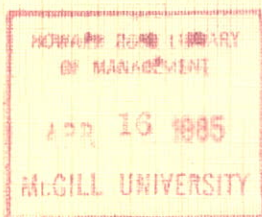




THOMSON NEWSPAPERS LIMITED

**50 YEARS
1934-1984**

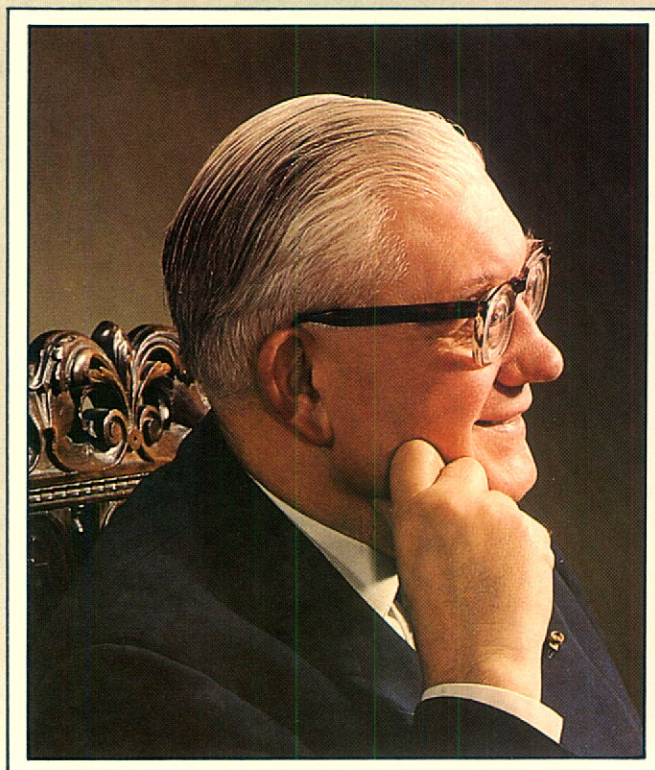


ANNUAL REPORT 1984

Contents

	Page
Financial Statements	1
Newspaper Locations	
Canada	2
United States.....	3
Officers and Directors.....	4
Report of the Directors.....	5
Consolidated Balance Sheet.....	6
Consolidated Statement of Income.....	7
Consolidated Statement of Retained Earnings.....	7
Consolidated Statement of Changes in Cash Position.....	8
Notes to Consolidated Financial Statements.....	9-11
Auditors' Report.....	11
Milestones in the History of Thomson Newspapers.....	12
Summary of Selected Consolidated Financial Information....	Inside Back Cover

