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Jantzen Inc.

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ANNUAL REPORT
OF THE
JANTZEN KNITTING MILLS

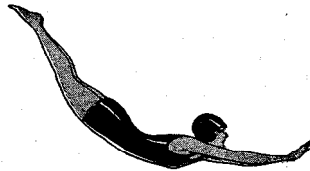
For the Fiscal Year Ended
August 31, 1940



JANTZEN KNITTING MILLS

REPORT OF
THE BOARD OF DIRECTORS
TO THE STOCKHOLDERS

For the Fiscal Year Ended
August 31, 1940



JANTZEN CENTER
PORTLAND, OREGON

JANTZEN KNITTING MILLS

DIRECTORS

JOHN A. ZEHNTBAUER, *Chairman*

CHARLES R. ZEHNTBAUER

HENRY L. GERMAN

JOHN R. DODSON

IRWIN S. ADAMS

ALFRED J. CORMACK

PAUL M. DE KONING

MITCHELL HEINEMANN

EDNA M. BEAMER

OFFICERS

<i>President</i>	JOHN A. ZEHNTBAUER
<i>Vice-President</i>	CHARLES R. ZEHNTBAUER
<i>Secretary</i>	IRWIN S. ADAMS
<i>Treasurer and Vice-President</i>	JOHN R. DODSON
<i>Vice-President in Charge of Sales</i>	MITCHELL HEINEMANN
<i>Vice-President and Assistant Treasurer</i>	HENRY L. GERMAN
<i>Assistant Treasurer</i>	ALFRED J. CORMACK
<i>Assistant Treasurer</i>	JAMES E. CORMACK
<i>Assistant Secretary</i>	EDNA M. BEAMER
<i>Assistant Secretary</i>	G. ROBERT DODSON

FOR BOTH PREFERRED AND COMMON STOCK

Transfer Agents:

JANTZEN KNITTING MILLS
Jantzen Center
Portland, Oregon

Registrars:

UNITED STATES NATIONAL BANK
Broadway and Sixth at Stark
Portland, Oregon

The information herein is intended solely as a report for the Stockholders to whom this Report has been addressed and is not a representation, prospectus or circular in respect to any stock or note of any corporation, and is not transmitted in connection with any sale or offer to sell or any negotiation for the sale of any stock or note.

November 29, 1940

TO THE STOCKHOLDERS:

Heretofore it has been customary to report consolidated figures for Jantzen Knitting Mills, and Jantzen Knitting Mills Ltd., England. Consistent with current practice results for the parent company alone are here presented with appropriate notation on results abroad, which in respect to the English company show noteworthy improvement.

