

*Thomson Newspapers Limited*  
*Annual Report 1979*

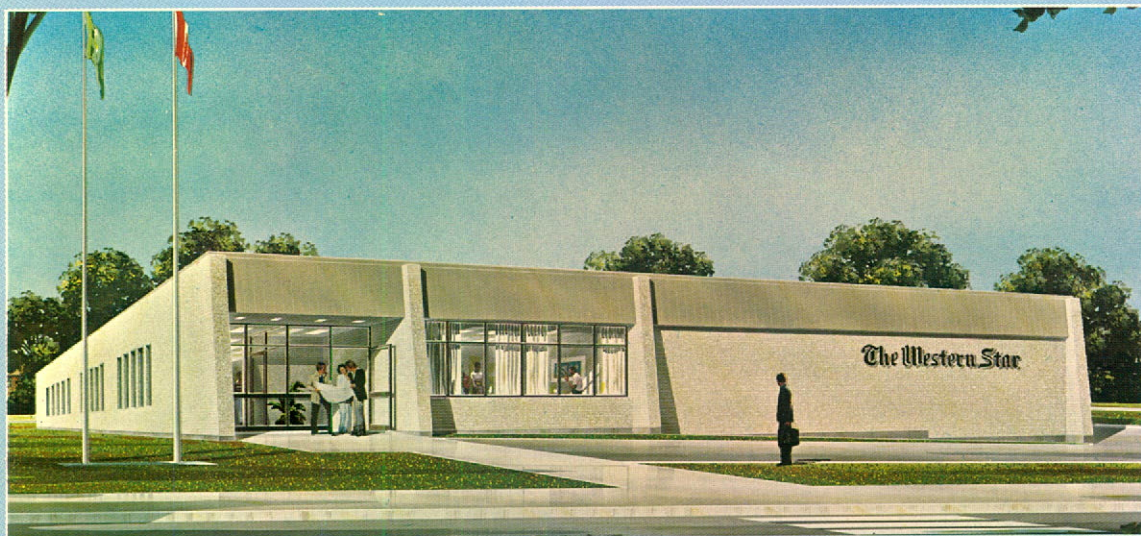


**1979**

1959

# Thomson Newspapers Limited

## Annual Report 1979



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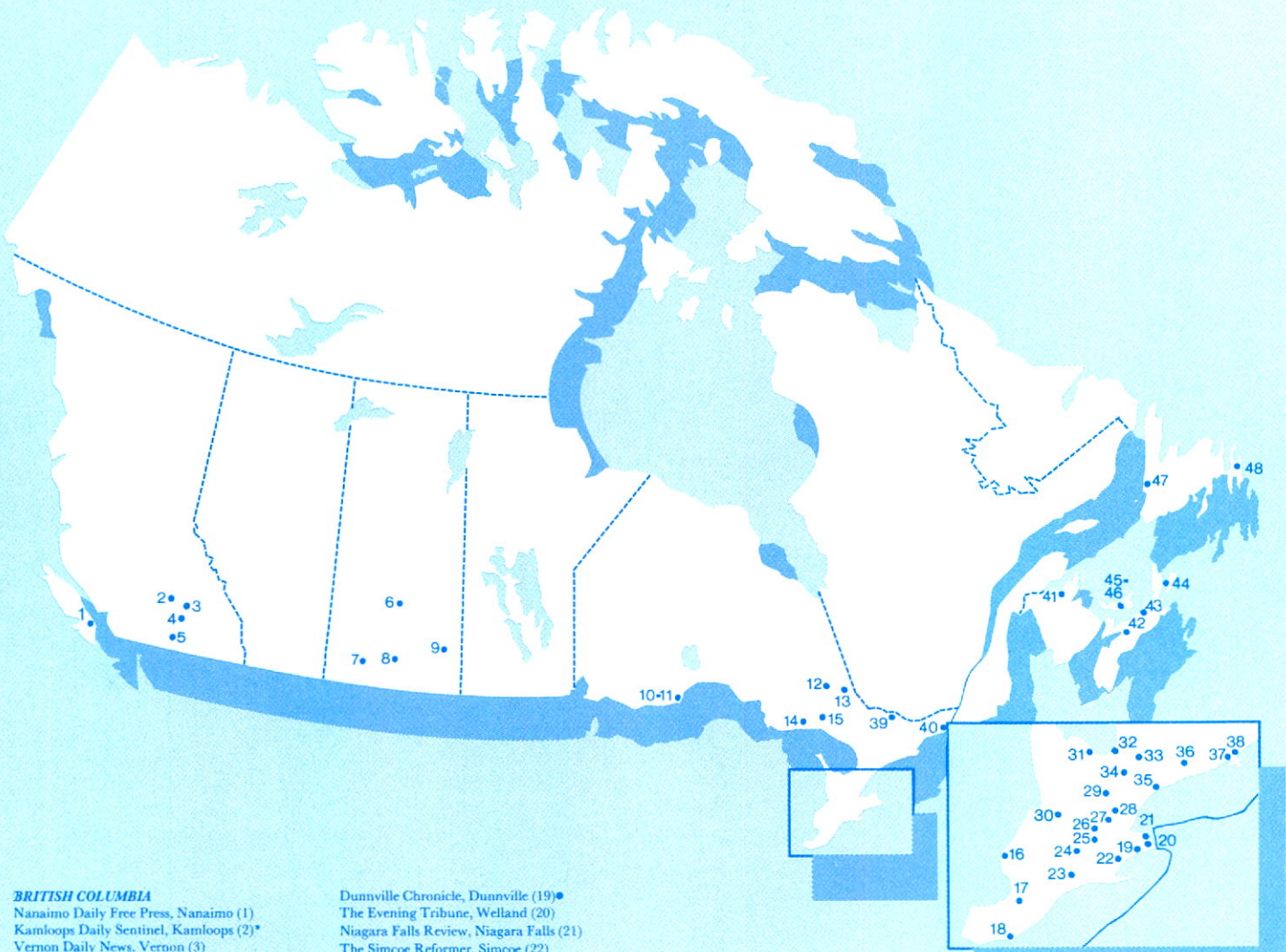
*Top picture*  
The Western Star building  
Corner Brook, Newfoundland

