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# Canadian Cottons

LIMITED

THIRTY-SEVENTH

## *Annual Report*

*for the year ended March thirty-first*

1947

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# CANADIAN COTTONS, LIMITED

## *Head Office*

760 VICTORIA SQUARE, MONTREAL

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### *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.

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### 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*

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

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# *Annual Report*

*of the*

## DIRECTORS OF CANADIAN COTTONS, LIMITED

*Year Ended March thirty-first, 1947*

To the Shareholders:

Your Directors submit herewith the Balance Sheet of the Company as at March 31st, 1947, 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 .....	\$572,584.46
Income from investments amounts to .....	217,829.31
making a total of .....	<u>\$790,413.77</u>
which has been distributed as follows:—	
6% Dividend on Preferred Stock .....	\$198,312.00
Dividend on Common Stock .....	249,318.00
Balance transferred to Surplus .....	342,783.77
	<u><u>\$790,413.77</u></u>

This is the sixth year in which the Canadian primary textile industry has been operating under subsidy, the application of which has been set forth in previous Annual Reports. However, in order that shareholders may see the relation of subsidy, limitation of profits and taxes in their current perspective it seems advisable to restate the situation. The primary cotton textile industry under direction of the Wartime Prices & Trade Board has been required since November 1941 to sell its output of yarns and fabrics to the civilian trade at "ceiling prices". As these ceiling prices have been and still are less than the cost of production the industry is entitled to receive compensation in the form of subsidy.

The original ceiling prices were those which were in effect from November 1940 to February 1941. Subsidy is intended to

compensate the Company for selling at these ceiling prices and is computed on the increase that has taken place in the price of raw cotton used as against the established price as of February 1st, 1941. There is, however, a limitation on the amount of subsidy that can be received in any one year. Subsidy is payable only up to 116-2/3% of standard profits. While there is thus a limitation of subsidy and therefore of profits, there is, on the other hand, no guarantee that the subsidy payable will produce a profit.

On March 1st, 1946, the base price of raw cotton for calculating subsidy was raised by 4c. a pound thus reducing subsidy payable by the same amount. As compensation the industry was allowed to add an equivalent amount to the ceiling prices of yarns and fabrics. On February 1st, last, there was

a further reduction of 9c. a pound payable on subsidy of raw cotton with corresponding increases in ceiling prices to allow for this reduction of subsidy as well as partial compensation for increased cost of wages and other operating charges that have taken place since February 1941.

The principle of limitation of subsidy and profit has not been changed. This limitation of profit has not permitted the industry to earn an amount that would raise its taxation above a rate of 40% of taxable income. It follows, therefore, that it could not benefit by reduction in rates under the Income War Tax Act and the Excess Profits Tax Act until such rates should be reduced below 40%. The last amendment to these Acts would have given some relief to the extent of 5% of taxable income but the imposition of a 7% profits tax by certain Provinces reduces further this slight benefit.

This limitation of profits that the industry has been working under since 1941 and the very small relief provided by the current tax rates imposes a handicap that is preventing the industry from building up liquid funds adequate to meet the onerous cost of post-war rehabilitation.

A year ago your Directors enunciated a position favouring continuation of price and other controls. This was based upon an assumption of a reasonably uniform treatment of all Canadian industries.

Meantime the salaries and wage control orders have been rescinded but ceiling prices have been removed from only certain basic commodities while many other basic commodities are still under ceiling levels. This creates an inequitable treatment as between different industries which your Directors feel should be, and hope will be, of only short duration. It is possible that lack of uniformity of treatment if extended for too long a period will create serious disequilibrium in the country's industrial structure.

