TORSTAR CORPORATION ANNUAL REPORT 1981

THE TORONTO STAR · HARLEQUIN · COMAC · METROLAND · INFOMART

Contents

Annual Meeting
The 1982 Annual Meeting of Shareholders will be held at 10.00 a.m., Wednesday, May 26th 1982, at One Yonge Street Toronto.

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Board of Directors

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Transfer Agent and Registrar

National Trust Company, Limited

Listed

Class B. Shares
$2.68 First Preference Shares 1981 Series
Warrants
Toronto and Montreal Stock Exchanges

SUMMARY OF FINANCIAL INFORMATION	1981	1980
Operating revenue—continuing operations	$529,075,000	$445,896,000
Income from continuing operations	$ 10,291,000	$ 24,899,000
Earnings per Class A (voting) share and Class B (non-voting) share from continuing operations	76¢	$2.04
Dividends paid to Class A and Class B shareholders	$ 9,342,000	$ 6,727,000
Dividends per Class A and Class B share	76¢	55¢

TORSTAR

Torstar Corporation is a broadly based information and entertainment communications company. Its operations now include The Toronto Star, Canada's leading metropolitan daily newspaper; Harlequin Enterprises, the world's largest publisher of romance fiction; Metroland Printing & Publishing, commercial printers and publishers of community newspapers and consumer advertising supplements; the Miles Kimball Company, direct mail marketers of gift items; Comac Communications, publisher of controlled circulation magazines; and Infomart, pioneers in developing two-way electronic data-based communications.

Beland H. Honderich, Chairman

Consolidated earnings from continuing operations declined sharply in 1981 as Torstar Corporation adjusted to the decline in business activity and high interest rates and concentrated its activities in its basic profit-making businesses.

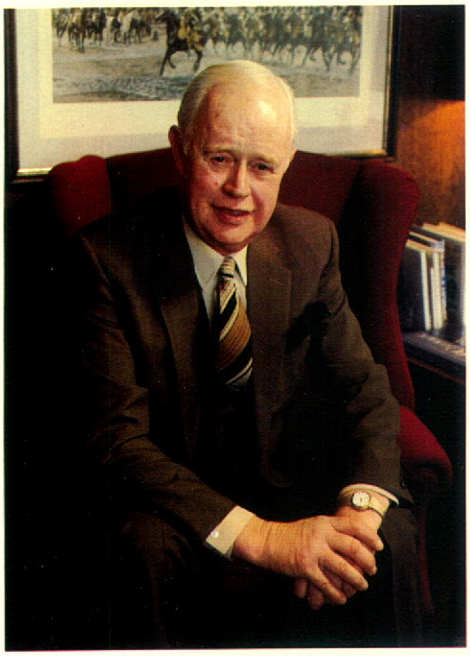
In contrast to 1980 earnings of $24.9 million and $2.04 per share, consolidated earnings from continuing operations were $10.3 million or 76¢ per share. In addition, operations discontinued in 1981 resulted in a loss of $4.6 million and an extraordinary write-off of $15.2 million. Net loss after an extraordinary gain on the sale of shares in Western Broadcasting Company was $666,000 or 13¢ per share. Net income after extraordinary items in 1980 was $28.1 million or $2.30 per share.

Operating revenues from continuing operations increased 19 per cent to a new record high of $529 million with earnings of the Toronto Star newspaper increasing to a new high. The decline in earnings from continuing operations reflected a substantial reduction in Harlequin operating profits largely due to a $7 million under provision for book returns at the end of 1980, weak economic conditions in most markets world-wide and unfavourable foreign exchange trends. Interest costs were also substantially higher.

Long term debt increased by $153 million through the acquisition of the outstanding 30 per cent of shares in Harlequin Enterprises and the purchase of Inland Publishing. The carryover effect of the purchase of the Miles Kimball Company in 1980 also contributed to higher debt costs. With interest rates reaching record high levels in 1981, interest expense rose by $28 million.

Because of the uncertain business outlook and high interest rates, a number of major changes were made in Torstar's holdings in 1981 to produce a more closely integrated company. Operations

E. Paul Zimmerman, President



that were losing money and did not fit basic long term strategies were discontinued even though this required substantial one-time write-offs.

Scholar's Choice retail stores required very significant additional investment in order to fulfill their potential. Such an investment could not be justified given the depressed state of the retail trade and our existing debt obligations. The United States operations of Scholar's Choice are being terminated and a buyer is being sought for the Canadian stores. Full provision has been made for ongoing losses and the costs to divest of Scholar's Choice which may take some time. Scholar's Choice represents the largest portion of the amounts provided for discontinued operations. Further amounts have been written off for Harlequin's magazine operations, principally the Laufer group, as well as the Nielsen-Ferns film business.

As a result of these decisions, all major loss operations have now been eliminated and the company is in a strong position to cope with the current general decline in business conditions and to improve profits.

Despite depressed economic conditions and increased competition, Harlequin remains the dominant romance fiction publisher in its main North American market. When allowance is made for an underprovision for 1980 book returns, earnings from North American operations actually increased in 1981. A price increase late in 1981 will have a beneficial carryover effect in 1982.

Harlequin's earnings from overseas operations, many of which are at an earlier stage of development than North America, were down in 1981. The general decline of European currencies during the year in relation to the Canadian dollar accounts for about half the reduction in overseas profits. Other factors affecting earnings were a 1980 underprovision for returns in France and startup costs in Italy, Spanish language countries and the new Arabic editions. Operations in the United Kingdom, France, Holland and West Germany were negatively affected by an economic recession and increased competition. Significantly higher earnings were recorded in Australia and losses were reduced in Japan and Scandinavia.

The Miles Kimball mail order gift business experienced lower earnings because of a weak United States economy and increased spending to develop new customers that will enhance future earnings potential.

Earnings of The Star showed a substantial increase in 1981, surpassing the previous all-time high in 1976. The Sunday Star made its first positive contribution to earnings in 1981. Sunday circulation gained more than 15% to an average of 418,300 copies, making The Star the leading circulation newspaper in Canada seven days a week. The circulation gain enabled The Sunday Star to increase advertising linage on Sunday by 75% in the year.

The Saturday Star also set new circulation records. Circulation of the weekday edition remained relatively flat while advertising linage increased.

These gains in volume took on an added importance in the light of a competitive situation which restricted advertising rate increases. Ongoing programs to improve cost efficiency allowed The Star to capitalize on higher volume that resulted in increased earnings.

Material startup costs were absorbed from the launch of a morning edition of the Monday to Friday paper. In addition, a separate business section was introduced to enhance reader appeal and gain a larger share of an important advertising market.

Torstar significantly improved its position in community publishing and printing through the acquisition in February 1981 of Inland Publishing Company Ltd. which was subsequently integrated with Torstar's Metrospan Publishing operations. The new company, Metroland Printing & Publishing Ltd., now provides comprehensive coverage for readers and advertisers, as well as enhanced printing facilities, throughout the greater Metro Toronto area. Operating profits from community newspapers and printing were up materially in 1981, although the debt incurred in acquiring Inland initially reduced consolidated net earnings.

Comac's controlled circulation magazines recorded much higher earnings and record levels of revenues. Quest joined Homemaker's/Madame au Foyer as a solidly profitably property.

Development costs of the Infomart joint venture in electronic publishing increased, reflecting a number of new projects in this rapidly developing field.

In April the Board of Directors welcomed John T. Boon, C.B.E., Chairman of Harlequin Overseas, and Alan W. Boon, Group Editorial Director, Fiction, for Mills & Boon Limited as new Torstar directors.

Later in the year we were profoundly saddened by the untimely death of Martin Goodman, President of The Toronto Star since 1978 and a Director since 1976.

The world wide business recession calls for a degree of caution in attempting to forecast 1982 results. Because of additional debt incurred in mid-1981 to acquire 100% of Harlequin, Torstar earnings will feel the impact of higher interest costs in the first half of 1982 compared to the same period last year. However, we expect that investments and improvements made in 1981 should produce both higher operating profits and an increase in consolidated earnings for the full year.

On behalf of the Board

Beland Honderich

Beland Honderich, *Chairman*

Paul Zimmerman

E. Paul Zimmerman, *President*

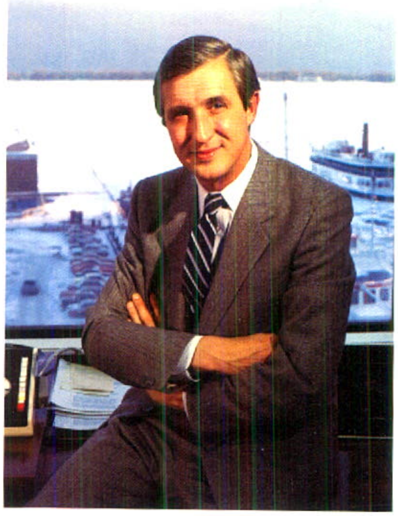
March 31,1982

Expanded news and feature coverage played an important role in The Toronto Star's circulation and advertising linage increases. Earnings increased in 1981 to an all-time high.

Encouraged by remarkable growth of the Sunday edition, The Toronto Star continued in 1981 to capitalize on the trend to weekend newspaper readership.

Circulation of both Saturday and Sunday editions set all-time records and the Sunday increase means the Star is now Canada's largest circulation newspaper seven days a week.

Expanded news and feature coverage played an instrumental role in these circulation improvements which, in turn, stimulated record-breaking advertising linage.



