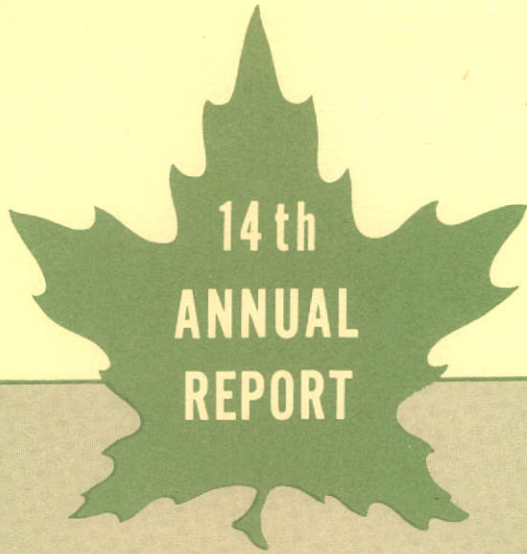


corp



ZELLER'S
Limited



Year ended
JANUARY 31st, 1946

PURVIS HALL
LIBRARIES

MAY 4 1946

McGILL UNIVERSITY



SECOND FLOOR — WINNIPEG STORE

The unusual treatment in the raising of the ceiling in the main part of this salesroom and the use of glass brick to admit more daylight, have brightened this floor and given it an attractive appearance.

Fourteenth

ANNUAL REPORT

Year ended January 31st, 1946

ZELLER'S LIMITED

To the Shareholders:

In the following pages you will find a report on behalf of the Board of Directors with respect to the operations of Zeller's Limited and its Subsidiary Companies for the year ended January 31st, 1946.

The war years confronted Canadian business, and in particular the retailer, with unusual problems. Therefore, in the course of reporting on the year just closed, occasion has been taken to add a few general comments about the Company's operations in wartime.

The form in which the Company has presented its report during the last few years has been very favourably received, and it is our hope that the present report, which follows along similar lines, will prove as interesting. We trust that its reading will assure you that your Company has survived these difficult times creditably.

10 Years

Year ended Jan 31st	Stores Operating End of Year	Net Sales	Profits before Taxes	Dominion and/or Provincial Taxes	Net Profits after Taxes
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

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

SUMMARY OF OPERATIONS

SALES

Despite the serious shortage of consumer goods, which in some lines has been particularly acute, the Company's total sales for the year just closed reached an all-time high of \$12,042,813. This is an increase of \$1,177,798 over the previous year, which is equivalent to a rise of 10.84%.

In view of the merchandise shortage, the unfailing co-operation of the Company's suppliers, who did their utmost to ensure that the Company at all times shared promptly and equitably in the goods available, merits the thanks of all those interested in its welfare.

In ratio to sales, the Inventory at year-end was the lowest in the Company's history. Annual Sales were nearly 11 times the Selling Value of Inventory and over 16 times the Cost Value. In consequence, the Company commences the post-war period with a minimum of wartime merchandise in stock.

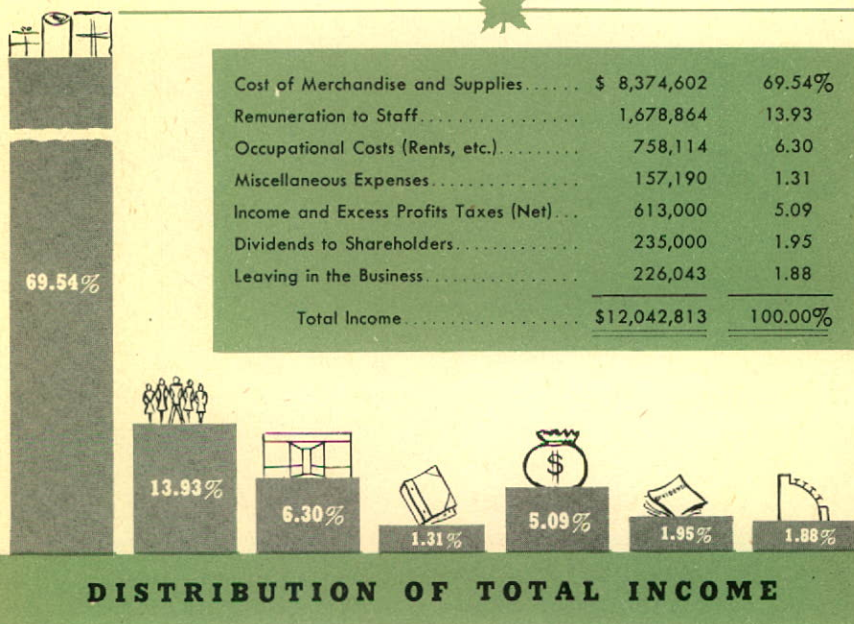
Notwithstanding the restrictions on expansion and the scarcity of merchandise, a large and sustained sales volume was an outstanding feature of the Company's business throughout the war years. It is of interest to note that while six stores were remodelled and enlarged, no new stores were added during the past six years. However, sales during that period have almost doubled. Not all of this increase should be attributed to inflated wartime purchasing power. Goodwill only develops fully over a period of time, and a


