

Agnew-Surpass
SHOE STORES LIMITED

BRANTFORD - ONTARIO



TWENTY-SEVENTH
ANNUAL REPORT

For the Year Ended
MAY THIRTY-FIRST

1955

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FINANCIAL FACTS IN BRIEF

	<u>1955</u>	<u>1954</u>
Total volume of business	\$11,531,476	\$11,679,592
Net sales (excluding inter- company sales)	10,638,500	10,713,954
Net income (before taxes)	683,066	715,392
Income taxes	316,340	336,079
Net income (after taxes)	366,726	379,313
Earnings per common share85	.88
Dividends paid per preferred share ...	5½%	5½%
Dividends paid per common share40	.40
Earned surplus	1,432,799	1,250,068
Net working capital	2,704,974	2,621,337
Number of employees	1,337	1,274
Number of preferred shareholders ...	998	1,031
Number of common shareholders	1,197	1,159
Number of stores in operation	108	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

* Died June 27, 1955.

AGNEW-SURPASS SHOE STORES, LIMITED

DIRECTORS' REPORT

*To the Shareholders of
Agnew-Surpass Shoe Stores, Limited:*

Submitted herewith is the twenty-seventh annual report of the company and wholly-owned subsidiary, consisting of consolidated balance sheet, statement of profit and loss and earned surplus for the year ended May 31, 1955, and comparison with the preceding year.

Total volume of business for the fiscal year ended May 31, 1955, was \$11,531,476. Sales, after eliminating inter-company transactions, amounted to \$10,638,500 compared with \$10,713,954 for the previous year.

Consolidated earnings, before income taxes, amounted to \$683,066 in comparison with \$715,392 for the previous year. Income taxes for the year amounted to \$316,340 compared with \$336,079 for the previous year. Consolidated net earnings, after provision for taxes on income, amounted to \$366,726 or 85 cents per share on the common stock, as compared with \$379,313 or 88 cents 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 \$116,777 compared with \$120,089 for the previous year.

The first mortgage bond due January 2, 1955, in the amount of \$100,000 was paid on that date.

Common dividends of \$161,177 were paid, consisting of four quarterly dividends totalling 40 cents per share. The company has now paid sixty-four consecutive common dividends. 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 \$183,995 of the net earnings. The remaining \$182,731 was retained in the business and is reflected in the earned surplus account.

Current assets at the end of the fiscal year were \$4,254,949 and current liabilities were \$1,549,975, resulting in a net working capital of \$2,704,974, an increase of \$83,637 over that of the previous year, as summarized below:

Net earnings for the year	\$366,726	
Allowance for depreciation (no cash outlay) ...	116,777	\$483,503
Deduct:		
Funds expended during the year for:		
Plant, machinery, building, furniture and fixtures and improvements to leasehold properties, (net)	115,871	
Dividends	183,995	
	299,866	
First mortgage bond payable January 1, 1956 included with current liabilities	100,000	399,866
Increase in working capital		\$ 83,637

During the year, additions to fixed assets were made at a net cost of \$115,871 and of this amount \$14,562 was expended for replacements and modernization of manufacturing facilities and \$101,309 for new

AGNEW-SURPASS SHOE STORES, LIMITED

store fronts, fixtures and a branch warehouse in Saint John, N.B.

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.	55.9c
Wages and salaries of employees	24.7
Allowance for depreciation on buildings, machinery, equip- ment, furniture, fixtures and leasehold improvements ...	1.1
Other expenses, including occupational costs, advertising, shipping charges, building maintenance, etc.	10.1
Taxes (excluding sales taxes)	3.7
Employees' bonus and profit sharing plan, group life and hospitalization insurance7
Interest to bondholders4
Dividends to shareholders	1.7
Retained in business for future growth	1.7
Sales dollar received	<u>\$1.00</u>

An employees' Profit Sharing Plan was inaugurated for the retail division of your company, being based on a formula of the operating profits of the retail division. Under this plan and together with employees' bonuses, the employees will participate in the distribution of \$53,700 of the year's profits.

Five new stores were opened during the year at Fort Erie and Toronto, Ontario; Moose Jaw, Saskatchewan; Edmonton, Alberta and Charlottetown, P.E.I. Two stores were closed during the year — Dunnville and Goderich, Ontario. As of May 31 last, 108 stores were in operation. Leases have been signed for a location in Yorkton, Saskatchewan and a second location in Edmonton, Alberta.

Canadian retail sales of men's shoes declined somewhat during the year and this had an adverse effect on the operations of your manufacturing subsidiary, The John Ritchie Company, Limited.

At the close of the year, there were 1,197 common shareholders and 998 preferred shareholders. The company and its subsidiary have 1,337 employees, many of whom hold shares of the company.

It is with profound sorrow that we record the death of Leeta L. Bauslaugh. Mrs. Bauslaugh was a Director of your company for more than ten years, and in her passing your company suffers a grievous loss.

