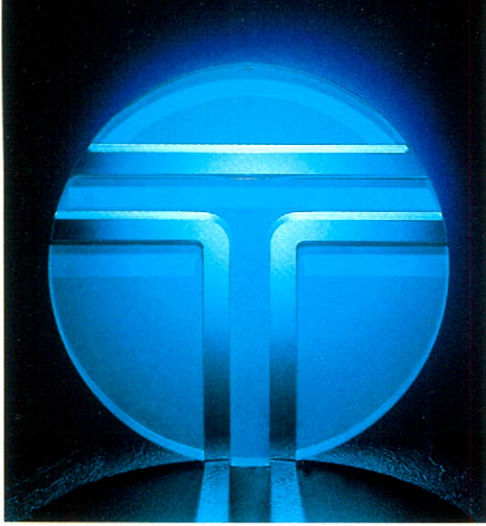


INTERNATIONAL  
THOMSON  
ORGANISATION  
LIMITED

ANNUAL  
REPORT  
1988



## CONTENTS

1	RESULTS AT A GLANCE
3	REPORT TO SHAREHOLDERS
8	REPORT ON OPERATIONS
8	<i>Information and Publishing</i>
22	<i>Leisure Travel</i>
30	MAJOR BUSINESSES AND PRODUCTS
33	FINANCIAL INFORMATION
48	BOARD OF DIRECTORS, VICE PRESIDENTS

*International Thomson is a leading information and publishing and leisure travel company. We believe that these sectors provide us with sufficient opportunity to grow and prosper. We operate primarily in the United Kingdom and North America.*

*The Group is entrepreneurial by tradition and is characterized by a decentralized style of management. We shall develop by enhancing and expanding our existing interests, through active product development programs, and by acquiring other suitable businesses, concentrating on high quality products in strong or growing markets. We seek leading positions and our philosophy favours the longer term when this conflicts with maximizing short term profitability.*

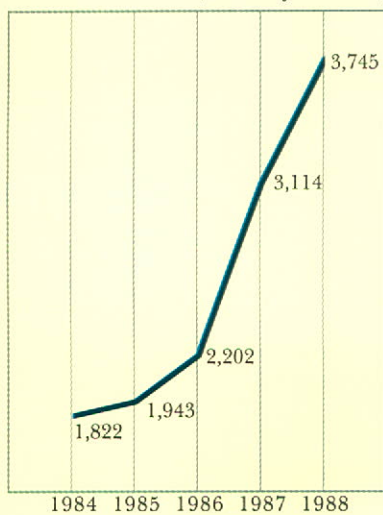
*Some 75% of the common shares of International Thomson is owned by the Thomson family. The balance is owned by institutional and individual investors primarily in North America and the United Kingdom, and the shares are listed on the Toronto and London stock exchanges.*

## Results at a Glance

(millions of US dollars except per share amounts)

	1988	1987
<b>Sales</b>		
Information and publishing	1,698	1,418
Leisure travel	2,047	1,696
	<b>3,745</b>	<b>3,114</b>
<b>Operating profit</b>		
Information and publishing	265	212
Leisure travel	60	46
	<b>325</b>	<b>258</b>
<b>Earnings attributable to common shares</b>		
From continuing operations	173	130
From discontinued oil and gas operations	56	55
	<b>229</b>	<b>185</b>
<b>Earnings per common share (cents)</b>		
From continuing operations	59.1	44.4
From discontinued oil and gas operations	19.1	18.8
	<b>78.2</b>	<b>63.2</b>
<b>Dividends per common share (cents)</b>	<b>22.0</b>	<b>20.0</b>

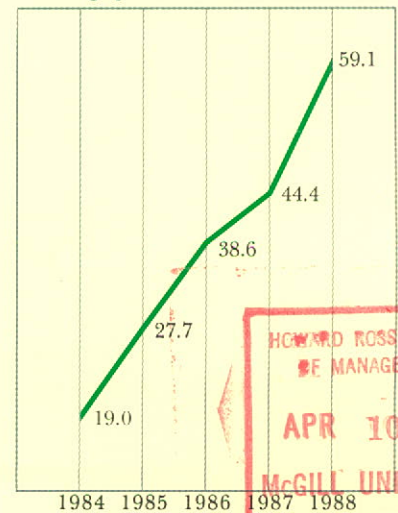
**Sales\*** (millions of US dollars)



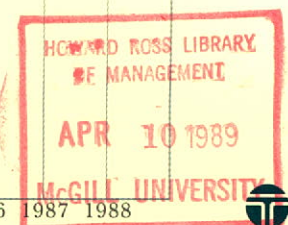
**Operating profit\*** (millions of US dollars)



**Earnings per common share\*** (cents)



(\* from continuing operations)









The Group's information and publishing and leisure travel activities made further substantial progress in 1988 and they will continue to be the focus of our business and development efforts. Inevitably, however, the year was overshadowed by the tragic accident on the Piper Alpha platform in the North Sea.

### **REVIEW OF THE YEAR**

#### **INFORMATION AND PUBLISHING**

In information and publishing, we achieved another significant improvement in operating profit. New product development programs continued at a high level and we spent nearly \$200 million on 25 acquisitions, all closely related to our existing businesses.

In UK regional newspapers, a considerable reduction in the cost base in recent years has provided the opportunity for a major switch in emphasis to development and growth. Two important acquisitions were made and many new publications – including Sunday newspapers in Scotland and Northern Ireland – were successfully launched, creating over 400 new jobs. Our other UK-managed publishing activities – principally in the professional, business and educational areas – had another outstanding year, being further strengthened by additional acquisitions and, at the same time, becoming more clearly focused as a result of the sale of our consumer magazine interests.

In our North American-managed businesses, education and library reference publishing enjoyed a very good year and further progress was made in developing a more cohesive group, as well as in creating better international marketing programs. Our financial services information group had another satisfactory year despite difficult market conditions, demonstrating the value of having products of high quality and utility to users in strong market positions. In business information, both medical and automotive publishing had excellent years with improved profitability and gains in market share, but other business information markets were difficult and our results

were disappointing. For the professional publishing group, 1988 was largely a year for consolidation and assimilation of recent acquisitions while, at the same time, continuing an aggressive policy of new product development.

#### **LEISURE TRAVEL**

Profits of the leisure travel group, including interest, were \$92 million compared with \$70 million in 1987. This was a very creditable achievement against a background of difficult trading conditions during the summer season. The highlight of the year was the acquisition of Horizon Travel, a company with a well-established reputation for quality. In tour operating, a slow start to sales of the summer programs, partly due to aggressive pricing by a major competitor, resulted in the combined total of Thomson Holidays' and Portland Holidays' passengers for the year of 3.6 million being marginally down on 1987. However, both companies improved their position as the year progressed and finished strongly. Quality levels, as measured from questionnaires completed by clients, were above those recorded in 1987, despite lengthy air traffic control delays in the peak summer months. Britannia Airways again achieved record profits, and took delivery of a further two Boeing 767-200 aircraft and placed orders for another eight. Lunn Poly increased its number of shops from 351 to 509 and, as a result, became the market leader in the retailing of air inclusive tours. We completed our disengagement from leisure travel in North America, having concluded that it was unlikely to reach a size that could provide a worthwhile balance to our UK leisure travel business.

#### **OIL AND GAS**

Following the Piper accident and the consequent need to redevelop the Piper field, we undertook a strategic review of our involvement in oil and gas and concluded that we should offer our interests for sale. The Group first entered the oil and gas business in 1971 when it joined the Occidental consortium, which subsequently discovered

*Lord Thomson, Chairman of International Thomson Organisation Limited (right) in discussion with Michael Brown, President, at the Group's New York offices*





and developed the major Piper and Claymore oil fields. At its peak in 1982, oil and gas contributed about three-quarters of the Group's operating profit and, over the years, has made a significant contribution towards financing the expansion of all our businesses.

However, despite our participation in a further two producing oil fields, the progressive depletion of Piper and Claymore led to declining production which, when combined with lower prices, resulted in a considerably reduced profit contribution to the Group. Even with continued production from existing fields and further potential developments, oil and gas was unlikely again to provide a significant proportion of our earnings unless we incurred further substantial outlays. Information and publishing and leisure travel are our core businesses and we thus concluded that we should seek alternative qualified owners for our oil and gas interests. This was a most difficult decision, not least because of the close personal relationships established over many years.

The sale to Lasmø North Sea PLC (LASMØ) was completed on March 6, 1989. The cash consideration was \$616 million and the estimated net gain on the sale is \$475 million. We are pleased that a British company was the successful buyer and that LASMØ has offered career opportunities to most of the staff. We are immensely grateful to Joe Darby, Chief Executive of the oil and gas group, and to his team for their dedication. They made a major contribution to the Group and we wish them every success in the future.

### **FINANCIAL**

As a result of the sale of the Group's North Sea oil and gas interests, their results are shown separately as earnings from discontinued operations in the consolidated statement of earnings. Prior years' results have been reclassified to conform with the current year's presentation.

Sales from continuing operations were \$3,745 million, compared with \$3,114 million in 1987. Information and publishing

sales increased by 19.7% to \$1,698 million, and leisure travel sales by 20.7% to \$2,047 million.

Earnings attributable to common shares from continuing operations were \$173 million, compared with \$130 million in 1987. Earnings from discontinued oil and gas operations were \$56 million, compared with \$55 million in 1987. Following the accident on the Piper platform in early July, all production from the Piper, Claymore and Scapa oil fields, as well as tariffing income, ceased. The insurance proceeds, net of taxes, received in respect of the Group's share of the loss of the Piper platform are included in earnings from discontinued oil and gas operations. Net earnings were \$229 million, compared with \$185 million in 1987, an increase of 23.8%.

Earnings per common share from continuing operations were 59.1 cents, compared with 44.4 cents in 1987. Including discontinued oil and gas operations, net earnings per common share were 78.2 cents, compared with 63.2 cents. Dividends declared in 1988 totalled 22.0 cents per common share, compared with 20.0 cents per common share declared in 1987.

Net interest expense and other financing costs were \$45 million, compared with \$19 million in 1987. The increase principally reflects spending on acquisitions in both 1987 and 1988.

Information and publishing contributed 81.5% of the Group's total operating profit from continuing operations. Operating profit from our North American information and publishing companies rose from \$141 million to \$162 million, an increase of 14.9%; and from our UK, other European and Australian companies combined, from \$71 million to \$103 million, an increase of 45.1%. Overall, information and publishing's operating margin increased from 15.0% to 15.6%. Operating profit from leisure travel increased by 30.4% to \$60 million.

Capital expenditures totalled \$313 million, principally \$109 million in information and publishing and \$194 million in leisure travel, the latter mainly for additions





to aircraft and spares. These included two Boeing 767 aircraft acquired under capital leases. During the year six Boeing 737-200 aircraft were sold for \$55 million and leased back under operating leases. \$327 million was spent on acquisitions, of which \$197 million was for information and publishing businesses and \$130 million for leisure travel of which \$128 million was for the Horizon Travel Group.

During 1988 an order was placed for eight Boeing 767-200 aircraft for delivery in the period 1990 to 1993.

Long-term debt and aircraft lease obligations increased by a net \$42 million to \$647 million. Cash and short-term investments at the year-end were \$137 million, a reduction of \$175 million, principally reflecting spending on acquisitions. After the year-end, the Group raised \$105 million on the Eurobond market. The proceeds were used to repay bank debt and to increase cash resources for possible future acquisitions.