considerable portion of the sales increase in the last six years can be attributed to the growing confidence of the shopping public in the value of merchandise and courteous service to be found in "Zeller" stores.

PROFITS

A record Net Profit was achieved in the amount of \$461,043. This represents an increase of 11% or \$47,297. The Net Profit includes the refundable portion of Excess Profits Tax amounting to \$87,000 for the year under review.

After making provision for a total of \$110,000 in Dividends on both the 5% and 6% issues of the Company's Preferred Stock, the net profit remaining was equivalent to \$2.81 per share on the Company's outstanding Common Stock. For the previous year, the corresponding figure was \$2.63 per Common Share. In making this comparison it should be borne in mind that it was midway during such previous year that the Company's 5% Preferred Stock was issued. In consequence, the Dividend Payments on such 5% Preferred Stock for the previous year amounted to \$25,000 as compared with \$50,000 for the year under review.





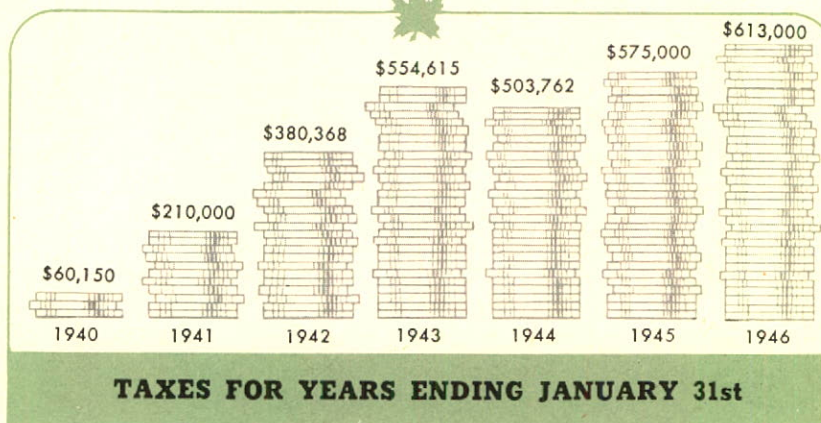
STAFF	78.45%			
SHARE-HOLDERS	10.98%	Remuneration to Staff.....	\$1,678,864	78.45%
		Dividends paid to Shareholders...	235,000	10.98
SURPLUS	10.57%	Leaving in the Business (Surplus)...	226,043	10.57
			<u>\$2,139,907</u>	<u>100.00%</u>

This Chart presents the distribution of the balance of income after all expenses are paid with the exception of remuneration to staff.

TAXES

The provision made for Federal taxes for the year under review was \$700,000. Of this amount \$87,000 is refundable, leaving a balance of \$613,000 which has been charged against earnings. This amount is equal to \$2.61 for every dollar paid to the Shareholders in Dividends. It is equivalent to 5.09% of total Sales for the year and represents 57.07% of the Company's total Profit before Federal Taxes.

It should be added that an amendment to the Excess Profits Tax Act, effective January 1, 1946, has altered the rate of assessment, to which the Company has been subject, from a 100% Excess Profits Tax, a part of which was refundable, to a 60% tax without a refundable portion. For the year under review, 11/12 of the Company's Excess Profits were subject to the former rate of taxation and 1/12 to the new. Had the new rate been in effect throughout the entire fiscal year, taxes would have been reduced by approximately \$56,000.



DIVIDENDS

Regular quarterly dividends were paid on both the 5% and 6% issues of the Company's Preferred Stock, totalling \$110,000. In addition, four quarterly dividends of 20c were paid on each of the Company's outstanding Common Shares, plus a bonus of 20c, making an annual return of \$1.00 per share. Approximately 51% of the Company's Net Profits was thus distributed in Dividends, on its various issues, in an amount of \$235,000.

