

*11<sup>th</sup>*

# ANNUAL REPORT



**ZELLER'S LTD.**

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McGILL UNIVERSITY

YEAR ENDED JANUARY 31ST, 1943



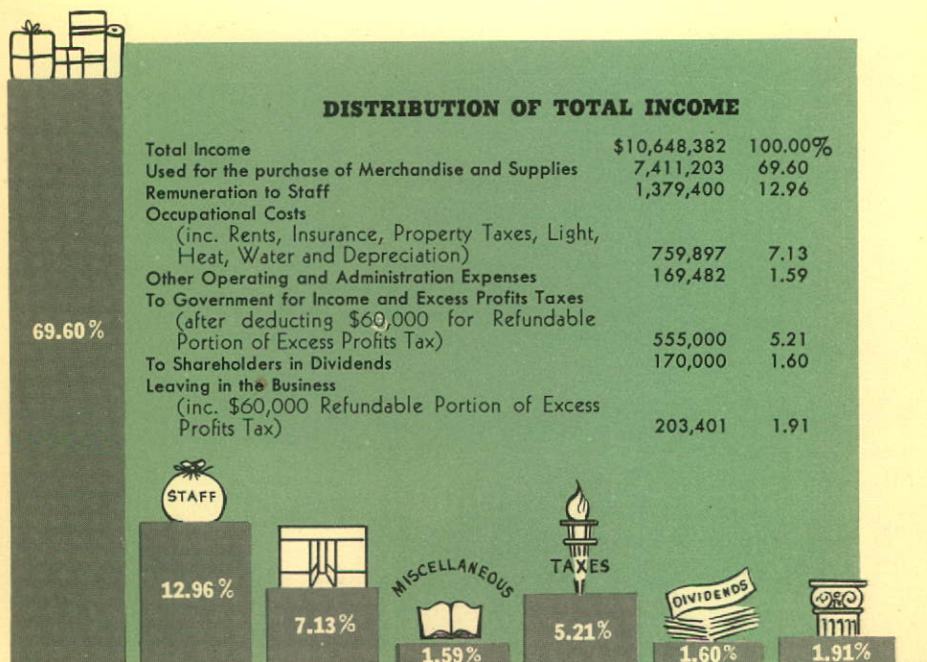
# ANNUAL REPORT

A report of the operations of Zeller's Limited and subsidiary Companies, for the year ending January 31st, 1943, is presented in the following pages.

The Consolidated Balance Sheet and Statement of Profit and Loss present the financial picture of the past year, but there are several aspects of the period to which attention should be drawn.

The year under review is the eleventh completed by the Company since its incorporation. It is the first whole year in which business has been governed by price and wage ceilings and the numerous other wartime orders and regulations.

The manner in which the Company's income for the year was distributed is indicated in the following chart.



## SALES AND PROFITS

Sales for the year just closed were considerably greater than those of the year before—\$10,648,382, as compared with \$9,621,970—an increase of 10.67%.

While profits, before deduction of income and excess profits taxes, increased 21.7% over those of the previous year, the net profit, after deduction of taxes, was substantially the same as last year.

After providing for depreciation and for interest on the Company's then outstanding Debenture Stock, and after allocating \$555,000 for Federal taxes, a profit of \$373,400 remained to be transferred to the Consolidated Earned Surplus Account, which increases the amount standing in this account to \$1,228,898.

## PROGRESS

In order that the Company's progress may be considered in relation to past experience, the following figures for the last ten years are given, to show the increase in sales and in profits both before and after taxes:

Year ended Jan. 31st	Stores Operating End of Year	Net Sales	Profits Before Taxes	Dominion and/or Provincial Taxes	Net profits after Taxes
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	178,081	31,918	146,162
1938	22	5,063,910	269,759	45,532	224,227
1939	24	5,017,028	216,322	38,596	177,726
1940	27	6,180,192	324,118	70,829	253,289
1941	27	7,806,104	503,785	213,387	290,398
1942	27	9,621,970	762,735	390,000	372,735
1943	27	10,648,382	928,400	555,000	373,400

\*Deficit.

