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Agnew-Surpass

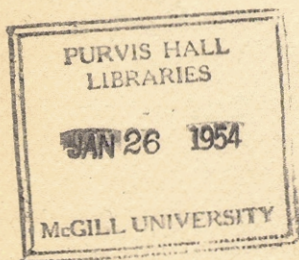
SHOE STORES LIMITED

BRANTFORD - ONTARIO



TWENTY-FIFTH ANNUAL REPORT

For the Year Ended
MAY THIRTY-FIRST
1953



AGNEW-SURPASS SHOE STORES, LIMITED

BOARD OF DIRECTORS

LEETA L. BAUSLAUGH	K. R. GILLELAN
J. L. EDMONDSON	R KARN
H. H. GIBAUT	W. D. MUIR

R. F. WHITBY

OFFICERS

R. KARN
President and General Manager

K. R. GILLELAN
Vice-President and Secretary-Treasurer

J. C. WHITE, B.Com., C.A.
Assistant Secretary-Treasurer

REGISTRAR and TRANSFER AGENTS
NATIONAL TRUST COMPANY LIMITED

BANKERS

BANK OF NOVA SCOTIA

AUDITORS

THORNE, MULHOLLAND, HOWSON & McPHERSON

DIRECTORS' REPORT

To the Shareholders of

Agnew-Surpass Shoe Stores, Limited:

Submitted herewith are consolidated balance sheet, statement of profit and loss and earned surplus of the company and wholly-owned subsidiary for the year ended May 31, 1953, and comparison with the preceding year.

Total volume of business for the fiscal year ended May 31, 1953, was \$12,535,200. Sales, after eliminating inter-company transactions, amounted to \$11,329,431 compared with \$10,557,455 for the previous year. This is an increase of \$771,976 or 7.3% and again established a new sales record.

Consolidated earnings, before income taxes, amounted to \$1,078,377 in comparison with \$924,820 for the previous year. Consolidated net earnings, after provision for taxes on income, amounted to \$492,396 or \$1.18 per share on the common stock, as compared with \$422,940 or \$1.05 per share for the preceding year. Income taxes for the year amounted to \$585,981 compared with \$501,880 for the previous year.

Depreciation on fixed assets has been calculated at full rates in accordance with the company's normal procedure and amounted to \$125,062, compared with \$120,406 for the previous year.

During the year your directors elected to pay 15% tax on the earned surplus as of May 31, 1949 in accordance with section 95A of the Income Tax Act and authorized a dividend of \$3.45 per common share payable December 1, 1952 in 5½% preferred shares of a par value of \$10.00 each. The result to the shareholders was as follows:

Earned surplus as of May 31, 1949	\$1,640,251
Less tax paid under Section 95A of the Income Tax Act	246,038
	<u>1,394,213</u>
Dividend of \$3.45 per common share paid by the issue of 139,016 preferred shares	1,390,156
	<u>\$ 4,057</u>

On December 1, 1952, 504 preferred share were redeemed at par and on January 5, 1953 an additional 97,033 preferred shares were redeemed leaving a balance of 41,479 shares outstanding as of May 31, 1953. Supplementary Letters Patent have been obtained confirming the above procedure. On January 1, 1953, bonds totalling \$1,000,000 bearing interest at 5% per annum were issued at par.

Common dividends of \$201,472 were paid, consisting of two quarterly dividends of 15 cents each and two quarterly dividends of 10 cents each. Preferred dividends of \$16,672 were paid at the rate of

AGNEW - SURPASS SHOE STORES, LIMITED

5½% per annum of the par value of the preferred shares from date of issue, December 1, 1952. The dividends on the common and preferred shares represented \$218,144 of the net earnings. The remaining \$274,252 was retained in the business and is reflected in the earned surplus account, compared with \$181,174 retained in the previous year.

Current assets at the end of the fiscal year were \$4,206,140 and current liabilities were \$1,695,754, resulting in a net working capital of \$2,510,386, a decrease of \$83,267 as compared with the previous year, as summarized below.

Net earnings for the year	\$ 492,396	
Provision for depreciation	125,062	
Proceeds of bond issue	1,000,000	\$1,617,458
Deduct:		
Funds expended during the year for:		
Plant, machinery, furniture and fixtures and improvements to leasehold properties, etc.	161,176	
Dividends	218,144	
Tax paid under section 95A of the Income Tax Act	246,038	
Redemption of preferred shares	975,367	
	1,600,725	
Bonds payable January 1, 1954 included with current liabilities	100,000	1,700,725
Decrease in working capital		\$ 83,267

During the year additions to fixed assets were made at a cost of \$161,176 and of this amount \$20,802 was expended for replacements and modernization of manufacturing facilities and \$140,374 for new store fronts and fixtures.

