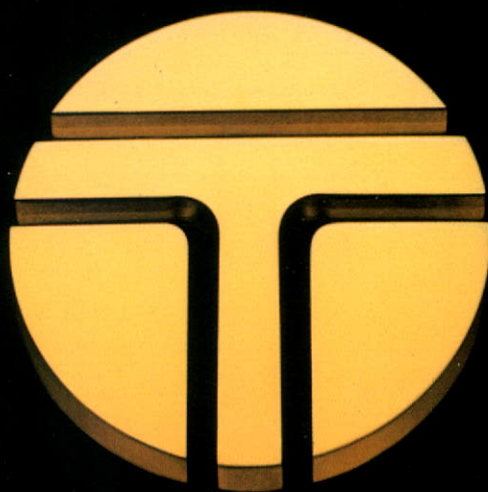


International Thomson Organisation Limited



Annual Report 1980



Automated Legal Forms
Automated Legal Forms
Automated Legal Forms

JANES FIGHTING 1980-81

PSYCHOLOGY

The Making of Menkrol

Richard E. Langer

Behavior: A Handbook of Psychological Research

END LIST for Cambridge Proficiency

ACCOUNTING

NATIONAL LAWYERS GUILD

IMMIGRATION LAW AND DEFENSE

CLARK BOARDMAN

Cheshire Life

The Illustrated LONDON NEWS

Jooling & Production

SPECIAL! HOW TO LOOK FANTASTIC INSTEAD OF JUST OK
100 Photos in Our Family Fun Competition
Starts Today! Super-Service! Special 10-Day Plan to Copy

Family Circle

Common Market Law Reports

POLITICAL QUARTERLY

GLASS'S GUIDE
JANUARY 1991
CAR VALUES
CONFIDENTIAL

Thomson
Winter '81
THOMSON LOCAL 1991
COMMUNITY SERVICE

THE ACCOUNTANT

CENTRAL PATENTS INDEX

THE SCOTSMAN
WEDNESDAY JANUARY 2, 1991

EVENING CHRONICLE
SATURDAY JANUARY 16, 1991

WESTERN MAIL
THE NATIONAL NEWSPAPER OF WALES
Friday, January 8, 1991

Belfast Telegraph
FRIDAY, JANUARY 2, 1991

pulling in the crowds
ESTABLISHED 1846
THE BANKERS MAGAZINE

Microfilm

THE WORLD'S NEWSPAPERS ON MICROFILM
朝日新聞
Asahi Shimbun
NAD
Newspaper Archive Developments Limited

US PA & FRONT ON

- The Financial Ideals of March, Robert Segal
- There's No Lobby Like the Banking Lobby, Ronald D. Edwards
- The Bankers Magazine Survey: Important Problems Face Bank Examination, Capital Adequacy, and Risk
- Should Bank Annual Reports Be ...
- Collective Bargaining in ...
- New Spirit at the ...
- Direct Equi...
- The F...

Results at a glance

(millions of pounds sterling)

	1980	1979 (restated)
Net sales	917.2	687.1
Trading profit	265.8	211.8
Earnings from continuing operations	45.1	55.2
Loss from discontinued operations	6.8	19.1
Extraordinary losses	18.6	—
Earnings for the year	19.7	36.1
Earnings per common share – fully diluted		
– continuing operations	32.4p	39.6p
– for the year	14.1p	25.9p

Prior year figures have been restated for changes in accounting policy for both UK petroleum revenue tax and foreign currency translation, and reclassified following the disposal of Times Newspapers Holdings Limited.

Contents

Chairman's Review	2
President's Report	4
Four year summary	22
Auditors' report	23
Summary of significant accounting policies	24
Consolidated statement of earnings	26
Consolidated statement of retained earnings	26
Consolidated balance sheet	27
Consolidated statement of changes in financial position	28
Notes to consolidated financial statements	29
Principal Interests	40

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

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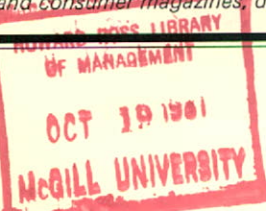
Warburg Registrars Ltd
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Thomson British Holdings Limited

Lord Thomson of Fleet, Chairman
 G C Brunton, Managing Director and
 Chief Executive
 W M Brown, Joint Deputy Managing Director
 C N D Cole, Joint Deputy Managing Director
 J Evans, Joint Deputy Managing Director
 Sir Denis Hamilton
 J H Sauvage
 J A Tory

Company Secretary, M D Knight

A variety (left) of International Thomson's many products and services from different countries around the world. They range from, for example, reference books, local directories and newspapers to professional and consumer magazines, database and microfiche.



Chairman's Review

The economic conditions of 1980 have not made it an easy year for your Company. At the same time I think you will be excited and encouraged when you read the President's Report to see the tremendous headway we made during the year and are continuing to make in our North American investments. I am pleased to say that, thanks to the success of our established activities, we will be able to provide the necessary capital for expansion both in our long-standing and more recent investments in the United Kingdom and our new companies in the United States.

As you will know, your Company sold Times Newspapers Holdings Limited on February 13, 1981 to News International Limited. This followed our announcement last October of our intention either to sell or to close The Times, The Sunday Times and the Supplements, a decision extremely painful for me and my family, and indeed for all my colleagues. Sadly, it was inevitable.

We had hoped after the 11-month suspension, which ended in November 1979, that the agreements which we had strenuously negotiated relating in particular to the introduction of new technology, disputes procedures, guarantees of continuous production and proper manning agreements, would improve the situation significantly. Regrettably, many of the agreements reached during the suspension period were not implemented by some of the unions concerned. The newspapers continued to be subjected to industrial disruption. All this occurred against the background of a very serious financial position which was fully communicated to employees at all levels in Times Newspapers. In the year under review, Times Newspapers incurred a pre-tax loss of £14.1 million and borrowed from Thomson British Holdings Limited £20.1 million. Since the formation of Times

Newspapers in 1967, when my father purchased The Times and the Supplements to add to The Sunday Times, more than £70 million had been advanced from Thomson sources and used for investment, working capital and losses incurred.

When considering to whom we should sell the newspapers, the Board of Thomson British Holdings asked the National Directors of Times Newspapers Holdings Limited, the Editor-in-Chief and the Editors of The Times and The Sunday Times to advise on a set of criteria against which purchasers would be measured. This included the interests of shareholders, employees, readers and advertisers, the national interest and especially editorial independence. The Board of Times Newspapers Holdings, including the National Directors, the Editor-in-Chief and the two Editors, were directly involved in assessing and approving

News International as the new owner. I believe that if any company can make Times Newspapers viable, while maintaining high editorial standards, News International under Mr. Rupert Murdoch has the strength and the will to do so.

Before leaving the subject of Times Newspapers, I should particularly like to thank my former colleagues on the Board of Times Newspapers and also the many managers and those members of the staff who gave us their loyal support.

I wish to make it absolutely clear that our decision to sell Times Newspapers in no way diminishes our commitment to Thomson Regional Newspapers Limited whose future we view with confidence and where we are continuing to invest considerable sums in new capital projects and new titles. This same commitment to the UK is reflected in the substantial investment we are making in all our British companies and in particular in Thomson Directories Limited.

In spite of all the difficulties, 1980 has been a year of steady progress and interesting new developments. I am very confident for the future of your Company both in the UK, where we shall continue to invest and expand, and elsewhere. I should like to take this opportunity to thank Gordon Brunton, his team and the staff of all our companies for their strenuous efforts during the year.

Thomson of Fleet



Thomson of Fleet

Thomson of Fleet
Chairman

Gordon Brunton

Gordon Brunton
President

President's Report

1980 brought its share of problems and difficulties but a balanced assessment will show that your Company achieved successes too. In particular we made important progress in carrying out our medium and long term development plans.

The major strategic decision last October to withdraw from the publishing of national newspapers resulted early this year in Times Newspapers Holdings Limited being acquired by News International Limited.

Other developments of special significance during the year included:

- the planned cutback of Piper oil production aimed at enhancing ultimate recoverable reserves.

- further changes in the tax regime governing the North Sea which reduced our expectations on earnings. In addition, the 1981 United Kingdom budget proposed yet further adverse changes which will affect both our existing fields and the viability of new discoveries.

- the major and continuing build-up of our businesses in the United States by acquisitions and organic growth.

- the development of our publishing businesses in the UK with continuing investments in regional newspapers.

- the preparation for launching Thomson Directories in the UK in 1981 and the start up of several new publications and information based projects.

- the outstanding success of Thomson Travel based upon excellent performance by Thomson Holidays and Britannia Airways.

- the serious impact of a deepening recession in the UK, particularly on our newspaper revenue, which together with a national printing dispute

caused very disappointing results in our regional newspaper companies.

- a major reorganisation of the Group's management structure with the appointment of three new Deputy Managing Directors to Thomson British Holdings Limited, and other related changes.

The statement of earnings for 1980 and the comparison with 1979 show the results of Times Newspapers Holdings group separately from our continuing operations.

Excluding Times Newspapers Holdings, net sales in 1980 totalled £917.2 million, an increase of 33.5%. Trading profit from continuing operations was £265.8 million compared with £211.8 million (restated) in 1979, an increase of 25.5%. The economic recession adversely affected all our publishing interests in the UK, particularly the results of the regional newspaper and magazine companies, but the UK travel companies enjoyed another excellent year, producing record trading profits.

The substantial increase in trading profit from oil reflects the rise in the price of North Sea crude oil from £11.38 per barrel to £14.64. However, the rate of Petroleum Revenue Tax was increased to 70% and the net after tax profits from oil were only marginally higher than in 1979. During the year your Company paid £187 million in royalties and taxes on North Sea earnings, and with the further imposition of a 20% Supplementary Petroleum Duty and other changes proposed in the 1981 UK budget, expects to pay in excess of £280 million in 1981. The total UK Government take on every increase in the price of crude oil is now over 90%.

The oil industry has suffered from a series of tax changes, which have adversely impacted on our North Sea operations. In particular, as a direct result of the recent budget proposal, the Consortium to which we belong has had to cancel the construction of the floating production facility which was planned for the development of the North Claymore reserves; this would

have generated investment in facilities of at least US \$600 million, a significant part of which would have been spent in the UK.

Tax is the principal expense in the North Sea, and the constant changes have resulted in such uncertainty as to make coherent long range planning almost impossible. Although we remain interested in obtaining licences, we have to recognise that the tax situation has raised the reserve threshold needed for economic development and caused great uncertainty on rates of return obtainable. This makes only the more exceptional discoveries attractive for the foreseeable future. We fully recognise the need to protect the national interest and believe that it is possible to reconcile that need with the desirability of maintaining reasonable incentives to those who have to win the oil and gas. The UK Government has called for consultations and we hope that these will not be delayed and that from them will emerge a reasonably stable and equitable tax regime on oil taxation.

Our forward plans have always reflected a likely reduction in North Sea earnings and our development policies are based largely on that assumption. These development plans are proceeding well and particularly so in the US where the publishing companies all achieved their operating budgets and are developing strongly. The development and setup costs and losses of the US travel operation, and expensing of new publishing product development and exploratory drilling, together with the amortisation of publishing rights, which together total some US \$20 million resulted in a trading loss being recorded.

