

*Agnew
Surpass*

FAMILY FOOTWEAR

CANADA'S LARGEST SHOE RETAILERS

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AGNEW-SURPASS SHOE STORES LIMITED
BRANTFORD, ONTARIO

**THIRTY-FIRST
ANNUAL REPORT**
YEAR ENDED MAY 31, 1959

FINANCIAL FACTS IN BRIEF

	1959	1958	Increase or Decrease *
Total volume of business	\$15,793,088	\$14,203,663	\$1,589,425
Net sales (excluding inter- company sales)	15,003,201	13,348,463	1,654,738
Net income (before taxes)	1,271,114	1,087,781	183,333
Income taxes	621,305	516,000	105,305
Net income (after taxes)	649,809	571,781	78,028
Earnings per common share	1.57	1.35	.22
Dividends paid per preferred share†	5½%	5½%
Dividends paid per common share60	.50	.10
Retained earnings	2,745,375	2,354,343	391,032
Net working capital	3,135,401	3,288,272	152,871 *
Number of employees	1,552	1,443	109
Number of preferred shareholders†	Nil	863	863 *
Number of common shareholders	1,200	1,255	55 *
Number of stores in operation	128	123	5

† All preference shares redeemed February 27, 1959.

OUR COVER

Reproduces in colour the large and attractive new sign installed across the front of our retail store at 18-22 Market Street, Brantford, Ontario. The neon sign, 35 feet by 25 feet in size, overlooks the heaviest pedestrian traffic area in Brantford, and is readily visible from the main Montreal to Windsor highway.

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
J. L. EDMONDSON
Vice-President
H. H. GIBAUT
Vice-President
R. F. WHITBY
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 thirty-first 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, 1959, and comparison with the preceding year.

Total volume of business for the fiscal year ended May 31, 1959 was \$15,793,088. Sales, after eliminating inter-company transactions, amounted to \$15,003,201 compared with \$13,348,463 for the previous year. Sales for this year were the highest in the company's history and were 12.4% higher than the preceding year.

Consolidated net income, before income taxes, amounted to \$1,271,114 in comparison with \$1,087,781 for the preceding year. Income taxes for the year amounted to \$621,305 compared with \$516,000 for the previous year. Consolidated net income, after provision for taxes on income, was the largest the company has ever earned, and amounted to \$649,809 or \$1.57 per share on the common stock, as compared with \$571,781 or \$1.35 per share for the preceding year. The increase in consolidated net income of \$78,028 represents a gain of 13.6%.

Allowance for depreciation on fixed assets has been calculated at full rates in accordance with the company's normal procedure and amounted to \$148,467 compared with \$150,504 for the previous year.

The first mortgage bond due January 2, 1959, in the amount of \$100,000 was paid on that date.

Notices calling a special general meeting of the shareholders to be held on September 16, 1959, are being mailed to the shareholders, to consider by-law No. 38, as passed by the directors, which by-law provides for the appointment of additional vice-presidents.

On January 26, 1959, notices of redemption of the outstanding preference shares were sent to shareholders and on February 27, 1959, all outstanding preference shares were redeemed at par plus accumulated dividends to that date. The redemption for cash was completed under the provisions of Section 61 of the Companies Act, which requires that an amount of \$414,790 be set aside as capital surplus out of retained earnings.

Common dividends of \$241,767 were paid consisting of four quarterly dividends totalling 60 cents per share. In the preceding year common dividends totalling 50 cents per share were paid. The company has now paid eighty consecutive common dividends. Dividends totalling \$17,010 were paid on the preferred shares outstanding. The dividends on the common and preferred

shares represented \$258,777 of the net income. The remaining \$391,032 was retained in the business and is reflected in the retained earnings.

At a meeting of the directors held on July 8, 1959, a quarterly dividend of 15 cents per common share was declared payable September 1 next, to shareholders of record as at the close of business July 31, 1959.

Current assets at the end of the fiscal year were \$5,596,252 and current liabilities were \$2,460,851, resulting in a net working capital of \$3,135,401, a decrease of \$152,871 from that of the previous year, as summarized below:

Funds expended for:

Additions to machinery, furniture and fixtures and improvements to leasehold properties (net)	\$177,580	
Dividends	258,777	
Redemption of preferred shares	414,790	
First mortgage bond payable January 1, 1960 included with current liabilities	100,000	\$951,147

Funds provided:

Net income for year	649,809	
Add Depreciation (no cash outlay)	148,467	798,276

Decrease in working capital \$152,871

It is to be noted that working capital was reduced only by \$152,871 during the year, notwithstanding the fact that the redemption of the preferred shares resulted in the payment from working capital of \$414,790.

During the year, additions to fixed assets were made at a net cost of \$177,580 and of this amount \$19,478 was expended for replacement and modernization of manufacturing facilities and \$158,102 for new store fronts and fixtures.

