

Southam Inc.

**Annual Report
1981**



Southam Inc.

a constrained share company (see note 9 page 20), incorporated under the Companies Act of Canada by Letters Patent dated December 7, 1927, and commenced business on January 1, 1928. The company was continued under the Canada Business Corporations Act on December 20, 1978. Since May 1945 the shares of the company have been listed on the Montreal, Toronto and Vancouver stock exchanges. Stock Transfer Agent, The Royal Trust Company; Stock Registrar, The Bankers Trust Company.

Annual general meeting

The annual general meeting of the shareholders of the company will be held at 11:00 a.m. on Thursday, April 22, 1982 in the Glenbow Museum Theatre, Convention Centre in Calgary, Alberta.

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Our cover

The new totally integrated plant of The Calgary Herald in the north-east corner of Calgary, Alberta.

On pourra se procurer le texte français de ce rapport annuel en s'adressant au secrétariat de la corporation, 321 est, rue Bloor, Toronto, Ontario M4W 1H3

The year's results at a glance

Consolidated, with comparative figures for 1980
(Thousands of dollars except where indicated*)

	1981	1980
Income		
Gross revenues	\$ 809,477	\$ 608,616
Gross expenses (excluding depreciation and amortization)	709,779	528,885
Depreciation and amortization	22,740	17,750
Income taxes	34,873	26,858
Income from continuing operations	42,085	35,123
*per common share	3.37	2.82
Extraordinary and other items	2,582	(5,734)
Net income	44,667	29,389
Dividends paid	20,009	19,960
*per common share	1.60	1.60

Financial position

Working capital	\$ 19,789	\$ 16,744
Investments	48,557	43,698
Fixed assets (net)	234,792	200,120
Goodwill	62,972	62,737
Long term debt	129,520	125,416
Deferred income taxes	41,937	30,198
Shareholders' equity	196,464	169,073
Return on equity – historical (adjusted)	19.7%	14.8%
– adjusted for inflation	9.8%	7.5%

Statistics

**Advertising linage – newspapers (1,000s)	512,589	458,908
Advertising pages – magazines (1,000s)	18	18
Daily newspaper circulation – December (1,000s)	1,492	1,476
Number of employees	11,602	10,795
**Salaries, wages and employee benefits	\$ 267,043	\$ 205,291
*Price range per common share	\$42.50-\$30.00	\$43.50-\$27.75

**Includes Winnipeg Tribune to August 26, 1980.

Directors' report



Your directors take pleasure in submitting the annual report for the period ended 31 December, 1981, the company's 104th year.

Results for the year were generally satisfactory. Comparisons with 1980 reveal operating revenue up 33.5 per cent to \$808,106,000, pre-tax income up 29.2 per cent to \$75,587,000, income before extraordinary items up 48.6 per cent to \$42,085,000 and net income up 52.0 per cent to \$44,667,000.

While each of these measures of performance describes record levels of achievement the final result fell slightly short of our original projections. To put this in context shareholders are reminded that 1980 net income of \$29,389,000 was well below the \$39,650,000 earned in 1979.

Perhaps the fairest measure of progress is to note that income before extraordinary items increased by 29.7 per cent over the two years 1979 to 1981. This compares with approximately 24 per cent consumer price inflation for the same period.

For some years the company has calculated and reported on income as a return on investment. In 1981 net income increased to 9.8 per cent of shareholders' equity, adjusted to express that equity in current dollars. This compares with a 7.5 per cent return in 1980 and our publicly stated target of a minimum 12 per cent.

Operating review in brief

The major increase in operating revenues was the result of growth in all business categories.

The share of revenues and operating income contributed by daily newspapers has increased significantly since Southam acquired full ownership of Pacific Press in August, 1980. This is referred to in the summary of accounting policies on page 14.

For Southam newspapers 1981 was a year of generally high demand for both advertising and readership. However, demand declined toward year end as the Canadian economy decelerated.

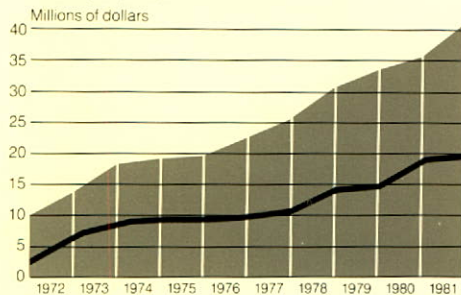
The effect of the economic recession that started in 1981 has been uneven between industries and regions and this is reflected in our results. The well-publicised problems of Canada's automobile and housing industries bore more heavily on our eastern dailies than those in Alberta and British Columbia.

The same pattern was experienced by Southam Printing Limited. Demand for commercial printing was at record levels, but the pace of demand decelerated during the second half and operating margins were being squeezed at year end as a mature commercial printing industry was striving to maintain high volumes of production by aggressive price competition. In this environment Southam Printing was able to maintain its strong share of market at the expense of profit margins which declined from the previous year.

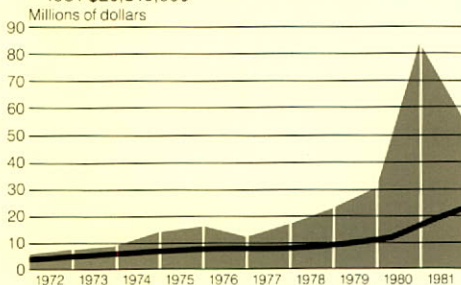
Although the economic environment was identical for Southam Communications this subsidiary enjoyed improved earnings largely as the result of the development of new products acquired or started in prior years. Our established business publications generally maintained their share of market. Trade shows had a record year. There was an encouraging expansion in revenues and contribution from our recent entry into subscriber-paid newsletters and special information services.

Southam's direct involvement in the retail market place started with its acquisition of Coles Book Stores Limited in 1978. In 1981 Coles' volume and revenue were not affected by the economic slowdown. The growth in sales was particularly encouraging because Coles' recent strategy has been to de-emphasize temporarily the addition of new stores while emphasizing more rapid turnover of inventory and increased sales per square foot of retail space at existing stores. While this strategy is sound and is being successfully pursued, the short term result has been a reduction in margins as slow-moving inventory was sold at marked down prices. At year end Coles decided to absorb a major additional inventory write-down.

Income from Continuing Operations
1981 \$42,085,000
Gross Dividends
1981 \$20,009,000



Capital Expenditures
1981 \$56,371,000
Depreciation
1981 \$20,810,000



A more complete discussion of the 1981 operating performances for the company's major divisions and subsidiaries begins on page 7 of this report.

Associated companies

Southam has an interest in a number of other companies in the communications field. These are accounted for on an equity basis. The principal associated companies are Selkirk Communications (38 percent owned); TV Guide (33 percent owned); Kitchener-Waterloo Record (48 percent owned); Brandon Sun (49 percent owned).

