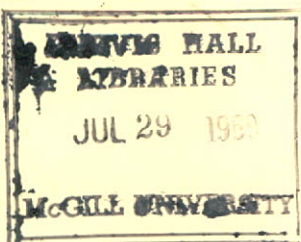


The
Canadian Converters'
Company Limited



SIXTY-THIRD
Annual Report

DECEMBER 31, 1968



DIRECTORS AND OFFICERS

DIRECTORS Lawrence Finkelstein
Seymour Finkelstein
Neil Phillips
Ralph Levine
Claude Berger
Mark Stein
Galen L. Prime

PRESIDENT Lawrence Finkelstein

GENERAL MANAGER Max Finkelstein

EXECUTIVE VICE-PRESIDENT AND SECRETARY Seymour Finkelstein

VICE-PRESIDENT, PRODUCTION Claude Berger

TREASURER Marcel C. Richer

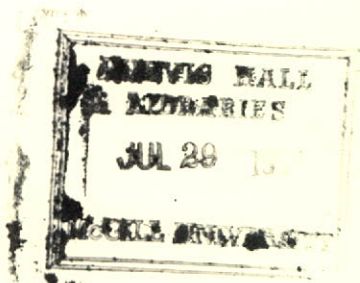
STOCK TRANSFER AGENTS The Royal Trust Co., Montreal

REGISTRAR OF TRANSFERS National Trust Co. Ltd., Montreal

THE CANADIAN CONVERTERS' COMPANY LIMITED

460 ST. CATHERINE STREET WEST,
MONTREAL, CANADA

Offices serving Canada, the British Commonwealth and foreign markets



DIRECTORS' REPORT

TO THE SHAREHOLDERS

Your Directors herewith submit your Company's Sixty-Third Annual Report together with the Financial Statements for the year ended December 31, 1968 as certified by the Company's Auditors.

The Financial Statements are presented on a consolidated basis representing the Company's and its subsidiaries' manufacturing and marketing operations. The consolidated net loss for the year amounted to \$75,803 after providing \$108,572 for depreciation of fixed assets and charging \$10,328 to minority interest attributable to the preferred shares of a subsidiary.

During 1968 minor additions were made to fixed assets where necessary for replacement purposes. After payment of instalments due on long term

debt, purchase of additional shares of subsidiary companies, provision for the net loss and various other charges the consolidated working capital was \$2,026,599 at the end of the year.

At the commencement of 1968 the Company had reason to be moderately optimistic as to the results for the year. The situation changed rapidly during the year because of a drastic increase in imports of our types of products from the low-wage countries of the Far East. Approximately 50% of all shirts used in Canada during 1968 were imports, as against 25% as recently as 1966. We have reason to believe that the Federal Government now realizes the serious situation that exists in our industry and is taking some steps to correct the situation.

Forecasting results for 1969 is rather difficult due to the import situation. Sales for the first quarter were slightly lower than the comparable period of last year due largely to the share of the market absorbed by imports. Nevertheless a moderate profit was realized in the quarter, and the reduction of working capital at the end of 1968 has been in large measure recovered.

Though the Company's manufacturing facilities in La Tuque have been temporarily closed due to our need for less production, again due to imports, our other plant facilities continue to operate and we believe the first-quarter performance can be maintained through the year.

On behalf of the Directors I would like to express to our personnel our sincere appreciation for their loyal efforts during the past year.

Submitted on behalf of the Board.

LAWRENCE FINKELSTEIN

President

Montreal, May 21st, 1969

Vos Directeurs vous soumettent ci-joint le Soixante-troisième Rapport Annuel de la Compagnie, accompagné des Etats Financiers pour l'année fiscale terminée le 31 décembre 1968, tels qu'attestés par les vérificateurs de la Compagnie.

Les Etats Financiers vous sont présentés sous forme consolidée et représentent les opérations de fabrication et de vente de la Compagnie et de ses filiales. La perte consolidée pour l'année se chiffre à \$75,803, compte tenu des provisions de \$108,572 pour amortissement des immobilisations et \$10,328 pour intérêts minoritaires attribuables aux actions privilégiées d'une filiale de la Compagnie.

Au cours de l'année 1968 de légères augmentations aux immobilisations ont été faites pour effectuer les remplacements nécessaires. Après avoir versé les fonds nécessaires pour diminuer les obligations à longue échéance, pour l'achat d'actions additionnelles des filiales, et provisions pour les pertes et autres charges, le Fonds de roulement se chiffrait à \$2,026,599 à la fin de l'année.

