PRESIDENT'S REPORT TO SHAREHOLDERS AND EMPLOYEES
JANTZEN KNITTING MILLS INC. . . . FISCAL YEAR
ENDING AUGUST 31, 1948
Our Cover...

The Million Dollar Girl

The Jantzen "Red Diving Girl" is acknowledged to be the most famous apparel trade mark in the world...

symbolizing the best in quality,
workmanship, style and fit.
The net profit after taxes of your company (Jantzen Knitting Mills Inc. and its subsidiary, Jantzen Realty, Inc.) for the year ended August 31, 1948 was $783,740. This was $3.57 per share of common stock. Profit for the previous year was $435,476 or $1.91 per share.

Sales volume showed an increase again this year both in units of merchandise shipped and in money. Total sales were $15,258,261 or $2,546,385 over last year, an increase of 20%.

Operations of the foreign subsidiaries were profitable. Dividends from the wholly owned British Company amounted to $40,200, approximately the net earnings for the year. Last year, two dividends totaling $80,563 were received representing profits of two years from that company.
The improved showing was due not only to increased sales, but also to more efficient operation and other economies effected throughout the organization. Price increases were made only where necessary to cover the increased cost of manufacture and distribution and still yield a reasonable return on the investment.

Dividends paid to stockholders amounted to $192,926 for the year. Common stockholders received 65 cents a share as compared with 60 cents for the preceding year. Preferred Class A stockholders received $5.00 per share, and Class B, $4.25 per share. The balance of net profit has been added to working capital.

Inventories at the balance sheet date are somewhat higher than the preceding year. This increase is due largely to more business, higher material costs, and a year 'round purchasing program.

A considerable portion of our inventory is valued under the “Last in—first out” plan, which gives added protection against sudden price declines.

The claim for reduction of wartime excess profits taxes under Section 722 is pending before the Excess Profits Tax Council and will probably be heard during the summer of 1949.

Book value per share of common stock was $16.76 at August 31, 1948, in contrast to $13.84 at the close of the prior year.

TAXES

Federal and State income taxes were $518,221. Taxes of all kinds including payroll and property amounted to $654,830 which is 4.3% of sales.

WORKING CAPITAL

On August 31, 1948, current assets were $5,881,918 and current liabilities $1,678,240, resulting in a net working capital of $4,203,678. This is an increase of $551,182 over the preceding year.

The ratio of current assets to current liabilities was 3.5 to 1.
Simplified methods, more plentiful raw materials and the addition of new knitting and sewing machines enabled us to make better deliveries than last year, and greatly improve the service to our accounts.

Knitted Jantzen swim suit sales again exceeded those of the preceding year.

The new fibre developments of recent years are becoming increasingly important in this division. More and more opportunities are being found to use rayon and nylon in combination with such basic materials as cotton, worsted and Lastex yarns to achieve the distinctive appearance and perfect fit for which Jantzen swim suits are world famous.

To maintain leadership in the swim suit field, we realize we must manufacture goods of top quality and keep abreast of market demands in style and fabric. This requires a well rounded research program. Constant study of markets is combined with field contacts to keep our organization alert to fabric and fashion trends.

Dominant year 'round advertising of our various lines keeps the story of Jantzen quality, style and fit constantly before the buying public 12 months of the year. Besides our national magazine advertising, we provide such local selling helps as outdoor posters, a variety of window and departmental display pieces, newspaper mats and direct mail style folders. Both we and our advertising agency are constantly devising ways to strengthen our advertising and sales promotion programs.

