

 **Carolina Mills** Inc.  
**1989 Annual Report**

# Highlights

Carolina Mills, Inc.  
And Wholly Owned Subsidiary

<u>1989</u>	<u>1988</u>
Earnings Per Share	
\$1.67	\$3.49
Sales	
\$207,997,333	\$200,611,500
Net Income	
\$6,655,434	\$13,788,282
Stockholders' Equity	
\$72,217,192	\$69,786,318
Number of Employees	
2,520	2,639

# Contents

Highlights	2
Message from the President	3
Administration	4
Knit Goods Finishing Division	4
Weaving Division	5
Sales Yarn Manufacturing Division	6
Sales Yarn Division	7
CM Furniture	8
Financial Report	10 - 13
Officers	14
Plant Information	14





## Message from the President

During 1989, Carolina Mills was able to show an increase in dollar volume of sales, but we did not maintain our profit margin and dropped to a net return on sales of 3.2%. A number of factors contributed to this lower return – one of the major ones being a 2.6 million dollar increase in LIFO position. Others were losses created in some plants due to installation of new equipment and lack of trained personnel. We continue to struggle with some of these problems but feel good about the progress being made.

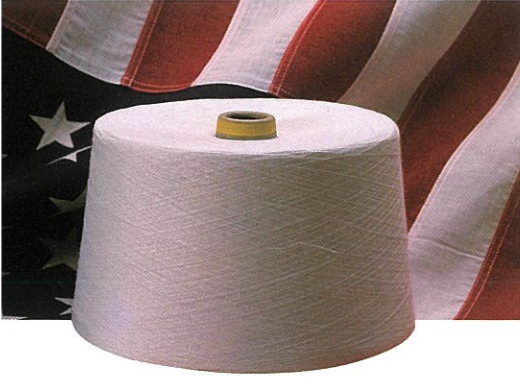
New, modern equipment continues to be of prime importance; during 1989, we spent in excess of 10 million dollars on capital improvements. Installation of this equipment negatively impacts our profitability for short periods but will prove to be invaluable in protecting our position in the market and insuring increased profits in the future.

1989 completed one decade and another one is just around the corner. Looking back at the last 10 years, Carolina's total sales were over 1.6 billion dollars – from a year's low of 93 million to a high of 208 million. Total net profits for the decade were 62.7 million dollars – from a year's low of 4.3 million to a high of 13.8 million. Both sales and profits for the 10 years were 3 times greater than the previous decade. Continuing to grow at this pace would indicate that the next 10 years can be very good for your company. 🍀

Yours very truly,

A handwritten signature in cursive script that reads "E. P. Schrum".

E. P. Schrum  
President



## **Administration**

The Administrative activities within the company has been primarily devoted to enhancing the Data Processing support systems for managing the various functions in the company.

The design, development, and implementation of online data processing systems has been completed for the Fabric Sales Office and the Accounting Department in the corporate office.

The Fabric Sales office is linked with the Canton Flannel Weaving operation, Plant 3 located in Newton through a data transmission line. The systems provide for order entry, production planning, inventory control, shipping and invoicing.

These systems provide support and contribute to the effectiveness and efficiency of Plant 3's manufacturing operation and provides timely information to the administrative personnel in customer service.

The Accounting Department's new online systems consist of accounts receivables, accounts payable, and general ledger. These new systems provide the department with more current information and enhanced the performance of these functions.📄



## **Knit Goods Finishing Division**

Production in the knit goods finishing division increased to 36.6 million pounds in 1989. The plant had an increase of just

over 4 million pounds, a 13% increase. From 1983 thru 1989 production has increased 75% or 15.5 million pounds in a 6 year period. The production level in the plant is near 900,000 pounds per week.

With the increase of production, new machinery was added. Two Pak-nit II shrinkage machines, two reels added to the 6 reel dryers, a new washer and a cloth turning machine were bought during the year.

