

Corporation
File



Holt, Renfrew
& COMPANY LIMITED

ANNUAL REPORT

For the year ended January 31, 1948

PURVIS HALL
LIBRARIES

JUL 6 1948

McGILL UNIVERSITY



HOLT, RENFREW & COMPANY LIMITED
FURRIERS IN CANADA
FOR MORE THAN
110 YEARS

THE DOMINION'S LEADING
SPECIALTY SHOPS

Also . . . Operators of their own Silver Fox and Mink Ranches
in the Province of Quebec

HOLT, RENFREW & COMPANY LIMITED now have six
stores in Canada—Quebec City, opened in 1837; Toronto in 1889;
Montreal and Winnipeg in 1910; Ottawa in 1942; and Hamilton
in 1945.

HOLT, RENFREW & COMPANY LIMITED

Head Office: 1300 SHERBROOKE ST. WEST

MONTREAL

Directors

G. HAROLD AIKINS, K.C.

GEORGE H. BEESTON

GEORGE B. FOSTER, K.C.

R. G. LIDDY

JOHN G. McCONNELL

RT. HON. ARTHUR MEIGHEN, K.C., P.C.

ALVIN J. WALKER

R. HOWARD WEBSTER

Officers

ALVIN J. WALKER

President and Managing Director

JOHN G. McCONNELL

Vice-President

R. G. LIDDY

Secretary-Treasurer

Branches

QUEBEC - MONTREAL - TORONTO

WINNIPEG - OTTAWA - HAMILTON

The 111th
Annual Report of the Board of Directors
of
HOLT, RENFREW & CO., LIMITED

for the year ended January 31 1948,
to be submitted to the Shareholders of the Company
at the Annual Meeting to be held on July 15 1948.

Your Directors submit herewith the consolidated Annual Report and Financial Statements of your Company and its wholly owned subsidiary, Amcan Furs Limited, for the year ended January 31 1948, as audited by Price, Waterhouse & Co., whose certificate is attached.

Considerable progress has been made during the year towards recovery from the effects of the heavy losses of the previous year in raw fur transactions referred to in last year's Annual Report. The relationship between current Liabilities and current Assets has been improved by about \$750,000.00. The Company has confined its operations almost exclusively to the operation of its Specialty Shops and it is gratifying to note that in this field, where it enjoys a rather unique position, the results have been profitable. The retail sales have increased in volume again this year.

Your Directors have considered it advisable to reduce further the account receivable from Motty Eitingon, Inc., as that company's operations were not as successful as they expected, with the result that they had to submit a new plan to the creditors. It is anticipated that they will be able to pay the amount, which it is estimated to realize, now shown in the Balance Sheet.

Some further losses were experienced in liquidating the raw and dressed skin inventories which, however, are now reduced to comparatively small figures.

The enlargement of the property at Sherbrooke and Mountain Streets in Montreal is practically completed, and the new Men's Shop and Ladies' Shoe Salon were opened during the year.

Our sincere thanks are tendered to all our employees for their continued loyalty and assistance.

Respectfully submitted on behalf of the Board of Directors,

ALVIN J. WALKER,
President and Managing Director.

