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BRUCK SILK MILLS LIMITED

Financial Statement

31st OCTOBER

1940



Mills at
COWANSVILLE, P.Q.

Sales Offices at
MONTREAL TORONTO WINNIPEG
VANCOUVER
MELBOURNE, AUSTRALIA
PURVIS HALL SYDNEY, AUSTRALIA
LIBRARIES LONDON, ENG.

JAN 19 1946

Styling Office
1450 BROADWAY, NEW YORK, U.S.A.

McGILL UNIVERSITY

BRUCK SILK MILLS LIMITED

Throwsters — Weavers

Dyers — Finishers

Silk Printers



Mills at

COWANSVILLE, P.Q.

Sales Offices at

MONTREAL TORONTO WINNIPEG
VANCOUVER
MELBOURNE, AUSTRALIA
SYDNEY, AUSTRALIA
LONDON, ENG.

Styling Office

1450 BROADWAY, NEW YORK, U.S.A.

Officers



President and Treasurer

I. I. BRUCK, Montreal

Vice-President

L. S. LEE, Montreal

Secretary

H. STERN, Montreal

Directors

ISAAC I. BRUCK	-	-	-	-	-	-	-	-	-	Montreal
MORTON DARLING	-	-	-	-	-	-	-	-	-	Montreal
H. D. DWYER	-	-	-	-	-	-	-	-	-	Montreal
ARTHUR M. FLANDERS	-	-	-	-	-	-	-	-	-	Montreal
H. E. HERSCHORN	-	-	-	-	-	-	-	-	-	Montreal
PAUL P. HUTCHISON	-	-	-	-	-	-	-	-	-	Montreal
L. S. LEE	-	-	-	-	-	-	-	-	-	Cowansville
RENE B. PERRAULT	-	-	-	-	-	-	-	-	-	Montreal
WALLACE B. PHILLIPS	-	-	-	-	-	-	-	-	-	London, Eng.
COL. E. M. RENOUF	-	-	-	-	-	-	-	-	-	Montreal
H. STERN	-	-	-	-	-	-	-	-	-	Montreal

Bankers

BANK OF MONTREAL
MONTREAL

NATIONAL CITY BANK OF NEW YORK
NEW YORK

Auditors

MACINTOSH, ROBERTSON & PATERSON, Montreal

Trustee and Transfer Agent

MONTREAL TRUST COMPANY, Montreal

Registrar

THE CANADIAN TRUST CO., Montreal

Head Office

460 St. Catherine St. West, Montreal

MONTREAL, QUEBEC,

DECEMBER 27TH, 1940.

TO THE SHAREHOLDERS,

BRUCK SILK MILLS, LIMITED.

GENTLEMEN:—

Your management feels gratified with the financial statement for the year ending October 31st, 1940. In spite of the disturbing effects of the war, your Company's sales showed an increase, profits were higher, plant asset was substantially enhanced, and working capital position well preserved. Plant operations continued at a high rate and the number of employees was increased. Manufacturing costs were again reduced.

SALES:—Development of your Company's sales again reflected the diversification of lines produced, together with benefits gained from successful selling efforts in the domestic and export fields. Total sales of goods during the year showed a gain of 48.07% over the preceding period in respect of value, and of 55.94% in respect of yardage. In the export markets shipments in the past year were greater by 36.21%.

EXPORTS:—In connection with the increase in shipments of goods to outside markets it is interesting to report that your management has been able to open up new outlets in the West Indies and South America, in addition to those already established in Australia, New Zealand and in England.

PLANT:—Further important improvements have been effected to your Company's plant. Capital expenditures during the year were in excess of \$190,000. The

plant is now operating more effectively than ever before and wherever possible, the latest and best types of automatic equipment are in use in the production of dress fabrics, linings, jacquards, etc. Buildings have been improved and enlarged and fully maintained in sound and attractive condition.

