

Stock

(attached file)



PURVIS HALL
AGNEW-SURPASS SHOE STORES LIMITED
BRANTFORD, ONTARIO

THIRTY - SECOND
ANNUAL REPORT
YEAR ENDED MAY 31, 1960

McGILL UNIVERSITY

FINANCIAL FACTS IN BRIEF

	1960	1959	Increase or Decrease *
Total volume of business	\$16,449,421	\$15,793,088	\$656,333
Net sales (excluding inter- company sales)	15,851,225	15,003,201	848,024
Net income (before taxes)	1,314,368	1,271,114	43,254
Income taxes	657,855	621,305	36,550
Net income (after taxes)	656,513	649,809	6,704
Earnings per common share	1.63	1.57†	.06
Dividends paid per preferred share		5½%	
Dividends paid per common share68	.60	.08
Retained earnings	3,127,886	2,745,375	382,511
Net working capital	3,363,718	3,135,401	228,317
Number of employees	1,601	1,552	49
Number of common shareholders ..	1,172	1,200	28 *
Number of stores in operation	133	128	5

† After deduction of \$17,010. preferred dividends paid. All preference shares outstanding were redeemed February 27, 1959.

OUR COVER

Portrays the fitting of a pair of boy's shoes by our store manager, Mr. Murray, in our attractive Dixie Plaza store in suburban Toronto. As our company expands into new shopping areas, we serve the footwear needs of the entire family all across Canada.

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-second 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, 1960, and comparison with the preceding year.

Total volume of business for the fiscal year ended May 31, 1960 was \$16,449,421. Sales, after eliminating inter-company transactions, amounted to \$15,851,225 compared with \$15,003,201 for the previous year. Sales for this year were the highest in the company's history, despite the fact that sales, at both the factories and retail levels during the spring season, were not up to expectations due to the late Easter and the unseasonable weather.

Consolidated net income, before income taxes, amounted to \$1,314,368 in comparison with \$1,271,114 for the preceding year. Income taxes for the year amounted to \$657,855 compared with \$621,305 for the previous year. Consolidated net income, after provision for taxes on income, was the largest the company has ever earned and amounted to \$656,513 or \$1.63 per share on the common stock, compared with \$1.57 per share for the preceding year. This is the fifth consecutive year in which a new record for consolidated net income, after taxes, has been made.

The rate of taxation on corporate income was increased from 49% to 52% on January 1, 1959. This increased taxation applied for the full year ended May 31, 1960, compared with only a 5 month period last year and had the effect of reducing the net income after taxes more than it would otherwise have been.

Allowance for depreciation on fixed assets has been calculated at full rates in accordance with the company's normal procedure and amounted to \$156,756 compared with \$148,467 for the previous year.

The first mortgage bond due January 2, 1960, in the amount of \$100,000, was paid on that date.

At a special general meeting of shareholders held on September 16, 1959, By-law No. 38 of the Company, providing for an increase in the number of Vice-Presidents, was approved. At a special general meeting of shareholders held on January 27, 1960, By-law No. 39 of the Company was approved, providing for the cancellation of 41,479 preferred shares redeemed on February 27, 1959; and on February 29, 1960, Supplementary Letters Patent were issued to the Company to effect this cancellation of preferred shares. Also on January 27, 1960, the shareholders approved By-law No. 40, author-

izing trustees to purchase common shares of the company for resale to employees.

Common dividends of \$274,002 were paid consisting of four quarterly dividends totalling 68 cents per share. In the preceding year, common dividends totalling 60 cents per share were paid. The company has now paid eighty-four consecutive common dividends.

At a meeting of the directors held on July 7, 1960, a quarterly dividend of 17 cents per common share was declared, payable September 1 next, to shareholders of record as at the close of business July 29, 1960.

Current assets at the end of the fiscal year were \$5,814,865 and current liabilities were \$2,451,147, resulting in a net working capital of \$3,363,718, an increase of \$228,317 from that of the previous year, as summarized below:

Funds made available:

Net income for year	\$656,513	
Add Depreciation (no cash outlay)	<u>156,756</u>	\$813,269

Funds applied:

Additions to machinery, furniture and fixtures and improvements to leasehold properties (net)	210,950	
Dividends	274,002	
First mortgage bond payable January 1, 1961 included with current liabilities	<u>100,000</u>	584,952
Increase in working capital		<u>\$228,317</u>

During the year, additions to fixed assets were made at a net cost of \$210,950 and of this amount \$29,555 was expended for replacement and modernization of manufacturing facilities and \$181,395 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.	55.3c
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 insurance7
Interest to bondholders1
Dividends to shareholders	1.7
Retained in business for future growth	<u>2.4</u>
Sales dollar received	<u>\$1.00</u>

(Continued)

Directors' Report (Continued)

Under the profit sharing plan which was inaugurated six years ago, together with employees' bonuses, the employees will participate in the distribution of \$100,400 of the year's profits.