For the year ending January 31st, 1943, no new stores were established. However, the store at Fredericton, which was completely destroyed by fire in March, 1942, has since been re-opened and equipped with modern fixtures. While these premises were undergoing restoration, a temporary store was maintained in the same City.





From the year 1934 to 1943 stores increased from 14 to 27, total business increased  $4\frac{1}{2}$  times, total taxes 310 times.

In accordance with wartime regulations, apart from the restoration of the premises at Fredericton, no major changes were made in any of the stores, and no expansion was undertaken in either plant or equipment.

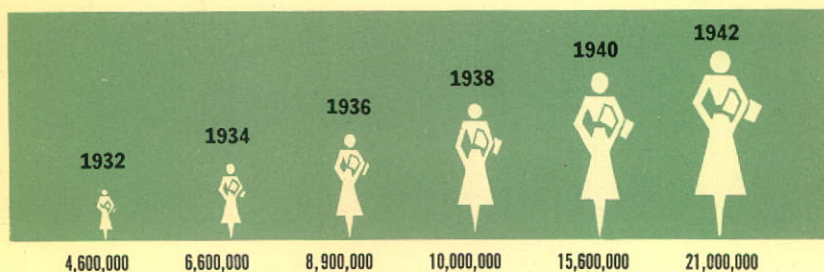
However, in order to co-operate fully with wartime needs, the Company has converted all its oil-burning furnaces to coal-burning furnaces.

### DIVIDENDS

The regular 6% dividend was paid on the Company's Preferred Stock for the year under review and, in addition, the holder of each share of Common Stock received \$1.00, which comprised four quarterly dividend payments of 20c. each, and an extra payment of 20c. per share. In the Consolidated Statement of Earned Surplus appears provision for two extra payments, one of which was applicable to operations for the previous year.

### TAXES

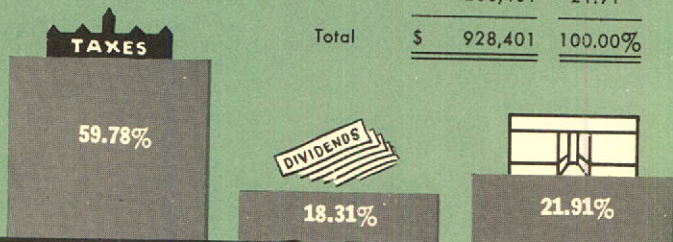
As will be noted, a very considerable percentage of the Company's profits has been allocated for taxes. Indeed, for the year under review, for every dollar paid in dividends, over three dollars is to be paid in taxes, apart from the refundable portion that will be returned after the war.



The number of customers served in the stores has multiplied almost five times in ten years.

The chart below presents another comparison for your information—the relationship between Taxes, Dividends and the amount left in the business:

Income and Excess Profits Taxes	\$ 555,000	59.78%
To Shareholders in Dividends	170,000	18.31
Leaving in the Business	203,401	21.91
Total	<u>\$ 928,401</u>	<u>100.00%</u>



It may furnish some idea of the size of the Company's tax obligation on the year's operation if it is noted that, were the net amount of taxes divided by the number of Common shares outstanding, it would equal \$4.44 per share, or, if it were to be divided by the number of employees, it would exceed \$500.00 per employee.

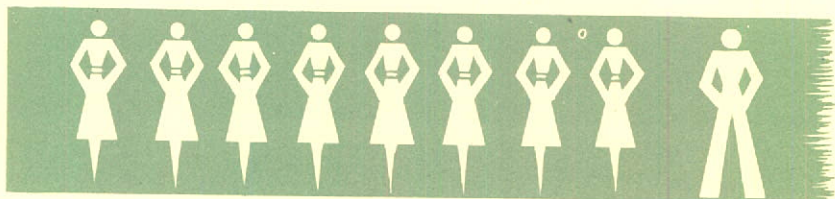
For the year in question, the total income and excess profits taxes amount to \$615,000. After deducting the refundable portion of \$60,000, the remaining \$555,000 almost equals the total of all the dividends paid on the Company's Preferred and Common Stock ever since its incorporation.

