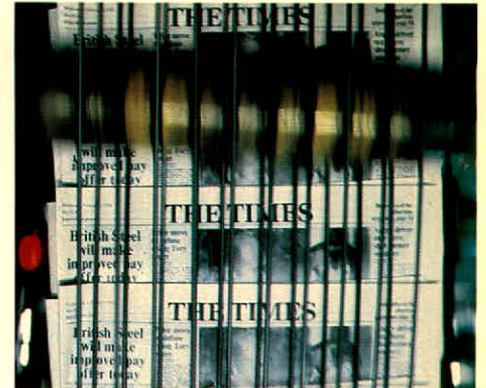
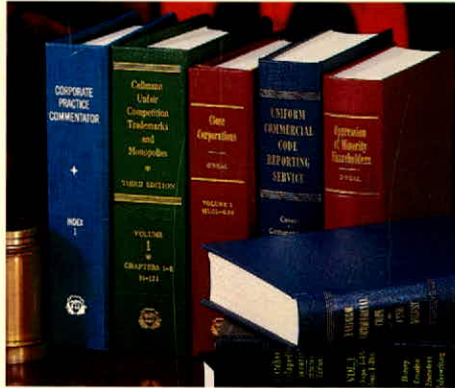




International Thomson Organisation Limited Annual Report 1979

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OCT 30 1981
MANCHESTER UNIVERSITY

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Results at a glance

(millions of pounds sterling)

	1979	1978
Net sales	699.6	576.7
Trading profit	172.0	146.5
Earnings for the year	41.4	44.1
Earnings per common share – fully diluted	29.7p	31.7p

Directors

International Thomson Organisation Limited

Lord Thomson of Fleet CHAIRMAN
J A Tory DEPUTY CHAIRMAN
G C Brunton PRESIDENT
W M Brown EXECUTIVE VICE-PRESIDENT
W J DesLauriers
C E Medland
J W Whittall

Head Office
Suite 3515
Royal Bank Plaza
Toronto
Ontario M5J 2K1
Canada

Auditors
Price Waterhouse & Co
Toronto-Dominion Centre
Toronto
Ontario M5K 1G1
Canada

Principal Registrar
Montreal Trust Company
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Toronto
Ontario M5H 1B4
Canada

Branch Registrar
Warburg Registrars Ltd
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom

Thomson British Holdings Limited

Main Board

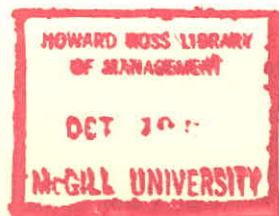
Lord Thomson of Fleet CHAIRMAN
G C Brunton MANAGING DIRECTOR AND CHIEF EXECUTIVE
W M Brown
J Evans
Sir Denis Hamilton
J A Tory

Thomson British Holdings Limited

Executive Board

G C Brunton CHAIRMAN
W M Brown
I M Clubb
C N D Cole
J Evans
G Hamill
Sir Denis Hamilton
E G Hedgcock
M J Hussey
B Llewellyn
J H Sauvage

M D Knight, COMPANY SECRETARY



Chairman's Review



I am pleased to report to you that, in spite of the difficult economic conditions in 1979 which particularly affected the economy of the United Kingdom, the year has proved to be one of sound overall achievement for your Company.

Full information on your Company's performance and future plans and prospects are given in the President's Report and as you read it I am sure you will agree that we have made considerable progress towards our goal of building an expanding and dynamic international business upon the base of our activities in the UK, where the bulk of your Company's interests are and will continue to be in the foreseeable future.

Although the financial contribution made by our North Sea oil interests is currently dominant, it should not be overlooked that our travel interests are now contributing on a scale that would have been undreamed of ten years ago, and our regional newspapers, which have proved consistently reliable, have again made a very solid contribution.

The financial resources available to your Company mean that international expansion, particularly in the United States, will be possible without limiting the level of investment available for the development of our existing businesses in the UK. The most important aspect of our expansion program will be to identify the right investments and opportunities.

This is where our philosophy of management becomes so important. Your board has the responsibility to formulate major plans and policies and to monitor performance, but within this framework it is and always has been our policy to choose at all levels the right people and then to give them maximum freedom and encouragement to develop our businesses. Our performance over the years suggests that this policy is the right one and it is a policy that we shall continue to pursue in the future.

The prolonged suspension of publication of *The Times* and *The Sunday Times* and their related supplements marred 1979. I was deeply saddened that for over eleven months it proved impossible to come to satisfactory agreements with the trade unions concerned. It is a measure of the Group's financial strength and the performance of our other companies that the Group achieved the results we are reporting, in spite of the very substantial trading loss of £39.3m in *Times Newspapers*.

Since resumption, *Times Newspapers'* titles have regained their markets. The prime objective must now be to return to profitability and self-sufficiency. The quality of the newspapers themselves and the agreements reached should provide a firm base for the attainment of these objectives, but their future will depend on the ability of the management and staff at

all levels to come together with a sense of common purpose and in a new spirit of co-operation. Much needs to be done to develop and consolidate the position. For our part, the will to do so is there in abundance.

The problems which led to the suspension at *Times Newspapers* – unofficial disputes, interrupted production, resistance to the introduction of modern methods – are, of course, factors which have existed in many sectors of British industry in the past. The management of change presents much the same type of challenge to a country as it does to an individual company. But I believe that, so far as the UK is concerned, although many difficulties remain to be overcome, there are signs that a new mood is beginning to emerge. If it develops it could lead to a resurgence of the national economy.

I cannot conclude my Review without expressing our great sorrow at the deaths of Geoffrey Parrack and Lord Thomas of Remenham. Both were directors of your Company's principal UK subsidiary, Thomson British Holdings Ltd, and in their different ways had contributed much to the Group's development over many years. They were staunch and valued colleagues.

In spite of many difficulties, 1979 has been a year of steady progress. I take this opportunity of thanking Gordon Brunton and his team, and indeed all our staff, for their efforts during the year.

A handwritten signature in dark ink, which appears to read 'Thomson of Fleet'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Thomson of Fleet

President's Report

The past year was the first full trading year of International Thomson Organisation Ltd., the financial holding company for the Group, following the reorganisation in 1978. It brought its successes and disappointments. The successes included the high production levels of the Piper and Claymore oil fields, the record results from our travel interests and the strong and stable performance of our United Kingdom regional newspapers in a year when they were successfully introducing major changes in technology. Important progress was made in your Company's programme of development. The main disappointment was the length and cost of the suspension at Times Newspapers.

Net sales at £699.6m were 21.3% higher than in the previous year, and trading profit at £172.0m showed an increase of 17.4% despite the loss of £39.3m in 1979 resulting from the Times Newspapers dispute. Earnings at £41.4m were £2.7m lower than 1978 because of the Times Newspapers dispute and the high rate of tax on our oil profits which dominated the 1979 profit picture. The price per barrel of oil rose over the year from about £6.50 to £11.50 and has risen further in 1980. On the other hand, the rate of petroleum revenue tax was increased during 1979 from 45% to 60% and the UK Government has since proposed an increase in the rate to 70%. On that basis the Government take from every incremental pound sterling on the price of oil will be over 87%. During the year your Company's payments of royalties, petroleum revenue tax and corporation tax on North Sea earnings were £68m and are expected to exceed £200m in 1980.

Early in the year the impact of the exceptionally severe winter, the industrial problems and the uncertainty of the election in the UK all had an adverse impact on the general business environment. As the year progressed rising inflation and general anxiety about the immediate business future reduced the promise of what might have been a year of reasonable growth in the UK economy.



However, consumer spending remained relatively buoyant and this had a favourable impact on our advertising and travel revenues.

The Group's financial position continued to strengthen. Total debt at the year end was £97.2m compared to £137.2m at the previous year end, and cash and bank term deposits and short term investments were £79.8m, compared to £82.4m at the end of 1978. Debt directly related to North Sea oil production has been fully repaid in 1980. We shall continue to retain a sizeable unused credit facility to give some protection against unforeseen interruption in North Sea production.

In March 1980, the Company obtained a listing for its common and convertible shares on The Toronto Stock Exchange.

A dividend of US 5.75 cents per common share has been declared payable on July 15, 1980 to shareholders of record on June 6, 1980. For those electing to take their common dividend on the shares of Thomson British Holdings Ltd, the sterling equivalent is 2.551p per share.

REVIEW OF 1979

I will comment briefly on the performance of each of our main operating groups and their prospects for the current year.

TIMES NEWSPAPERS

The problems at Times Newspapers were of national interest in the UK throughout most of the year. I believe this is the time to look forward rather than backwards and to create a new atmosphere in human relationships. Our objective must be to take The Times and its supplements and The Sunday Times forward to the strength and viability of which they are undoubtedly capable.

We are all immensely encouraged by the excellent circulations which The Times and The Sunday Times have achieved after nearly a year's absence, in both cases significantly higher than before the suspension. The re-entry of The Times Literary Supplement, The Times Educational Supplement and The Times Higher Education Supplement has been equally impressive and they have immediately re-established their market

positions despite the emergence of new competition during their absence. All this underlines our belief that high quality newspapers can earn outstanding loyalty from their readership and it gives us confidence for the future.

