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ANNUAL REPORT

for the year ended March 31, 1952

(42nd annual report)

Canadian Cottons

LIMITED

Canadian Cottons

LIMITED INCORPORATED 1892

OPERATING

ONTARIO MILL, HAMILTON, ONT.
DUNDAS MILL, CORNWALL, ONT.
ST. CROIX MILL, MILLTOWN, N.B.
STORMONT MILL, CORNWALL, ONT.
CANADA MILL, CORNWALL, ONT.
GIBSON MILL, MARYSVILLE, N.B.

SUBSIDIARIES

CORNWALL AND YORK COTTON MILLS COMPANY, LIMITED, SAINT JOHN, N.B.
GLENGARRY COTTONS, LIMITED, CORNWALL, ONT.
ST. CROIX POWER COMPANY, LIMITED, MILLTOWN, N.B.

OFFICERS

J. G. GLASSCO, F.C.A., O.B.E. . . . *Chairman of the Board*
J. IRVING ROY . . . . . *President and Managing Director*
MacMILLAN BOYD . . . *Vice-President and General Manager*
JOS. DOLPHIN . . . . . *Vice-Pres. — Production*
E. R. SUTTIE, C.B.E., D.S.O. . . . . *Vice-Pres.— Personnel*
J. PLUMPTON, C.A. . . . . *Secretary-Treasurer*

DIRECTORS

MacMILLAN BOYD . . . . . *Montreal*
A. S. BRUNEAU, Q.C. . . . . *Montreal*
JOS. DOLPHIN . . . . . *Montreal*
J. A. ECCLES . . . . . *Montreal*
C. P. FELL . . . . . *Toronto*
J. G. GLASSCO, F.C.A., O.B.E. . . . . *Toronto*
H. R. JACKMAN . . . . . *Toronto*
J. IRVING ROY . . . . . *Montreal*
A. C. SALTER . . . . . *Montreal*

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

ANNUAL REPORT

of the directors of

Canadian Cottons LIMITED

Year ended March 31st, 1952

To the Shareholders:

Your Directors submit herewith the accounts for the year ended March 31st, 1952, together with the report of the auditors thereon. In order to present a more comprehensive view of the position of the whole enterprise, the accounts this year have been prepared on a consolidated basis. The wholly-owned subsidiaries whose accounts are consolidated are: Cornwall and York Cotton Mills Company, Limited; Glengarry Cottons, Limited; and St. Croix Power Company, Limited.

Consolidated Net Income

The net profit for the year amounted to $546,720 in addition to which a profit of $1,010,265 was realized on the sale of investments, making a total of $1,556,985 which has been dealt with as follows:

Dividends at the rate of 6% on preferred shares	$ 198,312
Three quarterly dividends of 70c. per share and final dividend of $1.20 per share on common shares	457,083
Balance retained in the business	901,590
	$1,556,985

Capital Expenditures

During the year a total of $3,165,906 was expended for capital purposes. Two principal projects were commenced in the spring of 1951 and at this date are nearing completion:

A new dyeing and finishing plant in Cornwall, Ontario. The estimated overall cost is $2,100,000, of which $1,292,374 was expended during the year under review. This plant, while representing in part replacement of obsolescent facilities, will give the Company greater capacity than heretofore and permit of a much wider range of finishes than was previously possible.

A small spinning mill at Grand'Mere, Quebec, primarily designed for the processing of synthetic yarn. The total estimated cost of this mill is $1,400,000, of which $925,832 was expended during the year just ended.

The balance of capital expenditures for the year, $947,700, is represented by improvements and betterments in the company's existing mills.

Financing

In order to provide for the financing of the capital expenditure programme the company during the year sold $3,000,000 of 4% first mortgage bonds maturing serially between 1953 and 1958. In addition, certain stocks and bonds held by the company were sold and such transactions resulted in a profit of $1,010,265, to which reference has previously been made.

Condition of Industry

The year just ended has been a difficult one and has witnessed a complete reversal of the textile picture. From the outbreak of the Korean war in June 1950 to the early spring of 1951 production in both the United States and Canadian textile industry was at close to record levels and in the case of your Company exceeded production during the war years. The abnormal demand, however, came to an end suddenly and by the summer of 1951 a depression of world-wide proportions was developing. The reaction in Canada was slower than in the United States but by last fall lay-offs and curtailed production became general within the Canadian textile industry. As a result of these conditions, your mills have for some months been on short-time operation.

Competition

Foreign competition for Canadian markets, particularly from the United States, has become most marked and the impact of this competition upon Canadian producers has been particularly severe. Not only have United States producers been driven to the export markets as a result of the depression within their own country, but the Canadian market has become progressively more attractive due to the substantial rise in the value of the Canadian dollar, slightly over 7% in the past six months. In these circumstances the limited protection afforded by the Canadian tariff has not served to check the flooding of Canadian markets with U.S. textiles. Under conditions such as have existed in the past six months, Canadian producers have had the greatest difficulty in retaining their customary share of the domestic market.

