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Agnew-Surpass

SHOE STORES LIMITED

BRANTFORD - ONTARIO



TWENTY-SIXTH ANNUAL REPORT

For the Year Ended
MAY THIRTY-FIRST

1954

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FINANCIAL FACTS IN BRIEF

	<u>1954</u>	<u>1953</u>
Total volume of business	\$11,679,592	\$12,535,200
Net sales (excluding inter- company sales)	10,713,954	11,329,431
Net income (before taxes)	715,392	1,078,377
Income taxes	336,079	585,981
Net income (after taxes)	379,313	492,396
Earnings per common share88	1.18
Dividends paid per preferred share...	5½%	5½%
Dividends paid per common share40	.50
Earned surplus	1,250,068	1,054,751
Net working capital	2,621,337	2,510,386
Number of employees	1,274	1,382
Number of preferred shareholders ...	1,031	1,085
Number of common shareholders	1,159	1,161
Number of stores in operation	105	105

AGNEW-SURPASS SHOE STORES, LIMITED

BOARD OF DIRECTORS

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

R. F. WHITBY

OFFICERS

K. R. GILLELAN
President and General Manager

H. H. GIBAUT
Vice-President

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

REGISTRAR and TRANSFER AGENTS
NATIONAL TRUST COMPANY LIMITED

BANKERS

BANK OF NOVA SCOTIA

AUDITORS

THORNE, MULHOLLAND, HOWSON & McPHERSON

AGNEW - SURPASS SHOE STORES, LIMITED

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, 1954, and comparison with the preceding year.

Total volume of business for the fiscal year ended May 31, 1954, was \$11,679,592. Sales, after eliminating inter-company transactions, amounted to \$10,713,954 compared with \$11,329,431 for the previous year.

Consolidated earnings, before income taxes, amounted to \$715,392 in comparison with \$1,078,377 for the previous year. Income taxes for the year amounted to \$336,079 compared with \$585,981 for the previous year. Consolidated net earnings, after provision for taxes on income, amounted to \$379,313 or 88 cents per share on the common stock, as compared with \$492,396 or \$1.18 per share for the preceding year.

Allowance for depreciation on fixed assets has been calculated at full rates in accordance with the company's normal procedure and amounted to \$120,089 compared with \$125,062 for the previous year.

The first mortgage bond which matured on January 2, 1954, in the amount of \$100,000 was paid on that date.

Common dividends of \$161,178 were paid, consisting of four quarterly dividends totalling 40 cents per share. Semi-annual preferred dividends totalling \$22,818 were paid, being at the rate of 5½% per annum on the par value of the preferred shares outstanding. The dividends on the common and preferred shares represented \$183,996 of the net earnings. The remaining \$195,317 was retained in the business and is reflected in the earned surplus account.

Current assets at the end of the fiscal year were \$3,993,107 and current liabilities were \$1,371,770, resulting in a net working capital of \$2,621,337, an increase of \$110,951 over that of the previous year, as summarized below.

Net earnings for the year	\$379,313	
Allowance for depreciation (no cash outlay)	120,089	\$499,402
Deduct:		
Funds expended during the year for:		
Plant, machinery, furniture and fixtures and improvements to leasehold properties, (net)	104,455	
Dividends	183,996	
	<u>288,451</u>	
First mortgage bond payable January 1, 1955 included with current liabilities	100,000	388,451
Increase in working capital		<u>\$110,951</u>

During the year, additions to fixed assets were made at a net cost of \$104,455 and of this amount \$38,633 was expended for replacements

AGNEW - SURPASS SHOE STORES, LIMITED

and modernization of manufacturing facilities and \$65,822 for new store fronts and fixtures.

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

Cost of merchandise and materials used in manufacturing, etc.	56.0c
Wages and salaries of employees	24.2
Allowance for depreciation on buildings, machinery, equip- ment, furniture and fixtures and leasehold improvements	1.1
Other expenses, including occupational costs, advertising, shipping charges, building maintenance, etc.	10.9
Taxes (excluding sales taxes)	3.8
Interest to bondholders5
Dividends to shareholders	1.7
Retained in business for future growth	1.8
Sales dollar received	<u>\$1.00</u>

Five new stores were opened during the year, one each at Corner Brook and Wabana, Newfoundland and Dauphin, Manitoba and two in Metropolitan Toronto. The two Toronto locations were opened in large shopping centres, which are now a factor in Canadian retail merchandising. New replacement stores were opened at Port Arthur, Ontario and Charlottetown, P.E.I. A location in Edmonton, Alberta has been leased but possession will not be obtained until early in 1955. Five stores were closed during the year. As of May 31 last, 105 stores were in operation.

Operations of your manufacturing company, The John Ritchie Company, Limited, were at a lower level than the previous year, which substantially reduced their profits for the fiscal year. This condition prevailed generally throughout the industry during the past year.

During the year, the resignation of Mr. Roy Karn as Chairman of the Board and Director of the company was received and accepted.

Mr. J. B. Hoover, Supervisor of the Maritime division stores, who has been actively associated with the company for more than thirty years, was elected a Director to fill the vacancy on the Board.

At the close of the year, there were 1,159 common shareholders and 1,031 preferred shareholders. The Company and its subsidiary have 1,274 employees, many of whom hold shares of the company.

Your directors again record their appreciation to the employees of the company for their efficiency, loyalty and splendid co-operation throughout the year, because no other factor has been of so much importance in achieving the satisfactory results which your company has shown over the years.

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

On behalf of the Board,

K. R. GILLELAN,

President.

Brantford, Ontario,
July 13, 1954.