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

Cost of merchandise and materials used in manufacturing, etc.	55.0c
Wages and salaries of employees	22.7
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.	11.3
Taxes (excluding sales tax)	4.8
Employees' bonus and profit sharing plan, group life and hospitalization insurance8
Interest to bondholders1
Dividends to shareholders	1.7
Retained in business for future growth	2.6
Sales dollar received	<u>\$1.00</u>

(Continued)

Directors' Report (Continued)

Under the profit sharing plan which was inaugurated five years ago, together with employees' bonuses, the employees will participate in the distribution of \$98,200 of the year's profits.

There were 128 stores in operation at May 31, 1959. Nine new stores were opened during the year located at Saint John, New Brunswick; Ste. Foy, Quebec; Orillia, Toronto (3 stores) and Stamford, Ontario; Calgary and Edmonton, Alberta. We are now operating twenty-one stores in shopping plazas of which five were opened during the past year. The stores at Aylmer, Wallaceburg and Napanee, Ontario, and Saint John (Union Street), New Brunswick, were closed. Leasing arrangements have been completed for new stores at Montreal, Toronto, Winnipeg, Calgary, Edmonton and New Westminster, all of which will be in shopping plazas. Many other locations have been offered and are being considered.

At the close of the year, there were 1,200 common shareholders. The company and its subsidiary have 1,552 employees, many of whom hold shares of the company. During the year, a very substantial number of common shares were purchased by employees under by-law No. 37 and this greatly increased the number of employee shareholders.

No report on the affairs of the company is complete without reference to its employees. Creating job satisfaction and providing incentives is constantly foremost in the minds of management. An excellent spirit of team work exists in all operations of the business. Your directors express, with great pleasure, their thanks and appreciation to all officers and employees whose efforts and loyalty have made such an important contribution to the favorable results achieved this year.

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,

Brantford, Ontario,
July 8, 1959.

K. R. GILLELAN,
President.

Consolidated Balance Sheet as at May 31, 1959

AGNEW-SURPASS SHOE STORES, LIMITED

AND ITS WHOLLY OWNED SUBSIDIARY
 THE JOHN RITCHIE COMPANY, LIMITED
 Both incorporated under the laws of Canada

ASSETS	May 31 1959	May 31 1958	Increase or Decrease *	LIABILITIES	May 31 1959	May 31 1958	Increase or Decrease *
Current assets:				Current liabilities:			
Cash	\$ 210,931	\$ 12,949	\$197,982	Bank loan	\$ 250,000	\$ 225,000	\$ 25,000
Accounts and bills receivable, less allowance for doubtful accounts	790,768	698,449	92,319	Bank overdraft		54,570	54,570 *
Company common shares held by trustees for sale to employees	18,235	41,986	23,751 *	Accounts payable	1,339,805	720,610	619,195
Merchandise inventories, 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	4,518,110	4,209,623	308,487	Accrued wages, bond interest and expenses ..	350,055	291,801	58,254
Life insurance and fire insurance deposits	22,849	22,185	664	Income taxes payable	360,549	271,770	88,779
Prepaid expenses	35,359	26,593	8,766	Dividends payable	60,442	59,762	680
	<u>5,596,252</u>	<u>5,011,785</u>	<u>584,467</u>	First mortgage bonds maturing within one year	100,000	100,000	
					<u>2,460,851</u>	<u>1,723,513</u>	<u>737,338</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	328,093		Outstanding:			
Plant, machinery, etc.	347,738	328,260	19,478	Series "A", maturing \$100,000 annually on January 1 in the years 1960 to 1963	400,000	500,000	100,000 *
Furniture and fixtures	1,099,643	989,915	109,728	Less 1960 maturity included in current liabilities	100,000	100,000	
Improvements to leasehold properties	676,098	662,818	13,280		<u>300,000</u>	<u>400,000</u>	<u>100,000 *</u>
Advance payment on store lease	27,000	27,000		Fire insurance reserve	<u>25,818</u>	<u>25,818</u>	
Lasts, dies and patterns	33,000	33,000		Shareholders' equity:			
	<u>2,583,557</u>	<u>2,441,071</u>	<u>142,486</u>	Capital stock authorized:			
Less Accumulated depreciation	<u>1,690,109</u>	<u>1,576,736</u>	<u>113,373</u>	52,463 cumulative redeemable 5½% preferred shares, par value \$10.00 each, less 41,479 shares redeemed and cancelled during the year			
	<u>893,448</u>	<u>864,335</u>	<u>29,113</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>957,656</u>	<u>1,372,446</u>	<u>414,790 *</u>
				Retained earnings:			
				Amount set aside as capital surplus re redemption of preferred shares as required by Section 61 of the Companies Act (Canada)	\$ 414,790		
				Balance of retained earnings	2,330,585		
					<u>2,745,375</u>	<u>2,354,343</u>	<u>391,032</u>
					<u>3,703,031</u>	<u>3,726,789</u>	<u>23,758 *</u>
					<u>\$6,489,700</u>	<u>\$5,876,120</u>	<u>\$613,580</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, 1959