#### **MANAGEMENT AND STAFF**

John Davis was appointed President and Chief Executive Officer of International Thomson Publishing, our North American-managed book publishing and library services group, in succession to Don Schaefer who became non-executive Chairman; and Bob Hall replaced Peter Shipman as Chairman and Chief Executive Officer of International Thomson Financial Services. Peter Shipman is staying with the Group to develop a new information and publishing business.

On March 1, 1989 Paul Brett was appointed Chief Executive, Thomson Travel, and a Vice President of International Thomson Organisation Limited, in succession to Roger Davies. Previously, Paul Brett had successively held the positions of managing director of Portland Holidays, Lunn Poly, Thomson Holidays and Thomson Travel. Under Roger Davies' leadership since 1982, Thomson Travel has become the leading group of its kind in the world. We are very sorry to lose his full-time involvement with the Group and we are delighted that he is staying on as non-

executive Chairman of Thomson Travel. Derek Davison, Chairman of Britannia Airways and one of its founding directors, retired after 26 years service. We thank him for his great contribution to the development of the airline and we are pleased that Thomson Travel will continue to benefit from his advice.

We are grateful for the dedication and hard work of all our management and staff throughout the year and, in the case of the oil and gas and leisure travel groups, at times under very trying circumstances.

We enjoyed another year of management stability enabling us further to build executives' confidence and experience at all levels. Although they are fully stretched, we believe that the Group has never been stronger managerially. Our operating groups provide strong and positive leadership and we communicate extensively our policies and priorities. We have progressively upgraded our salary and incentive programs and the Group is regarded as an attractive business to work for and has more than its fair share of good up-and-coming executives. However, a key issue for us remains the depth of experienced senior management, and much work therefore continues on enhancing our executive development programs.

#### **STRATEGY AND OUTLOOK**

With the sale of our UK oil and gas interests and our US travel activities, we are now focused on information and publishing in developed economies, principally North America and the UK, and on leisure travel based in the UK. These are attractive, expanding marketplaces, which will continue to provide us with ample opportunities to grow. We have long emphasized our wish to have a quality business, based on strong leadership positions, to provide consistent revenue and profit growth, and good cash flows. The Group now conforms to these criteria.

#### **INFORMATION AND PUBLISHING**

This group has shown considerable growth in recent years and is now one of the leading





specialized information and publishing groups in the world. Sales have doubled since 1983 and margins improved from 5.3% to 15.6% and, as a result, operating profits have increased almost six-fold. We continue to pursue tactical acquisitions and our new product development and marketing programs are running at record levels. Further, in 1989 and 1990 we shall be spending \$200 million on re-equipping our regional newspapers with the very latest presses and, in our information companies, on "state-of-the-art" delivery systems including satellite, fibre optic lines and CD-ROM. We are determined that these production and delivery systems will rank second to none.

In addition, for the future, it is our policy not to accept erosions of our circulation or subscriber bases. This will require that real price increases reflect additional value added; that we spend even more heavily on marketing; and that we improve customer service still further. While we anticipate that our policies here may constrain margins to an extent, we believe they will give us stronger market positions and profits in the medium and longer term and, ultimately, a larger and more valuable business.

Our major thrust will thus be directed to raising the rate of growth of our revenues, while at least maintaining margins, and we believe this is achievable. In addition, we are continually exploring new, logical dimensions for the Group and we will be taking special interest in the challenges and opportunities presented by the moves towards greater co-operation in Europe after 1992.

While we remain acquisitive and have the resources to buy selectively other attractive strategic businesses of quality, we have not built our plans around acquisitions which are, by their nature, largely opportunistic. Further, a considerable concentration of ownership in the information and publishing field has already taken place in both the UK and North America, and this may limit acquisition opportunities - certainly the competition for quality businesses has become intense. Organic development of

new products is therefore vital to our continuing growth.

Based on our strong record over several years, we are confident of a successful future for the information and publishing group.

#### LEISURE TRAVEL

The growth strategy we have followed in recent years in leisure travel in the UK has led to a substantial increase in the scale of our business. The number of air inclusive tours sold has more than trebled since 1983 to reach 4.0 million in 1988. Britannia Airways had a year-end capacity of almost 6,500 seats, compared with approximately 3,500 seats at the end of 1983. In travel retailing, Lunn Poly now has 509 shops, compared with only 65 at the end of 1983. In total, revenue has risen from \$0.7 billion in 1983 to over \$2.0 billion in 1988 and we have 9,500 employees, compared with 4,500 in 1983.

Much of this growth has been generated organically, through offering greater numbers and varieties of inclusive tours at keen prices, while maintaining our high quality; by adding new aircraft to the fleet; and by opening new shops. The purchase of Horizon Travel is the only sizable business acquisition we have made since we first entered the leisure travel industry more than twenty years ago and, along with organic growth, has enabled us largely to achieve our non-financial objectives.

During this period of rapid growth, the leisure travel group has generated acceptable profits. However, margins have declined overall, and quite sharply in our tour operating companies to the point where these are virtually at break-even. We shall now be seeking more normalized growth in revenues, in line with the market, but without, of course, missing opportunities. We shall be placing even greater emphasis on efficiency, on manageability and especially on profitability. In addition, we face challenges in upgrading our computer systems and organizational structure to ensure that we capitalize on our substantial volume and revenue base.



While it is not possible to predict the future pattern of profit margins, and the market remains intensely competitive, we do see scope for significant improvement, and leisure travel remains a substantial generator of cash. We have made great progress in increasing our size and in strengthening our position in what we expect will remain a growing marketplace. Its character and needs will no doubt continue to change, but we have the capability to adapt and to differentiate our products. Thus, we remain confident that, in the future, we can increase leisure travel's contribution to Group profits.

#### GROUP

Overall, we enjoy a solid financial position. We have sound business bases and we are

more clearly focused than ever; we serve growing markets where we are now often the leader; our product quality is continually improving; and our competitiveness is sharper than ever before. We have demonstrated our determination to spend heavily to enhance and to relaunch products; to create a greater volume of new products; to make tactical acquisitions; and to bid aggressively for major strategic prospects of exceptional quality. All this forms the foundation of our future growth and good prospects and there is justifiable confidence and optimism throughout the Group.



Thomson of Fleet  
*Chairman*



Michael Brown  
*President*

*On pages 8 to 29 the Report on Operations deals with our interests in information and publishing and leisure travel in more detail.*





*Robert Jachino, Chief Executive Officer, Information and Publishing Group is also Executive Vice President of International Thomson Organisation Limited*

*The information and publishing group seeks to develop, through organic growth and acquisition, a worldwide group of highly profitable, autonomous and quality companies, recognized as leading providers of specialized information services and publications.*



## *Report on Operations*

### INFORMATION AND PUBLISHING

*For the information and publishing group, 1988 was a year of further substantial growth in both sales and profits, and excellent cash flows were generated. With over 50 principal profit centres, inevitably some businesses performed better than others, but we had few disappointments and, where these existed, steps have been taken to improve performance.*

*We have strong, established businesses with a good spread of activities throughout the marketplaces and geographical locations we serve. In addition, we have developed an experienced management group and we are now able to make most senior appointments internally.*

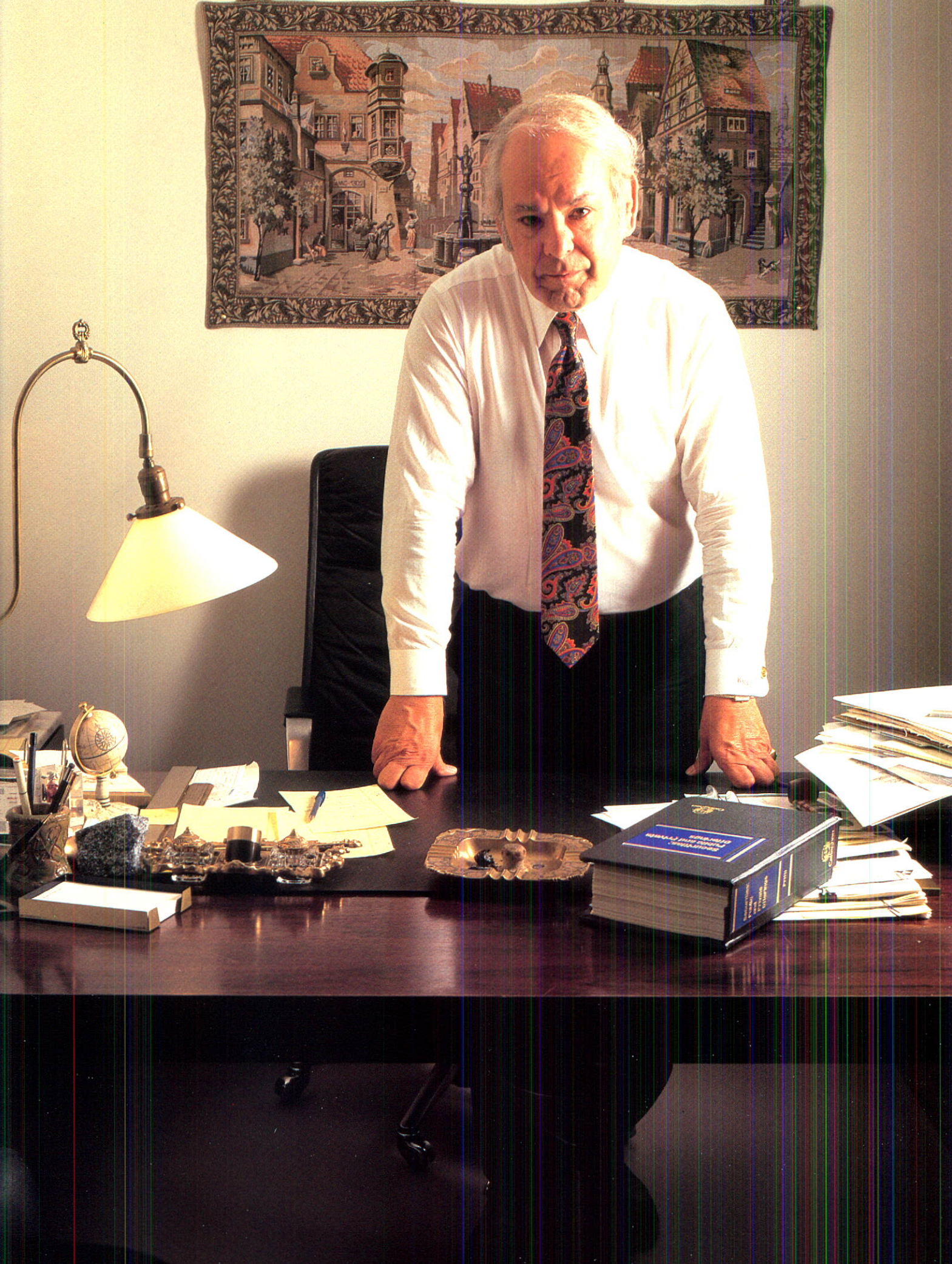
*Our prime objective is to optimize the potential of our existing businesses. To this end, we invest substantial sums to relaunch and enhance existing products to meet changing customer needs; to improve marketing; and to sustain active new product development programs. Our companies are being encouraged to look for larger projects that meet our criteria. These may be higher risk, but offer greater potential returns and we now have the management capability to handle an increasing number of such projects.*

*While size of itself is not a strategic objective, we remain expansionist within our agreed criteria and aims. Accordingly, we shall continue to pursue actively tactical acquisitions closely related to our existing businesses and, selectively, strategic acquisitions which take us into new areas. Backed by a consistent record of success in recent years, we are confident that the information and publishing group will continue to grow and prosper.*

*Information and publishing comprises six largely autonomous groups; four operate primarily in North America and two are managed from the UK and operate mainly in Europe and Australia. The specialized book group contributed approximately 23% of information and publishing operating profit and the contributions from the other five groups were each within the range of 13% to 18% of the total. These groups are described more fully on pages 10 to 21.*









At the Colgate-Palmolive Company, New York, Thomas J Corum (right), General Counsel Attorney, Trademarks and Richard Taylor, Senior Trademark Attorney, rely on Thomson & Thomson products including trademark research reports and "Trademark Alert"



## INFORMATION AND PUBLISHING

### **INTERNATIONAL THOMSON PROFESSIONAL PUBLISHING**

All companies in International Thomson Professional Publishing (ITPP) serve the legal profession and, in addition, address professionals mainly in the fields of accounting, banking and financial services, computing, real estate, business, engineering, trademark and copyright research, and in non-profit organizations. For ITPP, 1988 was a year of strong growth in both sales and profits.

