

Simpsons

Simpsons, Limited 1974 Annual Report

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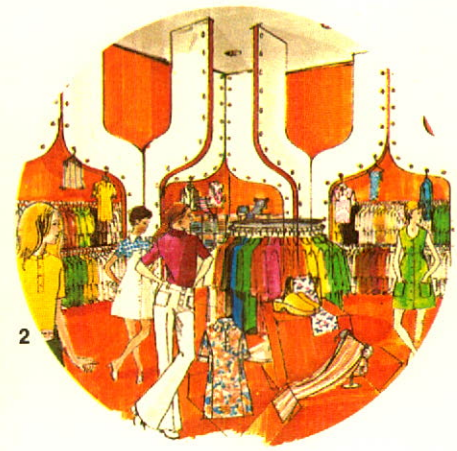
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**3 exciting new Simpsons stores opened in 1974**

1. Simpsons Hillcrest Mall — opened on August 8, in Richmond Hill, Ontario. It is the Company's 17th Store, 8th in the Toronto area.

2. A view of the Girls' Shop in Simpsons Hillcrest Mall, one of the many bright and modern shops in the Store.

3. Simpsons le Carrefour Laval — the Company's 16th Store and 4th in the Montreal Area, opened on March 28, 1974.

4. Women's Sportswear in Simpsons le Carrefour Laval, one of the most striking areas in the Store.

5. A view of 'The Room' in Simpsons Windsor Store, the ultimate fashion shop in Southwestern Ontario.

6. Simpsons Windsor, one of the most beautiful stores in North America, opened on September 19, in the Devonshire Mall — the Company's 18th, and most recent Store.



**Highlights**

|   | <b>1974</b><br><b>(53 weeks)</b> | 1973<br>(52 weeks) |
|---|----------------------------------|--------------------|
| Net sales   | <b>\$494,919,635</b>             | \$436,044,280      |
| Earnings from operations  | <b>10,963,190</b>                | 10,463,750         |
| Equity in net earnings of Simpsons-Sears Limited  | <b>14,227,095</b>                | 12,544,254         |
| Equity in net earnings of joint venture shopping centre companies                               | <b>926,710</b>                   | 565,560            |
| Earnings before non-recurring profit  | <b>26,116,995</b>                | 23,573,564         |
| Per share   | <b>55.6¢</b>                     | 50.5¢              |
| Net earnings including non-recurring profit   | <b>27,222,695</b>                | 23,573,564         |
| Per share   | <b>58.0¢</b>                     | 50.5¢              |
| Dividends paid  | <b>9,388,339</b>                 | 8,970,072          |
| Contributions to Simpsons Profit Sharing Retirement Fund and<br>Canada and Quebec pension plans | <b>3,195,910</b>                 | 2,929,715          |
| Expenditures for fixed assets including departmental improvements                               | <b>26,458,290</b>                | 16,880,059         |
| Provision for depreciation  | <b>4,550,420</b>                 | 4,074,709          |
| Write-off on departmental improvements  | <b>3,689,292</b>                 | 3,252,654          |

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

**Directors**

William D. Allport  
Jack C. Barrow  
Thomas J. Bell, *M.C.*  
Edgar G. Burton  
G. Allan Burton, *D.S.O., E.D., LL.D.*  
Charles L. Gundy, *LL.D.*  
Betty Kennedy  
John C. Porter  
Alfred Powis, *LL.D.*  
Elmer L. Rounding  
Ian D. Sinclair, *Q.C., LL.D.*  
Charles B. Stewart  
James M. Tory, *Q.C.*  
William P. Wilder

**Officers**

G. Allan Burton, *D.S.O., E.D., LL.D., Chairman of the Board and Chief Executive Officer*  
Charles B. Stewart, *President*  
Charles L. Gundy, *LL.D., Vice-President*  
William D. Allport, *Vice-President and Comptroller*  
Edgar G. Burton, *Vice-President, Corporate Affairs*  
Ronald J. Crichton, *Vice-President, Operating*  
Kenneth W. Kernaghan, *Q.C., Vice-President and Secretary*  
Elmer L. Rounding, *Vice-President, Planning and Development*  
Douglas R. Steele, *Vice-President, Merchandising*  
A. Ernest Wilkes, *Vice-President and Treasurer*  
Ian M. Gibson, *Assistant 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*



## Directors' Report to the Shareholders:



Charles B. Stewart  
President

G. Allan Burton  
Chairman of the Board

### Sales and Profits

During 1974 the accumulated wisdom and experience of 102 years in the retail business in Canada helped Simpsons make further progress in this unusually difficult year.

In spite of sharply rising costs which included wages and high interest rates, earnings from operations showed an increase of a half a million dollars over the previous year, while net earnings, including a non-recurring profit of 2.4¢ per share, were 58.0¢ per share, compared with 50.5¢.

Sales increased by 13.5% or \$58,875,000 in the year under review.

Together with Simpsons-Sears Limited, which is more fully reported on pages 14 and 15, our combined sales across Canada have increased from 200 million dollars in 1952 to 1.84 billion dollars in 1974—a rate of growth exceeding most.

### Expansion and Development

We opened three new stores in 1974 — Laval, Quebec and Richmond Hill and Windsor in Ontario, the latter two in shopping centres which also contain a Simpsons-Sears store as a major tenant at the opposite end of the mall. This innovation is a further modification of the original Simpsons, Limited, Sears, Roebuck and Co. agreement of 1952 which defined exclusive areas for each of Simpsons and Simpsons-Sears. In 1975 Simpsons will open a new store in Kitchener, Ontario in Fairview Park which also contains an existing Simpsons-Sears store.

To avoid confusion in the media, Simpsons-Sears stores are now known only as Sears. There is no change in the equal ownership of Simpsons-Sears Limited by Simpsons, Limited and Sears, Roebuck and Co. The use of the name Sears on stores and service vehicles is merely for convenience and to make a further distinction between the Simpsons and the Sears stores. We both benefit from the close cooperation and expertise of the merchants and operating personnel of both companies.

Our long range plans have been reviewed and some priorities changed in view of the uncertainty of economic conditions. Generally projects previously planned for the 1975-1977 period have been rescheduled for 1976-1978. We will take the opportunity afforded by the slowdown in development activity to replan and refurbish our existing stores.

