



DOMINION STORES LIMITED

•
19th Annual Report

•
1938

**NINETEENTH
ANNUAL REPORT
FISCAL YEAR ENDING...
DECEMBER 31st ... 1938**

DOMINION STORES LIMITED



NEW SELF SERVE AT . . . ORILLIA

NEW SELF SERVE AT . . . LACHINE



NEW SELF SERVE AT . . . LACHUTE

NEW SELF SERVE AT . . . TORONTO



PRESIDENT'S REPORT TO THE SHAREHOLDERS

In this report to the Shareholders we have endeavoured to give a complete picture of the operations of the Company as they affect those vitally interested, viz.—the consumers, the employees, and the shareholders, as well as those who supply us with products and service. Justification for the existence of your Company lies in its ability to render constructive service to each in the group. They must benefit together and the interests of each must be protected. This is the responsibility of the Board of Directors and Management.

During the past year definite steps have been taken to bring about sound and efficient management, so that your Company's operation may reflect a satisfactory fulfilment of the purposes outlined herein.

Complete reorganization of the whole business was found necessary. The management program, therefore, has been directed toward eliminating the inefficient elements existent, and strengthening the constructive elements through sound analysis, planning, and direction. Of first importance in this program has been the rehabilitation of the organization's personnel, based on the axiom that "**People** and not **things** make money."

Operating results show a net loss of \$149,112.37 after all charges, including taxes and depreciation.

Sales for 1938 show a decrease of \$1,027,717.65 as against 1937. Your Company operates on the basis of 13 periods per year; therefore 1937 sales included an adjustment period of 5 weeks, or a total of 53 weeks, whereas 1938 included only 52 weeks. Price levels were considerably lower in 1938 than 1937, due to material decreases in commodity prices generally, and extreme competitive conditions. At the end of the year the Company operated ~~464~~ stores in 1938 and 475 in 1937.

While Inventories at \$1,751,495.25 show an increase of \$154,515.60 over 1937, they represent more normal operation consistent with requirements of the business. There has been no change in your Company's policy of proper control of inventories.

A comparative summary of distribution of the Company's shares and shareholders as at January 31st, follows:—

	Number of Shareholders		Number of Shares	
	1938	1939	1938	1939
Prince Edward Island.....	5	5	583	583
Nova Scotia.....	41	38	1,428	1,283
New Brunswick.....	43	40	3,942	1,973
Quebec.....	201	204	56,665	61,083
Ontario.....	909	880	81,667	89,245
Manitoba.....	29	25	1,099	927
Saskatchewan.....	31	27	2,621	2,516
Alberta.....	31	28	820	655
British Columbia.....	43	38	1,893	1,516
United States.....	1,173	1,070	115,956	107,274
Other Countries.....	47	40	13,340	12,959
Total.....	2,553	2,395	280,014	280,014

Application to delist the Company's shares from the New York Stock Exchange is now before the Securities and Exchange Commission for decision. In the meantime, as instructed by the shareholders, all information requested by the Commission has been supplied, and all regulations complied with. Following this decision, application will be made for listing the Company's Shares on the Montreal Stock Exchange.

During the year the Company's Accounting System has been placed on a sound basis and a proper control of credit sales established. A reserve has been set up sufficient to place value of Accounts Receivable on a conservative basis.

An agreement between Dominion Stores Limited, Stop and Shop Limited, and Thrift Stores Limited, subject to ratification by the bondholders of the latter companies, on a basis favourable to your Company, has been entered into. Dominion Stores Limited acquires 30 stores at present operated by Stop and Shop Limited in the City of Toronto. These are selected locations and will bring increased volume

PRESIDENT'S REPORT TO THE SHAREHOLDERS Continued

of sales to Dominion Stores Limited. Under terms of the agreement, Stop and Shop Limited will close its remaining Toronto stores and Stop and Shop Limited and Thrift Stores Limited will cease to operate within fifty miles of the corporate limits of the City of Toronto for a period of 10 years. Certain Toronto stores now operated by your Company will be closed if the agreement is finally consummated.