Reference has been made in previous Re-

ports to the necessity of large postwar expenditures for rehabilitation. The reason dates back to the depression of 1929-1933 when of necessity certain replacements, which would normally have been made, were deferred. War broke out in 1939 before replacement or modernization requirements were fully met, thus causing further enforced deferment. As a result of these postponements large cash expenditures are now indicated. New equipment is now being received and installed at a satisfactory rate. The postwar programme also includes plans for new equipment for rounding off present operations as well as for some expansion. In order to preserve the Company's strong liquid position it was deemed wise by your Directors during the year to exercise the authority vested in them by By-law and issue a mortgage bond on one of the properties of the Company. Consequently the Balance Sheet shows an outstanding liability for bonds of \$3,000,000. The issue was negotiated privately. It is divided into two parts. The first part—\$1,500,000. bearing interest at  $2\frac{1}{2}\%$  and maturing September 1st, 1951, the balance at  $2\frac{3}{4}\%$  maturing September 1st 1956. Provision is made for calling the bonds on any interest date at par.

It is expected that these anticipated capital expenditures will amount to approximately \$5,250,000. Of this sum there has been expended to March 31st, 1947, \$3,167,720. of which \$2,532,400. has been spent in the year under review. In the opinion of your Directors the end of the new fiscal period will see nearly all the new equipment installed.

The Balance Sheet shows an apparent improvement in working capital of \$1,233,629.84 which is obviously due to the proceeds received from the mortgage bond referred to above. This will all be required in the current year to meet the cost of new equipment to which the Company is committed.

About \$400,000. of the postwar budget is being spent on a housing project located near our Milltown, New Brunswick, mill. The whole property comprises about 15 acres and is naturally landscaped for a combined housing and park development. Houses are well spaced permitting ample garden facilities for each residence.

The speed with which Canada transformed from a war to a peace economy reflects great credit on everyone who shared in it. It was not accomplished, however, without a continuation of an upward trend of costs which currently gives cause for great concern. We have already arrived at a state of inflation. The situation is not, of course, confined to Canada alone.

The price of spot raw cotton middling 15/16" on March 31st, 1939, was 9.11c. per pound and the price on March 31st, 1947, as quoted on the New York Cotton Exchange was 36.39c. an increase of 300%.

With respect to your Company two wage increases were made during the year—the first one being an increase in the average hourly rate of 7.6% and the second an average increase of 18% included in which was a reduction in the work week from forty-eight to an average of forty-four hours. While the average hourly rate now stands at 89% higher than in 1939 the current unit labour cost is up 70%.

Absenteeism is still an important factor in increasing the unit labour cost of production. Having regard to the scale on which absen-

teeism currently exists it is inconsistent with continued demands for higher wage rates.

The above indicates the dangerously high and inflated level of raw cotton and wages, the two chief components entering into your Company's products. While a severe and prolonged recession can be brought about caused in great part by world conditions and therefore beyond domestic control its severity may be modified if sane restraint is exercised within Canada itself by all responsible parties including Government, industry and labour. This particular responsibility cannot be over stressed or repeated too often.

In spite of the disturbed conditions of the last year negotiations and relations with Company employees were maintained on a high plane. The Company experienced no strike or threat of strike. Because of this both employees and Company were benefitted and the Board herewith expresses sincerely its commendation to the employees for their good sense and its thanks for their continued loyalty.

Your Board also wishes to place on record its appreciation of the faithful work performed by the General Manager, his operating organization and the office staff. Their well co-ordinated efforts have contributed materially to the year's results.

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 COT

## BALANCE

As at March 31, 1947

## ASSETS

## CURRENT:

Cash on hand and in banks.....	\$	388,313.22
Accounts Receivable—less Reserve.....		1,429,285.58
Inventories as determined and certified by the management and valued at the lower of cost or market less reserve.....		4,671,541.05
Investments—at cost less reserve—Dominion Government and Corporation Bonds and Shares.....		7,119,650.13
(Quoted Market Value as at 31st March 1947—\$7,908,045.00)		
<i>TOTAL CURRENT ASSETS</i> .....		<u>\$13,608,789.98</u>
<i>SHARES IN SUBSIDIARY COMPANIES</i> .....		63,603.00
<i>DEFERRED CHARGES TO OPERATIONS</i> .....		310,384.83
<i>REFUNDABLE PORTION OF EXCESS PROFITS TAXES</i> .....		186,615.61

