ANNUAL REPORT
OF THE
JANTZEN KNITTING MILLS
For the Fiscal Year Ended
August 31, 1942
DIRECTORS

JOHN A. ZEHNTBAUER, 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

President
Vice-President
Secretary
Treasurer and Vice-President
Vice-President in Charge of Sales
Vice-President and Assistant Treasurer
Assistant Treasurer
Assistant Treasurer
Assistant Secretary
Assistant Secretary

JOHN A. ZEHNTBAUER
CHARLES R. ZEHNTBAUER
IRWIN S. ADAMS
JOHN R. DODSON
MITCHELL HEINEMANN
HENRY L. GERMAN
ALFRED J. CORMACK
JAMES E. CORMACK
EDNA M. BEAMER
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.
TO THE STOCKHOLDERS:

Your Company has experienced a satisfactory year for the period ended August 31, 1942. Net Sales of Jantzen Knitting Mills, Portland, increased to $4,496,175 as compared with $3,485,484, an increase of $1,010,691 or 29%. Net Profits of $182,466 compares with $181,977 for the previous year. Both figures are after federal income and excess profits taxes, state excise tax and full provision for depreciation and regular and special charges which in 1942 include $50,000 for Post-War Contingency Reserve.

Regular quarterly dividends of $1.25 on 5% Cumulative Preferred stock were paid throughout the year, involving a disbursement of $37,500. Earnings on the Preferred Stock are equivalent to $24.33 per share. After provision for Preferred dividends there remained $144,966 applicable to common stock, which is equivalent to 73 cents per share. Common dividends were paid throughout the year involving a total disbursement of $90,000. Last year’s Profit and Loss Statement set out provision for Federal and State income taxes in the amount of $67,083, and on the statement herewith comparable items aggregate $228,000 in large measure because of the increased tax burden incident to the prosecution of the war. Taxes of all kinds for the fiscal year ended August 31, 1942 amounted to $1.48 per common share as compared to 67 cents in 1941 and 45 cents in 1940.

Domestic sales for the past year are higher than for any other year in the history of the Company except in 1930. Jantzen Knitting Mills has undertaken war work during the past year, and very sharp sales increases on sweaters, foundations and sun clothes have been achieved.

The foregoing figures apply only to Jantzen Knitting Mills, Portland, and do not take into account business done abroad which will be referred to elsewhere in this report.

EARNINGS

The graph on page 7 shows the trend of Earnings over a period of
Sales
1935 - 1942

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>1935</td>
<td>$1,940,616</td>
</tr>
<tr>
<td>1936</td>
<td>$2,485,565</td>
</tr>
<tr>
<td>1937</td>
<td>$2,978,824</td>
</tr>
<tr>
<td>1938</td>
<td>$2,319,390</td>
</tr>
<tr>
<td>1939</td>
<td>$2,331,124</td>
</tr>
<tr>
<td>1940</td>
<td>$2,669,576</td>
</tr>
<tr>
<td>1941</td>
<td>$3,485,484*</td>
</tr>
<tr>
<td>1942</td>
<td>$4,496,175*</td>
</tr>
</tbody>
</table>

*1941 and 1942 sales are net after deducting cash and trade discounts.
eight years. Earnings are improved for 1942 as they have been each year since 1939.

Generally the total of income realized from abroad, and reported in this statement, is relatively unimportant as against returns from the domestic market. It is gratifying however that results have been so

Earnings and their Distribution
1935 - 1942

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Earnings</th>
<th>Carried to Surplus</th>
<th>Common Dividends</th>
<th>Preferred Dividends</th>
</tr>
</thead>
<tbody>
<tr>
<td>1935</td>
<td>$154,765</td>
<td>9,350</td>
<td>79,736</td>
<td>65,679</td>
</tr>
<tr>
<td>1936</td>
<td>336,664</td>
<td>193,147</td>
<td>79,736</td>
<td>63,781</td>
</tr>
<tr>
<td>1937</td>
<td>286,330</td>
<td>48,830</td>
<td>200,000</td>
<td>37,500</td>
</tr>
<tr>
<td>1938</td>
<td>16,725</td>
<td>90,313</td>
<td>150,000</td>
<td>37,500</td>
</tr>
<tr>
<td>1939</td>
<td>19,389</td>
<td>64,477</td>
<td>80,000</td>
<td>37,500</td>
</tr>
<tr>
<td>1940</td>
<td>127,813</td>
<td>54,966</td>
<td>90,000</td>
<td>37,500</td>
</tr>
<tr>
<td>1941</td>
<td>181,977</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1942</td>
<td>182,466</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.
good, and that the ability to convert to war production has been demonstrated.

ASSETS

The total of Assets at August 31, 1942 as pictured on page 9 is the highest ever. Of Assets at August 31, 1942, 57% are Current Assets, 24% other Assets and 19% Fixed Assets. The sharpest increase in Assets has been in Current Assets which are more than half again as great as they were at August 31, 1941. This for the most part reflects larger inventories which are very substantially greater, a necessity because of the hindrances and shortages which complicate raw material supply. Lifo (or last in—first out inventory accounting) has been taken advantage of by the Company as permitted by the Federal Revenue Act. The graph shown on page 10 shows a sharp increase in Working Capital which has been put to good use because of the larger volume of business.

