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DOMINION WOOLLENS

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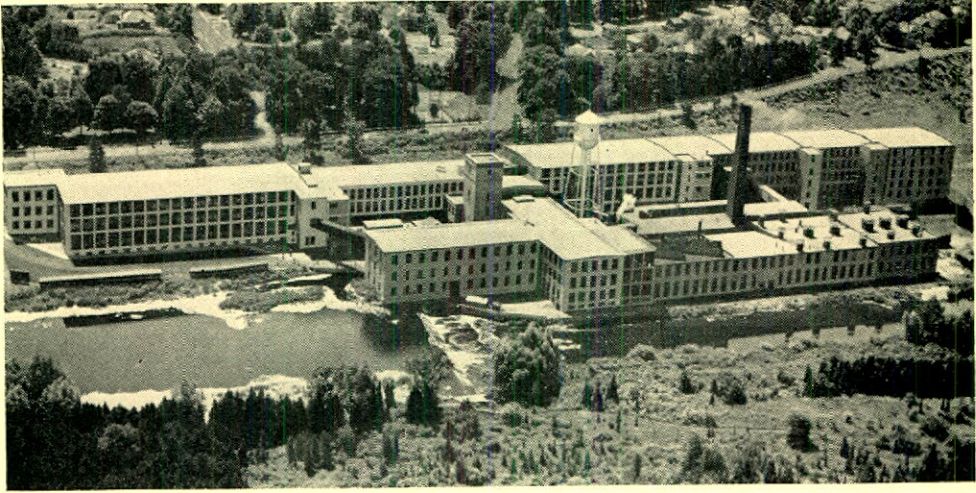
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Annual Report
1956

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McGILL UNIVERSITY



Executive Offices and Plant

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.

525 Seymour Street
Vancouver 2, B. C.

BOARD OF DIRECTORS

HENRY BARRETT	L. N. WATT	DR. T. H. HOGG
S. G. BENNETT	GORDON T. KLAGER	C. H. BARRETT

OFFICERS

Chairman of the Board	HENRY BARRETT
President and Managing-Director	GORDON T. KLAGER
Vice-President	L. N. WATT
Secretary-Treasurer	P. T. HARVEY

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

DIRECTORS' REPORT

To the Shareholders:

Your Board of Directors present herewith financial statements of the affairs of your Company for the year ended December 31, 1956, together with the report of the Company's auditors. The Directors would make the following comments:

Operating Results

During the early part of 1956 the Company operations were curtailed and losses suffered due to a shortage of working capital which was relieved through the rights issue and a corresponding increase in the Company's line of credit. This increase in working capital is now beginning to result in an improvement in the Company's operations.

Wool Prices

During the last nine months of the year there was a gradual strengthening of wool prices, with values at the year-end being 18% higher than at the beginning of the year.

Finance

Accounts receivable rose to \$829,250 after provision for doubtful accounts, compared with \$705,484 at the end of the previous year. It is considered that the provision of \$20,000 together with the insurance carried, is sufficient to provide for any losses which may be experienced in collecting these accounts.

Inventories at \$2,178,084 compared with \$2,066,905 at the end of 1955, are valued at the lower of cost or market after making adequate allowances for slow-moving and obsolete goods.

With current assets at \$3,038,576 and current liabilities at \$3,312,691 the working capital position has improved by \$129,224 since 1955.

During the year the bond and debenture holders agreed to a deferment of interest accruals, whereby all unpaid bond interest accruing to February 1, 1958 and unpaid debenture interest accruing to January 1, 1958 will become due and payable in 1960.

By supplementary letters patent the authorized share capital was increased from 250,000 to 500,000 common shares of no par value. Subsequently 108,189 shares were issued for a total cash consideration of \$151,014.

Plant and Equipment

No depreciation of fixed assets was provided for the year, but capital expenditures amounted to \$82,000 on equipment and in addition \$108,000 was spent to maintain the present equipment in good condition.

Consolidation of Operations

During 1956 the dyeing and finishing and administration of our machine knitting yarn business in Peterborough has been transferred and consolidated at the Hespeler plant, resulting in a lower process cost.