Warren, Gorham & Lamont (WG&L), the most diversified company in ITPP, performed strongly. Exceptional results were achieved by three of its subsidiaries: CPAid, a tax and accounting software publisher; Practitioners Publishing Company, an accounting and tax publisher; and Sheshunoff Information Services, a banking and financial services publisher. Sheshunoff, which joined WG&L in March 1988, has fully lived up to our high expectations. New product development was sustained at a high level with WG&L companies in total publishing more than 50 new products.

Callaghan & Company made progress in most aspects of its business following a disappointing 1987. In new product development, the company enjoyed a successful year, releasing 18 new publications including multi-volume sets and important additions to the tax and commercial law product lists. In addition, marketing has been reorganized with the aim of optimizing the efforts of all the various sales channels.

Clark Boardman Company has an outstanding record of successive years of sales and profit growth, and 1988 was no excep-

*William M Prifti, JD, counsellor at law to Ravech, Aronson & Schuman PC, of Boston, Mass, is the author and a frequent user of Callaghan & Company's 'Securities: Public and Private Offerings', which is relied upon by thousands of lawyers across the US as a basic text on the issuance of securities*

tion. The company introduced 16 new products, further strengthening its major product lines in securities, intellectual property, environmental and criminal law. One of these new titles, 'Sentencing Defense Manual' was named "Most Outstanding Book in Legal and Accounting Practice" by the Association of American Publishers. At the Taft Group, publishers of directories and newsletters for non-profit organizations, delayed and cancelled publications had an adverse impact on performance.

In Canada, Richard De Boo Publishers enjoyed another year of increased sales and profit. The company continued to add to its legal reference list of books and services and also increased the number of titles offered to the academic and business communities. Payroll administration courses and seminars made a significant contribution to the company's growth. The Carswell Company had its most profitable year ever, and is proving to be the dynamic company we anticipated when it joined ITPP. Eleven new loose-leaf services, two journals, one newsletter and 23 books were launched during the year. While lawyers still provide Carswell's largest market, strong entries have been made into other professional areas such as health administration, nursing management and pension planning, and into the general business market.

Thomson Information Resources, a newly named grouping which embraces ITPP's trademark and copyright research interests, enjoyed a year of solid growth. Thomson & Thomson's strongest performance came in its newly acquired copyright and title research subsidiary, and in its on-line trademark databases. The company introduced an automated design search facility providing computerized searching of over 300,000 registered trademark images and logos - an industry first. Compu-Mark US, based in Washington, achieved growth in both its international and on-line trademark searching and added the West German trademark database on-line. Compu-Mark Europe, based in Antwerp, has positioned itself for aggressive development in the run up to 1992.

All ITPP companies are continuing to look for improvements in operating efficiency. While competition is still increasing, the complexity of the fields served and the accelerating pace of change is expected to continue to provide further opportunities for profitable growth.









*Fred J Wagner, Jr, Material Damage Manager of Government Employees Insurance Company, Washington, DC, assesses a damaged vehicle using the Mitchellmatix portable data entry computer. A host computer translates the data to provide an industry-standard collision repair estimate*



## INFORMATION AND PUBLISHING

### **INTERNATIONAL THOMSON BUSINESS INFORMATION**

International Thomson Business Information (ITBI) is a leading North American publisher of business and professional magazines, directories and other information services. Although both sales and profits were modestly higher than in 1987, the year, overall, was a mixed one for ITBI. Medical Economics Company and Mitchell International, its two largest companies, achieved major advances, but elsewhere markets were difficult and performance variable. Late in the year, the industrial publications were sold because they were unable to meet the group's product and financial criteria.

Medical Economics Company's publications serving physicians and physicians' specialties strengthened their positions still further by increasing market share. 'Physicians' Desk Reference' again exceeded our expectations and the first edition of its companion product, 'Drug Interactions and Side Effects Index', sold over 38,000 copies. Business & Health, which serves corporate needs for information on healthcare economics as it relates to employee benefits, joined the Medical Economics group. American Health Consultants successfully introduced seven newsletters, bringing the total to 43 at the year-end, and 11 audiocassette series. 'Medical Laboratory Observer' is the dominant magazine serving the clinical laboratory market but, because of continuing weak trading conditions, its companion magazine, 'Medical Laboratory Products', ceased publication.

Mitchell International, with its

strengthened management and marketing capability, had an active year of new product development and exceeded our best expectations for both sales and profit. Mitchellmatix, the electronic collision estimating system, was significantly enhanced and excellent progress was made in the development of 'ON DEMAND', an electronic version of the Mitchell directories for use in repair shops that use microcomputers. Mitchell has also begun a program to streamline and enhance its reference directories. Digitree Systems was acquired to establish a base in auto body shops that use computerized management systems, and will also provide an opening for some of the Mitchellmatix technology. After the year-end, Mitchell was also joined by KLM Automotive Publishing, the leading provider of vehicle dimension information for the collision repair industry, and of training programs on hazardous materials. From the beginning of 1989, Ward's Communications, our magazine, newsletter and statistical information provider to both new car dealers and automotive original equipment manufacturers, joined Mitchell International to form the base of a major information company serving the wider needs of the automotive industry.

Retail Press had a very difficult year, experiencing extraordinarily strong competition in a number of its marketplaces. During the year, senior management was reorganized and all publications were critically examined to improve editorial quality and graphics. Two publications were completely reformatted and another, 'Video Business', was successfully relaunched with weekly rather than monthly frequency. Our two cable television magazines, now part of Retail Press, performed satisfactorily.

Transport Press had a reasonable year in the railway segment of its marketplace and the west coast shipping publications continue to thrive. The east coast shipping marketplace, however, was depressed and this was reflected in the performance of our publication service. Under new leadership, Transport Press is now focusing on new product development.

1989 will be a challenging year for each of the companies in the group, but we have never had stronger senior management to meet the challenges and to take advantage of the opportunities that our existing marketplaces continue to provide.

*June Hershey-Hannan, RN, a clinical nurse at the Post Anesthesia Unit of the Memorial Sloan-Kettering Cancer Center, New York, checks appearances of drug capsules using Medical Economics Company's compendium of drug information, 'Physicians' Desk Reference', in its newly released optical disc form for personal computer access*

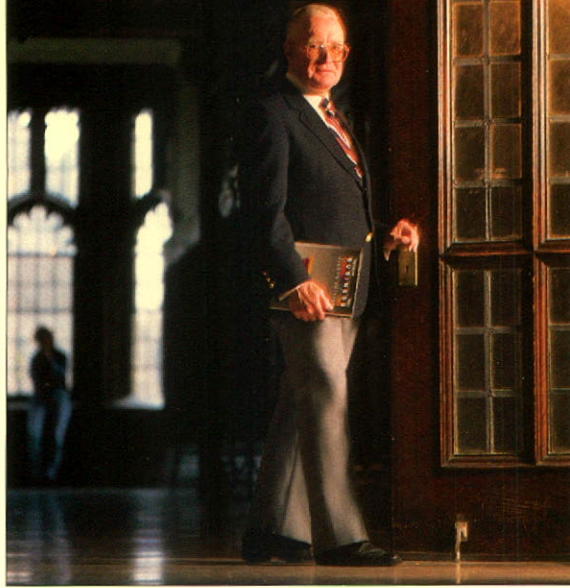








Professor Daniel L. McCue, Jr., Associate Professor of English at Boston College, uses Himstreet and Baty's market leader 'Classic Business Communications, Eighth Edition' as a basic class textbook, in his Business Writing Workshop. Himstreet and Baty is published by PWS/Kent



## INFORMATION AND PUBLISHING

### INTERNATIONAL THOMSON PUBLISHING

International Thomson Publishing (ITP) comprises two distinct groups, both operating internationally. The book group publishes quality books and other material for selected educational, occupational and professional markets; and the library services group provides information products and services to libraries. 1988 was a successful year for ITP with sales, profit and particularly cash generation exceeding our expectations.

The US college publishing companies had an especially good year led by Wadsworth, where organic growth was supplemented by the acquisition of The Dorsey Press, publishers of high quality titles in the social and behavioral sciences, and a list of accounting books.

South-Western Publishing Co, the leading business education publisher, further strengthened its position in high schools and colleges, but its training division was not successful and had to be closed. In professional/reference publishing, Van Nostrand Reinhold accelerated its new product development programs, more than doubling the number of new signings, and expanded its professional architecture list with the acquisition of PDA Publishing, which specializes in landscape architecture titles. In vocational/technical publishing, Delmar Publishers had another exciting year and, after the year-end, acquired Milady Publishing Corporation, the leading cosmetology publisher in North America.

Late in the year, the activities of Linguis-

tics International were reorganized within ITP, with the objective of accelerating development in their respective markets. The foreign language and English as a second language (ESL) titles for high school, college and adult learners were transferred to Wadsworth, and the data processing list to South-Western.

The Nelson group of school publishers, operating in Canada, the UK and Australia, exceeded their plans. Recent heavy investment in new product development is now paying off in Nelson Canada which, along with Thomas Nelson Australia, also benefited from the addition of the Methuen education lists early in 1988. The Unwin-Hyman ESL titles were acquired by Thomas Nelson (UK).

In library reference publishing, Gale Research returned to its historic growth path after a difficult 1987 and further strengthened its list with the acquisitions of St James Press, publishers of quality library reference works on literature and fine arts; 'Who's Who Among Black Americans', a unique database containing the most comprehensive listing available today of leading black Americans; and 'The Video Sourcebook', the premier video database available in the US.

Research Publications, a leading worldwide micropublisher, had another good year with sales especially strong in North America.

With a new senior management group in place, UTLAS International made further significant progress in building a leading position in automated library systems. Its recent new product initiatives are gaining increasing acceptance in the marketplace.

Good progress was made in the marketing of the group's titles internationally both by channelling products through the strongest and best located sales forces and with a program to launch international student editions of selected major titles.

