*Customers are the driving force at Moore and the Corporation's ongoing emphasis on serving their business information needs is a "top down" commitment to strategic marketing.*

# Moore Corporation Limited Annual Report 1986

*Moore is an international organization operating in 48 countries with 138 manufacturing plants serving the diverse and changing needs of business, government and other enterprises by providing products and services which facilitate the recording, retention, processing, retrieval and communication of information including business forms and systems, equipment, computer supplies and software, data base management and direct mail. Moore also manufactures and markets custom packaging products in Canada and the United Kingdom.*



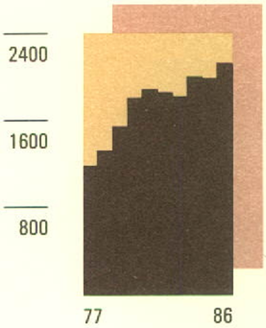
**Annual Meeting**
The annual and special meeting of shareholders will be held at 2:00 p.m., Thursday, April 9, 1987 in Commerce Hall, Commerce Court West, (King and Bay Streets), Toronto, Canada.

# Financial highlights

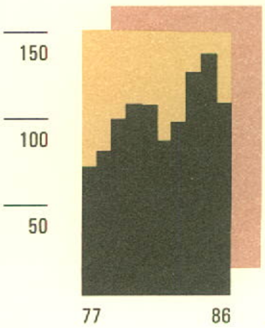
*Expressed in United States currency and except per share amounts in thousands of dollars*

Moore Corporation Limited

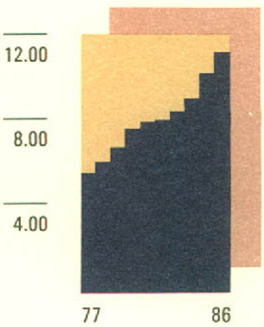
**Sales**
*Millions of dollars*




**Net earnings**
*Millions of dollars*




**Shareholders' equity per common share**
*Dollars per share*




| | 1986 | 1985 | 1984 |
|---|---|---|---|
| **Consolidated statement of earnings** | | | |
| Sales | **$2,114,313** | $1,986,012 | $1,996,891 |
| Income from operations | **236,444** | 265,445 | 213,052 |
| *Per dollar of sales* | **11.2¢** | 13.4¢ | 10.7¢ |
| Income taxes | **113,311** | 123,532 | 98,359 |
| *Percent of pretax earnings* | **43.7%** | 42.4% | 41.3% |
| Net earnings from continuing operations | **139,496** | 152,263 | 131,564 |
| *Per dollar of sales* | **6.6¢** | 7.7¢ | 6.6¢ |
| Discontinued operation | | | |
| Net operating loss | **13,383** | 15,580 | 5,831 |
| Net loss on disposal | **16,500** | – | – |
| Net earnings | **109,613** | 136,683 | 125,733 |
| *Per dollar of sales* | **5.2¢** | 6.9¢ | 6.3¢ |
| **Consolidated balance sheet** | | | |
| Working capital | **584,701** | 565,646 | 534,666 |
| *Ratio of current assets to current liabilities* | **2.8:1** | 3.0:1 | 3.0:1 |
| Long-term debt | **50,523** | 49,307 | 53,644 |
| *Ratio to equity* | **0.1:1** | 0.1:1 | 0.1:1 |
| Capital employed in business | **1,155,118** | 1,047,799 | 931,682 |
| *Return from continuing operations on capital employed* | **12.7%** | 15.4% | 14.6% |
| Shareholders' equity | **1,000,818** | 907,391 | 795,818 |
| *Return from continuing operations on shareholders' equity* | **14.6%** | 17.9% | 17.4% |
| Total assets | **1,487,839** | 1,333,638 | 1,199,392 |
| **Expenditure for fixed assets** | **113,542** | 94,505 | 67,151 |
| **Per share** | | | |
| Net earnings from continuing operations | **$ 1.54** | $ 1.70 | $ 1.50 |
| Discontinued operation | | | |
| Net operating loss | **$ 0.15** | $ 0.17 | $ 0.07 |
| Net loss on disposal | **$ 0.18** | – | – |
| Net earnings | **$ 1.21** | $ 1.53 | $ 1.43 |
| Dividends declared | **72¢** | 70⅔¢ | 66⅔¢ |
| Shareholders' equity | **$ 11.01** | $ 10.09 | $ 8.97 |

Although 1986 was a challenging year for the Corporation, considerable progress was made in developing and implementing programs involving the restructure and rationalization of operations to further strengthen Moore's position in a rapidly changing business environment.

While sales achieved a record level, operating results were unfavourably impacted by a sluggish economy in the large United States market, significantly higher paper costs, and unsettled business conditions in Brazil.

The storefront computer marketing unit in the United States continued to operate at a loss and a decision was taken to discontinue this operation. Provision for loss on disposal was made and the consolidated financial statements separately disclose operating results from continuing and discontinued operations.

A decision also was taken to divest operations in South Africa which account for approximately one per cent of the Corporation's consolidated sales and earnings. No significant gain or loss is expected to arise from this action.

Future growth of the Corporation will require continued emphasis on its core business, while developing and marketing a broad base of value-added products and services that meet the changing information needs of its customers. These changes are highlighted on page 8 under the heading Focus on the Future.

**Financial**

Sales of $2.1 billion from continuing operations increased from $2.0 billion in 1985.

The income from continuing operations of $236 million declined from $265 million in 1985. Similarly, the return on the sales dollar of 11.2¢ compared with 13.4¢ in 1985. Income from operations in 1985 benefited from a strong fourth quarter performance and favourable year end LIFO inventory adjustments.

Net earnings from continuing operations were $139 million or $1.54 per share compared with $152 million or $1.70 per share in 1985. The return on the sales dollar in 1986 of 6.6% compared with 7.7% in 1985.

A provision of $16.5 million was made to cover costs associated with the transition of the Moore storefront marketing units to MicroAge franchisees and the closure of the remaining stores. This unit incurred an operating loss of $13.4 million.

Net earnings were $110 million or $1.21 per share compared with $137 million or $1.53 per share in 1985.

The balance sheet of the Corporation continues to reflect a strong financial condition. Working capital increased by $19 million and the year end current ratio of 2.8:1 compares with 3.0:1 last year end.

Record capital expenditures of $113 million exceeded 1985 by $19 million. During the past three years $237 million was invested in capital programs and in the introduction of new technologies.

**Dividends and capital stock**

The quarterly dividend was maintained at 18¢ per common share or 72¢ per year.

Since dividends are disbursed in United States funds, shareholders converting their dividends into Canadian funds realize a benefit from the higher value of the United States dollar.

The number of common shares issued increased by 1,003,912 as shareholders took advantage of the Dividend Reinvestment Plan.

**Operating results**

A slow rate of growth in the United States economy, a sharp increase in the price of paper, and the pricing constraints of an extremely competitive marketplace, contributed to reduced earnings in the United States Business Forms & Systems Division. The division continued to strengthen its product offering by substituting the sale of value-added products and services for lower margin product lines. The Canadian Business Forms & Systems Division turned in a strong performance.

The Response Graphics Division, which serves the direct mail market in the United States with computer-based printing, reported level sales and earnings. During the year a decision was made to withdraw from the State lottery market and to concentrate on other direct mail opportunities.

The Data Management Services Divisions in the United States and Canada which provide on-line systems to the real estate industry and publications for real estate and other businesses, had outstanding growth in sales and earnings.

European results improved significantly. Sales increased as a result of redirection of marketing efforts and strengthened domestic economies. Income from operations rose sharply, principally due to the introduction of state-of-the-art manufacturing equipment to produce new and existing products and an overall improvement in operating efficiency.

Operations in Latin America were conducted in a particularly difficult environment. Although sales showed continued growth in Brazil, the effect of changes in government monetary policies and the introduction of price controls resulted in a marked reduction in earnings. An extensive restructuring and rationalization of the Mexican subsidiary is being implemented.

As anticipated, the programs put into place in the Australasian business forms units during 1985 contributed to sharply higher operating results.

The packaging unit in the United Kingdom had excellent results, surpassing the records achieved in 1985. The restructuring program undertaken by the Canadian packaging subsidiary in order to improve productivity and reduce costs in a very competitive marketplace has been substantially completed. The division is positioned for a significant turnaround in 1987.

Toppan Moore Company, Ltd., in which Moore has a 45% interest, had an outstanding year with sales and earnings up sharply. Toppan Moore is the largest business forms company in Japan and Southeast Asia.

Moore has entered into an arrangement to sell its operation in South Africa as of January 1, 1987. This decision reflects current unsettled economic and political conditions in that country and an uncertain outlook for the future. The South African operation accounted for approximately 1% of Moore's sales and earnings. No significant gain or loss on the sale is expected to occur.

**Strategic perspective**

Moore continues to focus on strategies which take advantage of the changing business environment. While forms and forms-based systems will continue as the core business, these products are being combined with computer technology to provide new products and services.

Customers are the driving force at Moore and the Corporation's ongoing emphasis on serving their business information needs is a "top down" commitment to strategic marketing.

Building a strong base for future growth through research and development has always been a priority. Moore's Research staff continued their innovative work in printing and material processing technologies, and in systems software development for the electronic printing of variable information. The Corporation's operating divisions also extended their programs to fully develop information distribution, forms management and data-based management services. The record capital expenditure program indicates Moore's commitment to sustaining its competitive advantage with state-of-the-art production facilities.

To complement the Corporation's proprietary position in electronic printing, an investment was made in KCR Technology Inc. KCR has developed an electronic printer to compete with both impact and non-impact printers which it will begin to market in the first half of 1987. The potentially significant competitive advantage of this equipment will provide long-term benefits to the Corporation and its customers.

As an indication of the commitment to broaden the base of services, Command Records Services Limited, Canada's leader in business records retention, was acquired early in 1987.

An important opportunity for Moore is the small user of business forms and supplies. This growing market is the result of two parallel trends. Small businesses are increasing their use of forms and computer supplies as they shift from manual to computer-based information management. At the same time, larger corporations are decentralizing information processing, necessitating changes in their purchasing of business forms and related products and services. Moore's response to these new buying practices has been to refocus its methods of distribution by emphasizing mail-order catalogs and telephone marketing to supplement the efforts of the 5,000 member salesforce. As a result of the initial success of these marketing efforts in the United States during the last four years, nine million Moore catalogs were distributed to businesses in seven countries.

By looking at its business from the standpoint of benefits to the customer, Moore will continue a strategy initiated more than a century ago – that of serving the business information needs of its customers.

**Outlook**

With continued economic growth in the markets served by the Corporation, the disposition of unprofitable operations, and lower income tax rates in the United States, operating results should show substantial improvement in 1987.

Through the identification and development of strategic opportunities worldwide, Moore will continue to focus on the strength of its core business while investing in new technologies, products and services that meet customer needs. Acquisitions which support the core business or broaden the services offered to customers will be pursued.

The Corporation has taken necessary actions to restructure both its sales and manufacturing functions in the important United States Business Forms & Systems Division. These changes allow additional emphasis to be placed on the middle market and will increase the opportunities for the sale of new products and services using Moore's proprietary electronic printing technology.

A commitment to meeting the changing needs of customers through strategic marketing, as well as the benefits being realized from the ongoing Productivity and Cost Evaluation Program in all operating units will be the key to sustained profitable growth.

**Directors and officers**

Arden R. Haynes, Chairman, President and Chief Executive Officer of Imperial Oil Limited, was elected to the Board of Directors, effective January 1, 1987.

David W. Barr retired at the end of 1986 as Chairman of the Board of Directors.

Effective January 1, 1987, Judson W. Sinclair, President and Chief Executive Officer since 1983, became Chairman of the Board. M. Keith Goodrich, Executive Vice President and Chief Operating Officer since January 1, 1986, was appointed President and Chief Executive Officer.

Louis J. Rupnik, formerly President of the Data Management Services Division of Moore Business Forms, Inc., was appointed Vice President and Chief Development Officer of the Corporation effective October 1, 1986.

Other changes in management are included on page 37 of this Report.

**In appreciation**

David W. Barr served Moore with distinction in many capacities during a career that spanned more than 57 years. The Corporation's growth and profitability have been strongly influenced by his outstanding leadership. Mr. Barr has been appointed an Honorary Director.

Lee C. Rumph, Senior Vice President, Planning & Technology, retired at the end of the year. Mr. Rumph made a valued contribution during his 38 years of service.