The cost of the transfer, \$19,188 is set forth as a special item in the statement of income and expenditure but the cost of the necessary training of the new staff to operate the equipment in Hespeler, of \$6,200 has been treated as an ordinary expense of operations. The total floor area vacated at Peterborough has been rented.

Merchandising Program

An aggressive program of diversification is being pursued due to the disinclination of the Federal Government to protect the industry from imports of worsted and wool cloth originating from countries with much lower wage rates. As a result current production embraces a wider market than ever before. Great emphasis has been placed on the introduction of man-made synthetic fibres into our operations.

The development of these new products to diversify our traditional production of all wool worsted and woollen fabrics has entailed extraordinary and nonrecurring expense for several years. We feel that this diversification has been largely accomplished and should favourably affect future earnings.

Your Company's end-products fall into two major categories, namely, cloth and yarn.

The proportion of sales income for each, in 1956, was as follows:

Cloth	--	61%
Yarn	--	39%

CLOTH — The major classifications are as follows:

Worsted Type Fabrics (made from wool, also blends of wool and synthetics)

Commercial Uniform Fabrics

Staple Suitings

Fancy Suitings

Tropical Suitings

Woollen Type Fabrics (made from wool, also blends of wool and synthetics)

Men's Wear Tweeds

Men's and Ladies' Overcoatings

Ladies' Skirtings and Cloakings

Children's Wear Fabrics

Automobile Upholstery Fabrics (synthetics)

Furniture Upholstery Fabrics (synthetics)

Carpeting (synthetics)

Industrial Fabrics (made from natural fibres, synthetic fibres and blends of natural and synthetic fibres)

SALES YARNS — There are three major classifications, namely, machine yarns, weaving yarns and hand knitting yarns made from wool, synthetics and blends of wool and synthetics.

All of our products are sold to secondary manufacturers, i.e. cutting-up trade, machine-knitters, and for industrial purposes, with the exception of hand-knitting yarns which are packaged by us ready for retail sale, and sold primarily under our brand name "Bouquet."

Current Outlook

The consolidation of our operations and improved manufacturing methods are resulting in lower costs.

Shipments and order position for the first quarter of 1957 reflect an improvement over 1956.

General

The Directors wish to again express their appreciation for the loyal services of all employees during the past year.

Submitted on behalf of the Board,
GORDON KLAGER,
President and Managing-Director.

Hespeler, Ontario, April 16, 1957.

DOMINION WOOLLENS

Balance Sheet as at

ASSETS		
Current:		
Cash on hand and in banks	\$ 4,569	
Trade accounts receivable, less provision for doubtful accounts of \$20,000	829,250	
Other accounts receivable and deposits	6,857	
Inventories of finished goods, goods in process, raw materials and supplies on hand and in transit, valued at the lower of cost or market	2,178,084	
Unexpired insurance premiums and other deferred expenses	19,816	\$3,038,576
<hr/>		
Mortgages and secured loans receivable from employees		21,102
Investment in and advances to subsidiary company—Woodsdale Properties Limited		3,336
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 subse- quent additions at cost	\$4,781,603	
Less: Accumulated depreciation	2,542,128	2,239,475
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Discount on 6% First Mortgage Sinking Fund Bonds, balance unamortized		10,500
		<hr/> \$5,312,989 <hr/>

AUDITORS' REPORT TO THE SHAREHOLDERS

Dominion Woollens & Worsteds, Limited,
HESPELER, ONTARIO

We have examined the balance sheet of Dominion Woollens & Worsteds, Limited as at December 31, 1956, 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 has been made for depreciation of fixed assets since 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 December 31, 1956, 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, March 22, 1957.

