

ZELLERS LIMITED

ANNUAL REPORT TO SHAREHOLDERS
& NOTICE OF SHAREHOLDERS' MEETING

★ ★ ★

For Fiscal year ended
January 31st, 1935

PURVIS HALL
LIBRARIES

MAY 4 1946

McGILL UNIVERSITY



Directors

WALTER P. ZELLER

WILLIAM C. NICHOLSON

HERBERT A. HILLS

GILBERT F. BROOKS

ROBERT T. HARTT

MORRELL MACKENZIE



TO THE SHAREHOLDERS,
ZELLERS LIMITED, MONTREAL.

Your Board of Directors takes pleasure in submitting herewith the Annual Report of your Company for the fiscal year ended January 31st, 1935. As will be noted from the following brief comparison of the results for the past three years, consistent progress is being made in the improvement of both Operating and Net Profits.

	Fiscal year ended January 31st					
	1935		1934		1933	
Net Sales	\$3,321,423.18		\$2,427,071.81		\$2,292,938.28	
Deduct:						
Cost of Goods Sold, Selling, Operating and Administra- tive Expenses	3,167,223.62		2,344,850.54		2,299,818.83	
Operating Profit	\$ 154,199.56		\$ 82,221.27		\$ 6,880.55 (Loss)	
Less:						
Interest Paid	\$ 2,568.61		\$ 891.21		\$ 1,674.17	
Debenture Interest	10,000.00		Nil		Nil	
Store Development Expense	4,772.31		10,189.71		Nil	
Store Closing Exp. (Toronto) ..	47,454.93		Nil		Nil	
Depreciation	74,514.95		73,322.10		20,833.33	
Reserve for Federal Income Tax	1,861.09	141,171.89	Nil	84,403.02	Nil	22,507.50
Net Profit for Period	\$ 13,027.67		\$ 2,181.75 (Loss)		\$ 29,388.05 (Loss)	

SALES:

Net Sales show an increase over the previous year of \$894,351., equivalent to 36.85%. Some of this increase is due to the opening of new stores. The actual store for store comparison, including only those stores which were in operation a full two years, shows an increase of \$690,248., equivalent to 29.54%.

OPERATING PROFIT:

The Operating Profit of \$154,199.56 is \$71,978.29 in excess of the previous year, or approximately 88%. The Net Profit of \$13,027.67, after providing for Depreciation and Reserve for Federal Income Tax, compares with a loss of \$2,181.75 the previous year. While this is a net improvement of only \$15,209.42, it will be noted there has been charged off an item of \$47,454.93 on account of Toronto Store Closing Expense.

TORONTO STORE CLOSING:

Being unable to negotiate satisfactory leases of the Toronto Store and it being estimated that, to continue operations there, would result in very substantial losses to your Company, your Board closed the Store in April 1932. Litigation resulting from the abandonment of the leases, was settled during the past year, resulting in your Company paying a sum aggregating \$47,454.93.

DEBENTURE INTEREST AND DIVIDENDS:

The Interest on the Debenture Stock, while being payable only out of Profits, is, however, cumulative, and according to the original provisions of the Debenture, no Dividends could be paid on the Preferred Shares as long as any Debenture Interest was in arrears. Negotiations have now been completed whereby dividends on the Preferred Stock may be paid after payment of the interest on the Debenture Stock from 1st June 1934. Your Directors are of the opinion that it will be possible to initiate dividends on the Preferred Stock at an early date.

BALANCE SHEET:

The accompanying Balance Sheet again indicates an excellent financial position. Cash on Hand is approximately the same as last year, and there are no Bank Loans. Current Assets are approximately two and a half times Current Liabilities. It will be noted the previous Deficit Account amounting to \$31,569.80 has been converted into a small Surplus.

NEW STORES:

A new store was opened in Fredericton, N.B., on April 28th, and in Peterborough, Ontario, on September 28th. A fire at Sarnia, Ontario, on June 5th, resulted in the total destruction of merchandise and fixtures in that store, all of which was adequately covered with fire insurance. A slight loss, however, was sustained on account of loss of business during the period the store was closed for repairs, at which time additional space was added to this store. The store at Hamilton, Ontario, was enlarged and re-opened on August 28th, and is now one of the largest and finest stores of its type in Canada.

