

ZELLER'S

Limited

Year ended JANUARY 31st, 1945

PURVIS HALL LIBRARIES

MAY 4 1946

McGILL UNIVERSITY



The most impressively modern of the Zeller Stores is that in Halifax, Nova Scotia. It was opened in 1939, shortly before the outbreak of war, and the wartime ebb and flow of population through this Eastern Canadian Port has brought to its doors customers from all parts of the Dominion.



Thirteenth

ANNUAL REPORT

Year ended January 31, 1945

ZELLER'S LIMITED

To the Shareholders:

A report of the operations of Zeller's Limited and Subsidiary Companies, for the year ended January 31st, 1945, is presented in the following pages.

The Consolidated Balance Sheet and Statement of Profit and Loss record another year of satisfactory operations. Sales and Net Profits both show an increase over the previous year and the financial position of the Company is excellent. Inasmuch as Tax Assessments have been received for all prior years, the Statement of Earned Surplus is subject to adjustment only in respect to the Provision for Income and Excess Profits Taxes for the year under review.

The inability to secure sufficient merchandise to meet consumer demand continues to be the most difficult problem facing Management. Until such time as the needs of war will permit the manufacture of a larger quantity of merchandise for civilian consumption there can be little hope for much improvement in the present situation. In this connection, however, the Company wishes to assure its suppliers that it greatly appreciates their close cooperation, which under difficult present-day conditions has contributed so substantially to the results achieved.

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Years	

Year ended Jan. 31st	Stores Operating End of Year	Net Sales	Profits before Taxes	Dominion and/or Provincial Taxes	Net profits after Taxes
1936	18	\$ 4,157,461	\$ 96,256	\$ 15,600	\$ 80,656
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

(A) Net taxes, apart from the refundable portion to be returned after the war.

SUMMARY OF OPERATIONS

The figures for the ten-year period listed above facilitate a comparison of the results of the year under review with the Company's previous performance. In comparing these figures with those shown in the Company's previous Annual Reports, some slight differences will be noted in Taxes and Net Profits for the years ending January 31st, 1942, 1943 and 1944. An audit by the Income Tax Department and an amendment in the Excess Profits Tax Act resulted in a reduction in the Provision for Income and Excess Profits Taxes for these three years totalling \$32,117.69. This amount appears as an adjustment in the Surplus Account for the year under review.

SALES

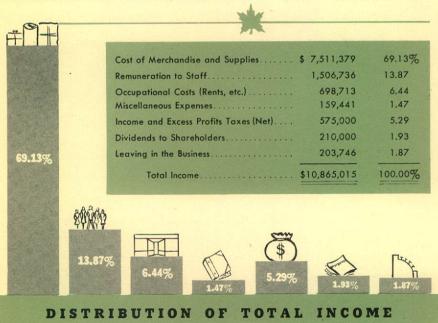
Notwithstanding the severe shortage of civilian goods, Sales for the year were \$10,865,015 as compared with \$10,271,400 for the year before, an increase of \$593,615, equivalent to 5.78%. The average Inventory in ratio to Sales has been throughout the year the lowest in the history of the Company. Sales for the year were approximately 14½ times the cost value of the year-end Inventory. It is also interesting to note that total Sales were slightly in excess of Sales for the year ended January 31, 1943, the previous highest total reported.

PROFITS

The Net Profit amounting to \$413,746 is also the highest on record—the increase over the previous year being \$50,980, or 14%. This increase in Profits is partly the result of a recent amendment to the Excess Profits Tax Act, by which amendment increased capitalization raises the "Standard Profit".

After providing \$85,000 for dividends paid on the Preferred Stock, the Net Profit remaining is equivalent to \$2.63 per share on the Company's outstanding Common Stock.

It should be noted, however, that for the year under review dividends paid on the Company's Preferred Stock, comprise only one-half year's dividends on the new issue of 5% Preferred Shares. Had dividends on this issue been in effect for a full year, the Net Profit remaining would have amounted to \$2.43 per share on the Common. Included in the Net Profit is the refundable portion of Excess Profits Taxes amounting to \$85,000, or to 68c per Common Share.

