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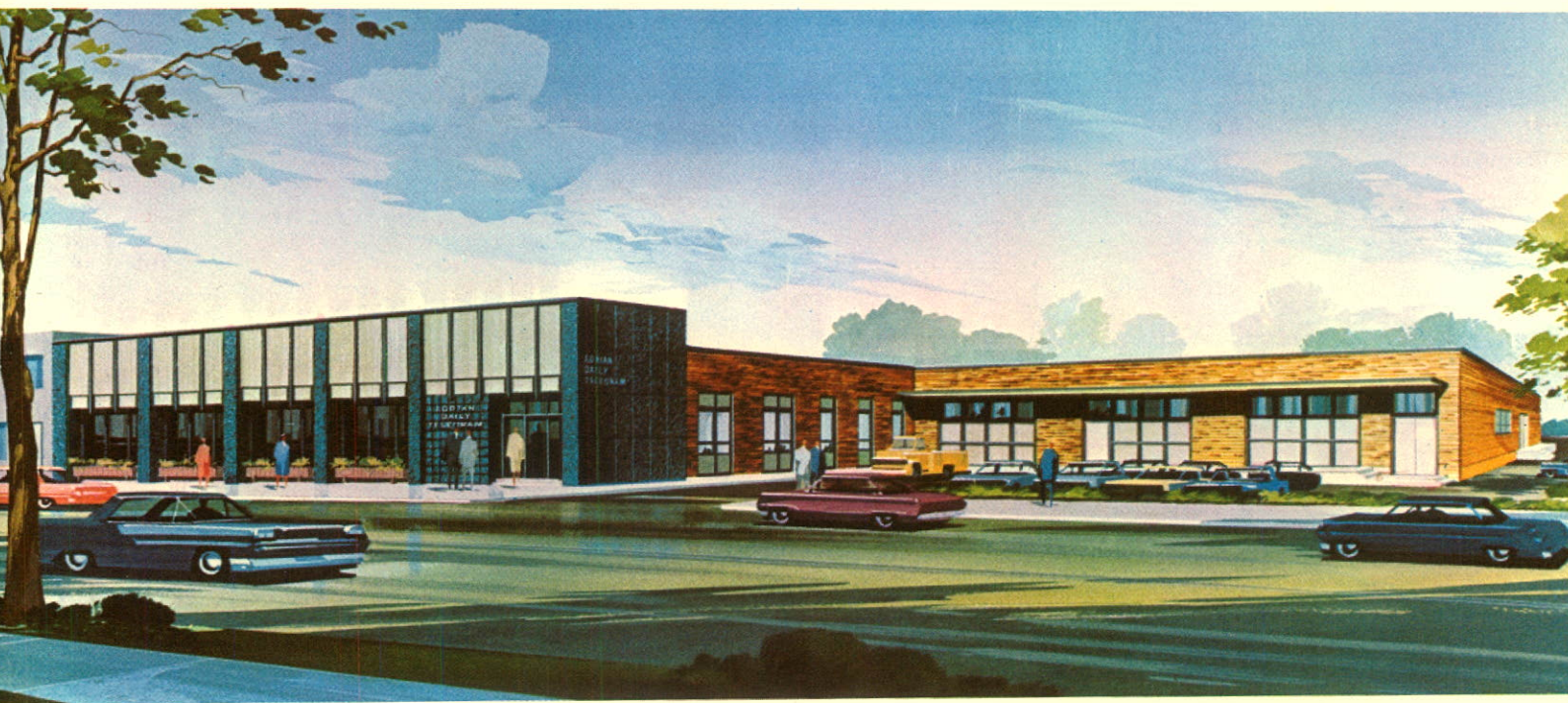
THOMSON NEWSPAPERS LIMITED  ANNUAL REPORT, 1968

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*Recently completed offices and plant,
Adrian Daily Telegram, Adrian, Michigan.*



*Recently completed offices and plant,
The Daily Packet and Times, Orillia, Ontario.*

**ANNUAL
REPORT
1968
THOMSON
NEWSPAPERS
LIMITED
and its subsidiaries**



THOMSON NEWSPAPERS

In Canada, Thomson Newspapers are: *The Guardian*, Charlottetown, P.E.I. (1); *The Evening Patriot*, Charlottetown, P.E.I. (2); *New Glasgow News*, New Glasgow, N.S. (3); *The Northern Light*, Bathurst, N.B. (4); *Quebec Chronicle-Telegraph*, Quebec, P.Q. (5); *Standard-Freeholder*, Cornwall, Ont. (6); *The Trentonian and Tri-County News*, Trenton, Ont. (7);

