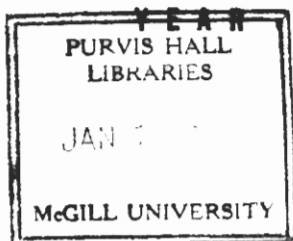


A N N U A L R E P O R T

BRUCK SILK MILLS
LIMITED



YEAR ENDED OCTOBER 31, 1944



DIRECTORS

ISAAC I. BRUCK	L. S. LEE
MORTON DARLING	BENJAMIN LEIBEL
H. D. DWYER	RENE B. PERRAULT
ARTHUR M. FLANDERS	A. LOVELL PHILLIPS
H. E. HERSCHORN	H. STERN

OFFICERS

President.....	I. I. BRUCK
Vice President.....	L. S. LEE
Vice President.....	A. M. FLANDERS
Secretary.....	H. STERN

GENERAL OFFICES

Montreal	460 St. Catherine Street
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SALES OFFICES

Toronto	332 Adelaide West
Winnipeg	Canada Building
Vancouver	3155 West 14th Ave.

UNITED STATES OFFICE

New York	120 West 42nd St.
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OVERSEAS OFFICES

England London, N.W. 8 (Bruck Silk Mills (Eng.) Limited)	310 Grove End Gardens
Australia Melbourne	84 Flinders Lane
Sydney	181 Clarence Street

MILLS AT COWANSVILLE, QUEBEC.

REPORT OF THE PRESIDENT

Montreal, Quebec,
January 22nd, 1945.

TO THE SHAREHOLDERS,
BRUCK SILK MILLS LIMITED

During the fiscal year ended October 31st, 1944, the results of which are contained in the Annual Financial Statement presented herewith, constantly changing conditions and newly arising problems of wartime had to be met. These difficulties resulted from the scarcity of rayon yarns and most other materials and supplies going into the production of your company's fabrics, plus complexities of plant maintenance, and increasing difficulty in labour replacement. Nevertheless, the operating results of your company can be viewed as encouraging, and financial results as satisfactory.

Last year I made reference to "the continued adaptability of your organization to constantly changing conditions due to complications of wartime". In the year just closed, this statement was fully confirmed.

As a result of the year's operations, sales and gross trading profits were the largest in your company's history. Sales increased by over 10% and gross profit advanced to \$1,265,272, an improvement of \$238,209 over the previous year. This record was achieved despite the many wartime regulations affecting the supplies of raw materials entering into the manufacture of your company's products. We were obliged to relinquish a portion of our normal yarn supply in favour of high priority requirements, and to make up the deficiency with yarns allocated to us from other sources. This fact, together with the volume of essential production undertaken, resulted in an increase in our utility fabrics and some decrease in the volume of dress and other high quality cloths. Demands from the trade for these goods were insistent, and while they could not be wholly satisfied under existing circumstances, they were, however, substantially met.

PROFIT AND LOSS

After meeting these and other changing conditions, there was only slight increase in selling and administration expense at \$444,505 against \$420,319 in the previous year. Depreciation write-off was moderately lower at \$172,065 against \$187,759; tax reserve deduction, on the other hand, was \$558,218 or more than double the \$240,996 of the previous year. Bond interest required \$24,680, and other items \$4,803. As a result of these deductions, aggregating \$1,204,271, and payment of \$50,000 interim 40c. dividends on the common shares, there remained a net balance of \$15,528 which, in addition to other adjustments of \$4,827, were added to earned surplus, bringing that account up to \$738,078. Net distributable profit of \$65,528 was equivalent to 52.4c. per share on the common stock, as compared with \$1.20 (\$150,329) earned in the previous year. It should be noted, however, that provision for Federal taxes absorbed the equivalent of \$4.47 per share as compared with \$1.93 in the previous year.

FEDERAL TAXATION

Out of 1943-1944 profits there was set aside as a reserve for Federal income and excess profits taxes the sum of \$558,218, of which \$233,821 had been paid, with \$324,397 accrued at the fiscal year-end. This Federal income tax of \$558,218 compares with \$240,996 in the previous year, \$288,819 in the year ended in 1942, and \$164,658 in 1941. The increased tax was due primarily to higher net operating profit and also to substantial adjustment of inventory reserve. Your company's standard profits claim is still to be determined. The accumulated refundable portion of the tax has risen to \$144,767, which is equivalent to \$1.16 per share on the outstanding common shares of your company. It should be pointed out that in the matter of Commodity Prices Stabilization Corporation settlements, renegotiation is now a probability. Such final adjustments may or may not directly affect the tax returns of your company, which would find expression in the refundable portion of the tax only.

NET WORKING CAPITAL

During the year net working capital was increased by \$112,797 to \$1,348,132,—a new high. The ratio of current assets to current liabilities was 3.31 to 1, on a par with the preceding year. This is

a satisfactory financial position for your company to maintain relative to the uncertainties of the times that lie ahead.

