ANNUAL REPORT
OF THE
JANTZEN KNITTING MILLS
For the Fiscal Year Ended
August 31, 1939

Jantzen
JANTZEN KNITTING MILLS

REPORT OF
THE BOARD OF DIRECTORS
TO THE STOCKHOLDERS

For the Fiscal Year Ended
August 31, 1939

JANTZEN CENTER
PORTLAND, OREGON
## DIRECTORS

**John A. Zehnbauer, Chairman**  
**Charles R. Zehntbauer**  
**John R. Dodson**  
**Alfred J. Cormack**  
**Mitchell Heinemann**  
**Henry L. German**  
**Irwin S. Adams**  
**Paul M. De Koning**  
**Edna M. Beamer**

## OFFICERS

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>John A. Zehntbauer</td>
</tr>
<tr>
<td>Vice-President</td>
<td>Charles R. Zehntbauer</td>
</tr>
<tr>
<td>Secretary</td>
<td>Irwin S. Adams</td>
</tr>
<tr>
<td>Treasurer and Vice-President</td>
<td>John R. Dodson</td>
</tr>
<tr>
<td>Vice-President in Charge of Sales</td>
<td>Mitchell Heinemann</td>
</tr>
<tr>
<td>Vice-President and Assistant Treasurer</td>
<td>Henry L. German</td>
</tr>
<tr>
<td>Assistant Treasurer</td>
<td>Alfred J. Cormack</td>
</tr>
<tr>
<td>Assistant Treasurer</td>
<td>James E. Cormack</td>
</tr>
<tr>
<td>Assistant Secretary</td>
<td>Edna M. Beamer</td>
</tr>
<tr>
<td>Assistant Secretary</td>
<td>G. Robert Dodson</td>
</tr>
</tbody>
</table>

## 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.
TO THE STOCKHOLDERS:

The operations of Jantzen Knitting Mills in its twenty-ninth year have not returned a profit.

Consolidated Net Sales of Jantzen Knitting Mills, Portland, and Jantzen Knitting Mills Limited, England, for the fiscal year ended August 31, 1939, receded from $2,823,898 in the previous year to $2,763,069 for 1939, or a decline of $60,829. That level of volume resulted in a net loss of $33,794. This figure is after all taxes, domestic and foreign, state and national, and after full provision for depreciation and all other charges.

Jantzen Velva-Lure and Satin-Knit fabrics, introduced for the first time during the year under review, were enthusiastically received in the domestic market and promise well for the future. However, for 1939 a small volume gain in the United States was more than offset by a contrary trend in England.

Ordinarily the status of English operations, in which only 15 to 20% of consolidated sales are usually effected, would not reflect so materially in total results. But recovery from an indifferent year in 1938 had not yet progressed to a point where the usual relationship obtained.

For the new year the English subsidiary will apparently be fully occupied with its regular business and war orders from the British Government. Later more will be said of operations in other plants whose results are not incorporated in this report except in respect to dividends or royalty payments accruing to the parent company.

Regular quarterly dividends of $1.25 per share on 5% Cumulative Preferred stock were declared and paid in normal course throughout the year. There was no disbursement on common shares.

SALES

Some remarks have already been made about the level of consolidated sales. The graphic story is portrayed by the chart on the following page. Four years of nice increases culminated in 1937 and the abrupt decline of 1938 has apparently spent its force. Currently as this report is written orders are very good. In addition, as suggested by the frontispiece,
Jantzen Knitting Mills, Portland, has just begun to market two new lines, Jantzen Foundations and Jantzen Sun Clothes. A test campaign on the former was begun last Spring and favorable response has intensified this effort. Sun Clothes are a complement to Jantzen Swimming Suits and that line is now being offered by Jantzen salesmen. It is suggested that the ladies of stockholders, in addition to looking at the new Jantzen swim suits, also ask to see these other lines at their leading shop or store.

