


Agnew-Surpass

SHOE STORES LIMITED

BRANTFORD — ONTARIO

A CORPORATE DIVISION OF

GENESCO  *Everything to Wear*

THIRTY-NINTH

ANNUAL REPORT

FOR THE YEAR ENDED

MAY TWENTY-SIXTH

1967

PURVIS HALL
LIBRARIES

AUG 29 1967

McGILL UNIVERSITY

DIRECTORS' REPORT

to the shareholders of
AGNEW-SURPASS SHOE STORES, LIMITED

Your directors are pleased to submit the thirty-ninth annual report of the Company and its wholly-owned subsidiary, consisting of consolidated balance sheet, consolidated statement of earnings and retained earnings and a consolidated statement of source and application of funds, for the fiscal year ended May 26, 1967 and comparison with the preceding year.

The consolidated sales for this year are \$20,063, 396 compared with \$20,100,926 in the previous year. Consolidated net earnings after provision for taxes on income amounted to \$2.03 per share on the common stock, compared with \$2.37 per share for the preceding year.

Operations of the manufacturing subsidiary company were affected by the general economic trend to higher costs during the year, which resulted in the decline in earnings shown in the financial statements.

Depreciation and amortization on fixed assets have been charged on the company's books on the same basis as in prior years.

The balance sheet at May 26, 1967 continues to reflect a strong financial position.

Under the profit sharing plan which was inaugurated thirteen years ago, together with employees' bonuses, the employees will participate in \$133,795 of the year's profit, for which provision has been made in the attached financial statement.

Six new stores were opened during the year and seven unprofitable stores were closed. There were 173 stores in operation at May 26, 1967.

The strike of certain warehouse employees at Brantford, which began on February 21, 1966 and was reported in the Directors' Report of August 24, 1966, was terminated on September 7, 1966 and the Union has now been decertified.

The Directors wish to express to all employees sincere appreciation for their loyalty, team work and 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 12, 1967

K. R. GILLELAN,
President.

DIRECTORS

F. H. CULHANE
Nashville, Tennessee, U.S.A.
J. L. EDMONDSON
Brantford, Ontario
H. H. GIBAUT
Quebec City, Quebec

K. R. GILLELAN
Brantford, Ontario
DAN W. GREGORY
Preston, Ontario
W. D. MUIR, B.Comm.
Kitchener, Ontario

R. F. WHITBY
Brantford, Ontario
J. C. WHITE, B.Comm., C.A.
Brantford, Ontario
W. C. O'CONNOR
Nashville, Tennessee, U.S.A.

OFFICERS

J. L. EDMONDSON
Vice-President
H. H. GIBAUT
Vice-President

K. R. GILLELAN
President and General Manager
J. C. WHITE, B.Comm., C.A.
Vice-President & Secretary Treasurer

DAN W. GREGORY
Vice-President
R. F. WHITBY
Vice-President

REGISTRAR and TRANSFER AGENTS
NATIONAL TRUST COMPANY LIMITED

BANKERS
BANK OF NOVA SCOTIA

AUDITORS
PEAT, MARWICK, MITCHELL & Co.
Chartered Accountants

AGNEW-SURPASS SHOE STORES, LIMITED

AND ITS WHOLLY-OWNED SUBSIDIARY
THE JOHN RITCHIE COMPANY, LIMITED

Consolidated Balance Sheet as at May 26, 1967

with comparative figures for 1966

ASSETS	1967	1966	Increase (Decrease)
Current assets:			
Cash	\$ 345,058	301,605	43,453
Accounts and bills receivable, less allowance for doubtful accounts, 1967, \$24,199; 1966, \$32,558	507,142	525,677	(18,535)
Accounts receivable, affiliated company	58,804	122,344	(63,540)
Demand notes and accrued interest due from an affiliated company	3,230,973	2,585,000	645,973
Inventories, at the lower of cost or net realizable value (note 2)	5,200,236	5,206,355	(6,119)
Prepaid expenses	79,038	61,777	17,261
Total current assets	9,421,251	8,802,758	618,493
Special refundable tax	45,448	4,431	41,017
Fixed assets, less depreciation and amortization (note 3):			
Buildings, machinery, furniture, fixtures and improvements to leased properties	3,793,745	3,748,947	44,798
Less accumulated depreciation and amortization	2,670,035	2,536,889	133,146
	1,123,710	1,212,058	(88,348)
Lasts, dies and patterns	33,000	33,000	—
Land	102,170	102,170	—
	1,258,880	1,347,228	(88,348)
	\$10,725,579	10,154,417	571,162
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,208,516	1,430,763	(222,247)
Accounts payable, parent company	27,203	25,453	1,750
Income taxes payable	299,971	367,737	(67,756)
Other taxes payable	131,446	127,890	3,556
Total current liabilities	1,667,136	1,951,833	(284,697)
Deferred tax credit (note 4)	118,300	80,800	37,500
Shareholders' equity:			
5½% cumulative preferred shares of \$10 each, redeemable at par. Authorized 10,984 shares.			
Common shares of no par value. Authorized 600,000 shares; issued 402,944 shares	957,656	957,656	—
Retained earnings	7,982,487	7,164,128	818,359
	8,940,143	8,121,784	818,359
Commitments and contingent liabilities (note 5)			
	\$10,725,579	10,154,417	571,162

See accompanying notes to consolidated financial statement.

Approved on behalf of the Board:
K. R. GILLELAN, Director.
D. W. GREGORY, Director.

