

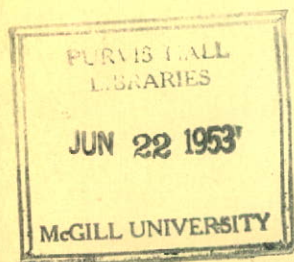
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Stock



ZELLER'S
Limited



Year ended
JANUARY 31st, 1948





ST. JOSEPH STREET STORE — QUEBEC CITY

Sixteenth

A N N U A L
R E P O R T

Year ended
January 31st, 1948

ZELLER'S
LIMITED

ZELLER'S LIMITED



To the Shareholders of Zeller's Limited:

The Report of the Operations of Zeller's Limited and its Subsidiary Companies for the year ended January 31, 1948, is presented in the following pages.

As the form in which the Company has prepared its Report during the past five years has been most favourably received, the present Report follows similar lines. We hope you will find it interesting and that it will convey to you that your Company is continuing to make steady progress. It is, however, our constant desire to improve our method of reporting and we shall welcome any suggestions you may wish to offer that could assist us to make future Reports more interesting and informative.

The Consolidated Balance Sheet and Statement of Profit and Loss, which appear in the back section of the Report, record another year of satisfactory operations. Particularly noteworthy is the increase in Sales and Earnings, both of which reached an all-time high for the Company's sixteen years of operation. The financial position of the Company remains excellent.

A Summary of Operations for prior years is again presented in order that the Company's progress may be readily considered in relation to past experience.

16 Years

Year ended Jan. 31	Stores Operating End of Year	Net Sales	Profits before Taxes	Dominion and Provincial Taxes	Net Profits after Taxes
1933	13	\$ 2,292,938	\$ 27,991*	\$ 1,397	\$29,388*
1934	14	2,427,072	389*	1,793	2,182*
1935	15	3,321,423	18,342	5,314	13,028
1936	18	4,157,461	100,343	19,620	80,723
1937	20	4,462,338	174,391	28,040	146,351
1938	22	5,063,910	274,040	43,276	230,764
1939	24	5,083,603	223,361	37,650	185,711
1940	27	6,180,192	313,439	60,150	253,289
1941	27	7,806,104	500,398	210,000	290,398
1942	27	9,621,971	762,735	380,368	382,367
1943	27	10,648,382	928,400	554,615(A)	373,785
1944	27	10,271,400	866,528	499,881(A)	366,647(B)
1945	27	10,865,015	988,746	479,724(A)	509,022(B)
1946	27	12,042,813	1,074,043	523,551(A)	550,492(B)
1947	28	13,893,301	1,196,010	538,249	657,761(B)
1948	30	16,949,232	1,436,671	645,000	791,671

*Deficit.

(A) Net Taxes, apart from the refundable portion.

(B) Adjusted on basis of revised Standard Profit.

SUMMARY OF OPERATIONS

SALES

Total sales for the year were \$16,949,232. This was an increase of \$3,055,931 over the previous year, equivalent to 22.00%.

The opening of two new stores late in the year, plus the enlargement and improvements to four of the stores previously in operation and a complete year of operation of the store in Quebec City, which opened in April 1946, contributed substantially to the total increase in sales for the year. Other contributing factors were a freer supply of some lines of merchandise and higher price ranges. On a comparative basis, omitting the seven stores referred to above from the computation, the combined sales volume in the balance of the stores showed an increase of 17.02%.

A graph is presented on page seven showing the average annual sales per store for each five-year period since the Company has been in operation. It is interesting to note that during this sixteen-year period the average annual volume per store has risen from \$198,978 to \$591,395. Here again it should be noted that a portion of the increase is due to the enlargement and improvement of existing stores. A portion is also due to the Company's present policy to open only such stores as have good prospects for a substantial volume of sales.

