

---

THOMSON  
NEWSPAPERS  
LIMITED

---

ANNUAL REPORT 1983



## Contents

---

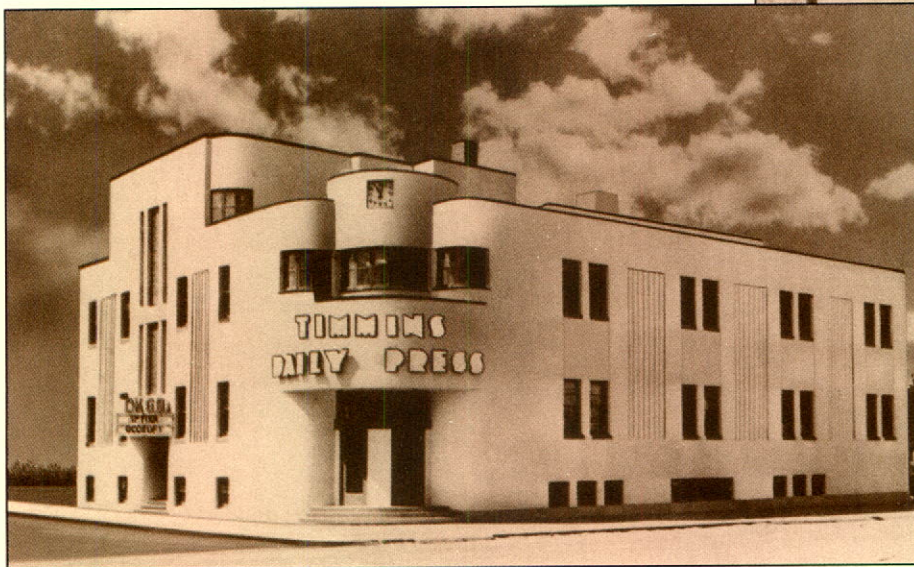
	Page
Newspaper Locations	
Canada . . . . .	2
United States . . . . .	3
Officers and Directors . . . . .	4
Financial Highlights . . . . .	4
Report of the Directors . . . . .	5-6
Consolidated Balance Sheet . . . . .	7
Consolidated Statement of Income . . . . .	8
Consolidated Statement of Retained Earnings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

---



## It Started In Timmins, Ontario, May 1, 1934

▼ The present building opened on May 24, 1940.



▲ Spruce Street, Timmins, circa 1935.



The roots of what is today Thomson Newspapers Limited can be traced back to May 1, 1934 when Roy Thomson acquired his first newspaper, a weekly published in Timmins, Ontario. The Timmins Press