50 Years of Newspaper Publishing



ROY H. THOMSON, FOUNDER

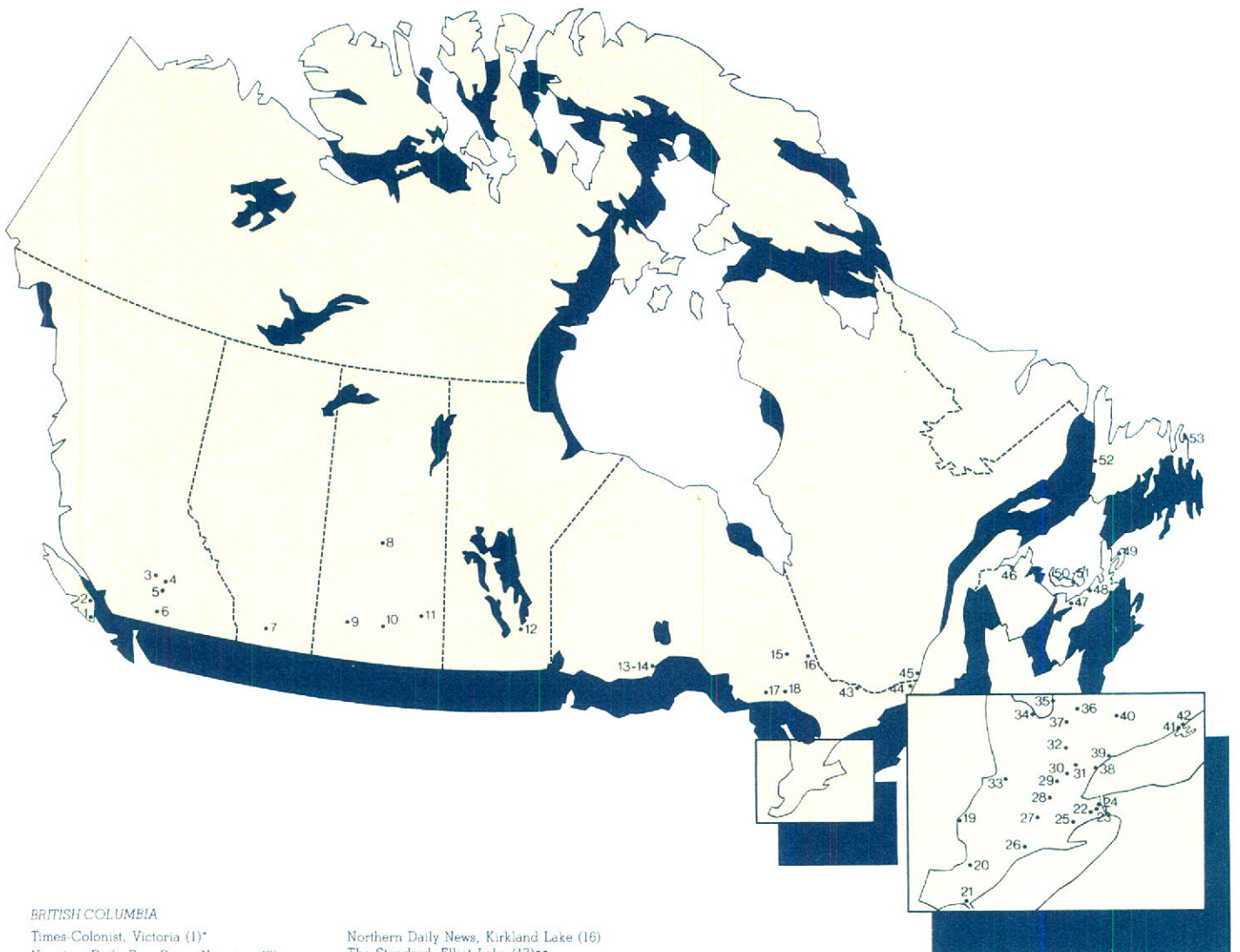


KENNETH R. THOMSON, CHAIRMAN

May 1, 1984 marked the Fiftieth Anniversary in newspaper publishing of Thomson Newspapers Limited. Roy Thomson acquired his first newspaper, a weekly published in Timmins, Ontario, on that day fifty years earlier. At the end of 1984 the Company published 39 daily and 13 weekly newspapers in Canada and 87 daily and 4 weekly newspapers in the United States, for a total of 143 newspapers. Milestones in the history of Thomson Newspapers are reviewed on page 12 of this report.

Financial Highlights

	<u>1984</u>	<u>1983</u>
Operating revenue	\$811,756,886	\$706,311,639
Net income	\$153,819,818	\$126,090,398
Earnings per Class A and Class B share after preference dividends.....	\$3.11	\$2.55
Dividends paid		
Preference shares	\$509,202	\$535,791
Class A and Class B shares	\$57,822,649	\$49,465,219
Per share - Class A and Class B	\$1.175	\$1.005



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, 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