EARNINGS

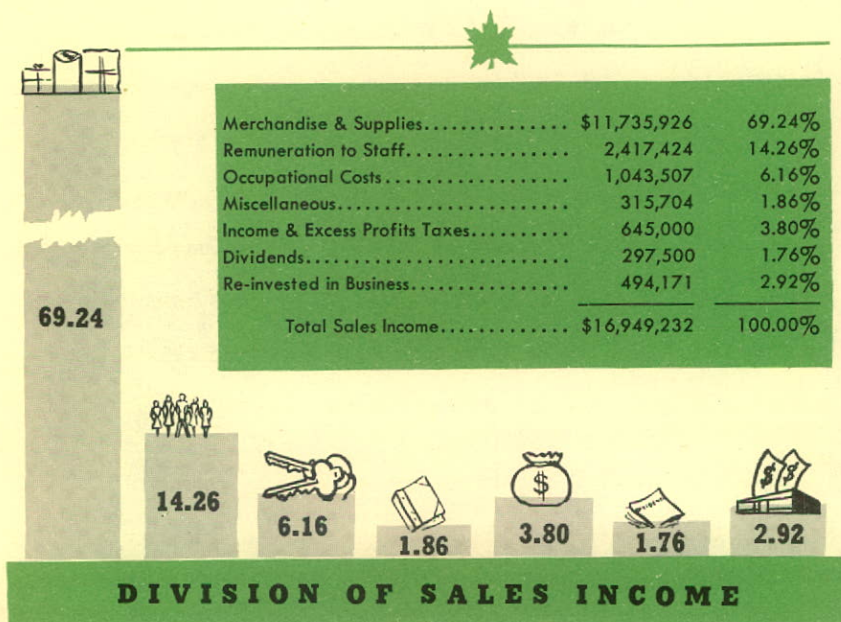
A record in Net Earnings was achieved, the amount for the year being \$791,671. This is an increase of \$133,910 over the previous year, equivalent to 20.36%. It should be noted the amount of \$791,671 is after a special appropriation of \$75,000 to provide for a proposed change in the Employees' Profit Sharing Plan, as referred to on page twelve of this report.

After the payment of \$110,000 in dividends on the Company's Preferred Stock, the Net Earnings remaining were equivalent to \$5.45 per share on the Company's outstanding Common Stock. For the preceding year, the corresponding earnings, adjusted on the basis of the Company's revised Standard Profit referred to later in the section devoted to Taxes, were \$4.38 per share. After dividend payments of \$187,500 on the Company's Common Stock, the balance of Net Earnings was \$494,171. This latter amount represents that portion of the Net Earnings left in the business and is reflected in the Consolidated Statement of Earned Surplus.

It may be opportune to point out that ever since the incorporation of your Company certain fixed principles have been followed in the conduct of its

business, chief among which has been the policy that its merchandise is always to be sold at prices as low as sound business operation will permit. That this policy has been observed is indicated by the table appearing on page six, which shows that despite wartime scarcities and the peacetime readjustment which followed, the percentage of total sales required to pay for merchandise and supplies has remained practically static.

Further confirmation is evidenced by the Summary of Operations appearing on page three which shows that throughout the sixteen years of its existence there have been no marked fluctuations in the Company's earnings. The constant and gradual rise in earnings is the combined result of the increasing efficiency which the staff has gained from experience, and of the steady growth in consumer goodwill which has resulted from consistently low prices and courteous service.



TAXES

The sale of 40,000 shares \$25.00 par value 5% Preferred Stock in 1944 entitled the Company to apply for an increase in its Standard Profit for the period commencing February 1, 1944, and ending December 31, 1947. This application has recently been acted upon, resulting in a net reduction in Income and Excess Profits Taxes for the three-year period ending January 31, 1947, in the amount of \$240,357. This amount is shown as an adjustment to the Earned Surplus Account.

The Provision for Income and Excess Profits Taxes, in the amount of \$645,000, is 19.83% in excess of the adjusted amount of \$538,249, for the previous year. While the rate of Federal Tax has been somewhat reduced from that of the previous year, this is to some extent offset by the reinstatement of the Provincial Income Tax rates which were suspended from 1940 through 1946.

The adjustment in the Company's Standard Profit as referred to above is also reflected in the Provision for the Income and Excess Profits Taxes for the year under review. Without this adjustment, the provision would have been approximately \$25,000 greater.

	Percentage for Years Ending January 31					
	1943	1944	1945	1946	1947	1948
Merchandise & Supplies	69.60	69.50	69.13	69.54	69.51	69.24
Remuneration to Staff	12.96	13.55	13.87	13.93	14.14	14.26
Occupational Costs	7.13	6.98	6.44	6.30	6.02	6.16
Miscellaneous	1.59	1.55	1.47	1.31	1.72	1.86
Income & Excess Profits Taxes	5.21	4.87*	4.42*	4.35*	3.87*	3.80
Dividends	1.60	1.65	1.93	1.95	1.92	1.76
Re-invested in Business	1.91	1.90*	2.74*	2.62*	2.82*	2.92
	100%	100%	100%	100%	100%	100%

*Adjusted on basis of revised Standard Profit.

