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STEDMAN BROS., LIMITED

27 WELLINGTON ST. WEST - TORONTO, CANADA

March 22, 1950.

To the Shareholders of Stedman Bros., Limited:

Your Directors have pleasure in submitting for your approval the Balance Sheet, together with the Profit and Loss Statement covering the operation of the Company and Subsidiaries for the year 1949.

In comparison with 1948, the volume shows an increase of 8% and the Net Profit an increase of approximately 9%. Earnings for the year, after taxes, amounted to \$2.13 per share against \$1.95 per share in 1948.

During the year the Company spent \$180,550.22 on additions to fixed assets. Merchandise inventories were increased by \$669,524.16.

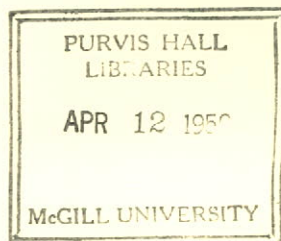
For some time the Management has given consideration to expansion and improvement. This has been delayed to some extent by the high cost of materials and the shortage of labor. As part of this program, the Company purchased property at the corner of Portland and Richmond Streets in Toronto and in November let a contract for a new warehouse which is expected will be completed by the Fall. This will enable us to concentrate our facilities in one building instead of three as at present.

The year 1950 up to the present has shown some variations according to territory but on the whole, it compares favourably with 1949. All signs suggest that we are entering a period of keen competition. Prices cannot be raised without forcing consumers to substitutes. With the continued pressure being placed on Governments to adopt more Social Security, taxes cannot be reduced to any great extent with the result that the margin of profit may be reduced. In other words our profit must come from increased volume.

On behalf of the Directors, I would like to express their appreciation for the loyal co-operation of all members of the staff.

Signed on behalf of the Board,

S. W. STEDMAN,
Chairman.



STEDMAN BROS., LIMITED

And Wholly-Owned Subsidiary Companies

CONSOLIDATED EARNED SURPLUS ACCOUNT For the Year Ended December 31, 1949

Balance at Credit, January 1, 1949.....		\$3,059,112.28
<i>Add:</i> Net Profit for the Year	\$ 870,773.82	
Profit on Disposal of Fixed Assets	8,115.70	
Adjustment of Prior Years Reserves for Depreciation	27,865.09	
Refundable Portion of 1943 Excess Profits Tax Received	75,540.83	
Increase in Cash Surrender Value of Life Insurance	3,109.83	
		<u>985,405.27</u>
		\$4,044,517.55
<i>Deduct:</i> Income Taxes Applicable to Prior Years.....	\$ 14,516.91	
Life Insurance Premiums Paid	3,662.25	
Dividends Paid on Common Shares	325,734.40	
		<u>343,913.56</u>
Balance at Credit, December 31, 1949, as per Balance Sheet....		<u><u>\$3,700,603.99</u></u>

STATEMENT OF CONSOLIDATED DEFERRED SURPLUS For the Year Ended December 31, 1949

Balance at Credit, January 1, 1949	\$ 231,796.36	
<i>Add:</i> Adjustment of Refundable Portion of Excess Profits Tax	2,637.76	
		<u>\$ 234,434.12</u>
<i>Deduct:</i> Transfer of 1943 Refundable Portion to Earned Surplus		75,540.83
Balance at Credit, December 31, 1949, as per Balance Sheet....		<u><u>\$158,893.29</u></u>

STATEMENT OF CONSOLIDATED PROFIT AND LOSS For the Year Ended December 31, 1949

Net Earnings before Provision for the following items.....		\$1,588,706.60
<i>Add:</i> Income from Investments		402.00
		<u>\$1,589,108.60</u>
<i>Deduct:</i> Provision for Depreciation	\$ 72,156.03	
Employees' Pension Fund	30,886.65	
Remuneration of Directors Holding Salaried Employment	51,800.00	
Remuneration of Directors Not Holding Salaried Employment	300.00	
Legal Fees	30.00	
Provision for Taxes on Income	563,162.10	
		<u>718,334.78</u>
Net Profit Transferred to Statement of Consolidated Earned Surplus		<u><u>\$ 870,773.82</u></u>

