

Corp. 4.

Canadian Cottons

LIMITED

THIRTY-SIXTH

Annual Report

for the year ended March thirty-first

1946

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CANADIAN COTTONS, LIMITED

Head Office

760 VICTORIA SQUARE, MONTREAL

Operating

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

Subsidiary

CORNWALL AND YORK COTTON MILLS COMPANY, LIMITED
SAINT JOHN, N.B.

OFFICERS

R. G. TOLMIE . . . *Chairman*
E. C. FOX *President and Man. Director*
W. V. BOYD *Vice-President*
J. IRVING ROY . . . *General Manager*
JOS. DOLPHIN . . . *Manager of Mills*
K. L. HAMILTON . . *Secretary-Treasurer*

DIRECTORS

SIR H. MONTAGU ALLAN, C.V.O. . . . *Montreal*
MACMILLAN BOYD *Montreal*
W. V. BOYD *Cornwall*
A. S. BRUNEAU, K.C. *Montreal*
D. A. CAMPBELL *Montreal*
JOS. DOLPHIN *Montreal*
E. C. FOX *Toronto*
J. IRVING ROY *Montreal*
R. G. TOLMIE *Montreal*

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

Annual Report

of the

DIRECTORS OF CANADIAN COTTONS, LIMITED

Year Ended March thirty-first, 1946

To the Shareholders:

Although a year has passed since V-E Day and nine months since V-J Day your Directors must take this first opportunity since last communicating with shareholders of voicing along with all lovers of liberty and peace, their profound thankfulness for the Allied victory and their hope that the new world order now in its birth throes will truly bring to all peoples the real and substantial liberties and freedoms which make for permanent peace and contentment. They wish

to pay a tribute of praise, gratitude and respect to those who gave their lives that others might live and also to those who are left wounded and permanently handicapped. Let us all hope that such great sacrifice and suffering will bring lasting good and benefit to all mankind.

Your Directors submit herewith the Balance Sheet of the Company as at March 31st, 1946, with a Statement of Profit and Loss for the year ended on that date.

Net operating income, including subsidy, and after providing for Income and Excess Profits Taxes and other customary charges amounts to.....	\$516,177.60
Income from investments amounts to.....	192,551.97
making a total of.....	<u>\$708,729.57</u>
which has been distributed as follows:—	
6% Dividend on Preferred Stock.....	\$198,312.00
Dividend on Common Stock.....	206,730.75
Balance transferred to Surplus.....	303,686.82
	<u>\$708,729.57</u>

In spite of the fact that this is the fifth year in which the Canadian primary cotton textile industry has been operating under subsidy, the nature and application of which has been explained each year, there are still people responsible in the moulding of public opinion who misunderstand the character of the subsidy and its limitations.

Your Directors feel that their reference to this subject in last year's Annual Report was

clearly stated and would refer shareholders and others to the paragraph therein explaining subsidy and its application to the primary cotton industry. On March 1st, of this year, the base price of raw cotton for calculating subsidy was raised by 4c. a pound thus reducing the subsidy payable by the same amount. To compensate the industry for this reduction an amount equivalent to the loss was added to the ceiling prices of yarns

and fabrics at the direction of the Wartime Prices and Trade Board. The net result is the same to the industry but there is a marked saving to the Government in the amount of subsidy payable.

The cotton textile industry is still working under directives from the Cotton Administrator. The basis of the manufacturing directives is a "quota" stemming from a record of performance in 1940 and 1941. The basis of the price directives was explained in that portion of last year's Report dealing with "subsidy." While your Directors cannot speak authoritatively there does not appear to be any indication of an early release from controls. There is now a more serious world shortage of cotton goods than was indicated a year ago. The threat of inflation, therefore, is much greater. Your Directors feel that while the stress and strain caused by shortages of supplies continue some measure for controlling distribution and prices is socially and economically essential.

Freedom from controls carries with it the dangers and consequences of inflation. The severity of a resultant reaction from inflation varies directly with the degree of inflation.

Fortunately we have the story of what happened, when *uncontrolled* inflation and *uncontrolled* deflation ran wild, from as recent a period as the first Great War. No one with the memory of that experience can face a repetition of such conditions without alarm and anxiety.

Your Directors are of the opinion that the various Governmental authorities—and they would specifically mention our own Canadian authorities—are to be commended for the steps they are taking to fight the upward spiral of prices and are entitled to receive the whole-hearted support of all classes and categories of our people—producers and consumers—farmer, labour and those engaged in industry and finance.

