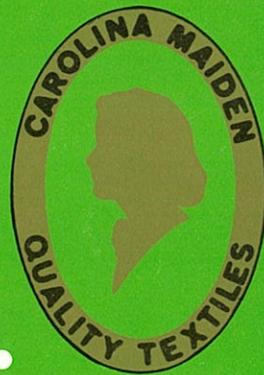


**1973  
ANNUAL REPORT  
CAROLINA MILLS, INC.**



# HIGHLIGHTS OF THE YEAR

	Year Ended	
	September 29 1973	September 30 1972
<b>Operations:</b>		
Dollar Value of Sales .....	\$45,674,963	\$40,868,715
Earnings Before Income Taxes .....	3,241,971	1,764,166
Net Income After Taxes .....	1,833,673	1,044,184
Depreciation and Amortization .....	1,721,082	1,539,077
Cash Flow .....	3,554,755	2,583,262
<b>Financial Position:</b>		
Working Capital .....	6,127,717	5,980,797
Long-Term Debt .....	2,909,615	3,478,846
Total Assets .....	22,926,263	20,687,018
Stockholders' Equity .....	13,758,106	12,315,383
Shares Outstanding — Year End .....	3,373,444	3,373,344
<b>Per Share of Stock:</b>		
Earnings After Taxes .....	54.36¢	30.95¢
Cash Flow .....	105.37¢	76.58¢
Cash Dividends .....	16.00¢	16.00¢
Book Value at End of Year .....	\$ 4.08	\$ 3.65

## 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  
Gastonia, 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**  
Retired Bank Executive  
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

Today when I am asked, "How's business?," I generally reply, "Business is good, but we still have many problems — mostly new problems — confronting us." Because of the devaluation of our dollar we now have lower prices domestically than exist in the foreign markets, and we have seen a complete turn-around in our foreign trade. Instead of selling to us, the foreign market is now trying to buy from us. Today there is a tremendous demand for spun yarn and spun yarn fabrics.

Securing fibers for our spinning operations has become our number one problem. The small crop of cotton combined with increased purchases from abroad has escalated the price of cotton to new high levels. Polyester and acrylic fibers are made from petroleum derivatives. The shortage of petroleum has cut back on production and necessitated a rationing of these fibers. The wood pulp shortage is also curtailing production of rayon and our receipts have been shrinking. The situation in our labor market has not shown any improvement. Unemployment in Catawba County is running two tenths of one per cent. Many furniture factories and related industries are expanding production and hiring every available worker.

In order to meet these problems we have been maintaining close personal contact with our suppliers and developing new and novel uses for the staple they allocate to us. Our position of leadership in open-end spinning is also helping us in our struggle to maintain a preferred delivery position with our staple suppliers. We have taken several steps to increase the number of people working with us. Employees at Plant No. 4 now work 12 hours per day for three consecutive days and then they are off four days. All employees were given a substantial increase in pay on October 1. Other programs have been initiated by our personnel department to make our jobs more attractive, and we are happy to report that these efforts are bearing results. We are confident that Carolina Mills will continue in the forefront of textile operations next year.

Leonard Moretz  
President

## CAROLINA MILLS . . . "WHERE PEOPLE MAKE THE DIFFERENCE"

Competent, loyal employees are the foundation upon which Carolina Mills' production and programs are built. Working with our company has been and continues to be a challenge to employees because of the various products they have been asked to produce, often simultaneously. These people have always risen to the occasion under what at times have been very trying circumstances. Carolina Mills now has some of the most sophisticated items to offer customers and is able to supply a diversified line of high quality products largely due to the fact that our employees are willing to accept the responsibility of doing their jobs properly. Growing from a single plant of 110 employees to an organization composed of 11 plants employing more than 1,700 was no easy task. It is with tremendous pride that we salute the employees of Carolina Mills, past and present, who have truly made the difference.