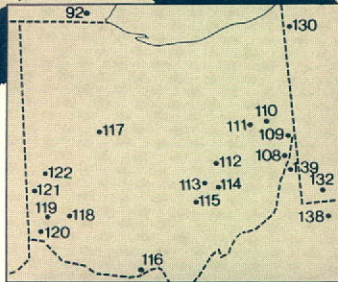
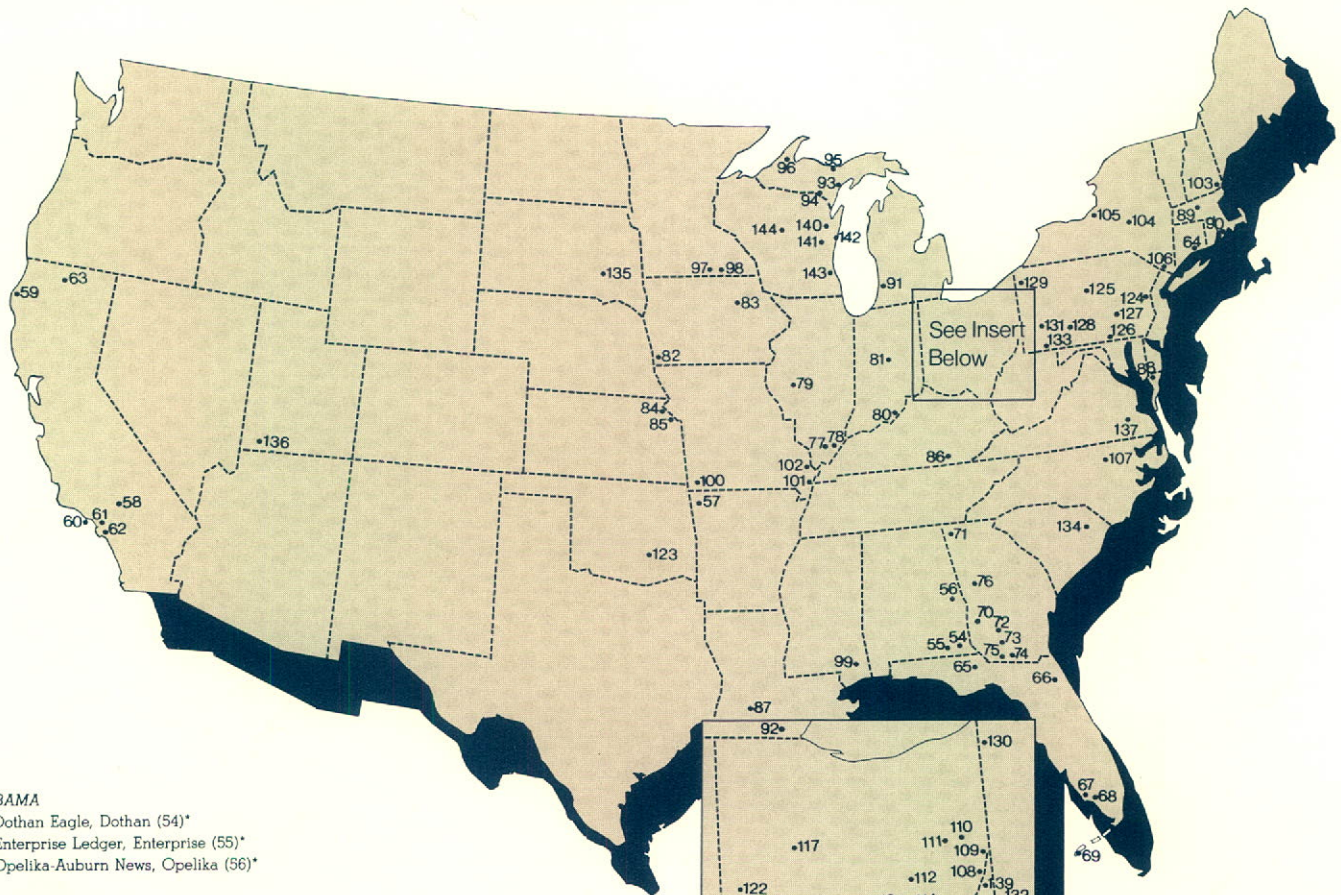
- The Guardian, Charlottetown (50)
- The Evening Patriot, Charlottetown (51)

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 PRINTER

Total Daily Circulation in Canada - 1,131,700
 Total Daily Circulation in the United States - 1,382,700



Enlargement of area indicated above.

ALABAMA

- The Dothan Eagle, Dothan (54)*
- The Enterprise Ledger, Enterprise (55)*
- The Opelika Auburn News, Opelika (56)*

ARKANSAS

- Northwest Arkansas Times, Fayetteville (57)*

CALIFORNIA

- Desert Dispatch, Barstow (58)
- The Times-Standard, Eureka (59)*
- The Press-Courier, Oxnard (60)*
- San Gabriel Valley Tribune, West Covina (61)*
- The Daily News, Whittier (62)*
- Siskiyou Daily News, Yreka (63)

CONNECTICUT

- The Evening Sentinel, Ansonia (64)

FLORIDA

- Jackson County Floridan, Marianna (65)*
- Clay Today, Orange Park (66)
- Englewood Herald, Englewood (67)*
- Daily Herald-News, Punta Gorda (68)
- The Key West Citizen, Key West (69)*

GEORGIA

- Americus Times-Recorder, Americus (70)
- The Daily Citizen-News, Dalton (71)
- The Cordele Dispatch, Cordele (72)
- The Tifton Gazette, Tifton (73)
- The Valdosta Daily Times, Valdosta (74)*
- Thomasville Times-Enterprise, Thomasville (75)
- Griffin Daily News, Griffin (76)

