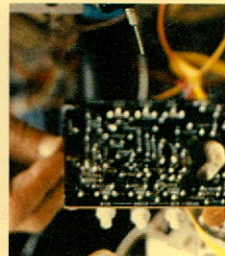
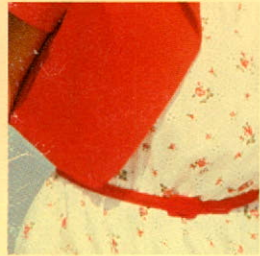


L Simpsons - **Sears** Ltd.



HOWARD BOSS LIBRARY  
OF MANAGEMENT  
APR 25 1983  
MCGILL UNIVERSITY

**Annual Report 1982**

# Board of Directors, Officers and Committees

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## Board of Directors

Jack C. Barrow	Former Chairman of the Board, Simpsons-Sears Limited
Michel F. Bélanger	Chairman of the Board, President and Chief Executive Officer, National Bank of Canada
Robert J. Collins-Wright	President and Chief Executive Officer, Inglis Limited
Harold C. Corrigan	Vice-President, Corporate Relations, Alcan Aluminium Limited
William A. Dimma	President and Chief Operating Officer, A.E. LePage Limited
MacLean E. Jones, Q.C.	Partner, Bennett Jones, Barristers and Solicitors
Richard M. Jones	Vice Chairman of the Board and Chief Financial Officer, Sears, Roebuck and Co.
Arthur H. Mingay	Chairman of the Board and The Executive Committee, Canada Trustco Mortgage Company and The Canada Trust Company
Alfred Powis	Chairman and Chief Executive Officer, Noranda Mines Limited
Philip J. Purcell	President and Chief Operating Officer, Dean Witter Financial Services Group
C. Richard Sharpe	Chairman of the Board and Chief Executive Officer, Simpsons-Sears Limited
John D. Taylor	President and Chief Operating Officer, Simpsons-Sears Limited
Edward R. Telling	Chairman of the Board and Chief Executive Officer, Sears, Roebuck and Co.
James M. Tory, Q.C.	Partner, Tory, Tory, DesLauriers and Binnington, Barristers and Solicitors
William P. Wilder	Deputy Chairman, Hiram Walker Resources Ltd.
Arthur M. Wood	Chairman of the Board of Trustees, The Savings and Profit Sharing Fund of Sears Employees, former Chairman of the Board and Chief Executive Officer, Sears, Roebuck and Co.
James W. Button	Honorary Director, former Special Assistant to the Chairman, Sears, Roebuck and Co.

## Officers

C. Richard Sharpe	Chairman of the Board and Chief Executive Officer
John D. Taylor	President and Chief Operating Officer
Maurice F. Anderson	Vice-President, Information Systems
David S. Chapman	Vice-President, Distribution
James E. Copland	Vice-President and Corporate Comptroller
J.J. Michael Eagan	Vice-President, Secretary and Corporate Counsel
Frank R. Hammond	Vice-President, Retail
Robert J. Knox	Vice-President, Public Affairs
James B. McCann	Vice-President, Catalogue
Kenneth A. McCartney	Vice-President, Marketing
Harold J. Mandel	Vice-President, Real Estate and Facilities
Walter G. Pridham	Vice-President, Corporate Planning
Leslie Visosky	Vice-President, Personnel
Larry E. Ginther	Treasurer

## Committees of the Board

### Finance

J.C. Barrow, Chairman  
J.E. Copland  
L.E. Ginther  
R.M. Jones  
A.H. Mingay  
A. Powis  
C.R. Sharpe  
J.D. Taylor  
J.M. Tory  
W.P. Wilder

### Compensation

A.M. Wood, Chairman  
J.C. Barrow  
A. Powis  
E.R. Telling  
W.P. Wilder

### Audit

J.M. Tory, Chairman  
J.C. Barrow  
R.J. Collins-Wright  
H. Corrigan  
M.E. Jones  
P.J. Purcell

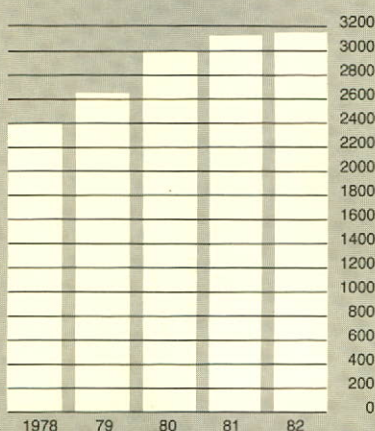
### Investment

W.P. Wilder, Chairman  
J.C. Barrow  
L.E. Ginther  
W.A. Dimma  
C.R. Sharpe  
J.D. Taylor

# Financial Highlights

Simpsons-Sears Limited Annual Report for the Fiscal Year Ended February 2, 1983

	1982 52 Weeks (in thousands)	1981 52 Weeks (in thousands)
Net sales .....	<b>\$3,137,303</b>	\$3,129,625
Net earnings .....	<b>27,210</b>	31,937
Per share .....	<b>.31</b>	.37
Dividends declared .....	<b>17,461</b>	27,938
Per share .....	<b>.20</b>	.32
Shareholders' equity .....	<b>584,532</b>	574,783
Per share .....	<b>6.70</b>	6.58
Federal and provincial income taxes .....	<b>(556)</b>	8,783
Interest costs .....	<b>117,721</b>	119,630
Contribution to Simpsons-Sears Plan for Sharing Profits .....	<b>893</b>	1,510
Contributions to Company and Government Pension Plans .....	<b>27,092</b>	23,384
Fixed asset additions:		
Owned .....	<b>30,275</b>	37,125
Leased under capital leases .....	<b>535</b>	—
Working capital .....	<b>875,674</b>	838,311
Total assets .....	<b>1,807,212</b>	1,741,258



