C

Agnew-Surpass

SHOE STORES, LIMITED

BRANTFORD — ONTARIO

A CORPORATE DIVISION OF

GENESCO

FORTY-FIRST

ANNUAL REPORT

FOR THE YEAR ENDED

MAY THIRTY

1969

PRESIDENT'S REPORT

This report shows substantial increases in sales and net earnings for the year, establishing new all-time records. These results are set forth in the statements attached which you may wish to read for a more detailed description of the financial results. It is noted that the 1969 fiscal year includes 364 days, compared with 371 days in the preceding year.

The Consolidated Sales for the year are $22,905,371.00 an increase of 6% over the previous year, and Consolidated Net Earnings after provision for taxes on income were $1,055,948.00 an increase of 19.5% over the previous year. Earnings per share rose to $2.62 per share from $2.19 per share last year. We are pleased that Consolidated Sales and Earnings this year were at the highest level in the Company's history. The retail division of the Company enjoyed its best year on record, both for sales and earnings. While earnings of the manufacturing subsidiary company were improved from last year, they continue to be under pressure from higher operating costs.

Depreciation and amortization on fixed assets have been charged on the Companies' books on the same basis as in prior years, and the balance sheet continues to reflect a strong financial position.

Our employee profit sharing plan was inaugurated in the retail division of the Company fifteen years ago, and this year the employees will participate in $165,103.00 of the year's profit, compared with $146,448.00 last year. Provision for this has been made in the attached financial statements.

Seven new stores were opened during the year and eight existing stores were closed. There were 180 stores in operation at May 30, 1969. Through a planned program of opening larger store units and closing smaller unprofitable ones, the average volume per unit was again increased during the year and was the highest on record.

Your management is continuing the practice of retaining the earnings in the business, as retained earnings have provided the capital that has been so essential for the expansion of our operations which in turn has improved our earnings.

On August 1, 1968, the Company purchased for cash at their par value, 3,500 6% convertible redeemable preference shares of the par value of $100 each in the capital stock of J. A. Johnston Company Limited. Such shares are convertible into common shares of the capital stock of J. A. Johnston Company Limited at any time at the option of the holder thereof on the basis of four fully-paid common shares for each preference share presented for conversion. The J. A. Johnston Company Limited is a wholly-owned subsidiary of Genesco, Inc.

The directors and officers express their sincere appreciation of the excellent work of the Companies' employees and the loyal support of their customers and suppliers in this record breaking year.

A highlight of our sales growth this year has been the opening of a number of new fashion oriented stores which have generated a climate of excitement for the Canadian consumer of the '70s. These stores include strikingly different interiors with strong shapes and colours and dramatic lighting effects. There has been an excellent public response to these new-dimension stores and we are planning further new units of this type in our expansion program this coming year.

Retail sales have continued buoyant since the fiscal year end and we look forward to the new year with confidence and expect to continue to show strong growth in sales and earnings.

The accounts and records of the Company and its wholly-owned subsidiary have been audited by Peat, Marwick, Mitchell & Co., Chartered Accountants, and their report is presented herewith.

Brantford, Ontario,
July 23, 1969.

ROBERT F. WHITBY,
President.

DIRECTORS

P. S. CALVESBERT
Brantford, Ontario

J. L. EDMONDSON
Brantford, Ontario

K. R. GILLELAN
Brantford, Ontario

DAN W. GREGORY
Preston, Ontario

W. C. O'CONNOR
Nashville, Tennessee, U.S.A.

S. J. RUTHERFORD
Kitchener, Ontario

J. W. TURNER
Brantford, Ontario

R. F. WHITBY
Brantford, Ontario

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

OFFICERS

R. F. WHITBY
President and General Manager

J. L. EDMONDSON
Vice-President

DAN W. GREGORY
Vice-President

J. C. WHITE, B.Comm., C.A.
Vice-President and Secretary-Treasurer

R. R. BARR
Assistant Secretary-Treasurer

REGISTRAR and TRANSFER AGENTS

NATIONAL TRUST COMPANY LIMITED

BANKERS

BANK OF NOVA SCOTIA
TORONTO-DOMINION BANK

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 at May 30, 1969

with comparative figures for 1968

ASSETS	1969	1968	Increase (Decrease)
Current assets:			
Cash	$ 431,859	2,044,971	(1,613,112)
Short term investments	1,249,077	2,340,000	(1,090,923)
Funds held by an affiliate for the benefit of the subsidiary	594,309	—	594,309
Accounts receivable, less allowance for doubtful accounts, 1969, $23,291; 1968, $22,143	429,149	424,352	4,797
Inventories, at the lower of cost or net realizable value (note 2)	5,510,544	5,485,791	24,753
Prepaid expenses	72,749	70,521	2,228
Total current assets	8,287,687	10,365,635	(2,077,948)
Special refundable tax	17,609	46,497	(28,888)
Investment in preference shares of an affiliated company, at cost	3,500,000	—	3,500,000
Fixed assets, less depreciation and amortization (note 3):			
Buildings, machinery, furniture, fixtures and improvements to leased properties	4,235,070	4,008,223	226,847
Less accumulated depreciation and amortization	2,989,602	2,806,211	183,391
	1,245,468	1,202,012	43,456
Land	102,170	102,170	—
	1,347,638	1,304,182	43,456
	$13,152,934	11,716,314	1,436,620

