

Thomson Newspapers Limited

1981

Annual Report

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The plant of The Daily Sentinel and Leominster Enterprise, Fitchburg, Massachusetts was designed to be compatible with the surrounding downtown architecture.

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)

Ontario (continued)

- 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-Freeholder, 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

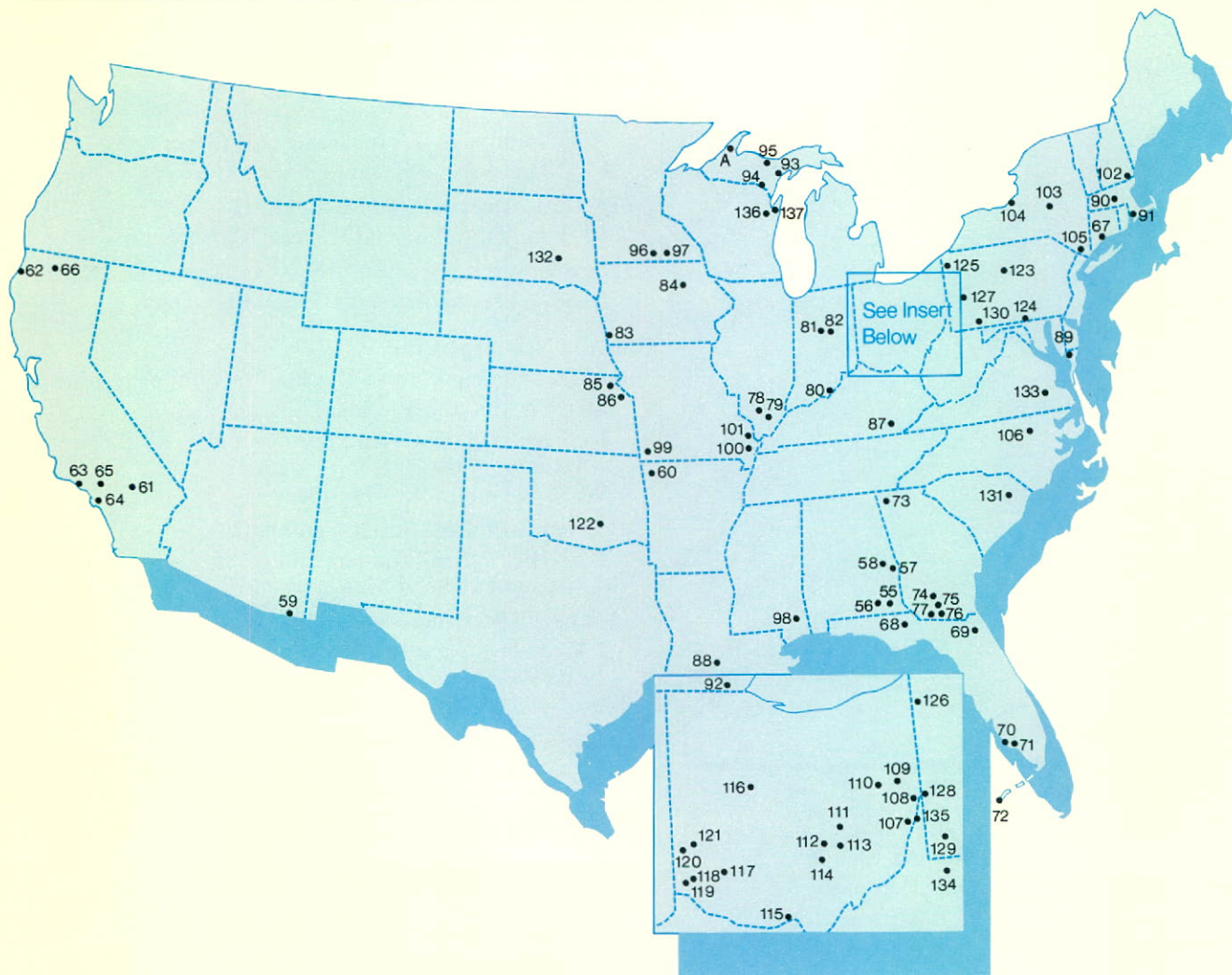
- The Western Star, Corner Brook (53)
- The Evening Telegram, St. John's (54)

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

Enlargement of area indicated at left.

