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T H I R T Y - N I N T H

*Annual Report*

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YEAR ENDED DECEMBER 31

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YORK KNITTING  
MILLS, LIMITED

*Toronto • Canada*

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# YORK KNITTING MILLS, LIMITED



## TO THE SHAREHOLDERS:

Your Directors submit herewith the Annual Report of the operations of the Company for the year ended December 31st, 1949.

## EARNINGS

Earnings before depreciation, bond interest, and income taxes in recent years compare as follows:

1945.....	\$ 445,000
1946.....	698,000
1947.....	848,000
1948.....	1,103,000
1949.....	626,000

The decrease in earnings reflects the pressure to which manufacturing profits in our industry were subjected in 1949. Raw material costs in 1949 remained high, while wage rates were again higher. At the same time demand for lower prices, heightened by devaluation of sterling, prevented needed price increases and necessitated certain reductions.

Provision for depreciation in recent years compares as follows:

1945.....	\$123,000
1946.....	143,000
1947.....	199,000
1948.....	307,000
1949.....	422,000

It should be noted that the 1949 figure is made up of two elements — an amount of \$296,000 based on conventional rates which prevailed prior to 1949, and secondly a further provision of \$126,000 which is now allowed for tax purposes under recent legislation. It would appear that the former figure in itself is adequate in view of the modern character of your Company's plant and the low net values at which fixed assets are carried. However, the reduction in taxes and consequent increase in working capital make it advantageous to provide the higher depreciation.

After all charges, including a provision for income taxes of \$46,000, and after taking into income \$45,000 overprovision for income taxes of prior years, the balance carried to surplus is \$109,000. This compares with \$423,000 for the previous year. The income tax returns of the Company, as submitted to the Department of National Revenue, have now been assessed to the end of 1948.

## WORKING CAPITAL

Current assets rose during the year from \$4,913,000 to \$5,013,000. A changed basis to determine cost for inventory purposes, designed to give a more precise valuation, has been adopted. Had this basis been in effect at December 31st, 1948, inventory values would have been increased as of that date by \$76,000. Efforts were maintained to reduce inventories and, despite rising costs and increased volume of business, they were held at approximately the same dollar level as the year previous.

Current liabilities also rose from \$2,025,000 to \$2,372,000. This increase reflects higher borrowings, partially offset by a reduced tax liability. Major outlays during the year were additions to plant, \$561,000, and investments in subsidiaries, \$196,000. During the year working capital was reduced by \$248,000 to \$2,641,000. This working capital, however, is substantially in excess of any year prior to 1948.

## PLANT

During the past four years, 1946-1949, the Company has spent \$2,454,000 on fixed assets, of which more than 90 per cent has been for machinery and equipment as distinct from land and buildings. By the end of 1949 the program of rehabilitation and expansion undertaken in 1945 was practically completed and no further abnormal outlays are contemplated. The net book value of all fixed assets, including land, is now shown at \$2,439,000, which is actually less than the above mentioned total cost of additions during the last four years.

## SUBSIDIARIES

Operations of subsidiaries improved during the year and further improvement is anticipated. Subsidiaries' losses, after offsetting profits, in 1949 amounted to \$80,000, and these are reflected in adjustment of Surplus.

Kroy Unshrinkable Wools Limited continues to process an increasing poundage, and although a small loss was made in 1949, higher volume and improved prices are expected to produce a profit in the current year. Through purchase of additional shares, this Company has now become a wholly-owned subsidiary.

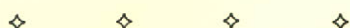
Kroy, Inc., the American subsidiary, continued to operate on a restricted poundage and consequently losses were again incurred. The Company enjoys a high reputation in the trade and increased volume should be attainable owing to the vastness of the market. Every effort will continue to be made to achieve the necessary higher poundage.

Taylor-Woods Limited, in Northern Ireland, is now in its new premises. After all charges, a moderate profit was earned last year and, if yarn supply continues to improve, increased profits can be expected.

