

Carolina Mills, Inc. Annual Report 1971



HIGHLIGHTS OF THE YEAR

	Year Ended	
	October 2 1971	October 3 1970
Operations:		
Dollar Value of Sales	\$38,493,631	\$33,907,075
Earnings Before Income Taxes	1,808,146	1,573,041
Net Income After Taxes	1,201,376	743,143
Depreciation and Amortization for Year	1,366,704	1,337,653
Cash Flow for Year	2,568,080	2,080,796
Financial Position:		
Working Capital	5,718,779	4,978,233
Long-Term Debt	2,603,077	2,872,308
Total Assets	20,290,915	19,915,181
Stockholders' Equity	11,778,876	10,847,367
Shares Outstanding — Year End	3,373,344	3,373,344
Per Share of Stock:		
Earnings After Taxes	35.60¢	22.00¢
Cash Flow	76.10¢	61.60¢
Cash Dividends	8.00¢	9.00¢
Book Value at End of Year	\$ 3.49	\$ 3.21

DIRECTORS

Julius W. Abernethy
Chairman of the Board
Industrialist, Newton, N. C.

Julius W. Abernethy, Jr.
President Carolina Glove Co.
Newton, N. C.

Hurshell H. Keener
Attorney at Law
Hickory, N. C.

Caldwell Ragan, Sr.
Retired Textile Executive
Gastonia, N. C.

Joseph L. Barnett
Secretary-Treasurer
Perfection Spinning Co.
South Fork Mfg. Co.
Belmont, N. C.

Joseph A. Moretz
Secretary-Treasurer
Maxwell-Royal Chair Co.
Hickory, N. C.

O. Leonard Moretz
President, Carolina Mills, Inc.
Maiden, N. C.

Edward P. Schrum
Vice President Carolina Mills, Inc.
Maiden, N. C.

R. P. Caldwell
President, R. P. Caldwell & Co.
Gastonia, N. C.

Stewart Materne
Vice Chairman of Board
First and Merchants National Bank
Richmond, Va.

T. P. Pruitt, Jr.
Vice President, Carolina Mills, Inc.
Maiden, N. C.

J. L. Thompson, Jr.
Secretary, Carolina Mills, Inc.
Maiden, N. C.

OFFICERS

J. W. Abernethy, Sr.
Chairman of the Board

O. Leonard Moretz
President-Treasurer

Edward Schrum
Sr. Vice President

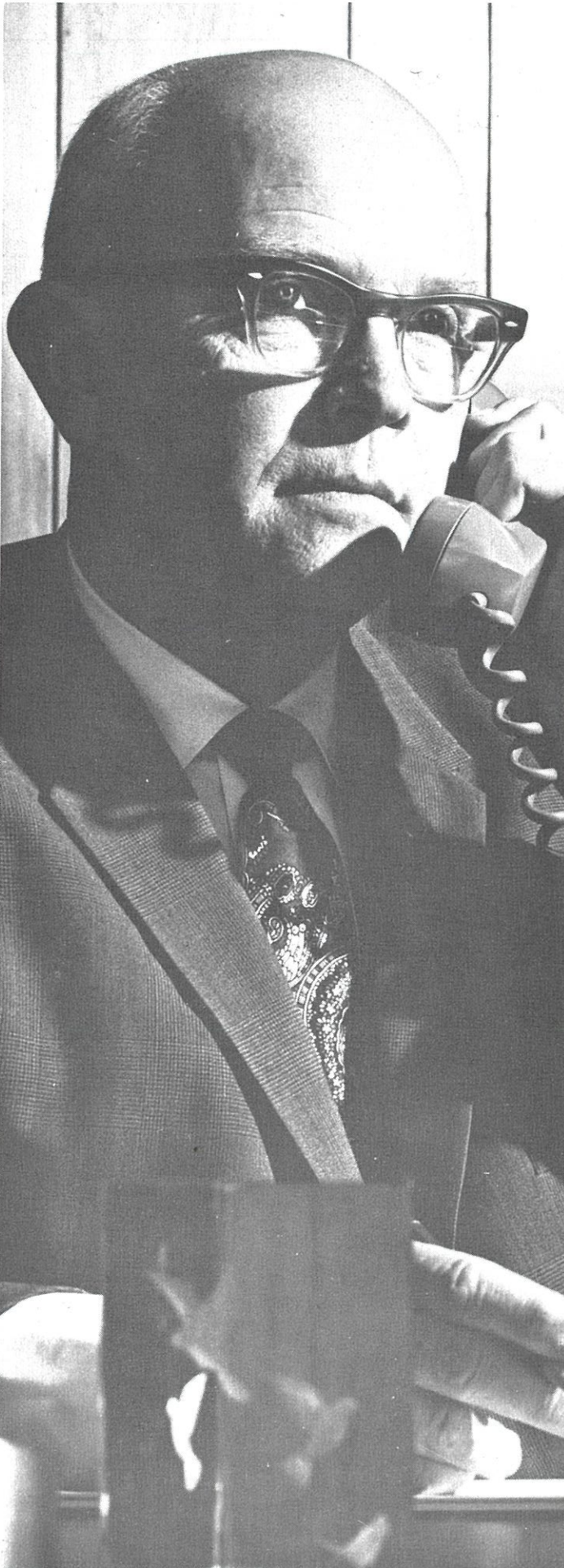
T. P. Pruitt, Jr.
Vice President in Charge
of Woven Fabrics

Kenneth C. Isaac
Vice President in Charge
of Knitting Division

J. L. Thompson, Jr.
Secretary and Assistant Treasurer



Julius W. Abernethy



PRESIDENT'S MESSAGE

On August 15, 1971 President Nixon announced that unilateral agreements limiting the imports of textile products from five Asian countries had been executed. This was the culmination of many years of effort on the part of the leaders of our textile industry and the fulfillment of a promise President Nixon made during his election campaign. Quotas have been established on many basic textile items and future shipments of each category must be kept within established limits. These controls give us confidence in making plans for our operations for the next five year period.

