

Thomson Newspapers Limited
Annual Report

1980

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Contents

	Page		Page
Newspaper Locations		Consolidated Statement of Income	8
Canada	2	Consolidated Statement of Retained Earnings	8
United States	3	Consolidated Statement of Changes in Financial Position	9
Officers and Directors	4	Notes to Consolidated Financial Statements	10-12
Financial Highlights	4	Auditors' Report	12
Report of the Directors	5		
Consolidated Balance Sheet	6-7		

Office of the Taunton Gazette features a colonial design in keeping with the character of its New England location.

Photograph courtesy of The Austin Company.



Thomson Newspapers in Canada



BRITISH COLUMBIA

- Times-Colonist, Victoria (1)*
- Nanaimo Daily Free Press, Nanaimo (2)
- Kamloops Daily Sentinel, Kamloops (3)*
- Vernon Daily News, Vernon (4)
- The Kelowna Daily Courier, Kelowna (5)
- Penticton Herald, Penticton (6)

ALBERTA

- Albertan Directory Publishers, Calgary (7)††
- The Lethbridge Herald, Lethbridge (8)

SASKATCHEWAN

- Prince Albert Daily Herald, Prince Albert (9)
- The Sun, Swift Current (10)●●
- Moose Jaw Times-Herald, Moose Jaw (11)
- The Yorkton Enterprise, Yorkton (12)●

MANITOBA

- Winnipeg Free Press, Winnipeg (13)

ONTARIO

- The Times-News, Thunder Bay (14)
- The Chronicle-Journal, Thunder Bay (15)
- The Daily Press, Timmins (16)

- Northern Daily News, Kirkland Lake (17)

- The Standard, Elliot Lake (18)●●
- The Sudbury Star, Sudbury (19)
- The Sarnia Observer, Sarnia (20)
- The Chatham Daily News, Chatham (21)
- Leamington Post, Leamington (22)●
- Dunnville Chronicle, Dunnville (23)●
- The Evening Tribune, Welland (24)
- Niagara Falls Review, Niagara Falls (25)
- The Simcoe Reformer, Simcoe (26)
- St. Thomas Times-Journal, St. Thomas (27)
- The Daily Sentinel-Review, Woodstock (28)
- Cambridge Daily Reporter, Cambridge (29)
- The Daily Mercury, Guelph (30)
- The Herald, Georgetown (31)●
- The Daily Times, Brampton (32)
- The Banner, Orangeville (33)●●
- The Hanover Post, Hanover (34)●
- Enterprise-Bulletin, Collingwood (35)●
- The Free Press, Midland (36)●●
- Daily Packet & Times, Orillia (37)
- The Barrie Examiner, Barrie (38)
- The Globe and Mail, Toronto (39)
- The Oshawa Times, Oshawa (40)
- Peterborough Examiner, Peterborough (41)

- The Trentonian and Tri-County News, Trenton (42)†
- The Intelligencer, Belleville (43)
- The Pembroke Observer, Pembroke (44)
- Standard-Freelholder, Cornwall (45)

QUEBEC

- Montreal Standard Printers, Montreal (46)††

NEW BRUNSWICK

- The Northern Light, Bathurst (47)●

NOVA SCOTIA

- The Daily News, Truro (48)
- The Evening News, New Glasgow (49)
- Cape Breton Post, Sydney (50)

PRINCE EDWARD ISLAND

- The Guardian, Charlottetown (51)
- The Evening Patriot, Charlottetown (52)

