . . .	\$49,800,000	\$46,850,000
Land, buildings and equipment . . . . .	\$50,654,843	\$48,422,313
Accumulated depreciation . . . . .	\$25,753,939	\$23,382,136
Net expenditure on fixed assets . . . . .	\$2,551,143	\$6,932,591
Common shares outstanding . . . . .	9,500,855	7,695,800
Number of shareholders . . . . .	20,680	16,717
Number of employees (world-wide, excluding Ferguson)	16,300	18,930



# REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

This annual report covers only the operations of Massey-Harris in North America. Subsidiaries outside North America are carried on the balance sheet as investments and only the dividends received from them are included in the statement of consolidated income. The Ferguson Companies are shown in the balance sheet as an investment and their operations are not included in this report.

The closing day of the year's operations witnessed a change in the name of the Company, which on October 31st became Massey-Harris-Ferguson Limited in accordance with the terms of the agreement for the amalgamation of the Harry Ferguson Companies with Massey-Harris Company, Limited.

Name changed to  
Massey-Harris-Ferguson  
Limited

The uniting of these two world-renowned organizations is an event outstanding in the history of the implement industry and certainly one of the greatest in the 106 years' lifetime of your Company. To the Company's line of machines which has given leadership in the field of mechanization of large farms is now added the Ferguson line of tractors and mounted implements employing the revolutionary Ferguson System, which over the past thirteen years has brought about a speedy mechanization of the farms of smaller acreages. The two lines are complementary rather than competitive and place the Company in an exceedingly strong competitive position in the entire field of farm mechanization.

Greatest event  
in Company's history

The amalgamation having taken place as of October 31st, the operations of the Ferguson Companies are not included in the statement of consolidated income for the year, but the assets acquired are carried on the balance sheet as investments. The acquiring of the assets, valued at \$16,385,000, was effected by the issuance of 1,805,055 shares of the capital stock of Massey-Harris-Ferguson Limited.

Ferguson companies' operation  
not included in  
year's accounting  
\$16,385,000 assets acquired  
for 1,805,055 shares  
of capital stock

The net worth of the Consolidated Ferguson Companies was made up as follows:

Cash .....	\$ 5,809,000
Other Current Assets .....	19,191,000
	<u>\$25,000,000</u>
Less—Current Liabilities other than Funded Indebtedness falling due within one year .....	\$10,299,000
	<u>\$14,701,000</u>
Fixed Assets .....	3,437,000
	<u>\$18,138,000</u>
Less—Funded Indebtedness .....	1,753,000
Net Worth .....	<u>\$16,385,000</u>

Ferguson assets largely liquid or readily realizable

No dollar value placed on inventions or great organizational set-up

Mr. Harry G. Ferguson to continue engineering Ferguson System products

In addition to the foregoing there are the invaluable assets acquired against which no dollar value was placed, such as engineering skills, the hundreds of valuable patents, licences and inventions; a forthcoming additional line of larger tractors and farm equipment; the highly trained personnel of the Ferguson world-wide sales organizations, and perhaps most of all, the continuing services of Mr. Harry G. Ferguson himself, whose remarkable achievements in engineering have made and will continue to make a profound impact on world agriculture.

## MASSEY-HARRIS WORLD-WIDE SALES



\*Exclusive of sales of Continental European subsidiaries not under Company control during this period.

YEAR	REGULAR BUSINESS	DEFENCE PRODUCTION	TOTAL
1939	\$ 21,046,603	—	\$ 21,046,603
1940	23,516,972*	\$ 750,050	24,267,022
1941	29,995,919*	4,617,966	34,613,885
1942	29,936,074*	28,306,438	58,242,512
1943	24,898,453*	67,368,172	92,266,625
1944	40,578,965*	50,393,699	90,972,664
1945	48,098,582*	67,665,028	115,763,610
1946	66,734,197	5,659,222	72,393,419
1947	87,480,937	1,521,367	89,002,304
1948	154,522,379	—	154,522,379
1949	186,664,773	—	186,664,773
1950	196,025,391	—	196,025,391
1951	251,876,956	—	251,876,956
1952	248,923,796	44,099,251	293,023,047
1953	204,198,420	44,943,729	249,142,149
	Including Ferguson 323,594,820	44,943,729	368,538,549

Nineteen-fifty-three was a year in which the implement industry experienced a definite return to a buyer's market with stiffer competition and more selective buying on the part of farmers. Massey-Harris North American sales including defence work of \$44,943,729, amounted to \$189,128,342, a decrease of 15.9% from those of 1952. In Canada, despite the effect of lower farm commodity prices, the Company's sales volume was second only to that of the record year of 1952. In the United States, because of continuing drought conditions, and reduced prices of farm commodities, sales volume continued to decline and as a result our total North American implement sales were approximately 20% lower than the previous year. Export sales from North America continue to be seriously affected by import restrictions and dollar shortages.

World-wide sales, including defence work, amounted to \$249,142,149 as against \$293,023,047 in 1952, a decrease of 15%. The sales of the Ferguson Companies for the twelve months ended October 31st, amounted to \$119,396,400, which, if added, would have brought the Company's total world sales to \$368,538,549.

Net income after a provision of \$7,650,000 for income taxes, amounted to \$7,365,521 as compared with \$10,868,600 carried to unappropriated earnings retained for use in the business in 1952. The net income was 3.89% of sales, and earnings per share on the 7,695,800 shares outstanding throughout the year were equal to 96 cents. On the basis of 9,500,855 shares outstanding after the issuance at October 31st of 1,805,055 shares in payment of the purchase of the Ferguson Companies, the earnings per share amounted to 78 cents. Earnings of subsidiaries outside North America greatly exceeded the dividends of \$821,715 received from them.

The operations of the year were adversely affected by the reduced volume of sales, particularly in the United States, and the narrowing margin between manufacturing costs and sales prices due to the higher costs of material and labour. Earnings continue to be seriously lessened from the sale of Canadian made goods outside Canada as a result of the Canadian dollar being at a premium.

The chart of "Price increases since 1941" is again included in this report because there is no better way in which to indicate the efforts which have been made to maintain farm implement prices at a low level. The index for Massey-Harris implements shows an increase of 66.9% as compared with that of the Dominion Bureau of Statistics for "All Commodities" of 82.1% since 1941. That the increase of 66.9% in implement prices is low is more fully appreciated when compared with the increase in the index figure of Massey-Harris-Ferguson hourly rates of pay of 173.9% and that of the Dominion Bureau of Statistics index figure for materials of 94.7%. Only the increased

