

FORD MOTOR COMPANY OF CANADA,
LIMITED

[Incorporated under the Dominion Companies Act]

WINDSOR

ONTARIO

ANNUAL
REPORT

YEAR ENDED
DECEMBER 31ST,
1938

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McGILL UNIVERSITY

BOARD OF DIRECTORS

EDSEL B. FORD, *Chairman*

W. R. CAMPBELL

HENRY FORD

G. E. DICKERT

P. E. MARTIN

OFFICERS

EDSEL B. FORD, *Chairman of the Board*

W. R. CAMPBELL, *President and Treasurer*

G. E. DICKERT, *First Vice-President*

P. E. MARTIN, *Second Vice-President*

D. B. GREIG, *Secretary and Assistant Treasurer*

G. G. KEW, *Assistant Secretary*

AUDITORS

CLARKSON, GORDON, DILWORTH & NASH

STATEMENT OF INCOME AND EXPENDITURE

For the year ended December 31st, 1938

Net operating profit of the Canadian factory and branches after all charges, including provision for depreciation \$927,757.32, remuneration to executive officers \$257,600.00, solicitors' fees \$20,425.00 and directors' fees \$3,000.00 .	\$ 1,967,746.26	
Portion of the aggregate operating profits for the year 1938 of overseas subsidiary automobile manufacturing and distributing companies, withdrawn in the form of dividends received .	<u>1,651,473.50</u>	\$ 3,619,219.76
Add:		
Interest on bonds . . .	93,281.47	
Net profit on sale of investments and fixed assets . . .	<u>42,555.76</u>	<u>135,837.23</u>
Net profit before income taxes .		3,755,056.99
Provision for income taxes:		
Payable in Canada . . .	451,407.07	
Payable elsewhere . . .	<u>50,474.00</u>	<u>501,881.07</u>
Net profit for the year . . .		<u><u>\$ 3,253,175.92</u></u>

STATEMENT OF EARNED SURPLUS

December 31st, 1938

Earned surplus
 December 31st, 1937 \$ 20,939,890.51

Net profit for the year ended
 December 31st, 1938 3,253,175.92
 24,193,066.43

Deduct :

Dividends paid :

Class "A" shares \$ 1,588,960.00
 Class "B" shares 70,000.00 1,658,960.00

Earned surplus
 December 31st, 1938 \$ 22,534,106.43

F O R D M O T O R C O M P A N Y O F C A N A D A , L I M I T E D

BALANCE SHEET

ASSETS	December 31st, 1938		LIABILITIES	
CASH AND BONDS			ACCOUNTS PAYABLE	
Cash on hand and in banks	\$ 5,087,400.12		Purchase creditors, accrued expenses and pay rolls	\$ 4,387,846.57
Bonds issued or guaranteed by the Dominion, Provincial or Municipal Governments in Canada - at not more than cost	4,615,033.90		Taxes payable in Canada	<u>737,444.31</u> \$ 5,125,290.88
(Market value \$ 4,399,157.68)			RESERVES	
Interest accrued on bonds and bank balances	<u>28,338.91</u>	\$ 9,730,772.93	Depreciation of buildings, machinery and equipment	21,590,807.63
ACCOUNTS RECEIVABLE			Investments	<u>1,000,000.00</u> 22,590,807.63
Notes, drafts and open accounts less reserve for doubtful debts	1,391,654.17		GENERAL RESERVE	3,250,000.00
Customs drawback and refund claims	631,047.40		CAPITAL	
From overseas subsidiary companies - fully covered by cash, net current accounts and inventories of those companies	<u>3,995,534.53</u>	6,018,236.10	Authorized :	
INVENTORIES - as determined and certified by company officials based on physical count at September 30th, 1938, adjusted for changes to December 31st, 1938, and priced at not more than the lower of cost or market value		6,263,629.92	1,900,000 shares class "A" no par value	
DEFERRED CHARGES, ETC. - including expenditures on account of 1939 production		474,155.12	100,000 shares class "B" no par value	
SHARES OF SUBSIDIARY COMPANIES fully paid		10,227,533.70	Issued and fully paid :	
LAND, BUILDINGS, MACHINERY AND EQUIPMENT - at not more than cost		34,164,976.17	1,588,960 shares class "A" no par value } 13,379,100.00	
PATENTS		1.00	70,000 shares class "B" no par value }	
		<u>\$ 66,879,304.94</u>	EARNED SURPLUS	<u>22,534,106.43</u> 35,913,206.43
			CONTINGENT LIABILITY for uncompleted portion of plant under construction contracted for to date \$ 900,000.00	
			Approved on behalf of the Board,	<u>\$ 66,879,304.94</u>
			W. R. CAMPBELL, DIRECTOR	G. E. DICKERT, DIRECTOR