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 - May 31, 1954

(With comparative figures as at May 31, 1953)

ASSETS			LIABILITIES		
	1954	1953 Comparative Figures		1954	1953 Comparative Figures
Current assets:			Current liabilities:		
Cash on hand and in banks	\$ 9,545	\$ 63,423	Bank overdraft	\$ 163,264	
Accounts and bills receivable, less allowance for doubtful accounts	686,372	750,944	Accounts payable	644,955	951,666
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	3,257,333	3,355,601	Accrued wages, bond interest and expenses ...	203,375	243,826
Life insurance and fire insurance deposits	20,590	19,995	Income and other taxes payable	208,473	348,559
Prepaid expenses	19,267	16,177	Dividends payable	51,703	51,703
	<u>3,993,107</u>	<u>4,206,140</u>	First mortgage bond maturing within one year	100,000	100,000
				<u>1,371,770</u>	<u>1,695,754</u>
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 pat- terns which are shown at nominal value):			First mortgage bonds, 5%:		
Land	67,615	67,615	Authorized, \$1,500,000 of which \$1,000,000 were issued as Series A		
Buildings	255,300	243,445	Outstanding:		
Plant, machinery, etc.	295,551	268,400	Series A, maturing \$100,000 annually January 1, 1955 to 1958 and \$500,000 on January 1, 1959	900,000	1,000,000
Furniture and fixtures	682,645	643,172	Less 1955 maturity included with current liabilities	100,000	100,000
Improvements to leasehold properties	561,477	535,730		<u>800,000</u>	<u>900,000</u>
Advance payment on store lease	27,000	27,000	Fire insurance reserve	25,818	25,818
Lasts, dies and patterns	33,000	33,000			
	<u>1,922,588</u>	<u>1,818,362</u>	Capital stock and surplus:		
Less accumulated allowance for depreciation	1,095,593	975,733	Capital stock authorized:		
	<u>826,995</u>	<u>842,629</u>	52,463 cumulative redeemable 5½% pre- ferred shares, par value \$10.00 each		
	<u>\$ 4,820,102</u>	<u>\$ 5,048,769</u>	600,000 common shares of no par value		
			Capital stock issued:		
			41,479 preferred shares	414,790	414,790
			402,944 common shares	957,656	957,656
				<u>1,372,446</u>	<u>1,372,446</u>
			Earned surplus	1,250,068	1,054,751
				<u>2,622,514</u>	<u>2,427,197</u>
				<u>\$ 4,820,102</u>	<u>\$ 5,048,769</u>

Approved: K. R. GILLELAN 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, 1954 and the consolidated statement of profit and 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 and 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, 1954 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,
Chartered Accountants.

Toronto, Canada, July 12, 1954.

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

Consolidated Statement of Profit & Loss
and Earned Surplus

Year ended May 31, 1954

(With comparative figures for the 1953 fiscal year)

	<u>1954</u>	<u>1953 Comparative Figures</u>
Net operating profit for year, after deducting remuneration of executives and legal fees (\$133,524 for the 1954 period and \$211,728 for the 1953 period) but before taking into account the following charges	\$ 883,977	\$ 1,223,976
Deduct:		
Taxes on income	336,079	585,981
Allowance for depreciation	120,089	125,062
Bond interest	48,086	20,137
Directors' fees (other than executives)	410	400
	504,664	731,580
Net earnings for year	379,313	492,396
Earned surplus at beginning of year	1,054,751	2,416,693
	1,434,064	2,909,089
Deduct:		
Dividends on preferred shares	22,818	16,672
Dividends on common shares	161,178	201,472
Special tax paid on undistributed income		246,038
Dividend on common stock paid in preferred shares		1,390,156
	183,996	1,854,338
Earned surplus, as per balance sheet	\$ 1,250,068	\$ 1,054,751

AGNEW-SURPASS SHOE STORES, LIMITED

ONTARIO

<p>Aylmer Barrie Belleville Brantford 166 Colborne St. 20 Market St. Brockville Chatham 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</p>	<p>Napanee 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>Metropolitan Toronto 952 Bloor St. W. 2980 Bloor St. W. 505 Danforth Ave. 686 Danforth Ave. 2040 Danforth Ave. 2948 Dundas St. W. 1895 Eglinton Ave. W. Golden Mile Plaza 813 Lakeshore Rd. Lawrence Plaza 742 Queen St. E. 1486 Queen St. W. 992 St. Clair Ave. W. 1232 St. Clair Ave. W. 232 Yonge St. 252 Yonge St. 729 Yonge St. 1425 Yonge St. Wallaceburg Welland Whitby Windsor 1356 Ottawa St. E. 357 Ouellette Ave. 1528 Wyandotte St. E. Woodstock</p>
<p>NEW BRUNSWICK</p>	<p>NOVA SCOTIA</p>	<p>QUEBEC</p>
<p>Bathurst Campbellton Fredericton Moncton 701 Main St. 906 Main St. Newcastle Saint John 677 Main St. 187-189 Union St. St. Stephen Woodstock</p>	<p>Amherst Antigonish Dartmouth Glace Bay Halifax 391 Barrington St. 251 Gottingen St. New Glasgow North Sydney Springhill Sydney Truro Windsor</p>	<p>Montreal 5325 Queen Mary Rd. 1011 St. Catherine St. W. Quebec 10 St. John St. Rouyn Val d'Or</p>
<p>BRITISH COLUMBIA</p>	<p>ALBERTA</p>	<p>MANITOBA</p>
<p>New Westminster</p>	<p>Calgary Lethbridge</p>	<p>Brandon Dauphin Winnipeg</p>
<p>SASKATCHEWAN</p>	<p>PRINCE EDWARD ISLAND</p>	<p>NEWFOUNDLAND</p>
<p>Regina</p>	<p>Charlottetown</p>	<p>Corner Brook St. John's Wabana</p>