Selkirk Communications Limited is a public company and reports separately to its shareholders. While on-going operations in radio, television and broadcast time sales achieved good growth in revenues and profits there were significant increases in depreciation and interest costs. These increases relate particularly to the development of cable television systems in Florida and recent acquisitions in the television representation business in the United States. In addition Selkirk wrote off its remaining investment in the motion picture "Bear Island". These negative factors were partially offset by a capital gain on the sale of surplus real estate. Selkirk's net income from all sources was 7.9 percent below that of 1980.

TV Guide Limited had another successful year. Advertising volume, revenues and profits were at record levels in spite of high interest rates and exchange losses on U.S. debt.

The Kitchener-Waterloo Record and the Brandon Sun continued to operate successfully. Both papers enjoyed record levels of circulation, advertising linage and revenues, but each suffered some loss of income because of cost pressures related to their particular markets.

Infomart

Infomart is a joint venture shared equally by Southam and Torstar Corporation.

The parent companies regard it as a research and development enterprise exploring the market potential of new electronic technologies known generically as "videotex". Southam has accounted for its interest in this venture as an accumulating investment. At year end the carrying value was \$4,200,000 as compared with \$1,400,000 in 1980.

While the future of videotex cannot at this stage be accurately predicted, Infomart's goal has been to establish its leadership in the new technology in the world arena. We believe that goal is essentially achieved. Acting as international marketing agent for the federal Department of Communications "Teli-don" system, Infomart has sold turnkey installations in Europe, South America and the United States.

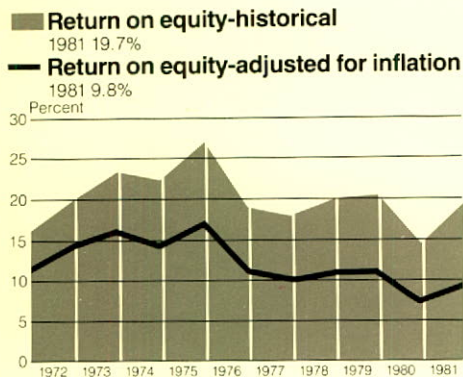
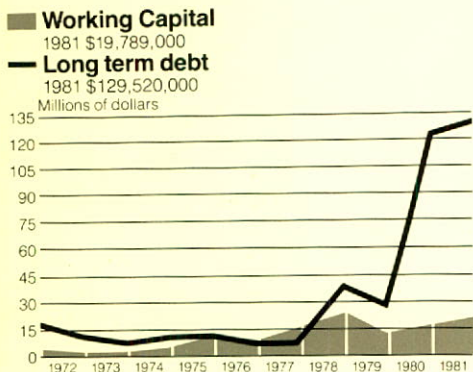
Infomart's unique expertise is in the development of a computer software capability that is essential to any videotex penetration of consumer and business markets. In January, 1982 a joint venture between Infomart and The Times-Mirror Company of Los Angeles was announced. This new U.S. venture will incorporate the Canadian technologies and abilities of Infomart and the marketing expertise of a leading American communications corporation of outstanding reputation and proven success.

Financial review

Earlier in this report we acknowledged that net income for 1981 was below our original expectations. Some of the reasons have now been mentioned.

The Canadian economy entered the current recession somewhat earlier than we had anticipated. The bottom of this recession is not yet visible. In 1981 the slowdown in business activity was not matched by any reduction in the income expectations of working Canadians.

These income expectations are partly at the root of and partly the result of a Canadian inflation experience that is discouragingly higher than our principal trading partner, the United States. In this circumstance Canadian interest rates



reached new highs during the year and Southam's interest costs exceeded budget by approximately \$1,400,000.

Interest rates bore particularly heavily on Coles where the cost of carrying retail inventory and the cost of financing the original price of acquisition were well above those anticipated.

Interest rates were also a major factor in Selkirk's profit decline which was the major cause of the \$2,100,000 reduction in equity in income of associated companies.

In spite of these negative factors the company's satisfactory earnings growth enabled us to maintain a strong financial position.

In 1981 additions to fixed assets amounted to \$56,371,000 of which the principal amount, \$21,400,000, was spent on the new facility into which The Calgary Herald moved in the final quarter.

The quarterly dividend rate of 40 cents per common share, established in 1980, was maintained through 1981. Total payment to shareholders was \$91,000 on preferred shares, \$15,781,000 cash on common shares and \$4,137,000 as the value of stock dividends to those selecting that option. The number of shares issued for dividend purposes was 113,459 and 92,867 were purchased by the company for cancellation (see note 9 on page 20).

During the year 70,000 common shares were issued to acquire the Kamloops News in British Columbia.

At 31 December total debt was \$203,950,000, an increase of \$10,167,000 for the year. The cost of carrying debt was \$30,875,000. This cost represented 29 percent of operating income before interest and tax. There was also a \$27,391,000 increase in shareholders equity resulting from the reinvestment of undistributed earnings. In 1980 total debt was 115 percent of shareholders equity. In 1981 this was reduced to 104 percent.

The public interest

Last year we reported that the demise of a number of Canadian daily newspapers and increased concentration in the ownership of those remaining had led to some legitimate concern as to whether the public interest was being adequately served.

At the same time we noted the initiation of an enquiry under combines legislation and the appointment of a royal commission by the federal government.

The combines enquiry resulted in specific charges being laid by the crown against Southam in May, 1981. The preliminary hearing commenced last September before a judge of the Provincial Court of Ontario. As of the date of this report no decision has been announced as to whether the company will be committed to trial. Your directors believe there has been no infraction of any law.

The royal commission initiated a series of public hearings late in 1980 and Southam appeared before the commissioners in April, 1981. The commission's report was published in July. Some of its recommendations are seen by the industry and by your directors as involving new forms of government interference with a press that cannot fulfil its primary public communications role unless it remains free from such interference. No announcement has been made by the federal government as to what, if any, action it plans to take with respect to the commission's recommendations.

The existence and report of the royal commission has quite naturally resulted in much public comment about the press and Southam's position as the major publisher of Canadian dailies. We feel that this public scrutiny has had a positive effect on the company's reputation both as a newspaper publisher and as an employer of newspaper people. The following paragraph is quoted from page 93 of the commission report.

"The inference from statements in annual reports and testimony to the commission is that Southam's mission focuses on profitability and diversifica-

tion within the communications/information industry. But profitability for Southam is not synonymous with a maximum return-on-investment. The company has a number of self-imposed constraints. Its concern for journalism is exemplified in its news service for daily newspapers and in its scholarships. The Southam approach is not single-minded. It is not solely profit maximisation. It is not operating a business organisation that just happens to be in newspapers."

