

H E N R Y M O R G A N & C O . L I M I T E D
T O T H E S T O C K H O L D E R S

On behalf of your Directors I am pleased to present our report on another successful year.

This Company's total sales for the year ending January 31, 1951, were \$27,216,778, an increase of 13.0% or \$3,139,321 over the previous year. For exact comparison, omitting branches, new departments and the additional week in the financial year just completed, the increase in sales was 9.6%.

Earnings for the year, after provision for income taxes, were \$615,922, in comparison with \$567,235 for the previous year, an increase of \$48,687.

The total dividend paid for the year on common stock was 60c. per share, the same rate in effect each year since 1943. The Board has again decided to retain in the business a substantial portion of earnings in order to keep a strong working capital position. The dividend on the 4 $\frac{3}{4}$ % preferred shares issued in May 1949 was paid, total earnings representing 8.6 times the preferred dividend requirements.

Working capital now stands at \$5,035,332, slightly higher than last year's figure of \$5,019,984.

For over a hundred years this Company has operated in Montreal first as dry goods merchants and then as a department store. In 1949 plans were made to go into branch operation and in 1950 two branch stores, specializing in certain lines of merchandise, were opened. On August 31st a suburban children's, women's and boys' wear shop was opened in the Snowdon district of Montreal and on October 11th a high quality women's fashion store was opened in Toronto. Photographs of these stores are shown on page 8 of this report. While these branches are small in relation to the main store, sales results to date have been satisfactory and valuable experience has been gained. The management is continually on the outlook for opportunities of sound and profitable expansion both at the main store location and elsewhere.

In the main store several departments have been redecorated and expanded, and extensive alterations have improved receiving operations and stock rooms.

Removal of the Arcade has increased selling space on the main floor and the seventh floor, formerly occupied by workrooms, has been converted to selling.

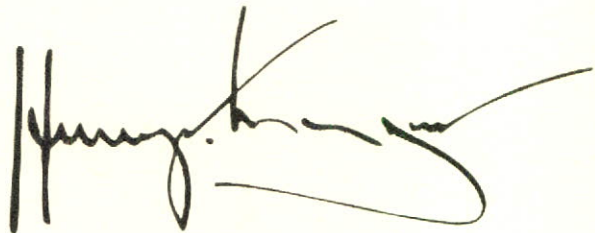
The new Montreal Warehouse on Cote de Liesse Road has now been in operation for over a year. When first leased the building was expected to provide ample room for several years of expansion, but the growth of the business has been such that it is now fully occupied by the delivery depot, certain store workrooms, and merchandise.

The contribution of the staff to the year's achievements merits our warm appreciation. The Training Department has been expanded and the most effective modern methods are employed in training staff and supervisors not only to provide a highly efficient service to the public but also to enable them to make the most of their careers in retailing. Each year the results of this policy become more apparent, for without a well-trained and efficient staff the steady expansion of recent years could not have occurred. The growth of the business provides an ever-widening field of opportunity for those ambitious for advancement and prepared to accept increasing responsibility.

In order to provide protection to the earnings of the staff against possibilities of further price inflation, a cost of living bonus plan was introduced early in October. Details of the plan are given on page 4.

Again, the Board wishes to express its appreciation to our many suppliers for their contribution to the year's success. Their co-operation has enabled us to develop and maintain the high standard of quality of our merchandise and service.

