

A N N U A L R E P O R T

BRUCK SILK MILLS **LIMITED**



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ISAAC I. BRUCK	COL. P. HUTCHISON
MORTON DARLING	L. S. LEE
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ARTHUR M. FLANDERS	RENE B. PERRAULT
H. E. HERSCHORN	H. STERN
COL. E. M. RENOUF*	

*Deceased.

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	450 Seventh 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, 1942

TO THE SHAREHOLDERS,
BRUCK SILK MILLS LIMITED:

The Financial Report of your Company for the fiscal year ending October 31st, 1941, shows an increase in Profits which reflects the substantial advances in Sales that took place during that period. You will notice that provision has been made for considerably increased reserves for Depreciation and Taxation. These reserves are in accordance with provisions of Dominion Taxation Laws. From study of the Balance Sheet you will find that the financial position of your Company has been satisfactorily strengthened as a result.

WAR CONTRACTS

Like so many other industrial corporations in North America your Company has been feeling the effects of this World War in many ways. Since the close of the last fiscal year there have been received initial contracts from the Dominion Government. Negotiations and research leading up to these awards had been in progress for many months. During the current year your plant will operate at an increasing rate on orders of this nature, which will displace to a degree production for civilian consumer purposes. Thus the productive facilities of your Company will make a direct contribution to our Country's war production.

ECONOMIC CONTROLS

Various economic controls have been imposed by the Dominion Government in increasing measure during last year. We were glad

to aid in their implementation in full sympathy and understanding of their purposes.

SALES

Sales of your Company during the latest fiscal year reached the highest level in its history, showing an increase of about 75% over the preceding period. This large volume of business held plant operations at full capacity throughout the year.

EXPORT MARKETS

During the past few years your Management has taken steps to develop sales outlets in other countries, including Great Britain, Australia and New Zealand. Up to the outbreak of war these efforts had met with a measure of success. Subsequent conditions, however, have had the effect of making this new business increasingly difficult to maintain. In spite of this our Export business during the past year was satisfactory. The future of Export operations is difficult to judge because of the exigencies of war and the difficulties of ocean shipment. While the outlook continues obscure, your Management is endeavouring to intensify the development of sales in the Caribbean Countries and those of Latin America. In this development it is, of course, necessary to work in close accord with requirements of our Domestic markets and of the Dominion Government.

DEPRECIATION RESERVE

You will notice in the Accounts an increase of nearly \$130,000 in the amount charged off to Depreciation Reserve out of the earnings of the past year, the item being \$226,378 as compared with \$97,610 in 1940 and \$47,694 in 1939. This increase has been taken in order to bring Depreciation Reserve account into conformity with conditions resulting from the continuing high rate of plant operations. At the end of the fiscal year depreciation reserve amounted to \$1,087,758, deduction of which placed Net Property account at \$1,018,691 as compared with \$981,332 in 1940 and \$882,221 in 1939.

INVENTORY

At October 31, 1941 the Inventory account of your Company amounted to \$1,023,878 as compared with \$745,689 at the end of the

preceding period, and in addition there was an amount of \$148,938 of raw materials held in public warehouses and covered by Trust Receipts as compared with \$105,246 a year ago. Your Management has followed its usual policy of providing for ample inventories in order to assure continuity of plant operations. Analysis of inventory account for the past three years is as follows:

AS OF OCTOBER 31st

	1941	1940	1939
Raw materials	\$275,343	\$162,298	\$138,042
Goods in Process, and Supplies.....	390,781	214,459	177,867
Undyed Fabrics	195,483	196,022	120,433
Dyed Fabrics	162,271	172,909	194,860
TOTALS	\$1,023,878	\$745,688	\$631,202

TAX RESERVE

As a result of sharply increased Wartime taxation on Corporation profits by the Dominion Government we charged out of earnings an amount of \$164,658 to Reserve for Taxes, compared with \$35,156 in 1940 and \$7,453 in 1939. An amount of \$220,229 has been taken into consideration as an Inventory Reserve when computing the Company's tax liability; this is in accordance with the provisions of the Dominion Taxation Laws.

