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# Agnew-Surpass

SHOE STORES LIMITED



**145 STORES OPERATING COAST-TO-COAST**

*"Canada's Largest Shoe Retailers"*

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AUG 10 1961  
MCGILL UNIVERSITY

**THIRTY - THIRD ANNUAL REPORT**  
YEAR ENDED MAY 31, 1961

# FINANCIAL FACTS IN BRIEF

	1961	1960	Increase or Decrease *
Total volume of business .....	\$17,300,588	\$16,449,421	\$ 851,167
Net sales (excluding inter-company sales) .....	16,686,457	15,851,225	835,232
Company contribution to employee insurance and profit-sharing plan .....	133,440	135,989	2,549 *
Total payroll .....	3,694,701	3,552,440	142,261
Depreciation on fixed assets .....	171,717	156,756	14,961
Net income (before taxes) .....	1,159,465	1,314,368	154,903 *
Income taxes .....	561,350	657,855	96,505 *
Net income (after taxes) .....	598,115	656,513	58,398 *
Net income per dollar as percentage of net sales .....	3.58%	4.14%	.56%*
Earnings per common share .....	1.48	1.63	.15 *
Capital expenditures — manufacturing and retail .....	248,039	210,950	37,089
Dividends paid per common share .....	.70	.68	.02
Retained earnings .....	3,458,940	3,127,886	331,054
Net working capital .....	3,503,450	3,363,718	139,732
Number of employees .....	1,502	1,601	99 *
Number of common shareholders .....	1,152	1,172	20 *
Number of stores in operation .....	145	133	12

**DIRECTORS**

ALICE L. CHASE - - - - Toronto, Ontario  
J. L. EDMONDSON - - - - Brantford, Ontario  
H. H. GIBAUT - - - - Quebec City, Quebec  
K. R. GILLELAN - - - - Brantford, Ontario  
J. B. HOOVER - - - - Saint John, New Brunswick  
W. D. MUIR, *B.Comm.* - - - - Quebec City, Quebec  
R. F. WHITBY - - - - Brantford, Ontario

**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

Your Directors are pleased to submit the thirty-third 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, 1961, and comparison with the preceding year.

## SALES

Total volume of business for the fiscal year ended May 31, 1961 was \$17,300,588. Sales, after eliminating inter-company transactions, amounted to \$16,686,457 compared with \$15,851,225 for the previous year. Sales for this year were again at an all time high. This is the sixth consecutive year in which your company has made a new sales record.

## PROFIT

Consolidated net income, before income taxes, amounted to \$1,159,465 in comparison with \$1,314,368 for the preceding year. Income taxes for the year amounted to \$561,350 compared with \$657,855 for the previous year. Consolidated net income, after provision for taxes on income, amounted to \$598,115 or \$1.48 per share on the common stock, compared with \$1.63 per share for the preceding year. Profit from retail operations was down somewhat compared with the previous year, largely due to the record number of new store openings. In the first year of operation, new stores do not usually earn a profit due to heavy promotional and other opening expenses. The sales volume of our manufacturing subsidiary company was well maintained but profits were adversely affected by the cost-price squeeze on the shoe manufacturing industry. The closing of our women's manufacturing plant on April 30, 1961, resulted in a loss from that operation.

## FIXED ASSETS AND DEPRECIATION

During the year, additions to fixed assets were made at a net cost of \$248,039 and of this amount \$8,461 was expended for replacement and modernization of manufacturing facilities and \$239,578 for new store fronts and fixtures.

Allowance for depreciation on fixed assets has been calculated at full rates in accordance with the company's normal procedure and amounted to \$171,717 compared with \$156,756 for the previous year. Store furniture and fixtures are being depreciated on the basis of 20% per annum on a reducing balance with the result that depreciation is considerably greater during the early years of new store operations. Leasehold improvements are depreciated over the term of leases.