DAVID R. JOLLEY, Executive Vice-President

An M.B.A. graduate from Stanford University, David Jolley has a broad background in strategic planning, marketing and finance. Jolley was a co-founder of one of Canada's leading management consulting groups, with significant experience with newspaper clients, before joining Torstar in 1981. He brings to The Toronto Star an amalgam of management and business strategy skills which reflect The Star's commitment to excellence.

In 1981, The Star became Canada's largest circulation newspaper, 7 days a week.

The Sunday Star was enlarged to six sections with the addition of more comprehensive coverage of business and foreign news. The Sunday edition obtained 75% higher advertising linage than in 1980 and average circulation grew by 15.5% to 418,300.

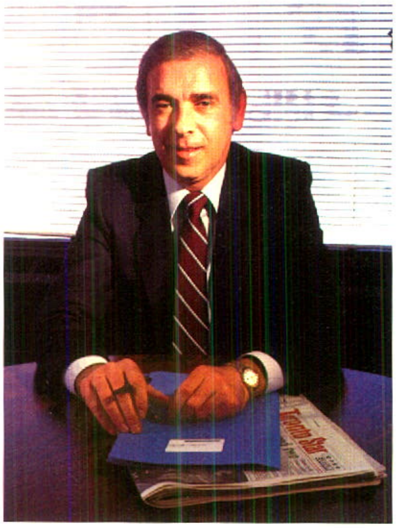
Saturday circulation averaged 795,000 in 1981, the highest ever and up 1.7% from 1980. Sales of The Saturday Star in February 1981 averaged 810,200, the highest for any month since The Star began publishing in 1892.

Average circulation of the Monday-to-Friday editions in 1981 was 480,400, about the same as in 1980.

Several actions were taken during the year to broaden the appeal of the weekday paper.

Neighbors, weekly tabloid sections devoted to news of Metro's boroughs and suburban communities, were introduced in the first half of 1981. Published on Tuesdays as part of the regular Star, Neighbors provides local reader and advertiser attraction through expanded regional community news coverage and selective distribution which is attractive to smaller advertisers who want to reach only their local market area.

A separate business section devoted primarily to Toronto business news and features was first introduced in May with The Sunday Star. Favor-



THOMAS L. MURTHA, Vice-President, Marketing and Sales

An M.B.A. graduate from Queen's University, Tom Murtha spent several years in consumer marketing before joining The Toronto Star in 1977. Murtha assumed overall responsibility for the newspaper marketing strategies and positioning within the industry. He has been instrumental in effecting the strategies responsible for the newspaper's growth in the past few years.

Top left: The Sunday Star edition was substantially broadened editorially, increasing the weekend paper's appeal.

Top right: The morning edition of The Star is available at boxes and newsstands throughout southern Ontario by 7 a.m. each weekday morning.

Bottom left: The Star's separate section on business news, was introduced to the public in mid-1981.

Bottom right: Neighbors, The Star's new weekly tabloid section, provides expanded news coverage for suburban readers and an attractive alternative to smaller advertisers.

GEORGE RADWANSKI, (left)
Editor-in-Chief

George Radwanski earned degrees in political science, philosophy and civil law from McGill University. After holding a number of senior journalistic positions, including associate editor of The Gazette in Montreal, and Ottawa editor and national affairs columnist of The Financial Times of Canada, Radwanski became editorial page editor of The Star in 1979. He is the author of the bestselling political biography, "Trudeau" and recently won the National Newspaper Award for editorial writing for the second year in a row. George Radwanski provides The Toronto Star with broad experience and understanding of journalism and its role in today's environment.

GARY LAUTENS, (right)
Executive Managing Editor

Extensive background as a journalist, writer and executive has given Gary Lautens a deep understanding of the country's aspirations and challenges. He has published two collections of his columns in book form and was the recipient, in 1981, of the Leacock medal for humor for his book "Take My Family...Please", a best-seller. As Executive Managing Editor, Lautens provides the overall direction in news coverage which has made The Star Canada's largest circulation newspaper.

able reader response led to introduction of a similar section with the Tuesday Star in September. A third section on Thursdays has been introduced early in 1982.

A 7 a.m. street-sale edition of the weekday Star was launched in August in response to industry trends. This morning edition is available at boxes and newstands throughout Southern Ontario.

Advertising linage in The Star in 1981 rose to a record 60,530,000 lines, up 7.2% from 1980. Individual monthly records were set in eight months.

By category, significant gains were made in Retail other than department stores, Help Wanted classified and travel advertising. Advertising by department stores was lower, as was classified real estate, reflecting general market conditions in the Metro area.

In Canada, two stories dominated the year's news–the debate and final passage by Parliament of the resolution that would bring Canada's Constitution home from Britain, and the continuing malaise in the economy.

The Star's ongoing and authoritative coverage of the constitutional debate and public reaction kept readers thoroughly informed through the several months prior to parliamentary approval.

The sorry state of the economy remained front-page news through most of the year as Star stories recounted the plights of thousands of people hit hard by ruinous interest rates, business failures and layoffs.

The Star's coverage of these and other stories earned 25 awards for excellence. These were highlighted by presentation in 1981 of an unprecedented five National Newspaper Awards.

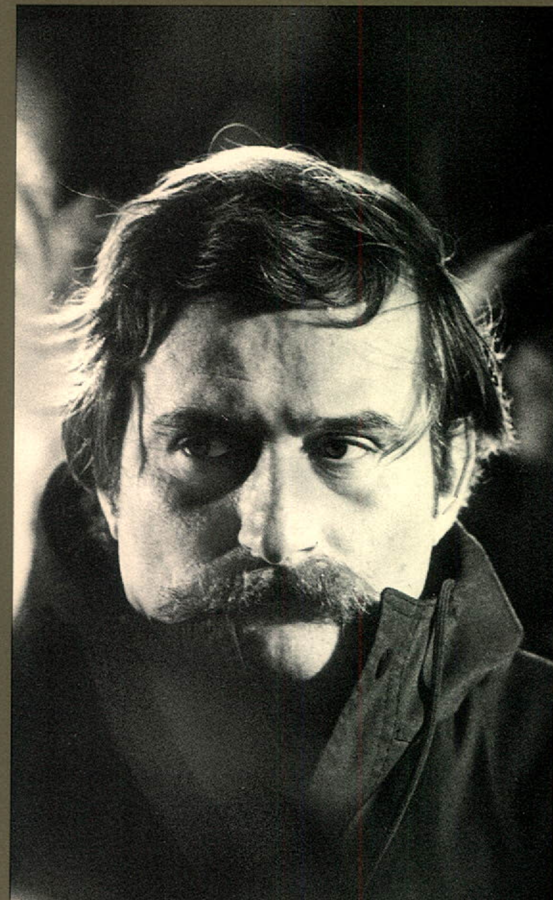
The Star continued in 1981 to play an active role in the community. Star readers contributed a handsome $520,000 to the Fresh Air and Santa Claus Funds, providing summer camp holidays and Christmas boxes for thousands of needy children. Even in difficult economic times, contributions to these funds rose sharply from the previous year.

BRUCE W. TAYLOR,
Vice-President, Operations

A Chartered Accountant and graduate of the University of Toronto, Bruce Taylor joined The Toronto Star in 1974. With expertise in the fields of financial controls and operations management, Taylor's responsibilities encompass a wide range of operational processes that are critical to The Star's management strategies.

The Star and the community suffered a tragic loss in December with the untimely death of Martin Goodman, President of the company since 1978. He joined The Star in 1958 as a general assignment reporter and rose through the ranks to become Editor-in-Chief in 1971 and subsequently President.

David Jolley, who had been Vice-President of Operations with Torstar Corporation, was appointed in November as Executive Vice-President to manage the business affairs of The Star.



Top left: The Star's full colour souvenir supplement featuring the Royal Wedding captured the dazzling event for the Canadian public.

Top right: Poland's internal crisis and its international repercussions were given uninterrupted and first-hand coverage throughout 1981.

Bottom left: The constitutional debate and the nation's public reactions were constantly monitored by The Star's indepth coverage.

Bottom right: Economic issues and their impact on Canadian lives were recounted and analyzed by the Star.

Harlequin is an international publishing organization best known for its romance fiction which is sold in over ninety countries and 12 languages.

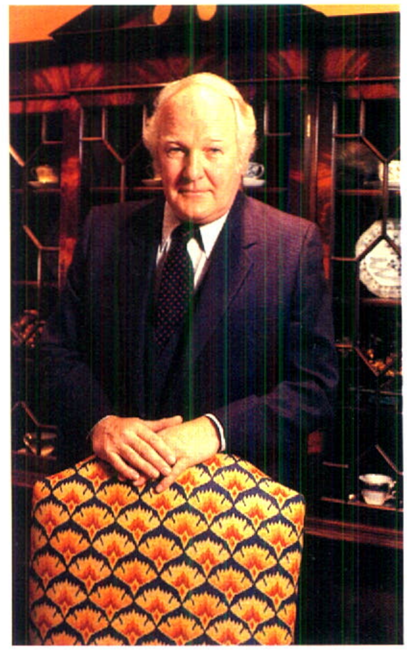
Harlequin's overseas expansion program successfully introduced its romance series *Collezione Harmony* to a receptive Italian public.