Realizing that top quality products and substantial profits would not have been in existence without high caliber employees, the company took steps to establish benefits to

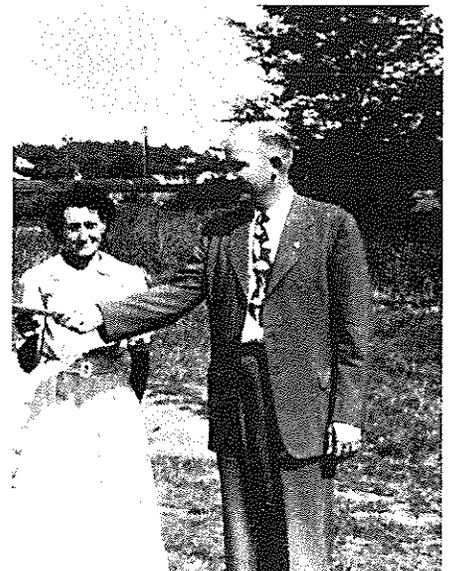
show appreciation. Carolina Mills was among the first in the south to provide a hospital insurance program in 1934 enabling all employees to receive instant medical treatment with guaranteed payment.

Other benefits have been made possible by the dedication of dependable workers, such as the present Pension Retirement Plan, which was begun in 1943 to supplement retirement benefits under the Social Security program. Long term employees who have helped make Carolina Mills a profitable operation are rewarded with the establishment of their own Profit Sharing account, where sums are deposited for the employees each year from the company's profits.

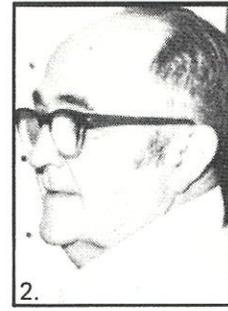
Carolina Mills is an organization which has grown several times its original size, sharing with employees whatever financial success is realized. It is a company which appreciates its employees — the people who make the difference!



MR. LON HEFFNER  
First Plant Superintendent



Mrs. Will Cooke was the first recipient of a Pension check from the company. Leonard Moretz presented the first monthly installment to Mrs. Cooke in 1948.



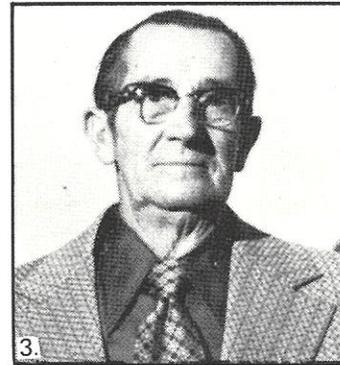
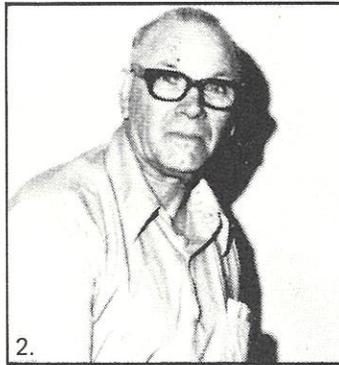
- 1. A. L. Kiser (electrician)
- 2. Bill Gaither (# 3)
- 3. Will Yancey (# 3)
- 4. Nettie Bruce (# 12)
- 5. Ralph Dellinger (trucking)



1. The couple having the longest continuous service, J. D. and Lois Harbinson, both retired, completed a total of 100 years with Carolina Mills.

2. Mamie and Houston Caldwell completed a total of 98 years with Carolina Mills prior to their retirement.

On the job every day, these employees choose to remain active even though they have past retirement age.



EMPLOYEES HAVING COMPLETED FIFTY YEARS OR MORE: 1. Pearl Hawn (retired), 52 years. 2. Yates Harbinson, 50 years. 3. George Lowman (retired), 51 years. 4. Myrtle Rudisill (retired), 50 years.

QUARTER CENTURY PLUS CLUB – Composed of employees, both active and retired, who have completed 25 years or more with Carolina Mills.

