

C

Agnew-Surpass

SHOE STORES LIMITED
BRANTFORD — ONTARIO

A CORPORATE DIVISION OF

GENESCO  Everything to Wear



THIRTY-FIFTH
ANNUAL REPORT
FOR THE YEAR ENDED
MAY THIRTY-FIRST
1963

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FINANCIAL FACTS IN BRIEF

	1963	1962	Increase or Decrease *
Total volume of business	\$17,850,704	\$17,396,618	\$454,086
Net sales (excluding inter- company sales)	17,226,503	16,816,984	409,519
Total payroll	3,736,445	3,604,120	132,325
Depreciation on fixed assets	183,848	179,973	3,875
Net income (before taxes)	1,365,621	1,329,311	36,310
Income taxes	684,260	670,729	13,531
Net income (after taxes)	681,361	658,582	22,779
Net income per dollar as percentage of net sales	3.96%	3.92%	.04%
Earnings per common share	1.69	1.63	.06
Capital expenditures — manufacturing and retail	184,538	188,413	3,875 *
Retained earnings	4,445,410	3,812,402	633,008
Net working capital	4,418,542	3,719,629	698,913
Number of employees	1,424	1,517	93 *
Number of common shareholders	207	1,063	856 *
Number of stores in operation	164	157	7

Agnew-Surpass
SHOE STORES LIMITED

HEAD OFFICE - BRANTFORD, ONTARIO

A CORPORATE DIVISION OF

GENESCO  Everything to Wear

DIRECTORS

W. M. BLACKIE
Nashville, Tennessee, U.S.A.

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
PEAT, MARWICK, MITCHELL & Co.
Chartered Accountants

DIRECTORS' REPORT

to the Shareholders of
AGNEW-SURPASS SHOE STORES, LIMITED

Your directors are pleased to submit the thirty-fifth 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, 1963, and comparison with the preceding year.

Total volume of business for the fiscal year ended May 31, 1963 was \$17,850,704. Sales, after eliminating inter-company transactions, amounted to \$17,226,503 compared to \$16,816,984 for the previous year.

Consolidated net income, before income taxes, amounted to \$1,365,621 in comparison with \$1,329,311 for the preceding year. Income taxes for the year amounted to \$684,260 compared with \$670,729 for the previous year. Consolidated net income, after provision for taxes on income, amounted to \$681,361 or \$1.69 per share on the common stock, compared with \$1.63 per share for the preceding year.

The consolidated sales and net income per share for this year are the highest in the Company's history.

During the year, additions to fixed assets were made at a net cost of \$184,538, and of this amount \$23,637 was expended for replacement and modernization of manufacturing facilities and \$160,901 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 \$183,848 compared with \$179,973 for the previous year. Store furniture and fixtures are being depreciated on the basis of 20% per annum on the reducing undepreciated 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.

The outstanding first mortgage bond due January 1, 1963 was paid.

A common dividend of \$48,353 was paid on July 31, 1962.

Current assets at the end of the fiscal year were \$5,978,744 and current liabilities were \$1,560,202, resulting in a net working capital of \$4,418,542, an increase of \$698,913 over that of the previous year, as summarized below:

Funds provided:

Net income for year		\$681,361
Add Depreciation (no cash outlay)	\$183,848	
Less gain on sale of land	2,098	181,750
		<u>\$863,111</u>
Proceeds from sale of fixed assets		24,850
Proceeds from sale of company shares held by trustees for sale to employees		43,843
		<u>\$931,804</u>

Funds applied:

Additions to machinery, furniture and fixtures and improvements to leasehold properties (net)	184,538	
Dividends	48,353	232,891
		<u>232,891</u>
Increase in working capital		<u>\$698,913</u>

Under the profit sharing plan which was inaugurated nine years ago, together with employees' bonuses, the employees will participate in the distribution of \$95,995 of the year's profits.

Ten new stores were opened during the year, located at Hull, Quebec; Windsor (2 stores), Sault Ste. Marie, Brantford, London and Burlington, Ontario; Lethbridge, Alberta; Penticton and Vancouver, British Columbia. Six of these stores are in shopping plazas. Stores at Sault Ste. Marie, 2948 Dundas St., Toronto, Ontario, and Lethbridge, Alberta, were closed.

Directors' Report (CONTINUED)

On July 20, 1962, Genesco, Inc., a Tennessee corporation, which at that date, owned 64.5% of the outstanding common shares of your company, made an offer to the shareholders to exchange $45\frac{1}{2}/100$ ths (0.455) of a share of the common stock of Genesco, Inc., for each common share of Agnew-Surpass Shoe Stores Limited. As at the close of business May 31, 1963 there were 391,298 common shares of your Company registered in the name of Genesco, Inc.

