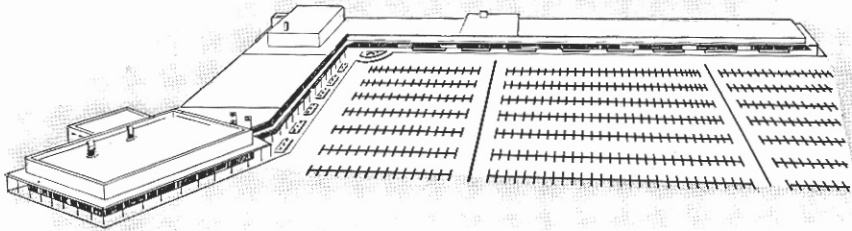


# Agnew-Surpass

SHOE STORES LIMITED

BRANTFORD - ONTARIO



DIXIE PLAZA

## TWENTY-EIGHTH ANNUAL REPORT

For the Year Ended  
MAY THIRTY-FIRST

1956

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## FINANCIAL FACTS IN BRIEF

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	<u>1956</u>	<u>1955</u>
Total volume of business .....	\$12,341,228	\$11,531,476
Net sales (excluding inter-company sales) .....	11,469,985	10,638,500
Net income (before taxes) .....	768,186	683,066
Income taxes .....	342,042	316,340
Net income (after taxes) .....	426,144	366,726
Earnings per common share .....	1.00	.85
Dividends paid per preferred share ...	5½%	5½%
Dividends paid per common share .....	.40	.40
Earned surplus .....	1,674,948	1,432,799
Net working capital .....	2,859,742	2,704,974
Number of employees .....	1,382	1,337
Number of preferred shareholders ...	943	998
Number of common shareholders .....	1,346	1,197
Number of stores in operation .....	114	108

### OUR COVER

IS A REPRODUCTION OF THE DIXIE PLAZA, A SHOPPING CENTRE ON THE QUEEN ELIZABETH HIGHWAY NEAR TORONTO, ONTARIO. SHOPPING PLAZAS OF THIS TYPE HAVE GAINED PUBLIC APPROVAL VERY RAPIDLY. YOUR COMPANY RECOGNIZES THIS NEW TREND IN MODERN MERCHANDISING AND IS LOCATING IN ALL THE MAJOR SHOPPING PLAZAS AS THEY BECOME AVAILABLE ACROSS CANADA,

BOARD OF DIRECTORS

J. L. EDMONDSON

J. B. HOOVER

H. H. GIBAUT

W. D. MUIR

K. R. GILLELAN

J. M. PETERSEN

R. F. WHITBY

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OFFICERS

K. R. GILLELAN

President and General Manager

H. H. GIBAUT

Vice-President

J. C. WHITE. B.Com., C.A.

Secretary-Treasurer

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REGISTRAR and TRANSFER AGENTS

NATIONAL TRUST COMPANY LIMITED

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BANKERS

BANK OF NOVA SCOTIA

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AUDITORS

THORNE, MULHOLLAND, HOWSON & McPHERSON

Chartered Accountants

DIRECTORS' REPORT

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

Submitted herewith is the twenty-eighth 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, 1956, and comparison with the preceding year.

Total volume of business for the fiscal year ended May 31, 1956 was \$12,341,228. Sales, after eliminating inter-company transactions, amounted to \$11,469,985 compared with \$10,638,500 for the previous year. Sales for this year were the highest in the company's history, and were approximately 8% higher than the preceding year.

Consolidated earnings, before income taxes, amounted to \$768,186 in comparison with \$683,066 for the previous year. Income taxes for the year amounted to \$342,042 compared with \$316,340 for the previous year. Consolidated net earnings, after provision for taxes on income, amounted to \$426,144 or \$1.00 per share on the common stock, as compared with \$366,726 or 85 cents per share for the preceding year. The increase in consolidated net earnings of \$59,418 represents a gain of 16%.

Allowance for depreciation on fixed assets has been calculated at full rates in accordance with the company's normal procedure and amounted to \$121,895 compared with \$116,777 for the previous year.

The first mortgage bond due January 2, 1956, in the amount of \$100,000, was paid on that date. The \$500,000 bond maturing January 1, 1959, has been extended to mature \$100,000 annually January 1, 1959 to 1963.