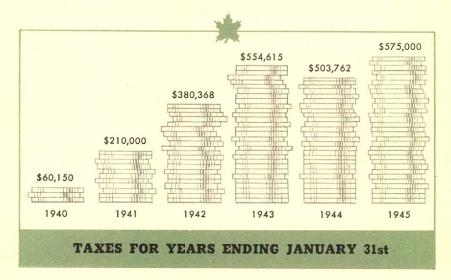


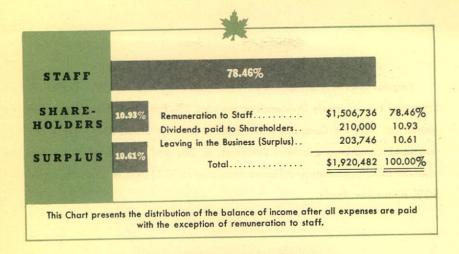
DIVIDENDS

Regular quarterly Dividends were paid on the Company's 6% Preferred Stock and two quarterly Dividends on the new 5% Preferred Stock issued on August 1st. On the Company's outstanding Common Stock, \$1.00 per share was paid, comprising quarterly Dividends of 20c and a bonus of 20c. The total Dividend payments on all issues amounted to \$210,000, or approximately 50% of the Net Profit.

TAXES

Provision for Taxes for the year amounts to \$660,000, and after deduction of the portion refundable after the war, in the sum of \$85,000, the net amount charged against earnings is \$575,000. To give some conception of the Company's tax obligation in relation to the size of its business, it might be pointed out that taxes for the year under review are equivalent to 58.2% of the Company's total Profits, which is \$2.74 for every dollar paid to the Shareholders in Dividends, or 5.29% of the total Sales for the year. All connected with the Company must naturally take a just measure of satisfaction in the size of the Company's tax payments, at a time when taxation constitutes a vital contribution to a supreme national war effort.





FINANCIAL POSITION

The Consolidated Balance Sheet indicates the strong financial position of the Company. The combined total of Cash and Dominion of Canada Victory Bonds on hand is slightly over \$1,900,000. Current Assets of \$2,817,905 are equivalent to over three times Current Liabilities amounting to \$919,982. The refundable portion of Excess Profits Tax now stands at \$223,166, which is equivalent to 60% of the Provision for Taxes shown under Liabilities.

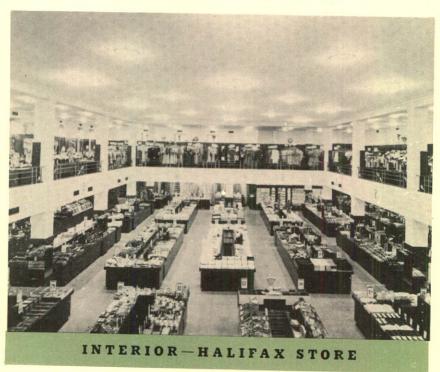
Mortgages payable show a reduction of slightly less than \$100,000. However, a note payable in the amount of \$130,000, due September 1, 1950, constitutes the balance of the purchase price of a property which the vendor for the present prefers not to accept in full.

NEW CAPITAL

On August 1st the Company issued 40,000 shares of a new authorization of 80,000 shares of 5% Cumulative Redeemable Preferred Stock of a par value of \$25.00 each. Of the proceeds of this issue approximately one-half was used for the purchase of real estate for future expansion, the balance being reflected in the liquid position.

EXPANSION

The Company has been making provision for the post-war expansion of its business within the limits of prudent conservatism. Desirable properties have been acquired through purchase or lease for the opening of two new stores in Montreal and one each in Quebec City, Quebec; Chatham, Ontario, and Calgary, Alberta. These five together with the property in Vancouver previously acquired will, when developed, add six new stores to the present total of twenty-seven. The Company now leases on a satisfactory long-term basis the properties which it formerly owned in Moncton, N.B., and Vancouver, B.C., and which, during the year, it sold to outside interests. Wartime restrictions on building operations and existing leases on some of the properties make it impossible to announce an opening date for any of these new stores. Enlarging and modernizing of a few of the present stores is also contemplated as soon as favorable conditions permit.



