

ANNUAL REPORT
of
THE GOODYEAR TIRE & RUBBER CO.
OF CANADA, LIMITED
NEW TORONTO, ONTARIO

1945



ANNUAL REPORT

to the Shareholders of

THE GOODYEAR TIRE & RUBBER CO. OF CANADA, LIMITED

For the Fiscal Year ended December 31st, 1945

NEW TORONTO, ONTARIO

BOARD OF DIRECTORS

P. W. LITCHFIELD

Chairman

AKRON

A. G. PARTRIDGE

TORONTO

P. A. THOMSON

MONTREAL

C. H. CARLISLE

TORONTO

P. E. H. LEROY

AKRON

R. C. BERKINSHAW

TORONTO

E. J. THOMAS

AKRON

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A. G. PARTRIDGE

President

R. C. BERKINSHAW

Vice-President
and General Manager

E. H. KOKEN

Vice-President in Charge of
Production

O. H. BARRETT

Secretary
and General Counsel

D. C. CARLISLE

Comptroller

J. W. PHILP

Assistant Treasurer

H. A. TIPPLE

Assistant Secretary and
Assistant Comptroller

K. E. KENNEDY

Assistant Secretary

P. B. STEVENSON

Assistant Comptroller

ANNUAL REPORT OF THE DIRECTORS
OF
THE GOODYEAR TIRE & RUBBER COMPANY
OF CANADA, LIMITED

February 19th, 1946.

TO THE SHAREHOLDERS:

Your Directors submit a Consolidated Balance Sheet, Profit and Loss and Earned Surplus Statements of THE GOODYEAR TIRE & RUBBER COMPANY OF CANADA, LIMITED, and its subsidiary companies, with your auditors' report thereon, which set forth the financial position of the combined companies as at December 31, 1945, and the result of the operations for the year 1945, together with the corresponding figures for the previous year for purposes of comparison.

The operations of the combined companies for the year 1945 have resulted in a profit of \$2,994,932 after charging all manufacturing, selling and administrative expenses and income and excess profits taxes (including refundable portion of excess profits taxes amounting to \$176,258), but before providing for depreciation; from this amount there has been set aside a reserve of \$1,608,973 for depreciation of buildings and equipment which includes additional depreciation on new equipment required for war production, leaving net profits of \$1,385,959 which compares with the net profits of \$1,352,800 for the year 1944.

A comparison of the operations for the year 1945 with those of 1944 shows that in 1945 and following the end of the world war, there was a substantial decrease in war business, which, however, was offset to a large extent by an increase in the sale of tires and other products for peace-time use.

Close government supervision of the manufacture of rubber products continued throughout the year and is still in effect, but all restrictions on the sale of tires in Canada were removed on January 1, 1946.

Your Company's factories operated substantially at capacity during the year 1945 and the process of reconversion from a war to a peace-time basis has been largely accomplished. It is believed that the manufacturing plants, the sales and operating divisions and the channels of distribution are adequately equipped and organized to secure your Company's full share of the available business.

The net earnings for the year were equivalent to \$4.30 a share on the 257,260 shares of common stock outstanding, as compared with \$4.14 a share in 1944.

The customary annual review was made of the stocks of raw materials, work in process and finished goods on hand which are shown in the balance sheet on the usual basis of cost or market, whichever was lower. All materials for war contracts not required for normal operations have been removed from the inventories, and any outstanding claims therefor against War Assets Corporation Limited and certain prime contractors are carried as accounts receivable and are in process of liquidation.

The following summary sets out the manner in which the profits for the year have been applied:

FUNDS PROVIDED FROM PROFITS

Consolidated net profits for the year.....	\$1,385,959
<u>Add</u> —Provision for depreciation.....	<u>1,608,973</u>
Profits before providing for depreciation.....	<u><u>\$2,994,932</u></u>

DISPOSITION OF FUNDS

Dividends on 5% Preferred Stock.....	\$ 280,772
Quarterly dividends aggregating \$4.25 on 257,260 shares Common Stock.....	<u>1,093,355</u>
	\$1,374,127
Preferred Stock redeemed—5,515 shares of a par value of \$50 each.....	\$ 275,750
<u>Less</u> —Decrease in Preferred Stock redemption fund.....	<u>230,813</u>
	44,937
Expended for additions to plant and equip- ment (net).....	1,461,623
Increase in net current assets or working capital.....	76,901
Increase in other assets.....	<u>37,344</u>
Total, as above.....	<u><u>\$2,994,932</u></u>

Adequate reserves have been established to provide for accruing depreciation of buildings and equipment and possible losses in the realization of accounts receivable. Provision has been made for income and excess profits taxes and for renegotiation and adjustments under Government contracts now in process of settlement in an amount believed to be adequate. The refundable portion of excess profits taxes may be subject to further adjustment upon completion of these negotiations.

