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Agnew-Surpass

SHOE STORES LIMITED
BRANTFORD — ONTARIO

A CORPORATE DIVISION OF

GENESCO  *Everything to Wear*



**THIRTY-SIXTH
ANNUAL REPORT**
FOR THE YEAR ENDED
**MAY THIRTY-FIRST
1964**

PURVIS HALL
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AUG 12 1964
McC. UNIVERSITY

FINANCIAL FACTS IN BRIEF

	1964	1963	Increase or Decrease *
Total volume of business	\$18,495,787	\$17,850,704	\$645,083
Net sales (excluding inter- company sales)	17,801,302	17,226,503	574,799
Total payroll	3,878,750	3,736,445	142,305
Depreciation and amortization on fixed assets	173,378	183,848	10,470 *
Net earnings (before taxes).....	1,713,641	1,365,621	348,020
Income taxes	884,218	684,260	199,958
Net earnings (after taxes)	829,423	681,361	148,062
Net earnings per dollar as percentage of net sales	4.66%	3.96%	.70%
Earnings per common share	2.06	1.69	.37
Capital expenditures — manufacturing and retail	112,161	184,538	72,377 *
Retained earnings	5,274,833	4,445,410	829,423
Net working capital	5,283,364	4,392,724	890,640
Number of employees	1,453	1,424	29
Number of common shareholders	201	207	6 *
Number of stores in operation ..	169	164	5

DIRECTORS

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

DAN W. GREGORY
Nashville, Tennessee, U.S.A.

J. L. EDMONDSON
Brantford, Ontario

J. B. HOOVER
Saint John, New Brunswick

H. H. GIBAUT
Quebec City, Quebec

W. D. MUIR, B.Comm.
Quebec City, Quebec

K. R. GILLELAN
Brantford, Ontario

R. F. WHITBY
Brantford, Ontario

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

OFFICERS

K. R. GILLELAN
President and General Manager

J. L. EDMONDSON
Vice-President

DAN W. GREGORY
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-sixth 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, 1964, and comparison with the preceding year.

Total volume of business for the fiscal year ended May 31, 1964 was \$18,495,787. Sales, after eliminating inter-company transactions, amounted to \$17,801,302 compared to \$17,226,503 for the previous year.

Consolidated net earnings, before income taxes, amounted to \$1,713,641 in comparison with \$1,365,621 for the preceding year. Income taxes for the year amounted to \$884,218 compared with \$684,260 for the previous year. Consolidated net earnings, after provision for taxes on income, amounted to \$829,423 or \$2.06 per share on the common stock, compared with \$1.69 per share for the preceding year.

The consolidated sales and net earnings 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 \$112,161 and of this amount \$10,033 was expended for replacement and modernization of manufacturing facilities and \$102,128 for new store fronts, fixtures, etc.

Depreciation and amortization on fixed assets has been charged on the Company's books on the same basis as prior years and amounted to \$173,378 compared with \$183,848 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.

Current assets at the end of the fiscal year were \$7,262,470 and current liabilities were \$1,979,106, resulting in a net working capital of \$5,283,364, an increase of \$890,640 over that of the previous year, as summarized below:

Funds provided:

Net earnings for year	\$829,423
Add Depreciation and amortization (no cash outlay)	173,378
	<hr/>
	\$1,002,801

Funds applied:

Additions to machinery, furniture and fixtures and improvements to leasehold properties (net)	\$112,161
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Increase in working capital	\$890,640
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Under the profit sharing plan which was inaugurated ten years ago, together with employees' bonuses, the employees will participate in the distribution of \$114,275 of the year's profits.

Our company continues to expand. Six new stores were opened during the year located at Summerside, P.E.I.; Toronto (2 stores) and Guelph, Ontario; Edmonton, Alberta. A new store was opened in New Glasgow, Nova Scotia, replacing a former location in New Glasgow. Several leases have been signed for new locations and negotiations are pending for others.

