



Southam
Press
Limited
1976 Annual Report



HOWARD ROSS LIBRARY
OF MANAGEMENT

AUG 23 1979

McGILL UNIVERSITY

1877
1977

Southam Press Limited,

a constrained-share company, was incorporated under the Companies Act of Canada by Letters Patent dated December 7, 1927, and commenced business on January 1, 1928. Since May 1945 the shares of the company have been listed on the Montreal, Toronto and Vancouver stock exchanges. Stock Transfer Agent, The Royal Trust Company; Stock Registrar, The Bankers Trust Company.

Annual general meeting

The annual general meeting of the shareholders of the company will be held at 3:30 p.m. on Thursday April 14, 1977 at The Spectator, 44 Frid St., Hamilton, Ontario.

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In keeping with Canada's gradual change, over the next few years, to the Metric system of measurement this annual report and the accompanying Southam centennial book have been prepared in the new metric size. Our standard size in the past has been 8½" x 11". This document measures 21 cm x 29.7 cm.

The year's results at a glance

(Thousands of dollars except where indicated*)

Consolidated, with comparative figures for 1975	1976	1975
Income		
Gross revenues	\$298,710	\$262,385
Gross expenses (excluding depreciation and amortization)	254,009	223,611
Depreciation and amortization	7,025	6,052
Income taxes	14,223	12,764
Income before extraordinary items	23,453	19,958
*per Class A and B convertible share	1.88	1.60
Extraordinary item	659	10,825
Net income	24,112	30,783
Dividends paid	9,882	9,772
*per share – Class A convertible	.815	.80
– Class B convertible	.693	.68

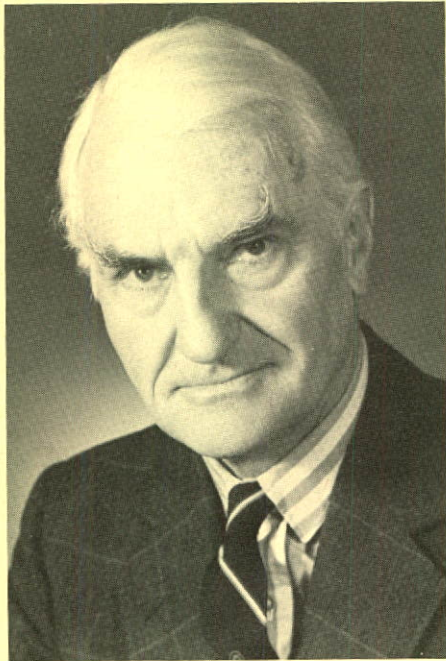
Financial position

Working capital	\$ 6,865	\$ 12,933
Investments	30,839	18,744
Fixed assets (net)	70,639	67,023
Other assets	240	327
Goodwill	5,307	7,323
Long term debt	4,168	12,693
Deferred income taxes	12,543	10,688
Shareholders' equity	97,179	82,969

Statistics

Advertising linage – newspapers (1,000s)	354,821	320,414
Advertising pages – magazines (1,000s)	25	22
Daily newspaper circulation		
– December (1,000s)	985	942
Number of employees	7,314	7,410
Salaries, wages and employee benefits	\$116,234	\$104,035
*Price range per Class A and Class B share	\$26.00-17.88	\$29.00-21.50

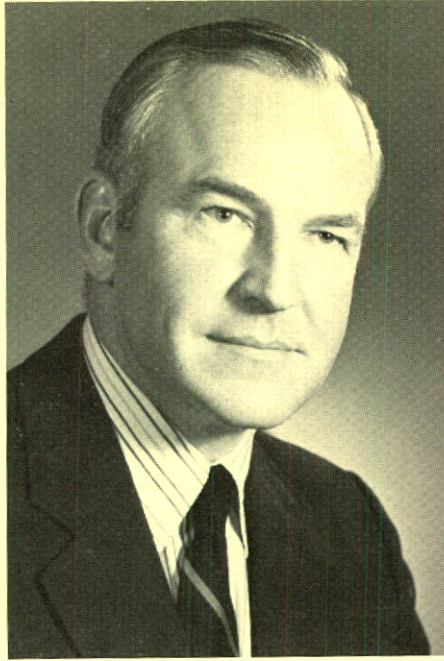
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1977



St. Clair Balfour

Elected director 1953. Born Hamilton, 1910.

BA (Toronto). Joined The Hamilton Spectator 1931; publisher 1951; vice-president and managing director, Southam Press 1954; president 1961; chairman 1975. Vice-chairman Commonwealth Press Union, chairman Toronto Redevelopment Advisory Council, past president Canadian Heart Foundation.



Gordon N. Fisher

Elected director 1967. Born Montreal, 1928.

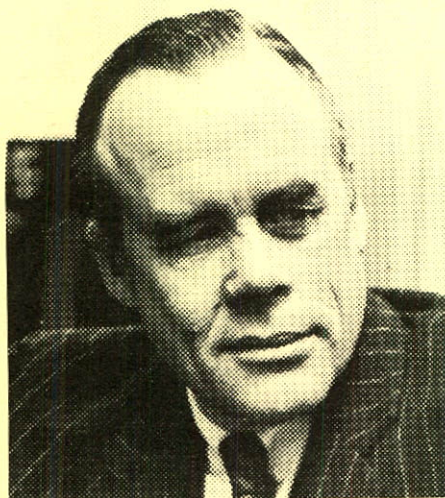
B.Eng. (McGill). Joined head office of Southam Press Limited as executive assistant 1958; assistant to the president 1962; vice-president 1965; vice-president and managing director 1969; president 1975. Member Governing Council, University of Toronto.



Adam H. Zimmerman, FCA

Elected director 1970. Born Toronto, 1927.

BA (Toronto). Joined Noranda Mines Limited as assistant comptroller 1958; comptroller 1961, vice-president 1966, executive vice-president and director 1974. Chairman Fraser Companies, Ltd.; president Northwood Pulp and Timber Limited. Director, manufacturing and forest product subsidiaries and associates of Noranda and director of a number of Canadian public companies. Director Branksome Hall School. Trustee Hospital for Sick Children.



G. Hamilton Southam

Elected director 1964. Born Ottawa, 1916.

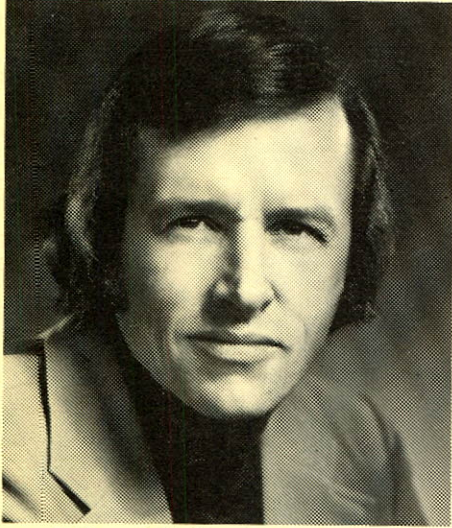
BA (Toronto). Joined The Times of London 1945; The Ottawa Citizen 1946. Joined Department of External Affairs 1948; Secretary of Legation, Stockholm, 1949-1953; Chargé d'Affaires and later Ambassador, Warsaw, 1959-1962. Coordinator National Arts Centre, Ottawa 1964. Director-General 1967-1977.



George L. Crawford, QC

Elected director 1959. Born Edmonton, 1915.

Called to Alberta Bar in 1939. Associate of McLaws & Company. Honorary Life Member Y.M.C.A. Past president Calgary Exhibition & Stampede. Director Canadian Utilities Ltd., Norwich Union Life Insurance Society, Selkirk Holdings Ltd., IAC Limited and other Canadian companies.



Wilson J. H. Southam

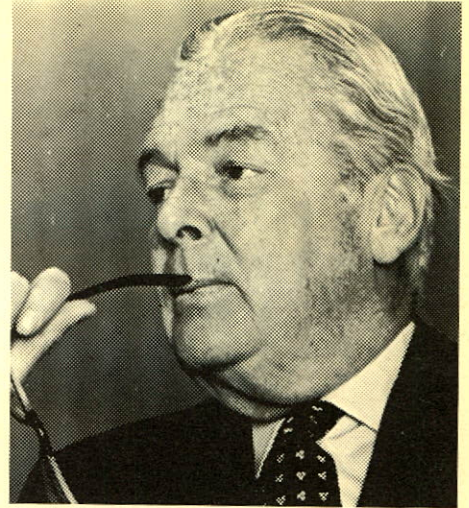
Elected director 1971. Born Calgary, 1932. BA (McGill), MA (Oxford). Reporter, The Hamilton Spectator 1960. Canadian Broadcasting Corporation public affairs writer, director, producer, 1963-1966. President Cox Systems.



J. Jacques Pigott, P.Eng.

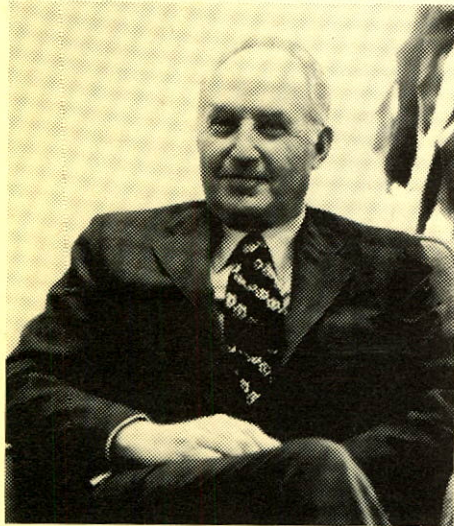
Elected director 1962. Born Detroit, Mich., 1916.

BSc (Toronto). Joined Pigott Construction Limited in 1946 becoming executive vice-president of that company in 1956. Director of a number of Canadian companies.



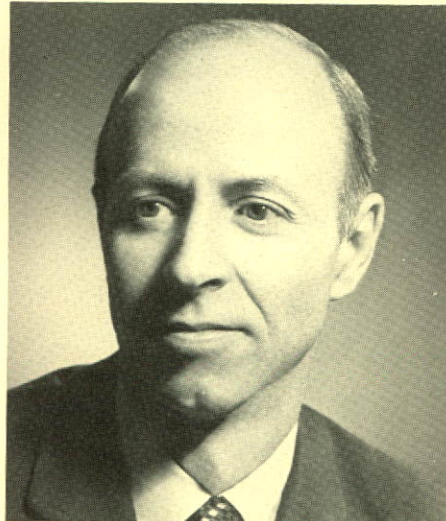
Gordon T. Southam

Elected director 1955. Born Ottawa, 1910. Joined The Ottawa Citizen 1930; The Vancouver Province 1936. President, Gordco Investments Limited. Director of a number of Canadian companies.