## Sales

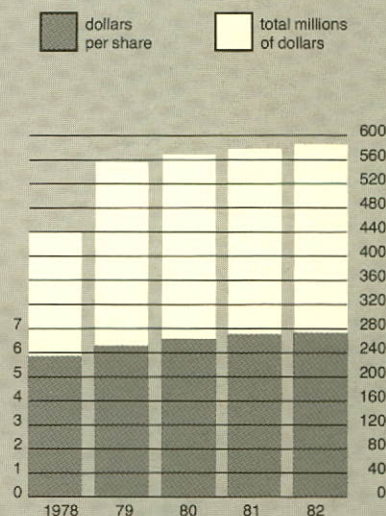
Consolidated net sales of \$3,137,303,000 in 1982 showed an increase of 0.2% over 1981. The compounded average increase for the five-year period 1978 to 1982 was 8.4% per year.



## Earnings

Consolidated net earnings, after taxes, amounted to \$27,210,000 in 1982.

Earnings per share, based on the weighted average number of shares outstanding during the year, were 31¢ in 1982.



## Shareholders' Equity

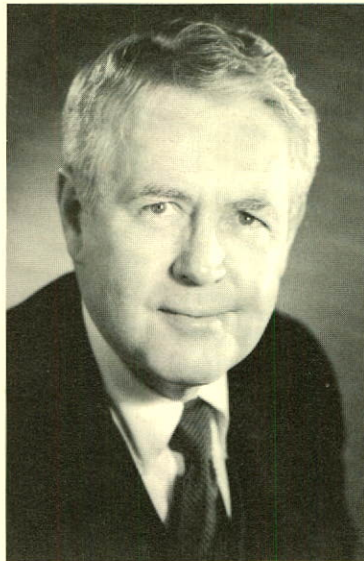
Total shareholders' equity increased from \$392,371,000 at the end of 1977 to \$584,532,000 at the end of 1982 and shows a compounded annual growth of 8.3% over the five-year period. Equity per share which was equivalent to \$5.21 at the end of 1977 increased to \$6.70 at the end of 1982.

The year 1980 includes 53 weeks

# Report to Shareholders



C. Richard Sharpe  
Chairman of the Board and Chief Executive Officer



John D. Taylor  
President and Chief Operating Officer

**T**he ability of our people to respond effectively to the most difficult year in recent memory has enabled us to produce results that while they are far from satisfactory, represent a significant achievement.

The dramatic drop in consumer confidence that began in mid 1981 continued and intensified in 1982. Consumers reacting to high unemployment and still relatively high interest rates, increased savings and curtailed spending. Retailing was particularly hard hit especially in home furnishings and appliances, an important segment of our business.

## Financial

The financial statements that follow detail the results for 1982. In summary, consolidated net sales for the fiscal year ended February 2, 1983, were \$3,137,303,000, an increase of 0.2% over the reported figure of \$3,129,625,000 for the year ended February 3, 1982.

Net earnings were \$27,210,000, equivalent to 31¢ per share compared with \$31,937,000 or 37¢ per share the previous year.

Associated companies contributed 10¢ per share to the earnings of the Company compared with 8¢ per share in 1981.

## Expansion

We opened new stores in Dartmouth, Nova Scotia and in Chatham, Ontario. This expansion along with our ongoing renovation of existing facilities required a capital investment of \$17,814,000. At year end the Company operated 72 retail department stores and 1,263 catalogue sales units.

## Officers

Mr. C. L. Bishop, Vice-President, Finance, retired in May, 1982, after more than 45 years of distinguished service. Mr. Bishop's ability and dedication to the Company and to people inside and outside Sears won him high regard and widespread respect. We extend to him our gratitude for so many years of valuable service and our best wishes for the years to come.

Mr. J. E. Copland, Corporate Comptroller, was appointed Vice-President and Corporate Comptroller.

## The Outlook

The key to a strong recovery in consumer spending is an improvement in consumer confidence. Recent indications are that some confidence is returning, although it is unlikely to be rapid.

Canadians are understandably cautious because of high unemployment and an unclear economic future. However, as inflation and interest rates continue to fall, and as employment begins to rise in response to increased production for inventories and a strong export market, we can expect a modest recovery in consumer spending.

Your Company is 30 years old this year. We have grown rapidly during this relatively short time to become one of the largest retailers of general merchandise in Canada. Our strength is our ability to appeal to a broad range of consumers and to be considered by them as The Store for best value. We intend to build on these strengths through a continued dedication to the development of products of superior value.

We owe our position to the millions of customers who have supported us and without whose loyalty we could not exist, and to our suppliers who are as dedicated as we to providing products of superior value. To both we extend our sincere thanks.

The stability of any company is in its people. Ours have demonstrated their ability to deal with difficult times and we enter 1983 with the strongest organization in our history.

Chairman of the Board

President

April 18, 1983

# Management Philosophy

**T**he Management Philosophy of Sears is to encourage individual initiative and input in the achievement of Corporate Goals and Objectives.

Sears recognizes that every employee is a key contributor whose every effort counts toward achieving these goals and objectives. Two programs that recognize this effort are our on-going Suggestion Award Program and the Chairman's Challenge '82 Program, which was designed to stimulate extra effort in a very difficult year.