Consolidated Net Sales
1931 - 1939

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>1931</td>
<td>$3,681,666</td>
</tr>
<tr>
<td>1932</td>
<td>2,103,739</td>
</tr>
<tr>
<td>1933</td>
<td>1,881,104</td>
</tr>
<tr>
<td>1934</td>
<td>2,300,550</td>
</tr>
<tr>
<td>1935</td>
<td>2,563,432</td>
</tr>
<tr>
<td>1936</td>
<td>3,062,810</td>
</tr>
<tr>
<td>1937</td>
<td>3,523,300</td>
</tr>
<tr>
<td>1938</td>
<td>2,823,898</td>
</tr>
<tr>
<td>1939</td>
<td>2,763,069</td>
</tr>
</tbody>
</table>
Earnings
and their
Distribution
1931 - 1939

Total Earnings... $180,989 118,203 105,459 163,446 157,089 369,159 301,145 9,235 33,794
Carried to Surplus .......... 63,065 74,222 11,674 225,642 63,645
Common Dividends 255,000 45,980 79,736 79,736 200,000 150,000
Preferred Dividends 66,531 66,301 42,394 89,224 65,679 63,781 37,500 37,500 37,500

The full height of each bar represents total profits after taxes. The solid section of each bar represents dividends paid on preferred stock. The shaded section of each bar represents common dividends paid. The top section of each bar represents amounts carried to Surplus.

Dotted line indicates dividend payments in excess of earnings. *Loss.

[ 7 ]
EARNINGS

Profit history over a period of nine years is shown on page 7. In the nine years earnings totaled $1,134,525. There was a total in the same period of $506,410 paid out in preferred dividends, and $810,452 in common dividends.

Growth and Character of Assets
1931 - 1939

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

The extent and character of the company’s possessions is pictured on page 8. Of course these figures evaluate only tangible assets, taking no account of the good will represented by Jantzen and Diving Girl trade marks.

<table>
<thead>
<tr>
<th>Year</th>
<th>Current Assets</th>
<th>Cash</th>
<th>Receivables (net)</th>
<th>Inventories</th>
<th>Working Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>1931</td>
<td>$1,732,913</td>
<td>556,421</td>
<td>383,668</td>
<td>792,824</td>
<td>998,912</td>
</tr>
<tr>
<td>1932</td>
<td>1,287,630</td>
<td>666,320</td>
<td>219,746</td>
<td>401,564</td>
<td>1,132,822</td>
</tr>
<tr>
<td>1933</td>
<td>1,308,919</td>
<td>619,275</td>
<td>227,708</td>
<td>461,936</td>
<td>1,255,622</td>
</tr>
<tr>
<td>1934</td>
<td>1,382,130</td>
<td>391,349</td>
<td>211,982</td>
<td>778,799</td>
<td>1,316,504</td>
</tr>
<tr>
<td>1935</td>
<td>1,481,892</td>
<td>777,386</td>
<td>235,275</td>
<td>469,231</td>
<td>1,316,110</td>
</tr>
<tr>
<td>1936</td>
<td>1,423,996</td>
<td>706,800</td>
<td>173,477</td>
<td>543,719</td>
<td>1,251,921</td>
</tr>
<tr>
<td>1937</td>
<td>1,409,463</td>
<td>544,025</td>
<td>184,096</td>
<td>681,342</td>
<td>1,245,225</td>
</tr>
<tr>
<td>1938</td>
<td>1,287,630</td>
<td>215,235</td>
<td>153,525</td>
<td>630,152</td>
<td>925,530</td>
</tr>
<tr>
<td>1939</td>
<td>1,308,919</td>
<td>351,903</td>
<td>137,666</td>
<td>643,265</td>
<td>1,035,024</td>
</tr>
</tbody>
</table>

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)*
During the year there was a total expenditure of $58,359 for additions and betterments to plant and equipment. This amount was more than offset by the $71,652 charged to depreciation.

At August 31, 1939 of total assets, 44% were Current, 17% were Other Assets and 39% were Fixed Assets.

FINANCIAL LIQUIDITY

Current Assets are sharply higher as shown on page 9. Cash account in part reflects proceeds realized from life insurance on the lives of officers. Receivables are down slightly and Inventories are up slightly. This reflects the usual business fluctuation. Raw Materials are well acquired at levels substantially below current market. Of Current Assets 31% are Cash, 12% are Receivables and 57% are Inventories.

As of August 31, 1939 there were $11.58 of Current Assets for every dollar of Current Liabilities. On this date working capital aggregated $1,035,024.