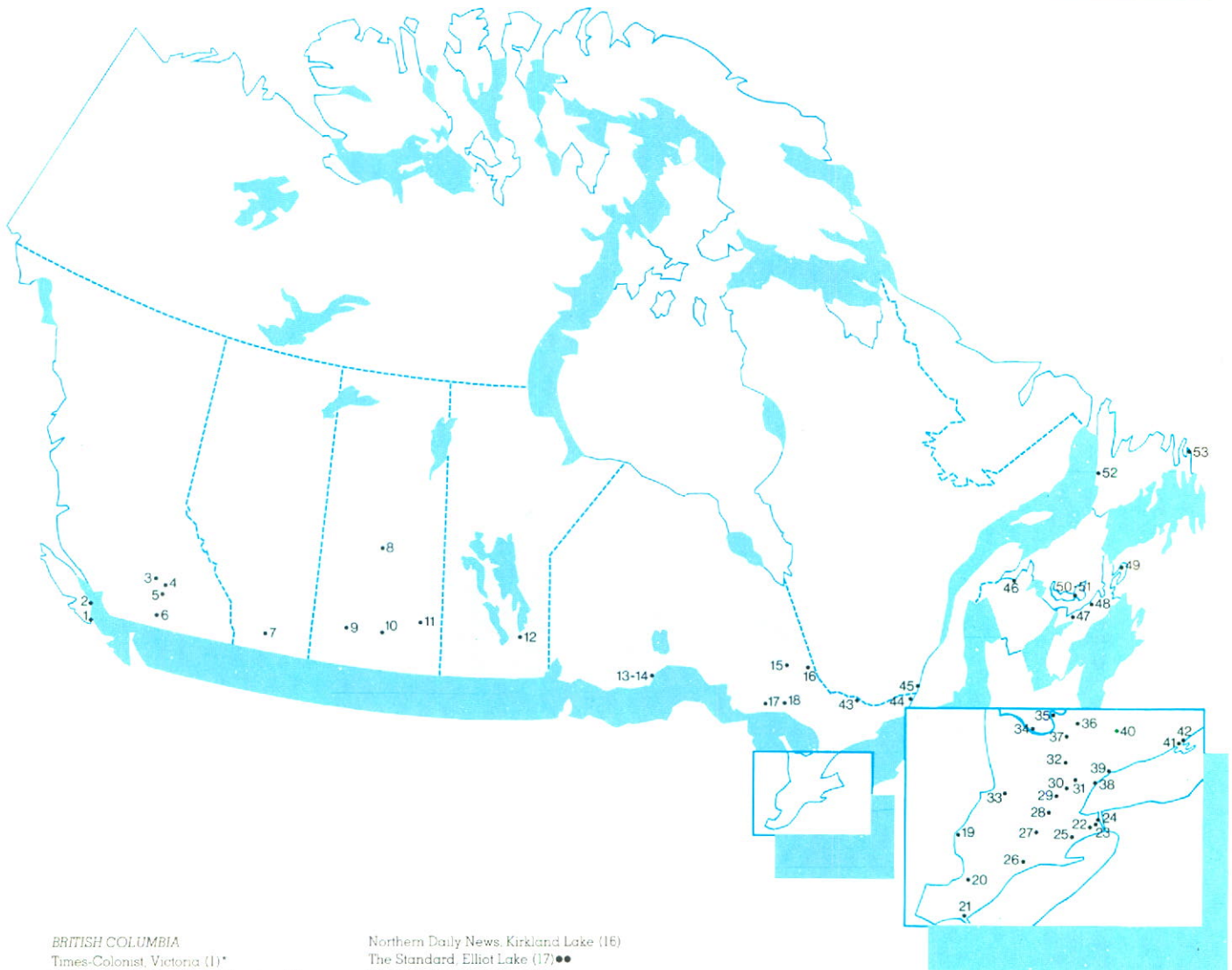
was converted to daily publication in September, 1935 and in 1940, following a serious fire, moved to the new quarters pictured immediately above. In this year of the Company's fiftieth anniversary, construction will

begin on a new plant for what is now The Daily Press, one of 123 daily and 17 weekly newspapers currently published by the Company in Canada and the United States.



▲ Construction of the new plant illustrated above will begin during 1984.





Enlargement of area indicated at left.

**BRITISH COLUMBIA**

- Times-Colonist, Victoria (1)\*
- Nanaimo Daily Free Press, Nanaimo (2)
- Kamloops 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, Onllia (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**

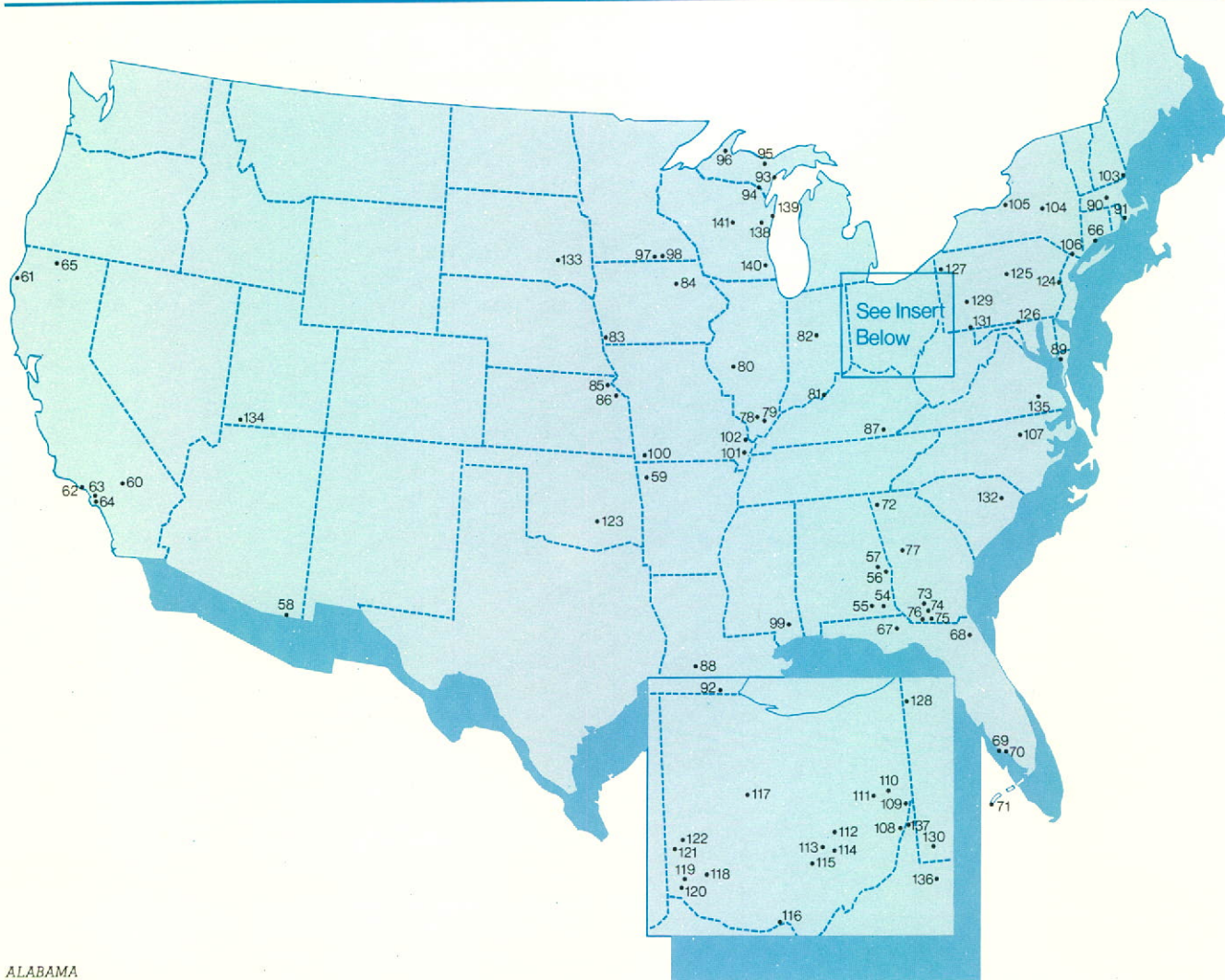
- The Guardian, Charlottetown (50)
- The Evening Patriot, Charlottetown (51)