Common dividends of \$161,177 were paid, consisting of four quarterly dividends totalling 40 cents per share. The company has now paid sixty-eight 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 \$242,149 was retained in the business and is reflected in the earned surplus account.

Current assets at the end of the fiscal year were \$4,510,642 and current liabilities were \$1,650,900, resulting in a net working capital of \$2,859,742, an increase of \$154,767 over that of the previous year, as summarized below:

Net earnings for the year .....	\$426,144	
Allowance for depreciation (no cash outlay) ...	<u>121,895</u>	\$548,039
<b>Deduct:</b>		
Funds expended during the year for:		
Plant, machinery, furniture and fixtures		
and improvements to leasehold		
properties, (net) .....	109,277	
Dividends .....	<u>183,995</u>	
	<u>293,272</u>	
First mortgage bond payable January 1,		
1957 included with current liabilities .....	100,000	393,272
Increase in working capital .....		<u>\$154,767</u>

## AGNEW-SURPASS SHOE STORES, LIMITED

During the year, additions to fixed assets were made at a net cost of \$109,277 and of this amount \$4,951 was expended for replacements and modernization of manufacturing facilities and \$104,326 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. ....	57.4c
Wages and salaries of employees .....	24.3
Allowance for depreciation on buildings, machinery, equipment, furniture, fixtures and leasehold improvements ...	1.0
Other expenses, including occupational costs, advertising, shipping charges, building maintenance, etc. ....	9.0
Taxes (excluding sales taxes) .....	3.7
Employees' bonus and profit sharing plan, group life and hospitalization insurance .....	.6
Interest to bondholders .....	.3
Dividends to shareholders .....	1.6
Retained in business for future growth .....	2.1
Sales dollar received .....	<u>\$1.00</u>

Under the Profit Sharing Plan which was inaugurated two years ago, together with employees' bonuses, the employees will participate in the distribution of \$59,400 of the year's profits. This compares with \$53,700 for the previous year.

Eight new stores were opened during the year at Dartmouth, N.S., Verdun, Que., Yorkton, Sask., Edmonton, Alta., and Ottawa, Hamilton, Weston and Dixie, Ont. All of these new units are Plaza or Shopping Centre stores excepting Verdun and Yorkton. Two stores were closed during the year — Charlottetown, P.E.I., and Ottawa, Ont. As of May 31 last, 114 stores were in operation. Leases have been signed for a location in Oshawa, Kingston, Kitchener, Windsor and two in Toronto, Ont. — all Plaza type stores.

At the close of the year, there were 1,346 common shareholders and 943 preferred shareholders. The company and its subsidiary have 1,382 employees, many of whom hold shares of the company. The number of shares held by employees has substantially increased during the year.

It has been the privilege of your directors each year, to express their appreciation to our loyal staff whose services have contributed so much to the company's success. Some of our employees have records of more than forty years of service (including prior to consolidation June 1, 1928) and a great many more have passed their twentieth anniversary of employment with your company. Your directors wish to thank the entire staff for its efficiency, loyalty and excellent effort throughout the year without which it would have been impossible to achieve such excellent results this past year. It is a pleasure to be associated with such a fine group of employees.

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

On behalf of the Board,

Brantford, Ontario,  
July 11, 1956.

K. R. GILLELAN,  
President.

**AGNEW-SURPASS SHOE STORES, LIMITED**

AND ITS WHOLLY OWNED SUBSIDIARY

**THE JOHN RITCHIE COMPANY, LIMITED**

Both incorporated under the laws of Canada

**Consolidated Balance Sheet - May 31, 1956**

(With comparative figures as at May 31, 1955)