DIVISION OF SALES INCOME - SIX YEAR PERIOD

DIVIDENDS

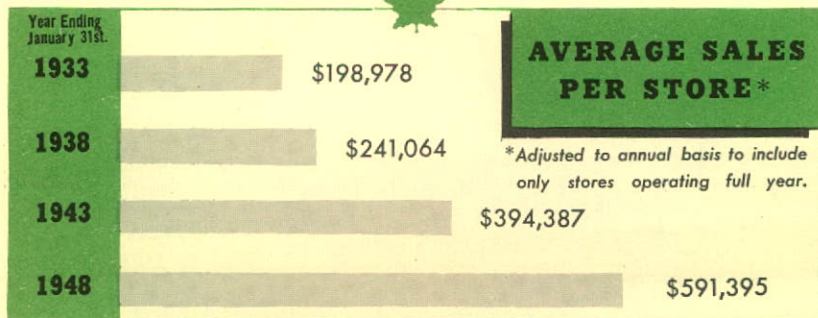
Regular quarterly dividends totalling \$110,000 were paid on the 5% and 6% issues of the Company's Preferred Stock. In addition, four quarterly dividends of 31¼ cents were paid on each of the Company's outstanding Common Shares, plus an extra payment of 25c per share, making the total distribution for the year \$1.50 per share or \$187,500. The total dividend payments of \$297,500 represent 37.58% of the Company's Net Earnings.

FINANCIAL POSITION

The Consolidated Balance Sheet reveals a healthy financial position. Current Assets in the amount of \$2,804,350 are more than two and one-half (2½) times Current Liabilities of \$1,011,226. Cash on Hand is in excess of Current Liabilities. There are no mortgages outstanding.

The cost value of the Inventory, as shown in the amount of \$1,537,823 is equivalent to 9.07% of Sales. The selling value of this Inventory is equivalent to 12.95% of Sales. These percentages are slightly higher than for the previous year and are accounted for mainly by the additional inventories required for the enlarged stores and the two new stores which opened late in the year.

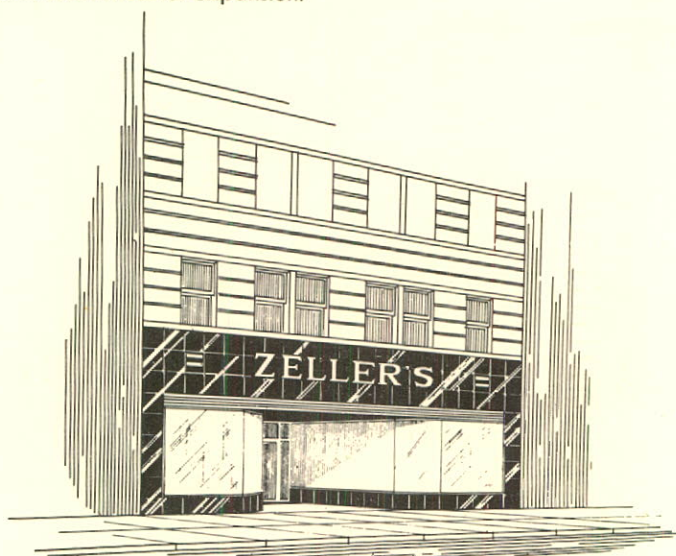
As the record indicates, the maintenance at all times of a strong liquid position is the prime consideration of your Directors. The acquisition and development of new store locations will be governed by this policy.



EXPANSION

Progress was made during the past year towards the carrying out of the Company's post-war expansion plans. In October 1947 a new store was opened in Cornwall, Ontario, and in November 1947 the Company's thirtieth store opened its doors to the public in Chatham, Ontario.

Cornwall, including suburbs, is an important manufacturing city of 28,000 people. Chatham, with a population of 19,000, is situated in one of the finest farming districts in Canada and during the past few years has enjoyed a remarkable industrial expansion.