Our Fairview-Pointe Claire store will be expanded by one-third to approximately 180,000 square feet and

refurbished, to be completed in 1976. This addition to the Fairview-Pointe Claire Shopping Centre, in which Simpsons has a 50% interest, will further strengthen our position in the west end of the Island of Montreal, Quebec. The previously announced extension of the downtown Montreal store will be delayed until 1977 due to necessary replanning of the project to accommodate new requirements.

The Simpsons Mall owned equally by Simpsons and Sobeys, which links our main Halifax store facing on Mumford Road to a new Sobeys Supermarket and twenty-eight tenant stores, will open on August 1, 1975. It is fully leased. This development also provides Simpsons with 100,000 square feet of modern warehousing to service the Halifax-Dartmouth area. We intend to refurbish the home furnishings area of our store adjoining the Mall.

During the year Simpsons built and equipped at a cost of \$11,000,000 one of the most modern computerized heavy goods merchandise distribution buildings on the continent. This sophisticated 470,000 square foot building in Scarborough, Ontario is called the Metropolitan Road Service Building and its 12,700,000 cubic foot capacity will service the ever-growing number of Simpsons stores in Ontario. The present 680,000 square foot Lawrence Avenue Service Building, Toronto is being converted at a cost of over \$3,000,000 to a central receiving, marking and distribution operation which will serve all of the Toronto area fashion and soft goods departments. It is notable that both of these complex service operations have been conceived and designed by our own staff of experts.

### Forecasts

We look on 1975 as a difficult and very competitive year but one in which real growth of about 3% should be accomplished. Consumer spending will be bolstered by strong gains in personal disposable income despite rising unemployment. Personal savings are high and increased



government transfer payments, lower interest rates and proposed tax reductions will all help sustain consumer expenditures.

While to some extent 1975 will be a year of consolidation and refurbishing after the hectic pace of expansion of the past few years, our time will be well spent in planning and developing facilities to handle the large volume of business to come. To this end we are increasing management training and sending more of our management people on outside courses than ever before to ensure that our continuing management expertise and organization planning remain on the highest level.

Mr. E. G. Burton, a Director of Simpsons, Limited and formerly Vice-President, Toronto Area, has been appointed Vice-President, Corporate Affairs and is taking a course in Advanced Management at Harvard Business School. This three and one-half month course is the senior course of its type on the continent. Mr. Burton's new responsibility of corporate affairs will encompass internal organization as well as all areas of liaison with governmental, business and community groups to ensure our continued leadership as a good corporate citizen.

#### **Director and Management Changes**

Mr. J. C. Porter, a Director of Simpsons, Limited and formerly Vice-Chairman of the Board, will not stand for re-election. Mr. Porter has made a most valuable and noteworthy contribution to Simpsons success over more than forty years, principally in advertising sales promotion and as an Officer and Director of the Company. We would like to record our deep appreciation of his efforts.

Mr. J. Michael G. Scott has agreed to allow his name to stand for election to the Board.

Mr. K. S. Clark has been appointed General Manager, Toronto Area. He was formerly General Manager, Montreal Area.

Mr. I. C. McSweeney has been appointed General Manager, Montreal Area. He was formerly General Merchandise Manager, Montreal Area.

#### **Employee Benefits**

Simpsons always has been a leader in providing the finest employee benefits and we always have had a high degree of loyalty in return. We have 2874 members in our Twenty-Five Year Club. We adopted profit sharing in 1919 and this and stock options, to mention just two of our

benefits, have played a major part in our growth and success. We always have felt that a sense of proprietorship was of prime importance to employees in an industry serving the public. We are determined to continue to insist on the highest standards of performance and to reward our employees accordingly.

We record our deep appreciation of the fine work of our employees and the support of our suppliers in providing the special brands and values in merchandise and service that make Simpsons unique.

On behalf of the Board



Chairman of the Board and  
Chief Executive Officer



President

March 14, 1975

**Simpsons, Limited**  
and Subsidiary Companies

**Consolidated  
Statement  
of Earnings**

|  | Fiscal year ended<br>January 8, 1975<br>(53 weeks) | Fiscal year ended<br>January 2, 1974<br>(52 weeks) |
|--|--|--|
| Net sales  | \$494,919,635                                      | \$436,044,280                                      |
| Rentals and other income   | 3,260,391  | 2,878,282  |
|  | <u>498,180,026</u>                                 | <u>438,922,562</u>                                 |
| Deduct:  |  |  |
| Cost of merchandise sold and all expenses, except items shown below  | 441,809,651  | 389,199,112  |
| Provision for depreciation   | 4,550,420  | 4,074,709  |
| Write-off on departmental improvements   | 3,689,292  | 3,252,654  |
| Interest on long term debt, including amortization of discount and expense                                       | 11,657,007   | 9,534,359  |
| Other interest   | 2,098,327  | 1,708,779  |
| Municipal realty and business taxes  | 8,436,229  | 7,389,484  |
| Contribution to Simpsons Profit Sharing Retirement Fund  | 1,813,360  | 1,790,681  |
| Contributions to Canada and Quebec pension plans   | 1,382,550  | 1,139,034  |
|  | <u>475,436,836</u>                                 | <u>418,088,812</u>                                 |
| Earnings from operations before income taxes   | 22,743,190   | 20,833,750   |
| Provision for income taxes:  |  |  |
| Current  | 10,233,000   | 8,984,000  |
| Deferred   | 1,547,000  | 1,386,000  |
|  | <u>11,780,000</u>                                  | <u>10,370,000</u>                                  |
| Earnings from operations   | 10,963,190   | 10,463,750   |
| Equity in earnings of Simpsons-Sears Limited (dividends received 1974—\$6,020,000;<br>1973—\$5,033,684) (Note 3) | 14,227,095   | 12,544,254   |
| Equity in earnings of joint venture shopping centre companies<br>(dividends received 1974—nil; 1973—\$500,000)   | 926,710  | 565,560  |
| Earnings before extraordinary item   | 26,116,995   | \$ 23,573,564                                      |
| Non-recurring profit (Note 4)  | 1,105,700  | —  |
| <b>Net Earnings for the Fiscal Year</b>  | <u>\$ 27,222,695</u>                               | <u>\$ 23,573,564</u>                               |
| Earnings per share before extraordinary item   | 55.6¢  | 50.5¢  |
| Net earnings per share   | 58.0¢  | 50.5¢  |

