

C
Stack

ANNUAL REPORT

SILKNIT LIMITED

AND SUBSIDIARY COMPANIES

for the fiscal year ended
DECEMBER 31, 1949

PURVIS HALL
LIBRARIES
MAY 31 1950
McGILL UNIVERSITY

SILKNIT LIMITED

TORONTO 1, CANADA

May 18, 1950.

To the Shareholders of

SILKNIT LIMITED:

Your Board of Directors submits herewith the consolidated balance sheet of Silknit Limited and its subsidiary companies as at December 31, 1949, together with consolidated statements of profit and loss, earned surplus and capital surplus for the year then ended.

The results of the operations of Silknit Limited and the various subsidiary companies for the year 1949 were satisfactory. Sales volume was maintained at a high level and consolidated earnings showed a moderate increase from the previous year. Approximately three-quarters of the 1949 earnings relate to the operations of the Canadian companies but an improvement in earnings was also reported by the English and Australian companies.

The combined profit from operations after charging all manufacturing, selling and administrative expenses, and after providing for depreciation and interest on bonds, but before providing for income taxes, amounted to \$1,244,260.81 for the year 1949 as compared with \$1,147,442.80 for the previous year. The provision for income taxes was \$549,125.79 for 1949 and \$495,195.52 for 1948. Dividends on the preference shares of Australia Silknit Limited held by the public amounted to \$10,374.00. The net earnings for 1949 after deducting all charges were \$684,761.02 as compared with \$588,517.78 for the year 1948. The devaluation in September 1949 of the English and Australian currencies resulted in an exchange adjustment on consolidation of \$184,666.27 which was charged to the earned surplus account for the year 1949.

The net current assets, or working capital, increased from \$2,553,356.85 at December 31, 1948 to \$2,975,114.01 at December 31, 1949.

During the year ended December 31, 1949, the regular quarterly dividends were paid on the preferred shares, and dividends of \$1.00 per share were paid on the common shares.

Your directors wish to take this opportunity of expressing their appreciation of the loyal services of the officers and employees throughout the year.

ON BEHALF OF THE BOARD,

M. H. EPSTEIN,

President.

AUDITORS' REPORT TO THE SHAREHOLDERS

To the Shareholders of

SILKNIT LIMITED:

We have examined the consolidated balance sheet of Silknit Limited and subsidiary companies as at December 31, 1949, and the related consolidated statements of profit and loss and surpluses for the year then ended and have obtained all the information and explanations which we required. Our examination of Silknit Limited and three of its Canadian subsidiaries included such tests of the accounting records and other supporting evidence and such other procedures as we considered appropriate in the circumstances. We were furnished with audited financial statements of one Canadian subsidiary, the English subsidiary and of the five Australian subsidiaries whose accounts were not examined by us.

We report that, in our opinion, and read in conjunction with the notes thereto, the attached consolidated balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the affairs of Silknit Limited and subsidiary companies as at December 31, 1949, and the related consolidated statements of profit and loss and surpluses present fairly the results of operations for the year then ended, according to the best of our information and the explanations given to us and as shown by the books of the companies examined by us and the audited statements furnished us as referred to in the preceding paragraph.

PRICE, WATERHOUSE & CO.,

Chartered Accountants.

TORONTO, April 29, 1950.

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash on hand and in banks.....	\$	95,745.57	
Trade accounts and bills receivable, less reserve for bad debts.....		916,007.41	
Refundable portion of excess profits tax (received in 1950).....		65,257.91	
Other accounts receivable.....		37,200.08	
Inventories of raw material and supplies, work in process, and finished stock, valued on the basis of cost or market, whichever was the lower.....		3,209,773.28	
		\$4,323,984.25	

SUNDRY ASSETS:

Investment in shares and advances to an affiliated company (50% owned).....	\$	49,555.69	
Account receivable 1950-53.....		10,250.00	
Refundable portion of excess profits tax due 1951.....		83,011.99	
Cash surrender value of life insurance policies.....		136,415.09	
		279,232.77	