North American sales  
amounted to  
\$189,128,342

Sales volume in Canada  
second only to  
record year 1952

Sales decline in  
United States because of  
unfavourable conditions

World-wide sales  
\$249,142,149  
excluding Ferguson sales  
of \$119,396,400

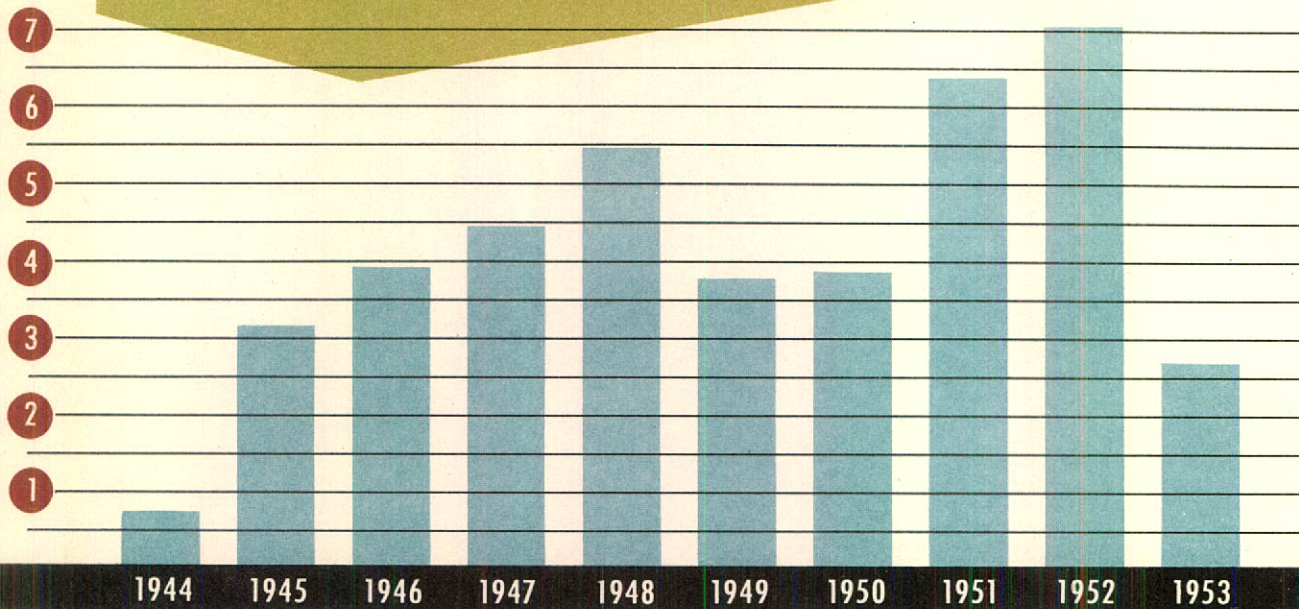
Net income  
after taxes  
\$7,365,521

Reduced volume and  
narrowing margins  
affect earnings

Implement prices  
maintained at  
low level of increase

## Expenditures on plant and equipment 1944-1953 ... \$41,590,000

MILLIONS OF DOLLARS



Advancing labour costs  
and declining volume  
narrow margin of profit

efficiency in production brought about by the improvement in the past several years in plant and production facilities together with the high volume of sales, made possible the maintenance of this low percentage of increase in implement prices, but advancing costs of labour and declining volume have in the last two years seriously narrowed the margin of profit which this year is only 3.89% of sales, so that now the low level of implement prices is to a great extent being maintained at the expense of earnings.

15c per share dividend  
paid quarterly

Dividends of 15 cents per share were paid on the 15th of March, June, September and December of 1953.

\$5,000,000 loan  
on promissory note  
in United States

The need for additional working capital in the United States, made necessary by increased receivables and the further development of the sales organization, was met by the securing of a 4% long-term loan of \$5,000,000 against the promissory note of The Massey-Harris Company, Racine, Wisconsin, with yearly repayments of \$200,000 beginning March 1st, 1954.

\$49,800,000  
funded indebtedness

During the year, \$2,050,000 of funded indebtedness was repaid and the amount now outstanding is \$49,800,000. The expenses incident to the new borrowing of The Massey-Harris Company, Racine, Wisconsin, have been charged against unappropriated earnings retained for use in the business.



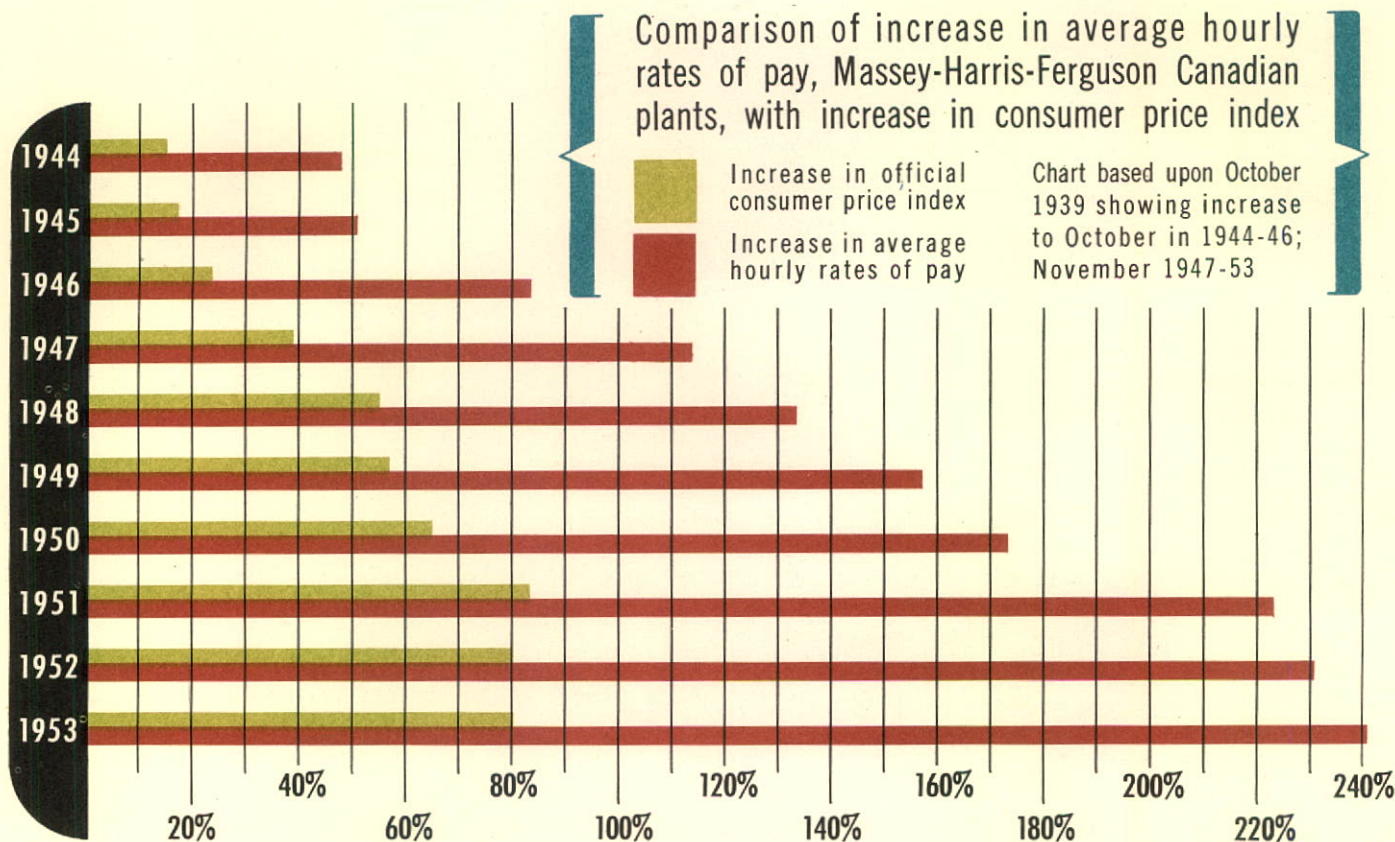
Net working capital amounted to \$106,868,105, an increase of \$4,270,528, made up as follows:

Net income for year .....	\$7,365,521	
Reserved for depreciation .....	2,690,416	
Increase in reserve for pensions .....	131,257	
Net proceeds of note issued .....	4,957,916	\$15,145,110
Net expenditure on plant .....	\$2,551,143	
Funded debt instalments due within one year .....	1,850,000	
Repaid on 3½% promissory note in United States .....	400,000	
Additional investments in and advances to subsidiary companies .....	926,497	
Common share dividends .....	4,887,986	
Decrease in deferred income .....	258,956	\$10,874,582
		<u>\$ 4,270,528</u>

Net working capital increased by \$4,270,528 to \$106,868,105

Current assets show a net reduction of \$513,138. While cash and Government securities increased \$7,545,234 and trade receivables increased \$1,307,971, receivables from United States and Canadian Governments in respect of defence contracts showed a reduction of \$4,111,652 and those from wholly-owned subsidiaries a reduction of \$3,362,744. Inventories amounted to \$81,251,948.

Implement inventory substantially reduced



The inventory pertaining to implements showed a substantial reduction from 1952 but this was partially offset by an increase in inventories on defence contracts due to the discontinuance of progress payments by the United States Government, and as a result the net reduction in inventories is only \$2,034,422 from 1952.

Current liabilities amounted to \$22,759,713, a reduction of \$4,783,666.

Current ratio 5.7 to 1

The ratio of current assets to current liabilities was 5.7 to 1.

No additions were made during the year to reserves for inventories and contingencies which remain the same as last year.

