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**ANNUAL REPORT**

**The Great West Saddlery Company Ltd.**

*Fiscal Year Ending December 31st, 1939.*

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## ANNUAL REPORT

To the Shareholders:

Your Directors have pleasure in submitting the balance sheet of your Company as at December 31st, 1939, and the profit and loss and earned surplus accounts, which, together, show results of operations for the fiscal year ended December 31st, 1939.

Operating profits for the year ended December 31st, 1939, after bond interest, but before depreciation and income tax, amounted to .....	\$ 85,248.00
After setting aside an amount of .....	\$ 24,000.00
for depreciation of buildings and machinery, and providing for income taxes of .....	\$ 12,812.00
there is a net profit of .....	\$ 48,436.00
which has been carried to earned surplus account.	

Operating conditions throughout the year varied considerably. The improvement in Western purchasing power resulting from a gain in the Prairie crops was offset to some extent by the period of tension and uncertainty prior to the War. Since the outbreak of War, there has been a decided tendency for merchandise and raw material costs to increase but sales showed substantial improvement from September 1st, 1939.

With material costs advancing, care has been taken that the operating results do not reflect any inventory profits. Our inventories of merchandise and supplies have been priced conservatively.

A dividend equal to four quarterly payments on the 6% First Preferred Stock was paid in December and further declarations will be made as earnings and working capital position permit. Sales to date in 1940 continue to be in excess of the corresponding period in 1939.

Net working capital as of December 31st, 1939, was .....	\$911,882.00
an increase of \$40,329.00 over the figure at the end of the preceding fiscal year. Current assets were approximately 3.2 times current liabilities.	

The operations of the Sinking Fund during the year resulted in a reduction of \$20,500.00 in par value of First Mortgage Bonds outstanding.

It is with sincere regret that your Directors record the death during the year of Mr. F. O. Mitchell, of Toronto, who served the Company so capably as Director for the past nine years and as President for the past five years.

Your Directors wish to place on record their appreciation of the efforts and loyal co-operation of the General Manager, Mr. D. J. Hutchings, the Assistant Manager, Mr. J. C. Broadfoot, and all the members of the Staff throughout the year.

On behalf of the Board,

H. E. COCHRAN,  
Vice-President.

Winnipeg, Manitoba,  
February 15th, 1940.

# THE GREAT WEST SADDLERY COMPANY LIMITED

BALANCE SHEET AT 31st DECEMBER, 1939

## STATEMENT I

<u>ASSETS</u>		<u>LIABILITIES AND CAPITAL</u>	
<b>CURRENT ASSETS</b>		<b>CURRENT LIABILITIES</b>	
Cash on Hand	\$ 3,215.84	Bank Loan (Secured)	\$ 220,000.00
Accounts Receivable	\$ 464,815.21	Bank Overdraft	34,943.49
Less Reserve	18,596.03	Accounts Payable and Accrued Charges	
	<u>\$ 446,219.18</u>	Trade and Sundry	134,514.68
Relief Orders (payable out of funds provided by Dominion and Provincial Governments)	17,897.46	Dominion and Provincial Taxes Payable	644.93
Raw Materials, Goods in Process, Finished Stock, Supplies, and Goods in Transit as per inventories valued on the basis of cost or market, whichever is lower, as determined from cost and other records and certified by responsible officials	881,327.71	Estimated Income Taxes	13,500.00
Less Reserve	25,000.00	Bond Interest Payable and Accrued	8,175.00
	<u>856,327.71</u>		<u>\$ 411,778.10</u>
	<u>\$1,323,660.19</u>	<b>FIRST MORTGAGE 20 Year 6% Sinking Fund Gold Bonds</b>	
MORTGAGES, AGREEMENTS FOR SALE AND SUNDRY SECURITIES	3,789.28	Authorized	<u>\$1,000,000.00</u>
PROPERTIES ACQUIRED THROUGH LIQUIDATION OF COLLATERAL	6,202.00	Issued	\$ 850,000.00
<b>FIXED ASSETS</b>		Less Redeemed	479,500.00
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 Reserve provided to 31st December, 1936	805,021.10	<b>RESERVE FOR SUNDRY CONTINGENCIES</b>	18,525.00
DEFERRED CHARGES, prepaid insurance, etc.	6,794.81	<b>RESERVE FOR DEPRECIATION</b>	64,505.00
EQUITY IN RECIPROCAL INSURANCE EXCHANGES	\$ 11,860.66	<b>CAPITAL</b>	
Less Reserve	7,500.00	Authorized	
GOODWILL	4,360.66	6,992 Shares 6% Cumulative Redeemable (at Company's option) First Preference Stock of \$50.00 each	<u>\$ 349,600.00</u>
	<u>1.00</u>	1,158 Shares 6% Cumulative Redeemable (at Company's option) Second Preference Stock of \$50.00 each	\$ 57,900.00
		Common Stock of No Par Value	<u>40,000 Shares</u>
		Issued	
		6,992 Shares First Preference Stock	\$ 349,600.00
		1,158 Shares Second Preference Stock	57,900.00
		39,871 Shares Common Stock	806,016.28
		<b>EARNED SURPLUS (per Statement III)</b>	1,213,516.28
			71,004.66
			<u>\$2,149,829.04</u>
			<u>\$2,149,829.04</u>