LIABILITIES AND SHAREHOLDERS' EQUITY	1969	1968	Increase (Decrease)
Current liabilities:			
Accounts payable and accrued expenses	$ 1,188,621	1,159,494	29,127
Accounts payable, parent and affiliated companies	685,533	57,687	627,846
Income taxes payable	111,899	459,692	(347,793)
Other taxes payable	169,227	158,835	10,392
Total current liabilities	2,155,280	1,835,708	319,572
Deferred income taxes (note 4)	117,900	56,800	61,100
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	9,922,098	8,866,150	1,055,948
	10,879,754	9,823,806	1,055,948
Commitments and contingent liabilities (note 5)			
	$13,152,934	11,716,314	1,436,620

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:
R. F. WHITBY, 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 30, 1969
with comparative figures for 1968

	1969	1968	Increase (Decrease)
NET SALES	$22,905,371	21,629,864	1,275,507
Deduct:			
Cost of goods sold, selling, warehousing, general and administrative expenses	20,669,248	19,596,866	1,072,382
Direct remuneration of directors and senior officers of which $167,727 (1968 — $168,303) was received by directors who are also senior officers	199,851	192,171	7,680
Depreciation	249,733	229,087	20,646
Amortization of improvements to leased properties	24,786	24,122	664
	21,143,618	20,042,246	1,101,372
Earnings from operations	1,761,753	1,587,618	174,135
Other income:			
Interest earned:			
From affiliated company	—	227,182	(227,182)
Other	87,797	3,131	84,666
	87,797	230,313	(142,516)
Dividends from affiliated company	159,801	—	159,801
Discounts earned	34,291	29,196	5,095
	281,889	259,509	22,380
Earnings before taxes on income	2,043,642	1,847,127	196,515
Taxes on income:			
Current	926,594	1,024,964	(98,370)
Deferred (note 4)	61,100	(61,500)	122,600
	987,694	963,464	24,230
Net earnings	1,055,948	883,663	172,285
Retained earnings at beginning of fiscal year	8,866,150	7,982,487	883,663
Retained earnings at end of fiscal year	$ 9,922,098	8,866,150	1,055,948

See accompanying notes to consolidated financial statements.

AUDITORS' REPORT to the shareholders 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 30, 1969 and the consolidated statements of earnings and retained earnings and source and application of funds for the fiscal year then ended. 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, these consolidated financial statements present fairly the financial position of the company and its subsidiary at May 30, 1969 and the results of their operations and the source and application of their funds for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hamilton, Ontario
July 18, 1969

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 STATEMENTS

May 30, 1969

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 an inactive subsidiary of The John Ritchie Company, Limited. Inter-company transactions have been eliminated on consolidation.

2. Inventories:

	1969	1968
The inventories are made up as follows:		
Finished goods	$5,151,042	5,097,364
Work in process	43,257	51,048
Raw materials	316,245	337,379
	$5,510,544	5,485,791

3. Fixed assets:

	1969	1968
The fixed assets are stated as follows:		
At cost:		
Buildings	$ 497,594	497,185
Improvements to leased properties	760,107	699,485
At cost, less proceeds of disposals:		
Furniture and fixtures	2,263,902	2,103,376
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	361,579	357,513
Furniture and fixtures	93,353	92,129
Lasts, dies and patterns, at nominal value	33,000	33,000
	4,235,070	4,008,223
Land:		
At cost	34,900	34,900
As appraised by Canadian Appraisal Company, Limited in 1928	67,270	67,270
	$4,337,240	4,110,393

4. Taxes on income:

   Of the income tax benefit, $75,000, recorded in 1968 applicable to the subsidiary company's loss carry-forward, $61,100 has now been realized.

5. Commitments and contingent liabilities:

   The companies operate 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 30, 1969 are approximately $582,000 maturing on various dates to December 1, 1986.

   The company is a co-defendant in a lawsuit for property damages arising out of a fire, totalling $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 30, 1969
with comparative figures for 1968

Source of funds:	1969	1968	Increase (Decrease)
From operations:			
Net earnings	$ 1,055,948	883,663	172,285
Add charges not requiring an outlay of cash:			
Depreciation and amortization	274,519	253,209	21,310
Deferred taxes on income	61,100	(61,500)	122,600
Total funds provided	1,391,567	1,075,372	316,195
Application of funds:			
Investment in preference shares of an affiliated company	3,500,000	—	3,500,000
Purchase of fixed assets less proceeds of disposals	317,975	298,511	19,464
Special refundable tax	(28,888)	1,049	(29,937)
	3,789,087	299,560	3,489,527
Increase (decrease) in working capital	(2,397,520)	775,812	(3,173,332)
Working capital at beginning of year	8,529,927	7,754,115	775,812
Working capital at end of year	$ 6,132,407	8,529,927	(2,397,520)

See accompanying notes to consolidated financial statements.