Further reference is made to the royal commission's report on page 7 under "Southam Newspapers."

Community support

The company continued its policy of supporting a broad range of charitable, educational and cultural institutions across Canada. Donations for the year were \$1,228,000, an increase of 22.8 percent over 1980.

The company and its employees

At year-end the company's work force totalled 11,602 full-time and part-time employees, 807 more than the year before. The Kamloops News, included for the first time, and additional staffing requirements at newspaper operations and at Coles Book Stores accounted for the bulk of the increase.

Payroll costs including salaries, wages and benefits were up 34.2 percent to \$267,043,000. This significant increase is partly explained by the consolidation of Pacific Press for a full year. Payroll costs as a percent of revenues remained static at 33 percent.

During the year 39 of the 78 collective agreements to which the company is party were re-negotiated. Thirty will expire during 1982. Approximately 40 percent of company employees are union members.

The board of directors

At last year's annual meeting 15 directors were elected by the shareholders. All are eligible for re-election and will

be nominated at this year's meeting.

As presently constituted your board comprises 10 members from outside the company and five corporate officers. The inside members include two from head office, two newspaper publishers and one subsidiary chief executive.

For many years the board has benefited from the existence of two committees – the executive and audit committees. In January, 1982 the directors decided to appoint two new ones – an investment and a human resources committee. The investment committee will bring special expertise to the management of company pension funds which now exceed \$130,000,000. The human resources committee will assist all directors in meeting their responsibilities to the company's employees as well as to its shareholders.

An executive change

Following last year's annual meeting Brian H. Shelley, C.A., retired as vice-president, finance and secretary after 24 years with the company. His conscientious pursuit of Southam's interests during the years of its most rapid growth earned him wide respect throughout the company.

John G. Craig, C.A., who came to us from another communications company, was appointed his successor.

Outlook for 1982

The business recession that started in the second half of 1981 has now established itself as the most severe since World War II. Until recently the majority of economists seemed willing to predict that the Canadian economy would "bottom out" in the first half of this year and climb to more normal levels of business activity in the second half. As this is written this consensus seems much less certain.

In this context the relentless increase in the cost of doing business is causing your directors some concern. In Canada, the existence of a major recession does not yet appear to have had an inhibiting

effect on either the income expectations of our employees or the prices the company must pay for necessary raw materials, supplies and services.

We see 1982 as presenting a major challenge to management. A business climate with record levels of unemployment, inflation and interest rates, is finally getting the urgent attention of all levels of government and all sections of the business community. Your directors believe that the high level of public concern that now surrounds the active national debate about the country's economy will almost certainly lead to new government policies.

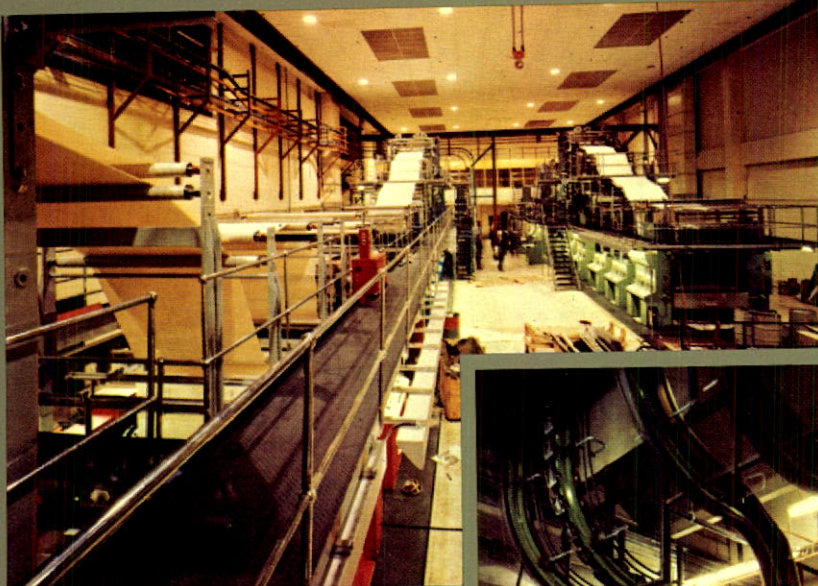
In this circumstance it is extraordinarily difficult to predict what impact any new policies will have on Southam's results in 1982. The company's industry share and financial position are strong. If the economy resumes the growth patterns of recent years Southam is in good shape to participate in that growth. If the present recession deepens, the skills of management will be fully tested in minimising the effect on both shareholders and employees.



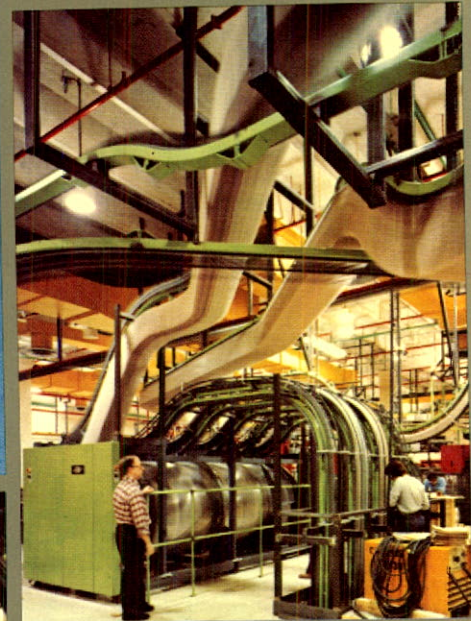
Chairman of the Board



President



The Calgary Herald's three 9-unit presses are capable of turning out 90,000 newspapers per hour of up to 144 pages.



Ferag inserting machines where special sections are mechanically inserted into the centre of the paper.



The complex conveyer system at The Herald delivers newspapers from the presses to the mailroom.

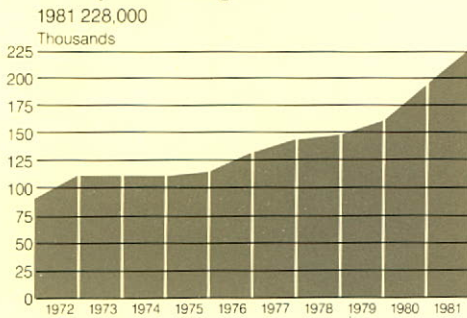


A view of The Herald's enormous news room which totals approximately 20,000 square feet.