An item appears for the first time on the liability side of the Balance Sheet under the caption "Capital Surplus"—\$33,404.86. This represents the excess of sale value over net book cost of certain assets that have been sold during the year. This account will be further increased over the next year or two.

For the past number of years there has been included in the Depreciation Reserve an item of \$600,000 intended for Special Plant Replacements. As this reserve is no longer required the amount has been transferred to the Earned Surplus Account, thereby bringing the Depreciation Reserve into line with rates allowed for Tax purposes.

Expenditures for the fiscal year on capital assets amount to \$221,518.20. This is part of a considerably larger postwar replacement programme which will be completed over the next two or three years. Replacements are proceeding more slowly than your Directors expected. As far back as 1942 orders were booked for various kinds and types of textile machinery. Slow deliveries have been due principally to delays in the reconversion programmes of the machinery manufacturers and to strikes, particularly the steel strike. The soft coal strike will undoubtedly prove to be a cause of further delay.

The original cost of the budget for replacements has to be revised upwards as contracts at fixed prices are made. Nevertheless your Directors feel that to defer delivery of equipment for an indefinite period on this account would be a mistake for there is no assurance that prices have yet reached their peak.

References have been made in previous reports to a Pension Plan embracing all employees of the Company. The Plan as approved by your Directors was in turn accepted by 90% of all those eligible to participate. It went into effect on January 1st, 1946, and is therefore now operative. It has also been approved by the Taxation Authorities.

Under the Plan the Company undertook to pay the entire cost of past services of all eligible employees ranging from one day to thirty-nine years. In 1935 the Company segregated its Pension Fund obligations from its Balance Sheet. The segregated Fund having finally acquired sufficient money from the Company to meet the liability for past services up to December 31st, 1945, no further contributions are required to establish the Fund on a sound actuarial basis.

Costs for current services will be borne by contributions from both employees and the Company.

Your Directors believe the Pension Plan is deeply appreciated by both office and operating staffs. It goes a long way towards making for an independent life following the period of inevitable retirement due to advancing years.

The Company has experienced a steady annual decline in production of goods since the peak year of 1942. The ending of hostilities as marked by V-E Day checked this downward tendency while the last half of the year reflects an increase due to increased employment.

There is evident at the moment considerable restlessness among labour leaders for wage increases and reduction of working

hours which if suddenly applied to all industry would undoubtedly release an inflationary spiral which in its consequences would ultimately hurt labour quite as much as the other categories of our economic and social structure. Your Directors hope that wise counsel will prevail and that labour will serve its best interests by seeking gradually to advance its living standards rather than attempting to take at any one time a disproportionate share of the value of production. There is still a great national loss resulting from inefficient operation and absenteeism, the first of which must be improved and the second eliminated before this country can expect to compete on level terms in international trade of the postwar period.

During the year wage increases were given all mill employees under the authority of the Regional War Labour Boards of Ontario and New Brunswick. Relations with our employees have been mutually pleasant and your Directors and officers wish to thank them for their loyal support.

The books and accounts of the Company have been duly audited and the Auditors' Report is recorded in the statements attached herewith.

Submitted on behalf of the Board of Directors,

R. G. TOLMIE,
Chairman.

E. C. Fox,
President.

CANADIAN CO

BALANC

As at March

ASSETS

CURRENT:

Cash on hand and in banks	\$	506,368.14
Accounts Receivable—less reserve		1,150,464.22
Inventories as determined and certified by the management and valued at the lower of cost or market less reserve		1,711,709.83
Investments—at cost less reserve—Dominion Government and Corpora- tion Bonds and Shares		7,255,712.10
(Quoted Market Value as at 31st March, 1946—\$8,258,250)		
<i>TOTAL CURRENT ASSETS</i>		<u>\$10,624,254.29</u>
<i>SHARES IN SUBSIDIARY COMPANIES</i>		3.00
<i>DEFERRED CHARGES TO OPERATIONS</i>		201,594.20
<i>REFUNDABLE PORTION OF EXCESS PROFITS TAXES</i>		186,615.61

CAPITAL ASSETS:

Mills, Plants and Properties—at cost—Balance as at 31st March, 1945	\$19,334,955.99	
Additions for year	221,518.20	19,556,474.19
		<u>\$30,568,941.29</u>

Montreal, 25th April, 1946

Audited and verified as per Certificate attached

RITCHIE, BROWN & CO.,

Chartered Accountants.