Total Daily Circulation in the United States -1,181,200
 Total Daily Circulation in Canada -1,171,100

Thomson Newspapers in the United States



Enlargement of area indicated above.

ALABAMA

- The Dothan Eagle, Dothan (55)*
- The Enterprise Ledger, Enterprise (56)*
- The Phenix Citizen, Phenix City (57)●
- The Opelika-Auburn News, Opelika (58)*

ARIZONA

- The Daily Dispatch, Douglas (59)

ARKANSAS

- Northwest Arkansas Times, Fayetteville (60)*

CALIFORNIA

- Desert Dispatch, Barstow (61)
- The Times-Standard, Eureka (62)*
- The Press-Courier, Oxnard (63)*
- San Gabriel Valley Tribune, West Covina (64)*
- Antelope Valley Daily Ledger-Gazette, Lancaster (65)
- Siskiyou Daily News, Yreka (66)

CONNECTICUT

- The Evening Sentinel, Ansonia (67)

FLORIDA

- Jackson County Floridan, Marianna (68)*
- Clay Today, Orange Park (69)
- Englewood Herald, Englewood (70)●
- Daily Herald-News, Punta Gorda (71)
- The Key West Citizen, Key West (72)*

GEORGIA

- The Daily Citizen-News, Dalton (73)
- The Cordele Dispatch, Cordele (74)
- The Tifton Gazette, Tifton (75)
- The Valdosta Daily Times, Valdosta (76)*
- Thomasville Times-Enterprise, Thomasville (77)

ILLINOIS

- The Register-News, Mount Vernon (78)
- McLeansboro Times-Leader, McLeansboro (79)●

INDIANA

- The Tribune, New Albany (80)*
- The Kokomo Tribune, Kokomo (81)*
- The Howard County News, Greentown (82)●

IOWA

- Council Bluffs Nonpareil, Council Bluffs (83)*
- The Oelwein Daily Register, Oelwein (84)

KANSAS

- Atchison Daily Globe, Atchison (85)*
- The Leavenworth Times, Leavenworth (86)*

KENTUCKY

- The Times-Tribune, Corbin (87)

LOUISIANA

- The Daily Advertiser, Lafayette (88)*

MARYLAND

- The Daily Times, Salisbury (89)*

MASSACHUSETTS

- The Daily Sentinel and Leominster Enterprise, Fitchburg (90)
- Taunton Daily Gazette, Taunton (91)

MICHIGAN

- Adrian Daily Telegram, Adrian (92)
- The Daily Press, Escanaba (93)
- The Daily News, Iron Mountain (94)
- The Mining Journal, Marquette (95)

MINNESOTA

- The Evening Tribune, Alberta Lea (96)*
- Austin Daily Herald, Austin (97)

MISSISSIPPI

- Laurel Leader-Call, Laurel (98)

MISSOURI

- The Carthage Press, Carthage (99)
- The Daily Standard, Sikeston (100)*
- The Southeast Missourian, Cape Girardeau (101)*

NEW HAMPSHIRE

- The Portsmouth Herald, Portsmouth (102)

NEW YORK

- The Evening Telegram, Herkimer (103)
- The Palladium-Times, Oswego (104)
- The Evening News, Newburgh (105)*

NORTH CAROLINA

- The Evening Telegram, Rocky Mount (106)*

OHIO

- The Herald-Star, Steubenville (107)*
- The Evening Review, East Liverpool (108)
- The Salem News, Salem (109)
- The Repository, Canton (110)*
- The Coshocton Tribune, Coshocton (111)*
- The Advocate, Newark (112)
- The Times Recorder, Zanesville (113)*
- Lancaster Eagle-Gazette, Lancaster (114)
- The Daily Times, Portsmouth (115)
- The Marion Star, Marion (116)*
- The Xenia Daily Gazette, Xenia (117)
- The Franklin Chronicle, Franklin (118)●
- Middletown Journal, Middletown (119)*
- The Daily Advocate, Greenville (120)
- The Piqua Daily Call, Piqua (121)