Thomson Local directories were first distributed in January 1981. Right: a selection of the early editions. Left top: the computer room, essential to the Locals' operation. Below: a Thomson Locals artist at work.



No credit for tax relief has been assumed on the net US losses, although they are available to reduce taxes in future years.

Earnings from the Group's continuing operations for 1980 are £45.1 million, £10.1 million less than in 1979 (restated), reflecting the major factors noted above. After deducting the trading and terminal losses associated with Times Newspapers and other losses, earnings for the year are £19.7 million.

Total debt at the year-end was £70.5 million compared with £97.2 million at the end of 1979. Cash and bank term deposits and short term investments declined by £49.1 million since most of the development and acquisition expenditures were financed without recourse to debt.

Times Newspapers Holdings Limited

In October it was decided that, as the result of continuing industrial disruption, all titles would be closed during March 1981 unless sold previously.

By January 1981, some prospective purchasers had declared their interest and after very careful consideration the Board of Thomson British Holdings Limited, with the agreement of your Company, decided to accept the offer of News International Limited, subject to the agreement of the Editor-in-Chief, the Editors of The Times and The Sunday Times and the four independent National Directors.

The agreement was also conditional on the consent of the UK Secretary of State for Trade under the Fair Trading Act to the transfer of the titles, and on the satisfactory outcome, within an agreed period, of the negotiations between News International and the trade unions to agree matters related to the production of the newspapers. On February 13, News International having given stringent undertakings on editorial independence, the agreement became unconditional.

Your Company is proud to have been associated with these great

newspapers for very many years. In respect of editorial distinction, market share and creative innovation, the titles achieved great success under our ownership, but lack of co-operation and goodwill from some elements of the workforce ultimately made our decision to withdraw inevitable. We certainly wish the titles well, and would express our gratitude to those of our colleagues who under very great difficulties did all that they could to make Times Newspapers successful.

REVIEW OF 1980

I will comment on each of our main operating companies and their prospects for 1981.

International Thomson Organisation Limited has two main operating groups, Thomson British Holdings Limited, responsible for all your Company's operations outside North America, and International Thomson Holdings Inc, responsible for the US businesses. The Canadian operations report directly to International Thomson Organisation.

COMMUNICATIONS: Publishing and Information

Thomson British Holdings Limited

Thomson Regional Newspapers Limited

The year's results were dominated by the national printing dispute and the recession in the economy.

Thomson Regional Newspapers' performance in the first quarter of the year was on target and showed an

improvement on the previous year. However, the national industrial dispute which affected all the UK regional newspaper industry outside Scotland, bore very harshly for a period of seven weeks culminating in a complete publication stoppage for two weeks. The loss of profit during this period was more than £4 million but equally important was the resultant loss of confidence by our readers and advertisers because of our failure to give them the service they demand and expect.

The economic recession began to affect us in June and became more severe each month to the end of the year. The most acute impact was on situations vacant advertising which decreased in volume by more than 40% as unemployment in the country increased. Circulations were also affected.

Despite the difficult trading circumstances the group continued to pursue its development plans. Two new free newspapers were started; the monthly Scotsman Colour Magazine was launched and the Sunday Sun, Newcastle, was successfully relaunched as a tabloid as was the Saturday edition of the South Wales Echo. Several of our papers developed editorial and advertising zoning. Our investment in modern plant and equipment was sustained and will continue over the next few years as planned.

Forecasts for the first half of 1981 do not indicate any easing of the recession and our managers' energies are now directed to reducing our cost base and developing advertising volume in new and inventive ways. I am glad to say their morale is high.

The new building in Blackburn will be fully operational in summer 1981. The £12 million Belfast office rebuilding project began in 1980.

The continuing close link between our newspapers, their readers and their

Thomson Regional Newspapers is the biggest UK regional newspaper group. Right: some of its many publications. Left top: an artist's impression of the new Blackburn office opening shortly. Below: in the machine room of the Evening Gazette, Middlesbrough.



communities is illustrated by the fact that in just over a year almost £2 million has been raised for community charitable causes across the group.

Thomson Information Services Limited

Following a reorganisation in May, Thomson Information Services was formed to incorporate your Company's interests in magazines, data based information services and directories in the United Kingdom, Europe and other countries outside North America.

Thomson Magazines Limited

Magazines were adversely affected by declining advertising volumes caused by the general recession and results were disappointing. Moving against this general trend were Family Circle and Living which achieved higher profits.

Despite the difficult trading conditions the company was particularly active in development. The most ambitious project was the launch of Computerworld UK, in conjunction with International Data Group, of Boston.

Of the overseas interests the South African business magazine group had a particularly successful year and the Australian business continues to expand.

Bertelsmann-Thomson Fachverlag GmbH (44.8% interest), which publishes technical journals and information services, had another good year. Sales rose by some 31% and the year was dominated by the absorption of the company's recent acquisition – Heinze – which provides an information service for the building industries.

Thomson Data Limited

Thomson Data is the holding company for the Group's UK data based information companies and has five main operating units in Derwent Publications, European Law Centre, ESDU Marketing (Engineering Sciences Data Unit) Newspaper Archive Developments and Nexus.

Derwent Publications enjoys a pre-eminent position world-wide in

patents and pharmaceutical literature documentation. New database and microform projects are being developed and the company intends to continue expanding.

The Eurolex project, a bibliographic full-text computer retrieval system for European Law, made seven legal databases available at the end of the year and we are encouraged by the response from legal practices, industry, government and the academic world. The total database will have doubled by the end of 1981.

ESDU Marketing will soon market cassette versions of prestigious, critically evaluated hard copy data for engineering designers. We have further innovative plans to develop new products.

Newspaper Archive Developments specialises in the secondary publication of many of the world's quality newspapers and magazines on microfilm. It enjoyed excellent profitability in 1980.

Nexus is responsible for "The Commanding Sea", a series of high quality films which, when shown on BBC television this year, received critical acclaim. Books and other educational spinoff activities are being developed.

Thomson Yellow Pages Limited

I reported last year that it was our earnest wish to finish our long-standing relationship with the UK Post Office on a high and successful note. This we have done by generating sales representing a remarkable 42% growth in advertisement revenues in 1980. This level of performance has enabled Thomson Yellow Pages to make a worthwhile

contribution to the Group's profits.

Credit is due to the whole management team for the way in which they sustained morale and produced outstanding results in the final year of this company's operations.

Thomson Directories

1980 saw the creation of Thomson Directories, a 50/50 joint venture with The Dun & Bradstreet Corporation, and the pilot launch of its new concept in local community-based information and buying guides, the Thomson Locals.

The Thomson Local is designed as a new advertising medium for local business and provides a comprehensive guide to business and community services for household and other users. A unique feature is the community section, offering essential information for users, ranging from energy saving tips to local leisure activities. Copies are distributed free of charge to all houses and businesses in the area.

Six areas were canvassed in the second half of 1980 as a market test prior to the switch of resources from Thomson Yellow Pages in 1981. The market reaction and the sales achieved on these six pilot directories have been very encouraging – in all cases the Thomson Local has immediately captured a substantial share of the market.

Thomson Directories has great potential for development and expansion and we are confident that its directory operations have an exciting and profitable future.

Thomson Books Limited

With the formation of Thomson Information Services in 1980, referred to above, the trade book houses and our packaging and distribution companies were formed into a separate operating group – Thomson Books. This in no way diminishes the importance we attach to the editorial independence and separate development of the individual imprints. Mr. Francis Bennett, previously Managing Director of Sphere Books, has been appointed Group Managing Director.

The year was very difficult for the book publishing industry as a whole and

International Thomson now offers holidays through our own US based companies as well as from the UK. Right: Thomson clients talk with their holiday representatives. Left top: in the operations room of Thomson Holidays. Left below: maintenance on the engine of one of our fleet of Boeing 737s.



the company incurred losses. The strong pound adversely affected margins and sales volume in export markets and high interest rates led to significant destocking by retail customers in the home market.

Despite this hostile economic environment, significant progress was made in a number of areas. Sphere, our mass market paperback publisher, substantially increased its share of the domestic market and is now better placed competitively. In addition, major editorial acquisitions have been made at Rainbird, Michael Joseph and Hamish Hamilton which, together with some internal reorganisation, should produce significantly better results in 1981.

The major event of the year was the acquisition of Jane's Publishing Company in August. Jane's has a world-wide reputation as the publisher of "Jane's Fighting Ships" and "Jane's All the World's Aircraft" together with many other authoritative titles and has a record of consistent growth and profitability.

Of great sadness was the death of The Hon Mrs Macdonald Hastings, known professionally as Anthea Joseph, the Chairman of Michael Joseph Limited. She was a staunch and loyal colleague and a great publisher with that rare ability to discern and encourage talent long before it had fully blossomed. We all miss her very much.

Thomson Withy Grove Limited

Printing contracts were profitable and compared favourably with last year. An overall trading loss, greater than 1979, was mainly due to the performance of Sporting Chronicle Publications.

International Thomson Holdings Inc

The company responsible to International Thomson Holdings Inc in the United States for our publishing and information interests is International Thomson Organisation Inc, which comprises Wadsworth, Inc; Callaghan & Company; Warren, Gorham & Lamont, Inc; Clark Boardman

Company, Ltd; Research Publications, Inc, Science Books International, Inc; International Thomson Business Press Inc; and all the publishing interests of Litton Industries, Inc which were acquired in March 1981.

Wadsworth, Inc

Wadsworth, Inc, college publishers, enjoyed another excellent year. Sales increased by 23% over 1979, again outperforming the US college textbook industry, and profits on established publications and before accelerated development increased by 22%. Prospects for 1981 indicate a more modest increase in growth.

Accelerated investment in new product and imprints continued with the formation of a health sciences division, an engineering division, and an international publishing programme focused on Spanish language translations and advanced scientific books for world-wide markets. The new imprints begun in 1978 and 1979 – Breton, Kent and Lifetime Learning – are all progressing well.

Since Wadsworth was acquired, profits on established activities have more than doubled and long-term prospects, based upon excellent management, are most promising.

Science Books International, Inc

Science Books International, Inc was created in July, 1980 to publish scholarly and professional books and materials. CBI Publishing Company, Inc (formerly a Wadsworth subsidiary) was transferred to SBI and three small but high potential companies have been acquired, two divisions initiated and one joint venture begun with two more expected in 1981. A total of US \$3 million has been invested so far.

Each of the SBI companies has a strong programme directed to well-defined and growing markets. By this time next year, important new material for the professions, scholars and educators will have been published.

Callaghan & Company

Callaghan & Company, with a background of 100 years of legal publishing, enjoyed an excellent year with profits more than double the previous year.

During 1980, the company purchased the eleven publications of Acme Publishing Company, establishing Callaghan as a "local" publisher for New York State, one of the largest US legal markets.

Among the eight new products introduced in 1980 are two tied closely to technological progress in the legal profession. Automated Legal Forms represents the first effort by a North American legal publisher to provide legal forms on a medium directly usable on the attorney's word processing equipment.