The spirit of optimism shown by our employees, in striving for a greater future, has been much in evidence throughout the year. Your directors express their appreciation of the accomplishments of the employees as shown in this report and they will continue to make every effort to foster this enthusiasm and co-operation to ensure pleasant and profitable employment in the years ahead.

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 12, 1955.

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, 1955

(With comparative figures as at May 31, 1954)

ASSETS			LIABILITIES		
	1955	1954 Comparative Figures		1955	1954 Comparative Figures
Current assets:			Current liabilities:		
Cash on hand and in banks	\$ 57,940	\$ 9,545	Bank overdraft	\$	\$ 163,264
Accounts and bills receivable, less allowance for doubtful accounts	674,238	686,372	Bank loan	250,000	
Merchandise inventories, as determined by the management, based on a physical stock- taking 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	3,482,305	3,257,333	Accounts payable	700,093	644,955
Life insurance and fire insurance deposits	21,289	20,590	Accrued wages, bond interest and expenses ...	227,226	203,375
Prepaid expenses	19,177	19,267	Income and other taxes payable	220,953	208,473
	<u>4,254,949</u>	<u>3,993,107</u>	Dividends payable	51,703	51,703
			First mortgage bonds maturing within one year	100,000	100,000
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):				<u>1,549,975</u>	<u>1,371,770</u>
Land	70,165	67,615	First mortgage bonds, 5%:		
Buildings	289,794	255,300	Authorized, \$1,500,000 of which \$1,000,000 were issued as Series "A"		
Plant, machinery, etc.	308,292	295,551	Outstanding:		
Furniture and fixtures	720,925	682,645	Series "A", maturing \$100,000 annually January 1, 1956 to 1958 and \$500,000 on January 1, 1959	800,000	900,000
Improvements to leasehold properties	575,709	561,477	Less 1956 maturity included with current liabilities	100,000	100,000
Advance payment on store lease	27,000	27,000		<u>700,000</u>	<u>800,000</u>
Lasts, dies and patterns	33,000	33,000	Fire insurance reserve	25,818	25,818
	<u>2,024,885</u>	<u>1,922,588</u>			
Less accumulated allowance for depreciation	1,198,796	1,095,593	Capital stock and surplus:		
	<u>826,089</u>	<u>826,995</u>	Capital stock authorized:		
	<u>\$5,081,038</u>	<u>\$4,820,102</u>	52,463 cumulative redeemable 5½% pre- ferred shares, par value \$10.00 each		
			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	1,432,799	1,250,068
				<u>2,805,245</u>	<u>2,622,514</u>
				<u>\$5,081,038</u>	<u>\$4,820,102</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, 1955 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, 1955 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 11, 1955. 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

Year ended May 31, 1955

(With comparative figures for the 1954 fiscal year)

	<u>1955</u>	<u>1954 Comparative Figures</u>
Net operating profit for year, after deducting remuneration of executives and legal fees (\$127,448 for the 1955 period and \$133,524 for the 1954 period) but before taking into account the following charges	\$ 843,072	\$ 883,977
Deduct:		
Taxes on income	316,340	336,079
Allowance for depreciation	116,777	120,089
Bond interest	42,914	48,086
Directors' fees (other than executives)	315	410
	476,346	504,664
Net earnings for year	366,726	379,313
Earned surplus at beginning of year	1,250,068	1,054,751
	1,616,794	1,434,064
Deduct:		
Dividends on preferred shares	22,818	22,818
Dividends on common shares	161,177	161,178
	183,995	183,996
Earned surplus, as per balance sheet	\$1,432,799	\$1,250,068

AGNEW-SURPASS SHOE STORES, LIMITED

ONTARIO

Aylmer
 Barrie
 Belleville
 Brantford
 166 Colborne St.
 20 Market St.
 Brockville
 Chatham
 Fort Erie
 Fort William
 Galt
 Guelph
 Hamilton
 79 King St. E.
 5 Market Sq.
 293 Ottawa St. N.
 Ingersoll
 Kingston
 Kitchener
 Leamington
 Lindsay
 London
 Midland

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

MANITOBA

Brandon
 Dauphin
 Winnipeg

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

NOVA SCOTIA

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

ALBERTA

Calgary
 Edmonton
 Lethbridge

PRINCE EDWARD ISLAND

Charlottetown
 142 Great George St.
 122 Kent St.

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.
 4829 Yonge St.

Wallaceburg

Welland

Whitby

Windsor

 1356 Ottawa St. E.
 357 Ouellette Ave.
 1528 Wyandotte St. E.

Woodstock

QUEBEC

Montreal
 5325 Queen Mary Rd.
 1011 St. Catherine St. W.
 Quebec
 10 St. John St.
 Rouyn
 Val d'Or

NEWFOUNDLAND

Corner Brook
 St. John's
 Wabana

SASKATCHEWAN

Moose Jaw
 Regina

BRITISH COLUMBIA

New Westminster