**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 PRINTER

Total Daily Circulation in Canada -1,129,100  
 Total Daily Circulation in the United States -1,282,000



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)\*
- Siskiyou Daily News, Yreka (65)

**CONNECTICUT**

- The Evening Sentinel, Ansonia (66)

**FLORIDA**

- Jackson County Floridan, Marianna (67)\*
- 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 Tilton Gazette, Tilton (74)
- The Valdosta Daily Times, Valdosta (75)\*
- Thomasville Times-Enterprise, Thomasville (76)
- Griffin Daily News, Griffin (77)

**ILLINOIS**

- The Register-News, Mount Vernon (78)
- McLeansboro Times-Leader, McLeansboro (79)●
- Jacksonville Journal Courier, Jacksonville (80)\*

**INDIANA**

- The Tribune, New Albany (81)\*
- The Kokomo Tribune, Kokomo (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)
- The Daily Mining Gazette, Houghton (96)

**MINNESOTA**

- The Evening Tribune, Albert Lea (97)\*
- Austin Daily Herald, Austin (98)\*

**MISSISSIPPI**

- Laurel Leader-Call, Laurel (99)

**MISSOURI**

- The Carthage Press, Carthage (100)
- The Daily Standard, Sikeston (101)\*
- The Southeast Missourian, Cape Girardeau (102)\*

**NEW HAMPSHIRE**

- The Portsmouth Herald, Portsmouth (103)\*

**NEW YORK**

- The Evening Telegram, Herkimer (104)
- The Palladium-Times, Oswego (105)
- The Evening News, Newburgh (106)\*

**NORTH CAROLINA**

- The Evening Telegram, Rocky Mount (107)\*

**OHIO**

- The Herald-Star, Steubenville (108)\*
- The Evening Review, East Liverpool (109)
- The Salem News, Salem (110)
- The Repository, Canton (111)\*
- The Coshocton Tribune, Coshocton (112)\*
- The Advocate, Newark (113)\*
- The Times Recorder, Zanesville (114)\*
- Lancaster Eagle-Gazette, Lancaster (115)
- The Daily Times, Portsmouth (116)
- The Marion Star, Marion (117)\*
- The Xenia Daily Gazette, Xenia (118)
- The Franklin Chronicle, Franklin (119)●
- Middletown Journal, Middletown (120)\*
- The Daily Advocate, Greenville (121)
- The Piqua Daily Call, Piqua (122)

**OKLAHOMA**

- The Ada Evening News, Ada (123)\*

**PENNSYLVANIA**

- The Express, Easton (124)\*
- The Express, Lock Haven (125)
- The Evening Sun, Hanover (126)
- The Meadville Tribune, Meadville (127)
- The Record-Argus, Greenville (128)
- The Leader-Times, Kittanning (129)
- The Valley Independent, Monessen (130)
- The Daily Courier, Connellsville (131)