As indicated elsewhere in this report, your Company is now experimenting with "test" groceries at several points. This activity is still in the experimental stage and no indication of future policy can, at present, be given.

The policy of aggressive merchandising continues, and as a means of strengthening your Company's operation, we are happy to state that Mr. Howard J. Moffett, formerly with Dominion Stores Limited, has again joined the management as Assistant to the President. Mr. Moffett brings to the Company additional merchandising and executive experience.

Your Company's Public and Employee relations have been definitely improved during the last six months. Better understanding of the value of distribution of our type has been spread. A more human approach to existing problems has been developed. We believe that a proper appreciation of mutual problems, in government, in our own organization, and amongst competitors of various kinds, will provide a basis for constructive and equitable solution. Therefore, we have actively engaged in analysis of the difficulties, imagined or real, and developed and suggested plans for their alleviation with satisfactory results. This policy will be pursued and further developed during 1939.

An Employees' Council has been established, consisting of representatives elected by members of the various departments, and scheduled to meet periodically where problems may be frankly discussed. Training plans for Junior Clerks, Senior Clerks, Managers, and Superintendents, are now in force. These plans provide a basis for the recognition of merit and greater opportunities for employees. They will, naturally, increase the efficiency of our staff in service to our customers.

All involved in this Company's successful operation must benefit, and benefit together. Conscious of this, additional plans affecting employees, and calculated to improve sales through greater efficiency in customer service, and to assist in producing a just return to shareholders, are in hand.

An esprit de corps indicative of extreme loyalty and willingness to make the necessary contribution exists throughout the organization to-day. Since your Company's inception, 96 Gold Pins for 15 years' service, 271 Silver Pins for 10 years' service, and 630 Bronze Pins for 5 years' service, have been distributed to employees.

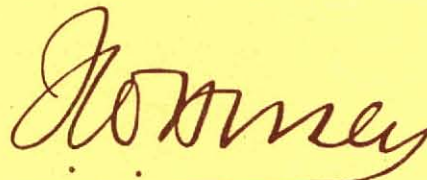
Employees of your Company are making a definite contribution to the communities in which they live. They are members of Churches, Chambers of Commerce, and Clubs, and enter actively into community life.

It is a definite policy of the Management to support all plans contributing to the welfare of its employees and the communities where the Company is represented.

All problems in the retail field are mutual; they do not adhere fundamentally to one branch of the retail industry and not to another. The solution of the problems of our industry, whether affecting the Public, Employees, Governments, or Owners, lies in a common understanding of what the problems are, and in an honest effort to correct unsatisfactory practices or conditions wherever they exist. All must bear their share of the cost of government. This principle of mutual responsibility will eventually survive.

The ability to merchandise in a way acceptable to the consumer, who is the judge in the final court of decision, is the only guarantee of permanency. Those within the industry who recognize this truth and concentrate in this direction will ultimately be successful.

Respectfully submitted,



J. W. HORSEY,

President.

February 7th, 1939.

DOMINION STORES • LIMITED



IMPROVEMENTS IN MERCHANDISING AND SERVICE

Consumer service and satisfaction is the foundation upon which the business of Dominion Stores is being built. We are endeavouring to give a service second to none. Neither time nor effort is being spared to make the name of Dominion Stores Limited synonymous with good quality merchandise, fair prices, and courteous, capable service.

Merchandise is not offered for sale unless it reaches Dominion's high standard of quality and represents good value to the consumer. The latest of equipment in refrigeration and lighting is a part of the modern Dominion store. Continuous improvement is being made in store interiors and exteriors. Carefully selected and trained store staffs are ready and anxious to serve you promptly, courteously, and accurately. Telephone and delivery service is being given special attention and deliveries are now made according to a definite schedule.

Your company feels these improvements in merchandising and service merit your steady patronage; and together, the shareholders, Dominion store employees and the great mass of consumers can, through loyal support, make 1939 a banner year for Dominion Stores Limited.