There were 133 stores in operation at May 31, 1960. Twelve new stores were opened during the year located at Halifax, Nova Scotia; Quebec, Thetford Mines and Montreal, Quebec; Brockville, Toronto (3 stores), Merritton and Windsor, Ontario; Winnipeg, Manitoba; Edmonton, Alberta. Ten of these new stores are in shopping plazas. The stores at Wabana, Newfoundland; Saint John (Main Street), New Brunswick; Verdun, Quebec; Guelph, Brockville, Timmins and Ingersoll, Ontario, were closed. Leasing arrangements have been completed for twenty-two new stores, all of which will be in shopping plazas. The year ahead will be one of accelerated activity in the expansion program of your Company.

At the close of the year, there were 1,172 common shareholders. The company and its subsidiary have 1,601 employees, many of whom hold shares of the company. More than 97% of the shares authorized for purchase by trustees under By-law No. 37 have now been sold to employees.

It is with great pleasure that your directors and management express their grateful appreciation to all employees in the stores, warehouses, factories and offices for their continued loyalty and splendid co-operation which has contributed so greatly to the Company's continued growth and progress.

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

Brantford, Ontario,
July 7, 1960.

On behalf of the Board,
K. R. GILLELAN,
President.

Consolidated Balance Sheet as at May 31, 1960

(With Comparative Figures 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

	1960	1959	Increase or Decrease *
Current assets:			
Cash	\$ 14,564	\$ 210,931	\$196,367 *
Accounts and bills receivable, less allowance for doubtful accounts	635,558	790,768	155,210 *
Company common shares held by trustees for sale to employees	108,810	18,235	90,575
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	4,977,758	4,518,110	459,648
Life insurance and fire insurance deposits	23,583	22,849	734
Prepaid expenses	54,592	35,359	19,233
	<u>5,814,865</u>	<u>5,596,252</u>	<u>218,613</u>
Fixed assets at depreciated values as appraised by Canadian Appraisal Company, Limited in 1928, with subsequent additions at cost (ex- cept for lasts, dies and patterns which are shown at nominal value):			
Land	71,985	71,985	
Buildings	334,909	328,093	6,816
Plant, machinery, etc.	372,093	347,738	24,355
Furniture and fixtures	1,235,270	1,099,643	135,627
Improvements to leasehold properties	709,496	676,098	33,398
Advance payment on store lease	27,000	27,000	
Lasts, dies and patterns	33,000	33,000	
	<u>2,783,753</u>	<u>2,583,557</u>	<u>200,196</u>
Less Accumulated depreciation	<u>1,836,111</u>	<u>1,690,109</u>	<u>146,002</u>
	<u>947,642</u>	<u>893,448</u>	<u>54,194</u>
	<u>\$6,762,507</u>	<u>\$6,489,700</u>	<u>\$272,807</u>

LIABILITIES

	1960	1959	Increase or Decrease *
Current liabilities:			
Bank loan	\$ 330,000	\$ 250,000	\$ 80,000
Bank overdraft	63,480		63,480
Accounts payable	1,189,319	1,339,805	150,486 *
Accrued wages, bond interest and expenses	347,817	350,055	2,238 *
Income taxes payable	348,001	360,549	12,548 *
Dividends payable	72,530	60,442	12,088
First mortgage bonds maturing within one year	100,00	100,000	
	<u>2,451,147</u>	<u>2,460,851</u>	<u>9,704 *</u>
First mortgage bonds, 5%:			
Authorized, \$1,500,000 of which \$1,000,000 were issued as Series "A"			
Outstanding:			
Series "A", maturing \$100,000 annually on January 1 in the years 1961 to 1963	300,000	400,000	100,000 *
Less 1961 maturity included in current liabilities	100,000	100,000	
	<u>200,000</u>	<u>300,000</u>	<u>100,000 *</u>
Fire insurance reserve	<u>25,818</u>	<u>25,818</u>	
Shareholders' equity:			
Capital stock authorized (see note):			
10,984 cumulative 5½% preferred shares redeemable at par value of \$10.00 each			
600,000 common shares of no par value			
Capital stock issued:			
402,944 common shares	957,656	957,656	
Retained earnings:			
Amount set aside as capital surplus re re- demption of preferred shares as required by Section 61 of the Companies Act (Canada)		414,790	414,790 *
Balance of retained earnings	3,127,886	2,330,585	797,301
	<u>4,085,542</u>	<u>3,703,031</u>	<u>382,511</u>
	<u>\$6,762,507</u>	<u>\$6,489,700</u>	<u>\$272,807</u>

Note: Under terms of Supplementary Letters Patent granted February 29, 1960, the 41,479 preferred shares previously issued and redeemed were cancelled.