Harlequin publishes under a number of imprints, including Harlequin and Mills & Boon, in 12 different languages in over ninety countries through a network of wholly-owned operations and joint ventures. Harlequin's total net sales of books in 1981 reached 197 million, a record for the company. Through subsidiary companies, Harlequin is also engaged in direct mail marketing and the publishing of quality gift books and leisure time products.

For Harlequin, 1981 was a year of consolidation. A world-wide recession, intensified competition and higher returns of unsold books (related to 1980 and 1981 shipments) are among the factors that combined to cause a decline in earnings. Higher interest costs related to the long-term debt incurred in the acquisition of the Miles Kimball Company in 1980 also had an impact on the year's results, as did unfavorable foreign exchange trends.

To adapt to this new operating environment, Harlequin took a number of actions. These included adding new and specialized talent to a restructured management and installing new information systems to improve the quality of market intelligence as a basis for business decisions and to enable management to respond promptly to the needs of the competitive marketplace. To reinforce control of the company's geographically dispersed operations, its financial organization has been strengthened and improved control systems implemented.

In 1981 Harlequin made a strategic decision to get back

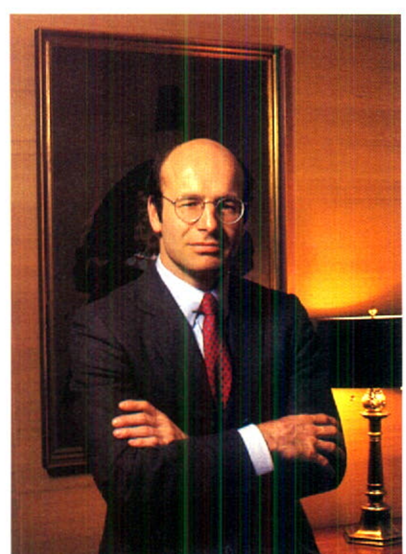


W. L. HEISEY, President

Larry Heisey has been President of Harlequin for the past eleven years during its period of major growth from a tertiary North American paperback house to the world's largest multinational paperback publisher.

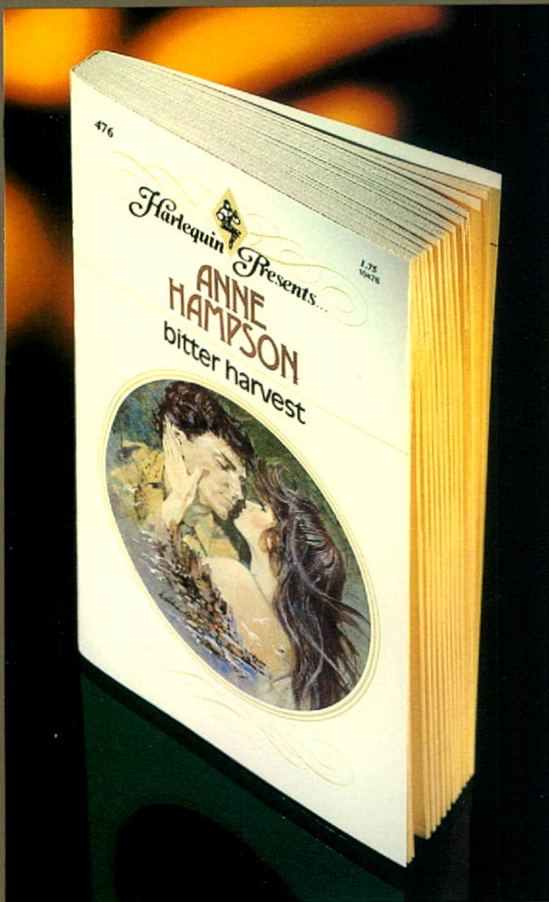
He developed a consumer goods approach toward marketing and business direction at the Harvard Business School and at Procter & Gamble where he spent 13 years. Harlequin's exceptional growth has attracted many imitators. Heisey sees his major assignment over the next several years as stabilizing the company's dominant position.

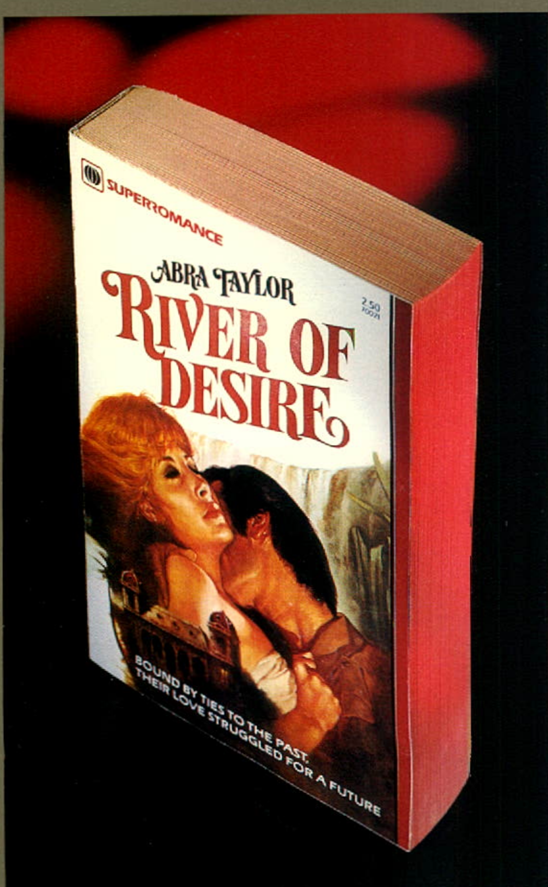
Three new paperback series further enhanced the company's leading position in the North American market.

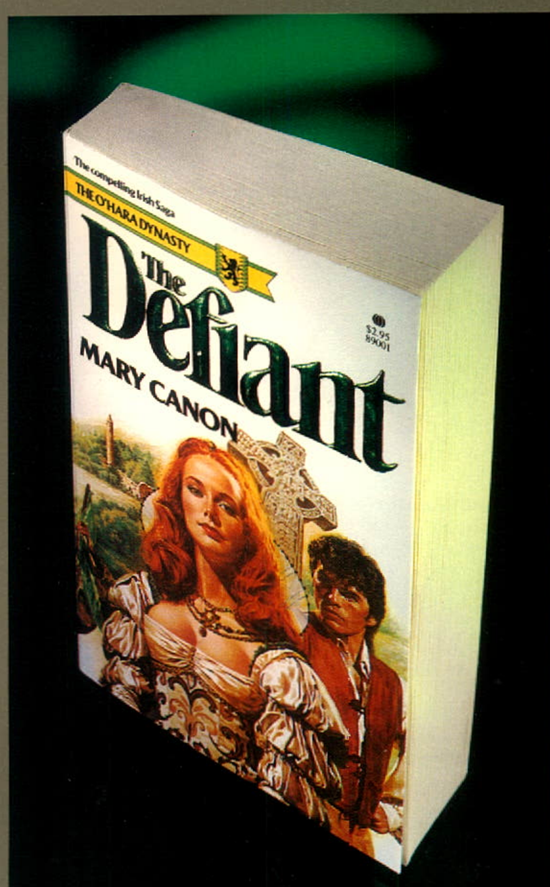


DAVID GALLOWAY, Executive Vice-President & Chief Operating Officer

A specialist in strategic planning and consumer marketing, David Galloway has extensive background in the communications industry. His areas of expertise include publishing, broadcasting and direct marketing, among others. An MBA graduate from Harvard, David Galloway joined Harlequin in 1981 after 10 years as a partner in a leading Canadian consulting firm. He brings to Harlequin a range of highly specialized management skills and a personal style which have been instrumental in effecting the company's new management direction.







Harlequin Presents series offer six original romance fiction novels, each month.

Harlequin Romances series continue to provide countless hours of entertainment to North American readers.

The new *Superromance* series has rapidly gathered a faithful following of romance fiction readers.

The O'Hara Dynasty —The Irish family saga, brings to life the clans of Ireland and Tudor England in a richly woven, well researched novel.

WILLIAM G. GASPERO, Vice-President—Harlequin Enterprises Limited President—Harlequin Books North America

A marketing specialist, Josh Gaspero has a broad experience in all areas of publishing and consumer goods management. He joined Harlequin in 1978. An energetic entrepreneur, Gaspero heads Harlequin's North-American book publishing division, with responsibility for the United States and Canada. Harlequin has a leading position in the North-American romance fiction market and the division has launched, in 1981, three new series.

to basics and concentrate on what it knows best, the effective marketing of carefully selected authors in the romance fiction book business. Peripheral properties that were not making a contribution to profit were disposed of.

The major businesses affected were the Laufer group of magazines and Scholar's Choice educational materials stores. Both have been unprofitable and Scholar's Choice would have required major additional investment in the face of weak conditions in retailing and high interest rates.

Despite increased competition and a reduction in retailers' inventories, Harlequin maintained its leading position in its largest marketing region, North America. Future market progress has been enhanced through a reorganization of the company's North American sales force.

To complement its primary product lines in Canada and the United States—Harlequin Romances and Presents series—the company in 1981 successfully launched a new series, Superromance. Featuring longer multiple plots, the series is marketed through Harlequin's normal retail and direct mail operations.

Capitalizing on its publishing and marketing expertise, Harlequin introduced three other new series for the North American market in 1981: The O'Hara Dynasty, a historical romance with overtones of an epic saga; The Executioner, a male adventure fiction series, and Raven House, a mystery series.