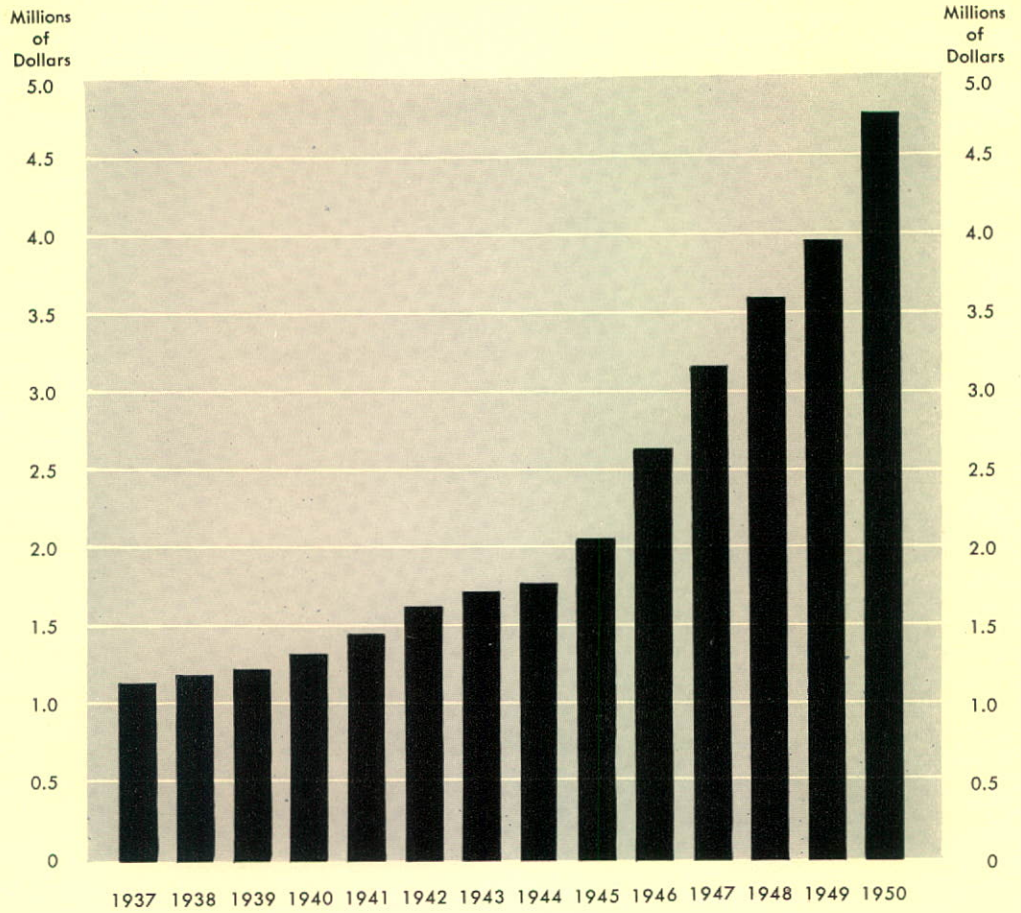
Your Directors are confident that the company is in a strong position to meet whatever circumstances the uncertain times may bring, and look forward to further constructive developments in 1951.

A handwritten signature in black ink, appearing to be 'Henry King', written in a cursive style. The signature is positioned above the text 'For the Board of Directors.'

For the Board of Directors.