*Middle picture*  
The Daily Sentinel building  
Fitchburg, Massachusetts

*Bottom picture*  
The Daily Gazette building  
Taunton, Massachusetts

# Thomson Newspapers Limited

## Thomson Newspapers in Canada



### BRITISH COLUMBIA

Nanaimo Daily Free Press, Nanaimo (1)  
 Kamloops Daily Sentinel, Kamloops (2)\*  
 Vernon Daily News, Vernon (3)  
 The Kelowna Daily Courier, Kelowna (4)  
 Penticton Herald, Penticton (5)

### SASKATCHEWAN

Prince Albert Daily Herald, Prince Albert (6)  
 The Sun, Swift Current (7)●●  
 Moose Jaw Times-Herald, Moose Jaw (8)  
 The Yorkton Enterprise, Yorkton (9)●

### ONTARIO

The Times-News, Thunder Bay (10)  
 The Chronicle-Journal, Thunder Bay (11)  
 The Daily Press, Timmins (12)  
 Northern Daily News, Kirkland Lake (13)  
 The Standard, Elliot Lake (14)●  
 The Sudbury Star, Sudbury (15)  
 The Sarnia Observer, Sarnia (16)  
 The Chatham Daily News, Chatham (17)  
 Leamington Post, Leamington (18)●

Dunnville Chronicle, Dunnville (19)●  
 The Evening Tribune, Welland (20)  
 Niagara Falls Review, Niagara Falls (21)  
 The Simcoe Reformer, Simcoe (22)  
 St. Thomas Times-Journal, St. Thomas (23)  
 The Daily Sentinel-Review, Woodstock (24)  
 The Cambridge Daily Reporter, Cambridge (25)  
 The Daily Mercury, Guelph (26)  
 The Herald, Georgetown (27)●  
 The Daily Times, Brampton (28)  
 The Banner, Orangeville (29)●●  
 The Hanover Post, Hanover (30)●  
 Enterprise-Bulletin, Collingwood (31)●  
 The Free Press, Midland (32)●●  
 Daily Packet & Times, Orillia (33)  
 The Barrie Examiner, Barrie (34)  
 The Oshawa Times, Oshawa (35)  
 Peterborough Examiner, Peterborough (36)  
 The Trentonian and Tri-County News, Trenton (37)†  
 The Intelligencer, Belleville (38)  
 The Pembroke Observer, Pembroke (39)  
 Standard-Freeholder, Cornwall (40)

### NEW BRUNSWICK

The Northern Light, Bathurst (41)●

### NOVA SCOTIA

The Daily News, Truro (42)  
 The Evening News, New Glasgow (43)  
 Cape Breton Post, Sydney (44)

### PRINCE EDWARD ISLAND

The Guardian, Charlottetown (45)  
 The Evening Patriot, Charlottetown (46)