STEDMAN BROS., LIMITED

INCORPORATED UNDER THE DOMINION COMPANIES ACT
And Wholly-Owned Subsidiary Companies

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1949

ASSETS

Current Assets:			
Cash on Hand and in Banks			\$1,167,745.60
Accounts Receivable			416,847.39
Merchandise Inventory as determined by the Management and certified to be valued at not more than the lower of cost or market			\$2,193,822.71
Less: Reserve for Profit on Store Inventories	\$126,578.14		
Reserve against decline in Inventory Values	200,000.00	326,578.14	1,867,244.57
Cash Surrender Value of Life Insurance.....			32,296.85
Investment in Securities (at Approximate Market Value)....			8,566.06
			<u>\$3,492,700.47</u>
Fixed Assets—At Cost:			
Land and Buildings	\$ 709,651.47		
Reserve for Depreciation	90,228.22		
			\$ 619,423.25
Furniture and Fixtures	\$ 680,407.55		
Reserve for Depreciation	475,880.10		
			\$ 204,527.45
			<u>823,950.70</u>
Other Assets:			
Prepaid Insurance, Pension and Other Expenses	\$ 50,871.26		
Loans to Employees	17,917.40		
			68,788.66
Refundable Portion of Excess Profits Tax			158,893.29
			<u>\$4,544,333.12</u>

LIABILITIES

Current Liabilities:			
Accounts Payable	\$ 11,966.47		
Salaries Payable	8,736.63		
Reserve for Taxes on Income	282,698.14		
Common Dividend Payable 2nd January, 1950.....	81,433.60		
			<u>\$ 384,834.84</u>

CAPITAL STOCK AND SURPLUS

Capital Stock:			
Authorized 500,000 Common Shares Without Nominal or Par Value			
Issued 407,168 Shares			\$ 294,801.00
Surplus:			
Earned	\$3,700,603.99		
Deferred	158,893.29		
Capital	5,200.00	3,864,697.28	
			<u>4,159,498.28</u>
			<u>\$4,544,333.12</u>

Approved on behalf of the Board:
S. W. STEDMAN, *Chairman*.
GEO. H. STEDMAN, *President*.

AUDITOR'S CERTIFICATE

To the Shareholders of Stedman Bros., Limited, Toronto, Ontario:

We have examined the Consolidated Balance Sheet of Stedman Bros., Limited, and Wholly-Owned Subsidiary Companies Stedman's Bookstore Limited and Guest's Limited as at December 31, 1949, and the statements of Consolidated Profit and Loss and Consolidated Earned Surplus for the year then ended. In connection therewith we have examined the records of the Company, and its Wholly-Owned Subsidiaries and obtained all the information we have required from officers and employees, and without making a detailed audit of the transactions, have made a general review of the accounting methods and of the operating and income accounts for the year.

In our opinion, the accompanying Consolidated Balance Sheet and related statements of Consolidated Profit and Loss and Consolidated Earned Surplus have been drawn up so as to exhibit a true and correct view of the state of the Companies' affairs at December 31, 1949, and of the results of operations for the year then ended according to the best of our information and the explanations given to us and as shown by the books.

MILLARD, ROUSE AND ROSEBRUGH,
Chartered Accountants.

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STEDMAN BROS., LIMITED

ANNUAL REPORT

FOR THE

Year Ending 31st December, 1949

OFFICERS:

SAMUEL W. STEDMAN.....Chairman of the Board
GEORGE H. STEDMAN..Pres. and Managing Director
CLARENCE R. PETTIT.....Executive Vice-President
and Secretary-Treasurer
DOUGLAS J. MACDONALDVice-President
GEO. T. HUMBLE.....Director

STOCK TRANSFER AGENTS:

GUARAN'TY TRUST COMPANY OF CANADA
70 Richmond Street West
Toronto

BANKERS:

BANK OF TORONTO
Toronto

OPERATING COMPANY AND ASSOCIATED STORES IN THE FOLLOWING LOCATIONS

ALBERTA
Camrose
Drumheller
Grande Prairie
Lacombe
Olds
Ponoka
Red Deer
Rocky Mountain House
Stettler
Taber
Vegreville
Vulcan
Wetaskiwin

BRITISH COLUMBIA
Armstrong
Courtenay
Dawson Creek
Duncan
Kelowna
Kimberley
Langley Prairie
Lumby
Mission
New Westminster
Revelstoke
Burnaby
Vernon
West Summerland
Westview

MANITOBA
Minnedosa
Neepawa
Souris

NEW BRUNSWICK
Bathurst
Buctouche
Chatham
Chipman
Dalhousie
Edmundston
Grand Falls
Hartland
Minto
Newcastle
Perth
St. George
St. Stephen (2 stores)
Sackville
Shediac
Sussex
Woodstock

NOVA SCOTIA
Annapolis Royal
Antigonish
Berwick
Bridgetown
Bridgewater (2 stores)
Dartmouth
Digby
Kentville
Kingston

Liverpool
Lunenburg
Middleton
North Sydney
Parrsboro
Pictou
St. Peter's
Shelburne
Springhill
Stellarton
Sydney
Tatamagouche
Truro
Weymouth
Windsor
Yarmouth

PRINCE EDWARD ISLAND
O'Leary
Summerside

QUEBEC
Campbell's Bay
Shawville
Val D'Or
Valleyfield

SASKATCHEWAN
Lloydminster
Meadow Lake
Melfort
Rosetown
Rose Valley

ONTARIO
Acton
Alexandria
Alliston
Almonte
Alvinston
Amherstburg
Arnprior
Arthur
Athens
Aurora
Aylmer
Bancroft
Barry's Bay
Belle River
Blind River
Bobcaygeon
Bolton
Bowmanville
Bracebridge
Bradford
Brantford
Brighton
Burford
Burk's Falls
Burlington
Caledonia
Campbellford
Cannington
Capreol
Carleton Place

Chatham
Chesley
Clifford
Clinton
Cobourg
Cochrane
Colborne
Coldwater
Collingwood
Deseronto
Dryden
Dunnville
Durham
Dutton
Eganville
Elmira
Elmvale
Englehart
Essex
Fenelon Falls
Fergus
Fort Erie N.
Fort Frances
Gananoque
Georgetown
Glencoe
Goderich
Gore Bay
Grand Valley
Grimsby
Hagersville
Hamilton (2 stores)
Hanover
Harriston
Harrow
Hastings
Havelock
Huntsville
Ingersoll
Kapuskasing
Kincardine
Kingsville
Lakefield
Lanark
Leamington
Lindsay
Listowel
Long Branch
Lucknow
Mactier
Madoc
Manitowaning
Markdale
Markham
Marmora
Mattawa
Meaford
Merlin
Midland
Milton
Minden
Mitchell
Mount Forest
Napanea
New Hamburg
New Liskeard
Newmarket

Niagara-on-the-Lake
North Bay
Norwich
Oakville
Orangeville
Orono
Paisley
Palmerston
Paris
Parkhill
Parry Sound
Penetang
Perth
Peterboro
Petrolia
Picton
Port Colborne
Port Credit
Port Dover
Port Elgin
Port Hope
Port Perry
Preston
Port Rowan
Renfrew
Richmond Hill
Ridgetown
Ridgeway
Rodney
St. Mary's
Seaforth
Shelburne
Simcoe
Southampton
Springvale
Stayner
Stirling
Stouffville
Strathroy
Streetsville
Sturgeon Falls
Tavistock
Teeswater
Thessalon
Thorold
Tilbury
Tillsonburg
Toronto (7 stores)
Trenton
Tweed
Uxbridge
Walkerton
Markdale
Warkworth
Waterford
Waterloo
Watford
Wellesley
Wellington
West Lorne
Westport
Wheatley
Wiaraton
Winchester
Windsor (2 stores)
Wingham
Woodbridge