

stock



ZELLER'S

Limited

Year ended
JANUARY 31st, 1947





THE MAIN FLOOR OF THE NEW QUEBEC STORE

THE SECOND FLOOR OF THE NEW QUEBEC STORE



Fifteenth

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

Year ended
January 31st, 1947

ZELLER'S
LIMITED

ZELLER'S LIMITED



To the Shareholders:

A report on the operations of Zeller's Limited and its Subsidiary Companies, for the twelve months ending January 31st, 1947, is presented in the following pages. Your business, in general, made satisfactory progress, during the year under review, and as regards Sales and Net Earnings it established a record for the fifteen years of its history.

These results, in part, reflect the high level of consumer purchasing power, which was manifest throughout the year, as well as an improvement in the available supply of merchandise in some lines. It should be noted, however, that there was little relief in the shortage of that type of goods from which the Company normally derives a very considerable portion of its sales.

Sales

Sales for the year under review reached a total of \$13,893,301. This is an increase of \$1,850,488 over the sales for the preceding year and is equivalent to a rise of 15.37%. Although the opening of a new store in April accounts for a portion of this increase, it was chiefly due to a general



| Year ended Jan. 31st | 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 | 503,762 (A) | 362,766 |
| 1945 | 27 | 10,865,015 | 988,746 | 575,000 (A) | 413,746 |
| 1946 | 27 | 12,042,813 | 1,074,043 | 613,000 (A) | 461,043 |
| 1947 | 28 | 13,893,301 | 1,196,010 | 590,000 | 606,010 |

* Deficit.

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

SUMMARY OF OPERATIONS

expansion in consumer demand, which has been reflected in the figures of every store, except in those few communities which have been most affected by the cessation of wartime activity.

Earnings

The Gross Earnings before Federal Income and Excess Profits Taxes amounted to \$1,196,010 or an increase of \$121,967. The Net Earnings amounted to \$606,010 as compared with \$461,043 for the preceding year. The increase of \$144,967 is equivalent to 31.44%.

After the payment of \$110,000 in Dividends on the Company's Preferred Stock, the Net Earnings remaining were equivalent to \$3.97 per share on the Company's outstanding Common Stock. For the preceding year, the corresponding figure was \$2.81 per share. After a dividend payment of \$156,250

on the Company's Common Stock, the balance of Net Earnings remaining was \$339,760. This latter amount represents that portion of the Net Earnings left in the business and is reflected in the Consolidated Statement of Earned Surplus.

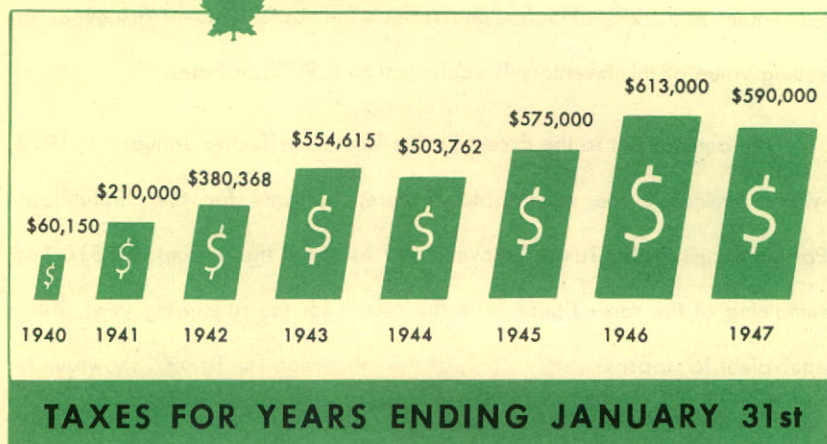
Taxes

Notwithstanding an increase of 11.36% in Gross Earnings, a somewhat smaller amount, namely \$590,000, was set aside to meet Income and Excess Profits Taxes for the year under review, than was provided for such purpose in the preceding year. Indeed, in the preceding year, the provision for Taxes amounted to 57% of Gross Earnings, whereas in the year under review this was reduced to 49.3%. This reduction is the result of an amendment to the Excess Profits Tax Act, which became effective January 1, 1946.