**Consolidated Statement  
of Retained Earnings**

|  |                      |                      |
|--|----------------------|----------------------|
| Balance at beginning of year   | \$181,063,225        | \$161,642,460        |
| Adjustments for cumulative effect on prior years of accounting changes<br>applied retroactively in 1973        | —                    | 3,780,351            |
|  | <u>181,063,225</u>   | <u>165,422,811</u>   |
| Net earnings for the fiscal year   | 27,222,695           | 23,573,564           |
| Increase in equity in Simpsons-Sears Limited on issue by that company<br>of additional Class A shares (Note 3) | 470,231              | 1,036,922            |
|  | <u>208,756,151</u>   | <u>190,033,297</u>   |
| Dividends on common shares<br>(1974—20.0 cents per share; 1973—19.2 cents per share)                           | 9,388,339            | 8,970,072            |
| Balance at end of year   | <u>\$199,367,812</u> | <u>\$181,063,225</u> |



**Simpsons, Limited**  
and Subsidiary Companies

**Consolidated  
Balance Sheet**

| <b>Assets</b>  | <b>January 8, 1975</b> | <b>January 2, 1974</b> |
|--|------------------------|------------------------|
| <b>Current Assets:</b>   |                        |                        |
| Cash   | \$ 1,829,536           | \$ 1,108,516           |
| Accounts receivable (Note 2)                                     | 144,805,779            | 136,733,146            |
| Inventories  | 87,858,272             | 66,349,615             |
| Prepaid expenses   | 4,667,734              | 3,354,950              |
|  | <u>239,161,321</u>     | <u>207,546,227</u>     |
| <b>Investments and Other Assets:</b>                             |                        |                        |
| Simpsons-Sears Limited (Note 3)                                  | 112,754,912            | 104,077,586            |
| Other investments and advances (Note 4)                          | 12,474,122             | 14,054,297             |
| Loans to a Trustee under Employees' Stock Purchase Plan (Note 7) | 4,102,635              | 4,091,528              |
| Accounts receivable (Note 2)                                     | 1,427,303              | 1,394,145              |
|  | <u>130,758,972</u>     | <u>123,617,556</u>     |
| <b>Fixed Assets:</b>   |                        |                        |
| Land and buildings   | 129,020,052            | 116,219,473            |
| Equipment and fixtures   | 44,099,213             | 40,695,455             |
|  | <u>173,119,265</u>     | <u>156,914,928</u>     |
| Less accumulated depreciation                                    | 46,409,213             | 44,579,130             |
|  | <u>126,710,052</u>     | <u>112,335,798</u>     |
| Departmental improvements, less amounts written off              | 18,923,773             | 15,170,993             |
|  | <u>145,633,825</u>     | <u>127,506,791</u>     |
| <b>Unamortized Debenture Discount and Expense</b>                | <b>1,557,668</b>       | <b>1,578,382</b>       |
|  | <u>\$517,111,786</u>   | <u>\$460,248,956</u>   |



| <b>Liabilities</b>  | <b>January 8, 1975</b> | <b>January 2, 1974</b> |
|---|------------------------|------------------------|
| <b>Current Liabilities:</b>   |                        |                        |
| Demand and short term notes (Note 5)  | \$ 28,195,088          | \$ 22,654,000          |
| Accounts payable  | 40,498,520             | 30,944,992             |
| Accrued wages, rent, interest, etc.   | 15,441,257             | 11,701,484             |
| Customers' deposit accounts   | 994,438                | 1,080,224              |
| Income and other taxes  | 11,093,259             | 4,662,907              |
| Contribution payable to Simpsons Profit Sharing Retirement Fund                                   | 1,813,360              | 1,790,681              |
| Principal payments on long term debt due within one year (Note 6)                                 | —                      | 758,000                |
|   | <u>98,035,922</u>      | <u>73,592,288</u>      |
| <b>Long Term Debt (Note 6)</b>  | <b>154,152,000</b>     | <b>141,606,000</b>     |
| <b>Deferred Income Taxes</b>  | <b>12,293,000</b>      | <b>10,746,000</b>      |
|   | <u>264,480,922</u>     | <u>225,944,288</u>     |
| <b>Shareholders' Equity</b>   |                        |                        |
| <b>Capital Stock:</b>   |                        |                        |
| Common shares (Note 7)  |                        |                        |
| Authorized—60,000,000 shares without nominal or par value   |                        |                        |
| Issued—46,942,850 shares (January 2, 1974—46,938,619 shares)                                      | <b>36,408,427</b>      | 36,386,818             |
| <b>Retained Earnings</b>  | <b>199,367,812</b>     | <b>181,063,225</b>     |
| <b>Appraised Value of Land and Buildings in Excess of Depreciated Book Value on July 31, 1952</b> | <b>16,854,625</b>      | <b>16,854,625</b>      |
|   | <u>252,630,864</u>     | <u>234,304,668</u>     |
|   | <u>\$517,111,786</u>   | <u>\$460,248,956</u>   |

Approved on behalf of the Board:

G. A. Burton, Director  
C. L. Gundy, Director

**Simpsons, Limited**  
and Subsidiary Companies

**Consolidated  
Statement  
of Changes  
in Financial  
Position**

|  | Fiscal year ended<br><b>January 8, 1975</b><br>(53 weeks) | Fiscal year ended<br>January 2, 1974<br>(52 weeks) |
|--|---|--|
| <b>Sources of Working Capital:</b>   |   |  |
| Earnings before extraordinary item   | \$ 26,116,995   | \$ 23,573,564                                      |
| Non-cash charges deducted in arriving at earnings, principally depreciation,<br>write-off on departmental improvements and deferred income taxes | 9,945,800   | 8,831,867  |
| Equity in undistributed earnings of Simpsons-Sears Limited and<br>joint venture shopping centre companies  | (9,133,805)   | (7,576,130)  |
| Funds provided from operations   | 26,928,990  | 24,829,301   |
| Sale of investment, less income taxes  | 6,105,700   | —  |
| Non-current accounts receivable  | (33,158)  | 1,168,385  |
| Common shares issued (Note 7)  | 21,609  | 4,271,425  |
| Disposals of fixed assets  | 91,544  | 543,603  |
| Proceeds from sale of debentures   | 14,861,626  | 24,791,379   |
|  | <u>47,976,311</u>   | <u>55,604,093</u>                                  |
| <b>Applications of Working Capital:</b>  |   |  |
| Additions to fixed assets  | 19,016,218  | 12,070,170   |
| Expenditures on departmental improvements  | 7,442,072   | 4,809,889  |
| Additional investment in Simpsons-Sears Limited shares   | —   | 2,803,444  |
| Other investments and advances   | 2,493,115   | 2,178,604  |
| Loans to a Trustee under Employees' Stock Purchase Plan (Note 7)   | 11,107  | 4,091,528  |
| Retirement of long term debt   | 2,454,000   | 1,881,000  |
| Dividends on common shares   | 9,388,339   | 8,970,072  |
|  | <u>40,804,851</u>   | <u>36,804,707</u>                                  |
| Resulting in an increase in working capital of   | <u>\$ 7,171,460</u>                                       | <u>\$ 18,799,386</u>                               |
| Working capital at end of year   | <u>\$141,125,399</u>                                      | <u>\$133,953,939</u>                               |