In this same message President Nixon announced a wage-price freeze that would last until November 15, 1971, at which time guidelines would be issued that would permit orderly but controlled increases in pay and prices. These guidelines have been issued and we are observing them to the best of our ability. (Some controls are quite vague, and it is impossible to get an official ruling on whether or not specific actions are permissible. We must use our best judgement and carry on.)

We are grateful for this effort to control inflation and hope it will be successful. If Phase II should break down, we anticipate tighter controls will be adopted and expect that it will be many years before restrictions on pay and prices will be completely released. We do not anticipate any great difficulty in living with these controls and do not feel they will adversely affect our earning capacity next year.


Leonard Moretz
President

KNITS, KNITS, KNITS

By far the most exciting segment of the textile industry today is the field of knit fabrics. Knits of all kinds are steadily appearing in virtually every aspect of our daily lives. In keeping with this knit fabric explosion, Carolina Mills has placed particular emphasis on knits during 1971. Our efforts in the expanding knit-fabric field have been diversified ones, and ones which represent attractive economic potential in several areas.

In our Sales Yarn program, knits have played an increasingly important role with our development of new yarns especially designed for the style conscious knit markets.

Our reputation for high quality dyeing and finishing has forced expansion to MoBill and at Plant No. 4 in Newton to meet the growing demand for quality finished knit goods.

In addition, to complement our spinning and finishing we have established our own warp knitting facility at Plant No. 14 in Hickory to produce raschel knit fabrics primarily for the menswear trade.

Finally, we have set up a subsidiary company, Knits by Carolina, Inc. to sell our knit fabrics and to represent other warp knit fabric producers in various markets.

Together, these progressive efforts have upheld our continuing policy to stay ahead of the most recent challenges and opportunities in the fast changing textile industry.

With the greater acceptance of knit fabrics in the outerwear field, most of us have found ourselves using the word "knit" without really understanding what a knit fabric is. Since the efforts outlined in the preceding paragraphs indicate the obvious growing importance of knits to Carolina Mills, we have prepared a brief summary to help establish an understanding of the different types of basic knit fabrics.

In general, knitting can be classified into two categories: weft knitting and warp knitting. The terms "weft" and "warp" come from conventional weaving technology with weft or filling meaning yarn traveling across the fabric width and "warp" meaning yarn traveling along the fabric length. By the same token, "weft" knitting refers to knit fabrics which are produced with yarn traveling across the fabric width (see figures 1 & 2) while "warp" knitting refers to knit fabrics produced with yarn traveling through the fabric length (see figure 3).

Included in these two types of knitting are thousands of products ranging from socks to Astro-turf, made on many different types of machines. Since it would be impossible to cover them all in so short a space, we will deal only with the basic knit fabrics which currently affect Carolina Mills.

The fundamental element of all knit fabrics is the knitted loop. The loop construction gives knit fabrics inherent properties of stretch and comfort. It becomes apparent by looking at figures 1, 2, and 3 that the basic difference between weft and warp knitting is the manner in which the loops are formed and held together. With this in mind, we can begin to further break weft and warp knitting into the following categories.

I. WEFT KNITTING

- A. Single Knits - Single knits are the simplest forms of knitting. Figure 1 shows clearly that single knits are weft knits because the yarn forming the loops runs across the fabric width. Figure 4 shows the simplicity of the knitting elements with only one or a single set of knitting needles. Figure 7 shows a typical single knit machine which is capable of producing many pattern variations. The most commonly used fabric from a single knit machine is the "jersey" fabric; therefore,

single knit machines are usually referred to as jersey machines. Jersey fabrics have been used for years in underwear, dress goods and other areas. Fancier single knits (Satin, LaCoste, etc.) are used for shirtings, light weight and bonded dress goods and in many other areas.

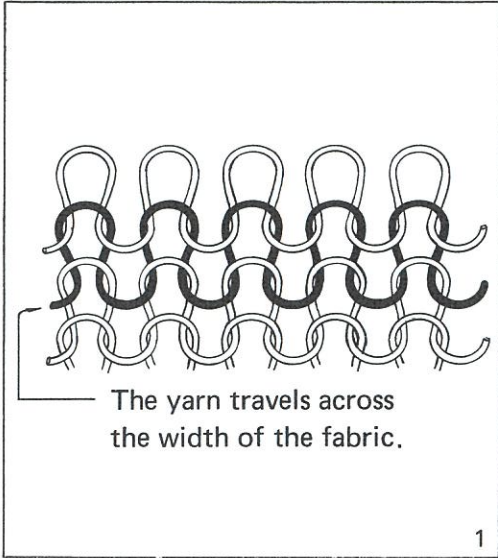
- B. Double Knits - Double knits (from the rib knit family) are the most publicized knits in today's knitwear markets. Like the single knits, double knits are weft knits as shown in Figure 2. However, Figure 5 shows the more complicated knitting elements of the double knit machine. The obvious difference is that the double knit machine has two or a double set of needles. In essence then, a double knit fabric is a double fabric or two fabrics knitted together at one time. Obviously the double knit fabric is thicker and heavier than a single knit fabric because of the additional number of loops. Due to the crowded condition of the loops, double knit fabrics also retain their shape better than single knits. With these attributes the double knits have stormed the womenswear market and have made significant inroads into menswear. Figure 8 shows a typical double knit machine.