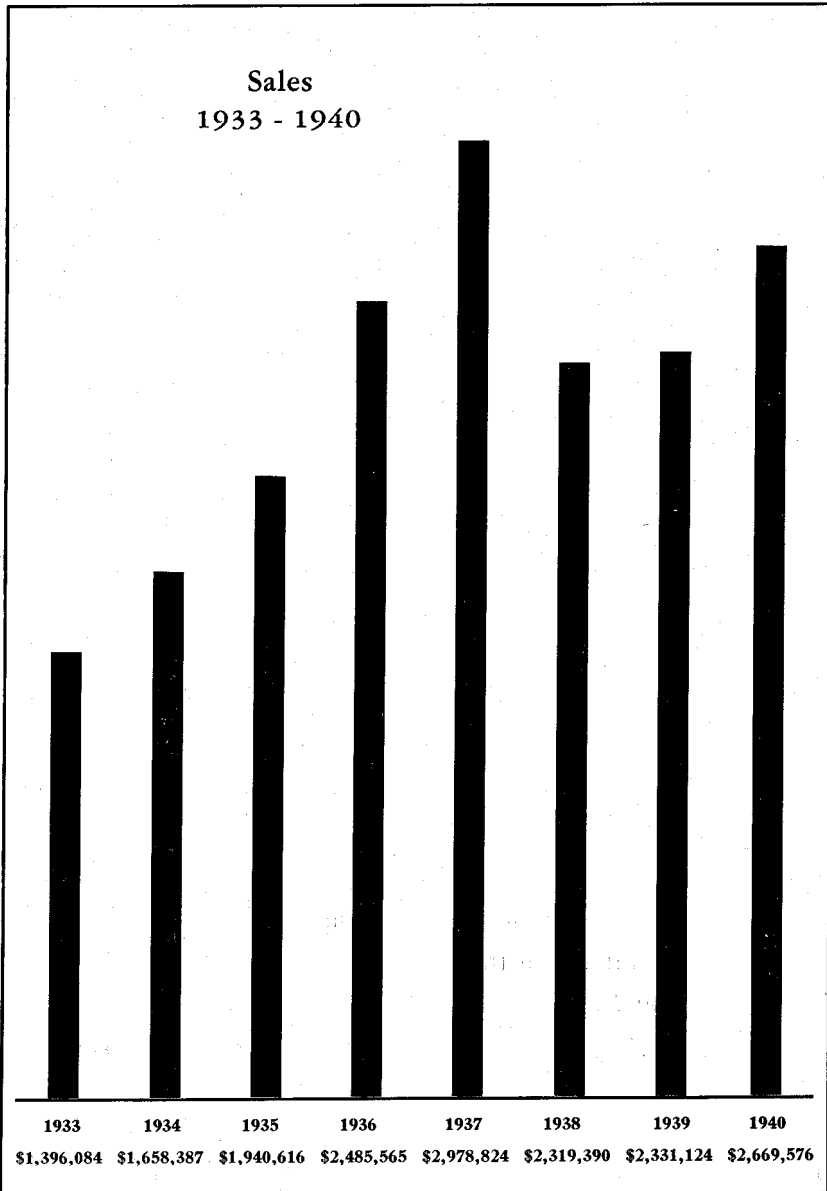
Sales of Jantzen Knitting Mills for the year ended August 31, 1940 increased 14.5% or \$338,452, rising to \$2,669,576 from the \$2,331,124 reported for 1939. Net Profit of \$127,813 for 1940 compares with \$19,389 for the previous year. Both figures are after federal taxes, state excise tax and full provision for depreciation and all other charges. Earnings per share on preferred stock amount to \$17.04, as against the \$5.00 required per annum. After preferred dividends there remains \$90,313, or earnings of 45c per common share.

Regular quarterly dividends of \$1.25 per share on 5% Cumulative Preferred Stock were declared and paid in normal course throughout the year. A common dividend of 10c a share was paid November 1, 1940.

