

Bruck  
SILK MILLS LIMITED



Annual Report to the shareholders  
for the year ended October 31st, 1946



*Conf  
Street*  
Prepared, Feb. 15/47.

**Bruck Silk Mills Limited** Mills at Cowansville, Que., St. Johns, Que., Sherbrooke, Que.

Directors

**Isaac I. Bruck**  
**Gerald L. Bruck**  
**Morton Darling**  
**H. D. Dwyer**  
**Arthur M. Flanders**  
**H. E. Herschorn, O.B.E.**  
**L. S. Lee**  
**Rene B. Perrault**  
**Wallace B. Phillips**  
**H. Stern**  
**Allan Watt**

Officers

**I. I. Bruck** President  
**L. S. Lee** Vice-President and Treasurer  
**A. M. Flanders** Vice-President in Charge of Export  
**H. Stern** Secretary

General Offices

**Montreal** 460 St. Catherine Street West

Sales Offices

**Toronto** 332 Adelaide West

**Winnipeg** 304 New Hargrave Building

**Vancouver (Representative)** 3155 West 14th Avenue

United States Office

**New York** 60 East 42nd Street

Overseas Offices

**England London, E.C.2** 39 King Street, Cheapside  
**(Bruck Silk Mills (Eng.) Limited)**

**Australia Melbourne** 84 Flinders Lane

**Australia Sydney** 181 Clarence Street

## **Report to the Shareholders**

Montreal, Que., January 16th, 1947.

### **To the Shareholders**

#### **Bruck Silk Mills Limited**

Submitted herewith is the Annual Financial Statement for the year ended October 31st, 1946.

During this fiscal period your company's sales and profits reached an all-time high. This gratifying accomplishment has been achieved despite rising costs of material, labour and supplies, and increased difficulties of procurement.

### **Profit and Loss**

As a result of increased sales, gross trading profit rose to \$1,542,613 as compared with \$1,272,628 for the previous year. After the usual deductions, the net profit amounted to \$309,319 equal to \$2.47 per share exclusive of refundable portion of Excess Profits Tax. This compared with 69.7c per share in the previous year. Selling and administration expenses, reflecting the higher volume of business, increased to \$550,462 from \$431,013, while the amount charged to Reserve for Taxes was somewhat lower at \$513,458, being equal to \$4.11 per share, as compared with \$579,882, or \$4.64 per share for the prior fiscal period. After deduction of \$112,500 for dividends paid, there remained the amount of \$196,819 which was added to earned surplus. A sum of \$55,966 was transferred from surplus to Reserve for Contingencies, bringing that account to \$200,000. After other adjustments, total earned surplus is shown at \$872,815.

### **Dividends**

During the past fiscal year your directors have declared four dividends on outstanding common shares, these amounting in all to 90c per share. As the first dividend for the current fiscal year, 30c per share was paid on December 15th, 1946.

### **Term Loan**

During the period your company arranged with the Bank of Montreal for a term loan of \$500,000 on satisfactory conditions, particulars of which may be noted on the Balance Sheet.

### **Net Working Capital**

The net working capital position of your company at the close of the past year was improved. Based on total current assets of \$2,043,152 and total current liabilities of \$908,068, net working capital was \$1,135,084, as compared to \$823,474 in the previous year.

### **Inventory Position**

Value of inventory at year end was \$1,516,275 as compared with \$1,287,939 for the previous year. This reflects the increased manufacturing activities of your company. The inventory position is sound in relation to increased sales and developing markets for Bruck Fabrics.

### **Property and Plant**

As you will note in the Balance Sheet, the net value of your company's fixed assets stands at \$2,522,479, after taking into account additions, retirements, amortization and depreciation.

At the close of the last fiscal year the capital surplus, which arose from appraisal of fixed assets set up in the previous year, was amortized to the extent of \$117,634.

Many of your management's plans for the Cowansville plant, outlined by me a year ago, have been implemented. Some of the new equipment then mentioned has been received and placed in operation; other items are awaited. I am happy to report that the condition of your company's plant is most satisfactory.

The new plant at Sherbrooke, Que., as announced in the last annual report, has not been brought into production as early as anticipated. This was occasioned by delays in construction and slow deliveries of building materials, all beyond your management's control. It is expected that initial operation of this new unit will commence during Spring 1947.