For a number of years the Company's Common Shareholders have received an annual return of \$1.00 per share, comprising four quarterly dividends of 20c per share plus an annual bonus of 20c. It is the opinion of your Board that as long as the anticipated annual Dividend per Common Share amounts to \$1.00, it should better be paid in quarterly instalments of 25c each. In consequence, the quarterly Dividend on the Company's Common Stock to be distributed on the 1st May, 1946, will amount to 25c per share instead of 20c as formerly.

FINANCIAL POSITION

The Company has continued to preserve a strong financial position. At the end of the year under review, Current Assets, in the amount of \$2,562,940, exceeded by three times the outstanding Current Liabilities of \$841,892. Cash and Dominion of Canada Victory Bonds account for over 60% of total Current Assets.

The "Refundable Portion Excess Profits Tax" now standing to the Company's credit has increased to \$310,166. This is equivalent to over 80% of the "Provision for Taxes", shown under "Liabilities", in the amount of \$374,450. This latter figure represents that portion of the taxes provided for in the "Statement of Profit and Loss", the payment of which does not fall due until the current year.

The investment in Fixed Assets, in the form of land and buildings, after making allowance for depreciation, now stands at \$1,867,051. This is an

increase of approximately \$300,000, and is the result of the purchase during the year of four properties at a combined cost of approximately \$320,000. In two of these properties the Company has already been operating stores under leasehold. They were purchased in order to ensure the future availability of these sites and to permit some expansion of the space at present occupied. The third is a new site in a city in which the Company now operates a store under leasehold. Due to some major developments in the business district of that city, it is anticipated the new site will in a few years become the preferable location and, when conditions warrant, the Company plans to move its store from the present to the new location. The fourth site purchased is some extra property adjoining premises which the Company presently leases.

EXPANSION

During the year under review the Controller of Construction issued a permit allowing the Company to commence construction and alterations necessary for it to open a new store on St. Joseph Street, Quebec City. The work in this connection is now nearing completion and it is expected that this store will open for business early in April of this year.

It is also expected that by the time this report is printed work will have begun on the remodelling and addition to the property previously reported as under lease at Chatham, Ontario, and for the improvement and enlargement of the Company's present store at Barrie, Ontario. The addition of the new stores in Quebec and Chatham will bring the total number of stores in operation to twenty-nine.

As conditions permit, it is the intention of the Company to continue its programme to renovate and improve some of its existing stores and to open new stores in properties now held in fee or under lease. Moreover, as opportunities arise to acquire suitable new locations under favourable conditions, the Company intends further to increase the number of its outlets.

PERSONNEL POLICIES

The Company has taken care throughout the war years to insure that, whatever the shortage of merchandise and man-power might be, there should be no diminution in the courteous service for which its stores have been noted. The constant aim has been to develop a thoroughly progressive personnel policy with a view to the training and maintenance of as efficient a staff as possible in all departments, who will not only be satisfied with their association with the Company but proud of it.

Profit Sharing: With the permission of The National War Labour Board, the Company has taken occasion twice during the war years to amend and improve its Employee Profit Sharing Plan.

In accordance with the revised plan, all employees with three or more months continuous service, apart from executives and others holding special wage agreements, share in a Fund comprising 2% of the Operating Profits of the particular store in which they work, and 4% of the Net Profits of the Company, calculated before making provision for Federal Taxes.

The Profit Sharing Bonus is paid at Christmastime, together with a Christmas Bonus based on length of service. For the latest fiscal year the maximum combined bonus paid to any employee was \$226.22. The total thus distributed amounted to \$122,582, which is equivalent to 52.16% of the Shareholders' dividends for the same period.

The Management believes that the best way to afford employees a sense of participating in the Company's progress is to let them share directly in the profits they helped to create, not as a substitute for a fair basic wage but as a supplement to it. All the Company's employees do this, either in accordance with the Profit Sharing Plan above mentioned, or pursuant to individual wage agreements, which provide for a fixed salary or drawing allowance and a commission based on a percentage of profits.



PERSONNEL POLICIES, Cont.

Finally, the Profit Sharing Plan was one of the means whereby the Company maintained contact with those of its men who had left its employ for the Armed Services. All who had been with the Company a year or more before enlisting were deemed eligible for participation in the Plan, notwithstanding their absence, and each was paid a bonus of \$133.67 at Christmas, 1945.

Progress Review: Management, moreover, is convinced that good employee relations depend on more than a fair wage and a degree of participation in the Company's profits. Every employee has a right to feel that his or her ability and merit are individually noticed and justly recognized.