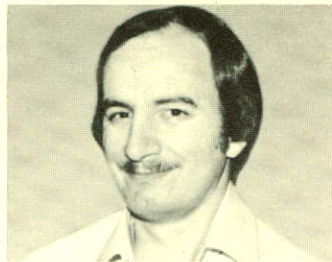
### Suggestion Award Program

Employees have responded well with suggestions that in 1982 collectively saved Sears hundreds of thousands of dollars in operating costs alone. The following examples were put into effect in the past year.



*Ernest Whitehorn  
Dock Man-Delivery Dept.  
Ottawa, Ontario Service Centre  
Awarded \$3,660.*

Mr. Whitehorn devised a new system of 'cubic loading' that enables delivery supervision to determine with remarkable accuracy the exact number of trucks required each day to fill customers' orders. This new system ensures a more efficient loading operation. It is estimated that this suggestion will save Sears \$360,000 each year.



*Robert Capewell  
Pressman-Printing Dept.  
Toronto, Ontario Headquarters Bldg.  
Awarded \$402.*

Mr. Capewell redesigned an existing telephone promotion form to accommodate five ads per page rather than one. Estimated savings to Sears is \$36,000 per year.

### Chairman's Challenge '82

This national internal campaign was launched on March 15, 1982. Mr. C.R. Sharpe issued a challenge personally directed to every individual employee to make Sears 'The Place to Shop'.

It was a year in which over 58,000 employees in hundreds of locations competed nationally for thousands of awards. Goals in every aspect of our business, from improving customer satisfaction to quality control, to product development, to more efficient use of systems, were carefully set and carried through with enthusiasm and great success.



*Mr. Aurele Leblanc (left) and  
Mr. Orlo Wheaton-Drivers,  
Moncton, New Brunswick Service  
Centre, each received an Award.*

To meet their goal of reducing returns on delivered goods, Mr. Leblanc and Mr. Wheaton

took the time to set up the merchandise, inspect it and arrange it to ensure the customer was entirely satisfied. The customer, so overwhelmed with the helpful service, returned to the store the next day and bought an additional \$5,000 worth of furniture!



*Nettie Ham  
Manager Telephone Selling  
Regina, Saskatchewan Catalogue  
Centre, received 3 Awards.*

With implementation of Regina's Direct Dial Rural System, the number of telephone orders called into the catalogue centre doubled, and more staff was required. Goals were set to increase net sales and telephone suggestion selling, while maintaining or bettering payroll and total departmental expenses. Thanks to Nettie's exceptional abilities in staff training, all goals were exceeded and 'plus sales' of over \$5.8 million were recorded as of February 2, 1983.

*"It is precisely this kind of individual initiative and dedication from our employees that has secured Sears place as one of Canada's leading retailers."*

# Ten Year Summary

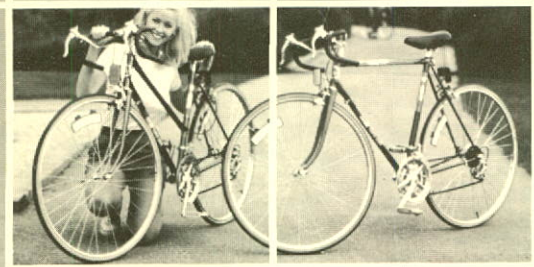
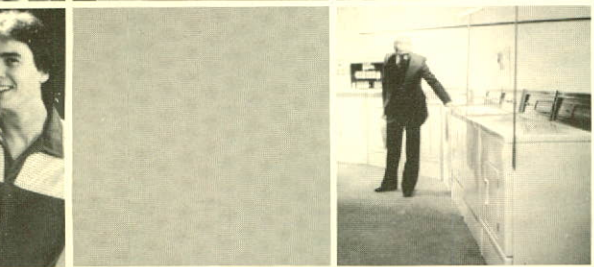
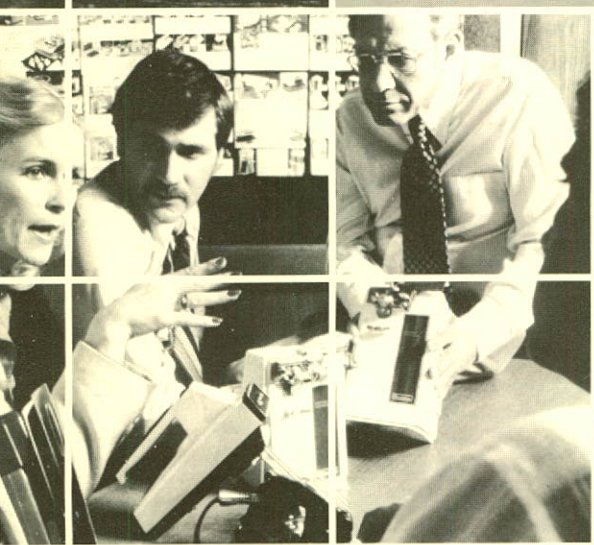
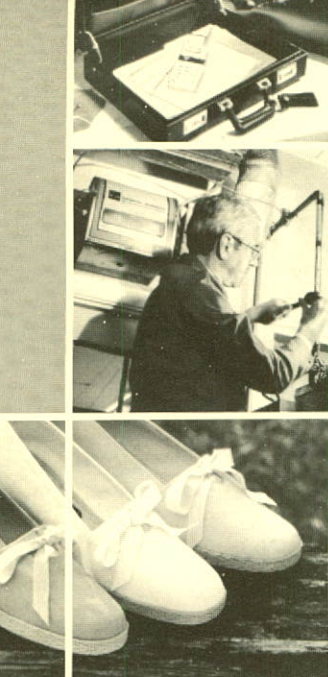
Simpsons-Sears Limited