A review of the consolidated balance sheet will disclose that your companies are in their usual strong financial position, with no bank indebtedness. The working capital at December 31, 1945, amounted to \$9,526,558, which was slightly greater than the working capital at the beginning of the year.

The net expenditures for additions to buildings and equipment amounting to \$1,461,623 represent mainly cost of additional equipment and facilities for the anticipated production requirements, in line with your Company's established policy of maintaining all units on a modern up-to-date and efficient basis.

It should be noted that whereas in former Annual Reports the changes in the Surplus during the year were set out in summarized form on the face of the Balance Sheet, your Directors on the advice of your Auditors, are for the first time presenting this information in two additional statements, viz., a Consolidated Profit and Loss and an Earned Surplus Statement. Attention is also drawn to the fact that in the figures on the accompanying Financial Statements all cents have been omitted, and the reserve for depreciation which in previous years was shown on the Liability side of the Balance Sheet is now deducted from the Property Account. We are advised by our Auditors that this change in form of presentation is in line with current practice.

Although increasing supplies of natural rubber are expected during 1946, the available stock is still far short of requirements and the use of a large percentage of synthetic rubber in the manufacture of all rubber goods is still and will continue to be necessary. Enough synthetic rubber is produced in Canada to supply all demands and your Company continues to take an active part in Canada's synthetic rubber production program.

The use of rayon cord fabric in the manufacture of tires is still increasing and your Company's mill at St. Hyacinthe is producing the quantities required for this purpose. However, the supply of high tenacity rayon yarn from both Canadian and United States sources is considerably less than the potential demand and there is need for expansion of yarn production, especially in Canada.

In looking to the future, your Company is not only keeping pace with the market demands and maintaining the high standard of quality in its products through continued research and development, but plans are under way for inclusion in the line of additional new products which will be announced in due course.

With the cessation of hostilities and the achievement of Victory, your Board acknowledges the contribution made by so many of its employees in the armed services and extends its sympathy to the families of those who have given their lives in this world-wide conflict. We welcome back to the organization the many men and women who are returning to our ranks after serving their country in the Navy, Army and Air Force.

Your Board also expresses its appreciation to all employees of the Company for their loyalty, enthusiasm and co-operative effort, not only during the past year but during the difficult and critical years of the war.

We appreciate and value the continued co-operation and interest of our shareholders.

A. G. PARTRIDGE,
President.

On behalf of the Board.

THE GOODYEAR TIRE & RUBBER COMPANY OF CANADA, LIMITED

and SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1945

<u>ASSETS</u>	<u>December 31,</u> <u>1945</u>	<u>December 31,</u> <u>1944</u>
<u>CURRENT AND WORKING ASSETS:</u>		
Cash.....	\$ 2,777,958	\$ 2,175,826
Accounts receivable, less reserve for bad debts 1945- \$158,306; 1944 \$158,306.....	3,069,893	3,168,002
Inventories at cost or market whichever is lower.....	7,043,308	5,491,635
<u>TOTAL CURRENT ASSETS.....</u>	<u>\$12,891,159</u>	<u>\$11,135,463</u>
 <u>REFUNDABLE PORTION OF EXCESS PROFITS TAX.....</u>	 <u>\$ 786,578</u>	 <u>\$ 610,320</u>
 <u>INVESTMENTS:</u>		
Stocks, bonds and mortgages.....	\$ 189,836	\$ 180,159
Preferred stock redemption fund.....	50	230,863
	<u>\$ 189,886</u>	<u>\$ 411,022</u>
 <u>PROPERTY ACCOUNTS:</u>		
Land, buildings, machinery and equipment.....	\$17,242,529	\$15,954,759
Less Reserve for depreciation.....	12,407,910	10,972,790
	<u>\$ 4,834,619</u>	<u>\$ 4,981,969</u>
 <u>DEFERRED CHARGES TO FUTURE OPERATIONS.....</u>	 <u>\$ 95,167</u>	 <u>\$ 67,500</u>
	<u>\$18,797,409</u>	<u>\$17,206,274</u>