## FUNDED DEBT

The first mortgage bond due January 2, 1961, in the amount of \$100,000, was paid on that date. Two \$100,000 bonds remain outstanding which will mature January 1, 1962 and January 1, 1963 respectively.

## DIVIDENDS

Common dividends of \$282,061 were paid consisting of four quarterly dividends totalling 70 cents per share. In the preceding year, common dividends paid amounted to 68 cents per share. The company has now paid eighty-eight consecutive common dividends over a period of twenty-seven years.

At a meeting of the directors held on July 12, 1961, a quarterly dividend of 18 cents per common share was declared, payable September 1 next to shareholders of record as at the close of business July 31, 1961.

## WORKING CAPITAL

Current assets at the end of the fiscal year were \$5,714,592 and current liabilities were \$2,211,142, resulting in a net working capital of \$3,503,450, an increase of \$139,732 over that of the previous year, as summarized below.

### FUNDS MADE AVAILABLE:

Net income for year .....	\$ 598,115	
Add Depreciation (no cash outlay) .....	171,717	\$ 769,832

### FUNDS APPLIED:

Additions to machinery, furniture and fixtures and improvements to leasehold properties (net) .....	248,039	
Dividends .....	282,061	
First mortgage bond payable January 1, 1962 included under current liabilities .....	100,000	630,100

INCREASE IN WORKING CAPITAL ..... \$ 139,732

## PROFIT SHARING

Under the profit sharing plan which was inaugurated seven years ago, together with employees' bonuses, the employees will participate in the distribution of \$87,200 of the year's profits.

## STORE OPERATIONS

There were 145 stores in operation at May 31, 1961. Twenty-three new stores were opened during the year, which is by far the greatest store expansion your company has had in any single year. The new stores are located at:

Greenwood, N.S.	St. Catharines, Ont.
New Glasgow, N.S.	Welland, Ont.
Saint John, N.B.	London, Ont.
Charlottetown, P.E.I.	Brandon, Man.
Montreal District, Que. (3 stores)	Regina, Sask.
Quebec, Que.	Saskatoon, Sask.
Toronto District, Ont. (5 stores)	Calgary, Alta.
Hamilton, Ont.	Burnaby, B.C.
Midland, Ont.	

Nineteen of these new stores are located in shopping centres, making a total of 50 stores now operating in shopping centres. During the year two stores were destroyed by fire and operations were discontinued in nine other locations. Leasing arrangements have been completed for eleven new stores, ten of which will be in shopping centres. The year ahead will be one of continued expansion.

## SHAREHOLDERS

At the close of the year, there were 1,152 common shareholders, many of whom are employees. The company has continued to encourage employee share ownership at all times.

## EMPLOYEES

The company and its subsidiary have 1,502 employees and 29 per cent of full time personnel have more than ten years of service. The new store expansion programme has provided a great many promotions to positions of more responsibility.

Your directors again wish to express to all employees sincere appreciation of their efficient service, co-operation and loyalty which contributed greatly to the progress achieved during the year.

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.

On behalf of the Board,

Brantford, Ontario  
July 12, 1961.

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 AS AT MAY 31, 1961**

(With comparative figures as at May 31, 1960)

**CURRENT ASSETS:**

Cash	\$ 15,440	\$ 14,564	\$ 876
Accounts and bills receivable, less allowance for doubtful accounts	701,575	635,558	66,017
Company common shares held by trustees for sale to employees	45,075	108,810	63,735*
Merchandise inventories, at the lower of cost or market	4,892,018	4,977,758	85,740*
Life insurance and fire insurance deposits	17,243	23,583	6,340*
Prepaid expenses	43,241	54,592	11,351*
	<u>5,714,592</u>	<u>5,814,865</u>	<u>100,273*</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):