FIXED ASSETS:

Land, buildings, plant and equipment.....	\$	3,337,120.36	
<u>Less</u> —Reserve for depreciation.....		1,992,709.02	
		1,344,411.34	

Fixed assets in Canada are valued at depreciated reproductive values as of October 10, 1927, reported by Sterling Appraisal Company Limited plus subsequent additions at cost; fixed assets in Australia at appraised values as of December 31, 1936, reported by Mr. F. R. Banyard of British Engineering Pty. Ltd. plus subsequent additions at cost; fixed assets in England at cost.

PREPAID EXPENSES:

Unexpired insurance, prepaid taxes, etc.....		53,035.75	
--	--	-----------	--

PATENTS.....		1.00	
--------------	--	------	--

APPROVED ON BEHALF OF THE BOARD:

M. H. EPSTEIN, *Director.*

H. T. BURGESS, *Director.*

\$6,000,665.11

LIMITED

Y COMPANIES

DECEMBER 31, 1949

LIABILITIES

CURRENT LIABILITIES:

Bank loans and overdrafts (secured).....	\$ 177,068.80	
Accounts payable.....	572,608.63	
Accrued liabilities.....	97,023.43	
Income taxes payable in Canada.....	169,151.57	
Income taxes payable in England and Australia.....	279,337.84	
Other taxes payable and accrued.....	48,492.97	
Dividend on preference shares of Australia Silknit Limited.....	5,187.00	
		<u>\$1,348,870.24</u>

DEFERRED LIABILITY:

Under property purchase agreement, payable 1950-1957.....	82,100.00
---	-----------

FIRST MORTGAGE BONDS:

Authorized and issued.....	<u>\$1,000,000.00</u>	
Outstanding—		
3% First Mortgage Serial Bonds maturing August 15, 1951-54.....	\$ 290,000.00	
4½% First Mortgage Sinking Fund Bonds maturing August 15, 1967.....	500,000.00	
		<u>790,000.00</u>

RESERVES:

Against future decline in inventory values (Australia).....	\$ 38,285.00	
For dividends on preference shares of Australia Silknit Limited.....	31,122.00	
General (England and Australia).....	75,185.00	
		<u>144,592.00</u>

PREFERENCE SHARES OF AUSTRALIA SILKNIT LIMITED OUTSTANDING:

Representing £60,000 (Australian) seven per cent. cumulative preference shares	237,900.00
--	------------

CAPITAL STOCK AND SURPLUS:

Five (5%) per cent. redeemable preferred shares:		
Authorized—25,000 shares of \$40.00 each.....	<u>\$1,000,000.00</u>	
Issued—15,000 shares, fully paid.....	\$ 600,000.00	
Common Stock:		
Authorized—120,000 shares of \$5.00 each.....	<u>\$ 600,000.00</u>	
Issued—64,085 shares, fully paid.....	320,425.00	
Capital Surplus, as per statement attached.....	445,975.78	
Earned Surplus, as per statement attached.....	2,030,802.09	
		<u>3,397,202.87</u>

\$6,000,665.11

SILKNIT LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED DECEMBER 31, 1949

Combined profit from operations for the year ended December 31, 1949, after charging all manufacturing, selling and administrative expenses with the exception of those deducted hereunder.....	\$1,680,912.36
<i>Deduct—</i>	
Provision for depreciation of buildings, plant and equipment.....	\$330,601.20
Interest on bonds.....	33,825.00
Directors' fees.....	4,370.47
Salaries of executive officers in Canada, England and Australia.....	88,090.39
Legal expenses.....	1,543.23
	<hr/>
	458,430.29
	<hr/>
	\$1,222,482.07
<i>Add—</i> Profit on disposal of equipment and other miscellaneous income.....	21,778.74
	<hr/>
	\$1,244,260.81
<i>Deduct—</i> Provision for income taxes.....	549,125.79
	<hr/>
<i>Profit</i> before the undernoted charge.....	\$ 695,135.02
<i>Deduct—</i> Dividends on preference shares of Australia Silknit Limited.....	10,374.00
	<hr/>
<i>Balance carried to Earned Surplus Account</i>	\$ 684,761.02
	<hr/> <hr/>