NET WORTH

The equity of the shareholders has increased again in 1939, as the chart on page 11 shows was true for every year since 1932, except 1938. Likewise there have been increases in cash, current assets, working capital, total assets and an increase of about 8% in surplus. Surplus is today greater than for any of the past nine years except 1937. The company realized on $235,000 in face value of insurance on lives of officers. Of this $55,294 was carried as cash surrender value on the books. The difference of $179,306 has been a net addition to surplus. War time exchange loss, which is set out in the analysis of Surplus, was charged against ownership account to revalue the English company's Current Assets on the basis of sterling exchange at statement date.

Net assets securing each share of Preferred stock were $328 at August 31, 1939, comparing with $318 for the previous year. Book value of each common share was $8.54, as compared with $8.19 for 1938. These figures reflect no evaluation of goodwill, which is carried on the balance sheet at a nominal value of $1.00.
WORLD BUSINESS

Eight plants have a hand in Jantzen business, exclusive of the former Spanish licensee from whom we recently have had the first word in some years. The parent company has ownership in three subsidiaries located in London, England; Sydney, Australia and Buenos Aires, Argentina. Licensees are located at Vancouver, Canada; Stuttgart, Germany; Troyes, France and Milan, Italy. Notwithstanding world complications, sales

---

**Growth and Composition of Net Worth 1931 - 1939**

- **Net Worth**: $2,677,653, $2,301,239, $2,399,704, $2,406,228, $2,424,677, $2,568,839, $2,388,607, $2,457,740
- **Surplus**: $950,253, $573,839, $711,104, $718,528, $924,677, $1,068,839, $988,607, $957,740
- **Common Stock**: 750,000, 750,000, 750,000, 750,000, 750,000, 750,000, 750,000, 750,000
- **Preferred Stock**: 977,400, 977,400, 977,400, 750,000, 750,000, 750,000, 750,000, 750,000

*Common Stock Equity*: $1,700,253, $1,323,839, $1,386,881, $1,461,104, $1,468,528, $1,674,677, $1,818,839, $1,638,607, $1,707,740

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.
have on the whole been well maintained as evidenced below. Australia, Germany and Argentina have in particular enjoyed excellent years. Of total world sales 60% is accounted for by Jantzen Knitting Mills, Portland. The difficulty of realizing cash from royalty countries is already substantially reflected in results for 1939.

**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.
ORGANIZATION

Your company has been particularly fortunate through the years in that there have been no losses of key personnel. But blow followed blow in the past year, and we mourn Carl Christian Jantzen and Richard Francis Wisner. Mr Jantzen, co-founder, was stricken with a heart ailment more than two years ago in July, 1937, and since had been unable to come to business. Words are inadequate to express the esteem and affection for Mr. Jantzen. He left the lasting impress of his character on this enterprise. Mr. Wisner, Factory Superintendent and with the company almost twenty-five years, was endeared to all by his ability and consideration for others.

In Memoriam

CARL CHRISTIAN JANTZEN, 1883-1939

RICHARD FRANCIS WISNER, 1893-1939

It is the resolve of those in the business to carry on in the best tradition of these men. Their example is inspiring and we are not unprepared. For years it has been a policy to select and train others who could carry on. Therefore, their important duties are now in capable hands.

It is appropriate in closing this report to thank the members of the Jantzen Organization for their loyalty and efficiency. We are sure that their earnest endeavor and untiring efforts will make the most of the opportunities which offer in the year to come.

For the Directors

JOHN A. ZEHNTBAUER
Chairman.
JANTZEN KNITTING MILLS
(An Oregon Corporation)
PORTLAND, OREGON

AND

JANTZEN KNITTING MILLS LTD.
LONDON, ENGLAND

Consolidated Balance Sheet—August 31, 1939

ASSETS

CURRENT ASSETS:
Cash on deposit and on hand .................................. $351,903.04
Customers' receivables—less reserve .......................... 130,493.24
Due from life insurance companies ............................ 7,163.48
Inventories—lower of cost or market .......................... 643,262.74
Total current assets ........................................... $1,132,822.50
Miscellaneous receivables—less reserve ......................... 28,341.91
Investments in subsidiary companies—cost:
Jantzen (Australia) Ltd. ........................................ 68,879.82
Jantzen Sot. An., Textil—Buenos Aires ......................... 33,181.52
Hayden Island Amusement Co.—stock and secured advances—
less reserve ..................................................... 110,000.00
Cash surrender value of life insurance ........................ 123,457.64
Plant and equipment—cost less depreciation ..................... 365,518.38
Deferred charges .............................................. 990,476.66
Patents and trademarks ........................................ 47,224.20
1,00
$2,564,385.25