OKLAHOMA

- The Ada Evening News, Ada (122)*

PENNSYLVANIA

- The Express, Lock Haven (123)
- The Evening Sun, Hanover (124)
- The Meadville Tribune, Meadville (125)
- The Record-Argus, Greenville (126)
- The Leader-Times, Kittanning (127)
- The Midland News, Midland (128)●
- The Valley Independent, Monessen (129)
- The Daily Courier, Connellsville (130)

SOUTH CAROLINA

- Florence Morning News, Florence (131)*

SOUTH DAKOTA

- The Daily Republic, Mitchell (132)

VIRGINIA

- The Progress-Index, Petersburg (133)*

WEST VIRGINIA

- The Times-West Virginian, Fairmont (134)*
- The Weirton Daily Times, Weirton (135)

WISCONSIN

- The Reporter, Fond du Lac (136)*
- Herald-Times-Reporter, Manitowoc (137)

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

A—Agreement has been reached to acquire The Daily Mining Gazette, Houghton, Michigan. This transaction is expected to be completed shortly.

Officers

K. R. Thomson

Chairman of the Board and President

John A. Tory, Q.C.

Deputy Chairman

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

M. W. Johnston, Assistant General Manager

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

	1981	1980
Operating revenue	\$645,993,179	\$522,159,572
Income before extraordinary item	\$ 96,984,419	\$ 75,830,230
Net income	\$100,789,289	\$ 68,153,208
Earnings per Class A and Class B share after preference dividends		
Before extraordinary item	\$1.96	\$1.53
For the year	\$2.03	\$1.37
Dividends paid		
Preference shares	\$ 615,864	\$ 707,828
Class A and Class B shares	\$ 37,401,875	\$ 30,415,195
Per share — Class A convertible	\$0.76	\$0.62
— Class B convertible	\$0.76	\$0.62

Report of the Directors/Annual Report 1981

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, 1981, together with the Auditors' Report thereon.

Income for 1981 before extraordinary item was \$96,984,419 compared with \$75,830,230 for 1980, an increase of \$21,154,189. Income after extraordinary item was \$100,789,289 compared with \$68,153,208 in 1980. Operating revenue was \$645,993,179 compared with \$522,159,572. Income per Class A and Class B share before extraordinary item increased to \$1.96 compared with \$1.53. Net income per Class A and Class B share was \$2.03 compared with \$1.37.

During the year expenditures on new plant and equipment and additions or alterations to existing plants amounted to approximately \$20 million. Capital expenditures in 1982 are expected to amount to approximately \$22 million including renovations and new equipment for The Globe and Mail, the construction of a new plant in Sydney, Nova Scotia and a new building in Opelika-Auburn, Alabama, major renovations at St. Thomas, Ontario and Thomasville, Georgia and installation of new presses at Newburgh, New York and Mitchell, South Dakota.

The dividend for the first quarter of the year on the Class A and Class B shares was at the rate of 16¢ per share. Dividends for the last three quarters were at the increased rate of 20¢ per share. Stock dividends totalling 82,769 Class B shares and 3,435,592 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 82,769 Class A and Class B shares at an average price of \$21.94 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 1980.

In its continuing U.S. acquisition program, the Company acquired the following six daily newspapers in 1981: The Tifton Gazette, Tifton, Georgia; The Enterprise Ledger, Enterprise, Alabama; The Daily Standard, Sikeston, Missouri; Thomasville Times-Enterprise, Thomasville, Georgia; The Kokomo Tribune, Kokomo, Indiana; and Florence Morning News, Florence, South Carolina. Agreement has been reached to acquire The Daily Mining Gazette, Houghton, Michigan. This transaction is expected to be completed shortly.

