

# ZELLER'S LIMITED

## ANNUAL REPORT

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FOR FISCAL YEAR ENDED  
JANUARY 31st, 1942

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## ANNUAL REPORT TO THE SHAREHOLDERS:

Your Company's Tenth Annual Report presented herewith sets a new record both for Sales and Profits. The year under review, which ended January 31st. 1942, must in every respect be regarded as a memorable period not only for this Company but also for the retail trade in general, both on account of the unprecedented volume of consumer buying and by reason of the fact that, for the last two months of this period, business was conducted under a hitherto untried system of over-all Governmental Price Control. The operations of the Parent Company, Zeller's Limited, have been consolidated with those of its wholly-owned Subsidiaries for the purposes of this report and the Balance Sheet and Statement of Profit and Loss which follows.

### PROGRESS:

It will be noted that Sales amounted to \$9,621,970, an increase of \$1,815,866 over the preceding year, an advance of 23.26%.

In cooperation with the announced wishes of the Government that all unnecessary capital expenditures be avoided for the duration, no new stores were opened in the year under review. However, the work which was in progress of enlarging and remodelling three stores was necessarily completed. Omitting in each year the sales of the three stores in question, the total increase in sales in the remaining stores as compared with their performance in the preceding year is 19.80%.

The Company's progress since commencement of business is shown in the following table:

Year Ended Jan. 31st	Stores Operating End of Year	Net Sales	Profits before Taxes	Dominion and/or Provincial Taxes	Net Profits after Taxes
1933	13	\$2,292,938	\$ 27,991*	\$ 1,397	\$ 29,388*
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

\*Deficit

### PROFITS:

The increase in Net Profits over the previous year was 28.35%. After providing for Debenture Interest and Depreciation and after allocating \$390,000 to meet Federal Taxes, there remained a Profit of \$372,735 to be transferred to the Consolidated Earned Surplus Account.

The Profits for the year under review were deemed ample enough to justify not only the regular 6% Dividend on the Preferred Stock but also a bonus of 20c. per share on the Common Stock, in addition to the four quarterly Dividend payments of 20c. each thereon. Accordingly, for the full year the holders of the Common Stock received a total of \$1.00 per share.

#### EARNED SURPLUS:

The balance of this account now stands at \$1,043,118. In order to simplify the Balance Sheet your Directors considered it advisable to eliminate therefrom the items of Distributable Surplus and General Reserve. Distributable Surplus in the amount of \$33,250 was, therefore, applied in part payment of Dividends for the year, and the General Reserve of \$30,000 was transferred to Earned Surplus as shown in the Consolidated Statement of Earned Surplus.

#### TAXES:

In view of the Nation's financial needs in the cause to which it is dedicated, no comment is justified with respect to the amount of the Company's Taxes, save to mention the satisfaction of all connected with this business in knowing that hard and faithful work for the Company is now in considerable measure a contribution towards the National War Effort. As above mentioned, the appropriation for Federal Taxes this year amounted to \$390,000 as compared with \$210,000 in the previous year and \$60,150 in the year before that. It may be noted that the Tax appropriation this year is not far from equalling the total Net Profit which the Company earned from the time it started business in February 1932 until the end of its fiscal year in January 1938, and is more than two and one-half times as much as the combined Dividend payments above mentioned on the Company's Common and Preferred Stock.

#### DEBENTURES:

Provision has been made to redeem \$27,000 Debenture Stock on May 31st. 1942. This will leave a balance of \$65,000 par value then outstanding.

#### PERSONNEL:

On August 1st. 1941, your Company was privileged to institute both a Group Life Insurance Plan and a Group Pension Plan for the benefit of its employees whose continuing loyalty and diligence are most gratefully acknowledged. The Group Pension Plan is open to all male employees who have completed a prescribed period of service and the Group Life Insurance Plan is open alike to both male and female employees with prescribed service qualifications. One of the features of the latter plan is that each female employee who is or becomes eligible receives, without any charge to herself, a \$500.00 policy on which the Company will continue to pay all premiums as long as she remains in its service. Both the Group Life Insurance Plans and the Group Pension have been underwritten by an outstanding Canadian Life Insurance Company.

#### FREDERICTON FIRE:

It is with regret that we report the loss by fire of the store operated at Fredericton, N.B. Early on the morning of March 4th, 1942, a fire which started in adjoining premises, and which the prompt and unflagging efforts of the Fredericton Fire Department were unable to prevent from spreading, completely destroyed the entire building, including the merchandise and fixtures owned by this Company. As these were amply covered by insurance, the major loss will consist of the loss of profits which will be suffered until business is properly resumed. Steps are being taken by the owner of the property to have it rebuilt and it is hoped that a new store on the same site may be opened within five or six months.