**Simpsons, Limited**  
and Subsidiary Companies

**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 investment in Simpsons-Sears Limited is carried at cost plus equity in undistributed earnings. The equity method of accounting has also been applied to 25% to 50% ownership interests in joint venture shopping centre companies. Other investments are carried at cost.

**Fixed assets:** Fixed assets are stated at cost except for land and buildings included at 1952 appraised values of \$34,920,390. Depreciation provided on the buildings has reduced the net depreciated book value of the appraised land and buildings to \$24,286,928 at January 8, 1975.

Depreciation provisions are computed by the straight-line method at rates based on the estimated useful lives of the depreciable assets. Departmental improvements are written off over their estimated useful lives.

**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 method whereby income taxes are fully provided on reported earnings at current tax rates. Reported earnings differ from taxable income because of timing differences, principally depreciation which under income tax legislation currently exceeds the depreciation provided in the financial statements.

**2. Accounts Receivable:**

|                                      | January 8<br>1975    | January 2<br>1974    |
|--------------------------------------|----------------------|----------------------|
| Customer instalment accounts         | \$114,531,494        | \$106,688,260        |
| Charge and other customer accounts   | 31,961,842           | 33,868,133           |
| Miscellaneous accounts               | 5,546,153            | 3,151,720            |
|                                      | <u>152,039,489</u>   | <u>143,708,113</u>   |
| Less allowance for doubtful accounts | 5,806,407            | 5,580,822            |
|                                      | <u>146,233,082</u>   | <u>138,127,291</u>   |
| Non-current accounts receivable      | 1,427,303            | 1,394,145            |
|                                      | <u>\$144,805,779</u> | <u>\$136,733,146</u> |

In accordance with recognized trade practices, instalment accounts receivable include amounts which will not become due within one year. However, other accounts receivable not expected to be collected within one year, arising from large scale contracts of the Contract Division, have been classified as non-current accounts receivable. For the most part the Contract Division is engaged in furnishing and equipping institutional and commercial premises.

**3. Simpsons-Sears Limited:**

The investment in Simpsons-Sears Limited, representing 41.3% of the outstanding shares of that company, is carried at cost plus equity in undistributed earnings. Simpsons, Limited equity in the earnings of Simpsons-Sears Limited for each fiscal year is included in the earnings of Simpsons, Limited for the corresponding fiscal year.

Simpsons, Limited and Sears, Roebuck and Co., each owns an equal number of the voting shares of Simpsons-Sears Limited while the non-voting Class A shares are owned by other shareholders. The issue of additional Class A shares by Simpsons-Sears Limited at an amount per share in excess of book value increases Simpsons, Limited equity in Simpsons-Sears Limited. Such increases are credited to retained earnings.

See page 15 for summarized financial information on Simpsons-Sears Limited.

**4. Other Investments and Advances:**

|  | January 8<br>1975   | January 2<br>1974   |
|--|---------------------|---------------------|
| Shares in public companies (quoted market value January 8, 1975—\$2,625,000; January 2, 1974—\$10,188,000) | \$ 1,973,442        | \$ 6,973,442        |
| Shares in and advances to joint venture shopping centre companies  | 3,974,142           | 2,653,230           |
| Long term prepaid rent   | 2,781,514           | 1,426,803           |
| Miscellaneous  | 3,745,024           | 3,000,822           |
|  | <u>\$12,474,122</u> | <u>\$14,054,297</u> |



# Notes to Consolidated Financial Statements

On the sale in 1974 of the investment in shares of a public company Simpsons, Limited realized a profit of \$1,105,700 after applicable income taxes of \$394,300.

## 5. Demand and Short Term Notes:

These notes include demand notes of \$6,770,000 at January 8, 1975 (nil at January 2, 1974) payable to banks.

## 6. Long Term Debt:

|  | January 8, 1975      | January 2, 1974      |
|--|----------------------|----------------------|
| Simpsons, Limited Debentures—                            |                      |                      |
| 5 % Series B due December 1, 1976                        | \$ 91,000            | \$ 111,000           |
| 5½ % Series C due September 15, 1979                     | 82,000               | 82,000               |
| 5¾ % Series D due February 1, 1984                       | 8,683,000            | 9,133,000            |
| 5¾ % Series E due July 15, 1985                          | 11,059,000           | 11,659,000           |
| 6½ % Series F due March 15, 1987                         | 10,927,000           | 11,379,000           |
| 9½ % Series G due December 15, 1989                      | 13,310,000           | 15,000,000           |
| 8¾ % Series H due June 1, 1993                           | 25,000,000           | 25,000,000           |
| 9½ % Series I due February 15, 1994                      | 15,000,000           | —                    |
|  | <b>84,152,000</b>    | <b>72,364,000</b>    |
| Less principal payments due within one year              | —                    | 758,000              |
|  | <b>84,152,000</b>    | <b>71,606,000</b>    |
| 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           |
|  | <b>70,000,000</b>    | <b>70,000,000</b>    |
|  | <b>\$154,152,000</b> | <b>\$141,606,000</b> |

Principal payments required subsequent to January 8, 1975 for the fiscal years shown are as follows: 1975—nil; 1976—\$1,695,000; 1977—\$2,625,000; 1978—\$3,876,000 and 1979—\$6,031,000.

## 7. Capital Stock:

Under the terms of the Employees' Stock Option Plan 4,231 common shares were issued during the fiscal year ended January 8, 1975 for \$21,609. 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 and that the options may not be exercised later than ten years from date of grant.

