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THIRTY-SEVENTH

Annual Report

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YEAR ENDING DECEMBER 31st

1947



YORK KNITTING
MILLS, LIMITED

Toronto • Canada

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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

Vice-President

J. S. LEWIS

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



TO THE SHAREHOLDERS:

Your Directors are pleased to submit the Annual Report of the operations of the Company for the year ended December 31st, 1947.

Operating profits again rose during the year. Earnings before depreciation, bond interest and income taxes show an increase to \$848,060, as compared with \$698,167 in 1946, \$445,241 in 1945, and \$551,309 in 1944. After all charges, the balance carried to Surplus, amounting to \$371,425, showed an increase over the previous year.

In anticipation of the Special Shareholders' Meeting held last December which approved a change in capital structure, a dividend was declared prior to the year-end in order that shareholders would receive those dividends they might have anticipated up to the date of change. This resulted in three dividend declarations during 1947, but did not indicate an increased rate of payment. In Schedule A attached the changes in capital structure and number of shares of each class outstanding at December 31st are set out. It is expected that the small balance of First Preference Shares still outstanding will be converted shortly.

Working capital at the end of 1947 amounted to \$2,082,000, compared with \$2,517,000 the year previous, including moneys then held by the Trustee for acquisition of additional property. This reduction is attributable to increase in net fixed assets and investment in and advances to subsidiary companies. Cash on hand, plus funds in the hands of both the Company's Bank and Trustee a year ago have been used for these purposes and to finance the increased volume of business at higher prices experienced during the last year.

Investments in and advances to subsidiaries increased during the year from \$420,000 to \$737,000. The companies to which these funds were made available are Kroy Unshrinkable Wools Limited, which operates in Canada with a wholly owned subsidiary in the United States, and also Taylor-Woods Limited, which is undertaking establishment of a full-fashioned hosiery plant in Northern Ireland to supply the British and export markets. Each of these three companies is still in a developmental stage, with resultant excess of expenditure over income during its last financial year. Your Company's share of the losses incurred since incorporation of these several companies at their year-ends amounted to approximately \$315,000. Each company is now operating at an increasing rate of output. During the latter months of 1948 it is anticipated that together they will be enjoying operating profits on a satisfactory scale. The outlook for these companies in future years appears highly favourable. To meet their future requirements, nearly all of which is expected to be incurred in 1948, approximately \$500,000 will be required, and of this \$190,000 in the form of United States Treasury securities is now shown among current assets in the Balance Sheet of your Company.

Additions to fixed assets in York Knitting Mills, Limited, cost \$418,000. These additions, taking place in all divisions, are designed to improve the quality and to reduce the cost of production of the Company's products, and they are already showing most encouraging results. It is planned to continue this program of plant additions, with \$800,000 indicated as the probable cost for the year 1948.

A bank loan of approximately \$1,000,000 is shown among liabilities, further reflecting the increased funds required to finance the growing volume of business, additions to plants and development of subsidiaries. As noted previously, dividends declared prior to the year-end, but payable January 2nd on all shares of the old classes, are shown as a liability.

During the year employees were offered pension benefits combined with increased life insurance protection. The plan has been well received and should prove of substantial assistance to our personnel as they reach retirement age. The entire cost of past service is assumed by the Company and future service costs are shared equally with employees. It will be noted that the Company's cost, on a twelve-month basis, was \$152,000 for 1947, but as a substantial part of this represents past service payments which will decline in each subsequent year, an overall reduction in total annual cost is expected for the future.

The Company has been negotiating for the sale of its remaining \$1,000,000 authorized First Mortgage Bonds and an underwriting agreement has been entered into.

At the Special General Meeting of Shareholders held on December 19th last, it was intimated that the remaining "B" Treasury shares might be sold. An offer has now been received by the Company from its largest shareholder to purchase "B" shares from the Company on a basis of one share for every two "B" shares now held by it at a price of \$3.50 per share. It further offers to purchase at the same price all other presently authorized "B" shares not taken up by any "B" shareholders who would be offered shares on the same *pro rata* basis. After considering this proposal, your Directors have decided to offer all "B" shares remaining in the Treasury at \$3.50 per share to "B" shareholders on the basis of one for each two held, and prior to May 31st to sell any unsubscribed balance to the above mentioned shareholder on the same terms.