NEWFOUNDLAND

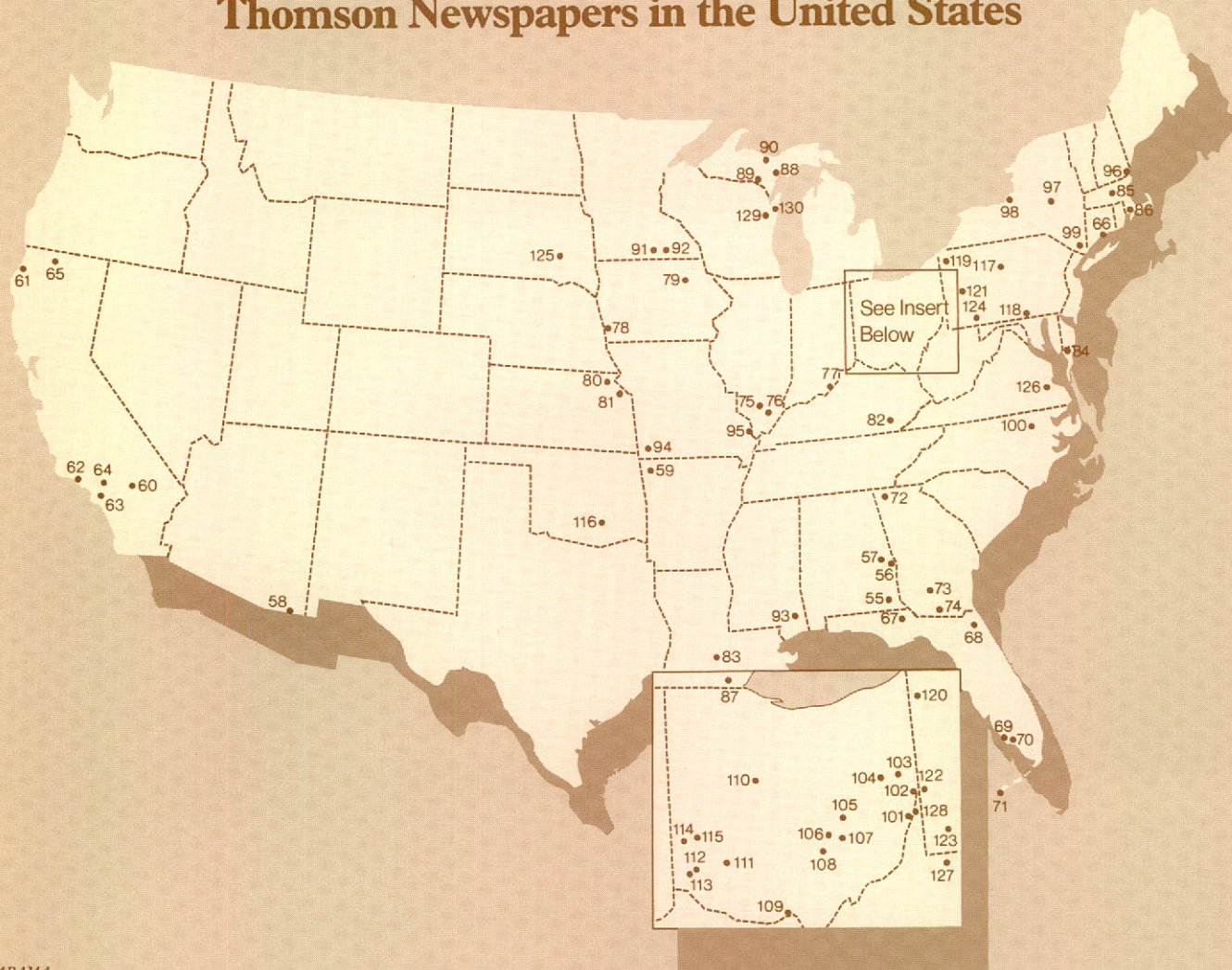
- The Western Star, Corner Brook (53)
- The Evening Telegram, St. John's (54)

Enlargement of area indicated at left.

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

Total Daily Circulation in the United States - 1,100,200
 Total Daily Circulation in Canada - 1,166,700

Thomson Newspapers in the United States



Enlargement of area indicated above.

ALABAMA
 The Dothan Eagle, Dothan (55)*
 The Phenix Citizen, Phenix City (56)●
 The Opelika-Auburn News, Opelika (57)*

ARIZONA
 The Daily Dispatch, Douglas (58)

ARKANSAS
 Northwest Arkansas Times, Fayetteville (59)*

CALIFORNIA
 Desert Dispatch, Barstow (60)
 The Times-Standard, Eureka (61)*
 The Press-Courier, Oxnard (62)*
 San Gabriel Valley Tribune, Covina (63)*
 Antelope Valley Daily Ledger-Gazette, Lancaster (64)
 The Siskiyou Daily News, Yreka (65)

CONNECTICUT
 The Evening Sentinel, Ansonia (66)

FLORIDA
 Jackson County Floridan, Marianna (67)*
 Orange Park Daily Clay Today, Orange Park (68)
 Englewood Herald, Englewood (69)●
 Daily Herald-News, Punta Gorda (70)
 The Key West Citizen, Key West (71)*

GEORGIA
 The Daily Citizen-News, Dalton (72)
 The Cordele Dispatch, Cordele (73)
 The Valdosta Daily Times, Valdosta (74)*