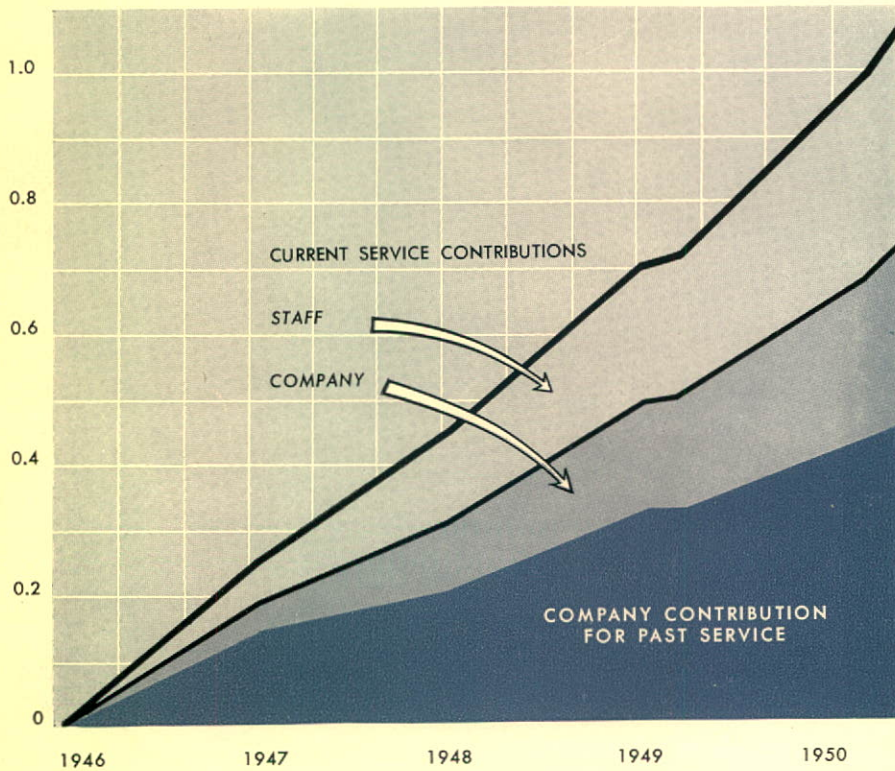
15th March, 1951

GROWTH OF TOTAL PAYROLL

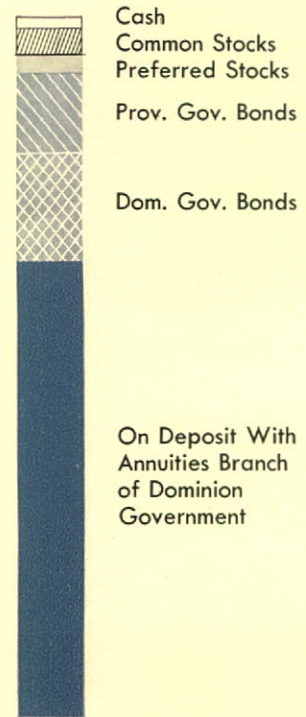


Millions of Dollars

GROWTH OF PENSION FUND



HOW FUND IS HELD



Montreal....



ANTIQUÉ
Fifth Floor



MODERN FURNITURE FLOOR
Seventh



FUR SALON
Second Floor



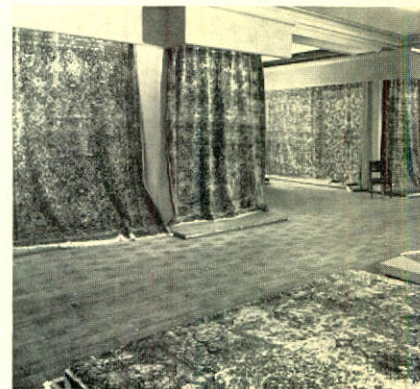
ESCALATORS
TO SEVEN
SELLING FLOORS



MEN'S CLOTHING
Main Floor



KITCHEN WONDERLAND
Downstairs

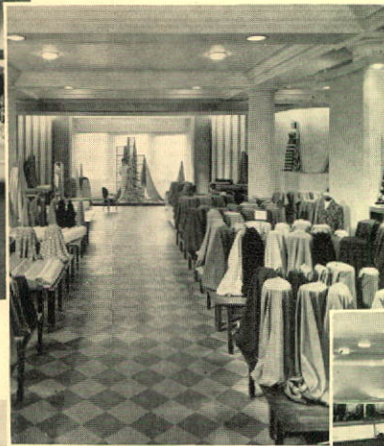


ORIENTAL RUGS
Fourth Floor



FASHION FLOOR,
the Second

SALON



FASHION-BY-THE-YARD
Third Floor

YOUTH CENTRE
Third Floor



DIAMOND SALON
Main Floor



GENERAL VIEW
Main Floor



LINEN DEPARTMENT
Fourth Floor



MODERN FURNITURE
Seventh Floor

Toronto...