ASSETS			LIABILITIES		
<b>Current assets:</b>	1956	1955	<b>Current liabilities:</b>	1956	1955
Cash on hand and in banks .....	\$ 68,915	\$ 57,940	Bank loan .....	\$ 190,000	\$ 250,000
Accounts and bills receivable, less allowance for doubtful accounts .....	595,446	674,238	Accounts payable .....	832,703	700,093
Merchandise inventories, as determined and certified by the management, based on a physical stocktaking for the subsidiary company and on book inventories, period- ically verified, for stores and warehouses, and valued at the lower of cost or market ..	3,804,345	3,482,305	Accrued wages, bond interest and expenses ...	272,015	227,226
Life insurance and fire insurance deposits .....	21,228	21,289	Income and other taxes payable .....	204,479	220,953
Prepaid expenses .....	20,708	19,177	Dividends payable .....	51,703	51,703
	<u>4,510,642</u>	<u>4,254,949</u>	First mortgage bonds maturing within one year .....	100,000	100,000
<b>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):</b>				<u>1,650,900</u>	<u>1,549,975</u>
Land .....	70,165	70,165	<b>First mortgage bonds, 5%:</b>		
Buildings .....	289,794	289,794	Authorized, \$1,500,000 of which \$1,000,000 were issued as Series "A"		
Plant, machinery, etc. ....	312,350	308,292	Outstanding:		
Furniture and fixtures .....	788,026	720,925	Series "A", maturing \$100,000 annually on January 1 in the years 1957 to 1963 ...	700,000	800,000
Improvements to leasehold properties .....	607,133	575,709	Less 1957 maturity included with current liabilities .....	100,000	100,000
Advance payment on store lease .....	27,000	27,000		<u>600,000</u>	<u>700,000</u>
Lasts, dies and patterns .....	33,000	33,000	<b>Fire insurance reserve</b> .....	25,818	25,818
	<u>2,127,468</u>	<u>2,024,885</u>	<b>Capital stock and surplus:</b>		
<b>Less Accumulated allowance for depreciation</b>	1,313,998	1,198,796	Capital stock authorized:		
	813,470	826,089	52,463 cumulative redeemable 5½% pre- ferred shares, par value \$10.00 each		
	<u>\$5,324,112</u>	<u>\$5,081,038</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>
			<b>Earned surplus</b> .....	1,674,948	1,432,799
				<u>3,047,394</u>	<u>2,805,245</u>
				<u>\$5,324,112</u>	<u>\$5,081,038</u>

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

**AUDITORS' REPORT TO THE SHAREHOLDERS**

To the Shareholders of  
Agnew-Surpass Shoe Stores, Limited:  
We have examined the above consolidated balance sheet of Agnew-Surpass Shoe Stores, Limited and its subsidiary company as at May 31, 1956 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, 1956 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 10, 1956.                      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, 1956**

(With comparative figures for the 1955 fiscal year)

	<u>1956</u>	<u>1955</u>
Net operating profit for year, after deducting remuneration of executives and legal fees (\$159,047 for the 1956 period and \$127,448 for the 1955 period) but before taking into account the following charges .....	\$ 928,286	\$ 843,072
<b>Deduct:</b>		
Taxes on income .....	342,042	316,340
Allowance for depreciation .....	121,895	116,777
Bond interest .....	37,930	42,914
Directors' fees (other than executives) .....	275	315
	502,142	476,346
Net earnings for year .....	426,144	366,726
Earned surplus at beginning of year .....	1,432,799	1,250,068
	1,858,943	1,616,794
<b>Deduct:</b>		
Dividends on preferred shares .....	22,818	22,818
Dividends on common shares .....	161,177	161,177
	183,995	183,995
Earned surplus as per balance sheet .....	\$1,674,948	\$1,432,799

# AGNEW-SURPASS SHOE STORES, LIMITED

## ONTARIO

<p>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.     Mountain Plaza     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     104½ Rideau St.     Carlingwood Plaza 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 District     952 Bloor St. W.     2980 Bloor St. W.     505 Danforth Ave.     686 Danforth Ave.     2040 Danforth Ave.     Dixie Plaza     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. Weston     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</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

### ALBERTA

Calgary  
Edmonton  
    101st Street  
    Shoppers' Park Plaza  
Lethbridge

### NOVA SCOTIA

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

### MANITOBA

Brandon  
Dauphin  
Winnipeg

### QUEBEC

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

### NEWFOUNDLAND

Corner Brook  
St. John's  
Wabana

### SASKATCHEWAN

Moose Jaw  
Regina  
Yorkton

### BRITISH COLUMBIA

New Westminster

### PRINCE EDWARD ISLAND

Charlottetown







