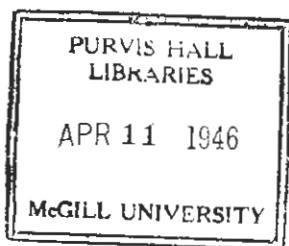


ANNUAL REPORT

The Great West Saddlery Company Ltd.

Fiscal Year Ended December 31st, 1945



ANNUAL REPORT

To the Shareholders:

Your Directors present herewith the Balance Sheet of the Company as at December 31st, 1945, the profit and loss, and earned surplus accounts showing results of operations in detail for the fiscal year ended December 31st, 1945.

Operating profits for the year ended December 31st, 1945, after bond interest, but before depreciation and Income and Excess Profits Taxes, amounted to.....	\$219,933.90
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After setting aside an amount of.....	27,140.89
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for depreciation of buildings and machinery and providing for	
Income and Excess Profits Taxes of.....	125,000.00

there is a net profit of.....	67,793.01
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which has been carried to surplus account.	
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Net working capital during the year was increased to.....	992,998.75
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Since the Balance Sheet published as at December 31st, 1944, accounts receivable show an increase from.....	255,737.30
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as at December 31st, 1944, to.....	307,596.64
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as at December 31st, 1945, or a net increase of.....	51,859.34
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Increased operating costs have decreased gross earnings for the year from.....	270,557.23
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for the year ended December 31st, 1944, to.....	219,933.90
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for the year ended December 31st, 1945, or a decrease of.....	50,623.33
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After deduction of Income and Excess Profits Taxes, the net profits increased from.....	62,154.23
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for the year ended December 31st, 1944, to.....	67,793.01
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for the year ended December 31st, 1945, or an increase of.....	5,638.78
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This is exclusive of the refundable portion of Excess Profits Tax which amounts to.....	12,000.00
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for the year, making a total to date of.....	89,908.19
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Sales, factory output and percentage of gross profits for the period under review were well maintained. Major items, such as rehabilitation of ex-service personnel, pension and retirement contributions and rebuilding of sales force which had been greatly curtailed during war years, materially increased operating costs. Net profit however, carried to surplus account shows an improvement over the previous year.

Regular dividends of \$3.00 per share were paid on both First and Second Preference shares. Bonds to the amount of \$44,000, which matured on September 1st, 1945 were retired, reducing the balance outstanding to \$132,000.

Increased customers' accounts receivable indicate return to more normal trading conditions. Collections continue excellent and no extension of terms is implied.

Inventories show a slight decline. The major problem of the year was the obtaining of adequate merchandise and supplies. This problem remains acute with no immediate abatement in prospect.

Notwithstanding the substantial reduction in agricultural returns from many parts of the territory served the demand for merchandise continues heavy, and stocks of staple merchandise on the customers' shelves are still extremely low.

We point with justifiable pride to the record of the members of our staff, ninety-nine in all, who joined the services. We regret to report that four of these associates have been killed or have died in the service of their country. We extend our deepest sympathy to those who have been bereaved. Many of our members have already returned to the Company. We are happy to have them with us again, and we look forward to extending a most cordial welcome to those who have not yet been demobilized.

On behalf of the Board,

R. A. ADAMS,

President.

Winnipeg, Manitoba,
March 21st, 1946.