#### DEBENTURE STOCK

The balance sheet shows a provision of \$65,000 for the redemption of the Company's debenture stock. Payment of this amount was completed on March 1, 1943, so that all of the original issue of \$250,000.00 has now been redeemed.

#### PERSONNEL

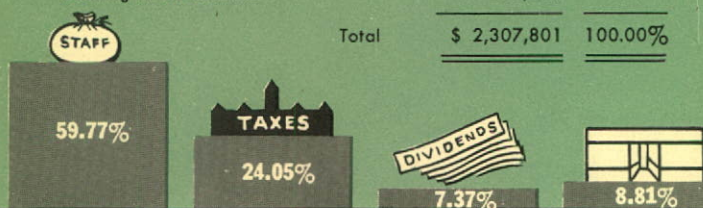
It has always been the conviction of your Company's management that its progress is profoundly conditioned by the efficiency of its employees, and that a genuinely progressive personnel policy is one of the best guarantees of your Company's continued welfare in the period of readjustment which all business must face after the war.





The relationship between the amounts paid in the past year in remuneration to the Staff; to the Government in Taxes; to the Shareholders in Dividends; and that left in the business, is indicated in the following chart:

Remuneration to Staff	\$ 1,379,400	59.77%
For Income and Excess Profits Taxes	555,000	24.05
To Shareholders in Dividends	170,000	7.37
Leaving in the Business	203,401	8.81
Total	<u>\$ 2,307,801</u>	<u>100.00%</u>



This Company's personnel policy includes among its features both Christmas and Profit Sharing Bonuses within the limits of the Wartime Wages Control Order; both Summer and Winter vacations with pay, granted in accordance with length of service; sickness benefits; separation allowances; a group pension plan open to male employees and a group insurance plan open to both male and female employees.

However, of all the various features of its personnel policy, the Company considers that the most important single item is its Personnel Review Grading System. Under this, the performance of each member of the store staff is carefully reviewed not less than twice annually and is rated in accordance with reasonable standards. Each person is then invited to discuss his or her record confidentially with a member of the management with a view to further improvement.

This system has more than justified its use, not only as the basis upon which wage increases are made under the Wartime Wages Control Order, but also as a means of assuring each employee that both the individual and the Company have a mutual interest in his or her personal progress.

### CONCLUSION

Conditions at the close of the year under review were vastly different from those at its beginning and are still changing. This makes it hard to forecast what may be expected in the present year. While the problem of securing merchandise is becoming more difficult, there is every expectation of securing

sufficient merchandise to do an adequate business, although some reduction in sales and profits is anticipated.

The Company places its reliance upon the progressiveness and energy of its staff to make the most of the opportunities of the future, as they have done in the past, and for their loyalty to the Company and each other, the Company desires to record its sincere gratitude.

On behalf of the Board,

WALTER P. ZELLER,  
Chairman.

**ZELLER'S LIMITED OPERATES  
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.





## **BOARD OF DIRECTORS**

Walter P. Zeller, Chairman

Russell D. Bell

Gilbert F. Brooks

Hon. Wilfrid Gagnon

Robert T. Hartt

J. W. McColl

W. C. Nicholson, K.C.

### **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

### **REGISTRAR**

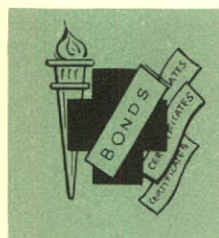
Chartered Trust and Executor Company  
132 St. James Street West, Montreal



## SOME FACTS ABOUT STAFF



Approximately 21,000,000 customers were waited on in the stores last year—the largest number yet recorded. This reflects considerable credit on "the girl behind the counter", for customers return, again and again, only to stores that give them intelligent and courteous service, in addition to good merchandise.