AUDITORS' REPORT TO SHAREHOLDERS

We have audited the accounts of Ford Motor Company of Canada, Limited for the year ended December 31st, 1938, and have received all the information and explanations we have required. We report that in our opinion the accompanying balance sheet and related statements of income and expenditure and earned surplus have been drawn up in accordance with accepted principles of accounting and on a basis consistent with the preceding year, so as to exhibit a true and correct view of the state of the company's affairs at December 31st, 1938, and of the results of its operations for the year ended on that date, according to the best of our information, the explanations given us and as shown by the books.

As required by the Dominion Companies Act, Section 114, we report that net profits of subsidiary companies for the year ended December 31st, 1938 have been taken into account only to the extent of the dividends received from those companies as shown in the statement of income and expenditure, and in the aggregate were in excess of such dividends.

Toronto, Canada, March 6th, 1939

Clarkson, Gordon, Dilworth & Nash,
Chartered Accountants

DIRECTORS' REPORT

TO THE SHAREHOLDERS:

The Board of Directors presents herewith the annual report of the company for the year ended December 31st, 1938, including a statement of income and expenditure, a statement of earned surplus, a balance sheet and the auditors' report to shareholders.

Net profit for the year amounted to \$3,253,175.92, in comparison with net profit in 1937 of \$3,773,043.41. Earnings per share were \$1.96 in 1938 as compared with \$2.27 in 1937 and \$2.02 in 1936.

Income—Receipts from sales and other income, exclusive of investment income, totalled \$46,850,150.63, an increase of 1.4 per cent. over 1937. Sales of automotive units, including sales to subsidiary companies, totalled 69,164, a decrease of 6.6 per cent. in comparison with the previous year. Notwithstanding the decline in unit sales there was an increase in gross income resulting from higher prices in 1938, the introduction of the new Mercury cars, and increased sales of replacement parts.

Net operating profit on the output of the Canadian factory and branches, including export shipments, was \$1,967,746.26, an increase over 1937 of \$1,295,540.71. Increased prices prevailing in 1938 corrected the unsatisfactory relationship between production costs and prices which existed in 1937.

Dividends received from subsidiary companies amounted to \$1,651,473.50 in comparison with \$3,429,489.43 in 1937. Earned surplus retained by subsidiary companies after payment of dividends was \$3,228,960.00, an increase of \$1,023,937.00 over the surplus of \$2,205,023.00 held by those companies at the end of 1937.

Assets—Cash and bonds totalling \$9,730,772.93, decreased \$556,703.61 from the previous year. Market value of bonds was \$215,876.22 below the book value. An ample investment reserve has been provided for any loss likely to be sustained on final disposition of our securities. Receivables decreased \$847,788.36 owing principally to reduction in the amount of indebtedness of subsidiary companies. There was a decrease in inventories of \$219,565.90.

Deferred charges consist mainly of expenditures for tools pertaining to 1939 models and such expenditures will be charged against operations in 1939.

Investment in shares of subsidiary companies increased by \$1,097,554.90 in order to provide necessary additional working capital to subsidiary companies in India and Malaya of \$879,101.50 and \$218,453.40 respectively. The total investment in shares of Ford Motor Company of India, Limited, now amounts to \$1,434,364.89 and in Ford Motor Company of Malaya, Limited, \$418,848.30.

Capital expenditures amounted to \$1,909,480.26 during the year. These expenditures were chiefly in connection with the completion of our branch assembly building at Vancouver, B. C.; the construction of a new branch building at Saint John, N. B.; continued progress in the programme of modernizing our power plant facilities; and replacements and renewals of machinery and equipment. Deductions for fixed assets sold or otherwise disposed of totalled \$679,682.72. The net increase in plant accounts for the year was \$1,229,797.54.

Liabilities—Accounts payable decreased \$1,259,996.13 resulting from reductions in amounts payable for capital expenditures and reduction in inventories.

Reserve for depreciation increased \$374,815.76 and now totals \$21,590,807.63. The difference between this increase and the amount written off for depreciation, namely \$927,757.32, is accounted for by disposal of plant items largely depreciated.

Earned Surplus—The increase in earned surplus for the year was \$1,594,215.92. Total earned surplus at the end of 1938 amounted to \$22,534,106.43.

Regular quarterly dividends of twenty-five cents (25c) per share were paid during the year, aggregating \$1,658,960.00.

For the Directors

W. R. CAMPBELL
PRESIDENT

Windsor, Ontario,
March 24th, 1939.

