

ANNUAL REPORT

FORD MOTOR COMPANY OF CANADA, LIMITED

WINDSOR, ONTARIO

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YEAR ENDED DECEMBER 31ST, 1940

NOTICE OF ANNUAL MEETING

April 11th, 1941

TO THE SHAREHOLDERS:

Notice is hereby given that the annual meeting of shareholders of Ford Motor Company of Canada, Limited, will be held at the head office of the company, at Windsor, Ontario, on the 28th day of April, 1941, at four o'clock p.m., eastern standard time, to receive the annual reports, for the election of directors, and for the transaction of such other business as may properly come before the meeting.

The close of business April 14th, 1941, has been fixed as a record date for the determination of the shareholders entitled to vote at the meeting.

Only registered owners of class "B" shares are entitled to vote. Any such shareholder, unable to attend the meeting in person, is requested to complete and return the form of "Appointment of Proxy".

"Appointment of Proxy" forms should be deposited at the head office of the company not later than forty-eight (48) hours before the time of holding the meeting.

D. B. GREIG

Secretary

BOARD OF DIRECTORS

EDSEL B. FORD, *Chairman*

HENRY FORD W. R. CAMPBELL

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 and Assistant Treasurer*

AUDITORS

CLARKSON, GORDON, DILWORTH & NASH

DIRECTORS' REPORT

TO THE SHAREHOLDERS:

The annual report of the company for the year ended December 31st, 1940 together with the report of the auditors, is submitted herewith by the Board of Directors.

Net profit for the year, after provision for income and excess profits taxes, was \$2,584,311.99, all derived from operations of the Canadian factory and branches as no dividends were received from overseas subsidiary companies in 1940. This compares with net profit of \$3,012,570.88 (inclusive of dividends from subsidiary companies) in 1939. The net profit in 1940 was equivalent to \$1.55 per share in comparison with \$1.81 per share in 1939.

Gross sales and other income, exclusive of investment income, amounted to \$86,120,884.75 in comparison with \$43,734,289.62 in 1939. Total sales in 1940 were the highest in the company's history, exceeding the highest previous amount of \$59,840,535.69 in 1929 by 44 per cent. Sales of automotive units, including shipments to subsidiary companies, totalled 97,360, an increase of 55 per cent. over 1939, when the corresponding total was 62,544. The marked increase in volume of sales was attributable to the demand for motor vehicles for military purposes by His Majesty's Governments in Canada, the United Kingdom and other British Empire countries.

While the company's facilities in Canada and abroad were substantially utilized during the year for the manufacture of materials necessary in the prosecution of the war, production for civilian requirements was not seriously affected thereby, except in the last quarter of the year when production of 1941 models was retarded, with consequent adverse effect on sales in that period. Volume of sales in Canada for other than military purposes in 1940 totalled \$28,962,316.38, an increase of \$4,608,080.03 over 1939. This increase was more than offset by a reduction of \$5,941,093.43 in the value of export shipments in the same category. In comparison with the previous year, therefore, there was a reduction in the total volume of non-military business of \$1,333,013.40, equal to 3.2 per cent.

Overseas subsidiary companies did not declare any dividends during the year, because of the necessity of utilizing their liquid assets to finance the increased volume of business resulting from the demand for motor vehicles for war purposes by their respective governments.

Included in operating expenses for the year was a charge for depreciation of buildings, machinery and equipment amounting to \$1,179,506.57, which compares with \$1,035,754.52 charged in 1939.

Provision for income and excess profits taxes of \$1,950,869.83 in 1940 was equal to \$1.17 per share, an increase of \$.79 per share over the income tax provision of \$.38 per share in 1939.

The balance sheet, in comparison with that of the previous year, reflects the increased volume of business in 1940 and the high level of operations in prospect for 1941.

Current assets and current liabilities were greater by \$6,686,809.09 and \$7,146,641.01 respectively as compared with the relative figures at the close of 1939, reflecting the effect of substantial increases in accounts receivable, inventories and accounts payable, including provision for taxes payable in Canada.

Cash and bonds show a reduction of \$6,124,131.35. The market value of bonds was less than the book value by \$132,124.82. A reserve for depreciation of bonds has been provided in the amount of \$150,000.00. Accounts receivable, including open accounts with the Canadian and British Governments, increased by \$6,263,607.37. Inventories amounting to \$12,366,938.97 exceeded the previous year's total by \$6,547,333.07.

Land, buildings, machinery and equipment account increased during the year by \$2,299,553.73. This amount includes the cost of an extension to the machine shop building totalling \$827,131.77. Also included is the cost of additions and replacements of machine tools and other equipment, less an amount of \$158,834.96 representing the original value of assets disposed of during 1940 which were no longer required by the company.