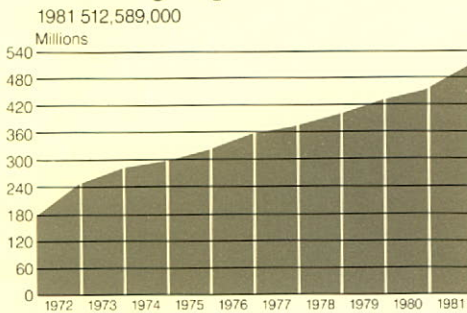


Southam newspapers

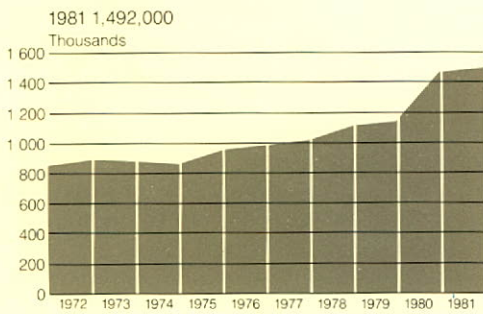
Newsprint tonnage



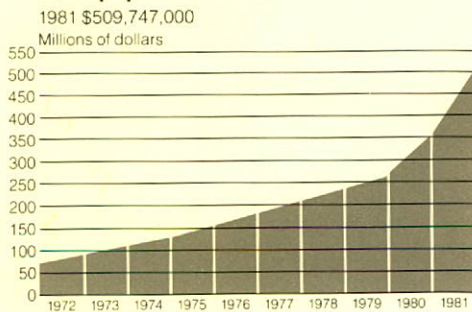
Advertising linage



Circulation



Newspaper Revenues



By every standard 1981 was a successful year for Southam's newspapers. Two newspapers, The Medicine Hat News and The Calgary Herald moved into new plants. An addition to The North Bay Nugget was completed. We continued our general program of maintaining and improving existing equipment and working conditions at all divisions. Capital expenditures for the group totalled \$41,143,000.

As noted in the directors' report the share of total revenues and income contributed by the company's newspapers increased significantly as a result of the consolidation of Pacific Press for twelve months in 1981. For the year newspaper contribution represented 62.0 percent of total revenues and 77.7 percent of consolidated segment income.

Although the consolidation of Pacific Press distorted direct comparisons with the previous year, group revenues increased 41.3 percent and segment income was up 67.7 percent. Demand for advertising was generally strong although at year end the level of demand slowed as the national economy decelerated. Linage was up five percent on a comparable basis.

Group circulation gained a modest one percent following the major market readjustment in 1980 at the time of the demise of The Winnipeg Tribune and The Ottawa Journal. Circulation revenue was up 18.4 percent.

Newspaper earnings in the final quarter were also affected adversely by premium prices paid for western newsprint to ensure supply during the strike at west coast mills. Additional costs were also incurred for newsprint storage and transportation when normal sources of supply were closed.

In September the company purchased The Kamloops News in British Columbia. The price, 70,000 Southam common shares, was paid to former owners who were enthusiastic to become our partners and to continue as the paper's management team. It is published three times each week and competes profitably with a Thomson owned daily newspaper in the same market.

The rotogravure magazine, Today, which is carried as a weekend supplement in our major dailies, reported increased revenue. TV Times, a television program listing magazine, also carried as a supplement, achieved record levels of growth.

The report of the royal commission on newspapers, already mentioned in the directors' report, included explicit criticism of other group owners and implicit criticism of group ownership generally. We reject the implication for Southam. This is an appropriate time to quote some closing paragraphs from the company's submission to the royal commission.

"Are there any benefits that can flow from some degree of ownership concentration? We think so. Southam, the largest company in the Canadian industry, has been a leader in the application of new technologies.

"It has been a leader in the use of group funds to expand Canadian coverage of national and international news.

"It has been the major subsidizer of newspapers that needed such support.

"It has financed substantial training of professionals of all disciplines and has offered significant career opportunity and job security to those who have committed their lives to the industry.

"It has earned its present position over time by behaviour that has attracted others either to sell their papers to it or to commit their careers to its success.

"It has financed its growth from within and by doing so has avoided the conflicts of interest that almost inevitably flow from commercial activities outside the industry.

"It has pioneered in the separation of ownership and editorial expression by extending absolute editorial independence to its publishers and editors. Its newspapers are fully open to expressions of public opinion. They are not open to directives in matters of editorial policy from head office or the owners.

"It has established a broadly based ownership where no single interest dominates either its board of directors or its management.

"We believe that Southam's unique situation and its performance are a direct result of the company's ownership and management structure and the policies that have flowed from that structure."

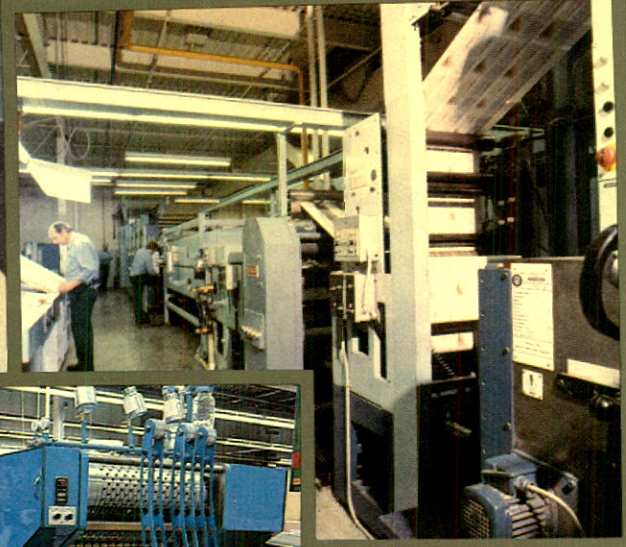
Southam Daily Newspapers

Distribution of Circulation
at December 31, 1981

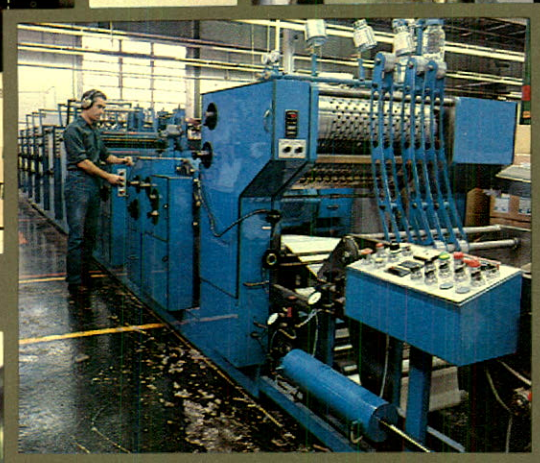
British Columbia	397,715
Alberta	355,930
Ontario	528,032
Quebec	210,493
Total	1,492,170



