

**1972**  
**ANNUAL REPORT**  
**CAROLINA MILLS, INC.**



## HIGHLIGHTS OF THE YEAR

	Year Ended	
	September 30 1972	October 2 1971
<b>Operations:</b>		
Dollar Value of Sales .....	\$40,868,715	\$38,493,631
Earnings Before Income Taxes .....	1,764,166	1,808,146
Net Income After Taxes .....	1,044,184	1,201,376
Depreciation and Amortization .....	1,539,077	1,366,704
Cash Flow .....	2,583,262	2,568,080
<b>Financial Position:</b>		
Working Capital .....	5,980,797	5,718,779
Long-Term Debt .....	3,478,846	2,603,077
Total Assets .....	20,687,018	20,290,915
Stockholders' Equity .....	12,315,383	11,778,876
Shares Outstanding — Year End .....	3,373,344	3,373,344
<b>Per Share of Stock:</b>		
Earnings After Taxes .....	30.95¢	35.60¢
Cash Flow .....	76.58¢	76.10¢
Cash Dividends .....	16.00¢	8.00¢
Book Value at End of Year .....	\$ 3.65	\$ 3.49

### DIRECTORS

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

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

**Claude S. Abernethy, Jr.**  
Vice-President, Interstate Securities Corp.  
Newton, N. C.

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

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

**Joseph L. Barnett**  
Retired Textile Executive  
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**  
Sr. Vice President Carolina Mills, Inc.  
Maiden, 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

**Jerry Harbinson**  
Assistant Vice President

**T. P. Pruitt, Jr.**  
Vice President - Weaving Division

**Kenneth C. Isaac**  
Vice President - Knitting Division

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

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



Julius W. Abernethy



## THE PRESIDENT'S MESSAGE

Under the Wage-Price freeze announced by President Nixon on August 15, 1971, we were to establish ceiling prices by analyzing bona fide sales made prior to June 30, 1971 to validate each price used. Guidelines were established to permit us to increase our prices to the same extent our costs were raised by higher wages and raw materials price increases.

What started out to be "price control" has now degenerated into a program of "profit control." Even though we observe all the rules establishing ceiling prices and increase them only to the extent the guideline formulas permit, under present regulations we may not increase the percentage of our sales dollar that winds up in profits. Neither the fact that we were curtailing production during the period of time our permissible earning record was being established nor the very heavy capital expenditure we made last year can be used to increase our per cent of profit.

The fact that we operate in three completely different segments of our textile industry has been of great help so far. The portion of our operations that looked most promising in 1971 was actually the most depressed in 1972. Several of our units that were dragging in 1971 did real well in 1972. It is disconcerting to realize that if we operate each of our 10 units in such a fashion that they would earn as much in 1973 as they did in the better of the two years 1971 or 1972, we would far exceed the per cent of profit the present rules permit us to earn. The markets are now the strongest we have experienced in five years, and the future looks bright. Let us hope that we will have some relaxation of profit controls or a revision of the guidelines before next summer!

A handwritten signature in cursive script that reads "Leonard Moretz". The signature is written in dark ink and is positioned above the typed name.

Leonard Moretz  
President

# OPEN-END SPINNING ... A NEW TECHNOLOGY

In keeping with today's space-age technology, new and exciting things are happening in the textile industry. The most recent and revolutionary innovation in the area of spun yarns is the development of Open-End Spinning, sometimes called Break-Spinning or Free-Fiber Spinning.

Principals in our company were greatly impressed by the open-end spinning frames on display by eight different machinery manufacturers in the European market at the International Textile Show in Paris in May 1971. It appeared the exceedingly high prices being quoted for such spinning would make it impractical to consider it for our operations even though it would produce materially more poundage per spindle than ring spinning.

Prompted by Carolina Mills continuing policy to progressively serve the Sales Yarn Market with high quality products and meet the growing demand for diversified yarns, the idea of open-end spinning began to take on a great importance to complement our sales yarn program.

It was not until February 1972 that we began a more serious investigation of the open-end spinning. Stellamcor, Inc. representing Investa Open-End Spinning, manufactured in Czechoslovakia, advised that their frames could be purchased at a price less than half the figure we had anticipated paying. We were also assured that the spinning was operating at a spindle speed of 40,000 RPM, thus indicating that it would be three and one-half times as productive as a ring spindle.

