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THE HAMILTON COTTON CO., Limited
HAMILTON, ONTARIO
And Its Subsidiary
TRENT COTTON COMPANY LIMITED

TENTH ANNUAL REPORT
For Year Ending December 24th, 1937

February 18th, 1938.

To the Shareholders:—

Your Directors submit herewith the Tenth Annual Report and Financial Statement of the Company, as at December 24th, 1937.

After pricing inventories at not more than the lower of cost or market value, providing for all manufacturing, administrative, selling expenses, depreciation, and Bond Interest, the gross profits for the year were \$137,378.80. From this has been deducted Directors' Fees and Reserve for Federal and Provincial Taxes, leaving a net profit of \$111,778.80.

Four quarterly dividends were paid on account of Preferred Dividends in arrears, amounting to \$38,024.00. Surplus now stands at \$559,037.34 as compared with \$490,095.73 last year.

The Directors have declared a dividend of 50 cents per share, plus a dividend of 50 cents per share against arrears on the outstanding Preferred Stock, making a total distribution of \$1.00 per share, payable April 1st, 1938, to Shareholders of record on March 15th.

Sales during the last year showed a moderate increase but the advance in the cost of raw materials during the earlier months, followed by drastic declines of both materials and merchandise later in the year, prevented the anticipated increase in earnings.

The immediate outlook is uncertain but the management are hopeful of improvement as the year progresses.

The power installation mentioned in the last report is completed satisfactorily and is resulting in economical operation.

Your Directors wish to express their appreciation of the loyal co-operation of the Staff.

By Order of the Board of Directors.

ALAN V. YOUNG,
President.

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THE HAMILTON COTTON CO., Limited

And Its Subsidiary

TRENT COTTON COMPANY LIMITED

BALANCE SHEET AS AT 24th DECEMBER, 1937

ASSETS

Current Assets:—

Cash in Bank and on hand	\$ 93,438.58	
Accounts Receivable, less Reserve	189,297.19	
Deposit with Fire Insurance Co.	15,211.20	
Inventories at not more than the lower of Cost or Market Values	575,803.96	
		\$ 873,750.93
Deferred Expense		6,779.21

Fixed Assets:—

Real Estate, Buildings, Machinery and Equipment	\$ 2,990,906.83	
Less Reserve for Depreciation	1,230,382.92	
		1,760,523.91
		<u>\$ 2,641,054.05</u>

Approved on behalf of Directors,
A. V. YOUNG, Director.
J. V. YOUNG, Director.

AUDITORS' CERTIFICATE

We have examined the books and accounts of The Hamilton Cotton Company Limited, and its Subsidiary, Trent Cotton Company Limited, for the year ended 24th December, 1937.

We certify that all our requirements as Auditors have been complied with, and that, in our opinion, the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of the Company and its wholly owned Subsidiary, Trent Cotton Company Limited, according to the best of our information and the explanations given to us, and as shown by the books of these Companies.

The Inventories have been taken at not more than the lower of Cost or Market Value as certified by the Management.

The Real Estate, Buildings, Machinery and Equipment are shown at appraisal value by Lockwood, Greene & Co. of Boston dated 5th April, 1928, and subsequent additions at cost.

Hamilton, Ontario, February 17th, 1938.

C. S. SCOTT & CO.
Chartered Accountants.

LIABILITIES

Current Liabilities:—

Accounts Payable	\$ 55,917.63	
Accrued Wages and Expenses	21,755.50	
Accrued Bond Interest	9,186.25	
Provision for Federal and Other Taxes (Estimated)	25,157.33	
		\$ 112,016.71

Secured Notes, Trent Cotton Company Limited, due May 1, 1939

85,000.00

First Mortgage Sinking Fund Gold Bonds Series "A" due 1st April

1948, 5½%

\$ 1,000,000.00

Less Redeemed through Sinking Fund, or held for Redemption

276,000.00

724,000.00

Capital:—

Cumulative Convertible Sinking Fund Preferred Shares

Authorized and Issued

20,000 shares. \$ 600,000.00

Less Redeemed and Cancelled

1,300 shares. 39,000.00

Outstanding, 18,700 shares at

561,000.00

20,000 Common Shares

600,000.00

Capital Surplus

\$ 153,744.77

Distributable Surplus

405,292.57

559,037.34

\$ 2,641,054.05

NOTE.—The Dividends on Cumulative Convertible Sinking Fund Preference Shares are in arrears from 1st October, 1934, to an amount of \$121,550.00.

THE HAMILTON COTTON CO., Limited

And Its Subsidiary

TRENT COTTON COMPANY LIMITED

SCHEDULE "A"

SURPLUS ACCOUNT

Balance as at 26th December, 1936.....		\$ 490,095.73
DEDUCT:—		
Premium on Bonds and Preferred Stock Redeemed for Sinking Fund.....	\$ 2,137.50	
Additional Taxes for periods prior to 1937.....	2,675.69	
		4,813.19
		\$ 485,282.54
Add Profits for year to 24th December, 1937, as per Schedule B.....	\$ 111,778.80	
Less Dividends paid on Cumulative Con. Sinking Fund Preferred Shares.....	38,024.00	73,754.80
		\$559,037.34

SCHEDULE "B"

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR YEAR ENDED 24th DECEMBER, 1937

Net Operating Profit after Depreciation, Management and Executive Salaries, etc.*	\$ 177,017.26	
Income from Investments.....		86.54
		\$ 177,103.80
DEDUCT:—		
Bond Interest	\$ 39,725.00	
Provision for Federal and Other Taxes.....	24,200.00	
Directors' Fees	1,400.00	
		65,325.00
		\$111,778.80

*Provision for Depreciation of Fixed Assets amounted to \$121,510.05, and the Executive Remuneration to \$34,205.72.