



Simpsons

Simpsons, Limited 1978 Annual Report

HOWARD BOSS LIBRARY
OF MANAGEMENT

APR 25 1979

RICE UNIVERSITY

Directors, as of April 20, 1979

Thomas J. Bell, *M.C.*
Betty Kennedy Burton
Edgar G. Burton
G. Allan Burton, *D.S.O., E.D., LL.D.*
Raymond Lavoie
Alexander J. MacIntosh, *Q.C.*
Donald S. McGiverin
J. Michael G. Scott
Ian D. Sinclair, *Q.C., LL.D.*
Charles B. Stewart
A. Ernest Wilkes
Peter W. Wood

Officers, as of April 20, 1979

G. Allan Burton, *D.S.O., E.D., LL.D., Chairman of the Board and Chief Executive Officer*
Donald S. McGiverin, *Deputy Chairman of the Board*
Edgar G. Burton, *President*
Ronald J. Crichton, *Vice-President, Stores*
J. Richard Davidson, *Vice-President, Personnel*
Kenneth W. Kernaghan, *Q.C., Vice-President and Secretary*
Ian C. McSweeney, *Vice-President, Merchandising*
A. Ernest Wilkes, *Vice-President, Finance*
Ian M. Gibson, *Treasurer*
Ronald L. Radley, *Q.C., Assistant Secretary*

Head Office

The Simpson Tower,
401 Bay Street, Toronto, Ontario M5H 3K2

Transfer Agents

National Trust Company, Limited
Toronto and Montreal
Canada Permanent Trust Company,
Halifax, Winnipeg and Calgary
The Canada Trust Company, *Vancouver*

Registrars

The Royal Trust Company, *Toronto and Montreal*
Canada Permanent Trust Company,
Halifax, Winnipeg and Calgary
The Canada Trust Company, *Vancouver*

Simpsons, Limited

Highlights

	56 weeks ended January 31, 1979	52 weeks ended January 4, 1978
Net sales	\$744,256,000	\$638,695,000
Earnings from operations*	9,109,000	8,083,000
Equity in net earnings of Simpsons-Sears Limited	21,769,000	18,560,000
Equity in net earnings of shopping centre companies	1,530,000	1,058,000
Earnings before extraordinary item Per share**	32,408,000 69.0¢	27,701,000 59.0¢
Net earnings Per share**	30,971,000 65.9¢	28,059,000 59.7¢
Cash dividends paid Per share	10,333,000 22.0¢	10,333,000 22.0¢
Special dividend of .655 Class B shares of Simpsons-Sears Limited with respect to each share of Simpsons, Limited	175,886,000	—
Shareholders' equity Per share	138,704,000 2.95	295,563,000 6.29
Contributions to employee retirement plans	10,415,000	8,743,000
Expenditures for fixed assets including departmental improvements	14,336,000	11,021,000
Provision for depreciation	6,150,000	5,583,000
Write-off on departmental improvements	5,223,000	4,884,000

* Adjusted to include interest formerly attributed to investments.

**Earnings per share are based on weighted average number of shares outstanding during the year.

Si vous désirez recevoir un exemplaire en français de ce rapport, veuillez vous adresser au Secrétaire.

Directors' Report to the Shareholders:



G. Allan Burton, Chairman of the Board

In 1978 the fiscal year of the Company was changed to end on January 31, 1979 and therefore the figures given herein for 1978 cover 56 weeks as compared with 52 weeks in the previous year.

Sales for the 56 weeks were \$744,256,000. To compare with last year, sales for the 52 weeks ended January 31, 1979 were \$703,729,000, an increase of 10.2%. Net earnings after taxes were \$30,971,000 for the 56 weeks compared with \$28,059,000 for the 52 weeks of 1977, or 65.9¢ per share in 1978 compared with 59.7¢ in 1977. The earnings for the 52 weeks ended January 31, 1979 were substantially the same as the 56 weeks and are estimated at \$31,017,000 or 66¢ per share.