On May 1, 1981 your Company and Southam Inc., as well as several subsidiaries of both companies, were charged under the Combines Investigation Act with respect to certain transactions related to the F.P. Publications group, some of which took place prior to our acquisition of control of F.P. The results of the preliminary inquiry begun on September 28, 1981 are not yet known. Your Company has endeavoured at all times to conduct its affairs in a lawful and proper manner and these charges will be vigorously defended.

The report of the Royal Commission on Newspapers in Canada was made public on August 18, 1981. Reaction to it by editors, publishers, owners and even outside observers, such as the International Press Institute, has been highly critical. It is your Company's view that the Commission's recommendations do not form a workable basis for dealing with the newspaper publishing industry in Canada. The Federal Government has not as yet made known its intentions in this regard.

During 1981 your Company formed with Abitibi-Price Inc., as equal partners, a joint venture partnership, known as Augusta Newsprint Company, to own, operate and expand Abitibi-Price's newsprint mill in Augusta, Georgia and related woodlands. The Company's investment in the partnership, amounting to U.S. \$50 million, was made on January 1, 1982. The project will involve the installation of a second newsprint machine, a new thermo-mechanical pulp plant and a number of other additions to the facility at a total capital cost estimated to be U.S. \$240 million, with substantial completion expected by the end of 1983. When completed, the capacity of the mill will be more than doubled to 385,000 short tons per annum. Your Company intends to defer all revenues and expenses related to this project until the expanded mill becomes operational. Project financing without recourse to the partners has been arranged in the amount of U.S. \$240 million.

Mr. Sidney F. Chapman and Miss Margaret L. Hamilton are not standing for re-election as Directors at the forthcoming annual meeting. Mr. Chapman has served as a Director since 1954 and has made an outstanding contribution to the growth and development of your Company from the time he joined it over 40 years ago. Miss Hamilton, who retired as President in January, 1982, has served as a Director since 1974. As a key member of the management team for many years she has contributed significantly to your Company's growth and success. Her experience and advice will continue to be available in a consulting capacity in the future.

Consumer spending in 1982, in both Canada and the United States, is likely to remain soft due to continuing pressures on discretionary income arising principally from high levels of inflation and higher energy and interest costs. Despite these problems, we are confident that the results of your Company's operations will continue to be satisfactory.

On behalf of the Board, I would like to express my sincere thanks to all our employees throughout Canada and the United States whose outstanding efforts have again contributed to your Company's continuing record of achievement and success.

For the Board of Directors



Chairman and President

April 2, 1982

Consolidated

As at Decem

ASSETS	1981	1980
Current Assets		
Cash and term deposits	\$ 84,225,940	\$ 39,316,478
Trade accounts receivable	76,579,426	65,282,081
Other accounts receivable	35,211,610	3,622,544
Inventories	15,015,357	9,028,558
Prepaid expenses	1,874,013	1,455,739
	<u>212,906,346</u>	<u>118,705,400</u>
Investments and Other Assets	3,385,893	5,268,672
Property, Plant and Equipment		
Land	29,304,378	46,526,992
Buildings, machinery and equipment	304,045,340	255,824,330
	<u>333,349,718</u>	<u>302,351,322</u>
Less accumulated depreciation	85,534,617	72,909,596
	<u>247,815,101</u>	<u>229,441,726</u>
Circulation and Goodwill	<u>243,235,894</u>	<u>198,236,069</u>
Approved by the Board		
K. R. Thomson, Director		
D. C. H. Stanley, Director	<u>\$707,343,234</u>	<u>\$551,651,867</u>