NOTE: Cumulative Dividends are in arrears:  
 On First Preference Stock, from 31st March, 1939.  
 On Second Preference Stock, from 31st March, 1938.

Approved on behalf of the Board:  
 H. E. COCHRAN, Director.  
 D. J. HUTCHINGS, Director.

\$2,149,829.04

\$2,149,829.04

To the Shareholders of  
 The Great West Saddlery Company, Limited, Winnipeg.

**AUDITORS' REPORT**

We have examined the books and accounts of The Great West Saddlery Company, Limited, for the year ended 31st December, 1939, and, in accordance with the requirements of the Companies Act (Dominion) we report that we have obtained all the information and explanations 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 at 31st December, 1939, according to the best of our information and the explanations given to us, and as shown by the books of the Company. Depreciation, provided at the usual rates, is now based on the reduced values as shown in the Balance Sheet, which in the opinion of the Directors is adequate.

Winnipeg, 7th February, 1940.

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

# The Great West Saddlery Company Limited

## PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 1939

### STATEMENT II

Profit from operations for the year, before charging Executive Salaries, Bond Interest, Depreciation and Income Taxes.....		\$ 124,445.40
Deduct Executive Salaries .....	\$ 16,666.72	
Directors' Fees .....	Nil	
Bond Interest .....	22,530.70	39,197.42
	<hr/>	
Profit before providing for Depreciation and Income Taxes .....		\$ 85,247.98
Deduct Provision for Depreciation .....	\$ 24,000.00	
Dominion and Provincial Income Taxes, estimated .....	12,811.66	36,811.66
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Net Profit for the year, carried to Surplus Account (Statement III) .....		<u>\$ 48,436.32</u>

### STATEMENT III

#### STATEMENT OF EARNED SURPLUS FOR THE YEAR ENDED 31ST DECEMBER, 1939

Surplus at 31st December, 1938 .....	\$ 43,544.34
Dividends Paid, being four quarterly dividends of 1½% on First Preference Stock for the year ended 31st March, 1939 .....	20,976.00
	<u>\$ 22,568.34</u>
Net Profit for the year ended 31st December, 1939, per Statement II .....	48,436.32
Surplus at 31st December, 1939, carried to Statement I .....	<u>\$ 71,004.66</u>

# The Great West Saddlery Company Ltd.

## DIRECTORS

H. E. COCHRAN, Toronto	H. R. DRUMMOND-HAY, K.C., Winnipeg
A. G. A. SPENCE, Toronto	D. J. HUTCHINGS, Winnipeg
A. E. HOSKIN, K.C., Winnipeg	J. C. BROADFOOT, Winnipeg

## OFFICERS

Vice-President.....	H. E. COCHRAN
Vice-President and General Manager.....	D. J. HUTCHINGS
Assistant General Manager and Secretary-Treasurer.....	J. C. BROADFOOT
General Sales Manager.....	J. B. GRAY
Branch Managers:	
Edmonton.....	M. H. WITTERS
Calgary.....	J. MACDOUGALL
Saskatoon.....	J. POWER
Regina.....	G. C. AVISON
Winnipeg.....	E. O'CONNOR