To this end, the Progress Review System was more fully developed during the war years. In accordance with this system, the work of each store employee is separately graded, and a record kept of the grades attained. At least twice annually this grading is discussed confidentially with the person concerned. Whenever needed, advice is offered and encouragement given. As individual employees become eligible for wage increases, under the terms of the Wartime Wages Control Order, such increases are awarded on the basis of these records.

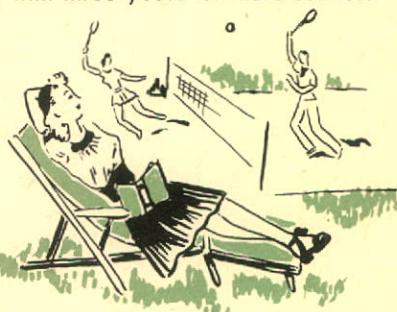
Better Relations Association: Another wartime development has been the growth of Better Relations Associations. These are Associations of store

employees, established and run without any interference on the part of Management. They afford the employees an opportunity to discuss matters of mutual interest together and to make known their views as a group to Management. Their constructive activities have fully justified their name.



PERSONNEL POLICIES, Cont.

Vacations: In reviewing the Company's chief personnel policies mention should be made of its vacation plans, which afford a summer vacation with pay to all employees with six months' or more service, and in addition a winter vacation with pay to all employees with three years' or more service. Length of vacation is determined by length of service, the basis being a summer vacation of three days for each six months of service, or two weeks for two years, and a winter vacation of one day for each year, with a maximum of two weeks' vacation in each season.



Insurance, Hospitalization, Pensions: Subject to a prescribed period of service, Group Life Insurance to a maximum of \$10,000 is available to all employees in amounts determined by their position and salary classification. Female employees with three years' service are issued a \$500 policy free of charge. Group Hospitalization Insurance is available to both male and female employees, and a Group Pension Plan to all male employees over twenty-five years of age, with one or more years of service. The Company contributes approximately one-half of the cost of the Hospitalization and Pension Plans.

CONCLUSION

In common with all Canadian business, the Company's prospects for the coming year will be affected to a considerable degree by factors beyond its control. The chief of these will be the availability of merchandise.

There has been no substantial relief as yet in the shortage of the type of merchandise from which this Company derives a significant portion of its business. While it is to be hoped that this condition will improve, the volume of sales as the year progresses must be largely dependent upon the speed with which enlarged production of low-priced consumer goods can be accomplished.

The Company has been gratified that, with but few exceptions, the young men and women who left its employ to serve their King and Country on sea,

CONCLUSION

land and in the air, have, as they received their discharge, elected to return to their former work. In all cases, they have been heartily welcomed and every endeavour has been made to see that they are integrated usefully in the Company's activities under conditions which they feel are satisfactory. As a result, the staff has expanded in numbers slightly beyond what may be considered absolutely necessary and the payroll account for the coming year will be somewhat higher than normal, but the Company has gained as an asset the ability and experience of a number of very worthy young people who will prove increasingly useful to it in the years ahead.

To the memory of nine, who dedicated life itself in service to their country, all connected with this Company pay their most respectful tribute.

Finally, the Management wishes to express its appreciation to the staff for the loyalty and efficiency with which they have carried on throughout the war years despite the many difficulties with which retailing has been beset. In particular, those women should be especially commended who have stepped into the vacancies left by the men who enlisted in the armed services and who have done so creditable a job.

On behalf of the Board.

WALTER P. ZELLER,
Chairman.



GROUND FLOOR — WINNIPEG STORE

ZELLER'S LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st JANUARY, 1946

SALES	\$12,042,813.46
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DEDUCT:

Cost of Goods Sold, Operating, Selling and Administrative Expenses, exclusive of items shown hereunder	\$10,723,808.06	
Salaries of Executive Officers	52,591.65	
Legal Fees	4,724.69	
Directors' Fees	620.00	10,781,744.40
		\$ 1,261,069.06

DEDUCT:

Interest on Mortgage	\$ 10,346.95	
Depreciation—Buildings, Fixtures and Equipment, and Improvements to Leasehold Premises	176,678.79	187,025.74
		\$ 1,074,043.32

DEDUCT:

Provision for Taxes	\$ 700,000.00	
Less: Refundable Portion Excess Profits Tax	87,000.00	613,000.00

Consolidated Net Profit for the Year—

Transferred to Consolidated Earned Surplus	\$ <u>461,043.32</u>
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CONSOLIDATED STATEMENT OF EARNED SURPLUS FOR THE YEAR ENDED 31st JANUARY, 1946

