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EIGHTEENTH
ANNUAL REPORT
II for the
Year Ended
May Thirty-first
1946
PURVIS HALL LIBRARIES

JAN 26 . 1954

BOARD OF DIRECTORS<br>LEETA. L. BAUSLAUGH<br>H. H. GIBAUT<br>K. R. GILLELAN<br>R. KARN<br>W. D. MUIR<br>A. L. SCOTT

## OFFICERS

R. KARN, President and General Manager
A. L. SCOTT, Vice-President
K. R. GILLELAN, Secretary-Treasurer
W. D. MUIR, Assistant Secretary-Treasurer

## REGISTRAR and TRANSFER AGENTS <br> NATIONAL TRUST COMPANY LIMITED

## AUDITORS

## DIRECTORS' REPORT

## TO THE SHAREHOLDERS:

Your Directors submit herewith their Eighteenth Annual Report on the operations of the Company and its Subsidiary for the fiscal year ended May 31, 1946, together with Consolidated Statement of Earned Surplus and Profit $\tilde{\alpha}$ Loss and Consolidated Balance Sheet as at May 31, 1946.

Sales, after eliminating sales from factory to stores, umounted to $\$ 5,625,113.72$ representing an increase over the previous year of $\$ 472,188.41$. Net operating profits for the year were $\$ 823,151.66$. After deducting $\$ 467,871.44$ for Income and Excess Profits Taxes, $\$ 26,301.05$ for depreciation and $\$ 615.00$ for direclors' fees, the net earnings for the year were $\$ 328,364.17$. The Preferred Stock dividends amounted to $\$ 56,019.25$, leaving a balance of $\$ 272,344.92$ equivalent to $\$ 3.40$ per share on the original 80,000 shares of Common Stock issued.

Regular quarterly dividends on the Preferred Stock aggregating seven dollars per share and totalling $\$ 56,019.25$ were paid during the year and from the profits remaining, dividends totalling $\$ 1.35$ per share have been declared on the Common Stock of the Company.

Working Capital, which is the excess of Current Assets over Current Liabilities, at the end of the fiscal year amounted to $\$ 1,610,378.22$. In addition thereto, the Refundable Portion of the Excess Profits Tax now amounts to $\$ 316,160.84$.

During the fiscal year, Capital Expenditures totalling $\$ 26,005.68$ were made on Stores and Warehouse equipment and improvements. One store was closed and one new store was opened during the period. Three stores which have been operated under the name of Scott Smart Shoes were converted into Agnew-Surpass Shoe Stores making a total of 81 stores in operation as of May 31, last.

In accordance with the provisions of the Letters Patent relating to the Preference Shares, your Directors issued a Notice of Redemption on April 25, 1946, effective on the next dividend date of July 1, 1.946. The Preference Shares had the option of conversion into Common Shares on the basis of three Common Shares for each Freference Share or accepting payment at par plus a premium of $10 \%$ of the par value of such Shares. On May 31, 1946, 1,417 Preference Shares had been converted into 4,251 Common Shares as indicated on the Baiance Sheet of that date. At the expiration of the period for redempiion (July 1, 1946), 6,937 Preference Shares had been converted into 20,811 Common Shares and 1,420 Preference Shares were redeemed. The outstanding Common Shares subsequent to July 1, 1946, are 100,811 Shares.

Your Company gives employment to 801 employees, a substantial number of whom are Shareholders of the Company. During the year, it has been a real pleasure to welcome back to their former positions, those employees who served in the Armed Forces. The return of these employees has greatly increased the efficiency of the organization. Some of our employees made the supreme sacrifice and to the members of their families, we extend our sincere sympathy.

It is with profound sorrow that we record the death, since the last Annual Meeting, of Mr. W. E. Campbell, a Director of your Company. To fill the vacancy on the Board, Mr. W. D. Muir, who has been associated with the Company for many years, has been elected a Director. The resignation of Mr. A. C. McLean as a Director was received and accepted.

