

Corporation
The
Slack.

ANNUAL REPORT

SILKNIT LIMITED

AND SUBSIDIARY COMPANIES

for the fiscal year ended

DECEMBER 31, 1947

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SILKNIT LIMITED

TORONTO 1, CANADA

May 14th, 1948

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, 1947, together with consolidated statements of profit and loss, earned surplus and capital surplus for the year then ended.

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 and excess profits taxes, amounted to \$883,431.82 for the year 1947 as compared with \$950,107.60 for the previous year. The provision for income and excess profits taxes for 1947 was \$448,267.81 as compared with \$573,078.58 for the year 1946, reflecting the reduction in taxes which took place in the year 1947. Before arriving at the consolidated net earnings for 1946, an exchange adjustment of \$78,414.57 was charged to the profit and loss account to reflect the 1946 increase in the rates of exchange of the Canadian dollar in relation to English and Australian currencies, and a further exchange adjustment of \$6,999.77 was charged in connection with the cash surrender value of life insurance policies. The net earnings for 1947 after deducting all charges were \$435,723.60 as compared with \$291,614.68 for 1946.

In August 1947 the company issued 3% First Mortgage Serial Bonds maturing August 15, 1948-1954 in the amount of \$500,000.00 and 4½% First Mortgage Sinking Fund Bonds maturing August 15, 1967 amounting to \$500,000.00; out of the proceeds of these new issues the then outstanding 5% First Mortgage Bonds of a par value of \$443,200.00 were retired. The premium and discount on the redemption and issue of these bonds was written off to Earned Surplus in 1947 in the amount of \$44,328.00. A charge will also be noted in the earned surplus account amounting to \$101,711.93 representing the net cost of the redemption of the outstanding Income Funding Rights as of March 5, 1947.

The net current assets, or working capital, increased from \$1,421,082.37 at December 31, 1946 to \$2,172,070.11 at December 31, 1947. This increase of \$750,987.74 includes approximately \$500,000.00 representing the net proceeds from the financing referred to in the preceding paragraph.

During the year ending December 31, 1947 the regular quarterly dividends were paid on the preferred shares.

Your directors wish to take this opportunity of expressing their appreciation of the loyal services of all 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, 1947 and the related consolidated statements of profit and loss and of earned surplus and capital surplus for the fiscal year then ended, and have obtained all the information and explanations which we required. These statements include the assets and liabilities and the results of operations of the English subsidiary and of the four Australian subsidiary companies as shown by the audited statements; the net assets of these subsidiary companies, which represent approximately 39% of the total net assets included in the consolidated balance sheet, are subject to such restrictions as have been, or may be, imposed by exchange regulatory authorities in England and Australia.

In connection with the accounts of Silknit Limited and its Canadian subsidiaries, whilst we did not make a detailed audit of the transactions for the year, our examination was carried out in accordance with generally accepted auditing standards and included such tests of the accounting records and of other supporting evidence and such other procedures as we considered necessary in the circumstances.

We report that, in our opinion, the attached consolidated balance sheet and consolidated statements of profit and loss and earned and capital surplus (read in conjunction with the notes thereto) are properly drawn up so as to exhibit a true and correct view of the state of affairs of Silknit Limited and subsidiary companies as at December 31, 1947 and the results of operations for the year ending that date, according to the best of our information and the explanations given to us and as shown by the books of the Canadian companies examined by us and by the reports of the auditors of the English and Australian subsidiary companies, as referred to in the first paragraph hereof.

PRICE, WATERHOUSE & CO.

Chartered Accountants.

TORONTO, April 27, 1948.