OPERATIONS:--Increased production of the past year was referred to in the foregoing. It might be noted that throughout the year, the plant worked at a rate of 24 hours daily, with only small interruptions. This has also been the rule during November and December, reflecting the strong demand for your Company's products.

INVENTORY:--It has always been the policy of your management to maintain ample inventories of raw materials and finished or partly-finished goods to meet trade requirements. A year ago you were told that such inventories were being built up and this policy has been continued in order to assure uninterrupted operations. Analysis of inventory for the past three years is given as follows:

	As of October 31st		
	1940	1939	1938
Raw Materials	\$162,298.	\$138,042.	\$ 92,170.
Goods in Process, and Supplies	214,459.	177,867.	107,754.
Undyed fabrics	196,022.	120,433.	139,166.
Dyed fabrics	172,909.	194,860.	237,911.
TOTALS	<u>\$745,688.</u>	<u>\$631,202.</u>	<u>\$577,001.</u>

EARNINGS:-- Your Company was faced in the year with numerous difficult conditions brought about by the war--increased costs of raw and other materials used in operations, of labour and of general overhead. Reflecting the higher production and the numerous added

economies and efficiencies introduced, gross trading profit of \$511,628 was up from \$381,594 the previous year and \$295,722 two years ago. Selling, administration and other expenses increased to \$291,836 from \$267,242 one year ago. An amount of \$35,156 was set up as reserve for taxes, which is referred to in the Auditors' certificate attached to the Balance Sheet. After these and other charges, the sum of \$58,309 was carried into earned surplus, being equal to 46½¢ per share earned on the 125,000 shares of no par common stock outstanding in the hands of Shareholders, as compared with 24¢ earned in 1939 and only 1¢ a share in 1938. Total earned surplus carried forward in Balance Sheet was \$561,163.

LIQUID POSITION:— As at October 31st, 1940, net working capital of your Company amounted to \$659,475, this reflecting a sound position after the year's operations, plant maintenance, increased tax reserve, and bond redemption provision.

FUNDED DEBT:— During the year the 6½% First Mortgage Bonds of your Company were reduced through redemption and retirement by \$2,000 to \$408,500, while an additional amount of \$7,689 was held as cash by Trustee for bond repurchases should offerings be available.

EMPLOYEES:— The loyal cooperation of employees in every operating division has been a factor of much importance to your Company's results during the year, and I feel assured that you will concur in my expression of appreciation for their whole-hearted efforts.

CONCLUSION:— In concluding my remarks I desire to refrain from making predictions in regard to the future. Thus far in the current year the trend of demand has continued forward. I would like to add that your

management continues to watch conditions from day to day. In the months to come the direction of the Company's business development will depend on whether conditions remain as they are, or the extent to which trends may fluctuate. So far as it is possible to foretell, the immediate outlook is for sustained trading activity.

Submitted on behalf of the Board.

ISAAC I. BRUCK,
President.

FINANCIAL STATEMENT

BRUCK SILK MILLS LIMITED

Balance Sheet as at 31st October 1940

ASSETS

CURRENT ASSETS:—	
Cash on Hand and in Banks	\$ 33,713.40
Cash Surrender Value of \$475,000.00 Life Insurance	89,655.96
Deposit with Insurance Underwriters	14,036.04
Accounts Receivable—	
less Reserve	\$120,846.49
Due from Subsidiary Company—	
less Reserve	7,388.52
	128,235.01
INVENTORIES — Manufacturing Materials, either raw, in process or in finished state, valued at the lower of cost or market. Other manufacturing elements and Mill Supplies at cost	745,688.48
RAW MATERIALS IN PUBLIC WAREHOUSE — Covered by Trust Receipts as per Contra	105,246.18
	\$1,116,575.07
INVESTMENT IN SUBSIDIARY COMPANY:—	
Shares	1,231.31
Investments at Cost	2,280.00
CASH IN SINKING FUND:—	
In Hands of Montreal Trust Company for Redemption of Bonds	7,689.00
PREPAID CHARGES:—	
Insurance, Supplies, etc.	16,695.12
PLANT INVESTMENT:—	
Land, Buildings, Plant, Machinery, Furniture and Fixtures at value of \$377,046.61 as appraised on 1st November 1924, by Can- adian Appraisal Co. Ltd., plus cost of sub- sequent additions	1,844,381.08
LESS — Reserve for Depreciation	863,049.06
	981,332.02
Trademarks, Processes, etc.	105,176.15
	\$2,230,978.67

