



Annual Report

**FOR
THE
BUSINESS
YEAR
OF
1949**

HENRY MORGAN & CO. LIMITED
MONTREAL

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MAR 31 1950

WISCONSIN UNIVERSITY



H E N R Y M O R G A N & C O . L I M I T E D

E S T A B L I S H E D 1845

M O N T R E A L

This Company, the first in Canada to operate
as a department store, is still controlled and
managed by the family of the founder.



T O T H E S H A R E H O L D E R S

Your Directors take pleasure in presenting the Annual Report on the Company's 105th year of business.

Net earnings after taxes for the fiscal year 1949 were \$567,235, an increase of \$69,541 over the previous year. Sales for the year at \$24,077,457 also set a new record, with an increase of \$643,176, although the rate of increase has levelled off from the war and post-war years, reflecting the stabilization of Canadian retail prices. Transactions, often regarded as a better guide to business trends than sales, increased by a slightly higher percentage than sales.

In May 1949 a preferred stock issue was offered to the public and over-subscribed. Plans for new stores in Toronto and in the Snowdon area of Montreal are well under way and the new warehouse is now in operation. More

details of these developments are given in later pages of the report.

The most valuable assets of any retail enterprise are the goodwill of the general public and the loyalty of an efficient staff. In this respect the Company is more than fortunate and the Directors take pleasure in extending thanks to both customers and staff for their contribution to the year's success.

The Company has continued to have excellent relations with its suppliers. The Board wishes to express its appreciation to them for their co-operation and assistance in meeting the needs of our customers.

For the Board of Directors,

PRESIDENT

HIGHLIGHTS OF THE YEAR

Sales and Earnings Sales for the year ending January 25th, 1950, were up 2.7% over the previous year. Operating expenses, while higher in dollars than a year ago, represented the same percentage of sales, so that the net profit percentage was maintained.

Store Hours This was the first complete year in which the 6-5 day week was in operation. Under this system the store was open to the public six full days a week, but most of the staff worked only a five-day forty-hour week, except in peak periods such as before Christmas and Easter. This system proved popular with customers who appreciated the six-day shopping week, and recently this was extended by Friday evening shopping through the employment of additional staff. Through the employment of additional staff the extra shopping hours to the public have been arranged to extend the working hours of

the staff. Thus the staff still enjoy a full day to themselves each week, besides Sunday. The store will continue to close all day Saturday during July and August.

Preferred Stock Issue In order to increase working capital and provide for expansion, in May 1949 an issue of \$1,500,000 of 4¾% cumulative redeemable sinking fund preferred shares, par value \$100, was sold. The issue was quickly taken up and the shares which are listed on the Montreal Stock

Exchange have consistently been traded above the issue price.