At the close of the year, there were 201 common shareholders. The company and its subsidiary have 1,453 employees.

A Special General Meeting of the Shareholders was held on January 14, 1964, and By-Law No. 42 was ratified which provides for an increase in the Board of Directors from seven to nine. Mr. Dan Gregory of Nashville, Tennessee, U.S.A., and Mr. J. C. White, Brantford, Ontario, were added to the Board.

Directors' Report (CONTINUED)

In order to improve and modernize our Head Office and warehousing facilities, your company has purchased, since the fiscal year end, ten acres of land on Park Road North, Brantford and has let a contract for the construction of a new head office and warehouse building. The present head office and warehouse building at 100 Elgin Street, Brantford, has been sold. The total commitment to build and equip the new building, including land, will be approximately \$550,000 after applying the proceeds of sale of our present building.

The progress which continues to be made by your company is a direct reflection of the enthusiasm, loyalty and team work of all the employees of Agnew-Surpass and its subsidiary. The Directors wish to thank all of these men and women for their performance during the past year.

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 8, 1964

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 In Year*

Consolidated Balance Sheet as at May 31, 1964

(With Comparative Figures as at May 31, 1963)

ASSETS	<u>1964</u>	<u>1963</u>	Increase or Decrease *	LIABILITIES	<u>1964</u>	<u>1963</u>	Increase or Decrease *
Current assets:				Current liabilities:			
Cash	\$1,005,696	\$ 536,897	\$ 468,799	Accounts payable and accrued expenses	\$1,351,465	\$1,121,908	\$ 229,557
Accounts and bills receivable, less allowance for doubtful accounts, 1964, \$33,799; 1963, \$25,402	569,058	679,286	110,228 *	Income taxes payable	514,141	353,838	160,303
Demand note due from an affiliated company	500,000	.....	500,000	Other taxes payable	113,500	110,274	3,226
Inventories, at the lower of cost or market ..	5,135,855	4,705,244	430,611	Total current liabilities	<u>1,979,106</u>	<u>1,586,020</u>	<u>393,086</u>
Prepaid expenses and insurance deposits	51,861	57,317	5,456 *	Shareholders' equity:			
Total current assets	<u>7,262,470</u>	<u>5,978,744</u>	<u>1,283,726</u>	5½% cumulative redeemable preferred shares of \$10 each. Authorized 10,984 shares.			
Fixed assets, less depreciation and amortization (note 2):				Common shares of no par value. Authorized 600,000 shares; issued 402,944 shares	957,656	957,656	.....
Buildings, machinery, furniture, fixtures and improvements to leased properties	3,150,193	3,072,283	77,910	Retained earnings	5,274,833	4,445,410	829,423
Less accumulated depreciation and amortization	2,303,503	2,164,376	139,127	.....	<u>6,232,489</u>	<u>5,403,066</u>	<u>829,423</u>
	846,690	907,907	61,217 *	Commitments (note 3)			
Lasts, dies and patterns	33,000	33,000	.....			
Land	69,435	69,435	.....			
.....	949,125	1,010,342	61,217 *				
.....	<u>\$8,211,595</u>	<u>\$6,989,086</u>	<u>\$1,222,509</u>		<u>\$8,211,595</u>	<u>\$6,989,086</u>	<u>\$1,222,509</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

K. R. GILLELAN, Director H. H. GIBAUT, Director

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, 1964

(with comparative figures for the year ended May 31, 1963)