We extend thanks to all employees for their loyalty and support. Their combined efforts and skills are the substance of Moore's ability to capitalize on the significant opportunities for growth in a changing marketplace.

On behalf of the Board of Directors,

| | |
|---|---|
| **J. W. Sinclair**<br>*Chairman of the Board*<br>February 25, 1987 | **M. K. Goodrich**<br>*President and Chief Executive Officer* |

*Moore continues to focus on strategies*

*which take advantage of a*

*changing business environment.*

Judson W. Sinclair M. Keith Goodrich

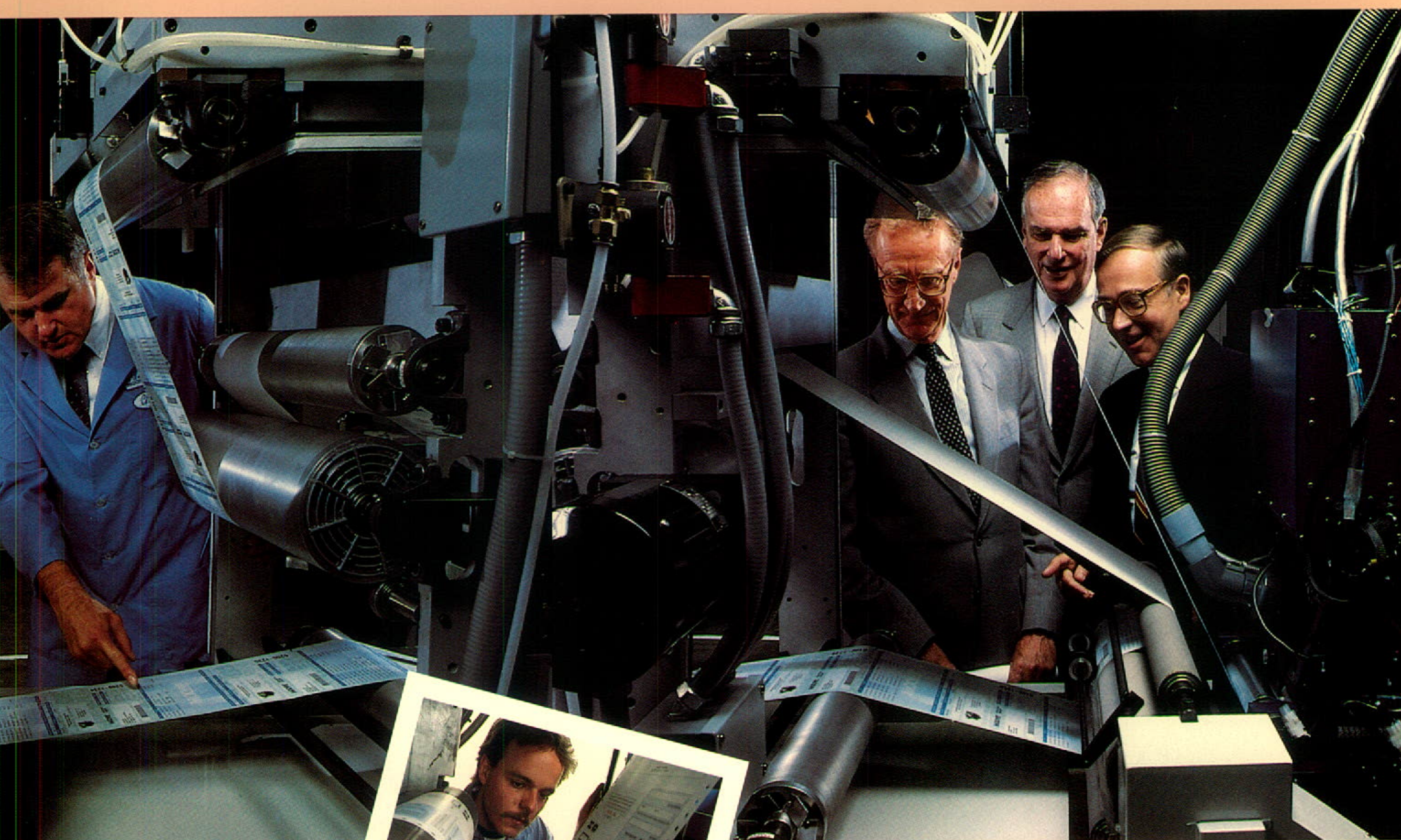
*The central focus of Moore's strategy is the development of new products and services that complement the core products.*

Carl E. Lindholm
Arden R. Haynes
J. Dean Muncaster
Cedric E. Ritchie

*Here at the Moore Research Center, the board of directors preview the newest developments in electronic printing processes. These technologies will eventually be transplanted to Moore operations around the globe.*

Judson W. Sinclair
Edward H. Crawford
John D. Allan

*Building a strong base for future growth through research and development has always been a priority.*



Walter F. Light
James D. Farley
M. Keith Goodrich

*The printing of a document is only one aspect of a customer's total business communication requirements. Moore perceived this as an important opportunity to broaden its range of services. Through "information distribution services," Moore offers a service which encompasses the collection, processing, distribution, response analysis and reporting of business transaction information.*

The paperless office. Is it myth or reality? Though many people eagerly await an office without paperwork, it seems that–far from disappearing–paper may actually be proliferating at unprecedented rates.

Whether or not the paperless office becomes a reality, one fact is certain: Information is being created and used by organizations in a variety of new and different ways. Today, new technologies and systems are required to manage this information effectively. New processes are necessary to ensure that information is quickly communicated. And new ways of analyzing information are needed to maximize its usefulness.

These developments are occurring today in some form in virtually every company. Moore is involved in many aspects of helping these organizations develop the information required for the effective control of their operations. In addition to forms-based products, Moore provides related services such as on-line, real time forms management systems, information distribution services and response analysis and reporting.

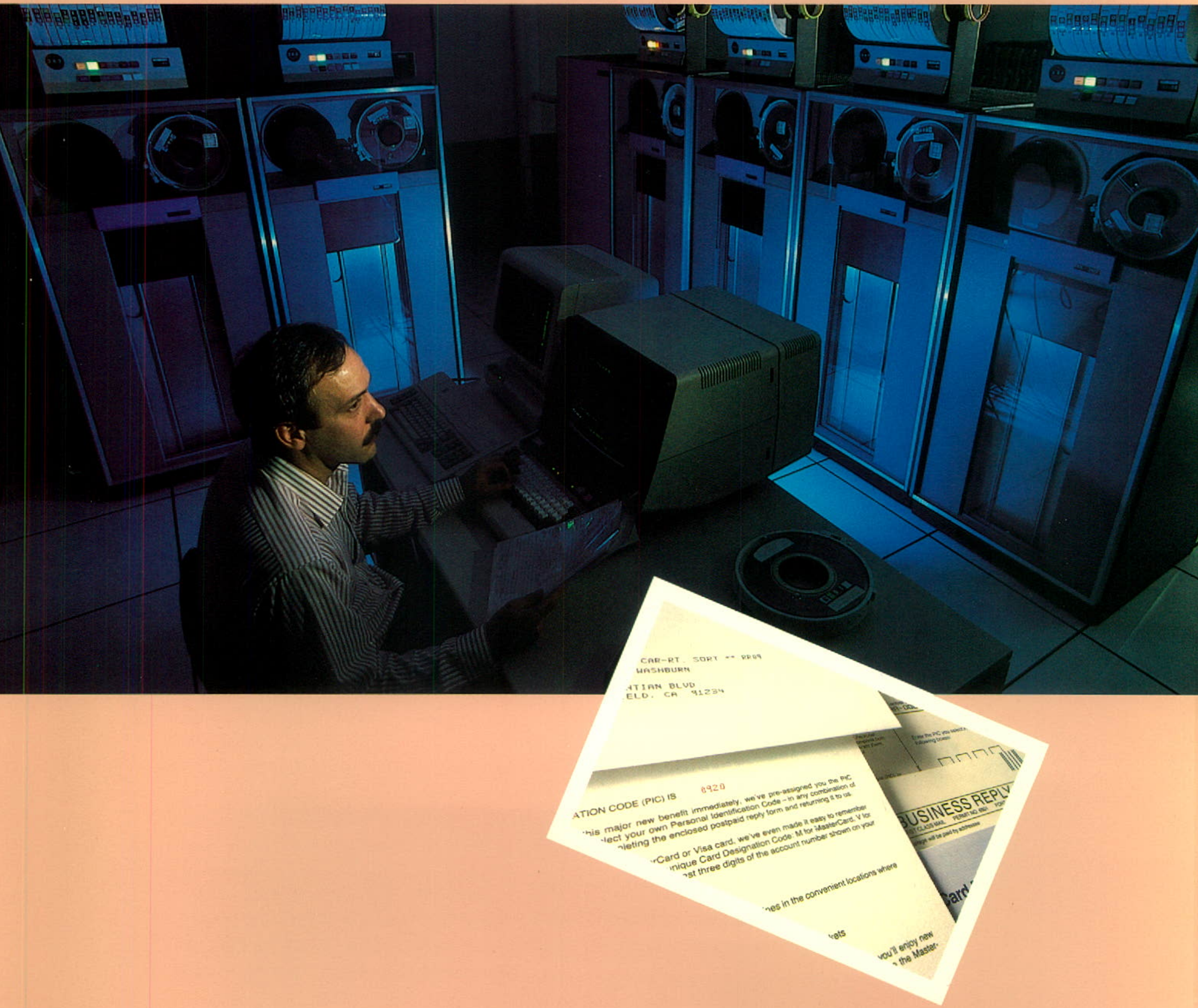
Information management services are part of a forms industry that is rapidly changing. The lines of demarcation between business forms and printing technology, computer hardware and systems software, office automation and information processing have become blurred. The resulting interrelationships are still evolving.

**The future of forms**

The future of the forms industry in this changing environment lies in providing what Moore calls "information distribution services" to all levels of business and government. Information distribution products are not new to the forms industry. However, the marriage of traditional products and innovative technology enables the evolution of the forms business into related products and services. Electronic printing, for example, allows the efficient creation of printed documents and the manipulation of the variable data contained on them. When this capability is combined with the collection, processing, distribution, response analysis and reporting of business transaction information, companies are freed from the cost of maintaining operations to handle specific types of customer communications–a truly value-added service that utilizes both core products and systems expertise.

The information distribution services market is estimated to have an annual value of $15 billion in the United States alone, and will be an increasingly important part of Moore's worldwide revenues. The opportunities to assist organizations in managing the record-

*By looking at its business from the standpoint of benefits to the customer, Moore will continue strategy initiated more than a century ago – that of serving the business information needs of its customers.*



ing, retention, processing, retrieval and communication of business information represent a continuing source of growth for the Corporation.

### Office automation

The introduction of microcomputers and word processors to the office environment is having a significant impact on both large and small businesses. To satisfy management's increasing need for timely information, many large corporations are decentralizing their data processing functions through the development of local area networks. This promotes the use of more business forms to supply the increased number of microcomputers and printers found throughout a large organization.

*Moore is the second largest manufacturer of carbonless paper in the world. More than 55% of Moore's multiple part continuous and Speedi-set forms are now being made with Moore Clean Print, our proprietary carbonless product.*

### Changing channels of distribution

The distribution of business forms and supplies is directly related to the growing use of computers and impact printers. With the decentralization of data processing in large corporations, the use of small computers, local area networks and office automation systems is becoming more prevalent. The broader base of computers and printers in many locations means that a single method of selling will not be sufficient in the future to serve the changing buying habits of large corporations–and the growth in forms use by small businesses.

Greater creativity is now required to efficiently service these customers. Multiple channels of distribution, including telephone marketing, mail-order catalogs and convenient distribution centers are needed to provide customers with products in ways that are convenient and are cost-effective. These initiatives supplement the efforts of traditional sales representatives and office products dealer support, and in Moore's case are part of a renewed marketing emphasis on providing products and services to customers.

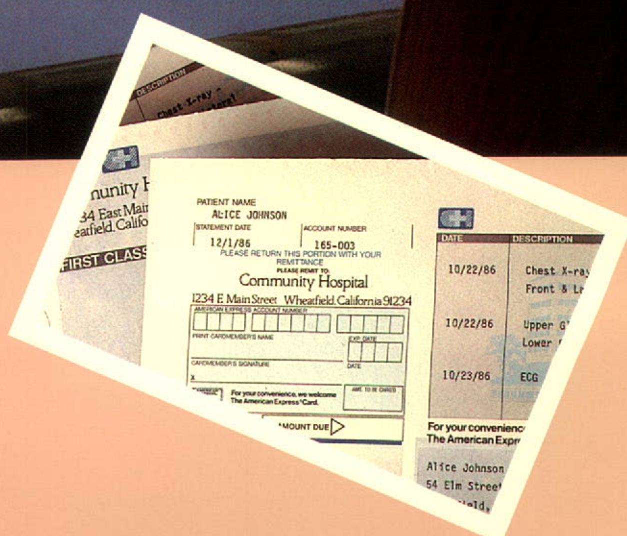
### Opportunities for new products and services

The opportunities arising in the forms industry to assist companies with information management have never been greater.