PERSONNEL

A genuinely progressive personnel policy has always been regarded as essential to the Company's welfare. Existing policies are under constant observation and study, and every effort is made to see that improvements are instituted, whenever found feasible.

Profit Sharing: It has been the established policy of the Company that all employees, apart from Executives and others holding special wage agreements, should participate in a Christmas Bonus and Profit Sharing Plan. While there has been no change in the basis for calculating the amount of bonus earned by each employee, the practice of paying Profit Sharing Bonuses quarterly has been discontinued in favor of annual payments made simultaneously with payment of the Christmas Bonus. The maximum combined Bonus received by any individual employee was \$199.00, and all participating employees together received \$91,373.00. This figure includes payments of \$95.55 each to men on Active Service who had been in the Company's employ a year and upwards before enlistment. It may be added that the various Bonus payments so made in the year under review were equivalent to 43.5% of Dividends to the Shareholders during the same period.

Those employees who do not participate in the Company's Profit Sharing Plan, hold individual wage agreements which provide for a fixed salary or drawing allowance and a commission based on a percentage of profits. Commissions paid pursuant to these agreements amounted to \$198,489, which produces a combined total for all Bonuses and Commissions of \$289,862, or 19.2% of the annual remuneration of the entire staff.

It can be seen, therefore, that the Management is wholly convinced of the desirability of a due degree of Profit Sharing both as a supplement to the regular wage and as a means of fostering among the employees a sense of participation in the fortunes of the Company, the progress of which is largely dependent upon their efforts.

Vacations: Summer vacations with pay were enjoyed by all employees with six months' or more service, and, in addition, Winter vacations with pay by all employees with two or more years of service. The length of vacation in



both categories is determined by the length of service, with a maximum of two weeks in each season. The total paid in salaries and wages to employees during vacation periods in the past year amounted to \$48,687.

PERSONNEL, Cont.

Insurance, Pensions, etc.: All employees who have completed a prescribed period of service may subscribe to Group Life Insurance, in accordance with their wage or salary classification. In addition, female employees with three years' service are issued a \$500.00 policy free of charge. The maximum amount for female employees is \$4,000; for male employees with executive positions, \$5,000.

Both male and female employees are also entitled to subscribe to Group Hospitalization Insurance; and a Group Pension Plan is open to all male employees over 25 years of age, with three or more years of service.

Progress Review: While every assistance is given by Store Managers and Personnel Supervisors to newcomers, to make them familiar with approved business methods, we feel that one of the most helpful of our various practices is the regular Progress Review, whereby the work of each person is graded,

in accordance with a fair and uniform method. At least twice a year, this grading is discussed with the person concerned, improvement is favorably commented upon, and advice is given where it is required. On the basis of these records, wage increases within the limits of the Wartime Wages Control Order are given from time to time to individual employees. Not only are



management and staff made better acquainted by means of the progress review, but in this manner the capacity of each employee is repeatedly appraised and merit is systematically encouraged.

PERSONNEL, Cont.

Better Relations Associations: We are pleased to report noticeable benefits from the Better Relations Associations now functioning in most of our stores.

These Associations have been very constructive in their activities. They

are entirely employees' organizations, which give their members full opportunity to discuss and make known their views. Their close and pleasant cooperation with Management has been sincerely appreciated.





Returning Service Personnel:

As former male employees now in the Services return to civilian life and reemployment by the Company, each individual is invited to Head Office at the Company's expense, for the purpose of discussing his present and future

with the principal management officials. Arrangements are then made to place him in a position suitable to his abilities and temperament, and in surroundings where he will be assured of intelligent and friendly help during his period of readjustment. That returning personnel shall be satisfactorily integrated into its organization is an obligation which the Company is anxious conscientiously to discharge.