J. Norman Hyland

Elected director 1973. Born Vancouver, 1913. B.Comm. (U.B.C.). Chairman Pacific Press Ltd. Director MacMillan Bloedel Limited and a number of other Canadian companies.



Gaston Pouliot, QC

Elected director 1975. Born Farnham, Quebec, 1922.

Called to Quebec Bar in 1944. Partner, law firm Pouliot, Dion & Guilbault. Director of a number of Canadian companies.



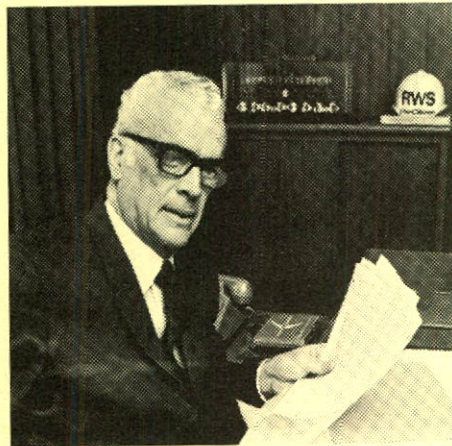
Hugh G. Hallward

Elected director 1974. Born Montreal, 1926.

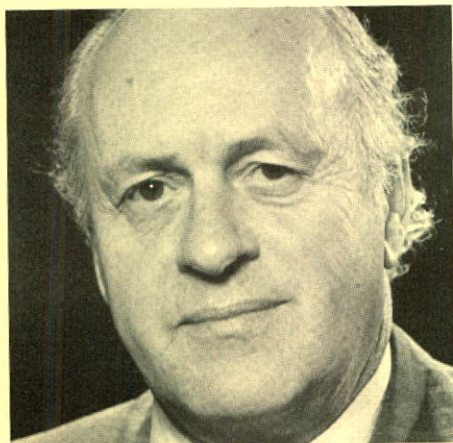
BA (McGill). President Argo Construction Ltd. Chairman, board of directors, Bishop's College School. Governor McGill University and a director of a number of Canadian companies.

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Geoffrey P. Clarkson, FCA, FMC
Elected director 1975. Born Toronto, 1909.
Elected chairman of the board Southam Printing Limited 1974. A director and financial adviser to that company since 1966. Formerly a partner of Clarkson, Gordon & Co. and of Woods Gordon & Co.



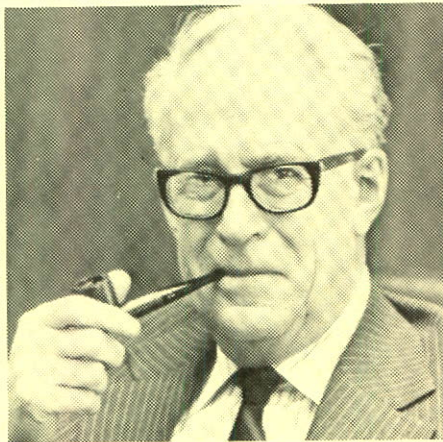
R. W. Southam
Elected director 1954. Born Ottawa, 1914.
BA (Queen's), MSc (Columbia). Joined The Ottawa Citizen 1937; managing editor 1946; assistant publisher 1950; vice-president and publisher 1953. Past president Canadian Daily Newspaper Publishers Association. Chairman, board of Trustees, Queen's University. Director The Canadian Press and American Newspaper Publisher's Association.



Aubrey Joel
Elected director 1972. Born Toronto, 1912.
Hugh C. MacLean Publications Limited 1957; vice-president and group publisher 1964 following acquisition by Southam Press Limited; president and managing director Southam Business Publications Limited 1969; chairman of the board and chief executive officer 1977. Past president Canadian Business Press; president Periodical Press Association; chairman, board of directors, Street Haven.



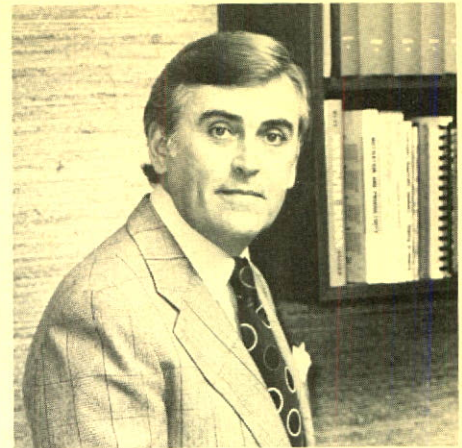
John S. Ward
Born Toronto, 1919.
MacLaren Advertising Company Limited, 1946. Joined Southam Newspapers, Toronto 1948; assistant advertising manager The Edmonton Journal 1950; advertising director 1951; vice-president, marketing, head office, 1960.



Ross Munro, OC, OBE
Elected director 1968. Born Ottawa, 1913.
BA (Toronto). Canadian Press staff writer 1936. Joined Southam News Services 1948; assistant to the publisher The Vancouver Province 1951; editor 1955; vice-president and publisher The Winnipeg Tribune 1959; publisher The Canadian 1965; publisher The Edmonton Journal 1968; publisher The Gazette, Montreal 1976. Past president The Canadian Press.



Fred Best
Born Berlin, Germany, 1913.
Joined Canadian Printing & Lithographing Co. Ltd. 1945; general manager 1952; president 1960. President Offset Print & Litho Ltd. and Canprint Holdings Ltd. on acquisition by Southam Press Limited in 1971. Vice-president and director Southam Printing Limited 1972; president 1975. Past president Graphic Arts Industries Association; director Graphic Arts Technical Foundation; chairman Canadian Graphic Arts Scholarship Trust Fund.



L. John Rothwell, P.Eng.
Born Margate, England, 1927.
Fellow of the Institution of Mechanical Engineers, London, England. Joined the company as vice-president, engineering & production 1972. Previously North American president of Crabtree-Vickers Ltd. Member of the Graphic Arts Advisory Committee of The Rochester Institute of Technology.



A. Ronald Williams
Elected director 1973. Born Tredegar, Wales, 1913.
Joined Vancouver Province as assistant publisher in 1959; vice-president and publisher The Winnipeg Tribune 1965. Previously a reporter with Toronto Globe; reporter and later assistant city editor Toronto Star; senior editor Financial Post.



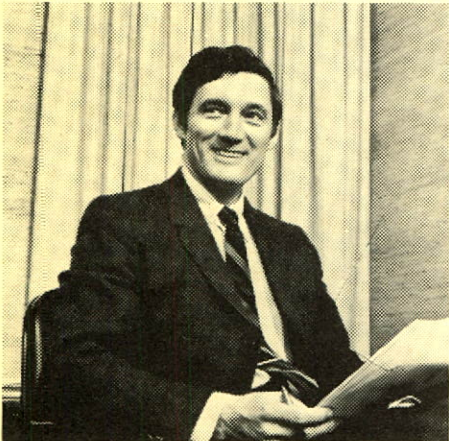
Frank G. Swanson
Elected director 1971. Born Edmonton, 1917.
BA (Alberta), MSc (Columbia). Joined The Edmonton Journal 1938; Southam London bureau 1945; The Ottawa Citizen 1948; associate editor 1956; editor 1960; assistant publisher The Calgary Herald 1961; vice-president and publisher 1962. Director The Canadian Press; Newspaper Advertising Bureau; Royal Canadian Geographical Society. Associate director Calgary Exhibition and Stampede.



Brian H. Shelley, CA

Born Manchester, England, 1917.

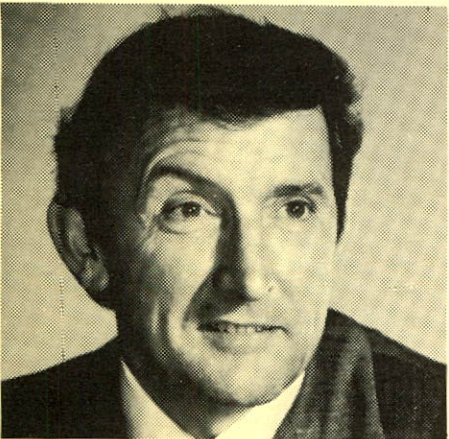
McDonald, Currie & Co., Toronto 1947, Brascan Limited, Sao Paulo, Brazil 1950. Appointed secretary-treasurer Southam Press Limited 1957; vice-president, finance and secretary 1971. Director Institute of Newspaper Controllers & Finance Officers.



William J. Carradine

Born Smooth Rock Falls, Ontario, 1929.

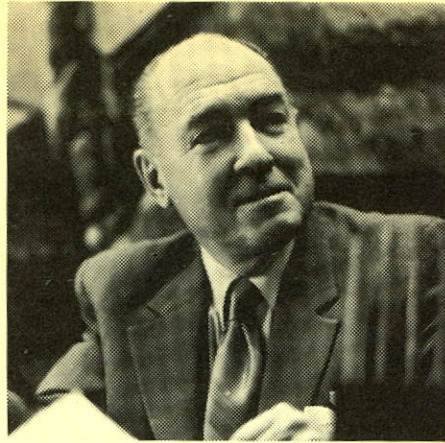
BA Journalism, MBA (University of Western Ontario). Procter & Gamble 1954-1968. Vice-president and general manager London Free Press 1968-1972. Joined Southam head office as vice-president 1972; vice-president, administration 1973.



Paddy Sherman

Born Newport, England, 1928.

Various British newspapers 1947-1952. Joined The Province, Vancouver 1952; editor 1965; vice-president and publisher 1972. Founding director Mountain Rescue Group and Outward Bound, Canada Author: Cloud Walkers (1965); Bennett (1966).



John F. Grainger

Born North Bay, 1915.