COATS, SUITS, DRESSES,
Second Floor



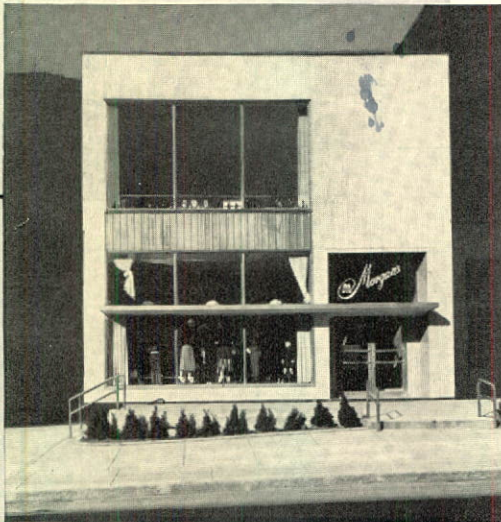
FUR SALON
Second Floor



SHOE SALON
Ground Floor



LEFT SIDE
Ground Floor



GIRLS' WEAR
Ground Floor

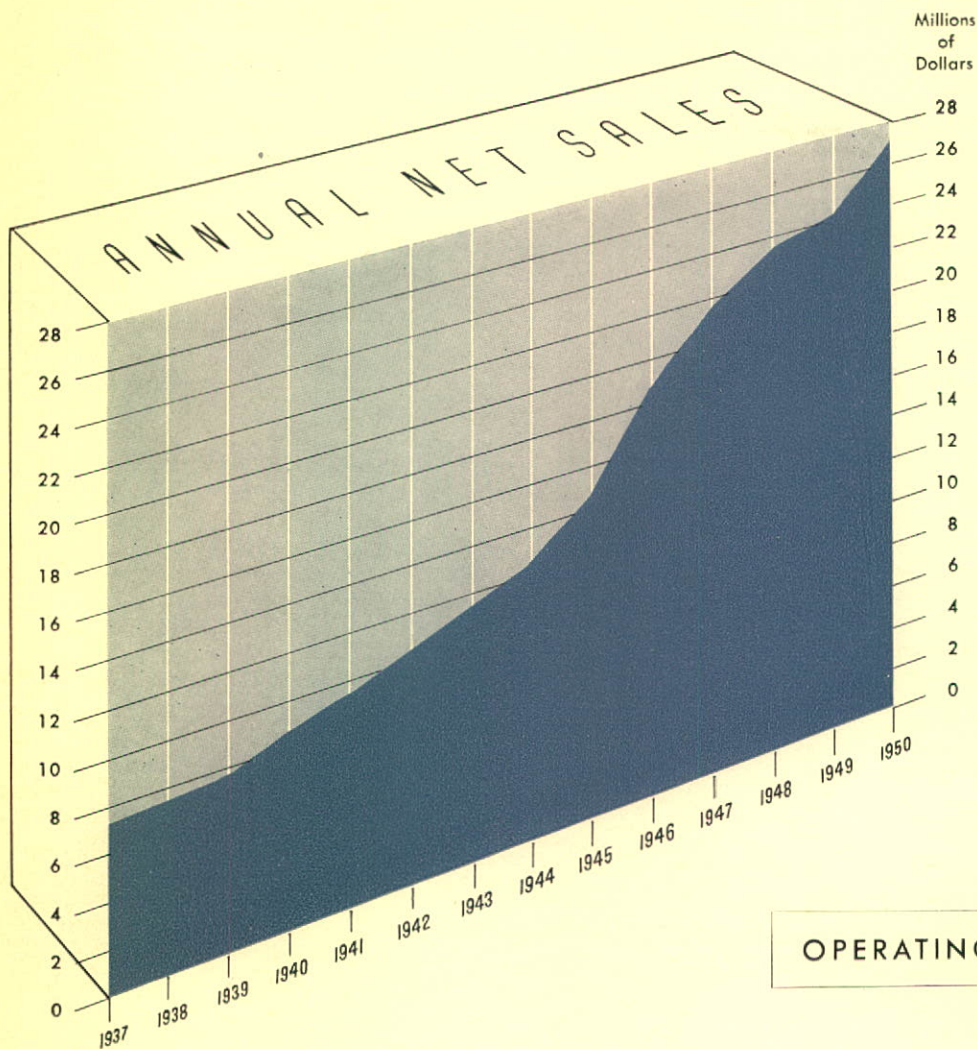


WOMEN'S WEAR
Second Floor



BOYS' WEAR
Downstairs Floor

Snowdon...