CONSOLIDATED BALANCE SHEET

Assets

CURRENT ASSETS:			
Cash on hand and with bankers.....	\$	543,790.18	
Cash deposits with fire insurance underwriters.....		63,906.02	
Trade accounts receivable, less reserve.....		888,221.02	
Other accounts and bills receivable.....		64,788.87	
Merchandise on hand valued at the lower of cost or market in accordance with the Company's usual practice, as determined and certified by the management.....		1,155,147.96	
Raw skins and furs in the United States at approximate realizable values as estimated by the management (pledged to bank in respect of demand loans and guarantees).....		111,395.35	
		<hr/>	\$2,827,249.40
REFUNDABLE portion of excess profits tax.....			91,010.15
DEFERRED CHARGES:			
Taxes, insurance and expenses paid in advance.....	\$	26,293.01	
Alterations to premises—unamortized balance.....		141,961.31	
		<hr/>	168,254.32
CAPITAL ASSETS: (Note 1)			
Land and Buildings.....	\$1,173,055.98		
Less: Reserve for depreciation.....	235,930.36		
	<hr/>	\$	937,125.62
Furniture and fixtures, automobiles, etc.....	\$351,361.21		
Less: Reserve for depreciation.....	240,029.81		
	<hr/>		111,331.40
		<hr/>	\$ 1,048,457.02
Goodwill.....		772,453.79	
		<hr/>	1,820,910.81
INVESTMENT in wholly owned subsidiary company.....			1.00
OTHER ASSETS:			
Advances to Mouton Processors (Canada) Limited, recoverable out of future profits of that Company (Note 2).....	\$	154,990.36	
Account receivable from Motty Eitingon Inc. and associated companies (Note 3).....	\$2,495,859.24		
Less: Amounts recovered.....	49,064.40		
	<hr/>		\$2,446,794.84
Estimated to realize.....		244,679.83	
		<hr/>	399,669.84
CLAIMS FOR REFUND of income and excess profits taxes: (Note 4)			
Payments made in respect of year ending January 31 1947.....	\$	223,176.40	
Refund of taxes paid in the year ending January 31 1946, resulting from application of Section 5 (1) (p) of Income War Tax Act.....		631,311.19	
		<hr/>	854,487.59
			<hr/>
			\$6,161,583.11

Approved on behalf of the Board:
ALVIN J. WALKER, Director.
R. G. LIDDY, Director.

SHEET, JANUARY 31 1948

Liabilities

CURRENT LIABILITIES:

Demand loans from bank (\$85,465.58 in U.S. funds)	\$ 371,414.88	
Bills payable (U.S. funds)	670,698.47	
Liability to bank under guarantees in respect of trade paper endorsed by Motty Eitingon Inc. and under discount (U.S. funds)	1,297,683.57	
Accounts payable and accrued liabilities	581,447.98	
Prepaid storage, interest and sundry credit balances	109,946.73	
Income and other taxes (Note 5)	203,000.60	
		\$3,234,192.23

5% FIRST MORTGAGE BONDS—July 1 1967	\$ 510,000.00	
Less: Sinking fund payment due July 1 1948, included with current liabilities	10,000.00	
		500,000.00

CAPITAL STOCK AND SURPLUS: (Note 4)

7% Cumulative Preferred—		
Authorized and Issued:		
10,000 shares of \$100.00 each	\$1,000,000.00	
Preferred dividends in arrears amount to \$717,500.00		

Common—		
Authorized and Issued:		
10,000 shares of \$100.00 each	1,000,000.00	

EARNED SURPLUS, per statement attached	336,380.73	
--	------------	--

DEFERRED SURPLUS:

Refundable portion of excess profits tax (contra)	91,010.15	
		2,427,390.88

Contingent liability in respect of a claim being preferred against the parent company amounts to approximately \$81,000.00.

Commitments in respect of new building and furnishings aggregate approximately \$60,000.00.

The accompanying notes to consolidated financial statements should be read in conjunction with the above consolidated balance sheet.

\$6,161,583.11

Submitted with our Report to the Shareholders dated June 18 1948.

PRICE, WATERHOUSE & CO.,
 Auditors.

HOLT, RENFREW & CO., LIMITED
AND SUBSIDIARY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. — *Capital Assets*

Canadian Appraisal Co., Limited, valued the properties at a depreciated value of \$2,229,751.99 as of January 31 1948.

NOTE 2. — *Advances to Mouton Processors (Canada) Limited*

There has been received from Mouton Processors (Canada) Limited subsequent to January 31 1948, the sum of \$6,060.42 to be applied against their indebtedness.

NOTE 3. — *Account Receivable from Motty Eitingon, Inc.
and associated companies*

A further plan of reorganization of Motty Eitingon, Inc. and its associated companies has been made effective subsequent to January 31 1948. The amount of the indebtedness of these companies which may eventually be recovered under the new plan is indeterminate at this time; but in the opinion of your Directors such amount should not be less than the written down amount shown on the attached balance sheet.