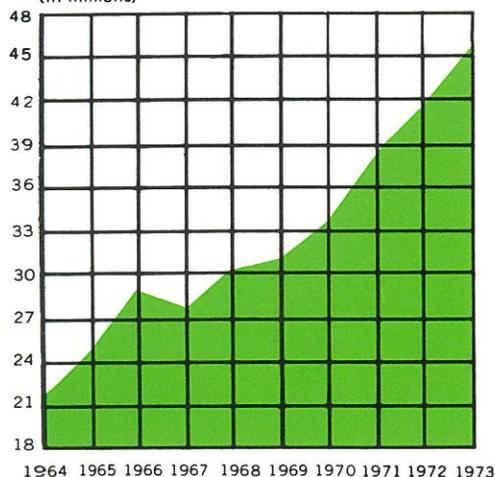


## TEN YEARS IN REVIEW

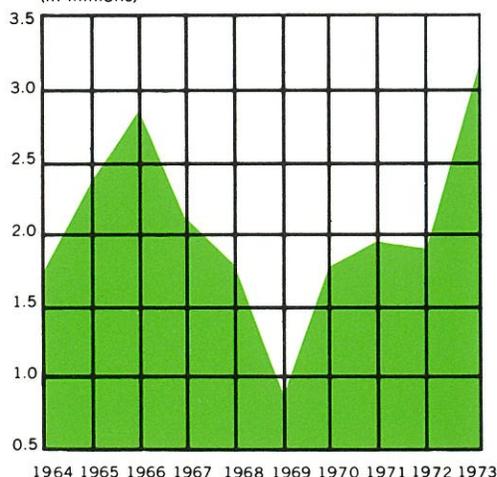


	<b>1973</b>	<b>1972</b>
NET SALES .....	<b>\$45,674,963</b>	\$40,868,715
Net Earnings before Income Taxes .....	<b>3,241,971</b>	1,764,166
Income Taxes .....	<b>1,408,298</b>	719,982
Net Earnings .....	<b>1,833,673</b>	1,044,184
Dividends Paid .....	<b>539,745</b>	539,735
Earnings Retained in Business .....	<b>7,816,106</b>	6,373,709
Working Capital .....	<b>6,127,717</b>	5,980,797
Plant and Equipment - Less Depreciation .....	<b>10,356,173</b>	9,678,184
Stockholders Equity .....	<b>13,758,106</b>	12,315,383
Shares of Stock Outstanding .....	<b>3,373,444</b>	3,373,344
Book Value Per Share .....	<b>\$4.08</b>	\$3.65
Per Share of Stock .....		
Net Earnings .....	<b>54.36¢</b>	30.95¢
Dividends - Cash .....	<b>16.00¢</b>	16.00¢
Stock .....		
Cash Flow .....	<b>105.37¢</b>	76.58¢

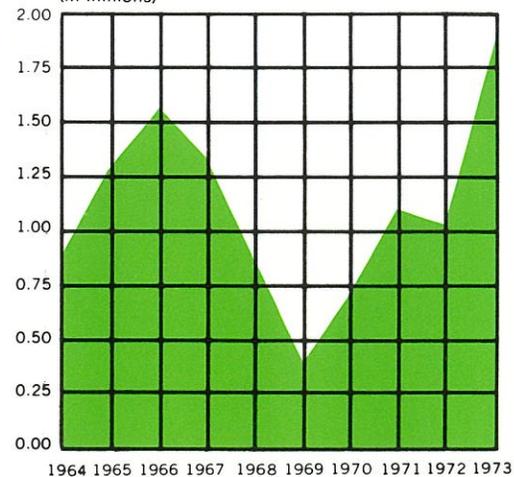
**NET SALES**  
(in millions)