DOMINION STORES LIMITED

INCOME AND EXPENDITURE

FOR THE YEAR ENDED 31st DECEMBER 1938

Sales.....		\$18,810,619.94
Cost of Sales, Selling and Administrative Expenses, other than those shown below.....	\$16,451,722.69	
Wages and Salaries, other than executive.....	2,179,878.71	
Taxes and Licenses.....	137,513.98	18,769,115.38
Operating Profit		41,504.56
Add: Interest Earned.....		17,230.73
		<u>\$58,735.29</u>
Deduct:		
Provision for Depreciation of Fixed Assets.....	151,018.33	
Executive Salaries (7).....	50,803.26	
Directors' Fees.....	1,440.00	
Legal Fees.....	4,586.07	207,847.66
Loss for Year (to Statement No. 3).....		<u><u>\$149,112.37</u></u>

STATEMENT No. 3

DEFICIT ACCOUNT

AS AT 31st DECEMBER 1938

Balance at Credit at 31st December 1937.....	\$ 98,598.70
Add: Adjustments applicable to prior years.....	11,882.16
	<u>110,480.86</u>
Deduct: Loss for Year (Statement No. 2).....	149,112.37
Balance as at 31st December 1938.....	<u><u>\$38,631.51</u></u>

RES LIMITED

STATEMENT No. 1

31st DECEMBER 1938

CURRENT:		LIABILITIES
Accounts Payable and Accrued Charges.....	\$819,172.32	
Provision for Taxes.....	25,326.13	
		<u>\$844,498.45</u>
RESERVE FOR FUTURE FIRE LOSSES.....		40,000.00
CAPITAL AND DEFICIT:		
Capital—		
Authorized—		
50,000 Shares 6½% Cumulative Preferred Stock of a Par		
Value of \$100.00 each.		
1,000,000 Shares Common Stock of No Par Value.		
Issued—		
280,014 Shares Common Stock.....	3,100,339.96	
Deficit (per Statement No. 3).....	38,631.51	
		<u>3,061,708.45</u>

NOTE: The Company has undertaken to rent a group of thirty chain grocery and meat stores in or about Toronto and to purchase the merchandise and fixtures contained therein.

APPROVED ON BEHALF OF THE BOARD:

J. W. HORSEY }
R. O. JOHNSON } Directors.

\$3,946,206.90

THE SHAREHOLDERS

December 1938, and of the Income and Expenditure and Deficit Accounts for the year ending December 1938, and made a general review of the accounting methods and of the operating and

examination, report that, in our opinion, the above Balance Sheet as at 31st December 1938 represents a true and correct view of the financial position of the Company at the date given us, and as shown by the books, and that the related Income and Expenditure and

McDONALD, CURRIE & CO.,
Chartered Accountants.

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DOMINION STORES BALANCE SHEET AS AT

ASSETS

CURRENT:

Cash on Hand and in Banks.....	\$511,977.90	
Call Loans (Secured by Marketable Securities).....	511,700.00	
Accounts Receivable.....	\$269,441.66	
Less: Reserve for Doubtful Accounts.....	<u>27,881.22</u>	241,560.44

Merchandise:

Meats and stocks in the Company's warehouses determined by physical count; store stocks of groceries by book inventories (which were verified periodically during the year); goods in transit by evidence of subsequent receipt; stocks in public warehouses by confirmation from the depositories; the whole valued at the lower of cost or market, and certified by responsible officials of the Company.....

1,751,495.25
\$3,016,733.59

DEFERRED CHARGES AND PREPAID EXPENSES

59,474.71

FIXED: (at Cost—less amounts written off)

Furniture, Fixtures and Improvements to Leasehold Premises.....	\$1,458,417.10	
Less: Reserves for Depreciation.....	<u>1,020,632.99</u>	437,784.11
Buildings.....	423,706.82	
Less: Reserves for Depreciation.....	<u>121,377.62</u>	302,329.20
Automobiles.....	3,902.08	
Less: Reserves for Depreciation.....	<u>1,682.34</u>	2,219.74
Land.....	<u>127,664.55</u>	869,997.60

GOODWILL		1.00
		<u>\$3,946,206.90</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have made an examination of the Balance Sheet of Dominion Stores Limited, as at 31st December 1939, and of the Profit and Loss Account for the year ending on that date. In connection therewith we examined or tested the accounting records and other supporting documents, and we have also examined the income accounts for the year but did not make a detailed audit of the transactions.