## GENERAL

Although sales volume increased in 1949 by 7 per cent, a further increase should not be expected in the current year — in fact some decline in volume is more likely, as is indicated by the fact that sales for the past six months have

been running somewhat below the comparable months a year previous. Coupled with this, costs continue at a high level; however, ways are being found to effect economies offsetting these unfavourable tendencies. Some manufacturing activities are being consolidated, while new products having favourable volume and profit prospects are replacing others which are no longer attractive. Sales promotion also is being intensified to widen the popularity and distribution of the many products for which your Company is already well known.



In conclusion, I wish to state that your Company will continue to make every effort to maintain its strong position in an increasingly competitive market.

Your Directors wish to record their appreciation of the co-operation received throughout the year from the entire personnel of the Company.

On behalf of the Board,

J. DOUGLAS WOODS,  
*President*

TORONTO, Ontario,  
April 12th, 1950



# YORK KNITTING

(Incorporated under the law of the Province of Ontario)

## BALANCE SHEET

December 31, 1949

### ASSETS

#### CURRENT ASSETS:

Cash on hand and in bank.....	\$	6,825	
Accounts and claims receivable less provision for doubtful accounts.....		1,005,850	
Inventories of merchandise, materials and supplies as determined and certified by the management and priced at the lower of cost or market value.....		3,897,149	
Life insurance — cash surrender value.....		62,068	
Receivable from Government of Canada re estimated overpayment of taxes on income.....		9,503	
Prepaid expenses.....		31,655	
<b>TOTAL CURRENT ASSETS.....</b>			<b>\$5,013,050</b>

DEPOSIT WITH TRUSTEE FOR THE BONDHOLDERS.....			10,010
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#### PROPERTY ACCOUNTS at cost:

Land.....	\$	85,253	
Buildings, machinery and equipment.....	\$4,898,582		
Less reserve for depreciation.....	2,545,189	2,353,393	2,438,646

#### AFFILIATED COMPANIES:

Investment in subsidiary and associated companies at cost.....	\$1,277,111		
Advances to subsidiary company.....	179,249		
	\$1,456,360		
Less provision for losses less profits of subsidiary companies for the year ended December 31, 1949.....	80,000	1,376,360	
(The Company's share of the accumulated excess of expenditures over income of subsidiary companies, during the development period to December 31, 1948, amounts to approximately \$630,000.)			

GOODWILL.....			1
			<u>\$8,838,067</u>

### AUDITORS' REPORT

We have examined the balance sheet of York Knitting Mills, Limited as at December 31, 1949, therewith we made a general review of the accounting methods and, without making a detailed audit, we are of the opinion that the balance sheet and related statements of profit and loss for the year ended December 31, 1949, as audited by us, present a true and correct view of the state of the Company's affairs at December 31, 1949 and of the operations given us and as shown by the books.

We report that in our opinion the above balance sheet and related statements of profit and loss for the year ended December 31, 1948 which have not been taken into account in the attached statements exhibit a true and correct view of the state of the Company's affairs at December 31, 1948 and of the operations given us and as shown by the books.

TORONTO, CANADA  
APRIL 3, 1950.

# MILLS, LIMITED

of the Province of Ontario)

## STATEMENT OF FINANCIAL POSITION

as at December 31, 1949

### LIABILITIES

#### CURRENT LIABILITIES:

Bank loan and overdraft.....	\$1,443,635
Accounts payable and accrued charges.....	839,828
Sales tax payable.....	26,669
Bond interest accrued.....	4,073
First mortgage bonds maturing June 15, 1950.....	50,000
Estimated provincial taxes on income.....	8,000

TOTAL CURRENT LIABILITIES..... \$2,372,205

#### FIRST MORTGAGE REDEEMABLE BONDS:

Authorized less redeemed.....\$2,850,000

Issued —

Series A:

2½% and 3% serial bonds due 1950 to 1958.....	\$ 450,000
3¼% sinking fund bonds due 1971.....	1,400,000

\$1,850,000

Less bonds due June 15, 1950, included in current liabilities. 50,000 \$1,800,000

Series B:

4% serial bonds due 1952 to 1961.....	\$ 500,000	
4% sinking fund bonds due 1971.....	500,000	1,000,000 2,800,000

RESERVE FOR INVENTORIES..... 500,000

#### CAPITAL:

Authorized —

500,000 Class A shares of no par value, entitled to a fixed cumulative preferential dividend at the rate of 40c. per share per annum.  
700,000 Class B shares of no par value.