CONSOLIDATED BALANCE SHEET

A S S E T S

CURRENT ASSETS:

Cash on hand and in banks.....	\$ 113,084.48	
Trade accounts and bills receivable, less reserve for bad debts.....	585,551.76	
Other accounts receivable, less reserve.....	21,789.70	
Inventories of raw material and supplies, work in process, and finished stock, valued on the basis of cost or market, whichever was the lower—as determined and certified to by responsible officials of the companies.....	2,550,496.78	
Cash surrender value of life insurance policies.....	128,890.75	
		\$3,399,813.47

<u>REFUNDABLE PORTION OF EXCESS PROFITS TAX</u>		214,963.89
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DEFERRED CHARGES:

Prepaid rent (secured by second mortgage).....	\$ 38,000.00	
Prepaid taxes, unexpired insurance, etc.....	43,447.40	
		81,447.40

<u>WAR DAMAGE CLAIMS BY SILKNIT LIMITED (ENGLAND)</u>		64,147.14
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FIXED ASSETS:

Fixed assets in Canada 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 at October 31, 1936, reported by Mr. F. R. Banyard of British Engineering Pty. Ltd. in 1937, plus subsequent additions at cost; fixed assets in England valued at cost less amount amortized in respect of leasehold premises—		
As at December 31, 1946.....	\$2,091,043.72	
Add—Additions during the year (net).....	299,595.36	
	\$2,390,639.08	
Less—Reserve for depreciation.....	1,373,563.96	
		1,017,075.12

<u>PATENTS</u>		1.00
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APPROVED ON BEHALF OF THE BOARD:

M. H. EPSTEIN, *Director*

H. T. BURGESS, *Director*

\$4,777,448.02

Submitted (with accompanying notes) with our report to the Shareholders dated April 27, 1948.

PRICE, WATERHOUSE & CO.
Chartered Accountants.

LIMITED

RY COMPANIES

DECEMBER 31, 1947

LIABILITIES

CURRENT LIABILITIES:

Bank loans and overdrafts (secured).....	\$ 59,952.92	
Accounts and notes payable.....	490,293.43	
Accrued liabilities.....	96,334.30	
Reserve for income and excess profits taxes payable in Canada (after deducting \$146,725.00 paid on account).....	171,003.22	
Reserve for income and excess profits taxes payable in England and Australia	290,121.83	
Other taxes payable and accrued.....	43,244.16	
Dividend on preference shares of Australia Silknit Limited.....	6,793.50	
3% First Mortgage Serial Bonds maturing August 15, 1948.....	70,000.00	
		<u>\$1,227,743.36</u>

DEFERRED LIABILITY:

Under property purchase agreement, payable \$10,000.00 per annum 1948-57..	100,000.00
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FIRST MORTGAGE BONDS:

Authorized.....	<u>\$1,000,000.00</u>	
—Issued—		
3% First Mortgage Serial Bonds maturing August 15, 1948-54.....	\$ 500,000.00	
Less—Bonds maturing August 15, 1948, included under Current Liabilities	70,000.00	
	<u>\$ 430,000.00</u>	
4½% First Mortgage Sinking Fund Bonds maturing August 15, 1967.....	500,000.00	
		<u>930,000.00</u>

RESERVE FOR DIVIDENDS ON PREFERENCE SHARES OF AUSTRALIA SILKNIT LIMITED.....

40,761.00

GENERAL RESERVE (AUSTRALIA).....

16,175.00

PREFERENCE SHARES OF AUSTRALIA SILKNIT LIMITED OUTSTANDING:

Representing £60,000 (Australian) seven per cent cumulative preference shares	237,900.00
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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—10,000 shares, fully paid.....	\$ 400,000.00	
Common Stock:		
Authorized—120,000 shares of \$5.00 each.....	<u>\$ 600,000.00</u>	
Issued—60,085 shares, fully paid.....	300,425.00	
Capital Surplus, as per statement attached.....	463,643.82	
Earned Surplus, as per statement attached.....	1,060,799.84	
		<u>2,224,868.66</u>

CONTINGENT LIABILITY:

Customers' trade paper under discount.....	<u>\$ 388,785.23</u>
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\$4,777,448.02

SILKNIT LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDING DECEMBER 31, 1947

