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DOMINION
WOOLLENS
&
WORSTEDS
LIMITED



NINETEENTH
ANNUAL REPORT
1947

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DISTINCTIVE SUITINGS

Bouquet
**KNITTING
WOOLS**

by
Dominion Woollens



DOMINION WOOLLENS
& WORSTEDS,
LIMITED
NINETEENTH ANNUAL REPORT

FOR YEAR ENDED
31st DECEMBER, 1947

Presented to the Shareholders at the Annual
Meeting of the Company held
at Toronto on the
Twentieth day of May,
1948



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

Chairman of the Board:

John W. Hobbs

President:

Henry Barrett

Vice-President:

J. A. Gairdner

H. B. Bonner

Henry Brown

C. M. Heddle

G. D. Perry (deceased)

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 1, 1948.

DIRECTORS' REPORT

TO THE SHAREHOLDERS:

Your Directors have pleasure in presenting herewith the Nineteenth Annual Report of your Company, showing Statement of Assets and Liabilities, Income and Expenditure, and Earned Surplus Account, and the Auditors' Report for the year ended December 31, 1947.

The year 1947 was a very active one. The physical volume of production increased and was close to capacity. The dollar value of sales showed an increase of 50% over the year 1946. The wartime direction of your Company's affairs which had been partially relaxed in 1946 ceased as from April 1st, 1947. For nine months of the year under review operations were carried on under normal operating conditions and with improved earnings.

Your Directors feel that provision should be made against a decline from the abnormally high price of wool now prevailing. Accordingly the inventories, which in the past were valued at the lower of cost or market, have been reduced to price levels considered sound under present conditions. This reduction is reflected in a special charge of \$462,792 in the Statement of Income and Expenditure and has the effect of pricing the wool content at the subsidized level established for wools during the war period by the Wartime Prices and Trade Board which were in effect until early in 1946. The resulting net profit transferred to Surplus Account for the year under review amounts to \$267,584 as compared with \$101,149 for the previous year.

Inventories are carried at minimum physical levels required for full production.

Total current or working assets at December 31, 1947, as shown on the Balance Sheet, amounted to \$3,664,706 and current liabilities stood at \$1,895,516 leaving net working assets of \$1,769,190. This is after reducing the inventories to the price level indicated earlier in this report but as will be observed the Reserve for Inventory Price Decline under the Excess Profits Tax Act, which in previous years was taken as a deduction from Inventories, is this year shown in the liability section of the Balance Sheet.

Wages have again been increased considerably during the past year to keep ahead of the rising cost of living.

Your Company's products have secured a favoured position in the Canadian market during the past several years and a good demand for the same should continue throughout 1948. Production and sales are continuing on a full capacity basis.

The plants of your Company have been maintained in good condition, and expenditures during the year on capital replacements amounted to \$205,000.

Income and Excess Profits Taxes in respect of 1940 and subsequent years have not been finally determined, but the provisions made for the years 1940 to 1946 inclusive are considered adequate. In connection with the year under review the adjustment in inventory valuations referred to above has been treated as a charge to operations and the liability for Income and Excess Profits Taxes does not include any provision for disallowances which may be effected by the Department of National Revenue in this connection.

The loyalty and efficiency with which the employees of your Company have discharged their duties during the past year are herewith gratefully acknowledged by your Directors.

It is with profound regret that your Directors record the death of one of their number during the past year, Mr. G. D. Perry, who has been associated with your Company since its inception.

Respectfully submitted,

JOHN W. HOBBS,
Chairman of the Board.

STATEMENT
of
INCOME AND EXPENDITURE
For the Year ended 31st December, 1947

Profit from operations, after charges of \$69,859.00 for remuneration of executive officers and salaried directors and solicitors' fees, \$12,917.00 for directors' fees, and provision of \$462,792.00 for inventory price decline, and before providing for the undernoted charges\$704,622.64

DEDUCT:

Provision for depreciation\$165,000.00
Bond and debenture interest 79,538.88

244,538.88

Net profit from operations\$460,083.76

DEDUCT:

Provision for income and excess profits taxes 192,500.00

Net profit transferred to earned surplus\$267,583.76

Submitted with our report dated 3rd May, 1948.

P. S. ROSS & SONS, Chartered Accountants.

TORONTO, Ont.

