

TROUT SHOP, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 1979

T A B L E O F C O N T E N T S

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We have reviewed the accompanying balance sheet of Trout Shop, Inc. as of September 30, 1979, and the related statements of income, retained earnings, and changes in financial position for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the presentation of the management of the Trout Shop, Inc.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

The accompanying balance sheet of Trout Shop, Inc. as of September 30, 1978, and the related statements of income, retained earnings and changes in financial position for the year then ended were not audited by us and accordingly we do not express an opinion on them.

Based on our review of the September 30, 1979 financial statements, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Neil and Williamson

November 27, 1979

TROUT SHOP, INC.
BALANCE SHEET
SEPTEMBER 30, 1979 AND 1978

(SEE ACCOUNTANTS' REVIEW REPORT)

<u>ASSETS</u>	<u>1979</u>	(UNAUDITED) <u>1978</u>
CURRENT ASSETS:		
Cash and savings	\$ 80,539	\$ 59,163
Accounts receivable	300	300
Prepaid insurance	1,668	1,195
Inventory	57,418	52,612
Other receivables	1,384	3,314
Total Current Assets	<u>141,309</u>	<u>116,584</u>
PROPERTY AND EQUIPMENT, at cost, (Note 2):		
Furniture and fixtures	2,032	1,664
Boats and trailers	8,174	5,874
Transportation equipment	6,650	6,650
Total	<u>16,856</u>	<u>14,188</u>
Less - accumulated depreciation	11,764	9,260
Total Property and Equipment	<u>5,092</u>	<u>4,928</u>
ORGANIZATION COSTS	<u>16</u>	<u>81</u>
TOTAL ASSETS	<u>\$ 146,417</u>	<u>\$ 121,593</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 14,189	\$ 8,280
Payroll taxes payable	4,158	1,997
Income taxes payable	582	675
Bonuses payable	32,500	24,250
Total Current Liabilities	<u>51,429</u>	<u>35,202</u>
STOCKHOLDERS' EQUITY:		
Common stock, \$100 stated value		
500 shares authorized		
300 shares issued and outstanding	30,000	30,000
Paid-in capital	3,076	3,076
Retained earnings	61,912	53,315
Total Stockholders' Equity	<u>94,988</u>	<u>86,391</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 146,417</u>	<u>\$ 121,593</u>

The accompanying notes are an integral part of these financial statements.

TROUT SHOP, INC.
STATEMENT OF INCOME
FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 1979 AND 1978

(SEE ACCOUNTANTS' REVIEW REPORT)

	<u>1979</u>	(UNAUDITED) <u>1978</u>
SALES, net of refunds	\$ 501,038	\$ 412,385
COST OF SALES (Note 4)	<u>309,601</u>	<u>250,832</u>
GROSS PROFIT (38% in 1979, 39% in 1978)	<u>191,437</u>	<u>161,553</u>
OPERATING EXPENSES:		
Officers salaries	59,950	49,550
Salaries	59,731	49,217
Payroll taxes	11,138	6,935
Rent (Note 3)	10,323	9,241
Freight and postage	6,847	6,054
Insurance licenses and bond	6,841	6,825
Bank and charge card costs	5,607	6,202
Advertising	4,392	2,578
Vehicle costs	3,029	2,328
Utilities	2,568	2,309
Depreciation (Note 2)	2,504	1,928
Supplies	2,424	2,819
Telephone	1,866	910
Repairs	1,523	1,234
Travel	1,275	2,156
Casual labor	962	548
Dues and publications	713	486
Professional services	699	775
Interest	249	-0-
Miscellaneous	122	158
Amortization	65	65
Business taxes	55	107
Total Operating Expenses	<u>182,883</u>	<u>152,425</u>
INCOME FROM OPERATIONS	8,554	9,128
OTHER INCOME	<u>828</u>	<u>935</u>
TOTAL	9,382	10,063
PROVISION FOR INCOME TAXES	<u>785</u>	<u>2,261</u>
NET INCOME	<u>\$ 8,597</u>	<u>\$ 7,802</u>

The accompanying notes are an integral part of these financial statements.

