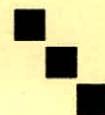


ANNUAL REPORT

BRUCK SILK MILLS
LIMITED



YEAR ENDED OCTOBER 31, 1943

DIRECTORS

ISAAC I. BRUCK	H. E. HERSCHORN
MORTON DARLING	L. S. LEE
H. D. DWYER	BENJAMIN LEIBEL
ARTHUR M. FLANDERS	RENE B. PERRAULT
J. STEVENSON FRY	A. LOVELL PHILLIPS
H. STERN	

OFFICERS

President.....	I. I. BRUCK
Vice-President.....	L. S. LEE
Vice-President.....	A. M. FLANDERS
Secretary.....	H. STERN

GENERAL OFFICES

Montreal	460 St. Catherine Street
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SALES OFFICES

Toronto	332 Adelaide West
Winnipeg	Canada Building
Vancouver	3155 West 14th Ave.

UNITED STATES OFFICE

New York	295 Madison Ave.
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OVERSEAS OFFICES

England London	310 Grove End Gardens
(Bruck Silk Mills (Eng.) Limited)	
Australia Melbourne	84 Flinders Lane
Sydney	181 Clarence Street

MILLS AT COWANSVILLE, QUEBEC.

REPORT OF THE PRESIDENT

Montreal, Quebec,
January 31st, 1944.

TO THE SHAREHOLDERS,
BRUCK SILK MILLS LIMITED:

Presented herewith is the Annual Financial Statement of your Company for the fiscal year ended October 31, 1943. Despite the multiplying difficulties of operation in wartime, to which I shall presently refer, there was a moderate increase in the gross volume of your Company's sales, although reduced margins resulted in some contraction in gross trading profits and in net earnings available against the outstanding common shares.

Your management finds great encouragement in the continued adaptability of your organization to constantly changing conditions due to complications of wartime. Such matters as increasing difficulties in respect of raw materials supply, labour shortages, meeting of government demands and requirements, extending special technical assistance to war departments — all were contended with successfully.

PRODUCTION AND RESEARCH

Substantial amounts of fabrics were woven for military and civilian purposes at a time when problems of raw materials procurement were increasing in intensity. Official controls on materials, manpower, and transportation at home and abroad, made themselves felt even more keenly than during the preceding year.

During the past year your Research Division has been of particular service in aiding economical plant operation and maintaining high quality standards for all products. Your research facilities have been at all times available to the government, and particular co-operation has been extended to the Departments of Defence at Ottawa in experimental and test work in connection with new wartime products and in particular utilization of various materials.

EXPORT MARKETS

In connection with export markets it is the continuing policy of your company to fit itself to conditions as they develop, and to co-operate fully with plans and arrangements based on understanding between the Canadian and other Governments. It is notable that there are increasing enquiries from outside countries which suggests interesting possibilities for post war. Offices and connections of long standing in Great Britain, Australia, New Zealand, The West Indies and Latin American countries continue to be maintained. In the past year export trading has been limited by conditions of supply and transport and was, therefore, slightly less than in the previous period.

PROFIT AND LOSS

Profit and Loss Account for the year ended October 31, 1943 shows a decrease in gross trading profit at \$1,027,063, as compared with \$1,234,161, in 1942 and \$1,063,737 in 1941. After all charges, and write-offs in respect of depreciation and taxation, but before provision for Inventory Reserves, the net profit for the year amounted to \$150,329, equal to \$1.20 earned per share on the outstanding 125,000 shares of no par value common stock. In the previous year net of \$186,489 was equal to \$1.49 earned per share, before provision for Inventory Reserve. During the last fiscal year four interim quarterly dividends, each of 10c per share, were disbursed to shareholders. After all surplus charges and deductions there was carried forward into the Balance Sheet an earned surplus of \$718,236, plus deferred surplus (Refundable Federal Tax) of \$46,095. Thus, despite the moderate increase in sales this year, profits were somewhat reduced, which is attributed to close margins resulting from price ceilings on finished products, together with additional cost of living bonus and increased cost of materials, supplies and general operating expenses.