AUDITORS' REPORT

We would direct your attention to the report of the Auditors which says: "Provision for taxes under the Excess Profits Tax Act for the years ending 31st October, 1940 and 31st October, 1941 has been based on the minimum provided by the Act as, we are advised: (1) Application will be made 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. (2) 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."

EARNINGS

Substantial improvement in earnings of your Company during the latest fiscal year reflected higher sales and benefits resulting from

improvements to Plant and introduction of new efficiencies during recent years. These have tended to offset rising costs for raw materials and increasing levels of salaries and wages. Gross trading profit for the year amounted to \$1,063,737, compared with \$511,628 in the previous year. After all provisions for expenses, taxes and depreciation there remained a surplus of \$267,568 on the year's results, equal to \$2.14 per share on the outstanding Common Shares (before provisions for Inventory Reserves). In the previous fiscal year Net Earnings equalled 46½c per share, and were 23.9c per share in the period ended in 1939. After surplus charges and adjustments there was carried forward total earned surplus of \$834,208.61.

LIQUID POSITION

Substantial improvement is recorded in Net Working Capital resulting from the year's operations after giving effect to reserves and other items. Current Assets increased \$727,000 to \$1,842,934 while Current Liabilities increased \$500,000 to \$956,665. Thus Net Working Capital worked out at \$886,269, being an improvement of \$227,000 during the year.

FUNDED DEBT

As at October 31, 1941 the outstanding 6½% First Mortgage Bonds of your Company were reduced by \$15,600 par value to \$392,900. This reflects retirement through Sinking Fund during the year and from Cash held by Trustee.

PLANT

During the past fiscal year the high rate of operations maintained in your Plant imposed problems of maintenance and necessitated more adequate depreciation provisions. Your Management has continued its policy of past years by making considerable outlays in equipment and improvements to your physical assets and these have proved advantageous.

RESEARCH

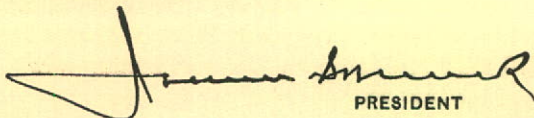
Important benefits have accrued to the operations of your Company due to the research carried out in recent years by your Company's technicians. There has resulted an increased quantity and

improvement in quality in your Company's products, as well as improved processes and methods based on tests to which component parts and finished materials are subjected. This has made possible better results due to lowered unit costs all the way through from raw materials to finished products. It has also permitted increasing co-operation with and improved service to our customers in Canada and in Export markets where BRUCK FABRICS have been meeting rising favour.

CONCLUSION

Thus far in the current fiscal year operations of your Plant are continuing at fullest capacity. Equipment is in excellent condition and is functioning smoothly. Your Management and Employees during the past year have handled successfully their increasing responsibilities and have shown commendable enthusiasm and loyalty. In the face of rapidly changing conditions in this war period it is inadvisable to make predictions, but I may say that your Management is keeping closely posted from day to day on the trends of supplies, values, and demands in order that your Company's position be adequately protected.

Submitted on Behalf of the Board,

A handwritten signature in dark ink, appearing to read "James M. ...", is written over the word "PRESIDENT".

PRESIDENT

BALANCE SHEET

BRUCK SILK MILLS LIMITED

AS AT 31st OCTOBER, 1941

ASSETS

CURRENT ASSETS

Cash on Hand and in Banks.....	\$	64,000.81	
Cash Surrender Value of \$475,000.00 Life Insurance		100,528.48	
Deposit with Insurance Underwriters.....		15,204.57	
Accounts Receivable— Less Reserve	\$490,382.87		
Due from Subsidiary Company — Less Reserve.....	1.00	490,383.87	
Inventories—Manufacturing Materials, either raw, in process or in finished state, valued at the lower of cost or market. Other manufacturing elements and Mill Supplies at cost		1,023,878.42	
Raw Materials in Public Warehouse— Covered by Trust Receipts.....		148,937.64	\$1,842,933.79