| | | |
|--|---------------------|----------------|
| <div style="font-size: 4em;">\$</div> <div style="font-size: 3em; font-weight: bold;">69.51%</div> <div style="font-size: 4em;">\$</div> | | 14.14% |
| | | 6.02% |
| | | 1.72% |
| | | 4.25% |
| | | 1.92% |
| | | 2.44% |
| Cost of Merchandise and Supplies.... | \$ 9,657,074 | 69.51% |
| Remuneration to Staff..... | 1,964,938 | 14.14 |
| Occupational Cost (Rents, etc.)..... | 836,513 | 6.02 |
| Miscellaneous Expenses..... | 238,766 | 1.72 |
| Income and Excess Profits Taxes (Net) | 590,000 | 4.25 |
| Dividends to Shareholders..... | 266,250 | 1.92 |
| Leaving in the Business..... | 339,760 | 2.44 |
| Total Income..... | <u>\$13,893,301</u> | <u>100.00%</u> |

DISTRIBUTION OF TOTAL INCOME



The Gross Earnings in the sum of \$590,000 aforementioned were equal to 4.25% of Sales for the year under review, or 30% of the total remuneration paid to the staff. They also comprised \$2.21 for every dollar paid to the Shareholders in Dividends.

Dividends

Regular quarterly Dividends, totalling \$110,000, were paid on both the 5% and 6% issues of the Company's Preferred Stock. In addition, four quarterly Dividends of 25¢, plus an extra of 25¢, were paid on each of the Company's 125,000 outstanding Common Shares. This made the distribution for the year \$1.25 per Common Share. The \$266,250 thus distributed in Dividends on its various Stock Issues, comprised 43.9% of the Company's Net Earnings.

Financial Position

The Consolidated Balance Sheet reveals a healthy financial position. Current Assets in the amount of \$2,118,297 are slightly more than double Current Liabilities of \$992,497. Cash on Hand is approximately equal to total Current Liabilities.

The cost value of the Inventory, as shown in the amount of \$1,002,918, is equivalent to 7.22% of Sales, and reflects the rapid turnover achieved. The selling value of this Inventory is equivalent to 9.90% of Sales.

The amendment to the Excess Profits Tax Act, effective January 1, 1946, which eliminated the refundable feature, accounts for the "Refundable Portion Excess Profits Taxes," shown under Assets, in the amount of \$310,166, remaining at the same figure as in the report for the preceding year. This is equivalent to approximately 75% of the "Provision for Taxes," shown under "Liabilities", in the amount of \$405,032. This latter figure represents that portion of the Taxes provided for in "Statement of Profit and Loss," the payment of which did not fall due until after the conclusion of the year under review.

Expansion


In the report for the preceding year, reference was made to plans for the opening of two new stores, one on St. Joseph Street in the "Lower Town" shopping district of Quebec City, and the other in Chatham, Ontario. Reference also was made to plans for the enlarging and remodelling of the Company's present store at Barrie, Ontario.




The new store in Quebec, which is the Company's second store in that City, was opened on April 10, 1946, and from its performance to date there is every indication that another profitable store has been added to the group.

It was anticipated that the new store at Chatham would open last Fall. However, due principally to the inability to obtain the necessary building materials, these plans could not be carried out. The work at Barrie is also behind schedule. While better progress is now being made on both jobs, completion dates cannot as yet be accurately determined.

A very satisfactory lease has been concluded for a property in Cornwall Ontario, and it is expected that by the time this report is printed construction work will have been commenced and that the store will be opened late in the current year.

After the most careful consideration of all the relevant factors, your Directors have finally decided not to undertake the development of the properties which the Company had purchased on St. Catherine Street West, in the City of Montreal, and, accordingly, steps have now been taken to dispose of them.



| | | | | |
|--|--|---|--------------------|----------------|
| STAFF |  76.43% | Remuneration to Staff. . . | \$1,964,938 | 76.43% |
| SHARE-HOLDERS |  10.36% | Dividends paid to Share-holders | 266,250 | 10.36 |
| KEPT IN THE BUSINESS |  13.21% | Leaving in the Business (Surplus) | 339,760 | 13.21 |
| | | | <u>\$2,570,948</u> | <u>100.00%</u> |
| Distribution of Income after all expenses are paid, with the exception of remuneration to staff. | | | | |

Personnel

A concise summary of Major Personnel Plans now in effect is shown in tabular form on the following page. From this it can be seen that the Company's personnel policies are very broad in scope and of such a nature as to assist materially in the maintenance of the zeal, well-being and confidence of the Staff. Efforts are continuously made to ensure that improvements are instituted wherever possible.