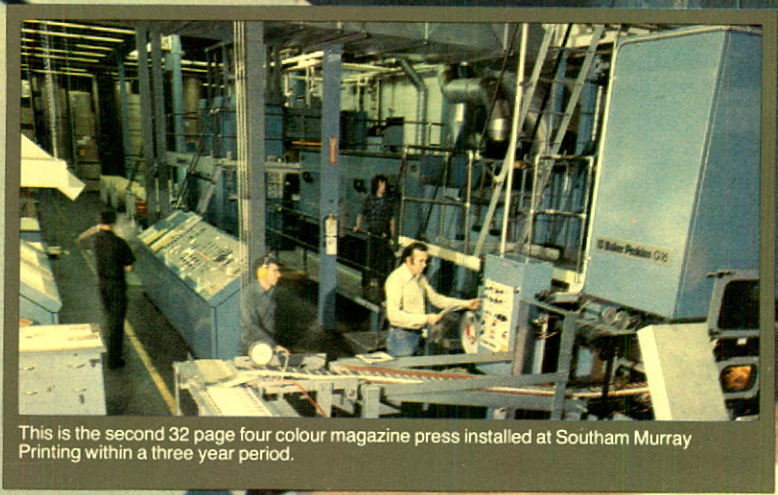
A new generation camera is part of the state of the art film assembly process at Gazette Canadian.



McLaren, Morris and Todd added a second narrow width web offset press to supplement sheetfed capability.



Four colour business forms press – more colour and excellent quality at Southam Business Forms.

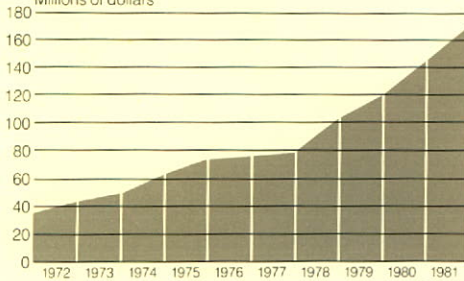


This is the second 32 page four colour magazine press installed at Southam Murray Printing within a three year period.

Southam Printing Limited

Southam Printing Limited Revenues

1981 \$170,193,000
Millions of dollars



Southam Printing Limited is one of the three largest commercial printing companies in Canada. It has nine manufacturing plants with 1,870 employees in Quebec, Ontario, Manitoba, Alberta and British Columbia. Printing processes cover a broad range, including computerized typesetting, sheetfed offset, web offset, rotogravure, binding, die-cutting, business forms and other specialties. Products include catalogues, magazines, newspaper inserts, annual reports, greeting cards, full color books, advertising folders and brochures, folding cartons, labels, tickets, business forms, and other similar products.

In 1981 revenue increased 21.0 percent to \$170,193,000 and income before interest and income taxes by 2.6 percent to \$15,605,000. This represents a contribution of 21.1 percent of Southam's total revenues and 14.7 percent of the company's consolidated segment income. We believe industry revenues were higher by about 14 percent in the year and that our share of market has improved. The flat income performance is disappointing but we understand this has been the experience of other major printers in Canada.

Our divisional management teams continue to produce above average growth in most areas. However, in 1981 we experienced continuing softness in the Montreal commercial printing market, and additional costs relating to our entry into the heatset web offset business in Vancouver. We expect improvement in both markets and are encouraged that the quality of work being produced on the new Vancouver press is second to none.

Capital expenditures in 1981 were \$11,200,000. New presses were installed at Southam Murray, Southam Business Forms, Offset Print & Litho, Agency Press and McLaren, Morris and Todd. Expenditures in 1982 will include a narrow width web offset press for Gazette Canadian and equipment to provide heatset printing capability for Canadian Publishers.

In January, 1982 we purchased a 50 percent interest in Multiple Business Forms Canada Inc. with provision to acquire full ownership at a later date. Multiple is a small business forms manu-

facturer with plants in Montreal and Toronto supplying trade customers and independent dealers. We expect to expand in this market as opportunities become available.

In the first quarter of 1982 there is less optimism than usual among printers. Many segments of the industry are not seriously affected by a short recession. However, currently, the market is slow and is pervaded by a good deal of uncertainty.

Overall the industry is strong and viable with 12 percent compounded sales growth in the 10 years 1969-1979 for which Statistics Canada data is available, with higher increases estimated for 1980 and 1981. Growth has been constant and, despite current problems, we believe that sales will continue to increase, but at a somewhat slower rate for at least the first half of 1982.

A major factor which will affect performance this year is the overexpansion of capacity within the industry, particularly of heatset web offset presses. This will lead to reduced margins until demand catches up.

We will remain competitive and will continue to provide excellent quality and service.



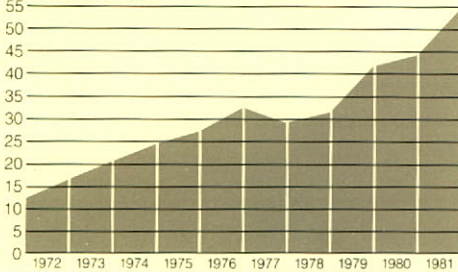
Construction, energy, mining and medical are among the major business markets serviced by Southam Communications' diversified group of business/professional publications, shows/exhibitions and marketing/information services.



Southam Communications Limited

Southam Communications Limited Revenues

1981 \$54,817,000
Millions of dollars



Southam Communications Limited is a diversified information/communications organisation serving the needs of business, government and the professions with a wide range of information products.

In 1981 revenue increased 23.0 per cent to \$54,817,000 and segment income increased 10.0 per cent to \$7,469,000. The company's contribution represented 6.8 per cent of Southam's total revenues and 7.0 per cent of consolidated segment income.

A total of 855 employees are involved in three principal product categories; business publications, trade shows and special marketing services. While the company's products take many forms, the customers they serve can be classified in two categories; organisations which use media to deliver their commercial messages for which we produce publications, shows and direct mail services; individuals and institutions who need special types of information for whom we produce newsletters, directories, market data, statistical reports and institutional seminars.

In 1981 the company's customer lists included 10,400 advertisers, 86,000 paid subscribers, 7,200 show exhibitors, 770,000 show visitors, 1,400 seminar participants and 1,100 direct mail clients.

The publication of business and professional magazines continues to be the company's major activity. In this context last summer's postal strike caused a significant disruption as periodical publications rely on the post office for distribution. In addition, the company's magazines serving the petroleum, construction and forest industries were affected by the special problems in these areas. In spite of these factors, our publishing group performed well overall and two new titles were launched during the year.

The trade show group also enjoyed a record year. Expansion in the United States is planned for 1982 with new

shows in Philadelphia and Washington, D.C. Panex Show Services Limited, in which a 50 per cent interest was acquired in 1977, became a wholly-owned subsidiary with the purchase of the other half interest in February, 1981.

Early in 1982 the company sold its interest in Trans Ad Limited. Our concern was to avoid the conflicts of interest that might arise when transit advertising contracts are re-negotiated with municipal authorities in cities where Southam publishes daily newspapers.