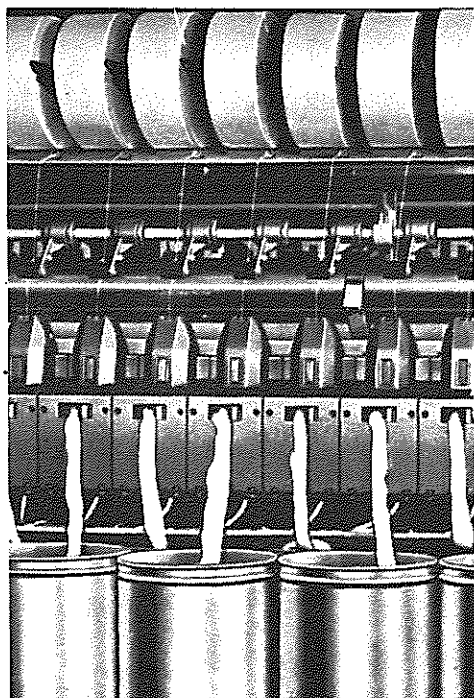
After exploring information gathered on the Open-End Spinning frames made by Ingolstadt, Platt, Toyoda, and Reiter, the Investa frame still seemed to fit our program best. Therefore, a trip to Czechoslovakia was made in April

to see how the Investa frames were produced. The factory was found to be very modern with sophisticated electronic equipment in use for balancing the rotors in the spinning unit and checking the production in other fashions. It was further determined that all parts were built to rigid specifications, thus insuring complete interchangeability of parts. Based on all information obtained, an order was placed for ten Investa BD-200 Open-End Spinning Units.

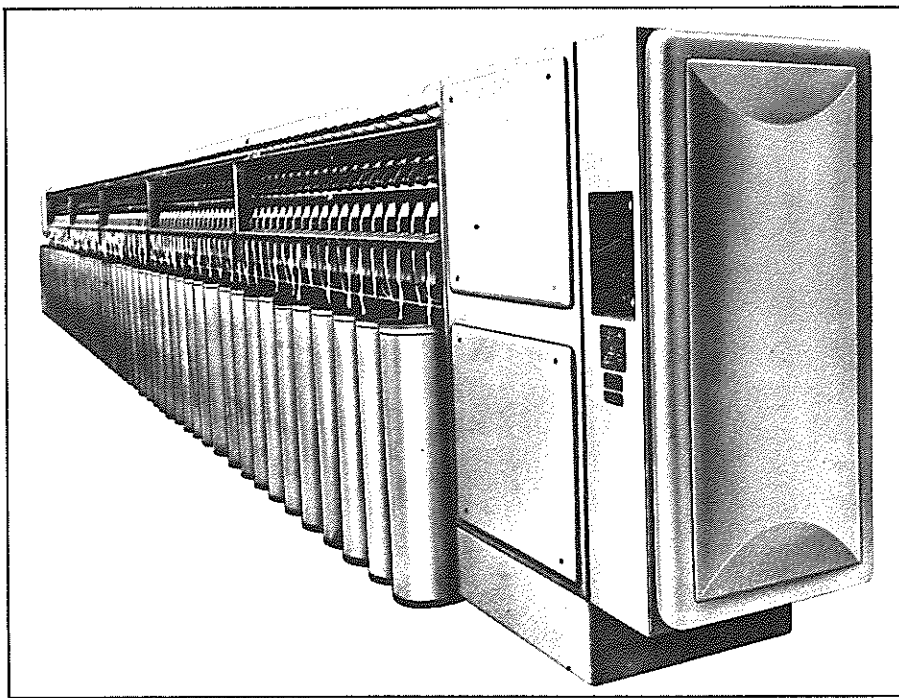
One frame was booked for early shipment so it could be located in our laboratory at Maiden, and the remaining nine frames were scheduled for shipment in October, 1972.

Experiments were conducted on the sample frame in our Lab, spinning yarns from numerous fibers in order to determine the yarn counts, twist, and characteristics of yarns to be produced from the various combinations. Reports from firms sampling yarn from this frame and seeing the fabrics knit from our yarns further increased the desirability of having these frames to complement our sales yarn program. It was also found that yarns spun on open-end spinning frames would run in a very satisfactory manner on our Raschel warp knitting machines whereas we had been unable to knit any yarns spun on standard ring spinning frames. Fabrics produced on circular knitting machines from open-end spun yarn are far superior from every standpoint to fabrics from ring spun yarn.

The nine frames on this first order have been installed in the plant behind the main office in Maiden which will totally house open-end spinning, and the frame located in the laboratory will be transferred to this plant. More recently, another order has been placed for ten additional frames to insure a delivery and price position, thus equipping the plant with a total of twenty frames initially and providing greater flexibility to serve an expanding market in the knit fabrics field.



Close-up of Open-End Spinning Units in operation.