Increasingly, customers expect, and receive, a growing variety of value-added products and services. Moore's long-term commitment to research, development and capital investment ensure that it will be in a position to anticipate and provide for the changing information needs of its customers.

Market research has isolated many trends in the "information society". One is the increasing need for business to communicate

*The use of products and processes to add value to the use of paper will make a significant contribution to the future of the business forms industry.*

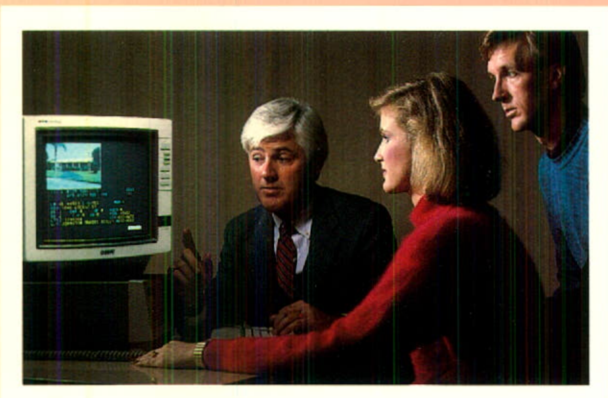


quickly with existing and prospective customers. Moore's proprietary electronic printing technology capable of printing fixed and variable information at the same time has led to the development of value-added products for applications such as dividend payments, vehicle recall notices and direct mail. A parallel trend is the necessity for effective management information about business operations. Bar coding, an automatic identification technology that facilitates the collection of key business statistics such as inventory levels and file or document location, is one opportunity of growing importance to Moore.

The use of products and processes to add value to the use of paper will make a significant contribution to the future of the business forms industry. An aspect of the carbonless forms market is the need for tighter security of information on credit card systems through the elimination of carbon tissue. Moore's Research Center developed a micro-encapsulated, indelible ink that permits carbonless forms to be used in these systems. Similarly, Moore's substantial expertise in adhesives was used to produce a line of products to answer the rapidly growing demand for repositional, self-stick notes. In both cases, a paper-based product was enhanced by technology and market research to create a new opportunity to serve the needs of customers.

The future of the forms industry is filled with many opportunities for business forms companies who broaden their base of products and focus on a wide range of value-added services through state-of-the-art printing technology and systems software capability. In an environment of rapid change, Moore is aggressively moving to enhance its position as the industry leader in assisting companies with their changing needs for meaningful business information management.

*Moore continues to explore markets and employ marketing techniques that complement the core business. Data*



*management services and direct mail catalogs for business products are among the various ways in which Moore provides products and services that facilitate the recording, communication, retention, processing and retrieval of business information.*

## Management's discussion and analysis of results of operations and financial condition.

### Results of operations

*1986/1985*

Sales in 1986 of $2,114 million increased $128 million over sales of $1,986 million in 1985.

Net earnings from continuing operations were $139.5 million or $1.54 per share, a decrease of $12.8 million or 16¢ per share from comparable net earnings of $152.3 million or $1.70 per share in the previous year.

Although sales of the Corporation's computer storefront marketing operation in the United States exceeded $100 million, a significant increase over 1985, this operation remained unprofitable due to the very competitive nature of the retail microcomputer market. A net operating loss of $13.4 million or 15¢ per share was incurred. Accordingly, it was decided to discontinue this operation and, early in 1987, an agreement with MicroAge Computer Stores, Inc. was concluded whereby a significant number of the Corporation's computer stores in the United States will be transferred to existing or new MicroAge franchisees. The remaining stores will be closed. This will result in an estimated loss on disposal of the discontinued operation of $16.5 million net of tax or 18¢ per share.

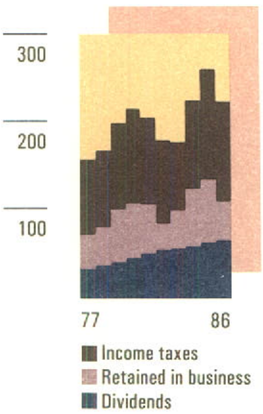
After deducting the net operating losses and estimated loss on disposal of the discontinued operation, net earnings were $109.6 million or $1.21 per share compared with $136.7 million or $1.53 per share in 1985.

A sluggish United States economy produced a slow rate of growth in the large United States business forms market and competitive conditions were intense in a year when paper prices increased sharply. Consequently, cost increases could not be fully recovered in the marketplace with an adverse effect on income from operations in this important segment of the business.

Operating income in Brazil was significantly below the 1985 level due to the adverse effect of changes in the business environment following introduction of currency reform and inflation controls late in the first quarter. Significant costs were absorbed in 1986 by the Mexican business forms and the Canadian packaging subsidiaries related to a planned restructuring of manufacturing facilities. The operating income of these subsidiaries was considerably below 1985.

Operating results of the European subsidiaries improved following several years of heavy capital expenditures to upgrade manufacturing facilities and introduce new value-added products. The higher foreign exchange value of the European

**Distribution of earnings**
*Millions of dollars*




currencies in relation to the United States dollar also contributed to the increased value of the European operating results.

Selling, general and administrative expenses absorbed an increased portion of total sales due to the continued emphasis on developing and supporting new value-added products in a year when slow economic growth and increased competition made it difficult to recover all cost increases.

The increase in depreciation reflects a program to upgrade production facilities worldwide and introduce new value-added products requiring advanced technologies. This program received added emphasis in 1985 and 1986.

Income from operations of $236.4 million and 11.2% of sales compared with $265.4 million and 13.4% of sales in 1985.

The tax rate on before tax income increased to 43.7% from 42.4%. The 1.3% increase in the effective tax rate is primarily due to the inclusion of capital gains and other items taxed at lower rates in the prior year earnings.

The United States Tax Reform Act of 1986 reduced the federal tax rate for the years 1987 and 1988. These lower rates will reduce the effective tax rate of the Corporation and enhance net earnings. In addition, assuming the tax rates remain in effect, the application of the lower rates to the United States portion of consolidated deferred income taxes will reduce taxes payable in the future by approximately $14.0 million. The other provisions of the Tax Reform Act will not have significant future effects.

Unrealized exchange adjustments charged against earnings declined to $5.8 million from $14.3 million in 1985. This large decline reflects the currency reform and inflation controls imposed on the Brazilian economy and the stabilizing effect in 1986 of these measures on the United States dollar equivalent of the cruzado. The Mexican peso continued to decline in value against the United States dollar, reducing the translated value of the assets of the Corporation's Mexican subsidiary.

Improved operating results were produced by the Corporation's business forms operations in Australia, Central America, Central Europe, Portugal, Northern Europe, the United Kingdom, and the joint venture in Japan. In addition, the Rediform Office Products, the Business Equipment, and the Data Management Services Divisions in the United States, the Teela Data Management Systems Division in Canada, and the packaging subsidiary in the United Kingdom had excellent years.

The Corporation has announced an arrangement to sell its operations in South Africa as of January 1, 1987. This transaction should not produce a significant gain or loss. The sales, earnings and total assets of these operations represent approximately 1% of the Corporation's consolidated sales, earnings and total assets.

Continuing operations in Canada and the United States contributed 74% of total sales compared with 77% in 1985 and 87% of the operating profit against 85% in 1985.

*1985/1984*

The comparative 1985 and 1984 financial statements have been restated to reflect the reporting of the Corporation's computer storefront marketing operation in the United States as a discontinued operation in 1986. The following discussion of the 1985/1984 operations reflects this change in reporting.

Sales of $1,986 million compared with sales of $1,997 million in 1984.

Net earnings from continuing operations of $152.3 million or $1.70 per share increased $20.7 million and 15.7% over 1984 net earnings of $131.6 million or $1.50 per share.

During the year efforts were directed toward increasing sales of higher margin value-added products while sales of lower margin products were de-emphasized. In addition, the demand for the Corporation's products and services improved during the second half of the year as the United States economy strengthened. Sales in Brazil increased in each quarter of 1985 over the corresponding 1984 quarter. A similar trend in Mexico was reversed in the fourth quarter by the cumulative effects on that economy of falling oil prices, high inflation and a severe earthquake in September. While the foreign exchange value of the United States dollar relative to some currencies diminished as the year progressed, the overall effect of the variation in exchange rates during the year was a lowering of the value at which Canadian and international operating results were included in the consolidation.

The decrease in cost of sales was due mainly to lower paper costs and increased sales of higher margin products in North America.

The increase in selling, general and administrative expenses was related to the emphasis on developing and supporting new value-added products.

Income from operations of $265.4 million, 13.4% of sales, increased by $52.3 million or 24.6% from $213.1 million in 1984, 10.7% of sales. The combined effect of reduced paper costs and programs to improve productivity, maintain selling prices and increase sales of value-added products and services contributed to the 2.7% improvement in the operating margin.

The increase in the tax rate to 42.4% from 41.3% was due to the improvements made in operating earnings within high tax rate jurisdictions and reductions in earnings that are taxed at lower rates.

Unrealized exchange adjustments charged against earnings increased to $14.3 million or 16¢ per share from $6.0 million or 7¢ per share in 1984. The increase of $8.3 million or 9¢ per share reflects the effect of the significant 1985 decline in the United States dollar equivalents of the Brazilian cruzeiro and the Mexican peso on the translated value of assets located in these countries.

Excellent operating results were produced by the Corporation's United States and Canadian Business Forms & Systems Divisions, the Data Management Services Division in the United States, the business forms operations in Brazil, Scandinavia and New Zealand and the packaging subsidiary in the United Kingdom.

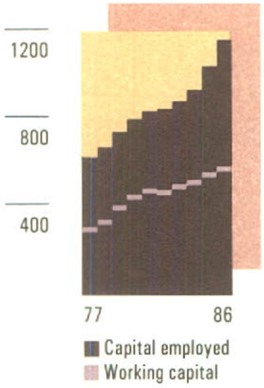
Continuing operations in Canada and the United States contributed 77% of total sales compared with 79% in 1984 and 85% of the operating profit against 83% in 1984.

**Liquidity**

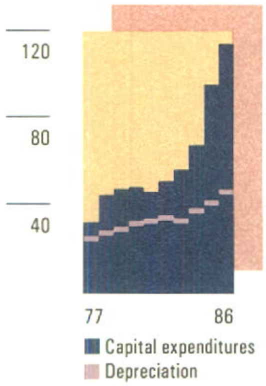
The normal cash requirements of the Corporation continue to be covered by internally generated funds, supplemented by borrowing as required by some international subsidiaries.

The consolidated statement of changes in cash resources (cash and short-term securities less bank loans) lists the cash resources provided by, or applied to, operations, investment and financing activities less cash disbursed as dividends. As shown in this statement, the Corporation's net cash resources declined during the year by $5.7 million. A program to increase inventories prior to an anticipated 1987 first quarter increase in the cost of paper in the United States temporarily reduced the cash invested in short-term securities and produced

**Capital employed and working capital**
*Millions of dollars*




**Capital expenditures and depreciation**
*Millions of dollars*




the major portion of the $26.9 million increase in inventories. The Corporation will return to the just-in-time inventory management program early in 1987.

Working capital increased by $19.1 million. Efficient management of working capital continues to be emphasized throughout the Corporation and the working capital ratio remains strong at 2.8:1, though down from the 1985 ratio of 3.0:1.

The decrease in the working capital ratio is primarily a result of the large 1986 investment in fixed assets. Capital expenditures totalled $113.5 million, an increase of $19.0 million over the 1985 expenditure of $94.5 million.

The $20.8 million increase in the investment in associated Corporations is mainly attributable to the excellent earnings of the Corporation's 45% joint venture in Japan and the increase in the United States dollar translated value of this investment due to the strength of the yen.

Long-term debt was increased by $1.2 million to $50.5 million. The ratio of long-term debt to total shareholders' equity was maintained at 0.1:1.

At December 31, 1986 unused lines of credit for short-term financing totalled $29.5 million, compared with $41.0 million at December 31, 1985.