In August a proposal was put forward and agreed to by your Directors to merge Simpsons, Limited with Simpsons-Sears Limited, to strengthen the growth both had achieved in the past twenty-five years and to consolidate financial resources and facilities for the future. Because Sears, Roebuck and Co. would thus acquire the largest block of voting shares in the new Simpsons-Sears, the merger was subject to review by the Foreign Investment Review Agency of the Government of Canada. Before this approval was obtained, Hudson's Bay Company made an offer to buy all of the total outstanding shares of Simpsons, Limited not held by residents of the United States.

In the few weeks that followed, the merger proposal was approved by the Foreign Investment Review

Agency, your Company's 41% equity interest in Simpson-Sears was distributed as a dividend to Simpsons shareholders, The Bay varied its bid to include the dividend and, finally, on December 18, your Company and Simpsons-Sears withdrew the merger proposal. When the Hudson's Bay Company offer expired on January 10, 1979, The Bay had acquired 88.3% of the Simpsons shares. We look forward to our new association with Hudson's Bay Company, North America's oldest company and, as a result of its recent association with Simpsons and Zellers, Canada's largest retailer.

Included in the 1978 earnings figures are equity in earnings of Simpsons-Sears Limited for the period of part ownership of that company, equity in earnings of shopping centre companies and the extraordinary costs relating to the merger and takeover activities of 1978. Simpsons operations, excluding Simpsons-Sears Limited and extraordinary item, earned \$10,639,000 or 22.7¢ per share for the 56 weeks and \$12,349,000 or 26.3¢ per share for the 52 weeks ended January 31, 1979 as compared with restated \$9,141,000 or 19.5¢ per share for the 52 weeks of the 1977 fiscal year. Based on the earnings of the Company without the equity in Simpsons-Sears Limited, the Directors declared a quarterly dividend of 2½¢, which was paid on March 15, 1979.

We were greatly saddened by the sudden death last September of Charles L. Gundy, a Vice-President of Simpsons, Limited and a valued

Director for over thirty-one years. Mr. Gundy was a major shareholder of Simpsons and his friendship and sage advice of many years were invaluable.

Since the end of our new fiscal year on January 31, 1979 and the separation of your Company from Simpsons-Sears Limited, it has been necessary to make certain changes in the Board of Directors as it is no longer possible for one person to serve on both boards. Jack C. Barrow, Alfred Powis, William P. Wilder and James M. Tory, Q.C. have resigned and we record our deep appreciation of their loyalty and dedication for many years of service as Directors of Simpsons. Donald S. McGiverin, Alexander J. MacIntosh, Q.C. and Peter W. Wood, senior officers of Hudson's Bay Company, have joined our Board and Mr. McGiverin has been appointed Deputy Chairman.

We opened our twenty-first full-line department store in August of last year in Les Promenades St-Bruno, a new large shopping centre on the south shore of Montreal. This centre also includes stores of The Bay and Eaton's. We do not plan to open any new stores this year, but have major multi-million dollar refurbishing programmes in progress in our large Toronto downtown and Yorkdale stores. The bridge crossing Queen Street in Toronto and connecting our downtown flagship store with the huge Eaton Centre is in position and will be opened officially in August. We have a number of sites for new Simpsons stores under active

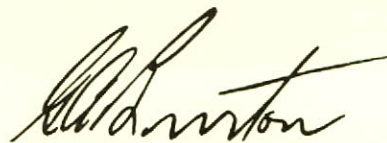
consideration for openings in 1981 and 1982.

Simpsons tradition of quality merchandise and courteous service will remain unchanged as we continue to grow. We believe that 1979, which has already shown some strength, will continue to improve or at least maintain a gradual upward path.

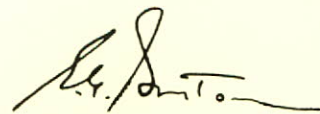
Simpsons has been a "sharing company" most of our 107 years, having introduced profit sharing in 1919. In 1978 we contributed over \$11 million to pensions and profit sharing for the benefit of our employees. We owe much to our employees who, as part owners of the business, have earned praise for the special courtesy and service that is a hallmark of Simpsons.