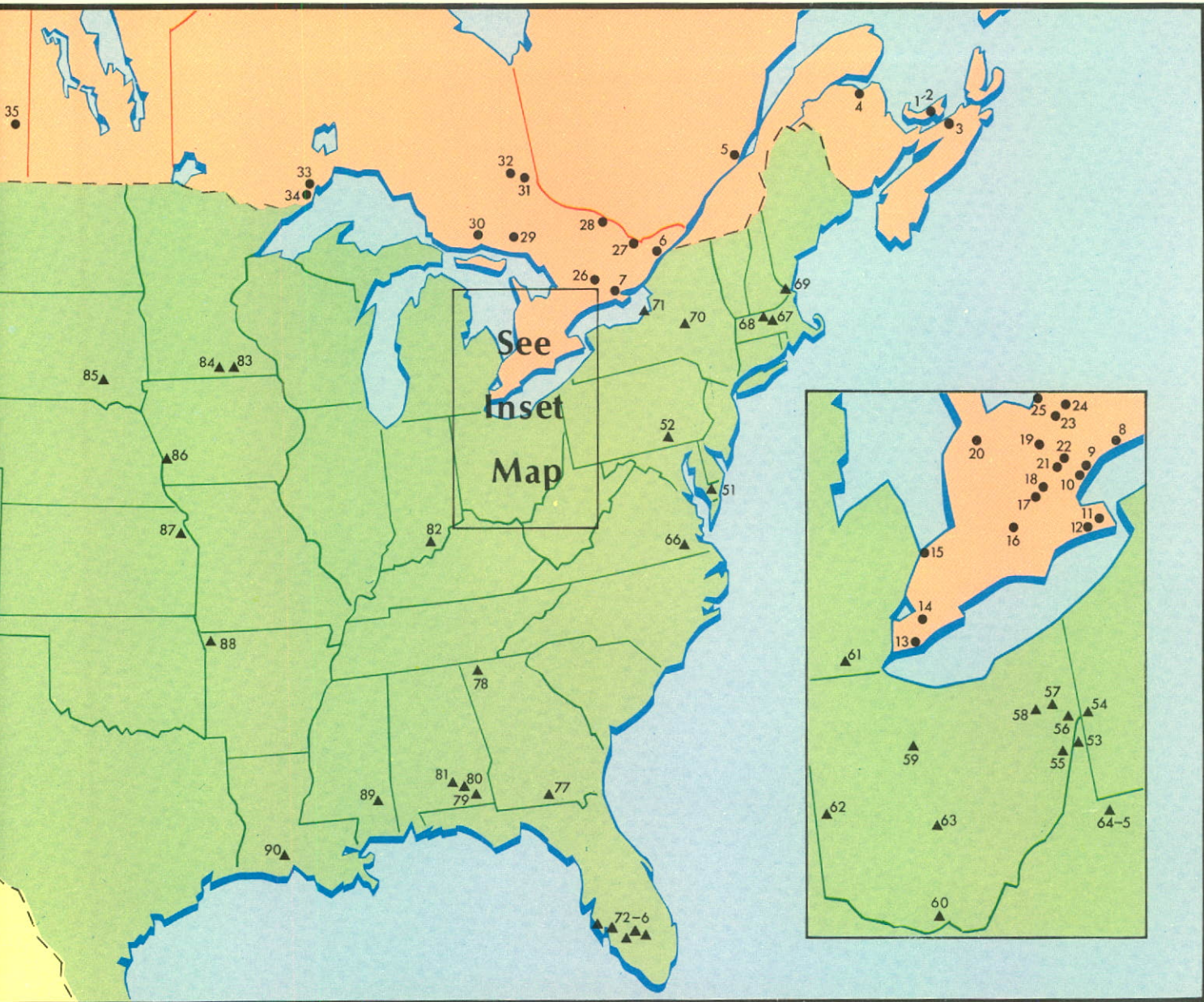
The Oshawa Times, Oshawa, Ont. (8); *The South Peel Weekly*,* Port Credit, Ont. (9); *Daily Journal-Record*,* Oakville, Ont. (10); *The Evening Tribune*, Welland, Ont. (11);

Dunnville Chronicle, Dunnville, Ont. (12); *Leamington Post and News*, Leamington, Ont. (13); *The Chatham Daily News*, Chatham, Ont. (14); *The Sarnia Observer*, Sarnia, Ont. (15); *The Daily Sentinel-Review*, Woodstock, Ont. (16);

The Evening Reporter, Galt, Ont. (17); *The Guelph Mercury*, Guelph, Ont. (18); *The Orangeville Banner*, Orangeville, Ont. (19); *The Hanover Post*, Hanover, Ont. (20); *Georgetown Herald*,* Georgetown, Ont. (21);

The Daily Times and Conservator,* Brampton, Ont. (22); *The Barrie Examiner*, Barrie, Ont. (23); *The Daily Packet and Times*, Orillia, Ont. (24); *Free Press Herald*, Midland, Ont. (25); *Peterborough Examiner*, Peterborough, Ont. (26); *The Arnprior Chronicle*, Arnprior, Ont. (27);

*Managed under contract



PERS in CANADA and the UNITED STATES

The Pembroke Observer, Pembroke, Ont. (28); *The Sudbury Star*, Sudbury, Ont. (29); *The Standard*, Elliot Lake, Ont. (30); *Northern Daily News*,* Kirkland Lake, Ont. (31); *The Daily Press*, Timmins, Ont. (32);

The News-Chronicle, Port Arthur, Ont. (33); *The Daily Times-Journal*, Fort William, Ont. (34); *The Yorkton Enterprise*, Yorkton, Sask. (35); *Moose Jaw Times-Herald*, Moose Jaw, Sask. (36); *Prince Albert Daily Herald*, Prince Albert, Sask. (37); *The Sun*, Swift Current, Sask. (38);

Kamloops Daily Sentinel, Kamloops, B.C. (39); *The Kelowna Daily Courier*, Kelowna, B.C. (40); *Penticton Herald*, Penticton, B.C. (41); *The Daily Free Press*, Nanaimo, B.C. (42).