SALES

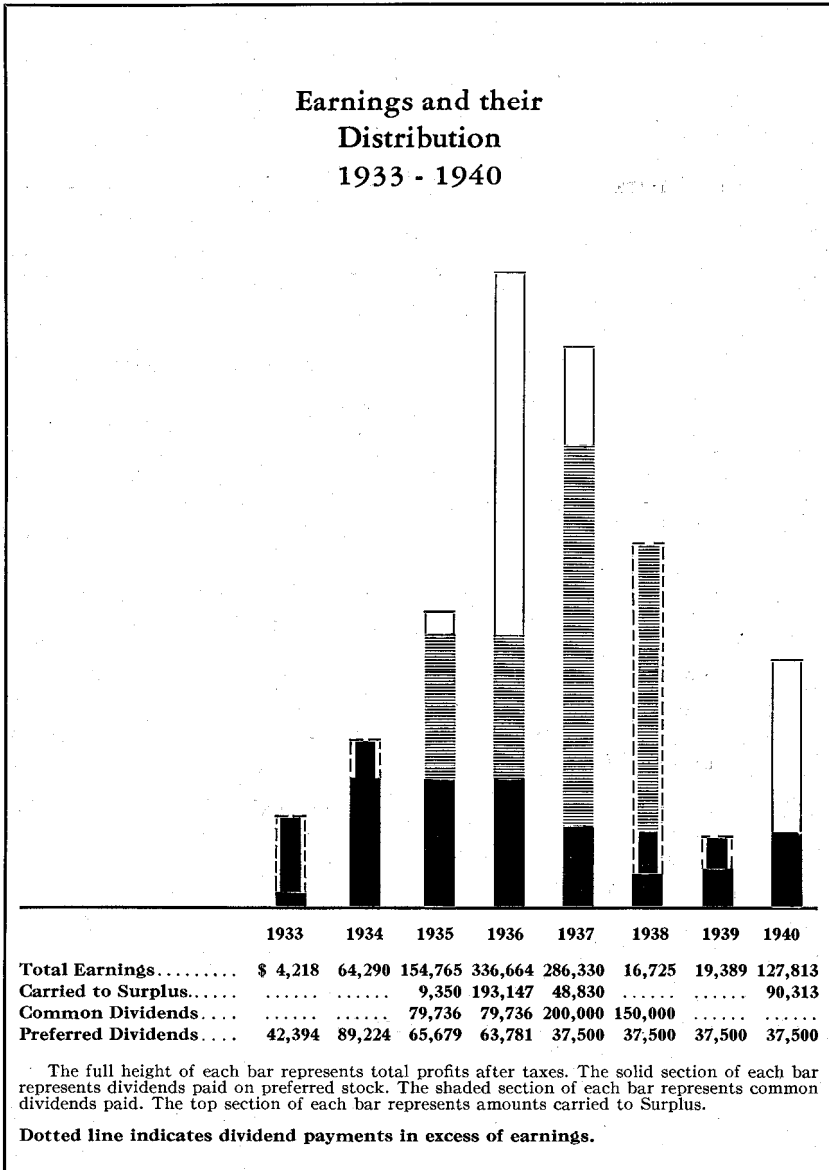
Business done as shown by the graph on the following page increased substantially in the past year. Sweater business increased in fiscal 1940 and is showing further increases in the current year. Foundations and sun clothes, which were announced as additions to the line a year ago, have contributed to the totals. Foundations particularly have done well and a separate sales organization, developed for the most part since January 1940 for this product,

is giving a very good account of itself. Early sun clothes bookings in the new season have shown a strong trend. The new lines, which have appreciably reduced current profits because of developmental outlays, should hereafter be productive of additional profits.



EARNINGS

The trend of earnings and their distribution is depicted below. The income from foreign subsidiaries is reflected herein only so far as dividends are declared and paid. In 1940, \$3106 was



received in foreign royalties as compared with \$14,576 in the previous year. Dividends on investments (including returns from subsidiaries in Australia and Argentina) were about the same for the two years: \$9536 in 1940 as against \$9544 in 1939. No part of the earnings of Jantzen Knitting Mills Ltd., amounting to £5742 for the fiscal year ended August 31, 1940, are included in the total earnings as herein reported. The profit on sterling shown on the Profit and Loss statement, was realized from a hedge against the value of the investment in England.

Jantzen (Australia) Limited reported profits for the year ended March 31, 1940 of £6504.

Jantzen Sociedad Anonima Textil, Argentine subsidiary, reported profits of 36,641 Argentine pesos.