ILLINOIS
 The Register-News, Mount Vernon (75)
 McLeansboro Times-Leader, McLeansboro (76)●

INDIANA
 The Tribune, New Albany (77)*

IOWA
 Council Bluffs Nonpareil, Council Bluffs (78)*
 The Oelwein Daily Register, Oelwein (79)

KANSAS
 Atchison Daily Globe, Atchison (80)*
 The Leavenworth Times, Leavenworth (81)*

KENTUCKY
 The Times-Tribune, Corbin (82)

LOUISIANA
 The Daily Advertiser, Lafayette (83)*

MARYLAND
 The Daily Times, Salisbury (84)*

MASSACHUSETTS
 The Daily Sentinel and Leominster Enterprise, Fitchburg (85)
 Taunton Daily Gazette, Taunton (86)

MICHIGAN
 Adrian Daily Telegram, Adrian (87)
 The Daily Press, Escanaba (88)
 The Daily News, Iron Mountain (89)
 The Mining Journal, Marquette (90)

MINNESOTA
 The Evening Tribune, Alberta Lea (91)*
 Austin Daily Herald, Austin (92)

MISSISSIPPI
 Laurel Leader-Call, Laurel (93)

MISSOURI
 The Carthage Press, Carthage (94)
 The Southeast Missourian, Cape Girardeau (95)*

NEW HAMPSHIRE
 The Portsmouth Herald, Portsmouth (96)

NEW YORK
 The Evening Telegram, Herkimer (97)
 The Palladium-Times, Oswego (98)
 The Evening News, Newburgh (99)*

NORTH CAROLINA
 The Evening Telegram, Rocky Mount (100)*

OHIO
 Steubenville Herald-Star, Steubenville (101)*
 The Times Recorder, East Liverpool (102)
 The Salem News, Salem (103)
 The Canton Repository, Canton (104)*
 The Coshocton Tribune, Coshocton (105)*
 The Advocate, Newark (106)
 The Times Recorder, Zanesville (107)*
 Lancaster Eagle-Gazette, Lancaster (108)
 The Portsmouth Times, Portsmouth (109)
 The Marion Star, Marion (110)*
 The Xenia Daily Gazette, Xenia (111)
 The Franklin Chronicle, Franklin (112)●
 Middletown Journal, Middletown (113)*
 Daily Advocate, Greenville (114)
 Piqua Daily Call, Piqua (115)

OKLAHOMA
 The Ada Evening News, Ada (116)*

PENNSYLVANIA
 The Express, Lock Haven (117)
 The Evening Sun, Hanover (118)
 The Meadville Tribune, Meadville (119)
 The Record-Argus, Greenville (120)
 The Leader-Times, Kittanning (121)
 The Midland News, Midland (122)●
 The Valley Independent, Monessen (123)
 The Daily Courier, Connellsville (124)

SOUTH DAKOTA
 The Daily Republic, Mitchell (125)

VIRGINIA
 The Progress-Index, Petersburg (126)*

WEST VIRGINIA
 The Times-West Virginian, Fairmont (127)*
 The Weirton Daily Times, Weirton (128)

WISCONSIN
 Fond du Lac Reporter, Fond du Lac (129)*
 Herald-Times-Reporter, Manitowoc (130)

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*

John A. Tory, Q.C.

Deputy Chairman

Margaret L. Hamilton

*President and
Chief Operating Officer*

Brian W. Slaughter

Executive Vice-President

Peter T. Bogart, C.A.

*Vice-President—Finance and
Treasurer*

Michael R. Doody

Secretary

Ronald B. Mitchell, C.A.

Assistant Treasurer

Paul E. Weeks, C.G.A.

Controller

Directors

S. F. Chapman, C.A.

John H. Coleman

John S. Dewar

Margaret L. Hamilton

St. Clair McCabe

D. J. Peacher

Brian W. Slaughter

D. C. H. Stanley

K. R. Thomson

John A. Tory, Q.C.