SALES

For fifteen consecutive years, there has been an increase in sales each year over the previous year. During the past ten-year period Morgan's rate of growth has exceeded both the Quebec Province and Canadian averages for department stores, as reported by the Dominion Bureau of Statistics.

OPERATING RESULTS

Fiscal Year	Sales	Earnings before Taxes on Income	Income and Excess Profits Taxes	Net Earnings including Refundable Portion of Excess Profits Tax	% to sales
1937	\$ 7,222,664	\$ 232,424	\$42,550	\$189,874	2.6
1938	7,464,306	192,991	34,000	158,991	2.1
1939	7,724,911	296,309	65,000	231,309	3.0
1940	8,658,981	330,870	145,000	185,870	2.1
1941	9,517,341	383,305	170,000	213,305	2.2
1942	10,479,379	493,418	237,000	256,418	2.4
1943	11,687,113	637,096	335,000	302,096	2.6
1944	12,354,211	805,704	390,000	415,704	3.4
1945	14,886,826	928,137	507,000	421,137	2.8
1946	18,981,907	858,501	425,000	433,501	2.3
1947	21,626,294	853,725	385,000	468,725	2.2
1948	23,434,281	997,694	500,000	497,694	2.1
1949	24,077,457	1,067,235	500,000	567,235	2.4
1950	27,216,778	1,165,922	550,000	615,922	2.3

COST OF LIVING BONUS

In the Fall of 1950 a cost of living bonus plan was introduced. Following the post-war rise, the cost of living index was relatively stable during 1949 but began to go up again in the Spring of 1950 and particularly after the Korean outbreak it became evident that there was a strong probability of further inflation.

The management felt our staff should have the assurance that their earnings would be protected against further price rises, and so adopted a bonus plan relating payments directly to changes in the cost of living index. The plan came into effect at the beginning of October, the bonus to be adjusted every six months from that date in accordance with the latest cost of living index figures available. Regular reviews for all staff are not affected, and promotions and salary increases on the basis of merit continue as usual.

