

ANNUAL REPORT

BRUCK SILK MILLS LIMITED



PURVIS HALL
YEAR ENDED OCTOBER 31, 1942

JAN 18 1943

MCGILL UNIVERSITY

DIRECTORS

ISAAC I. BRUCK	COL. P. HUTCHISON*
MORTON DARLING	L. S. LEE
H. D. DWYER	BENJAMIN LEIBEL
ARTHUR M. FLANDERS	RENE B. PERRAULT*
H. E. HERSCHORN	H. STERN
GERALD L. BRUCK*	

*Retired

OFFICERS

President.....	I. I. BRUCK
Vice-President.....	L. S. LEE
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 30th, 1943.

TO THE SHAREHOLDERS,
BRUCK SILK MILLS LIMITED:

Reflected in the Annual Financial Report of your Company for the fiscal year that ended on October 31, 1942, is a moderate gain in gross profits. This reflects an increase of about 19 $\frac{3}{4}$ % in sales of your Company's products. As you will observe from the Balance Sheet, the financial position of your Company continues to be strongly maintained, with an increased amount standing to credit of earned surplus, and further improvement in the net working capital position. Provision has been made for reserves that have been set up on account of depreciation and federal taxation, in conformity with requirements under Dominion of Canada Income Tax and Excess Profits Tax Acts.

WARTIME CONDITIONS

In line with my Report of a year ago, your Company has continued to co-operate in every manner possible with the Federal Government in the interests of the war effort, and I have no doubt that these efforts on our part have met with general approval. Conditions that have arisen during the operating year, and due directly to the war, have imposed new and increased burdens upon management both in respect to the nature of the fabrics produced and in conformity with the numerous restrictions that have necessarily been enforced upon industry by the various Federal control agencies. We have met, and will continue to meet these situations as they arise, and to comply with whatever regulations may be promulgated from time to time. I would point out that your Company has continuously held within the established price ceilings on its goods.

EXPORT MARKETS

In my last Report to you, I referred to the effect of the war upon our export markets in Great Britain, Australia, New Zealand, the West

Indies, and Latin America. As was then predicted, conditions arising from the war, particularly the lack of ocean shipping and the exercising of restrictive controls caused our export sales, during the past year, to be reduced. I look for no early improvement in this particular phase of your Company's business. I might add that your management has continued to maintain contacts with established customers in these export markets, and looks forward to a resumption of trading when conditions again permit. Your Company's products have always been held in high esteem in the various countries where in the past sales outlets had been established.

DEPRECIATION RESERVE

During the past fiscal year there was charged off to Depreciation Reserve out of Profits, an amount of \$232,875, as compared with \$263,378 in the previous year. This resulted in the increase in the Reserve for Depreciation, as shown in the Balance Sheet, to \$1,318,633. Deduction of this amount places the net value credited to Property Account at \$949,568 as compared with \$1,018,691 in the previous year.

INVENTORY POSITION

You will notice in the Balance Sheet that your Company's Inventory Account was increased but slightly at \$1,060,167 as compared with \$1,023,878 in the period ended in 1941. Comparative analyses of Inventory Account is as follows:

	AS OF OCTOBER 31st		
	1942	1941	1940
Raw Materials	\$280,902	\$275,343	\$162,298
Goods in Process, and Supplies.....	469,159	390,781	214,459
Undyed Fabrics	198,082	195,483	196,022
Dyed Fabrics	112,024	162,271	172,909
TOTALS	\$1,060,167	\$1,023,878	\$745,688

FEDERAL TAXATION

During the past year the amount that was necessary to charge out of profits to meet federal taxation requirements showed further increase, being \$288,819 as compared with \$164,658 in the year ended

in 1941, \$35,156 in that ended in 1940 and \$7,453 in 1939. Consideration has been given to an Inventory Reserve of \$318,604 as compared with \$220,229 in the previous year, in accordance with provisions of the Dominion Taxation Laws.

AUDITORS' REPORT

In connection with the foregoing your attention is drawn to the Report of the Auditors which says, in part: "Provision for taxes under the Excess Profits Tax Act for years ending 31st October, 1940, 31st October, 1941 and 31st October, 1942 has been made subject to the result of application by the Company to be classified as a depressed company under the provision of Section 5, Paragraph 1 (A) 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."