FEDERAL TAXATION

During the year there was paid out of profits to meet Federal taxation an amount of \$240,996, as compared with \$288,819 in 1942, \$164,658, in 1941, \$35,156, in 1940 and \$7,453, in the year ended in 1939. Pending final determinations, our Federal taxation is fully paid up and, as now required, payments against current periods are made monthly. Consideration has been given to the Inventory Reserve of \$349,878, as compared with \$318,604, in 1942, and \$220,229, in 1941, in accordance with Dominion Taxation Laws.

AUDITORS' REPORT

In this connection your attention is directed to the Report of the Auditors which says, in part: "Provision for taxes under the Excess Profits Tax Act for the years ended 31st October 1940 to 31st October 1943, inclusive, has been made, subject to the result of application by the Company to have its standard profit determined under Section 5, subsection 3 of the Excess Profits Tax Act. Reserve against future depreciation inventory values has been provided in accordance with provision of Section 6, paragraph 2 (c) of the Excess Profits Tax Act."

NET WORKING CAPITAL

During the year under review your Company strengthened its net working capital position. At the close of the year net working capital amounted to \$1,235,335, as compared with \$1,055,581, one year earlier. Current assets were reduced to \$1,770,378 and a material contraction was effected in Current Liabilities which stand at \$535,043. This resulted in a sharp improvement in the ratio of Current Assets to Liabilities, to 3.31 to 1 as compared with 2.11 to 1 in the previous year.

CONTINGENT RESERVE

There has been set aside from surplus account, as you will observe from the Balance Sheet, a Contingent Reserve to provide for inventory reserve of \$349,878 and for contingencies that may arise in the future. I believe this is sound practice during this period of wartime uncertainty, and in view of possible post war eventualities.

INVENTORY POSITION

Inventory Account was increased to \$1,307,756, as compared with \$1,199,142, the comparable figure in the period ended in 1942. Comparative analysis of Inventory Account follows:

	AS OF OCTOBER 31st		
	1943	1942	1941
Raw Materials	\$553,115	\$419,877	\$424,281
Goods in Process, and Supplies.....	551,258	469,159	390,781
Undyed Fabrics	118,896	198,082	195,483
Dyed Fabrics	84,487	112,024	162,271
TOTALS	\$1,307,756	\$1,199,142	\$1,172,816

DEPRECIATION RESERVE

In the year under review there was charged off to Depreciation Reserve out of Profits an amount of \$187,759, as compared with \$232,875, in the previous year. This resulted in the increase in the Reserve for Depreciation, to \$1,504,636, leaving the net value credited to Property Account at \$827,742, as compared with \$949,568, in the previous year.

PLANT

Gross value of your Company's fixed assets, before depreciation, was \$2,338,211 as at October 31 last. Plant continues to be thoroughly maintained despite increased difficulties of procurement of replacement and repair supplies.

POST WAR CONVERSION

Your management does not foresee any particular problems in conversion of plant and equipment to post war conditions. No major changes will be required in either equipment or technical staffs. Your management keeps closely posted on the advance of science in the textile industry. I feel safe in stating that your plant, which is a thoroughly modern and efficient unit, can be put into normal civilian production without undue change or delay.

FUNDED DEBT

As revealed in the Balance Sheet the outstanding funded debt of your Company now amounts to \$382,800, par value of 6½% First Mortgage Bonds. Reduction during the past year through Sinking Fund retirement amounted to \$2,500, par value.

STAFF

Many members of your staff are serving with His Majesties Armed Forces. I regret to report that three have made the supreme sacrifice.

Staff participation in war and patriotic work continues on increasing scale. In all Victory Loans employees subscription quotas were substantially exceeded, and investments in War Savings Certificates through the payroll deduction plan are being fully maintained.