Harlequin sees its overseas operations as an important source of future growth for overall sales. In Europe's recessionary economy, earnings declined in the United Kingdom, France, Holland and West Germany. Harlequin France introduced Collection Colombine, a new romance fiction series that features original French novels never before published. In the United Kingdom a new series, Keyhole Crime, was launched with four titles per month.

CHRISTIAN JEAN CHALMIN, Vice-President—Harlequin Enterprises Limited President—Harlequin Overseas Division

Christian Chalmin has spent the past ten years of his career in the international publishing field. He founded and managed Harlequin France from its inception in 1977. Under his leadership, Editions Harlequin (France) became the largest paperback publisher in that country. Chalmin now heads Harlequin's overseas publishing operations, distribution of the company's publications outside of North America. In 1981, the overseas division launched its Italian publishing operation, Harlequin Mondadori S.P.A., which has met with immediate success.

Investment spending continued at a reduced level in Japan, Scandinavia and the Spanish-language countries. The company views these markets as long-term development regions.

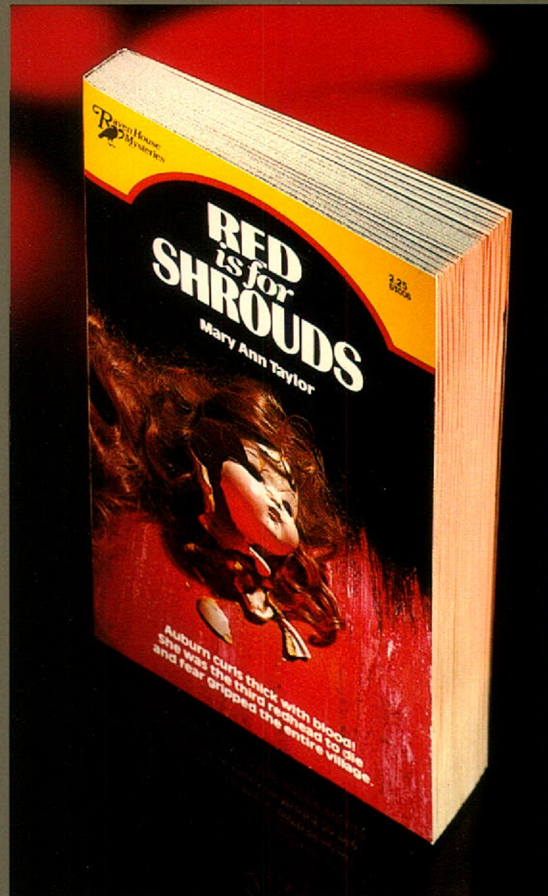
Excellent growth was achieved in Australia during the year. The Superromance series was launched in September under the Harlequin brand name, a first for the company in that part of the world.

In 1981 Harlequin launched its Italian publishing operation in association with Italy's leading publisher, Mondadori. The new joint venture, Harlequin Mondadori S.p.a., introduced Collezione Harmony to the Italian public with four titles per month. Early reception was most encouraging.

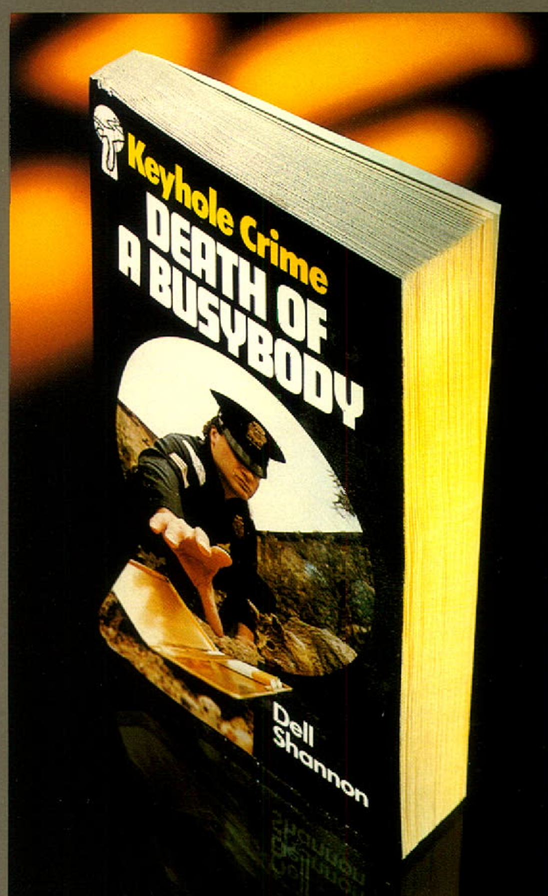
Miles Kimball, a direct mail company that offers a wide selection of moderately priced gift items to a large list of established customers, reported earnings somewhat reduced from the previous year because of generally poor economic conditions in the United States. However, the number of orders increased more in 1981 than in any other year. The investment made in developing new customer prospects laid the ground work for future profit growth.

Ideals Publishing Company reported slightly lower earnings, reflecting economic conditions. Ideals' children's books series, Good Friends, obtained recognition in both the North American and French markets. Acquisition of Structures Publishing Company of Farmington, Michigan, added a new dimension to Ideals' already diversified product base. The Structures line of do-it-yourself books has been integrated with Ideals' well developed cookbook lines to enhance future prospects.

Harlequin now stands to realize a return on the extensive investment it has made over the past two years in improved facilities, business systems, new products and market development. The company's unique management and marketing approach continues to underpin its preeminence in romance fiction publishing throughout the world.



***Raven House Mysteries*, the new crime suspense series, offers novels never before published in paperback.**

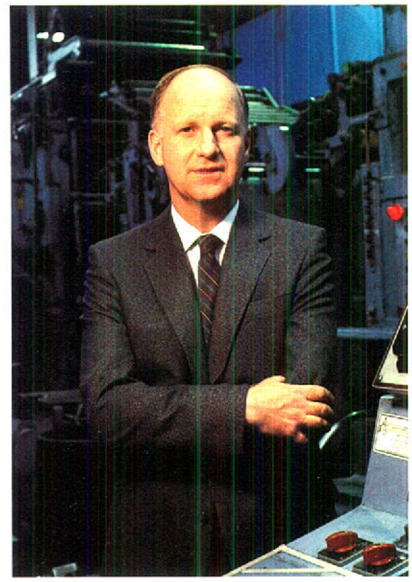


Harlequin's new paperback series, *Keyhole Crime*, features selected crime novels for the British public.

For Metroland, 1981 was a year of growth and improvement. Its newspapers are now distributed to every suburban Toronto community, reaching 500,800 households mid-week.

Metroland was formed in 1981 out of the combined resources of Torstar's former Metrospan Printing & Publishing Ltd. and of Inland Publishing Co. Limited, acquired early in 1981. Metroland currently publishes community newspapers throughout the greater Metro Toronto area.

Metrospan and Inland had long been recognized as Canada's leading community newspaper groups, well known also for the high quality of their commercial printing. Together they enable Metroland to offer the most comprehensive advertising and printing services of any community newspaper publisher in Canada.



JOHN F. BAXTER, President

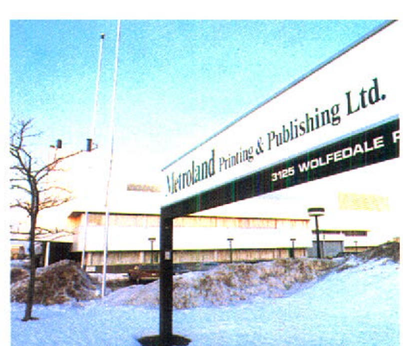
John Baxter has spent the past fourteen years of his career in the community newspaper industry. He joined Metrospan Printing & Publishing Ltd. as President in 1980 and since then has been instrumental in the acquisition of Inland Publishing and the formation of Metroland in 1981. Baxter's intimate knowledge and extensive experience in all aspects of community newspaper publishing give him a profound understanding of the challenges and opportunities facing Metroland in the marketplace.