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

St. Clair McCabe, President

F. C. Miles, Senior Vice-President and General Manager

W. M. Seymour, Vice-President

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 L. 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>1980</u>	<u>1979</u>
Operating revenue	\$522,159,572	\$335,560,964
Income before amortization of goodwill and extraordinary item	\$ 76,464,781	\$ 65,636,019
Income before extraordinary item	\$ 75,830,230	\$ 65,028,987
Net income	\$ 68,153,208	\$ 65,028,987
Earnings per Class A and Class B share after preference dividends		
Before amortization of goodwill and extraordinary item	\$1.54	\$1.32
Before extraordinary item	\$1.53	\$1.31
For the year	\$1.37	\$1.31
Dividends paid		
Preference shares	\$ 707,828	\$ 758,200
Class A and Class B shares	\$ 30,415,195	\$ 25,979,996
Per share — Class A convertible	\$0.62	\$0.53
— Class B convertible	\$0.62	\$0.53

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, 1980, together with the Auditors' Report thereon.

Income for the year before extraordinary item was \$75,830,230 compared with \$65,028,987 for 1979, an increase of \$10,801,243. Income after the extraordinary item referred to in note 6 to the financial statements was \$68,153,208 compared with \$65,028,987. Operating revenue was \$522,159,572 compared with \$335,560,964. Income per Class A and Class B share before extraordinary item increased to \$1.53 compared with \$1.31. Net income per Class A and Class B share was \$1.37 compared with \$1.31.

During the year expenditures on new plant and equipment and additions or alterations to existing plants amounted to approximately \$17.3 million. Capital expenditures in 1981 are expected to amount to approximately \$22 million including the installation of additional satellite transmission facilities by The Globe and Mail, the construction of a new plant in St. John's, Newfoundland, expansion of the press capacity in Winnipeg and substantial renovations and improvements in Council Bluffs, Iowa and Lafayette, Louisiana.

The dividend for the first quarter of the year on the Class A and Class B shares was at the rate of 13.75¢ per share. Dividends for the last three quarters were at the increased rate of 16¢ per share. Stock dividends totalling 89,157 Class B shares and 2,835,905 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 89,157 Class A and Class B shares at an average price of \$21.98 per share with the result 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 1979.

During the year your Company acquired all the shares of F.P. Publications Limited (FP). After giving effect to certain transactions relating to FP, details of which have been given in previous reports, the FP group now comprises The Globe and Mail (Toronto), Winnipeg Free Press, The Victoria Times-Colonist and The Lethbridge Herald as well as a rotogravure printing business in Montreal, a telephone directory publishing operation in Calgary and other assets.

In its continuing U.S. acquisition program, your Company acquired four daily newspapers in Marquette, Escanaba and Iron Mountain, Michigan and Corbin, Kentucky. The acquisition of additional newspapers in the United States continues to be one of our principal objectives for 1981.

Early in 1981 your Company made a joint offer with Nu-West Group Limited of Calgary under which each of us sought to acquire a 20% investment in Abitibi-Price Inc., your Company's principal newsprint supplier. This offer was withdrawn following the making of a higher offer for 100% of Abitibi-Price's shares by Olympia & York Investments Limited.

Although the economies of both Canada and the United States are likely to experience little growth in real terms in 1981, we anticipate that your Company's revenues and profits will continue to show satisfactory improvement.

On behalf of the Board, I would like to express our sincere appreciation to all of our employees, both in Canada and the United States, whose outstanding efforts in 1980 enabled your Company to achieve another very successful year.

For the Board of Directors



Chairman and Chief Executive Officer
April 6, 1981

Consolidated

As at Decem

ASSETS	<u>1980</u>	<u>1979</u>
Current Assets		
Cash and deposit receipts	\$ 39,316,478	\$ 57,573,557
Trade accounts receivable less allowance for doubtful accounts	65,282,081	39,460,205
Other accounts receivable	3,622,544	2,713,313
Inventories	9,028,558	5,395,189
Prepaid expenses	1,455,739	674,534
	<u>118,705,400</u>	<u>105,816,798</u>
Investments and Other Assets	<u>5,268,672</u>	<u>4,482,932</u>
Property, Plant and Equipment		
Land	46,526,992	9,824,823
Buildings, machinery and equipment	255,824,330	173,906,828
	302,351,322	183,731,651
Less accumulated depreciation	72,909,596	61,843,057
	<u>229,441,726</u>	<u>121,888,594</u>
Circulation and Goodwill	<u>198,236,069</u>	<u>183,835,234</u>
Approved by the Board		
Margaret L. Hamilton, Director		
D. C. H. Stanley, Director	<u>\$551,651,867</u>	<u>\$416,023,558</u>

PAPERS LIMITED

(THE LAWS OF ONTARIO)