<u>LIABILITIES</u>	<u>December 31,</u> <u>1945</u>	<u>December 31,</u> <u>1944</u>
<u>CURRENT LIABILITIES:</u>		
Accounts Payable.....	\$ 1,786,528	\$ 955,941
Reserve for income, excess profits and other taxes, including provision for renegotiation and adjustments under Govern- ment contracts.....	1,578,073	729,865
<u>TOTAL CURRENT LIABILITIES.....</u>	<u>\$ 3,364,601</u>	<u>\$ 1,685,806</u>
 <u>RESERVE FOR CONTINGENCIES.....</u>	 <u>\$ 500,000</u>	 <u>\$ 500,000</u>
 <u>CAPITAL STOCK:</u>		
Five percent Cumulative Redeemable Preferred Stock: Authorized 160,000 shares of \$50 each \$8,000,000; issued and fully paid, 120,000 shares; redeemed, 10,838 shares; outstanding, 109,162 shares of \$50 each.....	\$ 5,458,100	\$ 5,733,850
Common Stock, no par value: Authorized—290,660 shares; issued 257,260 shares.....	128,630	128,630
Capital Surplus.....	163,068	163,068
	<u>\$ 6,049,798</u>	<u>\$ 6,325,548</u>
 <u>EARNED SURPLUS, as per statement attached.....</u>	 <u>\$ 8,096,432</u>	 <u>\$ 8,081,660</u>
 <u>DEFERRED SURPLUS:</u>		
Refundable portion of excess profits tax.....	\$ 786,578	\$ 610,320
	<u>\$18,797,409</u>	<u>\$17,206,274</u>

THE GOODYEAR TIRE & RUBBER COMPANY OF CANADA, LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS STATEMENT

	<u>Year Ending December 31.</u>	
	<u>1945</u>	<u>1944</u>
Profit for year before providing for depreciation and income and excess profits taxes	\$4,851,607	\$4,936,852
<u>Deduct:</u>		
Reserve for depreciation	\$1,608,973	\$1,187,699
Income and excess profits taxes (including refundable portion of excess profits taxes: 1945 \$176,258; 1944—\$228,155)	1,856,675	2,396,353
	<u>\$3,465,648</u>	<u>\$3,584,052</u>
<u>Net Profits for year carried to Earned Surplus, as below</u>	<u>\$1,385,959</u>	<u>\$1,352,800</u>

CONSOLIDATED EARNED SURPLUS STATEMENT

	<u>Year Ending December 31,</u>	
	<u>1945</u>	<u>1944</u>
Balance at end of previous year	\$8,084,600	\$8,305,468
Net profits for year, per consolidated profit and loss statement, given above	1,385,959	1,352,800
	<u>\$9,470,559</u>	<u>\$9,658,268</u>
<u>Dividends:</u>		
On five percent preferred stock	\$ 280,772	\$ 287,368
On no par value common stock	1,093,355	1,286,300
	<u>1,374,127</u>	<u>1,573,668</u>
<u>Earned Surplus December 31, per Balance Sheet</u>	<u>\$8,096,432</u>	<u>\$8,084,600</u>

PRICE, WATERHOUSE & CO.

**ROYAL BANK BUILDING
TORONTO**

January 31, 1946.

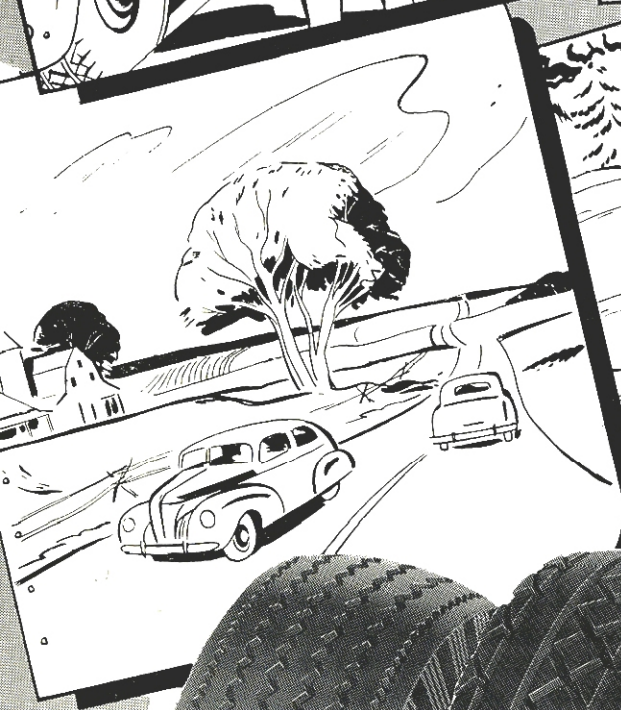
To the Shareholders of
THE GOODYEAR TIRE & RUBBER COMPANY
OF CANADA, LIMITED:

We have made an examination of the consolidated balance sheet of The Goodyear Tire & Rubber Company of Canada, Limited and its subsidiary companies as at December 31, 1945. In connection therewith, we examined or tested accounting records and other supporting evidence, and all our requirements as auditors have been complied with; we also made a general review of the accounting methods and of the operating and income accounts for the year, but our audit of the detailed transactions was confined to limited tests thereof.

We satisfied ourselves that all charges to property accounts are in respect of actual additions, and sufficient provision has been made for accruing depreciation. The stocks on hand or contracted for have been taken and valued by the companies at cost or market prices, whichever were lower; the bad debt reserve is considered sufficient to provide for all doubtful accounts; the bank balances were confirmed by certificates and we have taken all reasonable precautions to satisfy ourselves that all liabilities as at December 31, 1945, are included in the balance sheet.

In our opinion, based upon such examination, and subject to the possible adjustment of the refundable portion of excess profits taxes, as referred to in the accompanying directors' report, the annexed consolidated balance sheet and consolidated profit and loss and earned surplus statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the combined companies as at December 31, 1945, and the results from the operations for the year ending on that date, according to the best of our information and the explanations given to us, and as shown by the books of the companies.

PRICE, WATERHOUSE & CO.
Chartered Accountants.





Everywhere CANADIAN MOTORISTS PREFER
GOODYEAR TIRES 3^{to}1
OVER ANY OTHER KIND!

Never were tires asked to give so much to so many as during rationing days. And no other tires gave so much as Goodyears!

No better proof of this can be found than in the answers to one question of a survey taken last year at the height of the tire famine.

Motorists, coast-to-coast, polled by an independent fact-finding organization, were asked what tire they would prefer to buy if they had a permit.

They chorused "Goodyear!"

Yes, Goodyears were preferred 3 to 1 over the next nearest competitor. Obviously this was a top-heavy vote for dependable service delivered when it was most needed. Thus the public's perennial preference for Goodyears, based on outstanding year-in year-out performance, continues.

Now, as for over 30 years, More People Ride On Goodyear Tires Than On Any Other Kind.

GOOD YEAR
THE GREATEST NAME IN RUBBER

THIS ASSET IS NOT ON OUR FINANCIAL REPORT

PERHAPS the most valuable, certainly one of the most valuable assets of our Company cannot be shown on a financial statement. It is our good name—the name and reputation of Goodyear.

The reputation of The Goodyear Tire and Rubber Company of Canada, Limited, has been in the making for 35 years. We of Goodyear look upon every product we turn out, as the carrier and guardian of "our good name". Everywhere in our factories and offices, prominently placed posters carry the constant urge to our employees to "Protect Our Good Name."

The success with which the good name of Goodyear has been built up and preserved with the Canadian public is evidenced by our continued leadership of the industry in public demand for our products. Whether it be tires, belting, hose, or any of the multitude of other products that we make, if it bears the name of Goodyear it is the best that can be made at the time for the purpose intended.



THE GOODYEAR TIRE & RUBBER COMPANY OF CANADA, LIMITED



General Offices: NEW TORONTO, ONT.

Factories: { NEW TORONTO, ONT.
BOWMANVILLE, ONT.

Cotton Plant: ST. HYACINTHE, QUE.



BRANCHES

ST. JOHN, N.B. 112 Princess St.
QUEBEC, QUE. Cor. Dorchester and Lalemant Sts.
MONTREAL, QUE. 679 St. James St. W.
TORONTO, ONT. 204 Richmond St. W.
LONDON, ONT. 539 Richmond St.
WINNIPEG, MAN. 97 Higgins Ave.
REGINA, SASK. Cor. Broad St. and 6th Ave.
SASKATOON, SASK. Cor. 24th St. and Pacific Ave.
CALGARY, ALTA. 537—8th Ave. West
VANCOUVER, B.C. Cor. Nelson and Hamilton Sts.



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