We have obtained all the information and explanations we have required, and, based upon such information, we are satisfied that the Balance Sheet is properly drawn up so as to exhibit, in accordance with accepted principles of accounting consistently applied, a true and fair view of the state of the affairs of Dominion Stores Limited, according to the best of our information and the explanation given to us. The Profit and Loss Account fairly presents the operating results for the year.

TORONTO, 7th February, 1939.

WHO BENEFITTED FROM DOMINION STORES OPERATIONS DURING 1938?



Suppliers...

Dominion Stores purchases of merchandise from farmers, fishermen, grocery manufacturers, etc. including store equipment and maintenance... transport... coal, light and telephone, etc... and numerous other services purchased in each store's particular locality were...

in excess of **\$15,620,000.00**



Employees...

Dominion's vast number of employees contribute to the welfare of thousands of Canadian communities. The total payroll including store staffs, warehouses, trucking, office and management was...

in excess of **\$2,230,000.00**



Proprietors...

A Dominion Store is an asset to any business section. Good leases and dependable incomes enable proprietors to improve and maintain their properties, increasing the value of surrounding properties besides providing employment. Dominion Stores paid proprietors...

in excess of **\$565,000.00**



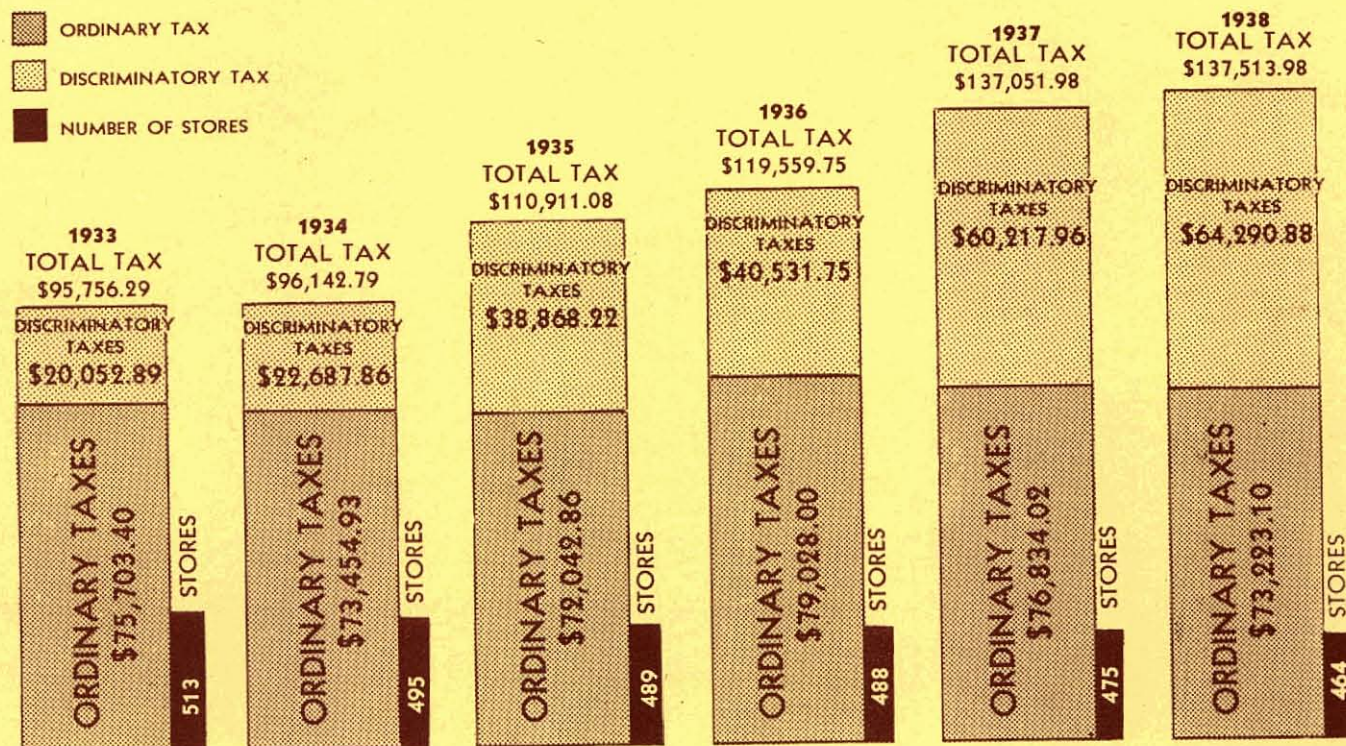
Governments...

