

1983 ANNUAL REPORT

Southam Inc.



Financial Times

...for the decision-maker

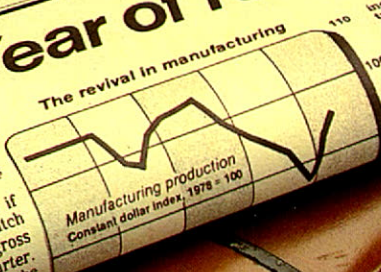
1983: Year of recovery

Times staff

Economic forecasters have been sent back to their drawing boards yet again by a recovery that seems bent on confounding the pessimists.

With key indicators now rolling in, it looks as if growth in the second quarter of this year may match or even surpass the 7.3% annualized increase in gross national product (GNP) recorded in the first quarter.

As a result, doubts about whether the recovery will be



Also topping the latest bout of good news is increasing evidence that the long-awaited revival in manufacturing is finally under way. Federal figures released last week show industrial production advanced by 1.5% in May, meaning output is now 10.2% above the low in December, 1982 (although still 11.5% below the pre-recession peak set in June, 1981).

More manufacturers are reporting rising orders and a growing backlog of orders than at any time in recent history, according to the CMA (see charts).

SOUTHAM INC.

A Communications and Information Company

Southam Inc. is diversified and Canadian owned, and our principal business is publishing newspapers. Southam is the nation's largest newspaper publisher in terms of circulation, and publishes 15 daily newspapers and a financial weekly.

Southam Printing Limited is a major Canadian commercial printer and provides a broad range of commercial printing services through twelve plants in Canada.

Coles Book Stores Limited operates the largest chain of retail book stores in Canada and at the end of 1983 had 174 stores in Canada and 60 in the United States.

Southam Communications Limited publishes a wide variety of business and professional periodicals and produces trade shows.

Dittler Brothers, Incorporated is a leading U.S. producer of airline, hotel, truck and delivery directories, lottery tickets and specialty promotion card games.

The origins of Southam Inc. reach back to 1877 when William Southam bought a half interest in the Hamilton Spectator. Southam common shares were listed on The Toronto Stock Exchange on June 1, 1945 and our common stock is held by approximately 4000 shareholders. The Company has approximately 12,000 employees.

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A copy of the Southam Inc. Annual Information Form is available from the Secretary of the company upon request.

On pourra se procurer le texte français de ce rapport annuel en s'adressant au secrétariat de la corporation, 150 ouest, rue Bloor, Toronto, Ontario M5S 2Y8.

CORPORATE INFORMATION

Southam Inc.

The company was incorporated under the Companies Act of Canada by letters patent on December 7, 1927, and was continued under the Canada Business Corporations Act on December 20, 1978. The issue or transfer of the company's shares is constrained (see note 8 on page 35).

Listing of Capital Stock

The Toronto Stock Exchange
The Montreal Exchange
Vancouver Stock Exchange

Stock Transfer agent — *The Royal Trust Company*
Stock Registrar — *The Bankers Trust Company*
Stock Symbol — *STM*

Annual General Meeting

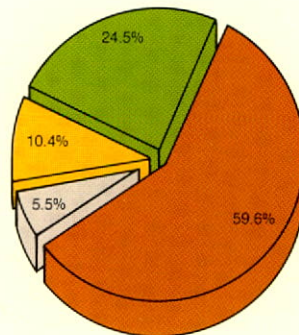
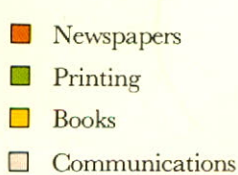
The annual general meeting of the shareholders of the company will be held at 3:30 p.m. on Wednesday, April 18, 1984 in the ROM Theatre, Royal Ontario Museum, 100 Queen's Park, Toronto, Ontario.

THE YEAR AT A GLANCE

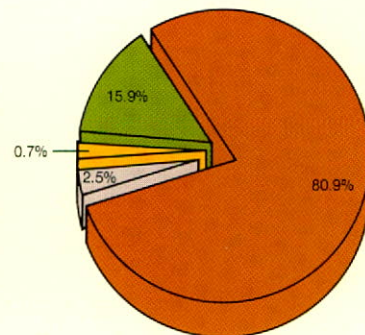
Consolidated, with comparative figures for 1982
(Thousands of dollars except where indicated*)

	1983	Percentage change	1982
Income			
Revenue from operations	\$898,257	+ 10.9	\$810,223
Operating expenses	825,910	+ 6.4	776,182
Income from continuing operations	40,594	+ 114.0	18,966
*per common share	3.21	+ 112.6	1.51
Net income	41,234	+ 99.7	20,646
Dividends paid	17,727	- 2.8	18,233
*per common share	1.40	- 3.4	1.45
Financial position			
Working capital	\$ 25,777	+ 12.1	\$ 23,001
Fixed assets (net)	282,697	+ 20.7	234,287
Total assets	632,592	+ 22.9	514,746
Long term debt	183,649	+ 45.8	125,965
Shareholders' equity	224,767	+ 12.5	199,716
Return on equity — historical	18.3%		10.3%
— adjusted for inflation	7.4%		4.1%
Statistics			
Advertising lineage — newspapers (1,000's)	485,311	+ 3.2	470,104
Daily newspaper circulation — December (1,000's)	1,512	+ 0.5	1,504
Number of employees	12,070	+ 9.6	11,017
Salaries, wages and employee benefits	\$334,291	+ 11.6	\$299,533
Price range per common share	\$49.50-\$30.25		\$38.50-\$24.25

1983 Revenue by Segment



1983 Income by Segment





The Gazette

Pittman takes blame for marine deaths

Andropov may be near death, says U.S. official

Candidates the present leaders

A BUSINESS DEFINITION

Southam Inc. is Canada's largest communications/information company, and one of the largest newspaper companies in North America. While the main thrust of our activities is mass communications, many of our products are aimed at narrow, specialized market segments. The emphasis is on information rather than entertainment. The company has always felt the need to maintain the integrity and independence of its publications, and has established four policies to that end:

1. The company will have no financial interest in enterprises outside the communications/information field.
2. The company's newspapers and magazines are operated under individual management and develop independent editorial policies. There is no "Southam" editorial policy.
3. Officers of the company and its subsidiaries, and senior publishing executives, may not act as directors of other firms.
4. Officers, editorial personnel and all other key employees of the company are expected to remain free from political and other outside activities when such activities might influence or appear to influence the editorial freedom or independence of any of the company's publications.

It is generally accepted that Southam has a strong commitment to the editorial quality of its newspapers. We believe that this is simply sound business practice, since newspapers, like other products, must ultimately be judged by their customers' perception of the value of the service they provide. We believe the same commitment to quality is central to all our enterprises.

Newspapers remain the core of our business. We see no threat to well-managed daily newspapers from the new information technologies that are developing so quickly. We believe the company is well positioned to take advantage of these new technologies and to build upon our existing products, not only as information providers but as publishers, printers, distributors and retailers.

We regard a return on investment of 12 percent as the minimum objective in considering new investments and measuring our existing operations. Our dividend policy is to pay approximately 40 percent of net income to common shareholders.



DIRECTORS' REPORT

For the first time in a number of years we are able to report on a year that was largely unaffected by special circumstances. In 1978 and 1979 results were influenced by a major labour dispute in Vancouver and in Montreal by the cessation of publication of *The Star* with which our *Gazette* was formerly in direct competition.

In 1980 and 1981 Southam's position was directly affected by the merging of Thomson Newspapers and F.P. Publications, the other two significant newspaper groups; by the deaths of *The Ottawa Journal* and *The Winnipeg Tribune* and by our acquisition of Thomson's 50 percent interest in Pacific Press in Vancouver.

In 1982 the impact of a deep recession had a devastating effect on net income which fell to only 46 percent of the level achieved in 1981.

The acquisition of Coles Book Stores in 1978 presented Southam with the special challenges inherent in a new market sector. Last year's report described Coles' problems. This year's report is much more encouraging.

It is with this background that we view 1983 as a year of recovery, of relative stability, a year in which results were generally as we had expected them to be.

A year ago we noted a consensus that the recession had "bottomed out".

A year ago we anticipated significant savings in interest, payroll and newsprint costs. Reductions of at least the levels predicted were achieved.

A year ago Coles' new management team made a commitment to an improved performance. The company operated profitably in 1983.

A year ago we forecast that net income would improve from the trough of 1982 but not return to the record levels of 1981. Income before extraordinary items was \$3.21 per share, as compared with \$1.36 in 1982 and \$3.37 in 1981.

Although the company's revenue base now includes a major contribution from non-newspaper sources (approximately \$363 million or 40 percent of the total in 1983) the single measure of greatest importance to our overall health continues to be newspaper advertising volume. Linage was up by 3.2 percent in 1983 and advertising revenue by 5.6 percent. The trend was an improving one with a fourth quarter lineage gain of 8.6 percent and revenue gain of 9.6 percent. In spite of this encouraging improvement, 1983 advertising of approximately 485 million lines was still 5.3 percent below the level of two years ago.

A financial review and fuller comment on the operations and results of major divisions and subsidiaries is included in subsequent sections of this report.

In summary, 1983 was a satisfactory year for Southam — a year in which

stability of circumstances and the competence and enthusiasm of management and employees were combined to produce results that were better than we had expected.

The public interest

We have already referred to some special circumstances that influenced company results during the past five years. The disappearance of some newspapers and increased concentration in the ownership of those remaining raised a legitimate concern as to whether the public interest would be served by these events. This concern resulted in the appointment of a royal commission and the initiation of an enquiry under combines legislation in 1980.

The combines enquiry led to specific charges against Southam, Thomson and F.P. Publications in May, 1981. These finally came to trial in the Supreme Court of Ontario in September, 1983 and in December the company was acquitted of all charges. The reasons for judgment confirmed that the company's behaviour had been consistently correct and that it had fulfilled its obligations to keep both shareholders and federal authorities fully informed.

While the purpose of the enquiry and the trial was to establish whether existing law had been infringed, the purpose of the royal commission was to recommend whether or not new laws should be proposed with respect to the daily newspaper industry. Its report was published in August, 1981.

The report was not directly critical of Southam's performance, but it criticised group ownership of newspapers generally and proposed new legislation that would limit the size of groups and interfere in the relationship between newspaper owners and the journalists they employ. Not surprisingly, the reaction from the industry and senior journalists was wholly negative.

The federal government's response to the royal commission report became the responsibility of the minister of state for multi-culturalism. That resulted, last year, in draft legislation the particulars of which varied significantly from the original royal commission recommendations. However our size was still to be limited and the new law, a newspaper act, was to have unique application to our industry.

Later in 1983 the minister left the federal cabinet and the matter became the responsibility of the minister of corporate and consumer affairs. As this is written it appears that this ministry will propose new competition legislation that will apply to all Canadian businesses. Legislation of unique application to the press seems unlikely.

Southam's future growth in Canada may be constrained only by a new law that will require prior notification by all large companies of intentions to acquire or merge with other companies.

Your directors do not object to this if such pre-notification rules are practical and are capable of being dealt with expeditiously. Indeed Southam's 1981 brief to the royal commission acknowledged that size and newspaper ownership patterns were matters of legitimate public concern and we proposed an alternative newspaper ownership review process.

During three years of public discussion Southam's position has been constant. Canadians have a legitimate interest both in what Southam owns and who owns Southam. However the new constitution and its guarantees of fundamental freedoms include protection against any proposals, by governments or others, to interfere in the content of newspapers or in the way they are operated by their owners. We will act energetically in defence of this company's constitutional rights.

A major acquisition

In September the company announced a significant acquisition in the United States and the purchase of Dittler Brothers Incorporated of Atlanta, Georgia was completed at the end of October for \$67.6 million in Canadian funds. The expansion was in keeping with the company's general growth targets.

Dittler is a specialist printer of a variety of products, including airline timetables, lottery tickets and promotional games. Its essential expertise is in the use of computers to collate and produce data for customers and to drive both typesetting equipment and presses. It is one of the leading data base printers in North America.

Although Dittler will be managed separately from Southam Printing, we foresee useful synergism developing. Their combined revenues will put Southam among the top ten commercial printers in North America.

