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DOMINION
WOOLLENS
&
WORSTEDS
LIMITED



EIGHTEENTH
ANNUAL REPORT
1946

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**DOMINION WOOLLENS
& WORSTEDS,
LIMITED**

EIGHTEENTH ANNUAL REPORT

FOR YEAR ENDED
31st DECEMBER, 1946

Presented to the Shareholders at the Annual
Meeting of the Company held
at Toronto on the
Twenty-ninth day of May,
1947



Executive Offices

80 Richmond Street West,
TORONTO, ONTARIO

Mills at

Hespeler, Ontario
Peterborough, Ontario
Orillia, Ontario

Sales Offices:

80 Richmond Street West
Toronto, Ont.

Confederation Building
Montreal, Que.

BOARD OF DIRECTORS

Chairman of the Board:

John W. Hobbs

President:

Henry Barrett

Vice-President:

J. A. Gairdner

H. B. Bonner

G. D. Perry

C. M. Heddle

C. F. Farwell

General Manager:

H. B. Bonner

Secretary-Treasurer:

S. W. Haufschild

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 13, 1947.

DIRECTORS' REPORT

TO THE SHAREHOLDERS:

The Eighteenth Annual Report for the year ended December 31, 1946 is submitted herewith.

During the year your Company's operations were devoted entirely to the production of civilian goods and both physical and dollar volume were 5% higher than the previous year, when a large portion of our production was for the armed forces.

Increases in raw material prices and increased prices for all supplies we consume, as well as higher wages and inadequate ceiling prices, have resulted in a decline of net profits from \$219,424 in 1945 to \$101,149 in 1946.

A much overdue recognition of the inadequate ceiling prices resulted in the granting of higher ceiling prices as from February 17th, 1947, followed shortly afterwards by the discontinuance of all price controls applicable to your Company's products.

With the return to normal cost-price relationship, the earnings of your Company will be considerably higher than those for the period under review.

For the first four months of 1947, production both in physical quantity and dollar value was at considerably higher levels than for the same period last year.

Wages which represent an important percentage of operating costs have increased very substantially during the past year. Your Company's wage rates compare favourably with the highest paid in the wool textile industry.

Net current assets as at December 31, 1946, amounted to \$1,485,114 and compare with \$1,720,529 as at December 31, 1945. The reduction is largely accounted for by expenditures on capital replacements, which during the year amounted to \$221,000. It should be pointed out that the prices of new equipment are almost double those of pre-war years, so that this amount in terms of similar expenditures made at pre-war prices could not be considered abnormal.

Inventories are carried at levels which, in view of present conditions, are considered sound. The difficulty in obtaining suitable supplies, when and as they are needed, combined with the requirements arising from wool top making operations, have necessitated the maintenance of larger inventories. The costs of such inventories are at levels considerably below present replacement costs.

The renegotiation proceedings with the Department of Reconstruction and Supply have been concluded for the principal war years 1940 to 1944 inclusive, and the refundable portion of the Excess Profits Taxes is included in the attached statements as an asset. The resulting adjustments made very little change in the earned surplus account.

The provision for Dominion Income and Excess Profits Taxes is considered adequate, although the taxes in respect of 1940 and subsequent years have not been finally determined.

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

Respectfully submitted,

JOHN W. HOBBS,

Chairman of the Board.

STATEMENT
of
INCOME AND EXPENDITURE

For the Year ended 31st December, 1946

Profit from operations, after charges of \$54,570.28 for remuneration of executive officers and salaried directors and solicitors' fees, and \$12,083.33 for directors' fees, and before providing for the under-noted charges\$330,307.59

DEDUCT:

Provision for depreciation\$77,700.00
Bond and debenture interest 83,258.19

160,958.19

Net profit from operations\$169,349.40

DEDUCT:

Provision for income and excess profits taxes 68,200.00

Net profit transferred to earned surplus\$101,149.40

Submitted with our report dated 21st April, 1947.

P. S. ROSS & SONS, Chartered Accountants.

TORONTO, Ont.