The uncertainty that is currently plaguing the Canadian economy will enhance the need for the information products and services offered by Southam Communications. We believe we are staffed and equipped to meet this challenge. We are confident of our ability to continue the growth pattern of recent years.



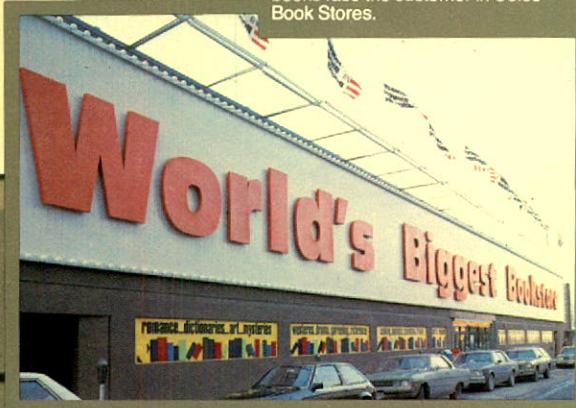
For easier selection, covers of most books face the customer in Coles Book Stores.



In the World's Biggest Bookstore, check-out counters resemble supermarkets for faster service.



Store employees are trained to help customers find their needs.



COLES the book people!!

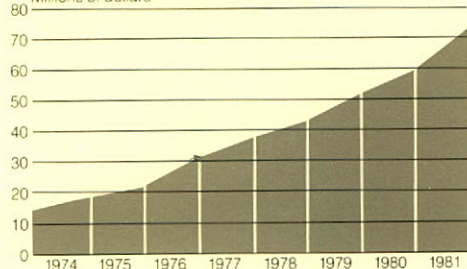


Coles Book Stores Limited

Coles Book Stores Limited Revenues

1981 \$73,349,000

Millions of dollars



The growth of Coles continued throughout 1981 with the addition of seven new stores in Canada (to 170) and seven in the United States (to 62).

The November, 1980 opening of the World's Biggest Bookstore in Toronto was an auspicious beginning to Coles' 1981 fiscal year which ended 31 October. This store was profitable in its first full year.

Results for all stores show a revenue improvement of 24 percent to \$73,349,000. This rate of sales growth was maintained to year end and suggests that book retailers have not yet suffered from the current economic recession.

Coles' success in volume and sales was not matched in terms of segment income which fell to \$700,000. Our strategy now emphasises more rapid inventory turnover and this was achieved by some price reductions in slow moving and obsolete stock and by an active program of refurbishing older stores. At year end Coles decided to absorb an additional inventory write-down of \$1,700,000.

Coles' principal expense is the cost of retail merchandise. These costs increased significantly for all book retailers in 1981 and caused further downward pressure on operating margins. However, general operating expenses, made up of salaries and benefits, store rentals and overhead increased more slowly as a result of continued management emphasis on operating efficiency.

During 1981, the company's expanded store operations were supported with new marketing programs including increased expenditure on radio and newspaper advertising. The effect of these programs was felt in the latter part

of the year and continues to produce positive results in the new fiscal period which included the pre-Christmas months of last year.

Coles' performance in the first months of fiscal 1982 is encouraging. Revenue for the Christmas period was up 26 percent and profit contribution improved. We believe the company's strong market position as compared with other book retailers and the active marketing and inventory control programs newly in place will produce even better sales growth and a continuing trend to higher profitability.

Auditors' Report

Summary of accounting policies

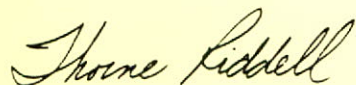
December 31, 1981

To the Shareholders of Southam Inc.

We have examined the consolidated statement of financial position of Southam Inc. as at December 31, 1981 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, 1981 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 16, 1982



Chartered Accountants

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 and Pacific Press Limited. 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.

On August 27, 1980, the company acquired the remaining 50 percent interest in Pacific Press Limited. The results of operations from that date are consolidated and equity in the results of operations prior to that date is included in equity in net income of associated companies.

Inventories

Materials and supplies included in inventories are valued at the lower of cost and replacement cost. Inventories of work in process, finished goods and retail merchandise 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.

Associated companies

The company follows the equity method of accounting for all associated companies and accordingly, the equity in earnings attributable to these investments is included in income. Goodwill included in investments in associated companies 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 sold or scrapped, the cost of the asset and the related accumulated depreciation are removed from the accounts and the resulting gain or loss on disposal is included in income.

Goodwill

Beginning in 1973 goodwill is recorded as an asset to be systematically amortized by charges to earnings over periods not to exceed 40 years. Prior to 1973, goodwill was written off and charged to reinvested earnings.

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.

Pension plans

Pension costs included in the consolidated statement of income represent contributions for current service and amortization of past service contributions under the plans and supplementary pension payments made to retired employees.

Consolidated statement of income

Year ended December 31

	1981	Percentage change	1980
(Thousands of dollars)			
Revenue from operations			
Southam Newspapers	\$509,747		\$360,784
Southam Printing Limited	170,193		140,658
Coles Book Stores Limited	73,349		59,113
Southam Communications Limited	54,817		44,565
	808,106	+ 33.5	605,120
Operating expenses			
Salaries, wages and employee benefits	267,043		198,989
Newsprint, paper and ink	193,987		144,081
Other supplies and services	217,874		169,706
Depreciation	20,810		16,348
Amortization of goodwill	1,930		1,402
Interest on long term debt	18,819		9,426
Other interest (net)	12,056		6,683
	732,519	+ 34.0	546,635
Operating income before income taxes	75,587	+ 29.2	58,485
Income taxes			
Current	23,134		21,837
Deferred	11,739		5,021
	34,873	+ 30.0	26,858
Operating income	40,714	+ 28.7	31,627
Equity in net income of associated companies (note 3)	1,371	- 60.8	3,496
Income from continuing operations	42,085	+ 19.8	35,123
Loss from discontinued operations of The Winnipeg Tribune after income tax reductions of \$5,394,000			6,797
Income before extraordinary items	42,085	+ 48.6	28,326
Extraordinary items (note 10)	2,582		1,063
Net income	\$ 44,667	+ 52.0	\$ 29,389
Income per common share			
From continuing operations	\$ 3.37		\$ 2.82
Before extraordinary items	\$ 3.37		\$ 2.27
After extraordinary items	\$ 3.58		\$ 2.36
Average number of common shares outstanding	12,443,355		12,424,362