In the United States, Thomson Newspapers are: *The Times-Standard*, Eureka, Cal. (43); *The Press-Courier*, Oxnard, Cal. (44); *San Gabriel Valley Daily Tribune*, West Covina, Cal. (45); *El Monte Herald*, El Monte, Cal. (46); *La Puente Valley Journal*, La Puente, Cal. (47);

Rosemead Review, Rosemead, Cal. (48); *San Gabriel Review*, San Gabriel, Cal. (49); *Garvey Advertiser*, Rosemead, Cal. (50);

The Daily Times, Salisbury, Md. (51); *The Evening Sun*, Hanover, Pa. (52); *The Weirton Daily Times*, Weirton, W.Va. (53); *The Midland News*, Midland, Pa. (54); *Steubenville Herald Star*, Steubenville, Ohio (55); *East Liverpool Review*, East Liverpool, Ohio (56); *The Salem News*, Salem,

Ohio (57); *The Canton Repository*, Canton, Ohio (58); *The Marion Star*, Marion, Ohio (59); *The Portsmouth Times*, Portsmouth, Ohio (60);

Adrian Daily Telegram, Adrian, Mich. (61); *Greenville Daily Advocate*, Greenville, Ohio (62); *Lancaster Eagle-Gazette*, Lancaster, Ohio (63); *The Fairmont Times*, Fairmont, W.Va. (64); *The West Virginian*, Fairmont, W.Va. (65); *The Progress-Index*, Petersburg, Va. (66); *Leominster Enterprise*, Leominster, Mass. (67); *Fitchburg Sentinel*, Fitchburg, Mass. (68); *Portsmouth Herald*, Portsmouth, N.H. (69); *The Evening Telegram*, Herkimer, N.Y. (70); *Oswego Palladium-Times*, Oswego, N.Y. (71);

The Clewiston News, Clewiston, Fla. (72); *Englewood Herald*, Englewood, Fla. (73); *Glades County Democrat*, Moore Haven, Fla. (74); *Hendry County News*, LaBelle, Fla. (75); *The Herald-News*, Punta Gorda, Fla. (76);

The Valdosta Daily Times, Valdosta, Ga. (77); *The Daily Citizen-News*, Dalton, Ga. (78); *The Dothan Eagle*, Dothan, Ala. (79); *Brundidge Banner*, Brundidge, Ala. (80); *Troy Messenger*, Troy, Ala. (81); *New Albany Tribune*, New Albany, Ind. (82); *Austin Daily Herald*, Austin, Minn. (83); *The Evening Tribune*, Albert Lea, Minn. (84); *The Daily Republic*, Mitchell, S.D. (85); *Council Bluffs Nonpareil*, Council Bluffs, Iowa (86); *The Leavenworth Times*, Leavenworth, Kan. (87); *Northwest Arkansas Times*, Fayetteville, Ark. (88); *Laurel Leader-Call*, Laurel, Miss. (89); *The Daily Advertiser*, Lafayette, La. (90).



THOMSON NEWSPAPERS LIMITED

OFFICERS AND DIRECTORS

THE RT. HON. LORD THOMSON OF FLEET *Honorary Chairman*
K. R. THOMSON *Chairman of the Board and President*
I. H. MACDONALD *Deputy Chairman*
ST. CLAIR McCABE *Executive Vice-President and Managing Director*
S. F. CHAPMAN, C.A. *Vice-President and Secretary-Treasurer*
J. J. STEPHENSON, C.A. *Assistant Secretary-Treasurer*

BOARD OF DIRECTORS

S. F. CHAPMAN, C.A.

THE HON. W. E. HARRIS, Q.C.

I. H. MACDONALD

ST. CLAIR McCABE

E. C. McDONALD

K. R. THOMSON

THE RT. HON. LORD THOMSON OF FLEET

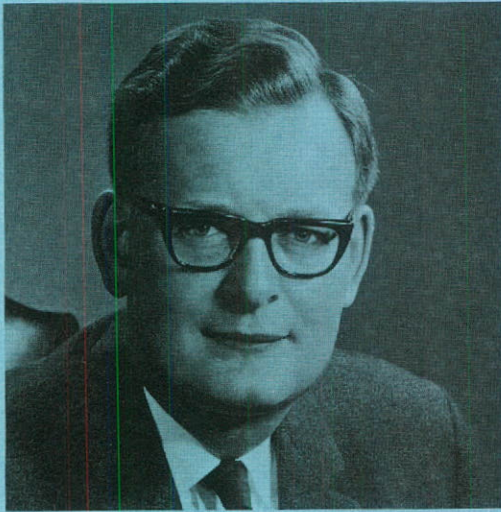
JOHN A. TORY, Q.C.

OFFICES

EXECUTIVE OFFICES: 425 University Avenue, Toronto

SALES OFFICES: Toronto, Montreal, New York, Chicago

EXECUTIVE OFFICES, U.S. NEWSPAPERS: 3150 Des Plaines Avenue, Des Plaines, Illinois
500 Market Avenue South, Canton, Ohio



REPORT of the Directors

On behalf of the Board of Directors I take pleasure in presenting the consolidated financial statements of your Company as at December 31, 1968, together with the Auditors' report thereon.

The net profit for the year ended December 31, 1968, was \$9,107,290 compared with \$5,701,936 in 1967. Net profit per common share, after providing for dividends on the 6³/₄% Cumulative Redeemable Preference Shares issued late in 1967, was 54¢ per share compared with 37.8¢ in 1967 after giving effect to the 3 for 1 stock split in December, 1968. Dividend payments for the year totalled 20¢ per common share, after giving effect to the stock split. The first three quarterly dividends paid in 1968 amounted to 4.67¢ per share per quarter and, commencing with the dividend paid on December 15, 1968, the rate was increased to 6¢ per share per quarter or 24¢ per annum.