Your Directors gratefully acknowledge the continued loyal support and co-operation of Department Officials, Store Managers and employees throughout the year.

The accounts and records of the Company have been audited by Messrs. Thorne, Mulholland, Howson \& McPherson, Chartered Accountants, Toronto, Ontario, and their report is presented herewith.

On behalf of the Board of Directors,

Brantford, Ontario,
July 10, 1946.

## Consolidated Balance Sheet

## ASSETS

|  | May 31, 1946 | May 31, 1945 |
| :---: | :---: | :---: |
| Current Assetas: |  |  |
| Cash on hand and in banks | \$ 205,220.35 | \$ 160,461.18 |
| Dominion of Canada Bonds | 126,375,00 | 425,025.00 |
| Dominion of Canada Bonds held for Employees ....... | 37,000.00 | 22,700.00 |
| Accounts and Bills Receivable, less Reserve for Bad Debts | 236,072.91 | 244,838,61 |
| Merchandise Inventories, determined by physical stock-taking for subsidiary company and book inventories, periodically verified, for stores and warehouses, and valued at the lower of cost or market, as certified by the management | 1,897.176.10 | 1,361,054.96 |
| Prepaid Expenses and Accrued Revenue | 10,689.65 | 19,146.94 |
|  | \$2,512,534.01 | \$2,233,226.69 |
| Life Insurance and Fire Insurance Depesits | \$ 16,714.18 | \$ 15,677.22 |
| Common Stock of the Company held by Trustees for Sale to Employees ( 1.491 shares) |  | 30,565.50 |
| Sundry Louns | 775.98 | 955.98 |
| Refundable Portion of Excess Profits Tax ..................... | \$ 316,160.84 | \$ 257,117.37 |
| Fixed Assets at depreciated appraisal values per appraisals of Canadian Appraisal Company, Limited, dated May 17 and 18, 1928, plus subsequent additions at cost (except for Lasts, Dies and Patterns which are shown at nominal value): |  |  |
| Land | \$ 67.615.00 | \$ 67,615.00 |
| Buildings | 215,458.47 | 213,801.03 |
| Plant, Machinery, etc. | 109,650.14 | 109,650.14 |
| Furniture and Fixtures | 230,615.38 | 215,404.91 |
| Improvements to Leasehold Properties | 47,023.88 | 37,886.11 |
| Lasts, Dies and Patterns | 33,000.00 | 33,000.00 |
|  | \$ 703,362.87 | \$ 677,357.19 |
| Less Reserve for Depreciation | 453,443.60 | 427,142.55 |
|  | \$ 249,919.27 | \$ 250,214.64 |
| Patents under Lease and Producing Revenue | \$ 15,000.00 | \$ 15,000.00 |
|  | \$ 3,111,104.28 | \$2,802,757.40 |

Approved: ROY KARN H. H. GIBAUT
Directors of Agnew-Surpass Shoe Stores, Limited.