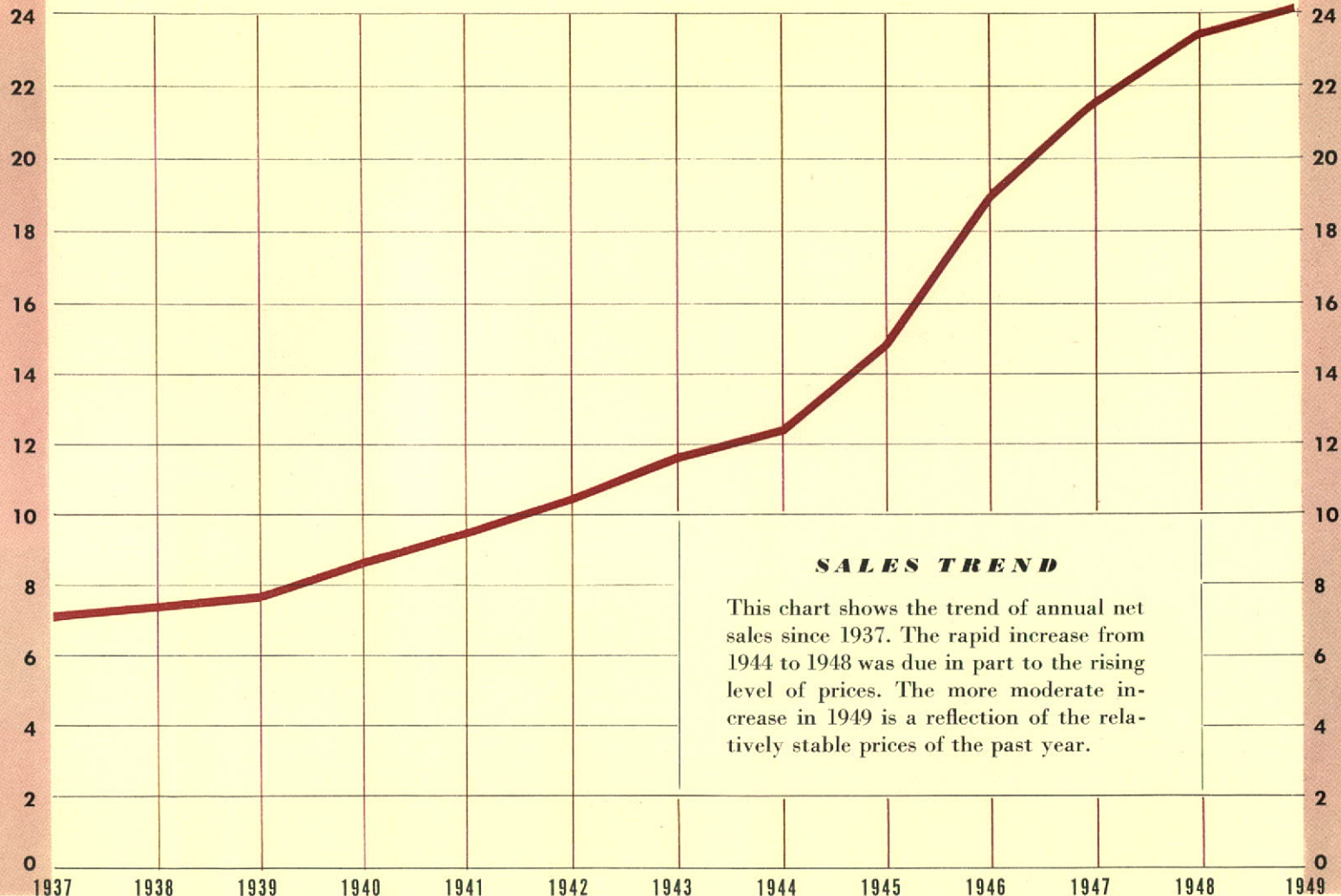
Improvements to Store Premises As part of a continuous program of renovation and modernization of the Phillips Square Building, a number of departments were remodelled and redecorated, and further improvements to lighting made on the Main Floor and in the display windows. Escalators, first installed in 1946, now extend from the Main Floor to the Seventh Floor which was used as selling space for the first time in December 1949.

<i>Fiscal Year</i>	<i>Sales</i>	<i>Earnings before Taxes on Income</i>	<i>Income and Excess Profits Taxes</i>	<i>Net Earnings including Refundable Portion of Excess Profits Tax</i>	<i>% to sales</i>
1937	\$ 7,222,664	\$232,424	\$42,550	\$189,874	2.6
1938	7,464,306	192,991	34,000	158,991	2.1
1939	7,724,911	296,309	65,000	231,309	3.0
1940	8,658,981	330,870	145,000	185,870	2.1
1941	9,517,341	383,305	170,000	213,305	2.2
1942	10,479,379	493,418	237,000	256,418	2.4
1943	11,687,113	637,096	335,000	302,096	2.6
1944	12,354,211	805,704	390,000	415,704	3.4
1945	14,886,826	928,137	507,000	421,137	2.8
1946	18,981,907	858,501	425,000	433,501	2.3
1947	21,626,294	853,725	385,000	468,725	2.2
1948	23,434,281	997,694	500,000	497,694	2.1
1949	24,077,457	1,067,235	500,000	567,235	2.4

MILLIONS
OF
DOLLARS

ANNUAL NET SALES

MILLIONS
OF
DOLLARS



SALES TREND

This chart shows the trend of annual net sales since 1937. The rapid increase from 1944 to 1948 was due in part to the rising level of prices. The more moderate increase in 1949 is a reflection of the relatively stable prices of the past year.