### Capital resources

The Corporation's strong financial position will permit it to take advantage of opportunities to expand the business through capital expenditures and acquisitions, to exploit new technologies, and to broaden the product line through expansion into new markets with new value-added products and services.

Capital expenditures totalled $113.5 million compared with $94.5 million in 1985. The increase reflects the Corporation's program to up-grade and add production equipment as necessary, with emphasis on the introduction of new technologies.

During 1986 an investment was made in KCR Technology Inc., a United States company engaged in the development of advanced non-impact printing technology. The purchase of Command Records Services Limited, a Canadian company providing off-site records storage services, was announced in December and completed early in 1987.

A comparative analysis of capital expenditures and capital employed in the business follows:

| | Land and buildings | | | Machinery and equipment | | |
|---|---|---|---|---|---|---|
| | **1986** | 1985 | 1984 | **1986** | 1985 | 1984 |
| **Capital expenditures** | *(in millions)* | | | | | |
| Canada | **$ 8.2** | $ 1.7 | $ 0.2 | **$ 7.4** | $ 6.8 | $ 5.4 |
| United States | **3.2** | 6.7 | 2.6 | **57.1** | 43.9 | 42.2 |
| Europe | **2.5** | 0.5 | 0.7 | **11.2** | 17.2 | 7.3 |
| Other countries | **5.0** | 5.1 | 2.1 | **18.9** | 12.6 | 6.7 |
| | **$ 18.9** | $ 14.0 | $ 5.6 | **$ 94.6** | $ 80.5 | $ 61.6 |

| | **1986** | % | 1985 | % | 1984 | % |
|---|---|---|---|---|---|---|
| **Capital employed** | *(in millions)* | | | | | |
| Shareholders' equity | **$1,000.8** | **86.6** | $ 907.4 | 86.6 | $795.8 | 85.4 |
| Long-term debt | **50.5** | **4.4** | 49.3 | 4.7 | 53.7 | 5.8 |
| Deferred taxes and liabilities | **92.4** | **8.0** | 79.7 | 7.6 | 70.0 | 7.5 |
| Equity of minority shareholders | **11.4** | **1.0** | 11.4 | 1.1 | 12.2 | 1.3 |
| | **$1,155.1** | **100.0** | $1,047.8 | 100.0 | $931.7 | 100.0 |

## Effects of inflation and changing prices

The Financial Accounting Standards Board of the United States has withdrawn its requirement to report supplementary information about the effects of changing prices on an enterprise. Attempts to restate historical cost financial statements to measure the effects of inflation and changing prices were at the very best only an approximation of the effects of inflation on an enterprise and cannot recognize possible future management responses to the problem of inflation and changing prices.

There are many ways by which a business can cope with inflation and changing prices. Some are inherent in particular industries, whereas others require specific application. The major inventory of a business forms manufacturer is paper, and paper inventories are turned over several times each year. In the case of the Corporation, 1986 paper inventories were turned over five times. This high rate of turnover, along with use by the Corporation of the last-in, first-out cost method in the valuation of 34% of total inventories, resulted in a very short average time lag between the purchase of paper and recognition of current paper costs in operations.

Another area of concern is the need to replace manufacturing capacity at current prices. Within the Corporation, equipment is constantly being added, upgraded or replaced with assets incorporating the latest technology, and depreciation rates are reviewed with due recognition being given to technical obsolescence in determining useful lives.

## Canadian and United States generally accepted accounting principles

The consolidated financial statements of the Corporation are prepared in accordance with accounting principles generally accepted in Canada.

However, since the common shares of the Corporation are listed on the New York Stock Exchange, in addition to the Toronto and Montreal exchanges, and the Corporation is a foreign registrant with the Securities and Exchange Commission of the United States, the Corporation must comply with the integrated disclosure rules of the Securities and Exchange Commission and publish net earnings and net earnings per share prepared in accordance with accounting principles generally accepted in the United States.

A review of the differences between Canadian and United States generally accepted accounting principles that have an effect on earnings and comparative net earnings and net earnings per share based on United States generally accepted accounting principles is presented in note 20 of the notes to consolidated financial statements. Comparative unaudited quarterly financial information based on United States generally accepted accounting principles is presented on page 32.

## Consolidated balance sheet

*As at December 31*
*Expressed in United States currency in thousands of dollars*

Moore Corporation Limited

### Assets

| | 1986 | 1985 |
|---|---|---|
| **Current assets** | | |
| Cash | $ 10,847 | $ 6,122 |
| Short-term securities, at cost which approximates market value | 166,352 | 146,689 |
| Accounts receivable, less allowance for doubtful accounts $12,110 ($11,349 in 1985) | 392,683 | 390,455 |
| Inventories (note 3) | 308,198 | 281,266 |
| Prepaid expenses | 17,215 | 14,481 |
| Deferred taxes | 22,127 | 12,472 |
| **Total current assets** | 917,422 | 851,485 |
| **Fixed assets** | | |
| Land | 16,918 | 15,359 |
| Buildings | 176,811 | 157,976 |
| Machinery and equipment | 631,840 | 545,816 |
| | 825,569 | 719,151 |
| Less: accumulated depreciation | 382,372 | 341,884 |
| | 443,197 | 377,267 |
| **Investment in associated corporations** (note 4) | 53,279 | 32,519 |
| **Other assets** (note 5) | 73,941 | 72,367 |
| | $1,487,839 | $1,333,638 |

| Liabilities | 1986 | 1985 |
|---|---|---|
| **Current liabilities** | | |
| Bank loans (note 6) | **$ 56,763** | $ 26,658 |
| Accounts payable and accruals (note 7) | **247,672** | 222,665 |
| Dividends payable | **16,359** | 16,176 |
| Accrued income taxes | **11,927** | 20,340 |
| **Total current liabilities** | **332,721** | 285,839 |
| **Long-term debt** (note 8) | **50,523** | 49,307 |
| **Deferred income taxes and liabilities** (note 9) | **92,402** | 79,658 |
| **Equity of minority shareholders in subsidiary corporations** | **11,375** | 11,443 |
| | **487,021** | 426,247 |

| Shareholders' equity | 1986 | 1985 |
|---|---|---|
| **Common shares** (note 10) | | |
| Authorized: 120,000,000 shares without par value | | |
| Issued: 90,934,485 shares (89,930,573 shares in 1985) | **137,304** | 115,944 |
| **Unrealized foreign currency translation adjustments** (note 11) | **(51,391)** | (79,061) |
| **Retained earnings** | **914,905** | 870,508 |
| | **1,000,818** | 907,391 |
| | **$1,487,839** | $1,333,638 |

Approved by the Board of Directors:

J. Bienvenu — Director

M. Kees Joosten — Director

## Consolidated statement of earnings

*For the year ended December 31 Expressed in United States currency and except earnings per share in thousands of dollars*

| | 1986 | 1985 | 1984 |
|---|---|---|---|
| Sales | **$2,114,313** | $1,986,012 | $1,996,891 |
| Cost of sales | **1,347,551** | 1,240,600 | 1,319,286 |
| Selling, general and administrative expenses | **470,464** | 430,666 | 415,825 |
| Depreciation | **47,520** | 38,633 | 36,716 |
| Interest expense | **12,334** | 10,668 | 12,012 |
| | **1,877,869** | 1,720,567 | 1,783,839 |
| Income from operations | **236,444** | 265,445 | 213,052 |
| Investment and other income | **22,623** | 25,650 | 24,923 |
| Earnings from continuing operations before income taxes, minority interests and unrealized exchange adjustments | **259,067** | 291,095 | 237,975 |
| Income taxes (note 15) | **113,311** | 123,532 | 98,359 |
| Minority interests | **454** | 997 | 2,030 |
| Unrealized exchange adjustments | **5,806** | 14,303 | 6,022 |
| Net earnings from continuing operations | **139,496** | 152,263 | 131,564 |
| Discontinued operation (note 2) | | | |
| Net operating loss | **13,383** | 15,580 | 5,831 |
| Net loss on disposal | **16,500** | – | – |
| **Net earnings** | **$ 109,613** | $ 136,683 | $ 125,733 |
| **Earnings per share** (note 16) | | | |
| Net earnings from continuing operations | **$ 1.54** | $ 1.70 | $ 1.50 |
| Net earnings | **$ 1.21** | $ 1.53 | $ 1.43 |

## Consolidated statement of retained earnings

*For the year ended December 31 Expressed in United States currency in thousands of dollars*

| | 1986 | 1985 | 1984 |
|---|---|---|---|
| Balance at beginning of year | **$870,508** | $797,069 | $729,880 |
| Net earnings | **109,613** | 136,683 | 125,733 |
| | **980,121** | 933,752 | 855,613 |
| Dividends 72¢ per share (70⅔¢ in 1985 and 66⅔¢ in 1984) | **65,216** | 63,244 | 58,544 |
| **Balance at end of year** | **$914,905** | $870,508 | $797,069 |

## Consolidated statement of changes in cash resources

*For the year ended December 31*
*Expressed in United States currency in thousands of dollars*

Moore Corporation Limited

| | 1986 | 1985 | 1984 |
|---|---|---|---|
| **Cash provided by (applied to)** | | | |
| Operations | **$199,893** | $ 192,989 | $ 149,896 |
| Investment | **(128,960)** | (111,145) | (84,866) |
| Financing | **20,271** | 11,321 | 13,640 |
| Dividends | **(65,216)** | (63,244) | (58,544) |
| Discontinued operation (note 17(a)) | **(32,782)** | (10,668) | (3,300) |
| Increase (decrease) in cash resources before unrealized exchange adjustments | **(6,794)** | 19,253 | 16,826 |
| Unrealized exchange adjustments | **1,077** | 2,751 | (7,200) |
| **Increase (decrease) in cash resources** (note 17(b)) | **(5,717)** | 22,004 | 9,626 |
| Cash resources at beginning of year | **126,153** | 104,149 | 94,523 |
| **Cash resources at end of year** | **$120,436** | $ 126,153 | $ 104,149 |
| **Operations** | | | |
| Net earnings from continuing operations | **$139,496** | $ 152,263 | $ 131,564 |
| Items not affecting cash resources (note 17(c)) | **86,919** | 58,760 | 42,271 |
| Decrease (increase) in working capital other than cash resources (note 17(d)) | **(26,522)** | (18,034) | (23,939) |
| | **$199,893** | $ 192,989 | $ 149,896 |
| **Investment** | | | |
| Expenditure for fixed assets | **$(113,542)** | $ (94,505) | $ (67,151) |
| Sale of fixed assets | **6,794** | 13,696 | 9,005 |
| Addition to long-term receivables | **(4,566)** | (15,833) | (3,529) |
| Reduction in long-term receivables | **3,335** | 2,814 | 3,637 |
| Long-term investments | **(1,390)** | (3,437) | (8,770) |
| Sale of long-term investment | **–** | – | 2,046 |
| Acquisitions, net of cash resources | **–** | (11,820) | (11,936) |
| Deferred charges | **(15,736)** | (1,579) | (8,587) |
| Investment in associated corporation | **(5,026)** | (1,865) | – |
| Dividends from associated corporation | **1,923** | 1,284 | 1,027 |
| Other | **(752)** | 100 | (608) |
| | **$(128,960)** | $(111,145) | $ (84,866) |
| **Financing** | | | |
| Addition to long-term debt | **$ 4,549** | $ 6,724 | $ 5,303 |
| Reduction in long-term debt | **(5,233)** | (14,324) | (30,914) |
| Issue of common shares | **21,360** | 19,761 | 40,248 |
| Other | **(405)** | (840) | (997) |
| | **$20,271** | $ 11,321 | $ 13,640 |

1

## Summary of accounting policies

*Accounting principles:*
Moore Corporation Limited is incorporated under the laws of the Province of Ontario, Canada.

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada.

*Translation of foreign currencies:*
The consolidated financial statements are expressed in United States currency because the greater part of the net assets and earnings are located or originate in the United States. Except for the foreign currency financial statements of subsidiaries in countries with highly inflationary economies, Canadian and other foreign currency financial statements have been translated into United States currency on the following bases:

All assets and liabilities at the year-end rates of exchange;

Income and expenses at average exchange rates during the year.

Net unrealized exchange adjustments arising on translation of foreign currency financial statements are charged or credited directly to shareholders' equity and shown as unrealized foreign currency translation adjustments.

The foreign currency financial statements of subsidiaries in countries with highly inflationary economies are translated into United States currency on the following bases:

Current assets, excluding inventory, current liabilities, pension liabilities, long-term receivables and long-term debt, at the year-end rates of exchange;

All other assets, liabilities, accumulated depreciation and related charges against earnings and share capital, at historical rates of exchange;

Income and expenses, other than depreciation and cost of sales, at average exchange rates during the year.