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

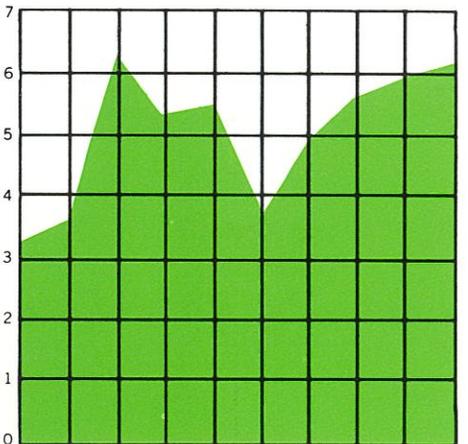


**NET EARNINGS**  
(in millions)

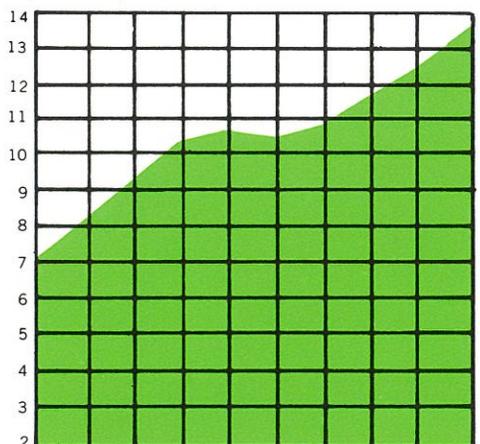


1971	1970	1969	1968	1967	1966	1965	1964
\$38,493,631	\$33,907,075	\$30,960,703	\$30,122,988	\$27,889,841	\$29,023,599	\$24,466,966	\$21,797,283
1,808,146	1,573,041	785,411	1,581,139	2,090,968	2,729,246	2,364,745	1,550,406
606,770	829,898	409,600	755,247	749,760	1,211,920	1,092,273	765,629
1,201,376	743,143	375,811	825,892	1,341,208	1,517,326	1,272,472	784,777
269,867	303,601	945,219	917,676	937,200	1,022,048	533,876	292,407
5,837,202	4,905,693	4,466,151	5,275,397	5,367,181	4,965,878	4,432,326	3,681,167
5,718,779	4,978,233	3,852,095	5,445,594	5,212,751	6,280,310	3,541,182	3,102,206
8,507,426	8,589,703	9,575,306	8,312,920	8,263,424	6,266,795	4,565,615	4,066,788
11,778,877	10,847,368	10,407,825	10,677,705	10,244,273	9,287,858	8,089,813	7,084,008
3,373,344	3,373,344	3,373,344	3,275,152	3,179,470	3,086,927	2,993,131	2,926,518
\$3.49	\$3.21	\$3.09	\$3.26	\$3.22	\$3.01	\$2.70	\$2.42
35.6¢	22.0¢	11.1¢	25.2¢	42.2¢	49.2¢	42.5¢	26.8¢
8.0¢	9.0¢	12.0¢	12.0¢	12.0¢	12.0¢	10.0¢	10.0¢
76.1¢	61.6¢	51.4¢	61.7¢	74.5¢	76.9¢	67.3¢	50.0¢

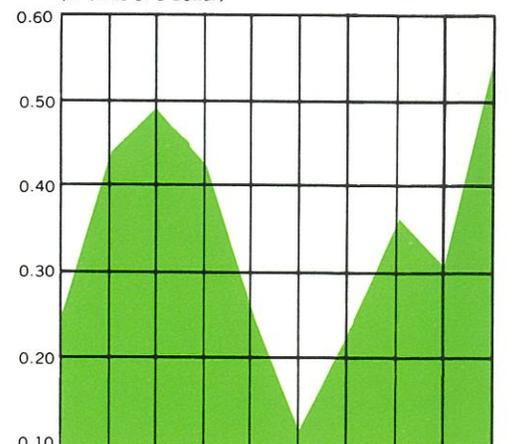
**WORKING CAPITAL**  
(in millions)



