



**Thomson
Newspapers
Limited**

Annual Report 1982

Times-Colonist FINAL

Those raindrops keep falling . . .

Standard-Freeholder

REFUSES TO RESIGN BROKE PMS GUIDES

Lalonde admits he knew of deal



Jacksonville Journal Courier

Truckers' strike unrest spreading



THE NORTHERN LIGHT

Photo winners Page 23 Cleaning up county's birds Page 33

The DAILY Nonpareil

Police seek 'sewer monster'

Council accepts 25% higher police budget

The Lethbridge Herald

Lougheed's Dangerous driving

KOKOMO TRIBUNE

Firm to open branch KT update

Winnipeg Free Press

Monthly sticker for parking meters urged

The Progress-Index

Ottawa lifting ban on satellite dishes

Man dies, grandson

Reagan Pushes Arms Control Nominee

AUSTIN DAILY HERALD

Reagan asks \$300 million

ESJC To Select Queen P. 2A

Good Morning! Inside

Henning To Coast Falcons P. 1B

The Dothan Eagle

Tornado Warning Issued

Thunderstorms Great Wind Hit Houston Cou

The Chronicle-Journal

Learning to read SoundOff answers Winning MGA start

THE SOUTHEAST MISSOURIAN

Governor supports multipurpose center

Recommends funding for design of new

The Repository

Atkins, Huff, Musso, Olsen

Banquet honors 'Pick and Shovel Group'

Treatment centre gets \$10,000 boost from Kent Centre

The Chatham Daily News

Golden years p. 3A Paper checks p. 1D Tape sales p. 7E

The Portsmouth Herald

The Daily News

Gives motel concept a rest

Abenaki will become rest home save Johnson

The Evening Telegram

Chretien and Marshall both agree: No possibility of offshore deal

The Marion Star

State Audit Issued

Roberts Disputes Recovery Finding

New Congress Will Consider Rules Changes



The Gu

Northwest Ark

Hwy. 16 Rezoning Denied

TRIBUNE

Rain, Rain and

The Intel

Queen sues paper, former

The Min

Gasoline prices

Home fin

The Valdosta D

Brooker wins downhill

Georgian

Liberals would be battered, Chretien concedes in speech

Florence M

GOOD MORNING!