The Directors would like to record their appreciation of the individual dedication and combined effort of our Simpsons people who give real meaning to our promise when we say—"You'll Enjoy Shopping at Simpsons"—one of the great stores of the world!

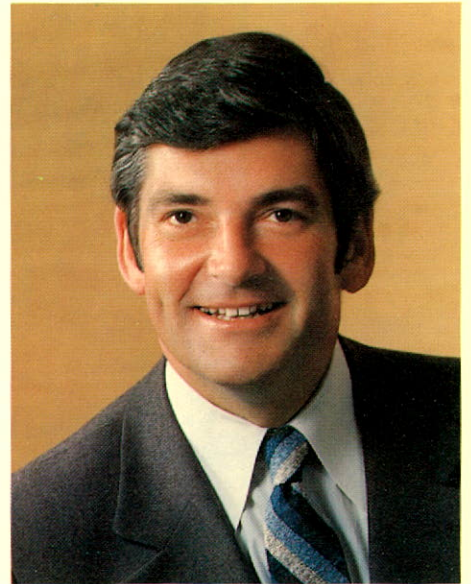
On behalf of the Board



Chairman of the Board and
Chief Executive Officer



President
April 20, 1979



Edgar G. Burton, President

Simpsons, Limited

Consolidated Statement of Earnings

	56 weeks ended January 31, 1979	52 weeks ended January 31, 1979	52 weeks ended January 4, 1978
Net sales	\$744,256,000	\$703,729,000	\$638,695,000
Rentals and other income	5,341,000	4,925,000	4,251,000
	<u>749,597,000</u>	<u>708,654,000</u>	<u>642,946,000</u>
Deduct:		(unaudited)	
Cost of merchandise sold and selling and administrative expenses	700,713,000	658,507,000	599,422,000
Provision for depreciation	6,150,000	5,728,000	5,583,000
Write-off on departmental improvements	5,223,000	4,860,000	4,884,000
Interest expense (Note 5)	18,272,000	17,177,000	14,975,000
	<u>730,358,000</u>	<u>686,272,000</u>	<u>624,864,000</u>
Earnings from operations before the following	19,239,000	22,382,000	18,082,000
Interest attributed to former investment in Simpsons-Sears Limited (Notes 3 and 5)	5,155,000	4,736,000	5,214,000
Earnings from operations before income taxes	14,084,000	17,646,000	12,868,000
Provision for income taxes:			
Current	5,409,000	7,261,000	3,687,000
Deferred	(434,000)	(434,000)	1,098,000
	<u>4,975,000</u>	<u>6,827,000</u>	<u>4,785,000</u>
Earnings from operations	9,109,000	10,819,000	8,083,000
Equity in net earnings of other companies:			
Simpsons-Sears Limited (Note 3)	21,769,000	20,105,000	18,560,000
Shopping centre companies	1,530,000	1,530,000	1,058,000
	<u>23,299,000</u>	<u>21,635,000</u>	<u>19,618,000</u>
Earnings before extraordinary item	32,408,000	32,454,000	27,701,000
Extraordinary item (Note 4)	(1,437,000)	(1,437,000)	358,000
Net earnings for the fiscal period	<u>\$ 30,971,000</u>	<u>\$ 31,017,000</u>	<u>\$ 28,059,000</u>
Earnings per share before extraordinary item	69.0¢	69.1¢	59.0¢
Net earnings per share	65.9¢	66.0¢	59.7¢