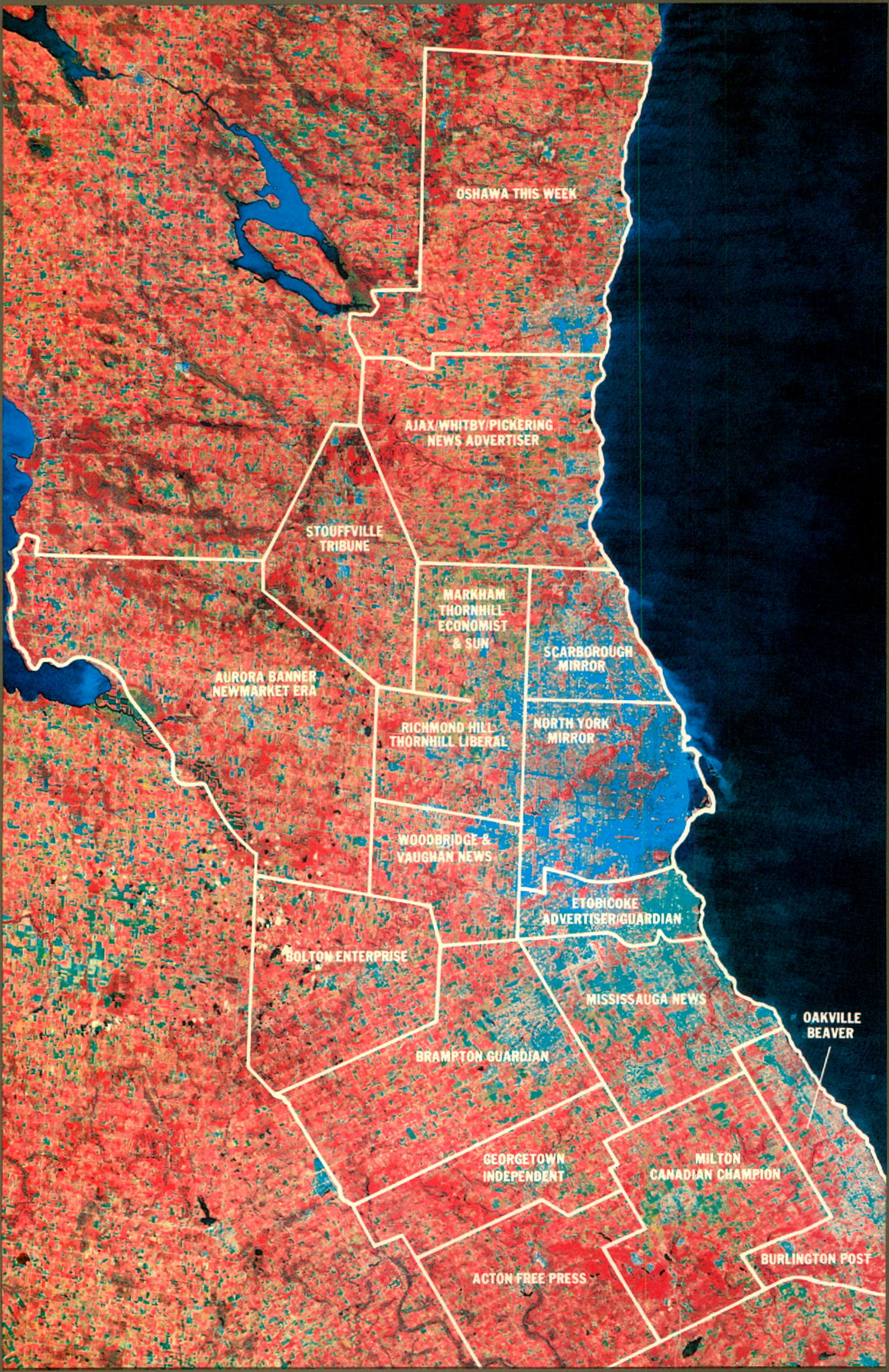
Formed in 1981, Metroland now publishes 22 mid-week and 5 weekend community newspapers.

Following the creation of Metroland, a number of publication changes were initiated in response to customer needs and preferences. Operations were integrated in those markets where separate publications could not be supported, and frequency of publication was increased where warranted.

Metroland now reaches every suburban Toronto community from Burlington to Oshawa and north to Newmarket. Current distribution totals 500,800 midweek and 198,500 on weekends. Metroland consists of 22 midweek and 5 weekend publications. Full commercial printing resources are available from four plants located in Acton, Mississauga, North York and Woodbridge. These facilities offer clients complete printing services including web offset, sheet fed and rotogravure printing, as well as typesetting, color separation, bindery and mailing facilities.

The former Metrospan newspaper operation had not been profitable for several years. The acquisition of Inland, while requiring initial reorganization expenses as well as ongoing interest and goodwill carrying costs, has allowed Metroland community newspapers to earn operating profits in 1981. The company now has an encouraging future earnings growth potential.





A satellite photograph taken from an altitude of 560 miles shows Metroland's market coverage.

Comac, which publishes Homemaker's Magazine, Madame au Foyer, Quest, City Woman and Western Living, has established a clear position of leadership in Canada's growing magazine industry. Comac's magazines provide Canadians with a rich diversity of opinion and information on a wide range of public issues.

Comac, now Canada's second largest publisher of consumer magazines, experienced a successful year in 1981. Net advertising revenue reached $23 million, up 45% over 1980. As a result, net earnings increased to $592,000, almost triple 1980 earnings.

Homemaker's Magazine, Canada's largest circulation magazine for women with its French edition, Madame au Foyer, experienced the most profitable year in their 15-year history. These magazines are attracting a broader range of advertisers, complementing their primary strength with food and packaged good advertisers. Homemaker's/Madame au Foyer received 40 national and international awards in graphic arts competitions in 1981.

TED GITTINGS, President

Ted Gittings joined Comac in 1967 as publisher of Homemaker's Magazine, following thirteen years in the magazine publishing field. He became president and Chief Executive Officer in 1974. Under his leadership, Comac has become Canada's second largest publisher of consumer magazines and has reported excellent results for 1981. Significant growth is projected for Comac in the years ahead with further expansion in circulation and market coverage.

Comac's controlled circulation magazines increased revenue and earnings substantially in 1981. Comac is Canada's second largest publisher of consumer magazines.

1981 was also an impressive year for Quest with four of its eight issues exceeding $1 million gross advertising revenue. Quest increased its 1981 revenue 35% over 1980, the largest increase within its competitive magazine segment. As a result, 1981 was Quest's most profitable year in its 10 year history.

City Woman's growth in 1981 was exceptional, with an 88% increase in advertising revenue. Gains in advertising came not only from traditional women's magazine categories but from finance, automobile, insurance and real estate advertising, rarely carried in women's magazines previously. Plans for 1982 include continued expansion in circulation and market coverage. Editorially, City Woman placed second among more than 90 magazines competing for the National Magazine Awards, and was the only women's magazine in Canada to be honored with a gold award for journalism.

Early in 1981 Comac acquired control of Western Living, a high quality lifestyle magazine serving Western Canada. Advertising revenue in 1981 rose 28% over 1980 and further significant growth is projected for 1982.

Now reaching more than five million readers in over 30 cities across the country, Comac's five magazines provide Canadians with a rich diversity of opinion, insight and information on a wide range of moral, political, social and intellectual issues.

Homemakers **and *Madame au Foyer* have established themselves as leaders among controlled circulation magazines.**

City Woman: **The magazine that focuses on issues of interest and concern to women in the '80s.**

Quest: **Canada's urban magazine presents articles and features of special interest to both male and female readers.**

Western Living: **Western Canada's popular publication offers a wide variety of lifestyle information.**

Infomart is the largest corporate entity in Canada's electronic publishing business, providing information processing and retrieval services in this country and abroad.

Infomart, jointly owned with Southam Inc., continued to strengthen its leadership role in the rapidly developing Canadian and international electronic publishing business. This operation currently involves substantial development costs, which represent an investment in preserving a primary role for the company in systems that carry information to homes and businesses electronically.

These systems are known generically as videotex, a process which enables users to access computer-stored information, using key pad control devices, and to display it on their television sets. Videotex has clearly emerged as an important new sector of the telecommunications industry, with a growing number of large multinational corporations announcing their intention to participate in its development as information providers.

DAVID M. CARLISLE, President & Chief Executive Officer

A specialist in computer sciences, David Carlisle has extensive experience in the computer-communications industry. He joined Infomart in 1979 and has since played a major role in the company's quest to achieve international recognition for its videotex capabilities. A member of Canada's Videotex Consultative Committee, David Carlisle is actively engaged in the further development of the electronic publishing industry.

In 1981 Infomart built a significant presence for Telidon as the international videotex standard.

Much of this interest and activity was stimulated by "Videotex '81", the trade show co-hosted by Infomart in Toronto in May. Since then Canada's Telidon technology, developed by the federal Department of Communications and utilized by Infomart in its videotex activities, has gained momentum in both the United States and Europe in its quest to gain recognition as the international videotex standard.

Infomart is playing a major role in building a significant presence for Telidon around the world. In 1981 the company sold five turnkey systems to clients in four countries and negotiated an agreement with Norpak Limited of Kanata, Ontario to sell Telidon technology to Siemens AG of West Germany.

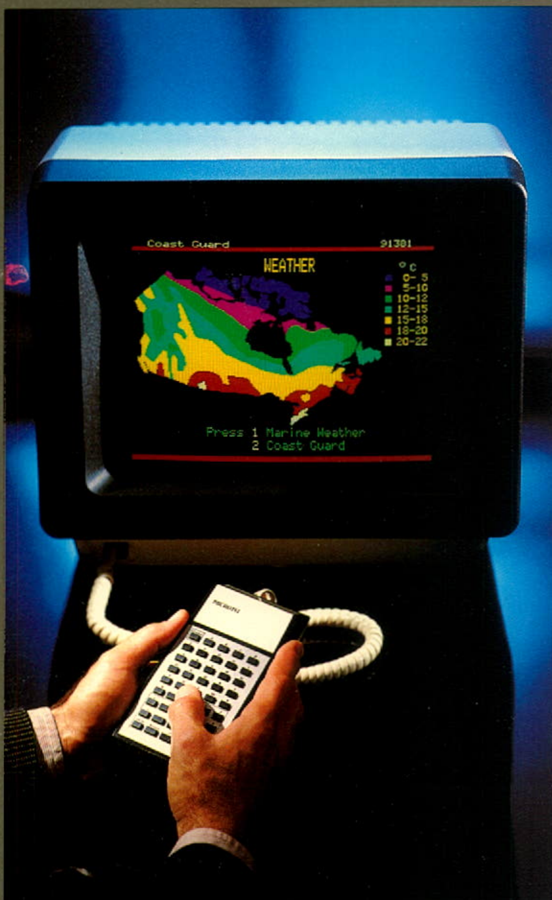
In addition, Infomart established a partnership with Times Mirror Videotex Services Inc. of Los Angeles. Drawing on Infomart's technical expertise and the market strength of Times Mirror, the new venture will engage in a Telidon market test of households in the Los Angeles area.