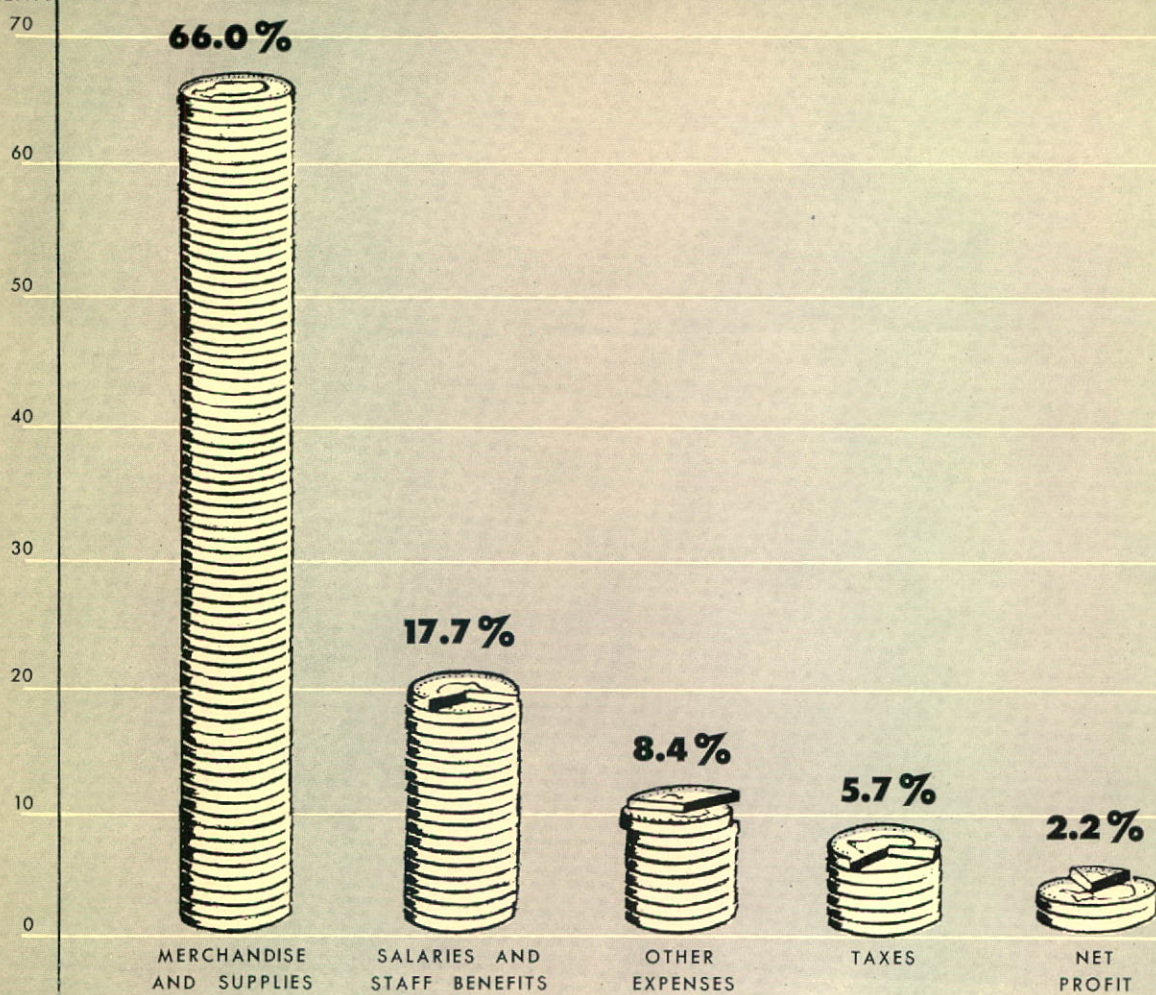


MORGAN STAFF SECURITY PLAN

More than a million dollars has been accumulated in the pension fund set up under this plan in July 1946. This amount is made up of company contributions for past service, company and employee contributions for current service and interest on the whole fund. The past service payments by the company are to be spread over a period of ten years, and more than half the total to be paid is now in the fund.

Though retirement security is the chief purpose of the plan, there is an insurance feature which guarantees a minimum payment in case of death before retirement, varying from \$1,000 to \$5,000. The amount to be paid does not depend on position or salary level, but solely on the number of years of membership in the plan.





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WHERE THE CUSTOMER'S DOLLAR GOES

MERCHANDISE AND SUPPLIES		
Including freight, customs duties and federal sales tax		66.0%
SALARIES AND STAFF BENEFITS		
Salaries, including paid holidays and sick leave		16.8%
Pensions paid, pension provision and welfare services		0.9%
		17.7%
NOTE:		
Deductions from salaries for personal income taxes and unemployment insurance amount to 1.1% of the sales dollar.		
OTHER EXPENSES		
Including rentals and maintenance of premises, advertising, telephone, mail and shipping charges, and all other administrative expense		8.4%
TAXES		
Corporation Income Taxes		1.9%
Taxes added to Retail Prices — Municipal and Provincial Taxes, Hospital Tax on Meals		3.8%
		5.7%
NOTE:		
This item shows only direct visible taxes. Other indirect payments to governments for business and property taxes, customs duty and excise taxes, federal sales tax, etc., are included in the above classifications.		
NET PROFIT		
Including all payments of dividends to shareholders and the balance of earnings retained in the business		2.2%
TOTAL CUSTOMER DOLLARS RECEIVED		100.0%