INVESTMENT IN SUBSIDIARY COMPANY

Shares	1,231.31
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INVESTMENTS AT COST

\$1,600.00 Company's Bonds (Market Value \$1,612.00)	1,582.00	
\$10,000.00 Dominion of Canada Bonds (Market Value \$9,900.00)	9,900.00	
Other Securities—Book Value.....	2,280.00	13,762.00

CASH IN SINKING FUND

In Hands of Montreal Trust Company for Redemption of Bonds	161.88
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PREPAID CHARGES

Insurance, etc.	6,195.82
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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	\$2,106,448.50	
Less—Reserve for Depreciation	1,087,757.73	1,018,690.77
Trademarks, Processes, etc.		105,176.15
		<u>\$2,988,151.72</u>

BALANCE SHEET

BRUCK SILK MILLS LIMITED

AS AT 31st OCTOBER, 1941

LIABILITIES

CURRENT LIABILITIES

Bank of Montreal—			
Outstanding Trust Receipts	\$	177,442.71	
Accounts Payable		219,463.88	
Bills Payable		395,100.19	\$ 792,006.78

RESERVES

Reserve for Taxes			164,658.08
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FUNDED DEBT

6½% First Mortgage Bonds—			
Authorized	\$1,000,000.00		
Issued		550,000.00	
Less—Redeemed and Cancelled		157,100.00	392,900.00

CAPITAL

No Par Value Common Stock—			
Authorized—150,000 Shares			
Issued —125,000 Shares	\$	787,500.00	
Reserve for Contingencies		16,878.25	
Earned Surplus (as adjusted)			
at 31st October, 1940.....	\$567,343.21		
Loss on Disposal of Fixed			
Assets		702.28	
		\$566,640.93	
Profit for Year to 31st October,			
1941	267,567.68	834,208.61	1,638,586.86
			<u>\$2,988,151.72</u>

Surplus subject to Inventory Reserve of \$220,228.62

CONTINGENT LIABILITY

Trade Paper under Discount with Bank.....	\$513,004.71
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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, 1941

Gross Profit from Trading		\$1,063,736.76
Selling, Delivery, Administration and other Expenses (Executive Officers' remuneration \$25,274.75)	\$378,002.11	
Directors' Fees	1,193.32	
Legal Fees and Expenses	270.85	
Bond Interest	26,065.00	405,531.28
		<u>\$658,205.48</u>

DEPRECIATION

Plant, Machinery and Equipment	\$199,070.13	
Buildings	21,945.12	
Furniture and Fixtures	3,941.64	
Automobiles, Truck and Tractor	1,421.07	226,377.96
		<u>\$431,827.52</u>
Loss on Disposal of Automobile		78.78
		<u>\$431,748.74</u>
Reserve for Taxes		164,658.08
		<u>\$267,090.66</u>
Dividend and Interest received on Investments		477.02
		<u>\$267,567.68</u>
Profit for Year to 31st October, 1941		<u><u>\$267,567.68</u></u>

STATEMENT OF EARNED SURPLUS ACCOUNT AS AT 31st OCTOBER, 1941

Balance at Credit, 31st October, 1940	\$561,163.15
Add—Adjustment	6,180.06
	<u>\$567,343.21</u>
Deduct—Loss on disposal of Assets	702.28
	<u>\$566,640.93</u>
Profit for Year to 31st October, 1941	267,567.68
	<u><u>\$834,208.61</u></u>

AUDITORS' REPORT

MONTREAL—19th January, 1942.

We have audited the Books and Accounts of Bruck Silk Mills, Limited, for the year ended 31st October, 1941. Adequate provision appears to have been made for loss on Subsidiary Company. Provision for taxes under the Excess Profits Tax Act for years ending 31st October, 1940 and 31st October, 1941 has been based on the minimum provided by the Act as, we are advised, 1. Application will be made 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. 2. 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