Balance Sheet

er 31, 1980

LIABILITIES

	<u>1980</u>	<u>1979</u>
Current Liabilities		
Accounts payable and accrued liabilities	\$ 29,263,764	\$ 12,591,265
Taxes payable	1,095,980	17,904,995
Notes payable	17,071,340	
Current instalments of long-term debt	31,234,979	8,567,886
Prepaid subscriptions	8,744,951	4,011,227
	<u>87,411,014</u>	<u>43,075,373</u>
Long-Term Debt (note 2)	<u>88,317,342</u>	<u>40,124,516</u>
Deferred Income Taxes	<u>20,412,160</u>	<u>11,971,531</u>
Interest of Minority Common Shareholders of Subsidiary Companies		<u>1,202,408</u>

SHAREHOLDERS' EQUITY

Capital Stock (note 3)		
Authorized		
498,578 Preference shares with a par value of \$50 each, issuable in series (1979-516,353 shares)		
89,846,757 Class A and Class B interconvertible participating shares without par value (1979-89,935,914 shares)		
496,101,165 Class C special non-participating, non-voting shares with a par value of \$.01 each (1979-498,937,070 shares)		
1,000 Common shares without par value		
Issued		
198,578 6¾% Cumulative redeemable preference shares, Series A (1979-216,353 shares)	9,928,900	10,817,650
49,236,372 Shares consisting of 46,821,547 Class A and 2,414,825 Class B (1979-46,804,255 Class A and 2,432,117 Class B)	<u>54,208,420</u>	<u>54,208,420</u>
	64,137,320	65,026,070
Retained Earnings	<u>291,374,031</u>	<u>254,623,660</u>
	<u>355,511,351</u>	<u>319,649,730</u>
	<u>\$551,651,867</u>	<u>\$416,023,558</u>

Thomson Newspapers Limited

Consolidated Statement of Income

Year ended December 31, 1980

	<u>1980</u>	<u>1979</u>
Operating revenue	\$522,159,572	\$335,560,964
Costs and operating expenses	<u>351,537,344</u>	<u>201,879,804</u>
Operating income before depreciation	170,622,228	133,681,160
Depreciation	<u>12,849,817</u>	<u>8,169,347</u>
Operating income	<u>157,772,411</u>	<u>125,511,813</u>
Other deductions (income)		
Interest on long-term debt	14,276,703	5,351,864
Interest and investment income	(4,691,029)	(4,759,891)
Other (net)	<u>441,956</u>	<u>1,858,821</u>
	<u>10,027,630</u>	<u>2,450,794</u>
Income before income taxes	<u>147,744,781</u>	<u>123,061,019</u>
Income taxes		
Current	68,858,000	55,717,000
Deferred	<u>2,422,000</u>	<u>1,708,000</u>
	<u>71,280,000</u>	<u>57,425,000</u>
Income before amortization of goodwill and extraordinary item	76,464,781	65,636,019
Amortization of goodwill	<u>634,551</u>	<u>607,032</u>
Income before extraordinary item	75,830,230	65,028,987
Tax withheld on dividend from U.S. subsidiary (note 6)	<u>7,677,022</u>	<u>7,677,022</u>
Net income	<u>\$ 68,153,208</u>	<u>\$ 65,028,987</u>
Earnings per Class A and Class B share		
Before amortization of goodwill and extraordinary item	\$1.54	\$1.32
Before extraordinary item	\$1.53	\$1.31
For the year	\$1.37	\$1.31

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, 1980

	<u>1980</u>	<u>1979</u>
Balance at beginning of year	\$254,623,660	\$216,332,869
Net income	<u>68,153,208</u>	<u>65,028,987</u>
	<u>322,776,868</u>	<u>281,361,856</u>
Dividends paid on		
Preference shares	707,828	758,200
Class A and Class B shares	<u>30,415,195</u>	<u>25,979,996</u>
	<u>31,123,023</u>	<u>26,738,196</u>
Net premium on purchase of preference and Class A and Class B shares	279,814	279,814
	<u>31,402,837</u>	<u>26,738,196</u>
Balance at end of year	<u>\$291,374,031</u>	<u>\$254,623,660</u>

