

ANNUAL REPORT

FORD MOTOR COMPANY OF CANADA, LIMITED
WINDSOR, ONTARIO

YEAR ENDED DECEMBER 31st, 1942

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NOTICE OF ANNUAL MEETING

April 9th, 1943

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 26th day of April, 1943, 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 12th, 1943, 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.

G. G. KEW,

Secretary

BOARD OF DIRECTORS

EDSEL B. FORD, *Chairman*

HENRY FORD

W. R. CAMPBELL

C. E. SORENSEN

OFFICERS

EDSEL B. FORD, *Chairman of the Board*

W. R. CAMPBELL, *President*

C. E. SORENSEN, *Vice-President*

D. B. GREIG, *Treasurer*

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

F. G. BATTERS, *Assistant Secretary*

AUDITORS

CLARKSON, GORDON, DILWORTH & NASH

STATEMENT OF INCOME AND EXPENDITURE

For the year ended December 31st, 1942

(With a comparative statement for the year ended December 31st, 1941)

	1942	1941
Operating profit of the Canadian factory and branches after all operating charges*	\$ 7,503,115.81	\$ 4,459,030.36
Portion of the aggregate operating profits for the year of overseas subsidiary automobile manufacturing and distributing companies, withdrawn in the form of dividends received	989,568.16	877,215.42
Profit on sale of fixed assets	127,825.61	19,899.33
Interest on bonds	98,648.94	33,458.60
Net profit before taxes on income	<u>8,719,158.52</u>	<u>5,389,603.71</u>
Provision for taxes on income:		
Canadian	\$ 5,435,000.00	
Less refundable portion	<u>465,000.00</u>	2,060,000.00
Other	65,000.00	50,000.00
	<u>5,035,000.00</u>	<u>2,110,000.00</u>
Net profit for the year	<u><u>\$ 3,684,158.52</u></u>	<u><u>\$ 3,279,603.71</u></u>

* Included in operating charges for 1942 are the following items: provision for ordinary and special depreciation \$4,473,370.99, executive officers' remuneration \$175,600.00, solicitors' fees \$25,050.00, and directors' fees \$3,000.00.

Corresponding items charged in 1941 were: provision for ordinary and special depreciation \$2,680,278.93, executive officers' remuneration \$197,125.00, solicitors' fees \$17,775.00 and directors' fees \$3,000.00.

STATEMENT OF EARNED SURPLUS

For the year ended December 31st, 1942

(With a comparative statement for the year ended December 31st, 1941)

	1942	1941
Earned surplus at beginning of year	\$ 24,601,583.67	\$ 23,913,069.30
Net profit for the year	3,684,158.52	3,279,603.71
	<u>28,285,742.19</u>	<u>27,192,673.01</u>
Less:		
Amount transferred to General Reserve	—	918,847.30
Adjustments affecting the previous year	—	13,282.04
Dividends paid on		
Class "A" shares	1,588,960.00	1,588,960.00
Class "B" shares	70,000.00	70,000.00
	<u>1,658,960.00</u>	<u>2,591,089.34</u>
Earned surplus at end of year	<u>\$ 26,626,782.19</u>	<u>\$ 24,601,583.67</u>

FORD MOTOR COMPANY OF CANADA, LIMITED

BALANCE SHEET

DECEMBER 31st, 1942

(With comparative balances as at December 31st, 1941)