Continued heavy investment in new product development and strengthened marketing, supplemented by the benefits from fold-in acquisitions, give ITP every assurance of continuing sales and profit growth.

On Governors Island, New York, a Pollution Response Team from the Captain of the Port, United States Coast Guard, prepares for action. Van Nostrand Reinhold's 'Dangerous Properties of Industrial Materials, Seventh Edition' is an essential reference in the work of (left to right) Petty Officers Clarke F Cate, Stuart Liebowitz and Adam W Labonte









**INTERNATIONAL THOMSON  
FINANCIAL SERVICES**

International Thomson Financial Services (ITFS), formerly InFiNet, provides a wide range of financial information services to the professional financial community worldwide. Despite very challenging market conditions following the October 1987 stock market crash, each ITFS company achieved higher sales than in 1987. This fine performance is attributable to the "have-to-have" nature of ITFS' products, as well as to an aggressive marketing and support effort to communicate to customers their productivity-enhancing features. Overall, both sales and profit were substantially higher than in the previous year.

American Banker/Bond Buyer enjoyed strong growth in new newsletters and in Munifacts Plus, but advertising revenues in the newspapers were lower than anticipated. A restructuring of the business to position it for more aggressive growth in its markets has been implemented. Early in 1989, American Banker/Bond Buyer further enhanced the quality and depth of its banking coverage with the acquisition of two leading publications, 'Southern Banker' and 'Journal of Retail Banking'.

AutEx Systems achieved further growth in its basic Trading Information System (TIS) and in the Alert settlement system, and introduced AutEx II, a personal computer-based version of TIS. Unfortunately, due to the significantly reduced level of trading activity in the London market, the AutEx service launched in the UK in 1987 had to be closed.

Technical Data International (TDI) had an outstanding year with substantial increases in both sales and profit. Major new business investment was undertaken in the on-line multiple database search area; in the start-up of First Call International; and in the introduction of Atlas, a new international fixed income product. The US First Call service expanded significantly during the year, adding a number of key research information providers. The top twenty re-

search providers in the US securities industry now supply information to First Call.

Late in the year, AutEx and TDI were merged into a single operation to be known as Thomson Financial Network, combining support services where appropriate and providing a clearer product and marketing focus.

For CDA Investment Technologies, a provider of information on equity holdings and transactions and of databases on portfolio analysis and performance measurement, market conditions made growth very difficult. Nevertheless, with a significant investment in marketing activity, both sales and profit were above their 1987 levels.

Securities Data Company, a disseminator of information on new securities and debt issues which joined ITFS early in 1988, implemented the conversion of its service on to a new computer system and relocated to New Jersey. During this complex process, both sales and profit were maintained and the company is now poised for significant growth in 1989.

ILX Systems is a new venture which is concentrating on providing complete and full-feature market data services from all markets, delivered on personal computers at lower cost than existing limited-feature services. Substantial investment in 1988, and again this year, is expected to produce a major profit contribution in the years ahead.

ITFS' dedicated telecommunications network is now operational. It is being implemented initially to support the ILX service and will provide a more flexible and reliable delivery system for other ITFS services as well as for other group companies.

1989 is expected to be another exacting year for the financial community generally, but ITFS' investment in high utility new products and in marketing will ensure its continued success.

*The AutEx Trading Information System (blue screen) in use in the institutional trading room of Neuberger & Berman, New York City. Left to right, Angelo J LaBrocca (trader); Susan J Strasser (trader); and Alan L Jacobs (partner). AutEx's on-line service simplifies institutional block trading of securities and serves some 1,000 brokers and institutional investors*









Major General Leslie Busk,  
Director of the British Army  
Air Corps, in front of the  
new Westland Lynx AH7  
helicopter, details of which  
first appeared in the latest  
edition of Jane's 'All the  
World's Aircraft'



## INFORMATION AND PUBLISHING

### THOMSON INFORMATION SERVICES LIMITED

Thomson Information Services Limited (TISL) embraces most of the Group's non-newspaper information and publishing interests outside North America. 1988 was a year of further substantial sales and profit growth, and nine acquisitions were made. In addition, TISL disposed of its consumer magazine interests giving it a clearer focus.

The professional publishing companies in the UK and Australia had a good year with total subscription numbers showing healthy increases for all companies. Sweet & Maxwell published the 43rd edition of 'Archbold: Criminal Pleadings' and the 18th edition of 'MacGregor on Damages'. 'Police Review' earned record profits and W Green & Son in Edinburgh also had a successful year. Despite difficult market conditions, International Financing Review increased the circulations of its two major magazines and doubled its profits. Professional Publishing launched seven new loose-leaf titles including two successful factbooks and the two volume 'Strategic Tax Planning'. The Law Book Company in Australia had an extremely successful first full year within TISL and introduced the third edition of 'Australian Digest'.

Derwent Publications introduced 'Markush DARC', the world's first graphic database system for the input, storage and retrieval of chemical compounds. This major development will enable customers to search Derwent's patents databases more effectively. For the third time, Derwent won the Queen's Award for Export Achievement.

In business publishing and information

services, all units achieved increases in both sales and profits. With three new launches and five acquisitions, UK business magazines now has a major presence in the media, building/construction and retail business magazine marketplaces. Glenigan made an important acquisition to increase its market position as the leading provider of sales leads information services to the building and construction industry. Glass's Guide Service (51% owned), in the UK and Australia, showed the benefits of an enhanced marketing program by significantly increasing subscribers to its various services. In Scandinavia, we expanded into the provision of information services to the building and construction industries in Norway, Sweden and Finland. Our Danish companies showed continuing growth, particularly in legal and credit information. In Thomson Publications Australia, Trade Press performed strongly and Cordell introduced a range of new services and launched new exhibitions.

Jane's Information Group had a very active year including moving and consolidating offices in the UK, US and Switzerland. 'Interavia Aerospace Review' and 'International Defense Review', both acquired in 1987, were relaunched and five new year-books as well as 'Soviet High Command' were introduced. 'Jane's Defence Weekly' performed very successfully with strong profit growth and increased market leadership.

Thomson Directories (50% owned) continued to grow strongly and launched a new directory in Aylesbury, as well as expanding the circulations of several directories in the south-west. Additionally, a number of marketing innovations were successfully tested.

Our UK-based scientific and academic publishing interests, Routledge, Chapman and Hall, had a successful first year within TISL, publishing over 800 new titles. Baden Market Monitor Reports was acquired, increasing the company's range of building materials pricing services.

International Thomson Publishing Services was established to provide distribution, financial, data processing and subscription services in support of TISL's book, journal and loose-leaf publishers.

Across the TISL companies there is an ever increasing focus on fully serving the needs of the customer. 1989 is expected to provide yet another year of strong growth in new product creation, sales and profits.

James Morton, a British lawyer,  
leaves Bow Street Magistrates  
Court, London, with his copy of  
the 43rd edition of 'Archbold:  
Criminal Pleadings'. 'Archbold',  
published by Sweet and Maxwell  
during 1988, is the essential UK  
criminal law handbook







# SCOTLAND on SUNDAY

Best for sport... Best for the arts... Scotland's new quality Sunday newspaper

## Her war of words



Check & balance

## Random health tests on...

Some say... side... separate



During 1988 Thomson Regional Newspapers launched 2 Sunday newspapers, 2 Saturday sports papers, 10 new editions, 4 new sections, 14 free newspapers and 7 magazines and other publications. Here is a selection of these new products



## INFORMATION AND PUBLISHING

### THOMSON REGIONAL NEWSPAPERS

1988 was a milestone year for Thomson Regional Newspapers (TRN). Both sales and profit were substantially ahead of the previous year and a major development program was set in motion. TRN began the year with 70 newspapers and ended it with 119, and the total number of copies sold or distributed each week is now in excess of 10 million.

Two strategic new launches during the year were 'Scotland on Sunday', and 'Sunday Life' in Northern Ireland and, despite strong competition, we are pleased with their progress. 'Wales on Sunday' was launched on March 5, 1989.

Aberdeen's 'Press and Journal' was redesigned and the 'Western Mail', published in Cardiff, increased the number of editions from two to seven and relaunched into North Wales with encouraging gains in circulation. Several Saturday sports editions were relaunched. Major new sections were introduced in 'The Scotsman', and at Newcastle in 'The Journal' and the 'Evening Chronicle'. Five evening titles carried the new PLUS regional newspaper colour magazine and a magazine for the youth market was launched in South Wales. The 'Western Mail' introduced 'Style' colour magazine and 'Northern Business' was inserted in 'The Journal' every month. At Thames Valley Newspapers, three new editions of the 'Evening Post' were launched covering Bracknell, Maidenhead and Newbury, as well as property editions in the latter two towns. The 'Evening Gazette' in Teesside also launched a property paper. A total of 14

*'Scotland on Sunday', a quality newspaper covering all Scotland, was launched by Thomson Regional Newspapers in August 1988*

new free newspapers were introduced.

In May, TRN was joined by Barwell Gurney Advertising, publishers of 24 free weekly newspapers under the 'Herald' banner with a combined circulation of over 470,000 copies in Buckinghamshire, Bedfordshire and Hertfordshire. W P Publications - known as the 'Post' group - was acquired in July, adding 10 free weekly newspapers with a combined circulation of 345,000 copies in adjacent Northamptonshire. Both these groups have excellent reputations for the quality of their editorial product, and now form the base of Thomson Free Newspapers (TFN) which plans to build on these strategic geographic locations as well as to develop into new markets. After the year-end TFN was joined by Sharman Newspapers, publishers of 11 weekly newspapers with a combined circulation of 197,000 copies in Cambridgeshire, Norfolk and Lincolnshire.

The circulations of most of TRN's paid-for newspapers continued to decline in 1988, despite heavy expenditures on promotion and canvassing. Circulation therefore remains the highest priority and we are confident that, with highly focused editorial, sharper reproduction and colour availability, these trends can be arrested and reversed.

The major re-equipment program costing over \$125 million and referred to last year is well under way and the new facilities at Teesside and Reading will be operational in 1989. In addition, over \$10 million is being spent on improving computer systems. When these programs are fully completed, TRN will be one of the best equipped newspaper publishers in Europe.

Seven years ago TRN made losses, but subsequent demanning and other steps radically improved efficiency and hence profitability. We are pleased that, on the strong base that has been established, vigorous expansion is now taking place. We are especially delighted that in 1988 this resulted in the creation of over 400 new jobs. Supported by a newly decentralized structure, TRN has ambitious plans for further growth. With appropriate staffing levels and the most modern technology, and no longer inhibited by difficult industrial relations, TRN is confident of even greater success.