**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 29 1973	September 30 1972
<b>Assets</b>		
Current Assets:		
Cash .....	\$ 1,849,579	\$ 1,750,089
Notes Receivable .....	445,321	203,094
Accounts Receivable, Less Allowances of \$193,213.42, 1973; \$185,000 for 1972 .....	5,132,750	4,224,222
Inventories, at Lower of Cost or Market (Note B) .....	4,751,505	4,545,382
Prepaid Expenses .....	207,103	150,798
<b>Total Current Assets .....</b>	<u>12,386,258</u>	<u>10,873,585</u>
Investments — At Cost .....	1,100	1,100
Property, Plant and Equipment — At Cost		
Land .....	135,554	139,208
Buildings and Equipment .....	23,156,686	22,958,355
<b>Total .....</b>	<u>23,292,240</u>	<u>23,097,563</u>
Less — Accumulated Depreciation .....	12,936,067	13,419,379
<b>Depreciated Cost .....</b>	<u>10,356,173</u>	<u>9,678,184</u>
Other Assets:		
Cash Value of Life Insurance .....	97,083	92,220
Other Notes and Accounts Receivable .....	71,174	26,103
Deposits .....	2,835	2,835
Deferred Loan Expenses .....	11,597	12,822
Other .....	43	169
<b>Total Other Assets .....</b>	<u>182,732</u>	<u>134,149</u>
<b>Totals .....</b>	<u>\$22,926,263</u>	<u>\$20,687,018</u>

	September 29 1973	September 30 1972
<b>Liabilities and Stockholders Equity</b>		
Current Liabilities:		
Notes Payable		
Occidental Life Insurance — Current .....	\$ 269,231	\$ 269,231
Banks .....	2,200,000	1,200,000
Other .....	100,000	280,000
Accounts Payable .....	1,801,012	1,991,530
Accrued Accounts .....	1,326,042	986,641
Federal and State Income Taxes (Note E) .....	562,257	165,387
<b>Total Current Liabilities .....</b>	<u>6,258,542</u>	<u>4,892,789</u>
Long-Term Liabilities (Note C) .....	2,909,615	3,478,846
<b>Total Liabilities .....</b>	<u>9,168,157</u>	<u>8,371,635</u>
Stockholders' Equity		
Capital Stock — Common		
Authorized 5,000,000 Shares \$1.00 Par		
Issued and Outstanding 3,373,344 .....	3,373,444	3,373,344
Capital Surplus .....	2,568,556	2,568,330
Retained Earnings .....	7,816,106	6,373,709
<b>Total Stockholders' Equity .....</b>	<u>13,758,106</u>	<u>12,315,383</u>
<b>Totals .....</b>	<u>\$22,926,263</u>	<u>\$20,687,018</u>

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

FOOTNOTES TO FINANCIAL STATEMENTS

September 29, 1973

Carolina Mills, Inc. And Wholly Owned Subsidiary Corporations.

Note A. BASIS OF CONSOLIDATION

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.

The company had made payments against the leases in the total amount of \$1,459,683, leaving an unpaid balance of \$1,681,110. 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 29, 1973, amounted to \$731,745. We show below lease payments scheduled for the next five fiscal years ending on September 30th.

Note B. INVENTORIES \$4,751,504.93

Inventories at September 29, 1973, in the amount of \$4,751,504.93 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:

1974	\$646,776
1975	453,245
1976	154,373
1977	154,373
1978	135,875
1979-1983	136,548

Finished Yarn and Cloth	\$ 936,442.24
Stock-in-Process	1,814,811.24
Raw Materials	1,767,361.15
Supplies and Chemicals	232,890.30
Total	\$4,751,504.93

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.

Note C. LONG-TERM DEBT \$3,478,846.20

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 6% 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 29, 1973. Unpaid balance of the loan at September 29, 1973 was \$2,153,846.20.

