

ZELLER'S

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McGILL UNIVERSITY



Twelfth

ANNUAL REPORT

Year ended January 31, 1944

ZELLER'S LIMITED

To the Shareholders:-

Your Company's Twelfth Annual Report presented herewith, for the fiscal year ended January 31, 1944, records another period of very satisfactory operations. With so great a part of Canada's productive capacity rightfully devoted to manufacturing war supplies, the quantity of civilian merchandise available during the last year was necessarily limited. It was, therefore, inevitable that retail sales in some lines should undergo a corresponding reduction, and, as was anticipated in our last report, the total sales and profits of this Company and its Subsidiaries for the year under review did not quite equal those attained in the preceding year.

In particular, rising wartime costs have made it increasingly difficult to manufacture a number of items normally in great demand, and, in this connection, the Company desires to record its appreciation of the cooperation of its suppliers, who have done their utmost to continue to produce the popular-priced lines upon which this Company's business has been so largely based.



Year ended Jan. 31st	Stores Operating End of Year	Net Sales	Profits before Taxes	Dominion and/or Provincial Taxes	Net Profits after Taxes
1935	15	\$ 3,321,423	\$ 14,734	\$ 1,861	\$ 12,873
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	390,000	372,735
1943	27	10,648,382	928,400	555,000(A)	373,400
1944	27	10,271,400	866,528	535,000(A)	331,528

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

SALES AND PROFITS

In order that the results for the year under review may be readily compared with the Company's previous performance, figures are given in the above chart as to stores, sales, taxes and profits. A review of this chart shows how constant has been the Company's expansion until the outbreak of war.

In the first three war years the vast increase in consumer purchasing power resulted in record sales, but during the fourth war year, which the Company has just completed, growing shortages of consumer goods began to show their effect. This mainly accounts for the drop of 3.5% in the Company's sales which, together with an increased rate of taxation, reduced the profits by 11.2%. However, it is worthy of note that only once in the Company's history have sales exceeded those for the year just closed.

The financial position of the Company and its subsidiaries, as at the close of the year under review, is set forth in the "Consolidated Balance Sheet and Statement of Profit and Loss". As will be noted, the liquid position is most satisfactory. The total of Cash on Hand, in the amount of \$636,939.04 and Dominion of Canada Victory Bonds, in the amount of \$500,000, is greater than the combined total of all current liabilities. The Consolidated Statement of Earned Surplus now shows a balance of \$1,395,319.21.

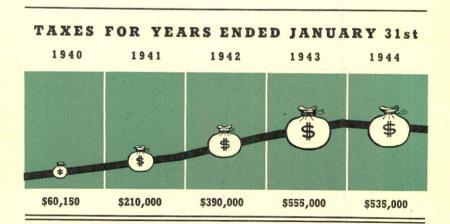
Attention should be drawn to the fact that the Company no longer has any funded indebtedness outstanding, the last of its debenture stock having been redeemed on March 1, 1943. Furthermore, on January 31, 1944, the Company issued the balance of its authorized 6% Cumulative Redeemable Preferred Stock, namely 10,000 shares of the par value of \$25.00 each.

DIVIDENDS

For the year under review, the regular 6% dividend was paid on the Company's Preferred Stock, and a dividend of \$1.00 per share was paid on the Company's Common Stock, the latter payment comprising a bonus of 20c. per share, in addition to four quarterly dividend payments of 20c. each. The total dividend payments, amounting to \$170,000.00, represent slightly over 50% of the net profit, the balance being reflected in the increase in the surplus account.

The year just ended was the first throughout the whole of which the Company was subject to a 100% Excess Profits Tax. The 100% rate first became effective on July 1, 1942. For the full fiscal year, ending January 31, 1942, and for five-twelfths of the fiscal year ending January 31, 1943, an Excess Profits Tax rate of 75% was in effect. As a result, there is a fair measure of truth in the saying that Government is now the principal partner in most business undertakings. Indeed, for the year under consideration, for every dollar in dividends paid to the shareholders, your Company will pay \$3.15 to the Federal Government in Income and Excess Profits Taxes.

It will be seen from the growth in Federal Taxes for the last five years, as pictured in the following chart, that Federal Taxes payable by the Company and its Subsidiaries have increased 7½ times in that period. For the last ten years, while the Company's total business has increased slightly over 4 times, the taxes have increased 265 times.