Outstanding options at January 8, 1975 were as follows:

| Date options granted | Option price per share | Officer directors and other officers | Other employees | Total         |
|----------------------|------------------------|--------------------------------------|-----------------|---------------|
| April 1965           | \$4.67                 | —                                    | 20,874          | 20,874        |
| January 1969         | 5.54                   | —                                    | 51,166          | 51,166        |
| February 1971        | 6.21                   | 25,800                               | —               | 25,800        |
|                      |                        | <b>25,800</b>                        | <b>72,040</b>   | <b>97,840</b> |

On January 19, 1973 the Board of Directors authorized a Stock Purchase Plan under which Simpsons, Limited made interest-free loans to a Trustee which in turn made interest-free loans to employees to enable them to purchase shares, and to repay loans arranged subsequent to June 1971 for the purchase of shares, under the Employees' Stock Option Plan. Such loans to employees are repayable on or before January 2, 1979 and are secured by deposit with the Trustee of shares of Simpsons, Limited having a market value at the date the optioned shares were purchased equivalent to 133½ % of each loan.

## 8. Commitments and Contingent Liabilities:

- The unfunded obligation for past service on the non-contributory pension plan, estimated by independent actuaries to be approximately \$14,159,000 at January 8, 1975, is to be amortized by annual payments through 1989.
- Annual rentals under long term leases amount to approximately \$4,500,000.
- Simpsons, Limited has guaranteed \$1,750,000 of a note payable by Les Galeries d'Anjou Limitée, a 50% owned shopping centre company. An equal amount of the note payable has been guaranteed by the other 50% owner of the company.
- 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 \$17,106,000 principal amount of Bonds. Cemp Investments Ltd., the other part owner of the 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.



**9. Capital Expenditures:**

Capital expenditures during the fiscal year ending January 7, 1976 are estimated at \$12,000,000 for the completion of construction in progress and other authorized and proposed additions to fixed assets.

**10. Remuneration of Directors and Officers:**

For the fiscal year ended January 8, 1975 the fourteen directors and one past director received aggregate remuneration as directors of \$50,197 (1973—fourteen directors and two past directors, \$58,275). The aggregate remuneration of the eleven officers and four past officers was \$1,164,580 (1973—eleven officers and three past officers, \$1,207,448). Six officers served also as directors. The total remuneration of directors and officers is paid by The Robert Simpson Company Limited, a subsidiary of Simpsons, Limited, and partly distributed to other operating subsidiaries.

**Auditors' Report:**

To the Shareholders of  
Simpsons, Limited:

We have examined the consolidated balance sheet of Simpsons, Limited and subsidiary companies as at January 8, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position for the fiscal year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at January 8, 1975 and the results of their operations and the changes in their financial position for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.  
Chartered Accountants  
Toronto, March 14, 1975

**Simpsons, Limited**  
and Subsidiary Companies

**Ten Years  
in Review**

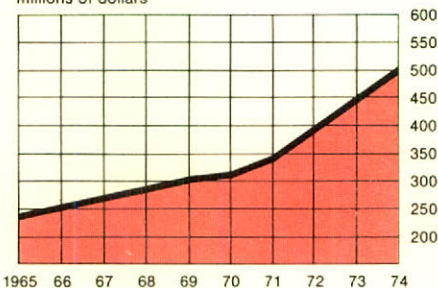
|   | 1974†            | 1973      |
|---|------------------|-----------|
| <b>Operating Results</b> (in thousands)   |                  |           |
| Net sales   | <b>\$494,920</b> | \$436,044 |
| Provision for depreciation  | <b>4,550</b>     | 4,075     |
| Write-off on departmental improvements  | <b>3,689</b>     | 3,253     |
| Interest charges  | <b>13,755</b>    | 11,243    |
| Income taxes  | <b>11,780</b>    | 10,370    |
| Earnings from operations  | <b>10,963</b>    | 10,464    |
| Dividends from Simpsons-Sears Limited   | <b>6,020</b>     | 5,034     |
| Equity in undistributed net earnings of Simpsons-Sears Limited  | <b>8,207</b>     | 7,511     |
| Equity in net earnings of joint venture shopping centre companies                                     | <b>927</b>       | 566       |
| Net earnings  | <b>26,117*</b>   | 23,574    |
| Dividends paid  | <b>9,388</b>     | 8,970     |
| <b>Financial Position</b> (in thousands)  |                  |           |
| Working capital   | <b>141,125</b>   | 133,954   |
| Land, buildings and equipment (after depreciation)  | <b>126,710</b>   | 112,336   |
| Total assets  | <b>517,112</b>   | 460,249   |
| Funded debt   | <b>154,152</b>   | 141,606   |
| Shareholders' equity  | <b>252,631</b>   | 234,305   |
| <b>Per Common Share</b> (adjusted for stock splits)   |                  |           |
| Net earnings per share on weighted average number<br>of shares outstanding during the year (in cents) | <b>55.6*</b>     | 50.5      |
| Dividends paid per share (in cents)   | <b>20.0</b>      | 19.2      |

**Ratios and Statistics**

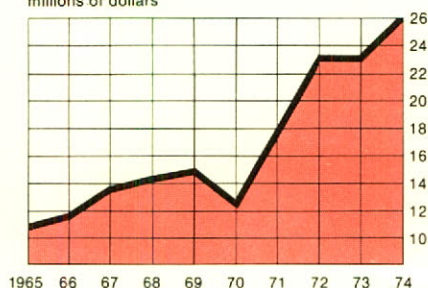
|  |                   |            |
|--|-------------------|------------|
| Ratio of current assets to current liabilities | <b>2.4-1</b>      | 2.8-1      |
| Number of shares issued                        | <b>46,942,850</b> | 46,938,619 |
| Number of shareholders                         | <b>15,344</b>     | 14,546     |
| Approximate price range per common share       | <b>9¼ - 5¼</b>    | 11½ - 7½   |