II. WARP KNITTING

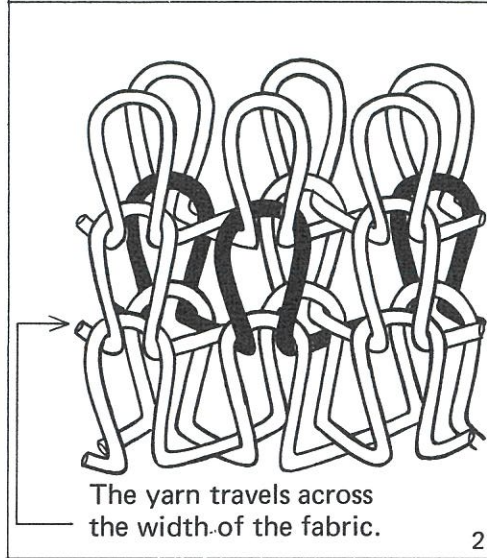
- A. Raschel Knits - Figure 3 shows a basic fabric which can be made on a raschel machine. Notice that the loops run through the length of the fabric making it by definition a warp knit. Figure 6 shows the knitting elements of an outerwear raschel machine. The knitting elements are somewhat more complex than weft knitting machines with the ends of yarn being fed from four or more sources (guide bars) at the same time. This enables a fabric of desirable weight and stability to be produced without the added thickness normally associated with double knit fabrics where two sets of needles are required. Figure 9 shows raschel machines running in our Hickory plant. These machines are noticeably larger than the pictured weft knitting machines and require a considerably larger amount of yarn to run economically. Up to now the knit outerwear markets have not required large enough volumes of warp knit fabrics to justify getting into raschel knitting; however, with the rapid growth of knits in menswear, where tremendous volumes of fabric are consumed each year, we feel that our raschel knitting operation can be very successful.

- B. Tricot Knits - Tricot and raschel knits are very much alike in many respects. For instance the basic fabric shown in Figure 3 can be made on either a tricot or raschel machine. By definition, then, tricot fabrics are also warp knits. The difference between the two types of warp knitting is in the knitting elements. A tricot machine normally has a different type of needle (spring-beard needle) than the raschel machine (latch needle) and normally has fewer guide bars.

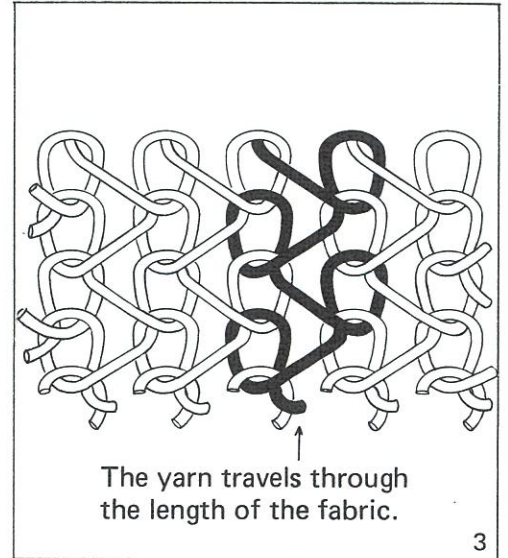
Ladies slips are the most familiar item that have historically been tailored from tricot knit fabrics. Normally tricot machines produce relatively plain goods while raschel machines produce fancier goods. An important consideration in our purchase of raschel instead of tricot machines is that raschel machines have performed much better than tricot in producing fabrics from spun yarns.



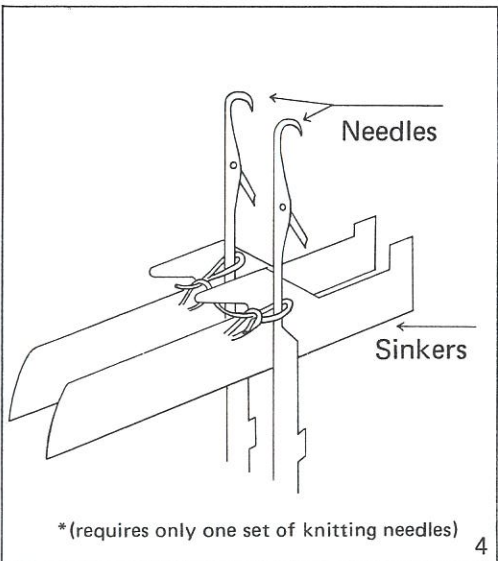
Plain Weft Knit Fabric
(Single Knit Jersey)



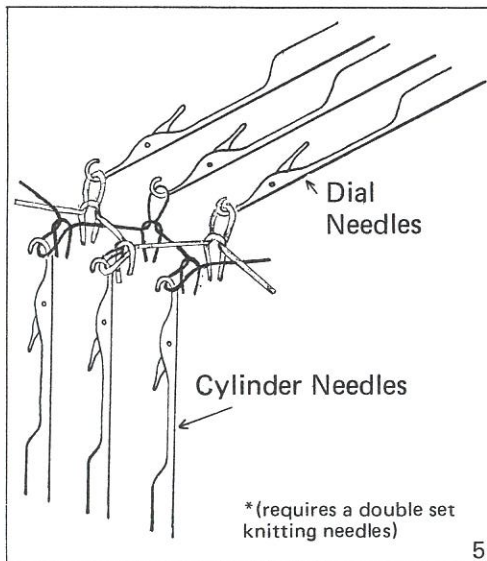
Basic Weft Knit Structure
(Double Knit)