EMPLOYEE RELATIONS

During the past year your management has preserved satisfactory relations with employees on a basis of mutual understanding and goodwill. Various welfare plans and projects have been introduced and put into effect. The commodious club house has become the community centre for a multitude of patriotic and recreational activities. Through this centre are sponsored entertainments for guest service men from nearby military camps, and facilities have been provided for Blood Donor and other wartime services. A completely equipped first aid room has been installed at the plant with a trained nurse in continuous attendance to look after minor ailments or injuries.

ANNUITIES PLAN

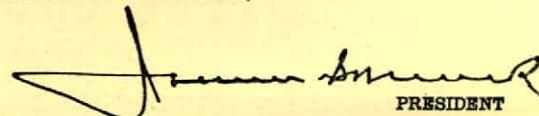
During the year your management introduced a Dominion of Canada Annuities Plan for the benefit of employees. This is available to all personnel over 25 years of age who have been in the service of the Company for 2 years or more. Under this plan, which has received popular approval, joint contributions are made by employees and the Company, the latter's share being 1 2/3 times the amount contributed by employees; contributions of employees are based on individual earnings. Under this arrangement employees reaching the age of retirement will be assured of a monthly income for life.

CONCLUSION

It would be difficult to attempt at this time any predictions for the future. Conditions can be expected to impose increasing burdens upon all management in industry. Realizing this, your management has spared no effort to improve efficiency wherever possible, to explore with care all marketing conditions at home and abroad, and to maintain your Company in soundest possible physical and financial position.

May I, in closing, express my thanks to our employees for their loyal support and co-operation throughout this trying period.

Submitted on behalf of the Board,



PRESIDENT

BALANCE SHEET
BRUCK SILK MILLS LIMITED
AS AT 31st OCTOBER, 1943

ASSETS

CURRENT ASSETS

Cash on hand and in Banks	\$ 75,806.75
Cash Surrender value of \$475,000.00 Life Insurance	123,396.26
Deposit with Insurance Underwriters.....	17,529.61
\$85,000.00 Dominion of Canada Bonds— At cost (Market Value \$85,192.50)	84,900.00
Accounts Receivable— Less Reserve	\$160,988.03
Due from Subsidiary Company—Less Reserve	1.00
	160,989.03
Inventories—Manufacturing materials, either raw, in process or in finished state, valued at the lower of cost or market. Other manufacturing elements at cost	1,307,756.22
	<u>1,770,377.87</u>

EXCESS PROFITS TAX

Refundable Portion	46,094.99
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INVESTMENT IN SUBSIDIARY COMPANIES

Shares	4,231.31
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EMPLOYEE'S HOUSING SCHEME

Second Mortgages	9,441.88
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OTHER INVESTMENTS AT COST

2,280.00

CASH IN SINKING FUND

In hands of Montreal Trust Company for redemption of Bonds.....	5,656.38
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PREPAID CHARGES

Insurance, Employees' Annuities, Dominion Income Tax, etc.	73,673.43
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PLANT INVESTMENT

Land, Buildings, Plant, Machinery, Furniture and Fixtures at value of \$377,046.61 as appraised on 1st November, 1924, by Canadian Appraisal Co. Ltd., plus cost of subsequent additions	\$2,338,211.47
Deduct—Mortgages	5,833.33
	2,332,378.14
Less—Reserve for Depreciation	1,504,636.02
	<u>827,742.12</u>
Trademarks, Processes, etc.	105,176.15
	<u>\$2,844,674.13</u>