*Paul Brett (right), has recently been appointed Chief Executive of Thomson Travel, and a Vice President of International Thomson Organisation Limited, succeeding Roger Davies (left), who has become non-executive Chairman of Thomson Travel*

*The leisure travel group seeks to retain and strengthen its position as the leader, in terms of size, profit and quality, of the UK charter air inclusive tour market, by innovation and by providing its customers with the best service in the industry.*



## *Report on Operations*

### LEISURE TRAVEL

*Thomson Travel, based in the UK, is one of the world's leading leisure air travel and holiday companies. Group companies are involved in the tour operating, air transportation and retailing sectors of the overseas holiday market.*

*The charter air inclusive tour market in 1988 is estimated at 12.0 million carryings and, over the past decade, it has grown at a compound rate of 12% a year. Independent surveys indicate that in the future the market will continue to grow, although at a reduced rate.*

*Thomson Holidays, including Skytours, is the world's largest inclusive tour operator. Portland Holidays is the UK's leading brand in the direct-sell segment of the inclusive tour market. In 1988, our tour operating companies, including Horizon Holidays since its acquisition in August, carried a total of 4.0 million holidaymakers.*

*Britannia Airways has been the UK's leading charter airline for the last decade and in 1988, including Orion Airways since its acquisition in August, carried 6.9 million passengers, representing 26% of all UK charter airline traffic. Britannia's current fleet comprises 34 Boeing 737s and eight Boeing 767s and it operates from 17 UK airports to over 70 destinations. Britannia flies approximately 70% of Thomson tour operating companies' clients and generates 25% of its flying revenue from non-Thomson companies.*

*Approximately 87% of all air inclusive tours are sold through travel agents and, with 509 shops, Lunn Poly is the UK's leading retailer. Some 20% of all Thomson holidays are sold through Lunn Poly outlets, which also sell the holidays of approximately 250 other tour operators.*

*The UK market for air inclusive tours is estimated to be worth over \$6 billion a year. Collectively, Thomson Travel companies account for approximately one third of this expenditure. Their activities are described in greater detail on pages 24 to 29.*





**Thomson Holidays**  
HOLIDAY SAFETY

**TRAVELER'S CHECKS**

1. Do not carry more than 10,000 U.S. dollars in cash or traveler's checks.

2. Do not carry more than 10,000 U.S. dollars in cash or traveler's checks.

3. Do not carry more than 10,000 U.S. dollars in cash or traveler's checks.

4. Do not carry more than 10,000 U.S. dollars in cash or traveler's checks.

5. Do not carry more than 10,000 U.S. dollars in cash or traveler's checks.

6. Do not carry more than 10,000 U.S. dollars in cash or traveler's checks.

7. Do not carry more than 10,000 U.S. dollars in cash or traveler's checks.

8. Do not carry more than 10,000 U.S. dollars in cash or traveler's checks.

9. Do not carry more than 10,000 U.S. dollars in cash or traveler's checks.

10. Do not carry more than 10,000 U.S. dollars in cash or traveler's checks.



*The Horizon Travel Group was acquired during the year for \$128 million. Horizon Holidays is run as a separate tour operating company*



## LEISURE TRAVEL

1988 was one of the most significant and eventful years in the history of Thomson Travel. We acquired the Horizon Travel Group, sold our US travel interests, expanded our retail travel operations, took delivery of a further two Boeing 767s and placed orders for eight more, with options for an additional eight.

Total sales were \$2,047 million, compared with \$1,696 million in 1987, and profit, including interest, was 31% higher at \$92 million.

In August, the Horizon Travel Group was acquired for \$128 million. It consisted of the UK's third largest tour operating company, Horizon Holidays; a charter airline, Orion Airways, operating nine modern aircraft; and a chain of 17 retail travel shops. The Secretary of State at the Department of Trade and Industry referred the acquisition to the Monopolies and Mergers Commission (MMC) and much senior management time was spent demonstrating that it was not against the public interest. The MMC accepted our arguments and we are now integrating Horizon into the group. Orion Airways has been fully merged into Britannia Airways, with the combined airline operating under the Britannia name. Horizon Holidays will continue to be run as a separate tour operating company but will share some facilities with Thomson Holidays. The retail travel shops have been absorbed into the Lunn Poly chain.

In early 1988 we reviewed our involvement in the US leisure travel market and

came to the conclusion that it was unlikely that we would be able to expand our interests to a sufficient size to be of strategic interest to the Group. We have therefore divested completely from the US market, with the sale of Thomson Vacations to Apple Vacations, a well-respected east coast tour operator; and of Unitours, the west coast retail travel chain, to a management led buy-out company, which was completed in January 1989.

The UK tour operating market continued to be highly competitive in 1988. Attempts by Thomson Holidays and several other tour operators to increase the margins on summer 1988 programs were not supported by a major competitor and our brochure prices had to be substantially reduced in November. As a result, we recovered the market share lost early in the booking period and by the end of the season we had substantially regained our overall market position.

Our tour operating companies now offer holidays in 40 countries around the world featured in 42 different brochures, many of which are leaders in their particular segment of the market. A new program was successfully mounted to Florida, based on charter flights with Virgin Atlantic. At the same time, substantial growth was seen in the 'Worldwide' program, which uses mainly scheduled flights to destinations as diverse as Australia, Brazil and Outer Mongolia. While these programs have benefited from attractive currency exchange rates, especially for the US dollar, we anticipate further development of both charter and scheduled programs.

A major objective in 1988 was to upgrade the quality of our holidays, especially the standard of service to holidaymakers. Several initiatives were taken and the results have been very encouraging. Analysis of customer satisfaction questionnaires completed by over 2 million holidaymakers showed improvements on the previous year in every aspect of service for nearly all resorts, many reaching record levels, particularly for the standard of service given by our representatives. A tangible result of this effort was a reduction of 25% in the number of holidaymakers who, after their holidays,

*A Thomson Holidays' Customer Satisfaction Questionnaire (CSQ) is completed on the flight home. Since 1974, when the CSQs were first developed to provide an accurate monitor of the quality of Thomson Holidays, nearly 9 million have been answered and returned*









wrote to the company with some form of complaint.

For the seventh successive year, Thomson Holidays was voted "Top Major Tour Operator" by readers of the Travel Trade Gazette. In addition, Portland Holidays, our direct-sell company, was voted "Top Tour Operator" for the fifth year running by readers of Woman magazine. Nearly two-thirds of Portland Holidays' clients in 1988 were repeat customers from previous years.

With the addition of Horizon carryings from the date of acquisition, the total number of holidays sold from the UK was 4.0 million, compared with 3.7 million in 1987.

Britannia Airways had another very good year. With the weaker summer 1988 market, utilization levels were below the high levels achieved in 1987, but strict cost control ensured an excellent financial performance. Total passenger carryings at 6.2 million were similar to 1987, with a further 0.7 million carried on Orion Airways since its acquisition.

Britannia continued to expand its wide-bodied Boeing 767-200 fleet, adding two aircraft in 1988 and another in March 1989, bringing the total to eight. These latest deliveries have extended-range capability and this was exploited to the full in November when Britannia initiated its first flights to Australia. Further long-range routes are planned and, in view of this potential, together with the projected growth in the traditional holiday market, firm orders for a further eight 767s have been placed for delivery in the period 1990 to 1993, together with options for a further eight. This aircraft continues to prove very attractive to passengers and with its normal configuration of 273 seats is most efficient in its use of airport capacity which, especially in the south-east of England, is becoming an increasingly scarce commodity.

Although the 767 fleet is growing rapidly, the Boeing 737-200s still provide the larger share of Britannia's capacity. While this popular aircraft type will remain in service for at least the next decade, evaluations of potential replacements are continuing. The 737-200 has a worldwide market commanding high resale values and during the year

Britannia took advantage of this by selling six of its earlier models and leasing them back on flexible terms. In this way, the capital value of the aircraft has been realized while possession is assured until replacements are chosen and delivered. Orion's seven modern Boeing 737-300s will complement, and add flexibility to, Britannia's own all-Boeing fleet.

The contribution to profitability from non-flying sources continued at a high level through applying mainstream resources on secondary revenue raising opportunities. These include the sale of goods on board the aircraft, third party engineering and passenger handling, and the training of pilots from other airlines on Britannia's two flight simulators.

Work progressed during the year on increasing our maintenance capacity to accommodate Britannia's growth. Development of the existing 767 hangar at Luton Airport is well under way and it will be completed in time for the 1989/90 winter maintenance program. The hangar will be more than doubled in size and will be able to house two 767s and one 737 simultaneously.

1988 was an exceptional year for Lunn Poly with the retail holiday shop chain expanding to 509 shops, an increase of 158 shops during the year. The number of shops has more than doubled since January 1987 and, with a 15% share of the number of summer 1988 inclusive tours sold compared with 10.5% in 1987, Lunn Poly has now achieved clear market leadership. Early booking returns for summer 1989 indicate that Lunn Poly is continuing to gain market share.

Over 1.2 million overseas holidays were booked through Lunn Poly in 1988, compared with 800,000 in 1987. Although revenue in 1988 increased by 47% in a year when the summer inclusive tour market was static and average prices increased by only 3%, the major investment in new shops meant that total profit was below that achieved in 1987.

Excellent progress was made with the electronic point-of-sale system, 'Polyview', and at the end of the year 24 shops were operating the pilot version. Lunn Poly is also investing in its own data communica-

*Captain Adrian Coleman and line engineer Alasdair Varley inspecting Britannia's seventh Boeing 767, which has been flying charter passengers to Australia since the service started in November 1988. Britannia recently announced orders for 8 more Boeing 767-200s with options for a further eight. This is the largest single order placed by the airline in its 26 year history*







Lunn Poly  
SHARON COOK

FARAWAY PLACES

Thomson  
FLORIDA  
"Fun"

1989  
FLORIDA  
USA

AIRPLAN  
USA '89

FLORIDA

USA  
Florida

WORLDWIDE  
Thomson

HAYES and JARVIS  
HOLIDAYS WORLDWIDE

SPEEDBIRD  
WORLDWIDE

Thomson  
CARIBBEAN

wings  
FAIR HORIZONS

Thomson  
KUONI  
Worldwide



tions network pilot to assess the viability of networks both from a cost and a business efficiency point of view. To date, the reaction from customers to both projects has been very positive.

When all holiday shops are fully established, we expect Lunn Poly to be a major contributor to the profit of the leisure travel group.

Our one remaining operated hotel, the Mellicha Bay Hotel in Malta, had an outstanding year with record occupancies and profitability. During 1988, we disposed of most of our interest in the Sahara Beach Hotel in Tunisia.

#### OUTLOOK

Our strategy is to have businesses which are leaders in terms of volume, profit and quality in the sectors in which they operate. Following the acquisition of Horizon and the expansion of Lunn Poly, we now have a

tour operating business with around 40% of the UK inclusive tour market, as well as the leading charter airline and retail leisure travel chain. We are dedicated to retaining these leadership positions by innovation and by providing our customers with the best service in the industry.

With the anticipated lower growth in consumer disposable income over the next year or two, we expect to see a slowing down in the rate of growth of the overseas holiday market after the dramatic growth of recent years. 1989 is likely to be another difficult trading year, with little sign of any easing in competitive pressures. Thereafter, we believe that the industry's profitability will improve as participants look for more realistic returns. With our strong market positions, we expect to see leisure travel's profits growing strongly through the early 1990s and in the longer term.

*Choosing a holiday at Lunn Poly's 500th UK holiday shop which opened in Evesham in October 1988. During the year the company expanded to 509 outlets and sold over 1.2 million holidays*





## Major Businesses and Products

### INFORMATION AND PUBLISHING

In total, the information and publishing group has over 23,000 individual products. These include 231 magazines, 123 newspapers, nearly 17,000 books and directories, 100 on-line services and over 5,500 other products, mainly newsletters, loose-leaf services, microform products and software packages.

#### **INTERNATIONAL THOMSON PROFESSIONAL PUBLISHING** *North America*

Publishers of information for professionals in the fields of law, tax, banking/financial services, accounting, business, real estate, data processing, engineering, and trademark and copyright research services.