Investment in subsidiaries overseas increased by \$926,497 to \$6,984,723

Investments in and advances to wholly-owned subsidiaries outside North America, including the New Zealand Branch, amounted to \$6,984,723, an increase of \$926,497 represented chiefly by additional investments in the Company's subsidiary in South Africa. The total equity in the assets of these subsidiaries and the New Zealand Branch as shown on their books and converted at current rates of exchange, is approximately \$21,100,000.

Equity in subsidiaries \$21,100,000

Fixed assets increased by \$2,232,530

Fixed assets increased during the year by \$2,232,530, representing the purchase of many new, cost-reducing facilities and machine tools for the Company's manufacturing plants and expenditures on new office and warehouse premises for new sales branches at Springfield, Illinois; Oklahoma City, Oklahoma and Baltimore, Maryland which will be completed in 1954. Total fixed assets now amount to \$50,654,843 against which there is an accumulated depreciation reserve of \$25,753,939.

More intense research in market analysis and product trends

Research and Engineering division programmes related to new trends in farming operations are being followed through with particular emphasis on the greater benefits to be effected by the still more efficient application of mechanization. The division has also enlarged the scope of its research activities to cover more intensely the field of market analysis and product trends to assure the maintenance of the Company's position of leadership in the competitive conditions that lie ahead. The Company's engineering has also been greatly strengthened by the interchange of the skills and experience of the trained personnel of both Ferguson and Massey-Harris.

Harry G. Ferguson  
H. G. Klemm  
E. W. Young  
appointed directors

In accordance with the by-law passed at the Special General Meeting of the shareholders in September, the Board of Directors was increased from 15 to 18 members, and we are pleased to welcome to the Board the following three new members, Mr. Harry G. Ferguson of Coventry, England, who also became Chairman of the Board; Mr. Eric W. Young of Coventry, England, who was Director of Distribution for Harry Ferguson Limited and now becomes Vice-President, Managing Director of the Eastern Hemisphere Division and

# PERCENTAGE OF PRICE INCREASES IN CANADA SINCE 1941



The chart of price indexes shows the outstanding achievement of the Company in maintaining prices of farm implements at a low level of increase over 1941.

The index for Massey-Harris Canadian-made farm implements has gone up only 66.9%, whereas the index for "all commodities" shows an increase of 82.1%; raw materials that go into farm implements have risen to 94.7% and the increase in hourly rates of pay in Massey-Harris-Ferguson Canadian plants has reached a new high point of 173.9%.

Also, the indexes show that while farm implements have only increased 66.9% there has been an increase in the price of farm products of 82.6% and the scarcity of farm labour has caused farm wage rates to climb to 177.6%.

Increased efficiency in production and high volume of sales made possible the maintenance of this low percentage of increase in implement prices but advancing labour costs and declining volume in the past two years have narrowed the margin of profit so that now the low level of implement prices is to a great extent being maintained at the expense of earnings.

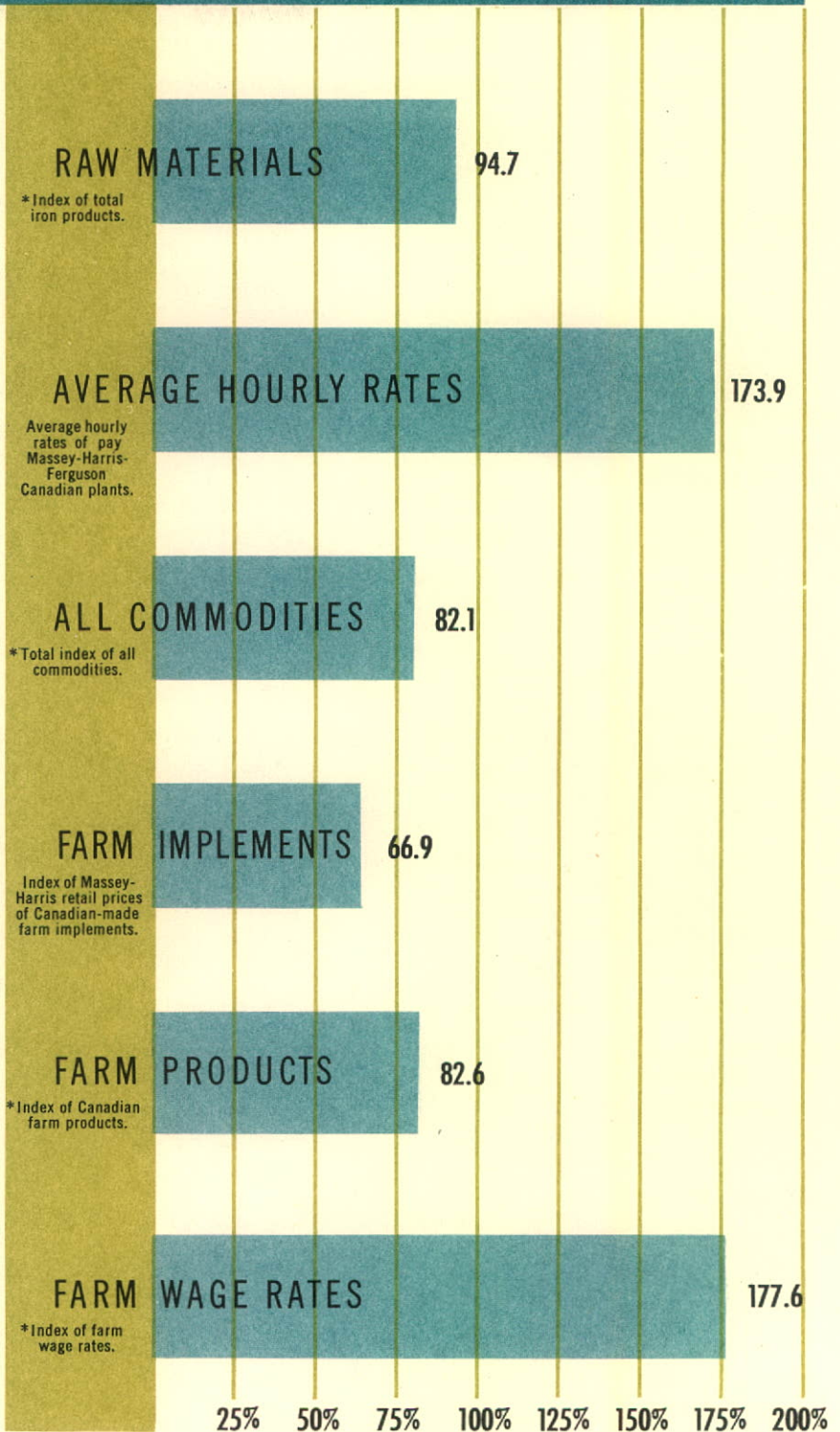


Chart shows increases to October, 1953, over October, 1941, except farm wages, which show the increase to August, 1953, over August, 1941.

\*Dominion Bureau of Statistics Wholesale Price and Farm Wage Rate Indexes.

Mr. Herman G. Klemm of Detroit, Michigan, who is Vice-President and Chief Engineer of Harry Ferguson Inc., Detroit, Michigan.

The Directors express their grateful appreciation of the loyalty and devotion of the employees throughout the world, more especially, too, in the light of the organizational problems which have been imposed upon them as a result of the recent amalgamation. They also extend a hearty welcome to the many employees of the Ferguson organizations who now become associated with the Company.

For the confidence and support of the more than 20,000 shareholders of the Company the directors desire to express their sincere thanks.

The problems which have beset the farm implement industry during the past year are those pertaining to agriculture. Substantial surpluses of many farm products and lower prices are the factors which have made the farmer uncertain of the future and have caused him to hesitate in making additional capital outlays. These problems are of such vital importance to the national economies of both the United States and Canada that they cannot be permitted to remain long unsolved and solutions at governmental levels will undoubtedly be found which will do much to restore the confidence of the farmers. It should be borne in mind, too, that while the farmer's income is reduced, it is still at a comparatively high level. The recent beneficial rains over the drought areas of the United States have greatly improved crop prospects in those sections which have had severely restricted grain and livestock production throughout the past few years.