During 1968 daily newspapers were acquired at Peterborough, Ontario; Fayetteville, Arkansas, and Portsmouth, New Hampshire. In addition, four weekly newspapers in Canada, located at Arnprior, Dunnville and Hanover, Ontario, and Yorkton, Saskatchewan, formerly managed by the Company, were acquired and paid for by the issue of 48,000 common shares, as subdivided. To date in 1969 an additional daily newspaper has been acquired, the long-established and successful Evening News, New Glasgow, Nova Scotia. This newspaper has served its community for 58 years.

A new plant was completed in 1968 at Adrian, Michigan, and two additional plants were completed early in the current year at Steubenville, Ohio, and Eureka, California. These plants were necessary to take full advantage of the indicated potential increase in business in these markets and our plant in Eureka is reputed to be one of the finest of its kind in California. It is not anticipated that capital expenditures for 1969 will be abnormal.

During the year your Company completed the sale of its 85% interest in the Alliance, Ohio, newspaper in accordance with the agreement with the United States Department of Justice entered into in 1967 at

the time of the acquisition of the Brush-Moore group. The profit on the sale of this newspaper is not included in the operating results for 1968.

Your Company now publishes 62 daily and 23 weekly newspapers in Canada and the United States. Aggregate circulation of the daily newspapers exceeds 1,075,000. The Company also manages under contract three daily newspapers and two weekly newspapers in Canada.

Despite increasing costs it is anticipated that the results of operations for the current year will continue to be favourable. Profits of the newspapers in the Brush-Moore group, acquired on December 11, 1967, are included for the whole of 1968. We are extremely pleased with the operating results of these newspapers to date and it is anticipated that these newspapers will make an increasing contribution to earnings in 1969 and future years.

During the year Mr. Henry J. Foster resigned as a Director of the Company after many years of valuable service. Mr. Foster has spent a lifetime in newspaper work. As publisher of The Evening Tribune, Welland, Ontario, he established a bond of sympathy with his readers and his newspaper contributed greatly to enlightened public thinking. Journalism to him has been a privilege which he has discharged in good conscience and to the admiration of his fellow newspapermen. On behalf of the Directors I wish to extend to him our sincere thanks.

On behalf of the Board of Directors I wish to express my sincere appreciation and gratitude to the officers and employees of the Company for their efforts throughout the year.

For the Board of Directors


President



Consolidated Balance Sheet

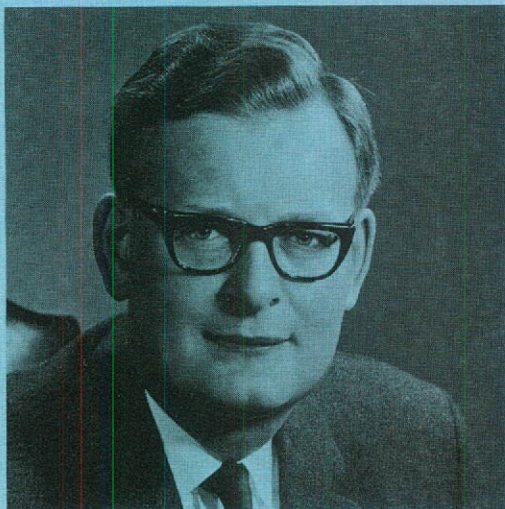
(with comparative figures)

ASSETS	<u>1968</u>	<u>1967</u>
Current assets		
Cash - - - - -	\$ 7,131,751	\$ 11,055,023
Term deposits - - - - -	3,173,454	19,370,096
Trade accounts receivable less allowance for doubtful accounts - - - - -	9,974,969	9,106,325
Other accounts receivable including payments due within one year on mortgages and notes receivable - - - - -	787,457	974,256
Inventories, at the lower of cost and replacement cost - - - - -	1,834,162	1,595,901
Special refundable tax - - - - -	130,514	
Prepaid expenses - - - - -	396,085	368,208
	<u>23,428,392</u>	<u>42,469,809</u>
Investments and other assets		
Special refundable tax - - - - -		155,773
Mortgages, notes receivable and agreements of sale - - - - -	239,113	599,620
Investments in and advances to associated companies, at cost - - - - -	1,216,688	306,924
Sundry investments, at cost - - - - -	221,698	291,856
Life insurance, cash surrender value - - - - -	269,183	230,245
	<u>1,946,682</u>	<u>1,584,418</u>
Fixed assets (note 2)		
Land - - - - -	6,141,831	5,849,032
Buildings, machinery and equipment - - - - -	74,885,501	72,579,383
	<u>81,027,332</u>	<u>78,428,415</u>
Less accumulated depreciation - - - - -	28,599,861	29,432,438
	<u>52,427,471</u>	<u>48,995,977</u>
Construction in progress, at cost - - - - -		2,340,317
	<u>52,427,471</u>	<u>51,336,294</u>
Publishing rights and goodwill, at cost - - - - -	79,319,961	73,572,564
	<u>\$157,122,506</u>	<u>\$168,963,085</u>

Approved by the Board

St. Clair McCabe, Director

S. F. Chapman, Director



REPORT of the Directors

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On behalf of the Board of Directors I wish to express my sincere appreciation and gratitude to the officers and employees of the Company for their efforts throughout the year.