SISKIYOU D

Cambridge D

Big things foreca

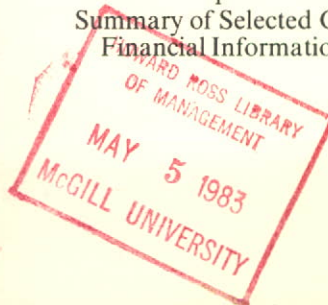
Inside Today

Inglis

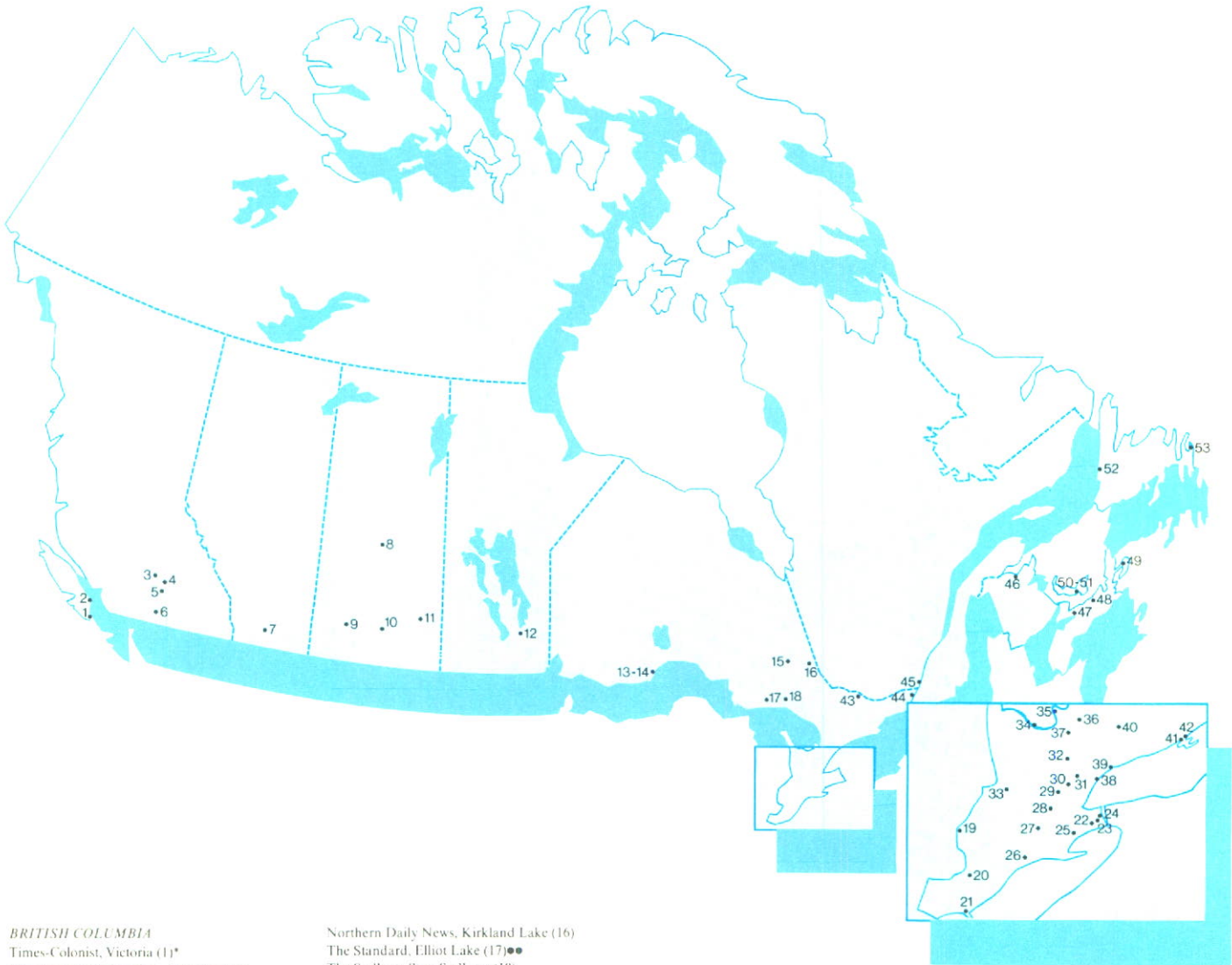


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Thomson Newspapers in Canada



Enlargement of area indicated at left.

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

- The Lethbridge Herald, Lethbridge (7)

SASKATCHEWAN

- Prince Albert Daily Herald, Prince Albert (8)
- The Sun, Swift Current (9)●●
- Moose Jaw Times-Herald, Moose Jaw (10)
- The Yorkton Enterprise, Yorkton (11)●

MANITOBA

- Winnipeg Free Press, Winnipeg (12)

ONTARIO

- The Times-News, Thunder Bay (13)
- The Chronicle-Journal, Thunder Bay (14)
- The Daily Press, Timmins (15)

- Northern Daily News, Kirkland Lake (16)
- The Standard, Elliot Lake (17)●●
- The Sudbury Star, Sudbury (18)
- The Sarnia Observer, Sarnia (19)
- The Chatham Daily News, Chatham (20)
- Leamington Post, Leamington (21)●
- Dunnville Chronicle, Dunnville (22)●
- The Evening Tribune, Welland (23)
- Niagara Falls Review, Niagara Falls (24)
- The Simcoe Reformer, Simcoe (25)
- St. Thomas Times-Journal, St. Thomas (26)
- The Daily Sentinel-Review, Woodstock (27)
- Cambridge Daily Reporter, Cambridge (28)
- The Daily Mercury, Guelph (29)
- The Herald, Georgetown (30)●
- The Daily Times, Brampton (31)
- The Banner, Orangeville (32)●●
- The Hanover Post, Hanover (33)●
- Enterprise-Bulletin, Collingwood (34)●
- The Free Press, Midland (35)●●
- Daily Packet & Times, Orillia (36)
- The Barrie Examiner, Barrie (37)
- The Globe and Mail, Toronto (38)
- The Oshawa Times, Oshawa (39)
- Peterborough Examiner, Peterborough (40)

- The Trentonian and Tri-County News, Trenton (41)†
- The Intelligencer, Belleville (42)
- The Pembroke Observer, Pembroke (43)
- Standard-Freeholder, Cornwall (44)

QUEBEC

- Montreal Standard Printers, Montreal (45)††

NEW BRUNSWICK

- The Northern Light, Bathurst (46)●

NOVA SCOTIA

- The Daily News, Truro (47)
- The Evening News, New Glasgow (48)
- Cape Breton Post, Sydney (49)

PRINCE EDWARD ISLAND

- The Guardian, Charlottetown (50)
- The Evening Patriot, Charlottetown (51)

