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THE
Canadian Converters'
COMPANY LIMITED



62nd.

ANNUAL REPORT

December 31, 1967

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DIRECTORS AND OFFICERS

DIRECTORS Lawrence Finkelstein
Seymour Finkelstein
Neil Phillips
Ralph Levine
Claude Berger
Mark Stein

PRESIDENT Lawrence Finkelstein

GENERAL MANAGER Max Finkelstein

EXECUTIVE VICE-PRESIDENT AND SECRETARY Seymour Finkelstein

VICE-PRESIDENT, PRODUCTION Claude Berger

TREASURER Marcel C. Richer

VICE-PRESIDENT, MERCHANDISING & SALES Henry Kaufman (*Men's Wear Division*)

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' ANNUAL REPORT

TO THE SHAREHOLDERS

Your Directors herewith submit your Company's Sixty-Second Annual Report together with the Financial Statements for the year ended December 31, 1967 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 \$185,555 after providing \$116,378 for depreciation of fixed assets and charging \$13,067 to minority interest attributable to the preferred shares of a subsidiary.

During 1967 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 \$2,192,742 at the end of the year.

The loss during the year was caused largely by the sudden increased consumer preference for Permanent Press apparel that took place in our industry during 1967. Large inventories of other types of merchandise had to be liquidated during the year, contributing heavily to the loss. Combined with the above change in consumer attitude was the fact that 1967 was generally an extremely difficult year in the complete apparel and textile industry, with no price increases possible on our major product lines to offset increased costs.

Forecasting the results of operations for 1968 is rather difficult, but we believe that there are reasons for optimism. Sales during the first quarter of the fiscal year were moderately ahead of the same period for the preceding year and a profit was realized on our operations. The Company's customer order position at this time is good and if these trends continue for the balance of the year, we believe that there will be a substantial improvement in our results.

During the past year scientific training centres were started in our Shawinigan and Cap de la Madeleine plants which should substantially reduce training costs of new employees and improve efficiency during the years ahead.

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

Submitted on behalf of the Board.

LAWRENCE FINKELSTEIN
President

Montreal, May 31st, 1968

Vos Directeurs vous soumettent ci-joint le Soixante-deuxième Rapport Annuel de la Compagnie, accompagné des Etats Financiers pour l'année fiscale terminée le 31 décembre 1967, 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 \$185,555, compte tenu des provisions de \$116,378 pour amortissement des immobilisations et \$13,067 pour intérêts minoritaires attribuables aux actions privilégiées d'une filiale de la Compagnie.

Au cours de l'année 1967 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 \$2,192,742 à la fin de l'année 1967.

Les pertes de l'année 1967 peuvent être attribuées en grande partie à la préférence marquée des consommateurs pour les vêtements 'repassés en permanence', qui s'imposa durant l'année. Ceci causa la liquidation forcée d'importants inventaires de vêtements d'autre genre — cause majeure des pertes subies. A part ce changement dans l'attitude du consommateur, l'année 1967 se montra extrêmement difficile dans le cadre des industries du vêtement et de textile. Il nous fut impossible d'augmenter le prix de vente de nos lignes majeures pour compenser l'augmentation en frais de production.

Prédire les résultats de 1968 est quasi impossible, quoique nous croyons qu'il y a cause pour un certain degré d'optimisme. Les ventes du premier trimestre ont indiqué une légère hausse comparativement à 1967 et un profit a été

RAPPORT ANNUEL DES DIRECTEURS

AUX ACTIONNAIRES

réalisé sur nos opérations. La position de commandes de détaillants chez la Compagnie est satisfaisante à date et, si cette marche se continue pour les neuf mois suivants, nous prévoyons une amélioration appréciable dans les résultats de la Compagnie.

Au cours de l'année passée des centres d'entraînement scientifique ont été ouverts sur les lieux à Shawinigan et au Cap de la Madeleine, ce qui devrait réduire sensiblement les frais d'entraîner les nouveaux employés et augmenter l'efficacité générale dans les années à venir.

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 1967.

Soumis au nom du Conseil.

LAWRENCE FINKELSTEIN
Président

Montréal, le 31 mai 1968

THE CANADIAN CONVER

AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS

	1967	1966
	\$	\$
CURRENT ASSETS		
Cash	47,486	16,357
Marketable investments — at cost (quoted value 1967 — \$58,884; 1966 — \$56,182)	23,978	23,981
Accounts receivable	2,436,006	2,265,382
Inventories — at the lower of cost or net realizable value	2,743,447	3,327,845
Prepaid expenses	61,278	58,921
	<u>5,312,195</u>	<u>5,692,486</u>
INVESTMENTS		
Shares of a subsidiary company — at cost (note 2)	601,226	598,726
Other shares, without quoted value — at cost	9,043	9,043
Balance of sale price of property	30,000	40,000
	<u>640,269</u>	<u>647,769</u>
FIXED ASSETS		
Land, building, machinery and equipment (note 3)	3,335,617	3,309,211
Accumulated depreciation	2,208,395	2,087,993
	<u>1,127,222</u>	<u>1,221,218</u>
DEFERRED CHARGES (note 4)	64,277	133,198
SIGNED ON BEHALF OF THE BOARD		
LAWRENCE FINKELSTEIN, <i>Director</i>		
CLAUDE BERGER, <i>Director</i>		
	<u>7,143,963</u>	<u>7,694,671</u>