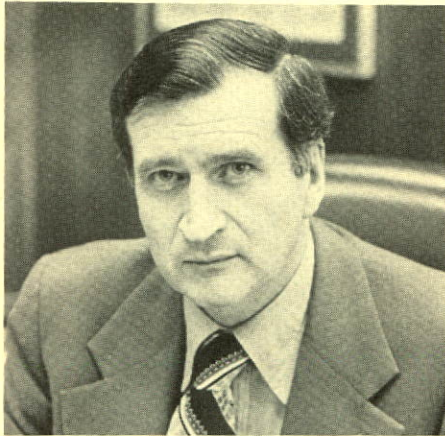
With mechanical departments The North Bay Nugget and The Sudbury Star 1929-1938. Returned to The North Bay Nugget 1939; publisher 1941; president, North Bay Publishing Company Limited 1948; vice-president and publisher on acquisition by Southam Press Limited.



E. H. Wheatley

Born Calgary, 1927.

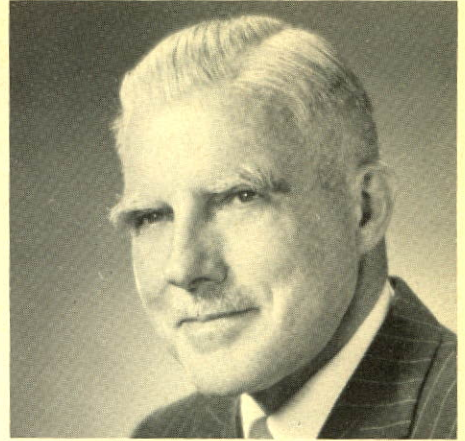
Joined the Calgary Herald 1945; Toronto office Southam Newspapers 1950; national advertising manager the Calgary Herald 1958; advertising director the Edmonton Journal 1960, marketing director 1968, assistant to the publisher and marketing director 1970; publisher The Brantford Expositor 1971; vice-president and publisher The Windsor Star 1976; publisher The Winnipeg Tribune 1977.



J. Patrick O'Callaghan

Born County Cork, Ireland, 1925.

Various British newspapers, 1947-1959. Red Deer (Alberta) Advocate 1959. Joined Edmonton Journal as assistant to the publisher 1968; executive editor Southam News Services 1969; executive assistant head office 1971; vice-president and publisher The Windsor Star 1972; publisher Edmonton Journal 1976. Director The Canadian Press, Canadian Daily Newspaper Publishers Association, American Press Institute.



John D. Muir

Born London, Ontario, 1919. B.Com. (Queen's).

Joined The Spectator as retail advertising manager 1952; advertising sales manager 1954; business manager 1959; assistant publisher 1970; vice-president and publisher 1971. Canadian director Newspaper Publishing Premium Fund Committee; director Hamilton & District Visitors and Convention Bureau.



Peter O'Brian

Born Toronto, 1917.

RAF, 1937-1959; graduate RAF College, England. W. H. Smith & Son (Canada) Ltd., 1960. Urwick, Currie Limited 1963. Joined Southam Press Limited as assistant to the president 1965; vice-president, personnel 1967. Life governor Trinity College School.



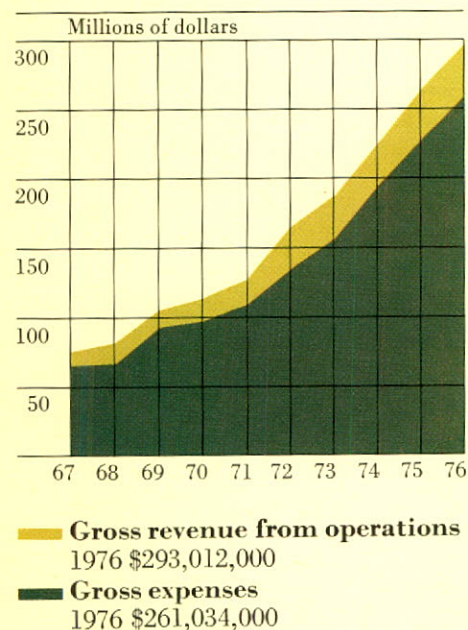
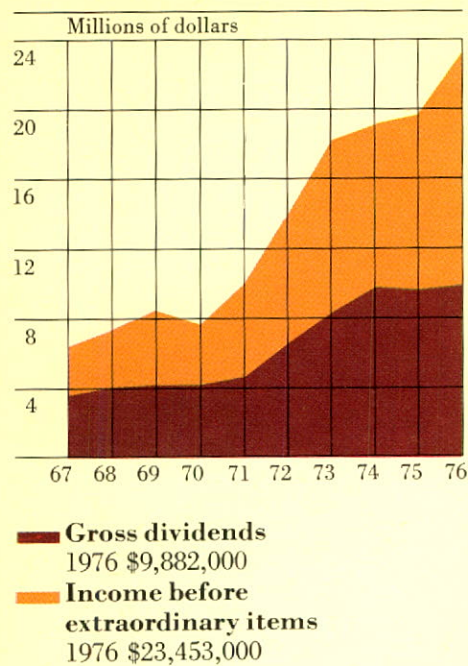
Sidney J. Cohen

Born in Toronto, 1933.

Joined Hugh C. Maclean Publications Ltd. (now Southam Business Publications Limited) as circulation manager 1953; director of research 1957; business manager 1960; publisher 1964; vice-president 1971; executive vice-president 1975; president 1977. Director Canadian Business Press.

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Directors report to the shareholders



Your directors have pleasure in submitting the annual report of the company for the year ended December 31, 1976.

It was in 1877, just ten years after Confederation, that William Southam bought a half interest in The Hamilton Spectator. This report has the special significance of commenting on the company's 100th year. On this occasion a separate centennial report "A Century of Southam" has been published. We hope our shareholders, employees and friends find its historical account and longer term perspective of real interest.

The operating highlights

It is encouraging and satisfying to be able to report that the centennial year was a record one in terms of both total revenues and net income. The prospects for the Canadian economy at the beginning of 1976 were for a slow recovery from the world recession of 1975. This appears to have been the actual result although with some hesitation at year end. The demand for Southam's products was somewhat stronger than we had anticipated within this overall economic pattern.

Newspaper revenues increased 18.5 percent with advertising linage ahead 10.7 percent and daily circulation up 3.8 percent. Operating margins also improved from 14.2 percent last year to 16 percent in 1976.

Commercial printing revenues increased 1.4 percent. The revenue from operations of our newest division, McLaren, Morris & Todd Limited, and the growth in other divisions more than compensated for the loss of revenue suffered from the withdrawal of Eaton's

catalogue printing. However, increased competition for printing business and the effect of the discontinuance of our largest contract led to lower earnings from printing in terms of absolute dollars (down 30.9 percent), operating margins (5.7 percent in 1976, 8.4 percent in 1975) and contribution (12.5 percent in 1976, 20.8 percent in 1975).

Revenue from business publications and trade shows was up by 21.6 percent reflecting generally strong demand. However, a major loss (\$400,000 pre-tax) on the publication of the official Olympic Guide and approximately \$1,100,000 of start-up costs for new ventures, the revenues from which will only begin to appear in 1977, have been charged against operating income.

The increase in consolidated operating revenues (13.9 percent) and consolidated cost of operations (13.6 percent) both reflect effective restraint by the government anti-inflation program. All adjustments to salaries, wages and prices throughout the year have had to meet the test of AIB regulations. It is our best estimate that the effect of these regulations has been to reduce approximately by half the rate of increase in both prices and compensation costs.

In Southam's case the effect of controls was offset by volume growth with the result that there was a 15.7 percent improvement in pre-tax operating income.

Perhaps the best test of the year's results is the small improvement in consolidated operating margin (10.9 percent in 1976, 10.7 percent in 1975) in the face of both the AIB and some significant operating hurdles.

Contribution by business categories

(Thousands of dollars)

	1976		1975	
Gross revenue from operations				
Newspapers	\$185,115	63.2%	\$156,206	60.7%
Printing	75,449	25.7	74,419	28.9
Business publications and shows	32,448	11.1	26,675	10.4
	\$293,012	100.0%	\$257,300	100.0%
Operating income				
Newspapers	\$ 29,683	86.2%	\$ 22,280	74.2%
Printing	4,315	12.5	6,249	20.8
Business publications and shows	420	1.3	1,489	5.0
	34,418	100.0%	30,018	100.0%
Less				
Amortization of Goodwill	552		296	
Interest	1,888		2,085	
Operating income before income taxes	\$ 31,978		\$ 27,637	

Investment income

This year, on the recommendation of our auditors, we have changed our policy with respect to accounting for investment income. Our practice had been to take into operating results our share of the earnings of companies 50 percent owned and only the dividends received from companies in which we have a minority interest. This year the consolidated statement of income includes our share of the earnings of those associated companies in which Southam owns a significant interest. The remaining dividend income is from miscellaneous investments.

This change is referred to in the "Summary of Accounting Policies" on Page 14 and Note 3 to the financial statements on Page 18 under the heading "Associated Companies".

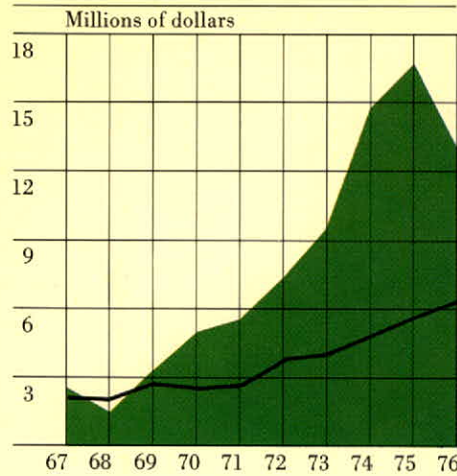
The major associated company is Pacific Press Limited in which we hold a 50 percent interest. The B.C. economy was firm for the first three quarters but showed some softening towards year end. In addition the company suffered a two week strike in August. However, during the year further progress was made with the introduction of new production processes and productivity continued to improve. Net income was ahead by 8.4 percent for the year.

The second major associated company is Selkirk Holdings Limited in which we hold a 38 percent interest. In recent years Selkirk, one of Canada's leading broadcasting companies, has expanded into the U.S. with its sales representation division and the U.K. in commercial radio broadcasting. Both new ventures are showing real promise. The Canadian operations are also doing well. Net income was ahead by 16 percent for the year.

During the year the company agreed to sell its minority interest in CKOY Limited. Completion of the transaction is subject to the approval of the Canadian Radio-Television & Telecommunications Commission and the acceptance of various representations and warranties. On completion of the transaction an extraordinary gain of approximately \$900,000 will be reflected in the financial statements.