While a resumption of normal purchasing may be expected to relieve the pressure, the basic problem arising from the strengthening of the Canadian dollar may remain, particularly so far as competition from the United States is concerned. In order to compete successfully with the United States producers who have the advantages of mass production and long runs, the Canadian mills must operate most efficiently and keep manufacturing costs to the lowest possible level. Wages paid to Canadian textile workers are the highest in the world with the exception of those paid in the United States: they are more than double those paid English workers and still higher in relation

to wages paid in other major textile-producing countries. If Canadian wage rates should continue to rise without a corresponding increase in labour productivity, the Canadian cotton industry will be in danger of pricing itself out of its own market.

Raw Material Prices

There have been wide fluctuations in the price of raw materials during the last year. Spot cotton which a year ago was at the ceiling level of 46.06 cents, dropped to a low of 35.05 cents per pound in September, climbed sharply to over 44 cents a pound in December and has since fallen to slightly over 39 cents, which is the current level. Wool top prices at a record high early in 1951, have fallen steadily and today stand at approximately one quarter the level which prevailed a year ago. The price of filament rayon yarns fell by some 10% early in 1952 with a corresponding decrease in the market value of fabrics containing wool and filament rayon yarns.

Defence Production

Production for defence purposes has been an important percentage of overall production for the last nine months, averaging close to 30 percent for the Company as a whole. Such defence orders, however, will be substantially completed in the period June to September of this year and it is not expected that there will be additional orders of any consequence from this source.

Current Outlook

In the light of the foregoing and the absence so far of any real improvement in the world-wide textile depression, the outlook for the coming year is not an encouraging one. Your Company's financial position, however, is strong and bringing into production of the two new manufacturing units now nearing completion should materially improve its competitive position.

Preferred Stock

During the past year a scheme of arrangement involving a re-organization of the capital structure of the Company, and in particular a change in the conditions attaching to the Company's Preferred Shares, was submitted to the Shareholders and the Courts for approval. These proposals have been abandoned as the necessary judicial sanction thereof proved unobtainable.

Changes in Directors and Officers

As a result of retirements and deaths there has been an unprecedented change in the constitution both of the Board of Directors and of the Company's officers. Three Directors, Mr. R. G. Tolmie, Mr. W. V. Boyd and Sir Montague Allan, after many years of devoted service, did not stand for re-election as Directors at the last Annual Meeting. These vacancies were filled by the election of Mr. J. A. Eccles, Mr. C. P. Fell and Mr. H. R. Jackman.

Later in the year, the Board suffered a further loss through the retirement of Mr. E. C. Fox as President and Managing Director. To fill the vacancy thus created, Mr. J. G. Glassco was elected a member of the Board.

Mr. Tolmie who joined the Company in 1912 was appointed General Manager in 1929, President and Managing Director in 1940 and Chairman of the Board in 1944. His service to the Company was both long in years and outstanding in quality and his advice and counsel will be greatly missed by his fellow Directors.

Mr. Boyd's career has few equals in modern industry. He started in the textile industry as a young boy in 1882 and joined this Company on its formation in 1892. He became General Manager in 1940 and later Vice-President of the Company. His personality and ability made a lasting impression on both staff and fellow members of the Board of Directors.

The retirement of Mr. Fox in January 1952 for reasons of health was deeply regretted. During the eight-year period in which he served as chief executive officer, the Company made outstanding progress and his energy, broad vision and experience will be greatly missed.

At the time of his retirement, the late Sir Montague Allan had a record of 38 years service as a Director of the Company. In his death shortly thereafter, the Company lost a loyal friend and staunch supporter.

In addition to these many changes, the Company suffered still another loss in the untimely death of Mr. K. L. Hamilton, its Secretary-Treasurer. Mr. Hamilton, who had been with the Company for 33 years, had been Secretary-Treasurer since 1940.

The new appointments to the Company's offices to fill vacancies created during the year are: J. G. Glassco as Chairman of the Board, J. Irving Roy as President and Managing Director, MacMillan Boyd as Vice-President and General Manager and J. Plumpton as Secretary-Treasurer.

Staff

The Board wishes to record its appreciation to all the members of the Company's staff for their conscientious and loyal support during the past year.