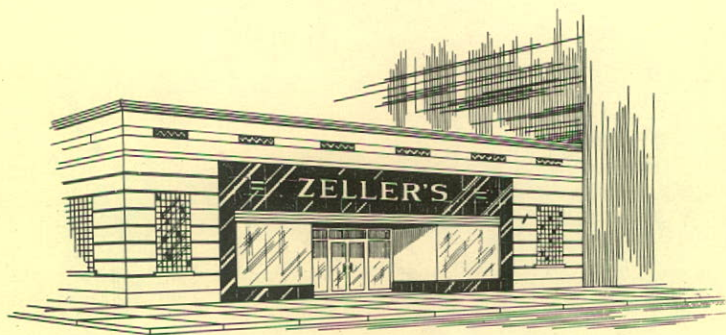
NEW CHATHAM ONT. STORE — KING ST. FRONTAGE

Both of these stores are bright, spacious and modern in construction and design. The building in Chatham, which faces on two streets, is fully air-conditioned. A similar installation will be completed in Cornwall before the summer of 1948. Together these two stores contain over 20,000 square feet of selling area. Since their respective openings they have considerably

exceeded their sales expectations and we feel confident that they will continue to warrant our pride in them.

In addition, extensive remodelling plans were carried out in Barrie and Oshawa. Barrie was completely rebuilt, allowing for an increase in selling area of over 5,000 square feet on the main floor and mezzanine. In Oshawa a new second floor sales area was added to the reconditioned first floor and the entire building was air-conditioned.

Two other stores in Ottawa and Lindsay were to some extent modernized. Selling area was slightly enlarged and new offices and staff rest rooms were constructed on the second floors.



NEW CHATHAM, ONT. STORE — FIFTH ST. FRONTAGE

The completion of this stage of your Company's plans for expansion has resulted in the addition of approximately 34,000 square feet of selling space during the past year. As previously mentioned, this has contributed in no small way to the marked increase in Sales and Earnings.

In the Report for the fiscal year ended January 31, 1945, mention was made of a property in Calgary, Alberta. During the past year a favourable lease of adjoining property was obtained and building operations were

commenced early in February of this year for remodelling and extending those premises. It is expected that an attractive new store will be opened on this site late this year. Present plans do not provide for the opening of any further stores during the current year. However, negotiations now being carried on may alter this position. Despite the excessive rise in building costs as compared with pre-war levels, your Directors feel that a conservative expansion program is justified.



Looking towards King St.



TWO INTERIORS
CHATHAM ONT. STORE

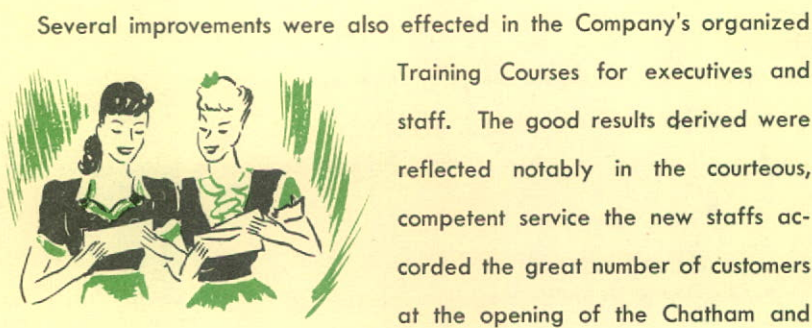
Looking towards Fifth St.

In the Report for last year mention was made of the decision of your Directors not to undertake the development of the properties which the Company had purchased on St. Catherine Street, West, Montreal. Your Directors are pleased to report these properties were disposed of at their approximate cost to the Company.

EMPLOYEE RELATIONS

A summary of the more important of the Company's policies with respect to its employees is given on page 13 of this Report. The objectives of these established policies are to promote the efficiency of all its employees and to ensure them the opportunity of an equitable reward for the skill, energy and integrity of their endeavours in the advancement of the Company's interests.

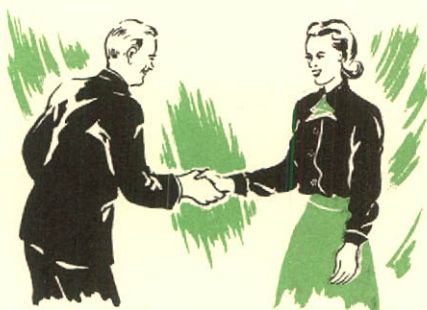
During the year a revision was made in the Group Hospital Insurance Plan to meet higher hospital rates. The daily benefits for women were increased from \$3.00 to \$5.00; for men from \$4.00 to \$6.00; for special services from \$15.00 to \$25.00. The cost of these additional benefits is being paid by the Company.



