

Stock  
THIRTY-EIGHTH

*Annual Report*

YEAR ENDED DECEMBER 31

1948



YORK KNITTING  
MILLS, LIMITED

*Toronto • Canada*

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# YORK KNITTING MILLS, LIMITED



## TO THE SHAREHOLDERS:

Your Directors are pleased to submit the Annual Report of the operations of the Company for the year ended December 31, 1948.

### EARNINGS

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

1944.....	\$551,000
1945.....	\$445,000
1946.....	\$698,000
1947.....	\$848,000
1948.....	\$1,103,000

The increase in earnings over 1947 is attributable to increased production and sales, use of new machinery, rising efficiency, and price adjustments made to compensate in so far as possible for increased cost of raw materials. Depreciation, which has been taken at double rates as allowed by the Department of National Revenue, increased from \$199,000 in 1947 to \$307,000 in the current year.

After all charges, including provision for taxes relating both to the current year and to wartime inventory reserves, the balance of net profit carried to surplus is \$423,000. This compares with \$371,000 for the previous year.

### WORKING CAPITAL

Current assets rose from \$4,006,000 to \$4,913,000. Although accounts receivable have increased somewhat, a much greater increase is shown by the inventory, which has risen from \$2,923,000 (after deducting an inventory reserve of \$125,000) to \$3,862,000. This increase has been caused by the rise in raw material costs, wages and other manufacturing costs, and by the somewhat greater physical inventory required for the rising volume of production and sales. However, every effort consistent with a rising volume of business is being made to contain or reduce our inventories and future purchase commitments.

Since current liabilities increased by only \$101,000 during the year, working capital increased from \$2,082,000 to \$2,889,000. In addition, \$194,000 was held at the year end by the Trustee for additional capital expenditures which are currently being undertaken. First Mortgage Bonds amounting to \$1,000,000 and 232,976 Class B Shares of the Company were sold during the year. The amount received from these sales, \$1,805,000, together with the provision for depreciation and the net profit for the year totalled \$2,534,000, which was required to finance additions to plant, investment in subsidiaries of \$533,000, and the payment of dividends, the balance being an increase in working capital.

### PLANT

The additions to plant which were distributed generally throughout the divisions of the Company cost \$1,026,000 during the year and resulted, after disposals, in an increase in gross book values of \$938,000. This represents the greatest capital outlay your Company has undertaken in a single year. During



the years 1945 to 1948, \$1,926,000 has been spent, of which \$1,874,000 was spent on machinery and equipment, as distinct from land and buildings. By the end of 1948, the program of rehabilitation and expansion undertaken in 1945 was 80% completed, and by the end of 1949 should be complete in all but minor items. All major departments of the Company will by then be well equipped on a sound competitive basis, which was the objective set by management at the inception of this program. Whereas high rates of depreciation are allowed for income tax purposes on the bulk of these additions, the provision of this extra depreciation in the future is not mandatory and will be dependent upon earnings.

#### RESERVE FOR INVENTORIES

"Reserve for Inventories," a new item on the liability side of the balance sheet, has been derived from two sources. Firstly, inventories no longer show a deduction of \$125,000 (this being the amount of reserve set up during the years 1940 and 1941). Secondly, \$375,000 has been transferred directly from the Surplus Account to this new item in our balance sheet. These together produced a tax-paid reserve amounting to \$500,000 which has been set aside to cushion the effect of future declines in prices, particularly of raw materials.

#### GENERAL

During the year, there has been a very welcome improvement in the numbers of new employees and in their interest, application and ability. Our more senior personnel, assisted by these newcomers, are now enabling your Company to achieve, if not exceed, the standards of efficiency which prevailed before the war.

Your Laboratory has continued to function most effectively during the year and substantial benefits have been gained through the Fellowship maintained with the Ontario Research Foundation.

It was hoped that important new export markets could be developed, but due to currency restrictions, tariffs, discriminatory barter agreements and other artificial barriers, this has not been possible and our export volume, with the exception of Newfoundland, has been disappointing. The entry of Newfoundland into the Dominion will result in an increase in our sales, for our merchandise has already met with marked acceptance in this new Province.

The pattern of buying is resuming its seasonal characteristics and demand is more discriminating. As the industry's productive capacity has improved and the more urgent requirements of the consuming public have been met, competition is becoming keener. While, on the one hand, this change has been taking place, the cost of wool, on the other, has increased sharply during the past twelve months. Your Company is therefore faced with rising costs in its wool products whilst increase in selling prices can only be obtained with difficulty. Prices of other raw materials have followed a more stable pattern.