In addition to such capital expenditures by the company for its own account, contracts were entered into with the Department of Munitions and Supply of the Dominion of Canada which authorized the company to purchase for the account of the Canadian Government additional machine tools to the value of \$2,122,000.00, required for the production of special military type vehicles.

Reserve for depreciation of buildings, machinery and equipment was increased by the amount of \$1,179,506.57 charged to operating

expenses in 1940, while a deduction of \$117,351.22 was made for depreciation accrued on assets disposed of, leaving a net increase of \$1,062,155.35 in this reserve during 1940.

After providing a reserve for depreciation of bonds in the amount of \$150,000.00 out of reserve for investments, which at December 31st, 1939 totalled \$1,000,000.00, the excess of this reserve amounting to \$850,000.00 was transferred to general reserve.

By a further transfer of \$900,000.00 from earned surplus, general reserve was increased to a total of \$5,000,000.00 in comparison with \$3,250,000.00 as at December 31st, 1939. It has been considered advisable to increase this reserve in view of prevailing unsettled conditions.

Earned surplus account at the end of the year amounted to \$23,913,069.30, an increase of \$25,351.99 over the earned surplus as at December 31st, 1939. While the earned surplus account was credited with the net profit for the year, amounting to \$2,584,311.99, it was charged with dividend disbursements amounting to \$1,658,960.00 and the transfer of \$900,000.00 to general reserve.

Aggregate unit sales in 1940 by overseas subsidiary companies were substantially greater than in 1939 notwithstanding that sales for civilian use were approximately one third less. The increase was the result of sales to their governments for military purposes. Total profits of subsidiary companies, however, decreased from \$3,213,675.00 in 1939 to \$2,899,013.00 in 1940, reflecting heavily increased taxes and a low margin of profit on the sales for military purposes. Combined earned surplus accounts of these companies as at December 31st, 1940 totalled \$6,360,105.00, an increase over the previous year of \$2,304,088.00. Charges to these surplus accounts in 1940, amounting to \$594,925.00, included increased taxes applying to the profits of the previous year in the amount of \$342,423.00 and transfers to the general reserve accounts. Total general reserves of the subsidiary companies now amount to \$650,516.00.

Dividend disbursements during the year amounted to \$1.00 per share, consisting of four regular quarterly dividends of twenty-five cents (25c) per share.

For the Directors

W. R. CAMPBELL,

PRESIDENT

Windsor, Ontario
April 11th, 1941.

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

B A L A N C E S H E E T

DECEMBER 31st, 1940

(With comparative balances as at December 31st, 1939)

ASSETS		1940	1939	LIABILITIES		1940	1939
CASH AND BONDS				ACCOUNTS PAYABLE			
Cash on hand and in banks	\$	2,600,311.59	\$ 4,172,629.92	Purchase creditors, accrued wages and expenses	\$	9,710,844.69	\$ 4,560,146.48
Bonds issued or guaranteed by the Dominion, Provincial or Municipal Governments in Canada, at not more than cost		526,307.70	5,053,260.50	Income and other taxes payable in Canada		2,759,898.48	763,955.68
Market value December 31st, 1940, \$ 394,182.88				TOTAL CURRENT LIABILITIES		<u>12,470,743.17</u>	<u>5,324,102.16</u>
1939, \$4,892,692.91							
Interest accrued on bonds and bank balances		5,721.44	30,581.66				
		<u>3,132,340.73</u>	<u>9,256,472.08</u>				
ACCOUNTS RECEIVABLE				RESERVES			
Notes, drafts and open accounts less reserve for doubtful debts		5,723,766.79	1,897,048.73	For depreciation of buildings, machinery and equipment		22,919,727.26	21,857,571.91
Drawback and refund claims of customs duty		1,495,228.43	184,422.70	For depreciation of bonds		150,000.00	1,000,000.00
From overseas subsidiary companies—fully covered by net current assets of those companies		5,477,279.88	4,351,196.30	General Reserve		5,000,000.00	3,250,000.00
		<u>12,696,275.10</u>	<u>6,432,667.73</u>			<u>28,069,727.26</u>	<u>26,107,571.91</u>
INVENTORIES				CAPITAL			
1940—As estimated, based on cost and certified by company officials. (Owing to the necessity of maintaining continuous production on government contracts the inventory could not be confirmed by physical count.)		12,366,938.97	5,819,605.90	Authorized:			
1939—As determined and certified by company officials, based on physical count at August 31st, 1939, adjusted to December 31st, 1939 and priced at not more than the lower of cost or market value.				1,900,000 shares class "A" no par value			
				100,000 shares class "B" no par value			
TOTAL CURRENT ASSETS		<u>28,195,554.80</u>	<u>21,508,745.71</u>	Issued and fully paid:			
DEFERRED CHARGES, etc. —mainly expenditures on account of the ensuing year's production		593,162.14	445,376.61	1,588,960 shares class "A" no par value } 70,000 shares class "B" no par value }		13,379,100.00	13,379,100.00
SHARES OF SUBSIDIARY COMPANIES —fully paid		11,623,733.70	11,623,733.70	EARNED SURPLUS		23,913,069.30	23,887,717.31
LAND, BUILDINGS, MACHINERY AND EQUIPMENT —at not more than cost		37,420,188.09	35,120,634.36			<u>\$ 77,832,639.73</u>	<u>\$ 68,698,491.38</u>
PATENTS		1.00	1.00				
		<u>\$ 77,832,639.73</u>	<u>\$ 68,698,491.38</u>				