The insistent urge on the part of the farmer to improve still further the mechanization of his operations, to increase the quantity of his products and lower the costs of his production, assures a continuing demand on a relatively high level for new and modern machines. The addition of the Ferguson line of equipment with its revolutionary principles and its already high acceptance, places the Company in a stronger competitive position for the business of 1954.

The uncertainties of the agricultural situation make it difficult to forecast the immediate future. Having in mind, however, the basic soundness of agriculture and recognizing that while surpluses may be embarrassing for the moment, they represent real wealth and that farmers in general are in a sound financial position, we face the year ahead with confidence, that with the well laid plans of our greatly expanded organization, your Company will not only maintain but enhance its position in the industry.

On behalf of the Board,

Jas. S. Duncan,  
President

Toronto, December 30, 1953

Problems of surpluses  
and lower product prices  
confront agriculture

Farm income  
still at high level

Stronger competitive position  
through addition of  
Ferguson line

Company faces 1954  
with confidence

## STATEMENT OF CONSOLIDATED INCOME

	<b>Year ended October 31, 1953</b>	<b>Year ended October 31, 1952</b>
Net sales after deducting cash and other discounts (including defence contract sales, 1953—\$44,943,729; 1952—\$44,099,251)	\$189,128,342	\$224,806,540
Add— Dividends from subsidiaries not consolidated	821,715	362,022
Income from other investments, profit on sale of capital assets, etc.	324,371	258,176
Reduction in deferred income on sales to subsidiaries not consolidated and on sales to dealers (net change during period)	258,956	653,030
	<u>\$190,533,384</u>	<u>\$226,079,768</u>
Deduct— Cost of sales and marketing and other expenses excluding items set out below	\$168,709,821	\$193,678,115
Depreciation charges	2,690,416	2,607,115
Pension costs (including payments in respect of past service)	1,610,287	1,563,059
Provision for possible losses on bills and accounts receivable		850,000
Interest on funded debt	1,900,674	1,403,167
Bank interest	606,665	934,712
	<u>\$175,517,863</u>	<u>\$201,036,168</u>
Profit before taxes on income	\$ 15,015,521	\$ 25,043,600
Deduct taxes on income	7,650,000	12,550,000
Net income for the year	<u>\$ 7,365,521</u>	<u>\$ 12,493,600</u>
Deduct appropriation to inventory reserve		1,625,000
Balance carried to statement of unappropriated earnings retained for use in the business	<u>\$ 7,365,521</u>	<u>\$ 10,868,600</u>

Note—The following items were paid during the year ended October 31, 1953: Directors' fees \$35,400; remuneration to executive officers, including directors holding salaried employment, and legal fees \$391,610.

## STATEMENT OF UNAPPROPRIATED EARNINGS RETAINED FOR USE IN THE BUSINESS (CONSOLIDATED)

Balance at beginning of year	\$ 46,714,320	\$ 40,824,637
Add— Balance from statement of consolidated income	7,365,521	10,868,600
	<u>\$ 54,079,841</u>	<u>\$ 51,693,237</u>
Deduct— Dividends (60c per share in both 1952 and 1953)	\$ 4,887,986	\$ 4,617,205
Discount and expenses relating to note and debenture issues	42,084	361,712
	<u>\$ 4,930,070</u>	<u>\$ 4,978,917</u>
Balance at end of year	<u>\$ 49,149,771</u>	<u>\$ 46,714,320</u>

(See accompanying notes to financial statements)

## CONSOLIDATED

OCTOBER 31, 1953

ASSETS	October 31, 1953	October 31, 1952
<b>CURRENT:</b>		
Cash .....	\$ 10,972,741	\$ 7,426,707
Government securities—at cost (which approximates market).....	3,999,200	
Bills and accounts receivable (less provision for possible losses, 1953—\$4,355,331; 1952—\$4,442,658)—		
Trade, etc.....	25,701,695	24,306,397
United States and Canadian Governments (re defence contracts).....	2,329,802	6,441,454
Subsidiary companies (including balances maturing beyond 12 months, 1953—\$155,622; 1952—\$1,679,263).....	4,318,222	7,680,966
Inventories—as determined and certified by the management and valued at the lower of cost or market.....	81,251,948	83,286,370
Insurance deposits and prepaid expenses.....	1,054,210	999,062
	<u>\$129,627,818</u>	<u>\$130,140,956</u>
<b>INVESTMENTS:</b>		
Shares of newly acquired subsidiary companies (the "Ferguson" group), together with cash and certain other assets in the United Kingdom acquired under the agreement with Mr. Harry G. Ferguson (Note 2).....	<u>\$ 16,385,000</u>	
Shares in and advances to other subsidiary companies outside North America and investment in New Zealand branch (not consolidated) at values which in the aggregate are less than cost (Note 3).....	<u>\$ 6,984,723</u>	<u>\$ 6,058,226</u>
Shares in other companies—at cost less amounts written off.....	<u>\$ 1,318,350</u>	<u>\$ 1,318,350</u>
<b>FIXED:</b>		
Land, buildings and equipment, at cost.....	\$ 50,654,843	\$ 48,422,313
Less accumulated depreciation.....	25,753,939	23,382,136
	<u>\$ 24,900,904</u>	<u>\$ 25,040,177</u>
<b>PATENTS</b> .....	<u>\$ 1</u>	<u>\$ 1</u>
On behalf of the Board,		
J. S. DUNCAN, Director		
E. P. TAYLOR, Director		
	<u>\$179,216,796</u>	<u>\$162,557,710</u>

# FERGUSON LIMITED

## BALANCE SHEET

AND OCTOBER 31, 1952

### LIABILITIES AND SHAREHOLDERS' EQUITY

	October 31, 1953	October 31, 1952
<b>CURRENT:</b>		
Accounts payable and accrued charges .....	\$ 10,264,667	\$ 14,426,984
Income, sales and other taxes payable .....	6,967,089	9,543,647
Dividend payable December 15 .....	1,425,067	1,154,303
Advance payments from customers .....	173,235	768,445
Due to subsidiary companies .....	2,079,655	
Funded debt instalments maturing within one year .....	1,850,000	1,650,000
	<u>\$ 22,759,713</u>	<u>\$ 27,543,379</u>
<b>DEFERRED INCOME:</b>		
Deferred income on sales to subsidiaries and dealers .....	\$ 2,143,302	\$ 2,402,258
<b>RESERVES:</b>		
For inventories .....	\$ 16,683,491	\$ 16,683,491
For contingencies .....	3,507,086	3,507,086
For pensions .....	3,390,471	3,259,214
	<u>\$ 23,581,048</u>	<u>\$ 23,449,791</u>
<b>FUNDED DEBT:</b>		
Massey-Harris-Ferguson Limited (Canada)—payable in Canadian dollars—		
First mortgage bonds (authorized less redeemed \$17,300,000)—		
Serial 3% bonds Series "A", maturing annually June 1, 1954-56 .....	\$ 1,050,000	\$ 1,400,000
Sinking fund 3% bonds Series "A", maturing June 1, 1966 .....	8,250,000	8,250,000
Serial and sinking fund debentures—		
3% Serial debentures maturing annually September 1, 1954-58 .....	3,000,000	3,600,000
3¾% Sinking fund debentures maturing September 1, 1970 .....	10,200,000	10,200,000
5% Fifteen-year sinking fund debentures maturing July 1, 1967 .....	9,500,000	10,000,000
The Massey-Harris Company (U.S.A.)—payable in U.S. dollars—		
3½% promissory note maturing November 1, 1968 (\$400,000 to be prepaid annually November 1, 1954-67) .....	8,000,000	8,400,000
4½% promissory note maturing April 1, 1972 (\$200,000 to be prepaid annually April 1, 1954-71) .....	4,800,000	5,000,000
4% promissory note maturing March 1, 1973 (\$200,000 to be prepaid annually March 1, 1954-72) .....	5,000,000	
	<u>\$ 49,800,000</u>	<u>\$ 46,850,000</u>
Less principal instalments maturing within one year, included under current liabilities .....	1,850,000	1,650,000
	<u>\$ 47,950,000</u>	<u>\$ 45,200,000</u>
<b>CAPITAL AND UNAPPROPRIATED EARNINGS:</b>		
Capital—		
Authorized—12,500,000 common shares without nominal or par value		
Issued—1953—9,500,855 shares; 1952—7,695,800 shares (Note 2) .....	\$ 31,846,989	\$ 15,461,989
Capital surplus .....	1,785,973	1,785,973
Unappropriated earnings retained for use in the business .....	49,149,771	46,714,320
	<u>\$ 82,782,733</u>	<u>\$ 63,962,282</u>
	<u>\$179,216,796</u>	<u>\$162,557,710</u>

(See accompanying notes to financial statements)

# NOTES TO FINANCIAL STATEMENTS • YEAR ENDED OCTOBER 31, 1953

- (1) The consolidated financial statements include the accounts of Massey-Harris-Ferguson Limited (Canada) and The Massey-Harris Company (U.S.A.), but do not include the accounts of the newly acquired "Ferguson" companies (see Note 2) or the accounts of other subsidiary companies outside North America and the New Zealand branch (see Note 3).