While increased labor and material costs have caused corresponding price increases, the values represented in our garments have been maintained. Through design and work simplification these increases have been held to a minimum.
DISTRIBUTION OF SALES INCOME

MATERIALS MANUFACTURING AND DISTRIBUTION
$9,618,653

WAGES, SALARIES AND SALES COMMISSIONS
$4,346,190

TAXES (ALL KINDS)
$654,830

RETAINED TO PROMOTE GROWTH OF BUSINESS
$590,814

PAYMENT TO SHAREHOLDERS
$192,926
Explanatory Profit and Loss Statement

Consolidated

for the fiscal year ended August 31, 1948

INCOME:

We received income from the sale of our products of $15,258,261
We received other income, such as interest, discounts, dividends and royalties, of 145,152
Which gave us a total income of $15,403,413

OUTGO:

For materials and supplies used in manufacturing, and for finished merchandise including Foundation Garments, Sun Clothes and Jan Lotion $7,392,733
For expenses (other than taxes, depreciation and wages) including factory, warehouse and shipping, selling and administration expenses 2,115,834
For depreciation, representing an allowance which has been laid aside to replace buildings and equipment as those things wear out 110,086
Total materials, manufacturing and distribution costs $9,618,653
For taxes, including Old Age Benefits, Unemployment Insurance, local Government and income taxes 654,830
$10,273,483

THIS LEFT AVAILABLE FOR EMPLOYEES, SHAREHOLDERS AND FUTURE NEEDS $5,129,930

Which was divided as follows:

For wages, salaries and sales commissions $4,346,190
For dividends to shareholders 192,926
Retained to promote growth and modernization of the business 590,814
# Explanatory Balance Sheet

## Consolidated

**ASSETS . . . What We Own**

<table>
<thead>
<tr>
<th>Asset Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash</strong> we own, which is used to purchase raw materials for the manufacture of our products and to pay salaries, wages, taxes and other operating expenses</td>
<td>$510,831</td>
</tr>
<tr>
<td><strong>Cash Surrender Value of Life Insurance:</strong> The Company is beneficiary of $1,135,331 of Life Insurance carried on the officers and principal executives of the Company. If the policies were cancelled, the cash returned to us would be</td>
<td>272,180</td>
</tr>
<tr>
<td><strong>Accounts Receivable:</strong> Total owed us by our customers for merchandise, most of which was not due at this date, less estimated amounts which we may not be able to collect</td>
<td>1,500,639</td>
</tr>
<tr>
<td><strong>Inventories:</strong> This is the value of raw materials, garments in work and finished products on hand at the close of the year</td>
<td>3,598,268</td>
</tr>
<tr>
<td><strong>Miscellaneous Receivables:</strong> Due us from our associated companies in foreign countries and from others who owe us small sums but who are not customers</td>
<td>38,241</td>
</tr>
<tr>
<td><strong>Investments in Subsidiary Companies:</strong> This amount represents the investment for construction and operation of our factories in England, Australia and Argentina</td>
<td>571,362</td>
</tr>
<tr>
<td><strong>Stocks and Bonds:</strong> Small investments in Canadian and Domestic stocks are represented by this amount</td>
<td>32,581</td>
</tr>
<tr>
<td><strong>Plant and Equipment—Depreciated Cost:</strong> This is the amount we paid for our land, buildings, machinery and equipment, less an estimated allowance for loss in value because they are gradually wearing out and becoming obsolete</td>
<td>1,700,975</td>
</tr>
<tr>
<td><strong>Deferred Charges:</strong> In the operation of a business many services and supplies are purchased in advance for use later. This amount will be used during the succeeding years</td>
<td>143,524</td>
</tr>
<tr>
<td><strong>Patents and Trade Marks:</strong> These cost more than $1.00 but the costs have been gradually charged off until they are now carried on the books at that figure</td>
<td>1</td>
</tr>
</tbody>
</table>

**Total Assets:** $8,388,602
Listing what we own, what we owe, and what we were worth at the close of our fiscal year, August 31, 1948.