Land	71,985	71,985	
Buildings	336,984	334,909	2,075
Plant, machinery, etc.	365,728	372,093	6,365*
Furniture and fixtures	1,414,811	1,235,270	179,541
Improvements to leasehold properties	715,861	709,496	6,365
Advance payment on store lease		27,000	27,000*
Lasts, dies and patterns	33,000	33,000	
	<u>2,938,369</u>	<u>2,783,753</u>	<u>154,616</u>
LESS Accumulated depreciation	1,914,405	1,836,111	78,294
	<u>1,023,964</u>	<u>947,642</u>	<u>76,322</u>
	<u>\$ 6,738,556</u>	<u>\$ 6,762,507</u>	<u>\$ 23,951*</u>

**CURRENT LIABILITIES:**

Bank loan and overdraft	\$ 450,242	\$ 393,480	\$ 56,762
Accounts payable	1,014,201	1,189,319	175,118*
Accrued wages, bond interest and expenses	331,737	347,817	16,080*
Income taxes payable	242,432	348,001	105,569*
Dividend payable	72,530	72,530	
First mortgage bonds maturing within one year	100,000	100,000	
	<u>2,211,142</u>	<u>2,451,147</u>	<u>240,005*</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 1962 and 1963	200,000	300,000	100,000*
LESS Bonds maturing within one year included under current liabilities	100,000	100,000	
	<u>100,000</u>	<u>200,000</u>	<u>100,000*</u>
FIRE INSURANCE RESERVE	25,818	25,818	

**SHAREHOLDERS' EQUITY:**

Capital stock:			
Authorized:			
10,984 cumulative 5½% preferred shares, redeemable at par value of \$10.00 each			
600,000 common shares of no par value			
Issued:			
402,944 common shares	957,656	957,656	
Retained earnings	3,443,940	3,127,886	316,054
	<u>4,401,596</u>	<u>4,085,542</u>	<u>316,054</u>
	<u>\$ 6,738,556</u>	<u>\$ 6,762,507</u>	<u>\$ 23,951*</u>

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

**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, 1961 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, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and related consolidated statement of income and retained earnings are properly drawn up so as to exhibit a true and correct view of the combined state of the affairs of the companies as at May 31, 1961 and the results of their combined 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.

TORNE, MULHOLLAND, HOWSON & McPHERSON,  
Chartered Accountants.  
Toronto, Canada,  
July 11, 1961.

**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, 1961

(With comparative figures for the 1960 fiscal year)

	1961	1960	Increase or Decrease *
Net operating income for year, after deducting remuneration of executives and legal fees (\$191,414 for 1961 and \$197,562 for 1960) but before the undernoted items ..	\$ 1,344,389	\$ 1,489,400	\$ 145,011*
<b>DEDUCT:</b>			
Taxes on income .....	561,350	657,855	96,505*
Depreciation and amortization .....	171,717	156,756	14,961
Bond interest .....	12,907	17,956	5,049*
Directors' fees (other than executives) .....	300	320	20*
	<u>746,274</u>	<u>832,887</u>	<u>86,613*</u>
Net income for year .....	598,115	656,513	58,398*
Retained earnings at beginning of year .....	3,127,886	2,745,375	382,511
	<u>3,726,001</u>	<u>3,401,888</u>	<u>324,113</u>
DEDUCT Dividends on common shares .....	<u>282,061</u>	<u>274,002</u>	<u>8,059</u>
<b>RETAINED EARNINGS AT END OF YEAR .....</b>	<b><u>\$ 3,443,940</u></b>	<b><u>\$ 3,127,886</u></b>	<b><u>\$ 316,054</u></b>

## TEN YEAR SUMMARY

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

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
1952	102	\$11,466,344	\$10,557,455	\$ 924,820	\$ 501,880	\$ 422,940	\$ 241,766	\$ 1.05	\$ 0.60	\$ 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	.68	3,363,718	2.37
1961	145	17,300,588	16,686,457	1,159,465	561,350	598,115	282,061	1.48	.70	3,503,450	2.58

(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, and the remainder were redeemed at par on February 27, 1959.