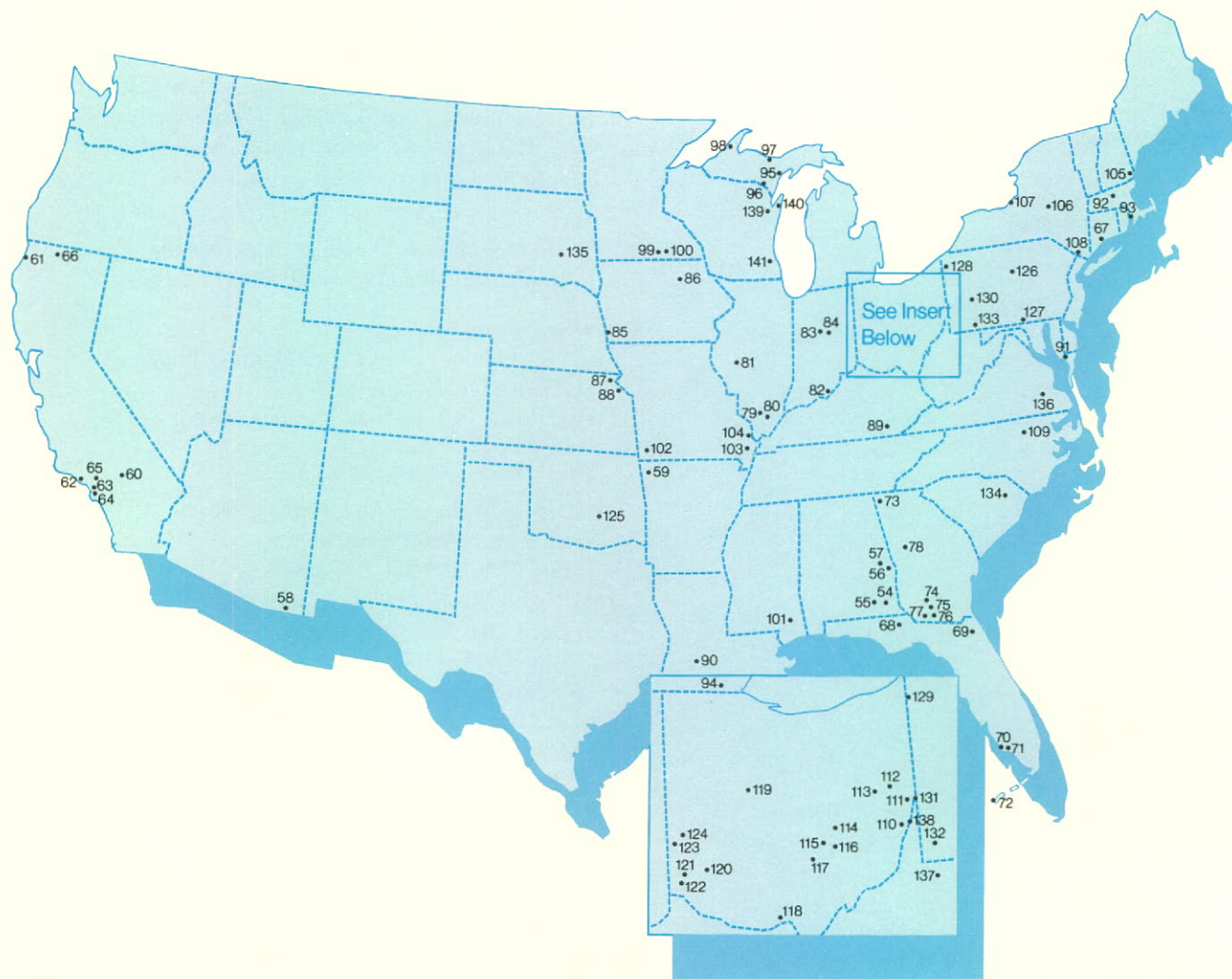
NEWFOUNDLAND

- The Western Star, Corner Brook (52)
- The Evening Telegram, St. John's (53)

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 -1,252,000
 Total Daily Circulation in Canada -1,140,100

Thomson Newspapers in the United States



Enlargement of area indicated above.

ALABAMA

- The Dothan Eagle, Dothan (54)*
- The Enterprise Ledger, Enterprise (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, West Covina (63)*
- The Daily News, Whittier (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)
- Griffin Daily News, Griffin (78)

ILLINOIS

- The Register-News, Mount Vernon (79)
- McLeansboro Times-Leader, McLeansboro (80)●
- Jacksonville Journal Courier, Jacksonville (81)*

INDIANA

- The Tribune, New Albany (82)*
- The Kokomo Tribune, Kokomo (83)*
- The Howard County News, Greentown (84)●

IOWA

- Council Bluffs Nonpareil, Council Bluffs (85)*
- The Oelwein Daily Register, Oelwein (86)

KANSAS

- Atchison Daily Globe, Atchison (87)*
- The Leavenworth Times, Leavenworth (88)*

KENTUCKY

- The Times-Tribune, Corbin (89)*

LOUISIANA

- The Daily Advertiser, Lafayette (90)*

MARYLAND

- The Daily Times, Salisbury (91)*

MASSACHUSETTS

- The Daily Sentinel and Leominster Enterprise, Fitchburg (92)
- Taunton Daily Gazette, Taunton (93)

MICHIGAN

- Adrian Daily Telegram, Adrian (94)
- The Daily Press, Escanaba (95)
- The Daily News, Iron Mountain (96)
- The Mining Journal, Marquette (97)
- The Daily Mining Gazette, Houghton (98)

MINNESOTA

- The Evening Tribune, Albert Lea (99)*
- Austin Daily Herald, Austin (100)

MISSISSIPPI

- Laurel Leader-Call, Laurel (101)

MISSOURI

- The Carthage Press, Carthage (102)
- The Daily Standard, Sikeston (103)*
- The Southeast Missourian, Cape Girardeau (104)*

NEW HAMPSHIRE

- The Portsmouth Herald, Portsmouth (105)*

NEW YORK

- The Evening Telegram, Herkimer (106)
- The Palladium-Times, Oswego (107)
- The Evening News, Newburgh (108)*

