

DOMINION WOOLLENS

AND

WORSTEDS

LIMITED

20th

Annual Report
1948

PURVIS HALL
LIBRARIES

MAY 5 1949

McGILL UNIVERSITY

Bouquet
WOOLS

*Worsted
Yarns*



*Distinctive
Suitings*

*by
Dominion Woollens*

DOMINION WOOLLENS & WORSTEDS, LIMITED

TWENTIETH ANNUAL REPORT

FOR THE YEAR ENDED

31st DECEMBER, 1948

Presented to the Shareholders at the Annual
Meeting of the Company held
at Toronto on the
Nineteenth Day of May
1949

Executive Offices

80 Richmond Street West
Toronto, Ontario

Mills at

Hespeler, Ontario
Peterborough, Ontario
Orillia, Ontario

Sales Offices

80 Richmond Street West
Toronto, Ont.

1130 Ste. Catherine St. West
Montreal, Que.

DOMINION WOOLLENS & WORSTEDS, LIMITED

BOARD OF DIRECTORS

JOHN W. HOBBS HENRY BARRETT J. A. GAIRDNER
H. B. BONNER C. M. HEDDLE HENRY BROWN DR. T. H. HOGG

OFFICERS

Chairman of the Board..... JOHN W. HOBBS
President..... HENRY BARRETT
Vice-President..... J. A. GAIRDNER
General Manager..... H. B. BONNER
Secretary-Treasurer..... S. W. HAUFSCILD

Stock Transfer Agents:

NATIONAL TRUST COMPANY, LIMITED
Toronto

Registrar of Transfers:

ROYAL TRUST COMPANY, LIMITED
Toronto

Bankers:

IMPERIAL BANK OF CANADA

Auditors:

MESSRS. P. S. ROSS & SONS
Chartered Accountants
Toronto

DOMINION WOOLLENS & WORSTEDS, LIMITED

DIRECTORS' REPORT

The Board of Directors has pleasure in presenting its report on the operations of the Company for the year ended December 31st, 1948, for the approval of shareholders and for the information of the Company's employees, the owners of the Company's other securities and the public.

The year 1948 was a very active one. Rising costs and rising prices contributed largely to an increase of 30% in dollar sales although the physical volume of production was somewhat increased as well. Net Profit for the year was \$313,000 after all costs and provision for taxes on income and inventory reserves. The continued increases in wool prices, which advanced 35% during the year, make the inventory reserve an item of outstanding importance in the Company's results. The amount of \$340,000 withheld from profits in 1948 for the inventory reserve is taxable as income and provision for such tax has been made. The amount added to reserve is calculated to offset inventory profits accruing during the year and leave as a remainder a fair statement of the Net Profit earned on the Company's current operations.

Inventories are now shown in the Balance Sheet valued at the lower of cost or market, without any deduction of reserve for future price decline, and the tax paid reserve is shown in the Liability section of the Balance Sheet. The inventory reserve has the final effect of valuing Inventory at a price level prevailing in 1940. At December 31, 1947, the amount shown for Inventories in the Balance Sheet was after deduction of \$462,000 for future price decline.

The plants of your Company have been maintained in good condition. Expenditures on Plant and Equipment for the year were \$170,000. Depreciation in the amount of \$168,200 has been provided for the year. Of this \$108,200 is allowed for Income Tax purposes and the balance is subject to Income Taxes, provision for which has been made.

Income and Excess Profits Taxes for the years 1940 to 1945 inclusive have been determined by the Income Tax authorities and the provisions that had been made for those years have been adequate. Provision made for subsequent years is also considered to be adequate, to the best of the Directors' knowledge and belief, and this is the first report since the year 1940 in which such an assurance could be given with confidence.

The Contingency Reserve of \$200,000 has been credited to Surplus Account and final adjustment of Income and Excess Profits Taxes has been charged to Surplus. This adjustment eliminates the need for a Contingency Reserve.

During the year the dividend on the common shares was increased to an annual rate of \$1.00. The first quarterly payment on this basis was made on August 1st.

The Directors are pleased to report that relations with employees are cordial and co-operative, for which we wish to record our appreciation.

Submitted on behalf of the Board.

JOHN W. HOBBS,

Chairman.

Toronto, Ontario, May 2, 1949.

DOMINION WOOLLENS & WORSTEDS, LIMITED

STATEMENT OF INCOME AND EXPENDITURE

For the year ended 31st DECEMBER, 1948.

Profit from operations, after charges of \$62,570. for remuneration of executive officers and salaried directors and solicitors' fees, and \$12,500. for directors' fees, and before providing for the under noted charges.		\$1,315,539
<i>Deduct:</i>		
Provision for depreciation.	\$168,200	
Bond and debenture interest.	75,601	243,801
Net profit before providing for income taxes and provision for future decline in inventory values.		\$1,071,738
<i>Deduct:</i>		
Provision for income taxes.		418,750
		<u>\$ 652,988</u>
<i>Deduct:</i>		
Provision for future decline in inventory values.		340,166
Net Profit transferred to earned surplus.		<u>\$ 312,822</u>

DOMINION WOOLLENS

BALANCE SHEET as at

ASSETS		
CURRENT:		
Cash on hand and in banks	\$ 47,032	
Accounts receivable, less reserve of \$51,351	887,896	
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	4,308,550	
Unexpired insurance premiums and other deferred expenses	32,245	\$5,275,723
<hr/>		
MORTGAGES AND SECURED LOANS RECEIVABLE FROM EMPLOYEES		37,372
<hr/>		
INVESTMENTS IN AND ADVANCES TO SUBSIDIARY COMPANY:		
Woodsdale Properties, Limited—		
Shares (Cost \$9,975 less losses incurred to date)	\$ 1	
Advances	72,777	72,778
<hr/>		
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		
	\$4,761,091	
<i>Less:</i> Reserve for depreciation	2,601,581	2,159,510
<hr/>		
		<u>\$7,545,383</u>

Dominion Woollens & Worsteds, Limited,
Toronto, Ontario.