Several improvements were also effected in the Company's organized Training Courses for executives and staff. The good results derived were reflected notably in the courteous, competent service the new staffs accorded the great number of customers at the opening of the Chatham and Cornwall stores. Worthy of mention is the Company's use last year of Visual Training Aids. The purchase of a projector and specialized training films proved a sound investment.

Better Relations Associations, which are entirely store employees' organizations, have promoted the closest co-operation and have maintained a constant spirit of goodwill between employees and management. Their constructive activities have fully justified their name.

During the year under review the Company distributed a total of \$181,417 to those employees participating in the established Profit Sharing and Christmas Bonus Plans. The maximum paid to any one employee was \$213.76. The total sum so disbursed was equal to 60.98% of the dividends to shareholders for the same period. These distributions were entirely exclusive of commissions paid to executives and others holding special salary agreements and constitute a further benefit for the participating employees distinct from and in addition to their regular wages.



The table which appears on page six of this Report illustrates the gradual increase in the percentage of total sales income paid as remuneration to the staff. For the year ended January 31, 1943, the staff received 12.96 cents out of each dollar of sales income as compared with 14.26 cents for the year under review. During the same period the total wages increased from \$1,379,400 to \$2,417,424, or 75.25%, whereas the increase in sales during this period was equivalent to only 59.17%.

The Company is constantly striving to improve its Personnel Policies and at the present time consideration is being given to revisions which, if adopted, will increase the benefits of the Group Pension and Life Insurance Plans. Consideration is also being given to a major change in the Profit Sharing Plan and for this purpose the sum of \$75,000 has been appropriated out of Earnings for the year under review.

The total membership of the 10 Year Service Club, established in 1942, now numbers 163. Of these, 58 have served the Company loyally and well during the 16 years since its inception. The Company was privileged to present 10 Year Service Pins to the 15 new members added during the past year.

MAJOR PERSONNEL PLANS AND BENEFITS

	PURPOSE	FEATURES
Training Courses	To provide Employees the opportunity to acquire the proficiency necessary to enable them to use their abilities to the fullest extent.	Initial training courses to acquaint Employees with the Company's history, policies and business practices, followed by advanced training courses specially designed to give them a thorough knowledge of their work, and to fit them for promotion.
Progress Review	To afford Employees the opportunity to have their abilities and merits individually recognized by an unbiased appraisal.	All Store Employees are granted the privilege of discussing their individual progress with Management in a confidential interview. Final gradings form the basis for promotion and wage increases.
Annual Vacations	To provide a vacation with pay for all Employees with six months or more of service.	A Summer Vacation of three days for each six months of service; after three years of service a Winter Vacation of one day for each year. A maximum of two weeks' vacation in each season.
Profit Sharing	To enable Employees to participate with the Shareholders in the success of the Company.	All Employees with three months or more continuous service, apart from executives and others holding special wage agreements, share in a Fund based on a percentage of profits. Approximately one-half of the Fund is determined by the Operating Profits of the particular store in which they work, and the balance by the Net Profits of the Company, calculated before making provision for Federal Taxes.
Christmas Bonus	To recognize length of service by an award of a special Cash Bonus.	All Employees, except senior executives, receive a Cash Bonus based solely on length of service, supplementing the Profit Sharing Plan.
Group Pension	To provide financial security in the form of a monthly income for Male Employees on retirement.	All Male Employees over twenty-five years of age with one year of service, are eligible to participate. The Company contributes approximately one-half of the cost.
Group Life Insurance	To make available to all Employees Life Insurance Policies under a low cost Group Plan.	Female Employees receive a \$500 Policy free of charge after three years' service. The Company pays approximately one-half of the cost of other policies which are obtainable, after prescribed periods of continuous service, in amounts determined by salary and position classifications.
Group Hospital Insurance	To make available protection against the expenses of surgery and hospitalization.	All Employees having three months' service are eligible to participate. The Company contributes approximately one-half of the cost of the premiums.
Sick Benefits	To provide Employees some measure of security in the event of absence due to illness.	The Company bears the cost of three visits made by a Nurse during each case of illness; salary compensation is provided to all Employees with six months or more service in accordance with a specific schedule.