ORGANIZATION:

Special reference should be made to the loyalty, efficiency and cooperation existing in and through the entire organization. Your Directors feel that this high degree of morale is to a great extent responsible for the substantial improvement in Sales and Operating Profit.

On behalf of the Board of Directors.

WALTER P. ZELLER,
President.

ZELLERS

Balance Sheet as at

ASSETS

Cash on Hand and in Banks	\$ 78,248.27
Sundry Accounts Receivable and Deposits	
Less —Reserve for Doubtful Accounts	3,927.96
Inventories—Quantities determined by actual count, weight, or measurement and priced at the lower of cost or market.....	337,489.66
Prepaid Charges and Supplies	14,945.36
TOTAL CURRENT ASSETS	\$ 434,611.25
Premiums Paid on Life Insurance Policy	7,737.75
(Cash Surrender Value—Nil)	
Fixed Assets—as valued by the Directors as at 1st	
March 1932—with net additions to date at cost—	
Furniture, Fixtures and Equipment	\$ 431,254.92
Improvements to Leasehold Premises	753,473.06
	\$1,184,727.98
Less —Reserve for Depreciation	156,840.73
	1,027,887.25
Investment in Walter P. Zeller Holding Company Limited	1,000.00
(a wholly owned subsidiary)	
Deferred Charges re Debenture Stock	33,750.00
TOTAL	\$1,504,986.25

Approved on behalf of the Board:

H. A. HILLS, Director

R. T. HARTT, Director

AUDITORS

We have examined the books and accounts of Zellers Limited of The Walter P. Zeller Holding Company Limited from the date of its incorporation to the date of the Balance Sheet. The operations of this latter Company has not been incorporated in the accounts of Zellers Limited.

Subject to the adequacy of the Reserve for Depreciation, we have given up so as to exhibit a true and correct view of the state of the Company's affairs as at the date of the Balance Sheet and as shown by the books of the Company.

LIMITED

at 31st January, 1935

LIABILITIES

ACCOUNTS PAYABLE AND ACCRUED EXPENSES—

Trade	\$ 123,396.64	
Sundries	20,138.36	
Accrued Salaries, Commissions and Expenses	19,756.04	
Accrued Debenture Interest	10,000.00	
Provision for Federal, Provincial and Municipal Taxes	5,163.69	\$ 178,454.73

TOTAL CURRENT LIABILITIES \$ 178,454.73

Notes Payable—due 1st June 1937 33,750.00

DEBENTURE STOCK—

Authorized and Issued—\$250,000.00 Six per cent Cumulative Redeemable Sinking Fund Debenture Stock	250,000.00
--	------------

CAPITAL STOCK AND EARNED SURPLUS—

Authorized—7,500 Six per cent Non-Cumulative Re- deemable Preferred Shares of a par value of \$100.00 each	\$ 750,000.00
100,000 Common Shares without nominal or par value	

Issued and Fully Paid—

5,425 Preferred Shares	\$ 542,500.00	
100,000 Common Shares	\$ 500,000.00	
Earned Surplus	281.52	500,281.52 1,042,781.52

TOTAL \$1,504,986.25

There is a Contingent Liability of \$42,500.00 in respect of the guarantee of the Mortgages against the property of the Walter P. Zeller Holding Company Limited at Sarnia, Ontario, under lease to Zellers Limited.

REPORT

for the year ended 31st January 1935. We have also examined the accounts inception, 10th July 1934, to 31st January 1935. The loss of \$154.62 incurred in the books of Zellers Limited.

We report that, in our opinion, the above Balance Sheet is properly drawn up in accordance with the best of our information and the explanations

(Signed) CLARKSON, McDONALD, CURRIE & CO.

Chartered Accountants.