The pad dyeing department is now all located at the Newton plant. A new Sail-rail system was installed to feed the pad dye machines and to store the goods on 3 levels during the reacting time required to bleach or dye the fabric.

A planning department was added to handle the scheduling of the production to fully utilize the machinery and to meet the required weekly shipments. Our customers receive the benefit of this addition through the customer service department.🕒



## Weaving Division

Imports of work gloves, primarily from the Far East, impacted the work glove manufacturing very severely. Also, a drop in automobile production also had an adverse effect on work glove usage.

On the positive side, the canton flannel operation, Plant No. 3, saw an increased demand for a “buffalo” nap on several styles of flannel. To meet this demand, an additional box napper was purchased.

A flow meter and a new air compressor were installed that enabled the plant to operate more economically. The flow meter

better measured the industrial waste discharge into the Newton sanitary system. This should reduce the waste charges from the city of Newton. The air compressor enabled the plant to operate more efficiently.

1990 will see the completion of the installation of a computer system in the plant that will be connected to the main frame in the Maiden corporate office. This system will facilitate shipping and inventory control, eliminate manual record keeping and monitor flannel weights.

No additional production equipment was added in 1989.

The plant returned to the 8 hour 3 shift operation. Despite all the changes in the plant, loom efficiency increased and quality improved.

Plant No. 14 saw many additions to the building. More offices, a conference room, a nurse's station and an enlarged employee canteen was built in 1989.

A Canadian sales representative was hired to the sales force. The initial response to our residential and contract fabrics in the Canadian Market was very gratifying. At the IDEX show in Toronto, the presentation of our fabrics by a large jobber whose sales cover all of Canada was well accepted.

Our jobber business and contract sales continued on a steady basis and were the prime sales of the plant. The end of the year saw residential sales drop which necessitated a curtailed running schedule. But the introduction of new residential patterns displayed at the October Furniture Market in High Point will enhance our sales when the furniture industry takes an upturn. ☺



## Sales Yarn Manufacturing

The end of the decade of the eighties brought many challenges and opportunities to the nine yarn plants. Tight labor markets, increasing customer demands, rapidly changing technologies,

growing imports, and competition from new domestic sources are some of the more challenging problems which the company will face as we enter the 1990's. Certainly our commitment to modernization throughout the 1980's has proven to be not only correct but essential to our continued success.

During 1989, the installation of 16 Zinser/Murata link-spinning frames was completed at Plant No. 22. The yarn quality is excellent and the continued operation of this innovative technology should provide a good basis for further expansion of this new concept.

Plant No. 1 installed 8 new Rieter draw frames with auto levelling. These machines incorporate the latest technology to provide the best silver preparation anywhere in the world.

Plant No. 12 installed a new palletized yarn packing system. This system enables us to ship units weighing up to 1,000 pounds while carefully protecting the yarn packages to insure excellent performance at our customers' plants.

The packing stations were updated to prepare bar coded labels on-site to conform with FASLINC standards and to set the stage for more electronic data interchange both within the company and with customers.

Working diligently and safely throughout the year, numerous safety awards were won in this division. Our people helped to make the Textile Industry the safest industry in the United States again this year. 🍀



## **Sales Yarn Division**

The Sales Yarn Division had a record year in sales this past year. Demand for yarns in the knit and woven apparel markets was strong throughout the year. Demand in the woven residential upholstery and automotive upholstery markets was strong




through the first half of the year but began to weaken in the second half of the year.

Polyester staple and rayon staple fibers were on allocation throughout most of the year and we were faced with major price increases on our two most important raw materials during the year. We were able to pass through the price increases and our allocations of fiber were sufficient to enable us to run a full schedule.

Extra costs associated with installing new link spinning equipment at our Plant No. 22 had a negative impact on earnings. Also earnings at this plant were impacted because of a change in inventory valuations because of a government cotton program. However, the installation of the new equipment will enable us to produce higher quality yarns on a more economical basis. This will position us to perform better in the future.

