

Agnew Surpass SHOES



30th

ANNUAL REPORT

For the Year Ended MAY THIRTY-FIRST, 1958

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AGNEW SURPASS SHOE STORES, LIMITED
Brantford, Ontario

FINANCIAL FACTS IN BRIEF

	<u>1958</u>	<u>1957</u>	Increase or Decrease *
Total volume of business	\$14,203,663	\$13,904,621	\$ 299,042
Net sales (excluding inter- company sales)	13,348,463	12,935,542	412,921
Net income (before taxes)	1,087,781	978,007	109,774
Income taxes	516,000	462,110	53,890
Net income (after taxes)	571,781	515,897	55,884
Earnings per common share	1.35	1.22	.13
Dividends paid per preferred share ...	5½%	5½%
Dividends paid per common share50	.40	.10
Retained earnings	2,354,343	2,006,850	347,493
Net working capital	3,288,272	3,065,022	223,250
Number of employees	1,443	1,447	4 *
Number of preferred shareholders ...	863	895	32 *
Number of common shareholders	1,255	1,265	10 *
Number of stores in operation	123	120	3

OUR COVER

Is a reproduction of our retail store location in downtown Toronto, Ontario, at 232 Yonge Street, a study in bronze and glass that signifies the ultimate in architectural design in this modern day. This example of functional retailing is considered to be, for its size, one of the finest in North America, and provides a large air-conditioned store with two selling floors, enabling a courteous staff to give prompt and efficient service to its many customers.

AGNEW-SURPASS SHOE STORES, LIMITED

HEAD OFFICE

Brantford, Ontario

BOARD OF DIRECTORS

ALICE L. CHASE

J. L. EDMONDSON

H. H. GIBAUT

K. R. GILLELAN

J. B. HOOVER

W. D. MUIR

R. F. WHITBY

OFFICERS

K. R. GILLELAN

President and General Manager

H. H. GIBAUT

Vice-President

J. C. WHITE, B.Comm., C.A.

Secretary-Treasurer

REGISTRAR and TRANSFER AGENTS

NATIONAL TRUST COMPANY LIMITED

BANKERS

BANK OF NOVA SCOTIA

AUDITORS

THORNE, MULHOLLAND, HOWSON & McPHERSON

Chartered Accountants

DIRECTORS' REPORT

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

Submitted herewith is the thirtieth annual report of the company and its wholly owned subsidiary, consisting of consolidated balance sheet, statement of income and retained earnings for the year ended May 31, 1958, and comparison with the preceding year.

Total volume of business for the fiscal year ended May 31, 1958 was \$14,203,663. Sales, after eliminating inter-company transactions, amounted to \$13,348,463 compared with \$12,935,542 for the previous year. Sales for this year were the highest in the company's history and were 3.2% higher than the preceding year.

Consolidated net income, before income taxes, amounted to \$1,087,781 in comparison with \$978,007 for the preceding year. Income taxes for the year amounted to \$516,000 compared with \$462,110 for the previous year. Consolidated net income, after provision for taxes on income, was the largest the company ever had, and amounted to \$571,781 or \$1.35 per share on the common stock, as compared with \$515,897 or \$1.22 per share for the preceding year. The increase in consolidated net income of \$55,884 represents a gain of approximately 11%.

Allowance for depreciation on fixed assets has been calculated at full rates in accordance with the company's normal procedure and amounted to \$150,504 compared with \$131,620 for the previous year.

The first mortgage bond due January 2, 1958 in the amount of \$100,000 was paid on that date.

Common dividends of \$201,472 were paid, consisting of four quarterly dividends totalling 50 cents per share. The company has now paid seventy-six consecutive common dividends. Semi-annual preferred dividends totalling \$22,816 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 \$224,288 of the net income. The remaining \$347,493 was retained in the business and is reflected in the retained earnings.

At a meeting of the Directors held on July 9, 1958, it was decided to establish an annual dividend rate of 60 cents on the common shares of the company compared with 50 cents during the past year. A quarterly dividend of 15 cents per common share was declared payable September 2, 1958.