Note E. For the current year ended September 29, 1973, a consolidated Federal income tax return will be filed. A consolidated income tax return was filed for the immediate preceding year ended September 30, 1972, however, in all prior years separate income tax returns were filed by the parent and members of the group. State and Federal income tax returns have been examined and settled through the separate return years ending September 30, 1971.

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 \$148,440 for the current year, as compared with \$164,441 for the prior year.

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 1/4% over bank's prime. At September 29, 1973, the unpaid balance was \$750,000.

Note F. PENSION PLAN

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 3 1/2 percent on the past service cost. For the fiscal year ended September 29, 1973, the pension plan expense amounted to \$175,000. The past service cost, which had not been funded amounted to approximately \$947,100 at September 29, 1973.

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 29, 1973, was \$575,000.

Note G. Qualified stock options have been granted to the officers of the company at an option price of \$3.75 a share expiring five (5) years from date of grant, which was March 1, 1973. Total number of shares under the option amounted to 70,000.

Note D. LEASE AGREEMENTS

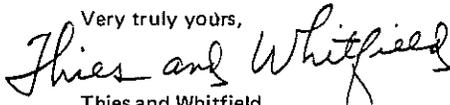
Lease agreements for the rental of textile machinery and equipment totaling \$3,140,873 were in effect as of September 29, 1973.

Note H. The company had entered into contractual purchase commitments for the acquisition of machinery and equipment in the amount of \$1,565,000 at September 29, 1973.

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 29, 1973, 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

As our company continues to expand and progress, we have kept abreast of the changing times by being open to new ideas. The condition of the labor market has led us to instigate several employee-oriented programs.

Personnel Administrators, whose primary function is to interview, select and be of service to employees, have been assigned to our six largest plants. These men work closely with their Plant Managers, assisting in other areas such as OSHA compliance.

Two registered nurses have been employed to serve the Newton and Lincolnton plants by administering first aid, counselling with employees regarding health problems, following up on Workmen's Compensation cases and conducting pre-employment screening physical examinations. The industrial nurse stationed in Newton is presently working with the Pulmonary Function program, while the Lincolnton based nurse is involved in the area of Audiometric Hearing evaluation. Both nurses have been successful in introducing our employees to good health procedures and illness preventive measures.

A Public Relations Department has been established in efforts to strengthen communications with employees and to improve the image of the textile industry in the community. In this connection, prime time was purchased on television to emphasize to 2.5 million adult viewers the existence of first-class jobs at Carolina Mills in clean plants with a pleasant atmosphere. This venture not only received favorable response from other textile manufacturers, but also helped our employees feel they are part of a growing, exciting industry.

### SALES YARN DIVISION

The Yarn Division's biggest milestone during this year has been the installation of open end spinning at Plant No. 8 in Maiden, with nineteen frames currently in production. The addition of this unit established Carolina Mills as a leader in the sales yarn industry with open end spinning. Customer acceptance and reaction has been enthusiastic to the point that we are unable to keep up with the demand it has created. Another significant step was the removing of cotton and cotton blends from our production to spin exclusively synthetic blends, which enables us to include a greater variety of fashion yarns for knit outerwear. Some of our most successful yarns this year have been the Polyester/Silk produced at Plant No. 1, Polyester/Flax and Acrylic/Viscose from Plant No. 5. An interesting combination being spun at Plant No. 5 is a blend of Polyester/Wool/Rabbit Hair which knits into a very attractive heather fabric.

Two new Schlafhorst winders, which will convert from cones to die packages, have been added to Plant No. 1 to create more versatility. Plant No. 2 has begun the process of converting all manual winding to Schlafhorst automatic winders for increased production. One half the manual winding at No. 6 was replaced with Schweiter automatic winders. At Plant No. 12 the carding area is being completely renovated to provide a more orderly flow of production and a clean place to work.