NORTH CAROLINA

- The Evening Telegram, Rocky Mount (109)*

OHIO

- The Herald-Star, Steubenville (110)*
- The Evening Review, East Liverpool (111)
- The Salem News, Salem (112)
- The Repository, Canton (113)*
- The Coshocton Tribune, Coshocton (114)*
- The Advocate, Newark (115)
- The Times Recorder, Zanesville (116)*
- Lancaster Eagle-Gazette, Lancaster (117)
- The Daily Times, Portsmouth (118)
- The Marion Star, Marion (119)*
- The Xenia Daily Gazette, Xenia (120)
- The Franklin Chronicle, Franklin (121)●
- Middletown Journal, Middletown (122)*
- The Daily Advocate, Greenville (123)
- The Piqua Daily Call, Piqua (124)

OKLAHOMA

- The Ada Evening News, Ada (125)*

PENNSYLVANIA

- The Express, Lock Haven (126)
- The Evening Sun, Hanover (127)
- The Meadville Tribune, Meadville (128)
- The Record-Argus, Greenville (129)
- The Leader-Times, Kittanning (130)
- The Midland News, Midland (131)●
- The Valley Independent, Monessen (132)
- The Daily Courier, Connellsville (133)

SOUTH CAROLINA

- Florence Morning News, Florence (134)*

SOUTH DAKOTA

- The Daily Republic, Mitchell (135)

VIRGINIA

- The Progress-Index, Petersburg (136)*

WEST VIRGINIA

- The Times-West Virginian, Fairmont (137)*
- The Weirton Daily Times, Weirton (138)

WISCONSIN

- The Reporter, Fond du Lac (139)*
- Herald-Times-Reporter, Manitowoc (140)*
- Waukesha Freeman, Waukesha (141)

All newspapers are published DAILY

except those marked as follows:

*DAILY including SUNDAY ●WEEKLY

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

Peter T. Bogart, C.A.

John H. Coleman

John S. Dewar

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 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>1982</u>	<u>1981</u>
Operating revenue	\$666,457,431	\$645,993,179
Income before extraordinary items	\$ 99,395,710	\$ 96,984,419
Net income	\$ 93,413,704	\$100,789,289
Earnings per Class A and Class B share after preference dividends		
Before extraordinary items	\$2.01	\$1.96
For the year	\$1.89	\$2.03
Dividends paid		
Preference shares	\$ 550,895	\$ 615,864
Class A and Class B shares	\$ 43,061,922	\$ 37,401,875
Per share — Class A convertible	\$0.875	\$0.76
— Class B convertible	\$0.875	\$0.76

Report of the Directors/Annual Report 1982

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, 1982, together with the Auditors' Report thereon.

Income for 1982 before extraordinary items was \$99,395,710 compared with \$96,984,419 for 1981, an increase of \$2,411,291. Net income, after extraordinary items, was \$93,413,704 compared with \$100,789,289 in 1981. Operating revenue was \$666,457,431 compared with \$645,993,179. Income per Class A and Class B share before extraordinary items increased to \$2.01 compared with \$1.96 a year earlier. Net income per Class A and Class B share was \$1.89 compared with \$2.03.

During the year expenditures on new plant and equipment and additions and alterations to existing plants amounted to approximately \$17 million. Capital expenditures in 1983 are expected to amount to approximately \$20 million including a new plant in Sydney, Nova Scotia, major renovations at Griffin and Thomasville, Georgia, new presses at Portsmouth, New Hampshire and Cape Girardeau, Missouri and new equipment for The Globe and Mail.

The dividend for the first quarter of the year on the Class A and Class B shares was at the rate of 20¢ per share. Dividends for the last three quarters were at the increased rate of 22.5¢ per share. The Company issued 89,366 Class B shares and 3,008,512 Class C shares by way of stock dividends on its 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 89,366 Class A shares at an average price of \$22.59 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 1981.

During the year the following four daily newspapers in the United States were acquired: The Daily Mining Gazette, Houghton, Michigan; Griffin Daily News, Griffin, Georgia; The Daily News, Whittier, California; and Jacksonville Journal Courier, Jacksonville, Illinois. On January 31, 1983 the Company sold its telephone directory publishing business in Calgary. In its continuing U.S. acquisition program the Company acquired the Waukesha Freeman, Waukesha, Wisconsin, on February 16, 1983. Additional U.S. acquisitions are under active consideration.

On May 1, 1981 your Company and Southam Inc., as well as certain subsidiaries of both companies, were charged with offences under the Combines Investigation Act with respect to certain transactions relating to newspapers published in Montreal, Ottawa, Winnipeg and Vancouver. The trial has now been scheduled to commence on September 19, 1983. All charges will be vigorously defended.

On September 22, 1982 the Hon. Jim Fleming, Minister responsible for the Federal Government's response to the Royal Commission on Newspapers, indicated publicly that the Government intends to take legislative and other action covering five proposals, including a limitation on ownership

of daily newspapers in Canada by any one group to 20% of total national daily newspaper circulation. While enabling legislation had not been introduced at the time of writing, the principal effect on the Company of the proposals would be to prevent future acquisitions of daily newspapers in Canada. The Company understands, based on statements by the Minister, that there would not be any requirement for the Company to reduce its Canadian circulation to below 20% of all national circulation. Apart from the acquisition of the F.P. group in 1980, the thrust of the Company's acquisition program has been, for a number of years, in the United States.