	ASSETS			LIABILITIES	
	1942	1941		1942	1941
CURRENT ASSETS			CURRENT LIABILITIES		
Cash on hand and in banks	\$ 4,068,085.19	\$ 715,395.63	Purchase creditors, accrued wages and expenses	\$ 14,297,183.55	\$ 13,893,782.70
Bonds issued or guaranteed by the Dominion, Provincial or Municipal Governments in Canada, at book value, less reserve	8,871,037.06	373,709.88	Income and other taxes payable in Canada	3,589,568.83	2,631,904.45
Market Value December 31st, 1942, \$8,907,094.80 1941, \$ 387,449.11				17,886,752.38	16,525,687.15
Notes, drafts and open accounts receivable, less reserve for doubtful debts	14,723,761.27	7,172,011.92	RESERVES		
Accounts receivable from overseas subsidiary companies	1,215,363.43	7,512,574.91	For depreciation of buildings, machinery and equipment	28,929,522.76	25,006,695.96
Drawback and refund claims of customs duty	1,096,570.74	1,221,711.21	General Reserve	5,500,000.00	5,500,000.00
Inventories	36,043,392.58	27,238,529.06		34,429,522.76	30,506,695.96
As determined and certified by company officials based on physical count at September 30th, adjusted to December 31st, and priced at not more than the lower of cost or market value.			CAPITAL		
	66,018,210.27	44,233,932.61	Authorized:		
Less: Advances on government contracts	26,741,750.35	10,485,283.56	1,900,000 shares class "A" no par value		
	39,276,459.92	33,748,649.05	100,000 shares class "B" no par value		
OTHER ASSETS			Issued and fully paid:		
Prepaid expenses and deferred charges	197,751.10	538,487.38	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
Portion of taxes on income, refundable under the Excess Profits Tax Act	465,000.00	—			
Shares of subsidiary companies — fully paid	11,204,886.40	11,204,886.40	EARNED SURPLUS	26,626,782.19	24,601,583.67
	11,867,637.50	11,743,373.78			
FIXED ASSETS			Approved on behalf of the Board,	\$ 92,322,157.33	\$ 85,013,066.78
Land, buildings, machinery and equipment, at not more than cost	41,178,058.91	39,521,042.95			
Patents	1.00	1.00			
	\$ 92,322,157.33	\$ 85,013,066.78			

See page 8 for Auditors' Report.

W. R. CAMPBELL, Director
C. E. SORENSEN, Director

AUDITORS' REPORT TO SHAREHOLDERS

We have made an examination of the balance sheet of Ford Motor Company of Canada, Limited as at December 31st, 1942 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, 1942 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, 1942 have been taken into account only to the extent of the dividends received. The combined profits of the subsidiary companies were in the aggregate in excess of such dividends.

Clarkson, Gordon, Dilworth & Nash,
Chartered Accountants.

Toronto, Canada
March 29th, 1943.

DIRECTORS' REPORT

TO THE SHAREHOLDERS:

The annual report of the company for the year ended December 31st, 1942 together with the auditors' report is submitted herewith by the Board of Directors.

The total value of output in 1942 was \$177,418,446.11, comparable with \$129,609,915.53 in 1941. The year's output was greater than for any previous year, and was more than four times the average annual value of output in the five years preceding the war. The increase in 1942 over 1941 of \$47,808,530.58 or 36.8 per cent was greater than the entire volume of output in 1939. The value of shipments in 1942 of spare parts for servicing vehicles, totalling \$35,722,607.10, was an increase of 104 per cent over the value of similar shipments in 1941.

The number of automotive units shipped in 1942 totalled 111,839 in comparison with 110,566 units shipped in 1941. The higher total value of the units shipped in 1942 reflects the production of an increasing number of vehicles of military types of higher unit value, with a reduced number of vehicles for civilian use. Shipments of the latter decreased from 48,038 in 1941 to 14,589 in 1942.

Net profit for the year, after provision for income and excess profits taxes, was \$3,684,158.52, equivalent to \$2.22 per share. Net profit in 1941 of \$3,279,603.71 was equal to \$1.97 per share.

The percentage of net profit, after taxes, to total value of output was 2.0 in 1942 and 2.5 in 1941.

Taxation on corporate incomes was substantially increased as from July 1st, 1942, while at the same time provision was made in the Excess Profits Tax Act for a refund in post-war years of a portion of the taxes paid. Provision for taxes on the company's 1942 income amounted to \$5,500,000.00 as compared with \$2,110,000.00 in 1941. Of the 1942 taxes, however, an amount of \$465,000.00 is refundable

to the company during the second fiscal period of the Government of Canada commencing after the cessation of hostilities. This refundable portion, although a deferred asset, has been included as part of the net profit for 1942.