##### **Callaghan & Company**

*Specializing in corporate and commercial law, municipal law, federal practice, trial practice and tax law. Products include:*  
Mertens Law of Federal Income Taxation  
Nichols Cyclopaedia of Legal Forms  
Uniform Commercial Code Reporting Service  
Estate and Personal Financial Planning

##### **The Carswell Company**

*Publishers of legal treatises, law reports and loose-leaf encyclopedia. Products include:*  
The Canadian Abridgement  
The Canadian Encyclopedia Digest  
Mercer Pension Manual  
Western Weekly Reports

##### **Clark Boardman Company**

*Publishers for the legal and non-profit fields with emphasis in securities regulation, intellectual property and criminal law. Products include:*  
Securities and Federal Corporate Law  
Lindley on Entertainment, Publishing and the Arts  
Law of Environmental Protection  
Taft Corporate Giving Directory

##### **Richard De Boo Publishers**

*Reference books and services for the legal, accounting and business community. Products include:*  
Canada Tax Service  
Ontario Corporations Manual  
Canada Legal Directory  
Canadian Payroll Manual

##### **Thomson Information Resources**

*Worldwide trademark and copyright research services. Products and services include:*  
Thomson & Thomson search and watch reports for North American trademarks, logos and company names; North American and European copyrights, screen and literary titles  
TRADEMARKSCAN® on-line US Federal and State trademark databases  
Compu-Mark multinational and US trademark searches, watches and directories, including the World Identical Screening Search  
Compu-Mark on-line UK trademark database  
Compu-Mark on-line US Federal and State database

##### **Warren, Gorham & Lamont**

*Publishers of professional books, loose-leaf services, newsletters, journals and directories, primarily in the fields of tax, banking, business, law, real estate, accounting, data processing and engineering. Products include:*  
Federal Income Taxation of Corporations & Shareholders  
Practical Accountant  
Real Estate Review  
Bankers Magazine

#### **INTERNATIONAL THOMSON BUSINESS INFORMATION** *North America*

Publishers of over 40 business and professional magazines plus directories, newsletters and other information services in the medical, automotive, transportation and retail markets.

Principal companies and products include:

##### **International Thomson Retail Press**

Consumer Electronics  
Video Business  
Toy & Hobby World  
Convenience Store Merchandiser  
CableVision

##### **International Thomson Transport Press**

American Sailings  
Pacific Shipper  
Traffic World  
The Official Railway Guide  
Motor Carrier Directory

##### **Medical Economics Company**

Medical Economics  
Physicians' Desk Reference  
AIDS Alert  
Contemporary OB/GYN  
Medical Device Register  
Drug Topics  
RN

##### **Med Publishing**

Practical Cardiology  
Oncology & Biotechnology News  
IM – Internal Medicine for the Specialist  
Geriatric Medicine Today

##### **Mitchell International**

Mitchell Manuals  
Mitchellmatix

##### **Ward's Communications**

Ward's Auto World  
Ward's Automotive International





**INTERNATIONAL THOMSON  
PUBLISHING**

*North America*

Specialized book publishing and library service group, serving worldwide markets in the education, professional/reference and library fields. Principal companies, imprints and products include:

**South-Western Publishing Co.**

Century 21 Accounting  
Century 21 Typewriting  
Accounting Principles & Practices  
Business Law

**Boyd & Fraser**

Computer Concepts with Microcomputer Applications

**Wadsworth**

Biology - The Unity and Diversity of Life  
The Practice of Social Research  
Software Tools  
Occupational Stress Indicator

**PWS-Kent**

Calculus With Analytic Geometry  
Business Communications

**Brooks/Cole**

Foundations of College Chemistry  
Marriages and Families

**Heinle & Heinle**

Entrades  
C'est a dire  
ON Y VA!

**Gale Research**

Encyclopedia of Associations  
Contemporary Authors  
Gale Directory of Publications - 1989  
Directories in Print

**Nelson Canada**

Networks Series  
Nelson Intermediate Atlas  
Money, Banking and the Canadian Financial System

**Delmar Publishers**

Refrigeration and Air Conditioning Technology  
Living with Technology  
Electrical Wiring - Residential  
Nursing Assistant: Nursing Process Approach

**Van Nostrand Reinhold (US)**

Dangerous Properties of Industrial Materials, 7th Edition  
Van Nostrand's Scientific Encyclopedia, 7th Edition

**Research Publications**

Microfilm/Microform products:  
The Times (London) Index  
Goldsmith's-Kress Library of Economic Literature

**UTLAS International**

Library Automation  
services and products

**Thomas Nelson Australia**

Young Australia Reading  
Young Australia Mathematics  
Language Works

**Thomas Nelson (UK)**

Peak Mathematics  
Deutsch Heute  
Biology: A Functional Approach

**NFER-NELSON**

Maths 7-12 (Tests)  
Richmond Test of Basic Skills  
British Ability Scales

**INTERNATIONAL THOMSON  
FINANCIAL SERVICES**

*North America*

Print and electronic screen and terminal services providing high value added information to the professional financial services and banking communities.

Principal products include:

American Banker  
The Bond Buyer  
Munifacts and Munifacts Plus  
Asset Backed Securities Information Service  
AutEx Trading Information Service  
Alert  
Technical Data's Bond Data/Money Data/Fundamental Data  
Atlas  
First Call  
Corporate Release  
InvesText  
Financial Software Series and Portia  
Securities Data's New Issues Databases  
Merger and Corporate Transaction Database  
Spectrum  
Cadence  
ILX Market Data Services

**THOMSON INFORMATION  
SERVICES**

*United Kingdom*

Magazines, information services, legal, professional, scientific and academic publishing and local directories, based principally in the United Kingdom, Scandinavia and Australia. Principal companies and products include:

**Jane's Information Group**

Jane's Fighting Ships  
Jane's All the World's Aircraft  
Jane's Defence Weekly  
Jane's Soviet Intelligence Review  
Jane's Airport Review  
International Defense Review  
Interavia Aerospace Review  
DMS Market Intelligence Reports

**International Thomson Publishing**

Construction News  
DR - the Fashion Business  
Meat Trades Journal  
Broadcast  
Glass's Guide automobile services (51% holding)  
(UK and Australia)  
Glenigan construction services (UK)  
Samfunnsfakta construction services (Norway)  
Byggnadsupplysningar construction services (Sweden)  
Oy Rakennusalan Projektitiedosto construction services (Finland)  
Danish local directories  
Thomson Communications Scandinavia (trade magazines, Denmark)  
Karnov legal services (Denmark)  
RKI credit information services (Denmark)  
B & T Weekly (Australia)  
Factory Equipment News (Australia)  
Ragtrader (Australia)  
Thomson World Trade Promotions trade exhibitions (Australia)  
Cordell construction services (Australia)

**Thomson Directories (50% partnership)**

UK local directories





#### Derwent Publications

Chemical Patents Index  
Electrical Patents Index  
World Patents Abstracts  
World Patents Index on-line  
Customized Patents Profiles  
Ringdoc  
Biotechnology Abstracts

#### International Thomson Professional Information

ICAEW Taxation Service  
Building Societies' Gazette  
Sweet & Maxwell  
The Supreme Court Practice  
Archbold: Criminal Pleadings  
The Law Book Company (Australia)  
Australian Digest  
Australian Law Journal  
Scots Law Times  
International Financing Review  
Equities International  
Police Review

#### Routledge, Chapman and Hall

Routledge  
Arden Shakespeare  
Tavistock Social Science  
Chapman and Hall  
Chemical Dictionaries  
Journal of Materials Science  
Spon Price Books  
Van Nostrand Reinhold  
Building Materials Market Research

#### International Thomson Publishing Services

Publishers' distribution services

#### THOMSON REGIONAL NEWSPAPERS

United Kingdom

The leading publisher of regional newspapers, with the main titles in the three provincial capitals, Belfast, Cardiff and Edinburgh, and two other important regional centres, Newcastle and Aberdeen.

Principal publications include:

The Scotsman (Edinburgh)  
Belfast Telegraph (Northern Ireland)  
Western Mail (Cardiff)  
Press and Journal (Aberdeen)  
Evening Chronicle (Newcastle)  
Evening News (Edinburgh)  
South Wales Echo (Cardiff)  
The Journal (Newcastle)  
Evening Gazette (Teesside)  
Evening Express (Aberdeen)  
Lancashire Evening Telegraph (Blackburn)  
Evening Post (Reading)  
Sunday Sun (Newcastle)  
Chester Chronicle (Cheshire)  
Merthyr Express (Mid-Glamorgan)  
Crewe Chronicle (Cheshire)  
Sunday Life (Belfast)  
Scotland on Sunday (Edinburgh)  
Swansea Gazette (Swansea)  
Luton Herald (Luton)  
Northants Post (Northampton)  
Peterborough Standard (1989)  
Wales on Sunday (1989)

#### LEISURE TRAVEL

One of the world's leading leisure air travel and holiday companies with market leadership positions in UK tour operating, travel retailing and charter airline operations.

Group sales revenue in 1988 was over \$2 billion.

Principal companies:

#### Britannia Airways

*Britain's leading leisure airline with a fleet of 42 Boeing 737 and 767 wide-bodied aircraft. In 1988 the airline carried 6.9 million passengers.*

#### Thomson Holidays (including Skytours)

*The UK's largest inclusive tour operator carrying over 3.3 million customers in 1988, 28% of all Britain's package tour holidaymakers.*

#### Horizon Holidays (including Wings, OSL & HCI)

*The UK's third largest inclusive tour operator, based in Birmingham, with a market share of around 10%.*

#### Portland Holidays

*The UK's leading direct-sell tour operator with over 20% of the direct-sell market.*

#### Lunn Poly

*Through its chain of 509 holiday shops, Lunn Poly is now the leading retailer of overseas inclusive tours.*





## *Financial Information*

Five year summary	34
Auditors' report	35
Consolidated statement of earnings	36
Consolidated statement of retained earnings	36
Consolidated balance sheet	37
Consolidated statement of changes in cash position	38
Segmented information	39
Notes to consolidated financial statements	40





### *Five year summary*

(millions of US dollars except per share amounts(1))

<i>Earnings and related information</i>	1988	1987	1986	1985	1984
Sales					
Information and publishing	1,698	1,418	1,029	1,055	975
Leisure travel	2,047	1,696	1,173	888	847
From continuing operations	3,745	3,114	2,202	1,943	1,822
From discontinued oil and gas operations(2)	194	423	329	666	746
	3,939	3,537	2,531	2,609	2,568
Operating profit					
Information and publishing	265	212	129	92	62
Leisure travel	60	46	52	49	40
From continuing operations	325	258	181	141	102
From discontinued oil and gas operations(2)	39	71	47	142	172
	364	329	228	283	274
Earnings attributable to common shares					
From continuing operations	173	130	113	81	56
From discontinued oil and gas operations(2)	56	55	29	83	91
	229	185	142	164	147
Earnings per common share (cents)					
From continuing operations	59.1	44.4	38.6	27.7	19.0
From discontinued oil and gas operations(2)	19.1	18.8	9.9	28.4	30.9
	78.2	63.2	48.5	56.1	49.9
Dividends per common share (cents)	22.0	20.0	18.5	17.5	15.5

### *Financial position at December 31*

Assets employed in operations					
Information and publishing	2,415	2,251	1,545	932	921
Leisure travel	1,099	650	442	437	389
Discontinued oil and gas assets(2)	—	266	351	374	410
Corporate cash and other	101	252	376	255	216
	3,615	3,419	2,714	1,998	1,936
Shareholders' equity	1,354	1,188	1,029	678	730

(1) Effective January 1, 1987, the reporting currency was changed to US dollars from pounds sterling. Financial information for periods prior to 1987 are expressed in US dollars by translating the previously reported sterling amounts at the exchange rate on December 31, 1986 of US\$1.48/£1.