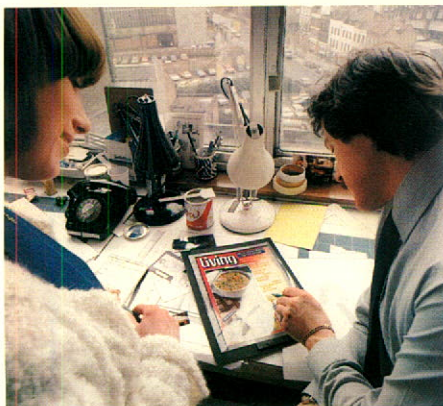
Litigation Support Systems – A Lawyer's Guide, constitutes the first step-by-step exploration of procedures for maintaining complex litigation case files in a computer compatible format.

Accelerated development will continue to be undertaken to ensure even higher growth in the future.

Clark Boardman Company, Limited

Clark Boardman was acquired in 1980 and is a publisher of quality legal treatises, newsletters and other law-related publications. It showed a 32% increase in sales during 1980. Among the major new publications introduced were a two-volume treatise published for the United Nations Economic Commission for Europe, Manual of Licensing Procedures, and a litigation manual on Police Misconduct for the US National Lawyers Guild. The first book published under an arrangement with the United States Trademark

International Thomson publishes magazines in many countries. Right: a small selection of them. Left top: at work in the London telephone advertising sales office. Left below: discussing the design of a front page for Living magazine.



Association, a 1980-81 Trademark Law Handbook, was well received.

During 1981, Clark Boardman will introduce new publications in the areas of labour law, securities regulation, intellectual property, licensing, criminal and immigration law.

With expanded resources available the company's prospects are excellent.

Warren, Gorham & Lamont, Inc

Warren, Gorham & Lamont was a major acquisition in 1980 and represents, in the view of your directors, an especially fine opportunity for the future. The company publishes, for the professional and business markets, books, looseleaf services, newsletters, journals and textbooks primarily in the fields of banking, taxation, business, real estate and accounting. WG&L had a strong year and has plans for rapid growth and development. Heavy investments over the years in developing new publications are producing very good results.

During 1980 WG&L launched 12 new publications, some in entirely new markets. A first move by WG&L into combining a print service with magnetic media resulted in Drafting Wills and Trust Agreements, a looseleaf service to be accompanied by tapes or discs to suit major word processing systems. A desk top calculator programmed for federal income tax planning was successfully introduced. 1980 also saw the first issue of the Journal of Business Strategy.

1981 looks most promising. Over 20 new publications are projected for the year. At the head of the list is a major new multi-volume tax encyclopaedia edited by one of America's leading tax authorities, Bittker's Federal Taxation of Income, Estates and Gifts.

WG&L has recently acquired the National Aeronautical Institute, the principal commercial publisher in the US of charts used for non-instrument flying.

We regard WG&L as having outstanding potential.

Research Publications, Inc

Research Publications' first year in the Group has been an eventful and

fulfilling one. The sales goals previously established were exceeded.

During 1980, many exciting projects were begun, all helping RPI to achieve its immediate and five year goals. In the academic micropublishing area of its business, several major new collections were launched, each of which will provide revenue for many years to come, further establishing RPI as one of the foremost micropublishers.

Also, the expansion of an already comprehensive patents programme by the addition of an international patents business was announced. RPI also acquired Rapid Patent International in Arlington, Virginia, a company that will provide paper copies of patents from RPI's microfilm masters, making it the only commercial company in the world to offer this broad spectrum of patent services. Your Company is convinced that RPI can grow quickly and soundly.

International Thomson Business Press Inc

In June 1980 International Thomson formed a new US holding company, International Thomson Business Press Inc, to acquire high-quality publications and to finance developmental projects in the business publishing and information services fields, concentrating on those industries or markets which are forecast to grow at a significantly faster rate than the US economy as a whole.

ITBP has acquired the following companies with combined annual sales in excess of US \$10 million: Huebner Publications, Inc, serving the metalworking and design engineering fields and with Tooling and Production as its leading publication; Brandon's Shipper & Forwarder Inc; Med Publishing, Inc, serving the

pharmaceutical and clinical medicine fields and the authoritative Oil Buyers' Guide. Considerable further expansion is envisaged, and with the acquisition of the Litton publications described below, ITBP is already one of the major US business publishers.

Litton publications

Since the year end, the world-wide publishing interests of Litton Industries, Inc were acquired for US \$63 million. These interests include publishers of world renown such as Medical Economics and its associated imprints, together with D Van Nostrand, Van Nostrand Reinhold, American Book Company, McCormick-Mathers and Delmar.

Sales in 1981 are expected to exceed US \$100 million. Some of the businesses will operate and develop within their own management structures, others will be absorbed into our existing business and if, after careful consideration, we determine that certain of the publishing interests do not meet our development criteria, they will be found compatible homes on a controlled and orderly basis.

After taking into account substantial losses from certain developing activities, the whole of the Litton Publishing Group incurred a pre-tax loss in their fiscal year ended August 3, 1980 of US \$1.1 million on sales revenue of US \$89 million. Net assets acquired by International Thomson were US \$55 million as of the fiscal year end.

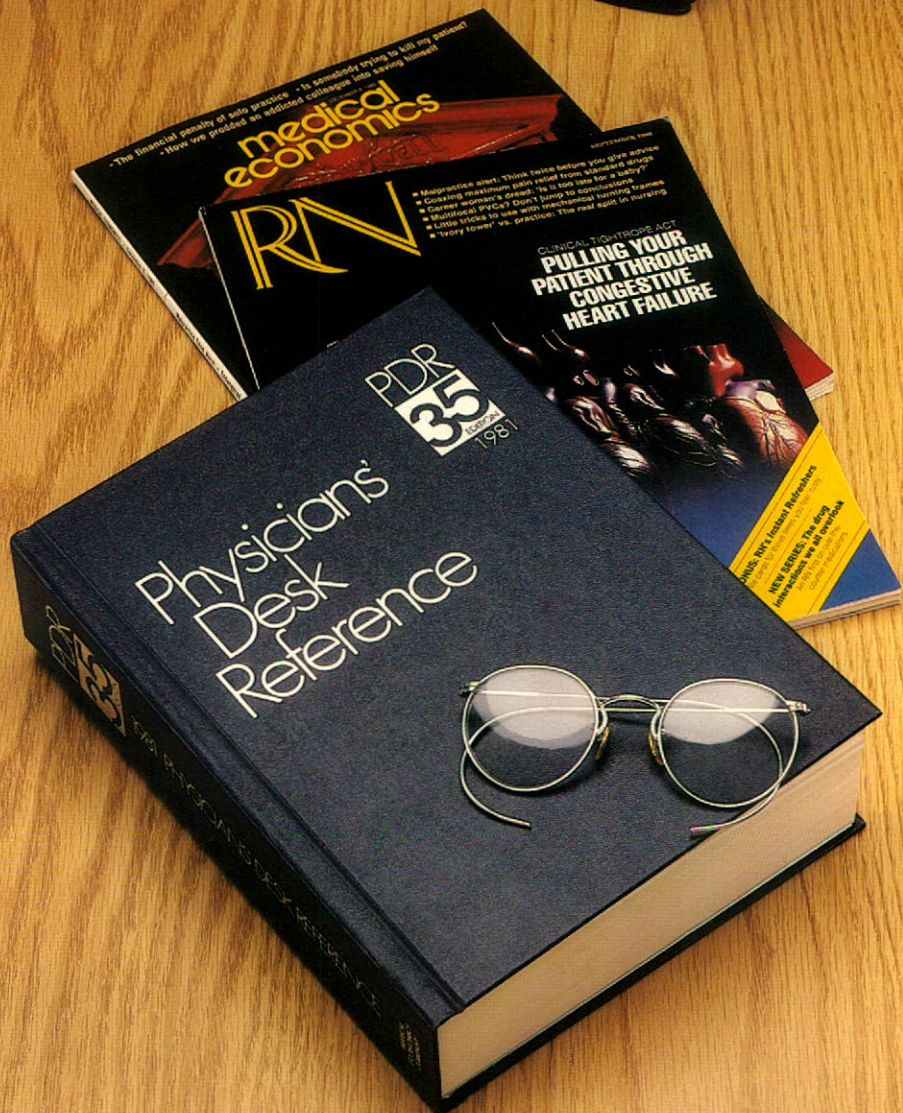
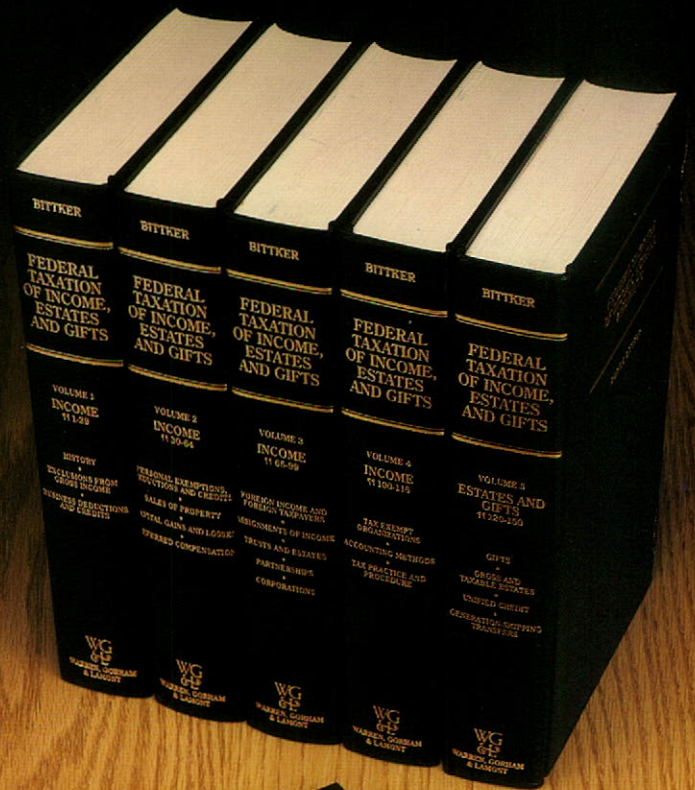
1981 will be a period of reorganisation and restructuring and from 1982 onwards we expect to enjoy a very acceptable return on this investment.

Thomas Nelson International

During 1980 Thomas Nelson International, with its headquarters in Canada, was formed to coordinate all the Nelson companies world-wide.

In spite of the recession, both Nelson Canada and Nelson Australia

Typical prestige products from International Thomson's US companies are shown on the right. Above: Warren, Gorham & Lamont's major new tax encyclopaedia, Bittker's Federal Taxation of Income, Estates and Gifts and (below) three important products from recently acquired Litton publications. Left top: Editors confer at WG & L. Below: Mr. William Hartmann of the Planetary Science Institute, Tucson, Arizona, signs copies of his new book in the Author's Room at Wadsworth.



exceeded their previous year's results in both revenue and profits. It was particularly gratifying to see Nelson Australia return to profit after the difficulties of 1979. In the UK, Thomas Nelson performed well in a difficult market and while revenue did not come up to expectations, the profit plan was achieved.