### NEWFOUNDLAND

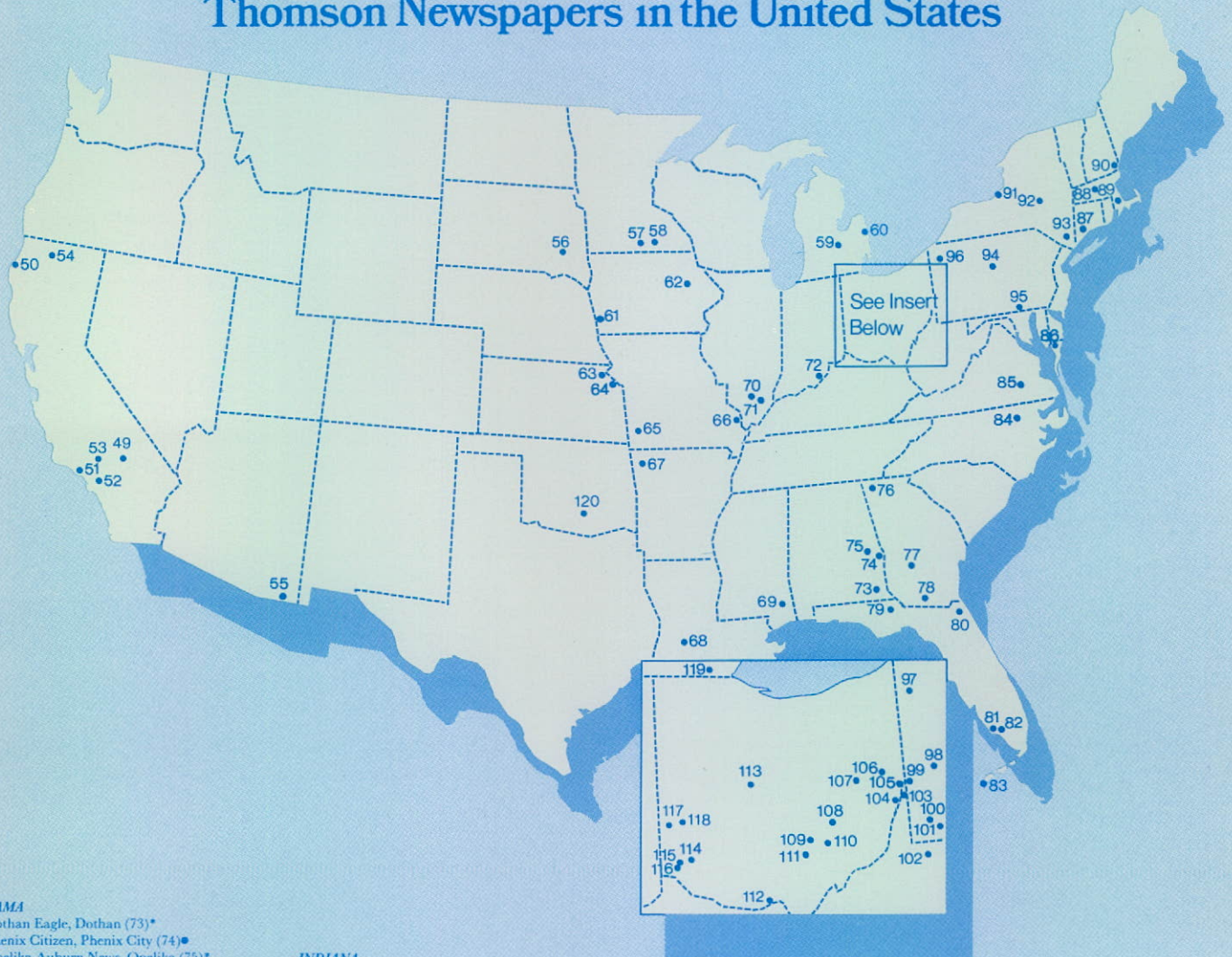
The Western Star, Corner Brook (47)  
 The Evening Telegram, St. John's (48)

Enlargement of area indicated at left.

All newspapers are published DAILY  
 except those marked as follows:  
 \*DAILY including SUNDAY ●WEEKLY  
 ●●BI-WEEKLY †TRI-WEEKLY

Total Daily Circulation in the United States - 1,058,139  
 Total Daily Circulation in Canada - 497,998

## Thomson Newspapers in the United States



Enlargement of area indicated above.

**ALABAMA**  
 The Dothan Eagle, Dothan (73)\*  
 The Phenix Citizen, Phenix City (74)●  
 The Opelika-Auburn News, Opelika (75)\*

**ARIZONA**  
 The Daily Dispatch, Douglas (55)

**ARKANSAS**  
 Northwest Arkansas Times, Fayetteville (67)\*

**CALIFORNIA**  
 Desert Dispatch, Barstow (49)  
 The Times-Standard, Eureka (50)\*  
 The Press-Courier, Oxnard (51)\*  
 San Gabriel Valley Tribune, West Covina (52)\*  
 Antelope Valley Daily Ledger-Gazette, Lancaster (53)  
 The Siskiyou Daily News, Yreka (54)

**CONNECTICUT**  
 The Evening Sentinel, Ansonia (87)

**FLORIDA**  
 Jackson County Floridan, Marianna (79)\*  
 Orange Park Daily Clay Today, Orange Park (80)  
 Englewood Herald, Englewood (81)●  
 Daily Herald-News, Punta Gorda (82)  
 The Key West Citizen, Key West (83)\*

**GEORGIA**  
 The Daily Citizen-News, Dalton (76)  
 The Cordele Dispatch, Cordele (77)  
 The Valdosta Daily Times, Valdosta (78)\*