LIABILITIES

CURRENT LIABILITIES:
Due bank ................................................................ 13,463.40
Trade accounts payable ......................................... 22,708.06
Miscellaneous accruals .......................................... 43,467.30
Other obligations ................................................ 19,359.45
Total current liabilities .......................................... $97,798.21
Reserve to reduce certain purchase commitments to market .. 8,847.00
$106,645.21

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 .................................... 730,000.00
Surplus: Capital .................................................. 68,844.86
Earned .......................................................... 888,895.18
2,457,740.04
2,564,385.25

JANTZEN KNITTING MILLS
PORTLAND, OREGON

AND

JANTZEN KNITTING MILLS LTD.
LONDON, ENGLAND

Comparative Consolidated Statement of Profit and Loss
and Surplus for Years Ended August 31, 1939 and 1938

Year Ended August 31

1939 1938

SALES .......................................................... $2,763,068.50 $2,823,897.97
Cost of sales .................................................. 1,558,869.24 1,476,263.98
GROSS PROFIT ON SALES ................................. 1,204,199.26 1,347,633.99
OPERATING EXPENSES ...................................... 1,218,046.84 1,282,390.84
OPERATING PROFIT OR (Loss) before depreciation ( 13,847.58) 65,243.15

OTHER INCOME:
Interest, dividends, discounts, etc., net ........................ 49,301.41 39,047.88
Foreign royalties—note 1 ....................................... 14,576.23 54,309.56
Foreign exchange profit ...................................... 3,080.10
53,110.16

LESS:
Interest expense .............................................. 10,163.84 12,513.44
Wage dividend, prior year ..................................... 24,112.00
Foreign exchange loss ........................................ 613.26
Depreciation ..................................................... 71,651.65 68,465.79
Federal, British and State income taxes ........................ 5,088.72 8,920.00
Reserve to reduce certain purchase commitments to
market ........................................................... 34,738.00
86,904.21

NET PROFIT or (Loss) FOR YEAR—transferred to surplus—note 2 ( 33,794.05) 9,234.63
CONSOLIDATED SURPLUS—beginning of year .................. 888,606.84 1,068,838.54
Add: Net proceeds from life insurance on deceased officers 179,706.22
Other adjustments (net) ........................................ 533.32
( 1,966.33)
Less: Additional taxes—prior years ............................ 12,826.48
War-time exchange loss ....................................... 26,985.81
Less: Dividends on preferred stock ............................ 37,500.00
Dividends on common stock ................................... 150,000.00
995,240.04

CONSOLIDATED SURPLUS—end of year ......................... $957,740.04 $888,606.84

NOTE 1: In 1938 is included Argentine royalties represented by capital stock of Argentine
subsidiary stated at $33,181.52

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, 1939, and the statement of profit and loss and surplus for the fiscal year then ended. Our correspondents have examined similar statements of the Jantzen Knitting Mills Ltd., London, England. In this connection, the system of internal control and the accounting procedures of the companies were reviewed and, without making a detailed audit of all transactions, accounting records and other supporting evidence of both companies were examined or tested, by methods and to the extent deemed appropriate.

The figures for the English company brought into consolidation are: current and other assets $260,590; plant and equipment $254,393; offset by liabilities of $27,214; making net worth of $487,769. Extraordinary loss due to conversion of certain English assets and liabilities at August 31, 1939, at wartime exchange rates then prevailing, has been charged direct to surplus.

A statement of financial condition of Jantzen (Australia) Ltd. at March 31, 1939, certified by our correspondents, disclosed a book value of the parent company's holdings at rate of exchange prevailing at August 31, 1939, of $120,471, which includes a book value for 'patents and trademarks' of $24,611. The statement of Jantzen Soc. An. Textil, Buenos Aires, at March 31, 1939, disclosed a book value of about $38,000 for parent company's holdings at rate of exchange prevailing at August 31, 1939. A contingent asset exists in foreign royalties not yet collected.

In our opinion the accompanying balance sheet and related statement of profit and loss and surplus, present fairly the consolidated position of the two companies at August 31, 1939, and the consolidated result of operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

(Signed) Whitfield, Stratford & Co.
Certified Public Accountants.

Portland, Oregon.
November 22, 1939.