\*Excluding non-recurring profit †53 weeks

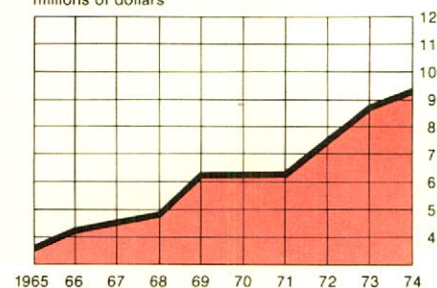
Sales  
millions of dollars



Earnings  
excluding non-recurring profits  
millions of dollars



Dividends paid  
millions of dollars



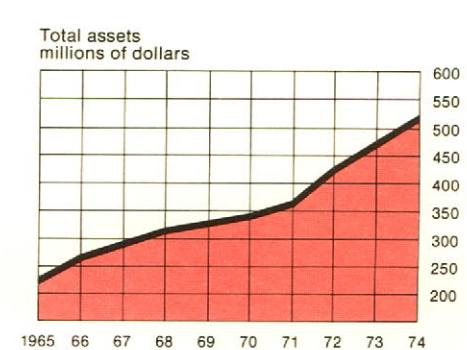
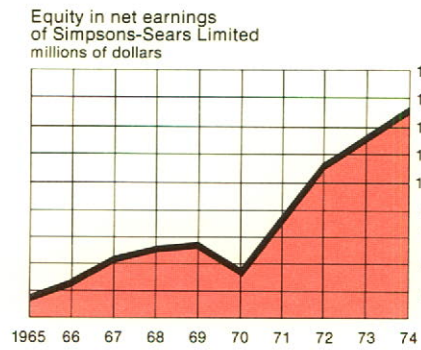
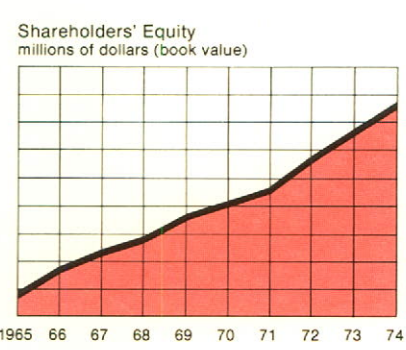


| 1972      | 1971      | 1970      | 1969      | 1968†     | 1967      | 1966      | 1965      |
|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| \$392,889 | \$335,197 | \$302,535 | \$300,579 | \$276,303 | \$259,446 | \$248,022 | \$231,715 |
| 3,873     | 3,723     | 3,336     | 3,081     | 2,599     | 2,331     | 2,198     | 2,004     |
| 2,970     | 2,845     | 2,375     | 2,169     | 1,865     | 1,823     | 1,846     | 1,766     |
| 8,494     | 7,553     | 7,515     | 7,106     | 6,647     | 6,236     | 5,892     | 4,831     |
| 10,830    | 8,890     | 8,410     | 9,570     | 9,090     | 8,650     | 7,750     | 7,300     |
| 11,985    | 9,289     | 7,319     | 8,158     | 7,825     | 8,041     | 7,271     | 6,807     |
| 3,293     | 3,168     | 3,168     | 3,036     | 2,574     | 2,088     | 1,800     | 1,800     |
| 7,829     | 4,774     | 1,993     | 3,475     | 3,636     | 3,457     | 2,658     | 2,103     |
| 510       | —         | —         | —         | —         | —         | —         | —         |
| 23,617*   | 17,231    | 12,479    | 14,669*   | 14,035*   | 13,585*   | 11,729    | 10,710    |
| 7,292     | 6,106     | 6,095     | 6,041     | 4,802     | 4,471     | 4,272     | 3,794     |

|         |         |         |         |         |         |         |         |
|---------|---------|---------|---------|---------|---------|---------|---------|
| 115,184 | 102,911 | 104,948 | 111,606 | 93,940  | 94,237  | 84,801  | 79,378  |
| 104,884 | 97,932  | 97,031  | 89,364  | 86,745  | 80,046  | 71,873  | 66,846  |
| 417,583 | 357,049 | 335,800 | 323,484 | 310,751 | 285,855 | 266,028 | 245,977 |
| 118,487 | 95,084  | 102,496 | 105,456 | 94,108  | 95,874  | 82,595  | 81,785  |
| 214,393 | 191,834 | 179,102 | 171,326 | 159,230 | 145,530 | 133,728 | 117,370 |

|       |      |      |       |       |       |      |      |
|-------|------|------|-------|-------|-------|------|------|
| 51.3* | 37.6 | 27.3 | 32.4* | 31.2* | 30.4* | 27.7 | 25.7 |
| 15.8  | 13.3 | 13.3 | 13.3  | 10.7  | 10.0  | 10.0 | 9.1  |

|   |  |  |  |                                  |                                 |  |  |
|---|--|--|--|----------------------------------|---------------------------------|--|--|
| 2.5-1   | 2.7-1  | 3.3-1  | 3.8-1  | 2.8-1                            | 3.3-1                           | 2.8-1  | 2.8-1  |
| 46,156,233  | 45,931,119   | 45,726,450   | 45,679,458   | 45,082,728                       | 44,949,012                      | 44,605,230   | 42,017,802   |
| 11,553  | 10,995   | 10,887   | 10,426   | 8,829                            | 8,862                           | 9,027  | 8,357  |
| 10 <sup>3</sup> / <sub>8</sub> -7 <sup>1</sup> / <sub>2</sub> | 7 <sup>1</sup> / <sub>2</sub> -5 <sup>7</sup> / <sub>8</sub> | 7 <sup>1</sup> / <sub>8</sub> -4 <sup>1</sup> / <sub>2</sub> | 7 <sup>3</sup> / <sub>4</sub> -5 <sup>1</sup> / <sub>2</sub> | 6 <sup>3</sup> / <sub>4</sub> -5 | 6-4 <sup>1</sup> / <sub>4</sub> | 5 <sup>1</sup> / <sub>4</sub> -4 <sup>1</sup> / <sub>4</sub> | 5 <sup>1</sup> / <sub>8</sub> -4 <sup>1</sup> / <sub>4</sub> |