10-Year Service Club: The total membership of the 10-year Service Club established in 1942, now numbers 113. The Company was privileged to present 10-Year Service Pins to the twenty-four new members added during the past year.

CONCLUSION

During the year Mr. Murdoch A. MacPherson, K.C., of Regina, Sask., was appointed to the Board to fill the vacancy created by the death of the late Mr. Gilbert F. Brooks. The appointment of Mr. MacPherson adds to the Board a prominent Canadian with an extensive knowledge of Western Canada.

At no time in the Company's history has it been more difficult to make a forecast of the future. All predictions are conditional upon the duration of the war. It is to be devoutly hoped that the victory, of which we are so happily assured, may come soon. If, however, the war should be prolonged, the present shortage of merchandise may be intensified, with some consequent reduction in Sales and Profits. However, in any event, it is anticipated that the Company's business in the year ahead should prove reasonably satisfactory.

Finally, the Management wishes to record its sincere appreciation for the individual and concerted loyalty which all the members of the staff have continued to manifest, and to which the Company's success is in such large measure to be attributed. In particular, the Management wishes to pay its respectful tribute to those who left the Company's employ for Active Service on sea, on land and in the air. Nine of them have paid the supreme sacrifice.

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, 1945

SALES	70 6 1 3	\$10,865,015.46		
DEDUCT: Cost of Goods Sold, Operating, Selling and Administrative Expenses, exclusive of items shown hereunder Salaries of Executive Officers Legal Fees Directors' Fees	\$9,642,053.39 48,384.71 1,042.07 1,120.00			
DEDUCT:	i Parisi	\$ 1,172,415.29		
Interest on Mortgages Depreciation—Buildings, Fixtures and	\$ 13,820.48			
Equipment and Improvements to Leasehold Premises	169,849.03	183,669.51		
DEDUCT:		\$ 988,745.78		
	* ********			
Provision for Taxes Less: Refundable Portion Excess Profits Tax	\$ 660,000.00 85,000.00			
Consolidated Net Profit for the Year— transferred to Consolidated Earned Surplus		\$ 413,745.78		
CONSOLIDATED STATEMENT OF EARNED SURPLUS FOR THE YEAR ENDED 31st JANUARY, 1945				
Balance at Credit—31st January, 1944		\$ 1,395,319.21		
ADD: Consolidated Net Profits for the Year	\$ 413,745.78	Ψ 1,070,017.21		
Adjustments applicable to Prior Years' Taxes	32,117.69			
Profit on Sale of Properties	9,726.42			
		\$ 1,850,909.10		
DEDUCT:				
Dividends on 6% Preferred				
Shares \$ 60,000.00				
Dividends on 5% Preferred Shares—Six Months 25,000.00				
Dividends on Common Shares 125,000.00				
	\$ 210,000.00			
Transfer to Preferred Stock Purchase Reserve	50,000.00			
Commission and Expenses on 5%				
Preferred Shares Issued	44,327.92	304,327.92		
Balance at Credit—31st January, 1945		\$ 1,546,581.18		

LIMITED COMPANIES

AS AT 31st JANUARY, 1945

LIABILITIES

CURRENT:

Accounts Payable	\$ 524,974.11
Miscellaneous Accrued Taxes	11,688.90
Provision for Taxes	370,819.12
Mortgage Instalments due within Twelve Months	12,500.00

\$ 919,982.13

NOTE PAYABLE—due 1st September, 1950 (Secured by Deposit of \$143,000.00 Par Value Dominion of Canada Bonds)

130,000.00

MORTGAGE PAYABLE

197,500.00

CAPITAL AND SURPLUS:

Authorized:

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

\$1,000,000.00

2,000,000.00

Issued and Fully Paid:

40,000 Six Per Cent Pre-	
ferred Shares	\$1,000,000.00
40,000 Five Per Cent Pre-	
ferred Shares (Issued for	
Cash during Year)	1,000,000.00
125,000 Common Shares	625,000.00