The Nelson group is committed to accelerated growth and to accomplish their plans each company has expanded its operations. In the UK, product growth will be concentrated in English language teaching, primary mathematics and primary reading; in Canada on further development of mathematics in primary and secondary areas, while Australia will concentrate on completion of a primary reading scheme.

This year in the UK, Thomas Nelson formed a joint company with the National Foundation for Educational Research, NFER/Nelson Publishing Company Limited, giving it an equal share in the foremost UK organisation engaged in measurement and guidance and psychological testing.

During 1980 Bowmar/Noble, an elementary and high school publisher in California, was sold on satisfactory terms.

TRAVEL

Thomson British Holdings Limited

Thomson Travel Limited

1980 was a year of further growth for our UK travel companies and trading profit for the travel group exceeded last year's result by some £5.6 million.

Strong demand for inclusive tours helped Thomson Holidays achieve record results and the volume of holidays sold increased to 935,000 with good margins and load factors being maintained. Bookings for

summer 1981 are satisfactory and Thomson Holidays expect their volume of sales to grow in 1981, probably against the market trend.

The direct-sell market is now significant and Portland Holidays has become well established. During the year a competitor, the UK division of Vingresor, was acquired and we expect a greater market share for Portland in 1981 with sales of about 85,000 holidays.

Britannia Airways operated at high utilisation levels throughout 1980. It benefited from the strong demand in the inclusive tour market and from the addition of five of the latest long range advanced Boeing 737 aircraft, bringing our fleet to 25 Boeing 737s in all. Total hours flown increased by 10%, and passengers carried to 3,484,315. Demand for the charter flights of Britannia remains strong, with over half the fleet engaged in non-group flying. Further growth, both in sales and profitability, is expected in 1981.

During the year, Lunn Poly acquired a further two business travel centres. We now operate more than 50 travel shops and 10 business travel centres, which have significantly increased our share of the business travel market. Expansion will continue throughout 1981.

Thomson Holidays and Britannia Airways are both market leaders in the UK package tour and airline charter markets respectively. Our long term forecast shows continued growth within these markets and we are particularly well placed to take advantage of it.

International Thomson Holdings Inc

Thomson Travel Inc

We have long felt that an opportunity existed in the USA in what is still an underdeveloped package tour market. Regulatory changes that have taken place in the last few years, as well as recent commercial opportunities, enabled us to make a start there as a first step towards

developing our travel interests in North America.

Thomson Vacations Inc in Chicago, was established in 1979 and already enjoys a reputation as a quality tour operator with programmes to the Caribbean and Mexico. Unitours, a well respected West Coast tour operator, and Arthurs Travel in Philadelphia – a company specialising in group travel – were acquired in late 1979 and early 1980 respectively. Some 100,000 passengers were carried in 1980. It is planned to double this in the next three years.

Our objective is to develop what could become one of the largest travel groups in the US, setting standards on price, quality and fair trading for the whole industry.

To support the establishment of this new activity, considerable expenditure has been required on initial development. It will be some time before we see significant profitability, but we believe short term profit sacrifice will produce excellent future benefits. 1981 should show a very significant decrease in development costs and operating losses.

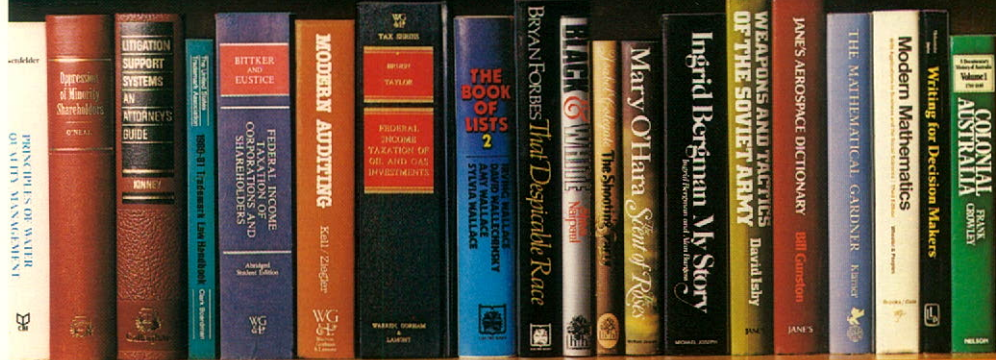
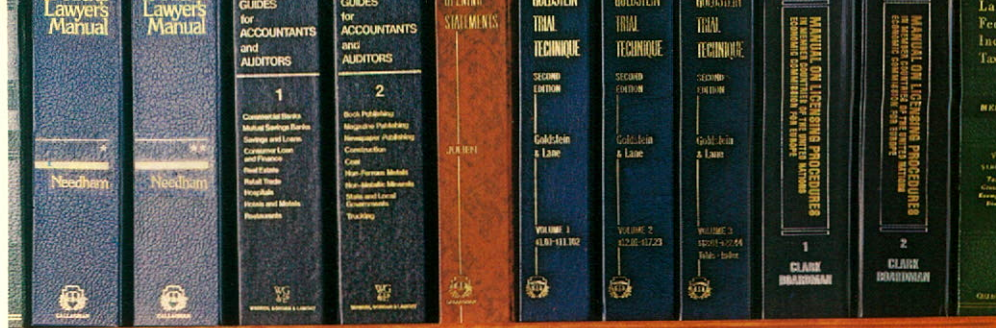
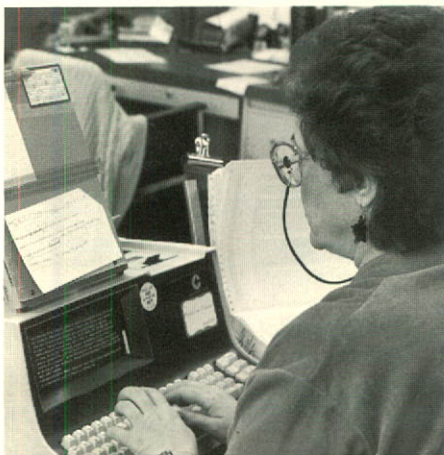
NATURAL RESOURCES

Thomson British Holdings Limited

Thomson North Sea Limited

Production from the Piper and Claymore Fields averaged 305,000 barrels per day (1979 – 356,000). In accordance with good reservoir management and to maximise eventual oil recovery, it was decided to cut back Piper production to 200,000 barrels

As book publishers, International Thomson produces through its various companies books dealing with, for example, law, taxation, banking, medicine and education, as well as biographies and fiction. Right: a selection of present titles. Left top: punching manuscript into the computer in the input room at Callaghan & Company. Below: The late Anthea Joseph, (*The Hon Mrs Macdonald Hastings*), Chairman of Michael Joseph Ltd, who died recently. She is greatly missed.



per day. We expect to maintain this rate throughout 1981.

DeGolyer and MacNaughton, independent consultants, have estimated as at December 31, 1980 the proven recoverable oil reserves of the Piper and Claymore Fields as set out below :

	Piper Field	Claymore Field	Total
	(thousands of barrels)		
Total recoverable reserves	618,000	407,900	1,025,900
ITOL's share	105,060	68,935	173,995
Less share of production - to end of			
1979	(43,876)	(9,083)	(52,959)
- 1980	(13,435)	(5,520)	(18,955)
Remaining share at December 31, 1980	47,749	54,332	102,081

ITOL's share is stated net of the royalty due to the UK Government under the provisions of the relevant licences and other royalties payable in connection with the financing of the Piper and Claymore Fields.

At the time DeGolyer and MacNaughton prepared their estimate of recoverable reserves from Claymore of 407.9 million barrels, the Consortium were planning the construction of a floating production facility to enhance recovery from the northern part of the field. As I mentioned earlier, substantial expenditure would be needed to implement this development and the new tax regime has made the project uncommercial. DeGolyer and MacNaughton had estimated that of the total recoverable reserves of the field, 353.6 million barrels would be produced from the existing platform and 54.3 million barrels through the floating production facility.

The Consortium is now considering alternative development plans for the field involving the drilling of water injection wells in the northern area to increase the recovery of oil through the existing platform. These plans, which will require the approval of the Department of Energy, are not yet finalised and it is too soon to estimate

whether or not there will be any substantial revision to the total reserves now recoverable from the field.

Consortium exploration activity continued, with three wells drilled during the year, but no commercial accumulations were discovered.

In the Seventh Round of UK Offshore Licencing, the Occidental Consortium was joined by Grand Metropolitan Oil Limited with a 20% holding, Thomson North Sea retained its 20% interest, and awards were made of blocks 3/21, 21/3(b) and 12/24. Blocks 3/21 and 21/3(b) were premium blocks each requiring a Consortium payment of £5 million.

Thomson Forestry Limited

During 1980, a further seven forestry properties were acquired in the UK, six in Scotland and one in Wales. A total of 9,000 acres is now owned in the UK, of which about half is being planted, giving a total investment of about £2.5 million. Particular attention has been given to the environmental impact of our forestry operations. Forestry is a long term investment and the funds allocated are relatively modest.

International Thomson Holdings Inc

Thomson-Monteith

Thomson-Monteith continued successfully to build up its base and during the year acquired the second half-interest in part of the Corinne Gas Field for some US \$27 million. Our total investment in this field is now US \$54.6 million of which US \$7 million was provided by way of equity.

A new liquids plant costing US \$1.2 million was completed in June and net production for the whole of our interest is currently exceeding expectations, at about 19 million cubic feet of gas and 20,000 US gallons of liquid hydrocarbons per day.

Remaining recoverable reserves of Corinne attributable to Thomson-Monteith at December 31, 1980 are estimated at 33 billion cubic feet of gas and 615,000 barrels of liquids.

In addition, Thomson-Monteith, jointly with partners, successfully bid for four Government leases under the Columbus Air Force Base which constitutes a projected extension of the Corinne Field. Thomson-Monteith's interest cost US \$8.7 million and 14 well completions are projected.

Thomson-Monteith acquired leases as part of a US \$5 million lease acquisition programme with partners in the Tuscaloosa Trend area in Louisiana, a region regarded as highly promising.

We are preparing for the next phase of controlled expansion, but we consider most US production acquisition prospects to be very fully priced and we intend to focus increasingly on exploration and related activities. We are budgeting to spend about US \$5 million on exploration in 1981 and expect the business to move into profit even after exploration and interest costs within the near future.

Thomson Forestry, Inc

Six properties totalling 5,200 acres have been acquired in Georgia and we are considering a limited expansion of our forestry activities in the US.

Oil Interests in Canada

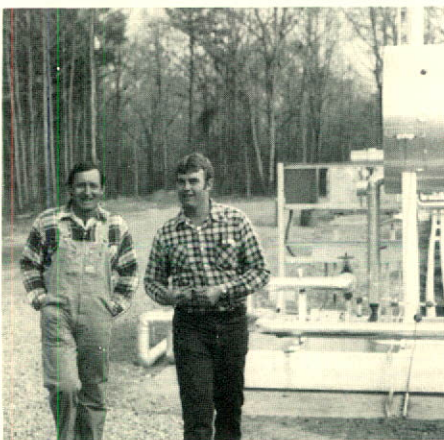
We have entered a joint venture agreement with Star Oil and Gas under which we shall invest C \$5 million in a defined 15 well exploration programme. Results so far have been rather disappointing but we have gained useful experience from which we can evaluate our future petroleum involvement in Canada. Subject to current proposed changes in Federal taxation we see the prospect of building up a worthwhile business.