## CAPITAL ASSETS:

Mills, Plants and Properties—at cost—Balance as at 31st March 1946.....	\$19,556,474.19	
Additions for year.....	2,532,400.86	22,088,875.05
		<u>\$36,258,268.47</u>

Montreal, 26th April, 1947

Audited and verified as per certificate attached

RITCHIE, BROWN & CO.,  
Chartered Accountants.



# TONS, LIMITED

## SHEET

irty-first, 1947

### LIABILITIES

#### CURRENT:

Accounts and Bills Payable.....		\$ 797,848.50
Cotton Acceptances.....		2,494,528.00
Due to Subsidiary Company.....		125,060.42
Reserve for Income and Excess Profits Taxes.....	837,980.82	
Less: Paid on Account.....	200,880.00	637,100.82

TOTAL CURRENT LIABILITIES..... \$ 4,054,537.74

CONTINGENT RESERVE..... 548,478.80

DEPRECIATION RESERVE..... 17,427,782.67

#### MORTGAGE BONDS:

2½% due 1st September 1951.....	1,500,000.00	
2¾% due 1st September 1956.....	1,500,000.00	3,000,000.00

#### 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

CAPITAL SURPLUS..... 213,358.71

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

EARNED SURPLUS—Per Statement attached..... 4,752,094.94

\$36,258,268.47

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, 1947*

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Operating Profit for year after including Subsidy and after providing for items of Expenditure A, B, C, D, E, F as below noted . . . . .	\$	572,584.46
<i>Add:</i> Income from Investments . . . . .		217,829.31
<i>NET INCOME FOR YEAR</i> . . . . .		<u>790,413.77</u>
<i>Deduct:</i>		
6% Preferred Dividend . . . . .	\$	198,312.00
Common Dividend . . . . .		249,318.00
<i>SURPLUS FOR YEAR</i> . . . . .	\$	<u><u>342,783.77</u></u>

A. Depreciation . . . . .	\$	415,709.21
B. Executive Salaries . . . . .		54,775.00
C. Directors' Fees . . . . .		10,150.00
D. Provision for Taxes . . . . .		425,000.00
E. Legal Fees . . . . .		5,899.77
F. Bond Interest . . . . .		45,937.50

## EARNED SURPLUS ACCOUNT

Balance at credit as at 1st April 1946 . . . . .	\$	4,409,311.17
<i>Add:</i> Surplus for year as above . . . . .		342,783.77
<i>BALANCE AS AT 31ST MARCH 1947</i> . . . . .	\$	<u><u>4,752,094.94</u></u>

AUDITORS' REPORT  
TO THE SHAREHOLDERS

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We have examined the books and accounts of Canadian Cottons, Limited for the year ended 31st March, 1947. We have verified the Cash in Banks and the Investment Securities and the Revenue received 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, 1947, 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, 26th April, 1947.*

# CANADIAN COTTONS, LIMITED

## *Manufacture*

DENIMS

COTTONADES

COVERTS

AUTOMOBILE FABRICS

AWNING FABRICS

COTTON TWEEDS

COTTON SUITINGS

PANTINGS

BEDFORD CORDS

WHIPCORDS

MATTRESS TICKINGS

SHIRTINGS

GALATEAS

NOVELTY DRESS FABRICS

NURSES CLOTH

CHAMBRAYS

ARTIFICIAL SILK 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

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COTTON BLANKETS

WOOL-MIXTURE BLANKETS

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UNBLEACHED, BLEACHED AND COLOURED YARNS

HOSIERY YARNS, WARP YARNS

SPUN RAYON AND WOOL BLEND YARNS