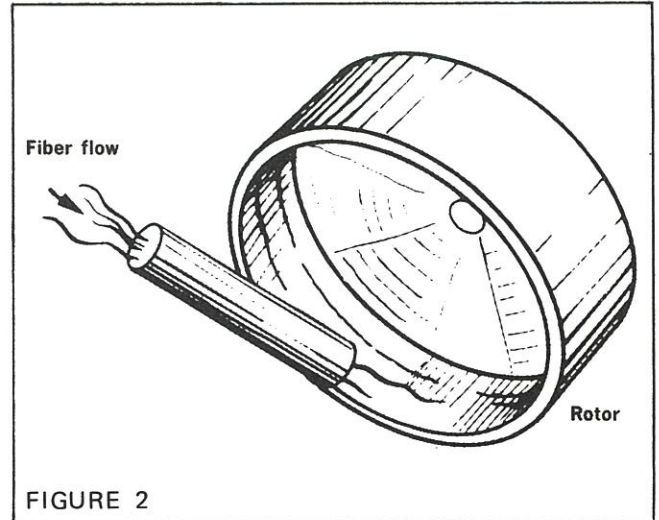
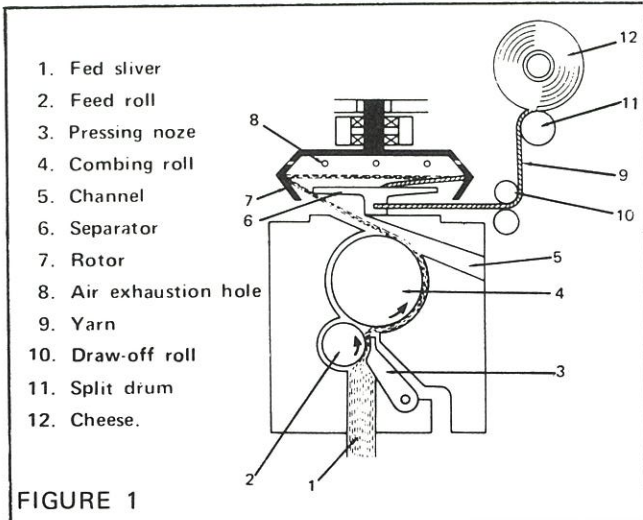
View of Complete Spinning Frame.

# FUNDAMENTALS OF OPEN-END SPINNING

The names for this type spinning "Open-End Spinning", "Break Spinning", and "Free-Fiber Spinning" denote the idea of a stream of fibers, none in contact with another, added to the "open end" of the forming yarn. Twist inserted at the open end binds the fibers to the yarns eliminating the necessity to rotate the take-up package to insert twist. Thus the mass to be rotated is potentially very small and speeds potentially very high.

The principle employed in open-end spinning is radically different from the principle of roller drafting and ring spinning that is commonly used for making yarn throughout the textile industry today.

Open-end spinning is a sliver-to-yarn process and can best be understood by looking at each of four basic stages in the system: (1) Drafting (2) Transport (3) Condensation (4) Yarn Formation.

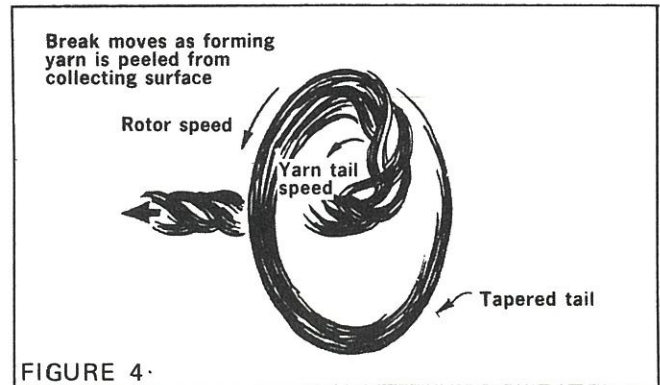
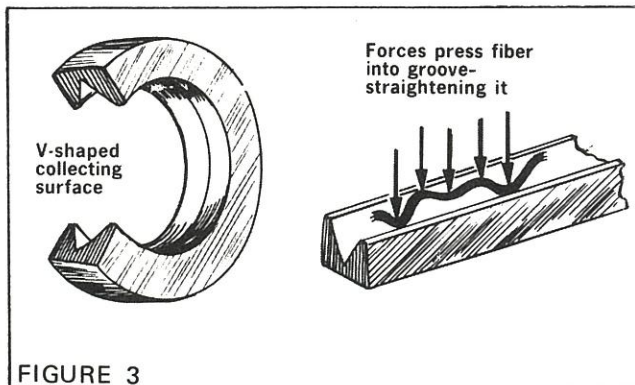


## I – DRAFTING

Drafting in an open-end spinning machine is done through the use of a "thinning device" which is similar to the lickerin on a card (fig. 1, no. 4.) It features a high-speed toothed wheel that removes fibers from the sliver. The combined effects of air flow and centrifugal forces cause the fibers to be supplied to the rotor in a thin stream.