NET WORTH

There has been an increase in Net Worth in 1942. Assets securing each preferred share are $356.60 for $100 of par value. Book value per share of common stock was $9.62 at August 31, 1942, which compares with $9.30 for the previous year, and $8.98 for the period ended August 31, 1940.

Irrespective of the fact that plants in Germany, France and Italy are completely inactive, it has been the year of greatest world-wide sales for Jantzen products. The chart on page 12 shows world sales in 1942, $6,564,518 which is an increase of $1,268,107 or 24% over the previous year. It is evident that the various companies in allied countries have been able to adjust themselves to the exigencies of war and to capitalize on the opportunities at hand. For the fiscal years 1940 and 1941 and for this year, income from foreign operations is not comparable with that for former years. As shown on the Profit and Loss Statement foreign royalties collected for this past year are $10,407 as compared with $7,602 for the previous year. This past year there has been a greater volume of sales of Jantzen products on a world-
Growth and Character of Assets
1935 - 1942

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Assets</th>
<th>Current Assets</th>
<th>Other Assets</th>
<th>Fixed Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1935</td>
<td>2,435,674</td>
<td>1,184,471</td>
<td>856,258</td>
<td>394,945</td>
</tr>
<tr>
<td>1936</td>
<td>2,638,315</td>
<td>1,148,234</td>
<td>898,509</td>
<td>491,572</td>
</tr>
<tr>
<td>1937</td>
<td>2,609,544</td>
<td>1,099,373</td>
<td>885,624</td>
<td>624,547</td>
</tr>
<tr>
<td>1938</td>
<td>2,435,524</td>
<td>748,938</td>
<td>944,710</td>
<td>741,876</td>
</tr>
<tr>
<td>1939</td>
<td>2,583,303</td>
<td>938,380</td>
<td>998,839</td>
<td>736,084</td>
</tr>
<tr>
<td>1940</td>
<td>2,660,393</td>
<td>1,055,267</td>
<td>907,924</td>
<td>707,202</td>
</tr>
<tr>
<td>1941</td>
<td>2,833,272</td>
<td>1,227,381</td>
<td>901,988</td>
<td>703,903</td>
</tr>
<tr>
<td>1942</td>
<td>3,832,165</td>
<td>1,216,365</td>
<td>920,137</td>
<td>715,663</td>
</tr>
</tbody>
</table>

* 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 that are neither Fixed nor Current. The top section of each bar represents Current Assets.
wide basis than ever before as shown by the chart. Because of the restrictions on the transfer of monies reported earnings do not fully reflect the total of progress made by the individual companies.

Amount and Composition of Current Assets
1935 - 1942

<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>1935</td>
<td>1,184,471</td>
<td>695,170</td>
<td>88,421</td>
<td>400,880</td>
<td>1,097,453</td>
</tr>
<tr>
<td>1936</td>
<td>1,148,234</td>
<td>600,853</td>
<td>79,748</td>
<td>467,633</td>
<td>999,629</td>
</tr>
<tr>
<td>1937</td>
<td>1,099,373</td>
<td>382,630</td>
<td>95,166</td>
<td>621,577</td>
<td>961,825</td>
</tr>
<tr>
<td>1938</td>
<td>748,938</td>
<td>146,258</td>
<td>85,428</td>
<td>517,252</td>
<td>696,531</td>
</tr>
<tr>
<td>1939</td>
<td>938,380</td>
<td>349,618</td>
<td>79,016</td>
<td>599,746</td>
<td>866,057</td>
</tr>
<tr>
<td>1940</td>
<td>1,055,267</td>
<td>438,774</td>
<td>79,016</td>
<td>467,826</td>
<td>940,721</td>
</tr>
<tr>
<td>1941</td>
<td>1,227,381</td>
<td>356,352</td>
<td>208,172</td>
<td>662,887</td>
<td>1,004,432</td>
</tr>
<tr>
<td>1942</td>
<td>2,196,365</td>
<td>311,436</td>
<td>357,034</td>
<td>1,527,895</td>
<td>1,117,506</td>
</tr>
</tbody>
</table>

* (Excess of Current Assets over Current Liabilities)
No part of appreciable earnings of the Jantzen Knitting Mills Limited, the exact total of which has not as yet been reported, are included in the figures here presented.

Jantzen (Australia) Limited reported profits for the year ended
March 31, 1942 of £10,719 which was after provision of £3000 for a special superannuation reserve. The total of their sales was the largest in history by 34%.

Jantzen Sociedad Anonima Textil, Argentine subsidiary, reported profits of 101,086 Argentine pesos as compared with 69,744 for the

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**World-Wide Jantzen Sales—1922-1942**

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.
previous year. Again the total of sales was the largest in history. The value of the parent company’s equity in this and the other companies abroad of course is increased because of amounts carried by the subsidiaries to Surplus over and above the dividends paid each year.