Consolidated Statement of Retained Earnings

Balance at beginning of period	\$242,175,000	\$239,546,000	\$224,449,000
Transfer of appraisal increase (Note 1):			
Applicable to prior years	7,437,000	7,460,000	—
Applicable to current period	302,000	279,000	—
Net earnings for the fiscal period	30,971,000	31,017,000	28,059,000
	<u>280,885,000</u>	<u>278,302,000</u>	<u>252,508,000</u>
Dividends:			
Cash	10,333,000	7,750,000	10,333,000
Shares of Simpsons-Sears Limited (Note 3)	175,886,000	175,886,000	—
Taxes payable on undistributed income	1,950,000	1,950,000	—
	<u>188,169,000</u>	<u>185,586,000</u>	<u>10,333,000</u>
Balance at end of period	<u>\$ 92,716,000</u>	<u>\$ 92,716,000</u>	<u>\$242,175,000</u>

Simpsons, Limited**Consolidated Statement of
Changes in Financial Position**

	56 weeks ended January 31, 1979	52 weeks ended January 4, 1978
Sources of Working Capital:		
Earnings before extraordinary item	\$ 32,408,000	\$ 27,701,000
Non-cash charges deducted (added) in arriving at earnings:		
Provision for depreciation and write-off on departmental improvements	11,373,000	10,467,000
Deferred income taxes	(434,000)	1,098,000
Gain on retirement of long-term debt	(681,000)	(359,000)
Other	78,000	279,000
Equity in undistributed net earnings of:		
Simpsons-Sears Limited (dividends received 1978— \$7,392,000; 1977—\$7,392,000) (Note 3)	(14,377,000)	(11,168,000)
Shopping centre companies (dividends received 1978— \$4,806,000; 1977—\$2,012,000)	1,764,000	954,000
Working capital from operations	30,131,000	28,972,000
Proceeds from sale of investments	900,000	3,866,000
Decrease in other investments and advances	1,793,000	165,000
Proceeds from issue of common shares	339,000	1,000
Decrease in loans to a Trustee under Employees' Stock Purchase Plan	4,044,000	8,000
Disposals of fixed assets	98,000	93,000
Proceeds from sale of debentures	—	24,457,000
	<u>37,305,000</u>	<u>57,562,000</u>
Applications of Working Capital:		
Additions to fixed assets	6,159,000	5,173,000
Expenditures on departmental improvements	8,177,000	5,848,000
Increase in other investments and advances	897,000	2,490,000
Retirement of long-term debt	25,019,000	3,683,000
Cash portion of extraordinary item	1,412,000	—
Cash dividends	10,333,000	10,333,000
Taxes payable on undistributed income	1,950,000	—
	<u>53,947,000</u>	<u>27,527,000</u>
Resulting in an increase (decrease) in working capital of	<u>\$ (16,642,000)</u>	<u>\$ 30,035,000</u>
Working capital at end of period	<u>\$161,739,000</u>	<u>\$178,381,000</u>

Simpsons, Limited**Consolidated
Balance Sheet**

Assets	January 31, 1979	January 4, 1978
Current Assets:		
Cash	\$ 389,000	\$ 2,092,000
Accounts receivable (Note 6)	207,639,000	199,314,000
Inventories	120,248,000	90,874,000
Prepaid expenses	6,587,000	6,144,000
	<u>334,863,000</u>	<u>298,424,000</u>
Investments and Other Assets:		
Simpsons-Sears Limited (Note 3)	—	161,509,000
Other investments and advances (Note 7)	8,619,000	12,057,000
Loans to a Trustee under Employees' Stock Purchase Plan	—	4,044,000
	<u>8,619,000</u>	<u>177,610,000</u>
Fixed Assets:		
Land	22,022,000	21,337,000
Buildings	115,045,000	113,846,000
Equipment and fixtures	53,870,000	51,210,000
	<u>190,937,000</u>	<u>186,393,000</u>
Less accumulated depreciation	65,363,000	60,730,000
	<u>125,574,000</u>	<u>125,663,000</u>
Departmental improvements, less amounts written off	24,742,000	21,788,000
	<u>150,316,000</u>	<u>147,451,000</u>
Unamortized Debenture Discount and Expense	<u>1,494,000</u>	<u>1,809,000</u>
	<u>\$495,292,000</u>	<u>\$625,294,000</u>

Liabilities**January 31, 1979**

January 4, 1978

Current Liabilities:

Demand and short-term notes (Note 8)	\$ 92,227,000	\$ 47,269,000
Accounts payable	53,037,000	46,107,000
Accrued wages, rent, interest, etc.	17,857,000	17,741,000
Customers' deposit accounts	833,000	876,000
Income and other taxes	7,870,000	7,332,000
Principal payments on long-term debt due within one year (Note 9)	1,300,000	718,000
	173,124,000	120,043,000
Long-Term Debt (Note 9)	170,080,000	195,780,000
Deferred Income Taxes	13,384,000	13,908,000
	356,588,000	329,731,000

Shareholders' Equity**Capital Stock (Note 10):**

Authorized—60,000,000 common shares without nominal or par value		
Issued—47,026,516 shares (January 4, 1978—46,968,554 shares)	36,872,000	36,533,000
Retained Earnings	92,716,000	242,175,000
Appraisal Increase (Note 1)	9,116,000	16,855,000
	138,704,000	295,563,000
	\$495,292,000	\$625,294,000

Approved by the Board of Directors:

G.A. Burton, Director
T.J. Bell, Director

Notes to Consolidated Financial Statements

1. Summary of Accounting Policies:

Principles of consolidation—The consolidated financial statements include the accounts of Simpsons, Limited and all subsidiary companies.

Inventories—Inventories are valued at the lower of approximate cost and realizable value. Cost is determined for retail store inventories on a first-in, first-out basis applied by the retail inventory method, and for supplies and miscellaneous inventories on a first-in, first-out or average cost basis applied by individual items.

Investments—The equity method of accounting is applied to 25% to 50% ownership interests in shopping centre companies. Other investments are carried at the lower of cost and realizable value.

Fixed assets—Fixed assets are stated at cost except for land and buildings included at 1952 appraised values of \$34,920,000. Depreciation provided on the buildings has reduced the net depreciated book value of the appraised land and buildings to \$22,353,000 at January 31, 1979.

During the fiscal period ended January 31, 1979, Simpsons, Limited adopted the practice of transferring to retained earnings the portion of the appraisal increase realized through annual depreciation provisions.

Depreciation provisions are computed by the straight-line method at rates based on the estimated useful lives of the depreciable assets. The depreciation rates are 2% for buildings and generally from 7½% to 20% for equipment and fixtures. Departmental improvements are written off over their estimated useful lives of generally 5 to 20 years.

Expenditures for maintenance and repairs are charged to earnings as incurred and expenditures for major renewals and betterments are capitalized.

Unamortized debenture discount and expense—

Debenture discount and expense are amortized by the reducing balance method or by the straight-line method as applicable, to the due dates of the respective debentures.

Profits on instalment sales—Profits on instalment sales are taken into earnings at the time of sale. The service charges are taken into earnings, and included in net sales, as earned.

Income taxes—Income taxes are accounted for on the tax allocation basis which relates income taxes to the accounting income for the year.

2. Change of Fiscal Year End:

Effective January 31, 1979, Simpsons, Limited changed its fiscal year end from the first to the fifth Wednesday after the first day of January in each year. As a consequence of this change, the consolidated statements of earnings, retained earnings and changes in financial position cover the fifty-six weeks ended January 31, 1979 and, for comparative purposes, unaudited amounts are also shown for the fifty-two weeks ended on that date in the consolidated statements of earnings and retained earnings. Certain of the figures for the fifty-two weeks ended January 4, 1978 have been reclassified for comparative purposes.

3. Simpsons-Sears Limited:

On December 14, 1978, Simpsons, Limited distributed, by way of dividend to its shareholders, its entire holdings of Simpsons-Sears Limited shares. Simpsons, Limited investment in Simpsons-Sears Limited, representing about 40% of the outstanding shares of that company, had been carried at cost plus equity in undistributed net earnings.

Net earnings for the fiscal period ended January 31, 1979 include the proportionate share of the net earnings of Simpsons-Sears Limited and the interest expense attributed to the investment (Note 5) up to December 14, 1978.