Balance Sheet

December 31, 1981

LIABILITIES	<u>1981</u>	<u>1980</u>
Current Liabilities		
Accounts payable and accrued liabilities	\$ 37,142,218	\$ 29,263,764
Taxes payable	31,289,692	1,095,980
Notes payable	1,185,500	17,071,340
Current instalments of long-term debt	59,874,069	31,234,979
Prepaid subscriptions	9,833,984	8,744,951
	<u>139,325,463</u>	<u>87,411,014</u>
Long-Term Debt (note 2)	<u>125,293,711</u>	<u>88,317,342</u>
Deferred Income Taxes	<u>25,495,978</u>	<u>20,412,160</u>
 SHAREHOLDERS' EQUITY 		
Capital Stock (note 3)		
Authorized		
469,978 Preference shares with a par value of \$50 each, issuable in series (1980—498,578 shares)		
89,763,988 Class A and Class B interconvertible participating shares without par value (1980—89,846,757 shares)		
492,665,573 Class C special non-participating, non-voting shares with a par value of \$.01 each (1980—496,101,165 shares)		
1,000 Common shares without par value		
Issued		
169,978 6¾% Cumulative redeemable preference shares, Series A (1980—198,578 shares)	8,498,900	9,928,900
49,236,372 Shares consisting of 46,861,010 Class A and 2,375,362 Class B (1980—46,821,547 Class A and 2,414,825 Class B) ...	<u>54,208,420</u>	<u>54,208,420</u>
	62,707,320	64,137,320
Retained Earnings	<u>354,520,762</u>	<u>291,374,031</u>
	<u>417,228,082</u>	<u>355,511,351</u>
	 <u>\$707,343,234</u>	 <u>\$551,651,867</u>

Consolidated Statement of Income

Year Ended December 31, 1981

	1981	1980
Operating revenue	\$645,993,179	\$522,159,572
Costs and operating expenses	<u>436,443,045</u>	<u>351,537,344</u>
Operating income before depreciation	209,550,134	170,622,228
Depreciation	<u>15,749,125</u>	<u>12,849,817</u>
Operating income	<u>193,801,009</u>	<u>157,772,411</u>
Other deductions (income)		
Interest on long-term debt	20,261,370	14,276,703
Interest and investment income	(7,903,652)	(4,691,029)
Other (net)	<u>2,196,959</u>	<u>441,956</u>
	<u>14,554,677</u>	<u>10,027,630</u>
Income before income taxes	<u>179,246,332</u>	<u>147,744,781</u>
Income taxes		
Current	79,200,000	68,858,000
Deferred	<u>2,369,000</u>	<u>2,422,000</u>
	<u>81,569,000</u>	<u>71,280,000</u>
Income before amortization of goodwill and extraordinary item	97,677,332	76,464,781
Amortization of goodwill	<u>692,913</u>	<u>634,551</u>
Income before extraordinary item	96,984,419	75,830,230
Net gain on disposal of non-operating assets (note 5)	3,804,870	
Tax withheld on dividend from U.S. subsidiary		7,677,022
Net income	<u>\$100,789,289</u>	<u>\$ 68,153,208</u>
Earnings per Class A and Class B share		
Before extraordinary item	\$1.96	\$1.53
For the year	\$2.03	\$1.37

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, 1981

	1981	1980
Balance at beginning of year	\$291,374,031	\$254,623,660
Net income	100,789,289	68,153,208
Net discount on purchase of preference and Class A and Class B shares	<u>375,181</u>	
	<u>392,538,501</u>	<u>322,776,868</u>
Dividends paid on		
Preference shares	615,864	707,828
Class A and Class B shares	<u>37,401,875</u>	<u>30,415,195</u>
	<u>38,017,739</u>	<u>31,123,023</u>
Net premium on purchase of preference and Class A and Class B shares		279,814
	<u>38,017,739</u>	<u>31,402,837</u>
Balance at end of year	<u>\$354,520,762</u>	<u>\$291,374,031</u>