**LIABILITIES . . . What We Owe**

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trade Accounts Payable</strong></td>
<td>$675,272</td>
</tr>
<tr>
<td><strong>Salesmen's Balances and Other Obligations</strong>: This represents principally commissions earned but not yet paid at the date of this statement</td>
<td>125,461</td>
</tr>
<tr>
<td><strong>Wages, Payroll Taxes, etc.</strong>: Represents wages and salaries earned but not yet paid at August 31, 1948. The taxes on those wages and the local state and county taxes not due at this date are also included</td>
<td>212,781</td>
</tr>
<tr>
<td><strong>Federal and State Income Tax</strong>: This amount represents federal and state income tax payable principally on past year's earnings</td>
<td>562,226</td>
</tr>
<tr>
<td><strong>Note and Mortgage Payable—Current Portion</strong>: Payment on the note and mortgage due this year</td>
<td>102,500</td>
</tr>
<tr>
<td><strong>Mortgage Payable</strong>: Amount borrowed on some of our land and buildings to construct new buildings and buy additional equipment. This is payable in semi-annual installments over the next 19 years</td>
<td>656,250</td>
</tr>
<tr>
<td><strong>Note Payable</strong>: Amount borrowed to provide additional funds for carrying on our operations. It is repayable in installments over the next 14 years</td>
<td>935,000</td>
</tr>
<tr>
<td><strong>Excess Profits Tax and Interest</strong>: This represents the amount set aside for payment of taxes and interest for prior years, which amounts have been deferred pending settlement of claims filed by us against the government as authorized by law</td>
<td>446,131</td>
</tr>
<tr>
<td><strong>Capital and Surplus</strong>: This represents the investment in the business by 1506 owners</td>
<td>4,672,981</td>
</tr>
</tbody>
</table>

**$ 8,388,602**
Sweater Division

Jantzen sweater sales again showed a substantial increase over the preceding year. This one division did more business in 1948 than all Jantzen divisions did in 1941.

At the end of our fiscal year on August 31, 1948 (when our swim suit production for the year had been finished for some time) Jantzen sweater production, inventories and shipping were at their peak.

This dovetailing of production seasons is one big advantage of our diversification plan begun several years ago. By helping to level out our production the year 'round, the Sweater Division has contributed materially to our improved profit picture this year.

Factors responsible for increased volume for the past year include: addition of Cashmere and Angora sweaters to the line; purchase of new transfer knitting machines; and an earlier start on our production program. The last two factors named also helped to improve service to our customers.

Although the sweater market is highly competitive, we have steadily improved our position during the last several years. Strong consumer acceptance created more demand in 1948 than we could supply.

The 1948 season marked the start of a trend toward reorder business such as we did before the war. Several basic styles were available for reorder, as were some others late in the year.

Our fast growing sweater business more than justifies the expansion made a couple of years ago in our dyeing and spinning facilities at the Portland plant.
Our foundation accounts show an increasing tendency to keep their inventories considerably lower than during the war years when materials were extremely scarce.

The availability of more and better quality materials, plus improvements in our deliveries, enabled us to conform quickly to this new buying trend.

It has also made possible the offering of full color ranges in established lines, and the manufacture of new styles in extremely light weight materials not previously available.

These improvements in our operation have been well received by our many valued foundation accounts. This is borne out in foundation sales figures for the year, which showed a satisfactory increase over 1947.

As this is written, the foundation factory at Dover, New Jersey is completing a new addition. It is expected the increased manufacturing area will enable this division to do an even better production job for 1949.

Perhaps the most interesting new product offered by this division the past year is the revolutionary new molded Vinyon brassiere. It is gradually being distributed more widely through our sales outlets and is being very well received.

In sales, manufacture, design and service, the foundation division has kept pace with the high traditions of quality and performance inherent in the Red Diving Girl trade-mark and also contributed substantially to the over-all profit picture.
The sportswear division in Vancouver, Washington was nearing the end of a successful season when it was threatened by flood waters of the Columbia River. On May 28, 1948, it became necessary to evacuate that plant. Due to foresight and a well organized emergency crew, all equipment, materials and stock, including the motors and electrical panels, were saved.

Operations of the Sportswear Division were quickly transferred to the Portland plant where production was resumed in a few days. The Vancouver plant was not seriously damaged and production was resumed August 2, 1948. Employees are to be commended for their fine teamwork and the spirit in which they accomplished the evacuation and restoration work.

In addition to the Jantzen swim suits made from elastic stitch knitted fabric which have been produced for over 30 years, there has been a growing demand for a form-fit swim suit made from elastic woven fabric commonly known as Satin Lastex.