LIABLITIES

| Curent Liabluties: | May 31, 1946 | May 31, 1945 |
| :---: | :---: | :---: |
| Accounts Payable | 529,787.60 | \$ 477.527.24 |
| Accrued Wages and Expenses | 92,866.53 | 75,395.20 |
| Provision for Income, Excess Profits and Other Taxes, less payments on account $\qquad$ | 267,356.66 | 191,889.29 |
| Dividend Paryable | 12,145.00 | 14,624.75 |
|  | \$ 902,155.79 | 759,436.48 |
| Fire Insurance Reserve | \$ 25,817.78 | \$ 25,817.78 |
| Capital and Surplus: |  |  |
| Capital Stock: |  |  |
| 7\% Cumulative Convertible Redeemable Preferred: Authorized, 15,000 shares of $\$ 100.00$ each: |  |  |
| Issued, 8,583 shares | 858,300.00 | 1,000,000.00 |
| Less Shares held by subsidiary company ........ | 164,300.00 | 164,300.00 |
|  | \$ 694,000.00 | \$ 835,700.00 |
| Common: |  |  |
| Authorized, 135,000 shares of no par value: Issued, 84,251 shares | 408,156.14 | 266,456.14 |
| Earned Surplus | 1,080,974.57 | 915,347.00 |
|  | \$2,183,130.71 | \$2,017,503.14 |
| Notes: |  |  |
| 1. On April 25, 1946, the outstanding preference shares were called for redemption as of July 1,1946 , A total of 6,937 preferred shares have been converted into 20,811 common shares of which 1,417 preferred shares were converted prior to the date of the above balance sheet. The remaining 3,063 preferred shares have since been redecmed of which the subsidiary company received the proceeds of 1,643 shares owned by them. |  |  |
| 2. There is an undetermined liability in connection with the rencgotiation of war contracts, the net amount of which after taxes it is anticipated will be less than $\$ 50,000.00$. |  |  |
| 3. The provision made by the Subsidiary Company for Excess Profits Tax has been calculated after the application of an inventory reserve as permitted by the Act, which reserve is not recorded in the books nor included in the above statement. |  |  |
|  | \$ 3,111,104.28 | \$2,802,757.40 |

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the aceounts of Agnew-Surpass Shoe Stores, Limited, and its subsidiary comsisting of a test of the periodic cash reports.
We have obtained all the information and explanations we have required and report that,
in our opinion, the above Consolidated Balance Sheet is properly drawn up so as to in our opinion, the above Consolidated. Balance Shect is properly drawn up so as to
exhibit a true and correct view of the affairs of said companics. according to the best of our exnibit a true and correct vick of the affairs of said companies, according

THORNE, MULHOLLAND, HOWSON \& McPHERSON,
Chartered Accountants.

# AGNEW-SURPASS SHOE STORES, LIMITED and subsidiary company 

## Consolidated Profit \& Loss and Earned Surplus Account



## AGNEW-SURPASS SHOE STORES, LIMITED

## ONTARIO

| Barrie | Midland | St. Thomas |
| :---: | :---: | :---: |
| Belleville | Napanee | Timmins |
| Brantford | Niagara Falls | Toronto |
| 166 Colborne St. | 515 Queen St. <br> 1904 Main St. So. | 563 Bayview Ave. |
|  |  | 952 Bloor St. W. |
| Brockville | North Bay | 2310 Bloor St. W. |
| Chatham | Orillia | 505 Danforth |
| Cobourg | Oshawa | 686 Danforth |
| Dunnville | Ottawa | 2040 Danforth |
| Galt | Feterborough | 2948 Dundas St. W. |
| Goderich | 330 George St. | 1232 St. Clair Ave. W. |
| Guelph | 385 George St. | 252 Yonge |
| Hamilton | Port Colborne | 729 Yonge |
| 71 King E. | Port Hope | 1425 Yonge |
| 15 Market Sq. | Sarnia | 2512 Yonge |
| 272 Ottawa N. | Sault Ste. Marie | 3430 Yonge |
| Ingersoll | Simcoe | Wallaceburg |
| Kingston | Smith's Falls | Welland |
| Kitchener | Stratford | Whitby |
| Leamington | Sudbury | Windsor |
| Lindsay | 52 Borgia St. | 359 Ouellette Ave. |
| Listowel | Elm St. | 1528 Wyandotte St. E. |
| London | St. Catharines | Woodstock |

## QUEBEC

Montreal
897 St. Catherine S. W.
NEW BRUNSWICK
Campbellton
Fredericton
Moncton 701 Main St. 222 Main St.
Saint John 677 Main 187-189 Union
St. Stephen

Quebec
10 St. John St.

NOVA SCOTIA
Amherst
Glace Bay
Halifax
New Glasgow
Springhill
Sydney
Truro
Windsor

PRINCE EDWARD ISLAND
Charlottetown
Canada's Greatest Chain Shoe Stores