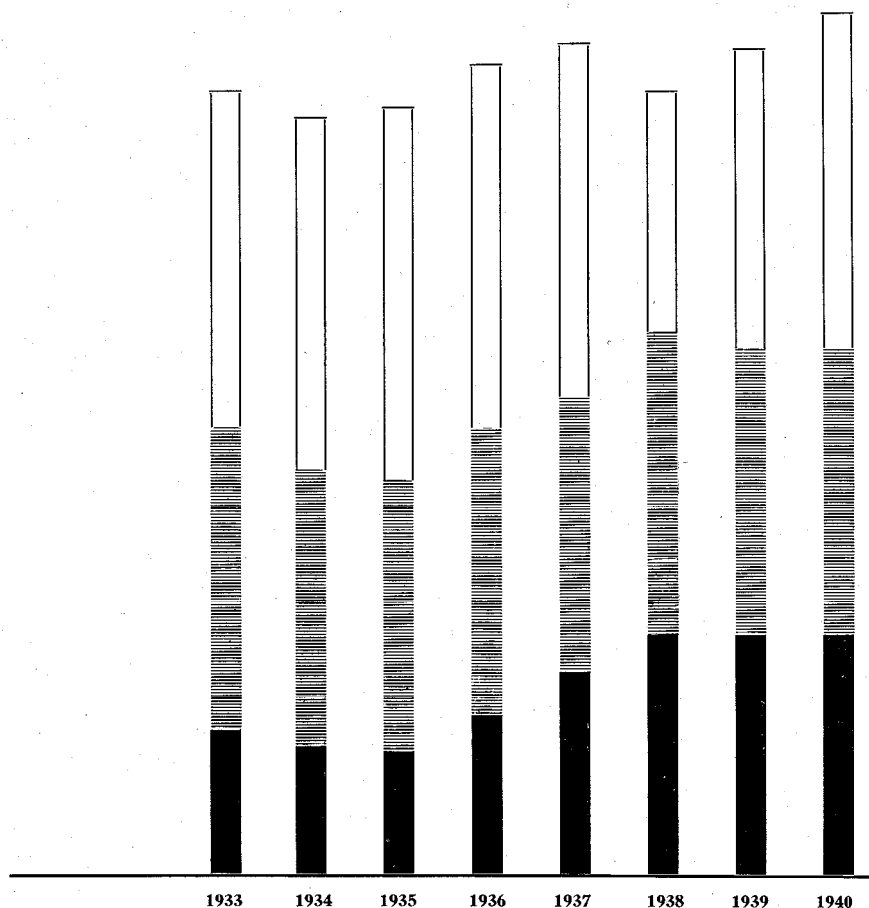
Markets outside the continental United States still served from Portland comprise the following: Mexico, Central America, South America except Argentina, Uruguay and Brazil, Cuba, Curacao, D. W. I., Philippine Islands, China, Hawaii and Puerto Rico.

Export business in these markets showed a nice gain for the past year. For understandable reasons licensees in Germany, France, Italy and Spain are inactive. The Canadian licensee company has enjoyed a good business; Australia for seven months of its current fiscal year showed volume up by 9.48%. In Argentina last reports were of business running 25% ahead.

Generally of course the total of income realized from abroad is relatively unimportant as against the returns from domestic operations. But companies licensed to use Jantzen trade marks are all eager to resume when that is possible. Meanwhile business is reasonably good in the U. S. A.

To revert again to the chart of earnings on page 7. For the eight years there shown reported earnings total \$1,010,194 and of this amount \$411,078 was paid out in preferred dividends and \$509,472 in common dividends.