DIRECTORS' REPORT (Continued)

Current assets at the end of the fiscal year were \$5,011,785 and current liabilities were \$1,723,513, resulting in a net working capital of \$3,288,272, an increase of \$223,250 over that of the previous year, as summarized below:

Net income for year	\$571,781	
Add Depreciation (no cash outlay)	<u>150,504</u>	\$722,285
Deduct Funds expended during the year for:		
Property, machinery, furniture and fixtures and improvements to leasehold	174,747	
properties (net)	<u>224,288</u>	
Dividends	399.035	
First mortgage bond payable January 1, 1959 included with current liabilities	<u>100,000</u>	499,035
Increase in working capital		<u>\$223,250</u>

During the year, additions to fixed assets were made at a net cost of \$174,747. Continuing our policy of keeping our stores up-to-date, we installed, during the year, new store fronts at Niagara Falls, Sudbury (two stores), Belleville, Guelph, Saskatoon and Prince Albert.

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.		54.1c
Wages and salaries of employees		23.7
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.		11.4
Taxes (excluding sales tax)		4.5
Employees' bonus and profit sharing plan, group life and hospitalization insurance7
Interest to bondholders2
Dividends to shareholders		1.7
Retained in business for future growth		<u>2.6</u>
Sales dollar received		<u>\$1.00</u>

(Continued)

DIRECTORS' REPORT (Continued)

Under the Profit Sharing Plan which was inaugurated four years ago, together with employees' bonuses, the employees will participate in the distribution of \$97,800 of the year's profits. This compares with \$76,920 for the previous year.

There were 123 stores in operation at May 31, 1958. Eight new stores were opened during the year located at New Waterford and Springhill, Nova Scotia; Rouyn, Quebec; Sudbury, Durham Street and Sudbury Plaza, Ontario; Saskatoon and Prince Albert, Saskatchewan and Calgary North Hill Plaza, Alberta. The stores at 330 George Street, Peterborough and Wyandotte Street, Windsor, Ontario, were closed. We had the misfortune of total loss fires at St. Stephen, New Brunswick; Springhill, Nova Scotia, and Orillia, Ontario. Leasing arrangements have been made for new stores at Saint John, New Brunswick; Quebec and Montreal, Quebec; Orillia and Toronto, Ontario; Winnipeg, Manitoba; Calgary and Edmonton, Alberta.

At the close of the year, there were 1,255 common shareholders and 863 preferred shareholders. The company and its subsidiary have 1,443 employees, many of whom hold shares of the company. The number of shares held by employees has continued to increase during the year.

Many of our employees are "old-timers" — in service if not in age — who provide the mainstay of our operations. A large percentage of our staff consists of young people who are being trained and encouraged to avail themselves of the many career opportunities created by our expanding operation. It is with pleasure that your directors express their appreciation to all officers and employees, whose efforts and loyalty have made such an important contribution to the most favourable results achieved this year.

At a special general meeting of the shareholders, held on June 25, 1958, by-law No. 37, being a by-law authorizing the purchase, by trustees, up to but not exceeding 40,000 common shares of the company at market (plus cost of purchase) but in no event exceeding \$20.00 per share for sale to employees, was unanimously approved, ratified and confirmed.

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,

Brantford, Ontario,
July 10, 1958.

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, 1958

(With comparative figures as at May 31, 1957)