PROFIT AND LOSS

The Profit and Loss Account for the latest fiscal year shows an increase in gross trading profit of \$1,234,161 as compared with \$1,063,737 in the preceding year. After making all charges, and write-offs in respect of depreciation and taxation reserves already mentioned, the surplus for the year amounted to \$186,489 equal to \$1.49 earned per share on the outstanding common stock, before provision for Inventory Reserves. In the previous year, net surplus had amounted to \$267,568, being equal to \$2.14 per share on the Common Stock, while in the year ended in 1940 the surplus was \$58,309 or 46½c per share on the common stock. After surplus charges and deductions there was carried forward into the Balance Sheet total earned surplus of \$971,502, subject to Inventory Reserve of \$318,604. There was also carried as Deferred Surplus the sum of \$18,439, this being the refundable portion under the Excess Profits Tax Act accrued up to October 31, 1942.

NET WORKING CAPITAL

The liquid position of your Company continues to be strong. As shown in the Balance Sheet, total current assets amounted to \$2,009,838 as compared with \$1,842,934 in the previous year, while current liabilities were slightly reduced at \$954,257 from \$956,665 shown in the 1941 Accounts. As a result, net working capital at the end of the latest

fiscal period amounted to \$1,055,581 as compared with \$886,269 in the preceding year, an improvement of \$169,312.

FUNDED DEBT

As at October 31, 1942, the outstanding 6½% First Mortgage Bonds of your Company were reduced by \$7,600 par value to \$385,300. This reduction reflects retirement through sinking fund during the year and from cash held by trustee.

PLANT

Your Company's plant and property has been well maintained throughout the year. In line with the policy of your management, your plant operations require, to an increasing degree, the closest attention because of the difficulties in respect to procurement of new and replacement machinery and equipment. This is particularly so in relation to the continuance of a high rate of production.

RESEARCH

In my last Report, I drew to your attention the increasing value resulting from your Company's efficient Research Department. This value has continued to demonstrate itself. Your management, working in co-operation with the technical staff, is progressively able to proceed with the elimination of uneconomic operations, including the elimination of frills and the simplification of manufacture. This has contributed importantly in efforts to meet steadily rising costs and difficulties in obtaining various necessary materials and supplies. Improved methods that have resulted from our research effort have enabled us to maintain, and even to improve, the high standards of your Company's fabric products.

STAFF

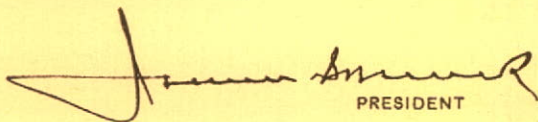
Under wartime conditions it has been necessary to cope with rapidly changing conditions, including loss of employees to the Armed Forces and also to other industries. I am gratified to report that throughout the past year the operating staff has shown a high spirit of willing co-operation and unswerving loyalty. I might mention that in connection with all Dominion Government campaigns for the sale

of Victory Bonds and War Savings Certificates, as well as the Red Cross and similar drives, your employee personnel has in every instance exceeded subscription quotas. During the year the Company, in order to relieve the acute housing shortage at Cowansville, aided employees in the building of a number of dwellings. You will be interested in learning that of your Company's personnel 145 have entered the Armed Services, and many have already covered themselves with distinction.

CONCLUSION

Operations of your Company continue to employ your plant at full capacity. Again I hesitate to predict either the immediate or longer term outlook for your Company. Your management continues its policy of careful observation of conditions from day to day and, so far as possible, every step continues to be taken in order to protect the operating position.

Submitted on behalf of the Board,



PRESIDENT

BALANCE SHEET

BRUCK SILK MILLS LIMITED

AS AT 31st OCTOBER, 1942

ASSETS

CURRENT ASSETS

Cash on hand and in Banks.....	\$	73,799.30	
Cash Surrender value of \$475,000.00 Life Insurance		111,601.42	
Deposit with Insurance Underwriters.....		16,457.52	
\$35,000.00 Dominion of Canada Bonds (Market Value \$34,850.00).....		34,900.00	
Accounts Receivable— Less Reserve	\$573,935.72		
Due from Subsidiary Company—Less Reserve.....	1.00	573,936.72	
Inventories—Manufacturing Materials, either raw, in process or in finished state, valued at the lower of cost or market. Other manufacturing elements at cost.....		1,060,167.47	
Raw Materials in Public Warehouse— Covered by Trust Receipts.....		138,975.41	2,009,837.84