OTHER ACTIVITIES AND ASSOCIATED COMPANIES

Thomson British Holdings Limited

Anglo Appointments Limited (100%), a group of employment bureaux, had a

International Thomson has a substantial investment in the Corinne Gas Field, Mississippi. Right: part of the gas processing facilities. Left: two plant operators at the Corinne Field.



remarkably successful year in spite of market conditions. However, rising unemployment makes it clear that 1981 will be a more difficult year.

Computacar Limited (100%) is now trading profitably despite the extremely difficult market conditions.

A I Welders Limited (100%) : This welding machine company was adversely affected by the shortage of orders in the capital goods market, further hampered by the strong pound, and traded at a small loss.

Wigham Poland Holdings Limited (35%) : In November 1980, Fred S James & Co, Inc, the fifth largest insurance broker in the US, acquired 53% of the shares of this company and we increased our holding from 25% to 35%. James' substantial participation will create many opportunities for new business and profits. In 1980 profits were adversely affected by the strong pound. However, this was in part offset by increased income from higher UK interest rates.

The Solicitors' Law Stationery Society Limited (39.1%) is passing through a difficult trading period. Several projects in which that group invested were unsuccessful and resulted in substantial write-offs. Under its new Chairman and new Group Managing Director, the company is concentrating on developing its traditional business. It will take some time to return to satisfactory profitability.

Thomson Printers Limited (40%) : Continuing adverse conditions in the printing trade resulted in a substantial reduction in sales, but nevertheless a profit was achieved. In March, 1981 our investment in this company was sold.

PROSPECTS FOR 1981

The UK economy is in deep recession and the indications are that these conditions will continue well into the current year. Our UK publishing revenues and profits are forecast to show a significant improvement over 1980, although in the current year,

because of the difficult market conditions, they will not achieve their full potential.

The factors affecting our UK publishing operations in 1981 are that we shall not have to bear the substantial losses of Times Newspapers and it is not anticipated that Thomson Regional Newspapers will suffer similar losses of profits from a labour dispute as they did in 1980. Thomson Books are forecasting and achieving a much improved performance and we have an assured and substantial stream of income, in respect of its final year of operations, from Thomson Yellow Pages, where we enjoy the revenues of previous sales efforts without the full commensurate expenses.

The present indications are that Thomson Travel is enjoying another excellent year in the UK and the development costs of the North American operations will be significantly lower. Since these costs are expensed annually we can look for excellent earnings from Travel in 1981.

However, although Thomson North Sea is expected to show trading profits marginally higher than the previous year, earnings and cash flow will be lower as a result of the recent tax changes.

In North America, higher earnings from established products are expected from all sectors even though there will be a significant increase in investment in new products and programmes.

MANAGEMENT

During the year, major changes were made in the organisation and structure of Thomson British Holdings Limited. Mr Michael Brown, Mr David Cole and Mr James Evans were appointed Joint Deputy Managing Directors and Mr John Sauvage was

appointed to the Board. The old Executive Board of The Thomson Organisation was replaced by a smaller Executive Committee of Thomson British Holdings. Mr Ian Clubb was appointed Thomson British Holdings Group Financial Director.

Thomson Publications was reorganised as Thomson Information Services Limited, under the chairmanship of Mr Michael Brown. Mr David Cole was appointed Chairman of Thomson Books.

Mr Jack Fleming was appointed Chairman of Thomas Nelson International which was formed to coordinate all the Nelson companies and he joined the board of International Thomson Organisation Inc.

Mr David Snedden and Mr Arthur Montgomery were appointed Joint Managing Directors of Thomson Regional Newspapers, with Mr David Cole remaining as Chairman and Chief Executive. Mr Michael Mander became Managing Director of Thomson Magazines; Mr Bill Heeps, Managing Director of Thomson Data and Mr Robin Eyres, Managing Director of Thomson Directories.

Mr Rab Suttill was appointed Managing Director of Thomson North Sea and Mr Ian Clubb its Chairman.

In the US, Mr Ted Cross, Chairman of Warren, Gorham & Lamont, and Mr Dick Groves, President of International Thomson Business Press, joined the Board of International Thomson Organisation Inc.

Mr Arthur Rosenfeld was appointed President of Warren, Gorham & Lamont, and Mr Rae Smith President of Callaghan & Company.

All these changes have the essential objective of reinforcing the top management of your Group and offering further opportunities and responsibilities to younger executives.

Recently I was invited to join the Supervisory Board of the Confederation of British Industry's Special Programmes

International Thomson has modest but developing investments in forestry. Right: a Thomson forest in Scotland. Left top: planting seedlings. Left below: preparing land for afforestation.



Unit, set up with the approval of the UK Government, to work with industry in providing more work experience and training opportunities for the young unemployed. Your Company is appointing project teams to work locally with the Unit. In addition we support the UK Youth Opportunities Programme and the Community Task Force.

Last year, together with Sir Derek Ezra, Chairman of the National Coal Board, I set up a series of meetings for leading industrialists to foster a positive purchasing policy for British goods and services among UK companies.

THE FUTURE

In 1980, your Company made the major strategic decision to withdraw from its national newspaper interests, but our overall Group strategy otherwise remains unchanged. Our major thrust in 1981 will be to continue to build for the future. We shall continue to invest in our existing successful businesses; we shall give our operating groups the resources and the encouragement to create new businesses; and we shall acquire established businesses in those sectors where we believe there is better than average growth potential.

Despite the current difficulties our commitment to the future of the UK remains strong. We plan continuing

investment in our newspaper, publishing, information, travel and natural resource businesses there.

In the US, we are building steadily and soundly. We are not seeking quick returns and our US companies understand that the profits and cash flow they are able to generate are available for reinvestment in their businesses. In the event that those resources are not sufficient, and providing the opportunities are exceptional, additional funds will be made available for accelerated development and further acquisitions.

It may be helpful if I define the term "accelerated development". Most businesses, as part of their normal operations, invest part of their profits each year in research, development and creating the products of the future. In other words, in expenditure which brings no immediate or current commercial benefit to the business.

This we regard as a normal development cost and there are well understood business parameters of what that investment should reasonably be. Accelerated development is over and above this and is, in effect, exceptional development designed both to broaden the base of the company, to bring forward its growth opportunities and to release any financial constraint on realising the full, medium and long term potential of the business. In 1981, in the US, the costs of accelerated development in our publishing related businesses, continuing investment and setup losses in travel and projected oil and gas exploration costs, are estimated to total some US \$20 million. In the UK, the expenditure on accelerated development is considerable too. This is a cost which we expense annually and accordingly it reduces our profits.

We are thus sacrificing profits in the short term, to develop and create new businesses which will bring higher and better quality earnings as our oil income from established North Sea fields

declines in the mid 1980s. Although we shall continue to make available resources for exploration in the North Sea, we feel it prudent to assume for our planning purposes that no further significant discoveries will be made. We shall of course be disappointed if that proves to be the case.

Our US oil and gas operations are showing promising results and an excellent base has been established. High interest and exploration costs in the initial development period have resulted in losses, but we expect within a year or two to move into significant profitability.

We aim to produce a significant growth in our earnings over the next five years or so, and we expect the mix of earnings to change materially both in source and location. UK oil profits, attracting currently a marginal tax rate of 90%, will decline, while earnings from our UK publishing related, travel and other interests will more than compensate for that decline. Profits will be supplemented by a substantial contribution from our developing business activities in the US.

That is why we regard building for the future as the key to our strategy. Our main strength is the quality of our people and the depth of our management and it is on them that the future depends. I am immensely grateful for all that they have done in a year of considerable problems and difficulties.

Gordon Brunton

Financial Information

13284.0	5798.0	16434.0	24349.0	16451.0	20028.0	2355.0
(922.0)	(698.0)	(700.0)	(609.0)	(364.0)	113.0	(70.0)
(192.0)	(3.0)	(700.0)	(264.0)	813.0	314.0	113.0
(922.0)	(698.0)	15734.0	(609.0)	(364.0)	113.0	20455.0
12170.0	5097.0	15734.0	23476.0	16900.0	20455.0	20455.0
12170.0	5097.0	15734.0	23476.0	16900.0	20455.0	20455.0
12170.0	5097.0	15734.0	23476.0	16900.0	20455.0	20455.0
12170.0	5097.0	15734.0	23476.0	16900.0	20455.0	20455.0
12170.0	5097.0	15734.0	23476.0	16900.0	20455.0	20455.0

Left: a meeting of executives at the Toronto headquarters office of International Thomson.



Four year summary (millions of pounds sterling except per share amounts)

	1980	1979	1978	1977
Consolidated statement of earnings				
Net sales.....	917.2	687.1	511.0	386.8
Trading profit.....	265.8	211.8	148.1	105.5
Earnings from continuing operations.....	45.1	55.2	47.5	41.8
(Loss) earnings from discontinued operations.....	(6.8)	(19.1)	(0.7)	0.7
Earnings before extraordinary items.....	38.3	36.1	46.8	42.5
Earnings for the year.....	19.7	36.1	46.8	47.7
Dividends after the 1978 reorganization				
– convertible shares.....	11.0	11.0	5.5	—
– common shares.....	1.7	1.7	0.8	—
Earnings per common share – fully diluted				
– continuing operations.....	32.4p	39.6p	34.1p	30.0p
– for the year.....	14.1p	25.9p	33.6p	34.2p
Consolidated balance sheet				
Assets				
Current assets.....	205.0	233.9	201.2	132.7
Investments.....	17.0	15.7	15.1	15.1
Oil and gas resource properties.....	166.8	158.2	149.1	128.6
Fixed assets.....	138.5	117.6	99.4	83.8
Publishing rights.....	52.1	30.3	20.3	20.7
Goodwill.....	15.8	8.9	5.4	5.8
	<u>595.2</u>	<u>564.6</u>	<u>490.5</u>	<u>386.7</u>
Liabilities and shareholders' equity				
Current liabilities.....	281.6	265.6	194.2	106.0
Long-term debt.....	47.7	60.2	101.6	166.8
Abandonment provision.....	17.6	10.6	5.1	1.6
Deferred income taxes.....	125.1	105.8	89.5	48.4
Minority interest.....	8.3	10.0	10.6	11.1
Shareholders' equity.....	114.9	112.4	89.5	52.8
	<u>595.2</u>	<u>564.6</u>	<u>490.5</u>	<u>386.7</u>

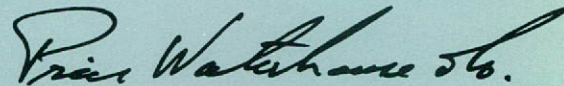
Prior year figures have been restated for changes in accounting policy for both UK petroleum revenue tax and foreign currency translation, and reclassified following the disposal of Times Newspapers Holdings Limited.