Consolidated Statement of Changes in Financial Position

Year Ended December 31, 1981

	<u>1981</u>	<u>1980</u>
Working capital derived from		
Operations		
Income before extraordinary item.....	\$ 96,984,419	\$ 75,830,230
Items not involving working capital		
Depreciation.....	15,749,125	12,849,817
Deferred income taxes.....	2,369,000	2,422,000
Amortization of goodwill.....	692,913	634,551
Other (net).....		688,986
	<u>115,795,457</u>	<u>92,425,584</u>
Proceeds on disposal of investments and property, plant and equipment.....	26,259,669	1,837,180
Proceeds from long-term debt.....	<u>150,004,364</u>	<u>103,541,071</u>
	<u>292,059,490</u>	<u>197,803,835</u>
Working capital applied to		
Acquisition of subsidiary companies less working capital of \$3,304,001 (note 4).....	80,300,509	114,188,878
Dividends.....	38,017,739	31,123,023
Reduction in long-term debt.....	109,417,242	55,478,696
Purchase of property, plant and equipment.....	19,975,481	17,313,249
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.....	1,430,000	888,750
Other (net).....	632,022	81,256
	<u>249,772,993</u>	<u>229,250,874</u>
Increase (decrease) in working capital.....	42,286,497	(31,447,039)
Working capital at beginning of year.....	<u>31,294,386</u>	<u>62,741,425</u>
Working capital at end of year.....	<u>\$ 73,580,883</u>	<u>\$ 31,294,386</u>

Notes to Consolidated Financial Statements

Year Ended December 31, 1981

I. 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 annually 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, 1981 is \$85,523,365.

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 \$43,894,929 at December 31, 1981, are being amortized over the period of forty years from date of acquisition. Accumulated amortization to December 31, 1981 amounted to \$3,113,959.

2. LONG-TERM DEBT

1981

1980

Notes payable

Promissory notes payable, variable interest keyed to the Euro-Canadian rate plus 3/8% to maturity. Principal payable quarterly to January 29, 1985, subject to prepayment at the borrower's option without penalty.....		\$ 75,000,000
Promissory notes payable, variable interest keyed to the Eurodollar rate plus 1/2% to August 28, 1983 plus 3/8% to August 28, 1986 and thereafter plus 3/4% to maturity. Principal payable quarterly, commencing March 31, 1983 to December 31, 1986 and thereafter annually to August 28, 1991, subject to prepayment at the borrower's option without penalty (U.S. \$78,400,000 bearing interest at 14.09% at December 31, 1981)	\$ 92,943,200	
Promissory notes payable, variable interest keyed to the Eurodollar rate plus 3/8% to maturity. Principal payable quarterly, commencing April 30, 1983, to January 31, 1985, subject to prepayment at the borrower's option without penalty (U.S. \$45,600,000 bearing interest at 14.31% at December 31, 1981).....	54,058,800*	
Promissory note payable, variable interest keyed to the Eurodollar rate plus 7/8% to maturity. Principal payable semi-annually to December 31, 1985, subject to prepayment at the borrower's option without penalty (U.S. \$14,600,000 bearing interest at 14.13% at December 31, 1981, 1980—21.98%)	17,308,300	18,384,520
Promissory note payable, variable interest keyed to the Euro-Guilder rate plus 3/4% to December 31, 1981 and thereafter plus 7/8% to maturity. Principal payable semi-annually to December 31, 1985, subject to prepayment at the borrower's option without penalty (Netherlands Guilders 12,600,000 bearing interest at 14.44% at December 31, 1981, 1980—10.81%)	6,097,406	8,631,636
Promissory notes, interest at 7%. Principal payable annually to May 1, 1987 (U.S. \$5,812,500)	6,890,719	8,058,150
Notes payable, interest at 80% of U.S. prime rate. Principal payable semi-annually to December 31, 1984 (U.S. \$1,704,000)	2,020,092	2,712,314
Miscellaneous notes and mortgages payable (U.S. \$4,934,005).....	5,849,263	6,765,701
	185,167,780	119,552,321
Less instalments included in current liabilities	59,874,069	31,234,979
	<u>\$125,293,711</u>	<u>\$ 88,317,342</u>

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

1982—\$59,874,069*; 1983—\$19,924,844; 1984—\$26,303,892; 1985—\$25,614,045; 1986—\$16,535,727.

*Subsequent to the year end the company prepaid U.S. \$37,800,000 of these notes. It is the company's intention to prepay the remainder during 1982.