The non-newspaper operations of Times Newspapers continued during the year and it is clear that The Times Atlas of World History has achieved a brilliant international success. Newspaper Archive Developments has expanded its market for publications on microfilm.

The Schools Promenade Concerts are now firmly established and the combination of good music and youthful enthusiasm gives them a unique flavour. The year saw the planning and preparation for the current Vikings exhibition at the British Museum, which is enjoying enormous public support.



*The Joint Night Editors of
The Times prepare
the first edition.*

THOMSON REGIONAL NEWSPAPERS

The trading figures do not perhaps adequately reflect the success achieved by Thomson Regional Newspapers in the past year. The harsh weather, together with the general industrial situation in the early weeks, caused the year to start badly. A very great deal of effort from managers and staff was directed to the introduction and working of new equipment and modern technology and this inevitably does cause some dislocation in the short term on production and profitability.

Particular attention was paid to circulation development and the falls which had occurred over the past years, largely as the result of substantial price increases, have in most cases been halted and in many cases reversed.

The original modernisation programme, begun in 1975, is nearly complete in most centres. The benefits from greater capacity and flexibility, through the installation of modern electronically based technology, are now showing and will lead to major opportunities in the editorial and marketing development of our newspapers.

The decisions have been taken to rebuild our centres at Blackburn and Belfast and equip them with the most modern offset presses. The Blackburn development is well advanced and the Belfast planning is being completed and work will commence this year.

We are confident that the substantial investments which we have made in our regional publishing centres, allied with strong management and editorial talent, will produce continuing growth in the next few years.



Some of the more than fifty Thomson Regional Newspapers titles.

THOMSON PUBLICATIONS

A disappointing year but the trading figures do not properly reflect the progress made.

The year saw a series of exceptional situations which adversely affected profitability. The magazine publishing business in Spain, in which major effort and investment had been expended, continued to sustain heavy losses and was closed down. Bowmar/Noble, the educational publisher in California, encountered a difficult year. I am glad to say that since the year end there have been important adoptions by several States in the US of their major new programme. Write-offs were also made in book inventories in the UK and Australia.

The strong pound adversely affected the performance of our UK book publishing companies, which export a high proportion of their books outside the UK.

The magazine groups had, on the whole, a satisfactory year with advertising holding up well. In addition, new magazines including Packaging Today,

Typesetting Today and Newspaper Report were started and investments made in existing products under a programme of accelerated development.

Important new acquisitions were made in our magazine publishing groups in Australia and South Africa. Both groups did well and both have above average growth potential for the future. Derwent Publications performed well but its profit performance was affected by the strong pound, since nearly 90% of its sales are outside the UK.

Exceptional items, composed principally of closure costs, goodwill write-offs, inventory write down and development expenditure referred to above, amounted in total to about £3.5m during the year.

THOMSON YELLOW PAGES

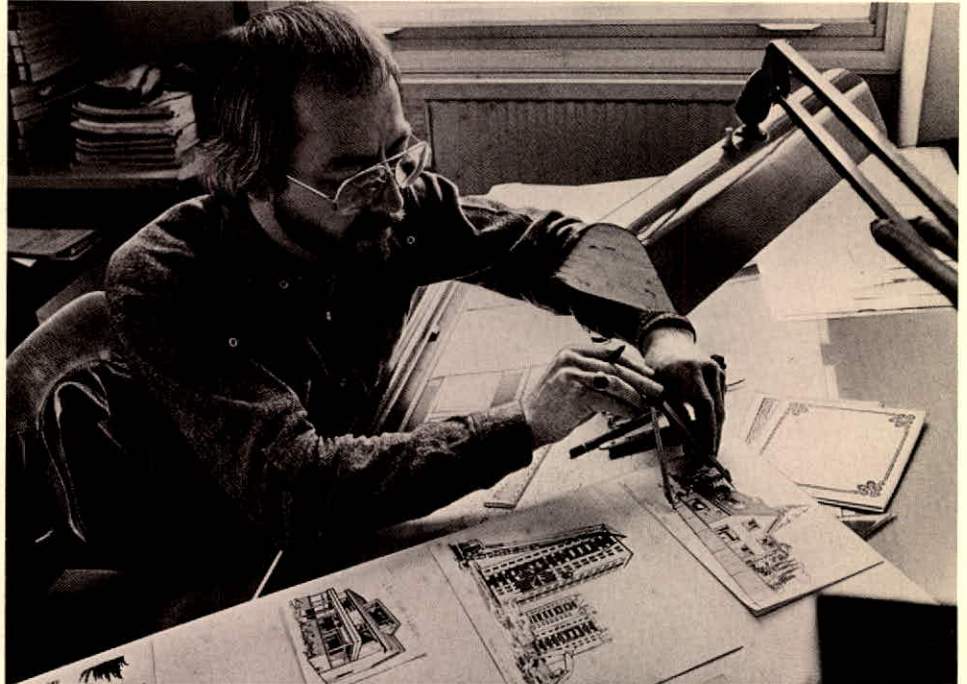
A very disappointing year resulted from the prolonged strike at the UK Post Office computer centre at Leeds, which caused severe dislocation and meant that only 42 of the 67 directories could be published during the year. Compensation payments will be made by the Post Office in 1980.

I reported last year that Thomson Yellow Pages would be tendering for the new contracts to be effective after 1980. The company submitted tenders in January 1979 and in mid-year was offered contracts for a three year term for two of the six regions which it declined to accept.

Although we were disappointed in the failure to win renewal of the Yellow Pages contract, I should state that the proposals submitted to the Post Office were based upon many years of Yellow Pages' experience and had to take into account both the benefits and constraints of working with the Post Office. In submitting these proposals, Yellow Pages felt obliged to consider many factors outside their control and indeed outside the control of the Post Office. These have important commercial implications. Your Company believes that the decision to decline the contracts offered by the Post Office was the right one.

Until the end of 1980 Thomson Yellow Pages' existing relationship with the Post Office continues and the terms of the contract will be carried out with enthusiasm. I think that we can be proud that we brought Yellow Pages to the UK and created a major new and successful advertising medium.

Morale is very high in Thomson Yellow Pages and there is a feeling of confidence about the future. Your Company is working on the creation of new and exciting proprietary enterprises which will provide great potential and utilize the seasoned skills and talents that have already created a substantial national enterprise.



A graphic artist at work on directories at Thomson Yellow Pages.

THOMSON TRAVEL

Thomson Holidays, Britannia Airways and Lunn Poly, our UK travel companies, had an excellent year achieving a trading profit of £22.5m.

Britannia accepted delivery of two new Boeing 737s and during 1980 a further five will be delivered, increasing the fleet operated by Britannia to 25. A decision has been made to move into the new generation of wide bodied jets. An order for two of these aircraft has been placed for delivery in the mid 1980s.

During recent years Thomson Holidays have moved into providing winter sports holidays, and into the growing market of villa and apartment holidays. They have become one of the world's major operators in both these sectors. Thomson Travel has also introduced direct sell holidays through the newly formed Portland Holidays. This company operates quite separately from Thomson Holidays. Lunn Poly operates 60 retail outlets, is paying particular attention to the growing business travel market and is planning further investment in developing its retail operation.



A Thomson Holidays representative helps some of her customers at a Mediterranean resort.



Smiling and helpful service from a Britannia Airways air stewardess.

THOMSON WITHY GROVE

Although the profit contribution made by this company's newspaper printing contracts improved, an overall trading loss was again sustained. Considerable loss of copies arose from industrial disputes and in addition its Sporting Chronicle publications were badly affected by cancelled fixtures and distribution problems arising from the suspension at Times Newspapers.

THOMSON NORTH SEA

The operation of the Piper and Claymore fields continued satisfactorily and production from the two fields averaged 356,000 barrels per day. Piper reached its peak production rate and Claymore is expected to attain optimum production during the current year.

The year saw higher drilling activity and we participated in five wells including arrangements made with other consortia to "farm in" on their blocks. The consortium plans a continuing programme of exploration.

The proposed increase in petroleum revenue tax will have an adverse impact on the earnings of North Sea operations. However, as a result of the escalation of

oil prices the commercial threshold for the development of North Sea oil fields has changed favourably. A few years ago a field with 250 million barrels of recoverable reserves in deep water was, depending upon conditions, a marginal field and not usually commercially viable. Today, a field of 100 million barrels may be considered commercially attractive.

Forestry – Further acquisitions were made by our forestry company in Scotland and the tree planting operation commenced at Inverrossachs. We work closely with local groups and environmental bodies to develop the full amenities of the areas concerned.

OTHER INTERESTS

Anglo Appointments – This group of employment bureaux had an outstandingly successful year and achieved a trading profit of £252,000 against £137,000 in 1978.

Computacar – A year of development but one in which the company did not achieve profitability. The company, which matches buyers and sellers of motor vehicles, is now progressing well and is expected to become profitable in 1980.

A I Welders – This manufacturer of welding equipment, despite the difficulties encountered by the UK engineering industry, came into profit during the year. The current order book is excellent.