AGNEW-SURPASS SHOE STORES, LIMITED

AND ITS WHOLLY-OWNED SUBSIDIARY

THE JOHN RITCHIE COMPANY, LIMITED

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

Fiscal year ended May 26, 1967

with comparative figures for 1966

	1967	1966	Increase (Decrease)
NET SALES	\$20,063,396	20,100,926	(37,530)
Deduct:			
Cost of goods sold, selling, warehousing, general and administrative expenses	18,252,616	17,968,330	284,286
Direct remuneration of directors and senior officers of which \$175,562 (1966—\$183,666) was received by directors who are also officers	194,306	201,514	(7,208)
Depreciation	154,944	167,676	(12,732)
Amortization of improvements to leased properties	23,619	24,351	(732)
	<u>18,625,485</u>	<u>18,361,871</u>	<u>263,614</u>
Earnings from operations	1,437,911	1,739,055	(301,144)
Other income:			
Interest earned:			
From affiliated company	152,475	106,911	45,564
Other	665	538	127
	<u>153,140</u>	<u>107,449</u>	<u>45,691</u>
Discounts earned	49,736	76,781	(27,045)
Profit on disposal of land and buildings	—	2,291	(2,291)
	<u>202,876</u>	<u>186,521</u>	<u>16,355</u>
Earnings before taxes on income	1,640,787	1,925,576	(284,789)
Taxes on income:			
Current	784,928	934,775	(149,847)
Deferred (note 4)	37,500	37,300	200
	<u>822,428</u>	<u>972,075</u>	<u>(149,647)</u>
Net earnings	818,359	953,501	(135,142)
Retained earnings at beginning of fiscal year	7,164,128	6,210,627	953,501
Retained earnings at end of fiscal year	<u>\$ 7,982,487</u>	<u>7,164,128</u>	<u>818,359</u>

See accompanying notes to consolidated financial statement.

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 26, 1967 and the consolidated statements of earnings and retained earnings and source and application of funds for the fiscal year ended on that date. 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 aforementioned financial statements present fairly the consolidated financial position of the company and its subsidiary at May 26, 1967, the consolidated results of their operations and the consolidated sources and applications of their funds for the fiscal year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hamilton, Ontario
July 7, 1967

PEAT, MARWICK, MITCHELL & Co.,
Chartered Accountants.

AGNEW-SURPASS SHOE STORES, LIMITED

AND ITS WHOLLY-OWNED SUBSIDIARY

THE JOHN RITCHIE COMPANY, LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

May 26, 1967

1. Principles of consolidation:

The consolidated financial statement includes 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. Inventories:

The inventories are made up as follows:

	1967	1966
Finished goods	\$4,776,704	4,737,588
Work in process	52,362	84,583
Raw materials	371,170	384,184
	<u>\$5,200,236</u>	<u>5,206,355</u>

3. Fixed assets:

The fixed assets are stated as follows:

At cost:

Buildings	\$ 495,485	494,877
Improvements to leased properties	652,940	689,509

At cost, less proceeds of disposals:

Furniture and fixtures	1,977,751	1,906,657
------------------------	-----------	-----------

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	350,171	341,001
Furniture and fixtures	91,863	91,368

3,793,745 3,748,947

Lasts, dies and patterns, at nominal value

Land:	33,000	33,000
-------	--------	--------

At cost

34,900 34,900

As appraised by Canadian Appraisal Company,
Limited in 1928

67,270 67,270

\$3,928,915 3,884,117

4. Taxes on income:

As a result of claiming certain deductions for income tax purposes, principally depreciation, in excess of the amounts charged to income in the accounts, income taxes payable have been reduced by \$118,300 of which \$37,500 is applicable to the current fiscal year. This amount is applicable to those future years when these deductions claimed for income tax purposes will be less than those recorded in the accounts and is accordingly included in the balance sheet under the caption "Deferred tax credit".

5. Commitments and contingent liabilities:

The company operates at a number of retail store locations under long-term leasing arrangements. Certain of the leases provide for payment of real estate taxes, other expenses and additional rental based upon a percentage of sales in excess of stipulated minimums. The minimum annual rentals on all real property now leased for terms expiring more than five years from May 26, 1967 are approximately \$570,000 maturing on various dates to April 30, 1983.

The company is a co-defendant in a lawsuit for property damages arising out of a fire, totaling \$2,500,000, which is being defended by the company's insurers. It is the opinion of counsel and company officials that no personal liability will devolve upon the company.

AGNEW-SURPASS SHOE STORES, LIMITED

AND ITS WHOLLY-OWNED SUBSIDIARY
THE JOHN RITCHIE COMPANY, LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Fiscal year ended May 26, 1967
with comparative figures for 1966

	1967	1966	Increase (Decrease)
Source of funds:			
From operations:			
Net earnings	\$ 818,359	953,501	(135,142)
Add charges not requiring an outlay of cash:			
Depreciation	154,944	167,676	(12,732)
Amortization of improvements to leased properties	23,619	24,351	(732)
Deferred taxes on income	37,500	37,300	200
	<u>216,063</u>	<u>229,327</u>	<u>(13,264)</u>
Less profit on disposal of land and buildings	—	2,291	(2,291)
	<u>216,063</u>	<u>227,036</u>	<u>(10,973)</u>
Total funds provided	<u>1,034,422</u>	<u>1,180,537</u>	<u>(146,115)</u>
Application of funds:			
Purchase of fixed assets less proceeds of disposals	90,215	116,066	(25,851)
Special refundable tax	41,017	4,431	36,586
	<u>131,232</u>	<u>120,497</u>	<u>10,735</u>
Addition to working capital	903,190	1,060,040	(156,850)
Working capital at beginning of year	6,850,925	5,790,885	1,060,040
Working capital at end of year	<u>\$ 7,754,115</u>	<u>6,850,925</u>	<u>903,190</u>

See accompanying notes to consolidated financial statement.