TONS, LIMITED

E SHEET

irty-first, 1946

LIABILITIES

CURRENT:

Accounts and Bills Payable.....	\$	371,258.61
Cotton Acceptances.....		1,175,772.00
Due to Subsidiary Company.....		125,651.28
Reserve for Income and Excess Profits Taxes.....	\$	845,000.00
Less: Paid on Account.....		214,050.00
		<u>630,950.00</u>

TOTAL CURRENT LIABILITIES..... \$ 2,303,631.89

CONTINGENT RESERVE..... 548,504.30

DEPRECIATION RESERVE..... 17,012,073.46

CAPITAL SURPLUS..... 33,404.86

REFUNDABLE PORTION OF EXCESS PROFITS TAXES..... 186,615.61

CAPITAL STOCK:

Authorized—

Preferred—6% Non-Cumulative 207,185 shares
par value \$20.00 each..... \$ 4,143,700.00

Common—

175,000 shares No Par Value..... 3,500,000.00

\$ 7,643,700.00

Issued and fully paid—

Preferred—165,260 shares..... \$ 3,305,200.00

Common—138,510 shares..... 2,770,200.00

6,075,400.00

EARNED SURPLUS—Per Statement attached..... 4,409,311.17

\$30,568,941.29

Signed on behalf of the Board:

E. C. FOX, Director.

J. IRVING ROY, Director.

CANADIAN COTTONS, LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended March thirty-first, 1946

Operating Profit for year after including Subsidy, and after providing for items of Expenditure A, B, C, D, E, F as below noted.....	\$	516,177.60
<i>Add:</i> Income from Investments.....		192,551.97
<i>NET INCOME FOR YEAR</i>	\$	708,729.57
<i>Deduct:</i>		
6% Preferred Dividend.....	\$	198,312.00
Common Dividend.....		206,730.75
<i>SURPLUS FOR YEAR</i>	\$	405,042.75
		<u>303,686.82</u>

A. Depreciation.....	\$	275,897.27
B. Executive Salaries.....		51,850.00
C. Directors' Fees.....		10,575.00
D. Provision for Taxes.....		450,000.00
E. Legal Fees.....		8,771.44
F. Contingent Reserve.....		50,000.00

EARNED SURPLUS ACCOUNT

Balance at credit as at 1st April, 1945.....	\$	3,512,484.03
<i>Add:</i> Surplus for year as above.....		303,686.82
Transfer from Depreciation Reserve to bring this reserve into agreement with Tax Department.....		600,000.00
		<u>903,686.82</u>
	\$	4,416,170.85
<i>Less:</i> Premium paid on Preferred Shares purchased for cancellation.....		6,859.68
<i>BALANCE AS AT 31ST MARCH, 1946</i>	\$	<u>4,409,311.17</u>

AUDITORS' REPORT
TO THE SHAREHOLDERS

We have examined the books and accounts of Canadian Cottons, Limited, for the year ended 31st March, 1946. We have verified the Cash in Banks and the Investment Securities and the Revenue therefrom.

We have obtained all the information and explanations required, and in our opinion the attached Balance Sheet and Profit and Loss Account, based upon certified inventories presented, are properly drawn up so as to exhibit a true and correct view of the state of affairs of the Company as at 31st March, 1946, and for the year ended that date, according to the best of our information and the explanations given to us and as shown by the books of the Company.

RITCHIE, BROWN & Co.,
Chartered Accountants.

Montreal, 25th April, 1946.

CANADIAN COTTONS, LIMITED

Manufacture

DENIMS	COTTON TWEEDS
COTTONADES	COTTON SUITINGS
COVERTS	PANTINGS
AUTOMOBILE FABRICS	BEDFORD CORDS
AWNING FABRICS	WHIPCORDS
MATTRESS TICKINGS	
SHIRTINGS	NOVELTY DRESS FABRICS
GALATEAS	NURSES CLOTH
CHAMBRAYS	
ARTIFICIAL SILK FABRICS FOR DRESSES, LININGS AND LINGERIE	
FLANNELS	COLOURED FLANNELETTES
BLEACHED FLANNELETTES	MOTTLED INTERLININGS
NAPPED SHAKERS	SILENCE CLOTH
TIE LININGS	EIDERDOWNS AND
NAPPED SHEETINGS	ROBE CLOTHS

COTTON BLANKETS
WOOL-MIXTURE BLANKETS

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