P. S. ROSS & SONS
Chartered Accountants.

& WORSTEDS, LIMITED

December 31, 1956

LIABILITIES

Current:			
Bank loan — secured	\$2,470,000		
Bills payable under bank letters of credit — secured	188,914		
Accounts payable and accrued liabilities	<u>653,777</u>	\$3,312,691	
Funded debt:			
Bond and debenture interest accrued, due 1960			167,413
First Mortgage Bonds:			
Authorized — \$2,000,000			
Issued — 1,375,000			
Outstanding:			
6% First Mortgage Sinking Fund Bonds maturing February 1, 1963			250,000
6% First Mortgage Bonds maturing June 15, 1964, issued as collateral security for bank loan.....	<u>\$425,000</u>		
5% Redeemable Sinking Fund Debentures maturing 1964:			
Authorized and issued	\$1,270,200		
Less: Redeemed under terms of Trust Deed	<u>220,900</u>	1,049,300	
Capital and deficit:			
Common stock:			
Authorized — 500,000 shares of no par value			
Issued:			
Balance December 31, 1955:			
162,283 shares fully paid	\$ 932,548		
Issued during year, for cash			
108,189 shares fully paid	<u>151,014</u>		
Total 270,472 shares fully paid	\$1,083,562		
Deficit, per statement attached	<u>549,977</u>	533,585	
Contingent liability:			
Mortgages guaranteed in connection with houses built by subsidiary, Woodsdale Properties Limited, \$24,865			
			<u>\$5,312,989</u>

Note: Interest on bonds and debentures accruing to February 1 and January 1, 1958 respectively does not become, by agreement, due and payable until 1960.

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.

Signed on behalf of the Board. } Henry Barrett Director
Gordon T. Klager Director

**STATEMENT
OF
INCOME AND EXPENDITURE**

For the year ended December 31, 1956

Loss from operations before taking into account the undernoted charges		\$ 46,284
Add:		
Bond and debenture interest accrued (due 1960)	\$67,465	
Amortization of bond discount	1,500	
Capital and long term debt reorganization expenses	9,406	
Cost of moving equipment from Peterborough to Hespeler under plan for consolida- ting operations in Hespeler	19,188	97,559
Net loss transferred to deficit account		<u>\$143,843</u>

Note:

Included in the above are the following:

Depreciation	Nil
Remuneration of executive officers	\$35,967
Directors' fees	Nil
Solicitors' fees	6,500

**STATEMENT
OF
DEFICIT ACCOUNT**

For the year ended December 31, 1956

Balance at debit, January 1, 1956		\$420,283
Add:		
Net loss transferred from statement of income and expenditure	143,843	
Adjustment of prior year provincial income taxes	1,049	144,892
	<u> </u>	<u> </u>
		\$565,175
Deduct:		
Profit on sales of fixed assets	\$ 15,065	
Profit in 1956, of subsidiary, Woodsdale Properties Limited	133	15,198
	<u> </u>	<u> </u>
Balance at debit, December 31, 1956		<u>\$549,977</u>

**COMPARISON OF INCOME
AND DETAILS OF EXPENDITURES
BY YEARS**

Amounts				Expenditures as a percent of income		
1954	1955	1956		1954	1955	1956
\$4,782,264.	\$5,661,337.	\$5,631,559.	Sales Income			
\$	\$	\$	EXPENDITURES	%	%	%
2,830,266.	3,114,186.	3,019,157.	Materials and supplies	59.2	55.0	53.6
1,632,035.	1,861,608.	2,005,121.	Wages, salaries and employee benefits	34.1	32.9	35.6
52,678.	85,098.	79,690.	Plant maintenance	1.1	1.5	1.4
Nil	Nil	Nil	Provision for depreciation	—	—	—
281,868.	294,530.	321,367.	Other production expenses - fuel, power, insurance, etc.	5.9	5.2	5.7
147,831.	150,070.	172,013.	Selling, delivery and administration expenses	3.1	2.7	3.1
148,082.	111,088.	122,988.	Interest on bonds, debentures and bank loan	3.1	2.0	2.2
Nil	Nil	Nil	Income taxes	—	—	—
49,170.	53,566.	53,566.	Other taxes	1.0	0.9	0.9
\$5,141,930.	\$5,670,146.	\$5,773,902.	Total expenditures	107.5%	100.2%	102.5%

Presented to the Shareholders at the Annual
Meeting of the Company held
at Toronto on
May 7, 1957