**SOUTH CAROLINA**

- Florence Morning News, Florence (132)\*

**SOUTH DAKOTA**

- The Daily Republic, Mitchell (133)

**UTAH**

- The Daily Spectrum, St. George (134)\*

**VIRGINIA**

- The Progress-Index, Petersburg (135)\*

**WEST VIRGINIA**

- The Times-West Virginian, Fairmont (136)\*
- The Weirton Daily Times, Weirton (137)

**WISCONSIN**

- The Reporter, Fond du Lac (138)\*
- Herald-Times-Reporter, Manitowoc (139)\*
- Waukesha Freeman, Waukesha (140)
- The Daily Tribune, Wisconsin Rapids (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

<b>Peter T. Bogart, C.A.</b>	<b>Brian W. Slaughter</b>
<b>John H. Coleman</b>	<b>D. C. H. Stanley</b>
<b>John S. Dewar</b>	<b>K. R. Thomson</b>
<b>St. Clair McCabe</b>	<b>John A. Tory, Q.C.</b>
<b>D. J. Peacher</b>	

## 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  
R. D. Anderson, Vice-President and  
Corporate Controller  
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  
11020 Ambassador Drive, Kansas City, Missouri  
F. S. Sumner, Vice-President and  
Assistant General Manager

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

**Transfer Agent**  
Montreal Trust Company

## Financial Highlights

	1983	1982
Operating revenue .....	\$705,162,255	\$666,457,431
Income before extraordinary items .....	\$126,090,398	\$ 99,395,710
Net income .....	\$126,090,398	\$ 93,413,704
Earnings per Class A and Class B share after preference dividends		
Before extraordinary items .....	\$2.55	\$2.01
For the year .....	\$2.55	\$1.89
Dividends paid		
Preference shares .....	\$ 535,791	\$ 550,895
Class A and Class B shares .....	\$ 49,465,219	\$ 43,061,922
Per share — Class A and Class B .....	\$1.005	\$0.875

On behalf of the Board of Directors, it gives me particular pleasure as we approach our fiftieth anniversary to present the consolidated financial statements of your Company for the year ended December 31, 1983, together with the Auditors' Report thereon.

Net income for 1983 was \$126,090,398 compared with income before extraordinary items of \$99,395,710 in 1982, an increase of \$26,694,688. Net income after extraordinary items in 1982 was \$93,413,704. There were no extraordinary items in 1983. Operating revenue for 1983 was \$705,162,255 compared with \$666,457,431. Net income per Class A and Class B share increased to \$2.55 compared with \$2.01 before extraordinary items and \$1.89 after extraordinary items in 1982.

In 1983 The Canadian Institute of Chartered Accountants announced recommendations relating to the translation of foreign currencies. For 1983, the Company has adopted the "current rate" method for the translation of the financial statements of its foreign subsidiaries. This has resulted in a reduction in net income for 1983 of approximately \$1,700,000 or 3.5 cents per Class A and Class B share. The entire amount of this reduction has been reflected in the fourth quarter. The figures for 1982 have not been restated.

Capital expenditures on new plant and equipment and additions or alterations to existing plants amounted to approximately \$16 million in 1983. Capital expenditures in 1984 are expected to amount to approximately \$27 million including a new plant in Timmins, Ontario, completion of the new plant in Sydney, Nova Scotia, new presses and substantial building improvements at several locations in the United States and additional satellite transmission and computer facilities 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 22.5 cents per share. Dividends for the last three quarters were at the increased rate of 26 cents per share. The

Company issued 74,192 Class B shares and 2,845,157 Class C shares by way of stock dividends on its Class B shares. The Class C shares issued as stock dividends were redeemed at \$.01 per share. Your Company purchased through the facilities of The Toronto Stock Exchange 74,192 Class A shares at an average price of \$33.22 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 1982.

In its continuing U.S. acquisition program, the following two daily newspapers were acquired in 1983: Waukesha Freeman, Waukesha, Wisconsin and The Daily Tribune, Wisconsin Rapids, Wisconsin. The telephone directory publishing business in Calgary, Alberta was sold in January, 1983 and the daily newspaper in Lancaster, California was sold in June, 1983. To date in 1984, the Company has acquired The Express, Easton, Pennsylvania, and The Daily Spectrum, St. George, Utah. Additional U.S. acquisitions are under active consideration.