At the close of the year, there were 207 common shareholders. The company and its subsidiary have 1,424 employees.

Your directors recognize that the development and growth which your company has enjoyed over many years have been achieved largely through the combined efforts of all the men and women who are a part of Agnew-Surpass and its subsidiary; to them goes much of the credit for the company's continuing progress. Again, it is the wish of your directors to express to all employees sincere appreciation of the team-work, co-operation and loyalty demonstrated by the personnel of your organization.

The accounts and records of the company have been audited by Peat, Marwick, Mitchell & Co., Chartered Accountants, and their report is presented herewith.

On behalf of the Board,

Brantford, Ontario
July 10, 1963

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

A CORPORATE DIVISION OF
GENESCO  Everything to Wear

Consolidated Balance Sheet as at May 31, 1963

(With Comparative Figures as at May 31, 1962)

ASSETS	1963	1962	Increase or Decrease *	LIABILITIES	1963	1962	Increase or Decrease *
Current assets:				Current liabilities:			
Cash	\$ 536,897	\$ 17,657	\$519,240	Bank loan and overdraft	\$.....	\$ 136,897	\$136,897 *
Accounts and bills receivable, less allowance for doubtful accounts, 1963, \$25,402; 1962, \$29,434	679,286	633,205	46,081	Accounts payable	833,511	946,159	112,648 *
Inventories, at the lower of cost or market	4,705,244	4,969,677	264,433 *	Accrued wages and expenses	372,853	384,446	11,593 *
Prepaid expenses and insurance deposits	57,317	68,696	11,379 *	Income taxes payable	353,838	329,574	24,264
				Dividend payable		72,530	72,530 *
Total current assets	<u>5,978,744</u>	<u>5,689,235</u>	<u>289,509</u>	Final instalment on long-term debt (note 3) ..		100,000	100,000 *
Company shares held by trustees for sales to employees		43,843	43,843 *	Total current liabilities	<u>1,560,202</u>	<u>1,969,606</u>	<u>409,404 *</u>
Fixed assets, less depreciation and amortization (Note 2):				Fire insurance reserve	25,818	25,818	
Land	69,435	71,985	2,550 *	Shareholders' equity:			
Buildings	304,310	336,984	32,674 *	5½% cumulative redeemable preferred shares of \$10 each, authorized 10,984 shares.			
Machinery and equipment	316,995	370,497	53,502 *	Common shares of no par value. Authorized 600,000 shares; issued 402,944 shares	957,656	957,656	
Furniture and fixtures	1,761,244	1,550,084	211,160	Retained earnings	4,445,410	3,812,402	633,008
Improvements to leased properties	689,734	665,415	24,319		<u>5,403,066</u>	<u>4,770,058</u>	<u>633,008</u>
Lasts, dies and patterns	33,000	33,000					
	3,174,718	3,027,965	146,753				
Less accumulated depreciation and amortization	2,164,376	1,995,561	168,815				
	<u>1,010,342</u>	<u>1,032,404</u>	<u>22,062 *</u>				
	<u>\$6,989,086</u>	<u>\$6,765,482</u>	<u>\$223,604</u>		<u>\$6,989,086</u>	<u>\$6,765,482</u>	<u>\$223,604</u>

See accompanying notes to financial statements.

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

STATEMENT OF CONSOLIDATED EARNINGS AND RETAINED EARNINGS
Year ended May 31, 1963
(With comparative figures for the the year ended May 31, 1962)

	<u>1963</u>	<u>1962</u>	Increase or Decrease *
Earnings from operations before depreciation and amortization	\$1,541,770	\$1,513,802	\$ 27,968
Depreciation and amortization	183,848	179,973	3,875
	<u>1,357,922</u>	<u>1,333,829</u>	<u>24,093</u>
Other income (charges*):			
Interest earned	4,842	3,414	1,428
Profit on sale of fixed assets	2,098	2,098
Profit on sale of securities	2,856	2,856
	<u>9,796</u>	<u>3,414</u>	<u>6,382</u>
Less bond interest	2,097	7,932	5,835 *
	<u>7,699</u>	<u>4,518 *</u>	<u>12,217</u>
Earnings before taxes on income	1,365,621	1,329,311	36,310
Taxes on income, including adjustments of prior years	684,260	670,729	13,531
Net earnings	<u>681,361</u>	<u>658,582</u>	<u>22,779</u>
Retained earnings at beginning of year	3,812,402	3,443,940	368,462
	<u>4,493,763</u>	<u>4,102,522</u>	<u>391,241</u>
Deduct dividends on common shares	48,353	290,120	241,767 *
Retained earnings at end of year	<u>\$4,445,410</u>	<u>\$3,812,402</u>	<u>\$633,008</u>

The above statement includes remuneration of executive officers and directors, \$226,289 and legal fees, \$4,585 in respect of 1963.