### **Dominion Spinners Limited**

During the past fiscal year, your company acquired all the outstanding shares of Dominion Spinners Limited, of St. Johns, Que., at a cost of \$167,972. This firm is now a wholly owned operating subsidiary of your company.

Dominion Spinners Limited was formed in 1940 to process rayon and nylon yarns for Canadian weavers and hosiery manufacturers. The plant is situated on a property in a choice industrial location, consisting of some five acres of land. The building, comprising 26,000 sq. ft. of floor space, is modern

in every respect, and is of steel, brick and reinforced concrete construction. The outstanding mortgage having been paid in full recently, the property of Dominion Spinners Limited is now free of all encumbrances. Employees number approximately 130. Its production is an important complement to your company's operations. In addition to providing for your company's requirements, Dominion Spinners Limited continues to service other manufacturers, as in the past.

#### **Bruck Mills (Australia) Limited**

During 1946 your company participated in the organization of Bruck Mills (Australia) Limited. This company was organized under the laws of the State of Victoria, with authorized capital of £(A)1,000,000, of which 250,000 are 5% preference shares and 750,000 ordinary shares, all at a par value of £(A)1 each. The capital was raised by public subscription which met with excellent response; the initial issue of securities, 250,000 preference and 470,000 ordinary shares, was at once substantially over-subscribed.

Your company has granted to the Australian company the rights to the use in Australia of the name "BRUCK", its trade marks and processes, and in addition will turn over specified machinery and assist in furnishing technical advice and personnel. In return for the foregoing your company will receive a substantial amount of ordinary shares and long term options for further subscriptions at par value.

Bruck Mills (Australia) Limited has leased, on long term with option to purchase, a property of 45½ acres located at Wangaratta, State of Victoria, with a modern factory building having over 200,000 square feet of manufacturing floor space.

The Australian company will be one of the first producers of woven rayon fabrics in that Dominion, serving an important domestic market which heretofore has obtained most of its requirements by imports. The operations of Bruck Mills (Australia) Limited will not preclude, however, your company's continuing export sales to that large market; because of the diversity of your company's products it is expected that many of its fabric lines will be complementary to the Australian production. Your company is well represented on the Australian Board. It is to be expected that this investment will prove to be a valuable asset to your company in the years to come.

#### **Export Markets**

As a consequence of some relaxation of restrictions it was possible to enlarge your company's sales abroad, both in scope and in volume. This was accomplished without impairing the volume of domestic business. Export sales show every indication of continued improvement.

### **Advertising**

In my report last year I described the steps taken by your management in development of consumer and trade good will. I can now report that these efforts are showing excellent results. Advertising and promotional programmes are being continued and in certain directions amplified. This includes production of a motion picture film in colour and sound, bringing together the manufacturing and consumer aspects of your company's products. The film, titled "The Fabric of Our Story", is available for showings to social, trade and educational groups.

### **Staff**

It was a source of sincere gratification throughout the year to note the prevailing spirit of co-operation between employees and management.

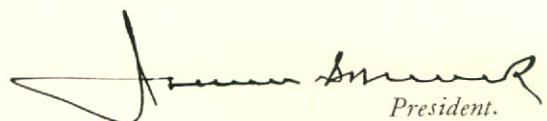
During the fiscal year under review the management, having in mind the rising cost of living, initiated a general wage increase.

On behalf of the Directors I acknowledge with fullest appreciation the valuable services rendered by all employees who have contributed to the results reported herein; in recognition of which your company has voluntarily distributed a Christmas bonus to all personnel.

### **Conclusion**

Having passed through difficulties of the war years and early transition period, your company finds itself in a highly satisfactory position. Your management is now devoting its attention to long range planning, concentrating on details of operations, development and diversification of products, and broadening sales programmes. Prospects for the current year are highly encouraging and the management looks to the immediate future with continued confidence.

Submitted on behalf of the Board,



James Smurthwaite  
President.