4. Extraordinary Item:

Extraordinary item comprises the expenses and other costs, net of applicable income taxes of \$465,000, of the proposed merger arrangement of Simpsons, Limited and Simpsons-Sears Limited which was not consummated and the redemption of Simpsons, Limited debentures in the aggregate principal amount of \$18,517,000 required as a result of the distribution of the company's shareholdings of Simpsons-Sears Limited.

5. Interest Expense:

Interest expense comprises:	56 weeks ended January 31, 1979	52 weeks ended January 31, 1979 (unaudited)	52 weeks ended January 4, 1978
Interest on long-term debt, including amortization of discount and expense	\$17,354,000	\$16,080,000	\$14,993,000
Other interest	6,073,000	5,833,000	5,196,000
	<u>23,427,000</u>	<u>21,913,000</u>	<u>20,189,000</u>
Less interest attributed to former investment in Simpsons-Sears Limited	5,155,000	4,736,000	5,214,000
	<u>\$18,272,000</u>	<u>\$17,177,000</u>	<u>\$14,975,000</u>

The interest, for the period to December 14, 1978, attributed to the investment in Simpsons-Sears Limited was calculated by applying Simpsons, Limited average borrowing rate to the cost of the investment.

6. Accounts Receivable:

	January 31, 1979	January 4, 1978
Customer instalment accounts	\$178,358,000	\$167,506,000
Charge and other customer accounts	30,932,000	34,045,000
Miscellaneous accounts	4,778,000	4,772,000
	<u>214,068,000</u>	<u>206,323,000</u>
Less allowance for doubtful accounts	6,429,000	7,009,000
	<u>\$207,639,000</u>	<u>\$199,314,000</u>

In accordance with recognized trade practices, customer instalment accounts include amounts which will not become due within one year.

7. Other Investments and Advances:

	January 31, 1979	January 4, 1978
Shares in and advances to shopping centre companies	\$ 551,000	\$ 3,827,000
Long-term prepaid rent	4,243,000	3,480,000
Shares in public companies	—	644,000
Miscellaneous	3,825,000	4,106,000
	<u>\$ 8,619,000</u>	<u>\$ 12,057,000</u>

8. Demand and Short-Term Notes:

At January 31, 1979, these notes included \$48,810,000 payable to banks.

9. Long-Term Debt:

	January 31, 1979	January 4, 1978
Simpsons, Limited Debentures—		
5½% Series C due September 15, 1979	\$ 50,000	\$ 63,000
5½% Series D due February 1, 1984	4,978,000	7,439,000
5¾% Series E due July 15, 1985	6,443,000	9,668,000
6½% Series F due March 15, 1987	6,537,000	8,953,000
9½% Series G due December 15, 1989	8,420,000	11,675,000
8¾% Series H due June 1, 1993	18,129,000	23,700,000
9½% Series I due February 15, 1994	11,459,000	15,000,000
11¾% Series J due November 15, 1995	20,364,000	25,000,000
	<u>76,380,000</u>	<u>101,498,000</u>
Less principal payments due within one year included in current liabilities	1,300,000	718,000
	<u>\$75,080,000</u>	<u>\$100,780,000</u>
Simpsons Acceptance Company Limited Secured Debentures—		
6 % Series B due May 15, 1981	15,000,000	15,000,000
5½% Series C due June 15, 1982	10,000,000	10,000,000
5¾% Series D due April 1, 1984	10,000,000	10,000,000
6¾% Series E due June 15, 1986	10,000,000	10,000,000
8¾% Series F due March 15, 1992	10,000,000	10,000,000
8¾% Series G due December 15, 1992	15,000,000	15,000,000
9¾% Series H due August 15, 1997	25,000,000	25,000,000
	<u>95,000,000</u>	<u>95,000,000</u>
	<u>\$170,080,000</u>	<u>\$195,780,000</u>

Principal payments required subsequent to January 31, 1979 for the fiscal years shown are as follows: 1979—\$1,300,000; 1980—\$8,309,000; 1981—\$22,450,000; 1982—\$17,450,000; 1983—\$7,702,000.

