

ZELLER'S LIMITED

ANNUAL REPORT

FOR FISCAL YEAR ENDED JANUARY 31st, 1941



HALIFAX, N.S. STORE

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ANNUAL REPORT
TO THE SHAREHOLDERS:

The year herein under review having ended on the 31st January, 1941, covers the first full twelve-month fiscal period during which the operations of Zeller's Limited and its wholly-owned subsidiary companies have been conducted under war conditions. For the purposes of this Report and the following Balance Sheet and Income Account, the results of the parent company and its subsidiaries have been consolidated.

PROGRESS:

The following table graphically indicates the Company's progress.

Year Ended Jan. 31st	Stores Operating End of Year	Net Sales	Profits before Taxes	Dominion and 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	146,163
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

*Deficit

It will be observed that, in the year just concluded, no new stores have been opened. However, sales and earnings for such period take into account the full year's operations of three stores which were completed during the preceding fiscal year at Moncton, Halifax and Edmonton respectively.

SALES:

For the year under review Sales increased 27.12% or \$1,625,911, to a total of \$7,806,104. Excluding the results of the three stores above mentioned not in operation throughout the entire preceding year, the percentage of increase in Sales was 18.14%.

PROFITS:

At \$290,398, Net Profits, after provision for Debenture Interest, Taxes and Depreciation, exceed the corresponding figure for the previous year by \$37,109 or 14.65%. The Net Profits, after the requirements of the annual Preferred Dividend have been met, are equivalent to earnings in excess of \$1.96 per share on the 125,000 outstanding shares of the Company's Common Stock.

TAXES:

To meet Federal Income, Excess Profits and Provincial Profits Taxes, \$210,000 has been allocated as compared with \$60,150 for the previous year. In other words, the provision for direct taxation has had to be increased approximately three and one half times. A large part of this increase represents the levy to which the Company is liable under the Excess Profits Tax Act. Pending a clarification of certain provisions in the Act, it will be impossible to establish exactly the amount of the Company's Excess Profits Tax, but the provision set aside for this purpose is estimated by the Management to be sufficient.

Whereas the principle of heavily taxing all Excess Profits occasioned by the war or the economic acceleration consequent upon it is, of course, unquestioned, it must be pointed out that the method of determining what is Excess Profit, as provided by the present Act, works a great hardship when applied to the affairs of this particular Company. The period from 1936 to 1939 inclusive, or the Company's fiscal years ending therein, constitute for it an organizational stage during which it was undergoing unusually rapid development. As a consequence, its average yearly profit for such period is low compared with what the Company may reasonably be expected to earn now and in the future, and yet, as the Act provides, all profits earned beyond the amount of such average are to be deemed Excess Profits.

It cannot be amiss to express the hope that, should the Act be amended, the inequitable application will be remedied. However, any concern about the basis of a tax, which, as applied to this Company results in what would appear to be an unintentionally severe levy, in no way derogates from the Company's desire to discharge to the full its due part of all national obligations placed upon Canadian business in the present emergency.

LIQUID POSITION:

As the Balance Sheet reveals, Cash amounts to \$619,898 and is, in itself, more than sufficient to cover all Current Liabilities even after due provision is made for the Company's increased tax burden and after a further redemption of \$30,000 par value of the Company's outstanding Debenture Stock.

It may be explained that this sum of \$30,000 comprises a redemption of \$17,500 par value of the Debenture Stock in addition to the 5% Sinking Fund payment of \$12,500, and that after May 31st, 1941, when such redemptions shall have been completed, there will be left outstanding \$92,000 par value of the Company's Debenture Stock out of the \$250,000 thereof originally issued.

EMPLOYEES:

A new Employee Remuneration Plan under consideration for some considerable time was introduced during the fiscal year just ended. The purpose of the Plan is to grade each Sales Person individually on the basis of her efficiency and to have the remuneration of each such employee accord with these findings. This Plan was designed in furtherance of your Company's policy to attract and encourage capable and ambitious employees. As usual, both vacations with pay and Christmas bonuses were granted. This year, bonuses were determined in part by the length of service of the individual employee concerned and in part by the amount of the Company's profits and, through this means, in excess of \$20,000 was distributed at Christmas to employees exclusive of Store Managers and Executives.

CONCLUSION:

In the year to come Sales are expected to continue to increase but uncertainty as to rising taxes and the growing difficulty and expense of securing merchandise make it impossible to forecast the net result. The advantageous locations at which the Company operates stores, the type of popularly-priced merchandise offered and a continuation of its policy to supply the public with desired merchandise in the most efficient manner and at reasonable cost, together afford the Company a favorable opportunity to maintain its position in the retail field in Canada.

It is considered that opportunities for sound growth continue, although expansion, if any, under present conditions will be conducted most conservatively.

Finally, the Management wishes to record its sincere appreciation for the individual and concerted loyalty which all the members of the staff have never failed to manifest and to which the Company's progress is in such large measure to be attributed.

On behalf of the Board,

WALTER P. ZELLER,

Chairman.