3. CAPITAL STOCK

- (a) The company has issued preference shares which are designated as 6 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 1981, 28,600 preference shares, having an aggregate par value of \$1,430,000, 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. Under the terms of the special resolution approved by the share-

holders 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 1981 the company issued 82,769 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, 3,435,592 Class C shares, issued as stock dividends on the Class B shares, were redeemed at their par value.

4. ACQUISITIONS

During 1981 the company purchased all of the outstanding capital stock of the following newspaper publishing companies:

The Gazette Publishing Company (Tifton, Georgia), May 27, 1981; Grimes Publications of Alabama, Inc. and subsidiary (Enterprise, Alabama), June 12, 1981; Sikeston Publishing Company, Inc. (Sikeston, Missouri), July 1, 1981; Times-Enterprise Company and affiliate (Thomasville, Georgia), August 14, 1981; Florence Morning News, Inc. (Florence, South Carolina), December 11, 1981.

On September 10, 1981 the company purchased the assets of The Kokomo Tribune (Kokomo, Indiana).

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

Total assets acquired:	
Current assets	\$ 5,077,071
Property, plant and equipment	34,810,015
Investments and other assets	20,363
Circulation	30,215,110
	<u>70,122,559</u>
Less total liabilities assumed:	
Current liabilities	1,773,070
Other liabilities	580,079
	<u>2,353,149</u>
Net assets acquired at estimated fair value (net book value \$53,147,212)	67,769,410
Excess of purchase price of shares over estimated fair value (to be amortized over 40 years)	15,835,100
Cash consideration	<u>\$83,604,510</u>

5. EXTRAORDINARY ITEM

In 1981 the company sold certain non-operating assets acquired in 1980. The net gain on the disposal of these assets, together with adjustments to amounts previously recorded in connection with the acquisition of E.P. Publications Limited, has been shown in the consolidated statement of income as an extraordinary item.

6. SEGMENTED INFORMATION

The company operates solely in newspaper publishing and

printing. The following is a summary of the geographic segments of the company:

1981	Canada	United States	Consolidated
Operating revenue	\$365,951,625	\$280,041,554	\$645,993,179
Operating income	\$ 91,496,564	\$109,051,595	\$200,548,159
Interest on long-term debt ..			20,261,370
General corporate expenses ..			6,747,150
Amortization of goodwill			692,913
Other (net)			2,196,959
Interest and investment income			(7,903,652)
Extraordinary item			(3,804,870)
Income taxes			81,569,000
			<u>99,758,870</u>
Net income			<u>\$100,789,289</u>
Total assets	\$245,546,921	\$461,796,313	\$707,343,234
1980			
Operating revenue	\$274,368,853	\$247,790,719	\$522,159,572
Operating income	\$ 62,490,406	\$ 99,405,671	\$161,896,077
Interest on long-term debt ..			14,276,703
General corporate expenses ..			4,123,666
Amortization of goodwill			634,551
Other (net)			441,956
Interest and investment income			(4,691,029)
Extraordinary item			7,677,022
Income taxes			71,280,000
			<u>93,742,869</u>
Net income			<u>\$ 68,153,208</u>
Total assets	\$239,739,142	\$311,912,725	\$551,651,867

7. SUBSEQUENT EVENT

During 1981 the company formed with Abitibi-Price Inc., as equal partners, a joint venture partnership to own, operate and expand Abitibi-Price's newsprint mill in Augusta, Georgia and related woodlands. The company's investment in the partnership, amounting to U.S. \$50,000,000, was made in January, 1982. Project financing without recourse to the partners has been arranged in the amount of U.S. \$240,000,000. Under the terms of the Partnership Agreement, both partners are responsible to ensure the completion and satisfactory start-up of the mill. The company intends to defer all revenue and expenses related to this project until the expanded mill becomes operational.

Auditors' Report

To the Shareholders of
Thomson Newspapers Limited

We have examined the consolidated balance sheet of Thomson Newspapers Limited as at December 31, 1981 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, 1981 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 25, 1982

Thorne Riddell
Chartered Accountants