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, 1980 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, 1980 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, after giving retroactive effect to the changes in accounting for both UK petroleum revenue tax and foreign currency translation, referred to in note 1 to the consolidated financial statements, on a basis consistent with that of the preceding year.



Toronto, Canada
April 22, 1981

Price Waterhouse & Co.
Chartered Accountants

Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements of International Thomson Organisation Limited (ITOL) include all companies in which it holds more than a 50% interest and are prepared in accordance with accounting principles generally accepted in Canada (note 1).

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 resource properties

(a) Consolidation method

The proportionate consolidation method is utilized whereby the amounts included in the consolidated financial statements in respect of oil and gas joint ventures reflect the interest in the assets, liabilities, revenues and expenditures of those joint ventures attributable to the ITOL ownership percentage.

(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 proved developed reserves.

(d) United Kingdom petroleum revenue tax

The amount charged against earnings in respect of UK petroleum revenue tax has been calculated on a basis which recognizes timing differences, arising mainly between depreciation of oil and gas development costs and certain related tax allowances. In reflecting the timing differences, the rate of petroleum revenue tax applied is that ruling in the year in which the benefit of the tax allowances is taken. This accounting policy is a change from that previously adopted (note 1).

(e) 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 the reorganization in 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 the investment in acquired businesses 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.

Deferred revenue

Package tour revenue receivable in advance is included in deferred revenue until the date of tour departure. Deferred subscription revenue is included in deferred revenue until delivery of the related publications.

Income taxes

The tax allocation method is followed in providing for income taxes whereby earnings are charged with income taxes relating to reported profits. 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, 1980 unfunded past service costs amounted to £8.9 million and are being charged against earnings over 17 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.

Unrealized gains and losses arising from translation of the net investment in subsidiaries are included directly in shareholders' equity. Other foreign currency gains and losses are included in earnings. This accounting policy is a change from that previously adopted (note 1).

Consolidated statement of earnings (millions of pounds sterling)

	Year ended December 31	
	1980	1979 (restated)
Revenues:		
Net sales (note 2)	917.2	687.1
Expenses:		
Cost of sales, selling, general and administrative expenses	602.9	433.1
Depreciation, depletion and amortization	41.5	36.7
Abandonment provision	7.0	5.5
	<u>651.4</u>	<u>475.3</u>
Trading profit (note 2)	265.8	211.8
Net interest expense (note 3)	4.0	6.6
Income taxes (note 4)	214.6	148.4
Minority interest	2.1	1.6
	<u>220.7</u>	<u>156.6</u>
Earnings from continuing operations	45.1	55.2
Loss from discontinued operations (note 5)	6.8	19.1
Earnings before extraordinary losses	38.3	36.1
Extraordinary losses (note 6)	18.6	—
Earnings for the year	<u>19.7</u>	<u>36.1</u>
Earnings per common share – fully diluted (note 7)		
– continuing operations	32.4p	39.6p
– discontinued operations	(4.9p)	(13.7p)
– extraordinary losses	(13.4p)	—
– for the year	<u>14.1p</u>	<u>25.9p</u>

Consolidated statement of retained earnings (millions of pounds sterling)

	Year ended December 31	
	1980	1979 (restated)
Balance at beginning of year as previously reported	75.4	46.7
Retroactive adjustment for change in accounting policy for UK petroleum revenue tax (note 1)	1.0	6.8
As restated	76.4	53.5
Earnings for the year	19.7	36.1
	<u>96.1</u>	<u>89.6</u>
Foreign currency translation losses (note 1)	4.5	0.5
	<u>91.6</u>	<u>89.1</u>
Dividends (note 8)	12.7	12.7
Balance at end of year	<u>78.9</u>	<u>76.4</u>

Consolidated balance sheet (millions of pounds sterling)

	December 31	
	1980	1979 (restated)
Assets		
Current assets :		
Cash and bank term deposits	16.0	53.5
Short term investments, at cost which approximates market	14.7	26.3
Accounts receivable	140.0	119.6
Inventories (note 9)	34.3	34.5
	<u>205.0</u>	<u>233.9</u>
Investments (note 10)	17.0	15.7
Oil and gas resource properties (note 11)	166.8	158.2
Fixed assets (note 12)	138.5	117.6
Publishing rights	52.1	30.3
Goodwill	15.8	8.9
	<u>595.2</u>	<u>564.6</u>
Liabilities and shareholders' equity		
Current liabilities :		
Bank indebtedness	3.6	8.8
Accounts payable	99.4	108.0
Deferred revenue	28.9	24.9
Dividends payable	6.4	6.4
Income taxes	124.1	89.3
Current portion of long-term debt (note 13)	19.2	28.2
	<u>281.6</u>	<u>265.6</u>
Long-term debt (note 13)	47.7	60.2
Abandonment provision	17.6	10.6
Deferred income taxes (note 14)	125.1	105.8
Minority interest	8.3	10.0
Shareholders' equity :		
Share capital (note 15)	36.0	36.0
Retained earnings	78.9	76.4
	<u>114.9</u>	<u>112.4</u>
	<u>595.2</u>	<u>564.6</u>

Approved by the board
Thomson of Fleet, Director
Gordon Brunton, Director

Consolidated statement of changes in financial position (millions of pounds sterling)

	Year ended December 31	
	1980	1979 (restated)
Source of funds		
Operations:		
Earnings from continuing operations.....	45.1	55.2
Add items not involving funds:		
Depreciation, depletion and amortization		
– fixed assets.....	11.7	9.0
– oil and gas resource properties.....	28.2	25.4
– publishing rights and goodwill.....	1.6	2.3
Abandonment provision.....	7.0	5.5
Deferred income taxes.....	24.0	6.0
Minority interest.....	2.1	1.6
Funds from continuing operations.....	<u>119.7</u>	<u>105.0</u>
Loss from discontinued operations adjusted for depreciation of £1.6 million (1979 – £0.9 million).....	(5.2)	(18.2)
Funds from operations.....	<u>114.5</u>	<u>86.8</u>
Extraordinary losses:		
Times Newspapers Holdings Limited (TNHL)		
Extraordinary loss (note 6).....	(17.1)	
Net assets disposed of, less working capital of £7.2 million.....	<u>21.9*</u>	
	4.8	
Other (note 6).....	<u>(1.5)</u>	
	3.3	—
Proceeds from long-term debt.....	14.1	25.6
Disposal of fixed assets and investments.....	5.4	1.5
	<u>137.3</u>	<u>113.9</u>
Use of funds		
Acquisition of businesses, less working capital of £2.5 million (1979 – £9.0 million)...	38.7	13.3
Additions to fixed assets.....	57.7	22.2
Additions to oil and gas resource properties.....	36.8	34.5
Additions to investments.....	4.6	0.3
Reductions of long-term debt.....	26.6	77.4
Dividends.....	12.7	12.7
Dividends to minority interests by subsidiaries.....	2.1	1.6
United Kingdom advance corporation tax.....	0.8	(10.3)
Other.....	2.2	0.9
	<u>182.2</u>	<u>152.6</u>
Decrease in working capital.....	(44.9)	(38.7)
Working capital (deficiency) at beginning of year.....	(31.7)	7.0
Working capital deficiency at end of year.....	<u>(76.6)</u>	<u>(31.7)</u>
*Non-current assets sold on disposal of TNHL:		
Fixed assets.....	22.0	
Publishing rights.....	4.2	
Deferred tax.....	(4.3)	
	<u>21.9</u>	

Notes to consolidated financial statements

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

1. Changes in accounting policy

(a) United Kingdom petroleum revenue tax

The policy previously adopted to account for UK petroleum revenue tax involved an assumption of constant oil prices and assumptions as to tax rates and costs over full field life in order to allocate to each year a proportion of the estimated field life tax liability on a unit of production basis. In view of the recent substantial increases in oil prices, together with significant changes in the rate and application of petroleum revenue tax, this "life of field" method is no longer considered to be appropriate.

Accordingly, the 1980 tax charge has been calculated on a revised basis which recognizes timing differences arising mainly between depreciation of oil and gas resource properties and related tax allowances. This retroactive change in accounting policy increased retained earnings at the beginning of 1979 by £6.8 million and decreased earnings in 1979 by £5.8 million; there was no material effect on the results for 1980.

(b) Foreign currency translation

Assets, liabilities and the results of operations expressed in currencies other than sterling continue to be translated at year end rates of exchange. In prior years, gains and losses on translation, including unrealized gains and losses on the net investment in subsidiaries, were included in earnings. However, due to the insignificance of the net investment in foreign subsidiaries relative to the UK based operations, the effect of the translation of the net investment in subsidiaries did not have a material impact on earnings expressed in sterling.

As the group develops, its long term investment in subsidiaries outside the UK, primarily in the US, is becoming increasingly significant. As a result, earnings could be materially distorted by the effect of large and unpredictable fluctuations of currencies on translation of the net investment in these subsidiaries.

At present, there are no prescribed accounting principles in Canada for the treatment of foreign currency translation. However, the UK accounting bodies and the Financial Accounting Standards Board in the US have recently issued basically similar exposure drafts on the subject, which express the need for international harmonization and close co-operation between the accounting standard setting bodies in the UK, US and Canada. Both exposure drafts recommend that the unrealized gains or losses on translation of the net investment in subsidiaries should not be reflected in the statement of earnings, but should instead be reflected directly as a part of shareholders' equity.

As ITOL's assets and operations are predominantly in the UK, and the financial statements are presented in pounds sterling, and pending the issue of prescribed accounting principles in Canada, ITOL has in 1980 adopted on a retroactive basis the approach suggested in the proposed UK standard. If the unrealized loss had been included in earnings, earnings would have been reduced in 1980 by £4.5 million (1979 – £0.5 million).

2. Segmented information

ITOL is a financial holding company of a group of companies whose principal activities are publishing magazines, books and UK regional newspapers, operating travel and holiday companies and participating in the

exploration, development and operation of North Sea and other oil and gas fields. The tables below show certain information relating to the principal activities:

Business segment

	Net sales		Depreciation, depletion and amortization		Trading profit	
	1980	1979	1980	1979	1980	1979
Publishing ⁽¹⁾	241.6	203.9	5.5	5.9	11.7	16.9
Travel.....	304.2	205.5	7.4	4.9	21.6	21.0
Oil and gas ⁽²⁾	336.8	250.1	28.2	25.4	236.8	176.3
Other.....	34.6	27.6	0.4	0.5	(4.3)	(2.4)
	<u>917.2</u>	<u>687.1</u>	<u>41.5</u>	<u>36.7</u>	<u>265.8</u>	<u>211.8</u>
Net interest expense.....					(4.0)	(6.6)
Income taxes.....					(214.6)	(148.4)
Minority interest.....					(2.1)	(1.6)
Loss from discontinued operations.....					(6.8)	(19.1)
Extraordinary losses.....					(18.6)	—
Earnings for the year.....					<u>19.7</u>	<u>36.1</u>

	Additions to publishing rights and goodwill ⁽³⁾		Additions to fixed assets and resource properties		Assets	
	1980	1979	1980	1979	1980	1979
Publishing.....	35.5	14.0	19.0	11.6	231.5	213.0
Travel.....	1.3	1.9	34.3	9.3	109.5	71.8
Oil and gas.....	—	—	36.8	34.5	197.2	191.3
Other, including funds for investment.....	—	—	4.4	1.3	57.0	88.5
	<u>36.8</u>	<u>15.9</u>	<u>94.5</u>	<u>56.7</u>	<u>595.2</u>	<u>564.6</u>

Geographic segment

	Net sales		Trading profit		Assets	
	1980	1979	1980	1979	1980	1979
United Kingdom.....	819.9	637.4	273.2	213.8	440.7	454.8
United States.....	71.6	22.3	(5.7)	(1.3)	117.5	58.6
Canada.....	4.8	4.8	(1.4)	0.3	8.5 ⁽⁴⁾	19.7 ⁽⁴⁾
Other countries.....	20.9	22.6	(0.3)	(1.0)	28.5	31.5
	<u>917.2</u>	<u>687.1</u>	<u>265.8</u>	<u>211.8</u>	<u>595.2</u>	<u>564.6</u>

(1) excluding Times Newspapers Holdings Limited.