See page 10 for Auditors' Report.

Approved on behalf of the Board,

W. R. CAMPBELL, Director
G. E. DICKERT, Director

STATEMENT OF INCOME AND EXPENDITURE

For the year ended December 31st, 1940

(With a comparative statement for the year ended December 31st, 1939)

	1940	1939
Operating profit of the Canadian factory and branches after all operating charges†	\$ 4,513,433.46	\$ 1,334,299.69
Portion of the aggregate operating profits for the year of overseas subsidiary automobile manufacturing and distributing companies, withdrawn in the form of dividends received	—	2,218,241.32
Interest on bonds	52,819.01	90,078.00
Net profit or loss on sale of investments and fixed assets	31,070.65*	10,745.49
Net profit before income taxes	<u>4,535,181.82</u>	<u>3,653,364.50</u>
Provision for income and excess profits taxes:		
Canadian	1,935,964.77	532,883.52
Other	14,905.06	107,910.10
	<u>1,950,869.83</u>	<u>640,793.62</u>
Net profit for the year	<u><u>\$ 2,584,311.99</u></u>	<u><u>\$ 3,012,570.88</u></u>

† Operating profit for 1940 is based on estimated inventories. Operating charges for 1940 include provision for depreciation \$1,179,506.57, remuneration to executive officers \$226,250.00, solicitors' fees \$17,988.00, and directors' fees \$3,000.00.

Corresponding items for 1939 were—provision for depreciation \$1,035,754.52, remuneration to executive officers \$224,000.00, solicitors' fees \$17,006.00, and directors' fees \$3,000.00.

* Loss.

STATEMENT OF EARNED SURPLUS

For the year ended December 31st, 1940

(With a comparative statement for the year ended December 31st, 1939)

	1940	1939
Earned surplus at beginning of year	\$ 23,887,717.31	\$ 22,534,106.43
Net profit for the year	2,584,311.99	3,012,570.88
	<u>26,472,029.30</u>	<u>25,546,677.31</u>
Deduct:—		
Transferred to General Reserve	900,000.00	—
Dividends paid:		
Class "A" shares	1,588,960.00	1,588,960.00
Class "B" shares	70,000.00	70,000.00
	<u>2,558,960.00</u>	<u>1,658,960.00</u>
Earned surplus at end of year	<u><u>\$ 23,913,069.30</u></u>	<u><u>\$ 23,887,717.31</u></u>

AUDITORS' REPORT TO SHAREHOLDERS

We have made an examination of the balance sheet of Ford Motor Company of Canada, Limited as at December 31st, 1940 and of the related statements of income and expenditure and earned surplus for the year ended that date. In connection therewith we made substantial tests during the year of accounting records at the head office and obtained all the information and explanations we required; we also made a general review of accounting methods and examined the reports on the test audits of accounting records at branches conducted by the company's audit department.

In past years inventories were determined on the basis of physical count but owing to the necessity of maintaining continuous production on government contracts it was impracticable to take physical count of the materials on hand at the close of the year. The inventory as at December 31st, 1940 therefore is based on the value of the inventory as adjusted at December 31st, 1939 increased by the additions during the year 1940, less the cost of sales and other appropriate deductions for the year according to the records of the company.

Subject to the accuracy of the estimated inventory we report that in our opinion the accompanying balance sheet and related statements of income and expenditure and earned surplus have been drawn up so as to exhibit a true and correct view of the state of the company's affairs at December 31st, 1940 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 the accompanying statement of income and expenditure does not include any portion of the net profits of the subsidiary companies for the year ended December 31st, 1940.

Clarkson, Gordon, Dilworth & Nash,
Chartered Accountants.

Toronto, Canada
March 27th, 1941.

CANADIAN BRANCHES

TORONTO	MONTREAL
SAINT JOHN	WINNIPEG
REGINA	CALGARY
VANCOUVER	

SUBSIDIARY COMPANIES

AUSTRALIA	
SOUTH AFRICA	STRAITS SETTLEMENTS
INDIA	NEW ZEALAND