See accompanying notes to financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 1963

1. Principles of consolidation:

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiary, The John Ritchie Company, Limited and the accounts of two inactive subsidiaries of The John Ritchie Company, Limited. Inter-company transactions have been eliminated on consolidation.

2. Fixed assets:

Fixed assets are stated as follows:

At cost:

Improvements to leased properties		\$ 689,734
Land		2,165
		691,899

At cost, less proceeds of disposal:

Buildings	\$ 78,775	
Furniture and fixtures	1,686,667	1,765,442

At appraised value determined in 1923:

Land		67,270
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At depreciated values as appraised by Canadian Appraisal Company, Limited in 1928, with subsequent additions at cost, less proceeds of disposal:

Buildings	225,535	
Plant and machinery	316,995	
Furniture and fixtures	74,577	617,107

At nominal value:

Lasts, dies and patterns		33,000
		\$ 3,174,718

3. 5% First Mortgage Bonds:

Under the terms of the Deed of Trust and Mortgage dated January 1, 1953, \$1,500,000 principal amount of bonds was authorized of which \$1,000,000 was issued as Series "A". At May 31, 1963 all of the Series "A" bonds had been redeemed.

4. Lease commitments:

The company operates at a number of locations under long term leasing arrangements. The minimum annual rentals on all real property now leased for terms expiring more than five years from May 31, 1963 are approximately \$586,300.

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 subsidiary companies as of May 31, 1963 and the consolidated statement of earnings 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 consolidated statement of earnings 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 at May 31, 1963 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.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants.

Hamilton, Ontario,
July 2, 1963.

AGNEW-SURPASS SHOE STORES, LIMITED

OPERATING 164 STORES COAST TO COAST

BRITISH COLUMBIA — 7 Stores

BURNABY — 2 Stores	PENTICTON	VICTORIA
NEW WESTMINSTER	VANCOUVER — 2 Stores	

ALBERTA — 9 Stores

CALGARY — 4 Stores	EDMONTON — 4 Stores	LETHBRIDGE
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SASKATCHEWAN — 7 Stores

MOOSE JAW	REGINA — 2 Stores	YORKTON
PRINCE ALBERT	SASKATOON — 2 Stores	

MANITOBA — 5 Stores

BRANDON	PORTAGE LA PRAIRIE	WINNIPEG — 2 Stores
DAUPHIN		

ONTARIO — 93 Stores

BARRIE	LONDON — 3 Stores	STRATFORD
BELLEVILLE — 2 Stores	MIDLAND	SUDBURY — 3 Stores
BRANTFORD — 3 Stores	NIAGARA FALLS — 3 Stores	ST. CATHARINES — 3 Stores
BROCKVILLE	NORTH BAY — 2 Stores	ST. THOMAS
BURLINGTON	ORILLIA	TORONTO DISTRICT — 35 Stores
CHATHAM	OSHAWA — 2 Stores	
FORT ERIE	OTTAWA — 2 Stores	WELLAND — 2 Stores
FORT WILLIAM	PETERBOROUGH	WHITBY
HAMILTON — 4 Stores	PORT ARTHUR	WINDSOR — 6 Stores
KINGSTON — 2 Stores	PORT COLBORNE	WOODSTOCK
KITCHENER — 2 Stores	SAULT STE. MARIE	
LEAMINGTON	SIMCOE	
LINDSAY		

QUEBEC — 16 Stores

HULL	QUEBEC CITY DISTRICT — 5 Stores	ST. JEROME
MONTREAL DISTRICT — 5 Stores	ROUYN — 2 Stores	THETFORD MINES
		VAL D'OR

NEW BRUNSWICK — 7 Stores

BATHURST	NEWCASTLE	SAINT JOHN — 2 Stores
FREDERICTON	MONCTON — 2 Stores	

NOVA SCOTIA — 17 Stores

AMHERST	HALIFAX — 3 Stores	SPRINGHILL
ANTIGOWH	NEW GLASGOW	SYDNEY — 2 Stores
DARTMOUTH — 2 Stores	NEW WATERFORD	TRURO
GLACE BAY	NORTH SYDNEY	WINDSOR
GREENWOOD		

PRINCE EDWARD ISLAND — 1 Store

CHARLOTTETOWN

NEWFOUNDLAND — 2 Stores

ST. JOHN'S	CORNERBROOK
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67 OF THE ABOVE STORES ARE LOCATED IN SHOPPING PLAZAS

Agnew-Surpass

SHOE STORES LIMITED

A CORPORATE DIVISION OF

GENESCO  *Everything to Wear*

CANADA'S LARGEST SHOE RETAILERS