**ILLINOIS**  
 The Register-News, Mount Vernon (70)  
 McLeansboro Times-Leader, McLeansboro (71)●

**INDIANA**  
 The Tribune, New Albany (72)\*

**IOWA**  
 Council Bluffs Nonpareil, Council Bluffs (61)\*  
 The Oelwein Daily Register, Oelwein (62)

**KANSAS**  
 Atchison Daily Globe, Atchison (63)  
 The Leavenworth Times, Leavenworth (64)\*

**LOUISIANA**  
 The Daily Advertiser, Lafayette (68)\*

**MARYLAND**  
 The Daily Times, Salisbury (86)\*

**MASSACHUSETTS**  
 The Daily Sentinel and Leominster Enterprise, Fitchburg (88)  
 Taunton Daily Gazette, Taunton (89)

**MICHIGAN**  
 Adrian Daily Telegram, Adrian (119)

**MINNESOTA**  
 The Evening Tribune, Albert Lea (57)\*  
 Austin Daily Herald, Austin (58)

**MISSISSIPPI**  
 Laurel Leader-Call, Laurel (69)

**MISSOURI**  
 The Carthage Press, Carthage (65)  
 The Southeast Missourian, Cape Girardeau (66)\*

**NEW HAMPSHIRE**  
 The Portsmouth Herald, Portsmouth (90)

**NEW YORK**  
 The Palladium-Times, Oswego (91)  
 The Evening Telegram, Herkimer (92)  
 The Evening News, Newburgh (93)\*

**NORTH CAROLINA**  
 The Evening Telegram, Rocky Mount (84)\*

**OHIO**  
 Steubenville Herald-Star, Steubenville (104)\*  
 The Evening Review, East Liverpool (105)  
 The Salem News, Salem (106)  
 The Canton Repository, Canton (107)\*  
 The Coshocton Tribune, Coshocton (108)\*  
 The Advocate, Newark (109)  
 The Times Recorder, Zanesville (110)\*  
 Lancaster Eagle-Gazette, Lancaster (111)  
 The Portsmouth Times, Portsmouth (112)  
 The Marion Star, Marion (113)\*  
 The Xenia Daily Gazette, Xenia (114)  
 The Franklin Chronicle, Franklin (115)●  
 Middletown Journal, Middletown (116)\*  
 Daily Advocate, Greenville (117)  
 Piqua Daily Call, Piqua (118)

**OKLAHOMA**  
 The Ada Evening News, Ada (120)\*

**PENNSYLVANIA**  
 The Express, Lock Haven (94)  
 The Evening Sun, Hanover (95)  
 The Meadville Tribune, Meadville (96)  
 The Record-Argus, Greenville (97)  
 The Leader-Times, Kittanning (98)  
 The Midland News, Midland (99)●  
 The Valley Independent, Monessen (100)  
 The Daily Courier, Connellsville (101)

**SOUTH DAKOTA**  
 The Daily Republic, Mitchell (56)

**VIRGINIA**  
 The Progress-Index, Petersburg (85)\*

**WEST VIRGINIA**  
 The Times-West Virginian, Fairmont (102)\*  
 The Weirton Daily Times, Weirton (103)

**WISCONSIN**  
 Fond du Lac Reporter, Fond du Lac (59)\*  
 Herald-Times-Reporter, Manitowoc (60)

All newspapers are published DAILY  
 except those marked as follows:  
 \*DAILY including SUNDAY ●WEEKLY

# Thomson Newspapers Limited

## Officers

**K. R. Thomson**  
*Chairman of the Board and  
 Chief Executive Officer*

**St. Clair McCabe**  
*President and  
 Chief Operating Officer*

**Margaret L. Hamilton**  
*Executive Vice-President*

**Brian W. Slaughter**  
*Senior Vice-President and  
 General Manager*

**Peter T. Bogart, C.A.**  
*Vice-President—Finance  
 Secretary-Treasurer*

**Ronald B. Mitchell, C.A.**  
*Assistant Treasurer*

**Paul E. Weeks, C.G.A.**  
*Controller*

## Directors

<b>S. F. Chapman, C.A.</b>	<b>D. J. Peacher</b>
<b>John H. Coleman</b>	<b>Brian W. Slaughter</b>
<b>John S. Dewar</b>	<b>D. C. H. Stanley</b>
<b>Margaret L. Hamilton</b>	<b>K. R. Thomson</b>
<b>St. Clair McCabe</b>	<b>John A. Tory, Q.C.</b>

## Executive Offices

**Thomson Newspapers Limited**  
 65 Queen Street West, Toronto, Canada  
*K. G. Lambie, Assistant General Manager  
 P. A. Tissington, Assistant General Manager*  
 4712-13th Street N.E., Calgary, Alberta  
*R. H. Laidlaw, Assistant General Manager*  
 1888 Brunswick Street, Halifax, Nova Scotia  
*L. A. DeMarchi, Assistant General Manager*

**Thomson Newspapers Inc.**  
 3150 Des Plaines Avenue, Des Plaines, Illinois  
*F. C. Miles, Senior Vice-President and General Manager  
 W. M. Seymour, Vice-President and Assistant General Manager*  
 4150 Belden Village Street, Canton, Ohio  
*D. P. Hicks, Vice-President and Assistant General Manager*  
 1111 North Westshore Boulevard, Tampa, Florida  
*J. Knox Dye, Vice-President and Assistant General Manager*  
 36 Washington Street, Wellesley Hills, Massachusetts  
*Merle Becker, Vice-President and Assistant General Manager*