Two of our long-time employees in the Carolina Maiden Corporation retired. Frank Cloninger with 43 years service and Edward Strauss with 25 years service will be missed by the company.

Continued emphasis on producing quality products, cost containment and servicing our customers' requirements have positioned us for maintaining our leadership position in the markets we serve. 



## CM Furniture, Inc.

CM Furniture in 1989 continued its marketing direction toward major accounts who offered the needed volume sales for the company. In 1989, we successfully placed our goods

in several new accounts in the United States. Our export business increased dramatically with a distribution network established in Canada and England. These additional marketing networks will help CM Furniture increase sales volume in the upcoming year.

The April and October High Point Furniture Markets saw new additions added to the “Maiden Collection” and “Carolina Collection” which extended the offerings in the existing groups. With the success of these new offerings we increased efficiencies in manufacturing and raw material utilization and obtained higher margins in our base goods. Both lines of furniture increased volume and margins for the company.🌱

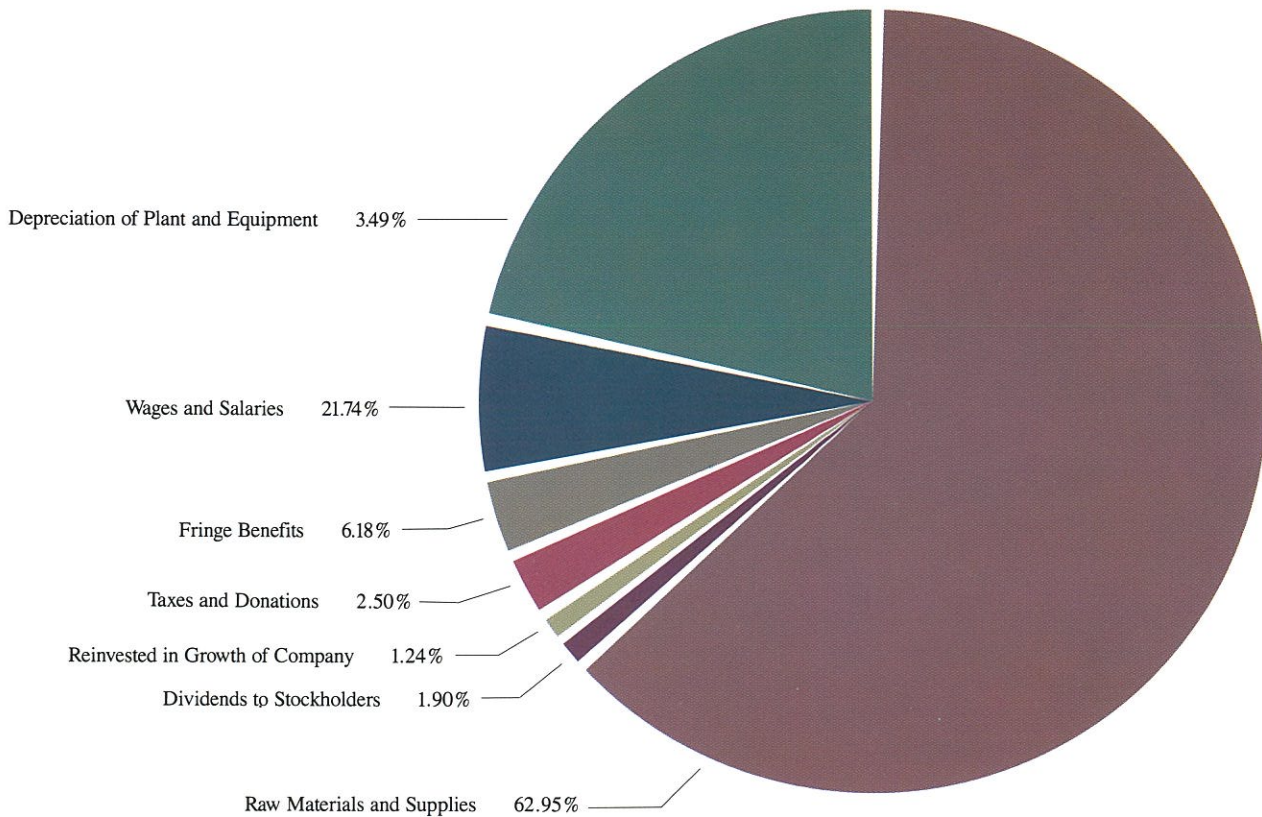


## Distribution of Each Dollar of Income

**Carolina Mills, Inc.  
And Wholly Owned Subsidiaries  
Year Ended September 30, 1989**

### Distribution of Income

Total Income	<u>\$210,163,503</u>	<u>100.00%</u>
Wages and Salaries	\$ 45,687,014	21.74%
Fringe Benefits	12,999,963	6.18
Raw Materials and Supplies	132,306,704	62.95
Depreciation of Plant and Equipment	7,333,170	3.49
Taxes and Donations	5,247,918	2.50
Reinvested in Growth of Company	2,602,774	1.24
Dividends to Stockholders	<u>3,985,960</u>	<u>1.90</u>
	<u>\$210,163,503</u>	<u>100.00%</u>

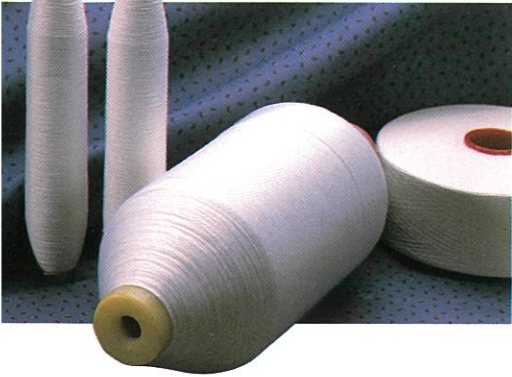




## Statement of Condition

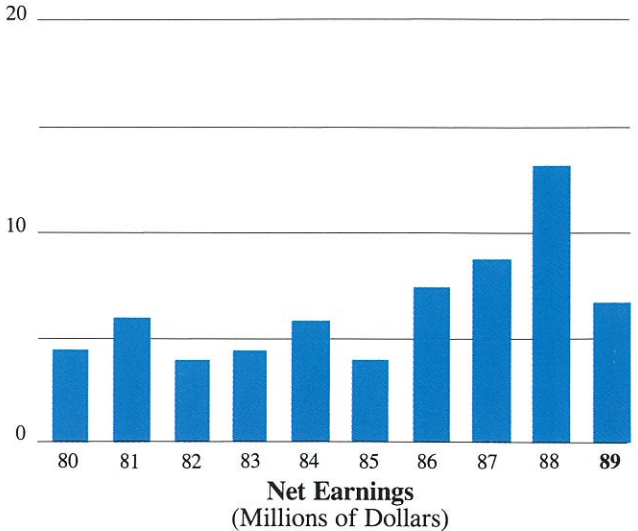
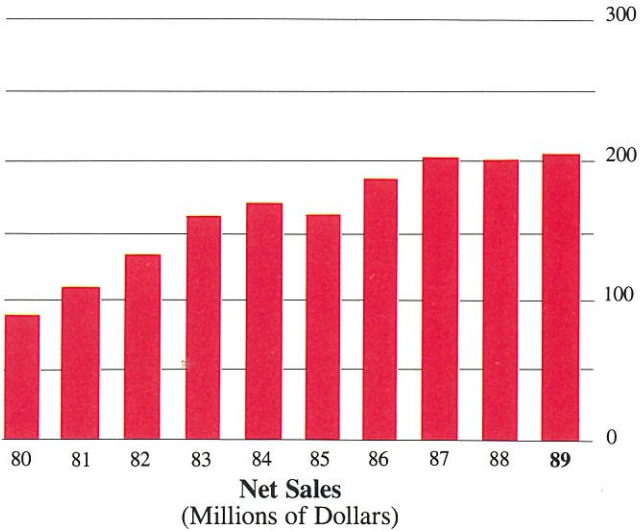
Carolina Mills, Inc.  
And Wholly Owned Subsidiaries