The assets, liabilities and earnings of The Massey-Harris Company (U.S.A.) are included in the consolidated balance sheet and the related statement of consolidated income on the basis of U.S. \$1 = Canadian \$1. At October 31, 1953 the United States dollar was at a discount of 2% (October 31, 1952—3½%) in terms of the Canadian dollar. The net current assets of the United States company included in the consolidated balance sheet amounted to U.S. \$55,500,000 at October 31, 1953, and U.S. \$49,000,000 at October 31, 1952.

- (2) As of October 31, 1953 the Canadian company acquired (a) all the issued and outstanding shares of the operating "Ferguson" companies engaged in the agricultural implement and tractor business in the United Kingdom, United States, Australia, New Zealand, India, Pakistan, Japan, South Africa, Sweden, Belgium, Italy and Germany, (b) 70% of the issued and outstanding shares of the operating "Ferguson" company in France, and (c) cash and certain other assets of Harry Ferguson Holdings Limited—all in consideration for the issue of 1,805,055 fully paid common shares of the company's capital stock. The shares and other assets acquired appear in the 1953 consolidated balance sheet under the heading "Investments". The cost of these interests, and the value of the

common stock issued in payment therefor, are recorded in the accounts at \$16,385,000, being the approximate net book value of the shares and other assets acquired on the basis of audited financial statements of the various companies at October 31, 1953. Of the underlying equity of \$16,385,000, approximately \$10,300,000 is represented by net assets of the United States subsidiary (Harry Ferguson, Inc.).

- (3) The Canadian company's interests in its other subsidiary companies outside North America, and in its New Zealand branch, are similarly shown on the balance sheet under the heading "Investments". The company's equity in the net assets of such subsidiaries and branch at the close of their 1953 fiscal years, at current rates of exchange, was approximately \$21,100,000, or \$14,115,277 in excess of the carrying value at which these investments are shown in the balance sheet. The earnings of the unconsolidated subsidiaries and branch are included in consolidated income only to the extent of dividends received; the total of such dividends, amounting to \$821,715 in 1953, is less than the aggregate profits less losses of the subsidiaries and branch for their fiscal periods ended in 1953.

- (4) Contingent liabilities:

Guarantees of bank loans of certain subsidiary companies and New Zealand branch. At October 31, 1953 the total of such loans at current rates of exchange amounted to approximately \$2,650,000.

Guarantee of sinking fund debenture stock of United Kingdom subsidiary (the Canadian company has issued its own debentures of an equivalent amount as security for such guarantee)—£578,804.

*Clarkson, Gordon & Co.*  
*Chartered Accountants*

*Toronto, 1*  
CANADA

To the Shareholders of  
Massey-Harris-Ferguson Limited:

We have examined the consolidated balance sheet of Massey-Harris-Ferguson Limited as at October 31, 1953, and the statements of consolidated income and unappropriated earnings retained for use in the business for the year ended on that date, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and statements of consolidated income and unappropriated earnings retained for use in the business are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies consolidated therein, Massey-Harris-Ferguson Limited (Canada) and The Massey-Harris Company (U.S.A.), as at October 31, 1953 and the results of their operations for the year ended 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.

We also report that, in our opinion, the information required under Section 118 of the Companies Act (Canada) is correctly stated in Note (3) to the financial statements.

Toronto, Canada,  
December 29, 1953.

*Clarkson Gordon & Co.*  
Chartered Accountants



## IMPORTANT NEW MACHINES

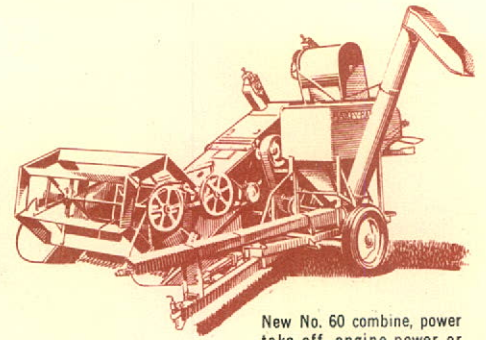
ADDED TO LINE FOR 1954

Many new machines will take their places in the line of Massey-Harris products for 1954. New plows and harrows have been developed for the tillage goods section and a new grain and fertilizer drill rounds out the line of seeding equipment.

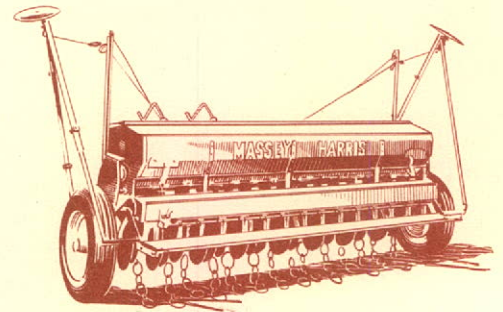
In tractors there is the new Pacer, with mounted tools for small and medium acreages and also the 44 special with power advantages of interest to the large farmer.

To the already fine line of combines will be added the No. 60 for 1954. This combine with its up-to-date features and price appeal will be of great interest to the farmer whose requirements are met by a medium size machine. The No. 60 is available either as a self-propelled or as a pull-behind combine operated by the tractor power-take-off: or a pull-behind with auxiliary engine.

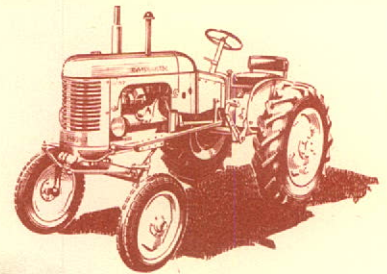
Continued development of new and improved machines is more essential than ever in the period of highly competitive selling now confronting the industry. The highly trained and widely experienced staff of Massey-Harris is continuing an intense program in research and engineering.