CONCLUSION

It remains extremely difficult to forecast the future with any degree of accuracy. Uncertainty pervades the national as well as the international scene. It enshrouds this country's fiscal and taxation policies for the coming year and the nature and extent of economic control which our Government may attempt. When so much is uncertain the usual risks inherent in all business enterprises are greatly increased. Of all the difficulties facing your Management in the year ahead, uncertainty is the most formidable.

While the Company has always relied on the domestic market for its main source of supply, the import restrictions which were imposed in November, 1947, for the purpose of conserving U.S. dollars, will have some adverse effect on the sales volume of certain classes of goods for the present year.

It is anticipated that some of the restricted merchandise will be replaced with Canadian merchandise, although no accurate estimates are as yet available as to the degree to which this will be possible.

It is reasonable, however, to expect further improvement in the supply of merchandise regularly purchased in the Canadian Market. This, together with the new and remodelled stores previously referred to, offers some prospects that the year ahead will compare favourably with the year under review.

Furthermore, the Company considers that its efficient and enthusiastic employees are one of its most valuable assets and, therefore, places much reliance upon their progressiveness and energy to make the most of the opportunities of the future. For their loyalty to the Company and to each other, your Directors desire to record their sincere gratitude.

On behalf of the Board,

WALTER P. ZELLER,
Chairman.



ZELLER'S LIMITED



AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st JANUARY, 1948

SALES			\$16,949,232.12
DEDUCT:			
Cost of Goods Sold, Operating, Selling and Administrative Expenses, exclusive of items shown hereunder	\$15,074,433.33		
Salaries of Executive Officers	74,505.73		
Legal Fees	2,575.00		
Directors' Fees	3,100.00	15,154,614.06	
			<hr/>
			\$ 1,794,618.06
DEDUCT:			
Depreciation—Buildings, Fixtures and Equipment, and Improvements to Leasehold Premises		282,946.56	
			<hr/>
			\$ 1,511,671.50
DEDUCT:			
Appropriation for Employees' Profit Sharing Plan		75,000.00	
			<hr/>
			\$ 1,436,671.50
DEDUCT:			
Provision for Income and Excess Profits Taxes		645,000.00	
			<hr/>
Consolidated Net Profit for the Year—			
Transferred to Consolidated Earned Surplus		\$ 791,671.50	

CONSOLIDATED STATEMENT OF EARNED SURPLUS FOR THE YEAR ENDED 31st JANUARY, 1948

Balance at Credit—31st January 1947			\$ 2,166,613.37
ADD: Consolidated Net Profit for the year	\$ 791,671.50		
Adjustment of Prior Years' Taxes on Profits	240,356.85	1,032,028.35	
			<hr/>
			\$ 3,198,641.72
DEDUCT:			
Loss on Sale of Fixed Assets	\$ 2,862.78		
Dividends:			
6% Preferred Shares	60,000.00		
5% Preferred Shares	50,000.00		
Common Shares	187,500.00	297,500.00	300,362.78
			<hr/>
Balance at Credit—31st January, 1948			\$ 2,898,278.94

LIMITED

RY COMPANIES

ET AS AT 31st JANUARY, 1948

LIABILITIES

CURRENT:

Accounts Payable	\$ 789,920.60	
Miscellaneous Accrued Taxes	21,308.26	
Reserve for Income and Excess Profits Taxes	124,996.72	
Reserve for Employees' Profit Sharing Plan	75,000.00	\$1,011,225.58

CAPITAL AND SURPLUS:

Authorized:

40,000 Six Per Cent Redeemable Preferred Shares of a Par Value of \$25.00 each	\$1,000,000.00
80,000 Five Per Cent Redeemable Preferred Shares of a Par Value of \$25.00 each	2,000,000.00
150,000 Common Shares without Nominal or Par Value	

Issued and Fully Paid:

40,000 Six Per Cent Preferred Shares	\$1,000,000.00
40,000 Five Per Cent Preferred Shares	1,000,000.00
125,000 Common Shares	625,000.00

Preferred Stock Purchase Reserve	50,000.00	
Consolidated Earned Surplus	2,898,278.94	5,573,278.94
		<u>\$6,584,504.52</u>

THE SHAREHOLDERS

ed and its Subsidiary Companies as at 31st January, 1948, and the
e year ended that date, have reviewed the accounting procedures
ions, and have examined or tested the accounting records of the
y methods and to the extent we deemed appropriate. Our ex-
iting standards applicable in the circumstances and included all
of internal control.

quired, and we report that, in our opinion, the above Consolidated
ss and Earned Surplus fairly present a true and correct view of the
sults of the operations for the year ended that date, in conformity
ling to the best of our information and the explanations given to

(Signed) ROSS, FREWIN & CO.,
Chartered Accountants.