## II – TRANSPORTING FIBERS

Once the fibers have been drafted to ones and twos, they must be moved to the collecting surface of the rotor without altering their order. Any decrease in speed or sudden changes in direction of fiber movement will result in uneven yarn. An air stream generated by the rotor removes the fibers from the thinning device and transports them through the channel (fig. 1, no. 5) to the rotor.



## III – CONDENSING FIBERS

Fibers are condensed in a layering process. Each arriving fiber is laid on top of fibers that have arrived previously and with the large number of layers, the evenness of the yarn is improved. The surface of the rotor traveling faster than the fibers causes the fibers to be straightened out as they are laid (fig. 2.)

Centrifugal force collects the fibers on the internal surface of the rotor in its v-shaped groove (fig. 3) and keeps them in contact with the collecting surface until they are peeled off and converted into yarn.

## IV – FORMING YARN

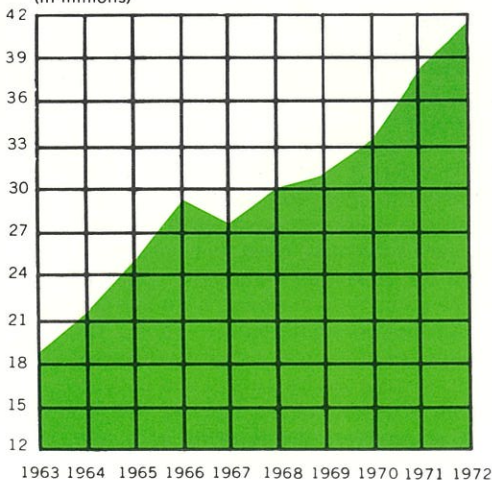
If a piece of yarn is brought into contact with a long thin web of fibers attached to some surface and you twist this yarn and gently remove it continuously, you can spin yarn by hand. As new yarn is formed, twist will run into it, locking new fibers into the strand and gradually changing the web into yarn. In the rotor-type machine, a similar process takes place. The formation point moves around the rotor surface with the yarn tail moving at a slightly different speed. Fibers arrive continuously at the surface and because the doffing point moves, the web tail is tapered (fig. 4.) These differential motions convert the layering web into yarn while at the same time the desired twist is inserted.

# TEN YEARS IN REVIEW

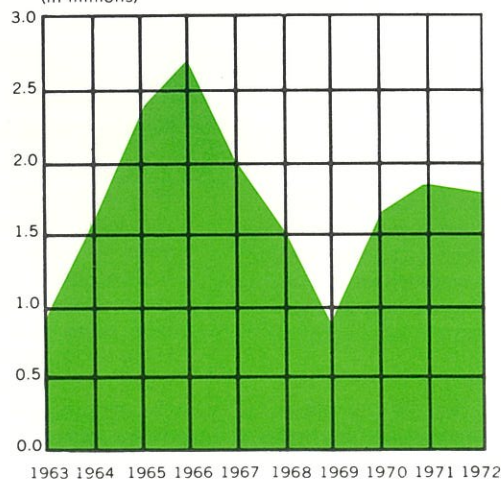


	1972	1971
NET SALES .....	\$40,868,715	\$38,493,631
Net Earnings before Income Taxes .....	1,764,166	1,808,146
Income Taxes .....	719,982	606,770
Net Earnings .....	1,044,184	1,201,376
Dividends Paid .....	539,735	269,867
Earnings Retained in Business .....	6,373,709	5,837,202
Working Capital .....	5,980,797	5,718,779
Plant and Equipment - Less Depreciation .....	9,678,184	8,507,426
Stockholders Equity .....	12,315,383	11,778,877
Shares of Stock Outstanding .....	3,373,344	3,373,344
Book Value Per Share .....	\$3.65	\$3.49
Per Share of Stock .....		
Net Earnings .....	30.95¢	35.6¢
Dividends - Cash .....	16.00¢	8.0¢
Stock .....		
Cash Flow .....	76.58¢	76.1¢

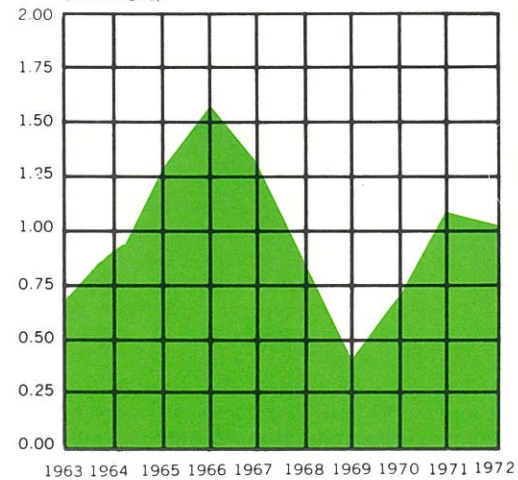
**NET SALES**  
(in millions)