The Secured Debentures of Simpsons Acceptance Company Limited are secured by an assignment of the customer instalment accounts receivable referred to in Note 6.

10. Capital Stock:

Under the terms of the Employees' Stock Option Plan, 57,962 common shares were issued during the fiscal period ended January 31, 1979 for \$338,408. The Employees' Stock Option Plan provides that the option price shall be the market price of the shares on the day immediately preceding the date of grant. At January 31, 1979, there were no outstanding options.

11. Pension and Profit Sharing Plans:

Contributions made and expensed by the companies to employee retirement plans, including the Canada and Quebec Pension Plans, were: 1978—\$10,415,000; 1977—\$8,743,000.

Notes to Consolidated Financial Statements

The unfunded obligation for past service under the contributory pension plan, estimated by independent actuaries to be approximately \$32,500,000 at January 31, 1979, is being amortized by annual payments through 1991.

In addition, under the voluntary contributory Profit Sharing Stock Purchase Plan, Simpsons, Limited contributes 2¹/₂% of consolidated earnings, as defined, up to a maximum equal to the total contribution of the members. In 1978, the company contributed \$797,200 to the Plan (1977 – \$587,000).

12. Commitments and Contingent Liabilities:

- (a) Annual rentals and other commitments under long-term leases and operating agreements amount to approximately \$6,700,000.
- (b) Simpsons, Limited and Hudson's Bay Company, part owners of Woodbine-Sheppard Shopping Centre Limited, have jointly and severally agreed to meet all payments of interest and principal on its \$16,076,000 principal amount of bonds. Cemp Investments Ltd., the other part owner of that company, has agreed to make available 50% of all funds which Simpsons, Limited and Hudson's Bay Company may be called upon to provide under their agreements.

13. Capital Expenditures:

Capital expenditures during the fiscal year ending January 30, 1980 are estimated at approximately \$13,000,000 for the completion of construction in progress and other authorized and proposed additions to fixed assets.

14. Remuneration of Directors and Officers:

For the purposes of this note, directors include past directors and officers include past officers.

For the fiscal period ended January 31, 1979, fifteen directors received aggregate remuneration as directors of \$59,000 (1977 – eighteen directors, \$58,000) and twelve officers received aggregate remuneration as officers of \$1,338,000 (1977 – eleven officers, \$1,223,000). In 1978, six of these officers (1977 – four) also served as directors.

The total remuneration of directors and officers is paid by The Robert Simpson Company Limited, a subsidiary of Simpsons, Limited, and partly allocated to other operating subsidiaries.

Auditors' Report:

To the Shareholders of
Simpsons, Limited:

We have examined the consolidated balance sheet of Simpsons, Limited as at January 31, 1979 and the consolidated statements of earnings, retained earnings and changes in financial position for the fifty-six weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at January 31, 1979 and the results of its operations and the changes in its financial position for the fifty-six weeks then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal period.