**Sales Offices**  
 Toronto, Montreal, New York, Chicago

**Transfer Agent**  
 Montreal Trust Company — Toronto, Montreal, Vancouver,  
 Calgary, Regina, Winnipeg, Halifax

## Financial Highlights

	<u>1979</u>	<u>1978</u>
Operating revenue .....	\$335,560,964	\$306,476,326
Income before amortization of goodwill .....	\$ 65,636,019	\$ 57,394,109
Net income .....	\$ 65,028,987	\$ 56,559,103
Earnings per Class A and Class B share after preference dividends		
Before amortization of goodwill .....	\$1.318	\$1.150
For the year .....	\$1.305	\$1.133
Dividends paid		
Preference shares .....	\$ 758,200	\$ 772,514
Class A and Class B shares .....	\$ 25,979,996	\$ 18,344,487
Per share — Class A convertible .....	\$0.528	\$0.373
— Class B convertible .....	\$0.528	\$0.373

## Report of the Directors

On behalf of the Board of Directors, I am pleased to present the consolidated financial statements of your Company for the year ended December 31, 1979, together with the Auditors' Report thereon.

Net income for 1979 was \$65,028,987 compared with \$56,559,103 for 1978, an increase of \$8,469,884. Operating revenue was \$335,560,964 compared with \$306,476,326. Net income per Class A and Class B share increased to \$1.318 before and \$1.305 after amortization of goodwill compared with \$1.150 and \$1.133.

During the year expenditures on new plant and equipment and additions or alterations to existing plants amounted to approximately \$12,600,000. These expenditures were made as part of your Company's continuing program of modernizing its production facilities. Capital expenditures in 1980 in connection with this program are expected to amount to approximately \$14,000,000.

In 1979 the March 15th quarterly dividend on both the Class A and Class B shares was an ordinary taxable cash dividend of 11.5¢ per share. At the 1979 annual shareholders' meeting held in May approval was given for the payment of dividends on the Class B shares, at the same rate as for the Class A shares, by way of stock dividend either, at the option of the Class B shareholders, (i) in fully-paid Class B shares or (ii) in fully-paid non-participating non-voting Class C shares with a par value of 1¢ each to be immediately redeemed by your Company at their par value.

Dividends for the last three quarters of the year were at the rate of 13.75¢ per Class A and Class B share. Stock dividends totalling 64,086 Class B shares and 1,062,930 Class C shares were paid on the Class B shares. The Class C shares issued as stock dividends were redeemed at their par value. Your Company purchased through the facilities of The Toronto Stock Exchange 64,086 Class A and Class B shares at an average price of \$14.31 per share so that the total number of Class A and Class B shares outstanding at the year end (49,236,372) was the same as at the end of 1978.

In 1979 the Company acquired three daily newspapers in the United States: The Oelwein Daily Register, Oelwein, Iowa;

Atchison Daily Globe, Atchison, Kansas; Siskiyou Daily News, Yreka, California.

On January 31, 1980, your Company acquired approximately 54% of the voting shares and 79% of the equity shares of F.P. Publications Limited at a cost of approximately \$130,000,000. F.P. Publications publishes The Globe and Mail (Toronto), Winnipeg Free Press, The Lethbridge Herald, Victoria Daily Times, The Daily Colonist (Victoria), Vancouver Sun, The Ottawa Journal and The Calgary Albertan and has a number of other interests including 51.6% of the outstanding shares of Ronalds-Federated Limited, a public company engaged in the commercial printing business in Canada.

Your Company is not yet able to fully assess the outlook for F.P. Publications for 1980. However, we are confident that on a long-term basis this acquisition will have a very positive impact on your Company's earnings. The results of operations of your Company's other newspapers are expected to show continuing growth in 1980.

Consumer spending this year, in both Canada and the United States, is likely to soften due to increasing pressure on discretionary income arising principally from high levels of inflation and higher energy and interest costs. Despite these problems, I have great confidence in the fundamental strength of the North American economy and I believe that your Company is well positioned to take advantage of the growth that will take place during the 1980's in the communities it serves.

On behalf of the Board, I would like to express my sincere thanks to all of our employees, both in Canada and the United States, whose individual and collective efforts have been key factors in the continuing record of achievement and success of your Company.

For the Board of Directors



Chairman and Chief Executive Officer  
April 1, 1980

## Consolidated

As at Decem

ASSETS	<u>1979</u>	<u>1978</u>
Current Assets		
Cash and deposit receipts .....	\$ 57,573,557	\$ 38,542,347
Trade accounts receivable less allowance for doubtful accounts .....	39,460,205	37,055,540
Other accounts receivable .....	2,713,313	1,090,906
Inventories .....	5,395,189	3,834,867
Prepaid expenses .....	674,534	746,011
	<u>105,816,798</u>	<u>81,269,671</u>
Investments and Other Assets .....	<u>4,482,932</u>	<u>5,498,698</u>
Property, Plant and Equipment		
Land .....	9,824,823	9,253,839
Buildings, machinery and equipment .....	173,906,828	156,052,540
	183,731,651	165,306,379
Less accumulated depreciation .....	61,843,057	55,360,979
	<u>121,888,594</u>	<u>109,945,400</u>
Circulation and Goodwill .....	<u>183,835,234</u>	<u>182,677,882</u>