(2) oil and gas net sales are before deduction of royalty payments of £34.8 million (1979 – £26.2 million) including royalty in kind to the UK Government.

(3) including additions to publishing rights of £29.0 million (1979 – £12.6 million).

(4) including cash and bank term deposits of £0.4 million (1979 – £11.4 million).

3. Net interest expense

	1980	1979
Interest on long-term debt.....	10.4	15.2
Interest on short-term debt.....	0.8	1.7
Interest income.....	<u>(7.2)</u>	<u>(10.3)</u>
	<u>4.0</u>	<u>6.6</u>

4. Income taxes

Income taxes include UK petroleum revenue tax of £146.1 million (1979 – £89.2 million). UK petroleum revenue tax is a deduction in determining the profits subject to corporate income taxes.

Income taxes for 1980 have been reduced by £2.1 million as a result of calculating UK stock relief in accordance with the UK Finance Bill 1981.

Certain subsidiaries have accumulated losses of approximately £10.7 million of which £2.2 million expire between 1984 and 1986 and £8.5 million in 1987. The potential tax benefit will be included in earnings when realized.

5. Losses from discontinued operations

On February 13, 1981 the directors of Thomson British Holdings Limited (TBH), ITOL's principal UK subsidiary, announced the completion of the agreement between its subsidiary, The Thomson Organisation Limited (TTO), and News International Limited (NIL) for the purchase and sale of the whole of the investment in Times Newspapers Holdings Limited (TNHL). The results of operations of TNHL and its subsidiaries for both 1980 and 1979 have been reclassified as discontinued operations and are summarized as follows:

	1980	1979
Net sales.....	<u>89.8</u>	<u>12.5</u>
Trading loss.....	(14.0)	(39.3)
Interest.....	(0.1)	(0.2)
Income taxes.....	<u>7.3</u>	<u>20.4</u>
Loss from discontinued operations.....	<u>(6.8)</u>	<u>(19.1)</u>

The loss arising on the disposal of the investment in TNHL has been accounted for as an extraordinary loss in 1980 (note 6).

6. Extraordinary losses

	1980	1979
Times Newspapers Holdings Limited		
Losses relating to disposal of investment	23.9	—
Less : 1980 losses included under discontinued operations	<u>6.8</u>	<u>—</u>
	17.1	—
Losses on disposal of an office equipment marketing subsidiary and an associated printing company	<u>1.5</u>	<u>—</u>
	<u>18.6</u>	<u>—</u>

Under the agreement :

- (a) TTO transferred to NIL the 200 Gray's Inn Road property ;
- (b) TNHL was acquired by NIL free of all indebtedness due to TBH and its subsidiaries other than debts incurred in the ordinary course of business ;
- (c) NIL is responsible for any liabilities arising from redundancies of employees of TNHL and its subsidiaries which take effect after completion save that, in certain circumstances, TTO will be liable up to a limit of £0.25 million.

An amount of £12.0 million was received from NIL on February 13, 1981 which is subject to a cash adjustment by reference to the net asset position at the date of sale for which provision has been made.

In addition, TTO was allotted unsecured participating loan stock in TNHL, credited as fully paid. The terms of the stock provide that at any time after the combined net trading profits less trading losses of TNHL and its subsidiaries accruing from March 1, 1981 exceed an aggregate of £20.0 million, TNHL will, in respect of any financial year in which such profits exceed £5.0 million, pay to TTO an amount equal to 25% of such excess after providing for tax thereon.

The sale of the investment in TNHL to NIL was completed on February 13, 1981 (note 5). The investment comprised the cost of the investment in TNHL, receivables from TNHL and its subsidiaries and property at 200 Gray's Inn Road, London, England.

Pursuant to the UK Fair Trading Act 1973, the UK Secretary of State for Trade gave his consent to the transfer of ownership of The Times and The Sunday Times to NIL.

7. 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 15). 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;
- (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 1980 and 1979, the basic earnings (loss) per common share in 1980 are 96.1p (1979 – 126.4p) from continuing operations, (19.2p) (1979 – (54.6p)) from discontinued operations, (52.4p) (1979 – nil) from extraordinary losses and 24.5p (1979 – 71.8p) for the year.

8. Dividends

During 1980 the directors of ITOL and TBH declared dividends payable on the following dates on the related shares of these companies:

	1980	1979
<i>July 15, 1980</i>		
ITOL – convertible shares, 5.25p (1979 – 5.25p) per share.....	0.1	0.1
– common shares, US \$0.0575 (1979 – US \$0.05) per share.....	0.6	0.6
TBH – convertible shares, 5.25p (1979 – 5.25p) per share.....	5.4	5.4
– common shares, 2.551p (1979 – 2.41p) per share.....	0.2	0.2
<i>January 15, 1981</i>		
ITOL – convertible shares, 5.25p (1979 – 5.25p) per share.....	0.1	0.1
– common shares, US \$0.066125 (1979 – US \$0.0575) per share.....	0.7	0.6
TBH – convertible shares, 5.25p (1979 – 5.25p) per share.....	5.4	5.4
– common shares, 2.7117p (1979 – 2.5853p) per share.....	0.2	0.3
	<u>12.7</u>	<u>12.7</u>

9. Inventories

	1980	1979
Raw materials.....	7.9	9.1
Work in progress.....	10.0	9.6
Finished goods.....	16.4	15.8
	<u>34.3</u>	<u>34.5</u>

10. Investments

	1980	1979
Associated companies.....	13.1	14.8
Other long-term investments....	3.9	0.9
	<u>17.0</u>	<u>15.7</u>

11. Oil and gas resource properties

	Cost	Accumulated depreciation, depletion and amortization	1980 Net	1979 Net
United Kingdom				
Piper Field.....	72.4	35.5	36.9	41.3
Claymore Field.....	73.7	15.1	58.6	55.6
Shared facilities.....	70.7	26.9	43.8	49.1
Licence acquisition costs.....	2.0	—	2.0	—
	<u>218.8</u>	<u>77.5</u>	<u>141.3</u>	<u>146.0</u>
North America				
Corinne Field.....	22.8	2.4	20.4	12.2
Other.....	5.1	—	5.1	—
	<u>246.7</u>	<u>79.9</u>	<u>166.8</u>	<u>158.2</u>

On July 1, 1980 the remaining 50% interest in certain producing gas wells and related production facilities in the Corinne Gas Field, Mississippi, was acquired through Thomson-Monteith, a partnership in which a wholly-owned subsidiary of ITOL has a 90% interest; the initial 50%

interest having been acquired on July 31, 1979. The cash consideration paid for the remaining 50% interest was US \$21.0 million and that subsidiary also assumed certain obligations of US \$5.9 million.

12. Fixed assets

	Depreciation period	Cost or appraised value	Accumulated depreciation	1980 Net	1979 Net
Land and buildings.....	40 years	48.9	3.3	45.6	46.3
Machinery and equipment.....	3 to 25 years	59.8	22.5	37.3	41.0
Aircraft and spares.....	12 years	74.4	18.8	55.6	30.3
		<u>183.1</u>	<u>44.6</u>	<u>138.5</u>	<u>117.6</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 appraisal surplus included above of £8.2 million (1979 – £10.4 million) was merged with retained earnings in accounting for the 1978 reorganization.

13. Long-term debt

	1980	1979
<i>Repayment related to oil and gas sales proceeds:</i>		
Bank loans secured on the related property:		
Corinne Field 1981-1986.....	13.7	6.4
Claymore Field.....	—	8.7
Other secured obligations.....	5.1	2.4
	<u>18.8</u>	<u>17.5</u>
<i>Repayment not related to oil and gas sales proceeds:</i>		
Bank loans – secured 1981-1985.....	0.3	10.0
– unsecured 1981-1986.....	37.5	48.4
Debt to be retired by minimum annual redemptions at a price not exceeding 105% of par		
3% First mortgage debenture stock 1964-1994.....	1.1	1.2
6¾% First mortgage debenture stock 1983-1988.....	1.7	1.7
7¼% Unsecured loan stock 1987-1992.....	0.7	0.8
Other long-term debt – secured 1981-2000.....	6.8	8.8
	<u>48.1</u>	<u>70.9</u>
Total long-term debt.....	66.9	88.4
Less: portion included in current liabilities.....	19.2	28.2
	<u>47.7</u>	<u>60.2</u>
Denominated in:		
Pounds sterling.....	12.8	16.1
US dollars.....	47.3	60.5
Other currencies.....	6.8	11.8
	<u>66.9</u>	<u>88.4</u>

Other secured obligations represent liabilities which will be reduced by future gas deliveries from the Corinne Field.

The 6¾% first mortgage debenture stock 1983-1988 was redeemed in full on March 5, 1981.

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

Interest rates on bank loans vary up to 2% above London inter-bank offered rate or US prime rate.

Long-term debt maturities due in each of the next five years are: £19.2 million in 1981, £10.6 million in 1982, £12.3 million in 1983, £11.5 million in 1984 and £8.2 million in 1985.

14. Deferred income taxes

Deferred income taxes include UK petroleum revenue tax of £67.4 million (1979 – £38.0 million).

No provision has been made for a contingent recapture of UK stock relief of £4.3 million which could arise under existing legislation as a result of a fall in inventory values. However, under the UK Finance Bill 1981, recapture of allowances previously given can only arise from a significant reduction or cessation of the trade of the subsidiaries concerned.

No provision has been made for the potential tax liability of £6.0 million (1979 – £5.5 million) which may arise principally on:

- (a) property appraisal surplus (note 12), as there is no present intention of disposing of the appraised properties;
- (b) realized gains, resulting from the disposal of certain properties, as these gains are deferred under UK rollover provisions.