**Balance Sheet as at**

Bruck Silk

**Assets****Current Assets**

Cash on Hand and in Banks	\$ 94,391
Cash Surrender Value of \$475,000 Life Insurance	157,592
Deposit with Insurance Underwriters	21,431
Accounts Receivable—Less Reserve	253,463
Inventories—Manufacturing materials, either raw, in process or in finished state, valued at the lower of cost or market. Other manufacturing elements at cost	1,516,275
	\$2,043,152
	264,328

**Refundable Portion of Excess Profits Tax****Employees' Victory Loan Subscriptions**

Subscriptions Receivable from Employees	16,839
Less—Bank Loan against Employees' Subscriptions	14,900
<i>Note:</i> —Bank holds as collateral \$14,900 Dominion of Canada Bonds, 3% 1966	1,939

**Investments in Wholly-Owned Subsidiary Companies**

Shares—at Cost	172,203
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**Other Investments**

Stocks—at Cost	2,280
Employees' Housing Scheme—Second Mortgages	9,105

**Prepaid Charges**

Insurance, Employees' Annuities, etc.	58,921
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**Plant Investment**

Land, Buildings, Plant, Machinery, Furniture and Fixtures	3,853,317
Deduct—Reserve for Depreciation	\$1,213,204
Reserve for Amortization of Appraisal Appreciation	117,634

As per valuation by Canadian Appraisal Company Limited, dated 29th April, 1944, with subsequent additions at cost less retirements (amount of appraisal write-up over primer value—\$1,768,151.37)

Trade Marks, Processes, etc.	1
	\$5,074,408

Signed on Behalf of the Board,

ISAAC I. BRUCK } Directors  
L. S. LEE }

**Auditors' Report**

We have audited the Books and Accounts of Bruck Silk Mills Limited for the year ended 31st October, 1946, and have obtained all the information and explanations we have required.

In calculating the liability for Excess Profits Taxes a reserve for possible future depreciation in inventory values has been claimed in accordance with the provisions of Section 6 (2C) of the Excess Profits Tax Act.

We certify that, in our opinion, the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the books of the Company.

**31st October, 1946**

**Mills Limited**

	<b>Liabilities</b>
<b>Current Liabilities</b>	
Bank of Montreal—Loan . . . . .	\$ 50,000
Accounts Payable and Accrued Charges . . . . .	366,900
Due to Subsidiary Companies . . . . .	32,974
Bills Payable . . . . .	181,403
	<hr/>
<b>Reserve for Taxes</b>	
Dominion Income and Excess Profits Tax . . . . .	513,458
<i>Less</i> —Paid on Account . . . . .	236,667
	<hr/>
	908,068
<b>Bank of Montreal — Term Loan</b> . . . . .	500,000
Repayable in graduated payments, semi-annually, commencing 15th June, 1948, and ending 15th December, 1952	
<b>Capital</b>	
No PAR VALUE COMMON STOCK:	
<i>Authorized</i> —150,000 shares	
<i>Issued</i> —125,000 shares . . . . .	787,500
Reserve for Contingencies . . . . .	200,000
Capital Surplus as at 31st October, 1946 . . . . .	1,541,697
Earned Surplus as at 31st October, 1946 . . . . .	872,815
<b>Deferred Surplus</b>	
Refundable Portion of Excess Profits Tax as at 31st October, 1946 . . . . .	264,328
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	3,666,340
	<hr/>
<b>Contingent Liability</b>	
Trade Papers under Discount with Bank . . . . .	\$552,055
Estimated Maximum Excess Profits Tax on Reserve for possible Inventory decline of \$137,137 . . . . .	21,713
Guarantee of Mortgages on Employees' Houses . . . . .	14,514

MONTRAL, 10th January, 1947

In accordance with the provisions of Section 114 of the Dominion Companies Act 1934, we report that aggregate profits amounting to \$89,104.29, as at the last Balance Sheet dates of the Company's subsidiaries, are not reflected in the above Balance Sheet. The Auditors' report on one of the Company's subsidiaries contains a qualification regarding the Excess Profits Tax liability due to non-determination of Standard Profits and also as to the non-payment of a sum of \$35,000.00 Capital payments on mortgages due.