Approved by the Board

St. Clair McCabe, Director  
D. C. H. Stanley, Director

\$416,023,558

\$379,391,651



# PAPERS LIMITED

(INCORPORATED UNDER THE LAWS OF ONTARIO)

## Balance Sheet

March 31, 1979

<b>LIABILITIES</b>	<u>1979</u>	<u>1978</u>
Current Liabilities		
Accounts payable and accrued liabilities .....	\$ 12,591,265	\$ 14,374,069
Taxes payable .....	17,904,995	9,959,462
Notes payable .....		4,609,442
Current instalments of long-term debt .....	8,567,886	6,454,127
Prepaid subscriptions .....	<u>4,011,227</u>	<u>3,553,686</u>
	<u>43,075,373</u>	<u>38,950,786</u>
Long-Term Debt (note 2) .....	<u>40,124,516</u>	<u>47,844,125</u>
Deferred Income Taxes .....	<u>11,971,531</u>	<u>9,774,229</u>
Interest of Minority Common Shareholders of Subsidiary Companies .....	<u>1,202,408</u>	<u>995,572</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital Stock (note 3)		
Authorized		
516,353 Preference shares with a par value of \$50 each, issuable in series (1978—525,713 shares)		
89,935,914 Class A and Class B interconvertible participating shares without par value (1978—90,000,000 shares)		
498,937,070 Class C special non-participating, non-voting shares with a par value of \$.01 each		
1,000 Common shares without par value		
Issued		
216,353 6¾% Cumulative redeemable preference shares, Series A (1978—225,713 shares) .....	10,817,650	11,285,650
49,236,372 Shares consisting of 46,804,255 Class A and 2,432,117 Class B (1978—47,689,027 Class A and 1,547,345 Class B) .....	<u>54,208,420</u>	<u>54,208,420</u>
	65,026,070	65,494,070
Retained Earnings .....	<u>254,623,660</u>	<u>216,332,869</u>
	<u>319,649,730</u>	<u>281,826,939</u>
	<u>\$416,023,558</u>	<u>\$379,391,651</u>

# Thomson Newspapers Limited

## Consolidated Statement of Income

Year ended December 31, 1979

	<u>1979</u>	<u>1978</u>
Operating revenue .....	\$335,560,964	\$306,476,326
Costs and operating expenses .....	<u>201,879,804</u>	<u>186,823,620</u>
Operating income before depreciation .....	133,681,160	119,652,706
Depreciation .....	<u>8,169,347</u>	<u>8,499,529</u>
Operating income .....	<u>125,511,813</u>	<u>111,153,177</u>
Other deductions (income)		
Interest on long-term debt .....	5,351,864	4,591,822
Minority interest .....	206,836	178,609
Interest and investment income .....	(4,759,891)	(1,743,450)
Other (net) .....	<u>1,651,985</u>	<u>(1,503,913)</u>
	<u>2,450,794</u>	<u>1,523,068</u>
Income before income taxes .....	<u>123,061,019</u>	<u>109,630,109</u>
Income taxes		
Current .....	55,717,000	49,789,000
Deferred .....	<u>1,708,000</u>	<u>2,447,000</u>
	<u>57,425,000</u>	<u>52,236,000</u>
Income before amortization of goodwill .....	65,636,019	57,394,109
Amortization of goodwill .....	607,032	835,006
Net income .....	<u>\$ 65,028,987</u>	<u>\$ 56,559,103</u>
Earnings per Class A and Class B share		
Before amortization of goodwill .....	\$1.318	\$1.150
For the year .....	\$1.305	\$1.133

The earnings per Class A and Class B share are after deducting dividends paid on the outstanding 6¾% preference shares.

## Consolidated Statement of Retained Earnings

Year ended December 31, 1979

	<u>1979</u>	<u>1978</u>
Balance at beginning of year .....	\$216,332,869	\$178,890,767
Net income .....	<u>65,028,987</u>	<u>56,559,103</u>
	<u>281,361,856</u>	<u>235,449,870</u>
Dividends paid on		
Preference shares .....	758,200	772,514
Class A and Class B shares .....	<u>25,979,996</u>	<u>18,344,487</u>
	<u>26,738,196</u>	<u>19,117,001</u>
Balance at end of year .....	<u>\$254,623,660</u>	<u>\$216,332,869</u>

## Consolidated Statement of Changes in Financial Position

Year ended December 31, 1979

	<u>1979</u>	<u>1978</u>
Working capital derived from		
Operations		
Net income.....	\$65,028,987	\$ 56,559,103
Items not involving working capital		
Depreciation.....	8,169,347	8,499,529
Deferred income taxes.....	1,708,000	2,447,000
Amortization of goodwill.....	607,032	835,006
Other (net).....	1,262,926	705,197
	<u>76,776,292</u>	<u>69,045,835</u>
Proceeds on disposal of investments and property, plant and equipment.....	766,373	1,809,476
Proceeds from long-term debt.....	454,386	30,198,787
Other (net).....	184,288	1,202,626
	<u>78,181,339</u>	<u>102,256,724</u>
Working capital applied to		
Purchase of property, plant and equipment.....	12,618,936	14,466,135
Acquisition of subsidiary companies less working capital of \$1,013,712 (note 4) ..	9,698,837	48,990,782
Reduction in long-term debt.....	8,234,830	6,717,448
Dividends.....	26,738,196	19,117,001
Preference shares purchased for cancellation.....	468,000	303,500
	<u>57,758,799</u>	<u>89,594,866</u>
Increase in working capital.....	20,422,540	12,661,858
Working capital at beginning of year.....	<u>42,318,885</u>	<u>29,657,027</u>
Working capital at end of year.....	<u>\$62,741,425</u>	<u>\$ 42,318,885</u>