Net unrealized exchange adjustments arising on translation of foreign currency financial statements of subsidiaries in countries with highly inflationary economies are charged to earnings as unrealized exchange adjustments.

Realized exchange losses or gains are included in earnings.

Unrealized exchange losses or gains related to monetary items with a fixed or ascertainable life extending beyond the end of the following fiscal year are deferred and amortized over the remaining life of the asset or liability.

*Inventories:*
Inventories of raw materials and work in process are valued at the lower of cost and replacement cost and inventories of finished goods at the lower of cost and net realizable value. The cost of the principal raw material inventories and the raw material content of finished goods inventories in Canada and the United States is determined on the last-in, first-out basis. The cost of all other inventories is determined on the first-in, first-out basis.

*Fixed assets and depreciation:*
Fixed assets are stated at historical cost after deducting investment tax credits and other grants on eligible capital assets. Depreciation is provided on a basis that will amortize the cost of depreciable assets over their estimated useful lives using the straight-line method. All costs for repairs and maintenance are expensed as incurred.

The estimated useful lives of buildings range from 20 to 50 years and of machinery and equipment from 3 to 17 years.

Gains or losses on the disposal of fixed assets are included in earnings and the cost and accumulated depreciation related to these assets are removed from the accounts.

*Investment in associated corporations:*
The Corporation accounts for its investment in associated corporations by the equity method.

*Goodwill:*
Goodwill is amortized by the straight-line method over periods not exceeding forty years.

*Amortization of deferred costs:*
Deferred production engineering costs are amortized over varying periods not exceeding five years.

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

No provision has been made for taxes on undistributed earnings of subsidiaries not currently available for paying dividends inasmuch as such earnings have been reinvested in the business.

## 2 Discontinued operation

On January 9, 1987, an agreement was executed between Moore Business Forms Inc. and MicroAge Computer Stores, Inc. whereby a significant number of the 44 Moore Business Center computer stores of the Business Systems Division will be operated by the Corporation as MicroAge franchisees pending completion of arrangements for their transfer to existing or new MicroAge franchisees. Those stores not converted to a third-party franchisee arrangement will be closed.

The loss from this operation has been segregated, net of income tax credits of $13,209,000 in 1986 (1985–$15,521,000; 1984–$5,741,000), in the statements of earnings for the three years ended December 31, 1986. For 1986, the net assets of the discontinued operation have been restated from historical cost to net realizable value.

The financial information of the discontinued operation is summarized below:

| | **1986** | 1985 | 1984 |
|---|---|---|---|
| | *(in thousands)* | | |
| Sales | **$108,123** | $81,698 | $23,910 |
| Loss (net of income taxes) | **$ 13,383** | $15,580 | $ 5,831 |
| Loss per share | **$ 0.15** | $ 0.17 | $ 0.07 |
| Assets and liabilities: | | | |
| Current assets | **$ 44,418** | $49,897 | $30,623 |
| Current liabilities | **12,113** | 16,726 | 15,622 |
| | **32,305** | 33,171 | 15,001 |
| Property, plant and equipment (net) | **3,981** | 7,484 | 4,384 |
| Capital employed | **$ 36,286** | $40,655 | $19,385 |

The Corporation has provided for estimated expenses, including lease termination costs and losses on disposal of leasehold improvements and equipment that are expected to be incurred in connection with the closure of the Business Systems Division totalling $16,500,000 (net of income taxes of $13,039,000).

## 3 Inventories

| | **1986** | 1985 |
|---|---|---|
| | *(in thousands)* | |
| Raw materials | **$125,042** | $108,426 |
| Work in process | **27,382** | 24,985 |
| Finished goods | **142,245** | 142,287 |
| Other | **13,529** | 5,568 |
| | **$308,198** | $281,266 |

The excess of the current cost over the last-in, first-out cost of those inventories determined on the latter basis is approximately $54,000,000 at December 31, 1986 (1985–$49,000,000).

## 4 Investment in associated corporations

The major investment in associated corporations represents a 45% ownership in Toppan Moore Company, Ltd. in Japan. Dividends received from this corporation in 1986 were $1,923,000 (1985–$1,284,000; 1984–$1,027,000) and its undistributed earnings included in retained earnings are $26,785,000 (1985–$21,578,000; 1984–$18,450,000).

## 5 Other assets

Other assets include goodwill of $16,745,000 (1985–$22,592,000), net of accumulated amortization of $12,816,000 (1985–$6,806,000); long-term bonds of $8,568,000 (1985–$7,488,000); a prepaid guaranteed paper purchase contract of $9,900,000, net of accumulated amortization of $3,600,000; taxes being amortized over a five-year period, of $2,941,000 (1985–$4,221,000), net of accumulated amortization of $9,113,000 (1985–$5,288,000), and a long-term receivable of $5,566,000 (1985–$5,756,000) related to the sale of F.N. Burt Company, Inc. in 1983.

## 6 Unused lines of credit

The unused lines of credit outstanding at December 31, 1986 for short-term financing are $29,500,000 (1985–$41,000,000).

## 7

## Accounts payable and accruals

| | 1986 | 1985 |
|---|---|---|
| | *(in thousands)* | |
| Trade accounts payable | **$104,959** | $100,402 |
| Other payables | **32,047** | 22,598 |
| | **137,006** | 123,000 |
| Accrued payrolls | **47,725** | 43,928 |
| Accrued retirement program expense | **1,600** | 10,510 |
| Accrued expenses on disposal of discontinued operation | **16,000** | - |
| Other accruals | **45,341** | 45,227 |
| | **110,666** | 99,665 |
| | **$247,672** | $222,665 |

## 8

## Long-term debt

| | 1986 | 1985 |
|---|---|---|
| **Moore Corporation Limited** | *(in thousands)* | |
| Bank loan payable in Canadian dollars due 1989 | **$ 12,125** | $ 10,609 |
| 6% Subordinated Debentures due 1994 ($1,868,000 Cdn. in 1986 and 1985) | **1,353** | 1,336 |
| Other | **-** | 214 |
| **Moore Business Forms, Inc.** | | |
| 7.9% Senior Notes due 1996 | **13,000** | 14,000 |
| Industrial Development Revenue Bonds bearing interest at 6.85% and 9.5% due 2004 | **7,350** | 7,350 |
| Other loan and capital lease commitments | **709** | 796 |
| **Moore Paragon S.A.** | | |
| Bank and other loans payable in French francs bearing interest at 7.5% to 11.75% due 1988 to 1999 Loans amounting to $5,109,000 (1985–$4,064,000) are secured | **9,014** | 7,909 |
| **Moore Formularios Limitada** | | |
| Bank loan payable in United States dollars bearing interest at 7.38% due 1990 | **532** | 1,116 |
| Capital lease commitments | **2,036** | 2,268 |
| **Other subsidiaries** | | |
| Secured loans | **1,869** | 1,777 |
| Unsecured loans | **2,535** | 1,932 |
| | **$ 50,523** | $ 49,307 |

The sinking fund obligations with respect to the retirement of the 6% Subordinated Debentures for the years 1987 to 1993 inclusive were satisfied in prior years.

The bank loan agreement of the Corporation provides options either to borrow any currency freely traded on the London Interbank Eurocurrency Market, with interest determined at 3/8 of 1% per annum over the London Interbank Offered Rate existing from time to time, or to borrow Canadian dollars through bankers acceptances at market interest rates existing from time to time plus a fee of 1/2 of 1% per annum of the face value of the acceptances. At December 31, 1986, the interest rate on this bank loan was 8.47%.

The long-term debt of other subsidiaries bears interest at rates ranging from 5.1% to 22.0%. These debts mature on varying dates to 2007. Loans amounting to $4,404,000 (1985–$3,709,000) are payable in currencies other than United States dollars and loans of $1,869,000 (1985–$1,777,000) are secured by assets of six subsidiaries.

The cost of assets subject to lien approximated $23,000,000 (1985–$18,000,000), the liens being primarily mortgages against fixed assets.

Payments of $6,090,000 (1985–$5,380,000) on long-term debt due within one year are included in current liabilities. For the years 1988 through 1991 payments required on long-term debt are as follows: 1988–$5,119,000; 1989–$16,350,000; 1990–$3,311,000 and 1991–$2,713,000.

## 9

## Deferred income taxes and liabilities

Non-current deferred income taxes amount to $82,964,000 (1985–$71,882,000). Deferred liabilities include $5,364,000 (1985–$4,321,000) for pensions under unfunded retirement plans of certain overseas subsidiaries (note 12).

## 10
## Common shares

The following is a summary of the changes in the authorized and issued common shares without par value since January 1, 1984:

| | Authorized number of shares | Issued number of shares | Issued amount |
|---|---|---|---|
| Balance, January 1, 1984 | 120,000,000 | 85,856,751 | $ 55,935,000 |
| Dividend Reinvestment Plan | | 1,253,121 | 15,683,000 |
| Exercise of executive stock options | | 33,750 | 313,000 |
| Conversion of $30,951,000 Cdn. principal amount of 6% Convertible Subordinated Debentures | | 1,578,501 | 24,252,000 |
| Balance, December 31, 1984 | 120,000,000 | 88,722,123 | 96,183,000 |
| Dividend Reinvestment Plan | | 1,168,130 | 19,392,000 |
| Exercise of executive stock options | | 40,320 | 369,000 |
| Balance, December 31, 1985 | 120,000,000 | 89,930,573 | 115,944,000 |
| Dividend Reinvestment Plan | | 959,092 | 20,878,000 |
| Exercise of executive stock options | | 44,820 | 482,000 |
| Balance, December 31, 1986 | 120,000,000 | 90,934,485 | $137,304,000 |

The Dividend Reinvestment Plan provides for dividend reinvestment whereby the amount of the dividend otherwise receivable in cash (less any applicable withholding tax) is used to acquire shares at a 5% discount from an average market value.

Pursuant to the terms of the 1985 Long Term Incentive Plan approved by the shareholders of the Corporation on April 4, 1985, 3,000,000 common shares of the Corporation were reserved for issuance. Under the terms of this plan, stock options, stock appreciation rights, restricted stock awards and performance awards may be granted to certain key employees. The exercise price under all options involving the common shares of the Corporation shall not be less than 100% of fair market value of the shares covered by the option on the date of grant. Options may be exercised at such times as are determined at the date they are granted and expire not more than ten years from the date granted. Details of the stock option activity in 1986 are as follows:

| Years options granted | 1985 | 1983 | 1981 | 1979 | 1976 | Total |
|---|---|---|---|---|---|---|
| Number of common shares under option | | | | | | |
| Outstanding December 31, 1985 | 374,350 | 172,500 | 32,860 | 34,550 | 12,000 | 626,260 |
| Options lapsed | (5,400) | (3,000) | | | | (8,400) |
| Options exercised | (2,000) | (16,000) | (5,120) | (9,700) | (12,000) | (44,820) |
| Outstanding December 31, 1986 | 366,950 | 153,500 | 27,740 | 24,850 | - | 573,040 |
| Option price per share Canadian currency | $25.00* | $18.23 | $11.91 | $12.65 | $11.65 | |

**Weighted average option price per share.*

Under the terms of the 1985 Long Term Incentive Plan there were 2,753,600 common shares available for grants as at January 1, 1986 and 2,759,000 common shares as at December 31, 1986.

## 11
## Unrealized foreign currency translation adjustments

| | **1986** | 1985 | 1984 |
|---|---|---|---|
| | *(in thousands)* | | |
| Balance at beginning of year | **$79,061** | $97,434 | $69,504 |
| Adjustments for the year | **(27,670)** | (18,373) | 27,930 |
| Balance at end of year | **$51,391** | $79,061 | $97,434 |

The adjustments for each year result from the variation from year to year in the rates of exchange at which foreign currency net assets are translated to United States currency.

## 12
## Retirement programs

### Defined Benefit Pension Plan

The Corporation and its subsidiaries have several retirement programs covering substantially all of the employees in Canada, the United States, the United Kingdom, South Africa, Australia and New Zealand.

Effective January 1, 1986, the Corporation adopted, prospectively, the recommendations of the Canadian Institute of Chartered Accountants with respect to the calculation of pension costs and obligations for the retirement plans in Canada and the United States. The 1986 pension cost and other information disclosed for the international retirement plans and the prior year data for all retirement plans are determined under the previous accounting principles.

