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Annual Report

FOR THE YEAR ENDED MARCH 31, 1958

CANADIAN COTTONS, LIMITED







CANADIAN COTTONS, LIMITED

INCORPORATED 1892

Head Office: 760 Victoria Square, Montreal

Officers

L. C. BONNYCASTLE, *President*
A. S. BRUNEAU, *Vice-President*
D. R. GORMLEY, *Vice-President — Administration and Secretary-Treasurer*
J. D. PADDON, *Vice-President — Production*

Directors

| | |
|--------------------------------------|-------------------------------|
| L. C. BONNYCASTLE, <i>Toronto</i> | H. R. JACKMAN, <i>Toronto</i> |
| A. S. BRUNEAU, Q.C., <i>Montreal</i> | J. A. LOWDEN, <i>Toronto</i> |
| C. P. FELL, <i>Toronto</i> | J. D. PADDON, <i>Cornwall</i> |
| H. B. FEWKES, <i>Montreal</i> | B. H. RIEGER, <i>Toronto</i> |
| J. G. GLASSCO, <i>Toronto</i> | A. C. SALTER, <i>Montreal</i> |
| D. R. GORMLEY, <i>Montreal</i> | J. M. WELLS, <i>Montreal</i> |

THE ROYAL TRUST CO., MONTREAL AND TORONTO *Stock Transfer Agent*
BANK OF MONTREAL, MONTREAL *Bankers*
THE CANADIAN BANK OF COMMERCE, MONTREAL
MONTREAL STOCK EXCHANGE *Stock Listed*

Operating

ONTARIO MILL, HAMILTON, ONT. CANADA MILL, CORNWALL, ONT.
DUNDAS MILL, CORNWALL, ONT.

Subsidiaries

CORNWALL AND YORK COTTON MILLS COMPANY, LIMITED, SAINT JOHN, N.B.
THE ROSAMOND WOOLLEN COMPANY LIMITED, ALMONTE, ONT.

Annual Report

OF THE DIRECTORS OF **CANADIAN COTTONS, LIMITED**
YEAR ENDED MARCH 31, 1958

TO THE SHAREHOLDERS:

The financial results of your Company's operations during the year ended March 31, 1958 are given in the attached statements. These statements with the Auditors' Report thereon are submitted for your approval.

Operating Results

Despite conditions which resulted in increased competition throughout the industry, particularly from the United States and low wage countries, your Company showed somewhat improved financial results. During the year a net profit of \$29,877 was earned after the provision of \$550,000 for depreciation. The earnings before depreciation, \$579,877, compares with \$278,638 for the preceding year during which period no provision was made for depreciation. It should be pointed out that the maximum depreciation that could be claimed for tax purposes with respect to the current year is \$1,334,467.

The fact that your Company was able to show improved results during the year is indicative of greater plant efficiency with reduced overhead and other costs, for sales were down from the figures of recent years. The Canadian primary cotton textile manufacturing industry in 1957 showed a more severe loss of its market to imports than in any previous year. Only 46% of the total yardage of cotton fabrics sold in Canada during the calendar year 1957 was the product of Canadian mills compared to 51% in 1956 and your Company suffered in this reduction of sales. Under these conditions the fact that an improvement was recorded is gratifying.

Working Capital

Working capital at March 31, 1958 is \$7,728,674 reflecting a decrease of \$580,452 during the year. This is the result of capital expenditures, the purchase of The Rosamond Woollen Company Limited from Textile Sales, Limited, the inclusion of \$510,000 of funded debt due within one year in current liabilities less the cash earnings.

Textile Sales, Limited

This associated company has reduced its operations substantially during the past year. It became obvious that conditions in the synthetic division of the industry were such that it was not economically sound to operate the rayon plants of the Company and the decision was made to close the mills at Milltown, N.B. and the rayon spinning mill at Grand'Mere, Que. The Rosamond Woollen Mill at Almonte, Ontario, was purchased by Canadian Cottons, Limited as of June 30, 1957 and is spinning woollen and rayon yarns and weaving synthetic blankets. The other mills mentioned have been closed, the machinery sold and the mill buildings offered for sale. As a consequence it has been possible to reduce greatly the overhead and selling costs of the remaining mills.

Industry Conditions

As mentioned earlier, competition continues to be severe and the Canadian industry is doing everything possible to retain and even extend its share of the home market. Despite these efforts imports of cotton goods are increasing from month to month.