MERCHANDISE	DISTRIBUTION OF T	OTAL INCOM	E
	Cost of Mdse. and Supplies Remuneration to Staff	\$ 7,139,317 1,391,739	% 69.50 13.55
	Occupational Costs	716,613	6.98
	Miscellaneous Expenses	158,657	1.55
	Income and Excess Profits Taxes	535,000	5.20
	Dividends	170,000	1.65
	Leaving in the Business	161,528	1.57
69.50%	Total Income	\$10,271,400	100.00
	13.55% STORES MISCELLANEOUS 6.98% 5.20	ODENDS	SURPLUS

The above chart, and the following brief analysis, show what was done with the \$10,271,400 which our customers paid us for the merchandise we sold.

MERCHANDISE AND SUPPLIES. Almost 70% of the money was used to buy goods to sell. It is worthy of mention that approximately 90% of the goods which the Company stocks are made in Canada and, as a result, most of the money it uses to buy these goods goes into the pockets of the Canadian workers who make them.

REMUNERATION TO STAFF. For the year just closed, this amounted to 13.55% of the total sales, or more than 8 times the amount paid to the shareholders in dividends.

OCCUPATIONAL COSTS. These amounted to 6.98% of the total sales. This includes rents, property taxes, light, heat, water, depreciation and insurance.

INCOME AND EXCESS PROFITS TAXES. While the provision for taxes was \$535,000, these taxes actually amounted to \$620,000, the difference of \$85,000 being the refundable portion to be returned after the war. The percentage of the net amount of 5.20 means that taxes absorbed more than 5c. of every dollar which our customers paid for merchandise.

DIVIDENDS AND SURPLUS. Dividends paid to shareholders and Surplus (what was left in the business) are the two smallest items in this distribution of income.

Nartime regulations do not permit the opening of any new stores, but a very desirable location has been acquired in the City of Vancouver, and a wholly-owned Subsidiary Company, Zeller's (B.C.) Limited, has been incorporated to own and manage the said property with a view eventually to opening and operating a store therein.

The Company intends to pursue its established policy of expansion. Surveys of the potential possibilities of properties available, and negotiations for their acquisition, are being constantly carried on. As desirable locations under suitable terms present themselves, it is proposed either to purchase or to lease them for new stores. However, this policy has been, and will continue to be, governed by prudent conservatism.



PERSONNEL

The Company considers that its efficient and enthusiastic employees, 88% of whom are women, are its greatest asset. The entire staff has cheerfully accepted both the extra burdens which wartime regulations entail, and the added work resulting from the loss of the experience and training of so many of their former associates now on active service with the Armed Forces.

It is a privilege for the Company to maintain contact with all its former employees on active service, now numbering 102, by having them participate in the Company's Profit Sharing Bonus Plan which present employees enjoy, details of which are outlined later in this report.

The Company pays its deepest respects to the memory of five of its former employees who have given their lives in the service of King and Country.

The Personnel Program, which the Company is constantly striving to improve, has no other objective than to justify and reward the energy and keenness of its employees. The following are some of the main features of this program.

EMPLOYEES' PROGRESS REVIEW

At least twice a year, the work of each member of the store staff is carefully reviewed and graded in accordance with a reasonable and uniform system. Each person's grades are then made the subject of an inter-

view with a member of the Management so that progress may be recognized when it has been achieved, and that helpful suggestions may be made when they are needed. It is on the basis of these records that wage increases are made to individual employees within the limits of the Wartime Wages Control Order.





CHRISTMAS BONUS AND PROFIT SHARING PLAN

Under the Company's established policy, all employees, apart from executives and others holding special wage agreements, participate in a Christmas Bonus and a Profit Sharing Plan.

In 1943, the Christmas bonus, which is based on length of service, amounted to \$61.00 to each of those employees with the longest service record. The Company paid out a total of \$12,000 for these Christmas bonuses last year.

For the fiscal year just ended the percentage, which determines the amount to be distributed under the Profit Sharing Plan, was increased, within the limits of the Wartime Wages and Control Order, from 2% to 3% of the Operating Profits of the Company's stores. An equitable basis of sharing has been devised; two-thirds of the amount is determined by the Operating Profits of the store in which the individual is employed, and one-third is determined by the Operating Profits of all stores combined. Length and kind of service are also factors in arriving at the amount of the individual bonuses.



In 1943, the Company paid out approximately \$65,000.00 in Profit Sharing Bonuses in varying amounts, the highest of which was \$113.00. Former male employees now with the Armed Forces who had one or more years' service with the Company each received a Bonus of \$95.00.