The opening of the Vancouver Sportswear plant during the previous fiscal year enabled us to cater to this demand. When our new Satin Lastex suits were presented to the trade, they were eagerly accepted and the demand was so great, deliveries had to be placed on strict allotments. For the new season an enlarged manufacturing program is planned to help us meet the increased demand for these Jantzen Satin Lastex swim suits.

In addition to Satin Lastex swim suits, the Vancouver factory has continued to turn out Jantzen Winter Sports clothing, including the famous Slope-Master grip-fit ski pants. It is interesting to note that Winter Sports clothing made by Jantzen was adopted as the official uniform of the women’s Olympic Ski team.

In spite of development expense and the dislocation caused by the flood, the Sportswear Division made a valuable contribution to the profits of the company for this fiscal year.
The Sun Clothes Division experienced the biggest sales increase in its history. This is further proof that our shorts and tee shirts are recognized as outstanding in the market. The division continues to be a very profitable operation.

The increased volume necessitated the purchase of additional knitting and sewing machines for this year. At the year's end, we were in the process of establishing stockroom and shipping facilities in new and larger quarters, which will give needed additional manufacturing space in the sun clothes plant at Philadelphia.

Procurement of new woven fabrics became easier at the start of our fiscal year. By taking full advantage of this, we were able to offer a number of new and interesting fabrics. One was Satin Lastex for men's and boy's form fit trunks, which found a very ready market.

Our sun clothes planning, line development and production all were started earlier than usual this year. This enabled us to use the late summer months of 1947 for early 1948 production, thus getting a running start for the year, making possible economies in manufacture.

Despite generally unfavorable weather and a 30% sales drop in the cosmetic industry, sales of Jan Sun Oil and Jan Sun Lotion were nearly even with those of the preceding year.

Considerable progress was made in extending distribution of these products. They can now be found at 75% of the nation's drug stores and cosmetic counters. In a survey made by two outstanding publications, Seventeen, with wide circulation among 'teen agers, and the Ladies' Home Journal, Jan was the preferred choice among sun-tan preparations.

It has been proved that we have a superior product in this field. Our volume of sales to the major U. S. chain drug stores doubled during the past season. The additional publicity this related item gives us has also proved beneficial.

Prospects for the coming year seem exceptionally good, as more and more people in all age groups are becoming familiar with our Specialty Division slogan, "Tan with Jan."
Foreign and Export Operation

The demand for Jantzen products abroad continues strong, but it cannot be wholly served due to the continued shortage of dollar exchange. Export markets of the United States plants include the West Indies, Mexico, Hawaiian Islands, Philippine Islands, China, Hongkong and all the Central and South American countries except Argentina, Paraguay, Uruguay and Brazil. The latter countries are served by our Argentine and Brazilian affiliates.

Selling conditions are not yet normal in Great Britain but Jantzen Knitting Mills Ltd. at London (No. 4, below) has concentrated on export business which continues to develop satisfactorily. A successful year has been completed and plans are being made to extend the scope of the business.

Jantzen Knitting Mills of Canada Ltd. (No. 2) has completed the biggest year in its history. The sales potential for Jantzen merchandise is large in Canada, and the management is increasing the manufacturing facilities to take care of the growing demand.

Sales of the Jantzen (Australia) Ltd. plant in Sydney, Australia (No. 3) reached a new high this past season. Despite high marketing costs, profits continue to rise. The repeal of “selling price” regulation is expected to provide better profit margin and greater selection of merchandise. To strengthen the capital structure a new issue of 20,000 ordinary shares of one pound each and 50,000 5% cumulative, second preference shares of one pound each was made prior to the close of our fiscal year.
Authorized capital of Jantzen Soc. An. Textil, Buenos Aires, Argentina (No. 5) was increased to 1,500,000 pesos, of which 1,250,000 has been issued. Sales showed an increase over last year, but the import restrictions on certain raw materials, particularly Las- tex, prevented complete development of the line. Plans for expansion of the plant are well advanced. Most of the new machinery on order for development of the sweater line is now on hand.

