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ZELLERS LIMITED

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ANNUAL
REPORT AND STATEMENT

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For fiscal year ended
January 31st, 1933



TO THE SHAREHOLDERS OF ZELLERS LIMITED:

When your Company was negotiating in 1931 for the purchase of the stores which it is now operating, it was fully realized general business conditions were unfavorable. The performance of the stores during that period, however, was such as to indicate that your Company during its first year in operation would show a satisfactory net profit. It was hardly to be expected that industrial and commercial activity would continue to decline very much below 1931 levels, and your executives believed that better conditions were on the horizon. Obviously that belief was mistaken, as it is quite evident from statistics available that general conditions in Canada during 1932 were very much below 1931.

As will be noted by the accompanying Balance Sheet, your Company has completed its first year in business in splendid financial condition. The ratio of current assets to current liabilities is better than $3\frac{1}{2}$ to 1; cash on hand is in excess of 80% of trade accounts payable; and there are no bank loans.

While the amount of \$29,388.05, shown on the Balance Sheet as a charge against Surplus, represents the loss for the period, this amount includes depreciation of \$20,833.33, leaving the actual operating loss \$8,554.72. The necessity for keeping retail selling prices in line with continued falling wholesale costs has resulted in excessive markdowns, which, for the fiscal year ending January 31st, amounted to approximately \$63,000. at cost. A comparative sales report of the same stores shows a decrease of 8.86%, but when considering the large reduction in unit retail selling prices it is very evident that while dollar sales have decreased unit sales have actually increased.

Steps have been taken to further reduce expenses for the year 1933; agreements have been worked out with a number of the landlords for rent reductions, and adjustments have been made in salaries, which will result in a saving in these two items in excess of \$40,000. The January 31st, 1933, inventory has been written down very substantially, and as this inventory is very low it is anticipated markdowns for the year will be much less than for the period just closed.

I do not want to appear overly optimistic regarding possibilities for 1933, nevertheless I am confident that operations this year will show a substantial improvement over 1932. Your Company's employees constitute a body of able and loyal men and women and deserve a great deal of credit for effectiveness and cooperation under trying conditions and with existing problems. The entire organization is better attuned than ever before to the times and will, in the long run, give a satisfactory account of itself.

WALTER P. ZELLER,
President.

LIMITED

SHEET

ary, 1933

LIABILITIES AND CAPITAL

CURRENT:

Accounts Payable—Trade.....	\$	68,445.12	
Bills Payable.....		1,104.12	
Accrued Wages and Other Expenses.....		1,231.41	
Accrued Commissions and Taxes—Estimated..		12,864.22	
			\$ 83,644.87

RESERVE FOR CONTINGENCIES:.....	20,742.20
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DEBENTURE STOCK:

Authorized and Issued:	
\$250,000.00 6% Cumulative Redeemable	
Sinking Fund Debenture Stock.....	250,000.00
(Interest payable only out of Profits when earned).	

CAPITAL AND SURPLUS:

7,500 6% Non Cumulative Redeemable Preferred Shares of \$100.00 each, whereof issued and fully paid 5,425 Shares.....	\$ 542,500.00
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100,000 Common Shares of No Par Value Authorized and Issued.....	\$500,000.00
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Capital Surplus arising at date of taking over Assets.....	16,689.25
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\$516,689.25

Net Loss for the eleven months ended 31st January, 1933	29,388.05	487,301.20
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1,029,801.20

\$1,384,188.27

GEORGE A. TOUCHE & CO,
Chartered Accountants..

ZELLERS

BALANCE

At 31st Janu

ASSETS

CURRENT:

Cash on Hand and in Banks.....	\$	57,540.40	
Sundry Debtors and Deposits.....		2,318.71	
Prepayments on Merchandise.....		4,482.27	
Inventories (certified as to quantities and condition by responsible officers of the Company and valued at the lower of Cost or Market:)			
Merchandise on Hand.....	\$224,327.91		
Merchandise in Transit.....	1,444.64	225,772.55	
			\$ 290,113.93

DEFERRED CHARGES:

Prepaid Insurance, Taxes and Rents.....	\$	11,941.66	
Inventory of Supplies.....		4,455.91	
Store Pre-Opening Expenses.....		1,741.09	
			18,138.66

INVESTMENT—(SUBSIDIARY COMPANY).....	26,664.17
(Book Value at 31st December, 1932, \$24,758.47)	

FIXED ASSETS AS VALUED BY THE DIRECTORS AT 1st MARCH, 1932, WITH ADDITIONS FOR THE YEAR TO DATE:

Store Fixtures.....	\$377,314.94	
Additions for year—Net.....	7,844.51	
		\$ 385,159.45

Leaseholds and Leasehold Improvements.....	\$676,839.97	
Additions for year.....	6,250.73	683,090.70
		\$1,068,250.15

LESS:

Reserve for Depreciation.....	20,833.33	1,047,416.82
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PREMIUM PAID ON LIFE INSURANCE POLICY.....	1,854.69
(Surrender Value—Nil)	
	<u>\$1,384,188.27</u>

DATED AT MONTREAL,
7th MARCH, 1933.