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. |

One recent improvement was effected by the revision of the Group Pension Plan in order to give due credit for the services rendered, prior to the introduction of the Plan in August 1941, by those employees now participating in it. To accomplish this objective, an additional premium of \$102,310 has been paid by the Company, chargeable against operations over a ten-year period. Policy-holders of comparatively mature years with lengthy service records have not had, previous to this revision, the opportunity to build a substantial pension as at retirement.

A total of \$138,658 was distributed for the year under review to those Employees participating in the Company's Profit Sharing and Christmas Bonus Plans. This is equivalent to 52% of the Dividends paid to Shareholders for the same period. The amounts thus distributed are entirely exclusive of commissions paid to Executives and others who receive a percentage of profits in accordance with individual written agreements.

The store employees have expressed much satisfaction with the respective Better Relations Associations, which they have established. These Associations are separate organizations of non-executive employees in each store formed for the advancement of their own interests. They elect annually from among their number a Committee to which they may submit ideas or complaints which they do not see fit to take up personally with Management. The Committees convene periodically for discussion of the problems and suggestions submitted, after which they meet with Management to consider what mutually satisfactory action should be taken. In all its relations with these Associations, the Management endeavours to cooperate fully.

Deeply appreciative of its obligations to those who served in the Armed Forces, the Company is striving in every possible way to assist them in the matter of rehabilitation. To date 54 veterans, former employees, have returned to the Company, and an additional 13 veterans have joined our organization for the first time.

Conclusion

In common with all Canadian business, the Company has found that its Post-War Plans have been seriously hampered by the generally unsettled conditions resulting from the reconversion to a peacetime economy.

That the Company has, nevertheless, had a year of satisfactory progress has been due in no small degree to the efficiency of its Staff, for whose diligence and loyalty the Management is pleased to express its sincere appreciation.

It is also a satisfaction once again to recognize the co-operation of the Company's Suppliers who, notwithstanding present-day difficulties, have contributed so substantially to the results it achieved during the past year.

At the moment, conditions do not justify an attempt to hazard a forecast for the current fiscal year. However, the stability of the business enjoyed by the Company's twenty-eight stores, the additions and improvements which have been planned for some of them, the possibility of increasing the number of stores in operation to thirty within the year, and the widespread and continuing demand for consumer goods, all make it reasonable to feel encouraged about the probabilities of still further progress.

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, 1947

| | | |
|--|-----------------|----------------------|
| SALES | | \$13,893,301.44 |
| DEDUCT: | | |
| Cost of Goods Sold, Operating, Selling and Administrative Expenses, exclusive of items shown hereunder | \$12,407,279.37 | |
| Salaries of Executive Officers | 54,608.46 | |
| Legal Fees | 5,867.00 | |
| Directors' Fees | 980.00 | 12,468,734.83 |
| | | <hr/> |
| | | \$ 1,424,566.61 |
| DEDUCT: | | |
| Interest on Mortgages | \$ 12,874.06 | |
| Depreciation—Buildings, Fixtures and Equipment, and Improvements to Leasehold Premises | 215,682.51 | 228,556.57 |
| | | <hr/> |
| | | \$ 1,196,010.04 |
| DEDUCT: | | |
| Provision for Income and Excess Profits Taxes | | 590,000.00 |
| | | <hr/> |
| Consolidated Net Profit for the Year— | | |
| Transferred to Consolidated Earned Surplus | | <u>\$ 606,010.04</u> |

CONSOLIDATED STATEMENT OF EARNED SURPLUS

FOR THE YEAR ENDED 31st JANUARY, 1947

| | | |
|---|---------------|------------------------|
| Balance at Credit—31st January, 1946 | | \$ 1,772,624.50 |
| ADD: Consolidated Net Profit for the Year | \$ 606,010.04 | |
| Profit on Sale of Investments | 44,297.50 | |
| Profit on Sale of Fixed Assets | 9,931.33 | 660,238.87 |
| | | <hr/> |
| | | \$ 2,432,863.37 |
| DEDUCT: | | |
| Dividends on 6% Preferred Shares | \$ 60,000.00 | |
| Dividends on 5% Preferred Shares | 50,000.00 | |
| Dividends on Common Shares | 156,250.00 | 266,250.00 |
| | | <hr/> |
| Balance at Credit—31st January, 1947 | | <u>\$ 2,166,613.37</u> |