The members of the Company's staff are active in their support of the war loans and war charities campaigns. At the present time 95% of the staff are buying War Savings Certificates regularly on the payroll deduction plan.



Members of the staff on active service are not forgotten by the Company or by their former associates. They hear from both, receive the Staff's Weekly News Bulletin, and the war service groups in the various stores see that parcels go to them at appropriate intervals.

## ACTIVITIES DURING THE PAST YEAR

The staff of each of the 27 stores has formed a War Service Group that does a substantial amount of war work. First Aid Courses were conducted at each store by the St. John's Ambulance Association, at the cost of the Company, and over 250 persons have received their qualifying certificates.



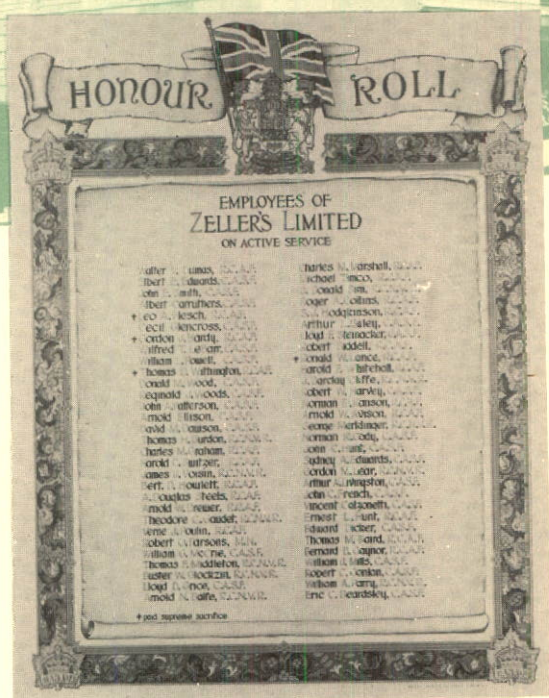
Since the year 1942 marked the tenth anniversary of the Company's incorporation, a 10-year Service Club was instituted. The Company feels privileged to distribute suitable service pins to each member of the Club, which at present is 82 in number or 8.2% of the total staff.



Supplying consumer needs is a very necessary and important task in wartime, as in peace, for the civilian population depends on its retail stores to find the best available merchandise, at the lowest possible cost, and to bring that merchandise within convenient reach of their homes. The co-operation of all departments, in performing this service, is widely appreciated.









## ZELLER'S LIMITED

## HONOUR ROLL

William L. Powell	C.A.S.F.
John E. Smith	C.A.S.F.
Albert Carruthers	C.A.S.F.
Walter V. Dumas	R.C.A.F.
Elbert E. Edwards	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.
*Thomas D. Withington	R.C.A.F.
Donald M. Wood	C.A.S.F.
Reginald J. Woods	C.A.S.F.
Thomas H. Burdon	R.C.N.V.R.
Charles M. Graham	R.C.A.F.
James J. Voisin	R.C.N.V.R.
Elearata M. Brown	W.A.A.F.
Frances Dicker	C.W.A.C.
Roger A. Collins	R.C.A.F.
John A. Patterson	C.A.S.F.
Arnold Ellison	C.A.S.F.
David M. Dawson	C.A.S.F.
*Ronald W. Lance	R.C.A.F.
Harold C. Switzer	R.C.A.F.
Bert D. Howlett	R.C.A.F.
Mary I. Anthony	C.W.A.C.
Lydia C. Trainor	R.C.A.F. (W.D.)
A. Douglas Steels	R.C.A.F.
Arnold W. Brewer	R.C.A.F.
Verne J. Poulin	R.C.A.F.
Robert O. Parsons	M.N.
Charles M. Marshall	R.C.A.F.
S. J. Hodgkinson	R.C.A.F.
Arnold W. Avison	R.C.A.F.