Consolidated statement of financial position

December 31

	1981	1980
	(Thousands of dollars)	
Current assets		
Cash	\$ 518	\$ 845
Accounts receivable	111,131	87,035
Inventories (note 2)	72,694	63,784
Prepaid expenses	2,455	2,634
	186,798	154,298
Deduct		
Current liabilities		
Bank advances	48,315	60,490
Notes payable		5,000
Accounts payable and accrued liabilities	68,133	56,230
Income taxes	13,416	4,207
Deferred revenue – subscriptions and rentals	11,030	8,750
Long term debt due within one year (note 6)	26,115	2,877
	167,009	137,554
Working capital		
	19,789	16,744
Add		
Investments		
Associated companies (note 3)	34,121	32,129
Mortgages receivable (note 4)	9,970	9,970
Other investments	4,466	1,599
Fixed assets, less accumulated depreciation (note 5)	234,792	200,120
Advances – employee stock purchase plan	1,811	1,388
Goodwill	62,972	62,737
Capital employed	367,921	324,687
Deduct		
Long term debt (note 6)	129,520	125,416
Deferred income taxes	41,937	30,198
	171,457	155,614
Shareholders' equity	\$196,464	\$169,073
Derived from		
Capital stock (note 9)		
Preferred shares – 5 percent cumulative, convertible, voting, redeemable at \$100 per share Authorized and issued – 18,225 shares	\$ 1,823	\$ 1,823
Common shares		
Issued – 12,532,843 shares (1980 – 12,442,251 shares)	11,769	9,036
Reinvested earnings	182,872	158,214
	\$196,464	\$169,073

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

Consolidated statement of reinvested earnings

Year ended December 31

	1981	1980
	(Thousands of dollars)	
Balance at beginning of year	\$158,214	\$148,785
Net income	44,667	29,389
	202,881	178,174
Deduct		
Dividends		
Preferred shares – 5 percent	91	91
Common shares – \$1.60 per share (1980 – \$1.60 per share)		
Cash	15,781	15,764
Issue of common shares (1981 – 113,459 shares, 1980 – 121,639 shares)	4,137	4,105
	20,009	19,960
Balance at end of year	\$182,872	\$158,214

Consolidated statement of changes in financial position

Year ended December 31

	1981	1980
	(Thousands of dollars)	
Working capital derived from		
Operations		
Income before extraordinary items	\$ 42,085	\$ 28,326
Add items not involving current funds	33,233	20,576
	75,318	48,902
Long term borrowing	41,540	116,482
Proceeds from sale of fixed assets	2,700	3,887
Issue of common shares	2,153	
Proceeds from investments realized		548
	121,711	169,819
Working capital applied to		
Additions to fixed assets	56,371	81,801
Acquisition of Pacific Press Limited, less working capital at date of acquisition		39,060
Long term debt repaid or currently payable	37,436	18,355
Dividends paid in cash	15,872	15,855
Goodwill purchased	2,165	4,814
Common shares purchased for cancellation	3,557	3,867
Investments acquired	2,611	1,867
Other items	654	1,044
	118,666	166,663
Increase in working capital	3,045	3,156
Working capital at beginning of year	16,744	13,588
Working capital at end of year	\$ 19,789	\$ 16,744

Notes to consolidated financial statements

December 31, 1981
(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
Book sales and publishing	Coles Book Stores Limited
Business publications and shows	Southam Communications Limited

2. Inventories

	1981	1980
Materials and supplies	\$27,754	\$21,821
Work in process	6,926	7,773
Finished goods	2,319	1,572
Retail merchandise (Coles Book Stores Limited)	35,695	32,618
	\$72,694	\$63,784

3. Investments in associated companies

	Percent interest in common shares	1981	1980
NEWSPAPER AND PUBLISHING			
Sun Publishing Company Limited (Brandon)	49	\$ 526	\$ 519
Kitchener-Waterloo Record Limited	48	4,635	4,271
TV Guide Inc.	33	10,772	10,484
Today Magazine Inc.	33	187	187
RADIO AND TELEVISION			
Selkirk Communications Limited			
A (non-voting)	38 }	17,857	16,268
B (voting)	30 }		
OTHER		144	400
		\$34,121	\$32,129

Goodwill amounting to approximately \$7,600,000 is included in the amounts above.

Dividends received from associated companies amounted to \$1,706,000 (1980 - \$1,539,000).

4. Mortgages receivable

	1981	1980
Maturing 1983, 10 ¹ / ₂ percent	\$ 920	\$ 920
Maturing 1983, 11 percent	9,050	9,050
	\$9,970	\$9,970

5. Fixed assets

	1981	1980
Land	\$ 21,351	\$ 20,659
Buildings	102,922	90,674
Machinery and equipment	209,969	174,554
Leasehold improvements	8,893	7,439
	343,135	293,326
Less accumulated depreciation	108,343	93,206
	\$234,792	\$200,120

6. Long term debt

	1981	1980
SOUTHAM INC.		
Bank loans, due 1985, rates fluctuating with bank prime	\$ 50,584	\$105,825
Bank loans, due 1982 to 1986, rates varying between 10.3 percent and 16.38 percent	40,202	
Bank term loan, due in 1984, rate fluctuating with bank prime with repayment terms automatically extended subject to one year's prior notice	40,000	
Bank loan, due 1982, 10.7 percent	15,000	15,000
Perpetual redeemable 5 percent debentures	257	308
SUBSIDIARY COMPANIES		
Debentures, due 1986 to 1996, 11 percent	6,000	6,000
Other	3,592	1,160
	155,635	128,293
Deduct portion due within one year included in current liabilities	26,115	2,877
	\$129,520	\$125,416

Certain short-term bank loans have been classified as long-term since the company intends to use available term banking arrangements to refinance those borrowings. The arrangements provide that the company may designate up to \$100,000,000 as a revolving term loan with an initial maturity in 1985.

Principal payable on long term debt, excluding the \$40,000,000 bank term loan with repayment terms automatically extended, amounts to \$26,115,000 in 1982, \$10,676,000 in 1983, \$15,659,000 in 1984, \$51,245,000 in 1985, \$5,656,000 in 1986 and \$6,284,000 in subsequent years. The company has the right to prepay its bank loans at any time.

7. Commitments

- (a) The company has approved a capital expansion program totalling approximately \$44,000,000 for 1982.
- (b) Coles Book Stores Limited has obligations under long term operating leases for retail outlets and warehousing facilities extending for various periods to 1999.

The minimum aggregate rentals under these leases amount to approximately \$55,740,000 of which payments required in each of that company's next five years are: 1982 - \$7,713,000; 1983 - \$7,485,000; 1984 - \$7,238,000; 1985 - \$6,721,000; 1986 - \$5,512,000.

8. Guarantee

The company has guaranteed certain indebtedness amounting to U.S. \$10,500,000 in connection with its 33 percent interest in TV Guide Inc. Provision to increase the company's interest is provided

for in the event that payments are made under the guarantee. The company has also guaranteed certain indebtedness of Today Magazine Inc. amounting to \$1,000,000.

