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ANNUAL REPORT

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The Great West Saddlery Company Ltd.

Fiscal Year Ended December 31st, 1946

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ANNUAL REPORT

To the Shareholders:

Enclosed you will find the Balance Sheet of the Company as at December 31st, 1946.

Operating profits for the year ended December 31st, 1946, after payment of bond interest, but before depreciation and income and excess profits taxes, amounted to.....	\$ 316,918.36
After setting aside an amount of.....	26,551.00
for depreciation of buildings, machinery and equipment, and providing for income and excess profit, taxes of	146,000.00
there is a net profit of.....	144,367.36

First Mortgage bonds were, during the year, further retired by the annual redemption of \$44,000, thus the outstanding balance of this liability was reduced to.....	88,000.00
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It will be noted from the accompanying Balance Sheet, that the well established policy of the Company, the maintenance of a satisfactory liquid position, continued effective during the year, current assets being approximately 3.03 times current liabilities, with an increase in net working capital to.....	1,092,875.87
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A record total of sales figures was again attained, showing a substantial increase over previous years. Net profits, however, have been restricted by constantly increasing costs of merchandising and production.

It is most difficult to foretell business conditions during the coming year. Many problems and uncertainties, of which the management is fully aware, are presented in the outlook. Returns from the Western wheat crop, both in volume and value, were substantially higher in comparison with the preceding year, thus increasing the purchasing power of the territory served. However, the situation with respect to supply of materials and staple merchandise continues acute, in fact, is now more serious than at any time during the war. Reduced gross mark-up by reason of subsidy removals and upward price adjustments, together with continuing increased labor, material and operating costs, will necessitate a maximum in sales volume to maintain the established earning power of the Company.

On behalf of the Board,

R. A. ADAMS,

President.

Winnipeg, Manitoba,
March 31st, 1947.

The Great West Saddlery Company Limited

STATEMENT II

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31st DECEMBER, 1946

Profit from Operations for the year, before charging Executive Salaries, Bond Interest, Depreciation and Income and Excess Profits Taxes		\$ 344,546.94
Deduct		
Executive Salaries.....	\$ 37,070.83	
Directors' Fees.....	1,200.00	
Bond Interest.....	3,520.00	
	<hr/>	41,790.83
Profit for the year, before providing for Depreciation and Income and Excess Profits Taxes.....		\$ 302,756.11
Deduct		
Provision for Depreciation.....	\$ 26,551.00	
Income and Excess Profits Taxes, estimated.....	146,000.00	
	<hr/>	172,551.00
		\$ 130,205.11
Add Non-operating Income—Profit from sale of War Bonds, etc.....		14,162.25
Net Profit for the year, carried to Surplus Account (Statement III).....		<u>\$ 144,367.36</u>

STATEMENT III

STATEMENT OF EARNED SURPLUS FOR THE YEAR ENDED 31st DECEMBER, 1946

Surplus at 31st December, 1945.....		\$ 235,455.94
Dividends paid for the year ended 31st December, 1946		
Four quarterly dividends of 1½% on First Preference Stock.....	20,976.00	
Four quarterly dividends of 1½% on Second Preference Stock.....	3,474.00	
Adjustment of Income and Excess Profits Taxes for the year ended 31st December, 1943.....	5,812.36	30,262.36
	<hr/>	\$ 205,193.58
Net Profit for the year, per Statement II.....		144,367.36
Surplus at 31st December, 1946, carried to Statement I.....		<u>\$ 349,560.94</u>

ERY COMPANY LIMITED

31st DECEMBER, 1946

ENT I

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:

Bank Overdraft, Current Account.....	\$127,752.23	
Bank Loan (Secured).....	60,000.00	\$ 187,752.23
Accounts Payable and Accrued Charges:		
Trade and Sundry.....	\$237,840.66	
Dominion and Provincial Taxes, Sundry.....	16,989.46	
Estimated Income and Excess Profits Taxes.....	96,471.00	
Bond Interest Accrued.....	880.00	
Total Current Liabilities.....		\$ 352,181.12
FIRST MORTGAGE 6 year 3% Instalment Bonds		\$ 539,933.35
Authorized and issued in 1942.....	\$264,000.00	
Less Instalments Redeemed.....	176,000.00	
RESERVE FOR CONTINGENCIES.....		88,000.00
PENSION FUND DIVIDEND RESERVE.....		36,587.38
		813.38
CAPITAL		
Authorized:		
6,992 Shares of 6% Cumulative Redeemable (at Company's option) First Preference Stock of \$50.00 each.....	\$349,600.00	
1,158 Shares of 6% Cumulative Redeemable (at Company's option) Second Preference Stock of \$50.00 each.....	\$ 57,900.00	
Common Stock of No Par Value.....	40,000 Shares	
Issued:		
6,992 Shares of First Preference Stock.....	\$349,600.00	
1,158 Shares of Second Preference Stock.....	57,900.00	
39,871 Shares of Common Stock.....	806,016.28	
DEFERRED CREDIT TO SURPLUS—being estimated refundable portion of Excess Profits Taxes—per contra.....		1,213,516.28
EARNED SURPLUS.....		94,589.43
		349,560.94
		<u>\$2,323,000.76</u>

REPORT

in accordance with the requirements of the Companies' Act (Dominion) we report that we have obtained all the information and explanation of the Company at 31st December, 1946, according to the best of our information and the explanations given to us and as shown by the books in the Balance Sheet; which provision, in the opinion of the Directors, is adequate.

GEORGE A. TOUCHE & CO.,
Chartered Accountants, Auditors.

THE GREAT WEST SADDLERY COMPANY

BALANCE SHEET AS AT 31st DECEMBER 1946

STATEMENT

ASSETS

CURRENT ASSETS:

Cash on Hand.....		\$ 4,335.12
Accounts Receivable.....	\$432,986.40	
Less Reserve for Doubtful Accounts.....	41,886.79	
		391,099.61
Raw Materials, goods in process, finished stock and supplies on hand as per inventories valued on the basis of cost or market, whichever is the lower, as determined from cost or other records, and certified by responsible officials, less Reserves.....		1,216,443.29
Prepaid Expenses.....		20,931.20
		\$1,632,809.22

FIXED ASSETS:

Land, Buildings, Plant, Machinery and Equipment at depreciated values based on appraisal by Sterling Appraisal Co. Ltd., dated 10th February, 1928, with subsequent additions at cost, less Depreciation provided to 31st December, 1936.....	\$781,720.93	
Deduct subsequent provision for Depreciation.....	228,811.89	
		552,909.04
SUNDRY PROPERTIES AND MORTGAGES.....		29,015.84

DEFERRED ACCOUNT RECEIVABLE—being estimated refundable portion of Excess Profits Taxes, per contra..... 94,589.43

EQUITY IN RECIPROCAL INSURANCE EXCHANGES.....	\$ 19,776.23	
Less Reserve.....	7,500.00	
		12,276.23

GOODWILL..... 1.00

DEFERRED CHARGES—Stationery and Office Supplies..... 1,400.00

Approved on behalf of the Board

R. A. ADAMS, Director
C. V. SHAVER, Director

\$2,323,000.76

AUDITOR

To the Shareholders of

The Great West Saddlery Company, Limited, Winnipeg.

We have examined the books and accounts of The Great West Saddlery Company Limited for the year ended 31st December, 1946 in accordance with the provisions of the Companies Act, 1929, and the provisions we have required. In our opinion the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company. Depreciation of Fixed Assets for the year, provided at the usual rates, is based on the reduced value of \$781,720.93, as shown in the Balance Sheet.

Winnipeg, 27th February, 1947.

The Great West Saddlery Company Ltd.

DIRECTORS

R. A. ADAMS,
Toronto

D. J. HUTCHINGS,
Winnipeg

C. V. SHAVER,
Toronto

J. H. MARSHALL,
Toronto

P. ROBERTSON
Toronto

OFFICERS

President.....R. A. ADAMS
Vice-President and General Manager.....D. J. HUTCHINGS
Secretary-Treasurer and Assistant General Manager.....J. C. BROADFOOT
General Sales Manager.....M. H. WITTERS

Branch Managers:

Calgary.....J. Stinson
Edmonton.....J. McCaughan
Saskatoon.....J. Power
Regina.....E. Pettipiece
Winnipeg.....R. E. Lathey