ASSETS			LIABILITIES				
	1958	1957	Increase or Decrease *		1958	1957	Increase or Decrease *
Current assets:				Current liabilities:			
Cash	\$ 12,949	\$ 35,527	\$ 22,578 *	Bank loan	\$ 225,000	\$ 45,000	\$180,000
Accounts and bills receivable, less allowance for doubtful accounts	698,449	694,434	4,015	Bank overdraft	54,570	62,418	7,848 *
Company common shares held by trustees for sale to employees	41,986	18,126	23,860	Accounts payable	720,610	850,436	129,826 *
Merchandise inventories, as determined and certified by the management, based on a physical stocktaking for the subsidiary company and on book inventories, periodically verified, for stores and warehouses, and valued at the lower of cost or market	4,209,623	3,962,680	246,943	Accrued wages, bond interest and expenses	291,801	314,291	22,490 *
Life insurance and fire insurance deposits	22,185	21,898	287	Income taxes payable	271,770	269,152	2,618
Prepaid expenses	26,593	25,357	1,236	Dividends payable	59,762	51,703	8,059
	<u>5,011,785</u>	<u>4,758,022</u>	<u>253,763</u>	First mortgage bonds maturing within one year	100,000	100,000	
					<u>1,723,513</u>	<u>1,693,000</u>	<u>30,513</u>
Fixed assets at depreciated values as appraised by Canadian Appraisal Company, Limited in 1928, with subsequent additions at cost (except for lasts, dies and patterns which are shown at nominal value):				First mortgage bonds, 5%:			
Land	71,985	71,985		Authorized, \$1,500,000 of which \$1,000,000 were issued as Series "A"			
Buildings	328,093	325,733	2,360	Outstanding:			
Plant, machinery, etc.	328,260	315,062	13,198	Series "A", maturing \$100,000 annually on January 1 in the years 1959 to 1963	500,000	600,000	100,000 *
Furniture and fixtures	989,915	880,789	109,126	Less 1959 maturity included in current liabilities	100,000	100,000	
Improvements to leasehold properties	662,818	621,971	40,847		<u>400,000</u>	<u>500,000</u>	<u>100,000 *</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		Shareholders' equity:			
	<u>2,441,071</u>	<u>2,275,540</u>	<u>165,531</u>	Capital stock authorized:			
Less Accumulated depreciation	1,576,736	1,435,448	141,288	52,463 cumulative redeemable 5½% preferred shares, par value \$10.00 each			
	<u>864,335</u>	<u>840,092</u>	<u>24,243</u>	600,000 common shares of no par value			
				Capital stock issued:			
	<u>\$5,876,120</u>	<u>\$5,598,114</u>	<u>\$278,006</u>	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>	
				Retained earnings	2,354,343	2,006,850	347,493
					<u>3,726,789</u>	<u>3,379,296</u>	<u>347,493</u>
					<u>\$5,876,120</u>	<u>\$5,598,114</u>	<u>\$278,006</u>

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

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

Consolidated Statement of Income and Retained Earnings

Year ended May 31, 1958

(With comparative figures for the 1957 fiscal year)

	<u>1958</u>	<u>1957</u>	Increase or Decrease *
Net operating income for year, after deducting remuneration of executives and legal fees (\$188,953 for the 1958 period and \$162,601 for the 1957 period) but before taking into account the undernoted items...	<u>\$1,264,819</u>	<u>\$1,141,915</u>	<u>\$122,904</u>
Deduct:			
Taxes on income	516,000	462,110	53,890
Depreciation and amortization	150,504	131,620	18,884
Bond interest	26,534	32,288	5,754 *
	<u>693,038</u>	<u>626,018</u>	<u>67,020</u>
Net income for year	<u>571,781</u>	<u>515,897</u>	<u>55,884</u>
Retained earnings at beginning of year	<u>2,006,850</u>	<u>1,674,948</u>	<u>331,902</u>
	<u>2,578,631</u>	<u>2,190,845</u>	<u>387,786</u>
Deduct:			
Dividends on preferred shares	22,816	22,818	2 *
Dividends on common shares	201,472	161,177	40,295
	<u>224,288</u>	<u>183,995</u>	<u>40,293</u>
Retained earnings as per balance sheet	<u><u>\$2,354,343</u></u>	<u><u>\$2,006,850</u></u>	<u><u>\$347,493</u></u>

AUDITORS' REPORT

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

We have examined the consolidated balance sheet of Agnew-Surpass Shoe Stores, Limited and its wholly owned subsidiary, The John Ritchie Company, Limited as at May 31, 1958 and the consolidated statement of income and retained earnings for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statement of income and retained earnings are properly drawn up so as to exhibit a true and correct view of the state of the companies' affairs as at May 31, 1958 and the results of their operations for the year then ended, according to the best of our information and the explanations given to us and as shown by the books of the companies.

THORNE, MULHOLLAND, HOWSON & McPHERSON,

Chartered Accountants

Toronto, Ontario,
July 8, 1958.