Signed on behalf of the Board:

ISAAC I. BRUCK.	}	DIRECTORS.
L. S. LEE,		

LIABILITIES

CURRENT LIABILITIES:—	
Bank of Montreal—Loan Account (Secured)	\$ 200,000.00
Bank of Montreal—Outstanding Trust Receipts as per Contra	105,246.18
Accounts Payable	112,758.01
Bills Payable	3,940.50
Reserve for Taxes	35,155.58
	\$ 457,100.27
FUNDED DEBT:—	
6½% FIRST MORTGAGE BONDS—	
Authorized	\$1,000,000.00
Issued	550,000.00
LESS — Redeemed and Cancelled	141,500.00
	408,500.00
CAPITAL:—	
NO PAR VALUE COMMON STOCK—	
Authorized	150,000 Shares
Issued	125,000 Shares
	78,500.00
RESERVE FOR CONTINGENCIES	16,715.25
EARNED SURPLUS AS AT 31st OCTOBER 1940	561,163.15
	1,365,378.40
	\$2,230,978.67
CONTINGENT LIABILITY:—	
Trade Paper under Discount with Bank	\$426,246.55
Letter of Credit (56,257. 4. 7)	\$ 29,310.92

MONTREAL, December 25th, 1940.

We have audited the Books and Accounts of Bruck Silk Mills, Limited, for the year ended 31st October, 1940. Adequate provision appears to have been made for loss on Subsidiary Company now in process of liquidation. Provision for taxes under the Excess Profits Tax Act has been based on the minimum of 12% on the Company's profits. We are advised that application will be made by the Company to be classified as a depressed Company under the provision of Section 5, paragraph 1 (A) of the Excess Profits Tax Act. If so classified, further taxes, if any, will depend on the findings as to the yield to the Company on the amount of capital employed. Having obtained all the information and explanations we have required we certify that, in our opinion, the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information, the explanations given to us and as shown by the Books of the Company.

(Signed) MACINTOSH, ROBERTSON & PATERSON,
Chartered Accountants.

BRUCK SILK MILLS LIMITED

Statement of Income and Expenditure for Year ended 31st October 1940

GROSS PROFIT FROM TRADING		\$511,627.66
Selling, Delivery, Administration and other Expenses (Executive Officers' remuneration \$20,755.45)	\$291,835.87	
Directors' Fees	1,143.60	
Legal Fees and Expenses	1,054.33	
Bond Interest	26,601.25	320,635.05
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		\$190,992.61
DEPRECIATION:—		
Plant, Machinery and Equipment	\$ 76,340.17	
Buildings	18,589.73	
Furniture and Fixtures	2,370.98	
Automobile	309.28	97,610.16
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		93,382.45
Reserve for Taxes		35,155.58
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		58,226.87
Dividend and Interest received on Investments		81.92
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		<u>\$ 58,308.79</u>

Statement of Earned Surplus Account as at 31st October 1940

Balance at Credit, 31st October 1939	498,863.62
Add—Adjustments	3,990.74
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	502,854.36
Profit for Year to 31st October 1940	58,308.79
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BALANCE AT CREDIT, 31ST OCTOBER 1940	<u>\$561,163.15</u>

Montreal—27th December, 1940

(Signed) MACTINOSH, ROBERTSON & PATERSON,
Chartered Accountants.