THE CHANGING SCENE

The Montreal of 1845 was a busy community of 40,000 people, built close to the waterfront on the lower southern slope of Mount Royal and surrounded by woods and farm lands. This was the



setting in which Henry Morgan and David Smith first opened the doors of a dry goods store under the name of Smith and Morgan. Henry Morgan & Company became the name when David Smith withdrew in 1851, and from then until the present time the Company has been owned and directed by members of the Morgan family.

As Montreal grew, Morgan's grew. The city spread to east and west, up the slope of the mountain, and eventually around it. As the Morgan business expanded, the Company moved from the original site at 204 Notre Dame Street to McGill Street, to St. James Street, and in a daring leap in 1891, up Beaver Hall Hill to the present site on Phillips Square, then pastureland heights, now Montreal's main shopping district.

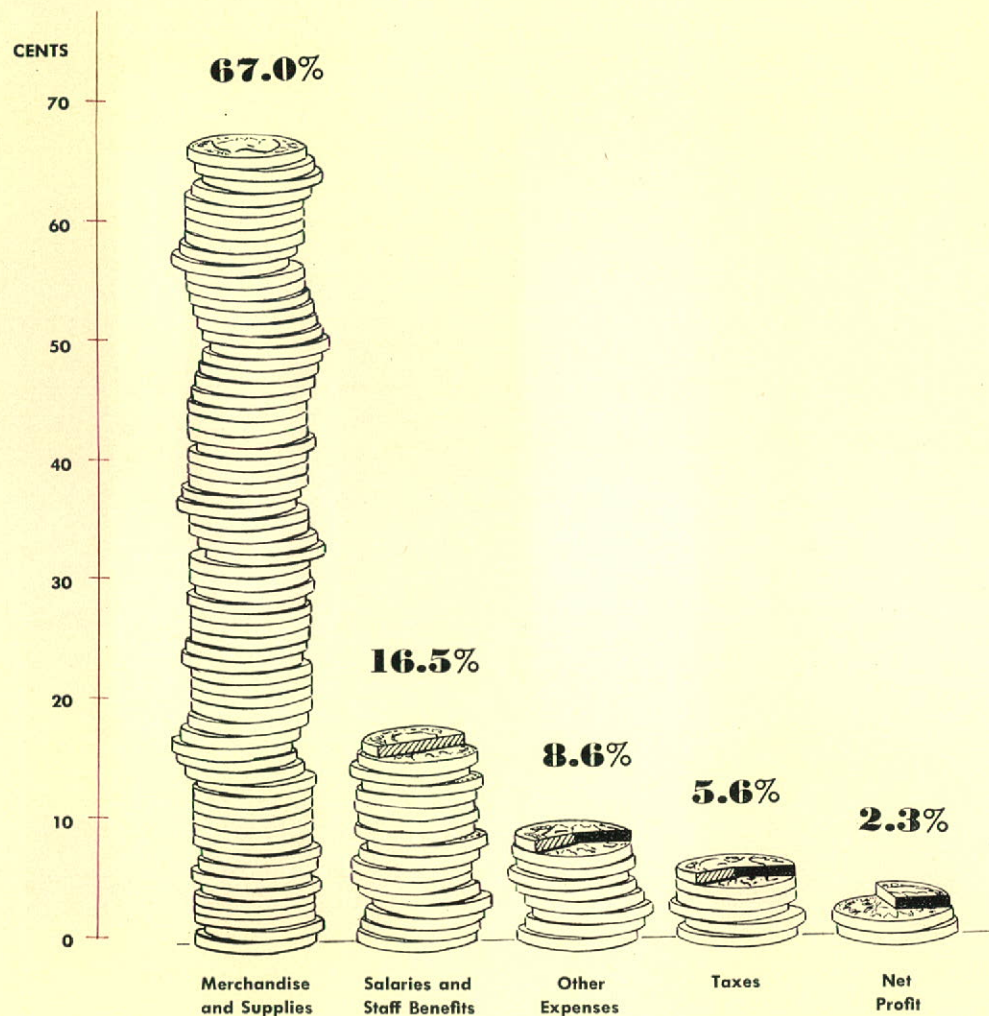


Montreal today is Canada's largest city with a population of a million and a half, about one in eight of the entire population of the country. In addition, about one and a quarter million tourists from the eastern United States visit

Montreal each year. As a financial, commercial and industrial centre, Montreal has shared in the spectacular growth of Canadian trade and industry. Although situated a thousand miles from the sea, it is, after New York and San Francisco, one of the largest ocean ports in North America. It is also an important railway terminus and the North American base for a large part of the trans-Atlantic air travel to Europe. This is the market in which Henry Morgan & Co. Limited operates as the leading quality department store.



The original building on the Phillips Square and St. Catherine Street site, pictured above, has been enlarged to five and a half times its size, to make the present store, shown on the opposite page.



WHERE THE CUSTOMER'S DOLLAR GOES