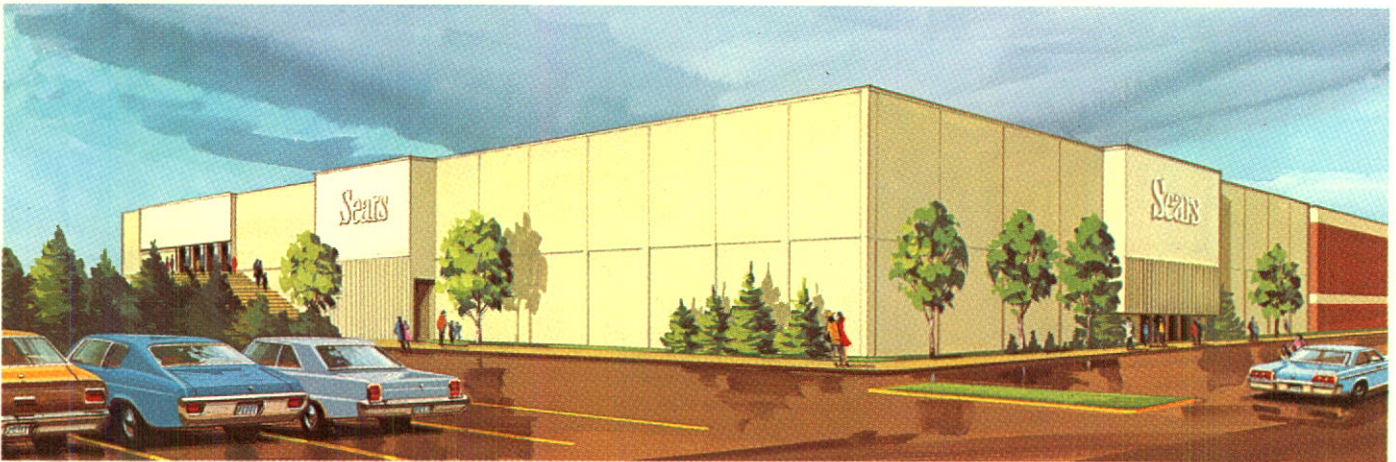


# Simpsons, Limited

## Investment in Simpsons-Sears Limited

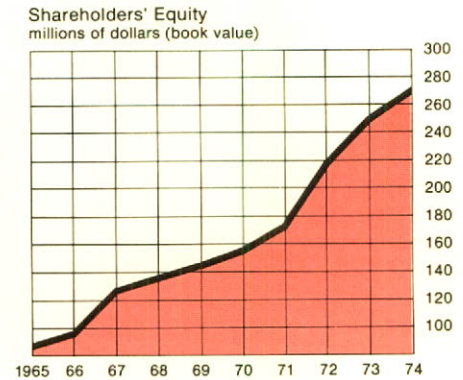
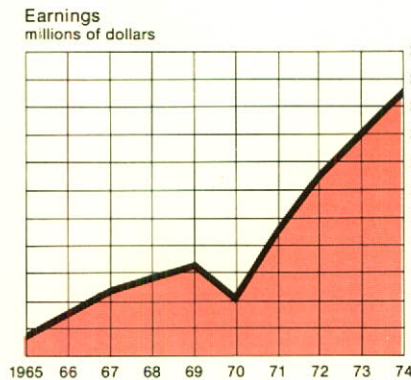
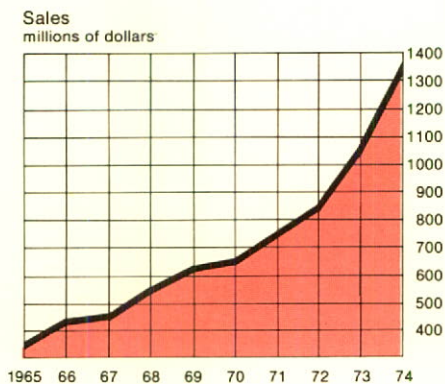
The importance of the decision taken by the Board of Directors of Simpsons, Limited in 1952 to expand across Canada by the formation of a new company called Simpsons-Sears Limited, in which Simpsons and Sears, Roebuck and Co., Chicago have an equal interest, is proven by the fact that our combined sales since then have increased from 200 million dollars to 1.84 billion dollars with a substantial increase in share of market. Our Simpsons shareholders' equity, including our equity in Simpsons-Sears Limited, has increased by 200 million dollars.

Simpsons-Sears Limited is our largest and most important investment — a total of \$40,551,000 having been invested in that company since 1953. Since that time we have received in cash dividends \$37,180,000 and have in undistributed earnings \$72,204,000 for a total of \$109,384,000. The total of Simpsons equity interest in earnings reported by Simpsons-Sears Limited in 1974 was \$14,227,000 or 30.3¢ per share. Dividends received during the year of \$6,020,000 represent a 14.8% return on Simpsons investment of \$40,551,000.



Simpsons-Sears Newmarket, Ontario store opened October 2nd, 1974

## Simpsons-Sears Limited and Subsidiary Companies





**Simpsons-Sears Limited**  
and Subsidiary Companies

**Highlights**

|   | 1974                 | 1973                 |
|---|----------------------|----------------------|
| <b>Operating Results for the Fiscal Year</b>  |                      |                      |
| Net sales, including rentals and other income | \$1,343,336,000      | \$1,075,643,000      |
| Cost and expenses                             | 1,276,581,000        | 1,019,591,000        |
| Earnings before income taxes                  | 66,755,000           | 56,052,000           |
| Provision for income taxes                    | 34,620,000           | 27,974,000           |
| Earnings from operations                      | 32,135,000           | 28,078,000           |
| Equity in earnings of associated companies    | 2,319,000            | 2,197,000            |
| Net earnings                                  | <u>\$ 34,454,000</u> | <u>\$ 30,275,000</u> |
| Per share                                     | 51¢                  | 45¢                  |
| Simpsons equity in earnings                   | \$ 14,227,000        | \$ 12,544,000        |
| Simpsons share of dividends paid              | \$ 6,020,000         | \$ 5,034,000         |

**Financial Position at Fiscal Year-End**

**Assets:**

|                              |                       |                       |
|------------------------------|-----------------------|-----------------------|
| Current assets               | \$ 655,244,000        | \$ 545,264,000        |
| Investments and other assets | 31,733,000            | 25,892,000            |
| Fixed assets, net            | 254,106,000           | 204,442,000           |
|                              | <u>\$ 941,083,000</u> | <u>\$ 775,598,000</u> |

**Liabilities and Shareholders' Equity:**

|                       |                       |                       |
|-----------------------|-----------------------|-----------------------|
| Current liabilities   | \$ 311,445,000        | \$ 259,110,000        |
| Long term debt        | 342,423,000           | 254,073,000           |
| Deferred income taxes | 17,739,000            | 14,372,000            |
|                       | 671,607,000           | 527,555,000           |
| Capital stock         | 121,724,000           | 119,831,000           |
| Retained earnings     | 147,752,000           | 128,212,000           |
|                       | <u>\$ 941,083,000</u> | <u>\$ 775,598,000</u> |

**Retail stores by provinces**

|                  |    |                   |     |
|------------------|----|-------------------|-----|
| Ontario          | 22 | Retail Stores     | 51  |
| British Columbia | 7  | Catalogue Centres | 4   |
| Quebec           | 7  | Sales Offices     | 608 |
| Alberta          | 6  |                   |     |
| Saskatchewan     | 3  |                   |     |
| New Brunswick    | 3  |                   |     |
| Manitoba         | 2  |                   |     |
| Newfoundland     | 1  |                   |     |

A copy of Simpsons-Sears Limited Annual Report for 1974 may be obtained by writing to the Secretary of Simpsons, Limited.