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, 1960
(With comparative figures for the 1959 fiscal year)

	<u>1960</u>	<u>1959</u>	Increase or Decrease *
Net operating income for year, after deducting remuneration of executives and legal fees (\$197,562 for 1960 period and \$197,897 for 1959 period) but before taking into account the undernoted items	\$1,489,400	\$1,441,082	\$ 48,318
Deduct:			
Taxes on income	657,855	621,305	36,550
Depreciation and amortization	156,756	148,467	8,289
Bond interest	17,956	21,116	3,160 *
Directors' fees (other than executives)	320	385	65 *
	832,887	791,273	41,614
Net income for year	656,513	649,809	6,704
Retained earnings at beginning of year			
Balance	\$2,330,585		
Add Amount transferred from capital surplus re cancellation of 41,479 preferred shares (see balance sheet note)	414,790		
	2,745,375	2,354,343	391,032
	3,401,888	3,004,152	397,736
Deduct:			
Dividends on preferred shares		17,010	17,010 *
Dividends on common shares	274,002	241,767	32,235
	274,002	258,777	15,225
Retained earnings at end of year	\$3,127,886	\$2,745,375	\$382,511

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, 1960 and the consolidated statement of income and retained earnings for the year ended on that date 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 affairs of the companies as at May 31, 1960 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, and 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 6, 1960.

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
1951	93	\$10,320,700	\$9,682,396	\$749,831	\$347,164	\$402,667	\$241,766	\$1.00	\$0.60	\$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	.60	3,135,401	2.27
1960	133	16,449,421	15,851,225	1,314,368	657,855	656,513	274,002	1.63 (2)	.68	3,363,718	2.37

(1) In addition, on December 1, 1952, a dividend of \$3.45 per common share was paid in 5/2% 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, and the remainder were redeemed at par on February 27, 1959.

(2) This year's earnings at \$1.63 per common share are the highest in the company's history.

CANADA'S LARGEST SHOE RETAILERS
OPERATING 133 STORES FROM COAST TO COAST

Ontario

Barrie
Belleville
Brantford
166 Colborne St.
18-22 Market St.

Brockville
Chatham
Fort Erie
Fort William
Galt
Hamilton
79 King St. E.
5 Market Sq.
Mountain Plaza
293 Ottawa St. N.

Kingston
174 Princess St.
Kingston Plaza

Kitchener
74 King St.
Kitchener Plaza

Leamington
Lindsay
London
Merritton, Pen Centre
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.
1232 St. Clair Ave. W.
1933 Weston Road

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
Welland
Whitby
Windsor
1356 Ottawa St. E.
357 Ouellette Ave.
Dorwin Plaza
Yorktown Square

Woodstock

232 Yonge St.
729 Yonge St.
1425 Yonge St.
4829 Yonge St.
Cloverdale Mall
Dixie Plaza
Dufferin Plaza
Eastown Plaza
Golden Mile Plaza
(2 stores)
Lawrence Plaza
Richmond Heights Plaza
Royal York Plaza
York Plaza

Quebec

Montreal District
5325 Queen Mary Rd.
1011 St. Catherine St. W.
Maisonneuve Plaza

Rouyn
69 Main St.
111 Main St.

New Brunswick

Bathurst
Campbellton
Fredericton
Newcastle

Nova Scotia

Amherst
Antigonish
Dartmouth
25 Portland St.
Dartmouth Plaza

Glace Bay
Halifax
391 Barrington St.
251 Gottingen St.
Bayers Rd. Shopping Centre

Prince Edward Island

Charlottetown
Corner Brook

Newfoundland

Manitoba

Brandon
Dauphin

Saskatchewan

Moose Jaw **Regina**
Prince Albert **Saskatoon**

Alberta

Calgary
211 Eighth Ave.
Calgary North Hill Plaza
(2 stores)

Lethbridge

British Columbia

New Westminster

Quebec City District
1184 St. John St.
878A St. John St.
Ste. Foy Shopping Centre

Thetford Mines
Val d'Or

Moncton
701 Main St.
906 Main St.

Saint John
Woodstock

New Glasgow
New Waterford
North Sydney
Springhill
Sydney
Truro
Windsor

St. John's

Winnipeg
338 Portage Ave.
Polo Park Plaza

Yorkton

Edmonton
101st Street
Shoppers' Park-
Westmount
Bonnie Doon Plaza
Park Plaza

Agnew-Surpass
SHOE STORES LIMITED