#### STORE FRONTAGE:

It may be of interest for the Shareholders to know that the total amount of street frontage occupied by the Company's stores at the present time is approximately 1500 feet. Since the average city block is about 300 feet long, if all the Company's stores were placed side by side they would extend five city blocks.

#### CONCLUSION:

In the year which lies ahead, there are so many imponderable factors which may affect business in general and the retail trade in particular that it is impossible to forecast what the results of your Company's operations may be expected to be. Undoubtedly, the Maximum Prices Regulations and the other forms of Governmental control must have a profound effect upon business. As to what the nature of this effect will be, the experience of the year just closed is not sufficient to provide an adequate clue. The Maximum Prices Regulations only came into operation on the 1st December last, after the bulk of the Christmas merchandise was in the stores ready for sale, although your Company had voluntarily pegged its selling prices in October following the Prime Minister's announcement of the proposed Price Control. It remains to be seen how the over-all system of Price Control will work out in the year ahead, when the entire process from the manufacturing of goods to their retail sale will have to be conducted under the established Price Ceilings. In like manner, the full effect of the shortages which are developing in many lines of merchandise has still to be felt. Nevertheless, despite various adjustments, business, for the present at least, continues to prove satisfactory.

As for the future, the same loyalty and diligence which the staff has hitherto so amply demonstrated will be applied as wholeheartedly to the problems that may lie ahead and, insofar as Government regulations and instructions apply to this business, such regulations and instructions shall be scrupulously implemented in the realization that there can be no abiding security until by the union of all the resources at the disposal of Democracy, peace with victory is finally achieved.

On behalf of the Board,

WALTER P. ZELLER,  
Chairman.

# ZELLER'S

AND SUBSIDIARIES

## Consolidated Balance Sheet

### ASSETS

#### CURRENT:

Cash.....	\$ 895,602.06		
Inventories.....	779,509.56		
(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.....	16,160.07		
Prepaid Expenses and Supplies.....	62,848.13		
Life Insurance—Cash Surrender Value.....	17,700.00	\$1,771,819.82	

#### FIXED ASSETS—at Cost—

Land and Buildings.....	\$ 721,847.63		
Less:—Reserve for Depreciation.....	41,899.27	679,948.36	
Fixtures, Equipment and Improvements to Leasehold Premises.....	2,281,494.56		
Less:—Reserve for Depreciation.....	1,009,435.24	1,272,059.32	1,952,007.68

NOTE:—It is the intention of the Companies to apply for a reserve against future depreciation in Inventory Values under the provisions of the Excess Profits Tax Act.

\$3,723,827.50

Approved on behalf of the Board:

WALTER P. ZELLER, Director.

R. T. HARTT, Director.

#### AUDITORS' REPORT TO THE SHAREHOLDERS

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, subject to the final determination of the Companies' liabilities, the Consolidated Balance Sheet as at 31st January, 1942, and relative Consolidated Statements of Profit and Loss give a true and correct view of the state of the Companies' affairs, according to the best of our knowledge and belief.

MONTREAL, 14th March, 1942.

# LIMITED

Y COMPANIES

et as at 31st January, 1942

## LIABILITIES

### CURRENT:

Accounts Payable.....	\$ 449,854.82	
Miscellaneous Accrued Taxes.....	11,765.46	
Provision for Income and Excess Profits Taxes.....	428,688.37	
Debenture Stock and Mortgage Instalments due within Twelve Months.....	41,300.00	\$ 931,608.65

<u>MORTGAGES PAYABLE.....</u>	309,100.00
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### DEBENTURE STOCK:

Authorized and Issued—Six Per Cent Cumulative Re- deemable with Sinking Fund.....	\$ 250,000.00	
Less:—Redeemed or due in 1942.....	185,000.00	65,000.00

### 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—

30,000 Preferred Shares.....	\$ 750,000.00
125,000 Common Shares.....	625,000.00

<u>Consolidated Earned Surplus.....</u>	<u>1,043,118.85</u>	<u>2,418,118.85</u>
		<u>\$3,723,827.50</u>

## THE SHAREHOLDERS

ubsidiary Companies as at 31st January, 1942, and we have obtained all the

ility for Excess Profits Taxes, in our opinion, the above Consolidated Balance  
nd Loss and Earned Surplus are properly drawn up so as to exhibit a true and  
nformation and the explanations given to us and as shown by the books of the

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

# ZELLER'S LIMITED

AND SUBSIDIARY COMPANIES

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the year ended 31st January, 1942