ZELLER'S

AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT:

Cash on Hand and in Banks	\$1,134,717.14	
Inventories:		
(Quantities determined by actual count, weight or measurement under the supervision of the Management, and valued at the lower of Cost or Market)	1,537,823.86	
Sundry Accounts Receivable and Deposits	18,619.84	
Prepaid Expenses and Supplies	82,488.66	
Life Insurance—Cash Surrender Value	<u>30,700.00</u>	\$2,804,349.50

PREFERRED STOCK PURCHASE FUND 50,000.00

REFUNDABLE PORTION EXCESS PROFITS TAX 219,843.47

EMPLOYEES' PENSION FUND—SPECIAL PAYMENT UNAMORTIZED 81,848.00

FIXED ASSETS—At Cost:

Land and Buildings	\$1,638,802.02		
Less: Reserve for depreciation	<u>136,558.55</u>	<u>\$1,502,243.47</u>	
Fixtures, Equipment and Improvements to Leasehold Premises	\$4,031,030.13		
Less: Reserve for Depreciation	<u>2,104,810.05</u>	<u>1,926,220.08</u>	3,428,463.55

Approved on behalf of the Board:

WALTER P. ZELLER }
ROBERT T. HARTT } Directors.

\$6,584,504.52

AUDITORS' REPORT TO

We have examined the Consolidated Balance Sheet of Zeller's Limited Consolidated Statements of Profit and Loss and Earned Surplus for the year ended 31st January, 1948, of the Companies without making a detailed audit of the transactions of the Companies and other evidence supporting the above Statements but a limited examination was made in accordance with generally accepted auditing procedures which we considered necessary in view of the system of internal control.

We have obtained all the information and explanations we have required and we have compared the Consolidated Balance Sheet and related Consolidated Statements of Profit and Loss with the books and records of the Companies and the results of our examination with generally accepted accounting principles and practices, and we are satisfied that the same are correct and as shown by the books of the Companies.

MONTREAL, 19th March, 1948.



BOARD OF DIRECTORS

Walter P. Zeller, Chairman

Russell D. Bell

Hon. Wilfrid Gagnon, C.B.E.