Balance at Credit—31st January, 1945	\$ 1,546,581.18
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ADD: Consolidated Net Profit for the Year	461,043.32
	\$ 2,007,624.50

DEDUCT:

Dividends on 6% Preferred Shares	\$ 60,000.00	
Dividends on 5% Preferred Shares	50,000.00	
Dividends on Common Shares	125,000.00	235,000.00

Balance at Credit—31st January, 1946	\$ <u>1,772,624.50</u>
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LIMITED

Y COMPANIES

T AS AT 31st JANUARY, 1946

LIABILITIES

CURRENT:

Accounts Payable	\$ 442,205.38	
Miscellaneous Accrued Taxes	12,736.53	
Provision for Taxes	374,450.38	
Mortgage Instalments due within Twelve Months	12,500.00	
		\$ 841,892.29

NOTE PAYABLE—due 1st September, 1950 (Secured by Deposit of \$143,000.00 Par Value Dominion of Canada Bonds)	130,000.00
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MORTGAGES PAYABLE	245,000.00
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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 Pre- ferred Shares	\$1,000,000.00
40,000 Five Per Cent Pre- ferred Shares	1,000,000.00
125,000 Common Shares	625,000.00
	\$2,625,000.00

Preferred Stock Purchase Reserve	50,000.00
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Consolidated Earned Surplus	1,772,624.50	4,447,624.50
		<u>\$5,664,516.79</u>

THE SHAREHOLDERS

ited and its Subsidiary Companies as at 31st January, 1946,
Surplus for the year ended that date, have reviewed the
audit of the transactions, and have examined or tested the
ing the above Statements by methods and to the extent we
re with generally accepted auditing standards applicable in
necessary in view of the system of internal control.

ve required, and we report that, in our opinion, the above
t of Profit and Loss fairly present a true and correct view
id the results of the operations for the year ended that date,
practices, according to the best of our information and the
nies.

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

ZELLER'S

AND SUBSIDIAR

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT:

Cash—On Hand and in Banks	\$ 661,007.76	
Dominion of Canada Bonds with Accrued Interest (Approximate Market Value \$953,500.00)	934,051.00	
Inventories: (Quantities determined by actual count, weight or measurement under the supervision of the Management, and valued at the lower of Cost or Market)	727,258.98	
Sundry Accounts Receivable and Deposits	140,252.31	
Prepaid Expenses and Supplies	73,870.34	
Life Insurance—Cash Surrender Value	26,500.00	
	<hr/>	\$2,562,940.39

PREFERRED STOCK PURCHASE FUND 50,000.00

REFUNDABLE PORTION EXCESS PROFITS TAX 310,166.34

FIXED ASSETS—At Cost:

Land and Buildings	\$1,966,957.90	
Less: Reserve for Depreciation	99,905.91	
	<hr/>	\$1,867,051.99
Fixtures, Equipment and Improvements to Leasehold Premises	2,543,231.95	
Less: Reserve for Depreciation	1,668,873.88	
	<hr/>	874,358.07
	<hr/>	2,741,410.06

Approved on behalf of the Board:

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

\$5,664,516.79

AUDITORS' REPORT TO

We have examined the Consolidated Balance Sheet of Zeller's Lin and the Consolidated Statements of Profit and Loss and Earned accounting procedures of the Companies without making a detailed accounting records of the Companies and other evidence support deemed appropriate. Our examination was made in accordance the circumstances and included all procedures which we considered. We have obtained all the information and explanations we have Consolidated Balance Sheet and related Consolidated Statements of the state of the Companies' affairs as at 31st January, 1946, and in conformity with generally accepted accounting principles and explanations given to us and as shown by the books of the Companies.

MONTREAL, 14th March, 1946.



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

REGISTRAR

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

Royal Trust Company
66 King Street West, Toronto



*To the memory of nine former employees, who dedicated
life itself in service to their country, all connected with
this Company pay their most respectful tribute.*

William J. Bolster	C.A.S.F.
Leo A. Flesch	R.C.A.F.
Gordon J. Hardy	R.C.A.F.
Ronald W. Lance	R.C.A.F.
Gilbert C. McFadyen	R.C.A.F.
John A. Patterson	C.A.S.F.
Verne A. Poulin	R.C.A.F.
A. Douglas Steels	R.C.A.F.
Thomas D. Withington	R.C.A.F.



ZELLER'S LIMITED

Retailers to Thrifty Canadians

operating

27 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.
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**