DeGolyer and MacNaughton, independent consultants, have estimated as at December 31, 1979 the proven recoverable oil reserves of the North Sea oilfields as set out below:

	Piper Field	Claymore Field	Total
	(thousands of barrels)		
Total recoverable reserves	618,000	404,200	1,022,200
ITOL's share	105,060	68,310	173,370
Less share of production			
– to end 1978	(26,756)	(4,109)	(30,865)
– 1979	(17,120)	(4,974)	(22,094)
Remaining share at December 31, 1979	<u>61,184</u>	<u>59,227</u>	<u>120,411</u>

ITOL's share is net of the royalty payable to the United Kingdom Government under the provisions of the relevant licences and other royalties payable in connection with the financing of the Piper and Claymore fields.



The world's most advanced sea-borne fire fighting and emergency support vessel, the MSV Tharos, entered service for the Occidental North Sea consortium early this year to provide protection for the group's offshore interests.

ASSOCIATED COMPANIES

Bertelsmann-Thomson Fachverlag GmbH, in which we have a holding of 45%, had another excellent year. The company made an important acquisition in buying a 100% stake in *Heinze*, a company concerned with providing information for the building industries. This is an acquisition with excellent potential.

Wigham Poland Holdings (25%) A much improved year bringing significantly increased profits after a disappointing 1978.

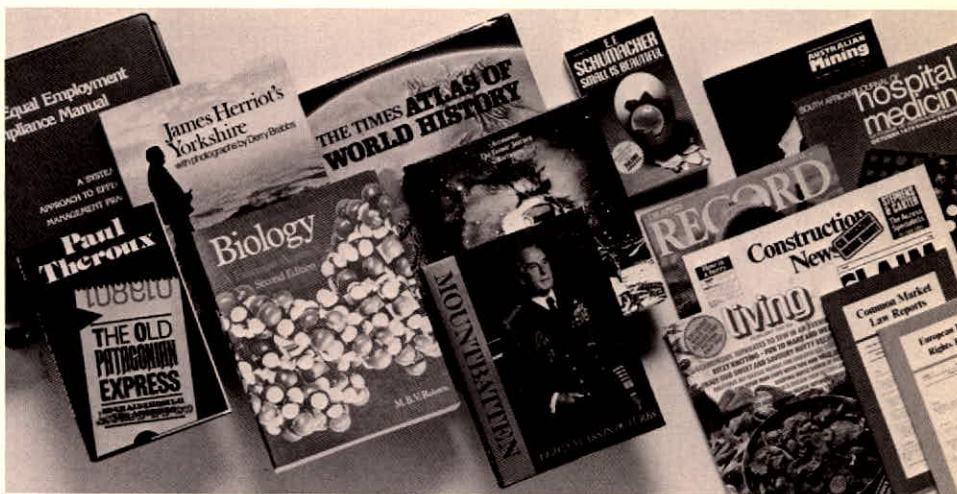
The Solicitors' Law Stationery Society (39.1%) The recovery of this company has not yet materialized and its results were again disappointing.

Thomson Printers (40%) They had another good year, with pre-tax profits showing an increase on 1978. It is already clear that market conditions in 1980 will be much more difficult.

PROSPECTS FOR 1980

This year should show a significant increase in sales, but with the deteriorating economic situation and increased oil taxes, there is pressure on profitability which should, however, remain at satisfactory levels. We expect 1980 to bring the predicted cyclical downturn in UK advertising revenues which will affect the trading of our newspaper and magazine companies. Notwithstanding this, I expect our regional newspapers to perform comparatively well. The benefits of improved technology will give them the flexibility and capacity to develop new markets to cushion them from the severe effects of cyclically declining volumes, which have had such a severe impact on profitability in the past.

Times Newspapers are likely to be affected by a slack advertising market but in their case, because of their inherent market strength, they tend to gain market share in these conditions.



A selection of some of the books and magazines published by different divisions of International Thomson.

Thomson Publications, after the disappointment of last year, should show improvement, although the book export markets from the UK are likely to continue to be difficult.

Thomson Yellow Pages should have a satisfactory and profitable year, providing the directories are published according to programme. It is our very earnest wish to finish our long-standing relationship with the Post Office on a high and successful note.

Thomson Travel should have a good year though it may not match last year's performance. Although current bookings are strong, load factors are unlikely to reach the very high levels of the last two years and the very substantial increases in fuel costs cannot be fully recovered from surcharges to passengers.

Thomson North Sea's Claymore field will operate at its peak production, but Piper reached its peak in 1979 and the Department of Energy has approved a cut back in production from Piper to 200,000 barrels of oil per day from April 1, 1980. This will enable the consortium to evaluate the sensitivity of the Piper field's reservoir performance to variation in the production rate and to test the potential for maximising overall recovery. The evaluation is expected to take approximately six months and it is hoped will lead to optimisation of ultimate recoverable reserves. As noted, prices have risen in 1980 but this is largely offset by the proposed increase in taxation.

In the US our growing publishing interests, which are not dependent on advertising revenues, are expected to make excellent progress. The funds which they generate, and if necessary more, will be re-invested in the businesses. Our travel interests now cover three major conurbations and are budgeting sales of US \$120 million in 1980. They are still in the early stages of development and are not expected at this time to contribute to profits.

MANAGEMENT

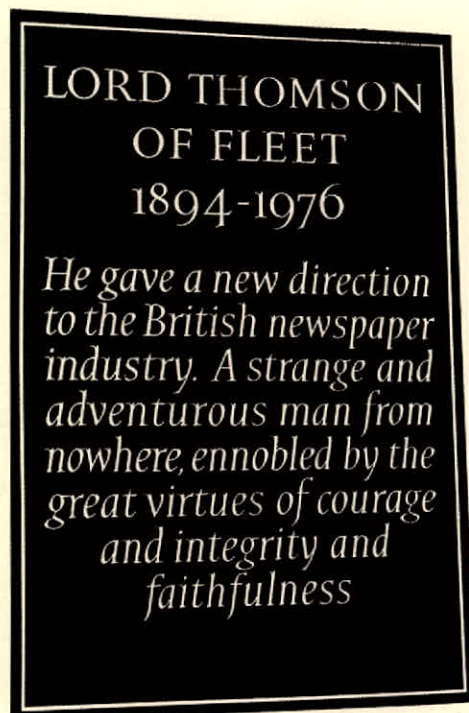
The sudden death of Geoffrey Parrack, a senior director of your Company's principal UK subsidiary, Thomson British Holdings, was a sad and serious blow. He was a close friend and staunch colleague for some eighteen years and he played an important part in building your Company as it stands today. He is sadly missed.

Early this year we heard with deep regret of the death of Lord Thomas of Remenham, who had been a director of The Thomson Organisation since 1961, and of Thomson British Holdings from the time its board was reconstructed in 1978. For many years Miles Thomas, as he was so well known, was the Chairman of Britannia Airways and his wise counsel and long experience was a major factor in the success of your Company's airline. He is missed by all his colleagues.

Whatever may be the financial resources of the Company, it is the skill and energy of the individuals who compose it which are its real strength. We are determined to continue our policy of developing our management resources and encouraging progressive personnel policies. Progress has been made particularly in improving our external relations and also in communicating with staff at all levels with the development of detailed reports to employees by each of our main operating divisions.

A personnel conference for our UK companies and regular meetings of personnel staff have been introduced with good effect. It is our intention to give overall policy direction in matters relating to personnel and communications while leaving operating management a wide degree of freedom to interpret the policies in the light of their own circumstances. We have continued to emphasise the social responsibility of business, for example by continuing to encourage UK operating companies to support the Government-sponsored Youth Opportunities Scheme wherever

possible, by laying great stress on the need for environmental issues to be fully taken into account wherever our activities may impinge on them, and by regularly monitoring our employment policies.



Last December a plaque in Welsh slate was unveiled in St Paul's Cathedral, London, in memory of the late Lord Thomson of Fleet, by Mr Harold Macmillan, former Prime Minister of Britain, who in an eloquent tribute, noted Lord Thomson's business genius and celebrated his kindness.

DEVELOPMENT

Last year I estimated that investment in the United Kingdom over the next five years and excluding oil would be significantly in excess of £100m. As new needs and new opportunities have arisen it is quite evident that investment in this country over the next five years is now likely to be well over £200m, emphasising our commitment to the UK.

The modernisation of our UK regional newspaper centres will continue and major investments are being undertaken in rebuilding our Belfast and Blackburn centres. It is clear that there will be further substantial demands in the next few years from our regional newspaper group.

New opportunities in directory publishing which had not been envisaged last year will also require a major investment.

Thomson Publications have identified areas for organic growth which they are pursuing vigorously and they are actively seeking acquisitions in high quality businesses.

The development of our travel interests in the UK will continue. Britannia Airways will continue to build up their fleet and there will be additional investment by Lunn Poly in their acquisition programme.

Times Newspapers need to secure that firm base to which I referred last year and at the appropriate time we can appraise their needs for the growth and development of their existing publications and the resources necessary to develop new ones.