DOMINION WOOLLENS & WORSTEDS, LIMITED

**BALANCE
AS AT 31st**

ASSETS

CURRENT:

Cash on hand and in banks	\$	5,907.91	
Accounts receivable			756,172.76
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 below cost which is below market (referred to in more detail in the report of the Directors to the Share- holders)			2,902,625.47
			\$3,664,706.14
Mortgages receivable from employees			16,390.58
Investments in and advances to subsidiary company: Woodsdale Properties Limited —			
Shares at cost	\$	9,975.00	
Advances		42,352.49	
			52,327.49
Refundable portion of excess profits taxes			38,420.05
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		\$4,610,444.56	
Less: Reserve for depreciation		2,441,876.77	
			2,168,567.79
Unexpired insurance and other deferred charges to operations			30,305.87
			\$5,970,717.92

DOMINION WOOLLENS & WORSTEDS, LIMITED, Toronto, Ontario.

We have examined the above Balance Sheet of Dominion Woollens & Worsteds, Limited, as at 31st December, 1947, 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.

In accordance with Section 114 of the Dominion Companies Act, we report that the net loss amounting to \$3,787.72 incurred by the subsidiary company for the year ended 31st December, 1947, has not been provided for in the accounts of the holding company, Dominion Woollens & Worsteds, Limited.

Subject to the foregoing and to the comments contained in the Directors' report to the Shareholders dated 1st May, 1948, 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, 1947, 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., 3rd May, 1948.

DOMINION WOOLLENS & WORSTEDS, LIMITED

SHEET
DECEMBER, 1947

LIABILITIES

CURRENT:

Bank loan — secured	\$ 832,000.00
Accounts and bills payable and accrued liabilities	815,747.85
Dividend payable	29,418.80
Bond and debenture interest accrued	36,852.50
First mortgage serial bonds maturing 1st February, 1948	50,000.00
Dominion Government — amount refundable on war contracts (after deduction of related and other prior year income and excess profits taxes recoverable and other sundry adjustments)	46,497.28
Income and excess profits taxes, estimated, less instalments paid on account	85,000.00
	\$1,895,516.43

FUNDED DEBT:

First mortgage serial bonds:	
Authorized — \$2,000,000.00	
Issued — 700,000.00	
Outstanding (less bonds maturing 1st February, 1948) 3½% and 4%, maturing 1949-1954	\$ 500,000.00
Redeemable sinking fund debentures 5%, maturing 1964:	
Authorized and issued	\$1,270,200.00
Less: Redeemed under terms of Trust Deed	146,100.00
	1,124,100.00
Reserve for bad debts	1,624,100.00
Reserve for contingencies	51,351.24
Reserve for inventory price decline under the Excess Profits Tax Act — (an additional amount has been claimed in 1947 for excess profits tax purposes)	200,000.00
	307,042.00
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	975,160.25
	1,892,708.25
	\$5,970,717.92

Signed on behalf of the Board: }	HENRY BARRETT, <i>Director.</i>
	J. A. GAIRDNER, <i>Director.</i>

**STATEMENT
of
EARNED SURPLUS**
For the Year ended 31st December, 1947

Balance at credit, 1st January, 1947		\$ 845,512.93
Prior year adjustments:		
DEDUCT:		
Additional income and excess profits taxes \$	43,613.01	
Less: Miscellaneous credits	20,094.09	
		23,518.92
Adjusted balance at credit, 1st January, 1947		\$ 821,994.01
Net profit for the year ended 31st December, 1947, after provision for income and excess profits taxes	\$ 267,583.76	
Net profit (after charging \$28,352.25 to deprecia- tion reserve) on land, buildings, houses and equipment sold or scrapped in 1947	5,489.48	
		\$ 273,073.24
DEDUCT:		
Premium on redemption of company's own bonds	2,235.00	
		270,838.24
		\$1,092,832.25
DEDUCT:		
Dividends declared		117,672.00
Balance at credit, 31st December, 1947		\$ 975,160.25

Submitted with our report dated 3rd May, 1948.

P. S. ROSS & SONS, Chartered Accountants.

TORONTO, ONT.

DISTRIBUTION OF SALES DOLLAR — 1947

For Materials and Supplies	39.0c
(includes special provision for inventory price decline)	
Wages, Salaries and Employee Benefits	37.8c
Plant Maintenance and Repairs	5.9c
Other production expenses — Fuel, Power, Insurance, etc.	7.3c
Selling, Delivery and Administration	1.6c
Financial Costs — Bond, Debenture and Bank Interest	1.9c
Federal, Provincial and Municipal Taxes	2.9c
Dividends to Shareholders	1.6c
Put back into the business in new machinery and equip- ment and expansion of facilities	2.0c
Total	<u>\$1.00</u>