NOTE: The balance carried to Earned Surplus is segregated as follows:

Silknit Limited and Canadian subsidiaries.....	\$519,750.71
Silknit Limited (England).....	53,430.48
Australia Silknit Limited and subsidiary companies.....	111,579.83
	<hr/>
	\$684,761.02
	<hr/> <hr/>

SILKNIT LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1949

Balance, December 31, 1948.....		\$1,624,397.61
<i>Add—</i>		
Profit for the year ended December 31, 1949.....	\$684,761.02	
Adjustment of income taxes for prior years (Australia).....	19,760.00	
Amounts received on war damage claims in excess of book value of assets destroyed (England).....	28,107.23	
	<hr/>	732,628.25
		<hr/>
		\$2,357,025.86
<i>Deduct—</i>		
Dividends on preferred shares.....	\$ 30,000.00	
Dividends on common shares.....	64,085.00	
Transferred to general reserve (England \$15,362.50, Australia \$32,110.00).....	47,472.50	
	<hr/>	141,557.50
		<hr/>
		\$2,215,468.36
<i>Deduct—</i>		
Exchange adjustment arising from conversion of the accounts of English and Australian subsidiaries as at December 31, 1949, to Canadian dollars.....		184,666.27
		<hr/>
<u>Balance, December 31, 1949.....</u>		<u>\$2,030,802.09</u>

CONSOLIDATED STATEMENT OF CAPITAL SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1949

(No change during year)

Surplus of predecessor company, less cost of shares of subsidiary companies in excess of their book value at dates of acquisition		\$ 231,636.92
Surplus arising from appraisal of fixed assets of Australia Silknit Limited.....		95,083.65
Surplus arising from appraisal of fixed assets of The Summit Dyeing Company Limited.....		4,445.67
Surplus arising from conversion of capital stock of Silknit Limited in 1944—		
On preference shares.....	\$100,000.00	
On common shares.....	14,809.54	
	<hr/>	114,809.54
		<hr/>
<u>Balance, December 31, 1949.....</u>		<u>\$ 445,975.78</u>

SILKNIT LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS, DECEMBER 31, 1949

(1) The consolidated financial statements include the accounts of Silknit Limited (England), and Australia Silknit Limited and subsidiary companies, converted to Canadian dollars at the official rates of exchange current at December 31, 1949, except that the outstanding preference shares of Australia Silknit Limited are converted at the rate of exchange current at the date of issue thereof, viz. July 1, 1937, and the fixed assets and depreciation reserves of both subsidiaries are converted at rates determined at dates of acquisition of such assets.

(2) The following is a summary of the assets and liabilities of the English and Australian subsidiaries included in the consolidated balance sheet, converted to Canadian dollars on the bases indicated above:

	<u>(THOUSANDS OF DOLLARS)</u>		
	<u>ENGLAND</u>	<u>AUSTRALIA</u>	<u>TOTAL</u>
Current assets.....	289	1,018	1,307
<i>Less</i> —Current liabilities.....	97	349	446
<u><i>Net current assets</i></u>	192	669	861
Fixed assets.....	205	232	437
Other assets.....	4	22	26
	401	923	1,324
<u><i>Deduct:</i></u>			
Preference shares (held by the public).....		238	238
Inventory reserve.....		38	38
		276	276
Equity owned by Silknit Limited and included in the consolidated balance sheet.....	401	647	1,048

(3) The surpluses of the English and Australian subsidiaries forming part of the consolidated earned surplus at December 31, 1949, aggregate \$293,826.39. These surpluses are subject to such restrictions as to realization in Canadian dollars as have been, or may be, imposed by regulatory authorities in England and/or Australia.