<u>PARTICULARS</u>	<u>AMOUNT</u>
Combined profit from operations for the year ending December 31, 1947, after charging all manufacturing, selling and administrative expenses with the exception of those deducted hereunder.....	\$1,134,902.16
<i>Deduct—</i>	
Provision for depreciation of buildings, plant and equipment.....	\$156,951.63
Interest on bonds.....	30,483.02
Directors' fees.....	6,320.40
Salaries of executive officers in Canada, England and Australia.....	60,747.88
Legal expenses.....	13,135.52
	267,638.45
	\$ 867,263.71
<i>Add—</i> Profit on disposal of equipment.....	\$ 13,084.77
Profit on sale of Savings bonds.....	3,083.34
	16,168.11
	\$ 883,431.82
<i>Deduct—</i> Provision for income and excess profits taxes.....	448,267.81
	\$ 435,164.01
<i>Profit before the undernoted exchange adjustment.....</i>	<i>\$ 435,164.01</i>
<i>Add—</i> Exchange adjustment arising from conversion of the accounts of English and Australian subsidiaries as at December 31, 1947, to Canadian currency.....	559.59
	\$ 435,723.60
<i>Balance carried to Earned Surplus Account.....</i>	<i>\$ 435,723.60</i>
<i>NOTE:</i> The above net profit may be segregated as follows:	
Silknit Limited and Canadian subsidiaries.....	\$313,305.72
Silknit Limited (England).....	40,019.57
Australia Silknit Limited and subsidiary companies.....	82,398.31
	\$435,723.60

CONSOLIDATED STATEMENT OF EARNED SURPLUS FOR THE YEAR ENDING DECEMBER 31, 1947

Balance, December 31, 1946.....	\$ 589,739.28
<i>Add—</i>	
Profit for the year ending December 31, 1947.....	\$435,723.60
Refundable portion of excess profits tax now transferred to earned surplus.....	214,963.89
Adjustment of tax provision prior years (Australia).....	16,175.00
	666,862.49
	\$1,256,601.77
<i>Deduct—</i>	
Net cost of redemption of Income Funding Rights on March 5, 1947.....	\$101,711.93
Premium and discount on redemption and issue of bonds, written off.....	44,328.00
Transferred to general reserve (Australia).....	16,175.00
	162,214.93
	\$1,094,386.84
<i>Deduct—</i>	
Dividends on preference shares of Silknit Limited.....	\$ 20,000.00
Dividends on preference shares of Australia Silknit Limited.....	13,587.00
	33,587.00
<i>Balance, December 31, 1947.....</i>	<i>\$1,060,799.84</i>

CONSOLIDATED STATEMENT OF CAPITAL SURPLUS FOR THE YEAR ENDING DECEMBER 31, 1947

(No change during the year)

Surpluses of predecessor and subsidiary companies at dates of acquisition.....	\$ 249,304.96
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
	114,809.54
<i>Balance, December 31, 1947.....</i>	<i>\$ 463,643.82</i>

SILKNIT LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS, DECEMBER 31, 1947

(To be read in conjunction therewith)

(1) The current assets and current liabilities of the English and Australian subsidiaries are converted to Canadian currency at the rate of exchange current at December 31, 1947; the net current assets of these subsidiaries represent approximately 36% of the total net current assets. The preference shares of Australia Silknit Limited are included at the rate of exchange current at date of issue thereof, viz. July 1, 1937; the net assets of this company amount to \$742,541.14 before deducting the capital liability of \$237,900.00 carried in respect of its preference shares. The figures of the English and Australian subsidiaries included in the statement of profit and loss have been converted to Canadian currency at the average rate of exchange current during the year 1947, viz. \$4.02 and \$3.23½ to the £ for the English and Australian subsidiaries, respectively; the corresponding rates of exchange used in converting the profit and loss figures for the previous year were \$4.22½ and \$3.39 to the £.

(2) On distribution as dividends the earnings of the English and Australian subsidiaries are subject to Canadian income taxes, less such allowances for taxes paid in England and Australia as may be applicable on date of distribution.