Production from our entire yarn division this year has been processed into the following: 33% knit outerwear, 25% sliver knit, 19% home furnishings, 13% elastic webbing, 10% flame retardant children's sleepwear. We anticipate growth in the flame retardant sleepwear program in the coming year.

Overall, the yarn division experienced a very good year but the future is uncertain. Polyester and acrylic fibers are made from chemicals extracted from petroleum. The oil shortage is resulting in a curtailment of these fibers and we will be hard pressed to secure enough fiber to keep all of our spindles operating next year.

### KNITTING DIVISION

The expansion program at our tubular knit finishing operation, Plant No. 4, was completed in May, 1973, however we were unable to hire sufficient personnel to realize an increase in production. In August a new three day work schedule was installed, consisting of two shifts working twelve hours per day. One group works Monday, Tuesday, Wednesday; another group works Thursday, Friday and Saturday. Every four weeks the groups switch their working day schedule. Now that we have a full staff of employees, our customers cannot send us larger quantities of cloth to be finished because of the yarn shortage that exists.

MoBill Textiles, our outerwear finishing plant, had a slow year. The market for double knits and warp knits continues to be very depressed. Production has begun picking up and could get much better in a short time. The finishing of single knits and texturized wovens have been included in the program at MoBill which should increase the production level.

The energy crisis is a major concern of Plant No. 4 and MoBill as these plants consume large amounts of natural gas, propane gas and fuel oil. Every effort is being made to keep abreast of this situation so that we may operate our plants on a full time basis. It is not clear at this time what allocations of fuel will be made to industry. Plant No. 4 has been equipped with 110,000 gallons of storage and MoBill in Wilmington has 40,000 gallons storage for fuel oil. Each plant has 30,000 gallons storage for propane gas.

Our warp knitting operation in Hickory, Plant No. 15, has been considerably hampered during 1973 by an oversupply of fabric in the knitted outerwear markets. However, with the addition of a new sample laboratory we have developed an extensive line of fabrics containing our open end spun yarn in combination with textured polyester. This is currently the largest line of warp knit fabrics containing open end spun yarns in the market and should significantly increase our business during 1974.

### WOVEN FABRIC DIVISION

Plant No. 3 in Newton has experienced some drop in production this past year due to a tighter labor market. The demand for flannels from the work glove manufacturers has increased. Plant No. 3 has on order ten open-end spinning frames. The first two are being installed in November and we anticipate having the other eight delivered, installed, and running by early 1974. These spinning frames will offset most of our labor shortage experienced in the past year. With these additions, Plant No. 3 should be able to run at or near full capacity once again.

Plant No. 14 is running exclusively on upholstery fabrics for the furniture trade. Orders for this plant are strong and we anticipate 1974 being better than any that we have had for the past several years providing the yarns required to make these fabrics are available. In July, 1973, an agreement was reached with a new selling agency, Murray-Frye-Adams-Luedtke, Inc., headquartered in High Point to handle Carolina Mills sales for this plant. Sales have increased, and we anticipate a good year.

As a tribute to our employees, National Textile Month was observed in April with Open House conducted in all plants. Employees brought more than 3,000 friends and relatives to visit their place of employment. It was during this celebration that the slogan "CAROLINA MILLS - WHERE PEOPLE MAKE THE DIFFERENCE" was selected from employees' suggestions. And it is with this thought that we plan our operations for the future.

## DISTRIBUTION OF EACH DOLLAR OF INCOME YEAR ENDED SEPT. 29, 1973

Total Income	\$46,811,546	100.00%
Cost of Raw Materials, Services and Supplies	28,330,948	60.53%
Paid in Taxes and Donations	1,835,303	3.92%
Paid in Dividends To People whose Savings are Invested in This Business	539,745	1.15%
Depreciation (Wear and Tear) on Building and Equipment	1,719,730	3.67%
Retained Earnings Used in The Growth of this Business	1,293,928	2.76%
Cost of Wages and Salaries	11,049,681	23.60%
Additional Benefits of Employees (Company's Share of Social Security Taxes, Pension Trust, Group Insurance, Employees Welfare, Vacation Pay & Bonus and Profit Sharing)	2,042,211	4.37%
	\$46,811,546	100.00%