The Company's initial investment of U.S. \$50 million in Augusta Newsprint Company, a joint venture partnership with Abitibi-Price Inc., was made on January 1, 1982. The U.S. \$240 million mill expansion project which started soon after is now well advanced. The project is currently both on budget and on schedule with substantial completion expected by the end of 1983. Additional investment in the partnership throughout the expansion period is forecast to be funded by tax credits generated by Augusta Newsprint Company. Your Company is deferring all revenue and expenses related to the partnership until the expanded mill becomes fully operational.

On January 27, 1983 The Woodbridge Company Limited, the Company's principal shareholder, sold, through a subsidiary, 5,000,000 Class A shares of your Company at a price of \$28 per share. Since the sale was by way of secondary offering there was neither a change in the total number of shares outstanding nor any dilution of the interests of the other shareholders. As a result of this sale the holdings of The Woodbridge Company Limited in the outstanding Class A and Class B shares of Thomson Newspapers Limited were reduced from 71.22% to 61.07%. Woodbridge has no intention to reduce further its shareholdings in your Company.

The prospectus accompanying the secondary offering contained a statement of the operating philosophies of your Company. An extract from this statement is found below. Also, a five year summary of selected consolidated financial information may be found on the inside back cover of this year's annual report.

For 1982 as a whole, operating income in the United States showed a modest increase over the level achieved in 1981 while income from Canadian operations declined, with a major part of the decline being attributable to the operations of The Globe and Mail. Net income for the year was favourably affected by a reduction in U.S. income taxes resulting from the restructuring of intra-group financing arrangements.

In the fourth quarter of the year results from United States operations showed a satisfactory improvement over the same period of last year. Canadian operating income was at approximately the same level as in the last quarter of 1981 with newspaper operations other than The Globe showing

a modest improvement over the same period in 1981. Although the results from The Globe showed a substantial decline from the same period of last year, the steps taken by The Globe to reduce costs and increase revenue resulted in improved operating results in the final quarter compared with the first nine months of the year.

In the United States there are now signs that the economy is staging a recovery from the worst recession since the 1930's. Barring major setbacks, economic growth at moderate rates appears sustainable through 1984 and your Company is well positioned to benefit from these improving economic conditions. Although economic recovery in Canada will be slower, improvement in Canadian operating results should follow any resumption of economic growth.

OPERATING PHILOSOPHIES

The Company has developed a decentralized operational management structure and certain operating philosophies with respect to editorial autonomy, acquisitions, and property, plant and equipment.

Nine regional offices, five in Canada and four in the United States, have been established to provide management assistance in the operation of groups of newspapers. Headquarters for operations in Canada are situated at the Company's head office in Toronto, while headquarters for operations in the United States are in Des Plaines, Illinois. In addition to providing consulting services to the individual newspapers in such areas as circulation, advertising, labour relations, newspaper production and equipment, the headquarters and regional offices are involved with each newspaper in the preparation and monitoring of its annual operating plan. This organizational structure combines the advantages of local management at each newspaper with centralized financial services and technical assistance.

The Company follows a strict policy of local editorial autonomy which ensures that each newspaper reflects the needs and character of the community it serves. Each newspaper's own local editorial resources are supplemented by news bureaus maintained by the Company in both Ottawa and Washington which make available items of special interest to the relevant local communities. The newspapers also subscribe to major news services such as Canadian Press and Associated Press and purchase a variety of freelance and syndicated feature material. The Canadian newspapers have available to them articles on such matters as international affairs and business produced by experienced columnists located at the Toronto office. The Globe and Mail and the Winnipeg Free Press maintain additional

On behalf of the Board, I would like to express our sincere appreciation to our management and staff, both in Canada and the United States, whose outstanding efforts in difficult economic circumstances have enabled your Company to achieve continued earnings growth.

For the Board of Directors



Chairman and President

April 6, 1983

news bureaus appropriate to their own needs.

Acquisitions have been and continue to be a normal facet of the business of the Company. Most newspaper acquisitions have the effect of depressing earnings during the short term when financing costs and amortization of goodwill exceed incremental operating income. However, a combination of increased revenues, cost reductions and improved productivity arising from investment in new plant and equipment usually results in a positive contribution to earnings within two to five years. The Company's policy continues to be to acquire newspapers in small to medium sized communities particularly those with a broad economic base which are not dependent on a single employer. Although the Company does not contemplate further acquisitions of newspapers in Canada, the very large number of independently owned newspapers in the United States provides ample opportunity for the Company's continuing acquisition program.

Apart from the investment in Augusta Newsprint Company, the Company remains dedicated solely to, and has no plans to diversify beyond, the newspaper publishing business.

The Company has a policy of continuous upgrading of plant and production equipment. For example, at present all of the Company's newspapers use modern, computer assisted cold-type composition and most employ offset printing. Further improvements are introduced as new, more productive, technology is proven. The Company owns all lands, buildings and equipment used in its business except space leased for purposes of the Canadian and United States headquarters, regional offices and minor branch offices for certain of its newspapers.