In the North Sea we shall continue to support with the utmost vigour future exploration opportunities although recent drilling has been disappointing. Our consortium has built up a very strong capability in the UK and we have a proven record of success. We hope that in future licence awards we shall have the opportunity to keep these resources fully employed.

Elsewhere in the world our development plans are gaining



Some of the many books and information retrieval material produced by International Thomson's growing number of companies in the United States.

momentum. Wadsworth, Inc, college publishers based in Belmont, California, was acquired by your Company in July 1979 and it enjoyed an excellent year, increasing sales by 13.8% over the previous year. Wadsworth has consistently outperformed its market both in sales and profitability and is investing substantially in a programme of development both by expanding its existing lists and by creating new imprints. Last year two new imprints, Kent Publishing Company and Breton Publishers, were launched. The former is developing the growing market for business books and the latter for vocational and technical education materials. We are confident that the Wadsworth development programme will bring major growth over the medium-term.

Callaghan & Company, an old-established legal publisher of Chicago, was acquired and funds are being made available for the company to undertake a considerable programme of development. Management has been strengthened to support this rapid growth.

A leading micrographic company, Research Publications, Inc, operating from Connecticut has also been acquired.

This company has worked closely for some time with Newspaper Archive Developments, a Times Newspapers subsidiary. Whilst relatively small, RPI has active development plans and its association with us will give it considerable resources to carry them out.

We recently announced plans to acquire Warren, Gorham & Lamont, Inc, a group of publishing enterprises located in New York and Boston.

The WGL group is a high quality specialised publisher of professional books, newsletters, textbooks and journals, primarily in the fields of tax, law, banking, real estate and accountancy in the United States. In recent years, it has invested substantial resources in the development of new publications.

The purchase price is US \$60 million payable in cash. The principal assets of the WGL group are its publishing rights which will be valued on acquisition. Based on such valuation the portion of the purchase price attributable to goodwill is not expected to exceed US \$10 million.

In the year ended March 31, 1980 the WGL group had estimated earnings of US \$4.8 million before executive compensation and income taxes.

The business of the WGL group conforms with your Company's strategic objectives and we intend to support an increased level of development spending

to enhance the group's position as a leading professional publisher in the US.

Nelson Canada are undertaking ambitious programmes of development in the primary and secondary educational sector. In Australia, Thomson Publications acquired the Cordell Company, which provides information services to the building and construction industries, and it has further plans for starting new products and acquiring existing ones. The South African magazine companies are moving forward energetically with new launches and by acquisition.

In the US, Thomson Travel Inc formed Thomson Vacations Inc in Chicago and during the winter launched its first package holiday programme. The results so far are encouraging and a great deal of knowledge of the mid-west market has been gained. They are planning significant growth and development in the US over the next few years. Thomson Travel Inc has also acquired Unitours, Inc, a leading travel operator in California, which operates Club Universe and is one of the most experienced and reputable travel companies in the US. Since the year end a group travel company in Philadelphia, Arthurs Travel, Inc, has been acquired.

In the natural resources sector in the US, Thomson-Monteith acquired a 50% interest in 21 producing wells in the Corinne gas field, Mississippi, a total investment of US \$27 million. Thomson-Monteith is also acquiring, in partnership with others, leases in the Tuscaloosa Trend, Louisiana. Other opportunities will be evaluated and considered. We are also hoping shortly to conclude a joint venture arrangement for small-scale onshore exploration in Canada.

In the Group as a whole, growth and development are gathering momentum and this is likely to be the pattern for the next few years.

THE FUTURE

Your Company moves into the 1980s from a position of established strength. The 1970s were the years of creating and developing the businesses and our philosophy was set by our founder, Roy Thomson, who was always vitally concerned with the need to build for the future. Building for the future will continue to be our policy for the Eighties. The major difference between now and the past is that today we have very substantial financial resources to put behind the management team which has been seasoned and experienced by the challenges of the last decade.

Each year your board re-examines its long range strategic objectives and plans and I can confirm that in their basic thrust they remain unaltered. There is, of course, fine tuning. In the past year we have reassessed the resources we feel will be available over the next five years and these are likely to increase rather than reduce. It is also clear that both the needs and opportunity for development spending in the UK, excluding oil, are likely during that period to be in excess of £200m which is substantially more than I suggested last year. The needs of our existing businesses must remain our top priority.

However, having satisfied these investment needs, substantial resources will be available for development elsewhere in the world, and notably the US. Your Company's objective remains the same, to become a leading international publishing, communications and information business with strong ancillary interests in leisure and natural resources.

We plan to invest our substantial retained cash flows over the next few years in building up and developing our existing successful businesses; in creating new businesses; and in acquiring established businesses which themselves

have growth potential. An important element in our strategy is the major investment we are making in developing and improving our existing products. This policy of organic growth, the expense of which is written off as incurred, is aimed both at enhancing the opportunities and motivation of our managers and staff and at bringing a higher level of earnings in later years when we are assuming, perhaps conservatively, that our earnings from oil will decline.

On acquisitions, we are concerned with investing in those businesses with good management, high quality products and earnings, and better than average long term potential. In pursuing all these policies, we shall be more concerned with building for the future than gaining short term successes.

In the medium term a somewhat higher proportion of our earnings is likely to be generated from oil than I had previously expected. But the non oil profits will continue to rise in absolute terms as previously planned to give a strong, continuing earnings flow in the future.

We shall build for the future and we shall build good strong businesses which are planned to take your Company into the next century. The men and women who will do this represent our real strength and I would like them to know how greatly their dedicated efforts are valued and appreciated.



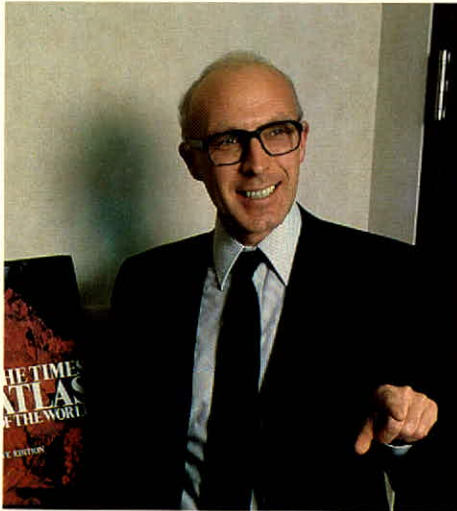
G C Brunton

**International Thomson Organisation
Limited**

*Lord Thomson, Chairman of
International Thomson (left),
with the President,
Mr G C Brunton.*



*Mr W M Brown,
Executive Vice President.*



*Mr J W Whittall (left) with
Mr W J DesLauriers.*



*Mr J A Tory,
Deputy Chairman (left),
with Mr C E Medland.*



**Thomson British Holdings Limited
Main Board**



Lord Thomson, Chairman of Thomson British Holdings Limited (left), with Mr W M Brown.



Mr G C Brunton, Managing Director and Chief Executive (left), with Mr J A Tory.



Mr J Evans (left) with the late Lord Thomas of Remenham and Sir Denis Hamilton.

**Thomson British Holdings Limited
Executive Board**



*Mr J Evans (left) with
Mr M J Hussey and
Mr B Llewellyn.*



*Mr J H Sauvage (left) with
Mr W M Brown
and (seated) Mr G C Brunton,
Chairman of the Executive
Board of Thomson British
Holdings Limited.*



*Mr E G Hedgcock (left)
with Mr G Hamill
and Mr I M Clubb.*



*Sir Denis Hamilton (left)
with Mr C N D Cole.*

Three year summary

(millions of pounds sterling except per share amounts)

CONSOLIDATED STATEMENT OF EARNINGS

	1979	1978	1977
Net sales	699.6	576.7	448.9
Trading profit	172.0	146.5	107.2
Earnings before extraordinary item	41.4	44.1	38.4
Earnings for the year	41.4	44.1	43.6
Dividends after the 1978 reorganization			
– convertible shares	11.0	5.5	—
– common shares	1.7	0.8	—
Earnings per common share – fully diluted			
– before extraordinary item	29.7p	31.7p	27.6p
– after extraordinary item	29.7p	31.7p	31.3p

CONSOLIDATED BALANCE SHEET

Assets			
Current assets	233.9	201.2	132.7
Investments	15.7	15.1	15.1
Share of oil and gas development costs	158.2	149.1	128.6
Fixed assets	117.6	99.4	83.8
Publishing rights	30.3	20.3	20.7
Goodwill	8.9	5.4	5.8
	<u>564.6</u>	<u>490.5</u>	<u>386.7</u>
Liabilities			
Current liabilities	265.6	194.2	106.0
Long-term debt	60.2	101.6	166.8
Abandonment provision	10.6	5.1	1.6
Deferred income taxes	106.8	96.3	52.5
Minority interest	10.0	10.6	11.1
Shareholders' equity	111.4	82.7	48.7
	<u>564.6</u>	<u>490.5</u>	<u>386.7</u>

Auditors' report

TO THE SHAREHOLDERS OF
INTERNATIONAL THOMSON
ORGANISATION LIMITED

We have examined the consolidated balance sheet of International Thomson Organisation Limited as at December 31, 1979 and the consolidated statements of earnings, 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, these consolidated financial statements present fairly the financial position of International Thomson Organisation Limited as at December 31, 1979 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.