Net income and dividends

On the new basis of accounting for investments net income per share for the year increased 17.5 percent to \$1.88 before extraordinary items. Of this, 13



■ **Capital expenditure**
1976 \$12,976,000
— **Depreciation**
1976 \$6,473,000

cents (10 cents in 1975) is attributable to the additional equity income.

The substantial extraordinary item in 1975 resulted from the sale of our interest in London Free Press Holdings Limited. The 1976 item resulted from the sale, which is explained below, of TV Hebdo magazine to a new company.

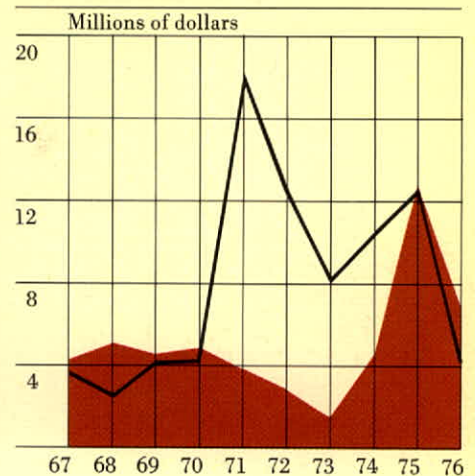
The December dividend was increased within AIB limits and for the year 81.5 cents was paid per Class A share and 69.275 cents per Class B share.

Acquisitions

In October the company announced its participation in a Canadian company formed to publish TV Guide magazine in Canada. The transaction, which was closed in December, involved:

- The sale by Southam of its French language TV Hebdo magazine to the new company.
- The investment by Southam of \$7,000,000 cash.
- The acquisition by Southam of 35 percent of the equity in the new company, TV Guide Ltd/Ltee.
- The receipt by Southam of a \$5,000,000 debenture paying 10 percent interest and fully redeemable before dividends are paid.
- The receipt by Southam of contracts to supply printing requirements for both magazines which are expected to involve printing revenues increasing from an initial \$5,000,000 annually.

The controlling interest in the new company is held by Phillippe de Gaspé Beaubien of Montreal and his associates. Mr. Beaubien is chairman and chief executive officer of Telemedia Commu-



■ **Working capital**
1976 \$6,865,000
— **Long-term debt**
1976 \$4,168,000

nications Ltée., the major French language broadcasting company in Quebec. We have great confidence in this new partnership. The purchase by Canadian interests of a magazine formerly owned in the U.S. and its co-ordinated development with its French language counterpart are attractive for both national and business reasons.

Additions to fixed assets

A total of \$12,976,000 was spent on land, buildings and equipment during the year. This is substantially below the \$17,500,000 that was projected. The variation resulted from the Eaton's catalogue decision, the retiming of a new printing plant in Montreal (now scheduled for 1977), the acquisition of suitable land in Edmonton for a newspaper plant at a lower price than anticipated and some delays in the receipt of and payment for new equipment.

Of the amount spent almost half went to complete the new Spectator facility in Hamilton into which it moved in August.

Approximately \$29,000,000 is projected for additions to fixed assets in 1977. This will include initial payments for a new production plant for The Edmonton Journal.

Working capital and long term debt

By year end working capital, which had increased by \$8,162,000 in 1975 due to some unusual circumstances, had fallen by \$6,068,000 and closed at \$6,865,000. We consider this level to be

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normal and quite adequate for our purposes.

Strong cash flow and AIB restrictions on dividends produced a substantial reduction in long term debt to \$4,168,000 at the end of 1976 (\$12,693,000 in 1975).

Accounting for inflation

Last year's annual report included a section on "Accounting for Inflation and Return on Investment" and those with a special interest may wish to read this again.

During 1976 The Canadian Institute of Chartered Accountants published a discussion draft under the title "Current Value Accounting". We are in the process of reviewing this complicated document. At the same time both the government of Ontario and the federal government have initiated processes of review of this subject.

For 1976 and pending some professional consensus we have extended the calculations outlined in our last report. The return on investment figures have been included in the ten year comparative summary (see Page 24).

Another measure of an otherwise record year is that after adjusting for inflation the return on investment has just held even with last year at 11.3 percent. This is below our long range minimum goal of 12 percent.

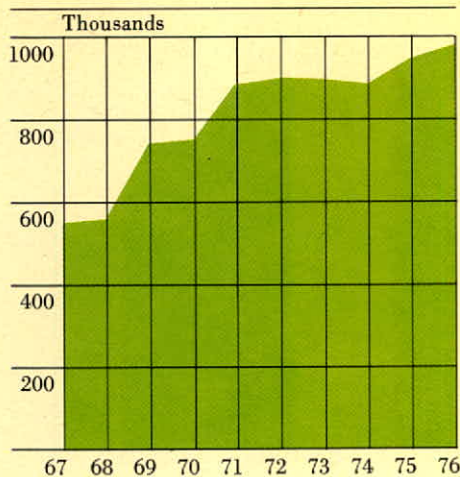
Daily newspapers

Daily newspaper publishing remains the company's principal business. In 1976 it was responsible for 63.2 percent of total revenue and 86.2 percent of pre-tax operating income.

Circulation continued to move ahead at a good pace. The December daily total was 3.8 percent over 1975 and revenue was up 4.9 percent.

Advertising linage increased 10.7 percent. Some rate increases were implemented early in the year and advertising revenue was up 20.8 percent.

We continue to pursue improvements in the quality of reproduction and content of our products and our newspapers are in the forefront in the use of new technology available to the industry. During the early months of 1977 four more of our papers will be implementing major integrated text editing/production computer systems which will provide the benefits of direct input of editorial and advertising material, later news dead-



Circulation

1976 985,000

lines and better copy control with resulting cost savings.

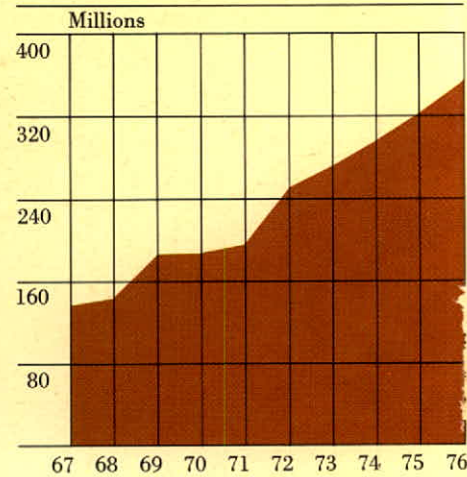
During 1976 Univac 90/30 computers were installed at five divisions and by the end of the year six divisions were operating commercial/circulation systems on these computers.

In August The Spectator moved into its new publishing facility which had been completed ahead of schedule and under budget. This is one of the most modern newspaper plants in the world employing the latest computerized text editing and production systems and the offset printing process.

During the last two years the company has spent over \$300,000 on reader-oriented product research. Using the information from these surveys our publishers have made a variety of changes to the design and content of our papers. Reader acceptance of the changes has been almost universally favourable.

Last year mention was made of a re-organization of Southam News Services, our worldwide news gathering organization. This has worked well. Bureaux are maintained in Washington, London, Paris, Ottawa, Montreal, Toronto, Calgary and Vancouver. A new bureau has been opened in Nairobi to provide news from Africa and the Middle East. The cost of group news services now exceeds \$1,000,000 annually.

Our weekly television program listing magazine, TV Times, had another banner year. Advertising revenue was up 40.4 percent. The publication is distributed weekly with eight Southam and two non-Southam newspapers and has a total circulation of 1,253,000.



Advertising linage

1976 354,821,000

The Canadian, a newspaper rotogravure magazine published by Southstar Publishers Limited (50 percent owned) showed some improvement from an unsatisfactory 1975. Further improvement is expected in 1977.

Early in 1977, A. Ronald Williams, who had been publisher of The Winnipeg Tribune since 1965, requested early retirement for reasons of health. He was replaced in February by E. H. Wheatley who has been publisher successively of The Brantford Expositor and The Windsor Star. In turn, Mr. Wheatley was succeeded by Robert M. Pearson, an employee of The Star since 1945 and its editor since 1973.

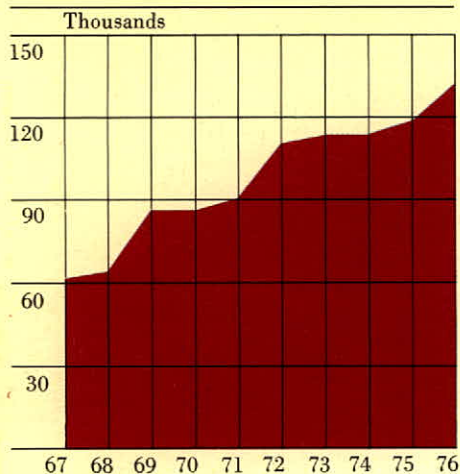
Southam Printing Limited

The growth of earnings at this subsidiary was interrupted in January, 1976 by Eaton's withdrawal from catalogue sales. The effect on annual revenues was approximately \$12 million.

In spite of this setback, growth in other business and the full effect of the acquisition of McLaren, Morris & Todd Limited late in 1975 resulted in a revenue increase of approximately \$1 million. However, the loss of specialized volume resulted in a sharp reduction in pre-tax operating earnings from \$6,249,000 in 1975 to \$4,315,000 in 1976.

The earnings decline interrupted four years of strong growth. The profitable replacement of catalogue printing will be gradual.

Other operating divisions are continuing to expand. During the year



Newsprint tonnage
1976 132,000

Canadian Publishers completed a 10,000 square foot addition to its plant in Winnipeg and in 1977 this division will extend its operation by adding a manufacturing plant in Calgary to improve service to western customers.

One third of our 1,578 printing employees live and work in the Province of Quebec. For some time we have been planning the consolidation of Gazette Canadian's two plants. An eleven acre site was purchased in Candiac, Quebec during 1976 and construction of a 110,000 square foot building to house the operations of Gazette Canadian is now scheduled to be completed in the fall of 1977. A substantial investment in new press equipment is also involved. The total cost of approximately \$5 million is evidence of our commitment to the future of our business in the Province of Quebec.

Capital expenditures in 1976 at \$2,050,000 were lower than anticipated because of cancellation of orders for some catalogue printing equipment. Expenditures of \$8,500,000 are planned for new plant and equipment in 1977.

We anticipate improved profitability from 1977 operations after significant costs have been absorbed related to expansion in Montreal and Calgary.