Associated businesses

Southam has interests in a number of other communications companies which are accounted for on an equity basis. The carrying value at year end was \$42.6 million. Our share of their net income was \$2 million as compared with \$567,000 in 1982.

The principal associate is Selkirk Communications Limited, a public company that issues its own annual report. Selkirk completed an issue of non-voting shares and raised \$35.9 million additional equity in February, 1984. Southam maintained its 37.4 percent equity by taking up its pro rata share for \$13.4 million.

For some years Southam has shared a partnership in Infomart equally with Torstar Corporation. Infomart is a research and development enterprise exploring the market potential of new communications technologies known generically as "videotex". Southam's share of Infomart's after tax loss in 1983 was \$2.7 million.

In 1982 Infomart joined The Times-Mirror Company of Los Angeles in a partnership called Videotex-America to explore the potential of videotex in the United States. After a successful test in 1983, Videotex-America and The Los Angeles Times will launch a consumer videotex service in the Los Angeles area in 1984. Videotex-America and local newspaper publishers are developing a farm-oriented service called Grassroots California to start early in 1985.

Early in 1984 Southam and Torstar decided that their different strategic goals made it appropriate to alter the original arrangement. Torstar's position in Infomart has been reduced and Southam has assumed full management responsibility. The benefit for Torstar is a fixed and lower financial commitment. The benefit for Southam is management control and the opportunity to develop Infomart in directions that are compatible with our other communications interests.

The company and its employees

At the end of 1983 the company's work force stood at 12,070. Except for the addition of 858 at Dittler, this is an increase of 1.8 percent from the year before. The growth was almost entirely in part-time staff.

Payroll and benefit costs including Dittler's results for November and December were up 11.6 percent to \$334 million.

The relative stability in employment and significant increase in payroll costs was caused by two factors. A number of key labour contracts were in the final year of agreements negotiated before the impact of the 1982 recession. The increase in business experienced in a year of recovery was partly met by increases in overtime to avoid adding permanent employees at this stage of the recovery.

Payroll costs represented 37.2 percent of total revenues, unchanged from 1982.

Directors and officers

J. Norman Hyland, a director since 1973 and a member of the executive committee, having reached normal retirement age, is not standing for re-election. His wise counsel and professional competence were recognised by his colleagues. Ronald L. Cliff, C.A., has been nominated to succeed him.

E. J. Mannion, chairman of Southam Communications and a director of Southam Inc., resigned in October to pursue private interests. He joined the board in 1978. The position at Southam Communications is being filled temporarily by George Meadows, vice-president, corporate development.

With the general goal of reducing the size of the board the vacancy created by Mr. Mannion's resignation will not be filled. The board now numbers 13.

In May, John Ward, vice-president, marketing, retired after 35 years of service. He made a significant contribution during the years of our greatest growth as one of the industry's most experienced marketing executives. Paul Wilson, formerly publisher of The Sun Times of Owen Sound, was appointed his successor.

In August a new position was created at the company's head office and Robert McConnell, formerly publisher of The Gazette of Montreal, was appointed vice-president, product development.

Outlook for 1984

The recovery of the Canadian economy in 1983 was led by some return of consumer confidence. For Southam these trends were mirrored in a renewed demand for newspaper advertising, for promotional printing and for Coles' retail products.

A return of business confidence to the point of stimulating an expansion of capital purchase commitments is not yet certain. Some important Canadian industries in the resource and international commodity sectors have not yet shared the recovery. The impact of this fell specifically on our trade magazines and business newspapers which serve those industries.

For 1984 this pattern appears likely to be repeated. There is the obvious concern that a failure of capital expansion to follow the lead of consumer confidence will slow the recovery and dampen the growing confidence that started it.

A further concern is that a number of our major newspapers are published in Alberta and British Columbia and these are the regions most affected by the continuing weakness in demand for the products of the resource industries.

In spite of the uncertainties we believe 1984 will be a year of further growth. Our activities are broadly spread across the nation and our major products are tied to retail and consumer markets rather than to capital investment. We are encouraged by the turnaround at Coles Book Stores and believe that this year will see, at last, a reasonable contribution from this subsidiary. We are optimistic about Dittler's ability to make a further contribution to our success.



St. Clair Balfour, *Chairman of the Board*



Gordon N. Fisher, *President*



SOUTHAM NEWSPAPERS

Southam's 15 daily newspapers include one of Canada's newest dailies and one of its oldest. The Gazette of Montreal began publication in 1778. The Kamloops News became a five-day, paid circulation newspaper in August, 1982. In 1983, The News saw the withdrawal of its competitor, the Thomson-owned Sentinel, from the daily market. At year-end, our circulation in Kamloops was over 22,000 copies daily.

In 1983, The Gazette was the winner of three prestigious National Newspaper awards for editorial excellence — more than any other newspaper in the country. The company's newspapers in total won seven of the ten national awards.

Editorial excellence and competitive energy were not unique to Montreal and Kamloops. In a year of financial restraint, in which total newspaper costs rose only one percent, editorial spending at Southam's newspapers rose by seven percent to a total of \$69.7 million. In Vancouver, The Province was converted from broadsheet to tabloid to meet the changing interests of a growing segment of subscribers. The new tabloid has been well received by readers and advertisers. At year-end, circulation of 155,000 was up from 137,000 a year ago. In September, the Calgary Herald launched a Sunday edition to become Southam's second, seven-day newspaper.

One of the National Newspaper awards was won by Christopher Young, the London correspondent for Southam's group news service, for his reporting from Lebanon. In 1983, almost \$3 million was spent to maintain bureaux in six Canadian cities as well as in the U.S., Far East, Britain, Europe, the Middle East, Africa and Latin America. While the news service goes to all Southam newspapers, decisions on selection and use of material are made locally by publishers and editors.

The prosperity of the newspaper industry usually reflects the state of the country's economy. In 1983, the economy rose out of the 1982 recession and our



(Thousands)	1983	1982
Revenue	\$535,706	\$507,378
Operating income	\$ 73,821	\$ 51,683
Advertising lineage	485,311	470,104
Circulation	1,616	1,598
Newsprint tonnage	181	197
Capital expenditures\$	11,682	\$ 18,984

In Vancouver, both The Sun (left) and The Province (above) enjoyed circulation growth in 1983. The Province introduced a new look with its switch to tabloid format.

Name of Newspaper	December 1983 Circulation (in thousands)
THE GAZETTE, MONTREAL	208
THE CITIZEN, OTTAWA	190
THE NUGGET, NORTH BAY	24
THE SPECTATOR, HAMILTON	147
THE EXPOSITOR, BRANTFORD	33
THE SUN TIMES, OWEN SOUND	21
THE WINDSOR STAR	87
THE SAULT STAR	26
MEDICINE HAT NEWS	14
THE EDMONTON JOURNAL	173
CALGARY HERALD	141
THE CITIZEN, PRINCE GEORGE	23
THE PROVINCE, VANCOUVER	155
THE SUN, VANCOUVER	248
THE KAMLOOPS NEWS	22
FINANCIAL TIMES OF CANADA	104



Thousands of youngsters earn and learn as carriers of Southam newspapers (above).

Pressmen bring the accumulated skills of centuries to the task of ensuring clear, consistent reproduction in today's newspapers (right).





The Calgary Herald's new Sunday edition makes it the third Southam paper to publish on Sunday.

newspapers' fortunes improved commensurately. Newspaper revenues grew 5.6 percent to \$535.7 million and operating income increased by 42.8 percent to \$73.8 million. For the year, the newspapers contributed 60 percent of total revenues and 81 percent of segment income.

The improvement in income resulted from tight controls on costs and from savings in newsprint, rather than from any significant growth in advertising linage or business volumes. Run of press advertising declined by almost three percent, while preprinted insert linage increased by 25 percent.

Total circulation of Southam newspapers was little changed in 1983, with increases in some markets offsetting slight declines in others. The economic recovery in 1983 was uneven. Newspapers in western Canada are still awaiting an improvement in their lagging economies. Those in Ontario and Quebec have been the quickest to recover. This turnaround has been greatly aided by the cooperation and enterprise of our newspaper staffs.

For years the company has benefited from a balance between complete editorial autonomy at the local level and the advantages of group ownership in the provision of head office support services. In 1983, the company formed a new head office unit, the Southam Newspaper group, to bring closer co-ordination of head office support activities in the areas of marketing, operations and human resources.

William Carradine, senior vice-president, is responsible for the new group. Paul Wilson, former publisher of The Sun Times, Owen Sound, has moved to head office to become vice-president, newspaper marketing. He was replaced in Owen Sound by John Doherty, former editor of The Spectator in Hamilton. Clark Davey, former publisher of The Sun, Vancouver, became publisher of The Gazette in Montreal, replacing Robert McConnell. The new publisher of The Sun is E.H. (Bill) Wheatley, who also is president of Pacific Press.

Prospects for 1984 appear good if the recovery continues. Forecasts are for Canadian advertising expenditures to increase by eight percent in 1984. Given continued control of costs, we look forward with some optimism to the coming year.



Quality adjustments are made continuously throughout every day's press runs.



SOUTHAM PRINTING LIMITED

Our largest subsidiary, Southam Printing Limited, is a major factor in the industry with 12 manufacturing plants located in Montreal, Granby, Toronto, Winnipeg, Regina, Calgary and Vancouver.

The effect of the recession on the printing industry carried over into 1983. While over-capacity in the industry affected profit margins, our major printing divisions were able to achieve satisfactory sales gains and improved market share. The sales of Trivial Pursuit, which we printed and assembled, contributed significantly to volume and income. Revenues of \$207 million were 23 percent higher than in 1982.

The year's performance was made possible by experienced leadership and the enthusiastic support of employees in every division. Divisional management is encouraged to take an entrepreneurial approach in responding to the specific needs of customers in the individual markets.

During 1983 Southam Printing invested an additional \$11 million to improve manufacturing facilities, and in 1984 it has budgeted for \$25 million.

Most of the company's manufacturing personnel are unionized, and labour relations have been satisfactory. The settlements during the year reflected some recognition of the difficult economic climate.

There has been a continuing trend toward specialization in the industry, and our plants are equipped to take advantage of it. In this respect, it is significant to note how broad an impact Southam-produced printed materials have on the lives of Canadians from coast to coast, virtually every day.

For example, Southam magazines are printed in Montreal, Weston, Winnipeg, Calgary, and Vancouver, and are read by audiences in every corner of the country. Notable among these are TV Times and TV Guide, the latter thirty-five percent owned by Southam. TV Times has the highest circulation in the Canadian



(Thousands)	1983	1982
Revenue	\$207,452	\$169,118
Operating income	14,676	14,878
Capital expenditures	11,329	4,764

Trivial Pursuit, enjoyed by hundreds of thousands of Canadians and En Route magazine (above) typify the wide range of specialized printing done in Southam's printing plants.



Cartons and packages printed in Southam plants line the shelves of stores throughout Canada.

consumer magazine field, and TV Guide is the second largest television magazine.

Five of our strategically located plants produce preprints and newspaper inserts. The influence of these on the buying habits of vast numbers of Canadian consumers continues to grow.

Full-colour catalogues are produced for retailers and manufacturers by Southam plants in Montreal, Weston, Mississauga, Winnipeg and Vancouver.

Retailing and merchandising are major markets for Southam products as well. For example, millions of “money-off” coupons, so important in modern retailing, are printed by Southam, as are labels for Canada’s food and beverage industry. Folding cartons for the cosmetics industry are another important item in the Southam specialty line — and even the Christmas card or the birthday message sent to family or friends is likely to be a Southam product.

Canadian business and commerce also utilize the services of Southam Printing. Many Canadian firms call on the facilities of Southam Printing to publish their annual reports. Furthermore, business forms continue to flow in increasing volume from plants in Candiatic, Toronto and Vancouver. In February, 1984, we added to our capacity by buying Paragon Business Forms Limited, with plants in Granby, Toronto and Regina. It is our intention to continue to expand our penetration of this market as opportunities arise. We believe Southam Printing is well placed to take advantage of future market growth.



Southam Printing executives: (seated left to right) Jim Hewitt, Jack Crawford, Frank Lipari; (standing) Brian Payne, George Smith, John Morris, Ken Jones, Don Townsend, Ron Chase, André Beaudet.