Toronto, Canada
April 23, 1980

Price Waterhouse & Co.
Chartered Accountants

Summary of significant accounting policies

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include those of International Thomson Organisation Limited (ITOL) and all companies in which it holds more than a 50% interest and are prepared in accordance with accounting principles generally accepted in Canada.

The results of operations of subsidiaries are included from their respective dates of acquisition. All subsidiaries are consolidated as of their December 31 year-ends.

Under a reorganization in 1978 the ordinary shareholders of The Thomson Organisation Limited (TTO), which became a wholly-owned UK subsidiary of ITOL, exchanged their ordinary shares of TTO for shares of ITOL and related shares of Thomson British Holdings Limited (TBH), ITOL's principal UK subsidiary. To reflect this reorganization and its effect on the interests of the shareholders, the reorganization was accounted for by consolidating, on a combined basis, the assets and liabilities of these constituent companies and their subsidiaries, and the results of their operations at amounts recorded in their financial statements.

Since most of the operations of the companies are in the United Kingdom the consolidated financial statements are expressed in pounds sterling.

INVENTORIES

Inventories of raw materials, work in progress and finished goods are valued at the lower of cost, determined on a first-in first-out basis, and net realizable value.

INVESTMENTS

Investments in associated companies over which ITOL has significant influence but holds not more than a 50% interest, are accounted for by the equity method from the dates of acquisition. The year-end of the majority of associated companies is December 31.

Other long-term investments are recorded at cost on acquisition.

Provision is made for any permanent impairment in the values of investments.

OIL AND GAS JOINT VENTURES

(a) *Consolidation method* – Oil and gas joint ventures are accounted for by the proportionate consolidation method.

(b) *Exploration and development costs* – Exploration and exploratory well costs are expensed as incurred. Upon development of a successful field those costs which relate to the field, as well as development dry holes, are capitalized. Acquisition costs of resource properties are expensed if proven unproductive.

(c) *Depreciation, depletion and amortization* – The cost of producing properties is depleted, and tangible and intangible expenditures thereon are depreciated or amortized on a unit of production basis over the proven recoverable reserves.

(d) *United Kingdom petroleum revenue tax* – The amount charged against earnings in respect of UK petroleum revenue tax is calculated on a unit of production basis and is included in current liabilities or deferred income taxes as appropriate.

(e) *United Kingdom oilfields abandonment provision* – The estimated cost of discharging certain liabilities which may arise on the abandonment of the Piper and Claymore Fields at the end of their productive lives is being provided for on a unit of production basis.

FIXED ASSETS AND DEPRECIATION

Fixed assets are recorded at cost except for major UK properties recorded at appraised values as at December 31, 1977.

Fixed assets are depreciated on a straight line basis over their estimated useful lives.

PUBLISHING RIGHTS

Publishing rights of newspapers are stated at cost and are not amortized. Other publishing rights are stated at cost on acquisition and those acquired after 1978 are amortized over periods not exceeding forty years.

Based on annual reviews, any permanent impairment in the values of publishing rights is written off against earnings.

GOODWILL

Goodwill represents the excess of the cost of shares of acquired companies over values attributed to underlying net assets. Goodwill arising after March 31, 1974 is being amortized over periods not exceeding forty years.

Based on annual reviews, any permanent impairment in the values of goodwill is written off against earnings.

INCOME TAXES

The tax allocation method is followed in providing for income taxes whereby earnings are charged with income taxes relating to reported profits (UK petroleum revenue tax is a deduction in determining the profits subject to income taxes). Differences between such taxes and taxes currently payable, which result from timing differences between the recognition of income and expenses for accounting and tax purposes, are reflected as deferred income taxes in the financial statements.

PENSIONS

The cost of pension plans, covering most employees, is provided for and funded, based on periodic actuarial valuations. At December 31, 1979 unfunded past service costs amounted to £10.4 million and are being charged against earnings over 18 years.

FOREIGN CURRENCY TRANSLATION

Assets, liabilities and the results of operations expressed in currencies other than pounds sterling are translated at December 31 rates of exchange.

Gains and losses on currency translations are included in earnings.

Consolidated statement of earnings

(millions of pounds sterling)

	Year ended December 31	
	1979	1978
Net sales (note 1)	<u>699.6</u>	<u>576.7</u>
Trading profit, being earnings before undernoted items	172.0	146.5
Interest (note 2)	<u>6.8</u>	<u>9.8</u>
	165.2	136.7
Income taxes (note 3)	<u>122.2</u>	<u>90.9</u>
	43.0	45.8
Minority interest	<u>1.6</u>	<u>1.7</u>
Earnings for the year	<u>41.4</u>	<u>44.1</u>
Earnings per common share – fully diluted (note 4)	29.7p	31.7p

Consolidated statement of retained earnings

(millions of pounds sterling)

	Year ended December 31	
	1979	1978
Balance at beginning of year	46.7	37.9
Earnings for the year	41.4	44.1
	88.1	82.0
Other changes (note 5)	—	(28.4)
	88.1	53.6
Dividends (note 6)	<u>12.7</u>	<u>6.9</u>
Balance at end of year	<u>75.4</u>	<u>46.7</u>

Consolidated balance sheet

(millions of pounds sterling)

	December 31	
	1979	1978
ASSETS		
Current assets:		
Cash and bank term deposits	53.5	70.5
Short term investments, at cost which approximates market	26.3	11.9
Accounts receivable	119.6	93.9
Inventories (note 7)	34.5	24.9
	<u>233.9</u>	<u>201.2</u>
Investments (note 8)	15.7	15.1
Share of oil and gas development costs (note 9)	158.2	149.1
Fixed assets (note 10)	117.6	99.4
Publishing rights	30.3	20.3
Goodwill	8.9	5.4
	<u>564.6</u>	<u>490.5</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness	8.8	15.7
Accounts payable	132.9	106.7
Dividends payable	6.4	6.3
Income taxes	89.3	45.6
Current portion of long-term debt (note 11)	28.2	19.9
	<u>265.6</u>	<u>194.2</u>
Long-term debt (note 11)	60.2	101.6
Abandonment provision	10.6	5.1
Deferred income taxes (note 12)	106.8	96.3
Minority interest	10.0	10.6
Shareholders' equity:		
Share capital (note 13)	36.0	36.0
Retained earnings	75.4	46.7
	<u>111.4</u>	<u>82.7</u>
	<u>564.6</u>	<u>490.5</u>

Approved by the board
Thomson of Fleet, DIRECTOR
G.C. Brunton, DIRECTOR

Consolidated statement of changes in financial position

(millions of pounds sterling)

		Year ended December 31	
		1979	1978
SOURCE OF FUNDS	Operations		
	Earnings	41.4	44.1
	Add items not involving funds:		
	Depreciation, depletion and amortization		
	– fixed assets	9.9	7.6
	– share of oil and gas development costs	25.4	18.4
	Abandonment provision	5.5	3.5
	Deferred income taxes	0.2	55.3
	Minority interest	1.6	1.7
	Amortization of publishing rights and goodwill	2.4	0.8
	Funds generated from operations	<u>86.4</u>	<u>131.4</u>
	Proceeds from long-term debt	25.6	40.0
	Disposal of fixed assets and investments	1.5	2.2
	Other	(0.5)	0.9
		<u>113.0</u>	<u>174.5</u>
USE OF FUNDS	Acquisitions of subsidiaries, less working capital of £9.0 million	13.3	—
	Additions to fixed assets	22.5	25.3
	Additions to share of oil and gas development costs	34.5	38.9
	Reductions of long-term debt	77.4	105.2
	Dividends	12.7	6.9
	Dividends to minority interests by subsidiaries	1.6	2.1
	United Kingdom advance corporation tax	(10.3)	11.5
	Reorganization costs	—	4.3
		<u>151.7</u>	<u>194.2</u>
	(Decrease) in working capital	(38.7)	(19.7)
	Working capital at beginning of year	7.0	26.7
	Working capital (deficiency) at end of year	<u>(31.7)</u>	<u>7.0</u>

Notes to consolidated financial statements

(unless otherwise stated, all figures are in millions of pounds sterling)

1. BUSINESS SEGMENT INFORMATION

ITOL is a financial holding company of a group of companies whose principal activities are the printing and publishing of newspapers, the publishing of magazines and books, the operating of travel and holiday companies and participating in the exploration, development and operation of North Sea and other oil and gas fields. The table below shows net sales and earnings attributable to the principal activities:

	Net sales		Earnings	
	1979	1978	1979	1978
UK national newspapers	13.1	66.3	(39.3)	(1.3)
UK regional newspapers	103.6	88.8	13.7	13.0
Publishing	99.7	83.5	2.5	7.2
Travel	205.5	152.1	21.2	17.3
Oil and gas	250.1	163.2	103.0	75.5
Other	27.6	22.8	(2.4)	2.4
	<u>699.6</u>	<u>576.7</u>	<u>98.7</u>	<u>114.1</u>
Net interest expense			(6.8)	(9.8)
Income taxes, excluding UK petroleum revenue tax of £73.3 million (1978 – £32.4 million)			(48.9)	(58.5)
Minority interest			(1.6)	(1.7)
Earnings for the year			<u>41.4</u>	<u>44.1</u>

Oil and gas net sales are before deduction of royalty payments including royalty in kind to the UK Government; oil and gas earnings are after deduction of UK petroleum revenue tax. Included in earnings are net exchange gains of £3.7 million (1978 – £4.9 million).