BALANCE SHEET
BRUCK SILK MILLS LIMITED
AS AT 31st OCTOBER, 1943

		LIABILITIES
CURRENT LIABILITIES		
Accounts Payable	\$ 298,196.04	
Bills Payable	236,847.14	535,043.18
FUNDED DEBT		
6½% First Mortgage Bonds—		
Authorized	\$1,000,000.00	
Issued	550,000.00	
Less—Redeemed and Cancelled	167,200.00	382,800.00
CAPITAL		
No Par Value Common Stock—		
Authorized—150,000 Shares		
Issued —125,000 Shares	787,500.00	
RESERVE FOR CONTINGENCIES		375,000.00
EARNED SURPLUS AS AT 31st OCTOBER, 1943		718,235.96
DEFERRED SURPLUS		
Refundable portion of Excess Profits Tax as at 31st October, 1943	46,094.99	1,926,830.95
		\$2,844,674.13

Reserve for Contingencies—
 Subject to Inventory Reserve of \$349,878.14

CONTINGENT LIABILITY

Trade Paper under Discount with Bank

\$517,671.37

Guarantee of Mortgages on Employees' Houses 14,301.11

Signed on behalf of the Board:

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

**Statement of
INCOME AND EXPENDITURE
BRUCK SILK MILLS LIMITED
FOR YEAR ENDED 31st OCTOBER, 1943**

Gross Profit from Trading	\$1,027,063.56
Selling, Delivery, Administration and other Expenses (Executive Officers' remuneration \$26,575.85)	\$420,319.48
Directors' Fees	1,760.00
Legal Fees and Expenses	5,550.26
Bond Interest	25,044.50
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	\$574,389.32

DEPRECIATION

Plant, Machinery and Equipment	\$154,757.56
Buildings, Etc.	24,328.48
Furniture and Fixtures	6,796.03
Transportation Equipment	1,877.08
	<hr/>
Reserve for Taxes	\$386,630.17
	<hr/>
	240,995.61
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Dividends and Interest received on Investments	\$ 4,227.97
Other Income	466.84
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Profit for Year to 31st October, 1943	\$145,634.56
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	\$150,329.37
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STATEMENT OF EARNED SURPLUS ACCOUNT AS AT 31st OCTOBER, 1943

Balance at Credit, 31st October, 1942—as adjusted	\$970,638.65
Add—Bad Debts recovered and portion of Reserve not required	\$ 4,950.22
Gain on Disposal of Fixed Assets	655.37
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	\$976,244.24
Profit for Year ended 31st October, 1943	150,329.37
	<hr/>
	\$1,126,573.61
Deduct—Loss on Sale of Securities	241.40
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	\$1,126,332.21
Transferred to Reserve for Contingencies	\$358,096.25
Dividends paid	50,000.00
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Balance at Credit, 31st October, 1943	\$408,096.25
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	\$718,235.96
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AUDITORS' REPORT

MONTREAL—17th January, 1944.

We have audited the Books and Accounts of Bruck Silk Mills, Limited, for the year ended 31st October, 1943. Adequate provision appears to have been made for the loss on a Subsidiary Company whilst the deficit of a Second Subsidiary Company, amounting to \$1,743.88 as at 31st December, 1942 is not reflected in the Balance Sheet. Provision for taxes under the Excess Profits Tax Act for years ending 31st October, 1940 to 31st October, 1943 inclusive has been made subject to the result of application by the Company to have its Standard Profit determined under Section 5, sub-section 3 of the Excess Profits Tax Act. Reserve against future depreciation in Inventory Values has been provided in accordance with provision of Section 6, paragraph 2 (C) of the Excess Profits Tax Act. Having obtained all the information and explanations we have required, 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, the explanations given to us and as shown by the Books of the Company.

(Signed) MACINTOSH, ROBERTSON & PATERSON,
Chartered Accountants.

BANKERS

Bank of Montreal	Montreal
National City Bank of New York	New York

AUDITORS

Macintosh, Robertson & Paterson	Montreal
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TRUSTEE

Montreal Trust Company	Montreal
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TRANSFER AGENTS

Montreal Trust Company	Montreal & Toronto
City Bank Farmers Trust Company	New York

REGISTRARS

The Canadian Trust Company	Montreal
Montreal Trust Company	Toronto
The National City Bank of New York	New York