	1982 52 weeks	1981 52 weeks
<b>Results for the year</b> (in thousands)*		
Net sales .....	<b>\$3,137,303</b>	\$3,129,625
Depreciation .....	<b>33,056</b>	34,485
Income taxes .....	<b>(556)</b>	8,783
Net earnings .....	<b>27,210</b>	31,937
Dividends declared .....	<b>17,461</b>	27,938
Fixed asset additions:		
Owned .....	<b>30,275</b>	37,125
Leased under capital leases .....	<b>535</b>	—

	<b>Year-end position</b> (in thousands)*	
Inventories .....	<b>562,240</b>	532,180
Fixed assets (net) .....	<b>362,145</b>	364,796
Total assets .....	<b>1,807,212</b>	1,741,258
Working capital .....	<b>875,674</b>	838,311
Long-term obligations .....	<b>711,935</b>	671,430
Shareholders' equity .....	<b>584,532</b>	574,783

	<b>Per share of capital stock</b> (in dollars)*	
Net earnings .....	<b>.31</b>	.37
Dividends declared .....	<b>.20</b>	.32
Shareholders' equity .....	<b>6.70</b>	6.58

\*Certain amounts have been restated to reflect accounting changes applied retroactively in 1981 and 1979 and for the prior period adjustment recorded in 1981.



1980 53 weeks	1979 52 weeks	1978 52 weeks (unaudited)	1977 52 weeks	1976 52 weeks	1975 52 weeks	1974 53 weeks	1973 52 weeks
\$2,954,606	\$2,618,213	\$2,390,651	\$2,093,378	\$1,890,827	\$1,548,600	\$1,341,128	\$1,073,467
36,218	32,500	30,508	28,992	26,566	23,795	18,583	14,876
31,473	44,259	37,465	27,700	26,906	28,993	34,620	27,974
50,289	67,719	57,271	45,367	33,174	32,118	34,454	30,275
31,430	29,416	20,526	18,077	18,037	17,159	14,914	13,516
40,475	37,282	33,841	42,046	40,305	69,664	70,270	35,996
6,064	1,548	16,255	—	—	—	—	—
532,906	472,144	433,621	402,398	381,653	279,503	268,738	203,885
362,923	353,234	347,156	323,106	310,333	298,389	254,106	204,442
1,700,331	1,580,814	1,433,731	1,341,837	1,238,070	1,050,597	941,083	775,598
711,612	665,479	601,473	557,591	486,673	431,586	343,799	286,154
543,442	500,955	533,652	512,176	457,407	402,573	342,423	254,073
570,784	550,519	436,638	392,371	362,597	345,066	269,476	248,043
.58	.85	.76	.60	.44	.47	.51	.45
.36	.36	.27	.24	.24	.24	.22	.20
6.54	6.32	5.72	5.21	4.82	4.60	3.97	3.67

# Consolidated Statements of Earnings and Retained Earnings

Simpsons-Sears Limited

	Fiscal Year Ended	
	February 2, 1983 52 Weeks (in thousands)	February 3, 1982 52 Weeks (in thousands)
<b>Consolidated Earnings</b>		
Net sales, including service charges on instalment sales .....	<b>\$3,137,303</b>	\$3,129,625
Rentals and other income .....	<b>9,340</b>	7,364
	<b>3,146,643</b>	<b>3,136,989</b>
Deduct:		
Cost of merchandise sold and selling, operating and administrative expenses .....	<b>2,943,616</b>	2,917,849
Depreciation .....	<b>33,056</b>	34,485
Interest on long-term obligations .....	<b>89,186</b>	69,714
Other interest .....	<b>28,535</b>	49,916
Municipal realty and business taxes .....	<b>34,693</b>	31,575
	<b>3,129,086</b>	<b>3,103,539</b>
Earnings from operations before income taxes .....	<b>17,557</b>	33,450
Income taxes (Note 8):		
Current .....	<b>6,113</b>	3,912
Deferred .....	<b>(6,669)</b>	4,871
	<b>(556)</b>	<b>8,783</b>
Earnings from operations .....	<b>18,113</b>	24,667
Equity in earnings of associated companies .....	<b>9,097</b>	7,270
Net earnings for the fiscal year .....	<b>\$ 27,210</b>	<b>\$ 31,937</b>
Net earnings per share .....	<b>\$ .31</b>	<b>\$ .37</b>

	Fiscal Year Ended	
	February 2, 1983 52 Weeks (in thousands)	February 3, 1982 52 Weeks (in thousands)
<b>Consolidated Retained Earnings</b>		
Balance at beginning of the fiscal year, as previously reported .....	<b>\$ 303,558</b>	\$ 298,872
Adjustments of prior years earnings (Note 11)		
Sales taxes on catalogues .....	—	(3,211)
Adoption of equity accounting for certain investments .....	—	3,898
	—	<b>687</b>
Balance at beginning of the fiscal year, as restated .....	<b>303,558</b>	299,559
Net earnings for the fiscal year .....	<b>27,210</b>	31,937
	<b>330,768</b>	<b>331,496</b>
Dividends declared (20¢ per share; 1981 — 32¢) .....	<b>17,461</b>	27,938
Balance at end of the fiscal year .....	<b>\$ 313,307</b>	<b>\$ 303,558</b>