In Manitoba, Infomart's "Grassroots" information system for farmers began its operations as a public service in September. Hundreds of farmers and others involved in agriculture now have access to this system for a variety of informational services.

In Ottawa, Infomart operates the federal government's information bank. This system is responsible for disseminating more than forty thousand Telidon "pages" of government information to publicly located terminals across Canada.

Infomart's database search service experienced strong growth in 1981. Its private file service, using BASIS technology, allows users to scan through files packed with information in a matter of seconds.

In Canada and abroad, Infomart has established itself as a leading resource in electronic publishing, for both system design and information packaging services.



Top left: A wide variety of business and professional data will soon be available to Telidon users.

Top right: Travel and tourist information is readily available in the Province of Ontario to users of Teleguide.

Bottom left: Shopping, in the near future, will take place in the comfort of one's own home—electronically.

Bottom right: Manitoba's "Grassroot" program provides farmers with relevant and up-to-date farm information.

(Incorporated under the laws of Ontario)

CONSOLIDATED BALANCE SHEET

December 31, 1981 (with comparative figures at December 31, 1980—note 8)

Assets	1981	1980
	(thousands of dollars)	
Current:		
Cash and short term investments	$ 17,741	$ 23,789
Receivables (note 2)	78,504	71,560
Inventories	26,968	25,777
Prepaid expenses	17,495	11,332
Prepaid and recoverable income taxes	18,453	16,124
Total current assets	159,161	148,582
Income taxes recoverable (note 3)	20,831	
Investments and other non-current assets (note 4)	20,335	31,909
Fixed assets at cost:		
Land	4,703	3,588
Buildings and leasehold interests	20,073	15,009
Machinery and equipment	66,654	51,576
	91,430	70,173
Less accumulated depreciation	33,710	28,184
Total fixed assets	57,720	41,989
Mailing lists at amortized cost	15,507	17,332
Subscription list at amortized cost	6,583	6,917
Goodwill at amortized cost	217,108	74,779
Investment in discontinued operations (note 8)		19,950
Total assets	$497,245	$341,458

(See accompanying notes)

On behalf of the Board

Beland Honderich

Director

Burnett M. Thall

Director

CONSOLIDATED BALANCE SHEET

Liabilities and Shareholders' Equity	1981	1980
	(thousands of dollars)	
Current:		
Bank indebtedness and notes payable	$ 30,336	$ 23,784
Accounts payable and accrued liabilities	59,486	53,941
Taxes payable (note 3)	15,097	18,723
Provision for disposal of discontinued operations (note 9)	6,500	
Current portion of non-current debt	299	1,200
Total current liabilities	111,718	97,648
Non-current debt (note 5)	241,047	88,380
Deferred income taxes	7,597	4,615
Minority interest in subsidiary		22,235
Employees' shares subscribed (note 6)	2,248	1,692
Shareholders' equity:		
Share capital (note 6)		
First Preference Shares (non-voting)	14,749	
Class A (voting) shares and Class B (non-voting) shares	14,267	13,294
Contributed surplus (from issue of warrants)	3,026	
Retained earnings	102,593	113,594
Total shareholders' equity	134,635	126,888
Total liabilities and shareholders' equity	$497,245	$341,458

(See accompanying notes)

AUDITORS' REPORT

To the Shareholders of Torstar Corporation:

We have examined the consolidated balance sheet of Torstar Corporation as at December 31, 1981 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the company as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson Gordon

Chartered Accountants
February 26, 1982
Toronto, Ontario

CONSOLIDATED STATEMENT OF INCOME

Year ended December 31, 1981 (with comparative figures for 1980—note 8)

	1981	1980
	(thousands of dollars)	
Operating revenue	$529,075	$445,896
Operating profit	50,625	67,494
Interest and foreign exchange (note 7)	33,966	6,383
Income before taxes	16,659	61,111
Income taxes	5,793	25,507
Income before minority interest and extraordinary items	10,866	35,604
Minority interest in earnings of subsidiary	575	10,705
Income from continuing operations	10,291	24,899
Loss from discontinued operations less income taxes and minority interest (note 8)	(4,610)	(2,908)
Income before extraordinary items	5,681	21,991
Extraordinary gains (losses) less income taxes and minority interest (note 9)	(6,347)	6,118
Net income (loss) for the year	$ (666)	$ 28,109
Earnings per Class A and Class B share (note 10)		
From continuing operations	$76¢	$2.04
Before extraordinary items	38¢	1.80
Net income (loss) for the year	(13¢)	2.30

(See accompanying notes)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended December 31, 1981 (with comparative figures for 1980)

	1981	1980
	(thousands of dollars)	
Retained earnings, beginning of year	$113,594	$ 92,212
Net income (loss)	(666)	28,109
	112,928	120,321
Dividends—First Preference Shares	993	
—Class A and B shares	9,342	6,727
	10,335	6,727
Retained earnings, end of year	$102,593	$113,594

(See accompanying notes)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31, 1981 (with comparative figures for 1980—note 8)

	1981	1980
	(thousands of dollars)	
Source of funds:		
From operations		
Net income from continuing operations	$10,291	$ 24,899
Add (deduct) items which do not affect working capital:		
Minority interest	575	10,705
Depreciation	7,135	5,335
Amortization of goodwill, mailing lists and subscription list	6,236	2,565
Deferred income taxes	(263)	(128)
Total funds from operations	23,974	43,376
Western Broadcasting Company Ltd.		
—Proceeds from disposal of shares, less tax	22,268	
—Special dividend		6,118
Issue of preference shares and warrants	18,155	
Increase in non-current debt	140,567	58,413
Employee share subscriptions	1,149	645
Total source of funds	206,113	108,552
Application of funds:		
Additional investment in shares of Harlequin Enterprises Limited (note 12)	152,221	37,047
Net non-current assets of other subsidiaries acquired (note 11)	12,971	41,970
Discontinued operations	21,766	9,500
Fixed assets	9,881	8,777
Dividends to shareholders	10,335	6,727
Dividends paid by subsidiary to minority shareholders	982	3,527
Other	1,448	(3,796)
Total application of funds	209,604	103,752
Increase (decrease) in working capital	$ (3,491)	$ 4,800

(See accompanying notes)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1981

1. Accounting Policies

The following is a summary of significant accounting policies followed in the preparation of the consolidated financial statements:

(a) Principles of consolidation

The consolidated financial statements include the accounts of the company and its subsidiaries.

(b) Foreign exchange

Accounts denominated in foreign currency have been translated to Canadian dollars as follows: current assets and liabilities at exchange rates prevailing at the year end; fixed assets, mailing lists, goodwill and non-current liabilities at exchange rates prevailing at dates acquired or assumed; income and expenses (excluding depreciation and amortization) at average rates during the year. Exchange adjustments resulting from such translation practices are recognized in the consolidated statement of income.

(c) Receivables

Receivables are reduced by provisions for anticipated book returns which are determined by reference to past experience and expectations.

(d) Inventories

Inventories are valued at the lower of cost and net realizable value.

(e) Depreciation policy

The cost of plant and equipment is depreciated using various rates and methods depending on the estimated useful lives of the assets. The rates and methods used for major depreciable assets are as follows:

(i) Machinery and equipment—straight line over 10 to 15 years or 20% diminishing balance;
(ii) Buildings—straight line over 25 years or 5% diminishing balance;
(iii) Leasehold interests—straight line over the life of the lease.

(f) Mailing lists

The direct mail marketing lists are amortized on a straight line basis over 10 years.

(g) Subscription list

The newspaper subscription list is amortized on a straight line basis over a 30-year period to 2001.

(h) Goodwill

Goodwill is amortized on a straight line basis over a period of 40 years from the dates of acquisition.

(i) Past service pension costs

The costs relating to improved pension benefits granted for employment in prior periods, to the extent they are not covered by pension plan surplus, are amortized over periods not exceeding 15 years from the dates at which such benefits become effective.

(j) Income taxes

The company follows the deferral method of income tax allocation which results in prepaid and deferred income taxes. Prepaid income taxes result from costs, principally provisions for book returns, which in some jurisdictions are not currently deductible for tax purposes. Deferred income taxes arise from deductions for income tax purposes, principally depreciation, in excess of amounts currently charged.

Provision is made for all taxes that it is estimated will be payable on the undistributed earnings of operations outside Canada to the extent that such earnings have not been reinvested in the subsidiaries' operations on a long-term basis.

(k) Leases

All major leases of the company were entered into prior to January 1, 1979 and are reflected in the accompanying financial statements as operating leases. Generally accepted accounting principles require certain types of leases entered into on or after January 1, 1979 to be accounted for as capital leases, reflecting both a leasehold asset and a related lease obligation. While this requirement does not apply to the company's existing leases, supplementary disclosure is given (see note 14) as to how the only existing lease agreement of a capital nature would have been reflected had it been recorded as a capital lease.

2. Receivables

The provisions for anticipated book returns deducted from receivables at December 31, 1981 amounted to $30 million (December 31, 1980—$21 million).

3. Income Taxes

(a) As at December 31, 1981 income taxes recoverable consisted of tax credits recognized in 1981 in respect of loss carry-forwards and timing dif-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ferences which are expected to reduce taxable income in the future:

	(in thousands of dollars)
Estimated U.S. tax reductions available through 1997	$17,460
Estimated Canadian tax reductions available through 1987	7,571
	25,031
Less portion expected to be recoverable in 1982, included in prepaid and recoverable income taxes	4,200
	$20,831

(b) Income taxes payable are due principally in jurisdictions outside North America.