**NET EARNINGS (before income taxes)**  
(in millions)

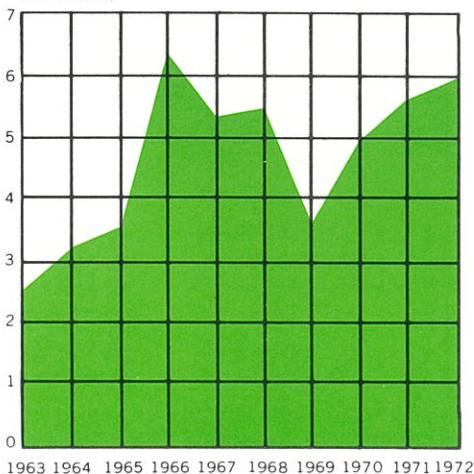


**NET EARNINGS**  
(in millions)

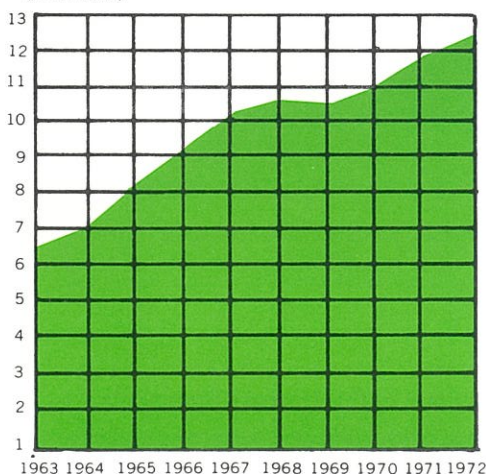


1970	1969	1968	1967	1966	1965	1964	1963
\$33,907,075	\$30,960,703	\$30,122,988	\$27,889,841	\$29,023,599	\$24,466,966	\$21,797,283	\$19,907,332
1,573,041	785,411	1,581,139	2,090,968	2,729,246	2,364,745	1,550,406	978,971
829,898	409,600	755,247	749,760	1,211,920	1,092,273	765,629	321,915
743,143	375,811	825,892	1,341,208	1,517,326	1,272,472	784,777	657,056
303,601	945,219	917,676	937,200	1,022,048	533,876	292,407	248,184
4,905,693	4,466,151	5,275,397	5,367,181	4,965,878	4,432,326	3,681,167	3,183,078
4,978,233	3,852,095	5,445,594	5,212,751	6,280,310	3,541,182	3,102,206	2,716,423
8,589,703	9,575,306	8,312,920	8,263,424	6,266,795	4,565,615	4,066,788	4,056,121
10,847,368	10,407,825	10,677,705	10,244,273	9,287,858	8,089,813	7,084,008	6,572,302
3,373,344	3,373,344	3,275,152	3,179,470	3,086,927	2,993,131	2,926,518	2,921,723
\$3.21	\$3.09	\$3.26	\$3.22	\$3.01	\$2.70	\$2.42	\$2.25
22.0¢	11.1¢	25.2¢	42.2¢	49.2¢	42.5¢	26.8¢	22.5¢
9.0¢	12.0¢	12.0¢	12.0¢	12.0¢	10.0¢	10.0¢	8.5¢
61.6¢	51.4¢	61.7¢	74.5¢	76.9¢	67.3¢	50.0¢	43.4¢

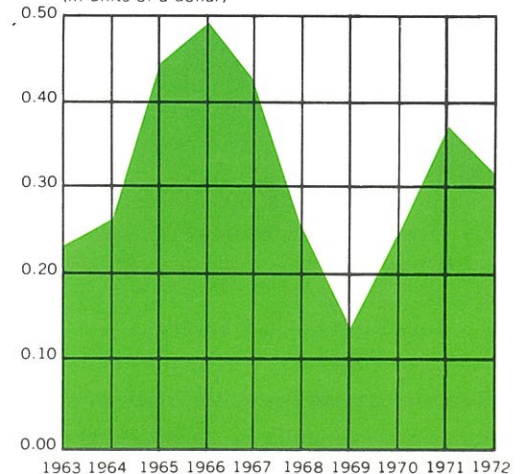
**WORKING CAPITAL**  
(in millions)