Our licensee factories in France, Italy, Spain and Brazil continue to operate under difficult conditions, chief of which is the problem of securing raw materials. During the year we received a substantial dollar remittance covering royalty due us from Etablissements Poron, our French licensee. Italy is making a good post-war recovery. Prospects for rebuilding our Jant- zen business are encouraging. Our royalties for the past several years from our Spanish licensee cannot yet be remitted to us because of the shortage in dollar exchange. The production of our Brazilian licensee (No. 1) is fully sold for the season, and they are optimistic about future prospects.

"A Good Place to Work"

We have always wanted our employees to feel there was an invisible sign over our doors reading "This is a good place to work." To do this we have tried to place them on jobs they like best and for which they are best suited.

We believe an employee doing work he likes, on a job where he can use all his abilities, is a satisfied employee. He consistently earns more in wages and consequently produces more merchandise at less cost, which in turn enables us to keep the price of our products within reach of more buyers.

This results in lower labor turnover and lower cost of training new workers, both of which bring higher employee morale and better labor relations. Selection and placement methods were improved this year and should continue to improve, as we now have a reliable measuring stick to determine the kind of work the individual prefers, and his ability to learn to do the work assigned.

It is also our policy to try to strengthen the employee's feeling of security in his job. Increased sweater production, for example, means fewer summer lay-offs. Whenever possible, employees are taught two or more operations so they may shift seasonably from one to the other as needed.

As our company grows older, more employees are retiring under the Jantzen pension program. This program, begun in 1934, is financed jointly by employees and the company. Group life and disability insurance, as well as a group hospital plan, helps employees and their families to meet emergencies that may arise.

Our employees have recently formed a credit union whereby they systematically save money, thus setting up a fund from which they can borrow at a minimum rate of interest in time of need.

We have seen a substantial increase in participation in employee activities, which gives further evidence of the spirit of unity and friendliness so important in our relations here. Fourteen more employees have entered our "20 Year Club" and twelve have advanced to the honored ranks of those who have worked with us for 25 years. A women's bowling league has been started which should provide enthusiasm equal to that in the men's league. Beautiful trophies were won by our girls' softball and basketball teams this year.
<table>
<thead>
<tr>
<th>ASSETS</th>
<th>1948</th>
<th>1947</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT LIABILITIES:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes payable—banks</td>
<td>$ 675,271.62</td>
<td>$ 250,000.00</td>
</tr>
<tr>
<td>Trade accounts payable</td>
<td>125,461.55</td>
<td>87,357.43</td>
</tr>
<tr>
<td>Salesmen’s balances, and other obligations</td>
<td>212,780.58</td>
<td>155,912.83</td>
</tr>
<tr>
<td>Wages, payroll taxes, etc.</td>
<td>562,226.20</td>
<td>268,090.68</td>
</tr>
<tr>
<td>Federal and state income tax—current—estimated</td>
<td>102,500.00</td>
<td>37,500.00</td>
</tr>
<tr>
<td>Note and mortgage payable—current portion</td>
<td>1,678,239.75</td>
<td>1,107,894.80</td>
</tr>
<tr>
<td>MORTGAGE PAYABLE—secured—installment</td>
<td>656,250.00</td>
<td>693,750.00</td>
</tr>
<tr>
<td>NOTE PAYABLE—unsecured—installment</td>
<td>935,000.00</td>
<td>1,000,000.00</td>
</tr>
<tr>
<td>EXCESS PROFITS TAX AND INTEREST (deferred under Sec. 722)</td>
<td>446,130.50</td>
<td>424,175.30</td>
</tr>
<tr>
<td>RESERVE FOR PURCHASE COMMITMENTS</td>
<td>2,500.00</td>
<td>2,500.00</td>
</tr>
<tr>
<td>TOTAL LIABILITIES</td>
<td>3,715,620.25</td>
<td>3,228,320.10</td>
</tr>
<tr>
<td>CAPITAL AND SURPLUS:</td>
<td>8,388,601.64</td>
<td>7,296,671.69</td>
</tr>
<tr>
<td>Preferred stock $100 par, authorized 40,000 sh.</td>
<td>1,050,000.00</td>
<td>1,050,000.00</td>
</tr>
<tr>
<td>Issued 10,500 sh. 7½% cum.</td>
<td>1,050,000.00</td>
<td>1,050,000.00</td>
</tr>
<tr>
<td>Issued 2,500 sh. 4½% cum. (125 sh. to be redeemed annually)—outstanding</td>
<td>237,500.00</td>
<td>250,000.00</td>
</tr>
<tr>
<td>Common stock—$1 par, authorized 1,000,000 sh., outstanding</td>
<td>202,000.00</td>
<td>200,000.00</td>
</tr>
<tr>
<td>Surplus: Capital</td>
<td>633,844.86</td>
<td>609,844.86</td>
</tr>
<tr>
<td>Earned</td>
<td>2,549,636.53</td>
<td>1,958,506.73</td>
</tr>
</tbody>
</table>