4. Investments and Other Non-Current Assets

As at December 31, investments consisted of:

(in thousands of dollars)	1981	1980
9.25% first mortgage sinking fund bonds due December 31, 2000 (a)	**$10,069**	$10,287
8.54% second mortgage receivable maturing July 25, 2001 (a)	**4,031**	4,120
Shares of Western Broadcasting Company Ltd. at cost		13,427
Other non-current assets (b)	**6,235**	4,075
	$20,335	$31,909

(a) The first mortgage sinking fund bonds and the second mortgage are held on The Toronto Star building at One Yonge Street. In addition to interest, the first mortgage sinking fund bonds are entitled to share in profits of the building operation.

(b) Included in the other non-current assets are loans receivable of $383,000 (December 31, 1980—$509,000) pursuant to a stock purchase plan for senior officers.

5. Non-Current Debt

As at December 31, non-current debt consisted of:

(in thousands of dollars)	1981	1980
Bankers' acceptances (a)	**$164,000**	$47,000
Bank Loans— U.S. $25 million at 17%, due 1984	**30,195**	
U.S. $35 million with interest based upon the prevailing London Interbank rate due 1986 to 1989. Year end interest rate—14%; average rate during the year 18%.	**40,285**	40,285
Other debt due 1983-1987	**6,567**	1,095
	$241,047	$88,380

(a) Bankers' acceptances are issued at varying rates normally slightly below prime and maturing over periods ranging from 30 to 120 days. The company's bankers' acceptances are convertible to term bank loans at any time at the company's option under a bank line of credit.

The company has the option at any time prior to April 10, 1984 to convert such bank loans and banker's acceptances, in amounts up to $215 million, into a term loan with a maturity of ten years repayable in equal annual instalments during the term thereof.

(b) Minimum long term debt repayment requirements in each year to 1986 are: 1983—$4.1 million; 1984—$0.2 million; 1985—$14.1 million; 1986—$23.8 million.

(c) If the non-current debt payable in foreign currencies were translated into Canadian dollars at the exchange rates in effect at the end of the year, non-current debt net of current portion at December 31, 1981 would have increased by $800,000 ($1.6 million in 1980). It is anticipated that these borrowings will be repaid out of earnings in the same currencies.

6. Share Capital

(a) Authorized, issued and outstanding shares

At December 31, 1981, shares authorized, issued and outstanding were:

	Authorized	Issued and outstanding
First Preference Shares, $25 par value —non-voting		
$2.68 1981 series	1,700,000	589,955
$1.00 1982 series	150,000	
Class A, no par value —voting		2,609,677
Class B, no par value —non-voting	21,599,946	9,704,222
		12,313,899

(note 6 continued on next page)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 CONTINUED

	Authorized	Issued and outatanding
Class C, no par value —non-voting	76,049,426	
Common —voting	1,890,560	

(b) First preference shares—1981 series

Retractable at the option of the holder at a price of $25 per share plus accrued and unpaid dividends, if any, (i) at any time before July 1, 1986, provided that such retraction coincides with the exercise by the holder of an equivalent number of Class B share purchase warrants or (ii) on June 30, 1986 for cash.

Redeemable by the company at predetermined prices varying from $26.25 to $25.00 plus accrued and unpaid dividends, if any, after June 30, 1986.

During 1981 the company issued 605,155 1981 Series First Preference Shares at $25.00 per share and 605,155 Class B share purchase warrants at $5.00 each as partial consideration for the purchase of the outstanding shares of Harlequin Enterprises Limited not previously owned by the company.

During the year the company purchased for cancellation in the open market 15,200 1981 Series First Preference Shares for a total consideration of $318,512.

(c) First preference shares—1982 series

Convertible at the option of the holder into Class B shares, in connection with stock purchase loans to executives, subject to certain employment conditions and achievement of earnings objectives.

Redeemable at any time at par value at the option of either the holder or the company.

During 1982 it is expected that approximately 75,000 of the 1982 Series First Preference Shares will be issued in connection with a stock purchase plan for executives of the company and its subsidiaries. Based on current market prices, these preferred shares will be eligible for conversion in 1985 and future years into approximately 175,000 Class B shares.

(d) Class A (voting) and Class B (non-voting) shares

Class A shares are convertible at any time at the option of the holder into Class B shares.

Class B shares are non-voting unless eight consecutive quarterly dividends have not been paid. In that event, and until the company has paid eight consecutive quarterly dividends, holder will be entitled to one vote for each Class B share.

Shareholders may elect to receive dividends on Class A and Class B shares in cash or stock dividends in the form of Class B or Class C shares. It has been the company's practice to purchase for cancellation on the open market the number of Class B shares equivalent to the Class B shares issued as stock dividends. Accordingly, dividends paid in the form of Class B shares are not reflected as an increase in share capital.

During the year the company issued 244,732 Class B shares as stock dividends for a value of $3,688,000. To December 31, 1981 163,425 of these shares had been repurchased for cancellation at an average price of $15.05 per share for a total consideration of $2,460,000. Subsequent to the year end, the company has repurchased for cancellation 63,500 shares for a total consideration of $665,000.

Under the company's employees' share purchase plan, employees may subscribe for Class B shares to be paid for through payroll deductions over two-year periods at a purchase price which is the lower of:

(i) 95% of the market price on the entry date, or

(ii) the market price at the end of the payment period.

As at December 31, 1981, outstanding employee subscriptions were as follows:

Number of shares	Subscription price per share	Maturing
45,698	$14.57	April 1982
89,948	$17.58	April 1983

In February, 1982, further subscriptions under the plan were authorized at a price of $9.74 per share; subscriptions had not closed at the date of preparation of the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Transactions for the year in Class A and Class B shares are summarized as follows:

	Shares Issued	Thousands of dollars
Class A shares		
Balance, beginning of year	2,613,482	$ 2,841
Conversion to Class B shares	(3,805)	(4)
Balance, end of year	2,609,677	$ 2,837
Class B shares		
Balance, beginning of year	9,613,253	$10,453
Issued to long service employees	775	13
Issued under employees' share purchase plan	86,356	959
Conversion from Class A shares	3,805	4
Conversion of warrants	33	1
Balance end of year	9,704,222	$11,430

(e) Class B share purchase warrants

The Class B share purchase warrants entitle the holder thereof to purchase one Class B share at a price of $20.50 before July 1, 1986. At December 31, 1981 there were 605,122 Warrants outstanding.

(f) Class C Shares

Class C Shares are issued as stock dividends on Class A and Class B Shares and are redeemed for cash within 15 days of their date of issue.

(g) Restrictions on transfer

The registration of a transfer of any shares may be refused if such transfer could jeopardize either the ability of the company to engage in broadcasting or its status as a Canadian newspaper.

7. Interest and Foreign Exchange

Interest revenue and expense, and foreign exchange adjustments, for the years ended December 31, 1981 and 1980 consisted of the following:

(in thousands of dollars)	1981	1980
Interest expense		
—non-current	**$31,974**	$8,083
—other	**8,713**	4,057
Investment revenue	**(6,694)**	(6,425)
Net interest expense	**33,993**	5,715
Foreign exchange adjustments	**(27)**	668
	$33,966	$6,383

8. Loss From Discontinued Operations

In 1981 the company divested substantially all of Harlequin's magazine operations and announced it would withdraw from the film production activities of Nielsen-Ferns. Subsequent to December 31, 1981 the company decided that it would dispose of Harlequin's Scholar's Choice operations. The losses of each of these activities in 1981 and 1980 have been reclassified as losses from discontinued operations and are summarized as follows:

(in thousands of dollars)	1981	1980
Harlequin magazines	**$ 6,151**	$ 5,484
Film production	**953**	848
Scholar's Choice	**4,902**	2,263
	12,006	8,595
Less income tax recovery	**5,790**	4,058
	6,216	4,537
Less minority interest	**1,606**	1,629
	$ 4,610	$ 2,908

The comparative figures for 1980 have been restated to facilitate meaningful comparison with the 1981 accounts. The company's investment in discontinued operations at December 31, 1980 has been recorded on the balance sheet as an investment in discontinued subsidiaries.

9. Extraordinary Items

Extraordinary items in 1981 and 1980 are summarized as follows:

(in thousands of dollars)	1981	1980
Extraordinary loss on discontinued operations		
Harlequin magazines (a)	**$11,965**	
Film production (b)	**4,892**	
Scholar's Choice (c)	**15,102**	
	31,959	
Income tax (recovery)	**(13,280)**	
	18,679	
Minority interest	**(3,491)**	
	15,188	
Extraordinary gains on investment in Western Broadcasting(d)		
Special dividend		$6,118
Gain on disposal	**11,961**	
Capital gains tax	**(3,120)**	
	8,841	6,118
Net gain (loss)	**$(6,347)**	$6,118

(note 9 continued on next page)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 CONTINUED

(a) Divestiture of magazine operations
As a result of the disposal of substantially all of the Harlequin magazine operations, the company incurred an extraordinary write-off in 1981 of the investment in these magazines.

(b) Withdrawal from film production
Coincident with the withdrawal from feature film production, the company wrote down those film properties not yet in production or for which all investment had not yet been recovered to estimated realizable value.