Growth and Character of Assets 1933 - 1940



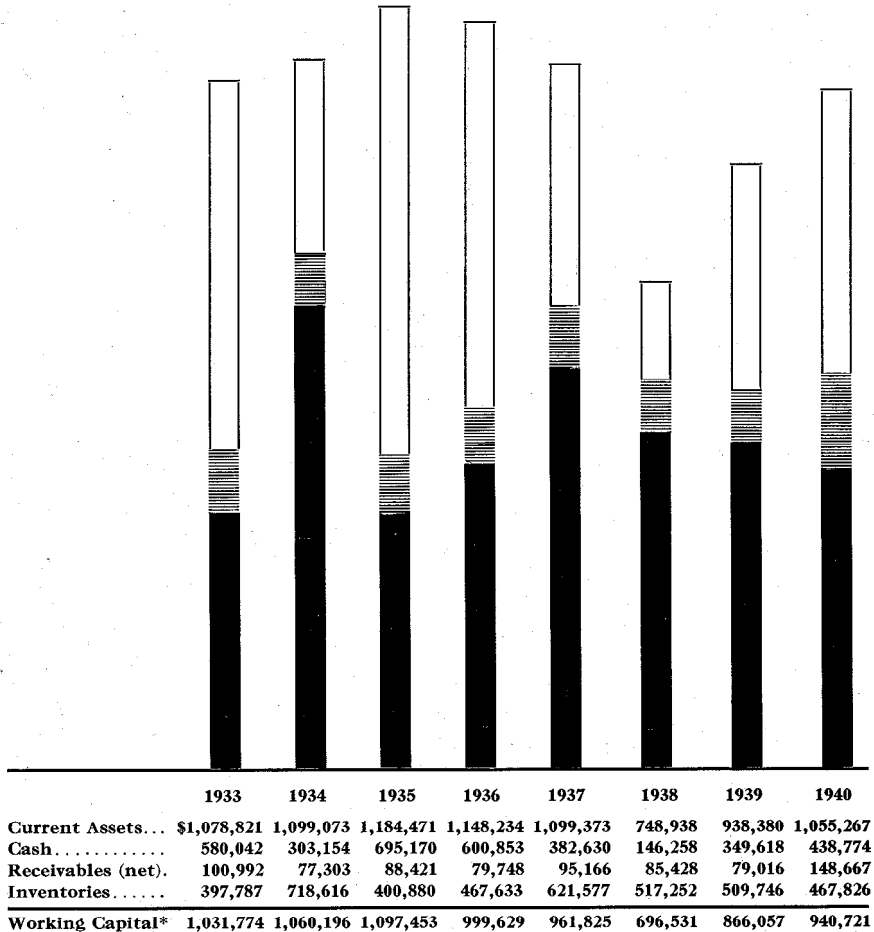
Total Assets.....	\$2,455,238	2,391,254	2,435,674	2,538,315	2,609,544	2,435,524	2,583,303	2,660,393
Current Assets....	1,078,821	1,099,073	1,184,471	1,148,234	1,099,373	748,938	938,380	1,055,267
Other Assets.....	944,650	885,730	856,258	898,509	885,624	944,710	908,839	897,924
Fixed Assets.....	431,767	406,451	394,945	491,572	624,547	741,876	736,084	707,202

The full height of each bar represents Total Assets. The solid section of each bar represents Fixed Assets. The shaded section of each bar represents Other Assets than Fixed or Current. The top section of each bar represents Current Assets.

ASSETS

Assets, as pictured on the preceding page, stand today at the highest figure for the past eight years. The total reflects only tangible assets, as the goodwill symbolized by trade-marks is carried on the