The U.S. \$240 million newsprint mill expansion project being undertaken by Augusta Newsprint Company, a joint venture partnership with Abitibi-Price Inc., achieved substantial completion in the fall of 1983 on schedule and below budget. Start-up of the new paper machine occurred in the last week of September, 1983 and the running-in period is proceeding according to plan. Until the expanded mill becomes fully operational, your Company is deferring its 50 percent share of all revenue and expenses related to the partnership.

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, by way of secondary offering. As a result of this sale the holdings of Woodbridge 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.



# Thomson Newspapers Limited

---

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, which commenced on September 19, 1983, concluded on December 9, 1983 with all charges being dismissed. As the Crown has now decided against proceeding with an appeal the matter may be considered to have been successfully closed.

It became apparent in late 1983 that the Federal Government had abandoned its proposals to introduce separate legislation specifically directed at the newspaper industry. There remains some possibility that general issues related to concentration of ownership may be the subject of future amendments to competition legislation. Further comment will be reserved until the Government makes known its intentions.

For 1983 as a whole, revenue from newspaper operations showed an increase of over 9 percent while revenue from the commercial printing business in Montreal was at significantly lower levels, reflecting principally the closure of Today Magazine in August, 1982. Operating income, aided by the continuing recovery of The Globe and Mail, increased by almost 24 percent for the year. In the fourth quarter,

operating results in both Canada and the United States continued to show satisfactory improvement. Gradually improving business conditions in both countries should result in further earnings growth in 1984.

The roots of what is today Thomson Newspapers Limited date back to the acquisition on May 1, 1934 of the Timmins Press by my late father, Roy Thomson. In this year of our fiftieth anniversary, construction will start on the third home for what is now The Daily Press, one of 123 daily and 17 weekly newspapers currently published by your Company. The next annual report will trace the development of operations over the first fifty years.

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.

For the Board of Directors



Chairman and President

March 20, 1984



Thomson  
Newspapers  
Limited

Consolidated Balance Sheet

(Incorporated under the laws of Ontario)

As at December 31, 1983

<b>ASSETS</b>	<u>1983</u>	<u>1982</u>
Current Assets		
Cash and term deposits .....	\$ 68,672,960	\$ 12,996,513
Trade accounts receivable .....	87,510,714	76,527,455
Other accounts receivable .....	2,708,874	2,166,513
Inventories .....	10,493,703	11,776,461
Prepaid expenses .....	2,057,718	2,140,729
	<u>171,443,969</u>	<u>105,607,671</u>
Investments and Other Assets (note 2) .....	54,583,563	60,378,705
Property, Plant and Equipment		
Land .....	33,241,059	29,837,951
Buildings, machinery and equipment .....	381,271,548	332,286,699
	<u>414,512,607</u>	<u>362,124,650</u>
Less accumulated depreciation .....	128,789,902	101,683,024
	<u>285,722,705</u>	<u>260,441,626</u>
Circulation and Goodwill .....	311,339,834	251,290,989
	<u>\$823,090,071</u>	<u>\$677,718,991</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities .....	\$ 33,544,741	\$ 33,840,641
Taxes payable .....	24,633,421	5,231,163
Notes payable .....	18,099,869	1,945,581
Current instalments of long-term debt .....	14,403,054	19,264,544
Prepaid subscriptions .....	90,681,085	12,971,151
	<u>90,681,085</u>	<u>73,253,080</u>
Long-Term Debt (note 3) .....	97,795,596	106,406,899
Deferred Income Taxes .....	52,867,618	31,334,441
<b>SHAREHOLDERS' EQUITY</b>		
Capital Stock (note 4)		
Preference shares .....	7,758,900	8,068,900
Class A and Class B shares .....	54,208,420	54,208,420
	<u>61,967,320</u>	<u>62,277,320</u>
Equity Adjustment from Foreign Currency Translation .....	39,135,565	
Retained Earnings .....	480,642,887	404,447,251
	<u>581,745,772</u>	<u>466,724,571</u>
	<u>\$823,090,071</u>	<u>\$677,718,991</u>