For the Board of Directors


President

Consolidated Balance Sheet

(with comparative figures for 1967)

ASSETS	<u>1968</u>	<u>1967</u>
Current assets		
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Prepaid expenses - - - - -	396,085	368,208
	<u>23,428,392</u>	<u>42,469,809</u>
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Sundry investments, at cost - - - - -	221,698	291,856
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	<u>81,027,332</u>	<u>78,428,415</u>
Less accumulated depreciation - - - - -	28,599,861	29,432,438
	<u>52,427,471</u>	<u>48,995,977</u>
Construction in progress, at cost - - - - -		2,340,317
	<u>52,427,471</u>	<u>51,336,294</u>
Publishing rights and goodwill, at cost - - - - -	79,319,961	73,572,564
	<u>\$157,122,506</u>	<u>\$168,963,085</u>

Approved by the Board

St. Clair McCabe, *Director*

S. F. Chapman, *Director*

PAPERS LIMITED

(In accordance with the laws of Ontario)

PRINTING COMPANIES



Balance Sheet — December 31, 1968

(Some figures for 1967)

LIABILITIES	<u>1968</u>	<u>1967</u>
Current liabilities		
Accounts payable and accrued liabilities - - - - -	\$ 4,199,799	\$ 4,461,518
Notes payable, due January 3, 1968 - - - - -		18,370,540
Interest payable and accrued - - - - -	545,881	468,367
Income and other taxes payable - - - - -	3,315,056	2,813,173
Principal instalments due within one year on long-term debt - - - - -	10,837,366	9,036,993
Prepaid subscriptions - - - - -	1,022,877	855,667
	<u>19,920,979</u>	<u>36,006,258</u>
Long-term debt (note 3) - - - - -	76,924,717	76,805,838
Deferred liabilities - - - - -	309,291	
Preferred shares of subsidiary companies - - - - -		<u>1,261,298</u>
Interest of minority common shareholders of subsidiary companies - - - - -	129,374	<u>857,419</u>
SHAREHOLDERS' EQUITY		
Capital stock (note 4)		
Authorized		
600,000 Preference shares with a par value of \$50 each, issuable in series, of which 300,000 have been designated as 6 ³ / ₄ % cumulative redeemable preference shares, series A, redeemable on or after December 15, 1977 at \$51 per share		
30,000,000 Common shares without par value		
Issued		
300,000 6 ³ / ₄ % Cumulative redeemable preference shares, series A - - - - -	15,000,000	15,000,000
14,983,620 Common shares (14,935,620 shares in 1967, after giving effect to 3 for 1 split) - - - - -	14,879,920	14,219,920
	<u>29,879,920</u>	<u>29,219,920</u>
Retained earnings - - - - -	29,374,601	23,891,151
Appraisal surplus (note 5) - - - - -	583,624	921,201
	<u>59,838,145</u>	<u>54,032,272</u>
	<u>\$157,122,506</u>	<u>\$168,963,085</u>

THOMSON NEWSPAPERS LIMITED

AND SUBSIDIARY COMPANIES

Consolidated Statement of Income

Year ended December 31, 1968

(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
Operating revenue - - - - -	\$92,860,714	\$50,986,479
Costs and operating expenses - - - - -	64,188,051	36,155,780
Income from operations - - - - -	28,672,663	14,830,699
Income from investments - - - - -	482,821	193,661
	29,155,484	15,024,360
Depreciation - - - - -	4,350,404	2,169,651
Interest on long-term debt - - - - -	4,795,900	1,318,278
	9,146,304	3,487,929
Earnings before income taxes - - - - -	20,009,180	11,536,431
Income taxes - - - - -	10,878,821	5,786,454
Net earnings before minority interest - - - - -	9,130,359	5,749,977
Interest of minority shareholders - - - - -	23,069	48,041
Net income for the year - - - - -	\$ 9,107,290	\$ 5,701,936

Consolidated Statement of Retained Earnings

Year ended December 31, 1968

(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
Balance at beginning of year - - - - -	\$23,891,151	\$21,379,239
Add		
Net income for the year - - - - -	9,107,290	5,701,936
Discount on bonds purchased for cancellation - - - - -	55,579	21,090
Profit on disposal of fixed assets and investments - - - - -	359,128	289,152
	9,521,997	6,012,178
	33,413,148	27,391,417
Deduct		
Dividends paid on preference shares - - - - -	1,012,500	
Dividends paid on common shares - - - - -	2,992,244	2,606,626
Financing commissions and expenses - - - - -		869,810
Increase in interest of minority common shareholders of subsidiary company - - - - -	33,803	23,830
	4,038,547	3,500,266
Balance at end of year - - - - -	\$29,374,601	\$23,891,151

APERS LIMITED

(laws of Ontario)

COMPANIES

December 31, 1968

(figures for 1967)