Publication of The Times, its Supplements and The Sunday Times was suspended on November 30, 1978 pending a satisfactory outcome of negotiations about future methods of operation. Costs incurred during the period of suspension in 1978 were included in determining the earnings for that year. Suspension of publication

continued until November 1979 when publication was resumed. Costs incurred during the period of suspension in 1979, promotional expenses incurred in connection with the re-launch of the publications and payments made in 1979 in respect of voluntary redundancies arising as a result of the settlement have been included in determining the earnings for 1979.

92% (1978-95%) of net sales relate to activities within the United Kingdom; earnings in 1979 and 1978 are predominantly attributable to such activities.

2. INTEREST

	1979	1978
Interest on long-term debt	15.2	16.7
Interest on short-term debt	1.9	1.4
Interest income	(10.3)	(8.3)
	<u>6.8</u>	<u>9.8</u>

3. INCOME TAXES

	1979	1978
Current	122.0	35.6
Deferred	0.2	55.3
	<u>122.2</u>	<u>90.9</u>

Income taxes include UK petroleum revenue tax of £73.3 million (1978 – £32.4 million).

Effective from the year 1973, legislation in the United Kingdom provided tax relief on increases in the value of inventories, subject to recapture if such value declines. Accordingly, current income taxes were reduced each year, but deferred taxes were recorded simultaneously to provide for the possibility of recapture. Legislation enacted in 1979 removed such recapture for the years 1973 and 1974 and limited to six years the period during

which tax relief on increases in the value of inventories occurring subsequent to 1974 could be recaptured if such value declines. As a result of this legislation and the unlikelihood of any recapture, deferred income taxes of £4.0 million provided in prior years have been applied to reduce 1979 deferred income tax expense.

Certain subsidiaries have accumulated losses of approximately £2.6 million which may be carried forward to reduce taxable income in varying amounts in future years up to 1986.

4. EARNINGS PER COMMON SHARE

Earnings per common share are presented in the consolidated statement of earnings on a fully diluted basis as it is anticipated that all convertible redeemable preference shares (convertible shares) will be converted into common shares (note 13). 139.3 million common shares are assumed to be issued on the basis that:

(a) each share of ITOL and the related share of TBH rank as one share;

(b) all convertible shares have been converted into common shares; and
(c) all shares have been in issue throughout the two years.

On the basis that the convertible shares are not converted into common shares and assuming preference dividends of 10.5p per convertible share for 1979 and 1978, the basic earnings per common share in 1979 are 86.9p (1978 – 95.0p).

5. RETAINED EARNINGS

Other changes in 1978 comprise a stock dividend by TTO of £21.5 million prior to the 1978 reorganization and thereby reflected in ITOL's share capital, a

transfer to share capital in connection with the 1978 reorganization of £2.6 million and costs of reorganization of £4.3 million.

6. DIVIDENDS

During 1979 the directors of ITOL and TBH declared dividends payable on the following dates on the related shares of these companies:

	1979	1978
July 15, 1979		
ITOL – convertible shares, 5.25p per share	0.1	—
– common shares, US \$0.05 per share	0.6	—
TBH – convertible shares, 5.25p per share	5.4	—
– common shares, 2.41p per share	0.2	—
January 15, 1980		
ITOL – convertible shares, 5.25p per share	0.1	0.1
– common shares, US \$0.0575 per share	0.6	0.6
TBH – convertible shares, 5.25p per share	5.4	5.4
– common shares, 2.5853p per share	0.3	0.2
	<u>12.7</u>	<u>6.3</u>
Dividends on ordinary shares of TTO prior to 1978 reorganization	—	0.6
	<u>12.7</u>	<u>6.9</u>

During 1978 following the reorganization, the directors of ITOL and TBH declared dividends payable on January 15, 1979 on the related shares of these companies totalling £6.3 million, comprised as follows:

ITOL – convertible shares, 5.25p per share
– common shares, US \$0.05 per share
TBH – convertible shares, 5.25p per share
– common shares, 2.56p per share

7. INVENTORIES

	1979	1978
Raw materials	9.1	8.1
Work in progress	9.6	5.5
Finished goods	15.8	11.3
	<u>34.5</u>	<u>24.9</u>

8. INVESTMENTS

Balance sheet amounts:	1979	1978
Associated companies		
Listed	1.8	1.8
Unlisted	13.0	12.7
Other investments		
Listed	0.4	0.3
Unlisted	0.5	0.3
	<u>15.7</u>	<u>15.1</u>
Valuation:		
Listed – market value	2.4	2.7
Unlisted – directors' valuation	13.6	13.0
	<u>16.0</u>	<u>15.7</u>

9. SHARE OF OIL AND GAS DEVELOPMENT COSTS

	Cost	Accumulated depreciation, depletion and amortization	1979 Net	1978 Net
United Kingdom				
Piper Field	66.5	25.2	41.3	45.3
Claymore Field	63.7	8.1	55.6	54.5
Shared facilities	67.1	18.0	49.1	49.3
	<u>197.3</u>	<u>51.3</u>	<u>146.0</u>	<u>149.1</u>
United States				
Corinne Field	12.7	0.5	12.2	—
	<u>210.0</u>	<u>51.8</u>	<u>158.2</u>	<u>149.1</u>

10. FIXED ASSETS

	Depreciation period	Asset	Accumulated depreciation	1979 Net	1978 Net
Land and buildings	40 years	49.8	3.5	46.3	37.4
Machinery and equipment	3 to 25 years	67.0	26.0	41.0	34.8
Aircraft and spares	12 years	44.3	14.0	30.3	27.2
		<u>161.1</u>	<u>43.5</u>	<u>117.6</u>	<u>99.4</u>

Major UK properties were appraised at December 31, 1977 by Leavers of London, England, at open market value as between a willing buyer and a willing

seller. The resulting appraisal surplus of £10.4 million was merged with retained earnings in accounting for the 1978 reorganization.

11. LONG-TERM DEBT

	1979	1978
<i>Repayment related to oil and gas sales proceeds</i>		
Bank loans secured on the related property:		
United Kingdom		
Claymore Field	8.7	34.0
Piper Field	—	14.3
United States		
Corinne Field	6.4	—
Other secured obligations	2.4	—
Unsecured bank loan	—	3.9
	<u>17.5</u>	<u>52.2</u>
<i>Repayment not related to oil and gas sales proceeds</i>		
Bank loans – secured 1980-1983	10.0	—
– unsecured 1980-1986	48.4	54.0
Debt to be retired by minimum annual redemptions at a price not exceeding 105% of par		
3% First mortgage debenture stock 1964-1994	1.2	1.2
6¾% First mortgage debenture stock 1983-1988	1.7	2.4
7¼% Unsecured loan stock 1987-1992	0.8	0.9
Other long-term debt – secured 1980-1987	8.8	10.5
– unsecured	—	0.3
	<u>70.9</u>	<u>69.3</u>
Total long-term debt	88.4	121.5
Less: portion included in current liabilities	28.2	19.9
	<u>60.2</u>	<u>101.6</u>
Denominated in:		
Pounds sterling	16.1	11.2
US dollars	60.5	94.8
Other currencies	11.8	15.5
	<u>88.4</u>	<u>121.5</u>

Other long-term debt includes instalments payable in respect of purchase agreements for the acquisition of Boeing 737 aircraft and hotels.

Interest rates on bank loans are either at US prime rate or vary between ½% and 2% above the London, England inter bank offered rate.

Long-term debt maturities due in each of the next five years are:

£28.2 million in 1980,
£20.9 million in 1981,
£12.7 million in 1982,
£10.4 million in 1983 and
£3.6 million in 1984.

12. DEFERRED INCOME TAXES

Deferred income taxes include UK petroleum revenue tax of £32.2 million (1978 – £34.4 million).

13. SHARE CAPITAL

Authorized and issued share capital at December 31, 1979:

International Thomson Organisation Limited

Authorized:

149,707,457 preference shares with a par value of 25p each issuable in series

First series:

124,707,457 convertible redeemable preference shares

50,292,543 common shares without par value

Issued:

104,203,201 (1978-104,494,767)

convertible redeemable preference shares

1979

26.1

1978

26.1

35,121,677 (1978-34,830,109) common shares

8.5

34.6

8.5

34.6

Thomson British Holdings Limited

Authorized and issued share capital related to that of International Thomson Organisation Limited

Authorized:

149,707,457 convertible redeemable preference shares with a par value of 1p each

50,292,543 common shares with a par value of 1p each (non-voting)

Issued:

104,203,201 (1978-104,494,767)

convertible redeemable preference shares

1.0

1.1

35,121,677 (1978-34,830,109) common shares

0.4

1.4

36.0

0.3

1.4

36.0

During 1979 291,566 convertible redeemable preference shares of each of ITOL and TBH were converted into an equal number of common shares of ITOL

and TBH, and 2 common shares of each company were issued as partial consideration for the acquisition of subsidiary companies.