THE GREAT WEST SADDLERY COMPANY LIMITED

BALANCE SHEET AT 31st DECEMBER, 1945

STATEMENT 1

<u>ASSETS</u>			<u>LIABILITIES AND CAPITAL</u>		
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash on Hand.....		\$ 4,006.68	Bank Overdraft, Current Account.....		\$101,943.50
Accounts Receivable.....	\$340,606.64		Bank Loan (Secured).....		250,185.00
Less Reserve.....	33,010.00				\$ 352,128.50
		307,596.64	Accounts Payable and Accrued Charges:		
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 or other records, and certified by responsible officials, less Reserves ...		991,152.02	Trade and Sundry.....		\$191,847.07
Goods in Transit.....		2,985.93	Dominion and Provincial Taxes, Sundry.....		780.95
DOMINION OF CANADA BONDS, at cost.....	\$250,000.00		Estimated Income and Excess Profits Taxes.....		40,473.21
Interest accrued thereon.....	1,900.00		Bond Interest Accrued.....		1,320.00
		251,900.00			\$ 234,421.23
PREPAID EXPENSES.....		21,907.21	Total Current Liabilities.....		\$ 586,549.73
		\$1,579,548.48	FIRST MORTGAGE 6 year 3% Instalment Bonds		
Total Current Assets.....			Authorized and issued in 1942.....		\$264,000.00
DEPOSIT WITH TRUSTEES FOR THE BONDHOLDERS.....		3,500.00	Less Instalments Redeemed.....		132,000.00
FIXED ASSETS:					132,000.00
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 provided to 31st December, 1936.....		785,812.83	RESERVE FOR DEPRECIATION.....		212,715.96
SUNDRY PROPERTIES AND MORTGAGES.....		22,994.93	RESERVE FOR CONTINGENCIES.....		29,861.31
DEFERRED ACCOUNT RECEIVABLE—being estimated refundable portion of Excess Profits Taxes—per contra.....		89,908.19	CAPITAL		
EQUITY IN RECIPROCAL INSURANCE EXCHANGES.....	\$ 18,671.98		Authorized:		
Less Reserve.....	7,500.00		6,992 Shares of 6% Cumulative Redeemable (at Company's option) First Preference Stock of \$50.00 each.....		\$349,600.00
GOODWILL.....		11,171.98	1,158 Shares of 6% Cumulative Redeemable (at Company's option) Second Preference Stock of \$50.00 each.....		\$ 57,900.00
CASH SURRENDER VALUE, LIFE INSURANCE.....		1.00	Common Stock of No Par Value.....		40,000 Shares
DEFERRED CHARGES—Stationery and Office Supplies.....		6,070.00	Issued:		
		1,000.00	6,992 Shares of First Preference Stock.....		\$349,600.00
			1,158 Shares of Second Preference Stock.....		57,900.00
Approved on behalf of the Board			39,871 Shares of Common Stock.....		806,016.28
R. A. ADAMS, Director			DEFERRED CREDIT TO SURPLUS—being estimated refundable portion of Excess Profits Taxes—per contra.....		89,908.19
H. T. MURRAY, Director		\$2,500,007.41	EARNED SURPLUS.....		235,455.94
					\$2,500,007.41

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, 1945, 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. Subject to the adequacy of the estimate of the liability for Income and Excess Profits Tax, 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, 1945, 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, 13th February, 1946.

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, 1945

Profit from Operations for the year, before charging Executive Salaries, Bond Interest, Depreciation and Income and Excess Profits Taxes		\$ 257,111.44
Deduct		
Executive Salaries and Bonuses.....	\$ 30,237.54	
Directors' Fees.....	2,100.00	
Bond Interest	4,840.00	
		<u>37,177.54</u>
Profit for the year, before providing for Depreciation and Income and Excess Profits Taxes		\$ 219,933.90
Deduct		
Provision for Depreciation.....	\$ 27,140.89	
Income and Excess Profits Taxes, estimated.....	125,000.00	
		<u>152,140.89</u>
Net Profit for the year, carried to Surplus Account (Statement III).....		<u>\$ 67,793.01</u>

STATEMENT III

STATEMENT OF EARNED SURPLUS FOR THE YEAR ENDED 31st DECEMBER, 1945

Surplus at 31st December, 1944.....		\$ 192,112.93
Dividends paid for the year ended 31st December, 1945		
Four quarterly dividends of 1½% on First Preference Stock.....	20,976.00	
Four quarterly dividends of 1½% on Second Preference Stock.....	3,474.00	
		<u>24,450.00</u>
		\$ 167,662.93
Net Profit for the year ended 31st December, 1945, per Statement II..		<u>67,793.01</u>
Surplus at 31st December, 1945, carried to Statement I.....		<u>\$ 235,455.94</u>

The Great West Saddlery Company Ltd.

OFFICERS

R. A. ADAMS,
President

E. R. ANGUS,
Vice-President

DIRECTORS

R. A. ADAMS,
Toronto

E. R. ANGUS,
Toronto

E. J. PUGH,
Toronto

A. K. HARVEY,
Toronto

J. H. MARSHALL,
Toronto

C. V. SHAVER,
Toronto

H. T. MURRAY,
Winnipeg