In addition to all indirect taxes paid by Dominion Stores Limited, Municipal and Provincial Governments collected from the company direct taxes applicable to the year 1938...

in excess of **\$137,000.00**

WHAT IS THE HISTORY OF CHAIN STORE TAXATION FROM 1933 TO 1938?

(Exclusive of Federal Income Tax)



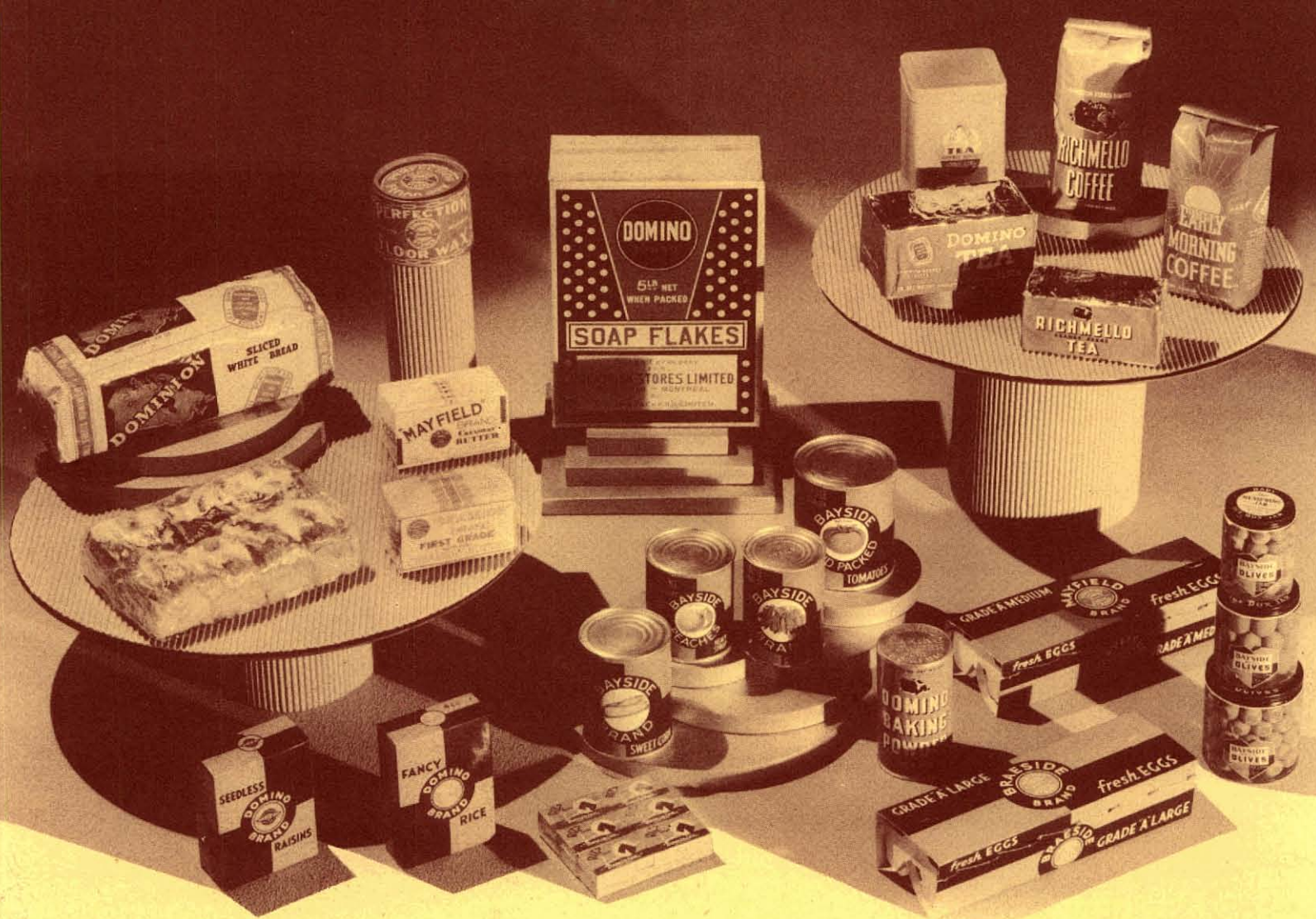
The above chart shows how Dominion Stores has paid a constantly growing share of the cost of Municipal and Provincial governments . . . government services . . . government relief. In addition to ordinary forms of direct taxation, a new element has arisen in Montreal and one or two other Quebec centres—special chain store tax.