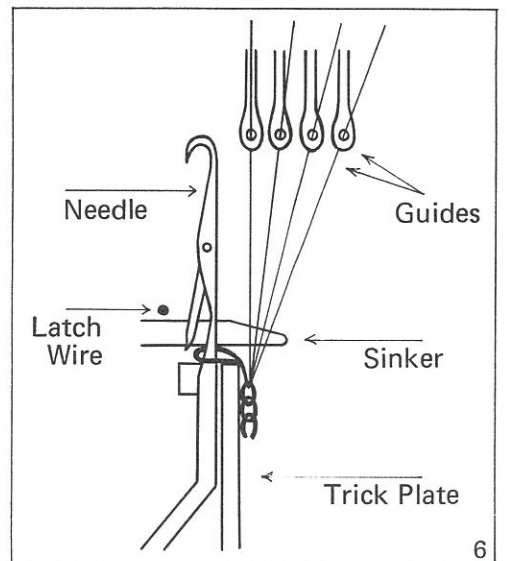
Plain Warp Knit Fabric



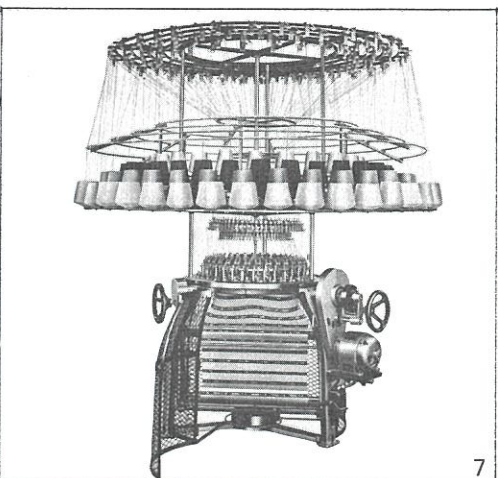
Basic Weft Knitting Elements
(Jersey, Satin, LaCoste, Etc.)



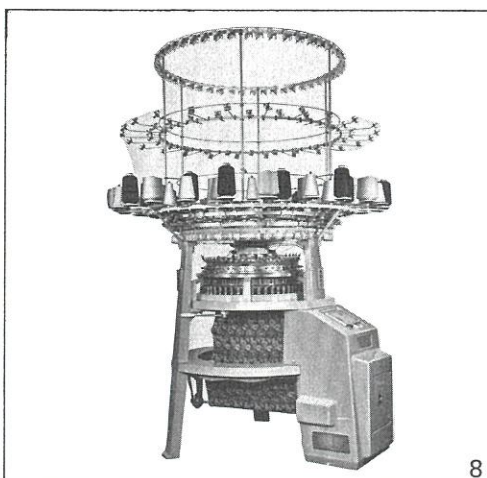
Basic Weft Knitting Elements
(Double Knit)



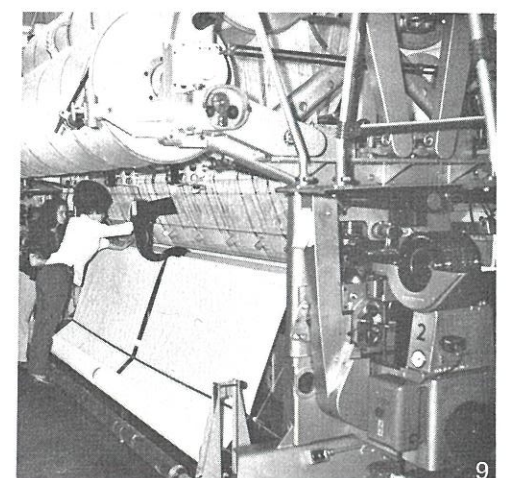
Basic Warp Knitting Elements
(Raschel)



Single Knit (Jersey) Machine



Double Knit Machine



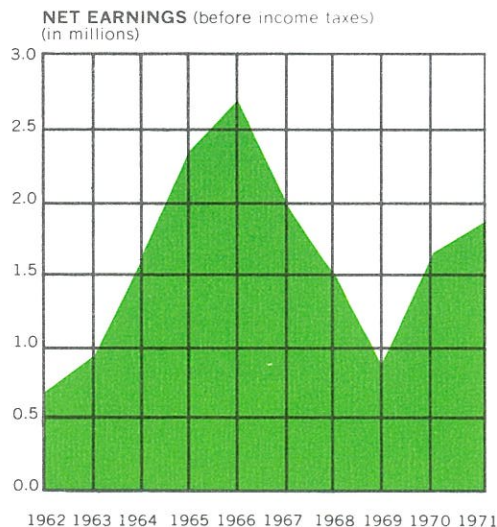
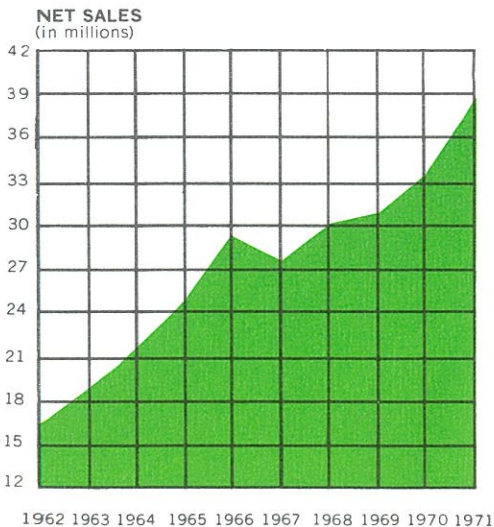
Warp Knit Machine

TEN YEARS IN REVIEW



	1971	1970
NET SALES	\$38,493,631	\$33,907,075
Net Earnings before Income Taxes	1,808,146	1,573,041
Income Taxes	606,770	829,898
Net Earnings	1,201,376	743,143
Dividends Paid	269,867	303,601
Earnings Retained in Business	5,837,202	4,905,693
Working Capital	5,718,779	4,978,233
Plant and Equipment — Less Depreciation	8,507,426	8,589,703
Stockholders Equity	11,778,877	10,847,368
Shares of Stock Outstanding	3,373,344	3,373,344
Book Value Per Share	\$3.49	\$3.21
Per Share of Stock		
Net Earnings	35.6¢	22.0¢
Dividends — Cash	8.0¢	9.0¢
Stock		
Cash Flow	76.1¢	61.6¢

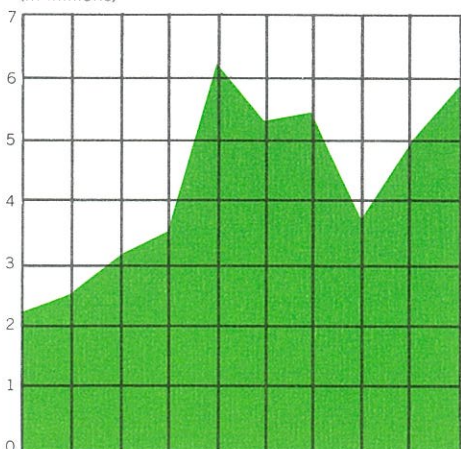
(1) Mobile Textiles Inc. included in consolidation for year ended October 2, 1971. It was acquired on December 18, 1968. Years 1969 and 1970 have been restated to reflect the consolidation.