Advertising supplements and catalogues are a major force in modern retailing and an important part of the company's business.



SOUTHAM COMMUNICATIONS LIMITED

Southam Communications serves business, government and the professions with a wide range of special information products and services, including 50 trade publications, 63 trade and consumer shows, 14 newsletters and loose-leaf services, trade papers, seminars, conferences, direct marketing (mail) services and audio-visual products.

Revenues for 1983 were relatively stable at \$49.4 million, but operating income declined significantly from \$3.9 million to \$2.3 million.

Trade publication advertising volume and revenue remained under pressure in 1983. The recession in the forestry, petroleum and mining fields adversely affected the performance of most of the magazines in those markets. The publications in the medical, professional and administrative fields, through strong efforts, were able to offset part of the decrease. Toward the end of 1983 there were some signs of general improvement, and we look forward to further strength in advertising sales in 1984.

Trade shows continued to outpace the economy, with increased revenue and operating income after adjusting for biennial shows. This division operates 57 shows in Canada, and through its U.S. division runs six shows. Among trade shows, the Spring and Fall Gift Shows across Canada and the Graphic Arts Show in Montreal represent our most successful shows. The National Home Show, which we manage, is the most successful consumer show. In 1984 the show division is expected to have a record year and we anticipate opening at least ten more trade shows in the United States.

Several other operations of the company are worthy of mention. Daily Commercial News, a construction industry newspaper serving Eastern Canada, produced excellent results despite the general weakness in the construction industry. Panex Show Services, which provides display facilities for trade shows, produced an excellent profit in spite of strong competition. Southam Building Reports, a custom



(Thousands)	1983	1982
Revenue	\$49,360	\$50,550
Operating income	2,306	3,936
Capital expenditures	1,410	2,321

Southam's specialized publications such as Engineering & Contract Record form an integral part of the work life of professionals in a wide range of industries (left). Southam Direct Marketing Services bring advertising information, premiums and coupons (above) into Canadian homes.



Scott's Directories are an invaluable industrial reference source (above). Trade shows organized by Southam experts attract millions of visitors in Canada and the U.S.





construction news reporting service, increased its profits for the fifth consecutive year.

Southam Direct Marketing Services, which packages and distributes advertising and promotional material by mail to Canadian businesses and households, showed overall improvement despite the one-time costs of closing down its office in Ottawa.

During the year a number of changes in senior management took place. The company's chairman, E. J. Mannion, and its president, S. J. Cohen, resigned to pursue other interests. G. W. Funston retired as vice-president, Information Services. It is expected that a new chief executive officer will be named in 1984.

Late in 1983 the company purchased the assets of Wadham Publishing Limited, which produces 13 magazines and four trade shows in the automotive, pension and insurance fields. Wadham's operations complement existing Southam magazine and trade show activities. Most of their magazines and trade shows are leaders in their market sectors.

With the acquisition of Wadham Publishing Limited, the company started 1984 in a positive manner. The restoration of profits previously enjoyed by Southam Communications will require emphasis on improving the quality of our products and services and concentration on personnel training and motivation.

Southam's business publications provide highly-specialized information to hundreds of thousands of Canadians in a wide variety of professions, industries and trades.





COLES BOOK STORES LIMITED

After a very difficult year in 1982, Coles' management team was committed to demonstrate that the company could show improved results and did have the earning potential to justify our original confidence in its future. Operating income rebounded from a loss of \$6.1 million in 1982 to a profit of \$655,000 in 1983. A 12.4 percent increase in retail sales to \$93.5 million strengthened Coles' position as the largest book retailer in Canada.

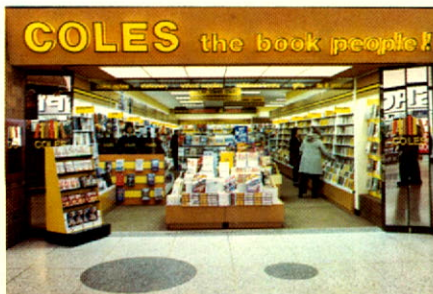
The 1983 inventory count and valuation required no write-downs. Inventory is now well controlled and conservatively valued.

The Coles management team's accomplishments were much more significant than the increase in profitability indicates. The company's marketing department has successfully implemented a new buying program. Stores have been refurbished, revitalized and reorganized to utilize more effectively retail selling space. The stores have been given a more distinctive, open look. Inventories of books in the stores have been reduced. Computer systems have been reworked to give more timely, relevant management statistics for quicker retail decision making. An effective cash management system was introduced which carefully monitors the inflow and outflow of cash to improve the company's working capital position.

These actions have restored consumer and management confidence in the company. We have a highly motivated, aggressive management ready to produce better results in 1984 and subsequent years.

With the efforts of management, Coles has demonstrated that it is still the leader in book retailing in Canada. There are 234 store locations, with 174 in Canada and 60 in the United States. The number of stores is expected to increase only marginally over the next year, as management concentrates on the ongoing refurbishing program which will increase the retail effectiveness of existing stores.

The enhancement of existing computer operations will give management even



(Thousands)	1983	1982
Revenue	\$93,531	\$83,177
Operating income	655	(6,108)
Capital expenditures	1,616	1,329

Coles, Canada's leading bookseller, has undertaken a major program to refurbish and modernize its 234 Canadian and American stores.



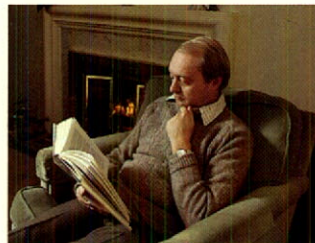
*Coles executives:
(left to right) Len Berger,
Rick Terry, Mike Henthorne,
John Maynard, Bill Ardell,
Tom Bryden, Steve Levitan.*

better inventory control. The installation of a computer network linking all retail outlets to central computers in the latter part of 1984 will add to the control over all operations.

Service in the stores will also be improved through the upgrading of retail training programs. Our staff will become more visible in the stores through the introduction of uniforms. The new buying program will increase in-store staff's knowledge of the books in the stores.

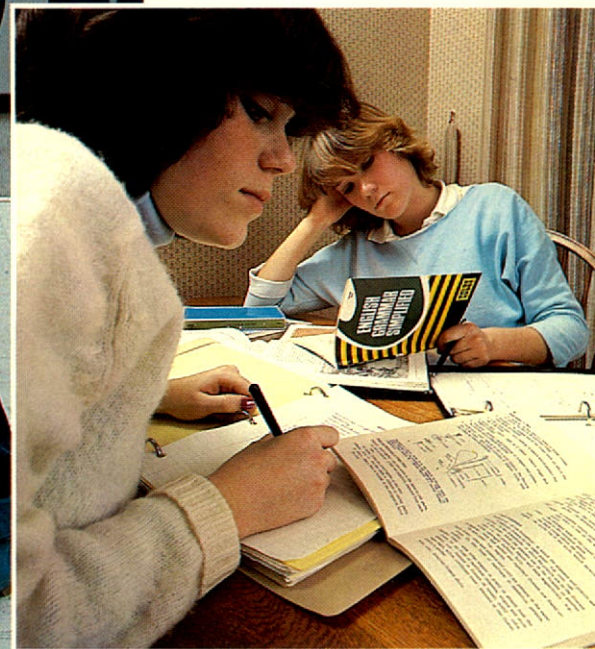
During 1983, Coles introduced a program of "Search for Excellence" and a store managers' incentive program. These programs were successful as staff motivation tools. They will be carried forward into 1984 in an effort to surpass the significant achievements of 1983.

Coles' fiscal year which ended in October closed on a strong note. The first quarter of 1984, November through January, reflected sales increases of 26 percent, an excellent start for the year.





The thousands of titles in Coles stores are arranged by subject and interest groups for maximum shopping convenience (left). Coles Notes have been an important aid for Canadian students for more than three generations (below).



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 Extra Absorbent, Soft Woven Terry
Dundee[®]
 30 x 36 IN (76.2 x 91.4 CM)

National Express

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 1,000 locations, pages 4-5.
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 Savings, page 9.
 Series, page 18.

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 Special Standard and Poor's Financial Section
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SB/OS8400
 PEEL BACK FOR NEWS OF THE EXTRA
SUPER BONUS
 PEEL HERE
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 BLE FOR THE SUPER BONUS

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RABBIT CARTOON FUN
 YOU WIN!

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 WIN \$100,000
 WIN \$25,000
 WIN \$10,000
 WIN \$5,000
 WIN \$1,000
 WIN \$500
 WIN \$250
 WIN \$100
 WIN \$50
 WIN \$25
 WIN \$10
 WIN \$5
 WIN \$1

enjo
Hot Stuff

DITTLER BROTHERS, INCORPORATED

In October, 1983, Southam purchased Dittler Brothers, Incorporated and a small affiliated company, Production Colour, Inc., located in Atlanta, Georgia. Dittler is the major producer of “scratch-off” lottery tickets and airline schedules in the United States. It is a leading printer of hotel, motel and travel guides as well as promotional consumer products. Production Colour specializes in ink production, particularly of the “scratch-off” variety.

Dittler has four printing locations, a sales office in New York and the ink production plant in Atlanta. The printing plants are located in Georgia, Michigan and New York states.

Dittler was founded in 1903 to print railway tickets and undertake other aspects of commercial printing. In 1974, under the direction of Gilbert Bachman, the company became employee-owned and set out to capture specific, highly specialized segments of the printing industry through aggressive marketing and printing expertise.

The company developed a sophisticated computer network to provide over 70 percent of the airline companies in the United States with timetable information and printing. It then expanded the technology to cover hotel and motel guides as well as freight and truck companies’ timetables.

The company also developed sophisticated computer programs and printing processes to produce promotional games which were correctly “seeded” with winning tickets without fear of detection before redemption. Proprietary rights to the formula for “scratch-off” inks assisted Dittler and led it into the “scratch-off” lottery ticket business in which it has a 70 percent market share.

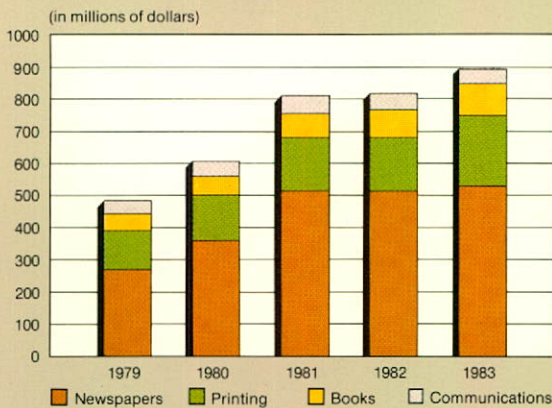
During 1983, Dittler moved into new premises in Oakwood, Georgia. Moving costs and training of new staff had a detrimental effect on operations and a small loss was recorded in the November, December period. Some increased costs related to the startup of a new plant will continue in the first part of 1984.



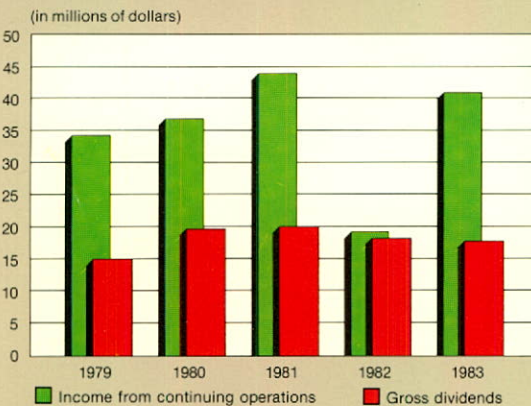
*Dittler's specialized printing skills dominate the American market for such materials as airline schedules and "scratch-off" lottery and promotion materials.
Shown above are Dittler executives Wayne Harrell (left) and Gilbert Bachman.*

FINANCIAL REVIEW

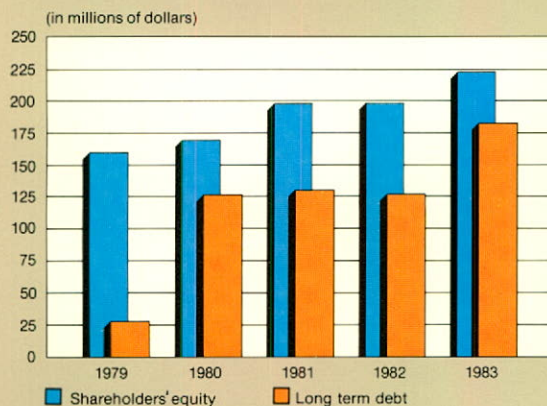
Revenue from operations



Income from continuing operations



Capitalization



Income

Income before extraordinary items was \$40.6 million, an increase of 137.4 percent from the \$17.1 million earned in 1982. Earnings per share before extraordinary items were \$3.21 in 1983 compared to \$1.36 in 1982, but were still below the \$3.37 achieved in 1981.