DOMINION WOOLLENS & WORSTEDS, LIMITED

**BALANCE
AS AT 31st**

ASSETS

CURRENT:

Cash on hand and in banks	\$ 29,506.12	
Accounts receivable	434,595.08	
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 the lower of cost or market, less reserve for future decline in values in accordance with the Excess Profits Tax Act	2,664,016.85	
	\$3,128,118.05	
Mortgages receivable from employees		6,893.46
Investments in and advances to subsidiary company — Woodsdale Properties Limited		
Shares at cost	\$ 9,975.00	
Advances	34,115.26	
	44,090.26	
Refundable portion of excess profits taxes		36,028.83
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	\$4,480,181.75	
Less: Reserve for depreciation	2,305,229.02	
	2,174,952.73	
Unexpired insurance and other deferred charges to operations ..		15,932.45
		\$5,406,015.78

DOMINION WOOLLENS & WORSTEDS, LIMITED, Toronto, Ontario.

We have examined the above Balance Sheet of Dominion Woollens & Worsteds, Limited, as at 31st December, 1946, and the related Statements of Earned Surplus and of Income and Expenditure for the year ended on that date. In connection therewith we made a general review of the accounting methods of the company and examined or tested accounting records and other supporting evidence to the extent that we deemed appropriate without making a detailed audit of the transactions. We have received all of the information and explanations we have required.

The Board of Directors by resolution has made provision for depreciation in the amount of \$77,700.00 for the year under review.

In accordance with section 114 of The Dominion Companies Act, we report that there was no net profit or loss of the subsidiary company for the period ended 31st December, 1946 to be dealt with or provided for in the accounts of the holding company, Dominion Woollens & Worsteds, Limited.

Subject to the foregoing, in our opinion the above Balance Sheet and related Statements of Earned Surplus and of Income and Expenditure are properly drawn up so as to exhibit a true and correct view of the affairs of the company as at 31st December, 1946, and the result of its operations for the year ended on that date, according to the best of our information and explanations given to us and as shown by the books of the company.

P. S. ROSS & SONS, Chartered Accountants.

TORONTO, ONT., 21st April, 1947.

DOMINION WOOLLENS & WORSTEDS, LIMITED

SHEET

DECEMBER, 1946

LIABILITIES

CURRENT:

Bank loan — secured	\$1,125,000.00	
Accounts and bills payable and accrued liabilities	269,652.72	
Dividend payable	29,456.60	
Bond and debenture interest accrued	39,340.00	
First mortgage serial bonds maturing 1st February, 1947	50,000.00	
Dominion Government — amount refundable on war contracts, (after deduction of related and other prior year income and excess profits taxes recoverable)	111,354.27	
Income and excess profits taxes, estimated, less instalments paid on account	18,200.02	
	\$1,643,003.61	

FUNDED DEBT:

First mortgage serial bonds:		
Authorized	\$2,000,000.00	
Issued	700,000.00	
Outstanding (less bonds maturing 1st February 1947) 3½% and 4%, maturing 1948-1954	\$ 550,000.00	
Redeemable sinking fund debentures 5%, maturing 1964:		
Authorized and issued	\$1,270,200.00	
Less: Redeemed under terms of Trust Deed	71,600.00	
	1,198,600.00	
	1,748,600.00	
Reserve for bad debts	51,351.24	
Reserve for contingencies	200,000.00	

CAPITAL AND SURPLUS:

Common stock:		
Authorized...155,000 shares of no par value		
Issued.....147,283 shares, fully paid	\$ 917,548.00	
Earned surplus, per statement attached	845,512.93	
	1,763,060.93	
	\$5,406,015.78	

Signed on behalf of the Board: {	HENRY BARRETT, <i>Director.</i> J. A. GAIRDNER, <i>Director.</i>
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STATEMENT
of
EARNED SURPLUS

For the Year ended 31st December, 1946

Balance at credit, 1st January, 1946	\$845,553.39
Prior year adjustments:	
DEDUCT:	
Amount refundable on war contracts as a result of renegotiation proceedings	\$300,000.00
Less: Related and other prior year income and excess profits taxes recoverable	258,733.36
	41,266.64
	\$804,286.75
ADD:	
Refundable portion of prior year excess profits taxes	36,028.83
Adjusted balance at credit, 1st January, 1946	\$840,315.58
Operating profit for the year ended 31st December, 1946, after provision for income and excess profits taxes	\$101,149.40
Net profit on redemption of company's own debentures and on sale of securities	2,374.00
Net profit (after charging \$22,587.96 to depreciation reserve) on land, buildings, houses and equipment sold or scrapped in 1946	8,319.29
	111,842.69
	\$952,158.27
DEDUCT:	
Dividends declared	106,645.34
Balance at credit, 31st December, 1946	\$845,512.93

Submitted with our report dated 21st April, 1947.

P. S. ROSS & SONS, Chartered Accountants.

TORONTO, Ont.

