

DOMINION
WOOLLENS
— & —
WORSTEDS
LIMITED



TWELFTH
ANNUAL REPORT
1940

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**DOMINION WOOLLENS
& WORSTEDS
LIMITED**

**TWELFTH ANNUAL REPORT
FOR YEAR ENDED
DECEMBER 31st, 1940**

Presented to the Shareholders at the Annual
Meeting of the Company held
at Toronto on the
Fifth day of June,
1941



Executive Offices
80 Richmond Street West,
TORONTO, ONTARIO

Mills at
Hespeler, Ontario
Peterborough, Ontario
Orillia, Ontario

Sales Offices:
80 Richmond Street West Confederation Building
Toronto, Ont. Montreal, Que.

BOARD OF DIRECTORS

President:

John W. Hobbs

Vice-President and Managing Director:

Henry Barrett

C. M. Heddle

W. G. Hanson

W. K. Trower

G. D. Perry

E. M. Saunders

Secretary-Treasurer:

F. C. Cockburn

Stock Transfer Agents:

National Trust Company, Limited
Toronto

Registrar of Transfers:

Royal Trust Company, Limited
Toronto

Bankers:

Imperial Bank of Canada

Auditors:

P. S. Ross & Sons
Chartered Accountants
Toronto

DOMINION WOOLLENS & WORSTEDS, LIMITED

Toronto, Ontario, May 7, 1941.

DIRECTORS' REPORT

TO THE SHAREHOLDERS:

Your Board of Directors takes pleasure in presenting the Company's Twelfth Annual Report covering the year ended December 31st, 1940, which embraces a very active period.

The productive facilities of your Company were fully employed. The consolidation of plant, which was accomplished early in 1939, resulted in maximum production being obtained at the lowest possible cost.

The supplying of military, naval and air force requirements represented 40% of the total sales. Orders now booked ensure full-time operation until the end of the present year.

The operating expenses, cost of maintenance, administration and selling expenses have all been provided for in the usual manner.

The provision made for Dominion Income and Excess Profits Taxes and Provincial Corporation and Revenue Taxes should be adequate according to our interpretation of the governing statutes. The basis on which the Excess Profits Tax is computed, however, has not yet been definitely settled.

Large stocks of raw material have to be carried to ensure continuous production.

Wool prices during the year were approximately 80% higher than those current prior to the war.

Inventories at the end of the year have been computed at cost, less a reserve for future decline in values (as permitted under the Excess Profits Tax Act), which represents a substantial portion of the difference between the year-end and the pre-war cost of raw materials, supplies and labor.

After setting aside an ample allowance for depreciation and making the provision for taxes above referred to, net profit for the year amounted to \$229,797.67.

In the opinion of your Directors, the accumulated reserve for depreciation as at December 31, 1940, is fully adequate for the Company's requirements and produces a net depreciated value for fixed assets which is regarded by them as conservative.

Expenditures on capital improvements amounted to \$112,178.00.

The books and accounts of your Company have been examined and the auditors' report is submitted herewith.

Respectfully submitted,

JOHN W. HOBBS,
President.

STATEMENT

of

INCOME AND EXPENDITURE

For the year ended 31st December, 1940

Profit from Operations, after charges of \$38,611.52 for Remuneration of Executive Officers and Solicitors' Fees and \$12,559.98 for Directors' Fees, and before providing for the undernoted charges	\$850,149.67
DEDUCT:	
Provision for Depreciation	\$242,590.71
Bond Interest	62,460.00
Bad Debts	301.29
	<hr/>
Net Profit from Operations	\$544,797.67
DEDUCT:	
Provision for Dominion Income and Excess Profits Taxes and Provincial Income Taxes	315,000.00
	<hr/>
Net Profit transferred to Earned Surplus	<u>\$229,797.67</u>

DOMINION WOOLLENS & WORSTEDS, LIMITED

BALANCE
AS AT 31.