The annual net profit that can now be retained by a corporate taxpayer, exclusive of the refundable portion of taxes, is restricted to a maximum of 70 per cent of the average taxable profits in the years 1936-1939 inclusive. The effect upon the company of the current tax provisions is to limit its annual net profit beginning in 1943, to a maximum of \$2,404,000.00 before the inclusion of any refundable portion of the tax.

Effective from July 1st, 1942 companies are required to pay taxes on their current year's income by twelve monthly installments. At the end of 1942 the company had paid \$2,400,000.00 as part payment of its total 1942 tax liability.

Provision for depreciation of buildings, machinery and equipment was made in 1942 in an amount of \$4,473,370.99. Included in this amount was \$2,907,498.14 for special depreciation allowed by the War Contracts Depreciation Board in respect of certain plant and equipment acquired since the beginning of the war for the fulfillment of war contracts.

Working capital at the end of the year was \$4,166,745.64 greater than at December 31st, 1941. There were substantial increases in cash, bonds, accounts receivable other than from subsidiary companies, inventories, and advances on government contracts. These increases were a reflection of the greatly increased volume of business being transacted. Accounts receivable from subsidiary companies, which at the end of 1941 amounted to \$7,512,574.91, were reduced to \$1,215,363.43 as at December 31st, 1942. The reduction in these accounts is the result of a change in 1942 in the method of financing shipments to subsidiary companies of vehicles and parts for military requirements. Under the former arrangements, such shipments were financed by the subsidiary companies, while under the new procedure both orders and payment are received by the company from the Department of Munitions and Supply, Ottawa.

The item of prepaid expenses and deferred charges of \$197,751.10 at December 31st, 1942 compares with an amount at the end of 1941 of \$538,487.38, which included an investment in tooling for the production of civilian models in 1942. The reduction during the year was occasioned by the wartime discontinuance of production of such models.

Expenditures for capitalized additions to fixed assets during 1942 were \$2,300,445.53, which included \$1,317,968.29 for additions to the foundry building and equipment. The former assembly plant at Winnipeg, Manitoba, built by the company in 1916, was sold during the year, and sundry pieces of factory equipment were sold or scrapped. The original value of the items disposed of was \$643,429.57 with a depreciated book value of \$92,885.38.

Reserve for depreciation of buildings, machinery and equipment was reduced by \$550,544.19 representing accrued depreciation on assets disposed of. The net increase in the reserve during the year was \$3,922,826.80.

Regular quarterly dividends of twenty-five cents per share, aggregating one dollar per share and totalling \$1,658,960.00, were disbursed during the year.

Earned surplus was increased by \$2,025,198.52 to a total of \$26,626,782.19 at the close of 1942 by the addition of net profit, including the refundable portion of taxes on income, less dividends paid.

Profits of overseas subsidiary companies in 1942 were \$2,310,780.00 as compared with \$2,433,030.00 in 1941. Dividends paid by such companies amounted to \$989,568.16 in 1942 and \$877,215.42 in 1941. Combined earned surplus of these companies, not consolidated with the earned surplus of this company, totals \$8,613,000.00, an increase of \$1,310,207.00 over the previous year.

During the year the resignation of Mr. P. E. Martin as a director and vice-president of the company, which had been tendered owing to the impaired condition of his health, was most regretfully accepted by the Board of Directors.

Mr. C. E. Sorensen was elected a director and vice-president of the company on April 27th, 1942.

Mr. J. E. Porter, who had been general superintendent in charge of manufacturing operations, was elected a member of the Board of Directors and a vice-president of the company on April 27th, 1942. His unexpected and untimely decease on June 28th last, after 20 years' service with the company, removed from the organization a most capable and loyal executive. Mr. Porter's passing is deeply regretted by the Board.

For the Directors

W. R. CAMPBELL,
PRESIDENT

Windsor, Ontario
April 9th, 1943.