ILLINOIS

- The Register-News, Mount Vernon (77)
- McLeansboro Times-Leader, McLeansboro (78)*
- Jacksonville Journal Courier, Jacksonville (79)*

INDIANA

- The Tribune, New Albany (80)*
- The Kokomo Tribune, Kokomo (81)*

IOWA

- Council Bluffs Nonpareil, Council Bluffs (82)*
- The Oelwein Daily Register, Oelwein (83)

KANSAS

- Atchison Daily Globe, Atchison (84)*
- The Leavenworth Times, Leavenworth (85)*

KENTUCKY

- The Times-Tribune, Corbin (86)*

LOUISIANA

- The Daily Advertiser, Lafayette (87)*

MARYLAND

- The Daily Times, Salisbury (88)*

MASSACHUSETTS

- The Daily Sentinel and Leominster Enterprise, Fitchburg (89)
- Taunton Daily Gazette, Taunton (90)

MICHIGAN

- The Herald-Palladium, Benton Harbor (91)
- 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 Daily News, Lebanon (127)*
- Altoona Mirror, Altoona (128)
- The Meadville Tribune, Meadville (129)
- The Record-Argus, Greenville (130)
- The Leader-Times, Kittanning (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)

UTAH

- The Daily Spectrum, St. George (136)*

VIRGINIA

- The Progress-Index, Petersburg (137)*

WEST VIRGINIA

- The Times-West Virginian, Fairmont (138)*
- The Weirton Daily Times, Weirton (139)

WISCONSIN

- The Post-Crescent, Appleton (140)*
- The Reporter, Fond du Lac (141)*
- Herald-Times Reporter, Manitowish (142)*
- Waukesha Freeman, Waukesha (143)
- The Daily Tribune, Wisconsin Rapids (144)

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. Slaight

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

Lorne K. Lodge

St. Clair McCabe

D.J. Peacher

Brian W. Slaight

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

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

Auditors

Thorne Riddell

Principal Bankers

The Royal Bank of Canada

The Toronto-Dominion Bank

Chemical Bank

Solicitors

Tory, Tory, DesLauriers & Binnington

Stock Exchange Listings

Toronto and Montreal

Transfer Agent

Montreal Trust Company

On behalf of the Board of Directors, it gives me great pleasure to present the consolidated financial statements of your Company for the year ended December 31, 1984, the year of our Fiftieth Anniversary, together with the Auditors' Report thereon.

Net income for 1984 was \$153,819,818 compared with \$126,090,398 for 1983, an increase of \$27,729,420. Operating revenue for 1984 was \$811,756,886 compared with \$706,311,639. Net income per Class A and Class B share increased to \$3.11 compared with \$2.55.

Capital expenditures on new plant and equipment and additions or alterations to existing plants amounted to approximately \$26.5 million in 1984. Capital expenditures in 1985 are expected to amount to approximately \$30 million, including a new plant in St. George, Utah and new presses and other substantial additions and improvements at various locations.

The dividend for the first quarter of the year on the Class A and Class B shares was at the rate of 26 cents per share. Dividends for the last three quarters were at the increased rate of 30.5 cents per share.

During 1984 your Company purchased five daily newspapers in the United States: The Express, Easton, Pennsylvania; The Daily Spectrum, St. George, Utah; Americus Times-Recorder, Americus, Georgia; Altoona Mirror, Altoona, Pennsylvania and the Post-Crescent, Appleton, Wisconsin. The Citizen, a weekly newspaper in Phenix City, Alabama was sold. Your company is actively continuing its U.S. acquisition program and subsequent to the year end acquired two daily newspapers: The Daily News, Lebanon, Pennsylvania and The Herald-Palladium, Benton Harbor/St. Joseph, Michigan. The daily newspaper in Douglas, Arizona was sold in January, 1985.

The U.S. \$240 million newsprint mill expansion project undertaken by Augusta Newsprint Company, a joint venture partnership with Abitibi-Price Inc., became fully operational

late in 1984. With effect from January 1, 1985 revenue and expenses related to this project will no longer be deferred and this investment will be accounted for on the equity basis.

For 1984 as a whole, revenue increased by approximately 15 percent and operating income by almost 19 percent. Growth in both revenue and operating income continued in the fourth quarter although at rates somewhat reduced from those experienced in the first nine months of 1984.

Your Company looks forward with confidence to satisfactory growth in both revenue and net income in 1985.