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1980

	<u>1980</u>	<u>1979</u>
Working capital derived from		
Operations		
Income before extraordinary item	\$ 75,830,230	\$65,028,987
Items not involving working capital		
Depreciation	12,849,817	8,169,347
Deferred income taxes	2,422,000	1,708,000
Amortization of goodwill	634,551	607,032
Other (net)	688,986	1,262,926
	<u>92,425,584</u>	<u>76,776,292</u>
Proceeds on disposal of investments and property, plant and equipment ...	1,837,180	766,373
Proceeds from long-term debt	103,541,071	454,386
Other (net)		184,288
	<u>197,803,835</u>	<u>78,181,339</u>
Working capital applied to		
Acquisition of subsidiary companies less working capital of \$1,281,680 (note 4)	114,188,878	9,698,837
Dividends	31,123,023	26,738,196
Reduction in long-term debt	55,478,696	8,234,830
Purchase of property, plant and equipment	17,313,249	12,618,936
Tax withheld on dividend from U.S. subsidiary	7,677,022	
Purchase of interest of minority shareholder in subsidiary company	2,500,000	
Preference shares purchased for cancellation	888,750	468,000
Other (net)	81,256	
	<u>229,250,874</u>	<u>57,758,799</u>
Increase (decrease) in working capital	(31,447,039)	20,422,540
Working capital at beginning of year	<u>62,741,425</u>	<u>42,318,885</u>
Working capital at end of year	<u>\$ 31,294,386</u>	<u>\$62,741,425</u>

Notes to Consolidated Financial Statements

Year ended December 31, 1980

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, long-term receivables 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.

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, which are being amortized over such life.

(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
Leasehold 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 is not being amortized but is being written down pro rata where 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, 1980 is \$55,665,727.

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 \$28,059,829 at December 31, 1980, are being amortized over forty years from date of acquisition. Accumulated amortization to December 31, 1980 amounted to \$2,421,046.

Notes to Consolidated Financial Statements

Year ended December 31, 1980

2. LONG-TERM DEBT

Notes payable

	<u>1980</u>	<u>1979</u>
Promissory notes payable, variable interest keyed to the Euro-Canadian rate plus $\frac{5}{8}\%$ to maturity. Principal payable quarterly to January 29, 1985, subject to prepayment at the borrower's option without penalty (interest at 15.58% at December 31, 1980).....	\$ 75,000,000*	
Promissory note payable, interest at 106% of U.S. prime rate plus $\frac{1}{4}\%$ to June 30, 1981 and thereafter plus $\frac{1}{2}\%$ to maturity. Principal payable semi-annually to December 31, 1985, subject to prepayment at the borrower's option without penalty (U.S. \$15,400,000).....	18,384,520	\$18,898,920
Promissory note payable, variable interest keyed to the Euro-Guilder rate plus $\frac{3}{4}\%$ to December 31, 1981 and thereafter plus $\frac{7}{8}\%$ to maturity. Principal payable semi-annually to December 31, 1985, subject to prepayment at the borrower's option without penalty (Netherlands guilders 15,400,000 bearing interest at 10.81% at December 31, 1980, 1979-10.56%).....	8,631,636	11,174,464
Promissory notes payable, interest at 7%. Principal payable annually to May 1, 1987 (U.S. \$6,750,000).....	8,058,150	8,968,238
Notes payable, interest at 80% of U.S. prime rate. Principal payable semi-annually to December 31, 1984 (U.S. \$2,272,000).....	2,712,314	3,313,144
Miscellaneous notes and mortgages payable (U.S. \$5,667,366).....	6,765,701	5,239,636
First mortgage bonds Sinking fund bonds, 1960 series, interest at 6%, due November 1, 1980.....		1,098,000
	<u>119,552,321</u>	<u>48,692,402</u>
Less instalments included in current liabilities.....	<u>31,234,979</u>	<u>8,567,886</u>
	<u>\$ 88,317,342</u>	<u>\$40,124,516</u>

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

1981—\$31,234,979*; 1982—\$5,328,032; 1983—\$24,051,017; 1984—\$36,742,564; 1985—\$17,299,297.

*During the year the company borrowed \$100,000,000 Canadian. On December 29, 1980, \$25,000,000 was prepaid at the borrower's option. On January 31, 1981 an additional \$25,000,000 was prepaid.

3. CAPITAL STOCK

- (a) The company has issued preference shares which are designated as $6\frac{3}{4}\%$ 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 1980, 17,775 preference shares, having an aggregate par value of \$888,750, 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. Under the terms of the special resolution approved by the shareholders in 1979, 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. Dividends paid on the Class A shares are ordinary taxable cash dividends.