Approved by the Board

K. R. Thomson, Director  
D. C. H. Stanley, Director

## Consolidated Statement of Income

Year Ended December 31, 1983

	1983	1982
Operating revenue	\$705,162,255	\$666,457,431
Costs and operating expenses	458,265,431	466,490,408
Operating income before depreciation	246,896,824	199,967,023
Depreciation	18,889,167	15,968,538
Operating income	228,007,657	183,998,485
Other deductions (income)		
Interest—long-term debt	7,413,961	11,771,222
—other	452,602	3,661,655
Interest and investment income	(5,689,285)	(4,888,994)
Other (net)	(1,691,999)	(1,674,523)
	485,279	8,869,360
Income before undernoted items	227,522,378	175,129,125
Income taxes		
Current	72,636,000	54,755,000
Deferred	27,579,000	19,883,000
	100,215,000	74,638,000
Income before amortization of goodwill and extraordinary items	127,307,378	100,491,125
Amortization of goodwill	1,216,980	1,095,415
Income before extraordinary items	126,090,398	99,395,710
Extraordinary items		5,982,006
Net income	\$126,090,398	\$ 93,413,704
Earnings per Class A and Class B share		
Before extraordinary items	\$2.55	\$2.01
For the year	\$2.55	\$1.89

The earnings per Class A and Class B share are after deducting dividends paid on the outstanding 6% preference shares.

## Consolidated Statement of Retained Earnings

Year Ended December 31, 1983

	1983	1982
Balance at beginning of year	\$404,447,251	\$354,520,762
Net income	126,090,398	93,413,704
Net discount on purchase of preference and Class A and Class B shares	106,248	125,602
	530,643,897	448,060,068
Dividends paid on		
Preference shares	535,791	550,895
Class A and Class B shares	49,465,219	43,061,922
	50,001,010	43,612,817
Balance at end of year	\$480,642,887	\$404,447,251



Thomson  
Newspapers  
Limited

Consolidated Statement of  
Changes in Financial Position

Year Ended December 31, 1983

	<u>1983</u>	<u>1982</u>
Working capital derived from		
Operations		
Income before extraordinary items .....	\$126,090,398	\$ 99,395,710
Items not involving working capital		
Depreciation .....	18,889,167	15,968,538
Deferred income taxes .....	27,579,000	19,883,000
Amortization of goodwill .....	1,216,980	1,095,415
Other (net) .....	(1,289,670)	792,122
	<u>172,485,875</u>	<u>137,134,785</u>
Proceeds from long-term debt .....	8,012,864	
Proceeds on disposal of investments and property, plant and equipment .....	4,172,694	2,580,151
Deferral of revenue and expenses related to investment in Augusta Newsprint Company less additional investment therein .....	2,001,554	
Other (net) .....	1,985,260	372,496
	<u>188,658,247</u>	<u>140,087,432</u>
Working capital applied to		
Acquisition of subsidiary companies less working capital of \$297,578 (note 5) .....	55,637,436	26,501,519
Purchase of property, plant and equipment .....	16,430,218	16,932,842
Reduction in long-term debt .....	17,871,290	23,691,765
Dividends .....	50,001,010	43,612,817
Preference shares purchased for cancellation .....	310,000	430,000
Investment in Augusta Newsprint Company and deferral of related revenue and expenses .....		64,162,775
Tax withheld on dividend from U.S. subsidiary and net loss on closure of Today Magazine .....		5,982,006
	<u>140,249,954</u>	<u>181,313,724</u>
Increase (decrease) in working capital .....	48,408,293	(41,226,292)
Working capital at beginning of year .....	32,354,591	73,580,883
Working capital at end of year .....	<u>\$ 80,762,884</u>	<u>\$ 32,354,591</u>

Year Ended December 31, 1983

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 the accounts of the company denominated in a foreign currency have been translated to Canadian dollars on the following basis:

- (i) All assets and liabilities are translated at the rate prevailing at the balance sheet date.
- (ii) Revenue and expenses, including depreciation, amortization and income taxes, are translated at the average exchange rate for the year.

In 1983 the Canadian Institute of Chartered Accountants announced recommendations relating to the translation of foreign currency. In accordance with these recommendations, the foreign subsidiaries of the company are considered to be self-sustaining. The resulting foreign exchange gains and losses on translating the financial statements of foreign subsidiaries and the accounts of the company denominated in a foreign currency are not included in the determination of net income but are deferred and recorded directly in a separate shareholders' equity account. This has resulted in a reduction in net income for 1983 of approximately \$1,700,000 or 3.5 cents per Class A and Class B share. The figures for 1982 have not been restated. At December 31, 1983 the cumulative equity adjustment from foreign currency translation amounted to \$39,135,565.

(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 circula-

tion 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, 1983 is \$127,115,511.

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 \$57,924,813 at December 31, 1983, are being amortized over forty years from date of acquisition. Accumulated amortization to December 31, 1983 amounted to \$5,426,354.