May 1, 1984 marked the Fiftieth Anniversary in newspaper publishing of what is today Thomson Newspapers Limited. My late father, Roy Thomson, acquired his first newspaper, a weekly published in Timmins, Ontario, on that day fifty years earlier. By the end of 1984, your company published 39 daily and 13 weekly newspapers in Canada and 87 daily and 4 weekly newspapers in the United States, for a total of 143 newspapers. The development of your Company's operations over its first fifty years is traced at page 12 of this report.

It seems fitting to pause on this occasion to rededicate ourselves to the continuation of your Company's long standing and strict policy of local editorial autonomy. Experience demonstrates that this is the best method of ensuring that each newspaper reflects the needs and character of the community it serves.

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 have again contributed to your Company's continued record of achievement and success.

For the Board of Directors



Chairman and President
March 19, 1985

(Incorporated under the laws of Ontario)

As at December 31, 1984

ASSETS	1984	1983
Current Assets		
Cash and term deposits	\$ 19,507,535	\$ 68,672,960
Trade accounts receivable	106,327,194	87,510,714
Other accounts receivable	3,984,957	2,708,874
Inventories	12,064,196	10,493,703
Prepaid expenses	1,969,657	2,057,718
	<u>143,853,539</u>	<u>171,443,969</u>
Investments and Other Assets (note 2)	<u>62,790,816</u>	<u>54,583,563</u>
Property, Plant and Equipment		
Land	39,014,544	33,241,059
Buildings, machinery and equipment	476,845,048	381,271,548
	515,859,592	414,512,607
Less accumulated depreciation	<u>155,892,122</u>	<u>128,789,902</u>
	359,967,470	285,722,705
Circulation and Goodwill	<u>400,189,603</u>	<u>311,339,834</u>
	<u>\$966,801,428</u>	<u>\$823,090,071</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 43,526,305	\$ 33,544,741
Taxes payable	12,388,503	24,633,421
Current instalments of long-term debt	18,516,734	18,099,869
Prepaid subscriptions	16,368,222	14,403,054
	<u>90,799,764</u>	<u>90,681,085</u>
Long-Term Debt (note 3)	<u>103,672,845</u>	<u>97,795,596</u>
Deferred Income Taxes	<u>67,674,594</u>	<u>52,867,618</u>
SHAREHOLDERS' EQUITY		
Capital Stock (note 4)		
Preference shares	7,255,900	7,758,900
Class A and Class B shares	54,208,420	54,208,420
	61,464,320	61,967,320
Equity Adjustment From		
Foreign Currency Translation	66,959,766	39,135,565
Retained Earnings	<u>576,230,139</u>	<u>480,642,887</u>
	<u>704,654,225</u>	<u>581,745,772</u>
	<u>\$966,801,428</u>	<u>\$823,090,071</u>

Approved by the Board

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

Consolidated Statement of Income

Year Ended December 31, 1984

	<u>1984</u>	<u>1983</u>
Operating revenue	\$811,756,886	\$706,311,639
Costs and operating expenses	518,850,825	459,414,815
Operating income before depreciation	292,906,061	246,896,824
Depreciation	21,923,513	18,889,167
Operating income	<u>270,982,548</u>	<u>228,007,657</u>
Other income (deductions)		
Interest and investment income	10,139,486	5,689,285
Interest — long-term debt	(7,974,112)	(7,413,961)
— other	(883,551)	(452,602)
Other (net)	(615,128)	1,691,999
	<u>666,695</u>	<u>(485,279)</u>
Income before undernoted items	<u>271,649,243</u>	<u>227,522,378</u>
Income taxes		
Current	96,358,000	72,636,000
Deferred	19,864,000	27,579,000
	<u>116,222,000</u>	<u>100,215,000</u>
Income before amortization of goodwill	155,427,243	127,307,378
Amortization of goodwill	1,607,425	1,216,980
Net income	<u>\$153,819,818</u>	<u>\$126,090,398</u>
Earnings per Class A and Class B share	\$3.11	\$2.55

The earnings per Class A and Class B share are after deducting dividends paid on the outstanding 6 3/4% preference shares.