**Amount and Composition of Current Assets
1933 - 1940**



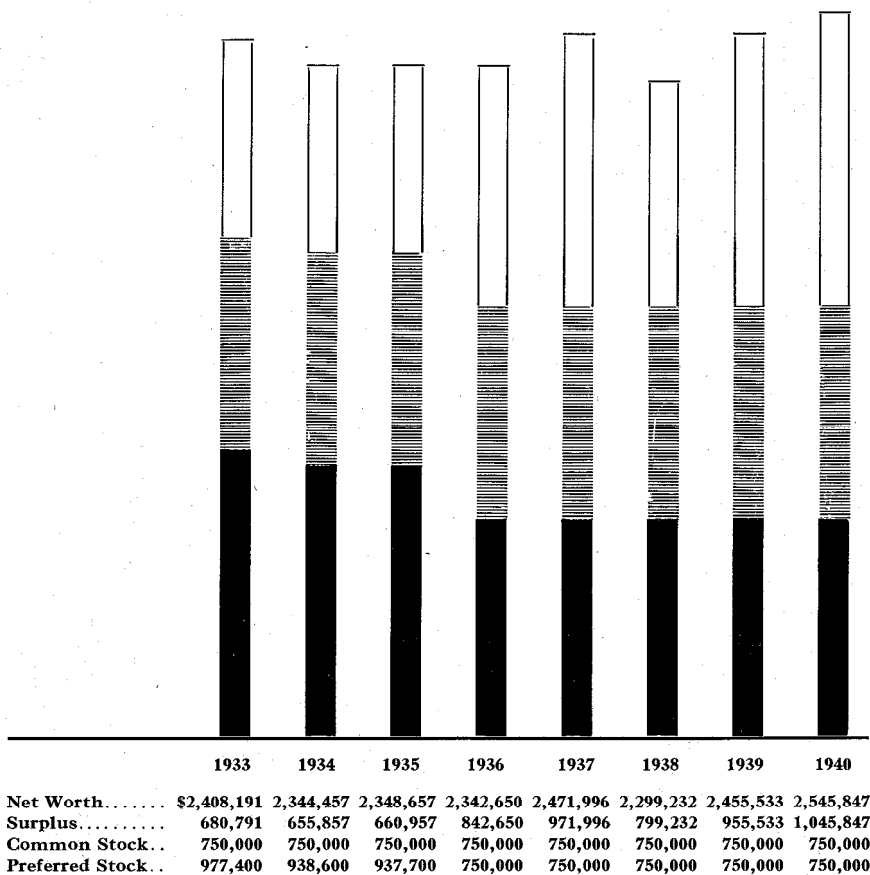
The full height of each bar above represents Current Assets. The solid section of each bar represents Inventories. The shaded section of each bar represents Receivables. The top section of each bar represents Cash.

*(Excess of Current Assets over Current Liabilities)

Balance Sheet at a nominal value of \$1.00. With respect to the character of assets at August 31, 1940, 40% were Current Assets, 26% were Other Assets and 34% were Fixed Assets.

Current Assets have increased \$116,887 or 12.5% as shown on

Growth and Composition of Net Worth 1933 - 1940



*Common Stock
Equity..... 1,430,791 1,405,857 1,410,957 1,592,650 1,721,996 1,549,232 1,705,533 1,795,847

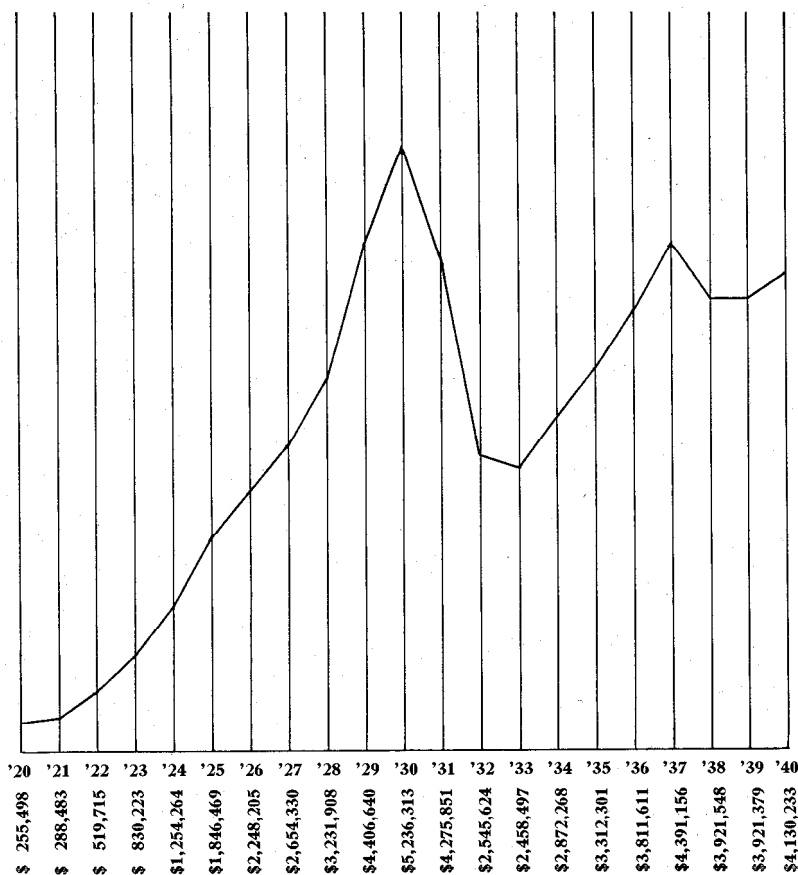
The full height of each bar represents Net Worth. The solid section of each bar represents Preferred Stock. The shaded section of each bar represents Common Stock. The top section of each bar represents Surplus.