These special chain store taxes cannot continue without seriously affecting the hundreds of people now employed by Dominion Stores Limited. Stores would be closed placing a hardship on property owners. Hundreds of suppliers who have found a steady and, in many cases, an exclusive market for their products through Dominion Stores, would suddenly find this channel closed. The agricultural products of the country which move freely and in large volume through Dominion Stores, would not continue to enjoy the rapid and efficient marketing facilities of our organization.

Chain Store operation has reduced the cost of living. It therefore is in the line of progress, having definitely benefitted consumers and producers. Progress should not be hindered through restrictive legislative measures. Increasing efficiency in distribution is a process which men impede only at their ultimate peril.

Economists point out that elimination of scientific distribution would sever the vital link between scientific production and volume consumption, upon which our modern standard of living depends.

It is hoped that with the growing understanding on the part of all concerned of the value of merchandising and distributing units of our type, more leniency in special chain store taxation will shortly be exercised and a more equitable basis of taxation developed. Toward this end your Company is working constantly with encouraging signs of success in evidence.



EXCLUSIVE DOMINION STORES QUALITY PRODUCTS

As a merchandising and institutional policy, Dominion Stores is developing a Dominion family of food products second to none in quality and value, as well as to shelf appeal.

Our Shareholders are invited to enjoy these fine products in their own homes regularly and introduce them to friends as often as possible. This alone will make an important contribution to Dominion Stores sales in 1939!

DOMINION STORES LIMITED

SULLIVAN STREET
TORONTO 2

SMITH STREET
MONTREAL

DIRECTORS

STEWART G. BENNETT	J. WILLIAM HORSEY
MADAME PIERRE F. CASGRAIN	JOHN B. JAMESON
ROLPH R. CORSON	RICHARD O. JOHNSON
FRANCOIS FAURE	N. L. NATHANSON
E. GORDON WILLS	

OFFICERS

President	- - - - - J. WILLIAM HORSEY
Chairman of the Board	- - - E. GORDON WILLS
Vice-President	- - - RICHARD O. JOHNSON
Secretary and Treasurer	- - - ARTHUR J. COX
Ass't. Secretary and Ass't. Treasurer	- FRANCIS R. PAGET

TRANSFER AGENTS

THE TRUSTS AND GUARANTEE COMPANY LIMITED
Toronto, Canada

CITY BANK FARMERS TRUST COMPANY
New York, N.Y.

REGISTRARS

CHARTERED TRUST AND EXECUTOR COMPANY
Toronto, Canada

BANKERS TRUST COMPANY
New York, N.Y.

BANKERS

IMPERIAL BANK OF CANADA
CANADIAN BANK OF COMMERCE
BANK OF TORONTO
BANQUE CANADIENNE NATIONALE