Arnold N. Balfe	R.C.N.V.R.
Ruth E. Deal	R.C.A.F. (W.D.)
Ruby Anderson	C.W.A.C.
Elaine Winkler	C.W.A.C.
C. Theodore Gaudet	R.C.N.V.R.
Michael Timco	R.C.A.F.
J. Donald Sim	R.C.N.V.R.
Arthur L. Buley	C.A.S.F.
Lloyd F. Steinacker	C.A.S.F.
Robert Siddell	R.C.A.F.
Harold F. Whitehall	R.C.A.F.
Hilda Wright	C.W.A.C.
Frances C. Graham	R.C.A.F. (W.D.)
J. Barclay Cliffe	R.C.N.V.R.
Robert W. Harvey	C.A.S.F.
Norman E. Ranson	R.C.A.F.
George Merklinger	R.C.N.V.R.
Norman R. Cody	C.A.S.F.
Gordon M. Lear	R.C.N.V.R.
Arthur A. Livingston	C.A.S.F.
Dorothy Love	C.W.A.C.
Mildred A. Riel	R.C.A.F. (W.D.)
Dorothy E. Fowler	R.C.A.F. (W.D.)
Vincent Calzonetti	C.A.S.F.
Edward Dicker	C.A.S.F.
Thomas M. Baird	R.C.A.F.
William G. McCrie	C.A.S.F.
Buster W. Glockzin	R.C.N.V.R.
Lloyd D. Grice	C.A.S.F.
Bernard B. Gaynor	R.C.A.F.
Janet M. Reeves	C.W.A.C.
Catherine Esser	R.C.A.F. (W.D.)
Victoria B. Gorrie	C.W.A.C.

William J. Mills	C.A.S.F.	Constance Hagen	R.C.A.F. (W)
Robert C. Conlan	C.A.S.F.	Florence K. Hamill	R.C.A.F. (W)
William A. Parry	R.C.N.V.R.	Dora May Dale	C.W.A.C.
Eric C. Beardsley	C.A.S.F.	John Barry	C.A.S.F.
J. Gale Blasingame	U.S.N.R.	James A. Burnett	R.C.A.F.
John C. Hunt	C.A.S.F.	James F. McQuaid	R.C.A.F.
D. M. Dencer	R.C.A.F. (W.D.)	Frank Edgar	R.C.A.F.
Marion Martin	R.C.A.F. (W.D.)	Kenneth W. Jones	R.C.N.V.R.
Sydney A. Edwards	C.A.S.F.	William J. Bolster	C.A.S.F.
Ernest L. Hunt	R.C.A.F.	Kathleen W. Tobin	WREN
William H. Levie	C.A.S.F.		

\*Paid Supreme Sacrifice

March 26, 1943.

The staff is well represented in Canada's Active Forces—67 men, 20 women are now in uniform. The men represent 47% of our present male staff, an unusually high record of enlistment. The Company is operating with a minimum of manpower in wartime. Its staff throughout Canada is today approximately 87% women. The Sales Records of the past year have been built up by the loyal efforts of all workers.





# ZELLER'S LIMITED AND SUBSIDIARY COMPANIES

## STATEMENT OF OPERATIONS FOR THE YEAR ENDED 31st JANUARY, 1943

SALES		\$10,648,382.08
DEDUCT:		
Cost of Merchandise and Supplies	\$7,411,202.90	
Remuneration to Staff	1,379,399.86	
Occupational Costs:		
Rents, Insurance and Property Taxes	\$467,077.37	
Repairs, Light, Heat and Water	83,385.89	
Depreciation Expense	209,433.54	
	<hr/>	
Total	759,896.80	
Other Operating and Administration Expenses	169,481.75	9,719,981.31
	<hr/>	
Net Profit before Provision for Taxes		\$ 928,400.77
DEDUCT:		
Provision for Income and Excess Profits Taxes	\$ 615,000.00	
Less: Refundable Portion Excess Profits Tax	60,000.00	555,000.00
	<hr/>	
Net Profit for the Year—		\$ 373,400.77