During the year Douglas Robins was appointed vice-president and general manager of Southam Farwest, taking over from his father, Frank, who had reached retirement age. In January, 1977, John Morris was appointed vice-president and general manager of McLaren, Morris & Todd Limited following the retirement of his former partner, John McLaren.

Southam Business Publications Limited

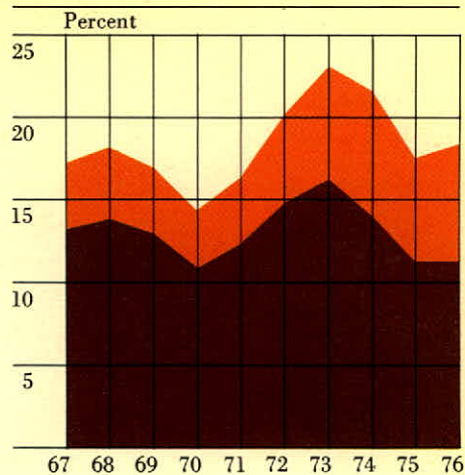
Southam Business Publications Limited is engaged in a wide range of communications activities serving industry, government and the professions. Its business publications, including Daily Commercial News (Toronto), Journal of Commerce (Vancouver), Daily Oil Bulletin (Calgary) and its French language magazines (Montreal), still account for the largest part of total revenues but the rapid growth of trade and consumer shows – which now number 37 from Moncton to Victoria – partially reflect the diversification which continues to develop in this subsidiary. Other major activities include Southam Building Reports, Canadian Mailings Limited and audio-visual productions.

Videosurgery, a unique audio-visual enterprise for continuing surgical education, is the latest addition to the company's spectrum. Marketing activities of Videosurgery are being concentrated in Canada and the United States in the initial phase. Within two years it is planned to undertake worldwide distribution.

The company produced revenues of more than \$32 million in 1976, an increase over 1975 of 21.6 percent. Net income, however, declined sharply, mainly because of the start-up costs for new enterprises.

At year end one of the company's most important magazines, the French language TV Hebdo, accounting for over \$6 million annual revenue, was sold to TV Guide Ltd /Ltee, the new company now operating both TV Guide and TV Hebdo. This transaction and Southam's continuing interest in the new company is more fully described elsewhere in this report.

On January 1, 1977, Aubrey Joel became chairman and chief executive officer. Sidney J. Cohen was appointed president. These executive changes were made to help take full advantage of the company's expansion potential.



Return on equity
– historical
1976 18.5%

Return on equity
– adjusted for inflation
1976 11.3%

The company and its employees

At the end of 1976 the company's total workforce was 7,314 people, 96 fewer than a year earlier. The major reduction took place in February at Southam Murray Printing following the loss of Eaton's catalogue printing.

Total payroll costs reached \$116,234,000, an increase of 11.7 percent over 1975. Included in the total is an amount of \$9,366,000 as the company's contribution to employee benefit plans, exclusive of holidays and time off with pay.

Out of a total of 70 collective agreements to which the company is party, 32 were renegotiated during the year. Our labour relations have remained generally harmonious and have not involved significant work stoppages or delays. We were particularly appreciative that all Southam plants and offices were in full operation on October 14, 1976, the Canadian Labour Congress "day of protest".

An encouraging feature of our operations for many years has been the willingness of most employees to accept and adapt to new production equipment and processes. Without trust in the company's commitment to employment security the necessary changes could not have been accomplished. In our 100th year your directors wish to acknowledge the special contributions that have been made by many employees both past and present.

1877
1977

Community support

The company continued to support many charitable, educational and cultural activities across Canada. Contributions totalled \$611,000 for the year.

The largest single amount was \$64,000, the cost of Southam Fellowships in Journalism at the University of Toronto.

A total of \$201,800 was paid to The United Way campaigns in those communities in which the company has operating divisions.

As a matter of corporate policy an amount of \$10,000 was paid to the political party forming the federal government and an equal amount was paid to the federal party forming the official opposition. No other political contributions were made in national, provincial or municipal jurisdictions to either political parties or to individual candidates.

Directors and officers

No changes in directors and officers took place during 1976. However, in February, 1977, George L. Meadows, CA, was appointed assistant to the president, corporate development and moved to head office from Southam Business Publications where he had been vice-president and secretary-treasurer.

In his new position Mr. Meadows will be participating in the development and implementation of the company's long term growth objectives with emphasis on non-newspaper activities.

Outlook for 1977

The pace of economic recovery and the full implications of the federal anti-inflation program were major uncertainties throughout 1976. To them, in November, was added the far more significant uncertainty that has resulted from the election in Quebec of a government dedicated to the "independence" of that province.

It now seems clear that 1977, a year that might have been one of gathering economic momentum, is more likely to produce only very slow general growth. The psychological factors, including the question of business confidence, are now to the fore.

A definition of our business

It seems appropriate in our centennial year to state publicly for the first time the definition of our business that has guided and in some ways limited the company's growth.

The company defines its business as "communications". It will have no equity in enterprises outside this field.

While the main thrust of the company's activities is towards mass communications, it is considered consistent with this that many of the company's products are aimed at small, select segments of the mass market.

For historical reasons the company's principal business has been as newspaper publisher and printer but investment in broadcasting and other forms of electronic communication is considered appropriate.

In reviewing possible investment in new forms of communications the company's emphasis is on "information" or "knowledge" rather than on "entertainment".

As far as Southam is concerned our results are related more to the consumer indices than to levels of business investment. We have learned to live, if uncomfortably, with the AIB regulations. We see Quebec as part of Canada for the foreseeable future.

In 1977 we expect demand for our newspaper products to remain firm and productivity to continue to improve. We anticipate higher profitability from both wholly-owned subsidiaries where the special factors of 1976 are not likely to recur. There should be a further improvement in investment income.

Overall we expect our earnings growth to be limited more by AIB guidelines than by the uncertain economic environment.



Chairman of the Board



President

The company recognizes that the mass media are an integral part of Canada's political system and therefore should be concerned with its preservation and improvement. As such it supports the desirability of Canadian mass media being controlled by Canadian owners. As a corollary the company will not acquire control of any mass medium outside Canada.

The company recognizes that public concern with concentration of mass media ownership is legitimate. As a result the company will not acquire control of more than one medium of mass communication within a single community nor will it acquire control of any group of media that might represent a regional concentration.

Retirement fund statement
(not included in company accounts)
(Thousands of dollars)

	1976	1975 (restated)
Balance January 1	\$46,228	\$40,346
Contributions during year:		
Employee required	2,072	1,819
Company	2,962	2,421
	5,034	4,240
Employee voluntary extra	115	133
Transfer of funds from subsidiaries		886
	5,149	5,259
Net income of fund (net loss on sale of investments, \$316,990 in 1976. Net loss on sale of investments, \$226,049 in 1975)	3,038	2,389
	54,415	47,994
Payments for pensions and refunds on death or termination	2,089	1,766
Balance December 31	\$52,326	\$46,228

In 1976 the funds were administered by The Royal Trust Company, Investors Group Trust Co. Ltd., Sun Life Assurance Company of Canada, or invested in government annuities.

Significant statistics

	Employees	Salaries and wages	Daily newspapers circulation	Business paper circulation	Newsprint paper and ink used	Shares owned
British Columbia	202	\$ 2,740,725	145,912*	61,721	\$ 1,447,966	560,562
Alberta	1,338	18,116,803	315,137	67,845	15,431,243	804,578
Manitoba	550	7,324,377	95,977	35,755	5,784,476	274,096
Ontario	3,837	57,377,268	440,755	255,166	32,704,672	7,456,165
Quebec	1,387	21,308,506	113,297	119,064	13,645,185	3,112,646
Other Provinces	—	—	—	86,428	—	105,451
Total in Canada	7,314	\$106,867,679	1,111,078	625,979	\$69,013,542	12,313,498

*includes
Vancouver Province
126,211

The Spectator's New Building in Hamilton






Auditors' Report

To the Shareholders of
Southam Press Limited

We have examined the consolidated statement of financial position of Southam Press Limited as at December 31, 1976 and the consolidated statements of income, reinvested earnings and changes in financial position for the year then ended. For Southam Press Limited and for those other companies of which we are the auditors and which are accounted for by the equity method in these financial statements, 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. For other companies accounted for by the equity method we have relied on the reports of the auditors who have examined their financial statements.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 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, after giving retroactive effect to the change to the equity method of accounting for investments in associated companies, on a basis consistent with that of the preceding year.



Chartered Accountants
Toronto, Canada
February 17, 1977

Summary of accounting Policies December 31, 1976

The principal accounting policies followed by Southam Press Limited and subsidiary companies are summarized hereunder to facilitate a comprehensive review of the financial statements contained in this report. All policies conform to generally accepted accounting principles and have been consistently applied, after giving retroactive effect to the change in accounting set out below under "Investments".

Principles of consolidation

The consolidated financial statements include the accounts of all subsidiaries of which the more substantial are Southam Printing Limited and Southam Business Publications Limited. The results of operations of subsidiaries are included in the consolidated financial statements from the dates of acquisition of control.

Beginning in 1973 the goodwill on acquisition, being the excess of the cost of investments in subsidiaries and business publications over values attributed to their net tangible assets, is recorded as an asset to be systematically amortized by charges to earnings over periods which at present range from 15 to 20 years. Prior to 1973, the goodwill represented by such excess cost was written off and charged to reinvested earnings.

Inventories

Materials and supplies included in inventories are valued at the lower of cost and replacement cost. Inventories of work in process and finished goods are valued at the lower of cost and net realizable value. Work in process and finished goods include cost of raw materials, direct labour and manufacturing overhead expenses.

Investments

Associated companies

Commencing in 1976 the company retroactively adopted the equity method of accounting for all associated companies whereas previously this method was followed only for companies 50 percent owned. As a result of this change, the equity in earnings attributable to associated companies is included in income and goodwill on acquisition is accounted for in conformity with the method for subsidiaries and business publications set out above.

Other investments

Other investments are carried at cost. Income from these investments is included in income for the year only to the extent of dividends received.

Fixed assets

Land is stated at not more than cost and buildings, machinery and equipment are stated at historical cost. Depreciation is provided on a straight line basis, generally using rates of 2½ percent per annum for buildings and 10 per cent per annum for machinery and equipment.

When fixed assets are sold or scrapped, the cost of the asset and the related accumulated depreciation are removed from the accounts and the resulting gain or loss on disposal is included in income.