# Consolidated Statement of Changes in Financial Position

Simpsons-Sears Limited

	Fiscal Year Ended	
	February 2, 1983 52 Weeks (in thousands)	February 3, 1982 52 Weeks (in thousands)
<b>Source of Working Capital</b>		
Net earnings for the fiscal year .....	<b>\$ 27,210</b>	\$ 31,937
Non-cash charges deducted in arriving at net earnings, principally depreciation and deferred income taxes .....	<b>27,873</b>	37,889
Equity in earnings of associated companies .....	<b>(9,097)</b>	(7,270)
Working capital from operations .....	<b>45,986</b>	62,556
Proceeds from issue of long-term obligations .....	<b>73,900</b>	176,123
Capitalization of lease obligations .....	<b>535</b>	—
Decrease in investments and other assets .....	<b>4,168</b>	8,617
Disposal of fixed assets .....	<b>404</b>	767
Amounts received from associated companies .....	<b>4,895</b>	4,008
	<b><u>129,888</u></b>	<u>252,071</u>
<b>Use of Working Capital</b>		
Fixed asset additions:		
Owned .....	<b>30,275</b>	37,125
Leased under capital leases .....	<b>535</b>	—
Increase in deferred charges .....	<b>4,928</b>	—
Decrease in long-term obligations .....	<b>35,030</b>	54,764
Increase in investments and other assets .....	<b>4,296</b>	5,545
Dividends declared .....	<b>17,461</b>	27,938
	<b><u>92,525</u></b>	<u>125,372</u>
Increase in working capital .....	<b>\$ 37,363</b>	\$126,699
Working capital at end of the fiscal year .....	<b><u>\$875,674</u></b>	<u>\$838,311</u>

Consolidated  
Balance Sheet  
Simpsons-Sears Limited

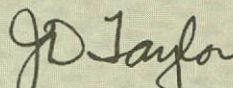
**Assets**

	February 2, 1983 (in thousands)	February 3, 1982 (in thousands)
<b>Current Assets</b>		
Cash .....	\$ 5,917	\$ 6,440
Accounts receivable (Note 2) .....	733,625	705,448
Inventories .....	562,240	532,180
Prepaid advertising and other charges .....	65,092	62,528
	<u>1,366,874</u>	<u>1,306,596</u>
<b>Investments and Other Assets (Note 3) .....</b>	<b>64,037</b>	<b>59,707</b>
 <b>Fixed Assets (Note 4)</b>		
Land .....	30,475	30,448
Buildings and improvements .....	322,563	315,409
Equipment and fixtures .....	244,745	228,774
	<u>597,783</u>	<u>574,631</u>
Less accumulated depreciation .....	235,638	209,835
	<u>362,145</u>	<u>364,796</u>
<b>Deferred Charges .....</b>	<b>14,156</b>	<b>10,159</b>
	<u><u>\$1,807,212</u></u>	<u><u>\$1,741,258</u></u>



Approved by the Board:

C.R. Sharpe Director



J.D. Taylor Director

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## Liabilities

	February 2, 1983 (in thousands)	February 3, 1982 (in thousands)
<b>Current Liabilities</b>		
Bank advances and short-term notes (Note 5) .....	\$ 180,035	\$ 174,751
Accounts payable .....	135,058	120,268
Accrued liabilities .....	98,950	95,730
Income and other taxes .....	46,244	30,519
Principal payments on long-term obligations due within one year (Note 6) .....	26,548	42,652
Dividend payable .....	4,365	4,365
	<u>491,200</u>	<u>468,285</u>
Long-Term Obligations (Note 6) .....	711,935	671,430
Deferred Income Taxes .....	19,545	26,760
	<u>1,222,680</u>	<u>1,166,475</u>

## Shareholders' Equity

Capital Stock (Note 7) .....	271,225	271,225
Retained Earnings .....	313,307	303,558
	<u>584,532</u>	<u>574,783</u>
	<u>\$1,807,212</u>	<u>\$1,741,258</u>

# Notes to Consolidated Financial Statements

Simpsons-Sears Limited

## 1. SUMMARY OF ACCOUNTING POLICIES:

### Principles of Consolidation:

The consolidated financial statements include the accounts of Simpsons-Sears Limited and all subsidiaries.

### Inventories:

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

### Prepaid Advertising:

Catalogue production costs are deferred and amortized over the life of each catalogue on the basis of the estimated sales from the catalogue.

### Investments:

Investments in associated companies are carried at cost plus equity in undistributed earnings since dates of acquisition. Other investments are carried at cost.

### Fixed Assets:

Fixed assets are stated at cost. Depreciation and amortization provisions are generally computed by the straight-line method based on the estimated useful lives of 4 to 10 years for equipment and fixtures and of 30 to 50 years for buildings and improvements.

### Leases:

Leases are accounted for as capital or operating leases based on an assessment of each lease.

### Deferred Charges:

Bond and 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 bonds and debentures.

Costs of developing major data processing systems are deferred and amortized over 3 years from the date each system is put into operation.

### Foreign Currency Translation:

Long-term obligations payable in U.S. dollars are translated at the exchange rate in effect at the balance sheet date or at the rates fixed by forward exchange contracts.

Unrealized foreign exchange gains and losses and the cost of forward exchange contracts are deferred and amortized over the remaining terms of the obligations.

### Profits on Instalment Sales:

Profits on instalment sales, but not the service charges on such sales, are taken into earnings at the time of sale. The service charges are taken into earnings as earned.

### Pensions:

Current service costs under the Company's Guaranteed Retirement Income Plan are charged to operations as they accrue. Prior service costs are charged to operations as they are funded.

### Net Earnings per Share:

Net earnings per share are calculated based on the weighted average number of shares outstanding during the fiscal year.

