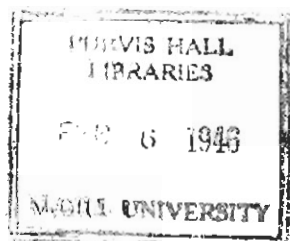


ANNUAL REPORT

The Great West Saddlery Company Ltd.

Fiscal Year Ended December 31st, 1942



ANNUAL REPORT

To the Shareholders:

Your Directors present herewith the Balance Sheet of the Company as at December 31st, 1942, the profit and loss, and earned surplus accounts showing results of operations in detail for the fiscal year ended December 31st, 1942.

Operating profits for the year ended December 31st, 1942, after bond interest, but before depreciation, Income and Excess Profits Taxes, amounted to.....	\$263,900.77
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After setting aside an amount of.....	24,668.00
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for depreciation of buildings and machinery and providing for	
Income and Excess Profits Taxes of.....	158,000.00

there is a net profit of.....	81,232.77
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which has been carried to surplus account.	
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During the year under review the Company called for redemption the outstanding balance of its First Mortgage 20-year 6% Sinking Fund Gold Bonds, due 1948, and after applying certain monies in the Sinking Fund and a small amount of other cash refunded the balance by an issue of First Mortgage 6-year 3% instalment bonds, maturing \$44,000 a year. This transaction effects a very substantial saving to the Company during the years 1942 to 1948.

Regular dividends of \$3.00 per share were paid on First Preference shares, and Dividends of \$9.00 per share were paid on Second Preference shares, being the regular dividend of \$3.00, plus \$6.00 arrears. There are now no arrears of Dividends on either class of Preference shares.

Net Working capital was increased during the year to.....	\$953,247.00
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Since the Balance Sheet published as at December 31st, 1941, accounts receivable show a decrease from.....	515,064.08
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at December 31st, 1941 to.....	266,505.87
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as at December 31st, 1942, or a net decrease of.....	248,558.21
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in the year, and the inventory for the same period, shows a decrease of.....	93,907.29
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The purchasing power in the territory which your company serves was at very high level during the whole of the year 1942, and sales again exceeded those of previous years. This is reflected by the substantial increase in gross earnings. Income and Excess Profits Taxes, however, absorb the greater part of this increase. During this buoyant period, it has been the Company's policy to become as liquid as possible which is reflected by the figures to which your attention is drawn above.

The largest problem during the period has been that of keeping an adequate inventory, and great credit should be given to both the management and the merchandising staff for the fact that the company enters 1943 in a comparatively satisfactory position in that regard.

The coming year will, doubtless, present many problems, some new and some old. After a year of operation under the Wartime Prices and Trade Board, many of the fears which existed a year ago have been dispelled. Shortages of materials and merchandise have been encountered, but with the co-operation of your company's customers and suppliers, difficulties have been minimized. It is your Directors' policy to co-operate in every way in their power with any controls, and to do their best to minimize any inconveniences that may be occasioned by our country being at War.

Your Directors wish to express their appreciation of the loyal co-operation of the General Manager, Mr. D. J. Hutchings and the Assistant General Manager, Mr. J. C. Broadfoot, during the year. Their efforts and the efforts of the Staff, who worked under very trying and short handed conditions, are largely responsible for the company's present position.

On behalf of the Board,
A. G. A. SPENCE,
President.

Winnipeg, Manitoba,
February 5th, 1943.