We have examined the above Balance Sheet of Dominion Woollens & Worsteds, Limited, as at 31st December, 1948, 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 accumulated losses incurred by the subsidiary company during the two years ended 31st December, 1948 have been reflected in a reduction in the book value of the holding company's investment in shares of the subsidiary, such reduction being charged in 1948 to the holding company's surplus account.

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, 1948, 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, 1949.

DOMINION WOOLLENS & WORSTEDS, LIMITED

STATEMENT OF EARNED SURPLUS

For the year ended 31st DECEMBER, 1948

BALANCE AT CREDIT, 1ST JANUARY, 1948.....	\$ 975,160
Prior year adjustments:	
<i>Deduct:</i>	
Additional income taxes re prior years and excess profits taxes in connection with inventory reserve taken under the Excess Profits Tax Act.....	288,880
	<u>\$ 686,280</u>
<i>Add:</i>	
Reserve for contingencies previously established, transferred	200,000
ADJUSTED BALANCE AT CREDIT, 1ST JANUARY, 1948.....	\$ 886,280
<i>Add:</i>	
Net profit for the year ended 31st December, 1948.....	312,822
	<u>\$1,199,102</u>
<i>Deduct:</i>	
Loss (after charging \$8,495 to depreciation reserve) on land, build- ings and equipment sold or scrapped in 1948..... \$9,866	
Losses incurred to date by subsidiary—Woodsdale Prop- erties, Limited..... 9,974	19,840
	<u>\$1,179,262</u>
<i>Deduct:</i>	
Dividends declared.....	139,744
BALANCE AT CREDIT, 31ST DECEMBER, 1948.....	<u>\$1,039,518</u>

DOMINION WOOLLENS & WORSTEDS, LIMITED

STATEMENT OF SOURCE AND USE OF FUNDS

For the year ended 31st DECEMBER, 1948

SOURCE OF FUNDS

Net profit for year 1948 as shown by statement of income and expenditure.....	\$312,822
Increase in reserve for depreciation of plant and equipment (net).....	159,704
Provision for future decline in inventory values.....	340,166
Income before provision for depreciation and inventory price decline.....	<u>\$812,692</u>

HOW FUNDS WERE USED

The following statement shows how the amount of \$812,692 was utilized.

	1947	1948		
Current assets.....	*\$4,106,452	\$5,275,723	Increase	\$1,169,271
Current liabilities.....	1,895,516	2,904,217	Increase	1,008,701
Increase in net current assets.....				\$ 160,570
Land, buildings and equipment (net).....	4,610,445	4,761,091	Increase	150,646
Other assets.....	107,138	110,150	Increase	3,012
				<u>\$ 314,228</u>
Reduction in first mortgage serial bonds.....	500,000	450,000		50,000
Amounts charged to surplus account as follows:				
Dividends paid to shareholders.....				139,744
Additional income and excess profits taxes.....				288,880
Other charges to surplus account.....				19,840
				<u>\$ 812,692</u>

*Amount shown for current assets in 1947 has been adjusted to basis used in 1948.

DOMINION WOOLLENS

DISTRIBUTION OF SALES REVENUE—BY AMOUNTS AND PROPORTION OF EACH SALES DOLLAR

Amounts			Per Sales Dollar	
1947	1948		1947	1948
		For:		
\$2,742,182.	\$4,224,122.	Materials and supplies, including provision for inventory price decline	36.6e	43.5e
2,832,883.	3,321,943.	Wages, salaries and employee benefits	37.8	34.2
431,036.	451,975.	Plant maintenance	5.9	4.6
542,848.	600,358.	Other production expenses—fuel, power, insurance, etc.	7.3	6.2
119,358.	192,601.	Selling, delivery and administration expenses	1.6	2.0
141,435.	160,359.	Interest on bonds, debentures and bank loan	1.9	1.7
398,359.	446,170.	Income and other taxes	5.3	4.6
117,672.	139,744.	Dividends to shareholders	1.6	1.4
149,912.	173,078.	To reduce indebtedness and re-invest in the business	2.0	1.8
<u>\$7,475,685.</u>	<u>\$9,710,350.</u>	Total	<u>\$1.00</u>	<u>\$1.00</u>

The increase in the proportion of the sales dollar for materials and supplies in 1948 over 1947, and the reduction in operating expenses is caused by prices of wools purchased increasing by 35% during the year 1948 with a consequent increase in selling prices.

Income taxes for 1947 have been adjusted to include the tax applicable to the provision made for future inventory price decline.