EXCESS PROFITS TAX

Refundable Portion.....			18,438.98
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INVESTMENT IN SUBSIDIARY COMPANIES

Shares	4,231.31		
Accounts Receivable	2,476.32		6,707.63

EMPLOYEES HOUSING SCHEME

Advance by Company.....			35,000.00
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OTHER INVESTMENTS AT COST

			2,280.00
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CASH IN SINKING FUND

In Hands of Montreal Trust Company for Redemption of Bonds			455.38
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PREPAID CHARGES

Insurance, etc.			6,457.70
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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.....	\$2,272,201.03		
Deduct—Mortgage	4,000.00	2,268,201.03	
Less—Reserve for Depreciation.....	1,318,632.87		949,568.16
Trademarks, Processes, etc.			105,176.15

\$3,133,921.84

BALANCE SHEET

BRUCK SILK MILLS LIMITED

AS AT 31st OCTOBER, 1942

LIABILITIES

CURRENT LIABILITIES

Bank of Montreal—		
Outstanding Trust Receipts	\$ 138,975.41	
Accounts Payable	233,381.52	
Bills Payable	293,081.91	665,438.84

RESERVES

Reserve for Taxes		288,818.68
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FUNDED DEBT

6½% First Mortgage Bonds—		
Authorized	<u>\$1,000,000.00</u>	
Issued	550,000.00	
Less—Redeemed and Cancelled	164,700.00	385,300.00

CAPITAL

No Par Value Common Stock—		
Authorized—150,000 Shares		
Issued —125,000 Shares	787,500.00	

RESERVE FOR CONTINGENCIES

.....	16,923.75	
Earned Surplus as at 31st October, 1942	971,501.59	

DEFERRED SURPLUS

Refundable portion of Excess Profits Tax as		
at 31st October, 1942	18,438.98	1,794,364.32
		<u>\$3,133,921.84</u>

Earned surplus subject to Inventory Reserve of \$318,604.06

CONTINGENT LIABILITY

Trade Paper under Discount with Bank	<u>\$259,365.69</u>
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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, 1942

Gross Profit from Trading		\$1,234,161.00
Selling, Delivery, Administration and other Expenses (Executive Officers' remuneration \$26,634.02)	\$498,128.72	
Directors' Fees	1,540.01	
Legal Fees and Expenses	1,445.83	
Bond Interest	25,538.50	526,653.06
		<hr/>
		\$707,507.94

DEPRECIATION

Plant, Machinery and Equipment	\$200,608.20	
Buildings	23,629.96	
Furniture and Fixtures	6,515.84	
Automobile, Trucks and Tractor	2,120.78	232,874.78
		<hr/>
		\$474,633.16
Reserve for Taxes		288,818.68
		<hr/>
		\$185,814.48
Dividend and Interest received on Investments		674.13
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Profit for Year to 31st October, 1942		<u>\$186,488.61</u>

STATEMENT OF EARNED SURPLUS ACCOUNT AS AT 31st OCTOBER, 1942

Balance at Credit, 31st October, 1941		\$834,208.61
Add—Bad Debt Reserve—portion not required		3,378.14
		<hr/>
		\$837,586.75
Profit for Year to 31st October, 1942		186,488.61
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		\$1,024,075.36
Deduct—Reserve for Income Tax, underprovided for 1941	\$5,674.24	
Loss on disposal of Fixed Assets (net)	9,399.53	\$15,073.77
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Dividends paid	37,500.00	52,573.77
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Balance at Credit, 31st October, 1942		<u>\$971,501.59</u>

DEFERRED SURPLUS

Refundable portion of Excess Profits Tax as at 31st October, 1942	\$ 18,438.98
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AUDITORS' REPORT

MONTREAL—14th January, 1943.

We have audited the Books and Accounts of Bruck Silk Mills, Limited, for the year ended 31st October, 1942. Adequate provision appears to have been made for loss on a Subsidiary Company whilst the results of a second Subsidiary Company are not reflected in the Balance Sheet as they have not yet been determined. Provision for taxes under the Excess Profits Tax Act for years ending 31st October, 1940, 31st October, 1941 and 31st October, 1942, has been made subject to the result of application by the Company to be classified as a depressed Company under the provision of Section 5, paragraph 1 (A) 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