NOTE 4. — *Claim for refund of Income and Excess Profits Taxes*

The claims for refund of taxes, which were set up in the accounts at January 31 1947, were the subject of discussion with the Taxation Division of the Department of National Revenue and it was believed at that time that they would be approved. The claims are presently under further review by the taxation authorities but have not as yet been accepted by them; if the taxation authorities disallow the claims in whole and such disallowances were subsequently maintained, it would result in the entire loss of the refund claims, \$854,487.59, and an additional tax being payable to the Dominion Government in the amount of approximately \$300,000.00 including \$40,000.00 in respect of the year ending January 31 1948.

NOTE 5. — *Income and Excess Profits Taxes*

The income tax returns of the companies have been reviewed by the taxation authorities for the years ending January 31 1941 to January 31 1947 inclusive, and the proposed adjustments for liability for taxes have been reflected in the attached accounts with the exception of the disallowance referred to under Note 4.

HOLT, RENFREW & CO., LIMITED
AND SUBSIDIARY COMPANY

*Consolidated Statement of Profit and Loss
for the year ending January 31 1948*

COMBINED PROFIT FROM OPERATIONS:

After deducting all selling and general expenses (except those deducted below), and after providing for bad debts, but before charging depreciation of buildings and equipment and amounts written off alterations to premises..... \$734,722.70

Deduct:

Executive remuneration..... \$ 48,216.00
Directors' fees..... 7,440.00
Interest on mortgage..... 3,228.79
Interest on first mortgage bonds..... 14,316.10

Depreciation—

On buildings..... \$24,857.41
On furniture, fixtures and automobiles... 25,676.27

Amounts written off alterations to premises..... 34,843.13

158,577.70

\$576,145.00

Deduct:

Losses resulting from disposal of furs and skins held at January 31 1947 in the United States, and by the wholesale fur division in Canada..... \$465,489.59
Write-down of inventory of furs and skins in the United States to estimated realizable values at January 31 1948..... 64,566.40

530,055.99

Net profit transferred to surplus..... \$ 46,089.01

*Consolidated Statement of Earned Surplus
for the year ending January 31 1948*

Balance, January 31 1947..... \$436,267.44
Consolidated net profit for the year..... 46,089.01
Profit from sales of capital assets..... 258,018.78
Increase in claim for refund of taxes paid during the year ending January 31 1946..... 7,011.05
Taxes paid in the United States by subsidiary company—recovered..... 7,562.29

\$754,948.57

Deduct:

Adjustment for additional income and excess profits taxes for the five years ending January 31 1945, and interest thereon..... \$146,512.08
Adjustments to capital assets and relative reserves for depreciation in respect of prior years..... 66,627.79
Further amount by which the account receivable from Motty Eitington Inc. and associated companies has been written down..... 205,427.97

418,567.84

Balance, January 31 1948..... \$336,380.73

The accompanying notes to consolidated financial statements numbered 2, 3 and 4 should be read in conjunction with the above consolidated statements of profit and loss and earned surplus.

AUDITORS' REPORT TO THE SHAREHOLDERS:

We have made an examination of the books and accounts of Holt, Renfrew & Co., Limited in Montreal, Winnipeg, Ottawa and Hamilton and of its wholly owned subsidiary, Amcan Furs Limited, for the year ending January 31 1948, and have been furnished with financial statements of the Toronto and Quebec branches with the reports of the auditors thereof and have obtained all the information and explanations we have required. Our examination included such tests of the accounting records and other supporting evidence and such other procedures as we considered appropriate.

Subject to the final disposition of the income tax questions as referred to in Note 4 to the balance sheet, which are of substantial importance as affecting the financial position of the company, we report that, in our opinion, the attached consolidated balance sheet as at January 31 1948, supplemented by the notes appended thereto, is properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of Holt, Renfrew & Co., Limited and its wholly owned subsidiary company, and the related consolidated statements of profit and loss and earned surplus present fairly the result of the combined operations for the year ending 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 which we have examined and the audited accounts of the remaining branches as referred to above.

PRICE, WATERHOUSE & CO.,
Auditors.