Issued —

329,512 Class A shares}	
700,000 Class B shares}	\$1,937,617

SURPLUS..... 1,228,245 3,165,862

\$8,838,067

### STATEMENT OF THE SHAREHOLDERS

and the statements of profit and loss and surplus for the year ended on that date. In connection with the transactions, examined or tested the accounting records of the Company. All our requirements have been satisfied.

and loss and surplus, together with the notes thereon regarding (1) the operations of the subsidiary companies, and (2) the change in basis of estimating the cost of inventories, have been drawn up so as to show the results of its operations for the year, according to the best of our information and the explanation given.

CLARKSON, GORDON & CO.,  
Chartered Accountants

WILTON C. EDDIS & SONS,  
Chartered Accountants

# YORK KNITTING MILLS, LIMITED

## STATEMENT OF PROFIT AND LOSS

for the Year Ended December 31, 1949

Net operating profit before provision for depreciation, bond interest and taxes on income but after contributions to employees' pension plan of \$110,650.80 (including \$42,317.39 in respect of past services).....		\$ 625,633
<i>Deduct:</i>		
Provision for depreciation at the Company's normal rates.....	\$296,064	
Bond interest.....	98,323	394,387
		<hr/>
		\$ 231,246
Add dividends received.....		4,380
		<hr/>
Profit after normal depreciation but before provision for taxes on income.....		\$ 235,626
Provision for additional depreciation allowed under recent tax regulations.....	\$126,000	
Provision for taxes on income.....	46,000	172,000
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NET PROFIT FOR THE YEAR (see note 2).....		\$ 63,626
Add overprovision for taxes on income of prior years.....		45,000
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BALANCE CARRIED TO SURPLUS.....		<u>\$ 108,626</u>



## STATEMENT OF SURPLUS

Balance December 31, 1948.....		\$1,331,424
Add balance transferred from statement of profit and loss.....		108,626
		<hr/>
<i>Deduct:</i>		\$1,440,050
Dividend paid on Class A shares — 40c. per share. ....	\$131,805	
Provision for losses less profits of subsidiary companies for the year ended December 31, 1949 .....	80,000	211,805
		<hr/>
BALANCE DECEMBER 31, 1949.....		<u>\$1,228,245</u>

NOTES. — 1. The above statement of surplus does not include the Company's share of the accumulated excess of expenditures over income of subsidiary companies, during the development period to December 31, 1948, of approximately \$630,000.

2. The Company changed its basis of estimating the cost of the inventories of goods finished and in process at December 31, 1949, in order to obtain a more precise valuation. If the inventory at January 1, 1949, had been valued on a similar basis the net profit for the current year after tax would have been approximately \$45,500 less than the amount shown above.



## *Directors*

J. DOUGLAS WOODS

H. H. LAWSON

W. P. WALKER

W. B. WOODS

K. W. HARVEY

R. PRESGRAVE

L. W. LAWSON

S. S. HIGGS

J. D. WOODS, JR.



## *Officers*

J. DOUGLAS WOODS

*President*

W. P. WALKER

*Vice-President and General Manager*

H. H. LAWSON

*Vice-President*

J. S. LEWIS

*Secretary-Treasurer*



HEAD OFFICE

70 Crawford Street • Toronto, Ontario

TRANSFER AGENTS

ROYAL TRUST COMPANY

66 King Street West, Toronto

AUDITORS

CLARKSON, GORDON & CO.

and

WILTON C. EDDIS & SONS

# YORK KNITTING MILLS, LIMITED



## *Operating Divisions*

TORONTO  
*York Spinning*  
*Toronto Hosiery*

HAMILTON  
*Zimmerknit*

WOODSTOCK  
*Harvey-Woods Underwear*  
*Hosiery*



## *Sales Offices*

VANCOUVER  
CALGARY  
WINNIPEG  
TORONTO

OTTAWA  
MONTREAL  
QUEBEC  
HALIFAX



## *Products*

MACHINE KNITTING YARNS	
HOSIERY	OUTERWEAR
UNDERWEAR	BATHING SUITS



## *Brands*

HARVEY  
*Woods*

*Zimmerknit*