1969	1968	1967	1966	1965	1964	1963	1962
\$30,960,703	\$30,122,988	\$27,889,841	\$29,023,599	\$24,466,966	\$21,797,283	\$19,907,332	\$17,711,771
785,411	1,581,139	2,090,968	2,729,246	2,364,745	1,550,406	978,971	705,505
409,600	755,247	749,760	1,211,920	1,092,273	765,629	321,915	411,414
375,811	825,892	1,341,208	1,517,326	1,272,472	784,777	657,056	294,091
945,219	917,676	937,200	1,022,048	533,876	292,407	248,184	233,628
4,466,151	5,275,397	5,367,181	4,965,878	4,432,326	3,681,167	3,183,078	2,773,661
3,852,095	5,445,594	5,212,751	6,280,310	3,541,182	3,102,206	2,716,423	2,249,107
9,575,306	8,312,920	8,263,424	6,266,795	4,565,615	4,066,788	4,056,121	4,053,319
10,407,825	10,677,705	10,244,273	9,287,858	8,089,813	7,084,008	6,572,302	6,163,290
3,373,344	3,275,152	3,179,470	3,086,927	2,993,131	2,926,518	2,921,723	2,921,723
\$3.09	\$3.26	\$3.22	\$3.01	\$2.70	\$2.42	\$2.25	\$2.11

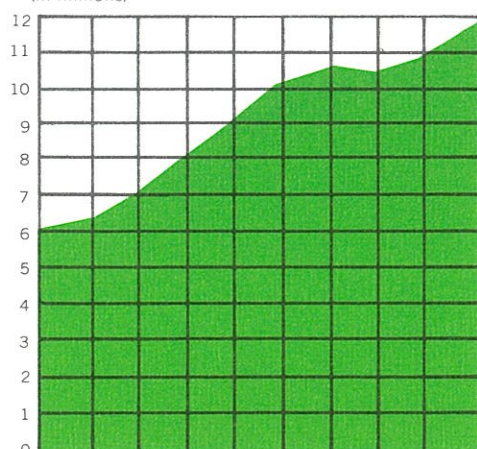
11.1¢	25.2¢	42.2¢	49.2¢	42.5¢	26.8¢	22.5¢	10.1¢
12.0¢	12.0¢	12.0¢	12.0¢	10.0¢	10.0¢	8.5¢	8.0¢
3.0%	3.0%	3.0%	3.0%	2.0%			
51.4¢	61.7¢	74.5¢	76.9¢	67.3¢	50.0¢	43.4¢	29.8¢

WORKING CAPITAL
(in millions)



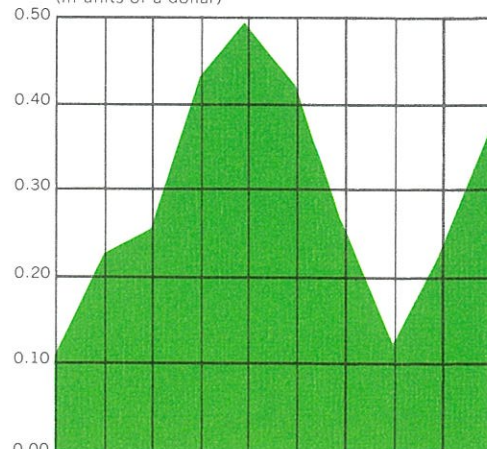
1962 1963 1964 1965 1966 1967 1968 1969 1970 1971

STOCKHOLDER'S EQUITY
(in millions)



1962 1963 1964 1965 1966 1967 1968 1969 1970 1971

NET EARNINGS (per share of stock)
(in units of a dollar)



1962 1963 1964 1965 1966 1967 1968 1969 1970 1971



CAROLINA MILLS, INC. AND WHOLLY OWNED SUBSIDIARY CORPORATIONS

STATEMENT OF CONDITION

Assets	October 2 1971	October 3 1970
Current Assets:		
Cash	\$ 1,940,966	\$ 580,974
Notes Receivable	152,747	41,935
Accounts Receivable, Less Allowances of \$175,000	4,792,120	4,490,452
Inventories, at Lower of Cost or Market (Note B)	4,522,178	5,748,057
Prepaid Expenses	219,730	312,321
Total Current Assets	<u>11,627,741</u>	<u>11,173,739</u>
Investments — At Cost	<u>1,100</u>	<u>25,814</u>
Fixed Assets — At Cost		
Land	139,208	139,208
Building and Equipment	20,346,679	19,155,795
Total	<u>20,485,887</u>	<u>19,295,003</u>
Less — Accumulated Depreciation	<u>11,978,460</u>	<u>10,705,300</u>
Depreciated Cost	<u>8,507,427</u>	<u>8,589,703</u>
Other Assets:		
Cash Value Life Insurance	87,164	82,457
Other Notes and Accounts Receivable	50,706	27,360
Deposits	2,435	425
Deferred Loan Expenses	14,047	15,272
Other	295	411
Total Other Assets	<u>154,647</u>	<u>125,925</u>
Totals	<u>20,290,915</u>	<u>19,915,181</u>
<hr/>		
Liabilities and Stockholders Equity		
Current Liabilities		
Notes Payable		
Occidental Life Insurance — Current	269,231	269,231
Banks	3,375,000	3,750,000
Other	10,000	20,000
Accounts Payable	1,298,680	1,035,303
Accrued Accounts	854,355	713,389
Federal and State Income Taxes (Note F)	101,696	407,583
Total Current Liabilities	<u>5,908,962</u>	<u>6,195,506</u>
Long-Term Liabilities (Note D)	<u>2,603,077</u>	<u>2,872,308</u>
Total Liabilities	<u>8,512,039</u>	<u>9,067,814</u>
Stockholders' Equity		
Capital Stock — Common		
Authorized 5,000,000 Shares \$1.00 Par		
Issued and Outstanding 3,373,344	3,373,344	3,373,344
Capital Surplus	2,568,330	2,568,330
Retained Earnings	5,837,202	4,905,693
Total Stockholders' Equity	<u>11,778,876</u>	<u>10,847,367</u>
Totals	<u>\$ 20,290,915</u>	<u>\$ 19,915,181</u>