Final net income for 1983 increased to \$41.2 million or \$3.26 per share including an extraordinary item of \$640,000 resulting primarily from the company's share of a gain on the sale of investments by Selkirk Communications Limited.

Revenue increased 10.9 percent to \$898.3 million, partly due to the inclusion of two months of operating results of Dittler Brothers, Incorporated, a 9.9 percent increase in the revenue from Canadian printing operations and a 12.4 percent increase in Coles' revenue. Newspaper revenues increased 5.6 percent to \$535.7 million on a total lineage increase of 3.2 percent.

Interest expense decreased from \$30.3 million in 1982 to \$18.9 million in 1983 on lower debt levels throughout most of the year and lower interest rates. Interest expense in 1983 amounted to 20.7 percent of operating income before interest and income taxes, compared with 47.1 percent in 1982.

Segment operating income increased 41.8 percent from \$64.4 million to \$91.3 million, mainly due to a 42.8 percent increase in newspaper contribution. Although newspaper revenue increased 5.6 percent, costs were up only 1.4 percent, due to a 12.0 percent decline in newsprint expense and an 8.1 percent decline in newsprint usage. Printing income declined 2.5 percent to \$14.5 million reflecting a small two month loss at Dittler Brothers, the result of start up costs of a new printing plant.

Dividends paid per common share were \$1.40 representing a 43 percent payout of net income. The common dividend increased to the former 40 cents per quarter rate for the last two quarters of the year as the company returned to its policy of paying out approximately 40 percent of net income as dividends.

Financial Position

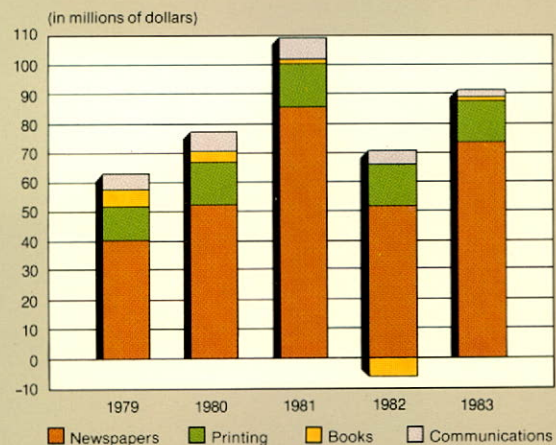
Total assets at December 31, 1983 were \$632.6 million compared to \$514.7 million at the end of 1982. The main reason for the increase results from the acquisition of Dittler Brothers for \$67.6 million (Canadian). Total debt at the end of 1983 was \$230.5 million compared to \$193.4 million at the end of 1982. Although total debt outstanding increased \$37.1 million over one year ago, this increase includes the funds required to acquire Dittler Brothers and assume its existing debt obligations, which at December 31, 1983 amounted to approximately \$16 million. Total debt at the end of 1983 was equal to 103 percent of shareholders' equity compared to 97 percent at the end of 1982. It is the company's intention in 1984 to issue fixed rate debt in the amount of approximately U.S. \$50 million and a similar amount in Canadian dollars. Proceeds will be used to repay floating rate debt which at December 31, 1983 was approximately 77 percent of total debt.

During 1983, the company redeemed the 18,225 preferred shares at \$100 per share. The company also issued 80,469 common shares as stock dividends but no common shares were repurchased for cancellation.

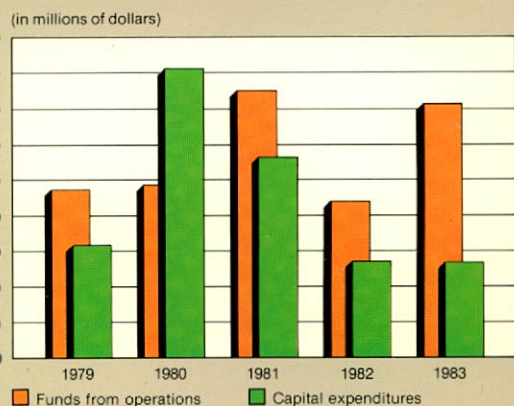
In 1983, working capital was derived from operations in the amount of \$71.4 million compared to \$44.0 million in 1982, and \$49.5 million from a net increase in long term borrowings. The most significant use of working capital was acquisitions which accounted for \$71.8 million. Additions to fixed assets utilized \$27.3 million of working capital in 1983 and \$14.4 million was used for cash dividends.

Final net income in 1983 represented an 18.3 percent return on historical equity compared to 10.3 percent in 1982, and 22.7 percent in 1981. Using the Southam method, the return on equity adjusted for inflation was 7.4 percent compared to 4.1 percent in 1982 and 9.8 percent in 1981. Our publicly stated objective is to earn a minimum of 12 percent on equity. A discussion of our 1983 results adjusted for inflation is included on page 39.

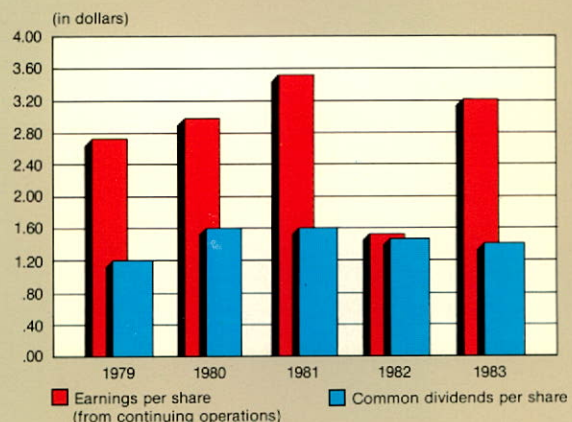
Segment income



Capital expenditures



Earnings per share



SUMMARY OF ACCOUNTING POLICIES

December 31, 1983

The principal accounting policies followed by Southam Inc. 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.

Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiaries of which the more substantial are Southam Printing Limited, Southam Communications Limited, Coles Book Stores Limited, Pacific Press Limited and Dittler Brothers, Incorporated. The accounts of Coles are consolidated on a two month delay basis for its fiscal year ended in October. The results of operations of subsidiaries are included in the consolidated financial statements from the dates of acquisition of control.

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. Retail merchandise is valued at the lower of cost and net realizable value less normal profit margin.

Associated Businesses

The company follows the equity method of accounting for all associated businesses and accordingly, the equity in earnings attributable to these investments is included in income. Goodwill included in investments in associated businesses is accounted for in conformity with the method set out below.

Fixed Assets

Land, buildings, machinery and equipment and leasehold improvements are stated at cost. Depreciation is provided primarily on a straight line basis, using rates of 2½ percent per annum for buildings and 10 percent per annum for machinery and equipment. Leasehold improvements are amortized over the term of the applicable lease.

When fixed assets are disposed of, 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.

Goodwill

Goodwill is recorded as an asset to be systematically amortized by charges to earnings over periods not to exceed 40 years.

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.

The federal investment tax credit has been deferred and is being amortized over the depreciable life of the related fixed assets.

Translation of Foreign Subsidiaries Financial Statements

The financial statements of self-sustaining foreign subsidiaries are translated using the current rate method whereby assets and liabilities are translated at year end rates of exchange and revenue and expense items at the average exchange rate for the year. Exchange gains or losses in future years arising from the translation of the financial statements will be deferred and included in a separate component of shareholders' equity.

The financial statements of integrated foreign subsidiaries are

translated using the temporal method whereby monetary assets and liabilities are translated at year end rates, non-monetary items at historical rates, and revenues and expenses at the rate in effect on the transaction date. Gains and losses arising from the translation of the financial statements are included in net earnings except for unrealized gains and losses on long term monetary items, which are deferred and amortized over the remaining life of the respective assets and liabilities.

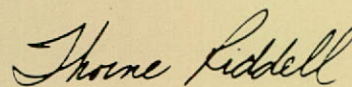
AUDITORS' REPORT

To the Shareholders of Southam Inc.

We have examined the consolidated statement of financial position of Southam Inc. as at December 31, 1983 and the consolidated statements of income, reinvested earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 3, 1984



Chartered Accountants

CONSOLIDATED STATEMENT OF INCOME

Year ended December 31

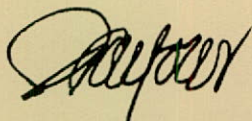
<i>(Thousands of dollars)</i>	1983	Percentage change	1982
Revenue from Operations			
Newspapers	\$535,706	+ 5.6	\$507,378
Printing	219,660	+ 29.9	169,118
Books	93,531	+ 12.4	83,177
Communications	49,360	- 2.4	50,550
	898,257	+ 10.9	810,223
Operating Expenses			
Salaries, wages and employee benefits	334,291	+ 11.6	299,533
Newsprint, paper and ink	189,163	+ 2.7	184,250
Other supplies and services	255,295	+ 7.9	236,570
Depreciation	25,958	+ 10.7	23,457
Amortization of goodwill	2,261	+ 11.7	2,024
Interest (note 6)	18,942	- 37.6	30,348
	825,910	+ 6.4	776,182
Operating Income before Income Taxes	72,347	+112.5	34,041
Income taxes			
Current	34,856		16,792
Deferred (reduction)	(1,074)		(1,150)
	33,782		15,642
Operating income	38,565	+109.6	18,399
Equity in net income of associated businesses (note 4)	2,029		567
Income from Continuing Operations	40,594	+114.0	18,966
Loss from discontinued operations of Today Magazine Inc. after income tax reductions of \$1,530,000			1,870
Income before Extraordinary Items	40,594	+137.4	17,096
Extraordinary items (note 9)	640		3,550
Net Income	\$ 41,234	+ 99.7	\$ 20,646
Earnings per Common Share			
From continuing operations	\$ 3.21		\$ 1.51
Before extraordinary items	\$ 3.21		\$ 1.36
After extraordinary items	\$ 3.26		\$ 1.64
Average Number of Common Shares Outstanding	12,613,402		12,526,369

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

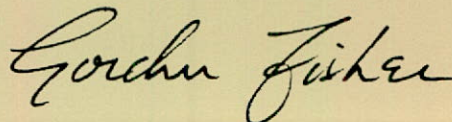
December 31

<i>(Thousands of dollars)</i>	1983	1982
Current Assets		
Accounts receivable	\$127,048	\$100,604
Inventories (note 3)	77,406	66,426
Prepaid expenses	5,027	4,249
	<u>209,481</u>	<u>171,279</u>
Deduct		
Current Liabilities		
Bank loans and commercial paper (note 6)	39,534	66,788
Accounts payable and accrued liabilities	101,457	65,793
Income taxes	21,482	3,349
Deferred revenue — subscriptions and rentals	13,924	11,665
Long term debt due within one year (note 6)	7,307	683
	<u>183,704</u>	<u>148,278</u>
Working Capital	25,777	23,001
Add		
Investments		
Associated businesses (note 4)	42,625	40,381
Other investments	1,820	2,298
Fixed assets, less accumulated depreciation (note 5)	282,697	234,287
Advances — employee stock purchase plan	705	1,236
Goodwill	95,264	65,265
Capital Employed	448,888	366,468
Deduct		
Long term debt (note 6)	183,649	125,965
Deferred income taxes	40,472	40,787
	<u>224,121</u>	<u>166,752</u>
Shareholders' Equity	<u>\$224,767</u>	<u>\$199,716</u>
Derived from		
Capital stock (note 8)		
Preferred shares — 5 percent cumulative, convertible, voting, redeemable at \$100 per share Authorized and issued — Nil (1982 — 18,225 shares)		\$ 1,823
Common shares		
Issued — 12,656,570 shares (1982 — 12,576,101 shares)	\$ 15,975	12,608
Reinvested earnings	208,792	185,285
	<u>\$224,767</u>	<u>\$199,716</u>