*Stated value of Common Stock plus Surplus.

page 10. The greater part of this has been in Cash, although Receivables are appreciably greater because of sales on added lines which have a different season than swimming suits. Inventories are down, reflecting an even more than usually clean position, but not at the expense of adequate raw materials which have been well bought.

World-Wide Jantzen Sales — 1921 - 1939

All Plants—All Countries



The above graph is necessarily an approximation because of the unsettlement in foreign exchange. In order to make later years comparable with earlier years it has been necessary to use the old par of exchange ratios. This is substantially correct irrespective of the changed dollar-pound, dollar-franc and other relationships because the sales in each country are consistently evaluated in the currency of that country. Also it has been necessary to use orders rather than sales (shipments) in arriving at some totals for the purpose of this graph. In the main, however, the charted figures may be taken as correctly indicative of the trend of Jantzen business throughout the world.

NET WORTH

Ownership account as pictured on page eleven is larger for 1940 than for any other year under review, with an aggregate of \$2,545,847. Surplus for the third time in the life of the company, exceeds one million dollars and is increased 9.45% over 1939. The equity of common shareholders of \$1,795,847 gives a book value of \$8.98 per share, highest in the company's history with one exception.

WORLD BUSINESS

Previously some detail has been given on the performance of the variously owned and licensed companies. As the chart of World Sales on page 12 shows a good deal of business is being done, even under present conditions.

ORGANIZATION

The current swimming suit line is the most outstanding ever offered. The supplementary products likewise are unusually appealing. All will be backed up by an aggressive, well-rounded merchandising program. Improved products are one reason for a satisfactory outlook. But the prime reason for confidence is the Jantzen Organization which has brought about this improvement. It is a pleasure to record here appreciation for work well done, and to praise the ability, loyalty and efficiency which promise well for the future.

For The Directors

JOHN A. ZEHTBAUER,

Chairman.

JANTZEN KNITTING MILLS

(An Oregon Corporation)

PORTLAND, OREGON

Balance Sheet—August 31, 1940

(Figures for London, England, not consolidated.)

ASSETS

CURRENT ASSETS:

Cash on deposit and on hand	\$438,773.78
Customers' receivables—less reserve	148,667.44
Inventories—lower of cost or market	467,825.85
Total current assets	\$1,055,267.07
Miscellaneous receivables, less reserve	39,879.79
Investments in subsidiary companies—cost:	
Jantzen Knitting Mills Ltd., London	438,962.60
Jantzen (Australia) Ltd.	68,879.82
Jantzen Soc. An. Textil—Buenos Aires	33,181.52
Hayden Island Amusement Co.—stock and secured advances—less reserve	140,000.00
Cash surrender value of life insurance	129,915.87
	810,939.81
Plant and equipment—cost less depreciation	707,201.66
Deferred charges	47,103.64
Patents and trademarks	1.00
	<u>\$2,660,392.97</u>

LIABILITIES

CURRENT LIABILITIES:

Trade accounts payable	\$ 41,873.42
Miscellaneous accruals	57,332.27
Other obligations	15,340.72
Total current liabilities	114,546.41

CAPITAL AND SURPLUS:

Preferred stock 5% cumulative—\$100 par.	
Authorized and outstanding 7,500 shares	750,000.00
Common stock—no par value. Authorized 300,000 shares; outstanding 200,000 shares	750,000.00
Surplus:	
Capital	68,844.86
Earned	977,001.70
	2,545,846.56
	<u>\$2,660,392.97</u>

JANTZEN KNITTING MILLS

Portland, Oregon

Comparative Statement of Profit and Loss and Surplus
for Years Ended August 31, 1940 and 1939

(Figures for London, England, not included.)