Thomson Newspapers Limited

(Incorporated under the laws of Ontario)

Consolidated Balance Sheet

As at December 31, 1982

ASSETS	1982	1981
Current Assets		
Cash and term deposits	\$ 12,996,513	\$ 84,225,940
Trade accounts receivable	76,527,455	76,579,426
Other accounts receivable	2,166,513	35,211,610
Inventories	11,776,461	15,015,357
Prepaid expenses	2,140,729	1,874,013
	<u>105,607,671</u>	<u>212,906,346</u>
Investments and Other Assets (note 2)	<u>60,378,705</u>	<u>3,385,893</u>
Property, Plant and Equipment		
Land	29,837,951	29,304,378
Buildings, machinery and equipment	332,286,699	304,045,340
	<u>362,124,650</u>	<u>333,349,718</u>
Less accumulated depreciation	101,683,024	85,534,617
	<u>260,441,626</u>	<u>247,815,101</u>
Circulation and Goodwill	251,290,989	243,235,894
	<u>\$677,718,991</u>	<u>\$707,343,234</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 33,840,641	\$ 37,142,218
Taxes payable	5,231,163	31,289,692
Notes payable	1,945,581	1,185,500
Current instalments of long-term debt	19,264,544	59,874,069
Prepaid subscriptions	12,971,151	9,833,984
	<u>73,253,080</u>	<u>139,325,463</u>
Long-Term Debt (note 3)	<u>106,406,899</u>	<u>125,293,711</u>
Deferred Income Taxes	<u>31,334,441</u>	<u>25,495,978</u>
SHAREHOLDERS' EQUITY		
Capital Stock (note 4)		
Preference shares	8,068,900	8,498,900
Class A and Class B shares	54,208,420	54,208,420
	<u>62,277,320</u>	<u>62,707,320</u>
Retained Earnings	404,447,251	354,520,762
	<u>466,724,571</u>	<u>417,228,082</u>
	<u>\$677,718,991</u>	<u>\$707,343,234</u>
Approved by the Board		
K. R. Thomson, Director		
D. C. H. Stanley, Director		

Consolidated Statement of Income

Year Ended December 31, 1982

	1982	1981
Operating revenue	\$666,457,431	\$645,993,179
Costs and operating expenses	466,490,408	436,443,045
Operating income before depreciation	199,967,023	209,550,134
Depreciation	15,968,538	13,467,125
Operating income	183,998,485	196,083,009
Other deductions (income)		
Interest—long-term debt	11,771,222	20,261,370
—other	3,661,655	
Interest and investment income	(4,888,994)	(7,903,652)
Other (net)	(1,674,523)	2,196,959
	8,869,360	14,554,677
Income before undernoted items	175,129,125	181,528,332
Income taxes		
Current	54,755,000	79,200,000
Deferred	19,883,000	4,651,000
	74,638,000	83,851,000
Income before amortization of goodwill and extraordinary items	100,491,125	97,677,332
Amortization of goodwill	1,095,415	692,913
Income before extraordinary items	99,395,710	96,984,419
Tax withheld on dividend from U.S. subsidiary and net loss on closure of Today Magazine (note 6)	5,982,006	
Net gain on disposal of non-operating assets		3,804,870
Net income	\$ 93,413,704	\$100,789,289
Earnings per Class A and Class B share		
Before extraordinary items	\$2.01	\$1.96
For the year	\$1.89	\$2.03

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, 1982

	1982	1981
Balance at beginning of year	\$354,520,762	\$291,374,031
Net income	93,413,704	100,789,289
Net discount on purchase of preference and Class A and Class B shares	125,602	375,181
	448,060,068	392,538,501
Dividends paid on		
Preference shares	550,895	615,864
Class A and Class B shares	43,061,922	37,401,875
	43,612,817	38,017,739
Balance at end of year	\$404,447,251	\$354,520,762

Consolidated Statement of Changes in Financial Position

Year Ended December 31, 1982

	<u>1982</u>	<u>1981</u>
Working capital derived from		
Operations		
Income before extraordinary items.....	\$ 99,395,710	\$ 96,984,419
Items not involving working capital		
Depreciation.....	15,968,538	13,467,125
Deferred income taxes.....	19,883,000	4,651,000
Amortization of goodwill.....	1,095,415	692,913
Other (net).....	792,122	77,431
	<u>137,134,785</u>	<u>115,872,888</u>
Proceeds on disposal of investments and property, plant and equipment.....	2,580,151	26,259,669
Proceeds from long-term debt.....		150,004,364
Other (net).....	372,496	
	<u>140,087,432</u>	<u>292,136,921</u>
Working capital applied to		
Investment in Augusta Newsprint Company and deferral of related revenue and expenses.....	64,162,775	
Acquisition of subsidiary companies less working capital of \$1,188,582 (note 5).....	26,501,519	80,300,509
Purchase of property, plant and equipment.....	16,932,842	19,975,481
Reduction in long-term debt.....	23,691,765	109,417,242
Dividends.....	43,612,817	38,017,739
Preference shares purchased for cancellation.....	430,000	1,430,000
Tax withheld on dividend from U.S. subsidiary and net loss on closure of Today Magazine.....	5,982,006	
Other (net).....		709,453
	<u>181,313,724</u>	<u>249,850,424</u>
Increase (decrease) in working capital.....	(41,226,292)	42,286,497
Working capital at beginning of year.....	73,580,883	31,294,386
Working capital at end of year.....	<u>\$ 32,354,591</u>	<u>\$ 73,580,883</u>

Notes to Consolidated Financial Statements

Year Ended December 31, 1982

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 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, 1982 is \$94,537,989.