Approved by the Board of Directors



St. Clair Balfour, Director



Gordon N. Fisher, Director

CONSOLIDATED STATEMENT OF REINVESTED EARNINGS

Year ended December 31

<i>(Thousands of dollars)</i>	1983	1982
Balance at Beginning of Year	\$185,285	\$182,872
Net income	41,234	20,646
	<u>226,519</u>	<u>203,518</u>
Deduct		
Dividends		
Preferred shares — 5 percent	72	91
Common shares — \$1.40 per share (1982 — \$1.45 per share)		
Cash	14,288	14,571
Issue of common shares (1983 — 80,469 shares, 1982 — 123,942 shares)	3,367	3,571
	<u>17,727</u>	<u>18,233</u>
Balance at End of Year	\$208,792	\$185,285

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31

<i>(Thousands of dollars)</i>	1983	1982
Working Capital Derived from Operations	\$ 71,449	\$ 44,002
Proceeds from sale of fixed assets	1,259	5,145
Long term borrowing	64,619	
Proceeds from sale of subsidiary		2,330
Mortgage receivable	920	9,050
	<u>138,247</u>	<u>60,527</u>
Working Capital Applied to Additions to fixed assets	27,298	27,398
Acquisition of subsidiaries, less working capital at date of acquisition (note 2)	71,759	
Long term debt repaid or currently payable	15,169	3,555
Dividends paid in cash	14,360	14,662
Goodwill purchased		4,217
Common shares purchased for cancellation		2,732
Investments acquired	5,062	4,751
Redemption of preferred shares	1,823	
	<u>135,471</u>	<u>57,315</u>
Increase in Working Capital	2,776	3,212
Working Capital at Beginning of Year	23,001	19,789
Working Capital at End of Year	\$ 25,777	\$ 23,001

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1983

(Tabulated dollars in thousands)

1. ACCOUNTING POLICIES AND SEGMENTED INFORMATION

The summary of accounting policies contained herein represents the principal accounting policies applied in preparation of these consolidated financial statements.

Additional segmented information supplementing that set out in these consolidated financial statements is provided herein. The directors of the company have determined the various classes of business for the company and its principal subsidiaries on the following basis:

Newspapers	Southam Inc. and Pacific Press Limited
Printing	Southam Printing Limited and Dittler Brothers, Incorporated
Books	Coles Book Stores Limited
Communications	Southam Communications Limited

2. ACQUISITIONS

Effective October 31, 1983, the company acquired Dittler Brothers, Incorporated, a manufacturer of specialty printing products, based in Atlanta, Georgia, and an affiliated company. The purchase price was approximately U.S. \$55 million including U.S. \$5 million 10 percent notes due in 1986. An additional U.S. \$5 million plus 10 percent interest is payable over the next three years contingent upon sales and earnings levels during that period.

During the year, Southam Communications Limited acquired businesses in the magazine publishing and direct mail operation.

The acquisitions have been accounted for by the purchase method and the results of operations from the acquisition dates have been included in the consolidated financial statements.

A summary of the business acquisitions follows:

Net assets acquired, at fair values:

Working capital	\$ 1,175
Fixed assets	48,234
Other long term assets	178
Goodwill	32,340
Less: Long term debt	(8,234)
Deferred income taxes	(759)
Purchase price of net assets acquired	\$72,934

3. INVENTORIES

	1983	1982
Materials and supplies	\$31,175	\$24,277
Work in process	9,901	9,830
Finished goods	3,378	2,384
Retail merchandise	32,952	29,935
	\$77,406	\$66,426

4. INVESTMENTS IN ASSOCIATED BUSINESSES

	Percent interest	Carrying value 1983	1982
Newspaper and publishing			
Sun Publishing Company, Limited (Brandon)	49	\$ 698	\$ 542
Kitchener-Waterloo Record Limited	48	5,925	5,050
TV Guide Inc.	35	10,467	11,569
Electronic communications			
Selkirk Communications Limited (note 7(d))			
A (non-voting)	37		
B (voting)	20	20,173	18,236
Infomart	50	3,726	3,750
Other		1,636	1,234
		\$42,625	\$40,381

Goodwill amounting to \$7,100,000 is included in the amounts above.

Dividends received from associated businesses amounted to \$3,520,000 (1982 — \$1,468,000).

5. FIXED ASSETS

	1983	1982
Land	\$ 21,239	\$ 18,415
Buildings	119,123	103,812
Machinery and equipment	283,713	227,707
Leasehold improvements	10,893	10,333
	434,968	360,267
Less accumulated depreciation	152,271	125,980
	\$282,697	\$234,287

6. LONG TERM DEBT

Certain indebtedness has been classified as long term since the company intends to use a portion of available term banking arrangements to refinance these borrowings. These arrangements provide that the company may borrow up to \$100,000,000 to be repaid from 1988 to 1997 and up to \$45,000,000 (U.S. or Canadian dollars) to be repaid in 1985.

Southam Inc.	1983	1982
Bank loans	\$ 34,687	\$ 78,462
Commercial paper	82,851	87,149
Notes payable, due 1988, 12 percent	21,000	
Perpetual redeemable 5 percent debentures	238	248
Subsidiary companies		
Bank loans	10,764	18,263
Debentures, due 1986, 11 percent	6,000	6,000
Other	2,097	3,314
Bank loans (U.S. \$47,270)	58,823	
Notes payable, due 1986, 10 percent (U.S. \$5,000)	6,222	
Other (U.S. \$6,274)	7,808	
	230,490	193,436
Deduct portion included in current liabilities		
Bank loans and commercial paper	39,534	66,788
Other	7,307	683
	46,841	67,471
	\$183,649	\$125,965

Interest on bank loans fluctuates with bank prime and the commercial paper has an average rate at December 31, 1983 of 9.6 percent. The bank loans may be repaid at any time.

7. COMMITMENTS AND GUARANTEE

- (a) Capital expenditures in 1984 are estimated at \$54,000,000 of which \$35,000,000 has been approved by the company.
- (b) Coles Book Stores Limited has obligations under long term operating leases for retail outlets and warehousing facilities extending for various periods to the year 2000. The minimum aggregate rentals under these leases amount to approximately \$51,441,000 of which payments required in each of that company's next five years are 1984 — \$8,809,000, 1985 — \$8,225,000, 1986 — \$7,402,000, 1987 — \$6,502,000, 1988 — \$5,380,000.
- (c) The company has guaranteed indebtedness amounting to \$2,000,000 in connection with its interest in Infomart.
- (d) In connection with a public offering by Selkirk Communications Limited of units consisting of one Class A non-voting share and one-half of a Class A Share Purchase Warrant, the company concurrently purchased in February, 1984, units for \$13,440,000 to maintain its holding of Class A non-voting shares at approximately 37 percent.

**8. CAPITAL STOCK
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 both the number of shares outstanding and the paid up capital attributable thereto. This restriction ensures that the company will continue to have Canadian status so that advertisers may deduct, for income tax purposes, the cost of advertising in any of its publications.

PREFERRED SHARES

During the year the preferred shares were redeemed by the company at \$100 per share plus accrued dividends.

COMMON SHARES

The directors may determine whether to pay dividends in cash or by issuing fully paid common shares and which shareholders have the right to elect to receive such dividends in shares.

The directors have determined that shareholders

who come within the "constrained class" or who are indebted in respect of shares included in the Employee Stock Purchase Plan are ineligible to receive stock dividends on such shares.

SUMMARY OF SHARE TRANSACTIONS FOR THE YEAR

	Preferred		Common	
	Shares	Amount	Shares	Amount
Issued at January 1, 1983	18,225	\$1,823	12,576,101	\$12,608
Stock dividends			80,469	3,367
	18,225	1,823	12,656,570	15,975
Preferred shares redeemed	18,225	1,823		
Issued at December 31, 1983	Nil	Nil	12,656,570	\$15,975

9. EXTRAORDINARY ITEMS

	1983	1982
Equity in extraordinary items of associated businesses	\$ 640	\$ 912
Gain on sale of land after income taxes of \$391,000		1,063
Gain on sale of subsidiary after income taxes of \$400,000		1,575
	\$640	\$3,550

10. PENSION PLANS

The company and its subsidiaries have voluntary contributory pension plans available to substantially all full time employees.

Current service costs are charged against earnings and amounted to \$4,972,000 in 1983 (1982 — \$4,379,000). Net assets of the plans at December 31, 1983, were \$178,319,000 (1982 — \$151,463,000).

The actuarial valuations of December 31, 1982, indicated that there were no unfunded liabilities as of that date. Management is of the opinion that no material unfunded liabilities exist at December 31, 1983.

SUPPLEMENTARY SEGMENTED INFORMATION

<i>(Thousands of dollars)</i>	Newspapers	Printing	Books	Communi- cations	Total Consolidated
1983					
External sales	\$535,706	\$219,660	\$ 93,531	\$ 49,360	\$898,257
Intercompany sales	841	15,133			15,974
	<u>\$536,547</u>	<u>\$234,793</u>	<u>\$ 93,531</u>	<u>\$ 49,360</u>	914,231
Consolidating adjustments					(15,974)
Operating revenue					<u>\$898,257</u>
Gross income	\$ 92,427	\$ 20,333	\$ 3,139	\$ 3,609	\$119,508
Depreciation	17,688	5,415	1,816	1,039	25,958
Amortization of goodwill	918	411	668	264	2,261
Segment income from continuing operations	<u>\$ 73,821</u>	<u>\$ 14,507</u>	<u>\$ 655</u>	<u>\$ 2,306</u>	91,289
Interest					18,942
Income taxes					33,782
Operating income					<u>\$ 38,565</u>
Current assets	\$ 79,473	\$ 86,596	\$ 9,279	\$ 34,133	\$209,481
Fixed assets	174,550	91,558	10,673	5,916	282,697
Goodwill	54,326	30,514	779	9,645	95,264
Assets employed in operations	<u>\$308,349</u>	<u>\$208,668</u>	<u>\$ 20,731</u>	<u>\$ 49,694</u>	587,442
Corporate assets					45,150
Total assets					<u>\$632,592</u>
Additions to fixed assets	<u>\$ 11,682</u>	<u>\$ 12,590</u>	<u>\$ 1,616</u>	<u>\$ 1,410</u>	<u>\$ 27,298</u>
1982					
External sales	\$507,378	\$169,118	\$ 83,177	\$ 50,550	\$810,223
Intercompany sales	530	14,285			14,815
	<u>\$507,908</u>	<u>\$183,403</u>	<u>\$ 83,177</u>	<u>\$ 50,550</u>	825,038
Consolidating adjustments					(14,815)
Operating revenue					<u>\$810,223</u>
Gross income (loss)	\$ 69,347	\$ 19,545	\$ (3,805)	\$ 4,783	\$ 89,870
Depreciation	16,745	4,412	1,625	675	23,457
Amortization of goodwill	919	255	678	172	2,024
Segment income (loss) from continuing operations	<u>\$ 51,683</u>	<u>\$ 14,878</u>	<u>\$ (6,108)</u>	<u>\$ 3,936</u>	64,389
Interest					30,348
Income taxes					15,642
Operating income					<u>\$ 18,399</u>
Current assets	\$ 76,108	\$ 53,501	\$ 31,120	\$ 10,550	\$171,279
Fixed assets	180,991	37,286	10,915	5,095	234,287
Goodwill	31,516	2,088	25,421	6,240	65,265
Assets employed in operations	<u>\$288,615</u>	<u>\$ 92,875</u>	<u>\$ 67,456</u>	<u>\$ 21,885</u>	470,831
Corporate assets					43,915
Total assets					<u>\$514,746</u>
Additions to fixed assets	<u>\$ 18,984</u>	<u>\$ 4,764</u>	<u>\$ 1,329</u>	<u>\$ 2,321</u>	<u>\$ 27,398</u>