**Macintosh, Robertson & Paterson,**  
Chartered Accountants.

**Statement of Income and Expenditure  
for the Year ended 31st October, 1946**

**Bruck Silk Mills Limited**

Gross Profit from Trading . . . . .		\$1,542,613
Selling, Delivery, Administrative and other expenses . . . . .	\$550,462	
(Executive Officers' Salaries, \$55,592.16)		
Directors' Fees . . . . .	1,980	
Legal Fees and Expenses . . . . .	3,981	\$556,423

**Depreciation**

Plant, Machinery and Equipment . . . . .	121,251	
Buildings, etc. . . . .	26,722	
Furniture and Fixtures . . . . .	7,901	
Transportation Equipment . . . . .	3,117	158,991
Profit from Operations . . . . .		715,414

827,199

**Add—Other Income**

Dividends and Interest Received . . . . .	1,128	
Profit on Sale of Securities . . . . .	1,085	
Profit on Sale of Fixed Assets . . . . .	2,932	
Sundry Income . . . . .	1,360	6,505
Provision for Bad Debts—Increase . . . . .		833,704
		10,927
Deduct—Provision for Income and Excess Profits Taxes . . . . .		822,777
		513,458
Profit for Year Ended 31st October, 1946 . . . . .		\$ 309,319

**Statement of Earned Surplus Account  
as at 31st October, 1946**

**Bruck Silk Mills Limited**

Balance at Credit 31st October, 1945		\$762,653
<b>Deduct</b>		
Provision for Income and Excess Profits Taxes applicable to prior years		34,431
		<hr/>
		728,222
<b>Add</b>		
Sundry Adjustments applicable to prior years		3,740
		<hr/>
Profit for Year Ended 31st October, 1946		731,962
Dividends Paid		\$309,319
		112,500
		<hr/>
Transferred to Reserve for Contingencies		196,819
		<hr/>
<i>Balance at Credit 31st October, 1946</i>		928,781
		<hr/>
		55,966
		<hr/>
		\$872,815
		<hr/>

**Statement of Capital Surplus Account  
as at 31st October, 1946**

**Bruck Silk Mills Limited**

Balance at Credit 31st October, 1945		\$1,661,860
<b>Deduct</b>		
Written off during year on disposal of Fixed Assets		\$ 2,529
Amortization of Appraisal Appreciation		117,634
		<hr/>
<i>Balance at Credit 31st October, 1946</i>		120,163
		<hr/>
		\$1,541,697
		<hr/>

**Bankers**

BANK OF MONTREAL *Montreal*  
NATIONAL CITY BANK OF NEW YORK *New York*

**Transfer Agents**

MONTREAL TRUST COMPANY *Montreal & Toronto*  
CITY BANK FARMERS TRUST COMPANY *New York*