Merchandise and Supplies

Including freight, customs duties and federal sales tax..... 67.0%

Salaries and Staff Benefits

Salaries, including paid holidays and sick leave..... 15.6%

Pensions paid, pension provision and welfare services..... 0.9%

16.5%

Note: Deductions from salaries for personal income taxes and unemployment insurance amount to 1.0% of the sales dollar.

Other Expenses

Including rentals and maintenance of premises, advertising, telephone, mail and shipping charges, and all other administrative expense..... 8.6%

Taxes

Corporation Income Taxes..... 2.0%

Taxes Added to Retail Prices —
Municipal and Provincial Taxes,
Hospital Tax on Meals, and
Luxury Taxes..... 3.6%

5.6%

Note: This item shows only direct visible taxes. Other indirect payments to governments for business and property taxes, customs duty and excise taxes, federal sales tax, etc., are included in the above classifications.

Net Profit

Including all payments of dividends to shareholders and the balance of earnings retained in the business..... 2.3%

Total Customer Dollars Received

100.0%

HENRY MORGAN AND

Balance Sheet as at

CURRENT ASSETS:

Cash.....	349,277	
Call loan—secured.....	250,000	
Accounts and bills receivable, less reserve.....	2,818,952	
Inventories—valued at the lower of estimated cost or market (less reserve of \$400,000).....	1,977,505	
Prepaid merchandise.....	100,713	
Investment in government and government guaranteed bonds—at par (quoted market value \$1,774,000).....	1,750,000	7,246,447

SUNDRY ASSETS:

Life insurance—cash surrender value.....	108,255	
Insurance deposits, less reserve.....	32,111	
Prepaid supplies and expenses.....	73,172	
Refundable portion of excess profits tax.....	159,260	372,798

FIXED ASSETS:

Store, office and garage equipment and fixtures—at cost less amounts written off for depreciation.....		379,643
		<u>\$7,998,888</u>

ASSETS

Approved on behalf of the Board:

HENRY W. MORGAN }
A. E. WALFORD } Directors.