Income taxes

The company provides for income taxes currently payable and, in addition, provides for deferred income taxes resulting from timing differences between financial and taxable income.

Investment tax credits of \$437,000 and \$574,000 for 1976 and 1975 respectively, have been deferred and are being amortized as a reduction of the income tax provisions over the depreciable lives of the related fixed assets.

Pension plans

The company and its subsidiaries have several pension plans, most of which are trustee plans, covering the majority of their employees. Pension costs included in the consolidated statement of income represent contributions for current service and amortization of past service contributions under the plans and pension payments made to retired employees.

Southam Press Limited

Consolidated statement of income
(Thousands of dollars)

Year ended December 31	1976	Percentage change	1975
Revenue from operations			
Newspapers	\$185,115		\$156,206
Printing	75,449		74,419
Business publications and shows	32,448		26,675
	<u>293,012</u>	+13.9	<u>257,300</u>
Costs and operating expenses			
Salaries, wages and employee benefits	116,234		104,035
Newsprint, paper and ink	69,014		63,213
Other supplies and services	66,873		54,278
Depreciation	6,473		5,756
Amortization of goodwill	552		296
Interest on long term debt	986		986
Other interest (net)	902		1,099
	<u>261,034</u>	+13.6	<u>229,663</u>
Operating income before income taxes	<u>31,978</u>	+15.7	<u>27,637</u>
Income taxes			
Current	12,368		8,597
Deferred	1,855		4,167
	<u>14,223</u>	+11.4	<u>12,764</u>
Operating income	<u>17,755</u>	+19.4	<u>14,873</u>
Investment income			
Equity in net income attributable to investments in associated companies, including dividends received of \$3,056 (1975, \$3,011) (note 3)	5,673		5,011
Dividends from other investments	25		74
Income before extraordinary items	<u>23,453</u>	+17.5	<u>19,958</u>
Gain on disposal of publication, investments and fixed assets, less income taxes applicable thereto	659		10,825
Net income	<u>\$ 24,112</u>		<u>\$ 30,783</u>
Per class A and class B share			
Income before extraordinary items	\$ 1.88		\$ 1.60
Net income	<u>\$ 1.93</u>		<u>\$ 2.47</u>

Consolidated statement of reinvested earnings
(Thousands of dollars)

Year ended December 31	1976	1975
Balance at beginning of year		
As previously reported	\$ 67,691	\$ 48,403
Adjustment to the equity method of accounting for investments in associated companies (note 3)	5,113	3,838
As restated	72,804	52,241
Net income	24,112	30,783
	<u>96,916</u>	<u>83,024</u>
Deduct		
Dividends (note 8)		
Class A convertible shares – 81.5¢ per share (1975, 80¢ per share)	7,892	8,213
Class B convertible shares – 69.275¢ per share (1975, 68¢ per share)	1,882	1,451
Preferred shares – 5 percent	108	108
Tax paid on 1971 undistributed income	20	448
	<u>9,902</u>	<u>10,220</u>
Balance at end of year	\$ 87,014	\$ 72,804

Southam Press Limited

a constrained – share company, see note 8
(Incorporated under the laws of Canada)

Consolidated statement of financial position
(Thousands of dollars)

December 31	1976	1975
Current assets		
Cash	\$ 707	\$ 1,061
Accounts receivable	40,385	37,954
Inventories (note 2)	15,753	15,869
Prepaid expenses	1,343	1,596
	<u>58,188</u>	<u>56,480</u>
Deduct		
Current liabilities		
Bank advances	10,813	12,334
Notes payable	5,000	5,000
Accounts payable and accrued liabilities	22,695	20,827
Income taxes	7,168	1,234
Deferred revenue – subscriptions and rentals	3,869	3,268
Long term debt due within one year (note 5)	1,778	884
	<u>51,323</u>	<u>43,547</u>
Working capital	6,865	12,933
Add		
Investments		
Associated companies (note 3)	30,103	17,471
Other investments	736	1,273
Fixed assets, less accumulated depreciation (note 4)	70,639	67,023
Advances – Employees' stock purchase loan plan	240	327
Goodwill	5,307	7,323
	<u>113,890</u>	<u>106,350</u>
Capital employed		
Deduct		
Long term debt (note 5)	4,168	12,693
Deferred income taxes	12,543	10,688
	<u>16,711</u>	<u>23,381</u>
Shareholders' equity	\$ 97,179	\$ 82,969
Derived from		
Capital stock (note 8)		
Preferred shares – 5 percent cumulative, convertible, voting, redeemable at par value of \$100 each		
Authorized and issued – 21,600 shares	\$ 2,160	\$ 2,160
Class A and Class B convertible shares		
Authorized – 16,000,000 shares		
Issued – 12,400,273 shares	8,005	8,005
Reinvested earnings	87,014	72,804
	<u>\$ 97,179</u>	<u>\$ 82,969</u>

Approved by the
Board of Directors
St. Clair Balfour, Director
Gordon N. Fisher, Director

Notes to consolidated financial statements
December 31, 1976

1. Accounting policies

The summary of accounting policies on page 14, represents the principal accounting policies applied in preparation of these consolidated financial statements.

2. Inventories

	(Thousands of dollars)	
	1976	1975
Materials and supplies	\$ 10,762	\$ 10,541
Work in process	3,610	4,038
Finished goods	1,381	1,290
	\$ 15,753	\$ 15,869

3. Investments in associated companies

Reference is made to a change to the equity method of accounting for investments in associated companies, outlined in the summary of accounting policies.

Details of these investments are as follows:

Companies	Percent interest in common shares	Carrying Value (Thousands of dollars)	
		1976	1975
Newspaper and publishing companies			
Pacific Press Limited	50	\$ 9,017	\$ 8,049
Southstar Publishers Limited	50	275	250
Sun Publishing Company Limited (Brandon)	49	446	423
Kitchener-Waterloo Record Limited	48	2,712	2,430
TV Guide Ltd/Ltee	35	10,008	
Radio and television companies			
Selkirk Holdings Limited, A (non-voting)	38		
Selkirk Holdings Limited, B (voting)	30	7,178	5,827
CKOY Limited (Ottawa)	38	357	345
Other	50	110	147
		\$30,103	\$17,471

Goodwill amounting to approximately \$9 million is included in the \$30,103 above.

The company has agreed to sell its investment in shares of CKOY Limited. Completion of the transaction is subject to the approval of the Canadian Radio-Television and Telecommunications Commission and the acceptance of various representations and warranties. On completion of the transaction, a gain on disposal of shares of approximately \$900,000 will be reflected in the financial statements for the year ended December 31, 1977.

4. Fixed assets

	(Thousands of dollars)	
	1976	1975
Land	\$ 4,994	\$ 4,594
Buildings	42,285	40,904
Machinery and equipment	84,937	81,402
	132,216	126,900
Less accumulated depreciation	61,577	59,877
	\$ 70,639	\$ 67,023

5. Long term debt

	(Thousands of dollars)	
	1976	1975
Southam Press Limited		
Perpetual redeemable 5 percent debentures	\$ 434	\$ 467
Bank loans and instalment contract, due to 1981, 7 percent to 10¼ percent	3,998	11,100

Long term debt (cont'd)

Subsidiary companies		
Debentures 6 percent due 1979	1,000	1,000
Other	514	1,010
	<u>5,946</u>	<u>13,577</u>
Deduct portion due within one year included in current liabilities	1,778	884
	<u>\$ 4,168</u>	<u>\$ 12,693</u>

Principal payable on long term debt amounts to \$1,778,000 in 1977, \$879,000 in 1978, \$1,884,000 in 1979, \$679,000 in 1980, \$141,000 in 1981, and \$585,000 in subsequent years.

6. Commitments

Commitments for acquisition of fixed assets amounted to approximately \$8,465,000 at December 31, 1976 as part of an approved capital program of \$29,000,000.

7. Guarantee

The company has guaranteed certain indebtedness amounting to \$18.5 million in connection with its acquisition of a 35 percent interest in TV Guide Ltd/Ltee.

Provision to increase the company's interest is provided for in the event that payments are made under the guarantee.

8. Capital stock

Preferred shares The preferred shares may be redeemed at their par value plus accrued and unpaid cumulative dividends on death of a holder, on transfer by a holder, or after November 17, 1981. The holder may convert preferred shares into the greatest number of Class A convertible shares having an aggregate market value at the time of such conversion which does not exceed the aggregate par value of the preferred shares converted.

Class A and Class B convertible shares The company's authorized number of Class A and Class B shares is 16,000,000 for each class, however, the maximum number of A and B shares which may be outstanding at any one time is restricted to a total of 16,000,000 shares. The shares of each class are convertible into one another on a share for share basis and rank equally in other respects except for dividends. Dividends on the A shares are taxable in the hands of the recipients on the normal basis. Dividends on the B shares may be paid out of tax-paid undistributed surplus at a rate equal to 85 percent of the rate of dividend on the A shares.

At December 31, 1976, 9,688,517 A shares and 2,711,756 B shares were issued and outstanding (1975, 10,251,178 A shares and 2,149,095 B shares).

Share constraint The issue or transfer of the company's shares to non-Canadian persons or corporations is restricted to a maximum of 25 percent of the number of and of the paid up capital attributable to all outstanding shares. This restriction ensures that the company will continue to have Canadian status so that advertisers may continue to deduct, for income tax purposes, the cost of advertising in any of its publications.

9. Anti-inflation act

Southam Press Limited and subsidiary companies are subject to and have complied with the Anti-Inflation Act which provides, as from October 14, 1975, for the restraint of profit margins, prices, dividends and compensation.