Au début de l'année 1969, votre Compagnie avait raison de considérer les résultats de l'an dernier avec optimisme. La situation a dû connaître un changement prononcé durant l'année terminée cause d'une augmentation marquée dans l'importation de marchandises que nous produisons des pays orientaux où la base de gages est appréciablement moindre. Environ 50% de chemises vendues au Canada en 1968 furent importées à comparer à 25% en 1966. Nous avons raison de croire que le gouvernement fédéral réalise maintenant que notre industrie fait face à une grave situation et qu'il prend les démarches nécessaires pour corriger la situation.

Prédire les résultats pour 1969 est quasi impossible en vue du problème des importations.

RAPPORT DES DIRECTEURS

AUX ACTIONNAIRES

Les ventes du premier trimestre ont connu une légère baisse comparativement à l'année passée attribuable au marché absorbé par les importations. Néanmoins un léger profit fut réalisé dans le trimestre et la diminution dans les Fonds de roulement à la fin de 1968 fut renversée en majeure partie.

Quoique nos usines à La Tuque ont été fermées temporairement cause de réduction dans nos demandes de production — un autre adjoint des importations — nos usines ailleurs continuent leurs opérations et nous prévoyons que la performance du premier trimestre saura se maintenir durant l'année complète.

Au nom des membres du Conseil d'Administration, je désire témoigner notre appréciation sincère au personnel de la Compagnie pour leur dévouement au cours de l'année 1968.

Soumis au nom du Conseil.

LAWRENCE FINKELSTEIN

Président

Montréal, le 21 mai 1969

THE CANADIAN CONVER

AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS

	1968 \$	1967 \$
Cash	55,029	47,486
Marketable investments — at cost (quoted value 1968 — \$86,634; 1967 — \$58,844)	23,979	23,978
Accounts receivable	2,545,148	2,436,006
Inventories — at the lower of cost or net realizable value	3,295,354	2,743,447
Prepaid expenses	52,345	61,278
	<u>5,971,855</u>	<u>5,312,195</u>

INVESTMENTS

Shares of a subsidiary company — at cost (note 2)	601,226	601,226
Other shares, without quoted value — at cost	6,543	9,043
Balance of sale price of property	20,000	30,000
	<u>627,769</u>	<u>640,269</u>

FIXED ASSETS

Land, building, machinery and equipment (note 3)	3,367,547	3,335,617
Accumulated depreciation	2,321,628	2,208,395
	<u>1,045,919</u>	<u>1,127,222</u>

DEFERRED CHARGES (note 4)

	<u>64,577</u>	<u>64,277</u>
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SIGNED ON BEHALF OF THE BOARD

LAWRENCE FINKELSTEIN, *Director*

CLAUDE BERGER, *Director*

	<u>7,710,120</u>	<u>7,143,963</u>
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ERS' COMPANY LIMITED

Y COMPANIES

ET AS AT DECEMBER 31, 1968

LIABILITIES

CURRENT LIABILITIES

	1968 \$	1967 \$
Bank advances — secured (note 5)	2,498,500	2,081,000
Accounts payable and accrued liabilities	1,395,055	980,570
Sales and other taxes	51,701	57,883
	<u>3,945,256</u>	<u>3,119,453</u>

TERM DEBT

Bank loan — secured (note 5), payable in annual instalments of \$75,000 to December 1, 1973	375,000	450,000
5 - 5½ % mortgage loan, payable in annual instalments to 1981	347,500	365,000
5% debentures, payable on October 1, 1968		79,650
(Included in term debt are amounts aggregating \$93,500 (1967 — \$172,150) which are due within one year)	<u>722,500</u>	<u>894,650</u>

MINORITY INTEREST IN CONSOLIDATED ASSETS

Applicable to preferred shares of a subsidiary company	90,849	104,175
	<u>4,758,605</u>	<u>4,118,278</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized —		
125,000 Class "A" shares of \$20 par value		
100,000 Class "B" shares of no par value		
Issued and fully paid —		
69,340 Class "A" shares	1,386,800	1,386,800
34,670 Class "B" shares	34,670	34,670
	<u>1,421,470</u>	<u>1,421,470</u>

RETAINED EARNINGS (note 5)	1,530,045	1,604,215
	<u>2,951,515</u>	<u>3,025,685</u>
	<u>7,710,120</u>	<u>7,143,963</u>

THE CANADIAN CONVERTERS' COMPANY LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1968

