

ANNUAL REPORT

FORD MOTOR COMPANY OF CANADA, LIMITED
WINDSOR, ONTARIO

YEAR ENDED DECEMBER 31st, 1941

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NOTICE OF ANNUAL MEETING

April 10th, 1942

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 27th day of April, 1942, at four o'clock p.m., eastern daylight saving 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 13th, 1942, 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

P. E. MARTIN

OFFICERS

EDSEL B. FORD, *Chairman of the Board*

W. R. CAMPBELL, *President and Treasurer*

P. E. MARTIN, *Vice-President*

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

G. G. KEW, *Assistant Secretary and Assistant Treasurer*

AUDITORS

CLARKSON, GORDON, DILWORTH & NASH

STATEMENT OF INCOME AND EXPENDITURE

For the year ended December 31st, 1941

(With a comparative statement for the year ended December 31st, 1940 adjusted as noted below)

	1941	1940
Operating profit of the Canadian factory and branches after all operating charges* .	\$ 4,459,030.36	\$ 4,070,299.80
Portion of the aggregate operating profits for the year of overseas subsidiary automobile manufacturing and distributing companies, withdrawn in the form of dividends received	877,215.42	—
Interest on bonds	33,458.60	52,819.01
Net profit or loss on sale of investments and fixed assets	(Profit) 19,899.33	(Loss) 31,070.65
Net profit before taxes on income	<u>5,389,603.71</u>	<u>4,092,048.16</u>
Provision for income and excess profits taxes:		
Canadian	2,060,000.00	1,506,113.15
Other	50,000.00	14,905.06
	<u>2,110,000.00</u>	<u>1,521,018.21</u>
Net profit for the year	<u>\$ 3,279,603.71</u>	<u>\$ 2,571,029.95</u>

* Operating charges for 1941 include provision for ordinary and special depreciation \$2,680,278.93, remuneration to executive officers \$197,125.00, solicitors' fees \$17,775.00 and directors' fees \$3,000.00

Corresponding items for 1940 were—provision for depreciation (as adjusted) \$1,265,197.09, remuneration to executive officers \$226,250.00, solicitors' fees \$17,988.00 and directors' fees \$3,000.00

Note: The amounts previously reported as operating profit, provision for taxes, and net profit for the year 1940, have been adjusted to include entries in surplus account affecting the previous year, as shown in the statement of earned surplus.

STATEMENT OF EARNED SURPLUS

For the year ended December 31st, 1941

(With a comparative statement for the year ended December 31st, 1940)

	1941	1940
Earned surplus at beginning of year . . .	\$ 23,913,069.30	\$ 23,887,717.31
Net profit for the year	3,279,603.71	2,584,311.99
	<u>27,192,673.01</u>	<u>26,472,029.30</u>
Deduct:—		
Transferred to General Reserve:		
Replacement of amount charged General Reserve to reduce book value of shares in Ford Motor Company of Malaya, Limited to \$1.00	\$418,847.30	
To increase General Reserve <u>500,000.00</u>	918,847.30	900,000.00
*Adjustments affecting the previous year	13,282.04	—
Dividends paid:		
Class "A" shares	1,588,960.00	1,588,960.00
Class "B" shares	70,000.00	70,000.00
	<u>2,591,089.34</u>	<u>2,558,960.00</u>
Earned surplus at end of year	<u>\$ 24,601,583.67</u>	<u>\$ 23,913,069.30</u>

* Reduction in contract prices of vehicles sold to His Majesty's Government in the United Kingdom \$357,443.14
 Provision for special depreciation 85,690.52
 443,133.66
 Less overprovision for income and excess profits taxes in respect of the above . 429,851.62
\$ 13,282.04