LIABILITIES	<u>1968</u>	<u>1967</u>
Current liabilities		
Accounts payable and accrued liabilities - - - - -	\$ 4,199,799	\$ 4,461,518
Notes payable, due January 3, 1968 - - - - -		18,370,540
Interest payable and accrued - - - - -	545,881	468,367
Income and other taxes payable - - - - -	3,315,056	2,813,173
Principal instalments due within one year on long-term debt - - - - -	10,837,366	9,036,993
Prepaid subscriptions - - - - -	1,022,877	855,667
	<u>19,920,979</u>	<u>36,006,258</u>
Long-term debt (note 3) - - - - -	76,924,717	76,805,838
Deferred liabilities - - - - -	309,291	
Preferred shares of subsidiary companies - - - - -		<u>1,261,298</u>
Interest of minority common shareholders of subsidiary companies - - - - -	129,374	<u>857,419</u>
SHAREHOLDERS' EQUITY		
Capital stock (note 4)		
Authorized		
600,000 Preference shares with a par value of \$50 each, issuable in series, of which 300,000 have been designated as 6 ³ / ₄ % cumulative redeemable preference shares, series A, redeemable on or after December 15, 1977 at \$51 per share		
30,000,000 Common shares without par value		
Issued		
300,000 6 ³ / ₄ % Cumulative redeemable preference shares, series A - - - - -	15,000,000	15,000,000
14,983,620 Common shares (14,935,620 shares in 1967, after giving effect to 3 for 1 split) - - - - -	14,879,920	14,219,920
	<u>29,879,920</u>	<u>29,219,920</u>
Retained earnings - - - - -	29,374,601	23,891,151
Appraisal surplus (note 5) - - - - -	583,624	921,201
	<u>59,838,145</u>	<u>54,032,272</u>
	<u>\$157,122,506</u>	<u>\$168,963,085</u>

THOMSON NEWSPAPERS LIMITED

AND SUBSIDIARY COMPANIES

Consolidated Statement of Income

Year ended December 31, 1968

(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
Operating revenue - - - - -	\$92,860,714	\$50,986,479
Costs and operating expenses - - - - -	64,188,051	36,155,780
Income from operations - - - - -	28,672,663	14,830,699
Income from investments - - - - -	482,821	193,661
	<u>29,155,484</u>	<u>15,024,360</u>
Depreciation - - - - -	4,350,404	2,169,651
Interest on long-term debt - - - - -	4,795,900	1,318,278
	<u>9,146,304</u>	<u>3,487,929</u>
Earnings before income taxes - - - - -	20,009,180	11,536,431
Income taxes - - - - -	10,878,821	5,786,454
Net earnings before minority interest - - - - -	9,130,359	5,749,977
Interest of minority shareholders - - - - -	23,069	48,041
Net income for the year - - - - -	<u>\$ 9,107,290</u>	<u>\$ 5,701,936</u>

Consolidated Statement of Retained Earnings

Year ended December 31, 1968

(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
Balance at beginning of year - - - - -	\$23,891,151	\$21,379,239
Add		
Net income for the year - - - - -	9,107,290	5,701,936
Discount on bonds purchased for cancellation - - - - -	55,579	21,090
Profit on disposal of fixed assets and investments - - - - -	359,128	289,152
	<u>9,521,997</u>	<u>6,012,178</u>
	33,413,148	27,391,417
Deduct		
Dividends paid on preference shares - - - - -	1,012,500	
Dividends paid on common shares - - - - -	2,992,244	2,606,626
Financing commissions and expenses - - - - -		869,810
Increase in interest of minority common shareholders of subsidiary company - - - - -	33,803	23,830
	<u>4,038,547</u>	<u>3,500,266</u>
Balance at end of year - - - - -	<u>\$29,374,601</u>	<u>\$23,891,151</u>

THOMSON NEWSPAPERS LIMITED

AND SUBSIDIARY COMPANIES

Consolidated Statement of Source and Application of Funds

Year ended December 31, 1968

(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
Source of funds		
Operations		
Net income for the year - - - - -	\$ 9,107,290	\$ 5,701,936
Add items not involving a current outlay of funds		
Depreciation - - - - -	4,350,404	2,169,651
Interest of minority shareholders in net income of subsidiary companies - - - - -	23,069	48,041
	13,480,763	7,919,628
Increase in long-term debt - - - - -	11,173,534	76,879,893
Increase in deferred liabilities - - - - -	309,291	
Issue of preference shares - - - - -		15,000,000
Issue of common shares - - - - -	660,000	1,550,000
Preferred shares in subsidiary companies - - - - -		1,261,298
Interest of minority common shareholders of subsidiary companies - - - - -		700,409
Profit on disposal of fixed assets and investments - - - - -	359,128	289,152
Discount on bonds purchased for cancellation - - - - -	55,579	21,090
	26,038,295	103,621,470
Application of funds		
Payments on long-term debt - - - - -	9,254,282	4,519,605
Increase in current portion of long-term debt - - - - -	1,800,373	7,469,508
Increase in investments and other assets - - - - -	362,264	674,298
Construction in progress - - - - -		2,340,317
Reduction in interest of minority common shareholders of subsidiary companies - - - - -	784,917	
Additions to fixed assets - - - - -	5,779,158	25,756,884
Redemption of preferred shares in subsidiary companies - - - - -	1,261,298	
Publishing rights and goodwill - - - - -	5,747,397	57,558,145
Dividends paid on preference shares - - - - -	1,012,500	
Dividends paid on common shares - - - - -	2,992,244	2,606,626
Financing commissions and expenses - - - - -		869,810
	28,994,433	101,795,193
Increase (decrease) in working capital - - - - -	(2,956,138)	1,826,277
Working capital at beginning of year - - - - -	6,463,551	4,637,274
Working capital at end of year - - - - -	\$ 3,507,413	\$ 6,463,551

Auditors' Report

To the Shareholders of
Thomson Newspapers Limited

We have examined the consolidated balance sheet of Thomson Newspapers Limited and subsidiary companies as at December 31, 1968 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination of Thomson Newspapers Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For those subsidiaries of which we are not the auditors, we have carried out such enquiries and examinations as we considered necessary in order to accept for purposes of consolidation the reports of the other auditors.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 14, 1969

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

NOTES to Consolidated Financial Statements

Year ended December 31, 1968

1. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiary companies as follows:

Canadian subsidiary companies

Canadian Newspapers Company Limited, County Newspapers Limited, The Northern Light, Limited, Ontario Newspapers Limited, Patriot Publishing Company, Petex Publishing Limited, Quebec Newspapers Limited, The Sun Printing and Publishing Company, Limited, Thomson B.C. Newspapers Limited, Times-Journal of Fort William Limited, Western Publishers Limited and Yorkton Publishing Company Limited.

