

ANNUAL REPORT

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The Great West Saddlery Company Ltd.

Fiscal Year Ended December 31st, 1948

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ANNUAL REPORT

To the Shareholders:

The statements showing the results of operation of your company for the fiscal year ended December 31, 1948, together with a Balance Sheet showing the Company's position as of December 31, 1948, are submitted herewith.

The Profit and Loss statement reveals a substantial drop in earnings as compared with last year. Two major factors affecting this result are as follows:

1. A drop in sales of approximately 8½% suffered in the first half of the year, due almost entirely to a very backward spring. In the last half of the year, sales were increased over 1947 in practically all lines carried by your firm, although sales of harness showed a steady decline.
2. A drop in gross mark-up of 1.2%. This was due, first to losses resulting from the liquidation of stocks of merchandise made from wartime materials, and secondly to the lack of inventory appreciation resulting from price increases, which were a substantial factor in 1947 profits.

Expenses were held in line with reduced sales, but some additional expense was incurred through slowing down of factory operations.

The liquid position of the company during the year was considerably improved. Bank indebtedness was reduced to nil and working capital increased to \$1,440,484.00 after redeeming instalment bonds becoming due during the year amounting to \$60,000.00 resulting in a ratio of current assets to current liabilities of five to one.

Regular dividends of \$3.00 per share were paid on 2nd preference shares outstanding.

Despite a very late spring, the crop harvested in 1948 in Western Canada was good and the buying power of the Western Farmer remains high. There is, however, a trend toward greater discrimination in buying.

Some shortages still exist in essential merchandise, but supply is rapidly overtaking demand for most of the merchandise distributed by your company, resulting in much keener competition for business. The directors feel, however, that your firm will retain its share of the business in Western Canada during 1949.

On behalf of the Board,

R. A. ADAMS,
President.

Winnipeg, Manitoba,
March 31, 1949.

The Great West Saddlery Company Limited

STATEMENT II

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31st DECEMBER, 1948

Profit from Operations for the year, before charging Executive Salaries, Bond Interest, Depreciation and Income Taxes.....		\$ 321,129.62
Deduct:		
Executive Salaries.....	\$ 39,279.65	
Directors' Fees.....	1,200.00	
Bond Interest.....	14,557.50	
		<u>55,037.15</u>
Profit for the year, before providing for Depreciation and Income Taxes.....		\$ 266,092.47
Deduct:		
Provision for Depreciation.....	\$ 25,670.00	
Income Taxes, estimated.....	90,000.00	
		<u>115,670.00</u>
		\$ 150,422.47
Add Gain on disposal of Fixed Assets.....	\$ 132.76	
Gain on disposal of Real Estate held for sale.....	927.86	1,060.62
Net Profit for the year, carried to Surplus Account (Statement III).....		<u>\$ 151,483.09</u>

STATEMENT III

STATEMENT OF EARNED SURPLUS FOR THE YEAR ENDED 31st DECEMBER, 1948

Surplus at 31st December, 1947.....	\$ 111,264.66
Refund of 1942 Excess Profits Tax.....	13,608.19
	<u>\$ 124,872.85</u>
Dividends paid for the year ended 31st December, 1948	
Four quarterly dividends of 1½% on Second Preference Shares.....	3,474.00
	<u>\$ 121,398.85</u>
Net Profit for the year per Statement II.....	151,483.09
Surplus at 31st December 1948, carried to Statement I.....	<u>\$ 272,881.94</u>

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st DECEMBER, 1948

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LIABILITIES AND CAPITAL

CURRENT LIABILITIES:

Accounts Payable and Accrued Charges.....	\$ 259,832.72	
Employees Salaries and Commissions, etc.....	13,836.52	
Dominion and Provincial Taxes, Sundry.....	3,250.94	
Estimated Income Taxes.....	60,973.00	
Bond Interest Accrued.....	5,815.00	
	<hr/>	\$ 343,708.18

FIRST MORTGAGE 7 year 3% Instalment Bonds

Authorized and issued in 1947.....	\$ 525,250.00	
Less Instalments Paid.....	60,000.00	
	<hr/>	465,250.00

RESERVE FOR CONTINGENCIES..... 36,587.38

CAPITAL—

Authorized:

6,992 Shares of 6% Cumulative First Preference Stock, of \$50.00 each, Redeemable at the Company's option.....	\$ 349,600.00	
1,158 Shares of 6% Cumulative Second Preference Stock, of \$50.00 each, Redeemable at the Company's option.....	\$ 57,900.00	
Common Stock of No Par Value, 40,000 Shares		

Issued:

1,158 Shares of Second Preference Stock.....	\$ 57,900.00	
39,871 Shares of Common Stock.....	806,016.28	
	<hr/>	863,916.28

CAPITAL SURPLUS—Transferred from Earned Surplus on Redemption of First Preferred Shares..... 349,600.00

EARNED SURPLUS per Statement III..... \$ 272,881.94
Add Refundable portion of Excess Profits Taxes per contra..... 80,981.24

\$2,412,925.02

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, 1948, according to the best of our information and the explanations given to us and as shown by the books of 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 LIMITED

BALANCE SHEET AT

STATE

ASSETS

CURRENT ASSETS:

Cash on Hand and in Bank.....		\$ 57,819.22
Accounts Receivable.....	\$ 686,360.69	
Less Reserve for Doubtful Accounts.....	53,880.69	
		<u>632,480.00</u>
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.....		1,090,727.60
Prepaid Expenses.....		<u>3,165.44</u>
Total Current Assets.....		<u>\$1,784,192.26</u>

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	\$ 770,480.02	
Deduct subsequent provision for Depreciation.....	267,652.73	
		<u>502,827.29</u>
SUNDRY MORTGAGES AND AGREEMENTS.....		23,249.51

DEFERRED ACCOUNT RECEIVABLE—being estimated refundable portion of Excess Profits Taxes, per contra.....		80,981.24
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EQUITY IN RECIPROCAL INSURANCE EXCHANGES.....	\$ 21,804.49	
Less Reserve.....	7,500.00	
		<u>14,304.49</u>
GOODWILL.....		1.00

DEFERRED CHARGES.....		7,369.23
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Approved on behalf of the Board

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

\$2,412,925.02

AUDITORS

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, 1948, and the statements of financial position as at that date, and in accordance with 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 \$770,480.02, as shown in the Balance Sheet.

Winnipeg, 18th March, 1949.