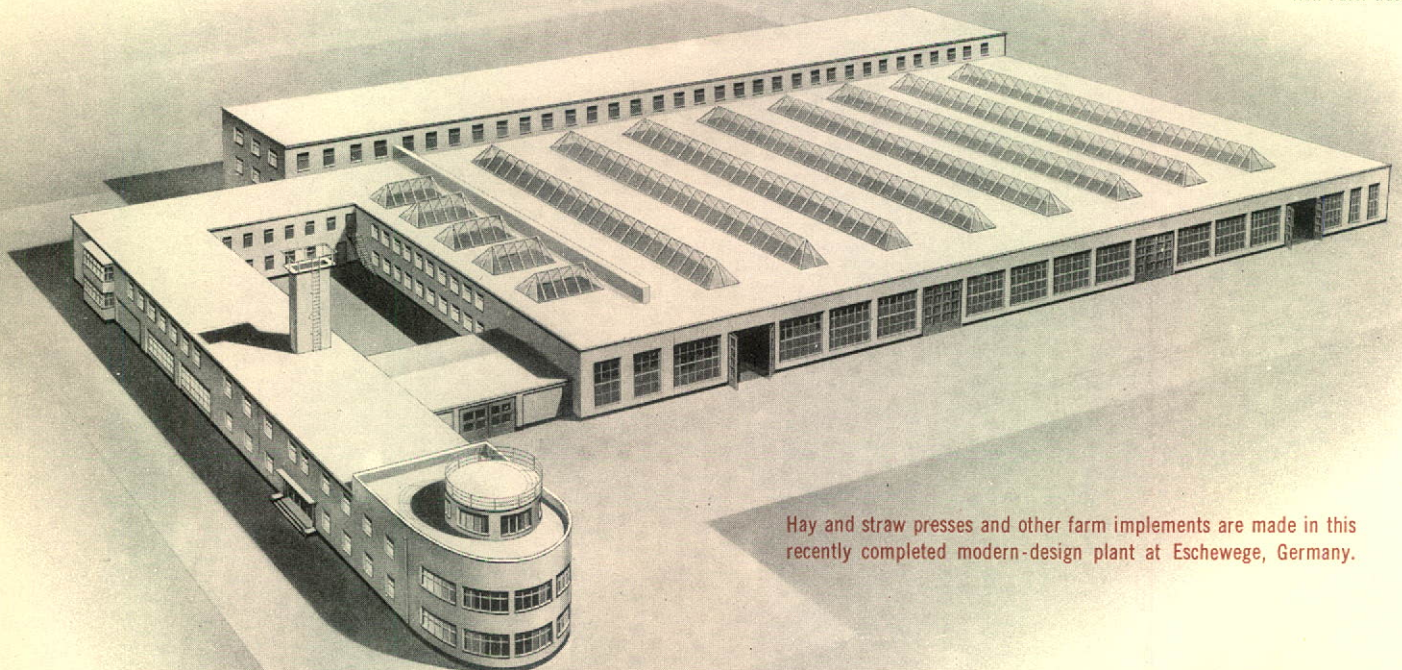
New No. 60 combine, power take-off, engine power or self-propelled.



No. 26 rain and fertilizer drill



New Pacer tractor



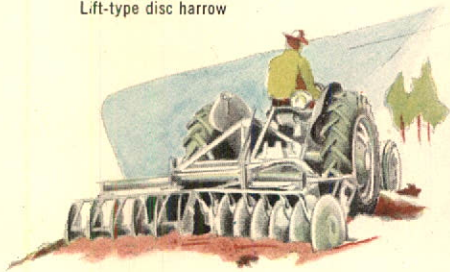
Hay and straw presses and other farm implements are made in this recently completed modern-design plant at Eschewege, Germany.

# Ferguson

## A REVOLUTIONARY DEVELOPMENT

Association with agriculture on behalf of Ireland's Government during World War I inspired Harry Ferguson to turn his inventive genius towards improving farm equipment. By 1920 he had developed linkage for the integrated attachment of a plow—a hand-operated plow—to a tractor.

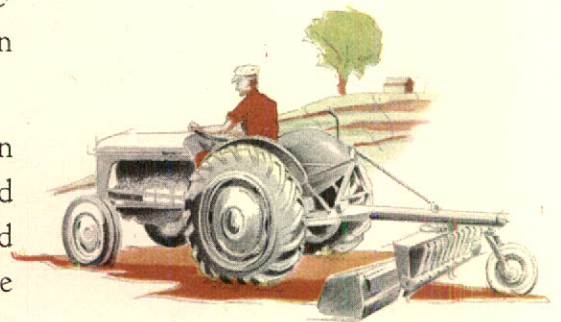
Lift-type disc harrow



Further developing his ideas, Mr. Ferguson perfected in 1935 a hydraulic principle for application to all key implements. Next a light tractor incorporating the "Ferguson System" of linkage and hydraulic control was designed and commercial production started in 1936.

A demonstration of the tractor and implements in the United States in 1936 led to the Ferguson Ford working agreement. Mass production of the tractor continued from 1939 until 1947 when the agreement was then terminated.

Immediately the United States Ferguson Company organized for the production and distribution of the Ferguson Tractor and implements. Manufacturing contracts were made and a tractor assembly plant was built at Detroit. Ferguson tractors from

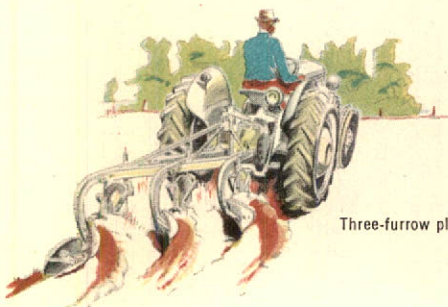


Blade terracer

the Detroit plant went out in volume for the United States post war demand.

For the market in Great Britain and the sterling areas an agreement was made in 1946 with the Standard Motor Company for the manufacture of tractors.

Since that date over 350,000 Ferguson tractors have been built and sold. Present production is at the rate of approximately 60,000 a year and under a new agreement Standard Motor Company is to continue manufacturing Ferguson Tractors for the next twelve years.



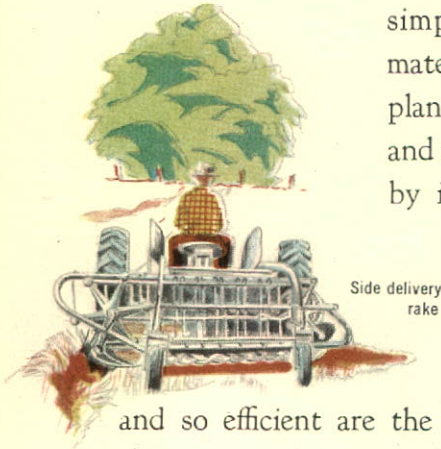
Three-furrow plow

## FERGUSON TRACTORS ASSEMBLED IN MODEL PLANT

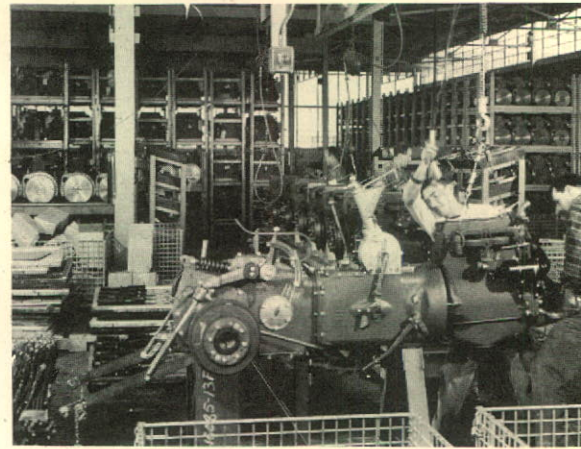
Built in Detroit early in the postwar period the Ferguson tractor assembly plant incorporates the latest ideas on cutting down waste motion and in simplifying the handling of materials and assemblies. This plant, 240' x 680', is bright, airy and neat. Illumination is largely by indirect sunlight and roof is designed to employ rain water for cooling in the summer.

So effective is the layout and so efficient are the assembly operations, that this modern plant has a capacity of up to 500 tractors a day. Incoming parts such as transmissions, axles, engines, wheels, radiators, and tires are unloaded from interior railway sidings and truck unloading docks. All parts arrive in boxes, crates, racks or wire baskets ready for one-time pick-up and delivery by fork truck to areas servicing the assembly line. Completed tractors are driven to outside box-car loading platforms and truck transport ramps.

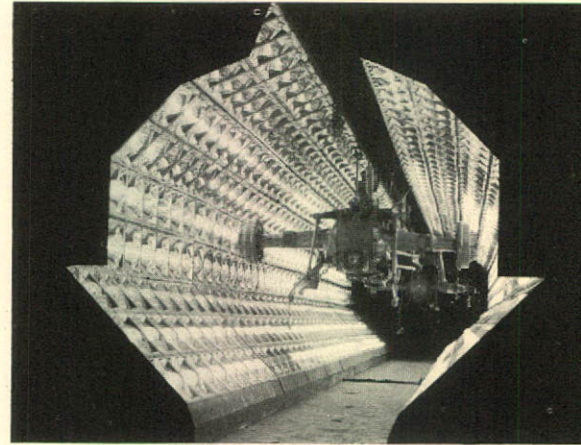
Also at Detroit in a 48,000 square foot, well-equipped building, highly qualified personnel carry on the Ferguson engineering and research programmes. The broadening of farm mechanization and the application of new materials and manufacturing techniques, emphasize the value of engineering and research in keeping the Company's products in the forefront of modern farm equipment.