# Agnew-Surpass

SHOE STORES LIMITED

## CANADA'S LARGEST SHOE RETAILERS

### 2 Stores in BRITISH COLUMBIA

#### Burnaby

Middlegate  
Shopping Centre

#### New Westminster

### 9 Stores in ALBERTA

#### Calgary

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

#### Lethbridge

#### Edmonton

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

### 7 Stores in SASKATCHEWAN

#### Moose Jaw Prince Albert Yorkton

#### Regina

1847 Scarth St.  
Golden Mile Plaza

#### Saskatoon

Birks Building  
Grosvenor Park  
Shopping Centre

### 5 Stores in MANITOBA

#### Brandon

732 Rosser Ave.  
820 Rosser Ave.

#### Dauphin

#### Winnipeg

338 Portage Ave.  
Polo Park Plaza

### 85 Stores in ONTARIO

#### Barrie Belleville Brantford

166 Colborne St.  
18-22 Market St.

#### Brockville

#### Chatham

#### Fort Erie

#### Fort William

#### Hamilton

79 King St. E.  
5 Market Square  
Greater Hamilton  
Shopping Centre

Mountain Plaza

293 Ottawa St. N.

#### Kingston

174 Princess St.  
Kingston Plaza

#### Kitchener

74 King St.  
Kitchener Plaza

#### Leamington

#### Lindsay

#### London

226 Dundas St.  
Wellington Square

#### Merritton

Pen Centre

#### Midland

225 King St.  
265 King St.

#### Niagara Falls

515 Queen St.  
1906 Main St.  
Town'n Country Plaza

#### North Bay

#### Orillia

#### Oshawa

25 Simcoe St.  
Oshawa Plaza

#### Ottawa

Carlingwood Plaza

#### Peterborough

#### Port Arthur

#### Port Colborne

#### Sault Ste. Marie

#### Simcoe

#### Stratford

#### Sudbury

80 Durham St.  
48 Elm St.  
Sudbury Plaza

#### St. Catharines

163 St. Paul St.  
St. Catharines Mall

#### St. Thomas

Welland Shopping Centre

#### Whitby

#### Windsor

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

#### Woodstock

## 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  
232 Yonge St.  
729 Yonge St.  
1425 Yonge St.  
4829 Yonge St.  
Brampton Shopping Centre  
Cedarbrae Plaza  
Cloverdale Mall  
Dixie Plaza

Dufferin Plaza  
Eastown Plaza  
Golden Mile Plaza  
(2 stores)  
Hopedale Plaza  
Lawrence Plaza  
Newtonbrook Plaza  
North Park Shopping Centre  
Richmond Heights Plaza  
Royal York Plaza  
York Plaza

## 12 Stores in QUEBEC

### Montreal District

Maisonneuve Plaza  
Pont Mercier  
Shopping Centre  
St. Martin Shopping Centre  
Wilderton Shopping Centre

### Quebec City District

1184 St. John St.  
878a St. John St.  
La Canardiere  
Shopping Centre  
Ste. Foy Shopping Centre

### Rouyn

69 Main St.  
111 Main St.

### Thetford Mines

Val d'Or

## 7 Stores in NEW BRUNSWICK

Bathurst  
Fredericton  
Newcastle

### Moncton

701 Main St.  
906 Main St.

### Saint John

11 Charlotte St.  
Fairview Plaza

## 15 Stores in NOVA SCOTIA

Amherst  
Antigonish  
Dartmouth

25 Portland St.  
Dartmouth Plaza

Glace Bay

Greenwood Shopping Centre  
Halifax

251 Gottingen St.  
Bayers Rd.  
Shopping Centre

New Glasgow

New Waterford  
North Sydney  
Springhill  
Sydney  
Truro  
Windsor

## 1 Store in PRINCE EDWARD ISLAND

Charlottetown

## 2 Stores in NEWFOUNDLAND

St. John's                      Corner Brook



*Aqnew-Surpass*  
SHOE STORES LIMITED