		Fiscal Year Ended	
		September 30	October 1
		1989	1988
Assets:			
Current Assets:			
Cash and Bank Balance .....	\$	383,000	\$ 7,075,000
Notes Receivable .....		5,000	5,000
Accounts Receivable - Net .....		25,147,000	24,895,000
Inventories .....		20,304,000	21,122,000
Prepaid Expenses .....		210,000	348,000
Temporary Investments .....		3,886,000	5,671,000
Total Current Assets:		\$ 49,935,000	\$ 59,116,000
Investments .....	\$	3,052,000	\$ 3,314,000
Fixed Assets .....	\$	109,040,000	\$ 98,925,000
Less Reserve for Depreciation .....		61,514,000	54,628,000
Net Fixed Assets .....	\$	47,526,000	\$ 44,297,000
Other Assets .....	\$	2,100,000	\$ 1,153,000
Total Assets:		<u>\$102,613,000</u>	<u>\$107,880,000</u>
Liabilities:			
Current Liabilities:			
Notes Payable .....	\$	2,690,000	\$ 5,668,000
Accounts Payable .....		11,647,000	9,510,000
Accruals .....		4,874,000	11,133,000
Total Current Liabilities:		\$ 19,211,000	\$ 26,311,000
Long Term Notes Payable & Deferred Taxes .....		11,185,000	11,093,000
Total Liabilities:		<u>\$ 30,396,000</u>	<u>\$ 37,404,000</u>
Stockholders' Equity:			
Capital Stock .....	\$	3,980,000	\$ 3,993,000
Paid in Surplus .....		4,636,000	4,862,000
Earned Surplus .....		63,601,000	61,621,000
Total Stockholders' Equity:		<u>\$ 72,217,000</u>	<u>\$ 70,476,000</u>
Total Liabilities and Equity:		<u>\$102,613,000</u>	<u>\$107,880,000</u>

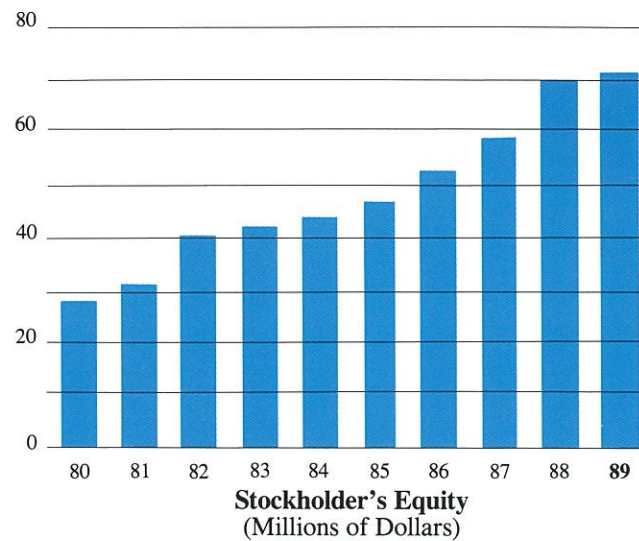
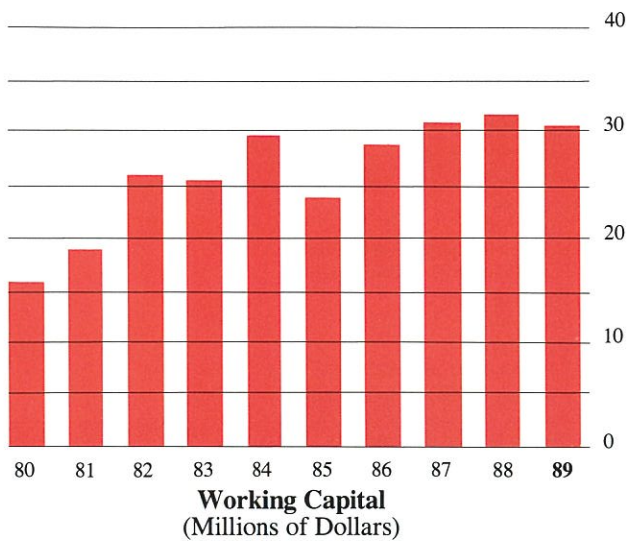