\$2,625,000.00

Preferred Stock Purchase Reserve

Consolidated	Earned	Surplus
Comoundated		00.10.00

50,000.00 1,546,581.18

4,221,581.18

\$5,469,063.31

HE SHAREHOLDERS

and its Subsidiary Companies as at 31st January, 1945, urplus for the year ended that date, have reviewed the sudit of the transactions, and have examined or tested the 1 the above Statements by methods and to the extent we with generally accepted auditing standards applicable in ecessary in view of the system of internal control. required, and we report that, in our opinion, the above Profit and Loss fairly present a true and correct view of the results of the operations for the year ended that date, in tices, according to the best of our information and the

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

ZELLER'S

CONSOLIDATED BALANCE SHEET

ASSETS

	RE	

Cash—On Hand and in Banks \$1,062,773.42 —On Call 25,000.00

\$1,087,773.42

Dominion of Canada Bonds with Accrued Interest (Approximate Market Value \$821,500.00)

822,506.50

Inventories:

754,604.79

43,924.34

(Quantities determined by actual count, weight or measurement under supervision of the Management, and priced at the lower of Cost or Market)

Sundry Accounts Receivable and Deposits Prepaid Expenses and Supplies Life Insurance—Cash Surrender Value

84,796.39 24,300.00 \$2,817,905.44

PREFERRED STOCK PURCHASE FUND

50,000.00

REFUNDABLE PORTION EXCESS PROFITS TAX

223,166.34

FIXED ASSETS-At Cost:

Land and Buildings Less: Reserve for Depreciation \$1,644,618.90 79,009.45

\$1,565,609.45

Fixtures, Equipment and Improvements to Leasehold

Premises

\$2,327,863.18 1,515,481.10

812,382.08

2,377,991.53

Approved on behalf of the Board:

Less: Reserve for Depreciation

WALTER P. ZELLER ROBERT T. HARTT

\$5,469,063.31

AUDITORS' REPORT TO THE

We have examined the Consolidated Balance Sheet of Zeller's Limits and the Consolidated Statements of Profit and Loss and Earned S accounting procedures of the Companies without making a detailed accounting records of the Companies and other evidence supporting deemed appropriate. Our examination was made in accordance the circumstances and included all procedures which we considered in We have obtained all the information and explanations we have Consolidated Balance Sheet and related Consolidated Statement of its state of the Companies' affairs as at 31st January, 1945, and the conformity with generally accepted accounting principles and pro explanations given to us and as shown by the books of the Companie



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 34 King Street West, Toronto



HONOUR ROLL

Walter V. Dumas, D.F.C., R.C.A.F. Elbert E. Edwards, C.A.S.F. John E. Smith, C.A.S.F. Albert Carruthers, C.A.S.F. †Leo. A. Flesch, R.C.A.F. Cecil Glencross, C.A.S.F. †Gordon J. Hardy, R.C.A.F. Wilfred T. LeBarr, C.A.S.F. William L. Powell, C.A.S.F. Thomas D. Withington, R.C.A.F. Donald M. Wood, C.A.S.F. Reginald J. Woods, C.A.S.F. John A. Patterson, C.A.S.F. Arnold Ellison, C.A.S.F. David M. Dawson, C.A.S.F. Thomas H. Burdon, R.C.N.V.R. Charles M. Graham, R.C.A.F. Harold C. Switzer, R.C.A.F. James J. Voisin, R.C.N.V.R. Bert D. Howlett, R.C.A.F. †A. Douglas Steels, R.C.A.F. Arnold W. Brewer, R.C.A.F. Theodore C. Gaudet, R.C.N.V.R. †Verne A. Poulin, R.C.A.F. Robert O. Parsons, M.N. William G. McCrie, C.A.S.F. Thomas F. Middleton, R.C.N.V.R. Buster W. Glockzin, R.C.N.V.R. Lloyd D. Grice, C.A.S.F. Arnold N. Balfe, R.C.N.V.R. Charles M. Marshall, R.C.A.F. Michael Timco, R.C.A.F. J. Donald Sim, R.C.N.V.R. Roger A. Collins, R.C.A.F. S. J. Hodgkinson, R.C.A.F. Arthur L. Buley, C.A.S.F. Lloyd F. Steinacker, C.A.S.F. Robert Siddell, R.C.A.F. †Ronald W. Lance, R.C.A.F. Harold F. Whitehall, R.C.A.F. J. Barclay Cliffe, R.C.N.V.R. Robert W. Harvey, C.A.S.F. Norman E. Ranson, D.F.M., R.C.A.F. Arnold W. Avison, R.C.A.F. George Merklinger, R.C.N.V.R. Norman R. Cody, C.A.S.F. John C. Hunt, C.A.S.F. Sydney A. Edwards, C.A.S.F. Gordon M. Lear, R.C.N.V.R. Arthur A. Livingston, C.A.S.F. John C. French, C.A.S.F. Vincent Calzonetti, C.A.S.F. Ernest L. Hunt, R.C.A.F. Edward Dicker, C.A.S.F. Thomas N. Baird, R.C.A.F. Bernard B. Gaynor, R.C.A.F. William J. Mills, C.A.S.F. Robert C. Conlan, C.A.S.F. William A. Parry, R.C.N.V.R. Eric C. Beardsley, C.A.S.F.