## STATEMENT OF EARNINGS AND EARNINGS RETAINED

YEAR ENDED SEPTEMBER 29, 1973  
WITH COMPARATIVE FIGURES  
FOR 1972

	1973	Fiscal Year	1972
Net Sales .....	\$45,674,963		\$40,868,715
Cost of Sales .....	43,365,880		39,038,185
	<u>2,309,083</u>		<u>1,830,530</u>
Other Income (Deductions) Net .....	173,797		66,364
Net Income Before Taxes .....	2,482,880		1,764,166
Income Taxes (Footnote E) .....	1,094,647		719,982
Net Income Before Extraordinary Item .....	1,388,233		1,044,184
Extraordinary Item – Gain on Sale of Assets of Discontinued Operations			
Net of Applicable Income Taxes .....	<u>445,440</u>		<u>–0–</u>
Net Earnings .....	1,833,673		1,044,184
Retained Earnings at Beginning of Year .....	6,373,709		5,837,202
	<u>8,207,382</u>		<u>6,881,386</u>
Add – Prior Years Income Tax Adjustment .....	148,469		32,058
	<u>8,355,851</u>		<u>6,913,444</u>
Dividends Paid .....	539,745		539,735
Retained Earnings at End of Year .....	<u>7,816,106</u>		<u>6,373,709</u>
Per Share of Common Stock:			
Earnings Before Extraordinary Item .....	41.15¢		30.95¢
Extraordinary Item .....	13.21		
Net Earnings .....	<u>54.36¢</u>		<u>30.95¢</u>

Quarterly dividends are paid on approximately the following dates:

January 10th to Stockholders of Record January 1st  
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 .....	\$1,833,673
Depreciation and Amortization .....	1,721,082
Book Value Assets Disposed .....	171,965
Prior Years Adjustment. RAR .....	160,873
Proceeds Sale of Stock .....	325
	<u>\$3,887,918</u>

### DISPOSITION OF WORKING CAPITAL

Plant and Equipment .....	\$2,500,521
Cash Dividends Paid .....	539,745
Decrease in Term Notes .....	569,231
Increase in Other Assets .....	49,934
Prior Years Income Tax .....	81,567
Increase in Working Capital .....	146,920
	<u>\$3,887,918</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

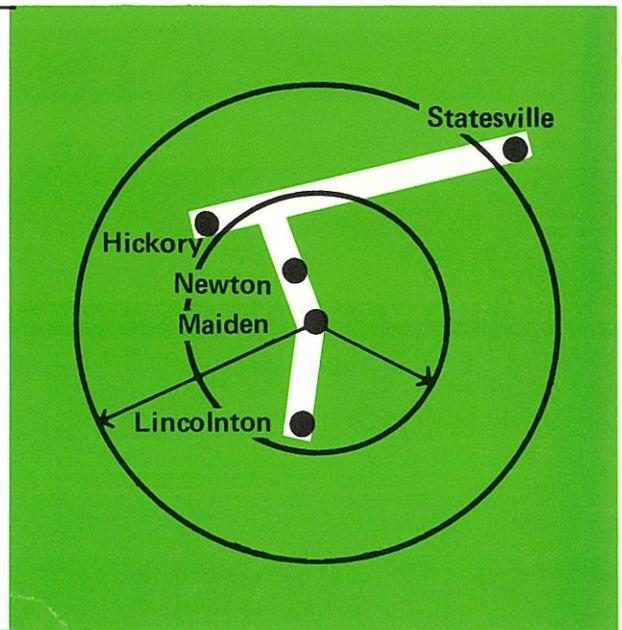
Plant No. 12 – Fine Count Yarns

#### 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



### 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