United States subsidiary companies

The Clewiston News, Inc., The Chronicle, Inc., The Eagle-Gazette Company, Fayetteville Democrat Publishing Company, Herald Publishing Co., Inc., Humboldt Newspapers, Inc., The Independent, Inc., Nonpareil Realty Co., Oxnard Publishing Company, The Punta Gorda Herald Inc., San Gabriel Valley Tribune, Inc., Stark CATV, Inc., Thomson-Brush-Moore Holdings, Inc., Thomson-Brush-Moore Newspapers, Inc., Thomson Newspapers Inc., Thomson Newspapers (Ohio) Inc.

On March 31, 1968 The Brush-Moore Newspapers, Inc. and certain of its subsidiaries, Penn-Mar Publishing Company, The Salisbury Times, Inc., and Weirton Newspapers, Inc. were merged with Thomson-Brush-Moore Newspapers, Inc.

The accounts of the subsidiary companies in the United States have been translated into Canadian dollars on the following basis:

- (a) current assets and current liabilities, at the exchange rate prevailing at the balance sheet date,
- (b) all other assets and liabilities of subsidiary companies acquired, at the rate prevailing at the date of acquisition of such subsidiary companies,
- (c) all other assets and liabilities, at the rate prevailing at the date the assets were acquired or the liabilities incurred,
- (d) income and expenses, at the average rate for the year except for depreciation which is based on the cost of fixed assets as translated and income tax, to the extent of the unpaid balance, which is at the rate prevailing at the balance sheet date.

The earnings of newspapers acquired during the year have been included from the date of acquisition.

2. FIXED ASSETS

Fixed assets are stated at cost except the following fixed assets which are stated at depreciated replacement values in accordance with the reports of Cooper Appraisals Limited: the fixed assets owned at June 30, 1955 and the fixed assets acquired at August 8, 1955 used in connection with the publication of The Sudbury Star (appraisal June 30, 1955); the fixed assets of Quebec Newspapers Limited (appraisal May 31, 1950); the fixed assets, at date of acquisition, of newspapers acquired from October 1, 1955 to June 30, 1960 (appraisal June 30, 1960); the fixed assets of Times-Journal of Fort William Limited (appraisal August 31, 1965).

Fixed asset cost and accumulated depreciation were reduced by \$5,167,809 as a result of the merger of The Brush-Moore Newspapers, Inc. and certain of its subsidiaries with Thomson-Brush-Moore Newspapers, Inc. Such reduction had no effect on the net book value of the fixed assets.

Additions during the year amounted to \$5,779,158.