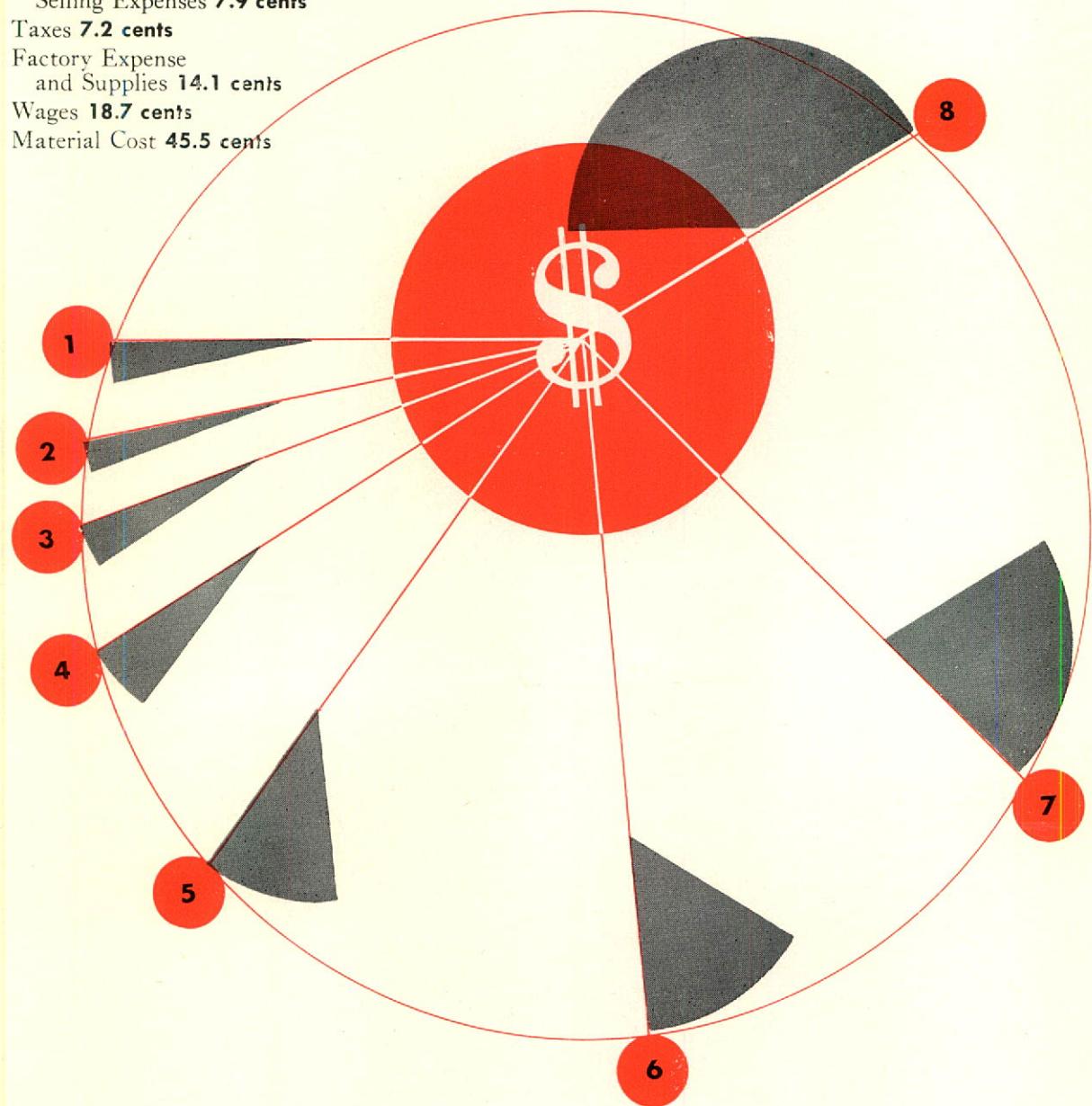
**Auditors**

MACINTOSH, ROBERTSON & PATERSON *Montreal*

**Registrars**

THE CANADIAN TRUST COMPANY *Montreal*  
MONTREAL TRUST COMPANY *Toronto*  
NATIONAL CITY BANK OF NEW YORK *New York*

- 1 To Surplus Account **2.8 cents**
- 2 Dividends Paid **1.6 cents**
- 3 Depreciation **2.2 cents**
- 4 Administrative and  
Selling Expenses **7.9 cents**
- 5 Taxes **7.2 cents**
- 6 Factory Expense  
and Supplies **14.1 cents**
- 7 Wages **18.7 cents**
- 8 Material Cost **45.5 cents**



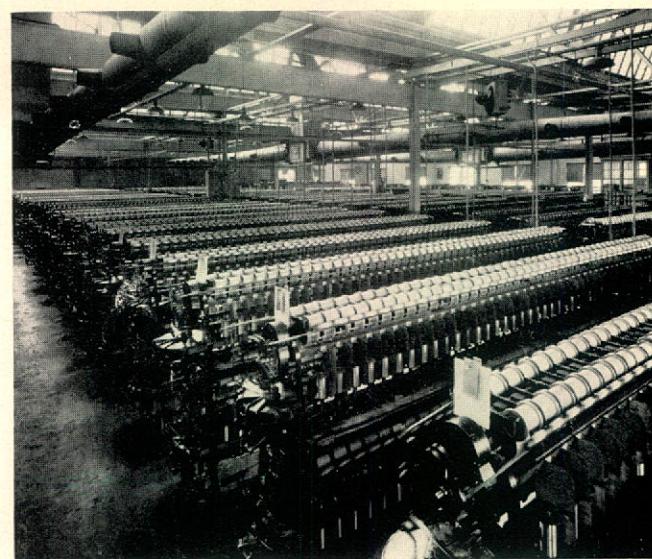
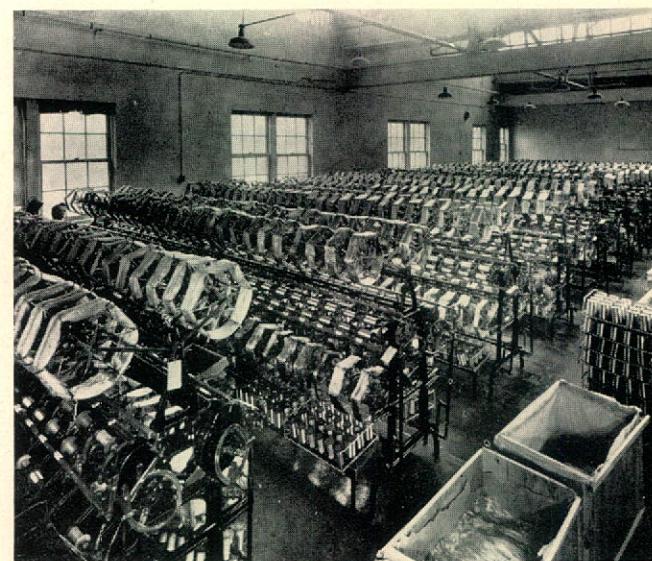
This is what happened to the 1946 Sales Dollar