TERS' COMPANY LIMITED

RY COMPANIES

ET AS AT DECEMBER 31, 1967

	LIABILITIES	
	1967	1966
	\$	\$
CURRENT LIABILITIES		
Bank advances — secured (note 5)	2,081,000	2,176,000
Accounts payable and accrued liabilities	950,254	956,166
Sales and other taxes	88,199	72,565
	<u>3,119,453</u>	<u>3,204,731</u>
TERM DEBT		
Bank loan — secured (note 5), payable in annual instalments of \$75,000 to December 1, 1973	450,000	525,000
5 - 5½% mortgage loan, payable in annual instalments to 1981	365,000	381,500
5% debentures, payable on October 1, 1968	79,650	79,650
(Included in term debt are amounts aggregating \$171,150 (1966 — \$91,500) which are due within one year)	894,650	986,150
MINORITY INTEREST IN CONSOLIDATED NET ASSETS		
Applicable to preferred shares of a subsidiary company	104,175	132,348
	<u>4,118,278</u>	<u>4,323,229</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)	1,604,215	1,949,972
	<u>3,025,685</u>	<u>3,371,442</u>
	<u>7,143,963</u>	<u>7,694,671</u>

THE CANADIAN CONVERTERS' COMPANY LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1967

	1967	1966
	\$	\$
SALES	9,046,034	9,212,827
COST OF SALES, INCLUDING SELLING AND OTHER EXPENSES	8,999,838	8,923,957
OPERATING PROFIT BEFORE THE FOLLOWING ITEMS:	46,196	288,870
Salaries of officers who are directors and other directors' fees	73,048	91,466
Depreciation	116,378	141,772
Interest on term debt	56,067	60,689
Investment income	(675)	(9,259)
	<u>244,818</u>	<u>284,668</u>
	(198,622)	4,202
RECOVERY OF PRIOR YEAR'S TAXES	—	21,710
	<u>(198,622)</u>	<u>25,912</u>
MINORITY INTEREST ATTRIBUTABLE TO PREFERRED SHARES OF A SUBSIDIARY COMPANY	13,067	1,579
NET LOSS (EARNINGS) FOR THE YEAR	185,555	(24,333)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1967

	1967	1966
	\$	\$
BALANCE — BEGINNING OF YEAR	1,949,972	1,924,608
Net loss (earnings) for the year	185,555	(24,333)
Excess of book value of related net assets over cost of additional shares of a subsidiary acquired during the year	(5,228)	(1,031)
	<u>180,327</u>	<u>(25,364)</u>
	1,769,645	1,949,972
Uncollectible claim in a prior year	32,235	—
Pre-operating and plant start-up expenses	133,195	—
	<u>165,430</u>	<u>—</u>
BALANCE — END OF YEAR	1,604,215	1,949,972

THE CANADIAN CONVERTERS' COMPANY LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1967

	1967	1966
	\$	\$
SOURCE OF FUNDS		
Net earnings for the year before depreciation and allocation of earnings to minority interest		167,684
Payment received on balance of sale price of property	10,000	10,000
	<u>10,000</u>	<u>177,684</u>
USE OF FUNDS		
Net loss for the year, before depreciation and allocation of loss to minority interest	87,632	
Additions to fixed assets — net	22,380	57,593
Additions to deferred charges	64,276	133,197
Purchase of additional shares of subsidiary companies	6,990	1,185
Payments of term debt	91,500	90,500
Uncollectible claim in a prior year	32,235	—
	<u>305,013</u>	<u>282,475</u>
DECREASE IN WORKING CAPITAL FOR THE YEAR	295,013	104,791
WORKING CAPITAL — BEGINNING OF YEAR	<u>2,487,755</u>	<u>2,592,546</u>
WORKING CAPITAL — END OF YEAR	<u><u>2,192,742</u></u>	<u><u>2,487,755</u></u>

THE CANADIAN CONVERTERS' COMPANY LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 1967

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 earnings for the year ended April 30, 1967 and the post-acquisition undistributed earnings to that date of the subsidiary company, which is not consolidated, are \$37,686 and \$96,476 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

	1967	1966
	\$	\$
These consist of the following:		
Pre-operating and plant start-up expenses		133,197
Deferred training centre expenses	64,276	
Patents — at nominal value	1	1
	<u>64,277</u>	<u>133,198</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 875-5140
630 DORCHESTER BOULEVARD WEST
MONTREAL 2, CANADA

April 15, 1968

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, 1967 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 consolidated financial position of the companies as at December 31, 1967 and the consolidated 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.

McDonald, Currie & Co.

CHARTERED ACCOUNTANTS