ASSETS

CURRENT:

Cash on Hand and in Banks	\$	44,515.65
Accounts and Bills Receivable		482,561.14
Inventories of Finished Goods, Goods in Process, Raw Materials and Supplies on Hand and in Transit, as determined and certified by the Management and valued at cost, less Reserve for future decline in values		1,514,978.43
Dominion of Canada Bonds (Market Value \$98,500.00) at cost		98,750.00
Unexpired Insurance		2,622.60
		\$2,143,427.82
Balances Receivable under Agreements of Sale		2,461.73
Investment in Company's own Bonds, par value \$143,950.00, at cost		110,541.09

FIXED:

At depreciated replacement values in 1928, as certified by the Canadian Appraisal Company Limited, comprising Land, Buildings, Houses, Plant and Equipment, less amounts written off, plus subsequent additions at cost	\$3,569,082.70	
Less: Reserve for Depreciation	1,236,925.61	
		2,332,157.09
Deferred Charges to Operations		1,000.08
		\$4,589,587.81

Toronto, Ont., 8th May, 1941.

DOMINION WOOLLENS & WORSTEDS, LIMITED, Toronto, Ontario.

We have conducted a balance sheet audit of the accounts of Dominion Woollens & Worsteds, Limited as at 31st December, 1940, and have received all the information and explanations we have required.

The Board of Directors, by resolution, has made provision for depreciation in the amount of \$242,590.71 for the year ended 31st December, 1940.

Subject to the foregoing, in our opinion the above Balance Sheet, when read in conjunction with the report of the directors to the shareholders dated 7th May, 1941, is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as at 31st December, 1940, according to the best of our information and the explanations given to us and as shown by the books of the Company.

P. S. ROSS & SONS, Chartered Accountants.

DOMINION WOOLLENS & WORSTEDS, LIMITED

SHEET
DECEMBER, 1940

LIABILITIES

CURRENT:

Bank Loan—Secured	\$ 186,000.00	
Accounts and Bills Payable	625,317.51	
Accrued Wages and Other Accrued Liabilities ..	23,693.44	
Sales Tax and National Defence Tax Payable	17,080.52	
Dividends Payable on Preferred Stock — 2nd January, 1941	38,106.00	
Dominion and Provincial Income, Excess Profits and Corporations Taxes, estimated	320,784.60	
	\$1,210,982.07	

FIRST MORTGAGE SINKING FUND 6% BONDS, DUE 1953:

Authorized and Issued	\$1,058,500.00	
Less: Redeemed under terms of Trust Deed	35,000.00	
	1,023,500.00	

Reserve for Bad Debts 51,351.24

CAPITAL AND SURPLUS:

Preferred Stock—6% Non-Cumu- lative, Participating		
Authorized: 63,510 shares of Par Value of \$20.00 each	\$1,270,200.00	
Issued: 63,510 shares, fully paid	\$1,270,200.00	

Common Stock:

Authorized: 155,000 shares of No Par Value		
Issued: 85,585 shares, fully paid	855,850.00	
	\$2,126,050.00	

Capital Surplus, Credit Balance	\$ 63,285.43	
Earned Surplus, Credit Balance	114,419.07	
	177,704.50	
	2,303,754.50	
	<u>\$4,589,587.81</u>	

Signed on behalf of the Board: { JOHN W. HOBBS, *Director.*
HENRY BARRETT, *Director.*

STATEMENT
of
SURPLUS ACCOUNTS

For the year ended 31st December, 1940

CAPITAL SURPLUS:

Balance at Credit, 1st January, 1940		\$ 56,331.26
ADD:		
Profit on Redemption of Company's own bonds		10,602.34
		\$ 66,933.60
DEDUCT:		
Loss (after charging \$5,227.93 to Depreci- ation Reserve) on Real Estate and Equipment sold or scrapped		3,648.17
Balance at Credit, 31st December, 1940		\$ 63,285.43

EARNED SURPLUS:

Balance at Debit, 1st January, 1940		\$ 69,677.24
ADD: Prior year adjustments:		
Additional Depreciation re 1939 \$ 3,795.13		
Additional Income Taxes re 1939	3,800.23	7,595.36
		\$ 77,272.60
DEDUCT:		
Operating Profit for year ended 31st December, 1940, after provision for Dominion In- come and Excess Profits Taxes and Provincial In- come Taxes	\$229,797.67	
LESS: Dividend at 3% on Preferred Stock declared payable on 2nd January, 1941, to Shareholders of record, 14th December, 1940	38,106.00	191,691.67
Balance at Credit, 31st December, 1940		114,419.07
Total Surplus, 31st December, 1940		\$177,704.50

