

DOMINION WOOLLENS

AND

WORSTEDS

L I M I T E D

26th

Annual Report

1954

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DOMINION WOOLLENS & WORSTEDS, LIMITED

TWENTY-SIXTH ANNUAL REPORT FOR THE YEAR ENDED 31st DECEMBER, 1954

Presented to the Shareholders at the Annual
Meeting of the Company held
at Toronto on the
19th Day of May, 1955

Executive Offices

Hespeler, Ontario

Mills at

Hespeler, Ontario
Peterborough, Ontario

Sales Offices

80 Richmond Street West
Toronto, Ont.

1130 Ste. Catherine St. West
Montreal, Que.

63 Albert Street
Winnipeg, Man.

DOMINION WOOLLENS & WORSTEDS, LIMITED

BOARD OF DIRECTORS

HENRY BARRETT J. A. GAIRDNER DR. T. H. HOGG
S. G. BENNETT GORDON T. KLAGER C. H. BARRETT S. W. HAUFSCILD

OFFICERS

Chairman of the Board - - - - - - HENRY BARRETT
President and Managing-Director - - - - GORDON T. KLAGER
Vice-President - - - - - - J. A. GAIRDNER
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

To the Shareholders:

Your Board of Directors present herewith financial statements of the affairs of your Company for the year ended 31st December, 1954, together with the report of the Company's auditors. The Directors would make the following comments:

Conditions in the Industry

During the year just completed the Canadian woollen and worsted yarn and cloth industry experienced a continuation of the depressed conditions which have prevailed for the past several years, brought about by the impact of the large volume of imported fabrics which are allowed to enter the Canadian market at rates of duty lower than those imposed by any major textile producing country including Great Britain.

Because of this serious condition, the Minister of Finance, at Ottawa, last year requested the Tariff Board to enquire into "the operation of the British Preferential Tariff in respect to tariff item 554 b."

The large volume of imports come from Great Britain and under this tariff item. Devalued currency and their low wage rates give Great Britain an unfair advantage over Canadian manufacturers who have to pay wages related to the comparatively high cost economy under which we live.

The Minister of Finance, in his budget speech on April 5th announced that the Government has rejected the request of the woollen cloth industry for an adjustment in the basis of imposing duty on imports under tariff item 554 b.

In order to partially meet the effects on your Company's business of the large volume of imports, your Company has put great emphasis for some time on the diversification of its products with a measure of success. This has been partially accomplished through the increased use of synthetic fibres and yarns. Your Company's plant facilities, however, are largely of the type suitable for the production of woollen and worsted yarns and consequently a large portion of the production must continue to be of that type.

We have, nevertheless, restricted our sales to products which give promise of being profitable. A slight improvement took place in the closing months of the year and the full benefit to be derived from this change should be felt in 1955.

Wool Prices

During the year under review there were fluctuations in the prices of raw wools with prices at the year-end being 15% lower than at the beginning of the year.

DOMINION WOOLLENS & WORSTEDS, LIMITED

Finance

Accounts Receivable after provision for doubtful accounts amounted to \$710,534 compared with \$633,631 at the end of the previous year.

Inventories at the year-end were \$1,808,155 compared with \$2,197,330 for the previous year and are valued at the lower of cost or market.

Current assets were \$2,557,796 compared with \$2,864,877 at the end of the previous year.

Current liabilities were \$2,939,632 compared with \$2,882,479 a year ago.

The financial position of your Company has been very seriously impaired by circumstances beyond our control.

Your Board of Directors at a meeting held in December 1954, considered it necessary to defer payment of the interest due on January 1, 1955 on the Redeemable Sinking Fund 5% Debentures because of the continuing unsatisfactory business conditions in the woollen textile industry. In January 1955 similar action was taken with respect to the interest due February 1 on the 6% First Mortgage Sinking Fund Bonds. This was done to conserve and re-establish the Company's working capital position.

Capital Expenditures

Expenditures on plant and equipment for the year were negligible.