## New Plants

Pictured on this page are some views of Dominion Spinners Ltd., St Johns, Que. This company has recently become a subsidiary to the Bruck Silk Mills Ltd. It is located midway between Montreal and Cowansville, and forms the third member of the Bruck plants. It is here that Rayon and Nylon yarns are treated and twisted for fabrication into woven fabrics and hosiery. Although the Bruck Cowansville plant is its principal customer, this company serves other weavers and hosiery manufacturers.

Soon to be in operation is the new Sherbrooke mill. In this building, among other things, will be new machinery to expand the already important drapery and upholstery fabric lines.

The factory building, located in new industrial district at Sherbrooke, will be a model plant in many respects and will be a most important addition to Bruck's expansion programme.



A wide variety of dress fabrics



Colourfast swimsuit fabrics



Corset fabrics strong and durable



Sportswear fabrics for men and women



Drapery fabrics plain and printed



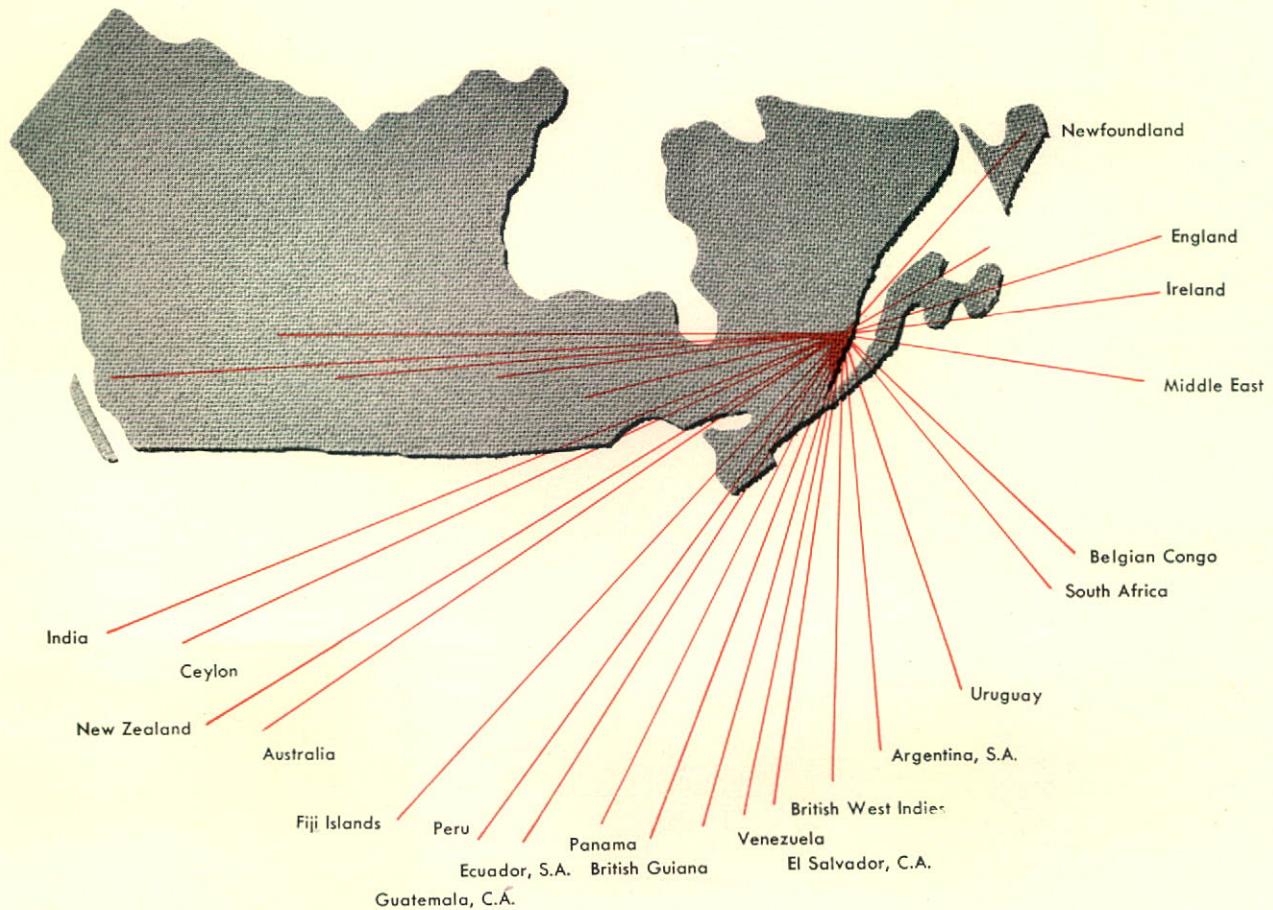
Upholstery fabrics plain and brocaded