In 1980 the company issued 89,157 Class B shares by way of stock dividend on its Class B shares. In accordance with the company's share purchase policy, an equivalent number of Class A and Class B shares have been purchased through the facilities of The Toronto Stock Exchange. Also, 2,835,905 Class C shares, issued as stock dividends on the Class B shares, were redeemed at their par value.

4. ACQUISITIONS

During 1980 the company purchased all of the outstanding capital stock of F.P. Publications Limited with effect from January 31, 1980.

On August 29, 1980 the company purchased the assets of The Mining Journal (Marquette, Michigan), The Daily Press (Escanaba, Michigan) and The Daily News (Iron Mountain, Michigan). On December 9, 1980 the company purchased all of the outstanding capital stock of The Corbin Times-Tribune (Corbin, Kentucky).

Notes to Consolidated Financial Statements

Year ended December 31, 1980

The acquisition equations for these acquisitions, which have been accounted for on the purchase basis of accounting, are as follows:

	F.P. Publications Limited	Other	Total
Total assets acquired:			
Current assets	\$ 39,035,253	\$ 1,290,836	\$ 40,326,089
Property, plant and equipment	88,106,200	14,367,950	102,474,150
Investments and other assets	727,560	120,212	847,772
Circulation		12,251,139	12,251,139
	<u>127,869,013</u>	<u>28,030,137</u>	<u>155,899,150</u>
Less total liabilities assumed:			
Current liabilities	38,382,898	661,511	39,044,409
Other liabilities	4,537,979	130,451	4,668,430
	<u>42,920,877</u>	<u>791,962</u>	<u>43,712,839</u>
Net assets acquired at estimated fair value (net book value \$49,090,437)	84,948,136	27,238,175	112,186,311
Excess of purchase price over estimated fair value (to be amortized over 40 years)		3,284,247	3,284,247
Cash consideration	<u>\$ 84,948,136</u>	<u>\$30,522,422</u>	<u>\$115,470,558</u>

The net proceeds from the sale of certain assets of F.P. Publications Limited (FP) and the revenue and expenses, net of income taxes, relating to those operations of FP which have been sold or closed, together with the related portion of after-tax financing costs, and current tax recoveries related to pre-acquisition losses of FP, have been treated in these financial statements as adjustments to the purchase price of FP. The net result of this treatment is to reduce the cost of the shares of FP from \$164,698,375 to \$84,948,136.

After giving effect to the transactions referred to above, the FP group comprises The Globe and Mail (Toronto), Winnipeg Free Press, The Victoria Times-Colonist and The Lethbridge Herald as well as a rotogravure printing business in Montreal, a telephone directory publishing operation in Calgary and other assets. The earnings of these continued operations have been included from January 31, 1980.

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, 1980. The actuarially computed past service costs under the trustee plans are being amortized over periods of up to 30 years. At December 31, 1980 the unfunded past service costs under the various plans, as of the latest valuation dates, were approximately \$5,600,000. The company proposes to liquidate the obligation for unfunded past service costs under the various plans by annual payments of approximately \$378,000.

6. EXTRAORDINARY ITEM

In 1980 the company's principal U.S. subsidiary, Thomson Newspapers Inc., paid a substantial dividend. The payment of this dividend was related to the financing of the acquisition of F.P. Publications Limited. As it is not intended that Thomson Newspapers Inc. will pay dividends as a normal practice, the U.S. withholding tax on this dividend, amounting to \$7,677,022, has been shown in the consolidated statement of income as an extraordinary item.

7. SEGMENTED INFORMATION

The company operates solely in newspaper publishing and printing. Operating revenue for the year was \$522,159,572 and is comprised of \$274,368,853 from Canadian operations and \$247,790,719 from United States operations. Segmented operating incomes amount to \$62,490,406 in Canada and \$99,405,671 in the United States. These amounts are arrived at prior to deductions totalling \$93,742,869 for interest on long-term debt, income taxes, interest and investment income, general corporate expenses, amortization of goodwill, extraordinary item and other miscellaneous deductions (net). The total assets of the company are \$551,651,867 comprising \$239,739,142 of Canadian assets and \$311,912,725 of United States assets.

Auditors' Report

To the Shareholders of
Thomson Newspapers Limited

We have examined the consolidated balance sheet of Thomson Newspapers Limited as at December 31, 1980 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, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 27, 1981

Thorne Riddell
Chartered Accountants