## CONSOLIDATED STATEMENT OF EARNED SURPLUS

Balance at Credit—31st January, 1942		\$ 1,043,118.85
ADD: Consolidated Net Profit for the Year	\$ 373,400.77	
Adjustment arising from Insurance Settlement	7,379.08	380,779.85
	<hr/>	
		\$ 1,423,898.70
DEDUCT:		
Dividends on Preferred Shares	\$ 45,000.00	
Dividends on Common Shares	100,000.00	
Extra Dividend on Common Shares Paid 25th February, 1942	25,000.00	
Extra Dividend on Common Shares Paid 29th January, 1943	25,000.00	195,000.00
	<hr/>	
Balance at Credit—31st January, 1943		\$ 1,228,898.70

# LIMITED

## COMPANIES

AS AT 31st JANUARY, 1943

### LIABILITIES

#### CURRENT:

Accounts Payable	\$ 419,577.40	
Miscellaneous Accrued Taxes	9,266.53	
Provision for Income and Excess Profits Taxes	423,040.52	
Mortgage Instalments due within Twelve Months	18,050.00	
Debenture Stock to be Redeemed in 1943	65,000.00	
(Balance of an Authorized Issue of \$250,000.00 Six Per Cent, Cumulative Redeemable, Sinking Fund Debentures)		
		\$ 934,934.45
MORTGAGES PAYABLE		291,050.00

#### CAPITAL AND SURPLUS:

<i>Authorized:</i>		
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		
<i>Issued and Fully Paid:</i>		
30,000 Preferred shares	\$ 750,000.00	
125,000 Common shares	625,000.00	\$1,375,000.00
Consolidated Earned Surplus	1,228,898.70	2,603,898.70
		<u>\$3,829,883.15</u>

#### THE SHAREHOLDERS

as at 31st January, 1943, and we are required to

present as at 31st January, 1943, and relative Consolidated Statement of Profit and Loss, and Balance Sheet up so as to exhibit a true and correct view of the state of the affairs of the companies and as shown by the books

DUNTON, ROSS & FREWIN,  
Chartered Accountants.

# ZELLER'S

## AND SUBSIDIARY

### CONSOLIDATED BALANCE SHEET

#### ASSETS

##### CURRENT:

Cash	\$ 279,652.31	
Dominion of Canada Bonds with Accrued Interest (Approximate Market Value \$753,500.00)	755,312.50	
Inventories (Quantities determined by actual count, weight or measurement under supervision of the Management, and priced at the lower of Cost or Market)	815,666.42	
Sundry Accounts Receivable and Deposits	26,232.74	
Prepaid Expenses and Supplies	72,823.65	
Life Insurance—Cash Surrender Value	19,800.00	
	<hr/>	\$1,969,487.62

REFUNDABLE PORTION EXCESS PROFITS TAX	60,000.00
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##### FIXED ASSETS—At Cost:

Land and Buildings	\$721,847.63	
Less: Reserve for Depreciation	55,879.28	665,968.35
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Fixtures, Equipment and Improvements to Leasehold Premises	2,323,708.81	
Less: Reserve for Depreciation	1,189,281.63	1,134,427.18
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		1,800,395.53

Approved on behalf of the Board:

WALTER P. ZELLER ROBERT T. HARTT	}	Directors.
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\$3,829,883.15