**STOCKHOLDER'S EQUITY**  
(in millions)



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





# CAROLINA MILLS, INC. AND WHOLLY OWNED SUBSIDIARY CORPORATIONS

## STATEMENT OF CONDITION

	September 30 1972	October 2 1971
<b>Assets</b>		
Current Assets:		
Cash .....	\$ 1,750,089	\$ 1,940,966
Notes Receivable .....	203,094	152,747
Accounts Receivable, Less Allowances of \$175,000 .....	4,224,222	4,792,120
Inventories, at Lower of Cost or Market (Note B) .....	4,545,382	4,522,178
Prepaid Expenses .....	150,798	219,730
Total Current Assets .....	<u>10,873,585</u>	<u>11,627,741</u>
Investments — At Cost .....	1,100	1,100
Fixed Assets — At Cost		
Land .....	139,208	139,208
Buildings and Equipment .....	22,958,355	20,346,679
Total .....	23,097,563	20,485,887
Less — Accumulated Depreciation .....	13,419,379	11,978,460
Depreciated Cost .....	<u>9,678,184</u>	<u>8,507,427</u>
Other Assets:		
Cash Value of Life Insurance .....	92,220	87,164
Other Notes and Accounts Receivable .....	26,103	50,706
Deposits .....	2,835	2,435
Deferred Loan Expenses .....	12,822	14,047
Other .....	169	295
Total Other Assets .....	<u>134,149</u>	<u>154,647</u>
Totals .....	<u>20,687,018</u>	<u>20,290,915</u>
<hr/>		
	September 30 1972	October 2 1971
<b>Liabilities and Stockholders Equity</b>		
Current Liabilities:		
Notes Payable		
Occidental Life Insurance — Current .....	269,231	269,231
Banks .....	1,200,000	3,375,000
Other .....	280,000	10,000
Accounts Payable .....	1,991,530	1,298,680
Accrued Accounts .....	986,641	854,355
Federal and State Income Taxes (Note E) .....	165,387	101,696
Total Current Liabilities .....	<u>4,892,789</u>	<u>5,908,962</u>
Long-Term Liabilities (Note C) .....	3,478,846	2,603,077
Total Liabilities .....	<u>8,371,635</u>	<u>8,512,039</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 .....	6,373,709	5,837,202
Total Stockholders' Equity .....	<u>12,315,383</u>	<u>11,778,876</u>
Totals .....	<u>20,687,018</u>	<u>20,290,915</u>

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



**FOOTNOTES TO FINANCIAL STATEMENTS**

September 30, 1972

**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. The subsidiaries included in the consolidation are Carolina Maiden Corporation, Maiden, N.C., MoBill Textiles, Inc., Wilmington, N.C., Catawba Valley Computer Center, Inc., Hickory, N.C., and Knits By Carolina, Inc., New York, N.Y.

in the total amount of \$4,605,871, leaving an unpaid balance of \$2,405,124. 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 September 30, 1972, amounted to \$727,938. We show below lease payments scheduled for the next five fiscal years ending on September 30th.

1973	\$724,446
1974	646,776
1975	453,245
1976	154,373
1977	154,373

**INVENTORIES \$4,545,381.87**

Note B. Inventories at September 30, 1972, in the amount of \$4,545,381.87 were priced at the lower of cost or 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 consisted of the following:

On August 1, 1970, a sale-and-leaseback arrangement was executed with Commercial Credit Corporation. Machinery which cost \$660,909 was sold on a leaseback arrangement covering a period of 8 years and a total lease amount of \$996,756. Monthly payments of \$9,250 are required. The leaseback is included in the above figures.

Finished Yarn and Cloth	\$1,638,002.56
Stock-in-Process	1,426,593.60
Raw Materials	1,313,186.75
Supplies and Chemicals	167,598.96
Total	\$4,545,381.87

**INCOME TAXES**

Note E. For the current year ended September 30, 1972, consolidated Federal income tax returns will be filed. In all prior years, each member of the group filed separate Federal income tax returns. The Internal Revenue Service has examined the years ended September 30, 1969, 1970 and 1971, and have rendered a report on the Parent Corporation showing a deficiency assessment of \$79,722.19, for the three years under examination. The returns of MoBill Textiles, Inc., a subsidiary, have been examined and a report thereon has not been rendered. The examining agent has held numerous conferences with officials of the Parent Corporation and he has proposed to disallow all pre-acquisition loss carry-over deductions used by MoBill. The net effect of the Agent's adjustments would result in a deficiency assessment of approximately \$140,000 as best as can be determined prior to the official release of his report. Legal counsel has been retained to protest the assessment.

The company has adopted the flow-through method of accounting for the 7% investment tax credit. Accordingly, the provision for Federal income tax has been reduced in the amount of \$164,441 for the current year.

**PENSION PLAN**

Note F. 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 fund 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 percent on the past service cost. For the fiscal year ended September 30, 1972, the pension plan expense amounted to \$120,615.76. The past service cost, which had not been funded amounted to approximately \$507,100 at September 30, 1972.

**LONG-TERM DEBT \$4,048,076.96**

Note C. 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 was 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 the loan agreement were fully complied with for the year ended September 30, 1972. Unpaid balance of the loan at September 30, 1972, was \$2,423,076.96.