No country, with a substantial textile industry, other than Canada, allows foreign cotton goods to absorb a major part of the home market and the extent of this problem has been recognized by the Government which has referred the question of protection for the industry to the Tariff Board. Hearings on the situation

facing the textile industry are now being held and it may be that, as a result, some of the inequities of the market may be eliminated. Unless adequate steps are taken by the Government of Canada Canadian mills must continue to close down or at best function as marginal operations with all the attendant difficulties this implies and the unhealthy side effects on the economic life of the country.

It is encouraging to know that the Government and the Tariff Board are making a detailed study of the tariffs affecting the industry and that consideration will be given to the changes which have occurred in the economy and in the industry since the last basic changes in our tariff schedules were made in 1938. Inflation and its effect on tariff schedules, changes in wage rates paid in competing countries, the development of industry in low wage countries, relative exchange rates and standards of living all affect the validity of tariff rates. It is only reasonable that these conditions should be studied periodically to see if the purposes for which tariffs were set originally are being fulfilled. Canadian Cottons, Limited supports the representations being made on behalf of the industry by the Primary Textiles Institute to the Tariff Board.

There are other and equally urgent problems concerning Customs law and administration which are not within the purview of the Tariff Board but which are also in need of immediate attention.

Employee Relations

As mentioned earlier there have been improvements during the year in production efficiency. These are due to increased co-ordination between all levels of employees within the Company and a great reduction in the turnover of labour. This latter factor is, of course, a result of the slow down in manufacturing activity generally and in Cornwall a drop in manpower requirements for completing the Seaway and hydro power plants. It is unfortunate that sales were not maintained so that the best interests of all members of the Company could be served and a greater contribution made to the well-being of Cornwall and Hamilton. As it is at present, not only is the Company suffering from the heavy imports of cotton goods but the individual employees are suffering from lay-offs and short time.

Immediate Outlook

Sales of Canadian primary cotton mills in the first three months of 1958 were below the same period in 1957 and general business conditions do not give cause for optimism. At the same time your Company's mills are at present in better physical shape than for many years, operations are increasingly efficient and if there is an improvement in the market your Company will be able to participate in it fully. It can surely be hoped that the present Tariff Board hearings will reveal the real need which we know exists for adequate tariff protection for the industry and that effective Customs legislation will reduce the import of merchandise being offered in Canada at distress prices.

The improvement which was secured in the past year was under particularly difficult circumstances and your Directors want to express their great appreciation of the loyalty and industry of the officers and the staff which made this progress possible.

On behalf of the Directors,

L. C. BONNYCASTLE

President

Auditors' Report

TO THE SHAREHOLDERS

Canadian Cottons, Limited,
Montreal, Que.

We have examined the Consolidated Balance Sheet of Canadian Cottons, Limited and its subsidiaries as at March 31, 1958 and the related Consolidated Statements of Profit and Loss and of Earned Surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying Consolidated Balance Sheet and related Consolidated Statements of Profit and Loss and of Earned Surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company and its subsidiaries as at March 31, 1958 and the results of their operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the Companies.

P. S. ROSS & SONS,
Chartered Accountants.

Montreal, Que.
May 2, 1958.

CANADIAN COTTONS, LIMITED
AND SUBSIDIARY COMPANIES

Consolidated Statement of Profit and Loss

FOR THE YEAR ENDED MARCH 31, 1958
(with comparative figures for 1957)

| | <u>1958</u> | <u>1957</u> |
|--|------------------|-------------------|
| Profit before providing for the undernoted items | \$ 939,046 | \$ 568,596 |
| Deduct: | | |
| Depreciation (see note) | 550,000 | — |
| Bond interest | 230,625 | 147,714 |
| Remuneration of executive officers | 108,380 | 106,826 |
| Directors' fees | 12,233 | 10,075 |
| Legal fees | 3,931 | 10,284 |
| Income taxes | 4,000 | 15,059 |
| | <u>909,169</u> | <u>289,958</u> |
| Net profit for the year | <u>\$ 29,877</u> | <u>\$ 278,638</u> |

NOTE: The maximum capital cost allowance for the 1958 year, calculated in accordance with the Income Tax Regulations, is \$1,334,467.