It will be of interest to our shareholders to know how each dollar of sales was used:

Cost of merchandise and materials used in manufacturing, etc.	54.9c	
Wages and salaries of employees	23.6	
Depreciation on buildings, machinery, equipment, furniture and fixtures and leasehold improvements	1.1	
Other expenses, including occupational costs, advertising, ship- ping charges, building maintenance, etc.	10.4	
Taxes (excluding sales taxes)	5.7	
Dividends to shareholders	1.9	
Retained in business for future growth	2.4	
Sales dollar received		\$1.00

Sales through your stores again exceeded any previous year. New stores were opened at Toronto and Aylmer, Ontario; Woodstock, New

AGNEW - SURPASS SHOE STORES, LIMITED

Brunswick; St. John's, Newfoundland and Lethbridge, Alberta. Two stores were closed during the year — Listowel and one of the New Glasgow stores. As of May 31 last, 105 stores were in operation. Leases have been signed for a location, in a new large shopping centre development in Metropolitan Toronto; Corner Brook, Newfoundland and Edmonton, Alberta.

Sales of your manufacturing company, The John Ritchie Company, Limited, showed a substantial increase over the previous year.

Towards the end of the fiscal year, a subsidiary company of The John Ritchie Company, Limited, was incorporated under the name of Country Lane Shoe Corporation, Limited. This company has leased premises in the City of Quebec and is manufacturing men's and women's cement shoes. Considering the short time this subsidiary has been in production, their product has been well received by the trade.

Continental Shoe Sales Corporation, Limited, a subsidiary of The John Ritchie Company, Limited, incorporated for the merchandising of Jarman and Fortune shoes, has produced satisfactory results.

At the close of the year, your company had a total of 1,161 common shareholders and 1,085 preferred shareholders. The number of employees of the company and subsidiary was 1,382, a great many of whom hold shares of the company.

The very satisfactory results of the fiscal year could not have been achieved without the loyal co-operation of its employees. It is appropriate that your directors again record their appreciation to the employees of the company for their efficiency, loyalty and splendid co-operation, because no other factor has been of so much importance in achieving these satisfactory results.

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,

ROY KARN,

President

Brantford, Ontario,
July 10, 1953.

AGNEW-SURPASS SHOE STORES, LIMITED

AND ITS WHOLLY OWNED SUBSIDIARY

THE JOHN RITCHIE COMPANY, LIMITED

(Both incorporated under the Companies Act of Canada)

Consolidated Balance Sheet

ASSETS			LIABILITIES		
	May 31, 1953	May 31, 1952		May 31, 1953	May 31, 1952
Current Assets:			Current liabilities:		
Cash on hand and in banks	\$ 63,423	\$ 490,818	Accounts payable	\$ 951,666	\$ 601,507
Accounts and bills receivable, less allowance for doubtful accounts	750,944	691,741	Accrued wages, bond interest and expenses ...	243,826	182,248
Merchandise inventories, as determined by the management, based on a physical stocktaking for the subsidiary company and book inventories, periodically verified, for stores and warehouses, and certified to be valued at the lower of cost or market	3,355,601	2,625,376	Income and other taxes payable	348,559	406,664
Life insurance and fire insurance deposits	19,995	21,867	Dividends payable	51,703	60,442
Prepaid expenses	16,177	14,712	First mortgage bonds maturing within one year	100,000	
	4,206,140	3,844,514		1,695,754	1,250,861
Fixed assets at depreciated values as appraised by Canadian Appraisal Company, Limited in 1928, plus subsequent additions at cost less disposals (except for lasts, dies and patterns which are shown at nominal value):			First mortgage bonds, 5%:		
Land	67,615	67,615	Authorized, \$1,500,000 with \$1,000,000 is- sued as Series A		
Buildings	243,445	243,445	Outstanding:		
Plant, machinery, etc.	268,400	247,598	Series A, maturing \$100,000 annually January 1, 1954 to 1958 and \$500,000 on January 1, 1959	1,000,000	
Furniture and fixtures	643,172	576,169	Less 1954 maturity included with current liabilities	100,000	
Improvements to leasehold properties	535,730	462,699		900,000	
Advance payment on store lease	27,000	27,000	Fire insurance reserve	25,818	25,818
Lasts, dies and patterns	33,000	33,000	Capital stock and surplus:		
	1,818,362	1,657,526	Capital Stock:		
Less accumulated allowance for depreciation	975,733	851,012	5½% Cumulative redeemable preferred (see note)		
	842,629	806,514	Authorized, 52,463 shares, par value \$10.00 each		
	\$ 5,048,769	\$ 4,651,028	Issued, 41,479 shares	414,790	
			Common Stock:		
			Authorized, 600,000 shares of no par value		
			Issued, 402,944 shares	957,656	957,656
				1,372,446	957,656
			Earned surplus	1,054,751	2,416,693
				2,427,197	3,374,349
			Note: On December 1, 1952, 139,016 preferred shares were issued as a stock dividend of which 97,537 shares were subsequently redeemed and cancelled by Supplementary Letters Patent.	\$ 5,048,769	\$ 4,651,028

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

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the above consolidated balance sheet of Agnew-Surpass Shoe Stores, Limited and its subsidiary company as at May 31, 1953 and the consolidated statement of profit & loss and earned surplus for the year then ended. In connection therewith we examined or tested the accounting records and other supporting evidence and made a general review of the accounting methods and of the operating and income accounts for the year, and obtained all the information and explanations we required.