SUMMARIZED QUARTERLY FINANCIAL DATA

*(unaudited, in thousands of dollars
except per common share data)*

	1983 Quarter Ended				1982 Quarter Ended			
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
Revenue	\$211,741	219,359	203,481	263,676	205,891	208,192	177,742	218,398
Income (loss) from continuing operations	\$ 8,491	12,002	3,847	16,254	6,009	7,806	(5,443)	10,594
Income (loss) before extraordinary items	\$ 8,491	12,002	3,847	16,254	5,542	7,327	(5,938)	10,165
Net income (loss)	\$ 8,491	12,648	3,847	16,248	8,005	7,327	(5,938)	11,252
Per common share								
Income (loss) from continuing operations	\$.67	.95	.30	1.29	.48	.62	(.43)	.84
Income (loss) before extraordinary items	\$.67	.95	.30	1.29	.44	.59	(.48)	.81
Net income (loss)	\$.67	1.00	.30	1.29	.64	.59	(.48)	.89
Market price per common share								
High	\$ 38.25	44.50	48.25	49.50	38.50	35.00	29.00	32.00
Low	\$ 30.25	34.50	43.75	44.50	34.25	24.25	24.25	26.50

ALLOCATION OF REVENUE

Year ended December 31

<i>(Thousands of dollars)</i>	1983		1982	
Salaries and wages	\$304,007	33.85%	\$274,422	33.87%
Employee benefits	30,284	3.37	25,111	3.10
Newsprint, paper and ink	189,163	21.06	184,250	22.74
Other supplies and services	254,044	28.28	235,540	29.07
Community welfare donations	1,251	.14	1,030	.13
Depreciation and amortization	28,219	3.14	25,481	3.14
Interest	18,942	2.11	30,348	3.75
Income taxes	33,782	3.76	15,642	1.93
Dividends	17,727	1.97	18,233	2.25
Retained in company from operations	20,838	2.32	166	.02
Revenue from operations	\$898,257	100%	\$810,223	100%

ACCOUNTING FOR INFLATION AND RETURN ON INVESTMENT

The question of accounting for inflation has been a matter of broad discussion by the accounting profession and by industry for some years.

Commencing with 1983 fiscal year ends, the Canadian Institute of Chartered Accountants has recommended that companies provide supplementary information about the impact of changing prices on their operations and financial position. The recommendations recognize that current cost accounting is at an early stage of development and accordingly encourage public companies to seek measuring techniques best suited to their situations.

Since 1975 Southam has reported results using an internally developed and less complex measure of inflationary effects. In general terms this has involved the restatement of shareholders' equity in current dollars. This allows the calculation each year of net income as a return on adjusted equity. This data is reported at the bottom of the ten-year review at the back of this annual report. In 1983 the return calculated in this way was 7.4 percent.

Defined broadly the CICA recommendations involve

the restatement of income rather than equity. The principal adjustments to income relate to the present or current values of inventories and fixed assets. When the income statement is appropriately adjusted a calculation of adjusted income as a return on historical equity is possible.

With the CICA's encouragement Southam applied the institute's techniques to 1983 figures using its definition of the "financial capital concept". This resulted in a net negative adjustment to income of \$27.6 million. The residual income attributable to common shareholders was \$13.6 million, a 6.1 percent return on historical equity.

It is the opinion of the directors that the majority of public companies do not consider the CICA recommendations are fully appropriate. The techniques proposed are complicated and not easily understood. The resulting figures depend too much on subjective judgment to be of real value to shareholders.

Accordingly we have continued our policy of including in the ten-year review the results of our own analysis rather than that recommended by the CICA.

GEOGRAPHIC DISTRIBUTION OF EMPLOYEES AND SHAREHOLDERS

	1983		1982	
	Employees	Shares Owned	Employees	Shares Owned
British Columbia	2,082	397,678	2,003	461,125
Alberta	2,013	469,464	2,045	582,179
Manitoba	248	66,409	264	74,780
Ontario	4,788	8,022,378	4,722	8,113,656
Quebec	1,513	3,475,367	1,487	3,120,857
U.S.A.	1,239	64,960	342	77,077
Other	187	160,314	154	164,652
Total	12,070	12,656,570	11,017	12,594,326

SOUTHAM INC.

Head Office

150 Bloor Street West,
Toronto, Ontario, M5S 2Y8
Telephone (416) 927-1877
Telex 06-23486

Subsidiaries

Canadian Publishers Company Limited
Coles Book Stores Limited
Coles The Book People Inc.
Dittler Brothers, Incorporated
Journal of Commerce Limited
McLaren, Morris and Todd Limited
Pacific Press Limited
Panex Show Services Ltd.
Paragon Business Forms Limited
Production Color, Inc.
Les Publications Eclair Ltée
Southam Communications Limited
Southam Communications Inc.
Southam Corporation
Southam Farwest Printing Limited
Southam Printing Limited
South-Times Publishing Limited (75%)
Vancouver Newspapers Limited
Videosurgery Limited

Newspapers

The Gazette, Montreal
The Citizen, Ottawa
The Nugget, North Bay
The Spectator, Hamilton
The Expositor, Brantford
The Sun Times, Owen Sound
The Windsor Star
The Sault Star
Medicine Hat News
The Edmonton Journal
Calgary Herald
The Citizen, Prince George
The Province, Vancouver
The Sun, Vancouver
The Kamloops News
Financial Times of Canada, Toronto

News bureaux

Ottawa	London
Halifax	Paris
Montreal	Tokyo
Toronto	Cairo
Calgary	Harare
Vancouver	Mexico City
Washington	

Newspaper advertising offices

Toronto, Montreal and representation in Vancouver and Ottawa

Operating printing divisions

Agency Press, Vancouver, British Columbia
Canadian Publishers, Calgary, Alberta; Winnipeg, Manitoba
Dittler Brothers, Atlanta, Georgia
Gazette Canadian Printing, Candiac, Quebec
McLaren, Morris & Todd, Mississauga, Ontario
Moreno Press, Oakwood, Georgia
Offset Print & Litho, Toronto, Ontario
Paragon Business Forms, Grandby, Quebec; Toronto, Ontario; and Regina, Saskatchewan
Southam Business Forms, Candiac, Quebec
Southam Farwest Printing, Burnaby, British Columbia
Southam Murray Printing, Toronto, Ontario
Southam Specialty Printing, Candiac, Quebec

Business publications

Administrative Digest
Automotive Marketer
Automotive Surveys of Canada
Atlantic Insurance Directory
Bath & Kitchen Marketer
Bodyshop
British Columbia Lumberman
Building Guide
Canadian Architect, The
Canadian Chemical Processing
Canadian Consulting Engineer

Canadian Doctor
Canadian Footwear Journal
Canadian Forest Industries
Canadian Industrial Equipment News
Canadian Mining Journal
Canadian Office Products and Stationery
Canadian Petroleum
Canadian Plastics
Canadian Transportation & Distribution Management
Canadian Travel News
Canadian Underwriter
Daily Commercial News & Construction Record
Eastern Trucker
Electrical Equipment News
Engineering & Contract Record
Engineering Times, The Executive
Genie-Construction
Gifts & Tablewares
Health Care
Heating, Plumbing & Air Conditioning
Jobber News
Jobber News Annual
Journal of Commerce
L'Automobile
Laboratory Product News
Meetings & Incentive Travel
Modern Medicine of Canada/ Medecine Moderne du Canada
Motor Truck
Operations Forestieres
Oral Health
Pensions & Benefits
Plomberie, Chauffage et Climatisation
Pool Industry Canada
Pulp & Paper Canada
Service Station & Garage Management
Shop
Toronto Insurance Directory
Water & Pollution Control

Annuals and directories

Canadian Highway Carriers Guide
 Canadian Medical Directory
 Canadian Mining Journal
 Reference Manual & Buyers' Guide
 Canadian Oil Register
 Canadian Plastics Directory & Buyers' Guide
 Canadian Pool & Patio Consumers Handbook
 Canadian Ports & Seaway Directory
 Corpus Administrative Index
 Corpus Almanac & Canadian Sourcebook
 Hazardous Waste Management Handbook
 Manuel de Construction du Québec
 Occupational Health & Safety Index
 Ontario Building and Construction Handbook
 Pulp & Paper Canada Annual & Directory
 Scott's Industrial Directories
 Yardsticks for Costing

Newsletters and loose-leaf services

Agriweek
 Canadian Occupational Health and Safety News
 Canadian Occupational Safety and Health Law
 Corpus Chemical Report
 Corpus Plastics Report
 CPI Product Profiles
 Daily Oil Bulletin
 Eco/Log Canadian Pollution Legislation
 Eco/Log Week
 Energy Analects
 Energy Pricing News
 Ottawa Week
 Public Sector, The
 Report from Washington

Shows and exhibitions

Alberta General Merchandising Show (Fall)
 Alberta General Merchandising Show (Spring)

British Columbia Computer and Business Show
 British Columbia Forest Industries Equipment Exhibition
 Buffalo Computer and Industrial Technology Show
 Buffalo Home & Garden Show
 Calgary Home & Garden Show
 Calgary Home Improvement and Do It Yourself Show
 Calgary Spring Gift Show
 Canadian Environmental Exposition
 Canadian Institute of Plumbing & Heating Exposition
 Canadian International Automotive Show
 Canadian Mining Equipment Exhibition
 Canadian Underwriter
 Delaware Valley Computer & Industrial Technology Show
 Edmonton Alberta Computer and Business Show
 Edmonton Fall Gift Show
 Edmonton Home & Garden Show
 Edmonton Home Improvement and Do It Yourself Show
 Erie Computer & Business Show
 Forest Industries Equipment Exhibition
 Garden Festival
 Graphic Trade Show
 Industry Energy Exposition
 International Electrical, Electronics Conference & Exposition
 International Food & Wine Fair
 International Materials Handling & Distribution Show
 Investor's Marketplace
 ISA Instrument Show
 Kitchener-Waterloo Industrial and Business Show
 Lehigh Valley Computer & Business Show
 Louisville Computer Industrial Technology Show
 Maryland Home Show
 Mid South Better Living Show
 Mid South Computer & Business Show
 Michigan Oil Show
 Montreal Fall Gift Show

Montreal Spring Gift Show
 National Home Show
 National Petroleum Show
 Northern Ontario Industrial & Business Show
 Northlands Farm & Ranch
 Ontario Floorcovering Market
 Ottawa Industrial & Business Show
 Petrochem Processing Conference & Exhibition
 Philadelphia Home Show
 Photo & Travel Show
 Process Equipment & Instrumentation Show
 Rochester Computer & Business Show
 Sanitation & Maintenance Show
 Suburban New York Home & Garden Show
 Sudbury Better Living Show
 Toledo Industrial Exhibition
 Toronto Fall Gift Show
 Toronto Spring Gift Show
 Truckcan
 Vancouver Fall Gift Show
 Vancouver Home & Garden Show
 Vancouver Home Improvement & Do It Yourself Show
 Vancouver Island Business Show
 Vancouver Spring Gift Show
 Washington, D.C. Industrial Exhibition
 Western Ontario Business Computer Show and Seminar

Services

Avcor
 CanaData
 Consumer Power Package
 Corpus Editorial/Publishing Services
 Seminar/Conference Consultants
 Southam Building Reports
 Southam Direct Marketing Services
 Southam Direct Response
 Southam Product Cards
 Southam Reprint Sales
 Southam Sales Marketing Systems
 Southam Telephone Marketing
 Trade Show Consultants

DIRECTORS AND OFFICERS

Southam Inc.