	1968 \$	1967 \$
SALES	8,705,460	9,046,034
COST OF SALES, INCLUDING SELLING AND AND OTHER EXPENSES	8,569,881	8,999,838
OPERATING PROFIT BEFORE THE FOLLOWING ITEMS: . . .	135,579	46,196
Salaries of officers who are directors and other directors' fees . . .	63,432	73,048
Depreciation	108,572	116,378
Interest on term debt	50,370	56,067
Investment income	(664)	(675)
	221,710	244,818
	(86,131)	(198,622)
MINORITY INTEREST ATTRIBUTABLE TO PREFERRED SHARES OF A SUBSIDIARY COMPANY	10,328	13,067
NET LOSS FOR THE YEAR	75,803	185,555

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1968

	1968 \$	1967 \$
BALANCE — BEGINNING OF YEAR	1,604,215	1,949,972
Net loss for the year	75,803	185,555
Excess of book value of related net assets over cost of additional shares of a subsidiary acquired during the year	(1,633)	(5,228)
	74,170	180,327
	1,530,045	1,769,645
Uncollectible claim in a prior year		32,235
Pre-operating and plant start-up expenses		133,195
	—	165,430
BALANCE — END OF YEAR	1,530,045	1,604,215

THE CANADIAN CONVERTERS' COMPANY LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1968

	1968 \$	1967 \$
SOURCE OF FUNDS		
Net loss for the year before minority interest	86,131	
Charges not requiring cash outlay — Depreciation and amortization	124,718	
	<u>38,587</u>	
Sale of investments	2,500	
Payment received on balance of sale price of property	10,000	10,000
	<u>51,087</u>	<u>10,000</u>
 USE OF FUNDS		
Net loss for the year before minority interest		198,622
Credits (charges) not requiring fund outlay — Depreciation		(116,378)
Patent infringement write-off applicable to minority interest		5,388
		<u>87,632</u>
Additions to fixed assets — net	27,269	22,380
Additions to deferred charges	16,446	64,276
Purchase of additional shares of subsidiary companies	1,365	6,990
Payments of term debt	172,150	91,500
Uncollectible claim in a prior year		32,235
	<u>217,230</u>	<u>305,013</u>
 DECREASE IN WORKING CAPITAL FOR THE YEAR	166,143	295,013
 WORKING CAPITAL — BEGINNING OF YEAR	2,192,742	2,487,755
 WORKING CAPITAL — END OF YEAR	2,026,599	2,192,742

THE CANADIAN CONVERTERS' COMPANY LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 1968

1 — PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiary companies except Alexander Building Corporation. The accounts of this subsidiary have been excluded because its operations are not comparable with those of the other companies of the group comprising the consolidation.

2 — SUBSIDIARY COMPANY NOT CONSOLIDATED

The parent company's share of the loss for the year ended April 30, 1968, and the post-acquisition undistributed earnings to that date, of the subsidiary company, which is not consolidated, are \$355 and \$96,121 respectively.

3 — FIXED ASSETS

The fixed assets of the parent company are stated at their appraisal value as at April 30, 1945, as determined by The Industrial Valuation Co., Ltd., with subsequent additions at cost. The fixed assets of the subsidiary companies are stated at cost.

4 — DEFERRED CHARGES

	1968	1967
	\$	\$
These consist of the following:		
Deferred training centre expenses, less accumulated amortization of \$16,146 (1967 — nil)	54,576	64,277
Patents — at nominal value	1	1
	<u>64,577</u>	<u>64,277</u>

5 — SECURITY FOR BANK LOAN AND ADVANCES

- i) The parent company and two of the subsidiary companies have each authorized and issued \$2,500,000 of 6% secured debentures, payable on demand, as collateral security for repayment of the bank loan and advances to the parent company. The loan agreement, dated July 29, 1963, contains certain restrictions amongst which is one relating to the payment of dividends.
- ii) Accounts receivable and the balance of sale price of property are pledged as security for bank advances.

6 — COMMITMENTS

Under the provisions of long-term leases the companies are committed to annual rentals aggregating \$82,805 covering factory buildings and sales office space.

MCDONALD, CURRIE & CO.
CHARTERED ACCOUNTANTS

INTERNATIONAL FIRM
COOPERS & LYBRAND

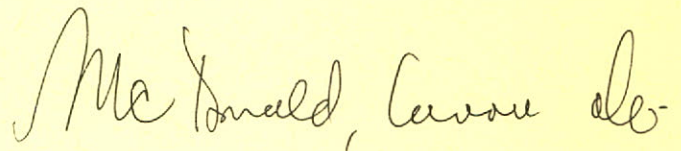
TELEPHONE (514) 875-5140
630 DORCHESTER BOULEVARD WEST
MONTREAL 101, QUEBEC, CANADA

April 23, 1969

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of The Canadian Converters' Company Limited and subsidiary companies as at December 31, 1968 and the consolidated statements of earnings and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



CHARTERED ACCOUNTANTS