Depreciation

No depreciation has been provided in the accounts for the year.

Funded Debt and Capital Stock

First Mortgage 4% Serial Bonds due 1st February 1954 were paid from proceeds of the sale of \$250,000 6% First Mortgage Sinking Fund Bonds maturing 1st February 1963 and 15,000 shares of Common stock.

General

The Directors wish to express again their appreciation for the loyal services of all employees during these difficult and trying times in the life of your Company.

Submitted on behalf of the Board,

HENRY BARRETT,
Chairman of the Board.

Hespeler, Ontario, 26th April, 1955.

DOMINION WOOLLENS

Balance Sheet as at

ASSETS

Current:

Cash on hand and in banks	\$ 23,180	
Trade accounts receivable, less provision for doubtful accounts of \$15,000	710,534	
Other accounts receivable and deposits	2,620	
Inventories of finished goods, goods in process, raw materials and supplies on hand and in transit, valued at the lower of cost or market	1,808,155	
Unexpired insurance premiums and other deferred expenses	13,307	
	<hr/>	\$2,557,796
Mortgages and secured loans receivable from employees		25,259
Investment in and advances to subsidiary company—Woodsdale Properties Limited		4,587

Fixed:

At depreciated replacement value 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	\$4,930,257	
Less: Accumulated depreciation	2,769,986	
	<hr/>	2,160,271

Discount on 6% First mortgage sinking fund bonds, balance unamortized		13,500
		<hr/>
		\$4,761,413

AUDITORS' REPORT TO THE SHAREHOLDERS

Dominion Woollens & Worsteds, Limited,
Hespeler, Ontario.

We have examined the balance sheet of Dominion Woollens & Worsteds, Limited as at 31st December, 1954, and the related statements of income and expenditure and deficit account for the year ended on that date and have obtained all the information and explanations we have required. 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 accordance with Section 118 of the Dominion Companies Act we report that the accumulated net losses incurred by the subsidiary company have been reflected in a reduction of the book value of the holding company's investment in shares of and advances to the subsidiary, the relative net charges having been made to the holding company's deficit account.

No provision was made for depreciation of fixed assets during the year compared with \$75,000 provided in 1953.

Subject to the foregoing, in our opinion the accompanying balance sheet and related statements of income and expenditure and deficit account are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at 31st December, 1954, and the results of its operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the company.

TORONTO, Ontario, 11th April, 1955.

P. S. ROSS & SONS,
Chartered Accountants.

& WORSTEDS, LIMITED

1st December, 1954

LIABILITIES

Current:			
Bank loan — secured	\$2,255,000		
Bills payable under bank letters of credit — secured	86,514		
Accounts payable and accrued liabilities	565,636		
Bond and debenture interest accrued	32,482		
			<u>\$2,939,632</u>
Funded debt:			
First mortgage bonds:			
Authorized — \$2,000,000			
Issued — 1,375,000			
Outstanding:			
6% First mortgage sinking fund bonds maturing 1st February, 1963		250,000	
6% First mortgage bonds maturing 15th June, 1964, issued as collateral security for bank loan \$425,000			
5% Redeemable sinking fund debentures maturing 1964:			
Authorized and issued	\$1,270,200		
Less: Redeemed under terms of Trust Deed	220,900		
			<u>1,049,300</u>
Capital and deficit:			
Common stock:			
Authorized — 250,000 shares of no par value			
Issued —			
Balance at 31st December, 1953			
147,283 shares fully paid \$	917,548		
Issued during year, for cash			
15,000 shares fully paid	15,000		
	<u>162,283</u>		
			<u>\$ 932,548</u>
Note: Options have been granted to executives of the company for the purchase of 15,000 common shares of the company at a price of \$5 each, expiring 1964.			
Deficit, per statement attached	410,067		522,481
Contingent liability:			
Mortgages guaranteed in connection with houses built by subsidiary, Woodsdale Properties Limited, \$32,226.			
			<u>\$4,761,413</u>