## Notes to Consolidated Financial Statements

Year ended December 31, 1979

### 1. ACCOUNTING POLICIES

#### (a) Basis of consolidation

The consolidated financial statements include the accounts of all subsidiary companies.

The earnings of subsidiary companies acquired during the year, using the purchase accounting method, have been included from the respective dates of acquisition.

#### (b) Translation of foreign currency

The financial statements of foreign subsidiaries and accounts of the company denominated in a foreign currency have been translated to Canadian dollars on the following basis:

- (i) Current assets, current liabilities and long-term debt are translated at the rate prevailing at the balance sheet date.
- (ii) All other assets and liabilities are translated at the rates prevailing at the dates the assets were acquired or the liabilities incurred.
- (iii) Revenue and expenses are translated at the average exchange rate for the year except for depreciation, amortization and income tax. Depreciation and amortization are translated at the rates prevailing at the dates the related assets were acquired and income tax is translated at the average exchange rate for the year, except for the unpaid balance, which is at the rate prevailing at the balance sheet date.

In 1978 the Canadian Institute of Chartered Accountants announced accounting recommendations related to the translation of foreign currencies. The company has adopted these recommendations in the financial statements for the years ended December 31, 1978 and 1979, notwithstanding the suspension of the implementation date for these recommendations. The resulting foreign currency translation gains and losses are included in the determination of net income, except for unrealized gains and losses related to monetary assets and liabilities with a fixed or ascertainable life extending beyond the end of the following fiscal year.

#### (c) Inventories

Inventories are valued at the lower of cost and replacement cost.

#### (d) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost. Depreciation is provided on the straight-line basis over their estimated useful lives as follows:

Buildings	40 years
Machinery and equipment	10 to 25 years
Furniture and fixtures	10 years
Automobiles	4 years
Leaschold improvements	over terms of leases

#### (e) Circulation and goodwill

Effective April 1, 1974 generally accepted accounting principles require a determination of the fair value of intangible assets acquired and the value of items designated as goodwill must be amortized over a period not exceeding forty years.

Prior to April 1, 1974 the excess of the purchase price over the estimated fair value of net assets acquired was not separated between amounts paid for circulation and for goodwill. Since April 1, 1974 the company has determined the cost of circulation in each purchase. This amount will not be amortized but will be written down pro rata if the level of circulation falls below the level capitalized at the date of acquisition. The aggregate amount so capitalized, net of amounts written off, to December 31, 1979 is \$43,914,588.

Goodwill acquired before April 1, 1974 will not be amortized but will be written down if there should be a diminution in its value. In accordance with generally accepted accounting principles, amounts designated as goodwill acquired after April 1, 1974, totalling \$24,775,582 at December 31, 1979, will be amortized over forty years from date of acquisition. Accumulated amortization to December 31, 1979 amounted to \$1,786,495.

## Notes to Consolidated Financial Statements

Year ended December 31, 1979

### 2. LONG-TERM DEBT

	<u>1979</u>	<u>1978</u>
First mortgage bonds		
Sinking fund bonds, 1960 series, interest at 6%, due November 1, 1980, annual sinking fund \$150,000.....	\$ 1,098,000	\$ 1,186,000
Notes payable		
Promissory note payable, interest at 106% of U.S. prime rate plus ¼% to March 31, 1981 and thereafter plus ½% to maturity. Principal payable semi-annually to December 31, 1985, subject to prepayment at the borrower's option without penalty (U.S. \$16,200,000).....	18,898,920	32,016,600
Promissory note payable, variable interest keyed to the Euro-Guilder rate plus ⅝% to December 31, 1979 plus ¾% to December 31, 1981 and thereafter plus ⅞% to maturity. Principal payable semi-annually to December 31, 1985, subject to prepayment at the borrower's option without penalty (Netherlands guilders 18,200,000 bearing interest at 10 <sup>9</sup> / <sub>16</sub> % at December 31, 1979).....	11,174,464	
Promissory notes payable, interest at 7%. Principal payable annually to May 1, 1987 (U.S. \$7,687,500).....	8,968,238	10,153,413
Notes payable, interest at 80% of U.S. prime rate. Principal payable semi-annually to December 30, 1984 (U.S. \$2,840,000).....	3,313,144	4,041,206
Notes payable, interest at 7½%. Principal payable annually to January 2, 1981 (U.S. \$1,275,750).....	1,488,290	2,955,533
Miscellaneous notes and mortgages payable (U.S. \$3,215,624).....	3,751,346	3,945,500
	<u>48,692,402</u>	<u>54,298,252</u>
Less instalments included in current liabilities.....	8,567,886	6,454,127
	<u>\$40,124,516</u>	<u>\$47,844,125</u>

During the year, a subsidiary company entered into an agreement whereby a U.S. \$10,000,000 promissory note payable was refinanced through a loan incurred by another subsidiary company in the amount of 19,600,000 Netherlands guilders.