AGNEW-SURPASS SHOE STORES, LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARY

CONSOLIDATED OPERATING AND FINANCIAL RESULTS
TEN YEAR SUMMARY

Year ended May 31	Number of Stores in Operation	Total Volume of Business	Net Sales	Net Income Before Taxes	Income Taxes	Net Income After Taxes	Common Dividends Paid	Earnings Per Common Share	Dividends Per Common Share	Net Working Capital	Ratio of Current Assets to Current Debts
1949	89	\$9,761,491	\$9,074,335	\$841,817	\$321,453	\$520,364	\$229,678	\$1.29	\$0.57	\$2,633,499	2.24
1950	92	9,986,411	9,308,716	775,593	320,000	455,593	241,766	1.13	.60	2,742,985	2.32
1951	93	10,320,700	9,682,396	749,831	347,164	402,667	241,766	1.00	.60	2,419,241	2.25
1952	102	11,466,344	10,557,455	924,820	501,880	422,940	241,766	1.05	.60	2,571,786	3.06
1953	105	12,535,200	11,329,431	1,078,377	585,981	492,396	201,472	1.18	.50 ⁽¹⁾	2,510,386	2.48
1954	105	11,679,592	10,713,954	715,392	336,079	379,313	161,177	.88	.40	2,621,337	2.91
1955	108	11,531,476	10,638,500	683,066	316,340	366,726	161,177	.85	.40	2,704,974	2.75
1956	114	12,341,228	11,469,985	768,186	342,042	426,144	161,177	1.00	.40	2,859,742	2.73
1957	120	13,904,621	12,935,542	978,007	462,110	515,897	161,177	1.22	.40	3,065,022	2.81
1958	123	14,203,663	13,348,463	1,087,781	516,000	571,781	201,472	1.35 ⁽²⁾	.50	3,288,272	2.91

(1) In addition, on December 1, 1952, a dividend of \$3.45 per common share was paid in 5½% preferred shares under the then-existing Section 95A of the Income Tax Act. On January 5, 1953, 70 per cent of the above-mentioned preferred shares were redeemed at par.

(2) This year's earnings at \$1.35 per common share are the highest in the Company's history.

One Hundred and Twenty-three
AGNEW-SURPASS SHOE STORES
 to serve you coast-to-coast

ONTARIO

Aylmer	Napanee	505 Danforth Ave.
Barrie	Niagara Falls	686 Danforth Ave.
Belleville	515 Queen St.	2040 Danforth Ave.
Brantford	1906 Main St.	Dixie Plaza
166 Colborne St.	North Bay	Dufferin Plaza
20 Market St.	Oshawa	2948 Dundas St. W.
Brockville	25 Simcoe St.	1895 Eglinton Ave. W.
Chatham	Oshawa Plaza	Golden Mile Plaza
Fort Erie	Ottawa	813 Lakeshore Rd.
Fort William	104½ Rideau St.	Lawrence Plaza
Galt	Carlingwood Plaza	742 Queen St. E.
Guelph	Peterborough	1486 Queen St. W.
Hamilton	Port Arthur	992 St. Clair Ave. W.
79 King St. E.	Port Colborne	1232 St. Clair Ave. W.
5 Market Sq.	Sarnia	Weston
Mountain Plaza	Sault Ste. Marie	232 Yonge St.
293 Ottawa St. N.	Simcoe	729 Yonge St.
Ingersoll	Stratford	1425 Yonge St.
Kingston	Sudbury	4829 Yonge St.
174 Princess St.	80 Durham St.	York Plaza
Kingston Plaza	48 Elm St.	Wallaceburg
Kitchener	Sudbury Plaza	Welland
74 King St.	St. Catharines	Whitby
Kitchener Plaza	St. Thomas	Windsor
Leamington	Timmins	1356 Ottawa St. E.
Lindsay	Toronto District	357 Ouellette Ave.
London	952 Bloor St. W.	Dorwin Plaza
Midland	2980 Bloor St. W.	Woodstock
	Cloverdale Mall	

NEW BRUNSWICK

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

ALBERTA

Calgary
211 Eighth Ave.
Calgary Plaza
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
New Waterford
North Sydney
Springhill
Sydney
Truro
Windsor
Brandon
Dauphin
Winnipeg

MANITOBA

QUEBEC

Montreal District
5325 Queen Mary Rd.
1011 St. Catharine St. W.
Verdun
Quebec
10 St. John St.
Rouyn
69 Main St.
111 Main St.
Val d'Or

NEWFOUNDLAND

Corner Brook
St. John's
Wabana

SASKATCHEWAN

Moose Jaw
Prince Albert
Regina
Saskatoon
Yorkton

BRITISH COLUMBIA
New Westminster

PRINCE EDWARD ISLAND

Charlottetown