Costs of raw materials and manufacturing are at the highest level in many years and increasing caution toward forward commitments and present high value of inventories is appearing among the distributive trades. As a consequence, your Company is undertaking reductions in its inventory and forward buying commitments where practical, and with improved shipping and fewer shortages in supplies this can be done, although high unit costs may conceal the effect of this on total value of inventories.

The prospects of the Company again appear favourable. It is true that the economic outlook continues obscure, yet the prospect for a continuing strong demand for your Company's products at satisfactory prices seems reasonably assured. The major products and their brand names are most highly regarded throughout the country. In this connection it is gratifying to note that "Singing Stars of Tomorrow" has been chosen by poll to be the most popular radio program originating in Canada, which indicates in a way the degree to which your Company has established its place in the Canadian home.

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,

TORONTO, Ontario,
March 25, 1948.

J. DOUGLAS WOODS,
President

YORK KNITTING

(Incorporated under The

BALANCE SHEET

31st December 1948

ASSETS

CURRENT ASSETS:

Cash on hand and in bank.....	\$	5,170	
United States Treasury Notes and Certificates at cost and accrued interest thereon (approximate market value 31st December 1947, \$195,659).....		191,731	
Accounts receivable less reserve for doubtful accounts.....		827,506	
Inventories of merchandise, materials and supplies as determined and certified by the management and priced at the lower of cost or market value, with the exception of raw cotton which is valued at prices substantially less than cost or market, less inventory reserve of \$125,000.....		2,922,785	
Life insurance—cash surrender value.....		58,428	
TOTAL CURRENT ASSETS.....			\$4,005,620

PROPERTY ACCOUNTS at cost:

Land.....	\$	95,866	
Buildings, machinery and equipment.....	\$3,394,253		
Less reserve for depreciation.....	1,899,345	1,494,908	1,590,774

AFFILIATED COMPANIES:

Investment in subsidiary and associated companies at cost.....	\$	476,614	
Advances to subsidiary and associated companies.....		260,716	737,330

(The company's share of the excess of expenditures over income of subsidiary companies which are in process of development amounts to approximately \$315,000.)

OTHER ASSETS:

Refundable portion of taxes on income.....	\$	3,959	
Prepaid expenses.....		46,701	
Goodwill.....		1	50,661
			\$6,384,385

AUDITORS' REPORT

We have made an examination of the balance sheet of York Knitting Mills, Limited as at 31st December 1948 therewith we examined or tested the accounting records of the company and made a general review of the audit of the transactions.

We report that in our opinion the above balance sheet and the attached statements of profit and loss which have not been taken into account in the attached statements, have been drawn up so as to exhibit a true and correct view of the company's financial position and the results of its operations for the year ended on that date, according to the best of our information and the explanations given to us.

TORONTO, CANADA

15TH MARCH 1948

MILLS, LIMITED

(Ontario Companies Act)

BALANCE SHEET

December 31, 1947

LIABILITIES

CURRENT LIABILITIES:

Bank loan and overdraft.....	\$1,027,890
Accounts payable and accrued charges.....	610,730
Dividends payable 2nd January 1948.....	61,552
Provision for taxes on income.....	173,773
First mortgage bonds maturing 15th June 1948.....	50,000

TOTAL CURRENT LIABILITIES..... \$1,923,945

FIRST MORTGAGE REDEEMABLE BONDS:

Authorized..... \$3,000,000

Issued (Series A)—

2½% and 3% serial bonds due 1948 to 1958.....	\$ 550,000
3¼% sinking fund bonds due 1971.....	1,400,000

\$1,950,000

Less bonds due 15th June 1948 included in current liabilities..... 50,000 1,900,000

CAPITAL:

(As changed, subdivided and reclassified by supplementary letters patent dated 31st December 1947—see Schedule A attached.)

Authorized—

- 292 7% first preference cumulative shares of \$100 each.
- 492,700 Class A shares of no par value, entitled to a fixed cumulative preferential dividend at the rate of 40c. per share per annum.
- 699,416 Class B shares of no par value.

Issued—

292 7% first preference shares.....	\$ 29,200
322,212 Class A shares}	
466,440 Class B shares}	1,093,001

\$1,122,201

SURPLUS..... 1,438,239 2,560,440

NOTE.—At 31st December 1947 purchase orders were outstanding amounting to approximately \$600,000 in respect of equipment which it is expected will be delivered during 1948.