INVENTORY POSITION

Year-end inventory position stood at \$1,216,519, compared with \$1,307,756 in the previous year.

DEPRECIATION RESERVE

Out of the year's earnings an amount of \$172,065 was written off to Depreciation Reserve, which stands at \$1,670,941 at the end of the year. The net value of Property Account at the year's end is \$752,853 as compared with \$827,742 in the previous year.

PLANT

Due to wartime conditions, plant additions have necessarily been held to a minimum, with emphasis placed upon maintenance and repair work. Throughout the past year, despite difficulties experienced in obtaining materials and supplies, your plant and equipment have been operated on a most efficient basis, and physical condition is good. Gross value of fixed assets, before depreciation, stood at \$2,423,793.

FUNDED DEBT

During the past year the outstanding 6½% First Mortgage Bonds of your company were reduced slightly to \$379,300 par value, through operation of Sinking Fund. At the end of the year the sum of \$9,697 stood at credit of the Fund.

EXPORT MARKETS

Since my last report, the export of rayon piece goods has been placed under Government allocation. Export allocations are administered by the Department of Trade and Commerce in conjunction with the Wartime Prices and Trade Board. In this connection, as a result of the highly successful export activities of your company in past years, the export allocations accruing to your company are satisfactory. Of course, our exports are being kept within allocated limits, so that the requirements of our domestic trade are in no way jeopardized. All export connections continue to be maintained, and post-war potentialities in the export markets are being exhaustively explored.

POST-WAR PLANNING

Your management is moving carefully in the matter of post-war projects. As the end of the war approaches, conditions, both economic and practical, are being carefully studied and appraised. New technologies, new products, new equipment, new methods, new markets all interlock in these considerations. It is regarded as wise primary policy that the first commercial duty of your management is towards established customers, and in any plans that mature in due course, their interests and requirements will be kept constantly in mind. The wider fields of service that are anticipated will then be approached with confidence.

STAFF

Your plant and office staff has continued loyally to support the war effort through generous participation in all government loans, drives and movements of patriotic nature. In common with other industrial organizations, your company has continued to experience difficulties in maintaining an adequate staff, particularly in the matter of replacements. This has imposed an increasing burden upon your management in holding plant production at the highest possible level.

EMPLOYEE RELATIONS

Satisfactory employee relationships at your plant continue in all divisions and your management has, during the past year, received cordial co-operation. The various welfare and recreational facilities that have been developed in recent years, have proved increasingly popular. Among the newer departures referred to last year was the First Aid Room at the plant, with a trained nurse in continuous attendance. Since then, this facility has been expanded to include the services of a visiting physician and a family welfare nurse. Their regular visits increase considerably the scope and value of First Aid service and maintenance of health amongst your employees.

ANNUITIES PLAN

There has been reason for satisfaction in connection with the employee Annuities Plan that was initiated during the preceding

year. All arrangements as outlined in this report last year have been in full effect and have operated smoothly. Employee participation has been good. It is available to all employees over 25 years of age who have been in your company's service for two or more years.

CONCLUSION

At this particular time of conflicting trends and of developing complexities, it would be imprudent to attempt to predict conditions through the future or, in fact, during the current operating year. Your management is moving carefully in all matters, and is unsparing in its efforts to meet each new problem as it presents itself. As a result, and bearing in mind the complexities of the past year, your company's position is good in all respects.

In conclusion, I wish again to thank employees for their unflagging loyalty and co-operation. This has been of greatest aid to your management during this troubled period.

Submitted on behalf of the Board,

A handwritten signature in cursive script, appearing to read "James M. ...".
PRESIDENT

BALANCE SHEET

BRUCK SILK MILLS LIMITED

AS AT 31st OCTOBER, 1944

ASSETS

CURRENT ASSETS

Cash on hand and in Banks	\$ 52,438.22	
Cash Surrender Value of \$475,000. Life Insurance	134,354.89	
Deposit with Insurance Underwriters	19,120.47	
\$260,000. Dominion of Canada Bonds— At cost (Market Value \$260,937.50)	259,900.00	
Accounts Receivable — Less Reserve	249,627.58	
Inventories—Manufacturing materials, either raw, in process or in finished state, valued at the lower of cost or market. Other Manufacturing elements at cost	1,216,518.88	1,931,960.04

EXCESS PROFITS TAX

Refundable Portion		144,767.21
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INVESTMENT IN SUBSIDIARY COMPANIES

Shares	4,231.31	
Account Receivable	500.00	4,731.31

EMPLOYEE'S HOUSING SCHEME

Second Mortgages		7,044.20
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OTHER INVESTMENTS AT COST