## 2. ACCOUNTS RECEIVABLE:

	February 2, 1983 (in thousands)	February 3, 1982 (in thousands)
Customer instalment accounts . . . . .	\$674,605	\$641,498
Miscellaneous accounts . . . . .	72,329	78,224
	<u>746,934</u>	<u>719,722</u>
Less allowance for doubtful accounts . . . . .	13,309	14,274
	<u>\$733,625</u>	<u>\$705,448</u>

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

## 3. INVESTMENTS AND OTHER ASSETS:

	February 2, 1983 (in thousands)	February 3, 1982 (in thousands)
Investments in associated companies . . . . .	\$ 49,838	\$ 45,621
Other investments, principally real estate advances . . . . .	11,520	11,318
Notes receivable on Class A shares of Simpsons-Sears Limited issued under the Employees' Stock Purchase Plan . . . . .	2,679	2,768
	<u>\$ 64,037</u>	<u>\$ 59,707</u>

The Company's equity in the net assets of the associated companies, as shown in their financial statements, approximates the carrying value thereof. The investments in associated companies include a 25% share interest in each of Allstate Insurance Company of Canada and Allstate Life Insurance Company of Canada, a 45% share interest in Photo Engravers & Electrotypers Limited, a 20% share interest in Inglis Limited, interests in several companies which supply merchandise to the Company and interests in shopping centres in which the Company's stores are located. Pursuant to a long-term agreement, Photo Engravers produces catalogues for the Company. Inglis is a major supplier of large home appliances. Merchandise purchases from associated companies amounted to approximately \$141 million for the year ended February 2, 1983, and there were no significant amounts receivable or payable on that date.

## 4. FIXED ASSETS:

Fixed assets include the following capitalized leased assets:

	February 2, 1983 (in thousands)	February 3, 1982 (in thousands)
Buildings . . . . .	\$ 26,979	\$ 26,979
Equipment . . . . .	3,851	3,316
	<u>30,830</u>	<u>30,295</u>
Less accumulated amortization . . . . .	5,983	4,673
	<u>\$ 24,847</u>	<u>\$ 25,622</u>

## 5. BANK ADVANCES AND SHORT-TERM NOTES:

Bank advances include demand notes of \$6,000,000 at February 2, 1983 and at February 3, 1982 secured by the pledge of Secured Debentures Series A, of Simpsons-Sears Acceptance Company Limited.

Under the terms of an agreement the Company may, in certain circumstances, be requested to give its bankers a charge on inventories to secure its short-term bank advances which were outstanding in the amount of \$25,219,000 at February 2, 1983.

## 6. LONG-TERM OBLIGATIONS:

	February 2, 1983 (in thousands)	February 3, 1982 (in thousands)
<b>Simpsons-Sears Limited:</b>		
<b>First Mortgage Bonds:</b>		
5½% Series C due August 15, 1985 . . . . .	\$ 2,180	\$ 3,080
7¾% Series D due February 15, 1991 . . . . .	19,312	20,441
8¼% Series E due May 1, 1993 . . . . .	19,250	20,750
<b>Fixed Rate Debentures:</b>		
4½% due October 15, 1988 . . . . .	1,396	1,469
11% Series B due August 15, 1994 . . . . .	27,990	29,586
10% Series C due June 15, 1982 . . . . .	—	35,000
11¼% Series D due June 15, 1995 . . . . .	29,800	31,070
<b>Floating Rate Debentures:</b>		
Series E due December 31, 1987 . . . . .	25,000	25,000
Series F due February 3, 1987 . . . . .	52,000	52,000
Series G due June 15, 1987 . . . . .	35,000	—
<b>Capital lease obligations, interest rates from 8% to 17% . . . . .</b>		
	<b>28,209</b>	<b>28,287</b>
	<b>240,137</b>	<b>246,683</b>
<b>Simpsons-Sears Acceptance Company Limited:</b>		
<b>Secured Debentures:</b>		
5½% Series E due March 1, 1985 . . . . .	10,000	10,000
6¼% Series F due March 1, 1986 . . . . .	10,000	10,000
7% Series G due November 1, 1986 . . . . .	12,200	12,200
7¼% Series H due August 15, 1987 . . . . .	12,400	12,400
8¾% Series I due June 15, 1989 . . . . .	8,700	8,700
9½% Series J due February 1, 1990 . . . . .	6,670	6,670
8¾% Series K due May 15, 1992 . . . . .	25,000	25,000
9¼% Series L due March 15, 1994 . . . . .	21,975	22,075
11½% Series M due November 15, 1994 . . . . .	15,664	16,112
11½% Series N due November 15, 1994 . . . . .	5,100	5,525
9¾% Series O due August 1, 1983 . . . . .	15,895	16,194
10¾% Series P due November 15, 1996 . . . . .	31,530	32,499
10¾% Series Q due November 15, 1988 . . . . .	10,000	10,000
9¼% Series R due March 15, 1984 . . . . .	30,000	30,000
10% Series S due July 15, 1998 . . . . .	32,000	32,000
12¾% Series T due June 15, 2000 . . . . .	40,000	40,000
<b>Floating Rate Series U due</b>		
October 31, 1990 . . . . .	25,000	25,000
14¾% Series V due April 1, 1996 . . . . .	66,390	70,700
17½% Series W due November 1, 1988 (U.S. \$40,000,000) . . . . .	51,752	51,752
16¾% Series X due April 28, 1989 . . . . .	40,000	—
	<b>470,276</b>	<b>436,827</b>
<b>Simpsons-Sears Properties Limited:</b>		
<b>Mortgage and bond indebtedness:</b>		
4% to 6% payable in monthly instalments of principal and interest and maturing at various dates from 1985 to 1998, including \$5,585,000 (U.S. \$4,522,000) at February 2, 1983 and \$6,032,000 (U.S. \$5,000,000) at February 3, 1982 payable in U.S. funds . . . . .	7,328	7,839
12% notes, payable in annual amounts to August 31, 1989 . . . . .	688	1,826
	<b>8,016</b>	<b>9,665</b>
<b>St. Laurent Shopping Centre Limited:</b>		
8% First Mortgage Sinking Fund Bonds due June 1, 1993 . . . . .	11,309	12,078
10½% General Mortgage Bonds Series A due June 1, 1993 . . . . .	3,300	3,348
13% General Mortgage Bonds Series B due June 1, 1993 . . . . .	5,445	5,481
	<b>20,054</b>	<b>20,907</b>
	<b>738,483</b>	<b>714,082</b>
<b>Less principal payments due within one year included in current liabilities . . . . .</b>		
	<b>26,548</b>	<b>42,652</b>
	<b>\$711,935</b>	<b>\$671,430</b>