15. Share capital

Authorized and issued share capital at December 31, 1980:

International Thomson Organisation Limited

Authorized:

149,003,879 preference shares with a par value of 25p each issuable in series

First series:

124,003,879 convertible redeemable preference shares

50,996,121 common shares without par value

1980

1979

Issued:

103,499,623 (1979 – 104,203,201) convertible redeemable preference shares

25.9

26.1

35,825,255 (1979 – 35,121,677) common shares

8.7

8.5

34.6

34.6

Thomson British Holdings Limited

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

Authorized:

149,003,879 convertible redeemable preference shares with a par value of 1p each

50,996,121 common shares with a par value of 1p each (non-voting)

Issued:

103,499,623 (1979 – 104,203,201) convertible redeemable preference shares

1.0

1.0

35,825,255 (1979 – 35,121,677) common shares

0.4

0.4

1.4

1.4

36.0

36.0

During 1980 703,578 convertible redeemable preference shares of each of ITOL and TBH were converted into an equal number of common shares of ITOL and TBH.

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 depository of TBH shares pursuant to a deposit agreement, 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 7). On redemption of an ITOL convertible share, the related TBH convertible share shall be redeemed on the same date at par value.

16. Acquisitions

(a) Warren, Gorham & Lamont, Inc.

On May 29, 1980 a wholly-owned subsidiary of ITOL acquired all the outstanding shares of Warren, Gorham & Lamont, Inc. and certain associated businesses (WGL group) located in Boston and New York for a cash consideration of US \$63.2 million.

The WGL group is a specialized publisher of professional books, newsletters, textbooks and journals, primarily in the fields of tax, law, banking, real estate and accountancy, in the United States.

(b) Other acquisitions

During 1980, a number of businesses was acquired by wholly-owned subsidiaries of ITOL, the majority of such acquisitions being involved in publishing and communications activities predominantly in the United States.

(c) The following is a summary of the foregoing acquisitions which have been accounted for on the purchase basis (millions of pounds sterling):

	WGL group	Other acquisitions	Total
Working capital.....	2.4	0.1	2.5
Fixed assets.....	0.5	1.4	1.9
Publishing rights.....	23.3	5.7	29.0
	<u>26.2</u>	<u>7.2</u>	<u>33.4</u>
Goodwill.....	0.3	7.5	7.8
Cost.....	<u>26.5</u>	<u>14.7</u>	<u>41.2</u>

Allocations relating to certain acquisitions may be subject to adjustment on receipt of reports from independent valuation consultants.

17. Contingencies and commitments

(a) Performance guarantees

Indemnities have been given to banks amounting to £5.0 million (1979 – £ 6.8 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 land and buildings and Boeing 737 aircraft. Certain leases are of a capital nature, the effect of which is not considered material to these financial statements.

Lease payments in 1980 and minimum future payments are as follows: 1980, £9.6 million; 1981, £10.4 million; 1982, £8.9 million; 1983, £7.3 million; 1984, £5.5 million; 1985, £4.7 million; 1986–2010, £52.5 million.

(c) Contingent liabilities

There are 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

	1980	1979
Capital expenditure contracted but no related liability incurred at end of year.....	19.5	32.2
Capital expenditure authorized but not contracted for at end of year.....	43.3	4.3
Share of joint venture capital expenditure program on the North Sea oilfields authorized but no related liability incurred at end of year.....	11.1	25.0
	<u>73.9</u>	<u>61.5</u>

18. Parent company

The parent company is Thomson Equitable Corporation Limited.

19. Comparative figures

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

following the changes in accounting policy for both UK petroleum revenue tax and foreign currency translation losses as described in note 1.

20. Subsequent events

On February 13, 1981 the investment in Times Newspapers Holdings Limited (TNHL) was sold to News International Limited (notes 5 and 6). The results of TNHL have been reclassified as loss from discontinued operations, and the loss on disposal has been accounted for as an extraordinary item in 1980.

On March 31, 1981 the publishing interests of Litton Industries, Inc. were acquired by a wholly-owned subsidiary for a cash consideration of approximately US \$63.0 million. The acquisition has been financed from internal sources.

Principal Interests

THOMSON BRITISH HOLDINGS LIMITED

United Kingdom

Thomson Regional Newspapers Ltd

Regional newspaper publishers

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)
Cardiff Post (free)

The Chester Chronicle and Associated Newspapers Ltd
Chester Chronicle
Chester Mail (free)
Crewe Chronicle
Nantwich Chronicle
Northwich Chronicle
Winsford Chronicle
Middlewich Chronicle
Whitchurch Herald
Ellesmere Port Mail (free)

Evening Post-Echo Ltd
Evening Post-Echo
Evening Post-Echo Plus (free)

Lancashire & Cheshire County Newspapers Ltd
Salford City Reporter
Stockport Express
County Express (free)
Macclesfield Express
Express Extra (free)

The Scotsman Publications Ltd
The Scotsman
Evening News (Edinburgh)

Edinburgh Advertiser Ltd
Edinburgh Advertiser (free)

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)
Lancashire Evening Telegraph
Advertiser (free)

Thames Valley Newspapers Ltd
Evening Post (Reading)
The Advertiser (free)

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

General printing and engraving companies

Aberdeen Journals Ltd
Macclesfield Press Ltd
Highland Printers Ltd
Reading Process Engraving Co Ltd

Newspaper consultants

Thomson International Press
Consultancy Ltd

Retail newsagents

F. J. Glindon Ltd
Mills (North British) Ltd
Ombler and Sons Ltd

Thomson Books Ltd

General trade

Hamish Hamilton Ltd
Hamish Hamilton Children's Books
Elm Tree

Michael Joseph Ltd
Pelham Books
Pears Encyclopaedias

Rainbird Publishing Group Ltd
Albany Books

Reference

Jane's Publishing Company Ltd
Jane's All the World's Aircraft
Jane's Fighting Ships
Jane's Freight Containers
Jane's Infantry Weapons
Jane's Military Communications
Jane's Military Vehicles and Ground Support Equipment
Jane's Surface Skimmers
Jane's Weapons Systems
Jane's World Railways

Paperback

Sphere Books Ltd
Abacus

Distribution

TBL Book Service Ltd

Thomas Nelson & Sons Ltd

Educational publishing

NFER-Nelson Publishing Co Ltd
(50% holding)

Focusgate Ltd
(75.1% holding)

THOMSON BRITISH HOLDINGS LIMITED

United Kingdom

THOMSON INFORMATION SERVICES LTD

Thomson Data Ltd

*Patent information, micropublishing,
legal publishing and data marketing*

Derwent Publications Ltd
(84% holding)

ESDU Marketing Ltd

European Law Centre Ltd

Annual of Industrial Property Law
Commercial Laws of Europe
Common Market Law Reports
Eurolaw Commercial Intelligence
Eurolex
European Commercial Cases
European Human Rights Reports
European Law Digest
Fleet Street Reports
IP Reports from Socialist Countries

Newspaper Archive Developments Ltd

Nexus Communications Ltd

Thomson Directories

(50% partnership)
Local directory publishers

Thomson Magazines Ltd

Business publications

The Accountant
Big Farm Management
Big Farm Weekly
Brewers' Guardian
Brewery Manual
British Clothing Manufacturer
British Journal of Hospital Medicine
Building Conservation
Building Trades Journal
Catering Times
Communications International
Computer Management
Computerworld UK (50%)
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
Export Direction
Fabrics International
Factory Equipment News
Fashion International
F.E.N. Data
Hospital Development
Hospital Equipment & Supplies
Hospital Equipment &
Supplies Product Card

Industrial Energy

Meat
Meat Trades Journal
Men's Wear
Men's Wear Diary and Year Book
New Electronics
Newspaper Report
Packaging Today
Paper Facts & Figures
Penrose Annual
Plant International
Print Buyer
Printing Today
Retail Jeweller
Typesetting Today & Index

**Northwood Conferences and
Seminars Ltd**

Northwood Books Ltd

Glass's Guide Service Ltd
(51% holding)

Consumer publications

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

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

General printing

Withy Grove Press Ltd

Newspaper distribution contractor

Thomson Withy Grove Transport Ltd

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Aircraft charter

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Thomson Scottish Petroleum Ltd

Forestry investment

Thomson Forestry Holdings Ltd
Thomson Scottish Forestry Ltd
Thomson Forestry Ltd

THOMSON BRITISH HOLDINGS LIMITED

United Kingdom

Other Interests

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Welding machines

Computacar Ltd
Motor vehicle sales agents

Thomson Finance Ltd
Financial services

Anglo Appointments Ltd
Employment bureaux

Thomson Land & Properties Ltd
Property investment and development

Associated Companies

Wigham Poland Holdings Ltd
(35% holding)

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(39.1% holding)

Australia

Thomson Australian Holdings Pty Ltd

Publications

Australian Electronics Engineering
Australian Mining
Australian Mining Year Book
Australian Advertising Rate and
Data Service
b&t Advertising, Marketing and
Media Weekly
b&t Year Book

Building Product News
Construction Equipment News
Construction & Road Transport
Cordells Building Publications
Electrical Engineer
Factory Equipment News
Media '81
Mingay's Electrical Suppliers Guide
Mingay's Price Service

Mingay's Retailer & Merchandiser
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Tenders
Thomson's Electronic Data Book
Thomson's Liquor Guide

Thomas Nelson Australia Pty Ltd

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Publishing

GERMANY

Bertelsmann-Thomson Fachverlag GmbH
(44.8% holding)

FRANCE

Editions Professionnelles Glass France
SARL
(51% holding)

HOLLAND

Thomson Publications (Europe) BV

DENMARK

Mostrups Forlag A/S
Thomson Communications
(Scandinavia) A/S

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Informasjonsforlaget A/S

HONG KONG

Thomas Nelson (Hong Kong) Ltd

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Hotels - In Spain, Italy and Malta

South Africa

Thomson Publications SA (Pty) Ltd

Publications

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Company Car
Computing SA
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Electrical Engineer
Electronics & Instrumentation
Food Industries of South Africa
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Materials Handling News

Mining Week
Motor World
New Equipment News
Pack & Print
Plastics & Rubber News
Power & Plant in Southern Africa
Professional Caterer
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Railways
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Shoes & Views
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South African Hardware

South African Industrial Week
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South African Mining and
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PDR for Radiology & Nuclear Medicine
Nursing Opportunities
Clinical Laboratory Reference
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International Thomson Educational Publishing Inc

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Banking Law Journal
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Brady on Bank Checks
National Aeronautical Institute publications

THOMSON TRAVEL INC

Travel and leisure

Package tours and travel retailing

Thomson Vacations Inc

Unitours Inc

Club Universe

Arthurs Travel Inc

THOMSON PETROLEUM HOLDINGS, INC

Natural resources

Oil and gas development

Thomson Petroleum, Inc

(holding with Thomson Petroleum Holdings, Inc a 90% interest in Thomson-Monteith, a partnership with oil and gas interests)

Timberland investments

Thomson Forestry, Inc

INTERNATIONAL THOMSON ORGANISATION LIMITED

Canada

Nelson Canada Ltd

Educational publishing

Thomson Petroleum Division
(holding a 50% interest in Nelson-Star, a joint venture with oil and gas interests)

Richard De Boo Ltd
(50% holding)

Thomson International Corporation Ltd
(TICL) (25% holding)
Kraus-Thomson Organization Ltd
(51% holding by TICL)

Helicopters are the constant link between North Sea oil platforms and the UK coast. Here (right) is a helicopter pilot's view of a landing pad on one of our Consortium's oil platforms, surrounded by inhospitable waves.