For the Board of Directors,

J. G. GLASSCO,
Chairman of the Board.

J. IRVING ROY,
President and Managing Director.

Canadian Cottons LIMITED and subsidiary compa

ASSETS

CURRENT:		
Cash on hand and in banks		$ 530,193
Accounts receivable		3,976,108
Inventories valued at the lower of cost or market:		
Raw materials, goods in process and finished goods	$12,266,596	
Other materials and supplies, etc.	1,038,299	13,304,895
Marketable investments at cost, less reserve:		
Short term notes	$ 1,500,000	
Stocks and bonds (quoted value $610,215)	332,230	1,832,230
Prepaid expenses		507,905
Total current assets		$20,151,331
Investments in shares of associated companies at cost		250,000
Property and plants, at cost	$31,272,082	
Accumulated depreciation	23,139,218	8,132,864
		$28,534,195

On behalf of the Board:

J. G. GLASSCO, *Director.*

J. IRVING ROY, *Director.*

See accompanying notes to financial statements.

ies CONSOLIDATED BALANCE SHEET as at March 31st, 1952

LIABILITIES

CURRENT:		
Accounts payable		$ 1,179,221
Federal and Provincial income taxes		545,332
Total current liabilities		$ 1,724,553
FUNDED DEBT:		
First Mortgage bonds:		
2¾% due September 1st, 1956	$ 1,500,000	
3% due September 1st, 1960	1,500,000	
4% due serially October 1st, 1953-1958	3,000,000	6,000,000
RESERVES:		
Reserve for decline in inventory values	$ 4,557,599	
Contingent reserve	715,000	5,272,599
CAPITAL:		
Authorized —		
Preferred — 6% non-cumulative, 207,185 shares par value $20.00	$ 4,143,700	
Common — 175,000 shares, no par value	3,500,000	
	$ 7,643,700	
Issued and fully paid —		
Preferred — 163,699 shares	$ 3,273,980	
Common — 138,510 shares	2,770,200	6,044,180
Retained earnings:		
Consolidated earned surplus, per attached statement		9,492,863
		$28,534,195

Canadian Cottons
LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS STATEMENT

for the year ended March 31st, 1952

Operating profit for the year before depreciation		$ 2,407,733
Income from investments		138,648
		$ 2,546,381
DEDUCT:		
Provision for depreciation	$ 1,347,299	
Bond interest	146,250	
Provision for income taxes	506,112	1,999,661
Net profit for the year		$ 546,720

STATEMENT OF CONSOLIDATED EARNED SURPLUS

Consolidated earned surplus, March 31st, 1951		$ 8,591,273
ADD:		
Net profit for the year	$ 546,720	
Profit on sale of investments	1,010,265	1,556,985
		$10,148,258
DEDUCT DIVIDENDS:		
On preferred shares at 6%	$ 198,312	
On common shares at the rate of $3.30 per share	457,083	655,395
Consolidated earned surplus, March 31st, 1952		$ 9,492,863

See accompanying notes to financial statements.

Canadian Cottons
LIMITED
AND SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS
for the year ended March 31st, 1952

(a) The expenditures of the year include the following:

Remuneration of executive officers	$121,500
Directors' fees	13,750
Legal fees	20,030

(b) No reserve is carried for losses from uncollectible accounts. Accounts appearing doubtful of collection at March 31st, 1952 are considered not to be material in relation to either total receivables at that date or earnings for the year then ended.

(c) The Company is engaged in wage negotiations with labour unions. The claims of the unions, which the Company is resisting, include a request for the application of wage increases retroactively to December 17th, 1951, the date upon which the former contracts expired. No provision has been made in the accounts for any liability in this connection.

(d) The Company in the 12 months to March 31st, 1952, expended a total of $2,218,206 on plant and equipment for new manufacturing units at Cornwall, Ont. and Grand'Mere, Que., neither of which has yet commenced operations. Under the provisions of The Income Tax Act and the related Regulations as to Capital Cost Allowances, the Company is permitted to charge against the profits of the year under review the sum of $244,217 by way of depreciation on these capital expenditures. This amount has accordingly been charged against the year's operations.

AUDITORS' REPORT
to the Shareholders

We have examined the consolidated balance sheet of Canadian Cottons, Limited and subsidiary companies as of March 31, 1952 and the consolidated statements of profit and loss and 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 consolidated statements of profit and loss and surplus, with notes thereon, are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies on a consolidated basis at March 31, 1952 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.

PEAT, MARWICK, MITCHELL & CO.
Auditors.

May 19, 1952

Canadian Cottons
LIMITED

MANUFACTURE

DENIMS
COTTONADES
COVERTS
AUTOMOBILE FABRICS
AWNING FABRICS
COTTON TWEEDS
COTTON SUITINGS
PANTINGS
BEDFORD CORDS
WHIPCORDS

MATTRESS TICKINGS

SHIRTINGS
NOVELTY DRESS FABRICS

CHAMBRAYS

RAYON FABRICS FOR DRESSES, LININGS
AND LINGERIE

FLANNELS
BLEACHED FLANNELETTES
NAPPED SHAKERS
TIE LININGS
NAPPED SHEETINGS
COLOURED FLANNELETTES
MOTTLED INTERLININGS
SILENCE CLOTH
EIDERDOWNS AND
ROBE CLOTHS

COTTON BLANKETS
WOOL-MIXTURE BLANKETS

UNBLEACHED, BLEACHED AND COLOURED YARNS
HOSIERY YARNS, WARP YARNS
SPUN RAYON AND WOOL BLEND YARNS

KINGCOT

Canadian Cottons

LIMITED