Consolidated Statement of Earned Surplus

FOR THE YEAR ENDED MARCH 31, 1958
(with comparative figures for 1957)

| | <u>1958</u> | <u>1957</u> |
|---|--------------------|--------------------|
| Balance at beginning of year | \$7,550,275 | \$9,621,637 |
| Add: | | |
| Net profit for the year | 29,877 | 278,638 |
| | <u>7,580,152</u> | <u>9,900,275</u> |
| Deduct: | | |
| Appropriation to reserve against decline in value of investment in associated company | — | 2,350,000 |
| Balance at end of year | <u>\$7,580,152</u> | <u>\$7,550,275</u> |

ASSETS

| | <u>1958</u> | <u>1957</u> |
|--|----------------------------|----------------------------|
| CURRENT: | | |
| Accounts receivable less allowance for doubtful accounts.. | \$ 2,035,094 | \$ 2,507,323 |
| Inventories valued at the lower of cost or market: | | |
| Raw materials, goods in process and finished goods..... | 7,846,143 | 6,816,137 |
| Other materials and supplies..... | 443,934 | 470,963 |
| | <u>8,290,077</u> | <u>7,287,100</u> |
| Prepaid expenses..... | 40,261 | 45,489 |
| | <u>10,365,432</u> | <u>9,839,912</u> |
| Total current assets..... | | |
| Investment in associated company at cost less reserve of \$3,850,000..... | 2,500,000 | 2,500,000 |
| Property and plants at cost..... | 21,098,737 | 20,031,236 |
| Accumulated depreciation..... | 13,777,859 | 12,811,387 |
| | <u>7,320,878</u> | <u>7,219,849</u> |
| | <u><u>\$20,186,310</u></u> | <u><u>\$19,559,761</u></u> |

Signed on behalf of the Board of Directors:

L. C. BONNYCASTLE, *Director*

J. G. GLASSCO, *Director*



BALANCE SHEET

as at March 31, 1958

(with comparative figures for 1957)

LIABILITIES

| | 1958 | 1957 |
|---|--------------|--------------|
| CURRENT: | | |
| Due to bankers..... | \$ 1,039,246 | \$ 430,145 |
| Accounts payable and accrued liabilities..... | 875,851 | 1,025,059 |
| Income and other taxes payable..... | 61,661 | 75,582 |
| 5% debentures of a subsidiary due April 1, 1959..... | 150,000 | — |
| Current portion of funded debt..... | 510,000 | — |
| Total current liabilities..... | 2,636,758 | 1,530,786 |
| FUNDED DEBT: | | |
| First mortgage bonds — | | |
| 5% due \$510,000 September 1, 1958-1961 and | | |
| \$2,460,000 September 1, 1962..... | 4,500,000 | 4,500,000 |
| Less: Current portion shown above..... | 510,000 | — |
| | 3,990,000 | 4,500,000 |
| CAPITAL STOCK: | | |
| Authorized— | | |
| Preferred — 6% non-cumulative | | |
| 207,185 shares of \$20.00 par value..... | \$4,143,700 | |
| Common— | | |
| 175,000 shares of no par value..... | 3,500,000 | |
| | \$7,643,700 | |
| Issued and fully paid— | | |
| Preferred — 159,375 shares..... | 3,187,500 | 3,187,500 |
| Common — 141,610 shares, whereof | | |
| 100 shares were issued during the year pursuant to | | |
| the Company's Stock Option Plan..... | 2,791,900 | 2,791,200 |
| | 5,979,400 | 5,978,700 |
| Retained earnings: | | |
| Consolidated earned surplus — statement attached..... | 7,580,152 | 7,550,275 |
| | \$20,186,310 | \$19,559,761 |

This is the Consolidated Balance Sheet referred to in our Report to the Shareholders dated May 2, 1958.

P. S. ROSS & SONS
Chartered Accountants.

Montreal, Que.