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

ASSETS		(With comparative balances as at December 31st, 1940)		LIABILITIES	
	1941	1940		1941	1940
CURRENT ASSETS			CURRENT LIABILITIES		
Cash on hand and in banks	\$ 715,395.63	\$ 2,600,311.59	Purchase creditors, accrued wages and expenses	\$ 13,893,782.70	\$ 9,710,844.69
Bonds issued or guaranteed by the Dominion, Provincial or Municipal Governments in Canada, at not more than cost	523,709.88	526,307.70	Income and other taxes payable in Canada	2,631,904.45	2,759,898.48
Market value December 31st, 1941, \$387,449.11 1940, \$394,182.88				<u>16,525,687.15</u>	<u>12,470,743.17</u>
Notes, drafts and open accounts receivable, less reserve for doubtful debts	7,172,011.92	5,729,488.23	RESERVES		
Accounts receivable from overseas subsidiary companies	7,512,574.91	5,477,279.88	For depreciation of buildings, machinery and equipment	25,006,695.96	22,919,727.26
Drawback and refund claims of customs duty	1,221,711.21	1,495,228.43	For depreciation of bonds	150,000.00	150,000.00
Inventories	27,238,529.06	12,366,938.97	General Reserve	5,500,000.00	5,000,000.00
1941—As determined and certified by company officials based on physical count at September 30th, 1941 adjusted to December 31st, 1941 and priced at not more than the lower of cost or market value.				<u>30,656,695.96</u>	<u>28,069,727.26</u>
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.)	44,383,932.61		CAPITAL		
Less: Advances on government contracts	10,485,283.56		Authorized:		
	<u>33,898,649.05</u>	<u>28,195,554.80</u>	1,900,000 shares class "A" no par value		
			100,000 shares class "B" no par value		
OTHER ASSETS			Issued and fully paid		
Deferred charges, etc.—mainly expenditures on account of the ensuing year's production	538,487.38	593,162.14	1,588,960 shares class "A" no par value } 70,000 shares class "B" no par value }		
Shares of Subsidiary Companies—fully paid	11,204,886.40	11,623,733.70		13,379,100.00	13,379,100.00
(1941 includes investment in Ford Motor Company of Malaya, Limited at \$1.00.)			EARNED SURPLUS		
	<u>11,743,373.78</u>	<u>12,216,895.84</u>		24,601,583.67	23,913,069.30
FIXED ASSETS			Approved on behalf of the Board,		
Land, buildings, machinery and equipment, at not more than cost	39,521,042.95	37,420,188.09		<u>\$ 85,163,066.78</u>	<u>\$ 77,832,639.73</u>
Patents	1.00	1.00	W. R. CAMPBELL, Director P. E. MARTIN, Director		
	<u>\$ 85,163,066.78</u>	<u>\$ 77,832,639.73</u>			

See page 8 for Auditors' Report.

AUDITORS' REPORT TO SHAREHOLDERS

We have made an examination of the balance sheet of Ford Motor Company of Canada, Limited as at December 31st, 1941 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.

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, 1941 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, 1941 have been taken into account only to the extent of the dividends received. The combined profits of the subsidiary companies, excluding the profit earned by Ford Motor Company of Malaya, Limited, were in the aggregate in excess of such dividends.

Clarkson, Gordon, Dilworth & Nash,
Chartered Accountants.

Toronto, Canada
April 4th, 1942.

DIRECTORS' REPORT

TO THE SHAREHOLDERS:

The annual report of the company for the year ended December 31st, 1941 together with the auditors' report is submitted herewith by the Board of Directors.

Net profit for the year, after provision for income and excess profits taxes, was \$3,279,603.71. Dividends of \$877,215.42 were received from overseas subsidiary companies in 1941, which after provision for Canadian income and excess profits taxes thereon, resulted in net profit of \$526,215.42 from this source, leaving \$2,753,388.29 profit earned by the Canadian factory and branches. This compares with the net profit of \$2,571,029.95 in 1940, as no dividends were received from subsidiary companies during that year.

The net profit in 1941 was equivalent to \$1.97 per share as compared with \$1.55 per share in the previous year.

For purposes of comparison the statement of income and expenditure for 1940 has been adjusted to give effect to the following items included in surplus account in 1941 which affected 1940 operations:

Reduction in contract prices of vehicles sold to His Majesty's Government in the United Kingdom, being an allowance based on the difference between the actual costs of production and the estimated costs upon which such prices were originally calculated	\$357,443.14
Additional charge for depreciation of equipment, allowed by the War Contracts Depreciation Board to apply against 1940 operations	85,690.52
Reduction in 1940 operating profit	443,133.66
Reduction in provision for income and excess profits taxes as the result of the foregoing adjustments	429,851.62
Decrease in net profit for 1940	\$ 13,282.04

Gross revenue from sales and other income, exclusive of investment income, increased by 51 percent in 1941 and amounted to \$129,609,915.53 in comparison with \$85,763,441.61 in 1940 and \$43,734,289.62 in 1939. Sales of automotive units, including shipments to subsidiary companies, totalled 110,566, an increase of 13,206 or 13.5 percent over 1940. The total value of sales has

increased at a greater rate than the number of units sold owing to greatly increased sales of replacement parts, and special military type vehicles of higher unit value.

Operating profit of the Canadian factory and branches after all operating charges, but before provision for income and excess profits taxes, was \$4,459,030.36, which compares with the adjusted 1940 operating profit of \$4,070,299.80. The ratio of operating profit to volume of sales was lower in 1941 than in 1940. The principal contributing factor to this result was that substantial increases in the costs of material and labour in 1941 models for the domestic market were not fully reflected in selling prices.

Included in operating expenses for the year was a charge for depreciation of buildings, machinery and equipment amounting to \$2,680,278.93, as compared with the adjusted charge of \$1,265,197.09 for the previous year, an increase of \$1,415,081.84. The 1941 figure includes \$1,480,644.22 special and accelerated depreciation on assets used for production for war purposes. This compares with an amount of \$106,525.63 in the same category included in the adjusted charge for the year 1940.