	Year Ended		
	May 31	May 31	Increase or
	<u>1959</u>	<u>1958</u>	Decrease *
Net operating income for year, after deducting remuneration of executives and legal fees (\$197,897 for 1959 period and \$188,953 for 1958 period) but before taking into account the undernoted items	\$1,441,082	\$1,264,819	\$176,263
Deduct:			
Taxes on income	621,305	516,000	105,305
Depreciation and amortization	148,467	150,504	2,037 *
Bond interest	21,116	26,534	5,418 *
Directors' fees (other than executives)	385	385
	<u>791,273</u>	<u>693,038</u>	<u>98,235</u>
Net income for year	649,809	571,781	78,028
Retained earnings at beginning of year	2,354,343	2,006,850	347,493
	<u>3,004,152</u>	<u>2,578,631</u>	<u>425,521</u>
Deduct:			
Dividends on preferred shares	17,010	22,816	5,806 *
Dividends on common shares	241,767	201,472	40,295
	<u>258,777</u>	<u>224,288</u>	<u>34,489</u>
Amount set aside as capital surplus re preferred shares redeemed during 1959 period	\$ 414,790		
Balance of retained earnings	2,330,585		
Total retained earnings at end of year	<u>\$2,745,375</u>	<u>\$2,354,343</u>	<u>\$391,032</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, 1959 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 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, 1959 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, Canada,
July 7, 1959.

TEN YEAR SUMMARY

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

Consolidated Operating and Financial Results

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
1950	92	\$9,986,411	\$9,308,716	\$775,593	\$320,000	\$455,593	\$241,766	\$1.13	\$0.60	\$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	.50	3,288,272	2.91
1959	128	15,793,088	15,003,201	1,271,114	621,305	649,809	241,767	1.57 ⁽²⁾	.60	3,135,401	2.27

(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 \$1.57 per common share are the highest in the company's history.

CANADA'S LARGEST SHOE RETAILERS

OPERATING 128 STORES FROM COAST-TO-COAST

Ontario

Barrie
Belleville
Brantford
166 Colborne St.
18-22 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
174 Princess St.
Kingston Plaza
Kitchener
74 King St.
Kitchener Plaza
Leamington
Lindsay
London
Midland
Niagara Falls
515 Queen St.
1906 Main St.
Town 'n Country Plaza
TORONTO DISTRICT
952 Bloor St. W.
2980 Bloor St. W.
505 Danforth Ave.
686 Danforth Ave.
2040 Danforth Ave.
2866 Dundas St. W.
2948 Dundas St. W.
1895 Eglinton Ave. W.
813 Lakeshore Rd.
471 Parliament St.
742 Queen St. E.
1486 Queen St. W.
992 St. Clair Ave. W.

North Bay
Orillia
Oshawa
25 Simcoe St.
Oshawa Plaza
Ottawa
104 1/2 Rideau St.
Carlingwood Plaza
Peterborough
Port Arthur
Port Colborne
Sarnia
Sault Ste. Marie
Simcoe
Stratford
Sudbury
80 Durham St.
48 Elm St.
Sudbury Plaza
St. Catharines
St. Thomas
Timmins
Welland
Whitby
Windsor
1356 Ottawa St. E.
357 Ouellette Ave.
Dorwin Plaza
Woodstock
1232 St. Clair Ave. W.
Weston
232 Yonge St.
729 Yonge St.
1425 Yonge St.
4829 Yonge St.
Cloverdale Mall
Dixie Plaza
Dufferin Plaza
Golden Mile Plaza
(2 Stores)
Lawrence Plaza
York Plaza

Quebec

Montreal District
5325 Queen Mary Rd.
1011 St. Catherine St. W.
Verdun
Quebec City
1184 St. John St.

New Brunswick

Bathurst
Campbellton
Fredericton
Moncton
701 Main St.
906 Main St.

Nova Scotia

Amherst
Antigonish
Dartmouth
25 Portland St.
Dartmouth Plaza
Glace Bay
Halifax
391 Barrington St.
251 Gottingen St.

Prince Edward Island

Charlottetown

Newfoundland

Corner Brook

Manitoba

Brandon

Saskatchewan

Moose Jaw
Prince Albert

Alberta

Calgary
211 Eighth Ave.
Calgary Plaza
(2 Stores)

British Columbia

New Westminster

Rouyn

69 Main St.
111 Main St.
Ste. Foy Shopping Centre
Val d'Or

Newcastle

Saint John
677 Main St.
11 Charlotte St.

Woodstock

New Glasgow
New Waterford
North Sydney
Springhill
Sydney
Truro
Windsor

St. John's

Dauphin

Regina
Saskatoon

Edmonton

101st Street
Shoppers' Park Plaza
Bonnie Doon Plaza

Wabana

Winnipeg

Yorkton

Agnew-Surpass
SHOE STORES LIMITED