COMPANY LIMITED

25th January 1950

CURRENT LIABILITIES:

Accounts payable	1,024,451	
Customers' deposits and accrued liabilities	683,457	
Provision for income and other taxes	393,555	
Provision for contingencies	125,000	2,226,463

CAPITAL STOCK AND SURPLUS:

Capital Stock—

Authorized—in accordance with supplementary letters patent dated 12th

May 1949—

25,000 4¾% cumulative redeemable preferred shares of the par value of
\$100 each

\$2,500,000

430,000 common shares without nominal or par value

Issued and fully paid—

15,000 preferred shares (issued during the year for cash)

1,500,000

312,057 common shares

1,733,100

Earned Surplus

3,233,100

2,539,325

5,772,425

\$7,998,888

LIABILITIES

NOTE 1: There is a contingent liability under a guarantee of the bonds of Henry Morgan Properties Limited.

NOTE 2: An amount of approximately \$400,000 is required to provide for the balance of the estimated past service cost of the staff retirement plan.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have made an examination of the books and accounts of Henry Morgan and Company Limited for the year ended 25th January 1950 and we have obtained all the information and explanations which we have required. We have examined or tested the accounting records and supporting evidence and we have made a general review of the accounting methods and of the operating and income accounts for the year, but we have not examined the details of all the transactions.

We report that, in our opinion, the above balance sheet and the accompanying statements of profit and loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at 25th January 1950 and of the results of the 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 company.

MONTREAL, 2nd March 1950.

McDONALD, CURRIE & Co.,
Chartered Accountants.

H E N R Y M O R G A N A N D C O M P A N Y L I M I T E D

Statement of Profit and Loss For the Year Ended 25th January 1950

SALES.....			24,077,457
COST OF GOODS SOLD, SALARIES, WAGES AND EXPENSES,			
exclusive of items shown hereunder.....	22,682,263		
Executive salaries.....	181,150		
Provision for depreciation of fixed assets.....	112,749		
Pension fund—past service.....	100,000		
Legal fees.....	13,857		
Directors' fees.....	7,833	23,097,852	
			979,605
SUNDRY INCOME:			
Income from investments.....	37,779		
Interest and miscellaneous income.....	49,851	87,630	
			1,067,235
PROVISION FOR INCOME TAXES.....			500,000
NET PROFIT FOR THE YEAR.....			\$ 567,235

Statement of Earned Surplus For the Year Ended 25th January 1950

BALANCE—26TH JANUARY 1949.....				2,027,790
Net profit for the year.....	567,235			
Amount transferred from refundable portion of excess profits tax..	165,000	732,235		
Dividends paid on preferred shares				
1st September 1949—\$1.19 per share.....	17,850			
1st December 1949—\$1.19 per share.....	17,850	35,700		
Commission paid in connection with preferred shares issued during the year.....	60,000			
Provision for contingencies.....	125,000	220,700	511,535	
BALANCE—25TH JANUARY 1950.....				\$ 2,539,325

H E N R Y M O R G A N & C O . L I M I T E D

P H I L L I P S S Q U A R E , M O N T R E A L

BOARD OF DIRECTORS

HENRY W. MORGAN, <i>President</i>	THEODORE G. MORGAN
F. CLEVELAND MORGAN, <i>Vice-President</i>	HUGH M. WILSON
J. BARTLETT MORGAN, <i>General Manager</i>	D. STEWART PATTERSON
A. ERNEST WALFORD, C.A., F.C.I.S., <i>Secretary-Treasurer</i>	AUBREY H. ELDER, K.C., 507 Place d'Armes, Montreal

Transfer Agents — ROYAL TRUST COMPANY

Bankers — BANK OF MONTREAL

Registrars — MORGAN TRUST COMPANY

Auditors — McDONALD CURRIE & Co.

FOREIGN OFFICES

U.S.A. — 11 West 42nd Street, New York 18, N.Y.

ENGLAND — 76 Grosvenor Street, Mayfair, London

FRANCE — 8 rue Ambroise-Thomas, Paris

SWITZERLAND — Binzstrasse 23, Zurich

ITALY — 1 Piazza S. Trinita, Florence

ITALY — 8 Via Ugo Foscolo, Milan