## Ten Years In Review

	1989	1988	1987
Net Sales .....	\$207,997,333	\$200,621,500	\$204,205,292
Net Earnings Before Income Taxes .....	\$ 10,941,564	\$ 22,891,296	\$ 16,653,408
Income Taxes .....	4,286,130	9,103,014	7,719,422
Net Earnings .....	6,655,434	13,788,282	8,933,986
Dividends Paid .....	\$ 3,985,960	\$ 3,941,221	\$ 3,244,125
Earnings Retained in Business .....	\$ 63,601,046	\$ 60,931,572	\$ 51,084,511
Working Capital .....	30,723,969	32,114,939	31,064,819
Plant and Equipment- Less Depreciation .....	\$ 47,525,870	\$ 44,296,673	\$ 39,884,391
Stockholders' Equity .....	72,217,192	69,786,318	59,291,257
Shares of Stock Outstanding .....	3,980,257	3,992,762	\$3,948,062
Book Value Per Share .....	\$ 18.14	\$ 17.48	\$ 15.02
<b>Per Share of Stock</b>			
Net Earnings .....	\$1.67	\$3.49	\$2.26
Dividends - Cash .....	\$1.00	\$1.00	\$ .82
Cash Flow .....	\$3.51	\$5.19	\$3.89



1986	1985	1984	1983	1982	1981	1980
<u>\$187,884,211</u>	<u>\$158,120,387</u>	<u>\$166,627,353</u>	<u>\$154,490,368</u>	<u>\$134,733,139</u>	<u>\$113,943,593</u>	<u>\$93,363,384</u>
14,092,129	6,947,797	10,266,128	8,167,165	6,491,624	10,982,477	8,269,717
6,318,822	2,622,447	4,743,456	3,323,239	2,151,305	5,102,916	3,676,568
<u>7,773,307</u>	<u>4,325,350</u>	<u>5,522,672</u>	<u>4,843,926</u>	<u>4,340,319</u>	<u>5,879,561</u>	<u>4,593,149</u>
2,383,694	2,071,535	2,158,867	1,997,832	1,999,961	1,653,534	1,468,589
45,394,650	40,005,037	37,589,041	34,225,236	31,379,142	26,074,428	21,848,401
<u>28,156,515</u>	<u>23,565,436</u>	<u>29,799,983</u>	<u>26,531,627</u>	<u>26,952,039</u>	<u>18,017,838</u>	<u>16,166,995</u>
38,500,889	37,503,718	38,014,653	39,794,301	33,777,397	23,381,463	17,398,621
<u>54,041,111</u>	<u>48,437,934</u>	<u>46,533,628</u>	<u>43,160,340</u>	<u>40,344,791</u>	<u>32,243,191</u>	<u>28,065,843</u>
3,988,469	3,936,859	3,998,393	3,995,798	3,999,900	3,444,581	3,452,815
\$ 13.55	\$ 12.30	\$ 11.64	\$ 10.80	\$ 10.09	\$ 9.36	\$ 8.13
\$1.96	\$1.09	\$1.38	\$1.21	\$1.11	\$1.71	\$1.35
\$ .60	\$ .52	\$ .54	\$ .50	\$ .50	\$ .48	\$ .43
\$3.42	\$2.46	\$2.66	\$2.34	\$2.04	\$2.43	\$2.34