Price Waterhouse & Co.
Chartered Accountants
Toronto, March 15, 1979

Five Years in Review

	1978	1977	1976	1975	1974
	56 weeks	52 weeks	52 weeks	52 weeks	53 weeks
Operating Results (in thousands)					
Net sales	\$744,256	\$638,695	\$605,297	\$547,940	\$494,920
Provision for depreciation	6,150	5,583	5,486	5,176	4,550
Write-off on departmental improvements	5,223	4,884	4,456	4,078	3,689
Interest expense	18,272	14,975	14,280	11,979	10,612
Interest attributed to former investment in Simpsons-Sears Limited	5,155	5,214	5,374	3,302	3,143
Income taxes	4,975	4,785	6,525	8,225	11,780
Earnings from operations	9,109	8,083	7,497	8,341	10,963
Equity in net earnings of Simpsons-Sears Limited	21,769	18,560	13,596	13,211	14,227
Equity in net earnings of shopping centre companies	1,530	1,058	1,108	638	927
Net earnings	32,408*	27,701*	22,201	22,190	26,117*
Dividends					
Cash	10,333	10,333	10,333	10,096	9,388
Special	175,886	—	—	—	—
Financial Position (in thousands)					
Working capital	161,739	178,381	147,645	143,023	141,125
Fixed assets (net)	150,316	147,451	146,990	146,830	145,634
Total assets	495,292	625,294	599,233	562,285	517,112
Long-term debt	170,080	195,780	174,822	177,075	154,152
Shareholders' equity	138,704	295,563	277,836	265,473	252,631
Per Common Share					
Net earnings per share (in cents)	69.0*	59.0*	47.3	47.3	55.6*
Cash dividends paid per share (in cents)	22.0	22.0	22.0	21.5	20.0
Ratios and Statistics					
Ratio of current assets to current liabilities	1.9-1	2.5-1	2.1-1	2.3-1	2.4-1
Number of shares issued	47,026,516	46,968,554	46,968,239	46,967,288	46,942,850
Number of shareholders	5,898	17,175	16,104	15,255	15,344
Approximate price range per common share					
Before special dividend	8-4.35	5 ³ / ₄ -4.35	8 ¹ / ₈ -4.85	9 ¹ / ₈ -6 ¹ / ₂	9 ¹ / ₄ -5 ¹ / ₄
After special dividend	2.85-2.10	—	—	—	—

*Excluding extraordinary item



Simpsons. . .building a better future

By keeping pace with the demands of an ever-changing marketplace.

By re-investing to create innovations in the display of fashions and home furnishings. By designing new and exciting concepts in advertising for all media. And by maintaining Simpsons standard as one of the great stores of the world.

By anticipating our August 15 link-up with Toronto's Eaton Centre, an event that signifies the great commercial strength of the downtown area, with the revitalization of the second floor of our flagship store. It's brighter, more inviting and decidedly fashionable, providing a more enjoyable shopping experience. **And that's just the beginning!** New developments at Yorkdale and other Simpsons stores will continue to ensure increased shopping pleasure and convenience.

By building customer awareness of these developments as we meet the challenge of new media opportunities in ways to present the Simpsons story through more creative presentations and improved use of advertising space, production techniques and facilities.

By expanding Simpsons credit services, promoting Simpsons Action Card as **the card** to own.

By holding firm to traditions which have made us famous. Continuing customer loyalty through selection, value and good taste. Plus eye-catching in-store and window displays.

By recognizing that our greatest strength lies not in real estate but in customer service. Service provided through the implementation of computer-age technology, the convenience of 24-hour telephone shopping and no-charge home delivery. Plus the one-on-one service of sales staff who adhere to the ethic of old-fashioned courtesy.

Simpsons. . .107 years young and getting better all the time. **You'll enjoy shopping at Simpsons. Truly, among the great stores of the world.**

**Simpsons
Department
Stores (21)**

Toronto Region

Downtown
Yorkdale Shopping Centre
Cedarbrae Plaza
Fairview Mall
Sherway Gardens
Shoppers' World-Brampton
Scarborough Town Centre
Hillcrest Mall-Richmond Hill

Montreal Region

Downtown
Fairview-Pointe Claire Shopping Centre
Les Galeries d'Anjou
Le Carrefour Laval
Les Promenades St-Bruno

Halifax Area

Mumford and Chebucto Roads
Micmac Mall-Dartmouth

London Area

Downtown
White Oaks Mall

Regina

Downtown

Ottawa

Downtown

Windsor

Devonshire Mall

Kitchener

Fairview Park Mall

Simpsons Contract Division Offices

(14) are located in Vancouver,
Calgary, Edmonton, Regina, Saskatoon,
Winnipeg, Sudbury, London, Toronto,
Ottawa, Montreal, Quebec,
Fredericton and Halifax.

The word "Simpsons" is written in its signature white cursive font, centered within a horizontal, wavy orange band. The band is set against a background of alternating grey and white wavy stripes that run across the entire page.

Simpsons

106 years of serving Canadians