See Accompanying Footnotes which are integral part of the Financial Statements.

FOOTNOTES TO FINANCIAL STATEMENTS

October 2, 1971

Carolina Mills, Inc. And Wholly Owned Subsidiary Corporations.

BASIS OF CONSOLIDATION

Note A. The consolidated financial statements include the accounts of the company and its subsidiaries, all of which are wholly-owned. All inter-company transactions and balances have been eliminated in consolidation. In the prior two years the company did not include in consolidation its subsidiaries MoBill Textiles, Inc., Wilmington, N. C., and Catawba Valley Computer Center, Inc., Hickory, N. C. All subsidiaries are now on a common closing date with that of the parent. Comparative data for the year ended October 3, 1970 has been restated to reflect the consolidation.

MoBill Textiles, Inc. was acquired on December 18, 1968, at a cost of \$2230.00. At the date of acquisition MoBill Textiles had a net deficit in stockholder's equity of approximately \$283,002.00. The excess of cost over net underlying assets acquired (approximately \$285,232.00) has been charged to consolidated retained earnings as the Group has utilized tax benefits arising from operating loss carry-overs in excess of this figure.

A reconciliation of the consolidated retained earnings for the prior two years which gives effect to the consolidation is submitted below:

		Retained Earnings	
Retained Earnings of Carolina Mills, Inc. and Carolina Maiden Corporation Previously Reported at 9-28-68		\$5275,397	
Add-Income Tax adjustment by IRS	\$ 45,395		
Net Income as Shown 9-30-69	610,436		
Net Loss of Unconsolidated Subsidiaries (<u>234,625</u>)		<u>421,206</u> 5696,603	
Deduct-Dividends Paid 1969	\$ 945,220		
Excess of Cost Over Net Assets Of MoBill Textiles Acquired During Year Ending 9-30-69	<u>285,232</u>	<u>1230,452</u>	
Restated Retained Earnings at 9-30-69		\$4466,151	
Add-Net Income as Shown 10-3-70	\$ 751,303		
Net Loss of Unconsolidated Subsidiaries (<u>8,160</u>)		<u>743,143</u> \$5209,294	
Deduct-Dividends Paid 1970		<u>303,601</u>	
Restated Retained Earnings at 10-3-70		<u>\$4905,693</u>	

INVENTORIES \$4431,656.91

Note B. Inventories at October 2, 1971, in the amount of \$4431,656.91 were priced at the lower of cost of market, cost being determined at actual for raw materials on a first-in, first-out basis. Stock-in process and finished yarn and cloth are priced using cost of raw materials and standard cost for labor and burden. Slow moving finished goods included in the inventories have been reduced below cost or market to give consideration to aging. Inventories consisting of the following:

Finished Yarn and Cloth	\$2,112,741.17
Stock-in-Process	906,573.67
Raw Materials	1,280,966.70
Supplies and Chemicals	<u>131,375.37</u>
Total	<u>\$4,431,656.91</u>

INVESTMENTS \$1100.00

Note C. Investments represent primarily building and loan shares.

LONG-TERM DEBT \$2872,307.72

Note D. A fifteen year long-term loan agreement with Occidental Life Insurance Company of California, Los Angeles, California was entered into on June 27, 1966. The loan in the amount of \$3,500,000.00 dated August 1, 1966, with interest payable at 6½% per annum. The loan specifies quarterly payments of principal in the amount of \$67,307.69 beginning November 1, 1968, with the last payment to be made on August 1, 1981. Restrictive covenants of loan agreement were fully complied with for the year ended October 2, 1971. Unpaid balance of the loan at October 2, 1971, was \$1,692,307.72.

The company has outstanding debenture bonds payable in the amount of \$180,000.00, which will be due November 1, 1972. The debentures are secured by property located in Wilmington, N. C.

LEASE AGREEMENTS

Note E. Lease agreements for the rental of textile machinery and equipment totaling \$7,010,995.00 were in effect as of October 2, 1971. The company had made payments against the leases in the total amount of \$3,877,933.00, leaving an unpaid balance of \$3,133,062.00. In addition the company leases certain textile finishing equipment on a production basis. The terms of the leases are normally for eight years payable on a straight-line basis. Lease payments for the year ending October 2, 1971 amounted to \$702,881.27. We show below lease payments scheduled for the next five fiscal years ending on September 30th.

1972	\$727,794
1973	724,446
1974	646,776
1975	453,245
1976	154,373

On August 1, 1970, a sale-and-leaseback arrangement was executed with Commercial Credit Corporation. Machinery which cost \$660,909.00 was sold on a lease-back arrangement covering a period of 8 years and a total lease amount of \$996,756.00. Monthly payments of \$9,250.00 are to be made for 96 months. The leaseback is included in the above figures.