A five year long-term loan agreement with The Northwestern Bank, North Wilkesboro, N.C., was entered into on June 20, 1972, for \$1,000,000. Terms of the agreement specify quarterly payments of principal of \$50,000 over a five year period, with interest at ½% over bank's prime. At September 30, 1972, the unpaid balance was \$950,000.

On August 15, 1972, a long-term loan in the amount of \$700,000 was borrowed from Commercial Credit Industrial Corporation, Baltimore, Maryland. The company has pledged machinery and equipment which cost approximately \$700,000 to secure the loan. Terms of the loan agreement include quarterly payments of principal in the amount of \$25,000. The unpaid principal balance at September 30, 1972, was \$675,000.

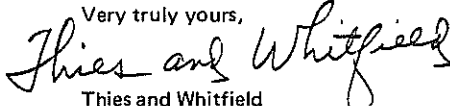
**LEASE AGREEMENTS**

Note D. Lease agreements for the rental of textile machinery and equipment totaling \$7,010,995 were in effect as of September 30, 1972. The company had made payments against the leases

**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 September 30, 1972, 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.

Very truly yours,  
  
 Thies and Whitfield  
 Certified Public Accountants

## THE YEAR IN REVIEW

At the beginning of the year we took a very significant step forward when we divided our operations into three divisions and appointed a manager for each division. George Moretz was named head of our Sales Yarn Division consisting of Plants Nos. 1, 2, 5, 6, 11, & 12. Thomas P. Pruitt, Jr. was named head of our Woven Fabrics Division consisting of Plants Nos. 3 and 14. Kenneth C. Isaac was named head of our Knit Products Division consisting of Plants Nos. 4, 15, and our wholly owned subsidiary, MoBill Textiles, Inc. of Wilmington, N. C.. Each of these divisions is responsible for managing its own sales, manufacturing, and the procurement of raw materials with the exception of cotton. Ralph Kendrick still buys all of the cotton used within our organization.

Within the SALES YARN DIVISION many changes in production equipment were made. One of the highlights of the year has been the revamping and modernization of Plant No. 5 in Lincolnton. We have completely revamped the card room, installing high speed cards and new drawing. Total air cleaning has been introduced, creating a much cleaner and more healthy working environment. These changes along with an excellent spirit of team work between the plant personnel, management, and sales now makes Plant No. 5 one of our best sales yarn units. At the Abernethy plant, additional blending and picking equipment was installed to give us greater flexibility and enable the plant to run more items simultaneously. Plant No. 2 in Newton added four new spinning frames and additional twistors to help balance production and take advantage of profitable sales programs which were available to us. Plant No. 6 in Lincolnton has started a program of automatic winding with the installation of Schweiter automatic cone winders. Since Plant No. 11 in Gastonia was housed in an obsolete three story building where we were unable to operate profitably, we decided to close this plant and arrangements were made to serve our old established customers with production from Plant No. 12.

The WOVEN FABRICS DIVISION, consisting of Plant No. 3 in Newton and Plant No. 14 in Hickory, progressed nicely during the year. There has been a very strong demand for the flannels produced at Plant No. 3, and our production at this unit fell behind the previous year's records only because we did not have enough workers available to keep

all the productive equipment operating full time. In Plant No. 14 our weaving is now confined to the Roscher shuttleless looms, and they are producing fabrics for upholstered furniture. A number of new patterns have been styled during the past year and the demand for these fabrics is now greater than we are able to supply.

In the KNIT PRODUCTS DIVISION, there is still an extremely heavy demand for the services of Plant No. 4 in Newton. During the past year we have been working on a program to expand their productive capacity by more than 50%. Our steam generating capacity is being doubled by the installation of a new boiler. Our warp knitting operation in Hickory, Plant No. 15, received its last knitting machine early in the year and is now fully staffed and ready for operation. In recent months we have been successful in selling the production of this plant but have not been able to procure sufficient texturized polyester filament yarn to keep all of the knitting machines in full production. MoBill Textiles, Inc., our knit outerwear finishing plant, underwent a further expansion in 1972. It is the third major change in this facility since it was acquired in August, 1968. Twenty thousand square feet of floor space were added along with new high pressure dye becks, a tenter frame, and several inspection machines. We are now ready to handle a much larger volume of finishing as soon as new customers can be lined-up.

All in all, we have had a very active year, and tremendous progress has been made in our manufacturing organization. We are experiencing more and more difficulty in keeping a full staff of workers at our various plants, and we greatly appreciate the very splendid cooperation we are receiving from our old line employees. These are the ones that have helped us grow to our present size and have contributed greatly to the success we have had in establishing a reputation for top quality products and workmanship. They not only have been very conscientious in carrying out their assigned duties but have also been willing to work extra shifts to keep our productive equipment operating when some of their fellow workers were absent. We are greatly indebted to them for the tremendous contribution they are making to our progress.