### Canada and the United States

The following data is based upon reports of independent consulting actuaries as at December 31:

| | Canada | | United States | |
|---|---|---|---|---|
| **Funded Status** | **1986** | 1985 | **1986** | 1985 |
| | *(in thousands)* | | | |
| Actuarial present value of: | | | | |
| Vested benefit obligation | **$23,064** | $20,675 | **$236,087** | $191,054 |
| Accumulated benefit obligation | **$25,895** | $23,264 | **$261,241** | $211,407 |
| Projected benefit obligation | **$28,659** | $26,366 | **$299,467** | $239,855 |
| Plan assets at fair value | **47,683** | 42,957 | **318,755** | 278,828 |
| Excess of plan assets over projected benefit obligation | **19,024** | 16,591 | **19,288** | 38,973 |
| Unrecognized net loss (gain) | **(1,905)** | – | **26,639** | – |
| Unrecognized net asset | **(15,686)** | (16,591) | **(42,681)** | (45,729) |
| Prepaid (accrued) pension cost included in consolidated balance sheet | **$ 1,433** | $ – | **$ 3,246** | $ (6,756) |
| **Pension Expense** | | | | |
| Service cost | **$ 1,119** | | **$ 7,993** | |
| Interest cost | **2,100** | | **20,967** | |
| Actual return on assets | **(4,719)** | | **(42,197)** | |
| Net amortization and deferral | **240** | | **13,043** | |
| Net negative pension expense | **$ (1,260)** | | **$ (194)** | |

If the pension recommendations of the Canadian Institute of Chartered Accountants had not been adopted and consistent actuarial assumptions had been utilized, the total pension expense in 1986 for the retirement plans in Canada and the United States would have been $9,573,000, which amount is comparable with the pension expense for these plans in 1985 of $9,572,000.

| | Canada | United States |
|---|---|---|
| **Other Information** | | |
| Assumptions: | | |
| Discount rates | | |
| January 1, 1986 | 9.0% | 9.0% |
| December 31, 1986 | 9.0% | 7.5% |
| Rate of return on assets | 9.5% | 9.5% |
| Rate of compensation increase | 6.5% | 6.5% |
| Amortization period | 15 years | 15 years |

Both the Canadian and United States retirement plans are non-contributory. Retirement benefits in Canada are generally based on years of service and employees' compensation during the last years of employment. In the United States a portion of the retirement benefit accrues each year based upon compensation for that year. When the retirement programs in both countries were revised in 1985, the employees' retirement plan benefits that had accrued to January 1, 1985 under the previous program were fixed after a benefit improvement adjustment. At December 31, 1986 approximately two-thirds of the United States plan assets and about one-half of the Canadian plan assets were held in equity securities with the remaining portion of both asset funds being mainly fixed income securities. The Corporation's funding policy is to satisfy the funding standards of the regulatory authorities and to make contributions in order to provide for the accumulated benefit obligation and current service cost. To the extent that pension obligations are fully covered by existing assets, a contribution may not be made in a particular year.

### International

The following data with respect to the Corporation's retirement plans in the United Kingdom, South Africa, Australia and New Zealand is based upon the latest reports of independent consulting actuaries as at January 1:

| | **1986** | 1985 |
|---|---|---|
| | *(in thousands)* | |
| Actuarial present value of accumulated plan benefits of which $29,444,000 (1985–$23,052,000) are vested | $34,330 | $29,015 |
| Net assets available for benefits | 65,001 | 50,955 |
| Assumed interest rate used in calculating accumulated plan benefits | 7.5% | 7.5% |

The pension expense of these retirement programs was $2,078,000 in 1986 compared with $2,224,000 in 1985 and $1,921,000 in 1984.

In some international subsidiaries, where either state or funded retirement plans exist, there are certain small supplementary unfunded plans. In addition, pensionable service prior to establishing funded contributory retirement plans in other international subsidiaries, covered by former discretionary non-contributory retirement plans, was assumed as a prior service obligation. The deferred liability for pensions at December 31, 1986, referred to in note 9, relates primarily to the unfunded portion of this prior service obligation and the small supplementary unfunded plans.

**Defined Contribution Pension Plan**

Savings plans in Canada and the United States require company contributions for all employees who are eligible to participate in the retirement plans. These annual contributions consist of a retirement savings benefit contribution ranging from 1% to 3% of each year's compensation depending upon length of service. In addition, if an employee contribution is made, a portion of such contribution is matched by the company. The savings plan expense in 1986 was $9,440,000 (1985–$7,859,000).

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## Post-retirement health care and life insurance benefits

In addition to providing pension benefits, the Corporation and its United States subsidiary provide retired employees with health care and life insurance benefits. The cost of these health care and life insurance benefits is recognized as an expense as claims are incurred. In 1986, the costs for these benefits approximate $2,000,000 (1985–$1,900,000; 1984–$1,200,000).

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## Consolidated statement of earnings information

| | 1986 | 1985 | 1984 |
|---|---|---|---|
| **Interest expense** | *(in thousands)* | | |
| Interest on long-term debt | **$ 6,225** | $ 5,657 | $ 6,182 |
| Other interest | **6,109** | 5,011 | 5,830 |
| | **$12,334** | $10,668 | $12,012 |
| **Investment and other income** | | | |
| Interest on short-term investments | **$11,185** | $17,052 | $14,485 |
| Equity in earnings of associated corporations | **7,130** | 4,412 | 4,474 |
| Income on tax incentive investments | **2,782** | 2,760 | 2,972 |
| Miscellaneous | **1,526** | 1,426 | 2,992 |
| | **$22,623** | $25,650 | $24,923 |
| Rent | **$45,007** | $39,251 | $36,226 |
| Repairs and maintenance | **44,652** | 38,026 | 33,493 |
| Communications | **32,196** | 29,188 | 26,241 |
| Taxes other than income and payroll taxes | **23,782** | 23,896 | 19,093 |
| Retirement programs | **11,222** | 20,565 | 17,488 |
| Research and development | **20,033** | 18,599 | 16,825 |
| Amortization of goodwill | **5,946** | 2,871 | 1,243 |

## 15

## Income taxes

The components of earnings from continuing operations before income taxes and the provision for income taxes for the three years ended December 31, 1986 are as follows:

| | 1986 | 1985 | 1984 |
|---|---|---|---|
| **Earnings from continuing operations before income taxes** | *(in thousands)* | | |
| Canada | **$ 26,555** | $ 33,439 | $ 34,313 |
| United States | **178,454** | 190,063 | 140,054 |
| Other countries | **54,058** | 67,593 | 63,608 |
| | **$259,067** | $291,095 | $237,975 |

| | 1986 | | 1985 | | 1984 | |
|---|---|---|---|---|---|---|
| **Provision for income taxes** | **Current** | **Deferred** | Current | Deferred | Current | Deferred |
| Canada (federal and provincial) | **$12,293** | **$ (173)** | $ 12,595 | $ (310) | $13,184 | $ (404) |
| United States | | | | | | |
| Federal | **49,414** | **23,101** | 69,970 | 10,417 | 46,233 | 11,792 |
| State | **10,033** | **1,937** | 11,781 | (41) | 8,986 | 893 |
| Other countries | **12,624** | **(795)** | 13,966 | 1,882 | 12,296 | 2,078 |
| Withholding taxes on inter-company dividends | **4,877** | **–** | 3,272 | – | 3,301 | – |
| | **$89,241** | **$24,070** | $111,584 | $11,948 | $84,000 | $14,359 |

Deferred income taxes in each of the three years arose from a number of differences of a timing nature between income for accounting purposes and taxable income in the jurisdictions in which the Corporation and its subsidiaries operate. These timing differences include the variation between tax and accounting depreciation, state income taxes in the United States and other items. Investments made in accordance with tax incentives to encourage expenditure on capital equipment generated additional deferred income taxes in the three years.

The effective rates of tax for each year compared with the statutory Canadian rates were as follows:

| | 1986 | 1985 | 1984 |
|---|---|---|---|
| Canadian combined federal and provincial statutory rate | **50.9%** | 50.6% | 50.4% |
| Increase (decrease) in the statutory rate resulting from: | | | |
| Corporate surtax | **1.6** | 0.8 | - |
| Manufacturing and processing rate reduction | **(5.8)** | (6.0) | (5.5) |
| Inventory allowance | **(0.2)** | (1.2) | (1.3) |
| Tax exempt investment income | **(0.9)** | (7.5) | (6.4) |
| Weighted effect of higher United States tax rate | **1.2** | 7.7 | 6.7 |
| Weighted effect of lower tax rate in other countries | **(5.0)** | (3.1) | (3.9) |
| Withholding taxes | **1.9** | 1.1 | 1.3 |
| Total consolidated effective tax rate | **43.7%** | 42.4% | 41.3% |

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## Earnings and fully diluted earnings per share

The earnings per share calculations are based on the weighted average number of common shares outstanding during the year.

If it were assumed that at the beginning of the year all outstanding stock options had been exercised with the funds derived therefrom yielding an annual return of 4.3% net of tax and, in 1984, the 6% Convertible Subordinated Debentures had been converted into common shares, the earnings per share for the year would have been $1.21 (1985–$1.52; 1984–$1.43) (see note 20).

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## Consolidated statement of cash resources information

| | 1986 | 1985 | 1984 |
|---|---|---|---|
| **(a) Discontinued operation** | *(in thousands)* | | |
| Net operating loss | **$(13,383)** | $(15,580) | $ (5,831) |
| Net loss on disposal | **(16,500)** | - | - |
| Items not affecting cash resources | **(2,899)** | 4,912 | 2,531 |
| | **$(32,782)** | $(10,668) | $ (3,300) |
| **(b) Increase (Decrease) in cash resources by component** | | | |
| Cash | **$ 4,725** | $ 939 | $ (589) |
| Short-term securities | **19,663** | 7,772 | 20,839 |
| Bank loans | **(30,105)** | 13,293 | (10,624) |
| | **$ (5,717)** | $ 22,004 | $ 9,626 |
| **(c) Items not affecting cash resources** | | | |
| Depreciation | **$ 47,520** | $ 38,633 | $ 36,716 |
| Equity in earnings of associated corporations | **(7,130)** | (4,412) | (4,474) |
| Minority interests in earnings | **454** | 997 | 2,030 |
| Deferred income taxes | **28,888** | 11,082 | 2,525 |
| Amortization of goodwill and deferred charges | **11,383** | 4,756 | 4,099 |
| Gain on sale of properties | - | (6,757) | (4,589) |
| Unrealized exchange adjustments | **5,806** | 14,303 | 6,022 |
| Other | **(2)** | 158 | (58) |
| | **$ 86,919** | $ 58,760 | $ 42,271 |
| **(d) Decrease (Increase) in working capital other than cash resources** | | | |
| Accounts receivable | **$ (2,228)** | $(28,098) | $ (4,980) |
| Inventories | **(26,932)** | (8,365) | (17,453) |
| Prepaid expenses | **(2,734)** | (3,141) | (1,026) |
| Deferred taxes | **(9,655)** | (794) | 11,163 |
| Accounts payable and accruals | **25,007** | 27,581 | 2,906 |
| Dividends payable | **183** | 1,385 | 484 |
| Accrued income taxes | **(8,413)** | 2,456 | 2,515 |
| Working capital adjustment from acquisitions | - | (72) | (2,318) |
| Unrealized exchange adjustments | **(1,750)** | (8,986) | (15,230) |
| | **$(26,522)** | $(18,034) | $(23,939) |

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## Lease commitments

At December 31, 1986, long-term lease commitments require approximate future rentals as follows:

| | |
|---|---|
| 1987 | $36,149,000 |
| 1988 | 28,053,000 |
| 1989 | 21,113,000 |
| 1990 | $14,173,000 |
| 1991 | 7,735,000 |
| 1992 and thereafter | 11,372,000 |

## 19 Segmented information

The Corporation and its subsidiaries have operated predominantly in one industry segment during the three years ended December 31, 1986, that being the provision of products and services which facilitate the recording, retention, processing, retrieval and communication of business information. Transfers of product between geographic segments are generally accounted for on a basis that results in a fair profit being earned by each segment. The export of product from Canada is insignificant.