INCOME TAXES

Note F. Income tax returns are filed separately by each member of the Group. During the year under review MoBill Textiles, Inc. contributed \$620,805.00 net profits before income taxes to the consolidated income statement on which no State or Federal income taxes were provided as a result of net loss carry-over deductions available. The net after tax effect of the carry-forward loss deduction resulted in an increase in net income after taxes for the year of approximately \$312,350 or 9.26 cents per share. Net loss carry-over deductions are available for future years in the amount of \$329,713. Of this amount \$146,910 expires in 1974 and \$182,803 in 1975.

State and Federal income tax returns have been examined and settled through the fiscal year ended September 30, 1968.

PENSION PLAN

Note G. The company and its subsidiaries have a pension plan covering all employees with five (5) years service. The plan is self administered with an independent trustee and an independent actuary. The company's accounting and funding policy is to find the current years cost as computed by the independent actuary. In addition to the current years pension cost, the company pays an interest factor of 3½ per cent on the past service cost. For the fiscal year ended October 2, 1971, the pension plan expense amounted to \$119,688.30. The past service cost, which has not been funded amounted to approximately \$764,600.00 at October 2, 1971.

ACCOUNTANTS' OPINION

In our opinion, the accompanying consolidated balance sheet and consolidated statement of earnings, retained earnings and changes in financial position, including footnotes, present fairly the financial position of Carolina Mills, Inc. and its Wholly Owned Subsidiaries, Maiden, N. C., at October 2, 1971, and the results of its operations for the year (fifty-two weeks) then ended in conformity with generally accepted accounting principles applied on a basis consistent with that

of the preceding year, except as explained in footnote A to the financial statements.

Yours very truly,
Thies and Whitfield
Thies and Whitfield
Certified Public Accountants

THE YEAR IN REVIEW

During the year we experienced a great deal of uncertainty in our textile markets. The demand for canton flannel was light because the jobbers and distributors began the year with substantial inventories, and also, a number of gloves were imported from Asian countries at a price substantially below what gloves could be produced for domestically. (Fortunately, the Textile Trade Agreements of November 15 will limit future imports.) The demand was also light for sales yarn going into the standard woven items produced from purchased yarns. The knitting segment of our business is the area where we have seen vigorous demand and growth.

Our specialty sales yarns going into the knitted apparel trade have been particularly active. During the past year we sold one customer 2.3 million pounds spun from one blend. We are concentrating our efforts in styling and producing more yarns for this very important market in the future. Our opening and card rooms at Plant No. 12 were revamped so we could more effectively and economically spin yarns from stock that were blended before the final carding operation. This produces a yarn of much higher quality than carding the two stocks separately and blending at the draw frames.

In order to meet the increased demand for finishing at MoBill, we also added four Burlington pressure dye becks, a new tentering frame, and other necessary supporting equipment. By year end our capacity for open width finishing of knitted

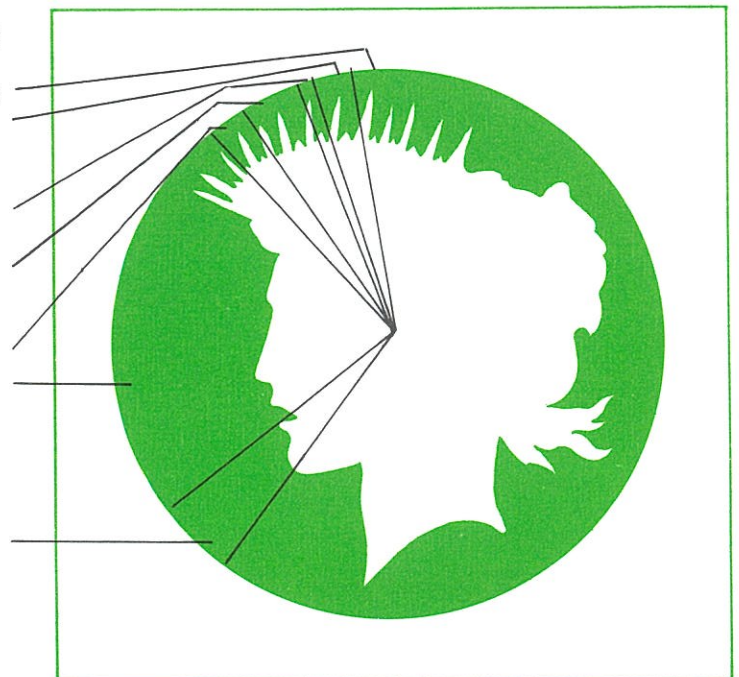
fabrics was virtually doubled what it had been at the beginning of the year.

With the demand for knitted apparel fabrics growing by leaps and bounds and the demand for conventional woven fabrics diminishing, we decided to replace the looms operating at Plant No. 14 with Raschel knitting machines. The production of these warp knitting machines will be dyed and finished before being offered in the market. We have twelve production machines being installed currently.

A new sales organization - "Knits by Carolina, Inc." (A wholly owned subsidiary of Carolina Mills, Inc.) has been organized to handle the merchandising of our production of warp knit fabrics as well as the production of several of our friends who are also beginning the production of other styles of warp knit fabrics. This new sales office is located in the Empire State Building in New York City, and we have been successful in staffing the office with very competent salesmen. Warp knit fabrics are now in their infancy, and there is room for substantial growth in this field. It is our hope that we can style and merchandise a line of warp knits that will contain spun yarns as well as textured filament yarns. This type of fabric is not readily available in the market today, and our entire operations (spinning, knitting, and finishing) will be benefited greatly if we are successful.