	<u>1964</u>	<u>1963</u>	Increase or Decrease *
Earnings from operations before depreciation and amortization	\$1,846,192	\$1,541,770	\$ 304,422
Depreciation and amortization	173,378	183,848	10,470 *
	1,672,814	1,357,922	314,892
Other income (net):			
Interest earned:			
From affiliated companies	28,813	.....	28,813
Other	12,014	4,842	7,172
	40,827	4,842	35,985
Profit on sale of fixed assets .....	.....	2,098	2,098 *
Profit on sale of securities .....	.....	2,856	2,856 *
	40,827	9,796	31,031
Less bond interest .....	.....	2,097	2,097 *
	40,827	7,699	33,128
Earnings before taxes on income	1,713,641	1,365,621	348,020
Taxes on income	884,218	684,260	199,958
Net earnings	829,423	681,361	148,062
Retained earnings at beginning of year	4,445,410	3,812,402	633,008
	5,274,833	4,493,763	781,070
Deduct dividends on common shares .....	.....	48,353	48,353 *
Retained earnings at end of year	\$5,274,833	\$4,445,410	\$ 829,423

The above statement includes remuneration of executive officers and directors, \$249,415 and legal fees, \$2,001 in respect of 1964.

See accompanying notes to financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 1964

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.

	<u>1964</u>	<u>1963</u>
2. Fixed assets:		
The fixed assets are stated as follows:		
At cost:		
Improvements to leased properties	\$ 693,433	\$ 689,734
At cost, less proceeds of disposals:		
Buildings	84,663	78,775
Furniture and fixtures	1,747,007	1,686,667
At depreciated values as appraised by Canadian Appraisal Company, Limited in 1928, with subsequent additions at cost:		
Buildings	225,535	225,535
Plant and machinery	316,084	316,995
Furniture and fixtures	83,471	74,577
	3,150,193	3,072,283
Lasts, dies and patterns, at nominal value	33,000	33,000
Land:		
At cost	2,165	2,165
As appraised by Canadian Appraisal Company, Limited in 1928	67,270	67,270
	\$3,252,628	\$3,174,718

3. 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, 1964 are approximately \$565,000.

Commitments for the construction of new head office and warehouse facilities in the year ending May 31, 1965 amount to approximately \$550,000 after deducting proceeds from sale of the fixed assets to be replaced.

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 of May 31, 1964 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, 1964 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 3, 1964

AGNEW-SURPASS SHOE STORES, LIMITED

OPERATING 169 STORES COAST TO COAST

BRITISH COLUMBIA — 7 Stores

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

ALBERTA — 10 Stores

CALGARY — 4 Stores	EDMONTON — 5 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 — 96 Stores

BARRIE	LINDSAY	SIMCOE
BELLEVILLE — 2 Stores	LONDON — 3 Stores	STRATFORD
BRANTFORD — 3 Stores	MIDLAND	SUDBURY — 3 Stores
BROCKVILLE	NIAGARA FALLS —	ST. CATHARINES —
BURLINGTON	3 Stores	3 Stores
CHATHAM	NORTH BAY — 2 Stores	ST. THOMAS
FORT ERIE	ORILLIA	TORONTO DISTRICT —
FORT WILLIAM	OSHAWA — 2 Stores	37 Stores
GUELPH	OTTAWA — 2 Stores	WELLAND — 2 Stores
HAMILTON — 4 Stores	PETERBOROUGH	WHITBY
KINGSTON — 2 Stores	PORT ARTHUR	WINDSOR — 6 Stores
KITCHENER — 2 Stores	PORT COLBORNE	WOODSTOCK
LEAMINGTON	SAULT STE. MARIE	

QUEBEC — 16 Stores

HULL	QUEBEC CITY	ST. JEROME
MONTREAL DISTRICT —	DISTRICT — 5 Stores	THETFORD MINES
5 Stores	ROUYN — 2 Stores	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
ANTIGONISH	NEW GLASGOW	SYDNEY — 2 Stores
DARTMOUTH — 2 Stores	NEW WATERFORD	TRURO
GLACE BAY	NORTH SYDNEY	WINDSOR
GREENWOOD		

PRINCE EDWARD ISLAND — 2 Stores

CHARLOTTETOWN	SUMMERSIDE
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NEWFOUNDLAND — 2 Stores

ST. JOHN'S	CORNERBROOK
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70 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