ITOL and TBH related shares:

Each common and convertible redeemable preference share (convertible share) of ITOL has related to it, respectively, one common and one convertible redeemable preference share (convertible share) of ITOL's principal UK subsidiary, TBH. The common and convertible shares of each company are only transferable with the related common or convertible shares of the other company.

Dividends will be paid on the common and convertible shares of either ITOL or TBH at the option of the shareholder. These dividends will be paid on the TBH shares unless the shareholder has elected in writing to receive dividends on the ITOL shares. If the TBH shares have been deposited with Montreal Trust Company as depositary of TBH shares pursuant to a deposit agreement dated as of February 1, 1980, the holder thereof will be deemed to have elected to receive dividends on the ITOL shares unless he has elected in writing to receive dividends on the TBH shares. Dividends are payable according to elections in force, notwithstanding transfers of shares, and elections may be withdrawn or new elections made at any time.

Common shares:

Dividends on ITOL common shares are payable in US dollars. Dividends on TBH common shares are payable in pounds sterling in the same amount based on the pound sterling/US dollar rate of exchange at 11 a.m. in London, England on the business day prior to that on which the dividend is declared.

Dividends on the TBH common shares are payable in priority to any dividend on the TBH voting ordinary shares, all of which are held by ITOL.

The ITOL common shares are voting shares. TBH common shares are non-voting and may be redeemed by TBH at any time at their par value on not less than six months' prior notice.

Convertible redeemable preference shares:

Dividends on either ITOL or TBH convertible shares, which are cumulative, are payable in pounds sterling at 10.5p per annum.

Each ITOL convertible share is convertible at the option of the holder at any time up to the close of business on September 30, 1988 at the rate of one ITOL common share for one ITOL convertible share. On conversion of an ITOL convertible share, the related TBH convertible share shall automatically be converted into a TBH common share unless at that time all TBH common shares shall have been redeemed in which case the TBH convertible share will be redeemed at par value.

ITOL convertible shares may be redeemed in whole or in part by ITOL after September 30, 1988 at par value (note 4). On redemption of an ITOL convertible share, the related TBH convertible share shall be redeemed on the same date at par value.

14. ACQUISITIONS

Subsidiaries

During 1979, wholly-owned subsidiaries of ITOL acquired all the outstanding shares of certain companies located in the United States of America. These acquisitions have been accounted for on the purchase basis and the results of operations have been included in the consolidated financial statements from the dates of acquisition.

Publishing

- (i) The Wadsworth group of companies (Wadsworth group), of which the significant operating company is Wadsworth, Inc., a college textbook publisher in Belmont, California was acquired on July 3, 1979 from the parent company for a cash consideration of US \$13.4 million (£6.0 million) and two common shares as approved by minority shareholders at the annual and general meeting on June 27, 1979.
- (ii) Callaghan & Company (Callaghan), legal publishers in Chicago, Illinois was acquired on March 9, 1979 and Research Publications, Inc. (RPI), a micrographics company in Woodbridge, Connecticut was acquired on July 19, 1979. The aggregate cost of these acquisitions was US \$34.1 million (£16.3 million), of which the greater part of the Callaghan acquisition was financed by bank borrowings of US \$18.0 million.

The following is a summary of the foregoing acquisitions (millions of pounds sterling):

	Wadsworth group	Callaghan and RPI
Working capital	7.3	4.8
Fixed assets	3.5	2.9
Publishing rights	4.0	8.6
	<u>14.8</u>	<u>16.3</u>
Long-term debt	(10.2)	—
	<u>4.6</u>	<u>16.3</u>
Goodwill	1.4	—
Total cost	<u>6.0</u>	<u>16.3</u>

Travel

Unitours, Inc., a tour operator in Los Angeles, California was acquired on December 3, 1979 for a future consideration, which is dependent on the financial performance of Unitours, Inc. in 1980 and 1981 and is payable in 1982, in a maximum amount of US \$11.0 million. Goodwill on this acquisition amounted to £1.9 million, principally representing a working capital deficiency at the date of acquisition.

Oil and gas joint ventures

A 50% interest in producing gas wells in the Corinne Field, Mississippi, USA was acquired on July 31, 1979 through Thomson-Monteith, a partnership in which ITOL has a 90% interest, for a cash consideration paid by a subsidiary of ITOL of US \$22.1 million (£10.0 million) and by the assumption by that subsidiary of certain obligations of US \$4.6 million (£2.1 million). The assets acquired were principally in respect of gas interests recorded in the financial statements at a cost of some £12.1 million.

15. CONTINGENCIES AND COMMITMENTS

(a) *Performance guarantees*

Indemnities have been given to banks amounting to £6.8 million (1978-£7.8 million) to cover guarantees given by those banks to third parties covering performance by certain subsidiary companies of their obligations in providing package tour holidays.

(b) *Lease commitments*

Leases are principally in respect of Boeing 737 aircraft and hotels. Certain leases are of a capital nature, the effect of which is not considered material to these financial statements.

Lease payments in 1979 and payable in respect of the period 1980 to 1984 are as follows: 1979, £7.5 million; 1980, £7.0 million; 1981, £6.7 million; 1982, £5.7 million; 1983, £5.3 million; 1984, £4.8 million.

(c) *Contingent liabilities*

ITOL has contingent liabilities in respect of the performance by a subsidiary company of its obligations as a member of joint ventures involved in exploring for, developing and operating oilfields in blocks licensed to it in the North Sea, which include that, in the event of a failure by any member of the joint ventures to pay its share of joint venture expenditure, the subsidiary would have a liability to contribute proportionately towards the defaulting party's liability. Any monies so advanced would be secured on the defaulting party's share of the joint venture assets.

(d) *Capital expenditure*

	1979	1978
Capital expenditure contracted but no related liability incurred at end of year	32.2	17.6
Capital expenditure authorized but not contracted for at end of year	4.3	8.7
Share of joint venture capital expenditure program on the North Sea oilfields authorized but no related liability incurred at end of year	25.0	25.0
	<u>61.5</u>	<u>51.3</u>

16. PARENT COMPANY

Included in accounts payable in 1978 is an amount of £2.0 million payable to the parent company, Thomson Equitable Corporation Limited.

17. COMPARATIVE FIGURES

The comparative figures for the preceding year have been reclassified where necessary to conform with the current year's presentation.

18. SUMMARIZED UNCONSOLIDATED BALANCE SHEET		December 31	
		1979	1978
	ASSETS		
	Current assets:		
	Cash and bank term deposits	11.4	1.3
	Due from subsidiary companies	2.6	23.1
	Investment in subsidiaries and associate	56.1	35.2
	Other	1.0	—
		<u>71.1</u>	<u>59.6</u>
	LIABILITIES AND SHAREHOLDERS' EQUITY		
	Current liabilities	3.5	2.5
	Long-term debt	4.0	—
	Shareholders' equity:		
	Share capital	34.6	34.6
	Retained earnings	29.0	22.5
		<u>63.6</u>	<u>57.1</u>
		<u>71.1</u>	<u>59.6</u>

Retained earnings for the year comprise earnings of £7.9 million less dividends of £1.4 million.

19. SUBSEQUENT EVENT

The directors have approved the acquisition by a wholly owned US subsidiary of the whole of the share capital of Warren, Gorham & Lamont, Inc., professional publishers located in Boston, Massachusetts and certain associated businesses. The cost of the acquisition, to be effective as of March 1, 1980 of US \$60.0 million is being financed from internal sources.

