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

EIGHTEENTH ANNUAL REPORT
For Year Ending December 29th, 1945

March 6th, 1946.

To the Shareholders:

Your Directors submit herewith the Eighteenth Annual Report and Financial Statement of the Company as at December 29th, 1945.

After providing for all manufacturing, administrative and selling expenses and depreciation, and after deducting bond interest, directors' fees and legal fees and making provision for all taxes, the net profits for the year were \$132,097.37.

Regular quarterly dividends were paid on the Common Stock at the rate of 90c per share per annum.

Production at both the Company's plants is improving as more labour has become available, and further gradual improvement is anticipated as our new employees become experienced. We expect a full demand for all the Company's products during the present year.

Our prices are controlled by the Wartime Prices and Trade Board, and consequently we are still working under an agreement with the Commodity Prices Stabilization Corporation which in effect provides us with cotton more in relation to our controlled prices.

The re-financing, mentioned in our last report, was completed and is reflected in the Balance Sheet. Comprehensive plans for extension and re-arrangement of our plant facilities are being carried out, and a building owned by the Company in Dundas, Ontario, is being re-fitted for manufacturing purposes. There is delay in getting the necessary machinery and equipment and the changes will not be entirely completed until sometime in 1947.

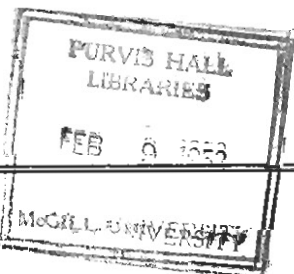
At the last Annual Meeting, Mr. H. B. Stewart and Mr. W. L. McMahon were elected to the Board of Directors. Mr. Stewart was the former Cotton Administrator for the Wartime Prices and Trade Board and has been actively connected with this Company's selling agents, Wm. B. Stewart & Sons, Ltd., for many years. Mr. McMahon has held responsible positions with and been an active member of our organization. He has lately been appointed Works Manager in place of Mr. Fred Allen who has resigned to take a position in the United States.

The plant has been maintained in good operating condition and full allowable depreciation has been set up.

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.



THE HAMILTON COTTON CO., Limited

and its wholly owned subsidiary

TRENT COTTON COMPANY LIMITED

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 29, 1945

ASSETS

Current Assets:

Cash in banks and on hand	\$ 74,939.16
Accounts and notes receivable	236,989.95
Due by Commodity Prices Stabilization Corporation, Limited	131,532.32
Investment in Dominion of Canada bonds at cost and accrued interest (quoted value \$856,792.20)	845,963.25
Due from employees re Victory Loan subscriptions, secured by Dominion of Canada bonds (quoted value \$114,837.00)	99,403.92
Inventories at not exceeding the lower of cost or market value, as determined and certified to by responsible officials of the Company, less reserves	550,745.07
Deposit with fire insurance company	32,052.35

\$ 1,971,626.02

Deferred charges	69,877.20
Other investments	2.00

Investment in Dominion of Canada bonds at cost and accrued interest (quoted value \$618,750.00) — appropriated for additions and improvements to fixed assets	612,000.00
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Fixed Assets:

Real estate, as appraised by Mr. F. Kent Hamilton, under date of April 5, 1928, with subsequent additions at cost, less adjustments	\$ 145,307.00
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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	\$ 3,291,525.11
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Deduct reserve for depreciation	2,389,796.61	901,728.50	1,047,035.50
			\$ 3,700,540.72

Signed on behalf of the Board:

ALAN V. YOUNG, Director
JAMES V. YOUNG, Director

LIABILITIES

Current Liabilities:

Accounts payable	\$ 131,913.82
Accrued wages, etc.	50,586.47
Reserve for Dominion income and excess profits taxes, less amount paid on account — estimated	57,235.48
Accrued bond interest	16,260.62
First mortgage and collateral trust 3% serial bonds due March 1, 1946	85,000.00
	\$ 340,996.39

First Mortgage and Collateral Trust Bonds:

3% Serial bonds maturing \$85,000.00 per annum, March 1, 1947, to March 1, 1955, inclusive	\$ 765,000.00
3½% Sinking fund bonds due March 1, 1959	650,000.00
	1,415,000.00

Capital Stock:

Authorized and Issued:	
Common stock 80,000 shares of no par value	1,200,000.00

Surplus:

Capital	69,641.50
Earned	674,903.03
	\$ 3,700,540.72

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 31, 1944, to December 29, 1945, 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 of December 29, 1945, 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 of December 29, 1945, 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 18, 1946.

PEAT, MARWICK, MITCHELL & CO.,

Auditors

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Net operating profit before directors' fees and after deduction of depreciation of \$124,931.72 and payment of executive salaries in the amount of \$54,846.86.....	\$	232,944.43
Income from investments.....		32,733.31
Fire loss adjustment.....		4,898.00
	\$	<u>270,575.74</u>
DEDUCT:		
Bond interest.....	\$	44,675.66
Directors' fees.....		1,800.00
Legal fees.....		1,002.71
Provision for Dominion income and excess profits taxes — estimated.....	91,000.00	138,478.37
Net profit for period ended December 29, 1945	\$	<u><u>132,097.37</u></u>

CONSOLIDATED SURPLUS ACCOUNT

EARNED SURPLUS:

Balance as of December 30, 1944.....	\$	648,064.19
Deduct cost of refunding and issue of bonds, including legal expenses.....		33,258.53
	\$	614,805.66
Add net profit for period ended December 29, 1945.....		132,097.37
	\$	746,903.03
Deduct common dividends paid.....		72,000.00
Earned Surplus as of December 29, 1945.....	\$	<u><u>674,903.03</u></u>

CAPITAL SURPLUS:

Balance as of December 30, 1944.....	\$	70,052.71
Deduct loss on disposal of fixed assets.....		411.41
Capital Surplus as of December 29, 1945.....	\$	<u><u>69,641.30</u></u>