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 \$44,030,815 at December 31, 1982, are being amortized over forty years from date of acquisition. Accumulated amortization to December 31, 1982 amounted to \$4,209,374.

2. INVESTMENT IN JOINT VENTURE PARTNERSHIP

Included in Investments and Other Assets is an investment in a joint venture partnership amounting to \$59,994,385 which is comprised of the company's initial investment of \$59,355,000 (U.S. \$50,000,000) made on January 1, 1982 and the equity in income of the partnership since January 1, 1982 of \$639,385. This partnership was formed in 1981 between a wholly-owned subsidiary of the company and a wholly-owned subsidiary of Abitibi-Price Inc., as equal partners. The partnership, known as Augusta Newsprint Company, was formed to acquire, operate and expand an existing newsprint mill in Augusta, Georgia and to acquire and operate the mill's related woodlands. Augusta Newsprint Company has in place project financing in the amount of U.S. \$240 million. While the company and Abitibi-Price Inc. have covenanted with the financing banks that the expansion of the mill will be completed, they have not guaranteed the loans which are therefore without recourse to either of them.

The company intends to defer all revenue and expenses related to this project until the expanded mill becomes fully operational. At December 31, 1982 the company has deferred net income related to this project of \$3,672,610 which is comprised of the company's share of the income of the joint venture net of income taxes, available income tax credits and the after-tax financing costs of the company's initial investment in the partnership.

Summarized financial information of the joint venture partnership at December 31, 1982 is as follows:

	U.S. Dollars
Current assets	\$ 11,198,128
Plant and equipment and other assets	244,011,530
Total assets	255,209,658
Current liabilities	22,439,614
Long-term liabilities	131,733,848
Total liabilities	154,173,462
Partnership equity	\$101,036,196
Net sales	\$ 58,680,171
Income	\$ 1,036,196

3. LONG-TERM DEBT

Promissory notes payable, variable interest keyed to the Eurodollar rate plus ½% to September 30, 1983 plus ¾% to September 30, 1986 and thereafter plus ¾% to maturity. Principal payable quarterly, from March 31, 1983 to December 31, 1986, balance payable on September 30, 1991, subject to prepayment at the borrower's option without penalty (U.S. \$78,400,000 bearing interest at 10.25% at December 31, 1982, 1981—14.09%)

Promissory notes payable, variable interest keyed to the Eurodollar rate plus ¾% to maturity. Principal payable quarterly, from April 30, 1983 to January 31, 1985, subject to prepayment at the borrower's option without penalty (U.S. \$45,600,000)

Promissory note payable, variable interest keyed to the Eurodollar rate plus ¾% to maturity. Principal payable semi-annually to December 31, 1985, subject to prepayment at the borrower's option without penalty (U.S. \$13,800,000 bearing interest at 10.44% at December 31, 1982, 1981—14.13%)

Promissory note payable, variable interest keyed to the Euro-Guilder rate plus ¾% to December 31, 1981 and thereafter plus ¾% 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)

Promissory notes payable, interest at 7%. Principal payable annually to May 1, 1987 (U.S. \$4,875,000)

Notes payable, interest at 80% of U.S. prime rate. Principal payable semi-annually to December 31, 1984 (U.S. \$1,136,000)

Miscellaneous notes and mortgages payable (U.S. \$4,060,682).

	<u>1982</u>	<u>1981</u>
	\$ 96,337,920	\$ 92,943,200
		54,058,800
	16,957,440	17,308,300
		6,097,406
	5,990,400	6,890,719
	1,395,917	2,020,092
	4,989,766	5,849,263
	<u>125,671,443</u>	<u>185,167,780</u>
	19,264,544	59,874,069
	<u>\$106,406,899</u>	<u>\$125,293,711</u>

Less instalments included in current liabilities

Long-term debt repayments are as follows:

1983	\$ 19,264,544
1984	25,862,622
1985	25,141,072
1986	17,139,690
1987	1,745,135
1988 and thereafter	<u>36,518,380</u>
	<u>\$125,671,443</u>

4. CAPITAL STOCK

(a) Authorized and issued share capital are as follows:

Authorized			
461,378 Preference shares with a par value of \$50 each, issuable in series (1981—469,978 shares)			
89,674,622 Class A and Class B interconvertible participating shares without par value (1981—89,763,988 shares)			
489,657,061 Class C special non-participating, non-voting shares with a par value of \$.01 each (1981—492,665,573 shares)			
1,000 Common shares without par value			
Issued			
161,378 6¾% Cumulative redeemable preference shares, Series A (1981—169,978 shares) . . .	\$ 8,068,900	\$ 8,498,900	
49,236,372 Shares consisting of 46,956,838 Class A and 2,279,534 Class B (1981—46,861,010 Class A and 2,375,362 Class B) . .	<u>54,208,420</u>	<u>54,208,420</u>	
	<u>\$62,277,320</u>	<u>\$62,707,320</u>	

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 1982, 8,600 preference shares, having an aggregate par value of \$430,000, were purchased for cancellation.

