

STEDMAN BROS., LIMITED

136-152 PORTLAND STREET

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TORONTO, CANADA

April 10, 1959

To the Shareholders of Stedman Bros., Limited:

The Directors of Stedman Bros., Limited, submit for your consideration the Annual Statement, together with the Profit and Loss Account, also the Auditors Certificate for the year ending December 31, 1958, which it is hoped will meet with your approval.

The year's operation shows an increase over the year 1957.

Net Earnings before Taxes.....	6.51 per share
Income Taxes.....	3.12 per share
Net earnings after Taxes.....	3.39 per share
Dividends Paid.....	1.20 per share
Number of Stores in operation December 31, 1958.....	115
New Stores opened during the year.....	5
Amount spent on new properties, alterations, furniture and fixtures.....	\$823,899.25

It must be borne in mind that no business stands still, it either goes ahead or goes back. It is also true that the buildings, fixtures, etc. must be kept up to date and opportunities to expand must be taken when the opportunity presents itself. From a financial standpoint it must be remembered that the profit for the year is not in liquid form, some part is in Inventory, some in increased Accounts Receivable and some in Capital for expansion. The taxes which are 51% of earnings must be paid in cash. The result is that after a modest dividend is paid the cash position is greatly reduced.

Our year-end statement shows considerable cash on hand, but after providing for the requirements mentioned, goods for the coming year commence to arrive, so that by Fall we are leaning on the bank for three or four months.

The year 1959 shows an improvement over 1958 for the first quarter. However, the feeling of uncertainty still prevails and the threat of inflation is still with us. Our whole organization will agree with me that we face the future with confidence.

On behalf of the Directors, I wish to express our thanks to all members of the staff for their co-operation during the year.

Signed on behalf of the Board

S. W. STEDMAN,
Chairman.

STEDMAN BROS., LIMITED

INCORPORATED UNDER THE LAWS OF CANADA

BALANCE SHEET

December 31, 1958

(with comparative figures as at December 31, 1957)

	ASSETS	1958	1957
<u>Current Assets</u>			
Cash.....		\$ 1,680,225.25	\$ 1,782,215.77
Accounts Receivable, less allowance for doubtful accounts.....		983,593.31	1,023,381.96
Merchandise inventories, determined by physical count and valued at not more than the lower of cost or market.....		4,753,488.20	4,234,450.15
Advance Payments on Merchandise.....		147,293.99	92,800.70
Life Insurance, Cash Surrender Value.....		69,211.70	63,900.18
Prepaid Insurance and Expenses.....		55,994.98	72,338.71
		<u>\$ 7,689,807.43</u>	<u>\$ 7,269,087.47</u>
<u>Mortgage Receivable.....</u>		<u>\$ 4,000.00</u>	<u>\$ 6,000.00</u>
<u>Fixed Assets, at Cost:</u>			
Land and Buildings.....		\$ 2,838,075.14	\$ 2,515,436.50
Furniture, Fixtures and Leasehold Improvements.....		3,037,881.12	2,536,620.51
		<u>\$ 5,875,956.26</u>	<u>\$ 5,052,057.01</u>
<u>Less: Accumulated Depreciation.....</u>		<u>2,428,995.94</u>	<u>2,048,255.59</u>
		<u>\$ 3,446,960.32</u>	<u>\$ 3,003,801.42</u>
		<u>\$11,140,767.75</u>	<u>\$10,278,888.89</u>

	LIABILITIES	1958	1957
<u>Current Liabilities:</u>			
Accounts Payable and Accrued Expenses.....		\$ 231,708.28	\$ 218,539.63
Income Taxes Payable.....		615,636.72	665,918.37
Dividend Payable.....		122,150.40	122,150.40
		<u>\$ 969,495.40</u>	<u>\$ 1,006,608.40</u>
<u>Shareholders' Equity:</u>			
<u>Capital Stock:</u>			
Authorized, 500,000 Common Shares without nominal or par value			
Issued, 407,168 Shares.....		\$ 294,801.00	\$ 294,801.00
<u>Surplus:</u>			
Earned.....		9,871,271.35	8,972,279.49
Capital, Arising from Redemption of Preference Shares.....		5,200.00	5,200.00
		<u>\$10,171,272.35</u>	<u>\$9,272,280.49</u>
		<u>\$11,140,767.75</u>	<u>\$10,278,888.89</u>

Approved on behalf of the Board.

S. W. STEDMAN, *Director*

GEO. H. STEDMAN, *Director*

STEDMAN BROS., LIMITED

STATEMENT OF INCOME

Year ended December 31, 1958

(with comparative figures for the year ended December 31, 1957)

	1958	1957
Profit on Operations before Provision for the Undernoted Items.....	\$ 3,127,619.40	\$3,036,662.57
<u>Deduct:</u>		
Allowance for Depreciation.....	380,740.35	\$ 327,072.73
Employees' Pension Fund, Net.....	41,603.13	39,234.46
Remuneration of Directors:		
Salaried.....	54,151.93	61,861.28
Non-salaried.....	900.00	900.00
Taxes on Income.....	1,270,000.00	1,250,000.00
	<u>\$ 1,747,395.41</u>	<u>\$1,679,068.47</u>
<u>Net Income for Year</u>	<u>\$ 1,380,223.99</u>	<u>\$1,357,594.10</u>

STATEMENT OF EARNED SURPLUS

Year ended December 31, 1958

(with comparative figures for the year ended December 31, 1957)

	1958	1957
Earned Surplus at Beginning of Year.....	\$ 8,972,279.49	\$8,055,653.19
<u>Add:</u>		
Net Income for Year.....	1,380,223.99	1,357,594.10
Life Insurance, Adjustment.....	1,649.27	1,167.00
Surplus on disposal of Investments or Real Estate.....	5,720.20	5,750.00
	<u>\$10,359,872.95</u>	<u>\$9,420,164.29</u>
<u>Deduct Dividends Paid</u>	<u>488,601.60</u>	<u>447,884.80</u>
<u>Earned Surplus at End of Year</u>	<u>\$ 9,871,271.35</u>	<u>\$8,972,279.49</u>

AUDITOR'S REPORT

To the Shareholders of
Stedman Bros., Limited:

We have examined the balance sheet of Stedman Bros., Limited, as at December 31, 1958, and the statements of income and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the above balance sheet and the accompanying statements of income 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 December 31, 1958, and the results of its operations for the year ended on that date, according to the best of our information and the explanations given us and as shown by the books.

Toronto, Canada
March 13, 1959.

THORNE, MULHOLLAND, HOWSON & McPHERSON,
Chartered Accountants.