Consolidated Statement of Retained Earnings

Year Ended December 31, 1984

	<u>1984</u>	<u>1983</u>
Balance at beginning of year	\$480,642,887	\$404,447,251
Net income	153,819,818	126,090,398
Net discount on purchase of preference and Class A and Class B shares	99,285	106,248
	<u>634,561,990</u>	<u>530,643,897</u>
Dividends paid on		
Preference shares	509,202	535,791
Class A and Class B shares	57,822,649	49,465,219
	<u>58,331,851</u>	<u>50,001,010</u>
Balance at end of year	<u>\$576,230,139</u>	<u>\$480,642,887</u>

Year Ended December 31, 1984

	<u>1984</u>	<u>1983</u>
Cash provided by (used in) operating activities		
Net income	\$153,819,818	\$126,090,398
Charges to operations not requiring a current cash payment		
Depreciation	21,923,513	18,889,167
Deferred income taxes	19,864,000	27,579,000
Amortization of goodwill	1,607,425	1,216,980
Other (net)	<u>1,306,512</u>	<u>(1,289,670)</u>
	198,521,268	172,485,875
Net change in non-cash working capital balances related to operations	<u>(21,480,902)</u>	<u>7,465,930</u>
	<u>177,040,366</u>	<u>179,951,805</u>
Cash provided by (used in) investment activities		
Acquisition of subsidiary companies less cash of \$444,818 (note 5)	(136,823,429)	(55,835,212)
Investment in Augusta Newsprint Company and deferral of related revenue and expenses	(8,548,128)	2,001,554
Purchase of property, plant and equipment	(26,495,805)	(16,430,218)
Proceeds on disposal of investments and property, plant and equipment	<u>816,420</u>	<u>4,172,694</u>
	<u>(171,050,942)</u>	<u>(66,091,182)</u>
Cash provided by (used in) financing activities		
Dividends	(58,331,851)	(50,001,010)
Reduction in long-term debt	(26,057,805)	(17,871,290)
Preference shares purchased for cancellation	(503,000)	(310,000)
Proceeds from long-term debt	26,440,000	8,012,864
Other (net)	<u>3,297,807</u>	<u>1,985,260</u>
	<u>(55,154,849)</u>	<u>(58,184,176)</u>
Net increase (decrease) in cash during year	(49,165,425)	55,676,447
Cash position at beginning of year	<u>68,672,960</u>	<u>12,996,513</u>
Cash position at end of year	<u>\$ 19,507,535</u>	<u>\$ 68,672,960</u>

1. ACCOUNTING POLICIES

(a) Basis of consolidation

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

Subsidiary companies acquired during the year have been accounted for using the purchase method. Earnings 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.

Foreign exchange gains and losses arising on translation are not included in the determination of net income but are deferred and disclosed separately within shareholders' equity.

During the year, the equity adjustment from foreign currency translation increased by \$27,824,201. The only significant element of this increase was the effect of changes in exchange rates applied to the net assets held since the beginning of the year by foreign subsidiaries.

(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, 1984 is \$171,867,967.

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 \$97,290,230 at December 31, 1984, are being amortized over forty years from date of acquisition. Accumulated amortization to December 31, 1984 amounted to \$8,099,671.

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. \$215 million had been drawn down at December 31, 1984. The company and Abitibi-Price Inc. have not guaranteed the loans which are therefore without recourse to either of them. The company's investment in the partnership, amounting to \$61,676,135 (U.S. \$46,664,247), is included in Investments and Other Assets and is comprised of the company's investment of U.S. \$62,000,000 less the company's equity in the loss of the partnership since January 1, 1982 of U.S. \$15,335,753.

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 expanded mill became fully operational late in 1984. It has been the company's policy to defer all revenue and expenses related to this project until the expanded mill became fully operational. At December 31, 1984 the company has deferred net income related to this project of \$1,094,958 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. In 1985, the company will no longer defer all revenue and expenses related to this project, and will account for its investment in the partnership on the equity basis.

Summarized financial information of the joint venture is as follows:

	<u>1984</u>	<u>1983</u>
	U.S. Dollars	
Current assets	\$ 24,218,928	\$ 24,555,261
Plant and equipment and other assets	<u>324,742,154</u>	<u>334,027,341</u>
Total assets	<u>348,961,082</u>	<u>358,582,602</u>
Current liabilities	22,803,334	21,819,222
Long-term liabilities ..	<u>232,829,254</u>	<u>238,814,508</u>
Total liabilities	<u>255,632,588</u>	<u>260,633,730</u>
Partnership equity	<u>\$ 93,328,494</u>	<u>\$ 97,948,872</u>
Net sales	<u>\$124,750,750</u>	<u>\$ 62,001,159</u>
Loss before income taxes	<u>\$ 22,620,378</u>	<u>\$ 9,087,324</u>