DISTRIBUTION OF EACH DOLLAR OF INCOME YEAR ENDED OCTOBER 2, 1971

Total Income	<u>\$38,995,705</u>	<u>100.00%</u>
Cost of Raw Materials, Services and Supplies	24,699,975	63.34%
Paid in Taxes and Donations	953,575	2.45
Paid in Dividends To People whose Savings are Invested in This Business	269,868	.69
Depreciation (Wear and Tear) on Building and Equipment	1,365,373	3.50
Retained Earnings Used in The Growth of the Business	931,508	2.39
Cost of Wages and Salaries	9,265,425	23.76
* Additional Benefits of Employees (Company's Share of Social Security Taxes, Pension Trust, Group Insurance, Employees Welfare, Vacation Pay & Bonus, and Profit Sharing)	<u>1,509,981</u>	<u>3.87</u>
	<u>\$38,995,705</u>	<u>100.00</u>



* The average cost of these benefits for each employee, per hour 44¢. Number of employees on payroll, 1781 as of 10-2-71.



STATEMENT OF EARNINGS AND EARNINGS RETAINED

YEAR ENDED OCTOBER 2, 1971
WITH COMPARATIVE FIGURES
FOR 1970

	1971	Fiscal Year 1970
Net Sales	\$38,493,631	\$33,907,075
Cost of Sales	<u>36,330,395</u>	<u>32,143,196</u>
	\$ 2,163,236	\$ 1,763,879
Other Deductions (Income) Net	<u>355,090</u>	<u>190,838</u>
Net Income Before Income Taxes	\$ 1,808,146	\$ 1,573,041
Provision for Federal and State Income Taxes (Footnote F)	<u>919,120</u>	<u>834,648</u>
Net Income Before Extraordinary Item	\$ 889,026	\$ 738,393
Extraordinary Item-Income Tax Savings From Utilization of Carry-Forward Loss	<u>312,350</u>	<u>4,750</u>
Net Earnings	\$ 1,201,376	\$ 743,143
Retained Earnings at Beginning of Year	<u>4,905,693</u>	<u>4,466,151</u>
	\$ 6,107,069	\$ 5,209,294
Dividends Paid	<u>269,867</u>	<u>303,601</u>
Retained Earnings at End of Year	\$ 5,837,202	\$ 4,905,693
Per Share of Common Stock:		
Earnings Before Extraordinary Item	26.35¢	21.89¢
Extraordinary Item	<u>9.26¢</u>	<u>.14¢</u>
Net Earnings	<u>35.61¢</u>	<u>22.03¢</u>

Quarterly dividends are paid on the following dates:

January 10th to Stockholders of Record December 20th

March 10th to Stockholders of Record March 1st

June 10th to Stockholders of Record June 1st

September 10th to Stockholders of Record September 1st

CHANGES IN FINANCIAL POSITION

SOURCES OF WORKING CAPITAL

Earnings for Year	\$1,201,376
Depreciation and Amortization	1,366,704
Book Value of Assets Sold	24,814
Other	<u>523</u>
	<u>\$2,593,417</u>

DISPOSITION OF WORKING CAPITAL

Plant and Equipment Additions	\$1,283,197
Cash Dividends Paid	269,868
Decrease in Term Notes	269,231
Increase in Other Assets	30,576
Increase in Working Capital	<u>740,545</u>
	<u>\$2,593,417</u>



CAROLINA MILLS, INC.

PLANT LOCATIONS

Maiden, North Carolina

General Administrative Offices
 Central Blending Room
 Central Warehouse for Finished Goods and Raw Materials
 Trucking Department
 Laboratory
 Plant No. 1 (Julius W. Abernethy Plant)
 Ultra modern spinning of yarns from man-made fibers

Newton, North Carolina

Plant No. 2 – Coarse Yarns

Plant No. 3 – Canton Flannel
 Plant No. 4 – Commission Finishing of Tubular Knit Goods

Statesville, North Carolina

Plant No. 12 – Fine Count Yarns

Hickory, North Carolina

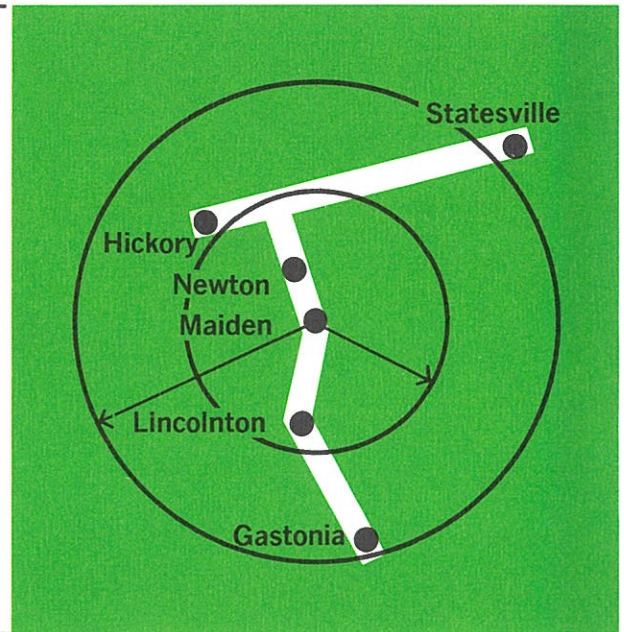
Plant No. 14 – Decorative, Wearing Apparel and Upholstery Fabrics
 Plant No. 15 – Warp Knit Fabrics

Lincolnton, North Carolina

Plant No. 5 – Spun Yarns for the Knitting Trade
 Plant No. 6 – Polyesters

Gastonia, North Carolina

Plant No. 11 – Combed Thread and Specialty Yarns



Subsidiaries – (Wholly Owned)

Carolina Maiden Corp. – Yarn Sales Agency
 Catawba Valley Computer Center – Data Processing Service
 MoBill Textiles, Inc. – Finishing of Open Width Knit Fabrics
 Knits by Carolina, Inc. – Knit Goods Sales Agency