LIMITED

Y COMPANIES

AS AT 31st JANUARY, 1947

LIABILITIES

CURRENT:

| | | |
|---|---------------|---------------|
| Accounts Payable | \$ 573,124.67 | |
| Miscellaneous Accrued Taxes | 14,340.11 | |
| Reserve for Income and Excess Profits Taxes | 405,032.30 | |
| | | \$ 992,497.08 |

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 | \$2,625,000.00 |

| | | |
|----------------------------------|--------------|-----------------------|
| PREFERRED STOCK PURCHASE RESERVE | 50,000.00 | |
| CONSOLIDATED EARNED SURPLUS | 2,166,613.37 | 4,841,613.37 |
| | | <u>\$5,834,110.45</u> |

THE SHAREHOLDERS

and its Subsidiary Companies as at 31st January, 1947, and the year ended that date, have reviewed the accounting procedures, and have examined or tested the accounting records of the methods and to the extent we deemed appropriate. Our examinations applicable in the circumstances and included all procedures.

red, and we report that, in our opinion, the above Consolidated and Earned Surplus fairly present a true and correct view of the results of the operations for the year ended that date, in accordance to the best of our information and the explanations

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

ZELLER'S

AND SUBSIDIAR

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT:

| | | |
|---|-------------------|----------------|
| Cash—on Hand and in Banks | \$ 984,413.36 | |
| Inventories: | 1,002,918.51 | |
| (Quantities determined by actual count, weight or measurement under the supervision of the Management, and valued at the lower of Cost or Market) | | |
| Sundry Accounts Receivable and Deposits | 21,016.69 | |
| Prepaid Expenses and Supplies | 81,348.76 | |
| Life Insurance—Cash Surrender Value | 28,600.00 | |
| | <u> </u> | \$2,118,297.32 |
| PREFERRED STOCK PURCHASE FUND | | 50,000.00 |
| REFUNDABLE PORTION EXCESS PROFITS TAX | | 310,166.34 |
| EMPLOYEES' PENSION FUND—SPECIAL PAYMENT UNAMORTIZED | | 92,079.00 |

FIXED ASSETS—At Cost:

| | | | |
|--|-------------------|-------------------|--------------|
| Land and Buildings | \$2,225,859.60 | | |
| Less: Reserve for Depreciation | 123,783.66 | | |
| | <u> </u> | \$2,102,075.94 | |
| Fixtures, Equipment and Improvements to Leasehold Premises | \$3,013,274.36 | | |
| Less: Reserve for Depreciation | 1,851,782.51 | 1,161,491.85 | 3,263,567.79 |
| | <u> </u> | <u> </u> | |

Approved on behalf of the Board:

WALTER P. ZELLER
ROBERT T. HART } Directors

\$5,834,110.45

AUDITORS' REPORT TO

We have examined the Consolidated Balance Sheet of Zeller's Limited, the Consolidated Statements of Profit and Loss and Earned Surplus for the year ended 31st January, 1947, and the Consolidated Statements of Profit and Loss of the Companies without making a detailed audit of the transactions of the Companies and other evidence supporting the above Statements by means of a general examination. No objection was made in accordance with generally accepted auditing standards, 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 examined the Consolidated Balance Sheet and related Consolidated Statements of Profit and Loss, and the state of the Companies' affairs as at 31st January, 1947, and the accounts, and we are satisfied that they conform with generally accepted accounting principles and practices, and are given to us, and as shown by the books of the Companies.



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

The Royal Trust Company

66 King Street West, Toronto

REGISTRARS

Chartered Trust and Executor Company

132 St. James Street West, Montreal

The Royal Trust Company

66 King Street West, Toronto



BASEMENT OF THE NEW QUEBEC STORE





ZELLER'S LIMITED

Retailers to Thrifty Canadians

operating
28 Stores in 26 Cities

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

Head Office
1253 McGill College Avenue
Montreal