Year Ended December 31, 1984

3. LONG-TERM DEBT

	<u>1984</u>	<u>1983</u>
Promissory notes payable, variable interest keyed to the Eurodollar rate plus 5/8% to December 31, 1984 plus 1/2% to September 30, 1986 and thereafter plus 3/4% to maturity. Principal payable annually to December 31, 1986, balance payable on September 30, 1991, subject to prepayment at the borrower's option without penalty (U.S. \$53,400,000 bearing interest at 9.25% at December 31, 1984, 1983—11.13%)	\$ 70,578,780	\$ 82,005,960
Promissory note payable, variable interest keyed to the Eurodollar rate plus 1/2% to December 13, 1987 plus 5/8% to December 13, 1990 and thereafter plus 3/4% to maturity. Principal payable semi-annually from June 13, 1990 to December 13, 1994, subject to prepayment at the borrower's option without penalty (U.S. \$20,000,000 bearing interest at 9.63% at December 31, 1984)	26,434,000	
Promissory note payable, variable interest keyed to the Eurodollar rate plus 1/2% 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 8.90% at December 31, 1984, 1983—11.13%)	17,182,100	16,177,200
Promissory note 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)		8,136,000
Promissory notes payable, interest at 7%. Principal payable annually to May 1, 1987 (U.S. \$3,000,000)	3,965,100	4,899,825
Miscellaneous notes and mortgages payable (U.S. \$3,048,800)	4,029,599	4,676,480
	122,189,579	115,895,465
	18,516,734	18,099,869
	<u>\$103,672,845</u>	<u>\$ 97,795,596</u>
Less instalments included in current liabilities		

Long-term debt repayments are as follows: 1985 - \$ 18,516,734, 1986 - \$ 18,493,414, 1987 - \$10,532,354, 1988 - \$9,146,165, 1989 - \$477,697, 1990 and thereafter - \$65,023,215

4. CAPITAL STOCK

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

	<u>1984</u>	<u>1983</u>
Authorized		
445,118 Preference shares issuable in series (1983-455,178 shares)		
Second preference shares issuable in series		
Class A and Class B interconvertible participating shares		
Class C special non-participating, non-voting shares		
Common shares		
Issued		
145,118 Preference shares, Series A 6 3/4% cumulative redeemable (1983—155,178 shares)	\$ 7,255,900	\$ 7,758,900
49,236,372 Shares consisting of 46,474,182 Class A and 2,762,190 Class B (1983—46,632,981 Class A and 2,603,391 Class B)	54,208,420	54,208,420
	<u>\$61,464,320</u>	<u>\$61,967,320</u>

(b) During the year, the articles of the company were amended to increase the capital of the company by the creation of an unlimited number of second preference shares issuable in series. In addition, the company is now authorized to issue unlimited numbers of Class A, Class B, Class C and common shares.

(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 1984, 10,060 preference shares, on which \$503,000 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 1984 the company issued 76,549 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, 3,022,263 Class C shares, issued as stock dividends on the Class B shares, were redeemed at \$.01 per share.

Year Ended December 31, 1984

5. ACQUISITIONS

During 1984 the company purchased all the outstanding capital stock of the following newspaper publishing companies:

Spectrum Publishing Company, Inc. (St. George, Utah), February 1, 1984; The Times-Recorder Company (Americus, Georgia), May 24, 1984; The Mirror Printing Company (Altoona, Pennsylvania), November 16, 1984.

On December 14, 1984 the company purchased the assets of The Post-Crescent (Appleton, Wisconsin).

These acquisitions have been accounted for using the purchase method. The acquisition equation is as follows:

Total assets acquired:

Cash	\$ 444,818
Other current assets	8,240,903
Investments and other assets	150,968
Property, plant and equipment	64,535,719
Circulation	37,233,735
	<u>110,606,143</u>

Less total liabilities assumed:

Current liabilities	8,265,489
Other liabilities	620,181
	<u>8,885,670</u>

Net assets acquired at estimated fair value

Excess of purchase price over estimated fair value (to be amortized over 40 years)

Cash consideration

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 was reflected in the balance sheet at that date.