During the year 1948 sales increased 22% over the previous year, and this year a similar increase over the comparable period of 1948 has been maintained. We believe that this rising volume of sales reflects a consumer preference for our merchandise in which **kroy** wool products play an important part. This popularity must be attributed in part to the high quality of our products, the reasonableness with which they have been priced and the excellence of their sales presentation. An outstanding feature of this has been the nation-wide acclaim given to "Singing Stars of Tomorrow." Although it should not be anticipated that the present rate of sales increase over 1948 can be continued throughout 1949, yet the prospects for increase appear quite favourable.

## SUBSIDIARIES

With respect to our subsidiaries, the two Kroy companies and Taylor-Woods Limited, the forecast made last year, that the turning point to profits would be reached before the end of 1948, was not achieved. Further investment will be necessary in 1949, but at a level greatly reduced from that of 1948. Your Directors retain their confidence in the success of these enterprises.

Twelve months ago, consumption of wool knit-goods in the U.S.A. fell sharply and has remained on a depressed level. As the wool trade in the United States resumes a more normal level of operations, we are confident that the **kroy** process will become increasingly used, its acceptability already being widespread. The development of **kroy** treatment of woven wool fabrics has already begun, but is not available as yet on the large commercial scale that is available for raw wools entering into the knit-goods trade. The Canadian company, Kroy Unshrinkable Wools Limited, is now engaged on a steady and considerable volume of business and its prospects are encouraging. Your Company owns 73% of the common shares and 100% of the preferred shares of Kroy Unshrinkable Wools Limited, which in turn owns all shares of the American subsidiary, Kroy, Inc.

In Taylor-Woods Limited, the ladies' full-fashioned hosiery plant located at Enniskillen, Northern Ireland, which is within the tariff boundaries of the United Kingdom, a most decisive change has occurred, for in recent months significant and growing profits have been realized. Yarn supply and production are improving markedly and the product has proved popular in many export markets. With the removal of clothes rationing and the general opening of the United Kingdom market to fine quality nylon hose manufactured there, favourable price and volume seem assured. The Company is still operating in its temporary premises but the move into the new factory, originally scheduled for last year, will be completed by autumn. This building is being erected by the Northern Ireland Government and made available to us on most attractive terms, which is but one example of the material assistance we are receiving from it. Your Company owns 59% of the shares issued by Taylor-Woods Limited.



In conclusion, I would say that your Company is in a strong position in the domestic market with good prospects for a continuing large volume of business though under increasingly competitive conditions. In the subsidiaries, the outlook appears promising and the long-term prospects of profit are encouraging.

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*



# YORK KNITTING

(Incorporated under the laws of the Province of Ontario)

## BALANCE SHEET

December 31, 1948

### ASSETS

#### CURRENT ASSETS:

Cash on hand and in bank.....	\$	5,770	
Accounts receivable less reserve for doubtful accounts.....		938,938	
Inventories of merchandise, materials and supplies as determined and certified by the management and priced at the lower of cost or market value.....		3,862,427	
Life insurance—cash surrender value.....		60,241	
Refundable portion of taxes on income.....		3,959	
Prepaid expenses.....		41,856	
<b>TOTAL CURRENT ASSETS.....</b>			<b>\$4,913,191</b>

#### DEPOSIT WITH TRUSTEE:

Balance of funds received from issue of first mortgage bonds (including amount invested in Dominion of Canada bonds having a par value of \$190,000) available for purchase of additional property as defined by trust deed.....			<b>194,274</b>
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#### PROPERTY ACCOUNTS at cost:

Land.....	\$	89,974	
Buildings, machinery and equipment.....	\$4,337,676		
Less reserve for depreciation.....	2,151,322	2,186,354	2,276,328

#### AFFILIATED COMPANIES:

Investment in subsidiary and associated companies at cost.....			<b>1,259,922</b>
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NOTE.—The company's share of the accumulated excess of expenditures over income of subsidiary companies (the development of which continued during 1948) amounts to approximately \$630,000.

GOODWILL.....			<b>1</b>
			<b>\$8,643,716</b>

### AUDITORS' REPORT TO SHAREHOLDERS

We have examined the balance sheet of York Knitting Mills, Limited as at December 31, 1948 and the profit and loss account for the year ended on that date, and have made a general review of the accounting methods and, without making a detailed audit of the transactions, examined the books and records.

We report that in our opinion the above balance sheet and related statements of profit and loss and surplus for the year ended December 31, 1948, have been drawn up so as to exhibit a true and correct view of the financial position of the company at the end of the year, according to the best of our information and the explanations given us and as shown by the books.