During the past year export sales from Portland increased by 16% over 1941. Merchandise went to the following countries: Costa Rico, Guatemala, El Salvador, Panama and Canal Zone, Cuba, Hawaii, Mexico, Netherlands West Indies, Puerto Rico, Bolivia, Brazil, Chile, Colombia, Ecuador, Venezuela and Peru. Of course shipping difficulties will complicate continuing business with some of the markets just enumerated.

Naturally there is no report, nor is it believed that any business is being done, by licensees in Germany, France and Italy. The Canadian Licensee Company has just experienced its best year in history.

ORGANIZATION

In these trying times that concern may count itself fortunate which has a loyal, hard-working staff. It has been our endeavor to keep employment here attractive in relation to that offered elsewhere locally in wages, hours and working conditions. While results have been good, the past year has not been an easy one for members of the organization because from day to day great changes have occurred. Therefore it is especially in order to record here appreciation for work well done, and to praise the ability, loyalty and efficiency which have made this year’s business profitable and promise well for the future.

For the Directors

J. A. ZEHN TBAUER,
Chairman

[ 13 ]
JANTZEN KNITTING MILLS
(An Oregon Corporation)
PORTLAND, OREGON

Balance Sheet—August 31, 1942

ASSETS

CURRENT ASSETS:
Cash on deposit and on hand ................ $ 311,435.55
Customers' receivables—less reserves .......... 313,220.26
Advances recoverable—war contract .......... 43,813.90
Inventories—lower of cost or market; wool top last-in, first-out) ........................................ 1,527,895.52
Total current assets ................................ 1,978,565.25

Miscellaneous receivables—less reserve ......... 15,800.47
Investments in subsidiary companies—cost (see certificate attached):
Jantzen Knitting Mills Ltd., London .......... 433,962.60
Jantzen (Australia) Ltd. ...................... 68,969.82
Hayden Island Amusement Co.—stock and secured advances—less reserve ..... 104,962.50
Cash surrender value of life insurance ......... 178,332.29
Bonds—cost........................................... 2,196,365.23

Plant and equipment—cost less depreciation ..... 715,662.72
Deferred charges ........................................ 77,333.71
Patents and trademarks ............................... 1.00

Total assets ........................................... $3,832,164.56

LIABILITIES

CURRENT LIABILITIES:
Notes payable—banks ................................. $ 500,000.00
Trade accounts payable ............................ 245,579.13
Miscellaneous accruals ............................. 295,127.69
Other obligations ...................................... 35,152.23
Total current liabilities ............................ $1,078,859.05

RESERVES:
To reduce certain purchase commitments to market 28,800.00
For post-war contingencies .......................... 50,000.00

Total current liabilities ............................ $1,078,859.05

CAPITAL AND SURPLUS:
Preferred stock 5% cumulative—$100 par
Authorized and outstanding 7,500 shares ....... 750,000.00
Common stock—$1 par value. Authorized 300,000 shares; outstanding 200,000 shares ..... 200,000.00
Surplus—Capital ......................................... 638,844.86
Earned .................................................... 1,105,060.65

Surplus—end of year ................................. 76,800.00

NOTE 1: See certificate attached regarding net profit of wholly owned English subsidiary.

NOTE 2: Operating expenses include, in addition to regular pension payments, $45,411 in 1942 for final payment on extraordinary purchase of annuities for prior service; $44,000 paid in 1941. Operating expenses for 1941 also included $88,828 wage dividend and salary bonus.
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, 1942, and the statement of profit and loss and surplus for the fiscal year then ended. In this connection we have reviewed the system of internal control and the accounting procedures of the company and, without making a detailed audit of all transactions, have examined or made limited tests of the accounting records of the company and other supporting evidence, by methods and to the extent we deemed reasonably appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

For this report, again, the figures of Jantzen Knitting Mills Ltd. of London, England, a wholly owned subsidiary, have not been consolidated with those of Portland, Oregon, hence the detail figures herein are as shown by the books of the Portland company alone. The certified balance sheet of such company at August 31, 1941 showed a net worth of $434,900 converted at the then rate of exchange. The balance sheet for the year ended August 31, 1942 is not yet available, but preliminary cabled information indicates a net profit of about $6,500 before income taxes.

A statement of financial condition of Jantzen (Australia) Ltd. at March 31, 1942, certified by our correspondents, disclosed a book value of the parent company's holdings at rate of exchange prevailing at August 31, 1942 of $110,820 (which includes a book value for "patents and trademarks" of $22,883); and an equity of $36,613 in the general reserve. The statement of Jantzen Soc. An. Textil, Buenos Aires, at March 31, 1942, disclosed a book value of about $45,100 for parent company's holdings at rate of exchange prevailing at August 31, 1942. A contingent asset exists in foreign royalties, etc., not yet collected.

In our opinion, subject to the above comments, 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, 1942, and the result of its operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for change in basis of inventory valuation of wool "top."

(Signed) WHITFIELD, STRATFORD & Co.
Certified Public Accountants.

Portland, Oregon
November 23, 1942.