## Products

Bruck Fabrics represent a large section of the textile requirements of Canadians not only in respect to its considerable production but also with regard to the diversity of the types of cloths. Although rayon yarns are the principal raw materials, Bruck Fabrics also include constructions using cotton, wool, nylon and blends of other materials.

Bruck Fabrics are fabrics for all occasions, designed for daytime and evening dresses, for several types of sportswear and home furnishings, corsetry and many other uses.



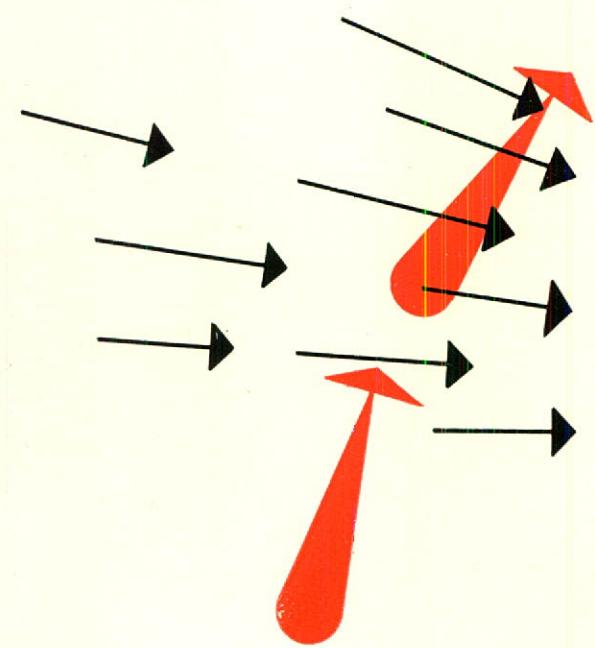
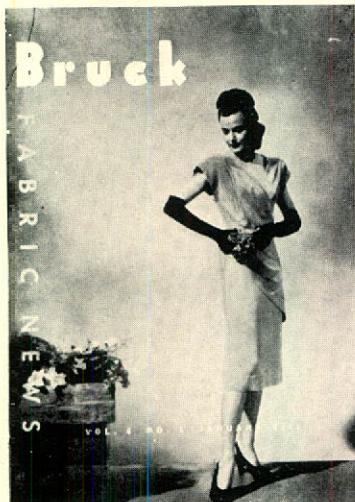
## Markets

Bruck Fabrics are distributed by means of the company's own selling organization to the many manufacturing plants, jobbers and retail stores in Canada and abroad.

While Bruck Fabrics are marketed principally in Canada, export trade has become increasingly important to your company during the last decade. There are now new territories, previously inaccessible, which offer promise for the sale of Bruck Fabrics.

Diversification of markets, like products, is most advantageous to your company.

**Selling . . .**



### Bruck Fabric News

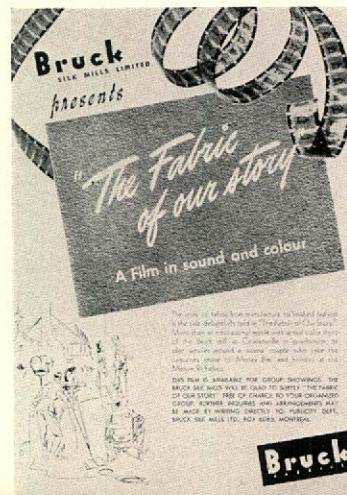
This 12-page booklet is published bi-monthly and is distributed to 10,000 retailers and distributors in Canada and abroad. Through its pages retailers may find the news of the trade, and benefit by the announcements of style trends and merchandise offerings.