The First Mortgage Bonds of Simpsons-Sears Limited, the mortgage and bond indebtedness of Simpsons-Sears Properties Limited, and the First Mortgage Sinking Fund Bonds of St. Laurent Shopping Centre Limited are primarily secured by first charges on the fixed assets of those companies. The General Mortgage Bonds of St. Laurent Shopping Centre Limited are secured primarily by a second charge on the fixed assets of that company. The Debentures of Simpsons-Sears Limited are secured, subject to the security given on its First Mortgage Bonds, by a floating charge on all the assets of the Company. The Secured Debentures of Simpsons-Sears Acceptance Company Limited are secured by an assignment of the customer instalment accounts receivable referred to in Note 2.

The Series E, Series F and Series G Debentures of the Company, which are redeemable at the option of the Company, bear interest for each interest period at a rate equal to the average daily prime lending rates of the Company's two principal bankers for the interest period, plus ½% in the case of Series E and less ¼% in the case of Series F.

The Series U Secured Debentures of Simpsons-Sears Acceptance Company Limited bear interest at a rate equal to the average daily prime lending rates of the Company's two principal bankers for the interest period less ½% (¼% after 1987).

Simpsons-Sears Acceptance Company Limited has entered into forward exchange contracts to purchase U.S. dollars for payment of the principal of and each interest payment on the Series W Secured Debentures.

Subsequent to February 1, 1984, principal payments required on long-term obligations for the fiscal years ending on the dates shown are as follows:

January 30, 1985—	\$51,096,000
January 29, 1986—	\$32,510,000
February 4, 1987—	\$46,354,000
February 3, 1988—	\$148,259,000

## 7. CAPITAL STOCK:

As at February 2, 1983 and February 3, 1982, the authorized and outstanding share capital is as follows:

	CLASS A non-voting	CLASS B	CLASS C
Shares of no par value			
Authorized . . . . .	30,000,000	37,000,000	37,000,000
Issued . . . . .	16,919,828	35,174,584	35,212,571
Amounts . . . . .	\$80,925,000	\$95,017,000	\$95,283,000

At a Shareholders Meeting on May 19, 1982 an increase in the authorized number of Class A shares from 18,500,000 to 30,000,000 shares was approved.

All classes of shares rank equally in all respects except that the Class A shares are non-voting and are entitled to a non-cumulative preferential dividend of 2½% per share in any year. After payment of a similar dividend to the holders of the Class B and Class C shares all three classes rank equally as to dividends.

The payment of dividends by the Company is subject to restrictions contained in the trust indenture securing its outstanding Debentures. Under the most restrictive of these tests, the Company may not pay any dividends if, immediately after paying such dividends, the aggregate amount of dividends declared or paid after February 3, 1982, would exceed net income (as defined) earned after February 3, 1982, plus \$30 million. As at February 2, 1983, there was \$36 million available for the payment of dividends.

continued on next page

## 8. INCOME TAXES:

A reconciliation of the income tax expense at the statutory tax rates with the actual income tax expense is as follows:

	February 2, 1983 (in thousands)	February 3, 1982 (in thousands)
Earnings before income taxes	<u>\$17,557</u>	<u>\$33,450</u>
Statutory tax rate	<u>50.7%</u>	<u>51.4%</u>
Income taxes at statutory tax rate	\$ 8,901	\$17,193
Increase (decrease) in income taxes resulting from:		
Miscellaneous non-deductible items	382	465
Inventory tax credit	(8,151)	(8,261)
Non-taxable portion of capital gains	(871)	(514)
Miscellaneous non-taxable items	(817)	(100)
Income tax (recovery) expense	<u>\$ (556)</u>	<u>\$ 8,783</u>
Effective tax rate	<u>(3.2%)</u>	<u>26.3%</u>

For the year ended February 2, 1983, the Company and certain subsidiaries had losses for income tax purposes of approximately \$20 million available to reduce taxable income over their next five fiscal years. The future tax benefit relating to these tax losses of \$10,364,000, computed at 1982 statutory tax rates, has been included in net earnings for the fiscal year and deferred income taxes have been reduced by that amount.

## 9. COMMITMENTS:

The charge against earnings for the Company's Guaranteed Retirement Income Plan was \$18,431,000 for the fiscal year ended February 2, 1983 (\$14,809,000 for the fiscal year ended February 3, 1982). The unfunded obligation for past service under this plan, estimated by independent actuaries to be approximately \$88.4 million at February 2, 1983 (\$69.8 million at February 3, 1982), is to be funded and charged to earnings by annual payments to 1998. A significant portion of the increase in the unfunded obligation for past service at February 2, 1983, is due to the cost of pension plan amendments made during the year, whereby certain eligible employees selected an improved early retirement option.