	Year Ended August 31	
	1940	1939
SALES	\$2,669,576.18	\$2,331,124.11
Cost of sales	1,507,471.45	1,334,697.08
GROSS PROFIT ON SALES	1,162,104.73	996,427.03
OPERATING EXPENSES	1,020,148.85	981,622.22
OPERATING PROFIT, before depreciation	141,955.88	14,804.81
OTHER INCOME:		
Interest, dividends, discounts, etc., net	44,724.08	42,004.30
Foreign royalties	3,106.09	14,576.23
Profit on sterling	27,875.00	4,432.50
	217,661.05	75,817.84
LESS: Interest expense	9,484.67	8,644.15
Depreciation	46,363.19	46,884.89
Federal and state income taxes	34,000.00	900.00
	89,847.86	56,429.04
NET PROFIT FOR YEAR—transferred to surplus	127,813.19	19,388.80
SURPLUS—beginning of year	955,533.37	799,231.51
Add: Net proceeds from life insurance on deceased officers		179,706.22
Less: Other adjustments (net)	(5,293.16	(5,293.16
Dividends on preferred stock	(37,500.00)	(37,500.00)
SURPLUS—end of year	<u>\$1,045,846.56</u>	<u>\$ 955,533.37</u>

JANTZEN KNITTING MILLS

PORTLAND, OREGON

To the Board of Directors,
Jantzen Knitting Mills,
Portland, Oregon.

We have examined the balance sheet of the Jantzen Knitting Mills, Portland, Oregon, as of August 31, 1940, and the statement of profit and loss and surplus for the fiscal year then ended. In this connection the system of internal control and the accounting procedures of the company were reviewed and, without making a detailed audit of all transactions, accounting records and other supporting evidence were examined or tested, by methods and to the extent deemed appropriate.

In former years, for this report the figures of the Jantzen Knitting Mills Ltd. of London, England, a wholly owned subsidiary, have been consolidated with those of Portland, Oregon, as regards both balance sheet and profit and loss statement. This year, consolidation is not made, hence the detail figures herein are as shown by the books of the Portland company alone.

During the year under review the cost of the London investment was reduced \$46,600, representing a £10,000 return of capital, which has been applied to discharge a loan payable to the English company. The certified balance sheet of the English company at August 31, 1940 will show a net worth of \$413,600 converted at rate of exchange prevailing at such date. The net operating profit for the year ending August 31, 1940, according to cable information, was \$21,883, converted at the average exchange for the year.

A statement of financial condition of Jantzen (Australia) Ltd. at March 31, 1940, certified by our correspondents, disclosed a book value of the parent company's holdings at rate of exchange prevailing at August 31, 1940, of \$108,954, which includes a book value for "patents and trademarks" of \$22,783. The statement of Jantzen Soc. An. Textil, Buenos Aires, at March 31, 1940, disclosed a book value of about \$33,500 for parent company's holdings at rate of exchange prevailing at August 31, 1940. A contingent asset exists in foreign royalties, etc. not yet collected.

In our opinion the accompanying balance sheet and related statement of profit and loss and surplus, present fairly the position of the Jantzen Knitting Mills at August 31, 1940, and the result of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles.

(Signed) WHITFIELD, STRATFORD & Co.

Certified Public Accountants.

Portland, Oregon
November 29, 1940.

PRINTED IN U.S.A.