ZELLER'S

AND SUBSIDIARIES

Consolidated Balance Sheet

ASSETS

CURRENT:

Cash	\$ 619,898.59	
Dominion of Canada 2nd War Loan Bonds (Par Value—\$150,000.00)—at Cost	148,143.75	
Inventories—(Quantities determined by actual count, weight or measurement under super- vision of the management, priced at the lower of cost or market and certified to by officers of the Company)	579,200.72	
Sundry Accounts Receivable and Deposits	21,822.42	
Prepaid Expenses and Supplies	38,497.19	
Life Insurance—Cash Surrender Value	15,500.00	\$1,423,062.67
LAND AND BUILDINGS—at Cost.....	\$ 721,847.63	
Less—Reserve for Depreciation of Buildings....	27,919.26	\$ 693,928.37
FURNITURE, Fixtures, Equipment, and Improve- ments to Leasehold Premises—as valued by the Directors as at 1st March 1932—with net additions to date at cost	\$1,889,471.27	
Less—Reserve for Depreciation	825,140.97	1,064,330.30
		1,758,258.67

Approved on behalf of the Board:

WALTER P. ZELLER, Director.

T. E. McDERMOTT, Director.

\$3,181,321.34

AUDITORS' REPORT

We have examined the books and accounts of Zeller's Limited and its subsidiaries and have obtained explanations which we have required.

We report that, subject to the final determination of the Companies' liabilities at 31st January, 1941 and relative Consolidated Statements of Profit and Loss and the state of the Companies' affairs, according to the best of our information and the

LIMITED

Y COMPANIES

et as at 31st January, 1941

LIABILITIES

CURRENT:

Accounts Payable, Accrued Commissions and Miscellaneous Expenses	\$ 274,498.24	
Miscellaneous Accrued Taxes	9,886.46	
Provision for Dominion and Provincial Taxes	210,000.00	
Debenture Stock and Mortgage Instalments (Repayable within twelve months)	47,900.00	\$ 542,284.70
MORTGAGES PAYABLE	\$ 349,659.42	
Less—Instalments repayable within twelve months shown above	17,900.00	331,759.42
GENERAL RESERVE		30,000.00

DEBENTURE STOCK—

Authorized and Issued—Six Per Cent Cumulative Redeem- able Sinking Fund Debenture Stock	\$ 250,000.00	
Less—Redeemed	\$ 128,000.00	
Redeemable during 1941— shown above	30,000.00	158,000.00
		92,000.00

CAPITAL AND SURPLUS—

Authorized—40,000 Six Per Cent Redeemable Pre- ferred 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	
	\$1,375,000.00	
Distributable Surplus	\$ 33,250.00	
Consolidated Earned Surplus	777,027.22	810,277.22
		2,185,277.22
		<u>\$3,181,321.34</u>

THE SHAREHOLDERS

bsidiary Companies as at 31st January, 1941, and we have obtained all the
for Excess Profits Taxes, in our opinion, the above Consolidated Balance Sheet as
urned Surplus are properly drawn up so as to exhibit a true and correct view of the
planations given to us and as shown by the books of the Companies.

(Signed) McDONALD, CURRIE & CO.,
Chartered Accountants.

ZELLER'S LIMITED
 AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF PROFIT AND LOSS
 For the year ended 31st January, 1941

<u>SALES</u>		\$7,806,103.91	
<u>DEDUCT—</u>			
Cost of Goods Sold, Operating, Selling and Administrative Expenses, exclusive of items shown hereunder.....	\$7,076,946.90		
Salaries of Executive Officers	43,500.00		
Legal Fees	1,635.40		
Directors' Fees	747.79	7,122,830.09	
			\$ 683,273.82
<u>DEDUCT—</u>			
Interest on Mortgages	\$ 18,446.33		
Interest on Debentures	7,628.22		
Depreciation—Buildings, Furniture, Fixtures and Equipment, and Improvements to Leasehold Premises.....	156,801.43	182,875.98	
			\$ 500,397.84
<u>DEDUCT—</u>			
Provision for Dominion and Provincial Taxes		210,000.00	
<u>Consolidated Net Profit for the year—transferred to Consolidated</u>			
Earned Surplus		\$ 290,397.84	

CONSOLIDATED STATEMENT OF EARNED SURPLUS

<u>Balance at Credit—31st January, 1940</u>		\$ 524,220.37	
<u>ADD—</u>			
Consolidated Net Profit for the Year	\$ 290,397.84		
Preferred Stock Purchase Reserve transferred.....	22,117.48	312,515.32	
			\$ 836,735.69
<u>DEDUCT—</u>			
Dividends on Preferred Shares	\$ 45,000.00		
Additional Income Taxes for prior years	6,858.22		
Transferred to General Reserve	7,850.25	59,708.47	
<u>Balance at Credit—31st January, 1941</u>		\$ 777,027.22	

Board of Directors

WALTER P. ZELLER, Chairman

RUSSELL D. BELL

GILBERT F. BROOKS

ROBERT T. HARTT

T. E. McDERMOTT

WM. 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

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

Executive and Buying Offices

1253 MCGILL COLLEGE AVE.

MONTREAL



STORE INTERIOR — HALIFAX, N.S.

The interior shown above is that of the Halifax Store, operated by Zeller's (Nova Scotia) Limited, one of the wholly-owned subsidiaries of Zeller's Limited. The exterior of this same store is shown on the front cover of the Report.