Robert T. Hartt

M. A. MacPherson, K.C.

Allan A. Magee, C.B.E., K.C. John W. McColl

OFFICERS

Walter P. Zeller - - - - President

Robert T. Hartt - - - - Vice-President

T. E. McDermott - - - - Treasurer

E. G. Collard - - - - Secretary

TRANSFER AGENTS

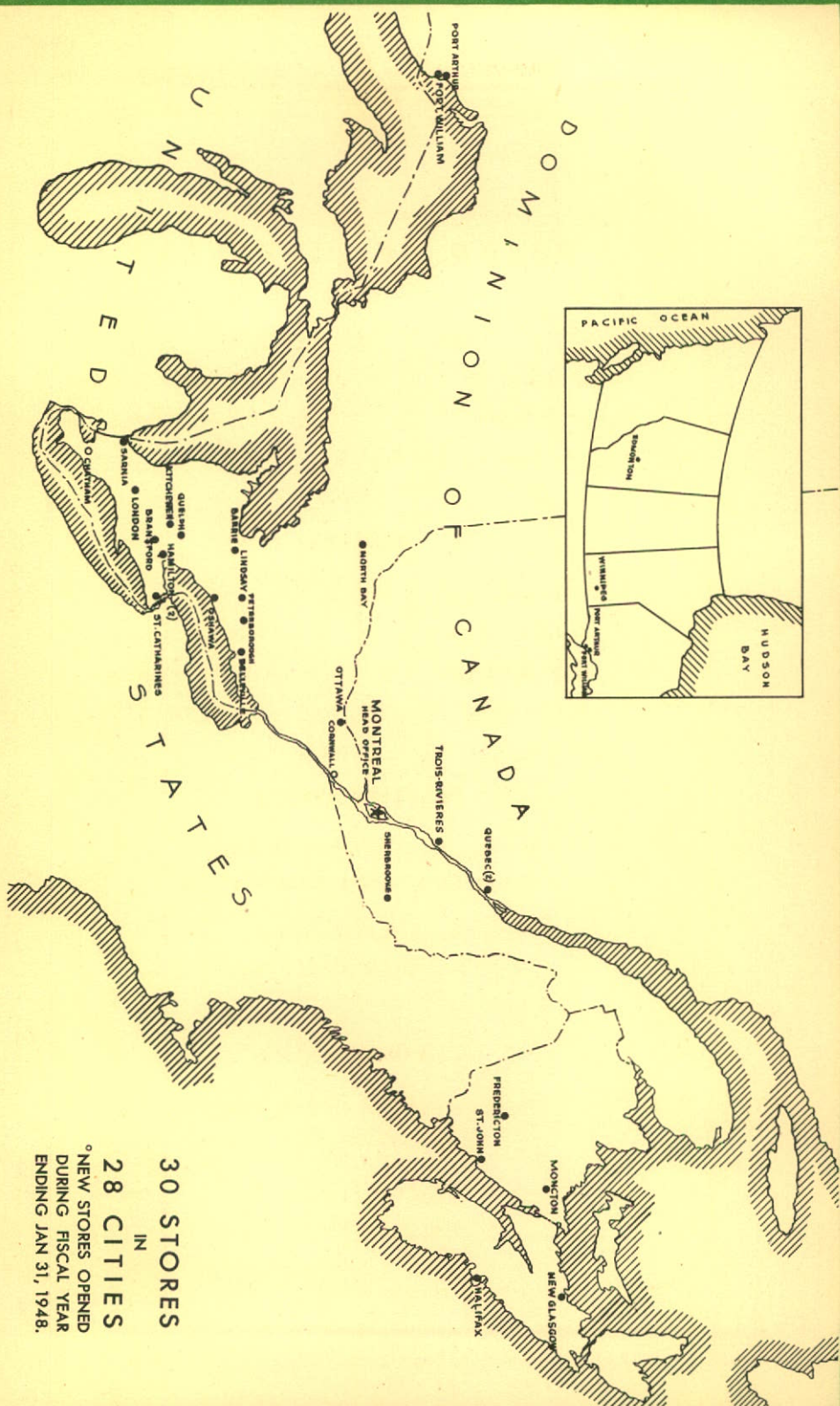
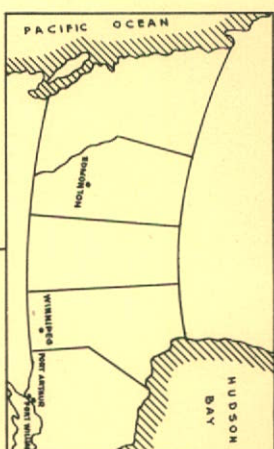
Barclays Trust Company of Canada
214 St. James Street West, Montreal

Royal Trust Company
66 King Street West, Toronto

REGISTRARS

Chartered Trust and Executor Company
132 St. James Street West, Montreal

Royal Trust Company
66 King Street West, Toronto



30 STORES
IN
28 CITIES
*NEW STORES OPENED
DURING FISCAL YEAR
ENDING JAN 31, 1948.



ZELLER'S LIMITED

Retailers to Thrifty Canadians

operating

30 Stores in 28 Cities

Barrie, Ont.	Moncton, N.B.
Belleville, Ont.	New Glasgow, N.S.
Brantford, Ont.	North Bay, Ont.
Chatham, Ont.	Oshawa, Ont.
Cornwall, Ont.	Ottawa, Ont.
Edmonton, Alta.	Peterborough, Ont.
Fort William, Ont.	Port Arthur, Ont.
Fredericton, N.B.	Quebec, P.Q. (2)
Guelph, Ont.	St. Catharines, Ont.
Halifax, N.S.	Saint John, N.B.
Hamilton, Ont. (2)	Sarnia, Ont.
Kitchener, Ont.	Sherbrooke, P.Q.
Lindsay, Ont.	Trois Rivières, P.Q.
London, Ont.	Winnipeg, Man.

Head Office

**1253 McGill College Avenue
Montreal**