The maximum paid to any one employee in Christmas and Profit Sharing Bonuses combined was \$174.00. To take care of these bonuses, the Company paid out a total of more than \$77,000.00, which was equal to 45% of the money paid in dividends to the Company's shareholders for the same period.



VACATIONS

All employees with six months' service or more, are entitled to Summer vacations with pay; and all employees with two years service or more are entitled, in addition, to Winter vacations with pay. In both categories, the

length of the vacation is determined by the length of service, with a maximum vacation period of two weeks in

each season.

During the year under review, the Company paid \$21,000 in wages and salaries to its employees for their vacation periods.



INSURANCE, HOSPITALIZATION, PENSIONS

All of the Company's employees with three years service or more may subscribe for group life insurance, to an amount in accordance with their wage or salary classification, within a maximum of \$4,000 for female employees and \$5,000 for male employees in executive positions.

Group Hospitalization Insurance is also open to both male and female employees and a Group Pension Plan is open to all male employees 25 years of age or more, with three or more years service.



Better Relations Associations, representative of the staff, have been organized by the employees in a number of the Company's stores and are being organized in others, in order to promote the closest cooperation and maintain a constant spirit of goodwill between employees and Management.

These Associations have proved of the highest value in providing the store staff with a means of making their collective wishes and opinions known to the Management. Where such Associations have expressed a desire to bargain collectively with the Company on behalf of the staff they represent, the Company has been willing to enter into Collective Agreements with them.



It is with the gravest sense of loss that the death of two of the Company's Directors is reported. The Company is immeasurably indebted to Mr. William C. Nicholson, K.C. and Gilbert F. Brooks whose advice and counsel it was privileged to have had from its inception. Mr. Nicholson died during the course of the year covered by this Report, and the vacancy caused by his death has been filled by the appointment to the Board of Mr. Allan A. Magee, K.C., C.B.E. Mr. Brooks died after the year under review was completed. Their passing is keenly regretted by all whose good fortune it was to have known and worked with them.

It would seem that, though numerous and serious difficulties lie ahead, the worst year of the war, as regards production problems, has been passed. The Management of your Company is reasonably encouraged by the prospects for the year which lies ahead.

All associated with your Company are devoting the most careful thought to the subject of Post-War Planning, and measures are being taken so that the Company will be fully in a position to profit by such increased opportunities as the future may provide.

On behalf of the Board,

Walter P. Zeller

Chairman.

BOARD OF DIRECTORS

WALTER P. ZELLER, Chairman

RUSSELL D. BELL

GILBERT F. BROOKS

HON. WILFRID GAGNON, C.B.E.

ROBERT T. HARTT

ALLAN A. MAGEE, K.C., C.B.E.

J. W. McCOLL

OFFICERS

WALTER P. ZELLER . . . President
ROBERT T. HARTT . . . Vice-President
T. E. McDERMOTT Treasurer
E. G. COLLARD Secretary

TRANSFER AGENTS

Barclay's Trust Company of Canada 214 St. James Street West, Montreal.

REGISTRAR

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

ZELLER'S LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st JANUARY 1944

FOR THE YEAR ENDED 31st JANUARY 1944							
SALES		\$10,271,399.97					
DEDUCT:							
Cost of Goods Sold, Operating, Selling and Administrative Expenses, exclusive of items shown hereunder Salaries of Executive Officers Legal Fees Directors' Fees	\$9,146,436.09 47,720.32 465.00 800.00	9,195,421.41					
DEDUCT:		\$ 1,075,978.56					
Interest on Mortgages Interest on Debenture Stock Depreciation—Buildings, Fixtures and Equipment, and Improvements to	\$ 15,960.34 309.86						
Leasehold Premises	193,179.61	209,449.81					
DEDUCT:		\$ 866,528.75					
Provision for Income and Excess Profits Taxes Less: Refundable Portion Excess Profits Tax	\$ 620,000.00 85,000.00	535,000.00					
Consolidated Net Profit for the Year— transferred to Consolidated Earned Surplus		\$ 331,528.75					
CONSOLIDATED STATEMENT OF EARNED SURPLUS FOR THE YEAR ENDED 31st JANUARY 1944							
Balance at Credit—31st January, 1943 ADD: Consolidated Net Profit for the Year	\$ 331,528.75	\$ 1,228,898.70					
Premium less Expenses on Preferred Shares Issued	4,891.76	336,420.51					
		¢ 1 5/5 210 21					

LIMITED COMPANIES

AS AT 31st JANUARY, 1944

LIABILITIES

CURRENT:

Accounts Payable \$ 549,213.48

Miscellaneous Accrued Taxes 11,060.57

Provision for Income and Excess Profits Taxes 335,306.06

Mortgage Instalments due within Twelve Months 49,970.00 \$

49,970.00 \$ 945,550.11

MORTGAGES PAYABLE

291,280.62

CAPITAL AND SURPLUS:

Authorized:

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

Issued and Fully Paid:

40,000 Preferred Shares \$1,000,000.00 (Issued for Cash during the Year - 10,000 Shares)

125,000 Common Shares 625,000.00 \$1,625,000.00

Consolidated Earned Surplus

1,395,319.21 3,020,319.21

\$4,257,149.94

HE SHAREHOLDERS

s Subsidiary Companies as at 31st January, 1944, and we required.

neet as at 31st January, 1944, and relative Consolidated n up so as to exhibit a true and correct view of the state of the explanations given to us and as shown by the books

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

ZELLER'S

AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT:

Cash
Dominion of Canada Bonds with Accrued
Interest (Approximate Market Value \$501,700.00)
Inventories:

(Quantities determined by actual count weight or

(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 32,846.89 62,509.10 22,000.00

\$2,198,297.04

REFUNDABLE PORTION EXCESS PROFITS TAX

145,000.00

FIXED ASSETS-At Cost:

Land and Buildings \$1,021,513.50
Less: Reserve for Depreciation 70,856.50 \$ 950,657.00

Fixtures, Equipment and

Improvements to Leasehold
Premises \$2,328,290.38
Less: Reserve for Depreciation 1,365,094.48

963,195.90

1,913,852.90

Approved on behalf of the Board:

WALTER P. ZELLER ROBERT T. HARTT

\$4,257,149.94

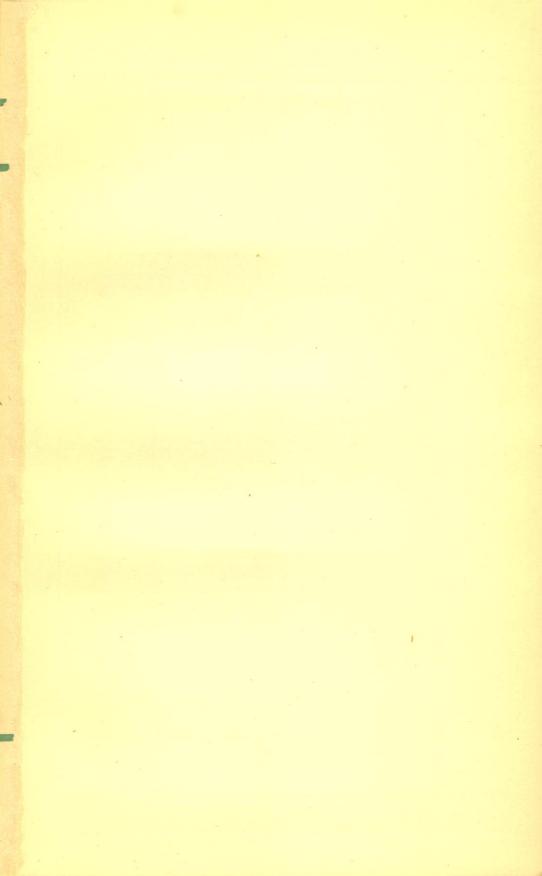
AUDITORS' REPORT TO T

We have examined the books and accounts of Zeller's Limited and it have obtained all the information and explanations which we have

We report that, in our opinion, the above Consolidated Balance SI Statements of Profit and Loss and Earned Surplus are properly draw the Companies' affairs, according to the best of our information an of the Companies.

MONTREAL, 4th March, 1944





ZELLER'S LIMITED

Retailers to Thrifty Canadians



OPERATING 27 STORES IN 26 CITIES

Barrie, Ont.

Belleville, Ont.

Brantford, Ont.

Edmonton, Alta.

Fort William, Ont.

Fredericton, N.B.

Guelph, Ont.

Halifax, N.S.

Hamilton, Ont. (2 stores) Saint John, N.B.

Kitchener, Ont.

Lindsay, Ont.

London, Ont.

Moncton, N.B.

New Glasgow, N.S.

North Bay, Ont.

Oshawa, Ont.

Ottawa, Ont.

Peterborough, Ont.

Port Arthur, Ont.

Quebec, P.Q.

St. Catharines, Ont.

Sarnia, Ont.

Sherbrooke, P.Q.

Three Rivers, P.Q.

Winnipeg, Man.