Note: Contingent assets include (a) foreign royalties not yet collected, (b) claims for refund of excess profits tax, and (c) other values indicated in certificate. "Lifo" inventories, if priced at the lower of cost or market would be increased by about $231,000 at August 31, 1948 and $115,000 at August 31, 1947.
## Consolidated Statement of Profit and Loss and Surplus

*for Years Ended August 31, 1948 and 1947*

<table>
<thead>
<tr>
<th></th>
<th>1948</th>
<th>1947</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SALES</strong></td>
<td>$15,258,261.43</td>
<td>$12,711,875.96</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>10,020,791.49</td>
<td>8,639,660.46</td>
</tr>
<tr>
<td><strong>GROSS PROFIT ON SALES</strong></td>
<td>5,237,469.94</td>
<td>4,072,215.50</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td>3,832,541.90</td>
<td>3,433,303.43</td>
</tr>
<tr>
<td><strong>OPERATING PROFIT, before depreciation</strong></td>
<td>1,404,928.04</td>
<td>658,912.07</td>
</tr>
<tr>
<td><strong>OTHER INCOME:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest, dividends, discounts, etc.—net—note 2</td>
<td>120,450.02</td>
<td>170,523.98</td>
</tr>
<tr>
<td>Foreign royalties</td>
<td>24,942.60</td>
<td>18,729.87</td>
</tr>
<tr>
<td><strong>LESS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Interest expense</td>
<td>106,670.88</td>
<td>80,477.71</td>
</tr>
<tr>
<td>Depreciation</td>
<td>110,086.01</td>
<td>84,114.69</td>
</tr>
<tr>
<td>Flood loss—Vancouver plant</td>
<td>31,602.08</td>
<td></td>
</tr>
<tr>
<td>Federal and state income taxes</td>
<td>518,221.47</td>
<td>225,597.56</td>
</tr>
<tr>
<td>Reserves—sundry</td>
<td></td>
<td>2,500.00</td>
</tr>
<tr>
<td><strong>NET PROFIT transferred to surplus</strong></td>
<td>783,740.22</td>
<td>435,475.06</td>
</tr>
<tr>
<td><strong>CONSOLIDATED SURPLUS—beginning of year</strong></td>
<td>2,568,351.59</td>
<td>2,299,954.91</td>
</tr>
<tr>
<td>Add: Adjustments, prior years—net</td>
<td>315.37</td>
<td>5,420.72</td>
</tr>
<tr>
<td>Premium on stock issued</td>
<td>24,000.00</td>
<td></td>
</tr>
<tr>
<td>Less: Dividends on preferred stock</td>
<td>(62,925.79)</td>
<td>(52,500.00)</td>
</tr>
<tr>
<td>Dividends on common stock</td>
<td>(130,000.00)</td>
<td>(120,000.00)</td>
</tr>
<tr>
<td><strong>CONSOLIDATED SURPLUS—end of year</strong></td>
<td>$3,183,481.39</td>
<td>$2,568,351.59</td>
</tr>
<tr>
<td>Net earnings per share of common stock</td>
<td>$3.57</td>
<td>$1.91</td>
</tr>
</tbody>
</table>

**Note 1:** Figures for year ended August 31, 1947 include those for Jantzen Knitting Mills, predecessor company, to date of merger.