(c) 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 1982 the company issued 89,366 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 shares has been purchased through the facilities of The Toronto Stock Exchange. Also, 3,008,512 Class C shares, issued as stock dividends on the Class B shares, were redeemed at their par value.

(b) The company has issued preference shares which are designated as 6¾% cumulative redeemable preference shares,

5. ACQUISITIONS

During 1982 the company purchased all of the outstanding capital stock of the following newspaper publishing companies:

The Mining Gazette Company (Houghton, Michigan), April 22, 1982; News Corporation (Griffin, Georgia), June 30, 1982; Owens Publications, Inc. (Whittier, California), September 30, 1982.

On December 15, 1982 the company purchased the assets of Jacksonville Journal Courier (Jacksonville, Illinois).

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	\$ 2,454,902
Property, plant and equipment	16,953,055
Circulation	9,508,626
	<u>28,916,583</u>
Less total liabilities assumed:	
Current liabilities	1,266,320
Other liabilities	96,048
	<u>1,362,368</u>
Net assets acquired at estimated fair value	27,554,215
Excess of purchase price over estimated fair value (to be amortized over 40 years)	135,886
Cash consideration	<u>\$27,690,101</u>

6. EXTRAORDINARY ITEMS

In the fourth quarter of 1982, the company's principal U.S. subsidiary, Thomson Newspapers Inc., paid a substantial dividend to enable the Canadian companies to reduce U.S. dollar bank debt. As it is not intended that Thomson Newspapers Inc. will pay dividends as a normal practice, the U.S. withholding tax on this dividend has been classified as an extraordinary item. The net loss incurred in the fourth quarter in connection with the closure of Today Magazine has also been classified as an extraordinary item. The U.S. withholding tax comprises the major portion of the total extraordinary items.

7. SEGMENTED INFORMATION

The company operates solely in newspaper publishing and printing. The following is a summary of the geographic segments of the company:

1982	Canada	United States	Consolidated
Operating revenue	\$352,936,538	\$313,520,893	\$666,457,431
Operating income	\$ 70,881,538	\$119,972,685	\$190,854,223
General corporate expenses			6,855,738
Interest—long-term debt			11,771,222
—other			3,661,655
Interest and investment income			(4,888,994)
Other (net)			(1,674,523)
Income taxes			74,638,000
Amortization of goodwill			1,095,415
Extraordinary items			5,982,006
			<u>97,440,519</u>
Net income			\$ 93,413,704
Total assets	\$189,572,032	\$488,146,959	\$677,718,991
1981			
Operating revenue	\$365,951,625	\$280,041,554	\$645,993,179
Operating income	\$ 91,496,564	\$111,333,595	\$202,830,159
General corporate expenses			6,747,150
Interest on long-term debt			20,261,370
Interest and investment income			(7,903,652)
Other (net)			2,196,959
Income taxes			83,851,000
Amortization of goodwill			692,913
Extraordinary items			(3,804,870)
			<u>102,040,870</u>
Net income			\$100,789,289
Total assets	\$245,546,921	\$461,796,313	\$707,343,234

8. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for 1982.

Auditors' Report

To the Shareholders of
Thomson Newspapers Limited

We have examined the consolidated balance sheet of Thomson Newspapers Limited as at December 31, 1982 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, 1982 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, 1983

Thorne Riddell
Chartered Accountants

Summary of Selected Consolidated Financial Information

	Year Ended December 31				
	1982	1981	1980	1979	1978
	(dollar amounts in thousands except per share amounts)				
Operating revenue					
Canada	\$352,936	\$365,952	\$284,572	\$103,779	\$ 96,541
United States	313,521	280,041	247,791	231,782	209,935
Total	<u>\$666,457</u>	<u>\$645,993</u>	<u>\$532,363</u>	<u>\$335,561</u>	<u>\$306,476</u>
Operating income (segmented)					
Canada	\$ 70,881	\$ 91,496	\$ 62,490	\$ 35,925	\$ 31,192
United States	119,973	111,334	100,511	94,146	83,967
Total	<u>\$190,854</u>	<u>\$202,830</u>	<u>\$163,001</u>	<u>\$130,071</u>	<u>\$115,159</u>
Income before extraordinary items	<u>\$ 99,396</u>	<u>\$ 96,984</u>	<u>\$ 75,830</u>	<u>\$ 65,029</u>	<u>\$ 56,559</u>
Per Class A and Class B share					
Income before extraordinary items	\$ 2.01	\$ 1.96	\$ 1.53	\$ 1.31	\$ 1.13
Dividends	\$ 0.8750	\$ 0.7600	\$ 0.6175	\$ 0.5275	\$ 0.3726