2. INVESTMENT IN JOINT VENTURE PARTNERSHIP

In 1981 a joint venture partnership was formed 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 of which approximately U.S. \$220 million had been drawn down at December 31, 1983. 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's investment in the partnership, amounting to \$60,943,788 (U.S. \$48,974,436), is included in Investments and Other Assets and is comprised of the company's investment of U.S. \$53,000,000 and the company's equity in the loss of the partnership since January 1, 1982 of U.S. \$4,025,564.

The newsprint mill expansion program undertaken by Augusta Newsprint Company achieved substantial completion in the fall of 1983 on schedule and below budget. Start-up of the new paper machine occurred in the last week of September, 1983 and the running-in period is proceeding according to plan. Until the expanded mill becomes fully operational, the company is deferring all revenue and expenses related to this project. At December 31, 1983 the company has deferred net income related to this project of \$8,400,491 which is comprised of available income tax credits less the company's share of the loss of the partnership since January 1, 1982 net of income taxes and the after-tax financing costs of the company's investment in the partnership.

Summarized financial information of the joint venture is as follows:

	1983	1982
	U.S. Dollars	
Current assets	\$ 24,555,261	\$ 11,198,128
Plant and equipment and other assets	334,027,341	244,011,530
Total assets	358,582,602	255,209,658
Current liabilities	21,819,222	22,439,614
Long-term liabilities	238,814,508	131,733,848
Total liabilities	260,633,730	154,173,462
Partnership equity	\$ 97,948,872	\$101,036,196
Net sales	\$ 62,001,159	\$ 58,680,171
Income (loss)	\$ (9,087,324)	\$ 1,036,196



# Thomson Newspapers Limited

## 3. LONG-TERM DEBT

	<u>1983</u>	<u>1982</u>
Promissory notes payable, variable interest keyed to the Eurodollar rate plus 3/4% to September 30, 1986 and thereafter plus 3/4% to maturity. Principal payable quarterly to December 31, 1986, balance payable on September 30, 1991, subject to prepayment at the borrower's option without penalty (U.S. \$65,900,000 bearing interest at 11.13% at December 31, 1983, 1982-10.25%)	\$ 82,005,960	\$ 96,337,920
Promissory note payable, variable interest keyed to the Eurodollar rate plus 3/4% to maturity. Principal payable semi-annually from June 30, 1987 to December 31, 1988, subject to prepayment at the borrower's option without penalty (U.S. \$13,000,000 bearing interest at 11.13% at December 31, 1983, 1982-10.44%)	16,177,200	16,957,440
Promissory note payable, variable interest keyed to the Euro-Guilder rate plus 1/2% to December 31, 1986 plus 3/4% to December 31, 1989 and thereafter plus 3/4% to maturity. Principal payable semi-annually from June 30, 1989 to December 31, 1993, subject to prepayment at the borrower's option without penalty (Netherlands Guilders 20,000,000 bearing interest at 6.88% at December 31, 1983)	8,136,000	
Promissory notes payable, interest at 7%. Principal payable annually to May 1, 1987 (U.S. \$3,937,500)	4,899,825	5,990,400
Miscellaneous notes and mortgages payable (U.S. \$3,758,020)	4,676,480	6,385,683
	<u>115,895,465</u>	<u>125,671,443</u>
Less instalments included in current liabilities	<u>18,099,869</u>	<u>19,264,544</u>
	<u>\$ 97,795,596</u>	<u>\$ 106,406,899</u>

Long-term debt repayments are as follows:

1984	\$ 18,099,869
1985	17,375,833
1986	17,357,283
1987	9,855,889
1988	8,583,202
1989 and thereafter	44,623,389
	<u>\$115,895,465</u>

## 4. CAPITAL STOCK

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

Authorized		
455,178 Preference shares, issuable in series (1982-461,378 shares)		
89,600,430 Class A and Class B interconvertible participating shares (1982-89,674,622 shares)		
486,811,904 Class C special non-participating, non-voting shares (1982-489,657,061 shares)		
1,000 Common shares		
Issued	<u>1983</u>	<u>1982</u>
155,178 6 3/4% Cumulative redeemable preference shares, Series A (1982-161,378 shares)	\$ 7,758,900	\$ 8,068,900
49,236,372 Shares consisting of 46,632,981 Class A and 2,603,391 Class B (1982-46,956,838 Class A and 2,279,534 Class B)	54,208,420	54,208,420
	<u>\$61,967,320</u>	<u>\$62,277,320</u>

(b) On July 29, 1983 the new Business Corporations Act, 1982 (Ontario) was proclaimed in force. On the effective date of the Act, existing par value shares were deemed to be of no par value.

(c) 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, Series A preference shares on which \$300,000 is paid up, in the market (if obtainable) at a price not exceeding the amount paid up thereon plus accrued dividends and costs of purchase. During 1983, 6,200 preference shares, on which \$310,000 was paid up, were purchased for cancellation.