**Note 2:** Dividend income includes $40,200 for 1948 and $80,562.50 for 1947 from Jantzen Knitting Mills, Ltd., London, a wholly owned subsidiary, which showed net profits of about $41,435 and $40,400 for the respective fiscal years.
TO THE BOARD OF DIRECTORS,
JANTZEN KNITTING MILLS INC.
Portland, Oregon.

We have examined the consolidated balance sheet of the Jantzen Knitting Mills Inc. (formerly Jantzen Knitting Mills) and its wholly owned subsidiary, Jantzen Realty, Inc., Portland, Oregon, as of August 31, 1948, and the consolidated 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 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, the figures of Jantzen Knitting Mills, Ltd. of London, England, a wholly owned subsidiary, have not been consolidated with those of the Portland, Oregon companies. According to cabled information from our London correspondents, such company at August 31, 1948 will show a net worth of $468,625 converted at the then rate of exchange; and a net operating profit for the year then ended of $41,435, converted at the average rate of exchange for such year.

A statement of financial condition at March 31, 1948 of Jantzen (Australia) Ltd., certified by our Australian correspondents, disclosed a book value of the parent company’s holdings of $129,800 and an equity of $84,500 in the general reserve. Subsequent to such date, additional financing has been effected and the parent company’s net investment has increased from $83,949.79 to $99,218.24 and it now holds approximately 59% of the ordinary shares.

The statement of Jantzen Soc. An. Textil, Buenos Aires, at March 31, 1948, disclosed a book value of about $84,000 for the parent company’s holdings at rate of exchange prevailing at August 31, 1948. The parent company holds about 31% of the ordinary shares and elects a majority of the members of the Board of Directors.

Substantial claims for tax relief under Section 722 of the Internal Revenue Code pertaining to excess profits tax, have been filed for the six years ended August 31, 1946, such claims being not presently listed as assets. The amount allowable is unknown. In the meantime, the liability for excess profits tax (and accrued interest thereon), deferrable under the law pending adjudication of the claims, is treated as a non-current item.

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 Inc. and Jantzen Realty, Inc., at August 31, 1948, and the results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

WHITFIELD, STRATFORD & CO.
Certified Public Accountants.

Portland, Oregon
October 14, 1948
JANTZEN KNITTING MILLS INC.

Directors

JOHN A. ZEHNTEBAUER, Chairman
C. ROY ZEHNTEBAUER
JOHN R. DODSON
ALFRED J. CORMACK
MITCHELL HEINEMANN
MAYER G. MONROE

HENRY L. GERMAN
PAUL M. DEKONING
G. ROBERT DODSON
EDWARD C. KLINDWORTH
RONALD M. McCREIGHT

Officers

JOHN A. ZEHNTEBAUER . . . . . . President
C. ROY ZEHNTEBAUER . . . . . . First Vice-President
JOHN R. DODSON . . . . . . Vice-President and Treasurer
MITCHELL HEINEMANN . . Vice-President in Charge of Sales
PAUL M. DEKONING . . . Vice-President and General Manager
HENRY L. GERMAN . . . . . Vice-President
ALFRED J. CORMACK . . . Secretary and Assistant Treasurer
EDWARD C. KLINDWORTH . . . Assistant Treasurer
G. ROBERT DODSON . . . . Assistant Secretary
RUTH TURPIN . . . . . . Assistant Secretary
JAMES E. CORMACK . . . . . Assistant Treasurer

FOR BOTH PREFERRED AND COMMON STOCK

Transfer Agent and Registrar:
The United States National Bank of Portland (Oregon)
Broadway and Sixth at Stark
Portland 8, Oregon

The information herein is intended solely as a report for the shareholders and employees 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.
Jantzen