(c) Divestiture of Scholar's Choice operations
The company has decided to dispose of Harlequin's Scholar's Choice division, which is engaged in the retail and institutional distribution of teaching aids, educational materials and toys in Canada and the United States. An extraordinary loss has been recognized representing the difference between estimated proceeds and:

(i) The book value of the company's investment is this operation;
(ii) Estimated losses from January 1, 1982 to the anticipated date of disposal; and
(iii) Estimated costs of disposal.

The additional provision of $6.5million required to recognize all the aforementioned costs in excess of proceeds is recorded on the balance sheet as a current liability.

(d) Sale of Western Broadcasting Company Ltd. shares
During the year the company sold its 33% investment in Western Broadcasting Company Ltd. for cash resulting in an extraordinary gain. In 1980 the company received a special dividend from Western Broadcasting.

10. Earnings Per Class A and Class B Share

For purposes of calculating earnings per Class A and Class B share net income for the year has been reduced by dividends paid on First Preference Shares. The effect on the earnings per share calculation of the imputed income arising from the exercise of the Class B share purchase warrants is anti-dilutive and has been excluded.

11. Acquisitions in 1981

During 1981 Metrospan Printing & Publishing Ltd. purchased for $13.5 million all of the outstanding shares of Inland Publishing Co. Limited, a company engaged in commercial printing and the publishing of community newspapers in the Toronto area. Following the acquisition, Metrospan and Inland amalgamated to form Metroland Printing & Publishing Ltd.

Other acquisitions consisted of a 60% interest in Bryan Publications Ltd., publisher of Western Living magazine; a 49% interest in Graphic Cylinders Inc., processors of rotogravure cylinders; and 100% of Structures Publishing Co., a publisher of home improvement books, for a total cash consideration of $1.3 million.

These acquisitions have been accounted for as purchases and may be summarized as follows:

	(in thousands of dollars)
Fixed assets	$12,985
Goodwill, being the excess of the cost over the fair value of net assets acquired	12,820
	25,805
Non-current debt assumed	(12,100)
Deferred taxes	(734)
Funds applied	12,971
Plus excess of current assets acquired over current liabilities assumed	1,882
Total cost of acquisitions	$14,853

12. Additional Investment in Shares of Harlequin Enterprises Limited

During 1981 the company acquired 81,765 common shares of Harlequin in private transactions and 4,936,922 common shares as part of an offering to acquire the remaining common shares of Harlequin not owned by the company.

The total consideration, including costs of the offering, consisted of the following:

	(in thousands of dollars)
First Preference Shares issued	$ 15,129
Class B Share Warrants issued	3,026
Cash payments	134,066
	$152,221

These purchases were accounted for as a reduction of minority interest of $18.8 million and an increase of goodwill of $133.4 million. As a result of these transactions the company now owns 100% of Harlequin.

13. Pension Plans

The unamortized past service costs for pension benefits in effect at December 31, 1981 approximate $3.5 million. In addition improvements to The Toronto Star Pension Plan have been implemented, effective January 1, 1982, which increased the pension plan's liabilities by $4.7 million.

14. Lease Obligations

The company is obligated under a lease to the year 2001 for a portion of The Toronto Star building at One Yonge Street for an

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

annual rental cost of $1.7 million plus municipal taxes, maintenance and other operating costs relating to the leased portion.

The company could be liable under certain contingencies to lease the whole building to 2001 with an additional annual rental commitment of approximately $1.1 million plus payment of related municipal taxes, maintenance and other operating costs.

Had the lease on The Toronto Star building been recorded in the financial statements as a capital lease, fixed assets and non-current debt would each have increased by approximately $13 million. The effect of such a change on net income would not have been material.

In addition the company is committed to other annual rentals in respect of continuing operations of approximately $2.8 million for each of the next five years.

15. Contingencies

A number of legal actions against the company and its subsidiaries are outstanding, the ultimate disposition of which is not expected to materially affect the financial position of the company.

16. Segmented Information

The company's continuing operations are classified into four business segments: Newspaper publishing; Book and magazine publishing; Distribution, principally of con sumer products through direct mail; and Printing and other.

The following is a summary of business and geographic segments of the company:

(in thousands of dollars)

Business Segments	Operating Revenue		Operating Profit	
	1981	1980	1981	1980
Newspaper publishing	**$231,522**	$177,925	**$19,200**	$12,387
Book and magazine publishing	**234,670**	215,817	**24,783**	45,919
Distribution	**52,357**	38,639	**4,229**	7,477
Printing and other	**35,577**	23,174	**2,413**	1,711
	554,126	455,555	**50,625**	67,494
Less intercompany printing	**25,051**	9,659		
Consolidated	**$529,075**	$445,896	**$50,625**	$67,494

	Identifiable Assets		Additions to fixed assets excluding acquisitions		Depreciation and Amortization	
	1981	1980	1981	1980	1981	1980
Newspaper publishing	**$ 79,085**	$ 53,307	**$ 5,413**	$1,239	**$ 3,248**	$3,754
Book and magazine publishing	**302,917**	152,556	**2,849**	3,639	**4,795**	2,011
Distribution	**42,563**	44,380	**803**	1,146	**3,043**	1,443
Printing and other	**35,025**	17,793	**816**	2,753	**2,285**	692
Corporate	**37,655**	53,472				
	497,245	321,508	**9,881**	8,777	**13,371**	7,900
Discontinued operations		19,950				
Consolidated	**$497,245**	$341,458	**$9,881**	$8,777	**$13,371**	$7,900

Geographic Segments	Operating Revenue		Operating Profit		Identifiable Assets	
	1981	1980	1981	1980	1981	1980
Canada	**$277,542**	$220,440	**$19,859**	$19,806	**$332,990**	$153,615
United States	**163,746**	147,417	**25,231**	37,570	**91,784**	76,676
Other (1)	**87,787**	78,039	**5,535**	10,118	**34,816**	37,745
Corporate					**37,655**	53,472
	529,075	445,896	**50,625**	67,494	**497,245**	321,508
Discontinued operations						19,950
Consolidated	**$529,075**	$445,896	**$50,625**	$67,494	**$497,245**	$341,458

(1) Principally United Kingdom, France and Germany

TEN-YEAR OPERATING HIGHLIGHTS

Continuing Operations

	1972	1973	1974
Operating Revenue (thousands of dollars)			
Newspaper Publishing	$77,911	$91,257	$104,388
Book & Magazine Publishing			4,804
Distribution			
Printing & Other	4,420	8,263	11,354
	82,331	99,520	120,546
Less intercompany printing	2,907	4,739	5,790
Operating revenue	$79,424	$94,781	$114,756
Operating Profit & Income from continuing operations (thousands of dollars)			
Newspaper Publishing	$10,224	$13,927	$ 16,873
Book & Magazine Publishing			177
Distribution			
Printing & Other	342	438	231
Operating profit	10,566	14,365	17,281
Interest & foreign exchange	1,265	367	546
Income before taxes	9,301	13,998	16,735
Income taxes*	4,655	6,698	7,966
Income before minority interest	4,646	7,300	8,769
Minority interest in earnings of subsidiary			
Income from continuing operations*	$ 4,646	$ 7,300	$ 8,769
Per Share Data (adjusted for 3 for 1 split in 1973 and 3 for 2 stock split in 1980)			
Income from continuing operations	43¢	66¢	79¢
Dividends—Class A and Class B shares	7¢	10¢	13¢
Rate of Return on Revenue			
Operating Profit	13.3%	15.2%	15.1%
Income before minority interest	5.8%	7.7%	7.6%
Return on Equity			
Income from continuing operations as a percentage of average shareholders' equity	17.4%	22.7%	23.5%

*Adjusted for 1978 recovery of taxes related to 1973–1977

1975	1976	1977	1978	1979	1980	1981
		Years ended September 30				Years ended December 31
$116,267	$130,195	$133,727	$144,135	$162,583	$177,925	$231,522
5,865	47,372	71,457	105,850	169,949	215,817	234,670
					38,639	52,357
13,225	14,840	13,953	16,611	20,924	23,174	35,577
135,357	192,407	219,137	266,596	353,456	455,555	554,126
6,051	7,473	8,029	9,955	11,449	9,659	25,051
$129,306	$184,934	$211,108	$256,641	$342,007	$445,896	$529,075
$ 16,969	$ 18,208	$ 11,351	$ 9,555	$ 10,684	$ 12,387	$ 19,200
297	8,147	18,616	28,229	42,252	45,919	24,783
					7,477	4,229
648	985	1,191	2,204	2,577	1,711	2,413
17,914	27,340	31,158	39,988	55,513	67,494	50,625
(248)	1,037	(234)	(778)	(439)	6,383	33,966
18,162	26,303	31,392	40,766	55,952	61,111	16,659
8,403	12,338	14,888	20,178	26,292	25,507	5,793
9,759	13,965	16,504	20,588	29,660	35,604	10,866
	2,042	4,620	6,625	9,714	10,705	575
$ 9,759	$ 11,923	$ 11,884	$ 13,963	$ 19,946	$ 24,899	$ 10,291
87¢	99¢	97¢	$1.15	$1.63	$2.04	76¢
17¢	19¢	21¢	25¢	40¢	55¢	76¢
13.9%	14.8%	14.8%	15.6%	16.2%	15.1%	9.6%
7.5%	7.6%	7.8%	8.0%	8.7%	8.0%	2.1%
22.7%	21.2%	16.8%	17.1%	20.2%	21.4%	7.9%

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