6. INCOME TAXES

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

	1984	1983
Combined basic Canadian federal and Ontario provincial income tax rate	51.0%	50.7%
Decrease in the income tax rate resulting from:		
Manufacturing and processing profits deduction	(1.9)	(2.0)
Lower effective income tax rate on earnings of foreign subsidiaries	(5.9)	(4.0)
Miscellaneous (net)	(0.4)	(0.6)
Effective income tax rate	<u>42.8%</u>	<u>44.1%</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:

1984	Canada	United States	Consolidated
Total assets	<u>\$193,791,066</u>	<u>\$773,010,362</u>	<u>\$966,801,428</u>
Operating revenue	<u>\$400,684,765</u>	<u>\$411,072,121</u>	<u>\$811,756,886</u>
Operating income	<u>\$110,075,500</u>	<u>\$166,625,112</u>	<u>\$276,700,612</u>
General corporate expenses			5,718,064
Interest - long-term debt			7,974,112
- other			883,551
Interest and investment income			(10,139,486)
Other (net)			615,128
Income taxes			116,222,000
Amortization of goodwill			1,607,425
			<u>122,880,794</u>
Net income			<u>\$153,819,818</u>

1983

Total assets	<u>\$213,327,846</u>	<u>\$609,762,225</u>	<u>\$823,090,071</u>
Operating revenue	<u>\$361,634,905</u>	<u>\$344,676,734</u>	<u>\$706,311,639</u>
Operating income	<u>\$ 96,911,113</u>	<u>\$138,658,147</u>	<u>\$235,569,260</u>
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>

Auditors' Report

To the Shareholders of
Thomson Newspapers Limited

We have examined the consolidated balance sheet of Thomson Newspapers Limited as at December 31, 1984 and the consolidated statements of income, retained earnings and changes in cash 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, 1984 and the results of its operations and the changes in its cash 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 22, 1985

Thorne Riddell
Chartered Accountants

Milestones in the History of Thomson Newspapers

- 1934 Roy Thomson purchases Timmins Press, a weekly, and begins his first publishing venture.
- 1935 Timmins Press converts to daily publication, the first of what would eventually be 11 conversions by the Company of weekly newspapers to daily publication.
- 1940 The opening of the Timmins Daily Press building, the most modern newspaper plant in northern Ontario.
- 1944 Expansion begins with the acquisition of newspapers in Galt, Woodstock, Sarnia and Welland. The Company becomes the publisher of the largest number of daily newspapers of any group in Ontario.
- 1954 Roy Thomson leaves for Scotland to begin a new phase of his career in the United Kingdom. The Company now publishes the largest number of newspapers of any group in Canada.
- 1959 With the decline in the opportunities to acquire Canadian newspapers, the major thrust of the Company's acquisition program moves to the United States.
- 1965 The Company makes its first issue of equity shares to the public.
- 1967 With the acquisition of the 12 daily newspapers of the Brush-Moore group, and four other U.S. daily newspapers, the Company now publishes more daily newspapers in the United States (32) than in Canada (27).
- 1974 The number of newspapers published by the Company passes the 100 mark.
- 1976 Roy Thomson dies. At year's end, the Company publishes a total of 110 newspapers in Canada and the United States.
- 1977 Total daily circulation in the United States passes the one million mark.
- 1980 The Company acquires F.P. Publications Limited. Total daily circulation in Canada passes the one million mark.
- 1984 After 50 years of growth, the Company publishes 39 daily and 13 weekly newspapers in Canada, and 87 daily and 4 weekly newspapers in the United States, for a total of 143 newspapers at year's end.

Summary of Selected Consolidated Financial Information

	Year Ended December 31				
	<u>1984</u>	<u>1983</u>	<u>1982</u>	<u>1981</u>	<u>1980</u>
	(dollar amounts in thousands except per share amounts)				
Operating revenue					
Canada	\$400,685	\$361,635	\$352,936	\$365,952	\$284,572
United States	411,072	344,677	313,521	280,041	247,791
Total	<u>\$811,757</u>	<u>\$706,312</u>	<u>\$666,457</u>	<u>\$645,993</u>	<u>\$532,363</u>
Operating income (segmented)					
Canada	\$110,076	\$ 96,911	\$ 70,881	\$ 91,496	\$ 62,490
United States	166,625	138,658	119,973	111,334	100,511
Total	<u>\$276,701</u>	<u>\$235,569</u>	<u>\$190,854</u>	<u>\$202,830</u>	<u>\$163,001</u>
Income before extraordinary items	<u>\$153,820</u>	<u>\$126,090</u>	<u>\$ 99,396</u>	<u>\$ 96,984</u>	<u>\$ 75,830</u>
Per Class A and Class B share					
Income before extraordinary items	\$ 3.11	\$ 2.55	\$ 2.01	\$ 1.96	\$ 1.53
Dividends	\$ 1.175	\$ 1.005	\$ 0.8750	\$ 0.7600	\$ 0.6175