TROUT SHOP, INC.
STATEMENT OF RETAINED EARNINGS
FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 1979 AND 1978

(SEE ACCOUNTANTS' REVIEW REPORT)

	<u>1979</u>	<u>(UNAUDITED) 1978</u>
BALANCE, beginning of period	\$ 53,315	\$ 45,513
ADD:		
Net Income	<u>8,597</u>	<u>7,802</u>
BALANCE, end of year	<u>\$ 61,912</u>	<u>\$ 53,315</u>

The accompanying notes are an integral part of these financial statements.

TROUT SHOP, INC.
 STATEMENT OF CHANGES IN FINANCIAL POSITION
 FOR THE FISCAL YEARS ENDED
 SEPTEMBER 30, 1979 AND 1978

(SEE ACCOUNTANTS' REVIEW REPORT)

	<u>1979</u>	<u>(UNAUDITED)</u> <u>1978</u>
SOURCE OF WORKING CAPITAL:		
Operations -		
Net income	\$ 8,597	\$ 7,802
Add expenses not requiring an outlay of working capital in the current period:		
Amortization	65	65
Depreciation	<u>2,504</u>	<u>1,928</u>
Working Capital Provided By Operations	11,166	9,795
APPLICATION OF WORKING CAPITAL:		
Purchase of equipment	<u>2,668</u>	<u>295</u>
 INCREASE IN WORKING CAPITAL	 <u>\$ 8,498</u>	 <u>\$ 9,500</u>
 INCREASE (DECREASE) IN WORKING CAPITAL, by major component:		
Cash	\$ 21,376	\$ (10,484)
Other receivables	(1,930)	3,314
Prepaid insurance	473	244
Inventory	4,806	7,071
Accounts payable	(5,909)	15,608
Payroll taxes payable	(2,161)	(28)
Income taxes payable	93	775
Bonuses payable	<u>(8,250)</u>	<u>(7,000)</u>
 INCREASE IN WORKING CAPITAL	 <u>\$ 8,498</u>	 <u>\$ 9,500</u>

The accompanying notes are an integral part of these financial statements.

TROUT SHOP, INC.
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 1979 AND 1978

(SEE ACCOUNTANTS' REVIEW REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Assets and Liabilities, and Revenues and Costs are recorded on the accrual basis for both financial and income tax reporting purposes.
- B. Merchandise inventories are recorded at the lower of cost (First-in, First-out) or market.
- C. Depreciation has been provided as described in Note 2.
- D. Organization costs are being amortized over a five year period.
- E. Property and equipment are recorded at historical cost.
- F. Investment and jobs tax credits, if any, are used to offset the current years income tax liability.

NOTE 2 DEPRECIATION

	<u>DEPRECIATION METHOD</u>	<u>USEFUL LIFE</u>	<u>EXPENSE</u>		<u>ACCUMULATED DEPRECIATION</u>
			1979	1978	
Boats and trailers	Straight-line & dec. balance	5-6 yrs.	\$ 1,502	\$ 712	\$ 5,600
Transportation equipment	Dec. balance	7 yrs.	693	969	4,919
Equipment	Straight-line & dec. balance	3-10 yrs.	<u>309</u>	<u>247</u>	<u>1,245</u>
			<u>\$ 2,504</u>	<u>\$ 1,928</u>	<u>\$ 11,764</u>

TROUT SHOP, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1979 AND 1978

(SEE ACCOUNTANTS' REVIEW REPORT)

NOTE 3 RENT EXPENSE

The corporation has a rental agreement with Walen and Pat Lilly which calls for six monthly payments of \$145.00 each for the use of their property for the operation of the corporations catalog business.

NOTE 4 COST OF SALES

The cost of sales were computed as follows:

	<u>1979</u>	<u>1978</u>
Beginning inventory	\$ 52,612	\$ 45,541
Purchases - merchandise	238,197	205,763
Purchases - licenses	49,552	34,238
Guide costs	13,045	3,896
Catalog costs	<u>13,613</u>	<u>14,006</u>
Total Available	367,019	303,444
Less - ending inventory	<u>57,418</u>	<u>52,612</u>
COST OF SALES	<u>\$ 309,601</u>	<u>\$ 250,832</u>