| | Geographic segments *(in thousands)* | Canada | United States | Europe | Other | Consolidated |
|---|---|---|---|---|---|---|
| 1986 | Total revenue | $195,832 | $1,370,771 | $321,236 | $240,356 | $2,128,195 |
| | Intergeographical segment sales | (356) | (8,628) | (3,184) | (1,714) | (13,882) |
| | Sales to customers outside the enterprise | $195,476 | $1,362,143 | $318,052 | $238,642 | $2,114,313 |
| | Segment operating profit | $ 30,292 | $ 186,632 | $ 14,301 | $ 19,260 | $ 250,485 |
| | Interest expense | | | | | (12,334) |
| | General corporate expense | | | | | (1,707) |
| | Income from operations | | | | | $ 236,444 |
| | Identifiable assets | $119,278 | $ 817,672 | $267,784 | $174,860 | $1,379,594 |
| | Net assets of discontinued operation | | | | | 36,286 |
| | Intersegment eliminations | | | | | (23,835) |
| | Corporate assets including investment in associated corporations | | | | | 95,794 |
| | Total assets | | | | | $1,487,839 |
| | Depreciation expense | $ 4,182 | $ 28,142 | $ 8,594 | $ 6,602 | $ 47,520 |
| | Capital expenditures | $ 15,605 | $ 60,338 | $ 13,777 | $ 23,822 | $ 113,542 |
| 1985 | Total revenue | $188,887 | $1,350,921 | $237,834 | $218,705 | $1,996,347 |
| | Intergeographical segment sales | (109) | (8,064) | (1,978) | (184) | (10,335) |
| | Sales to customers outside the enterprise | $188,778 | $1,342,857 | $235,856 | $218,521 | $1,986,012 |
| | Segment operating profit | $ 31,007 | $ 204,604 | $ 11,245 | $ 32,062 | $ 278,918 |
| | Interest expense | | | | | (10,668) |
| | General corporate expense | | | | | (2,805) |
| | Income from operations | | | | | $ 265,445 |
| | Identifiable assets | $108,166 | $ 792,594 | $218,394 | $141,757 | $1,260,911 |
| | Net assets of discontinued operation | | | | | 40,655 |
| | Intersegment eliminations | | | | | (25,409) |
| | Corporate assets including investment in associated corporation | | | | | 57,481 |
| | Total assets | | | | | $1,333,638 |
| | Depreciation expense | $ 3,550 | $ 24,081 | $ 5,924 | $ 5,078 | $ 38,633 |
| | Capital expenditures | $ 8,505 | $ 50,679 | $ 17,653 | $ 17,668 | $ 94,505 |
| 1984 | Total revenue | $199,357 | $1,379,849 | $227,404 | $200,631 | $2,007,241 |
| | Intergeographical segment sales | (120) | (8,727) | (1,503) | – | (10,350) |
| | Sales to customers outside the enterprise | $199,237 | $1,371,122 | $225,901 | $200,631 | $1,996,891 |
| | Segment operating profit | $ 29,755 | $ 159,586 | $ 10,523 | $ 28,150 | $ 228,014 |
| | Interest expense | | | | | (12,012) |
| | General corporate expense | | | | | (2,950) |
| | Income from operations | | | | | $ 213,052 |
| | Identifiable assets | $103,509 | $ 736,253 | $170,332 | $123,576 | $1,133,670 |
| | Net assets of discontinued operation | | | | | 19,385 |
| | Intersegment eliminations | | | | | (17,092) |
| | Corporate assets including investment in associated corporation | | | | | 63,429 |
| | Total assets | | | | | $1,199,392 |
| | Depreciation expense | $ 3,692 | $ 23,721 | $ 5,103 | $ 4,200 | $ 36,716 |
| | Capital expenditures | $ 5,605 | $ 44,777 | $ 8,000 | $ 8,769 | $ 67,151 |

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### Differences between Canadian and United States generally accepted accounting principles

The continued registration of the common shares of the Corporation with the Securities and Exchange Commission and listing of the shares on the New York Stock Exchange requires compliance with the integrated disclosure rules of the Securities and Exchange Commission.

The accounting policies in note 1 and accounting principles generally accepted in Canada are consistent in all material aspects with United States generally accepted accounting principles except in the following areas:

*Translation of foreign currencies:*
Under United States generally accepted accounting principles the unrealized exchange losses or gains related to monetary items with a fixed or ascertainable life would be included in income as they occur.

*Prior period adjustment:*
Under United States generally accepted accounting principles the litigation settlement in 1984 would have been charged to earnings during that year rather than being treated as a prior period adjustment.

*Earnings and fully diluted earnings per share:*
The calculation of primary earnings per share under United States generally accepted accounting principles would include the common share equivalent of any outstanding stock options granted where the average market price for the year exceeds the option price and, in 1984, the common share equivalent of the 6% Convertible Subordinated Debentures. Under United States generally accepted accounting principles the calculation of fully diluted earnings per share would include the dilutive effect, if any, of any common shares issued during the period on conversion of debentures or the exercise of stock options with effect from the beginning of the period. Also, the calculation of fully diluted earnings per share would include the additional dilutive effect of outstanding options if the market price at the close of the period is higher than the average market price used in computing primary earnings per share.
The above described United States generally accepted accounting principles would have the following income statement effect:

| | **1986** | 1985 | 1984 |
|---|---|---|---|
| | *(in thousands)* | | |
| Net earnings as determined under Canadian generally accepted accounting principles | **$109,613** | $136,683 | $125,733 |
| Add (Deduct): | | | |
| Unrealized exchange loss | – | (97) | (119) |
| Prior period adjustment | – | – | (5,916) |
| Net earnings as determined under United States generally accepted accounting principles | **$109,613** | $136,586 | $119,698 |
| Primary and fully diluted earnings per share | **$1.21** | $1.53 | $1.36 |

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### Contingency

On February 6, 1987, the Corporation announced that it had entered into an arrangement to sell its operations in South Africa. Based upon the current disposition plan, management anticipates no significant gain or loss will occur. Since the planned transaction cannot be completed until a necessary government approval is obtained, the final plan of disposition of the South African operations and result thereof cannot be determined. In any event the eventual divestiture will not adversely affect the financial position of the Corporation.

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### Comparative consolidated financial statements

Certain amounts in the 1985 and 1984 consolidated financial statements have been restated for comparative purposes.

## Management's statement on financial reporting

All of the information in this annual report has been approved by the Board of Directors and all the financial information contained herein conforms to the accompanying consolidated financial statements, which have been prepared by management in accordance with accounting principles generally accepted in Canada.

The Corporation maintains a system of internal control which is designed to provide reasonable assurance that assets are safeguarded and that reliable financial records are maintained.

The consolidated financial statements have been examined by the Corporation's independent auditors, Price Waterhouse, and their report is included herein.

The Audit Committee of the Board of Directors is composed entirely of outside directors and meets periodically with the Corporation's independent auditors, management and the Corporation's Director of Internal Audit to discuss the scope and results of audit examinations with respect to adequacy of internal controls and financial reporting of the Corporation.

## Auditors' report

To the Shareholders of
**Moore Corporation Limited:**
We have examined the consolidated balance sheets of Moore Corporation Limited as at December 31, 1986 and 1985 and the consolidated statements of earnings, retained earnings and changes in cash resources for each of the three years in the period ended December 31, 1986. Our examinations were 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 Corporation as at December 31, 1986 and 1985 and the results of its operations and the changes in its cash resources for each of the three years in the period ended December 31, 1986 in accordance with generally accepted accounting principles applied on a consistent basis.

**Price Waterhouse**
Chartered Accountants
Toronto, Canada
February 25, 1987

## Distribution of revenue



| | 1986 | 1985 | 1984 |
|---|---|---|---|
| Sales and investment and other income | **100.0%** | 100.0% | 100.0% |
| Used as follows: | | | |
| Wages, salaries and employee benefits | **33.6** | 32.0 | 31.1 |
| Materials, supplies and services | **51.2** | 50.9 | 54.1 |
| Depreciation | **2.2** | 1.9 | 1.8 |
| Income, property and other taxes | **6.2** | 6.8 | 6.1 |
| Allocated to minority interests | – | .1 | .1 |
| Unrealized exchange adjustments | **.2** | .7 | .3 |
| Discontinued operation | | | |
| Net operating loss | **.6** | .8 | .3 |
| Net loss on disposal | **.8** | – | – |
| Dividends | **3.1** | 3.1 | 2.9 |
| Retained in business | **2.1** | 3.7 | 3.3 |

## Quarterly financial information

*Expressed in United States currency and except per share amounts in thousands of dollars (unaudited)*

| | 1986 | | | | 1985 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Fourth quarter** | **Third quarter** | **Second quarter** | **First quarter** | Fourth quarter | Third quarter | Second quarter | First quarter |
| Sales | **$550,495** | **$516,760** | **$527,816** | **$519,242** | $537,371 | $491,938 | $474,022 | $482,681 |
| Cost of sales | **346,713** | **330,895** | **336,804** | **333,139** | 326,394 | 310,402 | 293,761 | 310,043 |
| Income from operations | **64,468** | **54,439** | **58,250** | **59,287** | 82,967 | 60,093 | 64,129 | 58,256 |
| Net earnings from continuing operations | **39,580** | **32,515** | **33,808** | **33,593** | 47,017 | 34,380 | 36,045 | 34,821 |
| Per share | **$0.44** | **$0.35** | **$0.38** | **$0.37** | $0.52 | $0.39 | $0.40 | $0.39 |
| Discontinued operation | | | | | | | | |
| Net operating loss | **5,298** | **3,512** | **2,161** | **2,412** | 5,602 | 3,062 | 4,309 | 2,607 |
| Per share | **$0.07** | **$0.03** | **$0.03** | **$0.02** | $0.06 | $0.04 | $0.04 | $0.03 |
| Net loss on disposal | **16,500** | – | – | – | – | – | – | – |
| Per share | **$0.18** | – | – | – | – | – | – | – |
| Net earnings | **17,782** | **28,981** | **31,658** | **31,192** | 41,415 | 31,318 | 31,736 | 32,214 |
| Per share | **$0.19** | **$0.32** | **$0.35** | **$0.35** | $0.46 | $0.35 | $0.36 | $0.36 |
| Net earnings based on United States generally accepted accounting principles (note 20) | **$17,782** | **$28,981** | **$31,658** | **$31,192** | $41,318 | $31,318 | $31,736 | $32,214 |
| Per share | **$0.19** | **$0.32** | **$0.35** | **$0.35** | $0.46 | $0.35 | $0.36 | $0.36 |

The quarterly information has been restated to reflect the effect of the 1986 discontinued operation (note 2).

## Market price of common shares and related security holder matters

The principal trading markets of the common shares of the Corporation in Canada and the United States are Toronto and New York, respectively. The common shares of the Corporation are also listed on the Montreal Stock Exchange.

The information in the following table sets forth the reported high and low sales prices of the common shares of the Corporation on the Toronto, Montreal and New York stock exchanges, as reported by the Toronto Stock Exchange Trading Summary, Montreal Stock Exchange and the New York Stock Exchange Monthly Market Statistics Report, respectively:

| | 1986 | | | | 1985 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Fourth quarter** | **Third quarter** | **Second quarter** | **First quarter** | Fourth quarter | Third quarter | Second quarter | First quarter |
| Toronto Stock Exchange (Canadian currency) | | | | | | | | |
| High | **$30.75** | **$36.62** | **$38.12** | **$36.62** | $30.25 | $29.25 | $27.25 | $24.33 |
| Low | **27.75** | **28.75** | **32.50** | **26.00** | 24.50 | 23.75 | 22.62 | 19.67 |
| Montreal Stock Exchange (Canadian currency) | | | | | | | | |
| High | **30.75** | **36.25** | **38.25** | **36.25** | 30.12 | 29.12 | 27.25 | 24.29 |
| Low | **27.87** | **28.87** | **32.62** | **26.12** | 24.62 | 23.75 | 22.62 | 19.67 |
| New York Stock Exchange (United States currency) | | | | | | | | |
| High | **22.12** | **26.50** | **27.50** | **25.50** | 21.75 | 21.87 | 20.00 | 17.71 |
| Low | **20.00** | **20.62** | **23.75** | **18.87** | 18.00 | 17.50 | 16.67 | 14.87 |
| Dividends paid per common share (United States currency) | **18¢** | **18¢** | **18¢** | **18¢** | 18¢ | 18¢ | 18¢ | 16⅔¢ |

On February 9, 1987, the closing price per share of the Corporation's common shares was $33.125 (Cdn.) and $33.125 (Cdn.) on the Toronto Stock Exchange and Montreal Stock Exchange respectively and $25.00 (U.S.) on the New York Stock Exchange.

On February 9, 1987, the number of shareholders of record was 13,511.

There are no restrictions on the export or import of capital which affect the remittance of dividends, interest or other payments to non resident holders of the Corporation's securities.