(2) On March 6, 1989, International Thomson Organisation Limited completed the sale of its North Sea oil and gas interests. Consequently, the assets and the earnings and related information of those operations are shown as discontinued operations.





## *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, 1988 and the consolidated statements of earnings, retained earnings and changes in cash 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, 1988 and the results of its operations and the changes in its cash position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Price Waterhouse*

**Price Waterhouse**  
Chartered Accountants  
Toronto, Canada  
March 7, 1989





<i>Consolidated statement of earnings</i>	Year ended December 31	
	1988	1987
<i>(millions of US dollars except per share amounts)</i>		(note 2)
Sales	3,745	3,114
Costs and other deductions:		
Cost of sales, selling, general and administrative expenses	3,314	2,785
Depreciation and amortization	132	109
Net interest expense and other financing costs (note 3)	45	19
Income before income taxes	254	201
Income taxes (note 4)	(51)	(47)
Earnings before dividends on preference shares	203	154
Dividends on preference shares	(30)	(24)
Earnings from continuing operations	173	130
Earnings from discontinued oil and gas operations, net of taxes (note 2)	56	55
Earnings attributable to common shares	229	185
Earnings per common share (cents)		
From continuing operations	59.1	44.4
From discontinued oil and gas operations (note 2)	19.1	18.8
	78.2	63.2

<i>Consolidated statement of retained earnings</i>	Year ended December 31	
	1988	1987
<i>(millions of US dollars)</i>		
Balance at beginning of year	737	612
Earnings before dividends on preference shares	203	154
Earnings from discontinued oil and gas operations, net of taxes (note 2)	56	55
	996	821
Preference share issue expenses	—	1
Dividends – preference shares	30	24
– common shares (note 5)	64	59
Balance at end of year	902	737





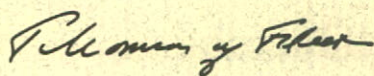
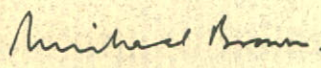
**Consolidated balance sheet**

December 31

*(millions of US dollars)***1988**                      **1987**

<b>Assets</b>		
<b>Current assets:</b>		
Cash and short-term investments, at cost which approximates market	<b>137</b>	<b>312</b>
Accounts receivable	<b>412</b>	<b>396</b>
Inventories	<b>150</b>	<b>157</b>
Prepaid expenses and other current assets	<b>207</b>	<b>153</b>
	<b>906</b>	<b>1,018</b>
Property and equipment (note 6)	<b>439</b>	<b>368</b>
Aircraft and spares (note 7)	<b>552</b>	<b>327</b>
Publishing rights	<b>950</b>	<b>851</b>
Goodwill	<b>719</b>	<b>594</b>
Other assets	<b>49</b>	<b>37</b>
Oil and gas properties	<b>—</b>	<b>224</b>
	<b>3,615</b>	<b>3,419</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities:</b>		
Short-term bank indebtedness	<b>61</b>	<b>34</b>
Accounts payable	<b>607</b>	<b>540</b>
Deferred revenue	<b>425</b>	<b>335</b>
Income taxes	<b>55</b>	<b>51</b>
Current portion of long-term debt and aircraft leases (notes 8 and 9)	<b>63</b>	<b>50</b>
Discontinued oil and gas operations (note 2)	<b>46</b>	<b>—</b>
Petroleum revenue tax	<b>—</b>	<b>34</b>
Current portion of limited recourse debt	<b>—</b>	<b>27</b>
	<b>1,257</b>	<b>1,071</b>
Long-term debt (note 8)	<b>421</b>	<b>512</b>
Aircraft leases (note 9)	<b>226</b>	<b>93</b>
Other liabilities	<b>126</b>	<b>106</b>
Deferred income taxes	<b>159</b>	<b>228</b>
Preference shares of a subsidiary (note 10)	<b>72</b>	<b>75</b>
Limited recourse debt	<b>—</b>	<b>42</b>
Provision for site restoration costs	<b>—</b>	<b>45</b>
Deferred petroleum revenue tax	<b>—</b>	<b>59</b>
	<b>2,261</b>	<b>2,231</b>
<b>Shareholders' equity:</b>		
Share capital (note 11)	<b>492</b>	<b>492</b>
Cumulative translation adjustments	<b>(40)</b>	<b>(41)</b>
Retained earnings	<b>902</b>	<b>737</b>
	<b>1,354</b>	<b>1,188</b>
	<b>3,615</b>	<b>3,419</b>

Approved by the board


Thomson of Fleet, *Director*

Michael Brown, *Director*



<i>Consolidated statement of changes in cash position</i>	Year ended December 31	
	1988	1987
<i>(millions of US dollars)</i>		
		(note 2)
Cash provided by (used for):		
Continuing operations		
Earnings before dividends on preference shares	203	154
Add (deduct) items not involving cash:		
Depreciation and amortization	132	109
Deferred taxes	(7)	18
Other	(19)	(4)
Discontinued oil and gas operations (note 2)	87	86
	396	363
Change in non-cash working capital	(7)	30
	389	393
Investing activities		
Acquisition of businesses, less cash		
therein of \$73 million (1987 - \$9 million)	(254)	(429)
Proceeds from disposal of businesses and investments	73	69
Additions to property and equipment, less disposals of		
\$12 million (1987 - \$24 million)	(151)	(122)
Additions to aircraft and spares	(150)	(33)
Proceeds from disposal of aircraft	57	—
	(425)	(515)
Financing activities		
Net change in short-term indebtedness	27	25
Net change in long-term and limited recourse debt	(103)	28
Net change in aircraft leases	52	(5)
Net proceeds from preference shares	—	75
Decrease in other liabilities	(18)	(5)
	(42)	118
Dividends paid on common shares	(64)	(59)
Dividends paid on preference shares	(30)	(23)
Translation adjustments	(3)	22
	(97)	(60)
Decrease in cash(1)	(175)	(64)
Cash at beginning of year	312	376
Cash at end of year	137	312

(1) Cash comprises cash and short-term investments.





## Segmented information

(millions of US dollars)

The principal activities of International Thomson Organisation Limited (ITOL) are information and publishing and leisure travel.

The results from oil and gas operations and the assets employed therein are segregated as discontinued operations (note 2).

Business segment	Sales		Depreciation		Operating profit	
	1988	1987	1988	1987	1988	1987
Information and publishing	1,698	1,418	58	54	265	212
Leisure travel	2,047	1,696	49	35	60	46
	<b>3,745</b>	<b>3,114</b>	<b>107</b>	<b>89</b>	<b>325</b>	<b>258</b>
Corporate and other(1)					(26)	(38)
Net interest expense and other financing costs					(45)	(19)
Income before income taxes					254	201

	Acquisition of businesses		Additions to fixed assets		Assets	
	1988	1987	1988	1987	1988	1987
Information and publishing	197	438	109	80	2,415	2,251
Leisure travel	130	—	194	86	1,099	650
Discontinued oil and gas operations	—	—	10	13	—	266
Corporate cash and other	—	—	—	—	101	252
	<b>327</b>	<b>438</b>	<b>313</b>	<b>179</b>	<b>3,615</b>	<b>3,419</b>

Geographic segment	Sales		Operating profit		Assets	
	1988	1987	1988	1987	1988	1987
United Kingdom	2,580	2,047	153	109	1,929	1,674
United States	963	934	149	134	1,379	1,355
Canada	78	51	13	8	90	132
Other countries	124	82	10	7	217	258
	<b>3,745</b>	<b>3,114</b>	<b>325</b>	<b>258</b>	<b>3,615</b>	<b>3,419</b>

(1) Corporate and other includes amortization of intangibles of \$25 million (1987 - \$20 million) and non-operating profits of \$25 million (1987 - \$1 million loss), being principally the gain on the sale of the UK consumer magazine interests.

The principal rates of exchange used to translate amounts expressed in currencies other than US dollars are as follows:

	1988	1987		1988	1987
Pound sterling (£1):			Canadian dollar (Cdn. \$1):		
Average for the year	\$1.78	\$1.64		\$0.81	\$0.75
At December 31	\$1.81	\$1.88		\$0.84	\$0.77





## Notes to consolidated financial statements

(unless otherwise stated, all figures are in millions of US dollars)

### 1 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.

#### Foreign currency translation

Assets and liabilities denominated in currencies other than US dollars are translated at December 31 rates of exchange. The results of operations denominated in currencies other than US dollars are translated at average rates of exchange for the year. Currency gains or losses arising from the translation of the investment in subsidiaries and gains or losses arising from the translation of foreign currency debt that has been designated as a hedge of the net investment in subsidiaries, are accumulated and shown as a separate component of shareholders' equity. Other currency gains or losses are included in earnings.

#### Currency hedges and interest rate swaps

In the normal course of business, ITOL enters into forward currency contracts and interest rate swaps to hedge its exposure to currency and interest rate fluctuations.

#### Inventories

Inventories are comprised principally of finished goods and are valued at the lower of cost and net realizable value. Cost is determined principally on a first-in, first-out basis.

#### Property and equipment

Property and equipment are recorded at cost and depreciated on a straight line basis over their estimated useful lives.

#### Aircraft and spares

The fleet of aircraft, including the aircraft held under capital leases, is depreciated on a

pool basis over its estimated useful life; annual depreciation takes account of the number of seat hours flown during the year. Spares are recorded at cost and depreciated on a straight line basis over their estimated useful lives.

#### Publishing rights

Publishing rights are recorded at acquisition cost. Based on annual reviews, any permanent impairment in the value 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 tangible assets and publishing rights. Goodwill is amortized over periods not exceeding forty years, and, based on annual reviews, any permanent impairment in the value is written off against earnings.

#### Deferred revenue

Inclusive tour revenue due in advance is included in deferred revenue until the date of tour departure.

Subscription revenue due in advance of the delivery of services or publications is included in deferred revenue and as services are rendered or publications sent to subscribers the proportionate share is recognized as revenue.

#### Deferred 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, principally depreciation, are reflected as deferred income taxes.



## 2 Discontinued oil and gas operations

In December 1988, ITOL announced its intention to sell its North Sea oil and gas interests. The sale was completed on March 6, 1989 for a cash consideration of \$616 million. The estimated net gain on the sale is \$475 million which will be reported in the interim report for the three months ended March 31, 1989.

ITOL has indemnified the buyer against certain liabilities associated with the Piper Alpha accident in July 1988. ITOL believes that no material future provision will be required with respect to this indemnity.

The earnings from oil and gas operations have been segregated as earnings from discontinued operations in the consolidated statement of earnings for both the current and prior year and are made up as follows:

	1988	1987
Sales	194	423
Operating profit(1)	39	71
Non-operating profit(2)	36	6
Net interest expense	(4)	(12)
Income before taxes	71	65
Income taxes	(15)	(10)
Earnings from discontinued oil and gas operations	56	55

(1) Operating profit is stated net of petroleum revenue tax (PRT) of \$17 million (1987 - \$140 million).