### National Advertising

Attractive colour ads are directed to millions of Canadians in full page and full colour. They link the name of "Bruck" to inspired and magnificent quality. These advertisements will be seen in leading magazines and colour sections of weekly papers throughout Canada.

### Moving Pictures

The company has produced a sound film in both French and English which will serve not only to acquaint selling staffs with the interesting features of fabric manufacture, but will also fill a much-needed place in consumer education.





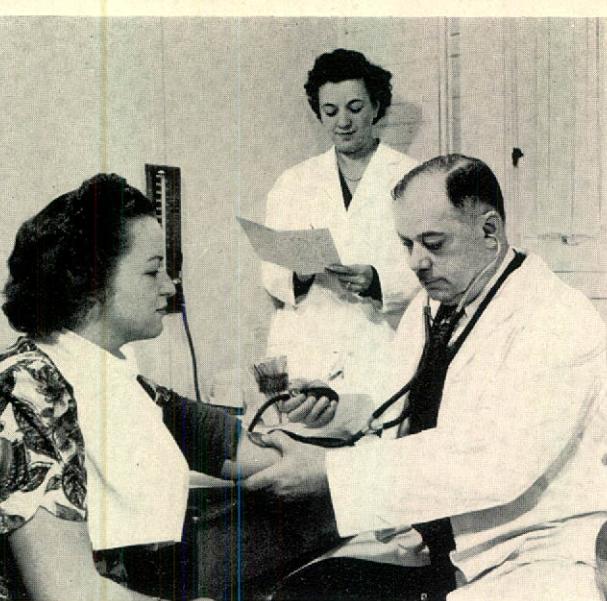
### Consumers

Over a million families read about Bruck Fabrics in magazines and rotogravure sections. Many see its educational films at schools and gatherings. They also recognize the Bruck name when advertised by retail stores.



### Newspaper Advertising

The consumer will see and recognize store advertising featuring the name "Bruck". Already familiar with the name and reputation of the fabric, the retail store is approaching a customer who has been partially sold.



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## Employee Relations

With its steadily increasing productive facilities, the number of Bruck employees has been consistently on the upswing. There are in round figures 1,000 employees at Cowansville, 130 at Dominion Spinners Ltd., St. Johns, and 100 more in its various offices in Montreal and Toronto. With the completion of its Sherbrooke unit and the full installation of expected machinery, it is estimated that approximately another 350 employees will be added to the Bruck payroll.

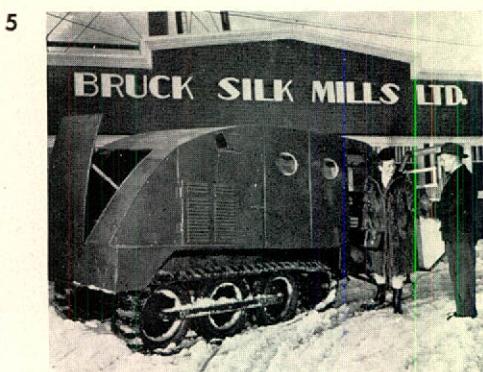
The company realizes that its successful operations are to a considerable extent due to the gratifying relationship which exists between its management and its employees. The company enthusiastically supports many projects which add to the comfort and welfare of its employees. It is happy to be part of a satisfied and prosperous community.

In Cowansville the employees have their own magazine. It is called "Entre Nous" and is published each month. It is filled with news and photographs of themselves and their families at work and at play. Written in both French and English, it is in many respects a picture book of their daily work.

- 1 All personnel may benefit by the presence of a modern infirmary with free regular medical attention.
- 2 Each year the company and Santa Claus are hosts to thousands of youngsters at the Cowansville plant.
- 3 The Clubhouse offers wholesome relaxation to Bruck employees during leisure hours.
- 4 Organized sports and team work are encouraged through sponsored athletics.
- 5 Winter sometimes makes it difficult to get around in the country, but the company's welfare nurse can easily manage in the snowmobile.



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