Long-term debt repayments over the next five years amount to:

1980—\$8,567,886; 1981—\$5,120,091; 1982—\$5,000,427; 1983—\$4,998,648; 1984—\$11,318,038.

### 3. CAPITAL STOCK

- (a) The company has issued preference shares which are designated as 6¾% cumulative redeemable preference shares, Series A, redeemable at \$51 per share. The company is obliged, in each calendar year, to purchase for cancellation \$300,000 aggregate par value of Series A preference shares in the market (if obtainable) at a price not exceeding the amount paid up thereon plus accrued dividends and costs of purchase. During 1979, 9,360 preference shares, having an aggregate par value of \$468,000, were purchased for cancellation.
- (b) Class A participating shares are convertible into Class B participating shares, and vice versa, on a one-for-one basis at the option of the shareholder. The shares of each class are voting and rank equally in all respects. In 1979 the Shareholders approved a special resolution which amended the Articles of Incorporation to increase the authorized capital of the company by the creation of 500,000,000 Class C special shares with a par value of one cent each, which are non-participating and non-voting. Under the terms of the special resolution, dividends on the

Class B shares are payable at the same rate as for the Class A shares by way of stock dividend either, at the option of the Class B shareholders, (i) in fully-paid Class B shares or (ii) in fully-paid Class C shares which are immediately redeemable at their par value. All other attributes of the Class A and Class B shares remain unchanged.

In 1979 dividends paid on the Class A shares were ordinary taxable cash dividends. Dividends paid on the Class B shares for the first quarter were ordinary taxable cash dividends and for the last three quarters were stock dividends.

During the year, the company instituted a program under which it will purchase during each year, through the facilities of The Toronto Stock Exchange, a number of its Class A and/or Class B shares equal to the number of Class B shares which it issued during such year as stock dividends. In accordance with this program, the company purchased through The Toronto Stock Exchange 64,086 Class A and Class B shares, this being the number of Class B shares issued as stock dividends during 1979. Also, 1,062,930 Class C shares, issued as stock dividends on the Class B shares, were redeemed at their par value.

# Thomson Newspapers Limited

## Notes to Consolidated Financial Statements

Year ended December 31, 1979

### 4. ACQUISITIONS

During 1979 the company purchased all of the outstanding capital stock of the following newspaper publishing companies: Register Publishing Co., Inc. (Oelwein, Iowa), January 31, 1979; The Globe Publishing Company (Atchison, Kansas), March 15, 1979; Foss Publishing Co., Inc. (Yreka, California), August 30, 1979.

The acquisitions of the above companies have been accounted for on the purchase basis of accounting and the following acquisition equation has been based on their financial statements at the respective acquisition dates:

Total assets acquired:	
Current assets .....	\$ 1,202,100
Property, plant and equipment .....	5,006,076
Investments and other assets .....	171,190
Circulation .....	<u>4,095,399</u>
	<u>10,474,765</u>
Less total liabilities assumed:	
Current liabilities .....	188,388
Other liabilities .....	<u>30,154</u>
	<u>218,542</u>
Net assets acquired at estimated fair value (net book value \$1,891,582) .....	10,256,223
Excess of purchase price of shares over estimated fair value (to be amortized over 40 years) .....	<u>456,326</u>
Cash consideration .....	<u>\$10,712,549</u>

### 5. EMPLOYEE PENSION PLANS

The company and certain of its subsidiaries have in force a number of pension plans which provide retirement benefits for both salaried and hourly-rated employees. The principal plans comprise certain deferred annuity plans and several trustee plans to which the company and its employees contribute.

Contributions to the deferred annuity pension plans are accrued and paid on a current basis and therefore no liability for past service costs exists at December 31, 1979. The actuarially computed past service costs under the trustee plans are being amortized over periods of up to 30 years. At December 31, 1979 the unfunded past service costs under the various plans, as of the latest valuation dates, were approximately \$4,900,000. The company proposes to liquidate the obligation for unfunded past service costs under the various plans by annual payments of approximately \$300,000.

### 6. OTHER STATUTORY INFORMATION

The direct remuneration of directors and senior officers for 1979 amounts to \$1,025,720 (1978—\$839,017).

### 7. SUBSEQUENT EVENT

On January 31, 1980 the company acquired approximately 54% of the voting shares and 79% of the equity shares of F.P. Publications Limited for a cash consideration of approximately \$130,000,000, of which \$90,000,000 was financed by way of bank loans.

To the Shareholders of  
Thomson Newspapers Limited

## Auditors' Report

We have examined the consolidated balance sheet of Thomson Newspapers Limited as at December 31, 1979 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada  
February 28, 1980

Thorne Riddell & Co.  
Chartered Accountants



