

York Knitting Mills *Limited*

Toronto

Canada

Thirty-sixth *Annual Report*

Year ending December 31st

1946

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McGILL UNIVERSITY

Directors

J. DOUGLAS WOODS

H. H. LAWSON

W. P. WALKER

W. B. WOODS

K. W. HARVEY

R. PRESGRAVE

H. M. REEDY

Officers

J. DOUGLAS WOODS

President

W. P. WALKER

Vice-President and General Manager

H. H. LAWSON

Vice-President

J. S. LEWIS

Secretary

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, 1946.

Earnings before depreciation, bond interest, contingencies and income and excess profits taxes were \$698,167, as compared with \$445,241 and \$551,309 in the years 1945 and 1944 respectively.

Operating profits showed a marked rise during the year due to a variety of causes. Chief among these are somewhat increased volume, slightly more favourable price structure, a rise in price levels during the year, and a reversal of reserves established in prior years and now no longer required. After all charges, the balance of \$305,000 carried to Surplus showed an increase over the previous year. The Surplus account also reflects the profit realized on the sale of obsolete equipment and the writing off of the full costs incurred in redemption of old bonds and issue of new in June. After payment of the same dividends as a year ago, working capital now stands at \$2,517,000. This figure is based on the inclusion among current assets of \$500,000, the balance of the proceeds from the sale of bonds still on deposit with the Trustee. Since the Company subsequent to June 15th, 1946, spent slightly more than this amount, it is therefore now entitled to recover the whole of these moneys on deposit.

Inventories at \$2,050,000 show a very considerable increase, this in general reflecting higher unit costs rather than increased physical quantities. It is felt that stocks are well balanced and adequate for the Company's needs. The difficulties previously experienced in securing cotton yarns are now considerably eased. Supply of wool tops—the raw material of worsted yarn spinning—however, continues difficult and this is further accentuated by current production problems in the United Kingdom.

Accounts and Subsidy Receivables are down sharply from a year ago. Although trade accounts actually are higher, they are more than offset by reduced subsidies receivable and a change in accounting procedure relating to employee Victory Loan purchases.

During the year, gross additions to fixed assets totalled \$402,000. This expenditure was entirely on new equipment designed to reduce costs, improve quality and to add variety to our ranges of merchandise. Because of the increased plant, provision for depreciation has increased from \$123,000 to \$143,000. It is expected that further machinery additions during 1947 will amount to approximately \$500,000.

It will also be noted that investments in subsidiary companies have increased by \$190,000. This reflects the commencement of the program

referred to in the statement of a year ago. A wholly-owned subsidiary of Kroy Unshrinkable Wools Limited has been incorporated in the United States and machinery is now being installed in Lowell, Mass. The prospects for this Company appear promising. Delivery of machinery, however, may defer volume operations for a number of months.

The hosiery company in the United Kingdom has been formed and initial stock subscriptions made. The plant is being located at Enniskillen in Northern Ireland. The factory building should be complete within a year, with the expectation of full production within two years. Meanwhile, premises for pilot plant operations and training have been obtained. This smaller plant will commence production within the next two months and will provide valuable training facilities. During the past six months key personnel selected in Northern Ireland have been given careful instruction in Canada and the United States and have recently returned to Ireland. Further investments in subsidiaries during this year are contemplated.

An additional development of the past year has been the appointment of agents in a number of foreign markets. The Company expects to resume export activities during the year 1947, and it is our intention to develop this business to a much greater extent than in previous years.

Demand for the Company's products continues at a high level. This is true throughout the industry, but we believe that, through maintaining proper standards of quality and by means of our radio and other advertising, the Company may enjoy a somewhat preferred position. It is the intention of your management to maintain the highest reputation for your Company and its products. In any case, improvement in the numbers of workers employed, combined with increased plant facilities, should permit expansion in production during the coming year.

One factor of uncertainty at the present time is the level of increased selling prices of knit goods products. This is brought about by several factors, including rising costs of raw materials, reduced subsidies being paid to maintain ceiling prices to the consumer in Canada, and also the considerable increase in wage levels during the past year. Your own Company now has a scale of wages 13 cents per hour higher than those prevailing a year ago. It will be realized that these important changes in costs can only be recovered through higher prices, and the consumer reaction to such changed price level has yet to be fully determined.

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

March 5th, 1947.

YORK KNITTING

(Incorporated under The

BALANCE

As at 31st D

ASSETS

CURRENT ASSETS:

Cash on hand and in bank.....	\$ 160,212	
Accounts and subsidies receivable, less reserve for doubtful accounts.....	554,024	
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.....	2,049,629	
Life insurance—cash surrender value.....	56,600	
Total current assets.....		\$2,820,465

DEPOSIT WITH TRUSTEE:

\$500,000 Dominion of Canada bonds lodged as deposit under Trust Deed securing the outstanding mortgage bonds, available for expenditure on capital assets acquired after 15th June 1946.....	500,000
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PROPERTY ACCOUNTS:

Land, buildings, machinery and equipment at cost.....	\$3,071,814	
Less reserve for depreciation.....	1,710,456	1,361,358

OTHER ASSETS:

Investments in and advances to subsidiary and associated companies, at cost.....	\$ 420,225	
Refundable portion of excess profits taxes.....	3,959	
Prepaid expenses.....	21,217	445,401

GOODWILL.....		1
		<u>\$5,127,225</u>

AUDITORS' REPORT T

We have made an examination of the above balance sheet of York Knitting Mills, Limited on that date. In connection therewith we examined or tested the accounting record and income accounts for the year, but we did not make a detailed audit of the transactions.