THE GREAT WEST SADDLERY COMPANY LIMITED

BALANCE SHEET AT 31st DECEMBER, 1942

STATEMENT 1

<u>ASSETS</u>			<u>LIABILITIES AND CAPITAL</u>		
CURRENT ASSETS:					
Cash on Hand.....		\$ 2,245.37	Bank Overdraft, Current Account.....		\$ 50,331.52
Accounts Receivable.....	\$299,541.00		Bank Loan—Special re Victory Bonds (Secured).....		75,000.00
Less Reserve.....	33,149.38		Accounts Payable and Accrued Charges:		
	<u>\$266,391.62</u>		Trade and Sundry.....	\$100,956.98	
Relief Orders (payable out of funds provided by Provincial Govern- ments).....	114.25	266,505.87	Dominion and Provincial Taxes (Sundry).....	524.84	
			Estimated Income and Excess Profits Taxes.....	125,377.15	
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 and other records and certified by responsible officials, less Reserves..		964,325.92	Bond Interest Accrued.....	<u>2,640.00</u>	229,498.97
DOMINION OF CANADA BONDS, at cost.....		75,000.00	FIRST MORTGAGE 6-year 3% Instalment Bonds Authorized and Issued in 1942.....		264,000.00
PROPERTIES AND MORTGAGES ACQUIRED THROUGH LIQUIDATION OF COLLATERAL.....		4,009.00	RESERVE FOR DEPRECIATION.....		130,138.00
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.....		776,711.80	CAPITAL:		
DEFERRED ACCOUNT RECEIVABLE—being estimated refund- able portion of Excess Profits Tax—per contra.....		13,150.00	Authorized:		
DEFERRED CHARGES, prepaid insurance, etc.....		6,640.61	6,992 Shares of 6% Cumulative Redeemable (at Company's option) First Preference Stock of \$50.00 each.....		
EQUITY IN RECIPROCAL INSURANCE EXCHANGES.....	\$ 15,774.44		<u>\$349,600.00</u>		
Less Reserve.....	7,500.00		1,158 Shares of 6% Cumulative Redeemable (at Company's option) Second Preference Stock of \$50.00 each.....		
GOODWILL.....		8,274.44	<u>\$ 57,900.00</u>		
		1.00	Common Stock of No Par Value.....		
			<u>40,000 Shares</u>		
			Issued:		
			6,992 Shares of First Preference Stock.....		
			1,158 Shares of Second Preference Stock.....		
			39,871 Shares of Common Stock.....		
			<u>806,016.28</u>		
			1,213,516.28		
			DEFERRED CREDIT TO SURPLUS—being estimated refundable portion of Excess Profits Tax—per contra.....		
			13,150.00		
			EARNED SURPLUS.....		
			141,229.24		
			<u>\$2,116,864.01</u>		
			<u>\$2,116,864.01</u>		

Approved on behalf of the Board

A. G. A. SPENCE, Director

D. J. HUTCHINGS, Director

\$2,116,864.01

AUDITORS' REPORT

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, 1942, 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, 1942, 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, 23rd January, 1943.

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

The Great West Saddlery Company Limited

STATEMENT II

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31st DECEMBER, 1942

Profit from operations for the year, before charging Executive Salaries, Bond Interest, Depreciation and Income and Excess Profits Taxes		\$303,385.93
Deduct Executive Salaries and Bonuses.....	\$23,416.66	
Directors' Fees.....	975.00	
Bond Interest.....	15,093.50	
	<hr/>	39,485.16
Profit before providing for Depreciation and Income and Excess Profits Taxes.....		\$ 263,900.77
Deduct Provision for Depreciation.....	\$ 24,668.00	
Dominion Income and Excess Profits Taxes, estimated.....	158,000.00	
	<hr/>	182,668.00
Net Profit for the year, carried to Surplus Account (Statement III).....		<u>\$ 81,232.77</u>

STATEMENT III

STATEMENT OF EARNED SURPLUS FOR THE YEAR ENDED 31st DECEMBER, 1942

Surplus at 31st December, 1941.....		\$ 95,292.15
Dividends paid, being:		
Four quarterly dividends of 1½% on First Preference Stock for the year ended 31st December, 1942.....	\$ 20,976.00	
Twelve quarterly dividends of 1½% on Second Preference Stock for the 3 years ended 31st December, 1942.....	10,422.00	
Machinery considered of no value, written off books.....	3,897.68	
	<hr/>	35,295.68
Net Profit for the year ended 31st December, 1942, per Statement II.....		\$ 59,996.47
		81,232.77
Surplus at 31st December, 1942, carried to Statement I.....		<u>\$ 141,229.24</u>

The Great West Saddlery Company Ltd.

DIRECTORS

A. G. A. SPENCE,
Toronto

H. E. COCHRAN,
Toronto

H. W. BELL,
Winnipeg

H. R. DRUMMOND-HAY, K.C.
Winnipeg

D. J. HUTCHINGS,
Winnipeg

J. C. BROADFOOT,
Winnipeg

H. R. CARSON,
Calgary

OFFICERS

President.....A. G. A. SPENCE
Vice-President.....H. E. COCHRAN
Vice-President and General Manager.....D. J. HUTCHINGS
Secretary-Treasurer and Assistant General Manager.....J. C. BROADFOOT
General Sales Manager.....J. B. GRAY

Branch Managers:

Edmonton.....M. H. WITTERS
Calgary.....J. E. O'CONNOR
Saskatoon.....J. POWER
Regina.....G. C. AVISON
Winnipeg.....J. W. STINSON