ZELLERS LIMITED

STATEMENT OF PROFIT AND LOSS

For the Year ended 31st January 1935

SALES \$3,321,423.18

DEDUCT—

Cost of Goods Sold, Selling, Operating and Administrative Expenses, exclusive of items shown hereunder 3,167,223.62

\$ 154,199.56

DEDUCT—

Store Development Expense	\$	4,772.31	
Toronto Store Closing Expense		47,454.93	
Bank Interest		2,568.61	
Debenture Interest for the period 1st June 1934 to 31st January 1935		10,000.00	
Depreciation on Furniture, Fixtures, Equipment and Improvements to Leasehold Premises		74,514.95	
Reserve for Federal Income Tax		1,861.09	141,171.89

NET PROFIT FOR THE YEAR \$ 13,027.67

STATEMENT OF SURPLUS

For the Year ended 31st January 1935

	Dr.	Cr.	
Deficit as at 31st January 1934	\$ 31,569.80	•	
By Business Taxes over-provided for in prior periods		\$ 565.91	
Reserve for Contingencies no longer required		18,257.74	
Net Profit for year		13,027.67	
Balance of Earned Surplus as at 31st January 1935	281.52		
	<u>\$ 31,851.32</u>	<u>\$ 31,851.32</u>	

ZELLERS LIMITED

EXECUTIVE OFFICES

TO, THE SHAREHOLDERS OF ZELLERS LIMITED:

Take notice that the Annual Meeting of Shareholders of Zellers Limited will be held at the Head Office of the Company, Room 811, 1253 McGill College Avenue, Montreal, on the 26th day of April, 1935, at the hour of 12 o'clock noon, the said Meeting being called for the following purposes:

- (a) To consider and, if deemed advisable, to adopt the Balance Sheet and General Statement of Income and Expenditure for the Fiscal Year ended January 31st 1935, and the Auditors' Report;
- (b) To elect Directors for the ensuing year;
- (c) To appoint Auditors of the Company for the ensuing year;
- (d) To consider and, if deemed advisable, to ratify, sanction and confirm the action of the Directors in passing By-Law No. 32 of the Company's By-Laws, the said By-Law cancelling and replacing By-Law No. 1 by the following:

"The Annual Meeting of the Shareholders of the Company shall be held at such date as may be determined by resolution of the Board of Directors, but in any event within three months from the end of the Company's Fiscal Year."

- (e) To transact such other business as may properly come before the said Meeting.

The present notice is being sent to the holders of both the Preferred and Common Shares of the Company, but the Letters Patent (as amended) of the Company provide that as no dividend has been paid on the Preferred Shares for a period of two consecutive years, commencing on or after the 31st December 1931, the holders of the said Preferred Shares have a right and are entitled to cast one vote for each Preferred Share held at any Meeting of the Shareholders of the Company to the exclusion of the holders of the Common Shares thereof, that the said holders of Common Shares during the period or periods of non-payment of dividend on Preferred Shares have no vote on any matter affecting the Company, and that such additional right shall continue until such time as a dividend or dividends totalling 6% in any one year is or are paid on the said Preferred Shares.

If you are unable to attend the Meeting, kindly sign and return the attached proxy.

By order of the Board of Directors.

H. A. HILLS,
Secretary.

March 15th 1935.

PROXY

I the holder of Preferred
and/or Common Shares of Zellers Limited, do hereby appoint
W. P. ZELLER, H. A. HILLS and G. F. BROOKS, or any of them as my proxy to vote
for me and on my behalf at the Annual Meeting of the Company to be held on the
26th day of April, 1935, and at any adjournment thereof.

Dated at this day of April, 1935.

.....
(Witness)

Operating in the following Cities

LONDON, ONT.

GUELPH, ONT.

THREE RIVERS, QUE.

ST. CATHARINES, ONT.

HAMILTON, ONT.

QUEBEC, QUE.

ST. JOHN, N.B.

KITCHENER, ONT.

SHERBROOKE, QUE.

FT. WILLIAM, ONT.

OTTAWA, ONT.

FREDERICTON, N.B.

PETERBOROUGH, ONT.

WINNIPEG, MAN.

SARNIA, ONT.

—oo—

Buying and Executive Offices

1253 MCGILL COLLEGE AVE.

MONTREAL