The Investment Canada Act requires review by the Government of Canada of the acquisition by, or transfer to, non-Canadians of direct or indirect control of a Canadian business entity, such as the Corporation. The Act does not apply to the purchase of shares or securities of a corporation where such purchases would not give the purchaser at least one-third of the voting shares.

Withholding taxes at the rate of 25% are imposed on the payment of interest and cash dividends to nonresidents of Canada. Under the Canada/United States tax treaty, such rate is generally reduced from 25% to 15%.

## Ten-year summary

*Expressed in United States currency and except per share amounts in thousands of dollars*

Moore Corporation Limited

### Income statistics

| | 1986 | 1985 | 1984 |
|---|---|---|---|
| Sales | **$2,114,313** | $1,986,012 | $1,996,891 |
| Income from operations | **236,444** | 265,445 | 213,052 |
| *Per dollar of sales* | **11.2¢** | 13.4¢ | 10.7¢ |
| Income taxes | **113,311** | 123,532 | 98,359 |
| *Percent of pretax earnings* | **43.7%** | 42.4% | 41.3% |
| Net earnings from continuing operations | **139,496** | 152,263 | 131,564 |
| *Per dollar of sales* | **6.6¢** | 7.7¢ | 6.6¢ |
| *Per share* | **$1.54** | $1.70 | $1.50 |
| Net earnings | **109,613** | 136,683 | 125,733 |
| *Per dollar of sales* | **5.2¢** | 6.9¢ | 6.3¢ |
| *Per share* | **$1.21** | $1.53 | $1.43 |
| Dividends | **65,216** | 63,244 | 58,544 |
| *Per share* | **72¢** | 70⅔¢ | 66⅔¢ |
| Earnings retained in business | **44,397** | 73,439 | 67,189 |

The income statistics of the ten-year summary have been restated to reflect the effect of the 1986 discontinued operation (note 2).

### Balance sheet and other statistics

| | 1986 | 1985 | 1984 |
|---|---|---|---|
| Current assets | **$ 917,422** | $ 851,485 | $ 802,376 |
| Current liabilities | **332,721** | 285,839 | 267,710 |
| Working capital | **584,701** | 565,646 | 534,666 |
| *Ratio of current assets to current liabilities* | **2.8:1** | 3.0:1 | 3.0:1 |
| Fixed assets (net) | **443,197** | 377,267 | 319,072 |
| Long-term debt | **50,523** | 49,307 | 53,644 |
| *Ratio to equity* | **0.1:1** | 0.1:1 | 0.1:1 |
| Shareholders' equity | **1,000,818** | 907,391 | 795,818 |
| *Per share* | **$11.01** | $10.09 | $8.97 |
| Total assets | **1,487,839** | 1,333,638 | 1,199,392 |
| Number of shareholders of record at year-end | **13,434** | 13,369 | 13,597 |
| Number of employees | **27,070** | 27,240 | 26,457 |

| 1983 | 1982 | 1981 | 1980 | 1979 | 1978 | 1977 |
|---|---|---|---|---|---|---|
| $1,813,573 | $1,847,076 | $1,879,063 | $1,804,781 | $1,541,048 | $1,323,362 | $1,183,890 |
| 154,802 | 178,407 | 192,801 | 207,599 | 191,853 | 164,134 | 158,477 |
| 8.5¢ | 9.7¢ | 10.3¢ | 11.5¢ | 12.4¢ | 12.4¢ | 13.4¢ |
| 79,974 | 95,509 | 99,806 | 106,198 | 97,554 | 86,653 | 86,427 |
| 42.9% | 48.3% | 47.0% | 48.7% | 48.4% | 50.5% | 52.6% |
| 98,590 | 87,508 | 107,986 | 108,821 | 100,635 | 82,830 | 74,673 |
| 5.4¢ | 4.7¢ | 5.7¢ | 6.0¢ | 6.5¢ | 6.3¢ | 6.3¢ |
| $1.16 | $1.04 | $1.28 | $1.29 | $1.20 | $0.99 | $0.89 |
| 98,590 | 87,508 | 107,986 | 108,821 | 100,635 | 81,182 | 73,640 |
| 5.4¢ | 4.7¢ | 5.7¢ | 6.0¢ | 6.5¢ | 6.1¢ | 6.2¢ |
| $1.16 | $1.04 | $1.28 | $1.29 | $1.20 | $0.97 | $0.88 |
| 56,888 | 56,286 | 50,476 | 45,961 | 40,352 | 36,987 | 33,624 |
| 66⅔¢ | 66⅔¢ | 59⅓¢ | 54¢ | 47⅓¢ | 43⅓¢ | 39⅓¢ |
| 41,702 | 31,222 | 57,510 | 62,860 | 60,283 | 44,195 | 40,016 |

| 1983 | 1982 | 1981 | 1980 | 1979 | 1978 | 1977 |
|---|---|---|---|---|---|---|
| $ 755,790 | $ 912,355 | $ 728,831 | $ 688,347 | $ 628,947 | $ 522,727 | $ 502,484 |
| 251,181 | 437,215 | 251,179 | 236,434 | 223,398 | 182,099 | 197,297 |
| 504,609 | 475,140 | 477,652 | 451,913 | 405,549 | 340,628 | 305,187 |
| 3.0:1 | 2.1:1 | 2.9:1 | 2.9:1 | 2.8:1 | 2.9:1 | 2.5:1 |
| 303,666 | 302,777 | 308,235 | 308,290 | 296,887 | 288,605 | 284,793 |
| 82,235 | 91,161 | 96,750 | 106,283 | 111,291 | 96,614 | 90,780 |
| 0.1:1 | 0.1:1 | 0.1:1 | 0.2:1 | 0.2:1 | 0.2:1 | 0.2:1 |
| 716,311 | 676,888 | 668,635 | 630,288 | 563,801 | 504,288 | 461,202 |
| $8.34 | $7.99 | $7.95 | $7.50 | $6.71 | $6.00 | $5.49 |
| 1,120,505 | 1,272,457 | 1,081,744 | 1,037,950 | 963,926 | 848,971 | 816,873 |
| 16,135 | 17,991 | 18,370 | 18,999 | 18,547 | 19,993 | 20,059 |
| 26,100 | 26,218 | 27,703 | 27,839 | 28,317 | 26,748 | 27,045 |

## Directors, officers and executive personnel

### Board of Directors

John D. Allan
*Toronto*
*Chairman, President and Chief Executive Officer*
*Stelco Inc.*

Edward H. Crawford
*Toronto*
*Chairman, President and Chief Executive Officer*
*The Canada Life Assurance Company*

James D. Farley
*New York, N.Y.*
*Vice Chairman Citicorp and Citibank, N.A.*

M. Keith Goodrich
*Toronto*
*President and Chief Executive Officer*

Arden R. Haynes
*Toronto*
*Chairman, President and Chief Executive Officer*
*Imperial Oil Limited*

Walter F. Light
*Toronto*
*Retired Chairman*
*Northern Telecom Limited*

Carl E. Lindholm
*Schaumburg, IL*
*Executive Vice President*
*International Operations*
*Motorola, Inc.*

J. Dean Muncaster
*Toronto*
*Independent Consultant*

Cedric E. Ritchie
*Toronto*
*Chairman of the Board and Chief Executive Officer*
*The Bank of Nova Scotia*

Judson W. Sinclair
*Toronto*
*Chairman of the Board*

### Honorary Directors

David W. Barr
*Toronto*

W. Herman Browne
*Toronto*

J. Stuart Fleming
*Niagara Falls, N.Y.*

J. Douglas Gibson
*Toronto*

L. Edward Grubb
*Sarasota, FL*

Richard W. Hamilton
*Carrollton, TX*

Edwin H. Heeney
*Toronto*

*Mr. Dunlop will retire on February 28, 1987.*

### Corporate Officers

Judson W. Sinclair
*Chairman of the Board*

M. Keith Goodrich
*President and Chief Executive Officer*

Joseph B. McArthur
*Senior Vice President, Finance*

Louis J. Rupnik
*Vice President and Chief Development Officer*

Florence E. Dougherty
*Vice President and Secretary*

*Donald S. Dunlop
*Vice President and Treasurer*

George G. Flint
*Vice President and Comptroller*

Peter McConnachie
*Vice President–Human Resources*

### Corporate Services

Daniel J. Fischer
*Director, Internal Audit*

John L. Wilson
*Vice President, Research*

William F. Young
*Director, Corporate Cost and Pricing*

### Canadian Operating Management

**Business Forms & Systems Division**
Graham J. McClean
*President*

**Reid Dominion Packaging Limited**
Richard W. Bastien
*President*

**Teela Data Management Systems Division**
Michael C. Feldman
*President*

### United States Operating Management

**Business Forms & Systems Division**
John R. Anderluh
*President*

Thomas J. McKiernan
*Vice President Sales and Marketing*

Thomas E. Rayfield
*Vice President and Comptroller*

Ralph L. Waehner
*Vice President Manufacturing*

John S. Ziblut
*Vice President Human Resources*

**Business Products Group**
Homer T. Anderson
*Group Vice President*

**Business Systems Division**
John A. Heist
*President*

**Data Management Services Division**
Scott S. Mitchell
*President*

**Response Graphics Division**
Thomas J. Pruter
*President*

### International Operating Management

**International Division–Latin America and Pacific**

James L. Saunders
*Group Vice President*

Bernard Coburn
*Chief Executive*
*Australasia*

Sergio Gonzales de Cosio
*Chief Executive*
*Mexico*

Malcolm C. Rogers
*Chief Executive*
*South America*

Albert G. Taylor
*Chief Executive*
*ANCOM*

Teodoro F. Vides
*Chief Executive*
*Caribbean*

**International Division–Europe and Africa**

John A. May
*Group Vice President*

Carl-Erik Arthursson
*Chief Executive*
*Northern Europe*

A. Roger Barichello
*Chief Executive*
*Southern Europe*

John W. Flowers
*Chief Executive*
*United Kingdom & Éire*

Phillip Hoegarts
*Chief Executive*
*Central Europe*

Roger Prêtre
*Chief Executive*
*Western Europe*

**Changes in directors, officers and executive personnel**
Arden R. Haynes, chairman, president and chief executive officer of Imperial Oil Limited, was elected to the board of directors, effective the first of the year.

David W. Barr, chairman of the board, retired at the end of the year.

Effective January 1, 1987, Judson W. Sinclair was appointed chairman of the board and M. Keith Goodrich was appointed to succeed Mr. Sinclair as president and chief executive officer.

Lee C. Rumph retired as senior vice president, planning & technology.

Louis J. Rupnik, formerly president of the Data Management Services Division of Moore Business Forms, Inc., was appointed vice president and chief development officer of the Corporation.

The foregoing changes are reported in this report on page 4.

Scott Mitchell succeeded Mr. Rupnik as president of the Data Management Services Division of Moore Business Forms, Inc.

After 21 years of outstanding service with Moore International Division, Elpedio C. Perez, general manager, Caribbean region, elected early retirement.

**Dividends**
The Corporation's dividends are declared payable in United States funds and shareholders have the option of receiving dividends in equivalent Canadian funds.

The Dividend Reinvestment Plan provides for dividend reinvestment, whereby the amount of the dividend otherwise receivable in cash (less any applicable withholding tax) is used to acquire shares without brokerage or service charge at a 5% discount from an average market value.

For additional information regarding these dividend options, or to request a Participation Form, please write the Corporation's Secretary.

**Form 10-K**
A copy of the Annual Report on Form 10-K, as filed with the Securities and Exchange Commission in Washington, D.C., is available to shareholders without charge upon request to:
Secretary
Moore Corporation Limited
1 First Canadian Place
P.O. Box 78
Toronto, Canada M5X 1G5

**Corporate Office**
1 First Canadian Place
P.O. Box 78
Toronto, Canada M5X 1G5
Telephone 416-364-2600

**Transfer Agents**
National Trust Company
4 King Street West,
Toronto M5H 3W7

2000 McGill College Avenue,
Montreal H3A 3H4

250 Portage Avenue,
Winnipeg R3C 0B5

Home Oil Tower
Suite 1008
324-8th Avenue S.W.,
Calgary T2P 2Z2

Park Place Tower
Suite 900
666 Burrard Street,
Vancouver V6C 2Z9

Manufacturers Hanover
Trust Company
450 West 33rd Street,
New York, N.Y. 10001

Design: Eskind Waddell
Printing: Arthurs-Jones
Lithographing Ltd.

Printed in Canada