Signed on behalf of the Board: } Henry Barrett Director
J. A. Gairdner Director

DOMINION WOOLLENS & WORSTEDS, LIMITED

STATEMENT OF INCOME AND EXPENDITURE

For the year ended 31st December, 1954

Loss from operations after charging \$43,583 for remuneration of executive officers and salaried directors' and solicitors' fees and before taking into account the undernoted charges ... \$ 292,618

Add:

Bond and debenture interest	\$ 67,048	
Amortization of bond discount	1,500	
	<u> </u>	68,548

Net loss transferred to deficit account	<u> </u>	<u>\$ 361,166</u>
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Note: No provision has been made for depreciation of fixed assets during the year 1954.

DOMINION WOOLLENS & WORSTEDS, LIMITED

STATEMENT OF DEFICIT ACCOUNT

For the year ended 31st December, 1954

Balance at debit, 1st January, 1954		\$	38,808
Add:			
Net loss transferred from statement of income and expenditure	\$	361,166	
Adjustment of prior year government contracts, etc.		11,880	373,046
			<u>373,046</u>
			\$411,854
Deduct:			
Profit on sale of fixed assets	\$	1,372	
Profit in 1954, of subsidiary, Woods- dale Properties, Limited		415	1,787
			<u>1,787</u>
Balance at debit, 31st December, 1954		\$	<u>410,067</u>

DOMINION WOOLLENS & WORSTEDS, LIMITED

STATEMENT OF SOURCE AND USE OF FUNDS

For the year ended 31st December, 1954

Source of Funds:

	1953	1954		
Current assets	\$2,864,877	\$2,557,796	decrease	\$307,081
Sundry assets	37,976	29,846	decrease	8,130
Current liabilities	2,882,479	2,939,632	increase	57,153
				<hr/>
				\$372,364

How Funds were used:

The following shows how the amount of \$372,364 was utilized:

	1953	1954		
Land, buildings and equipment (net) ..	\$4,928,435	\$4,930,257	increase	\$ 1,822
Reduction in Reserve for depreciation	2,770,769	2,769,986		783
Net debit to Deficit Account				10,093
Operating expenditures in excess of income (Exclusive of charge for Bond Discount of \$1500)				<hr/>
				359,666
				<hr/>
				\$372,364

DOMINION WOOLLENS & WORSTEDS, LIMITED

COMPARISON OF INCOME AND DETAILS OF EXPENDITURES BY YEARS

Amounts			Expenditures as a percent of income			
1952	1953	1954		1952	1953	1954
\$6,864,306	\$6,672,344	\$4,782,264	Sales Income			
\$	\$	\$	EXPENDITURES	%	%	%
3,957,771.	3,311,323.	2,830,266.	Materials and supplies	57.6	49.6	59.2
2,572,505.	2,418,059.	1,632,035.	Wages, salaries and employee benefits ...	37.5	36.3	34.1
105,570.	106,935.	52,678.	Plant maintenance	1.5	1.6	1.1
Nil	75,000.	Nil	Provision for depreciation	—	1.1	—
370,489.	325,019.	281,868.	Other production expenses—fuel, power, insurance, etc.	5.4	4.9	5.9
114,618.	141,129.	147,831.	Selling, delivery and administration expenses	1.7	2.1	3.1
183,595.	190,332.	149,582.	Interest on bonds, debentures, bank loan and amortization of bond discount	2.7	2.9	3.1
Nil	Nil	Nil	Income taxes	—	—	—
42,250.	43,012.	49,170.	Other taxes6	.6	1.0
Nil	61,530.	Nil	For debt reduction and re-investment in business	—	.9	—
<u>\$7,346,798.</u>	<u>\$6,672,344.</u>	<u>\$5,143,430.</u>	Total expenditures	<u>107.0%</u>	<u>100.0%</u>	<u>107.5%</u>

Bouquet
WOOLS

*Worsted
Yarns*



*Distinctive
Settings*

*by
Dominion Woollens*