We report that, in our opinion, the above consolidated balance sheet and the related consolidated statement of profit & loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the companies' affairs as at May 31, 1953 and of the results of their operations for the year then ended, according to the best of our information and the explanations given us, and as shown by the books of the companies.

THORNE, MULHOLLAND, HOWSON & McPHERSON,
Toronto, Canada, July 9, 1953. Chartered Accountants.

AGNEW-SURPASS SHOE STORES, LIMITED
AND ITS WHOLLY OWNED SUBSIDIARY
THE JOHN RITCHIE COMPANY, LIMITED

Consolidated Statement of Profit & Loss
and Earned Surplus Statement

	Year Ended	
	May 31, 1953	May 31, 1952
Net operating profit for year, after deducting remuneration of executives and legal fees (\$211,728 for the 1953 period and \$178,888 for the 1952 period) but before taking into account the following charges	\$ 1,223,976	\$ 1,045,586
Deduct:		
Taxes on income	585,981	501,880
Allowance for depreciation	125,062	120,406
Bond interest	20,137	
Directors' fees (other than executives)	400	360
	731,580	622,646
Net earnings for year	492,396	422,940
Earned surplus at beginning of year	2,416,693	2,235,519
	\$ 2,909,089	\$ 2,658,459
Deduct:		
Dividends on preferred shares	16,672	
Dividends on common shares	201,472	241,766
15% tax paid under Section 95A of the Income Tax Act on undistributed income as of May 31, 1949 amounting to \$1,640,251	246,038	
Dividend on common stock paid in preferred shares	1,390,156	
	1,854,338	241,766
Earned surplus, as per balance sheet	\$ 1,054,751	\$ 2,416,693

FINANCIAL FACTS IN BRIEF

	<u>1953</u>	<u>1952</u>
Total volume of business	\$12,535,200	\$11,466,344
Net sales (excluding inter-company sales)	11,329,431	10,557,455
Net income (before taxes)	1,078,377	924,820
Income taxes	585,981	501,880
Net income (after taxes)	492,396	422,940
Earnings per common share	1.18	1.05
Dividends paid per preferred share from issue date	5½%	
Dividends paid per common share50	.60
Earned surplus	1,054,751	2,416,693
Net working capital	2,510,386	2,593,653 (adjusted)
Number of employees	1,382	1,248
Number of preferred shareholders	1,085	
Number of common shareholders..	1,161	1,165
Number of stores in operation	105	102

AGNEW-SURPASS SHOE STORES, LIMITED

ONTARIO

<p>Aylmer Barrie Belleville Brantford 166 Colborne St. 20 Market St. Brockville Chatham Cobourg Dunnville Fort William Galt Goderich Guelph Hamilton 79 King St. E. 5 Market Sq. 293 Ottawa St. N. Ingersoll Kingston Kitchener Leamington Lindsay London Midland Napanee</p>	<p>New Toronto Niagara Falls 515 Queen St. 1906 Main St. S. North Bay Orillia Oshawa Ottawa 149 Sparks St. 104½ Rideau St. Peterborough 330 George St. 395 George St. Port Arthur Port Colborne Sarnia Sault Ste. Marie Simcoe Stratford Sudbury St. Catharines St. Thomas Timmins</p>	<p>Toronto 563 Bayview Ave. 952 Bloor St. W. 2980 Bloor St. W. 505 Danforth Ave. 686 Danforth Ave. 2040 Danforth Ave. 2948 Dundas St. W. 372 Eglinton Ave. 1895 Eglinton Ave. 992 St. Clair Ave. W. 1232 St. Clair Ave. W. 742 Queen St. E. 1486 Queen St. W. 232 Yonge St. 252 Yonge St. 729 Yonge St. 1425 Yonge St. 3430 Yonge St. Wallaceburg Wellsand Whitby Windsor 1356 Ottawa St. E. 357 Ouellette Ave. 1528 Wyandotte St. E. Woodstock</p>
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NEW BRUNSWICK

Bathurst
Campbellton
Fredericton
Moncton
 701 Main St.
 906 Main St.
Newcastle
Saint John
 677 Main St.
 187-189 Union St.
St. Stephen
Woodstock

BRITISH COLUMBIA

New Westminster

SASKATCHEWAN

Regina

NOVA SCOTIA

Antigonish
Amherst
Dartmouth
Glace Bay
Halifax
 391 Barrington St.
 251 Gottingen St.
New Glasgow
North Sydney
Springhill
Sydney
Truro
Windsor

ALBERTA

Calgary
Lethbridge

PRINCE EDWARD ISLAND

Charlottetown

QUEBEC

Montreal
 5325 Queen Mary Rd.
 1011 St. Catherine St. W.

Quebec
 10 St. John St.

Rouyn
Val d'Or

MANITOBA

Brandon
Winnipeg
 608 Main St.
 338 Portage Ave.

NEWFOUNDLAND

St. John's