Thomson British Holdings Limited

United Kingdom**TIMES NEWSPAPERS LTD**

(85% holding)
The Sunday Times including the
magazine
The Times

The Times Literary Supplement
The Times Educational Supplement
The Times Higher Education Supplement

Newspaper Archive Developments Ltd
Times Books Ltd
Selective Marketplace Ltd

**THOMSON REGIONAL
NEWSPAPERS LTD****Aberdeen Journals Ltd**

The Press and Journal
Evening Express

Belfast Telegraph Newspapers Ltd

Belfast Telegraph
Ballymena Observer
East Antrim Times

The Berkshire County Advertiser Ltd

Wokingham Times
Bracknell Times
Ascot Times
Crowthorne Times

Celtic Press Ltd

Aberdare Leader
Mountain Ash Leader
Merthyr Express
Rhymney Valley Express
Glamorgan Gazette
Pontypridd Observer
Llantrisant Observer
Rhondda Leader
Neath Guardian
Port Talbot Guardian
Gwent Gazette
Abergavenny Gazette

Newcastle Chronicle and Journal Ltd

The Journal
Evening Chronicle
Sunday Sun

North Eastern Evening Gazette Ltd

Evening Gazette (Teesside)

Western Mail and Echo Ltd

Western Mail (Wales)
South Wales Echo (Cardiff)

**The Chester Chronicle and
Associated Newspapers Ltd**

Chester Chronicle
Chester Mail
Crewe Chronicle
Nantwich Chronicle
Northwich Chronicle
Winsford Chronicle
Middlewich Chronicle
Whitchurch Herald

Evening Post-Echo Ltd

Evening Post-Echo

**Lancashire & Cheshire
County Newspapers Ltd**

Salford City Reporter
Stockport Express
Wilmslow and Alderley County
Express (free sheet)
Macclesfield Express
Express Extra (free sheet)

The Scotsman Publications Ltd

The Scotsman
Evening News (Edinburgh)

Edinburgh Advertiser Ltd

Edinburgh Advertiser (free sheet)

Highland Printers Ltd

Caithness Courier
Inverness and Highland News
John o'Groat Journal

Lochaber News
North Star (Dingwall)

The North Western Newspaper Co Ltd

Lancashire Evening Telegraph
(Blackburn)
Evening Star (Burnley)

Thames Valley Newspapers Ltd

Evening Post (Reading)

**North London Weekly Herald
Newspapers Ltd**

Weekly Herald (Tottenham, Wood
Green, Edmonton, Enfield and
Southgate)

*Newspaper printing contractors***Thames Valley Newspapers Ltd****Evening Post-Echo Ltd****Celtic Press Ltd***General printing and engraving companies***Aberdeen Journals Ltd****The Chester Chronicle and Associated
Newspapers Ltd****Macclesfield Press Ltd****Highland Printers Ltd****Reading Process Engraving Co Ltd***Newspaper consultants***Thomson International Press****Consultancy Ltd***Retail newsagents***F. J. Glendon Ltd****Mills (North British) Ltd****Ombler and Sons Ltd**

Thomson British Holdings Limited

United Kingdom

THOMSON PUBLICATIONS LTD

Thomson Magazines Ltd

Consumer publications

Burlington Magazine
Cheshire Life
Family Circle
Gloucestershire & Avon Life
Illustrated London News
Lancashire Life
Living
Pins and Needles
Political Quarterly
Warwickshire & Worcestershire Life
Yorkshire Life

Legal publications (European Law Centre)

Annual of Industrial Property Law
Commercial Laws of Europe
Common Market Law Reports
Eurolaw Commercial Intelligence
European Commercial Cases
Eurolex
European Law Digest
Fleet Street Reports

Business publications

Big Farm Management
Big Farm Weekly
Brewers' Guardian
Brewery Manual
British Clothing Manufacturer
British Journal of Clinical Equipment
British Journal of Hospital Medicine

Building Trades Journal
Building Conservation
Catering Times
Communications International
Construction News
Construction Newsletter
Construction News Magazine
Consulting Engineer
Consulting Engineer's Who's Who
and Year Book
Drapers' Record
Drapers' Record Diary and Year Book
Engineering Capacity
Engineering Capacity Who's Who
Fabrics International
Factory Equipment News
Fashion International
F.E.N. Data
Hospital Development
Hospital Equipment & Supplies
Hospital Equipment &
Supplies Product Card
Meat
Meat Trades Journal
Men's Wear
Men's Wear Year Book and Diary
New Electronics
Newspaper Report
Packaging Today
Paper Facts & Figures
Penrose Annual
Print Buyer

Printing Today
Retail Jeweller
Typesetting Today
Tyres, Accessories & Batteries
Northwood Conferences
and Seminars Ltd
Northwood Books Ltd

Thomson Books Ltd

Paperback

Sphere Books

General trade

Albany
Hamish Hamilton
Hamish Hamilton Children's Books
Elm Tree
Michael Joseph
Pelham
Rainbird Publishing

Educational

Thomas Nelson

Distribution

TBL Book Service

Thomson Data Ltd

Derwent Publications
(84% holding)
ESDU Marketing

Other interests

Glass's Guide Service
(51% holding)

THOMSON WITHY GROVE LTD

Newspaper printing contractor

Sporting Chronicle Publications Ltd

Sporting Chronicle
Sporting Chronicle Handicap Book
Sporting Chronicle Horses in Training

Raceform Up-to-Date
Raceform Up-to-Date Flat Annual
Raceform Up-to-Date National Hunt
(annual)
Sporting Chronicle Ready Reckoner

Withy Grove Press Ltd

General printing

Thomson Withy Grove Transport Ltd

Newspaper distribution contractor

THOMSON YELLOW PAGES LTD

(65% holding of preference shares and equity)

Sales agent for advertisements in Post Office telephone directories

THOMSON TRAVEL LTD

Aircraft charter

Britannia Airways Ltd

Package tours

Thomson Holidays Ltd

Portland Holidays Ltd

Travel retailing

Lunn Poly Ltd

THOMSON NORTH SEA LTD*

Oil and gas development

Thomson Scottish Petroleum Ltd*

Forestry investment

Thomson Forestry Holdings Ltd

Thomson Scottish Forestry Ltd

Thomson Scottish Woodlands Ltd

Thomson Forestry Ltd

OTHER INTERESTS

AI Welders Ltd

Welding equipment

Computacar Ltd

Motor vehicle sales agents

Anglo Appointments Ltd

Employment bureaux

Thomson Land & Properties Ltd

Property investment and development

Thomson Finance Ltd*

Financial services

ASSOCIATED COMPANIES

Wigham Poland Holdings Ltd

(25% holding)

The Solicitors' Law Stationery Society Ltd

(39.1% holding)

Thomson Printers Ltd

(40% holding)

Thomson Anglo-Continental Properties Ltd

(50% holding)

Thomson British Holdings Limited

Australia

THOMSON AUSTRALIAN HOLDINGS PTY LTD

Publications

Australian Electronics Engineering
Australian Mining
Australian Mining Year Book
Australian Rate and Data
Building Product News
Construction Equipment News

Construction & Road Transport
Cordells Building Service
Electrical Engineer
Electrical Supplies Guide
Factory Equipment News
Lighting Review
Mingays Price Service
Mingays Retailer & Merchandiser
Process & Chemical Engineering

Tenders
Thomson Australian Hardware
Catalogue
Thomsons Liquor Guide
Thomsons Travel News

Thomas Nelson (Australia)
Glass's Guide Service (51% holding)

Europe, Scandinavia, Malta, Nigeria, Tunisia

GERMANY

Bertelsmann-Thomson Fachverlag
GmbH (45% holding)

FRANCE

Editions Professionnelles Glass
France (51% holding)

HOLLAND

Thomson Publications (Europe) BV
Luyben Investments

DENMARK

Mostrups Forlag
Thomson Communications

NORWAY

Informasjonsforlaget (50% holding)

NIGERIA

Thomas Nelson (Nigeria) Ltd (40%
holding)

Travel

MALTA

Beauport Investment Trust Ltd.
(49.1% holding)

TUNISIA

Rym S.A. (45.3% holding)

Hotels – In Spain, Italy and Malta

South Africa

THOMSON PUBLICATIONS SA (PTY) LTD

Publications

Building Products News
Chemical Equipment News
Commercial Transport
Computronics
Corrosion Engineering Review
Daily Bulletin
Daily Tender Digest
Electrical Engineer
Electronics & Instrumentation
Food Industries of South Africa
Freight World

Materials Handling News
Metal Industries
Mining Week
Motor World
New Equipment News
Pack & Print
Plastics & Rubber News
Power & Plant in Southern Africa
Professional Caterer
Public Works
Railways
Security & Protection of SA
Shoes & Views
S.A. Medical Equipment News
South African Fleet Owner

South African Hardware
South African Industrial Week
South African Insurance Magazine
South African Journal of
Hospital Medicine
South African Mining and
Engineering Journal
South African Shipping News and
Fishing Industry Review
South Africa Textiles
Southern Suburbs Tatler
Veterinary Times

Mead and McGrouther
(51% holding)

*All the above principal interests other than those marked with an asterisk are owned through
THE THOMSON ORGANISATION
LIMITED

International Thomson Holdings Inc

United States

Communication and information
**INTERNATIONAL THOMSON
ORGANISATION INC**

CALLAGHAN & COMPANY
Specialists in all forms of legal publishing

RESEARCH PUBLICATIONS, INC
*Micropublishing (academic, technical and
newspapers)*

WADSWORTH, INC
*(College textbook and professional
book publishers)*

BOWMAR/NOBLE PUBLISHERS, INC
*(Suppliers of materials for elementary and
high school markets)*

Travel and leisure
THOMSON TRAVEL INC

Package tours
**THOMSON VACATIONS INC
UNITOURS, INC
ARTHURS TRAVEL, INC**

Natural resources
**THOMSON PETROLEUM
HOLDINGS, INC**

THOMSON PETROLEUM, INC
*(holding a 90% interest in Thomson-
Monteith, a partnership with oil and
gas interests)*

THOMSON FORESTRY, INC
Timberland investments

International Thomson Organisation Limited

Canada

Educational books
NELSON CANADA LTD

Thomson International Corporation Ltd
(TICL) (25% holding)

Kraus-Thomson Organization Ltd
(51% holding by TICL)

Richard De Boo Ltd
(50% holding)