\$6,384,385

STATEMENTS OF THE SHAREHOLDERS

1947 and of the statements of profit and loss and surplus for the year ended on that date. In connection with the accounting methods and of the operating and income accounts for the year, but we did not make a detailed

statement of profit and surplus, together with the note thereon regarding the operating results of subsidiary companies to give a true and correct view of the state of the company's affairs at 31st December 1947 and of the results of its operations as shown by the books. All our requirements as auditors have been complied with.

CLARKSON, GORDON & CO.,
Chartered Accountants

WILTON C. EDDIS & SONS,
Chartered Accountants

YORK KNITTING MILLS, LIMITED

STATEMENT OF PROFIT AND LOSS

for the Year Ended 31st December, 1947

Net operating profit before provision for depreciation, bond interest and taxes on income, but after contributions to employees' pension plan of \$151,582 (including \$95,877 in respect of past services).....		\$ 848,060
<i>Deduct:</i>		
Provision for depreciation.....	\$198,941	
Bond interest.....	60,909	259,850
		<u>\$ 588,210</u>
Add dividends received.....		3,215
Net profit before provision for taxes on income.....		<u>\$ 591,425</u>
Provision for taxes on income.....		220,000
NET PROFIT FOR YEAR ENDED 31ST DECEMBER 1947.....		<u><u>\$ 371,425</u></u>



STATEMENT OF SURPLUS

Balance 31st December 1946.....		\$1,251,471
Add net profit transferred from statement of profit and loss.....		371,425
		<u>\$1,622,896</u>
<i>Deduct dividends, including dividends payable 2nd January 1948:</i>		
On first and second preference shares for the eighteen-month period 30th June 1946 to 31st December 1947—10½%.....	\$ 47,250	
On common shares—60 cents per share.....	137,407	184,657
BALANCE 31ST DECEMBER 1947.....		<u><u>\$1,438,239</u></u>

NOTE.—The above statements do not include the operating results of the subsidiary companies, all of which are in process of development. The expenditures of those companies exceed their income and this company's share of the excess is approximately \$315,000.

YORK KNITTING MILLS, LIMITED

STATEMENT OF CHANGE IN SHARE CAPITAL

by Supplementary Letters Patent Dated 31st December, 1947

PRIOR TO CHANGE THE SHARE CAPITAL CONSISTED OF—

1,500 7% first preference cumulative shares of \$100 each, all of which were issued and outstanding.....	\$ 150,000
3,000 7% second preference cumulative shares of \$100 each, all of which were issued and outstanding.....	300,000
300,000 common shares of no par value, whereof 229,012 shares were issued and outstanding.....	672,201
	<u>\$1,122,201</u>

By Supplementary Letters Patent dated 31st December 1947, and pursuant to consent received from all the holders of second preference shares and from holders of 1,208 first preference shares, the share capital was changed, subdivided and reclassified on the following basis:—

- Each first preference share into 25 Class A and 2 Class B shares
 - Each second preference share into 21 Class A and 2 Class B shares
 - Each common share into 1 Class A and 2 Class B shares
- and the authorized capital was increased by the creation of 99,500 unissued Class A shares and 91,000 unissued Class B shares.

THE SHARE CAPITAL THEN BECAME—

292 7% first preference cumulative shares of \$100 each, all issued and outstanding.....	\$ 29,200
492,700 Class A shares of no par value entitled to a fixed cumulative preferential dividend at the rate of 40c per share per annum, whereof 322,212 shares are issued and outstanding.	1,093,001
699,416 Class B shares of no par value, whereof 466,440 shares are issued and outstanding.....	
	<u>\$1,122,201</u>

The 292 remaining first preference shares may be changed, subdivided and reclassified on the foregoing basis if consent is received from the holders thereof on or before 1st June 1948. If all the remaining shares are so changed, subdivided and reclassified the total authorized and issued Class A and Class B shares will be as follows:—

	Authorized	Issued
Class A.....	500,000 shares	329,512 shares
Class B.....	700,000 shares	467,024 shares

YORK KNITTING MILLS, LIMITED



Operating Divisions

TORONTO
York Spinning
Toronto Hosiery

HAMILTON
Zimmerknit

WOODSTOCK
Harvey Woods Underwear
Hosiery



Sales Offices

VANCOUVER
CALGARY
WINNIPEG

QUEBEC

TORONTO
OTTAWA
MONTREAL



Products

MACHINE KNITTING YARNS

HOSIERY

UNDERWEAR

OUTERWEAR

BATHING SUITS



Brands

HARVEY
Woods

Zimmerknit