NOTES to Consolidated Financial Statements

Year ended December 31, 1968

3. LONG-TERM DEBT

	<u>1968</u>	<u>1967</u>
Thomson Newspapers Limited and Canadian subsidiary companies		
First mortgage bonds		
5% sinking fund bonds, 1955 series, maturing October 1, 1975, annual sinking fund \$250,000 - - - - -	\$ 2,975,500	\$ 3,249,500
6% sinking fund bonds, 1960 series, maturing November 1, 1980, annual sinking fund \$150,000 - - - - -	2,745,000	2,950,000
Notes payable		
7 ³ / ₄ % term notes payable \$84,000 monthly April 1, 1969 to February 1, 1972, final payment of \$60,000 due March 1, 1972. Interest to be adjusted to ³ / ₄ of 1% above the lender's prime rate - - - - -	3,000,000	
Miscellaneous mortgages payable - - - - -	62,709	12,501
	8,783,209	6,212,001
Thomson Newspapers Inc. and subsidiary companies		
Notes payable		
6 ³ / ₄ % promissory notes due May 1, 1987 payable May 1, 1971 to 1987 as follows: 1971-73 U.S. \$750,000; 1974-76 U.S. \$812,500; 1977-79 U.S. \$875,000; 1980-84 U.S. \$937,500 and 1985-87 U.S. \$1,000,000; (U.S. \$15,000,000) - - - - -	\$16,186,800	\$16,186,800
Term notes payable U.S. \$400,000 quarterly to September 30, 1972, final payment of U.S. \$2,400,000 due December 31, 1972, bearing interest at a rate ¹ / ₂ of 1% above the lender's prime rate, such interest not to exceed 6 ¹ / ₂ % nor be less than 5 ¹ / ₂ % per annum, and providing for additional mandatory prepayments commencing in 1969 in an amount, not exceeding U.S. \$400,000 per annum, to be determined by reference to increases in cash flow (U.S. \$8,400,000) - - - - -	9,077,208	10,806,200
7% term notes payable U.S. \$750,000 semi-annually to March 1, 1971, final payment of U.S. \$500,000 due September 1, 1971 (U.S. \$4,250,000) - - - - -	4,591,318	5,401,550
8 ¹ / ₂ % payable April 30, 1970 (U.S. \$1,000,000) - - - - -	1,080,120	
Promissory notes payable October 31, 1973, bearing interest at 1 ¹ / ₂ % above the lender's prime rate. (U.S. \$2,900,000) - - - - -	3,110,917	
5% payable U.S. \$368,000 January 3, 1969 and U.S. \$556,800 April 30, 1973 (U.S. \$924,800) - - - - -	998,895	
Mortgage payable		
5% payable U.S. \$27,000 semi-annually to 1976, U.S. \$39,500 semi-annually 1977-81 inclusive, maturing November 29, 1981 (U.S. \$800,000) - - - - -	859,936	917,982
Miscellaneous notes and mortgages payable - - - - -	1,699,814	1,969,073
	37,605,008	35,281,605
Thomson-Brush-Moore Newspapers, Inc. and subsidiary companies		
Notes payable		
4% promissory notes payable U.S. \$1,800,000 semi-annually to December 11, 1977 (secured by a pledge of all the shares of Thomson-Brush-Moore Newspapers, Inc.) (U.S. \$32,400,000) - - - - -	\$35,002,044	\$38,891,160
5 ³ / ₄ % payable U.S. \$20,000 monthly including interest, maturing April 18, 1976 (U.S. \$1,645,497) - - - - -	1,777,647	1,929,923
5 ³ / ₄ % payable U.S. \$150,000 quarterly, maturing August 15, 1970 (U.S. \$1,050,000) - - - - -	1,134,325	1,782,511
6% payable U.S. \$56,859 quarterly including interest, maturing July 18, 1976 (secured by a pledge of all shares of Humboldt Newspapers Inc.) (U.S. \$528,784) - - - - -	571,250	1,051,628
6% payable U.S. \$71,000 annually February 1, 1969-78 inclusive (U.S. \$710,000) - - - - -	771,976	
6 ¹ / ₄ % term notes payable U.S. \$100,000 quarterly, maturing March 31, 1973 (U.S. \$1,600,000) (advanced to December 31, 1967 U.S. \$200,000) - - - - -	1,728,496	216,061
Miscellaneous notes and mortgages payable - - - - -	388,128	477,942
	41,373,866	44,349,225
	87,762,083	85,842,831
Less principal instalments due within one year included in current liabilities - - - - -	10,837,366	9,036,993
	\$76,924,717	\$76,805,838

4. CAPITAL STOCK

Common shares

By supplementary letters patent dated December 5, 1968 the authorized and issued common shares of the company were subdivided on a 3 for 1 basis.

During 1968, 48,000 common shares, as subdivided, were issued as consideration for the purchase of newspaper businesses valued at \$660,000.

NOTES to Consolidated Financial Statements

Year ended December 31, 1968

5. APPRAISAL SURPLUS	<u>1968</u>	<u>1967</u>
Balance at beginning of year		
Increase in value of fixed assets over depreciated cost in accordance with appraisals - - - - -	\$5,695,663	\$5,901,293
Excess of cost of shares of subsidiary companies acquired to December 31, 1963 over the book value of the assets of such subsidiary companies - - - - -	4,774,462	4,774,462
	<u>921,201</u>	<u>1,126,831</u>
Deduct transfer to accumulated depreciation, representing depreciation adjustment on appraisal increase - - -	337,577	205,630
Balance at end of year - - - - -	<u>\$ 583,624</u>	<u>\$ 921,201</u>

6. DIVIDEND RESTRICTIONS

Provisions restricting the payment of dividends by the company are contained in the guarantees endorsed on the 6³/₈% promissory notes due May 1, 1987 of Thomson Newspapers Inc. Similar provisions are contained in the loan agreement dated January 3, 1968 providing for the issue of U.S. \$10,000,000 principal amount of term notes of Thomson Newspapers Inc. The most restrictive of these provisions is that the company may not pay dividends if such payment would reduce the consolidated net current assets (as defined) of the company and certain of its subsidiaries below the sum of \$2,000,000. The consolidated net current assets (as defined) of the company and such subsidiaries at December 31, 1968 exceed \$6,600,000.

7. UNFUNDED PENSION OBLIGATIONS

Thomson-Brush-Moore Newspapers, Inc. and certain of its subsidiary companies have an unfunded pension plan for hourly employees. At August 31, 1967, the actuarial deficiency of the plan amounted to approximately \$1,660,836 (U.S. \$1,545,000) and the annual contribution requirement over the period of forty years from that date would amount to \$122,213 (U.S. \$113,600). Since 1967 the company has charged the annual contribution requirement against income thereby recording a liability against which actual payments are charged.

Thomson Newspapers Limited has an unfunded pension plan for senior officers. At December 31, 1968 the actuarial deficiency of the plan amounted to approximately \$138,806 and the annual contribution requirement over the period of six years amounts to \$25,000.

8. LONG-TERM LEASE

On January 17, 1968 the company entered into an agreement with Dennis Commercial Properties Limited to lease office space in a building to be erected on Queen Street West, Toronto, for a term of 30 years at an annual rental of approximately \$248,000.

9. OTHER STATUTORY INFORMATION

The direct remuneration of directors and senior officers (as defined by The Corporations Act) for 1968 amounts to \$244,238 (1967 - \$217,720).



THOMSON NEWSPAPERS LIMITED