Directors

St. Clair Balfour
chairman of the board

Gordon N. Fisher
president

George L. Crawford, QC
Priddis, Alberta

E. L. Donegan, QC
Toronto, Ontario

Hugh G. Hallward
Westmount, Quebec

J. Norman Hyland
Vancouver, British Columbia

Norman B. Keevil, Jr., Ph.D
Vancouver, British Columbia

Marnie Paikin
Burlington, Ontario

J. Jacques Pigott
Bolton, Ontario

Gaston Pouliot, QC
Town of Mount Royal, Quebec

G. Hamilton Southam, OC
Ottawa, Ontario

Wilson J. H. Southam
Stoney Creek, Ontario

Adam H. Zimmerman, FCA
Toronto, Ontario

Committees of the Board

Executive Committee

St. Clair Balfour
chairman

Gordon N. Fisher

George L. Crawford

Hugh G. Hallward

J. Norman Hyland

J. Jacques Pigott

Adam H. Zimmerman

Audit Committee

Adam H. Zimmerman
chairman

Hugh G. Hallward

J. Jacques Pigott

Human Resources Committee

Marnie Paikin
chairman

J. Jacques Pigott

Wilson J. H. Southam

Nominating Committee

George L. Crawford
chairman

Hugh G. Hallward

J. Norman Hyland

J. Jacques Pigott

Adam H. Zimmerman

Corporate Officers

St. Clair Balfour
chairman of the board

Gordon N. Fisher
president

William J. Carradine
*senior vice-president
Southam Newspaper Group*

John G. Craig, CA
vice-president, finance and secretary

Robert McConnell
*vice-president,
product development*

George L. Meadows, CA
*vice-president,
corporate development*

L. John Rothwell
*vice-president,
technical resources*

H. O. Thomasson
vice-president, human resources

E. Paul Wilson
*vice-president, newspaper marketing
Southam Newspaper Group*

John S. Martin, CA
corporate controller

J. Noel O'Halloran, CA
corporate treasurer

Margaret G. Shano
assistant secretary

Newspaper Officers

Gordon Bullock
*vice-president and publisher
The Windsor Star*

Donald H. E. Carlson
*vice-president and publisher
The Spectator, Hamilton*

William R. Dane
*publisher
The Sault Star*

Clark W. Davey
*vice-president and publisher
The Gazette, Montreal*

John G. Doherty
*publisher
The Sun Times, Owen Sound*

Gerald P. Haslam
*vice-president, Pacific Press Limited
publisher, The Province, Vancouver*

William Newbigging
*vice-president and publisher
The Edmonton Journal*

J. Patrick O'Callaghan
*vice-president and publisher
Calgary Herald*

Clifford C. Sharp
*publisher
The Nugget, North Bay*

Paddy Sherman
*vice-president and publisher
The Citizen, Ottawa*

Andrew W. Snaddon
*publisher
Medicine Hat News*

Bryson W. Stone
*publisher
The Citizen, Prince George*

David Tafler
*publisher
Financial Times of Canada*

James S. Thomson
*publisher
The Expositor, Brantford*

L. Rolf Timmermanns
*publisher
The Kamloops News*

E. H. Wheatley
*president and general manager,
Pacific Press Limited
publisher, The Sun, Vancouver*

Subsidiaries

Southam Printing Limited

Frederick Best
chairman of the board

D. G. Scott, FCA
director and president

John S. Crawford
director and senior vice-president

Andre Beaudet
vice-president and general manager
Specialty Printing and Business Forms
divisions

Ronald W. Chase
vice-president and general manager
Southam Murray Printing and
Gazette Canadian Printing divisions

C. G. J. Hewitt, CA
secretary-treasurer

Ken Jones, CA
vice-president, operations
Canadian Publishers division

Frank A. Lipari
vice-president, marketing

John Morris
vice-president
McLaren, Morris and Todd division

Brian Payne
vice-president, sales
Canadian Publishers division

Geo. D. Smith
vice-president and general manager
Agency Press division

T. Stevenson
general manager
Southam Farwest Printing division

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

E. L. Donegan, QC
director

Gordon N. Fisher
director

Hugh G. Hallward
director

G. L. Meadows, CA
director

J. Jacques Pigott
director

Dittler Brothers, Incorporated

Gilbert Bachman
chairman of the board and
chief executive officer

R. Wayne Harrell
director and president

James J. Breen
director and vice-president,
northeast region

Robert M. Hartman
director and president,
Moreno Press

W. G. Shockley
director and vice-president,
finance and treasurer

Toby Director
director and vice-president,
legal, administrative and secretary

Frederick Best
director

John G. Craig, CA
director

George L. Meadows, CA
director

D. G. Scott, FCA
director

Coles Book Stores Limited

Gordon N. Fisher
chairman of the board

William E. Ardell
director and president

L. A. Berger
vice-president, purchasing

Michael Henthorne, CA
secretary and director of finance

John C. Maynard, CA
vice-president, retail development

Frederick Best
director

Hugh G. Hallward
director

G. L. Meadows, CA
director

Marnie Paikin
director

Southam Communications Limited

G. L. Meadows, CA
chairman of the board

D. E. McClure
vice-president

G. G. Stewart
vice-president

C. Summerfield
vice-president

A. P. Varcoe, CA
vice-president, finance and secretary

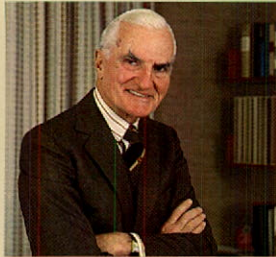
E. L. Donegan, QC
director

Gordon N. Fisher
director

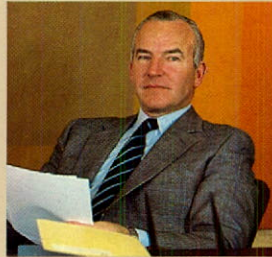
J. Jacques Pigott
director

Adam H. Zimmerman, FCA
director

DIRECTORS



St. Clair Balfour



Gordon N. Fisher



George L. Crawford, QC



Edward L. Donegan, QC



Hugh G. Hallward



J. Norman Hyland



Norman B. Keevil, Jr., Ph.D.



Marnie Paikin



J. Jacques Pigott, P.Eng.



Gaston Pouliot, QC



G. Hamilton Southam, OC



Wilson J. H. Southam



Adam H. Zimmerman, FCA

St. Clair Balfour

Chairman of the Board. Elected director 1953. Born Hamilton, 1910. BA (Toronto). Joined *The Spectator*, Hamilton 1931; publisher 1951; vice-president and managing director, Southam Inc. 1954; president 1961; chairman of the board 1975. Governor Toronto Stock Exchange, director Canadian Executive Service Overseas; director Canadian Institute of Advanced Research; member Governing Council University of Toronto.

Gordon N. Fisher

President. Elected director 1967. Born Montreal, 1928. B.Eng. (McGill). Joined head office of Southam Inc. as executive assistant 1958; assistant to the president 1962; vice-president 1965; vice-president and managing director 1969; president, 1975. Trustee, Toronto General Hospital, governor, Trinity College School, member, executive committee Business Council on National Issues.

George L. Crawford, QC

Elected director 1959. Associate of McLaws & Company. Born Edmonton, 1915. Called to Alberta Bar in 1939. Honorary Life Member Y.M.C.A. Past president Calgary Exhibition & Stampede. Director Canadian Utilities Ltd., Norwich Union Life Insurance Society, Selkirk Communications Limited, Continental Bank of Canada, IAC Limited and other Canadian companies.

Edward L. Donegan, QC

Elected director 1983. Partner, law firm Blake, Cassels & Graydon. Born Sudbury, Ontario, 1935. B.A. Sc. (Toronto), LL.B. (Toronto). Called to Ontario Bar in 1962. Director of a number of Canadian companies.

Hugh G. Hallward

Elected director 1974. President, Argo Construction Inc. Born Montreal, 1926. BA (McGill). Chairman, Board of Governors, McGill University; chairman, Board of Directors, Bishop's College School; and a director of a number of Canadian companies.

J. Norman Hyland

Elected director 1973. Corporate director. Born Vancouver, 1913. B.Comm. (U.B.C.). Chairman British Columbia Railway. Director MacMillan Bloedel Limited and a number of other Canadian companies.

Norman B. Keevil, Jr., Ph.D.

Elected director 1981. President and chief executive officer, Teck Corporation. Born Cambridge, Mass., 1938. Ph.D. (Berkeley). Director Lornex Mines Limited, The Mining Association of Canada, Expo 86 Corporation. Member National Advisory Council on Mineral Industry.

Marnie Paikin

Elected director 1978. Chairman, Ontario Council on University Affairs. Born Toronto, 1936. BA (University of Western Ontario), LL.D. (University of Toronto). Member, Inflation Restraint Board, Ontario Council of Health; trustee, Toronto General Hospital. Past chairman, Governing Council, University of Toronto; past chairman, Hamilton Place.

J. Jacques Pigott, P.Eng.

Elected director 1962. President, Maranjac Holdings Limited. Born Detroit, Mich., 1916. B.A. Sc. (Toronto). Director, Pigott Investments Ltd., North American Life Assurance Co., VG Trustco Ltd., Victoria & Grey Trust Ltd., Canadian Paraplegic Association.

Gaston Pouliot, QC

Elected director 1975. Senior Partner, law firm Pouliot, Dion, Guilbault, Caron, Prévost. Born Farnham, Quebec, 1922. Called to Quebec Bar in 1944. Director of a number of Canadian companies.

G. Hamilton Southam, OC

Elected director 1964. President, Canadian Mediterranean Institute. Born Ottawa, 1916. BA (Toronto). Joined *The Times of London* 1945; *The Citizen*, Ottawa 1946. Joined Department of External Affairs 1948; Secretary of Legation, Stockholm, 1949-1953; Charge d'Affaires and later Ambassador, Warsaw, 1959-1962. Co-ordinator National Arts Centre, Ottawa 1964, Director-General 1967-1977. Chairman Festival Canada 1977-1979. Chairman National Theatre School 1979-1981.

Wilson J. H. Southam

Elected director 1971. President and general manager, The Group at Cox. Born Calgary, 1932. BA (McGill), MA (Oxford). Reporter, *The Spectator*, Hamilton 1960. Canadian Broadcasting Corporation public affairs writer, director, producer, 1963-1966. Director, Dental Industry Association of Canada.

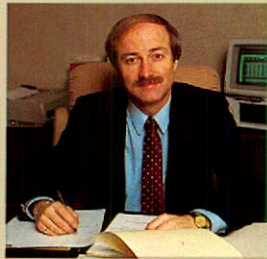
Adam H. Zimmerman, FCA

Elected director 1970. President and chief operating officer, Noranda Mines Ltd. Born Toronto, 1927. BA (Toronto). Chairman, MacMillan Bloedel Limited, James Maclaren Industries, Inc., Noranda Metal Industries Limited, Noranda Aluminum Inc; president Northwood Pulp and Timber Limited; vice-chairman, Fraser Inc., Canada Wire & Cable; director of several Canadian public companies. Trustee Hospital for Sick Children.

OFFICERS



William J. Carradine



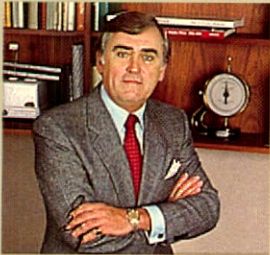
John G. Craig, CA



Robert McConnell



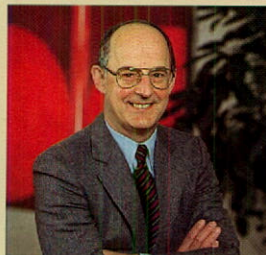
George L. Meadows, CA



L. John Rothwell, P.Eng.



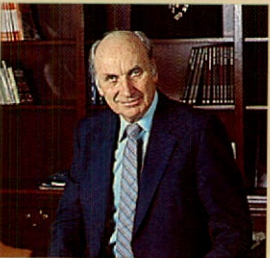
H. O. Thomasson



E. Paul Wilson



Gordon Bullock



Don Carlson



C. W. Davey



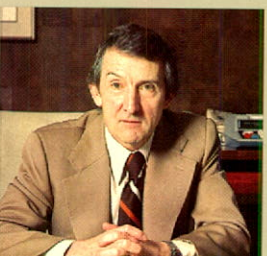
Gerald Haslam



William Newbigging



J. Patrick O'Callaghan



Paddy Sherman



E. H. Wheatley



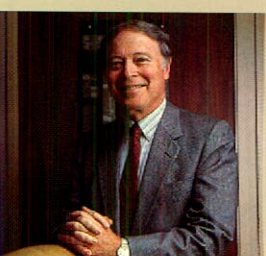
Fred Best



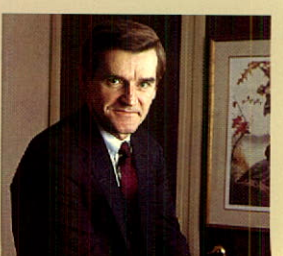
D. G. Scott, FCA



William E. Ardell



Gilbert Bachman



R. Wayne Harrell

Corporate

William J. Carradine
Senior vice-president — Southam Newspaper Group, 1983. Born Smooth Rock Falls, Ontario 1929. BA Journalism, MBA. Proctor & Gamble 1954. London Free Press 1968. Vice-president Southam Inc. 1972; senior vice-president 1980.