10. Directors and officers

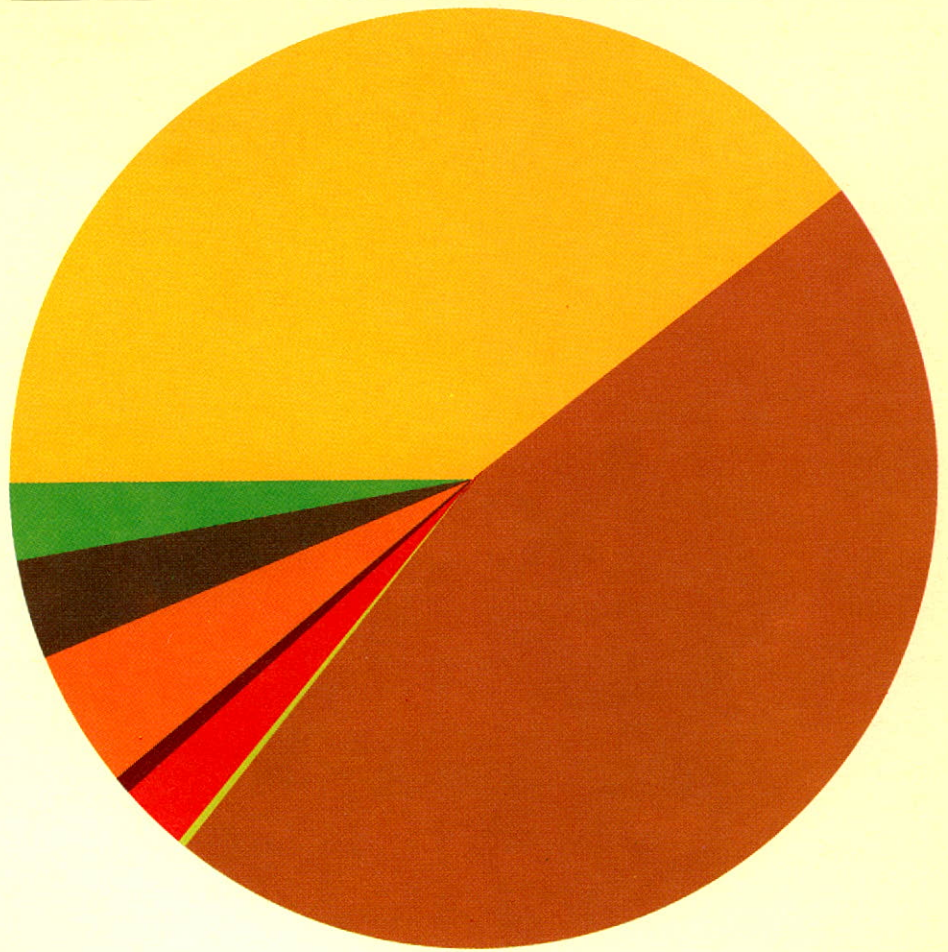
Remuneration of directors and officers of Southam Press Limited was as follows:

	<u>1976</u>	<u>1975</u>
Number of directors	17	17
Aggregate remuneration of directors as directors	\$ 57,000	\$ 57,000
Number of officers	39	39
Aggregate remuneration of officers as officers	<u>\$1,783,000</u>	<u>\$1,762,000</u>
Number of officers who are also directors	8	8

At December 31, 1976 loans receivable from officers of the company amounted to \$75,000 (1975 - \$81,000).

**Consolidated statement of changes in
financial position**
(Thousands of dollars)

Year ended December 31	1976	1975
Working capital derived from		
Operations		
Income before extraordinary items	\$23,453	\$19,958
Add items not involving current funds	6,263	8,219
	<u>\$29,716</u>	<u>\$28,177</u>
Proceeds from investments realized	1,257	11,347
Proceeds from disposal of publication	2,558	
Proceeds from disposal of fixed assets	2,887	390
Long term borrowing	2,627	6,191
Working capital of subsidiaries acquired		691
Other items	12	92
	<u>39,057</u>	<u>46,888</u>
Working capital applied to		
Dividends	9,882	9,772
Tax paid on 1971 undistributed income	20	448
Additions to fixed assets	12,976	17,048
Long term debt repaid or currently payable	11,152	4,080
Investments acquired	10,735	62
Acquisition of subsidiaries, 1976 being an adjustment of prior years	360	7,316
	<u>45,125</u>	<u>38,726</u>
Increase (decrease) in working capital	(6,068)	8,162
Working capital at beginning of year	12,933	4,771
Working capital at end of year	\$ 6,865	\$12,933



Disposition of revenue
(Thousands of dollars)

Year ended December 31	1976		1975	
Gross revenue from operations	\$293,012	100.00%	\$257,300	100.00%
Salaries and wages	106,868	36.47	96,254	37.41
Employee benefits	9,366	3.20	7,781	3.02
Newsprint, paper and ink	69,014	23.56	63,213	24.57
Other supplies and services	66,262	22.61	53,685	20.87
Community welfare donations	611	.21	593	.23
Depreciation and amortization	7,025	2.40	6,052	2.35
Interest on borrowed funds	1,888	.64	2,085	.81
Income taxes	14,223	4.85	12,764	4.96
Dividends and tax paid on 1971 undistributed income	9,902	3.38	10,220	3.97
Retained in company from operations	7,853	2.68	4,653	1.81
	\$293,012	100.00%	\$257,300	100.00%

Southam Press Limited

†[□]St. Clair Balfour
chairman of the board

†[□]†Gordon N. Fisher
president

D. H. E. Carlson
publisher
Financial Times of Canada

†William J. Carradine
vice-president, administration

*G. P. Clarkson, FCA, FMC
chairman
Southam Printing Limited

W. R. Dane
publisher, The Sault Star

J. F. Evans
publisher
The Prince George Citizen

J. F. Grainger
vice-president and publisher
The North Bay Nugget

*†Aubrey Joel
chairman Southam Business
Publications Limited

I. C. MacDonald
publisher
The Medicine Hat News

□†G. L. Meadows, CA
assistant to the president,
corporate development

John D. Muir
vice-president and publisher
The Spectator, Hamilton

†Ross Munro, OC, OBE
vice-president and publisher
The Gazette, Montreal

□Peter O'Brian
vice-president, personnel

J. P. O'Callaghan
vice-president and publisher
The Edmonton Journal

R. M. Pearson
publisher
The Windsor Star

†L. J. Rothwell
vice-president, engineering
and production

□Brian H. Shelley, CA
vice-president, finance
and secretary

Paddy Sherman
vice-president and publisher
The Province, Vancouver
(published for Pacific Press Limited)

†R. W. Southam
vice-president and publisher
The Citizen, Ottawa

*F. G. Swanson
vice-president and publisher
The Calgary Herald

James S. Thomson
publisher, The Brantford Expositor

†John S. Ward
vice-president, marketing

E. H. Wheatley
vice-president and publisher
The Winnipeg Tribune

E. P. Wilson
publisher
The Owen Sound Sun-Times

††George L. Crawford, QC
Calgary, Alberta

*†Hugh G. Hallward
Montreal, Quebec

†J. Norman Hyland
Vancouver, British Columbia

††J. Jacques Pigott
Toronto, Ontario

*Gaston Pouliot
Montreal, Quebec

*G. H. Southam
Ottawa, Ontario

*Gordon T. Southam
Vancouver, British Columbia

*†Wilson J. H. Southam
Aylmer East, Quebec

*A. R. Williams
Winnipeg, Manitoba

†[□]†Adam H. Zimmerman, FCA
Toronto, Ontario

Southam Printing Limited

*G. P. Clarkson, FCA, FMC
chairman of the board

*†Frederick Best
president and chief executive officer

*John S. Crawford
vice-president and general manager
Southam Murray division

Pierre Legault
vice-president and general manager
Gazette Canadian Printing division

John Morris
vice-president and general manager
MacLaren, Morris and Todd division

*R. J. O'Connell
vice-president, Quebec operations
general manager
Specialty and Business Forms division

Morrie Ostrow
vice-president and general manager
Canadian Publishers division

D. J. Robins
vice-president and general manager
Southam Farwest Printing division

□D. G. Scott, FCA
vice-president, finance
and secretary

Donald R. Townsend
vice-president and general manager
Offset Print & Litho division

*St. Clair Balfour
Toronto, Ontario

*E. L. Donegan
Toronto, Ontario

*Gordon N. Fisher
Toronto, Ontario

*John D. Murray
Toronto, Ontario

*John D. McLaren
Toronto, Ontario

*J. Jacques Pigott
Toronto, Ontario

**Southam Business
Publications Limited**

*Aubrey Joel
chairman of the board
and chief executive officer

*S. J. Cohen
president

G. W. Funston
vice-president

G. L. Meadows, CA
secretary

D. E. McClure
vice-president

G. S. Seguin
vice-president

G. G. Stewart
vice-president

C. Summerfield
vice-president

A. P. Varcoe, CA
treasurer

*St. Clair Balfour
Toronto, Ontario

*E. L. Donegan
Toronto, Ontario

*Gordon N. Fisher
Toronto, Ontario

*J. Jacques Pigott
Toronto, Ontario

*Adam H. Zimmerman, FCA
Toronto, Ontario

*Director
†Director and member of the
executive committee
□Member of the retirement board
△Member of the audit committee
‡Member of research and
development committee

Southam Press Limited

Head Office
321 Bloor Street East, Toronto, Ontario
M4W 1H3
(416) 925-2881

Newspapers

The Gazette, Montreal
The Citizen, Ottawa
The North Bay Nugget
The Spectator, Hamilton
The Brantford Expositor
The Owen Sound Sun-Times
The Windsor Star
The Sault Star
The Winnipeg Tribune
The Medicine Hat News
The Edmonton Journal
The Calgary Herald
The Citizen, Prince George
The Province, Vancouver
(published for Pacific Press Limited)
Financial Times of Canada, Toronto
News & Chronicle, Pointe Claire, Quebec
Burlington Gazette, Burlington, Ontario

News bureaux

Southam News Services
Ottawa, Montreal, Toronto, Calgary,
Vancouver, Washington, London,
Paris, Nairobi

Newspaper advertising offices

Toronto, Montreal and representation
in Vancouver and London, England

Subsidiaries

Age Publishing Company Limited
Apartment Data Centres Limited
Autographic Business Forms Limited
John Brown Publishing Associates Limited
Canadian Mailings Limited
Canadian Publishers Company Limited
Canprint Holdings Limited
C. K. Communications Inc.
Daily Commercial News Limited
Fullerton Weston Publishing Limited
Gazette Canadian Printing Ltd.
Journal of Commerce Limited
Lakeshore News Limited
McLaren, Morris and Todd Limited
M. M. and T. Holdings Limited
National Business Publications Limited
News Print and Publishing Limited
C. O. Nickle Publications Co. Ltd.
Offset Print & Litho Limited
Les Publications Eclair Ltée
Secombe House Limited
Grant Smedmor Limited
Southam Business Publications Limited
Southam Farwest Printing Limited
Southam Press (Ontario) Limited
Southam Printing Limited
Southam Videotel Limited
Southex (1970) Limited
South-Times Publishing Limited (75%)
Videosurgery Limited

Associated companies (50% owned)