(d) 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. 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 \$.01 per share. Dividends paid on the Class A shares are ordinary taxable cash dividends.

In 1983 the company issued 74,192 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, 2,845,157 Class C shares, issued as stock dividends on the Class B shares, were redeemed at \$.01 per share.

# Thomson Newspapers Limited

## 5. ACQUISITIONS

On February 16, 1983 the company purchased all of the outstanding capital stock of Waukesha Freeman, Inc. (Waukesha, Wisconsin). On September 15, 1983 the company purchased the assets of The Daily Tribune (Wisconsin Rapids, Wisconsin).

On January 6, 1984 the company purchased the assets of The Express (Easton, Pennsylvania). Since the company was committed to acquire the assets prior to December 31, 1983, the purchase has been reflected in the balance sheet as at December 31, 1983.

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	\$ 3,175,649
Investments and other assets	178,223
Property, plant and equipment	21,424,808
Circulation	25,251,848
	<u>50,030,528</u>
Less total liabilities assumed:	
Current liabilities	<u>2,878,071</u>
Net assets acquired at estimated fair value	47,152,457
Excess of purchase price over estimated fair value (to be amortized over 40 years)	<u>8,782,557</u>
Cash consideration	<u>\$55,935,014</u>

## 6. INCOME TAXES

The company's effective income tax rate is made up as follows:

	1983	1982
Combined basic Canadian federal and Ontario provincial income tax rate	50.7%	50.0%
Increase (decrease) in the income tax rate resulting from:		
Manufacturing and processing profits deduction	(2.0)	(1.4)
Lower effective income tax rate on earnings of foreign subsidiaries	(4.0)	(6.1)
Miscellaneous (net)	(0.6)	0.1
	<u>(6.6)</u>	<u>(7.4)</u>
Effective income tax rate	<u>44.1%</u>	<u>42.6%</u>

## 7. SEGMENTED INFORMATION

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

1983	Canada	United States	Consolidated
Operating revenue	\$360,485,521	\$344,676,734	\$705,162,255
Operating income	\$ 96,911,113	\$138,658,147	\$235,569,260
General corporate expenses			7,561,603
Interest—long-term debt			7,413,961
—other			452,602
Interest and investment income			(5,689,285)
Other (net)			(1,691,999)
Income taxes			100,215,000
Amortization of goodwill			1,216,980
			<u>109,478,862</u>
Net income			<u>\$126,090,398</u>
Total assets	\$215,066,402	\$608,023,669	\$823,090,071
<b>1982</b>			
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			<u>\$ 93,413,704</u>
Total assets	\$189,572,032	\$488,146,959	\$677,718,991

## Auditors' Report

To the Shareholders of  
Thomson Newspapers Limited

We have examined the consolidated balance sheet of Thomson Newspapers Limited as at December 31, 1983 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, 1983 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, except for the change in accounting for foreign currency as described in Note 1(b), on a basis consistent with that of the preceding year.

Toronto, Canada  
February 24, 1984

Thorne Riddell  
Chartered Accountants



## Summary of Selected Consolidated Financial Information

	Year Ended December 31				
	<u>1983</u>	<u>1982</u>	<u>1981</u>	<u>1980</u>	<u>1979</u>
	(dollar amounts in thousands except per share amounts)				
Operating revenue					
Canada .....	\$360,485	\$352,936	\$365,952	\$284,572	\$103,779
United States .....	344,677	313,521	280,041	247,791	231,782
Total .....	<u>\$705,162</u>	<u>\$666,457</u>	<u>\$645,993</u>	<u>\$532,363</u>	<u>\$335,561</u>
Operating income (segmented)					
Canada .....	\$ 96,911	\$ 70,881	\$ 91,496	\$ 62,490	\$ 35,925
United States .....	138,658	119,973	111,334	100,511	94,146
Total .....	<u>\$235,569</u>	<u>\$190,854</u>	<u>\$202,830</u>	<u>\$163,001</u>	<u>\$130,071</u>
Income before extraordinary items .....	<u>\$126,090</u>	<u>\$ 99,396</u>	<u>\$ 96,984</u>	<u>\$ 75,830</u>	<u>\$ 65,029</u>
Per Class A and Class B share					
Income before extraordinary items .....	\$ 2.55	\$ 2.01	\$ 1.96	\$ 1.53	\$ 1.31
Dividends .....	\$ 1.005	\$ 0.8750	\$ 0.7600	\$ 0.6175	\$ 0.5275



