

STEDMAN BROS., LIMITED

27-29 WELLINGTON ST. WEST

TORONTO, CANADA

February 20, 1941.

TO THE SHAREHOLDERS:

The Board of Directors have pleasure in submitting for your consideration the Annual Statement and Balance Sheet, covering the operation of the Company during the year 1940.

In comparison with the previous year, the results show a substantial increase in volume. The profit for the year before taxation shows a corresponding increase. Owing to the Excess Profits Tax, the net result is less than the previous year, with the result that the Excess Profits Tax takes, not 75% of the increase in profits, but over 100%.

I refer to this fact, not from any lack of loyalty, but as a matter of information to Shareholders. The profit shown in the Balance Sheet is rarely in liquid form. In part, it represents increase in inventory, increase in bills receivable, and, to some extent, capital expenditures.

Our problem is to maintain a sound financial position and at the same time to have available cash to pay tax levies and dividends.

The present trend would seem to suggest that sooner or later it will tend to the curtailment of dividends.

For the year upon which we have entered, one cannot venture an opinion. So far the results are satisfactory; just how far embargoes against imports will go, and to what extent the domestic facilities can meet demands, are unknown.

The problems of the past year, and they were many, were met by the loyalty and fine spirit of co-operation of all associated with this business. This gives us confidence with which to face the future.

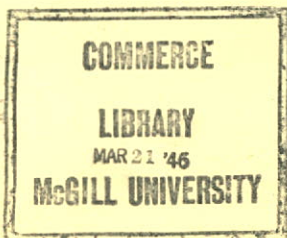
The Directors have declared the regular dividend of 75 cents on the Preference Stock and the regular 15 cents on the Common, plus a bonus of 60 cents per share on the Common Stock.

The Directors also wish to express their deep appreciation to all members of the staff for their loyal service during the year passed.

Yours very truly,

S. W. STEDMAN,

President.



STEDMAN BROS., LIMITED

BALANCE SHEET AS AT DECEMBER 31, 1940

ASSETS

Cash on Hand and in Banks.....		\$ 356,158.14
Accounts Receivable (Less Reserve for Bad Debts, \$5,000.00).....		237,470.21
Inventories at Cost.....	\$ 850,538.44	
Less: Reserves for Warehouse Profit on Store Inventories.....	55,807.30	
Less: Reserves for Increased Prices re Excess Profits Tax.....	43,955.26	
		750,775.88
Cash Surrender Value of Life Insurance.....		3,555.00
Real Estate (at Cost less Depreciation, \$10,129.53).....		147,895.10
Furniture and Fixtures.....		
(Less Depreciation, \$178,600.15).....		153,496.07
Prepaid Expenses and Other Assets.....		11,580.67
Trade Creditors.....		3,320.55
Goodwill.....		1.00
		\$1,664,252.62

LIABILITIES

Accrued Wages and Commissions.....		\$ 12,835.00
Reserves:		
Business Tax.....	\$ 2,000.00	
Income Tax (after Prepayment of \$150,000.00).....	80,000.00	
Preferred Dividend 1½%.....	4,500.00	
Common Dividend 15 cents per share.....	13,500.00	
		100,000.00
Reserve re Real Estate.....		147,895.10
Capital Stock:		
Preferred—6,000 Shares, Par Value \$50.00 per Share.....	\$ 300,000.00	
Common—90,000 Shares, No Par Value.....	1.00	
		300,001.00
Surplus.....		1,103,521.52
		\$1,664,252.62

AUDITOR'S CERTIFICATE

I have examined the above Balance Sheet of Stedman Bros., Limited, as at December 31, 1940, and report that, in my opinion, it is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of my information and the explanations given me, and as shown by the books of the Company.

All my requirements as Auditor have been complied with.

S. W. STEDMAN, *President.*
 GEO. H. STEDMAN, *Managing Director.*

C. J. PARKER, C.A.

STEDMAN BROS., LIMITED

GENERAL INCOME AND EXPENDITURE ACCOUNT

for the Year ended December 31, 1940

Net Operating Profit for year before Provision for Depreciation, and Dominion and Provincial Income Taxes		\$587,388.22
Provision for Depreciation	\$ 38,768.39	
Dominion and Provincial Income Taxes	230,000.00	
Reserve for increased prices in Store and Warehouse Inventories	43,955.26	
		312,723.65
Net Profit for year carried forward to Surplus Account		\$274,664.57

The total of the amount paid for the year ended December 31, 1940, as salaries, bonuses, fees or other remuneration to the counsel, solicitors, or other legal advisers of the Company, also to the Executive Officers of the Company, including the Managing Director and any other Directors who hold salaried employment or office with the Company was \$41,289.94. Fees of Directors not holding salaried employment in this Company were \$300.00.

SURPLUS ACCOUNT

as at December 31, 1940

Earned Surplus, forward January 1, 1940		\$ 959,057.84
Add:		
Adjustment by Income Tax Dept. of Reserve for Deprecia- tion on Warehouse Fixtures and Store Alterations	\$ 15,895.31	
Surplus on Reserve for 1939 Dominion and Provincial In- come Taxes	11,948.06	
Increase in Cash Surrender Value of Life Insurance	315.00	
Transferred from Profit and Loss Account	274,664.57	
		302,822.94
Less:		\$1,261,880.78
Loss on Dominion of Canada War Loan Bonds	\$ 187.50	
Life Insurance Premiums Paid	3,662.25	
Added to Reserve against Real Estate	28,509.51	
		32,359.26
		\$1,229,521.52
Preference Dividends:		
Paid April 1, 1940	\$ 4,500.00	
Paid July 1, 1940	4,500.00	
Paid Oct. 1, 1940	4,500.00	
Payable Jan. 1, 1941	4,500.00	
		\$ 18,000.00
Common Dividends:		
Paid April 1, 1940	\$ 67,500.00	
Paid July 1, 1940	13,500.00	
Paid Oct. 1, 1940	13,500.00	
Payable Jan. 1, 1941	13,500.00	
		108,000.00
		126,000.00
Balance of Earned Surplus, December 31, 1940, carried to Balance Sheet		\$1,103,521.52

STEDMAN BROS., LIMITED

ANNUAL REPORT FOR THE Year ending 31st December, 1940

OFFICERS:

SAMUEL W. STEDMAN..... *President*
GEORGE H. STEDMAN..... *Managing Director*
DOUGLAS J. MACDONALD..... *First Vice-President*
EDWARD I. STEDMAN..... *Second Vice-President*
CLARENCE R. PETTIT..... *Secretary-Treasurer*

STOCK TRANSFER AGENTS:

GUARANTY TRUST COMPANY OF CANADA

BANKERS:

BANK OF TORONTO
Toronto