Pacific Press Limited
Pentacle VIII Productions Limited
Southstar Publishers Limited
Trans Canada Expositions Limited

Operating printing divisions

Canadian Publishers, Winnipeg, Manitoba
Gazette Canadian Printing, Montreal, Quebec
McLaren, Morris and Todd,
Mississauga, Ontario
Offset Print & Litho, Don Mills, Ontario
Southam Business Forms, Candiac, Quebec
Southam Farwest Printing, Burnaby,
British Columbia
Southam Murray Printing, Weston, Ontario
Southam Specialty Printing, Candiac, Quebec

**Business publications
daily, weekly, monthly**

Administrative Digest
Architecture-Concept
British Columbia Lumberman
The Canadian Architect
Canadian Chemical Processing
Canadian Consulting Engineer
Canadian Dairy Farmer
Canadian Doctor
Canadian Farm Equipment Dealer
Canadian Forest Industries
Canadian Industrial Equipment News
Canadian Livestock Farmer
Canadian Mining Journal
Canadian Office Products & Stationery
Canadian Petroleum
Canadian Plastics
Canadian Pool & Patio
Canadian Sales Meetings & Conventions
Canadian Transportation & Distribution
Management
Canadian Travel News
Construction West
Daily Commercial News & Construction Record
Daily Oil Bulletin
Electrical Equipment News
Electronics & Communications
Engineering & Contract Record
Equipment Finder
Executive
Furniture & Furnishings
Génie-Construction
Gifts and Tablewares
Good Farming
Health Care Digest
Heating, Plumbing & Air Conditioning
Plomberie, Chauffage & Climatisation
Hospital Administration in Canada
Journal of Commerce
Laboratory Product News
Modern Medicine of Canada
Médecine Moderne du Canada
Opérations Forestières
Oral Health
Pools Parks & Rinks
Progress Report
Pulp & Paper Canada
Shoe & Leather Journal
Shop
Southam Building Guide
Water & Pollution Control

Other publications

Administrative Reference Guide
L'Almanach Moderne
British Columbia Lumberman's Greenbook
The Canadian Architect Yearbook
Canadian Forest Industries Directory
Canadian Highway Carrier's Guide
Canadian Medical Directory
Canadian Mining Manual
Canadian Oil Register
Canadian Plastics Directory & Buyers Guide
Canadian Ports & Seaway Directory
Canadian Shoemaking
Canadian Traveller
Chemical Buyers Guide
La Collection Mini Poches
Contract Interiors Catalogue
Dental Guide
Dentalog
Designer, The
Electronic Procurement Index of Canada
Génie-Construction Annuaire
Government and the Contractor
Health Care Products & Suppliers Directory
Heating, Plumbing & Air Conditioning
Buyers Guide
Le Guide de l'Acheteur
Horoscope Quotidien
Industrial Literature Review
Joie de Vivre
Leather Life Daily

Mots Croisés
Opérations Forestières Annuaire
Promenade
Pulp & Paper Canada's Business Directory
Pulp & Paper Canada's Reference
Manual & Buyers Guide
Showtime
T. V. Times
Water & Pollution Control Directory
& Environmental Handbook
Yardsticks for Costing

Services

Action Mailers
Adrep
Auerbach Reports
CanaData
Canadian Ad-Chart Services
Canadian Mailings Limited
Consumer Power Package
Gift Sales Pak
Informex
Marketing Communications
Sales Management Systems
Southam Building Reports
Southam Business Books
Southam Marketing Research Services
Southam Product Cards
Trade Show Consultants

Shows and exhibitions

Atlantic Provinces Floorcovering Market
B. C. International Forest Industries
Equipment Exhibition
British Columbia Business Show
Calgary Fall Gift Show
Calgary Sports & Outdoor Living Show
Calgary Spring Gift Show
Canada Farm Show
Canadian Chemical Engineering Conference
& Exhibition
Canadian Chemical & Process
Equipment Exhibition
Canadian Floorcovering Market
Canadian Mining & Aggregate
Equipment Exhibition
Canadian National Travel Show
Canadian Pool & Patio Show
Canadian Tire Products Parade
Canadian Western Farm & Ranch Show
C.N.E. Music Show
Edmonton Home & Garden Show
Forest Industries Equipment Exhibition
International Electrical, Electronics
Conference & Exposition
International Interior Design Show
ISA Show
Montreal Fall Gift Show
Montreal Spring Gift Show
National Home Show Reg'd
National Petroleum Show
Ottawa Pool & Patio Show
Pacific Industrial Equipment &
Materials Handling Show
Quebec Floorcovering Market
Toronto Business '77/Conference & Show
Toronto Fall Gift Show
Toronto Spring Gift Show
Vancouver Island Business Show
Vancouver Home and Garden Show
Vancouver Spring Gift Show
Western Canada Business Show
Western Construction Materials
& Equipment Show
Western Manufacturing Opportunities Show

1877
1977

Ten-year comparative summary	1967	1968
(Thousands of dollars except where indicated*)		
Income		
Revenue from operations	\$73,843	78,487
Costs and operating expenses	\$62,218	65,067
Interest on borrowed funds	\$ 347	226
Depreciation and amortization	\$ 2,217	2,151
Operating income before tax	\$ 9,061	11,043
Income from investments	\$ 2,340	2,618
Income taxes	\$ 4,945	6,141
Income before extraordinary items	\$ 6,456	7,520
Extraordinary items	—	—
Net income	\$ 6,456	7,520
*Net income per share	\$.54	.62
Dividends paid	\$ 3,600	4,050
*Dividends per share	\$.30	.33¾
Percent income distributed	% 55.8	53.9
Financial position		
Current assets	\$11,762	14,763
Current liabilities	\$ 7,482	9,580
Working capital	\$ 4,280	5,183
Investments	\$11,384	12,979
Fixed assets – gross	\$44,847	46,146
Accumulated depreciation	\$26,069	27,937
Other assets	\$ 501	183
Goodwill	—	—
Long-term debt	\$ 3,854	2,648
Deferred income taxes	\$ 1,635	1,373
Capital stock: 5 percent cumulative, redeemable, convertible, voting, preferred shares	—	—
common	\$ 3,000	3,000
Retained earnings	\$26,454	29,533
*Equity per common share	\$ 2.46	2.71
Statistics		
Advertising linage – newspapers (1,000s)	137,107	142,136
Advertising pages – magazines (1,000s)	19	17
Newspaper pages (1,000s)	107	110
Magazine pages (1,000s)	38	34
Daily newspaper circulation –		
December (1,000s)	550	563
Tons of newsprint used (1,000s)	62	65
Employees	4,042	4,032
Salaries and wages paid	\$28,256	29,969
Employee benefits	\$ 1,667	1,786
Improvement to plant	\$ 2,268	1,492
Shareholders	2,662	2,626
*Price range per common share	\$12.75-8.00	16.00-9.69
(Price per share – Valuation day \$18.28)		
Return on revenue (operating margin)	%12.3	14.1
Return on equity – historical after adjusting for goodwill previously written off	%17.3	18.3
– adjusted for inflation	%13.2	13.8

**As stated in the Directors' report "Consolidated Statement of Income" now includes our share of the earnings of associated companies. Figures for 1975 have been restated to reflect this change.

1969	1970	1971	1972	1973	1974	1975**	1976
104,765	110,761	123,999	157,641	183,453	221,920	257,300	293,012
89,195	94,620	105,273	130,755	151,242	186,271	221,526	252,121
463	478	559	1,422	1,085	2,017	2,085	1,888
2,846	2,685	2,822	3,864	4,270	5,148	6,052	7,025
12,261	12,978	15,345	21,600	26,856	28,484	27,637	31,978
2,855	1,831	2,709	2,959	4,094	3,950	5,085	5,698
6,595	6,973	7,933	10,579	12,617	13,224	12,764	14,223
8,521	7,836	10,121	13,980	18,333	19,210	19,958	23,453
(451)	—	593	(124)	302	813	10,825	659
8,070	7,836	10,714	13,856	18,634	20,023	30,783	24,112
.65	.63	.86	1.11	1.49	1.61	2.37	1.93
4,185	4,185	4,653	6,556	8,168	9,799	9,772	9,882
.33¾	.33¾	.37½	.52	.65	.80	.80	.81½
51.9	53.4	43.4	47.3	43.8	48.9	31.7	41.0
16,201	16,961	23,414	28,574	35,358	45,542	56,480	58,188
11,575	12,064	19,475	25,594	33,825	40,771	43,547	51,323
4,626	4,897	3,939	2,980	1,533	4,771	12,933	6,865
13,752	13,809	13,844	13,281	13,134	13,339	18,744	30,839
59,420	63,998	82,345	88,888	97,664	109,212	126,900	132,216
36,903	39,051	48,408	51,420	54,422	55,613	59,877	61,577
370	355	304	467	469	446	327	240
—	—	—	—	2,185	2,909	7,323	5,307
4,327	4,335	18,212	12,594	8,347	10,390	12,693	4,168
1,013	1,075	1,655	2,444	3,562	6,106	10,688	12,543
—	—	2,165	2,160	2,160	2,160	2,160	2,160
8,000	8,000	8,000	8,005	8,005	8,005	8,005	8,005
27,925	30,598	21,992	28,993	38,489	48,403	72,804	87,014
2.90	3.11	2.42	2.98	3.75	4.55	6.52	7.66
185,444	186,670	197,861	250,103	272,771	294,294	320,414	354,825
17	16	18	21	21	22	22	25
146	147	152	171	173	180	192	208
31	32	37	50	52	52	52	54
742	748	878	900	891	881	942	985
87	87	89	110	114	114	119	132
5,152	5,182	6,136	6,391	6,473	6,930	7,410	7,314
41,179	44,284	49,438	61,205	69,343	81,839	96,254	106,868
2,579	2,720	3,222	4,326	5,039	6,581	7,781	9,366
3,349	5,057	5,619	7,387	9,536	14,782	17,048	12,976
2,855	2,763	2,689	3,524	3,526	3,546	4,027	4,120
16.88-13.75	16.25-10.75	18.59-13.50	31.50-17.75	33.00-25.50	30.25-20.00	29.00-21.50	26.00-17.88
11.7	11.7	12.4	13.7	14.6	12.8	10.7	10.9
17.1	14.6	16.4	20.2	23.3	21.7	17.7	18.5
13.0	10.9	12.3	14.9	16.3	13.9	11.3	11.3