Provision of \$2,110,000.00 for income and excess profits taxes in 1941 compares with the adjusted provision of \$1,521,018.21 for 1940.

Comparison of the balance sheet for 1941 with that of the previous year shows an increase in total assets of \$7,330,427.05. The principal increases were in accounts receivable, inventories and fixed assets, while there was a reduction of \$1,884,915.96 in cash on hand and in banks.

The increases in accounts receivable of \$3,204,301.50 and in inventories of \$14,871,590.09 were attributable to the increased volume of business and higher proportion of finished products awaiting shipment, units not yet completed owing to procurement difficulties and additional materials required for an enlarged production schedule in 1942.

To assist in the fulfilment of government contracts, advances have been made by the government, which at the end of the year amounted to \$10,485,283.56.

Capital expenditures of \$2,792,504.13 during 1941 on buildings, machinery and equipment consisted of \$1,243,661.63 for extensions to and additional equipment for the foundry and heat treat buildings; \$159,065.61 for a building and equipment required for inspection and other pre-delivery operations; and machine tools and other equipment amounting to \$1,389,776.89. During the year plant equipment with an original value of \$691,649.27 was disposed of, practically all of which was fully depreciated. It consisted

principally of installations in the power house made obsolete by recent major changes in power producing equipment, together with discarded machinery sold and worn out items scrapped.

Capital expenditures for the company's account when incurred solely for facilities for war production are subject to special depreciation in accordance with certificates issued by the War Contracts Depreciation Board. Of the company's total outlay of \$2,792,504.13 on buildings and equipment in 1941, the amount eligible for special depreciation is \$2,399,900.02.

In addition to equipment purchased by the company for its own account, authority was granted to purchase for the account of the Canadian Government additional machinery and equipment to the value of \$2,751,000.00, which together with the amount of \$2,122,000.00 reported last year makes a total of \$4,873,000.00 so authorized.

Investment in shares of subsidiary companies of \$11,204,886.40 shows a reduction of \$418,847.30 from the previous year. Ford Motor Company of Malaya, Limited, Singapore, having ceased operations owing to enemy occupation, the book value of the company's investment in that subsidiary has been reduced to \$1.00 by a charge to general reserve account of the amount of the reduction.

Reserve for depreciation was increased in 1941 by \$2,086,968.70, representing charges to operating cost and surplus of \$2,765,969.45 less \$679,000.75 deducted in respect of depreciation accrued on assets disposed of.

The general reserve account which stood at \$5,000,000.00 at the end of 1940 amounted to \$5,500,000.00 as at December 31st, 1941. While this account was charged with the reduction in the investment in the Malayan subsidiary, it was credited with a transfer from surplus of \$918,847.30, the net result being an increase of \$500,000.00. This increase was considered advisable in view of prevailing unsettled world conditions.

Earned surplus account at the end of the year amounted to \$24,601,583.67, an increase of \$688,514.37 over the earned surplus as at December 31st, 1940. Net profit for the year of \$3,279,603.71 was credited to surplus account, while adjustments affecting the previous year in the net amount of \$13,282.04, dividends paid amounting to \$1,658,960.00 and a transfer to general reserve of \$918,847.30, were charged to it.

Profits of overseas subsidiary companies in 1941 were \$2,433,030.00 as compared with \$2,899,013.00 in 1940. The latter amount included \$178,558.00 earned by Ford Motor Company of

Malaya, Limited, Singapore, whereas the profits in 1941 do not include any earnings of that company. Profits of the Malayan company for 1941 to November 30th, the date of the last financial statement received from that company, were reported as \$480,346.00.

Combined earned surplus accounts of overseas subsidiary companies as at December 31st, 1941 totalled \$7,302,793.00, an increase over the previous year of \$942,688.00. While the 1940 total included the surplus account of the Malayan company amounting to \$369,501.00, no amount for that company is included in the 1941 figure. Charges to these surplus accounts in 1941 amounting to \$1,120,841.00, consisted of dividends paid in the amount of \$877,215.00 and adjustments affecting the previous year's operations, mainly in taxes, amounting to \$243,626.00.

Total general reserves on the books of subsidiary companies, excluding \$65,000.00 general reserve of the Malayan company, amounted to \$585,516.00 as at December 31st, 1941.

Regular quarterly dividends of twenty-five cents (25c) per share were paid in 1941 making a total dividend disbursement of one dollar (\$1.00) per share for the year.

During the year Mr. G. E. Dickert tendered his resignation as a director and vice-president of the company owing to the impaired condition of his health, and in the circumstances the Board most regretfully accepted his resignation. Mr. Dickert was elected a director in 1922, vice-president the following year and throughout his thirty-five years association with the company was in charge of manufacturing operations.

For the Directors

W. R. CAMPBELL,
PRESIDENT

Windsor, Ontario
April 10th, 1942.