John G. Craig, CA
Vice-president, finance and secretary, 1981. Born Windsor, 1942. BA Business Administration. Deloitte, Haskins & Sells 1964. Multiple Access Ltd. 1969. Global Communications 1976.

Robert McConnell
Vice-president, product development, 1983. Born Vancouver, 1942. BA English, MA. The Province, Vancouver 1965; editor 1972; The Gazette, 1976; general manager 1977; assistant publisher 1979; vice-president and publisher 1979.

George L. Meadows, CA
Vice-president, corporate development, 1978. Born Toronto, 1938. BA (Toronto). Clarkson, Gordon 1963. Project Group of Canada Ltd. 1973. Secretary-treasurer Southam Communications 1974; vice-president and secretary-treasurer 1976; assistant to the president Southam Inc. 1977.

L. John Rothwell, P.Eng.
Vice-president, technical resources, 1972. Born England, 1927. Vice-president, engineering & production Southam Inc. 1972. Previously president Crabtree-Vickers Ltd.

H. O. Thomasson
Vice-president, human resources, 1982. Born England, 1921. The Spectator, Hamilton 1946; business manager, Calgary Herald 1970; general manager 1977.

E. Paul Wilson
Vice-president, newspaper marketing, Southam Newspaper Group, 1983. Born Collingwood, 1927. BA. Montreal Star, Globe & Mail. Southam Inc. 1962; advertising director The Province 1970; publisher Sun Times, Owen Sound 1975. Director Canadian Daily Newspaper Publishers Association.

Newspapers

Gordon Bullock
Vice-president and publisher, The Windsor Star, 1979. Born England, 1932. Various British newspapers 1949-1954. Daily News, Hamilton 1954. The Spectator, Hamilton 1957, managing editor 1966, executive editor 1970, business manager 1975, general manager 1976; assistant publisher The Edmonton Journal 1977.

Don Carlson
Vice-president and publisher, The Spectator, 1982. Born Edmonton, 1918. BA. Various newspaper editorial positions 1942-1954. James Lovick and Company 1954. Crown Zellerbach Canada 1955. Ford of Canada 1959. Publisher, Financial Times of Canada 1974.

C. W. Davey
Vice-president and publisher, The Gazette, 1983. Born Chatham, 1928. BA Journalism. Chatham News 1948. Northern Daily News 1951. Globe & Mail 1951; managing editor 1963. Publisher, The Sun, Vancouver 1978; vice-president, Pacific Press 1981.

Gerald Haslam
Publisher, The Province, 1982; vice-president Pacific Press 1983. Born England, 1945. BA Sociology. Broadcaster, Winnipeg 1969. The Winnipeg Tribune 1972; managing editor 1973; editor 1976. MacMillan Bloedel Ltd. 1977. Director, Videotex Services, Southam Inc. 1979.

William Newbigging
Vice-president and publisher, The Edmonton Journal, 1982. Born Toronto, 1939. The Edmonton Journal 1957; assistant to the publisher 1971; executive assistant to the publisher The Citizen, Ottawa 1973; general manager 1976; assistant publisher and general manager 1977; publisher 1978. Director, The Canadian Press, Canadian Daily Newspaper Publishers Association.

J. Patrick O'Callaghan
Vice-president and publisher, Calgary Herald, 1982. Born Ireland, 1925. Various British newspapers, 1947-1959. Red Deer (Alberta) Advocate 1959. Assistant to the publisher The Edmonton Journal 1968; executive editor Southam News 1969; executive assistant head office 1971; publisher The Windsor Star 1972; publisher The Edmonton Journal 1976. President Canadian Daily Newspaper Publishers Association.

Paddy Sherman
Vice-president and publisher, The Citizen, Ottawa, 1982. Born England, 1928. Various British Newspapers 1947-1952. The Province, Vancouver 1952; editor 1965; publisher 1972. Chairman, Canadian section, International Press Institute.

E. H. Wheatley
President and general manager, Pacific Press Limited, 1980; publisher The Sun, Vancouver, 1983. Born Calgary, 1927. Calgary Herald 1945; Toronto office Southam Newspapers 1950; national advertising manager Calgary Herald 1958; advertising director The Edmonton Journal 1960, assistant to the publisher 1970; publisher The Expositor, Brantford 1971; publisher The Windsor Star 1976; publisher The Winnipeg Tribune 1977. Director Audit Bureau of Circulations.

Southam Printing

Fred Best
Chairman, Southam Printing Limited, 1978. Born Germany, 1913. Canadian Printing & Lithographing Co. Ltd. 1945; general manager 1952; president 1960. President Offset Print & Litho Ltd. Vice-president and director Southam Printing 1972; president 1975. Director Southam Inc. 1978-1980.

D. G. Scott, FCA
President, Southam Printing Limited, 1980. Born Toronto, 1924. Thorne Riddell, 1942. Controller Southam Printing 1954, treasurer 1962, secretary-treasurer 1967, vice-president, finance and secretary 1975.

Coles Book Stores

William E. Ardell
President, Coles Book Stores Limited, 1983. Born Calgary, 1944. B.Comm. Spalding Canada 1968. Shakespeare Canada 1973. Graphic Web Ltd. 1979. Executive vice-president Coles Book Stores 1982.

Dittler Brothers

Gilbert Bachman
Chairman of the board and chief executive officer, Dittler Brothers, Incorporated, 1981. Born New York City, 1926. B.S. Mechanical Engineering. Dittler Brothers 1948; executive vice-president 1960; president 1966. President, Union Employers of America; Printing Industries of America Executive Committee.

R. Wayne Harrell
President and chief operating officer, Dittler Brothers, Incorporated, 1981. Born Tennessee, 1939. A.S. Business. Dittler Brothers 1966; vice-president, Dittler Airline Data Systems 1975.

TEN-YEAR REVIEW

(Thousands of dollars except where indicated*)

	1983	1982	1981
Income Statement			
Revenue from operations	\$898,257	\$810,223	\$808,106
Operating expenses	778,749	720,353	675,904
Interest expense	18,942	30,348	30,875
Depreciation and amortization	28,219	25,481	22,740
Operating income before income taxes	72,347	34,041	78,587
Income taxes	33,782	15,642	36,223
Operating income	38,565	18,399	42,364
Income from investments	2,029	567	1,371
Income from continuing operations	40,594	18,966	43,735
Extraordinary and other items	640	1,680	932
Net income	\$ 41,234	\$ 20,646	\$ 44,667
Financial Position			
Working capital	\$ 25,777	\$ 23,001	\$ 19,789
Fixed assets — net	282,697	234,287	234,792
Investments	44,445	42,679	48,557
Goodwill	95,264	65,265	62,972
Total assets	632,592	514,746	534,412
Long-term debt	183,649	125,965	129,520
Deferred income taxes	40,472	40,787	41,937
Shareholders' equity (historical)	224,767	199,716	196,464
Changes in Financial Position			
Funds provided from operations	\$ 71,449	\$ 44,002	\$ 75,318
Investments in: Business acquisitions	76,821	8,968	4,776
Additions to fixed assets	27,298	27,398	56,371
Dividends paid	17,727	18,233	20,009
Share Data			
*Net income per common share	\$ 3.26	\$ 1.64	\$ 3.58
*Dividends paid per common share	\$ 1.40	\$ 1.45	\$ 1.60
Percentage net income distributed	43.0	88.3	44.8
*Equity per common share	\$ 17.76	\$ 15.74	\$ 15.53
*Market value per common share — High	\$ 49.50	\$ 38.50	\$ 42.50
— Low	\$ 30.25	\$ 24.25	\$ 30.00
Average common shares outstanding (1,000's)	12,613	12,526	12,443
Number of common shareholders	3,989	4,347	4,603
Statistics			
Daily newspaper circulation — December (1,000's)	1,512	1,504	1,492
Advertising linage — newspapers (1,000's)	485,311	470,104	512,589
Tons of newsprint used (1,000's)	181	197	228
Number of employees	12,070	11,017	11,602
Salaries and wages paid	\$304,007	\$274,422	\$245,291
Employee benefits	\$ 30,284	\$ 25,111	\$ 21,752
Return on revenue (operating margin)	8.1	4.2	9.7
Return (net income) on historical equity	18.3	10.3	22.7
Equity — adjusted for inflation	\$553,703	\$498,968	\$453,953
Return (net income) on adjusted equity	7.4	4.1	9.8

1980	1979	1978	1977	1976	1975	1974
\$605,120	\$484,235	\$379,108	\$312,593	\$293,012	\$257,300	\$221,920
512,776	408,571	322,828	270,240	252,121	221,526	186,271
16,109	7,586	2,606	933	1,888	2,085	2,017
17,750	12,571	9,961	7,752	7,025	6,052	5,148
58,485	55,507	43,713	33,668	31,978	27,637	28,484
26,858	24,579	17,982	14,058	14,223	12,764	13,224
31,627	30,928	25,731	19,610	17,755	14,873	15,260
3,496	3,132	5,293	6,436	5,698	5,085	3,950
35,123	34,060	31,024	26,046	23,453	19,958	19,210
(5,734)	5,590	2,209		659	10,825	813
\$ 29,389	\$ 39,650	\$ 33,233	\$ 26,046	\$ 24,112	\$ 30,783	\$ 20,023
\$ 16,744	\$ 13,588	\$ 22,637	\$ 15,048	\$ 6,865	\$ 12,933	\$ 4,771
200,120	117,318	101,408	80,883	70,639	67,023	53,599
43,698	48,347	38,103	35,469	30,839	18,744	13,339
62,737	30,030	30,180	5,451	5,307	7,323	2,909
462,241	323,103	274,144	187,978	165,213	149,897	115,835
125,416	27,289	39,782	6,480	4,168	12,693	10,390
30,198	22,932	18,491	14,952	12,543	10,688	6,106
169,073	159,406	134,289	115,672	97,179	82,969	58,568
\$ 48,902	\$ 47,369	\$ 42,817	\$ 32,941	\$ 29,716	\$ 28,177	\$ 26,072
45,741	834	27,354	838	11,095	7,378	1,468
81,801	31,626	24,354	18,828	12,976	17,048	14,782
19,960	14,989	14,616	10,861	9,882	9,772	9,799
\$ 2.36	\$ 3.18	\$ 2.67	\$ 2.09	\$ 1.93	\$ 2.37	\$ 1.61
\$ 1.60	\$ 1.20	\$ 1.17	\$ 0.87	\$ 0.82	\$ 0.80	\$ 0.80
67.9	37.8	44.0	41.7	41.0	31.7	48.9
\$ 13.44	\$ 12.68	\$ 10.66	\$ 9.15	\$ 7.66	\$ 6.52	\$ 4.55
\$ 43.50	\$ 29.00	\$ 27.25	\$ 23.00	\$ 26.00	\$ 29.00	\$ 30.25
\$ 27.75	\$ 24.75	\$ 19.75	\$ 17.75	\$ 17.88	\$ 21.50	\$ 20.00
12,424	12,418	12,400	12,400	12,400	12,400	12,400
4,274	3,941	4,165	4,134	4,120	4,027	3,546
1,476	1,155	1,134	1,013	985	942	881
458,908	433,994	395,266	373,951	354,821	320,414	294,294
189	162	148	142	132	119	114
10,795	9,571	8,814	7,203	7,314	7,410	6,930
\$188,912	\$154,632	\$125,777	\$111,879	\$106,868	\$ 96,254	\$ 81,839
\$ 16,379	\$ 13,209	\$ 11,298	\$ 10,457	\$ 9,366	\$ 7,781	\$ 6,581
9.7	11.5	11.5	10.8	10.9	10.7	12.8
17.4	24.9	24.7	22.5	24.8	37.1	34.2
\$394,003	\$343,157	\$288,080	\$247,213	\$206,800	\$176,203	\$137,876
7.5	11.6	11.5	10.5	11.7	17.5	14.5