2,280.00

CASH IN SINKING FUND

In hands of Montreal Trust Company for redemption of Bonds		9,697.46
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PREPAID CHARGES

Insurance, Employees' Annuities, etc.		49,741.71
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PLANT INVESTMENT

Land, Buildings, Plant, Machinery, Furniture and Fixtures at value of \$377,046.61 as appraised on 1st November, 1924, by Canadian Appraisal Co. Ltd., plus cost of subsequent additions	\$2,431,248.01	
Deduct—Mortgages	7,454.86	2,423,793.15
Less—Reserve for Depreciation	1,670,940.51	752,852.64
Trademarks, Processes, etc.		105,176.15

\$3,008,250.72

BALANCE SHEET

BRUCK SILK MILLS LIMITED

AS AT 31st OCTOBER, 1944

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 248,890.38	
Bills Payable	10,540.82	\$ 259,431.20

RESERVE FOR TAXES

Dom. Income Tax and Excess Profits Tax ...	558,217.95	
Less—Paid on account	233,821.14	324,396.81

FUNDED DEBT

6½% First Mortgage Bonds—		
Authorized	<u>\$1,000,000.00</u>	
Issued	550,000.00	
Less—Redeemed and Cancelled	170,700.00	379,300.00

CAPITAL

No Par Value Common Stock—		
Authorized—150,000 Shares		
Issued —125,000 Shares	787,500.00	

RESERVE FOR CONTINGENCIES..... 374,777.50

EARNED SURPLUS AS AT 31st OCTOBER, 1944..... 738,078.00

DEFERRED SURPLUS

Refundable portion of Excess Profits Tax as at 31st October, 1944	144,767.21	2,045,122.71
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\$3,008,250.72

Reserve for Contingencies—
Subject to Inventory Reserve of \$271,206.15

CONTINGENT LIABILITY

Trade Paper under Discount with Bank	\$236,904.59
Guarantee of Mortgages on Employees' Houses	10,909.82

Signed on behalf of the Board:

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

Statement of INCOME AND EXPENDITURE

BRUCK SILK MILLS LIMITED

FOR YEAR ENDED 31st OCTOBER, 1944

Gross Profit from Trading		\$1,265,272.34
Selling, Delivery, Administration and other Expenses (Executive Officers' remuneration \$26,616.14).....	\$444,504.96	
Directors' Fees	1,980.00	
Legal Fees and Expenses	2,822.82	
Bond Interest	24,680.23	473,988.03
		<u>\$791,284.31</u>

DEPRECIATION

Plant, Machinery and Equipment	\$137,334.52	
Buildings, etc.	25,967.87	
Furniture and Fixtures	6,226.74	
Transportation Equipment	2,536.34	172,065.47
		<u>\$619,218.84</u>
Loss on Sale of Truck		266.34
		<u>\$618,952.50</u>
Reserve for Taxes		558,217.95
		<u>\$ 60,734.55</u>
Dividends and Interest received on Investments	\$ 3,844.48	
Other Income	949.33	4,793.81
		<u>\$ 65,528.36</u>

STATEMENT OF EARNED SURPLUS ACCOUNT, AS AT 31st OCTOBER, 1944

Balance at Credit, 31st October 1943—as adjusted		\$717,879.07
Add—Bad Debts recovered and portion of Reserve not required	\$ 4,768.86	
Gain on Disposal of Fixed Assets	57.96	4,826.82
		<u>\$722,705.89</u>
Profit for year ended 31st October, 1944		65,528.36
		<u>\$788,234.25</u>
Deduct—Loss on Sale of Securities		156.25
		<u>\$788,078.00</u>
Dividends Paid		50,000.00
		<u>\$738,078.00</u>

AUDITORS' REPORT

MONTREAL—8th January, 1945.

We have audited the Books and Accounts of Bruck Silk Mills, Limited, for the year ended 31st October, 1944. The accumulated deficit of a Subsidiary Company, amounting to \$2,904.96 as at 31st December, 1943 is not reflected in the Balance Sheet. Provision for taxes under the Excess Profits Tax Act for years ending 31st October, 1940 to 31st October, 1944 inclusive has been made subject to the result of application by the Company to have its Standard Profit determined under Section 5, sub-section 3 of the Excess Profits Tax Act. Reserve against future depreciation in Inventory Values has been provided in accordance with provision of Section 6, paragraph 2 (C) of the Excess Profits Tax Act. 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.

BANKERS

Bank of Montreal	Montreal
National City Bank of New York	New York

AUDITORS

Macintosh, Robertson & Paterson	Montreal
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TRUSTEE

Montreal Trust Company	Montreal
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TRANSFER AGENTS

Montreal Trust Company	Montreal & Toronto
City Bank Farmers Trust Company	New York

REGISTRARS

The Canadian Trust Company	Montreal
Montreal Trust Company	Toronto
The National City Bank of New York	New York