SALES.....			\$9,621,970.54
DEDUCT:			
Cost of Goods Sold, Operating, Selling and Administrative Expenses, exclusive of items shown hereunder.....	\$8,588,977.58		
Salaries of Executive Officers.....	43,750.00		
Legal Fees.....	738.14		
Directors' Fees.....	850.25	8,634,315.97	
			987,654.57
DEDUCT:			
Interest on Mortgages.....	\$ 17,272.66		
Interest on Debenture Stock.....	5,922.74		
Depreciation—Buildings, Fixtures and Equipment, and Improvements to Leasehold Premises.....	201,724.65	224,920.05	
			762,734.52
DEDUCT:			
Provision for Income and Excess Profits Taxes.....		390,000.00	
Consolidated Net Profit for the Year.....		\$ 372,734.52	

## CONSOLIDATED STATEMENT OF EARNED SURPLUS

Balance at Credit—31st January, 1941.....			\$ 777,027.22
ADD:			
Consolidated Net Profit for the Year.....	\$ 372,734.52		
Transferred from General Reserve.....	30,000.00	402,734.52	
			1,179,761.74
DEDUCT:			
Dividends on Preferred Shares.....	\$ 45,000.00		
Dividends on Common Shares.....	100,000.00		
		145,000.00	
Less:—Amount charged to Distributable Surplus which absorbed the balance thereof as at 31st January, 1941....	33,250.00	111,750.00	
Additional Income and Excess Profits Taxes for Prior Years.....	24,892.89	136,642.89	
Balance at Credit—31st January, 1942.....		\$1,043,118.85	

## 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

## Operating in the following Cities

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### Province of Ontario

BARRIE	BELLEVILLE	BRANTFORD
FT. WILLIAM	GUELPH	HAMILTON (2 stores)
KITCHENER	LINDSAY	LONDON
NORTH BAY	OSHAWA	OTTAWA
PETERBOROUGH	PORT ARTHUR	ST. CATHARINES
SARNIA		

### Province of Quebec

QUEBEC	SHERBROOKE	THREE RIVERS
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### Province of New Brunswick

FREDERICTON	MONCTON	ST. JOHN
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### Province of Nova Scotia

HALIFAX	NEW GLASGOW
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### Province of Manitoba

WINNIPEG

### Province of Alberta

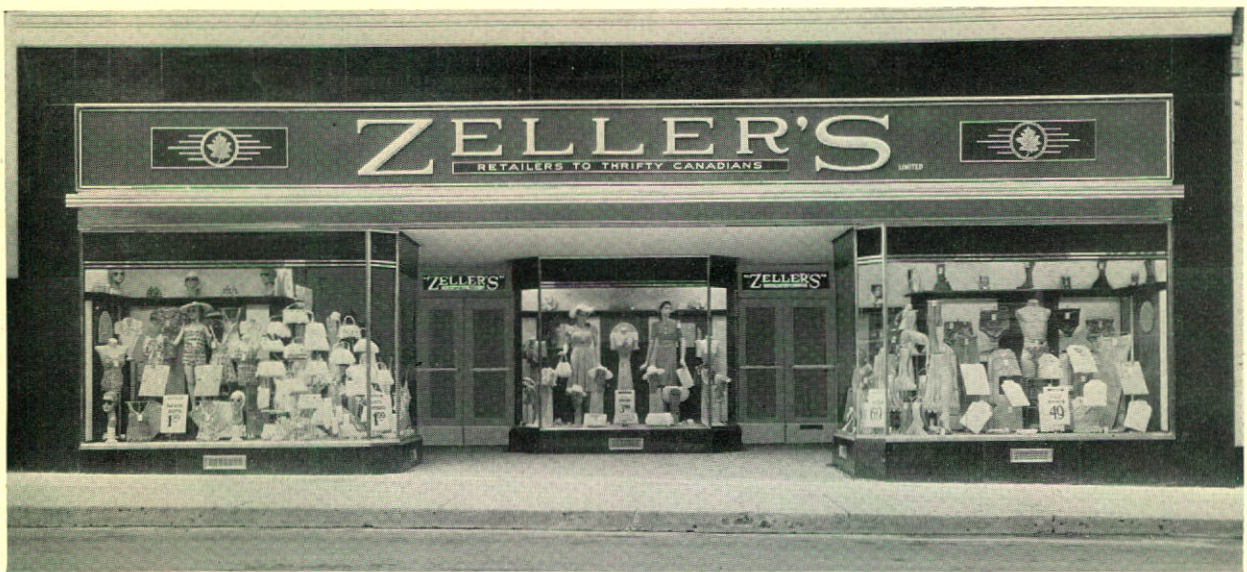
EDMONTON

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Executive and Buying Offices

1253 MCGILL COLLEGE AVE.

MONTREAL



STORE EXTERIOR—KITCHENER, ONT.



STORE INTERIOR—KITCHENER, ONT.

The front and interior views of ZELLER'S LIMITED store at KITCHENER, Ontario, shown above, are fairly representative of the kind of store operated by the Parent Company and its subsidiaries from HALIFAX to EDMONTON.