J. Gale Blasingame, U.S.N.R. John Barry, C.A.S.F. James A. Burnett, R.C.A.F. James F. McQuaid, R.C.A.F. Frank Edgar, R.C.A.F. Ruby Anderson, C.W.A.C. Mary I. Anthony, C.W.A.C. Elearata M. Brown, W.A.A.F. Dora M. Dale, C.W.A.C. Ruth E. Deal, R.C.A.F. (W.D.) D. M. Dencer, R.C.A.F. (W.D.) Frances Dicker, C.W.A.C. Catherine Esser, R.C.A.F. (W.D.) Dorothy E. Fowler, R.C.A.F. (W.D.) Frances C. Graham, R.C.A.F. (W.D.) Victoria B. Gorrie, C.W.A.C. Constance Hagen, R.C.A.F. (W.D.) Florence K. Hamill, R.C.A.F. (W.D.) Dorothy Love, C.W.A.C. Marion Martin, R.C.A.F. (W.D.) Mildred A. Riel, R.C.A.F. (W.D.) Janet M. Reeves, C.W.A.C. Lydia C. Trainor, R.C.A.F. (W.D.) Elaine Winkler, C.W.A.C. Hilda Wright, C.W.A.C. Kathleen W. Tobin, W.R.C.N.S. June D. Percival, C.W.A.C. †William J. Bolster, C.A.S.F. Kenneth W. Jones, R.C.N.V.R. John E. Reeves, R.C.A.F. Thomas Dochak, C.A.S.F. Diana D. Woods, R.C.A.F. (W.D.) Paul D. Marsh, R.C.A.F. J. Simeon Faucher, C.A.S.F. William K. Craven, R.C.N.V.R. John R. Buliung, R.C.N.V.R. Joyce M. Young, W.R.C.N.S. Andre Decarie, C.A.S.F. †Gilbert C. McFadyen, R.C.A.F. William G. Levie, C.A.S.F. F. E. Jardine, R.C.A.F. David E. Gardiner, C.A.S.F. Norman A. Mosley, R.C.A.F. Margaret Neilson, V.A.D. Elsie G. Reid, W.R.C.N.S. Mabel Barnes, C.W.A.C. Elaine L. Bailey, W.R.C.N.S. Carol D. Bird, R.C.A.F. (W.D.) Marion A. Savage, R.C.A.F. (W.D.) Ida R. Watson, C.W.A.C. Orca McGrath, W.R.C.N.S. Clara E. Cassey, R.C.A.F. (W.D.) Helen B. Morrow, R.C.A.F. (W.D.) Vicki A. Harding, R.C.A.F. (W.D.) Annie L. Bollivar, R.C.A.F. (W.D.) Isabel Jordan, C.W.A.C. Donald K. Harding, C.A.S.F. Jules Nolin, C.A.S.F. Ronald Roy, R.C.N.V.R.



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