CANADIAN COTTONS, LIMITED

SPINNERS - WEAVERS - CONVERTERS
COMMISSION CONVERTERS

Sales Offices

MONTREAL - HAMILTON - TORONTO
WINNIPEG - EDMONTON - VANCOUVER

Makers of

AWNING • MATTRESS TICKING • EIDERDOWN
FLANNELETTE - Striped - Plain • INTERLINING
POCKETING • FLANNELETTE SHEETING

■ *Work Clothing Fabrics*

DENIM • PANTING • CHAMBRAY
FLANNEL • DRILL
CANTON FLANNEL

■ *Sportswear Fabrics*

PLAYSUIT FABRIC • SPORT DRILL • SATEEN
SHIRTING • FLANNEL • DOESKIN
PRINTED DENIM

■ *Finished Products*

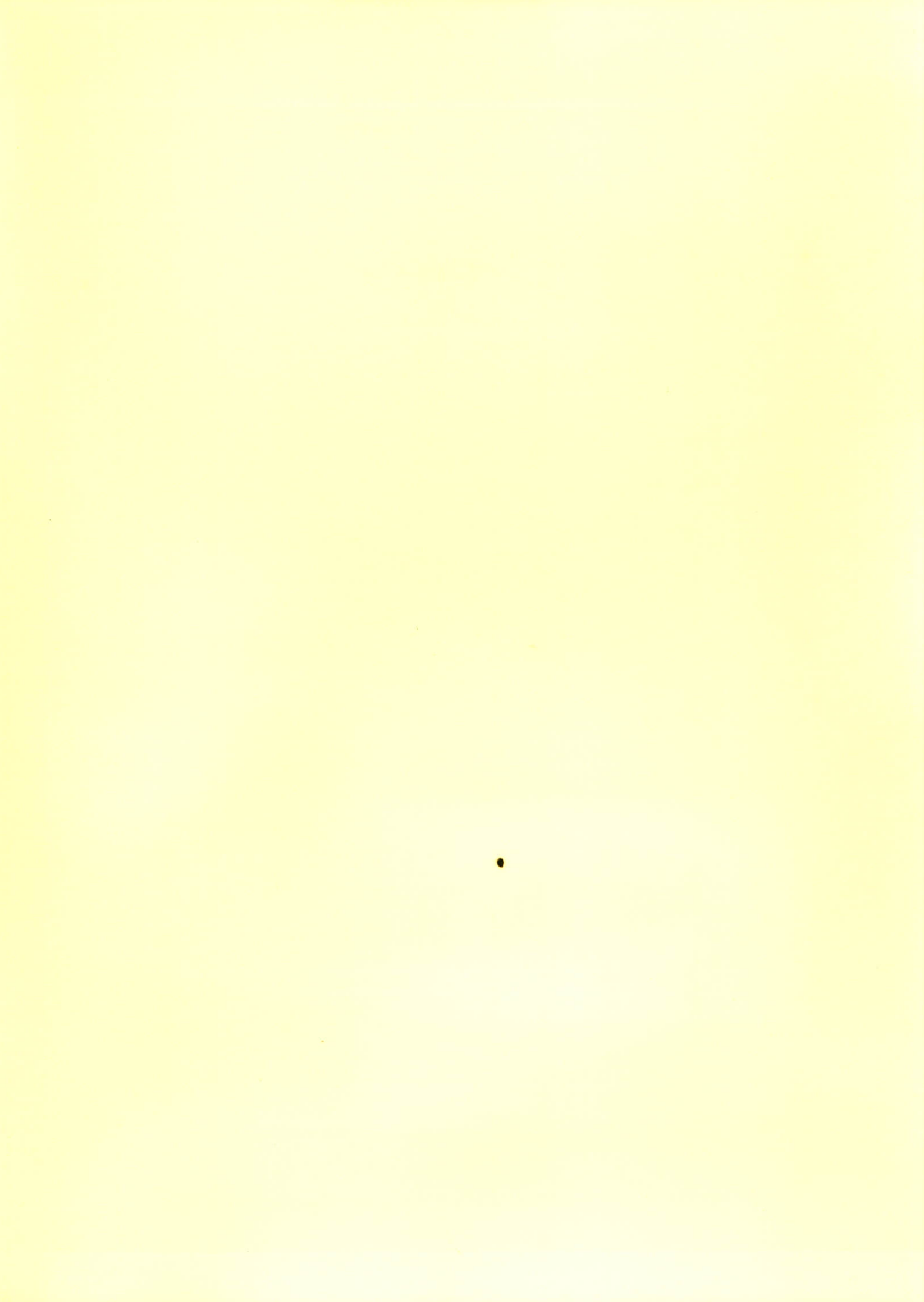
DIAPERS • FLANNELETTE BLANKETS • CRIB BLANKETS
BLENDED FIBRE BLANKETS • HANDICRAFT YARNS
SCREEN PRINTED BLANKETS

■ *Yarns*

UNBLEACHED, BLEACHED AND COLOURED COTTON,
SYNTHETIC, WOOL AND BLENDED YARNS
FOR KNITTERS, WEAVERS, BRAIDERS
AND INDUSTRIAL USERS



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TEXTILE PRODUCERS



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