Minimum lease payments, exclusive of property taxes, insurance and other expenses payable directly by the Company, under capital leases and operating leases that have an initial term of more than one year as at February 2, 1983 are as follows:

	Capital leases (in thousands)	Operating leases (in thousands)
1983	\$ 3,538	\$ 43,993
1984	3,432	40,717
1985	3,432	37,987
1986	3,525	33,827
1987	3,050	25,634
Subsequent years	<u>59,014</u>	<u>367,671</u>
Minimum lease payments	\$75,991	<u>\$549,829</u>
Less imputed interest	<u>47,782</u>	
Capital lease obligations	<u>\$28,209</u>	

Total rentals charged to earnings under all operating leases for the fiscal year ended February 2, 1983 amounted to \$47,973,000 (\$47,536,000 for the fiscal year ended February 3, 1982).

## 10. CAPITAL EXPENDITURES:

Capital expenditures for the fiscal year ending February 1, 1984 are estimated at approximately \$43,000,000.

## 11. ADJUSTMENTS OF PRIOR YEARS EARNINGS:

In 1981 the Company was assessed provincial sales taxes on catalogues distributed to its customers in certain provinces since 1978. Of the total assessment of \$9,198,000, approximately \$6,630,000 (\$3,211,000 net of tax) was charged against retained earnings at February 4, 1981.

Effective for the fiscal year ended February 3, 1982, the Company changed, retroactively, from the cost basis to the equity method of accounting for its investments in certain 20% to 50% owned companies. The effect of this accounting change was to increase the carrying value of those investments by \$4,715,000 at February 3, 1982, of which \$3,898,000 applied to prior years.

## Auditors' Report

To the Shareholders of Simpsons-Sears Limited:

We have examined the consolidated balance sheet of Simpsons-Sears Limited as at February 2, 1983 and the consolidated statements of earnings, retained earnings and changes in financial position for the fiscal year 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 February 2, 1983 and the results of its operations and the changes in its 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 fiscal year.

*Price Waterhouse*

Chartered Accountants

Toronto, March 23, 1983

# Catalogue Centres, Catalogue Sales Units, Retail Stores

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## Catalogue Centres

Halifax, Nova Scotia  
Toronto, Ontario  
Regina, Saskatchewan  
Vancouver, British Columbia

## 1263 Catalogue Sales Units

### 72 Retail Stores

Barrie, Ontario  
Belleville, Ontario  
Brantford, Ontario  
Brossard, Quebec  
Burlington, Ontario  
Burnaby, British Columbia  
Calgary, Alberta  
    Chinook-Centre  
    Marlborough  
    North Hill  
Chatham, Ontario  
Chicoutimi, Quebec  
Chilliwack, British Columbia  
Cornwall, Ontario  
Dartmouth, Nova Scotia  
Edmonton, Alberta  
    Bonnie Doon  
    Heritage  
    Kingsway  
    Meadowlark  
    West Edmonton

Fredericton, New Brunswick  
Granby, Quebec  
Guelph, Ontario  
Hamilton, Ontario  
    Hamilton Centre  
    Limeridge  
Hull, Quebec  
Kamloops, British Columbia  
Kelowna, British Columbia  
Kingston, Ontario  
Kitchener, Ontario  
Lethbridge, Alberta  
Levis, Quebec  
Markham, Ontario  
Medicine Hat, Alberta  
Mississauga, Ontario  
Montreal, Quebec  
    les Galeries d'Anjou  
    Place Vertu  
Moncton, New Brunswick  
Moose Jaw, Saskatchewan  
Nanaimo, British Columbia  
Newmarket, Ontario  
North Vancouver, British Columbia  
Oshawa, Ontario  
Ottawa, Ontario  
    Carlingwood  
    St. Laurent  
Peterborough, Ontario

Prince Albert, Saskatchewan  
Prince George, British Columbia  
Quebec City, Quebec  
    Fleur de Lys  
    Place Laurier  
Red Deer, Alberta  
Richmond, British Columbia  
Richmond Hill, Ontario  
Saint John, New Brunswick  
Sarnia, Ontario  
Saskatoon, Saskatchewan  
Sault Ste. Marie, Ontario  
Sherbrooke, Quebec  
St. Catharines, Ontario  
St. Jean, Quebec  
St. Jerome, Quebec  
St. John's, Newfoundland  
Sudbury, Ontario  
Surrey, British Columbia  
Thunder Bay, Ontario  
Toronto, Ontario  
Trois-Rivières, Quebec  
Vancouver, British Columbia  
Victoria, British Columbia  
Windsor, Ontario  
Winnipeg, Manitoba  
    Garden City  
    Kildonan  
    Polo Park

Sears

## Simpsons-Sears Limited

Head Office,  
222 Jarvis Street,  
Toronto, Ontario, Canada  
M5B 2B8

## Transfer Agent and Registrar

The Royal Trust Company,  
Toronto, Ontario;  
Montreal, P.Q.;  
Calgary, Alberta

## Edition française du rapport annuel

On peut se procurer  
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rapport en écrivant au  
Vice-président  
et contrôleur général.  
Simpsons-Sears Limitée,  
222 Jarvis Street,  
Toronto, Ontario, Canada  
M5B 2B8

## Annual Meeting

The Annual and Special Meeting  
of Shareholders of  
Simpsons-Sears Limited  
will be held in the  
Burton-Wood Auditorium  
Simpsons-Sears Limited  
Main floor,  
222 Jarvis Street  
on Wednesday, May 18, 1983  
at 10:00 a.m.



**Simpsons-Sears Limited/Annual Report 1982**