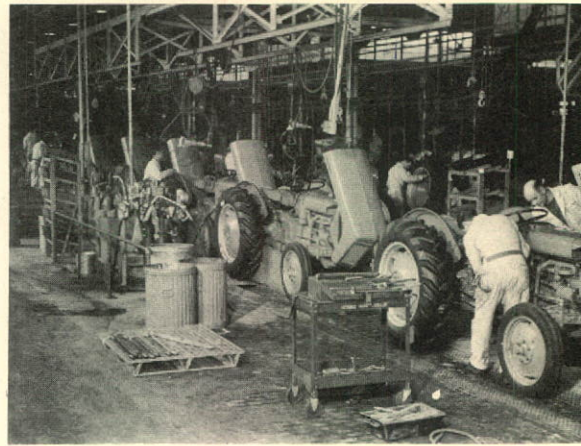
Side delivery rake



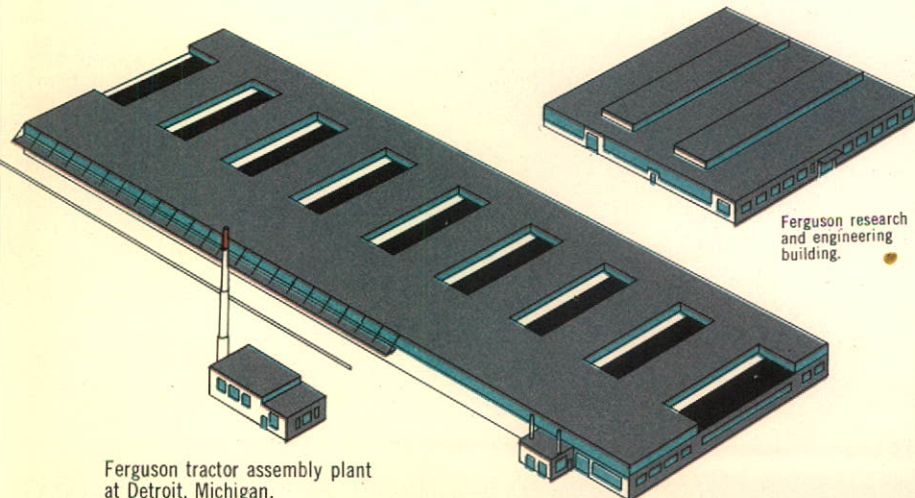
Coupling motor assembly to frame of Ferguson Tractor



Conveyor carries assemblies through paint drying unit

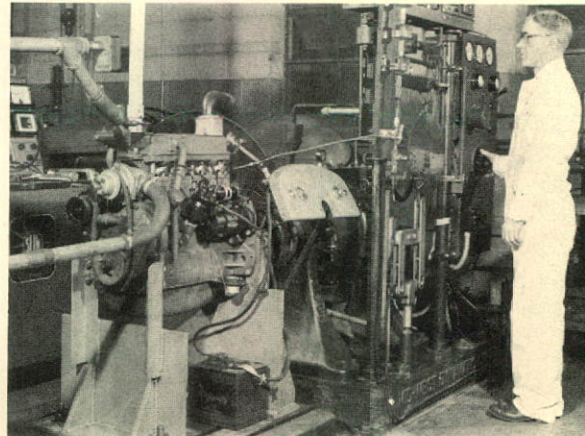


This plant has a capacity of up to 500 tractors a day



Ferguson research and engineering building.

Ferguson tractor assembly plant at Detroit, Michigan.



Modern equipment facilitates work of engineering staff

## CANADIAN DIVISION

MASSEY-HARRIS-FERGUSON LIMITED  
HEAD OFFICE, TORONTO, ONTARIO

### FACTORIES

Toronto Works, Toronto, Ont.	1,904,028 sq. ft.
Electro-Forge Division, Toronto, Ont.	21,554 sq. ft.
Market St. Works, Brantford, Ont.	554,257 sq. ft.
"M" Foundry, Brantford, Ont.	150,866 sq. ft.
Verity Works, Brantford, Ont.	511,754 sq. ft.
Woodstock Works, Woodstock, Ont.	304,800 sq. ft.

### SALES BRANCHES

Toronto, Ont.	Moncton, N.B.	Yorkton, Sask.
*Ottawa, Ont.	Winnipeg, Man.	*Swift Current, Sask.
London, Ont.	*Brandon, Man.	Calgary, Alta.
Montreal, Que.	Regina, Sask.	Edmonton, Alta.
*Quebec, Que.	Saskatoon, Sask.	*Lethbridge, Alta.
		Vancouver, B.C.

### \*Sub Branches

### F. F. BARBER MACHINERY DIVISION

Toronto, Ont.	Windsor, Ont.	Hamilton, Ont.	Montreal, Que.
Vancouver, B.C.			

## WESTERN HEMISPHERE EXPORT DIVISION

MASSEY-HARRIS-FERGUSON LIMITED  
HEAD OFFICE, TORONTO, ONTARIO

### ARGENTINA

COMPANIA MASSEY-HARRIS, S.R.L.  
HEAD OFFICE, BUENOS AIRES, ARGENTINA

### SALES BRANCHES

Buenos Aires, Rosario and Bahia Blanca

### URUGUAY

COMPANIA MASSEY-HARRIS LIMITADA  
HEAD OFFICE AND SALES BRANCH, MONTEVIDEO, URUGUAY

### BRAZIL

MAQUINAS MASSEY-HARRIS LIMITADA  
HEAD OFFICE AND SALES BRANCH, PORTO ALEGRE, BRAZIL

## UNITED STATES DIVISION

THE MASSEY-HARRIS COMPANY  
HEAD OFFICE, RACINE, WISCONSIN

### FACTORIES

Racine, Wisconsin	1,258,886 sq. ft.
Batavia, New York	918,962 sq. ft.
Fowler, California	67,007 sq. ft.

### SALES BRANCHES

Racine, Wis.	Kansas City, Kan.	Stockton, Calif.
Fargo, N.D.	*Wichita, Kan.	*Los Angeles, Calif.
Des Moines, Iowa	Oklahoma City, Okla.	Atlanta, Ga.
Batavia, N.Y.	*Enid, Oklahoma	Memphis, Tenn.
*Harrisburg, Pa.	Omaha, Neb.	Portland, Ore.
Springfield, Ill.	Minneapolis, Minn.	Denver, Colorado
Columbus, Ohio	Dallas, Texas	Indianapolis, Ind.
*St. Louis, Mo.	*Amarillo, Texas	Baltimore, Md.

### \*Sub Branches

HARRY FERGUSON INC.  
HEAD OFFICE, DETROIT, MICHIGAN

### FACTORY

Detroit, Michigan	215,520 sq. ft.
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CANADIAN DIVISION

UNITED STATES DIVISION

EASTERN

WESTERN HEMISPHERE EXPORT DIVISION



## EASTERN HEMISPHERE DIVISION

### UNITED KINGDOM

MASSEY-HARRIS COMPANY, (EUROPE) LIMITED  
LONDON, ENGLAND

MASSEY-HARRIS LIMITED  
HEAD OFFICE, MANCHESTER, ENG.

#### FACTORIES

Manchester, England . . . . . 337,034 sq. ft.  
Kilmarnock, Scotland . . . . . 550,794 sq. ft.

#### SALES BRANCHES

Manchester and London, England

HARRY FERGUSON LIMITED  
HEAD OFFICE, COVENTRY, ENG.

### FRANCE

CIE. MASSEY-HARRIS S.A.  
HEAD OFFICE, MARQUETTE, FRANCE

#### FACTORY

Marquette, France . . . . . 660,232 sq. ft.

#### SALES BRANCHES

Paris, Marquette, Bordeaux, Nantes, Lyon, Toulouse, \*Arras,  
\*Juvisy, \*Bourges and \*Nancy, France; Oran, Algeria.

