

C
Stack

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

ELEVENTH ANNUAL REPORT
For Year Ending December 31st, 1938

February 15th, 1939.

To the Shareholders:—

Your Directors submit herewith the Eleventh Annual Report and Financial Statement of the Company as at December 31st, 1938.

After pricing inventories at not more than the lower of cost or market value, providing for all manufacturing, administrative, selling expenses and depreciation, the gross profits for the year were \$135,554.04. From this has been deducted bond interest, provision for Federal and Provincial taxes and Directors' fees, leaving a net profit of \$70,688.18.

Dividends on the preferred stock to the amount of \$46,535.00 were paid during the year.

The decreased profits are directly attributable to the severe drop in the volume of our products manufactured and sold. Prospects for the coming year seem to point to some improvement. The artificial nature of the Cotton Futures Market, reflecting as it does the attempt to fix cotton prices by the United States Government, has increased the risks in making provision for raw cotton supplies, and further, has reduced the buying of finished goods to a hand-to-mouth basis.

An extensive program of machinery renewal and rehabilitation at both the Hamilton and Trenton plants was undertaken during the year. These changes should result in important savings and improvements. They are already partially completed and will be finished during the first half of the present year.

The 5½% bond issue of the Company and the secured notes of the Trent Cotton Company, Limited, have been retired, and a new bond issue of \$1,150,000.00 was sold at attractive rates. The new money is being used for the purposes mentioned above.

The effect of these changes gives your Company the benefit of the most modern machinery at a nominal increase in total interest charges.

All the costs of the new financing have been written off as shown in the Company's Statement.

The 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.

PURVIS HALL
LIBRARIES

FEB 4 1939

McGILL

THE HAMILTON COTTON CO., Limited

And Its Subsidiary

TRENT COTTON COMPANY LIMITED

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1938

ASSETS

Current Assets:—			
Cash on hand and in banks.....	\$	139,667.62	
Accounts and Notes Receivable.....		150,090.74	
Inventories at not exceeding the lower of cost or market value, as determined and certified to by responsible officials of the Company.....		607,678.10	
Sundry deposits with Fire Insurance Company, etc.....		19,594.12	\$ 917,030.58
Balance of cash proceeds of bond issue which it is planned to use for additions to Plant and Equipment.....			194,010.91
Deferred Charges.....			26,082.73
Fixed Assets:—			
Real Estate, as appraised by Mr. F. Kent Hamilton, under date of April 5, 1928.....	\$	153,892.00	
Buildings, Machinery and Equipment, as ap- praised by Lockwood, Greene & Co., Inc., under date of April 5, 1928, at replacement cost, less depreciation, with subsequent additions at cost, less adjustments.....	\$	2,944,551.45	
Deduct Reserve for Depreciation.....		<u>1,300,859.30</u>	<u>1,643,692.15</u>
			\$ 1,797,584.15
Approved on behalf of Directors:			
ALLAN V. YOUNG, Director			
JAMES V. YOUNG, Director			
TOTAL			<u>\$ 2,934,708.37</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the accounts of The Hamilton Cotton Company, Limited, and its subsidiary company, Trent Cotton Company, Limited, for the period from December 25, 1937, to December 31, 1938, and in accordance with the provisions of the Companies Act (Dominion), we have to report that we have obtained all the information and explanations we have required and, in our opinion, the above Consolidated Balance Sheet as at December 31, 1938, is properly drawn up so as to exhibit a true and correct view of the state of the Companies' affairs, on a consolidated basis as at December 31, 1938, according to the best of our information and the explanations given to us and as shown by the books of the Companies.

Hamilton, Ontario, February 9, 1939.

PEAT, MARWICK, MITCHELL & CO.,
Auditors.

LIABILITIES

Current Liabilities:—			
Accounts Payable.....	\$	73,119.88	
Accrued Wages, etc.....		21,939.47	
Preferred Dividend due January 2, 1939.....		9,242.50	
Reserve for Dominion and Provincial Income and Corporation Taxes — Estimated.....		17,430.15	
Accrued Bond Interest.....		18,915.41	\$ 140,647.41
First Mortgage and Collateral Trust Bonds:			
3% Serial Bonds due August 1, 1939, to August 1, 1943.....	\$	300,000.00	
4¼% Sinking Fund Bonds due August 1, 1950.....		850,000.00	\$ 1,150,000.00
Capital Stock:—			
Authorized:			
Cumulative Convertible Sinking Fund Preference Stock, 20,000 shares of a par value of \$30.00 each.....		600,000.00	
Common Stock, 20,000 shares of a par value of \$30.00 each.....		<u>600,000.00</u>	
Issued:			
Preference shares 20,000 shares fully paid.....		600,000.00	
Less redeemed 1,515 shares.....		<u>45,450.00</u>	
		18,485 shares	554,550.00
Common shares — 20,000 shares fully paid.....		600,000.00	1,154,550.00
Surplus:			
Capital.....	\$	112,593.09	
Earned.....		576,917.87	
TOTAL			<u>\$ 2,934,708.37</u>

NOTE: — Dividends on the Cumulative Preference Stock are in arrears in the amount of \$110,910.00.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Operating Profit before Directors' fees and after deduction of Depreciation of \$105,919.45 and payment of Executive Salaries in the amount of \$35,316.30.....	\$ 135,393.39
Income from Investments.....	160.65
	<u>\$ 135,554.04</u>
DEDUCT: —	
Bond and other Interest.....	\$ 45,815.86
Directors' Fees.....	1,400.00
Provision for Dominion and Provincial Taxes.....	17,650.00
	<u>64,865.86</u>
Net Profit for the Year ended December 31, 1938.....	<u>\$ 70,688.18</u>

CONSOLIDATED SURPLUS ACCOUNT

EARNED SURPLUS ACCOUNT:—

Balance as at December 24, 1937.....	\$ 405,292.57
DEDUCT: —	
Profits on Sale of Investments and other adjustments (net) prior to December 24, 1937, transferred to Capital Surplus Account.....	\$ 8,001.30
Refinancing Charges: —	
Discount on issue of bonds.....	28,750.00
Refinancing expenses including legal expenses.....	9,866.77
	<u>46,618.07</u>
Less adjustment of prior year profits.....	3,332.69
	<u>43,285.38</u>
	<u>\$ 362,007.19</u>
ADD: —	
Net Profit for the period ended December 31, 1938.....	70,688.18
Less Dividends on Preference Stock paid during 1938.....	\$ 46,535.00
Declared December 5, 1938, payable January 2, 1939.....	9,242.50
	<u>55,777.50</u>
	<u>14,910.68</u>
Earned Surplus as at December 31, 1938.....	<u>\$ 376,917.87</u>

CAPITAL SURPLUS ACCOUNT:—

Balance as at December 24, 1937.....	\$ 153,744.77
Add Profits on sale of Investments and other adjustments (net) prior to December 24, 1937, transferred from Earned Surplus Account.....	8,001.30
	<u>161,746.07</u>
DEDUCT: —	
Premium on redemption of Preference Stock and Bonds.....	\$ 22,651.25
Interest adjustments during period of refinancing.....	3,297.92
Loss on disposal of machinery, etc.....	23,203.81
	<u>49,152.98</u>
Capital Surplus as at December 31, 1938.....	<u>\$ 112,593.09</u>