## Officers (Clockwise from far left)

**Kenneth C. Issac**  
Vice President  
Knit Finishing Division

**Stephen G. Dobbins, Jr.**  
Vice President  
Yarn Manufacturing Division  
Assistant Secretary

**Edward P. Schrum**  
Chief Executive Officer  
President  
Treasurer

**George A. Moretz**  
Vice President  
Sales Yarn Division

**Jerry G. Harbinson**  
Vice President  
Administration  
Secretary

**Thomas P. Pruitt, Jr.**  
Vice President  
Weaving Division  
Assistant Treasurer

## Directors

**Director Emeriti:**  
**Caldwell Ragan, Sr.**  
Retired Textile Executive  
Board member since 4/25/61

**D. Mark Boyd, III**  
President Times Oil Corporation  
Board member since 11/23/76

**\*Thomas P. Pruitt, Jr.**  
Vice President Carolina Mills, Inc.  
Board member since 11/02/55

**\*Hurshell H. Keener**  
Investor  
Board member since 11/16/66

**\*Claude S. Abernethy, Jr.**  
Vice President Interstate Securities Corporation  
Board member since 5/24/72

**J.L. Thompson, Jr.**  
Secretary to Board of Directors  
Board member since 11/12/59

**\*Julius W. Abernethy, Jr.**  
President Carolina Glove Company  
Board member since 10/28/47

**\*Edward P. Schrum**  
President Carolina Mills, Inc.  
Board member since 11/19/58

**Julius W. Abernethy, III**  
Vice President Carolina Glove Company  
Board member since 11/23/76

**Robert A. Ragan**  
Investments  
Board member since 11/22/77

\*Executive committee

## Locations

**Corporate Headquarters**  
PO Box 157  
618 Carolina Avenue  
Telephone (704) 428-9911  
FAX (704) 428-2335

Central Warehouse  
Data Processing Center  
General Administrative Offices  
Laboratory  
Trucking Department

**Plant No. 1 (J.W. Abernethy),**  
Maiden, NC  
Spun yarn from man-made fiber  
Plant Manager, Gary Hefner

**Plant No. 2,**  
Newton, NC  
Coarse open-end spun yarns  
Plant Manager, Jim Bean

**Plant No. 3,**  
Newton, NC  
Woven canton flannel  
Plant Manager, Kermit Goodson

**Plant No. 4,**  
Newton, NC  
Commission finishing of tubular knit goods  
Plant Manager, Robert Bristow

**Plant No. 5,**  
Lincolnton, NC  
Spun yarns for the knitting trade  
Plant Manager, Fred Hoffman

**Plant No. 6,**  
Lincolnton, NC  
Spun polyester blend yarns  
Plant Manager, Fred Hoffman

**Plant No. 8,**  
Maiden, NC  
Open-end spun yarns for knitting  
Plant Manager, J.V. Randall

**Plant No. 12,**  
Statesville, NC  
Fine count spun polyester yarns  
Plant Manager, Bob Cook

**Plant No. 14,**  
Hickory, NC  
Woven upholstery fabrics  
Plant Manager, Gary Bowers

**Plant No. 21,**  
Ranlo, NC  
Spun polyester yarns  
Plant Manager, J.C. Bridgeman

**Plant No. 22,**  
Ranlo, NC  
Combed cotton/polyester yarns  
Plant Manager, J.C. Bridgeman

**Plant No. 24,**  
Ranlo, NC  
Carpet yarns  
Plant Manager, Bob Harrison

**Carolina Maiden Corporation**  
Maiden, NC and New York, NY  
Wholly Owned Subsidiary  
Yarns sales agency

**CM Furniture, Inc.,**  
Maiden, NC  
Wholly Owned Subsidiary  
Exposed wood and fully upholstered  
furniture selected case goods

Retired Banker  
Director Emeriti of Carolina Mills, Inc.  
Placed on Carolina Mills, Inc.  
Board of Directors,  
November 25, 1975





In Memory  
Mr. Charles Long Sigmon  
1914 - 1989