**Simpsons  
Department  
Stores (19)**

**Toronto Area**

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

**Montreal Area**

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

**Halifax Area**

Mumford and Chebucto Roads  
Micmac Mall—Dartmouth

**Regina**

Downtown

**London**

Downtown

**Ottawa**

Downtown

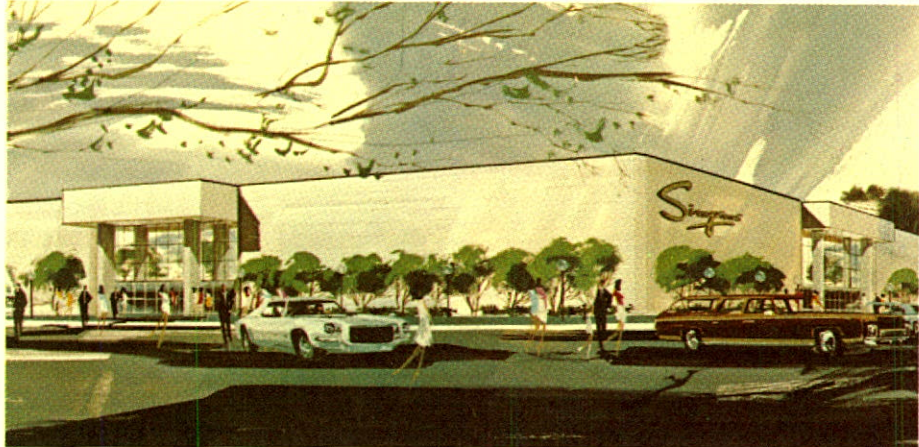
**Windsor**

Devonshire Mall

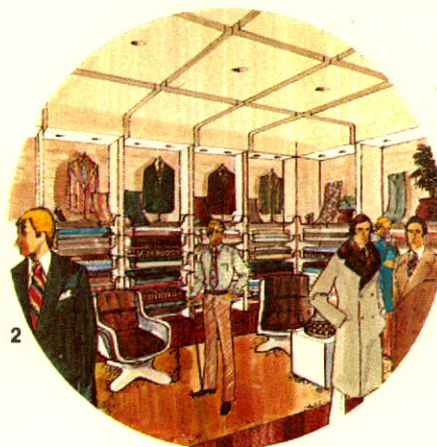
**Kitchener**

Fairview Park Mall  
opening in Summer 1975





1



2

**1975 ... Another year of Simpsons major developments**

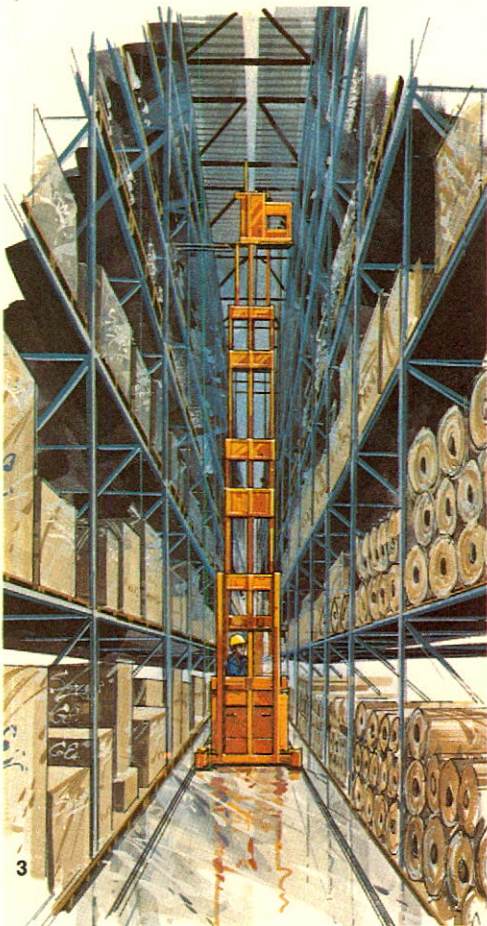
1. Simpsons Kitchener—the Company's 19th Store will open in the Fairview Park Mall in Summer 1975.

2. The Men's Custom Tailoring Shop in Simpsons Kitchener, reflecting Simpsons leadership in Men's fashion.

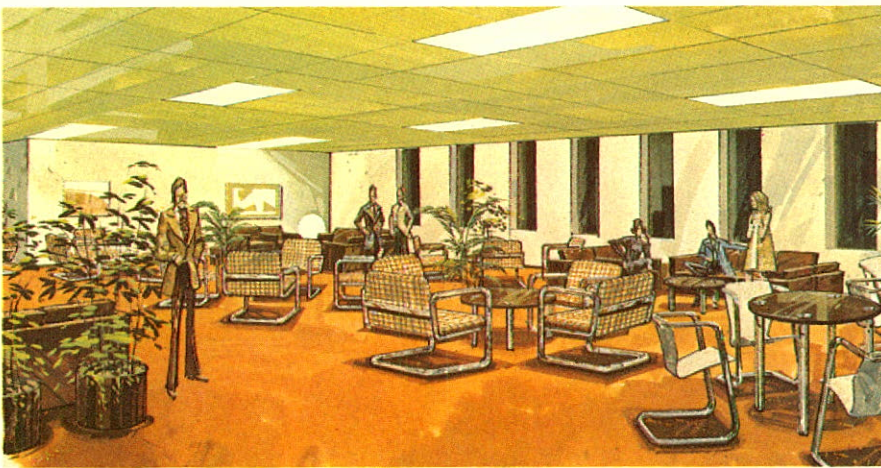
3. Specialized equipment will allow storage of merchandise up to a height of 40 feet in the new Metropolitan Distribution Centre.

4. Spacious, modern staff lounge, in the Distribution Centre.

5. Simpsons Metropolitan Distribution Centre, located in Scarborough, will serve the growing merchandise distribution needs of Simpsons Ontario Stores.



3



4



5



The word "Simpsons" is written in a white, cursive script font, centered within a horizontal red band that has a wavy, ribbon-like shape. The background of the entire page consists of alternating horizontal wavy bands of grey and cream colors, with the red band being the most prominent feature.

Simpsons

102 Years of serving Canadians