We report that in our opinion the above balance sheet and the attached statements of state of the Company's affairs at 31st December 1946 and of the results of its operations for the year and as shown by the books. All our requirements as auditors have been complied with.

Toronto, Canada,
26th February 1947

MILLS, LIMITED

Ontario Companies Act)

E SHEET

December, 1946

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued charges.....	\$ 442,561	
Provision for income and excess profits taxes.....	310,992	
First mortgage bonds maturing 15th June 1947.....	50,000	
	<hr/>	
Total current liabilities.....		\$ 803,553

FIRST MORTGAGE REDEEMABLE BONDS:

Authorized.....	<u>\$3,000,000</u>	
Issued (Series A)—		
2½% and 3% serial bonds due 1947 to 1958.....	\$ 600,000	
3¼% sinking fund bonds due 1971.....	1,400,000	
	<hr/>	
	\$2,000,000	
Less bonds due 15th June 1947 included in current liabilities.....	50,000	1,950,000
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CAPITAL:

Authorized—		
1,500 7% first preferred cumulative shares of \$100 each.		
3,000 7% second preferred cumulative shares of \$100 each.		
300,000 common shares of no par value.		
Issued—		
1,500 7% first preferred shares.....	\$ 150,000	
3,000 7% second preferred shares.....	300,000	
229,012 common shares.....	672,201	
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	\$1,122,201	

SURPLUS.....	1,251,471	2,373,672
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Dividends on preferred shares are paid to 30th June 1946.

NOTE.—At 31st December 1946 confirmed purchase orders amounting to approximately \$600,000 were outstanding in connection with a capital expansion program.

\$5,127,225

TO THE SHAREHOLDERS

ited as at 31st December 1946 and of the statements of profit and loss and surplus for the year
s of the Company and made a general review of the accounting methods and of the operating
profit and loss and surplus have been drawn up so as to exhibit a true and correct view of the
e year ended on that date, according to the best of our information and the explanations 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 31st December, 1946

Net operating profit before provision for depreciation, bond interest and income taxes.....		\$ 698,167
Deduct:		
Provision for depreciation.....	\$142,619	
Bond interest.....	53,281	195,900
		<hr/>
Add dividends received.....		\$ 502,267
		13,104
		<hr/>
Net profit before provision for income and excess profits taxes.....		\$ 515,371
Provision for income and excess profits taxes.....		210,000
		<hr/>
Net profit for year ended 31st December 1946.....		<u>\$ 305,371</u>

STATEMENT OF SURPLUS

For the Year Ended 31st December, 1946

Balance, 31st December 1945.....		\$1,132,740
Add:		
Net profit transferred from statement of profit and loss.....	\$305,371	
Profit on disposal of equipment.....	11,307	316,678
		<hr/>
		\$1,449,418
Deduct:		
Dividends on first and second preferred shares for year to 30th June 1946—7%.....	\$ 31,500	
Dividends on common shares— 40 cents per share.....	91,605	\$123,105
		<hr/>
Discount and expenses on bonds issued 15th June 1946, and premium on bonds re- deemed.....	74,842	197,947
		<hr/>
Balance, 31st December 1946.....		<u>\$1,251,471</u>

YORK KNITTING MILLS, LIMITED

OPERATING DIVISIONS

Toronto	Hamilton	Woodstock
•	•	•
York Spinning	Zimmerknit	Harvey-Woods
Toronto Hosiery		Underwear
Harvey-Woods Hosiery		Hosiers

SALES OFFICES

Vancouver	Toronto
Calgary	Ottawa
Winnipeg	Montreal

FOREIGN REPRESENTATION

Agents handling York Knitting Mills, Limited products are located in the following cities:

Port-of-Spain, Trinidad	Santiago, Chile
Kingston, Jamaica	Lima, Peru
Buenos Aires, Argentina	St. John's, Newfoundland
Rio de Janeiro, Brazil	Johannesburg, South Africa
Caracas, Venezuela	Stockholm, Sweden

YORK KNITTING MILLS, LIMITED



Products

Hosiery (Circular and Full-fashioned), Underwear, Sweaters,
Outerwear, Bathing Suits - for Men, Women and Children.
Yarns - French Dry Spun Worsted - Cotton - Woollen.



Brands

Harvey-Woods

Zimmerknit

Lancaster

Sensation

P.D.Q.

Quickees

Twin-Line

Hatchway