TORONTO, CANADA  
MARCH 23, 1949.

# MILLS, LIMITED

(Incorporated in the Province of Ontario)

## BALANCE SHEET

December 31, 1948

### LIABILITIES

#### CURRENT LIABILITIES:

Bank loan and overdraft.....	\$ 961,557
Accounts payable and accrued charges.....	764,531
Provision for taxes on income.....	248,587
First mortgage bonds maturing June 15, 1949.....	50,000

**TOTAL CURRENT LIABILITIES..... \$2,024,675**

#### FIRST MORTGAGE REDEEMABLE BONDS:

Authorized less redeemed..... \$2,900,000

##### Issued and outstanding—

2½% and 3% serial bonds due 1949 to 1958.....	\$ 500,000
4% serial bonds due 1952 to 1961.....	500,000
3¼% and 4% sinking fund bonds due 1971.....	1,900,000

\$2,900,000

Less bonds due June 15, 1949 included in current liabilities..... 50,000 2,850,000

**RESERVE FOR INVENTORIES..... 500,000**

#### CAPITAL:

(During the year the balance of 292 first preference shares were each converted into 25 class A shares and 2 class B shares and an additional 232,976 class B shares were issued for cash at \$3.50 per share.)

##### 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..... 1,331,424 3,269,041**

NOTE.—At December 31, 1948 purchase orders were outstanding amounting to approximately \$350,000 in respect of equipment which it is expected will be delivered during 1949.

\$8,643,716

### STATEMENTS OF THE SHAREHOLDERS

statements of profit and loss and surplus for the year ended on that date. In connection therewith we made and tested the accounting records of the company. All our requirements as auditors have been complied with. Surplus, together with the notes thereon regarding the operations of subsidiary companies which have not view of the state of the company's affairs at December 31, 1948 and of the results of its operations for the

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, 1948*

Net operating profit before provision for depreciation, bond interest and taxes on income but after contributions to employees' pension plan of \$129,032 (including \$68,772 in respect of past services).....		\$1,103,179
<i>Deduct:</i>		
Provision for depreciation.....	\$306,812	
Bond interest.....	87,322	394,134
		<u>\$ 709,045</u>
Add dividends received.....		3,845
		<u>\$ 712,890</u>
Net profit before provision for taxes on income.....		\$ 712,890
Provision for taxes on income for the year.....		250,000
		<u>\$ 462,890</u>
NET PROFIT FOR THE YEAR.....		\$ 462,890
Less excess profits tax payable in respect of inventory reserves claimed for tax purposes in prior years.....		40,000
		<u>\$ 422,890</u>
BALANCE OF NET PROFIT CARRIED TO SURPLUS .....		<u><u>\$ 422,890</u></u>



## STATEMENT OF SURPLUS

Balance December 31, 1947.....	\$1,438,239
Add balance of net profit transferred from statement of profit and loss.	422,890
	<u>\$1,861,129</u>
<i>Deduct:</i>	
Dividends paid on Class A shares—40 cents per share.	\$131,805
Amount transferred to reserve for inventories.....	375,000
Discount and expenses on bonds issued April 20, 1948.	22,900
	<u>529,705</u>
BALANCE DECEMBER 31, 1948.....	<u><u>\$1,331,424</u></u>

- NOTES. 1. The above statements do not include the operating results of the subsidiary companies, the development of which continued during 1948. The expenditures of those companies exceed their income and this company's share of the excess is approximately \$315,000 for the year and \$630,000 to date.
2. At December 31, 1948 the company valued the inventory of raw cotton at the lower of cost or market value, which inventory in prior years was carried at values substantially below cost or market. This change did not have a material effect on the operating results for the year.



## *Directors*

J. DOUGLAS WOODS

H. H. LAWSON

W. P. WALKER

W. B. WOODS

K. W. HARVEY

R. PRESGRAVE

H. M. REEDY

L. W. LAWSON

S. S. HIGGS



## *Officers*

J. DOUGLAS WOODS

*President*

W. P. WALKER

*Vice-President and General Manager*

H. H. LAWSON

J. S. LEWIS

*Vice-President*

*Secretary*



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*  
*Hosiers*



## *Sales Offices*

VANCOUVER  
CALGARY  
WINNIPEG  
TORONTO

OTTAWA  
MONTREAL  
QUEBEC  
HALIFAX



## *Products*

MACHINE KNITTING YARNS

HOSIERY  
UNDERWEAR

OUTERWEAR  
BATHING SUITS



## *Brands*

HARVEY  
*Woods*

*Zimmerknit*