Henry Morgan and

BALANCE SHEET AS AT

ASSETS

	1951		1950	
CURRENT ASSETS:				
Cash	122,275		349,277	
Call loan — secured	—		250,000	
Accounts and bills receivable, less reserve	3,646,703		2,919,665	
Inventories — valued at the lower of estimated cost or market (less reserve of \$550,000)	3,248,900		1,977,505	
Investment in government bonds — at par (quoted market value \$986,250)	1,000,000	8,017,878	1,750,000	7,246,447
SUNDRY ASSETS:				
Life insurance — cash surrender value	124,210		108,255	
Insurance deposits, less reserve	16,504		32,111	
Prepaid supplies and expenses	207,040		73,172	
Refundable portion of excess profits tax	123,895	471,649	159,260	372,798
FIXED ASSETS:				
Store, office and garage equipment and fixtures — at cost, less amounts written off for depreciation	344,308		379,643	
Improvements to leasehold properties — at cost, less amounts written off	233,574	577,882	—	379,643
			<u>\$9,067,409</u>	<u>\$7,998,888</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have made an examination of the books and accounts of Henry Morgan and Company Limited for the year ended 31st January 1951 and we have obtained all the information and explanations which we have required.

We report that, in our opinion, the above balance sheet and the accompanying statements of profit and loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at 31st January 1951 and of the results of the operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the company.

McDONALD, CURRIE & Co.,
Chartered Accountants.

MONTREAL, 13th March 1951.

Company Limited

31st JANUARY 1951

LIABILITIES

	1951	1950
CURRENT LIABILITIES:		
Accounts payable	1,608,874	1,024,451
Customers' deposits and accrued liabilities	853,716	683,457
Provision for income and other taxes	394,956	393,555
Provision for contingencies	125,000	125,000
	2,982,546	2,226,463
CAPITAL STOCK AND SURPLUS:		
Capital stock—		
Authorized—		
25,000 4¾% cumulative redeemable preferred shares of the par value of \$100 each	\$2,500,000	\$2,500,000
430,000 common shares without nominal or par value	—	—
Issued and fully paid—		
15,000 preferred shares	1,500,000	1,500,000
450 preferred shares redeemed during the year	45,000	
14,550 preferred shares outstanding	1,455,000	
312,057 common shares	1,733,100	1,733,100
	3,188,100	3,233,100
Capital surplus — set aside in respect of the redemption of preferred shares	45,000	—
Earned surplus	2,851,763	2,539,325
	6,084,863	5,772,425
	\$9,067,409	\$7,998,888

Note 1: There is a contingent liability under a guarantee of the bonds of Henry Morgan Properties Limited.

Note 2: An amount of approximately \$300,000 is required to provide for the balance of the estimated past service cost of the staff retirement plan.

Approved on behalf of the Board:

HENRY W. MORGAN }
A. E. WALFORD } Directors.

Henry Morgan and Company Limited

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st JANUARY 1951

	1951		1950
	53 Weeks		52 Weeks
SALES	27,216,778		24,077,457
COST OF GOODS SOLD, SALARIES, WAGES AND EXPENSES, exclusive of items shown hereunder but in- cluding a provision of \$150,000 for possible decline in inventory values	25,778,207		22,682,263
Executive salaries	199,317		181,150
Provision for depreciation of fixed assets	93,421		112,749
Improvements to leasehold properties written off	15,822		—
Pension fund, past service	100,000		100,000
Legal fees	3,686		13,857
Directors' fees	8,000	26,198,453	7,833
	1,018,325		979,605
SUNDRY INCOME:			
Income from investments	53,250		37,779
Interest and miscellaneous income	94,347	147,597	49,851
		1,165,922	1,067,235
PROVISION FOR INCOME TAXES		550,000	500,000
NET PROFIT FOR THE YEAR		\$ 615,922	\$ 567,235

STATEMENT OF EARNED SURPLUS FOR THE YEAR ENDED 31st JANUARY 1951

BALANCE — 25th JANUARY 1950			2,539,325
Net profit for the year			615,922
			3,155,247
Dividends paid—			
Preferred shares	71,250		
Common shares	187,234	258,484	
		45,000	303,484
Amount set aside as capital surplus in respect of the redemption of preferred shares			
BALANCE — 31st JANUARY 1951			\$2,851,763