## DISTRIBUTION OF EACH DOLLAR OF INCOME YEAR ENDED SEPT. 30, 1972

Total Income	\$40,868,715	100.00%
Cost of Raw Materials, Services and Supplies	25,328,219	61.98%
Paid in Taxes and Donations	1,268,368	3.10
Paid in Dividends To People whose Savings are Invested in This Business	539,735	1.32
Depreciation (Wear and Tear) on Building and Equipment	1,539,077	3.77
Retained Earnings Used in The Growth of this Business	504,449	1.23
Cost of Wages and Salaries	10,026,322	24.53
*Additional Benefits of Employees (Company's Share of Social Security Taxes, Pension Trust, Group Insurance, Employees Welfare, Vacation Pay & Bonus and Profit Sharing)	1,662,545	4.07
	<u>\$40,868,715</u>	<u>100.00</u>



\*The average cost of these benefits for each employee, per hour 46¢. Number of employees on the payroll, 1695 as of September 30, 1972.



## STATEMENT OF EARNINGS AND EARNINGS RETAINED

YEAR ENDED SEPTEMBER 30, 1972  
WITH COMPARATIVE FIGURES  
FOR 1971

	1972	Fiscal Year	1971
Net Sales .....	\$40,868,715		\$38,493,631
Cost of Sales .....	<u>39,038,185</u>		<u>36,330,395</u>
	1,830,530		2,163,236
Other Deductions (Income) Net .....	<u>66,364</u>		<u>355,090</u>
Net Income Before Taxes .....	1,764,166		1,808,146
Provision for Federal and State Income Taxes (Footnote E) .....	<u>719,982</u>		<u>919,120</u>
Net Income Before Extraordinary Item .....	1,044,184		889,026
Extraordinary Item – Income Tax Savings From Utilization of Carry-Forward Loss .....	<u>-0-</u>		<u>312,350</u>
Net Earnings .....	1,044,184		1,201,376
Retained Earnings at Beginning of Year .....	<u>5,837,202</u>		<u>4,905,693</u>
	6,881,386		6,107,069
Add – Prior Years Income Tax Adjustment .....	<u>32,058</u>		<u>-0-</u>
	6,913,444		6,107,069
Dividends Paid .....	<u>539,735</u>		<u>269,867</u>
Retained Earnings at End of Year .....	<u>6,373,709</u>		<u>5,837,202</u>
Per Share of Common Stock:			
Earnings Before Extraordinary Item .....	30.95¢		26.35¢
Extraordinary Item .....	<u>          </u>		<u>9.26¢</u>
Net Earnings .....	<u>30.95¢</u>		<u>35.61¢</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 .....	\$1,044,184
Depreciation and Amortization .....	1,540,429
Long-Term Notes Payable .....	1,325,000
Book Value Assets Sold .....	26,257
Other .....	57,262
	<u>\$3,993,132</u>

### DISPOSITION OF WORKING CAPITAL

Plant and Equipment Additions .....	\$2,736,092
Cash Dividends Paid .....	539,735
Decrease in Term Notes .....	269,231
Current Maturity of Debenture Bonds ..	180,000
Increase in Other Assets .....	6,056
Increase in Working Capital .....	262,018
	<u>\$3,993,132</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  
 Plant No. 8 Open End Spinning Plant

#### 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

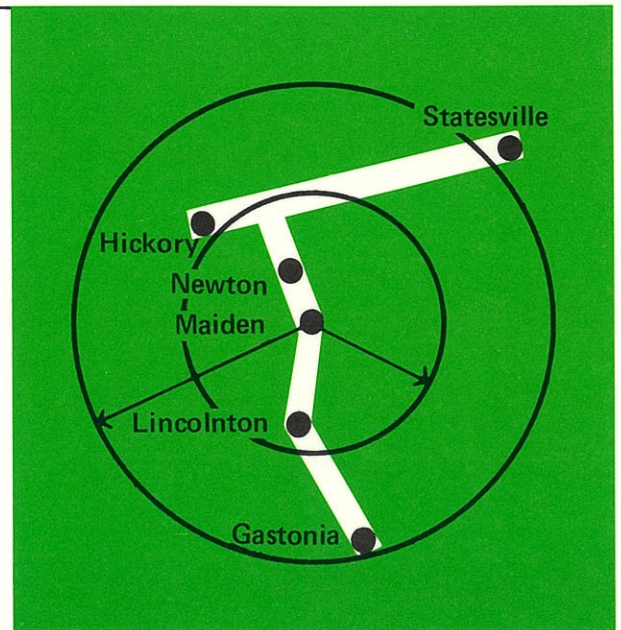
Plant No. 14 – Upholstery Fabrics  
 Plant No. 15 – Warp Knit Fabrics

#### Lincolnton, North Carolina

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

#### 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