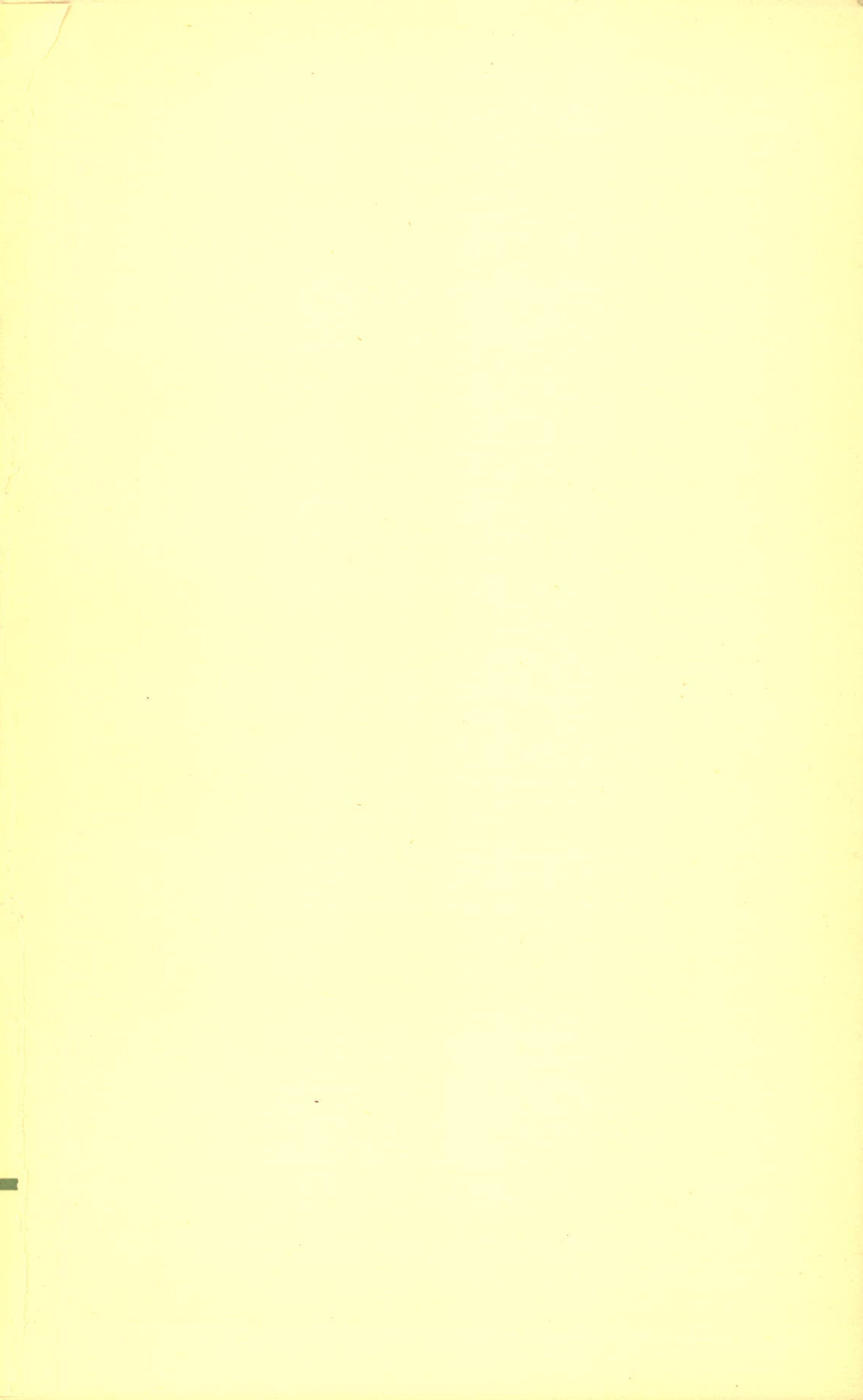
#### AUDITORS' REPORT TO THE

We have examined the books and accounts of Zeller's Limited and its subsidiaries and have obtained all the information and explanations which we have required. We report that, in our opinion, the above Consolidated Balance Sheet, Statements of Profit and Loss and Earned Surplus are properly drawn from the Companies' affairs, according to the best of our information and belief.

MONTREAL, 15th March, 1943.







**ZELLER'S LIMITED**



**Retailers to Thrifty Canadians**