\*Sub Branches

HARRY FERGUSON de FRANCE S.A.  
HEAD OFFICE, PARIS, FRANCE

### BELGIUM

MASSEY-HARRIS (BELGIQUE)  
HEAD OFFICE, BRUSSELS, BELGIUM

### DENMARK

MASSEY-HARRIS A/S  
COPENHAGEN, DENMARK

### GERMANY

MASSEY-HARRIS COMPANY G.m.b.H.  
HEAD OFFICE AND SALES BRANCH, BERLIN

#### FACTORIES

Westhoven . . . . . 85,319 sq. ft.  
Eschwege . . . . . 75,518 sq. ft.

### AFRICA

MASSEY-HARRIS COMPANY (SOUTH AFRICA) (PTY.) LIMITED  
HEAD OFFICE, DURBAN, SOUTH AFRICA

#### SALES BRANCHES

Durban, Johannesburg, Bethlehem, East London and Cape  
Town, South Africa; Lusaka, Northern Rhodesia; Salisbury,  
Southern Rhodesia; Nakuru, Kenya.

Farm Implement Distributors, Limited, Vereeniging, South Africa.  
Farm Implement Distributors is a wholly owned subsidiary of Massey-Harris  
Company (South Africa) (Pty.) Limited.

A controlling stock interest is held in South African Farm Implement Manu-  
facturers, Limited, "Safim", Vereeniging, by Massey-Harris (South Africa)  
(Pty.) Limited, which acts as a distributor of "Safim" products in Africa  
and sole distributor to all other countries.

HARRY FERGUSON OF SOUTH AFRICA LIMITED  
COVENTRY, ENGLAND

### NEW ZEALAND

MASSEY-HARRIS-FERGUSON LIMITED  
CHRISTCHURCH

#### SALES BRANCHES

Christchurch, Palmerston, Auckland and Dunedin.

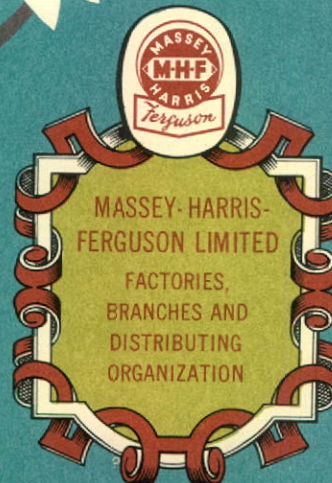
### AUSTRALIA

Massey-Harris-Ferguson Limited, has a substantial stock interest in H.V.  
McKay Massey Harris Proprietary, Limited, Sunshine, Melbourne, and H.V.  
McKay Massey Harris (Queensland) Pty., Limited, Brisbane. These Com-  
panies manufacture and market an extensive line of farm implements and  
act as distributors in Australia of Massey-Harris tractors, combines and  
implements.

HARRY FERGUSON OF AUSTRALIA LIMITED  
COVENTRY, ENGLAND

### INDIA

HARRY FERGUSON OF INDIA LIMITED  
COVENTRY, ENGLAND



HEMISPHERE DIVISION

## COUNTRIES USE MASSEY-HARRIS AND FERGUSON MACHINES

Algeria • Antigua  
 Arabia • Argentina  
 Australia • Austria  
 Barbados • Belgian Congo  
 Belgium • Bolivia  
 Brazil • British Guiana  
 British Honduras • Bulgaria  
 Burma • Canada  
 Ceylon-Chile  
 China • Colombia  
 Costa Rica • Cuba  
 Cyprus • Czechoslovakia  
 Denmark • Dominican Republic  
 Dutch Guiana  
 Dutch West Indies • Ecuador  
 Egypt • Eire  
 El Salvador  
 Falkland Islands • Finland  
 France • French Cameroons  
 French Equatorial Africa  
 French Guiana  
 French West Africa  
 Fiji Islands • Gambia  
 Germany • Gold Coast  
 Greece • Grenada  
 Guadeloupe • Guatemala  
 Haiti • Hawaii  
 Honduras • Iceland  
 India • Indonesia  
 Iran • Iraq  
 Israel • Italy  
 Jamaica • Jordan  
 Kenya • Lebanon  
 Libya • Madagascar  
 Mauritius • Martinique  
 Mexico • Morocco  
 Netherlands • New Zealand  
 Nicaragua • Nigeria  
 Northern Rhodesia • Norway  
 Nyasaland • Pakistan  
 Panama • Paraguay  
 Peru • Philippine Islands  
 Portugal • Portuguese E. Africa  
 Portuguese W. Africa  
 Puerto Rico • Reunion Islands  
 Sierra Leone  
 Southern Rhodesia  
 Southwest Africa • Spain  
 Straits Settlements • Sudan  
 Sweden • Switzerland  
 Syria • Tanganyika  
 Thailand • Trinidad  
 Tunisia • Turkey  
 Uganda • Union of South Africa  
 United Kingdom  
 United States • Uruguay  
 Venezuela • Yemen • Yugoslavia

## MASSEY-HARRIS PRODUCTS

**TRACTORS** • Pony Tractor and Pacer Tractor and mounted tools for small farms and market gardens; the Colt, gasoline, standard or row crop; the Mustang, gasoline or distillate, standard or row crop; "30", gasoline or distillate, standard or row crop; "33", gasoline or distillate, standard or row crop; "44" and "44" Special, gasoline, distillate, diesel or butane, standard or row crop; "55", gasoline, distillate, diesel or butane, standard.

**HAY-MAKING MACHINES** • Mowers, Rakes, Side Delivery Rakes, Tedders, Hay Balers, Hayloaders, Swath Turners, Hay Elevators.

**VEHICLES** • Combination Farm Truck and Trailer Gear.

**HARVESTING MACHINES** • Combines (No. 50 Clipper power-take-off, motor-drive or self-propelled; No. 60 power-take-off, motor-drive or self-propelled; No. 750 motor-drive; No. 780, No. 890, No. 80 and No. 90 Self-Propelled), Swathers, Pick-ups, Mounted and Self-Propelled Corn Pickers, Forage Harvester, Forage Blower, Grain Binders, Stationary Threshers, Straw and Hay Presses.

**SEEDING MACHINES** • Grain Drills, Grain and Fertilizer Drills, Press Drills, One-Way Disc Seeders, Wide Level Disc Harrow Seeder, Corn, Cotton, Peanut and Vegetable Planters.

**TILLAGE MACHINES** • Plows (mouldboard and disc types, mounted and pull type), Harrows (Disc, Wide Level Disc, Spring Tooth and Spike Tooth), One-Way Discs, Cultivators (mounted and pull type; Trash King), Listers, Bedders, Hoes, Packers, Scufflers.

**GENERAL** • Manure Spreaders, Fertilizer Distributors, Grain Grinders, Feed Mills, Ensilage Cutters, Corn Shellers, Gasoline and Kerosene Engines, Knife Grinders, Cream Separators, Milking Machines, Water Pressure Systems, Windmills, Pumps, Front End Loaders.

**ELECTRO-FORGE** • JH-35 and JK-150 Electrical Resistance Heating Upsetting Machines. Upset Forgings.

## FERGUSON PRODUCTS

**TRACTORS** • Ferguson, gasoline, kerosene and diesel, agricultural and industrial.

**HAY MACHINERY** • Mowers, industrial and agricultural, Side Delivery Rakes, Buck Rake.

**VEHICLES** • Farm and Industrial Trailers.

**HARVESTING MACHINES** • Corn Pickers, Potato Spinner.

**SEEDING MACHINES** • Corn Planters, Grain Drill, Potato Planter.

**TILLAGE MACHINES** • Tillers, Middle Busters, Ridgers, Plows (mouldboard, disc and two-way types), Harrows (spike-tooth, spring-tooth, lift-type disc, and pull-type disc), Cultivators (spring and rigid tine).

**GENERAL** • Manure Spreaders, Manure Loaders, Rotary Hoes, Saws, Scoops, Subsoilers, Steerage Hoe, Crop Sprayer, Post Hole Digger, Multi-purpose Blades, Weeders, Cranes.



