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

FIFTEENTH ANNUAL REPORT
For Year Ending December 26th, 1942

February 27, 1943.

To the Shareholders,—

Your Directors submit herewith the Fifteenth Annual Report and Financial Statement of the Company, as at December 26th, 1942.

After providing for all manufacturing, administrative and selling expenses and depreciation, and after deducting bond interest, directors' fees and making provision for all taxes, the net profits for the year were \$143,307.79.

During the year, the regular Preference Dividends of 50c per share per quarter were paid. There was also declared during the year \$2.00 per share which eliminates all outstanding arrears of Dividends on the Preference Shares. Dividends of 40c per share were declared on the Common Stock of the Company.

The Company has entered into an agreement with the Commodity Prices Stabilization Corporation Limited, covering the Company's inventory and cost of cotton. This agreement was considered necessary owing to the fact that the Wartime Prices and Trade Board fixed the maximum prices at which the Company's products may be sold. The agreement went into effect from the beginning of the year covered by this statement and adjusts the cost of cotton to a proper relationship with these fixed selling prices and is reflected in the Balance Sheet. The effect of this will be to stabilize operating conditions.

Under present conditions, there is a full demand for all the materials that the Company can manufacture. Production, however, has been reduced to some extent from maximum capacity by difficulties of employment and absenteeism. Nevertheless, reasonably satisfactory results are anticipated.

The physical condition of the plant has been well maintained, and depreciation has been charged at the usual rates.

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

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 26, 1942

ASSETS

Current Assets:

| | | |
|---|----|------------|
| Cash on Hand and in Banks..... | \$ | 38,941.24 |
| Accounts and Notes Receivable..... | | 363,415.20 |
| Investment in Dominion of Canada Bonds at Cost (Market Value \$353,605.00)..... | | 355,313.75 |
| Due from Employees re Victory Loan Subscriptions, secured by Dominion of Canada Bonds (Market Value \$50,589.00)..... | | 38,105.40 |

Inventories:

Represented by Cotton Account adjusted from cost under agreement with Commodity Prices Stabilization Corporation, Limited, to give effect to subsidy assistance contingently repayable..... \$ 1,734,851.17

Other Inventories at not exceeding the lower of cost or market value, as determined and certified to by responsible officials of the Company, less Reserves..... 298,998.76 2,033,849.93

Deposits with Fire Insurance Company..... 22,969.35

Total Current Assets..... 2,852,594.87

Deferred Charges..... 25,012.94

Other Investments..... 3,527.00

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 appraised by Lockwood, Greene & Co., Inc., under date of April 5, 1928, at replacement cost less depreciation, with subsequent additions at cost, less adjustments..... \$ 3,262,081.12

Deduct Reserve for Depreciation..... 2,003,290.47 1,258,790.65 1,412,682.65

Total..... \$ 4,293,817.46

Signed on behalf of the Board:

ALAN V. YOUNG, Director

JAMES V. YOUNG, Director

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 28, 1941, to December 26, 1942, 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 appended Consolidated Balance Sheet as at December 26, 1942, 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 26, 1942, 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 23, 1943.

PEAT, MARWICK, MITCHELL & CO.,
Auditors.

LIABILITIES

Current Liabilities:

| | | |
|---|----|--------------|
| Bank Loans (Secured)..... | \$ | 1,270,000.00 |
| Accounts Payable..... | | 95,332.62 |
| Accrued Wages, etc..... | | 53,460.66 |
| Preferred Dividend due January 2, 1943..... | | 8,817.50 |
| Common Dividend due January 2, 1943..... | | 2,000.00 |
| Reserve for Dominion Income and Excess Profits Taxes — Estimated..... | | 46,511.45 |
| Accrued Bond Interest..... | | 15,334.32 |

Total Current Liabilities..... 1,491,456.55

First Mortgage and Collateral Trust Bonds:

| | | |
|--|----|-----------------------|
| 3% Serial Bonds due August 1, 1943..... | \$ | 65,000.00 |
| 4¼% Sinking Fund Bonds due August 1, 1950..... | | 850,000.00 915,000.00 |

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..... | 600,000.00 |

Issued:

| | |
|---|-------------------------|
| Preference shares 20,000 shares fully paid..... | 600,000.00 |
| Less redeemed 2,365 shares..... | 70,950.00 |
| 17,635 shares..... | 529,050.00 |
| Common shares—20,000 shares fully paid..... | 600,000.00 1,129,050.00 |

Surplus:

| | |
|--------------|-----------------|
| Capital..... | 66,501.46 |
| Earned..... | 691,809.45 |
| TOTAL..... | \$ 4,293,817.46 |

CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | | |
|---|----|-------------------|
| Net Operating Profit before Directors' Fees and after deduction of Depreciation of \$248,835.95 and payment of Executive Salaries in the amount of \$49,092.02..... | \$ | 274,131.46 |
| Income from Investments..... | | 4,652.83 |
| | | <u>278,784.29</u> |
| DEDUCT: | | |
| Bond Interest..... | \$ | 39,076.50 |
| Directors' Fees..... | | 1,400.00 |
| Provision for Dominion Income and Excess Profits Taxes—Estimated..... | | 95,000.00 |
| | | <u>135,476.50</u> |
| Net Profit for Period ended December 26, 1942..... | \$ | <u>143,307.79</u> |

CONSOLIDATED SURPLUS ACCOUNT

EARNED SURPLUS:—

| | | |
|---|----|-------------------|
| Balance as at December 27, 1941..... | \$ | 567,854.16 |
| ADD: | | |
| Net Profit for Period ended December 26, 1942..... | \$ | 143,307.79 |
| Reserve for previous years' income and excess profits taxes not required..... | | 60,000.00 |
| | | <u>203,307.79</u> |
| | | 771,161.95 |
| DEDUCT DIVIDENDS PAID AND ACCRUED DURING 1942: | | |
| Preference Stock..... | | 71,352.50 |
| Common Stock..... | | 8,000.00 |
| | | <u>79,352.50</u> |
| Earned Surplus as at December 26, 1942..... | \$ | <u>691,809.45</u> |

CAPITAL SURPLUS:—

| | | |
|--|----|------------------|
| Balance as at December 27, 1941..... | \$ | 66,822.48 |
| Add Profit on disposal of Machinery, etc..... | | 1,578.98 |
| | | <u>68,401.46</u> |
| DEDUCT: | | |
| Loss on sale of Investments..... | \$ | 1,500.00 |
| Premium on Redemption of Preference Stock..... | | 400.00 |
| | | <u>1,900.00</u> |
| Capital Surplus as at December 26, 1942..... | \$ | <u>66,501.46</u> |