(2) Non-operating profit in 1988 comprises principally insurance proceeds received on the total loss of the Piper Alpha platform net of related PRT of \$107 million (1987 - nil).

Within the consolidated balance sheet, the liabilities less assets of the oil and gas operations at December 31, 1988 are shown as discontinued oil and gas operations.

In the consolidated statement of changes in cash position, the cash provided by discontinued oil and gas operations is made up as follows:

	1988	1987
Earnings from discontinued oil and gas operations	56	55
Add (deduct) items not involving cash:		
Depreciation and depletion	47	87
Deferred taxes	(4)	(62)
Other	(12)	6
Cash provided by discontinued oil and gas operations	87	86



### 3 Net interest expense and other financing costs

	1988	1987
Interest income	(36)	(29)
Interest on long-term debt and aircraft leases	70	39
Interest on short-term bank indebtedness	5	4
	39	14
Dividends on preference shares of a subsidiary	6	5
	45	19

### 4 Income taxes

Income taxes, before tax refunds of \$2 million (1987 - \$13 million), as a percentage of income before taxes are 21% (1987 - 30%) which differs from the Canadian corporate tax rate of approximately 48% due principally to the effect of lower tax rates in the countries where ITOL has the majority of its activities.

The potential income tax benefits arising from approximately \$110 million of the accumulated losses in the United States, which expire in the years 1992 to 2003, will be included in earnings when realized.

### 5 Dividends

The directors of ITOL and International Thomson PLC (ITPLC) declared dividends payable on the following dates on the related common shares of these companies:

		1988	1987
June 15, 1988	ITOL - US 11.0 cents per share (June 15, 1987 - US 10.0 cents per share)	6	5
	ITPLC - 6.1972p per share (June 15, 1987 - 6.3796p per share)	26	25
December 13, 1988	ITOL - US 11.0 cents per share (December 15, 1987 - US 10.0 cents per share)	6	5
	ITPLC - 6.2678p per share (December 15, 1987 - 6.0976p per share)	26	24
		64	59





## 6 Property and equipment

	Depreciation period	Cost	Accumulated depreciation	Net 1988	Net 1987
Land and buildings	15 to 40 years	183	35	148	128
Machinery and equipment	3 to 20 years	542	251	291	240
		725	286	439	368

## 7 Aircraft and spares

	Depreciation period	Cost	Accumulated depreciation	Net 1988	Net 1987
Aircraft and spares	14 to 20 years	372	146	226	166
Aircraft held under capital leases	18 to 20 years	362	36	326	161
		734	182	552	327

## 8 Long-term debt

	1988	1987
Bank - secured 1989 - 1994	22	27
Bank - unsecured 1989 - 1994	411	481
Other	10	23
	443	531
Portion included in current liabilities	22	19
	421	512
Denominated in:		
Pounds sterling	278	484
US dollars	35	38
Canadian dollars	94	—
Other currencies	36	9
	443	531

Secured bank debt bears interest at fixed rates of up to 10.7%. Interest rates on unsecured bank debt are principally based on the London inter-bank offered rates. Long-term debt maturities in each of the next five years are: \$22 million in 1989, \$175 million in 1990, \$9 million in 1991, \$10 million in 1992, and \$227 million in 1993 and thereafter.

On February 3, 1989, ITOL issued Cdn. \$125 million of 11.5% notes (\$105 million) on the Eurobond market and used the proceeds to pay down debt.





## 9 Aircraft leases

	1988	1987
Total future minimum aircraft lease payments	376	133
Imputed interest	109	9
	267	124
Portion included in current liabilities	41	31
	226	93

The future minimum aircraft lease payments are \$57 million per year in 1989 and 1990, \$48 million in 1991, \$23 million in 1992, and \$191 million in 1993 and thereafter.

## 10 Preference shares of a subsidiary

The preference shares consist of 40,000,000 7.67% cumulative redeemable preference shares of £1 each issued by ITPLC to a bank at par. ITPLC has the option to redeem the

shares at the issue price at any time. On or after September 28, 1990 the bank can require ITOL to purchase the preference shares at par.

## 11 Share capital

	Number of shares issued	Stated amount
Preference shares:		
Series I Cdn. \$1.85 cumulative redeemable retractable shares with a stated capital of Cdn. \$25 per share	8,000,000	148
Series II cumulative redeemable floating rate shares with a stated capital of Cdn. \$25 per share	6,000,000	110
Series III Cdn. \$1.825 cumulative redeemable retractable shares with a stated capital of Cdn. \$25 per share	4,000,000	74
Series IV Cdn. \$1.84375 cumulative redeemable retractable shares with a stated capital of Cdn. \$25 per share	2,000,000	38
		370
Common shares:		
ITOL - shares without par value	292,649,756	118
ITPLC - shares with a par value of 1p each related to the common shares of ITOL	292,649,756	4
		122
		492

Note 11 continued on page 45.





### Preference shares:

The authorized preference share capital of ITOL is an unlimited number of preference shares without par value. The directors are authorized to issue preference shares without par value in one or more series, and to determine the number of shares in and terms attaching to each such series.

#### Series I

The Series I preference shares are non-voting and are retractable on October 15, 1991 at the option of the holder for Cdn. \$25.00 per share and are redeemable after October 15, 1991 at the option of ITOL until October 15, 1992 for Cdn. \$25.50 per share, thereafter and until October 15, 1993 for Cdn. \$25.25 per share, and thereafter for Cdn. \$25.00 per share, together in all cases with accrued dividends. In the quarter ending December 31, 1991 and each succeeding quarter, ITOL is required to make all reasonable efforts to purchase in the open market 1% of the Series I preference shares outstanding as of October 15, 1991 after deducting shares retracted on that date unless the market price is in excess of the then applicable retraction price. Dividends are payable quarterly thereon at Cdn. \$1.85 per share per annum. The total number of authorized Series I preference shares is 10,000,000.

#### Series II

The Series II preference shares are non-voting and are redeemable after December 30, 1989 at the option of ITOL until December 30, 1990 for Cdn. \$25.50 per share, thereafter and until December 30, 1991 for Cdn. \$25.25 per share, and thereafter for Cdn. \$25.00 per share, together in all cases with accrued dividends. Dividends are payable quarterly thereon at an annual rate of 70% of the Canadian bank prime rate applied to the stated capital of such shares. The total number of authorized Series II preference shares is 6,000,000.

#### Series III

The Series III preference shares are non-voting and are retractable on December 30, 1993 at the option of the holder, and are redeemable after December 30, 1993 at the option of ITOL, for Cdn. \$25.00 per share, together in each case with accrued dividends. Dividends are payable quarterly thereon at Cdn. \$1.825 per share per annum. The total number of authorized Series III preference shares is 4,000,000.

#### Series IV

The Series IV preference shares are non-voting and retractable on June 15, 1995 at the option of the holder for Cdn. \$25.00 per share and are redeemable after June 15, 1993 at the option of ITOL until June 15, 1994 for Cdn. \$25.50 per share, thereafter and until June 15, 1995 for Cdn. \$25.25 per share, and thereafter for Cdn. \$25.00 per share, together in all cases with accrued dividends. Dividends are payable quarterly thereon at Cdn. \$1.84375 per share per annum. The total number of authorized Series IV preference shares is 2,000,000.

#### Common shares:

Each common share of ITOL has related to it one common share of ITPLC. The common shares of ITPLC are transferable only with the related common shares of ITOL. Dividends will be paid on the common shares of either ITOL or ITPLC at the option of the shareholder. These dividends will be paid on the ITPLC common shares unless the shareholder has elected in writing to receive dividends on the ITOL common shares.

If the ITPLC common shares have been deposited by the holder under a deposit arrangement provided for such shares, the holder thereof will be deemed to have elected to receive dividends on his ITOL common shares unless he has elected in writing to receive dividends on the ITPLC common shares.

Dividends are payable according to elections in force, notwithstanding transfers of shares. Elections may be withdrawn or new elections made at any time.

Dividends on ITOL common shares are payable in US dollars. Dividends on ITPLC common shares are payable in pounds sterling in the same amount based on the pound sterling/US dollar rate of exchange at 3 p.m. in London, England on the business day prior to that on which the related dividend on the ITOL common shares is declared.

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

The ITOL common shares are voting shares. The ITPLC common shares are non-voting and may be redeemed by ITPLC at any time at their par value on not less than six months' prior notice. The authorized common share capital of ITOL is an unlimited number of shares and of ITPLC is 300,000,000 shares of 1p each.



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## 12 Pension plans

ITOL maintains pension plans which cover most of its employees. ITOL uses the accrued benefit actuarial method and best estimate assumptions to determine pension costs, liabilities and other pension information for defined benefit plans. With respect to the defined benefit plans, earnings are charged with the cost of benefits earned by employees as services are rendered.

Aggregate defined benefit plan details:	1988	1987
Pension expense for the year	9	7
Present value of accumulated benefit obligation as at December 31	122	112
Market value of plan assets as at December 31	171	156

Pension expense for the year related to defined contribution plans was \$10 million (1987 - \$9 million).

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## 13 Contingencies and commitments

### Operating leases

Operating lease payments in 1988 were \$90 million (1987 - \$55 million). The future minimum operating lease payments are \$100 million in 1989, \$89 million in 1990, \$78 million in 1991, \$63 million in 1992, and \$414 million in 1993 and thereafter.

### Capital commitments

Capital expenditures contracted for but for which no related liability was incurred at December 31, 1988 totalled \$465 million. This includes an order for eight additional Boeing 767-200 aircraft for delivery in 1990 - 1993.

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## 14 *Acquisitions and dispositions*

### **Acquisitions**

Information and publishing businesses in North America, Europe and Australia were acquired during the year for an aggregate initial cost of \$197 million. In the UK, the Horizon Travel Group was acquired for a cash consideration of \$128 million.

The following is a summary of the acquisitions completed in 1988. These acquisitions

have been accounted for on the purchase basis and where applicable the amounts shown have been translated into US dollars at the exchange rates at the dates of acquisition. The consolidated financial statements include assets and liabilities acquired and the results of operations of acquired businesses from the dates of acquisition.

	Total
Working capital, including cash of \$73 million	(12)
Property and equipment	23
Aircraft and spares	143
Publishing rights	148
Goodwill	128
Aircraft leases	(82)
Long-term debt and other liabilities	(21)
Cost	327

Allocations related to certain acquisitions may be subject to adjustment, pending final valuation.

In connection with certain of these acquisitions, additional amounts of approximately \$32 million may become payable contingent upon future profits.

### **Dispositions**

The UK consumer magazine interests were sold for \$52 million. Other businesses were sold for \$21 million.

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## 15 *Segmented information*

See page 39.

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## 16 *Comparative figures*

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

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***Board of Directors***

Lord Thomson of Fleet

Chairman

J A Tory

Deputy Chairman

W M Brown

President

R J Jachino

Executive Vice President;  
Chief Executive Officer,  
Information and Publishing Group

W J DesLauriers

C E Medland

D K R Thomson

R M Thomson

***Vice Presidents***

P Brett

Vice President;  
Chief Executive, Leisure Travel Group

N R Harrison

Vice President, Finance

M D Knight

Vice President and Secretary

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