Notes to consolidated financial statements (Continued)

9. 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

The preferred shares are redeemable by the company at \$100 per share plus accrued and unpaid cumulative dividends. The holder may convert preferred shares into the greatest number of common shares

having an aggregate market value at the time of such conversion which does not exceed the aggregate redemption value of the preferred shares converted.

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, 1981	18,225	\$1,823	12,442,251	\$ 9,036
Stock dividends			113,459	4,137
Common shares issued on acquisition of subsidiary			70,000	2,153
	18,225	1,823	12,625,710	15,326
Common shares purchased for cancellation			92,867	3,557
Issued at December 31, 1981	18,225	\$1,823	12,532,843	\$11,769

10. Extraordinary items

	1981	1980
Equity in extraordinary items of associated companies, primarily gain on sale of fixed assets	\$2,582	
Gain on sale of fixed assets		\$ 788
Gain on sale of investments after income taxes of \$100,000		275
	\$2,582	\$1,063

11. Legal proceedings

On May 1, 1981, the Attorney General of Canada charged the company and certain other companies with offences under the Combines Investigation Act, including conspiring to lessen unduly competition of major English language daily newspapers published in certain areas and forming a merger or a monopoly in certain areas. The preliminary hearing to determine whether or not the case is to proceed to trial has been held and the decision of the judge is awaited. If the case does proceed to trial,

the company will contest the charges. In the event of conviction, the court is empowered to order the dissolution of any merger or monopoly found to exist, to prohibit any act directed toward the continuation of an offence found to have been committed, and to impose fines. The outcome of these proceedings is not determinable at this time and the effect, if any, is expected to be accounted for in the consolidated statement of income in the year in which it is known.

Retirement funds statement

(not included in company accounts)

	1981 (Thousands of dollars)		1980
Balance January 1	\$	113,605	\$ 76,354
Contributions during year			
Employee required		3,849	3,139
Company		3,901	3,599
		7,750	6,738
Employee voluntary extra		127	122
Transfer of funds from subsidiaries		1,187	23,761
		9,064	30,621
Net income of funds		12,183	7,993
		21,247	38,614
Net profit on sale of investments		3,804	2,287
		25,051	40,901
Payments for pensions and refunds on death or termination		6,178	3,650
		18,873	37,251
Balance December 31	\$	132,478	\$ 113,605

This statement includes all pension funds administered by the company in addition to those funds included in The Southam Retirement Plan.

In 1981 the funds were administered by, among others, Royal Trust Corporation of Canada, National Trust Company Limited, Investors Group Trust Co. Ltd., Sun Life

Assurance Company of Canada, Confederation Life Insurance Co., Great West Life Assurance Company or invested in government annuities.

The actuarial report of December 31, 1980 showed that the plan was satisfactorily funded. It is anticipated that this will also be the case at December 31, 1981.

Significant statistics

	Employees	Salaries and wages (Thousands of dollars)	Shares owned
British Columbia	2,180	\$ 53,926	493,522
Alberta	2,210	44,268	622,916
Manitoba	241	3,770	73,072
Ontario	4,950	102,141	7,965,891
Quebec	1,584	38,084	3,153,889
Other	437	3,102	241,778
Total	11,602	\$ 245,291	12,551,068

Supplementary segmented information

(Thousands of dollars)	Total Consolidated	
	1981	1980
External sales	\$ 808,106	\$ 605,120
Intercorporate sales	14,142	13,279
	822,248	618,399
Consolidating adjustments	(14,142)	(13,279)
Operating revenue	\$ 808,106	\$ 605,120
Gross income	\$ 129,202	\$ 92,344
Depreciation	20,810	16,348
Amortization of goodwill	1,930	1,402
Segment income from continuing operations	106,462	74,594
Interest	30,875	16,109
Income taxes	34,873	26,858
Operating income	\$ 40,714	\$ 31,627
Current assets	\$ 186,798	\$ 154,298
Fixed assets	234,792	200,120
Goodwill	62,972	62,737
Assets employed	\$ 484,562	\$ 417,155
Additions to fixed assets	\$ 56,371	\$ 81,801

Allocation of revenue

Year ended December 31

Salaries and wages
Employee benefits
Newsprint, paper and ink
Other supplies and services
Community welfare donations
Depreciation and amortization
Interest on borrowed funds
Income taxes
Dividends
Retained in company from operations
Revenue from operations

Southam Newspapers		Southam Printing Limited		Coles Book Stores Limited		Southam Communications Limited	
1981	1980	1981	1980	1981	1980	1981	1980
\$ 509,747	\$ 360,784	\$ 170,193	\$ 140,658	\$ 73,349	\$ 59,113	\$ 54,817	\$ 44,565
454	875	13,688	12,404				
\$ 510,201	\$ 361,659	\$ 183,881	\$ 153,062	\$ 73,349	\$ 59,113	\$ 54,817	\$ 44,565

\$ 98,302	\$ 60,989	\$ 19,858	\$ 18,940	\$ 2,836	\$ 5,191	\$ 8,206	\$ 7,224
14,819	11,277	3,998	3,505	1,458	1,234	535	332
795	405	255	220	678	678	202	99
\$ 82,688	\$ 49,307	\$ 15,605	\$ 15,215	\$ 700	\$ 3,279	\$ 7,469	\$ 6,793

\$ 82,969	\$ 63,575	\$ 54,576	\$ 47,557	\$ 36,942	\$ 34,116	\$ 12,311	\$ 9,050
182,848	157,358	37,017	29,812	11,266	9,943	3,661	3,007
34,842	33,695	2,343	2,598	23,919	24,726	1,868	1,718
\$ 300,659	\$ 254,628	\$ 93,936	\$ 79,967	\$ 72,127	\$ 68,785	\$ 17,840	\$ 13,775
\$ 41,143	\$ 71,578	\$ 11,243	\$ 5,928	\$ 2,797	\$ 3,354	\$ 1,188	\$ 941

1981		1980	
(thousands of dollars)		(thousands of dollars)	
\$ 245,291	30.35%	\$ 183,069	30.25%
21,752	2.69	15,920	2.63
193,987	24.01	144,081	23.81
216,646	26.81	168,706	27.89
1,228	.15	1,000	.16
22,740	2.81	17,750	2.93
30,875	3.82	16,109	2.66
34,873	4.32	26,858	4.44
20,009	2.48	19,960	3.30
20,705	2.56	11,667	1.93
\$ 808,106	100%	\$ 605,120	100.00%

Southam Inc.

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

Subsidiaries

Canadian Publishers Company Limited
Coles Book Stores Limited
Coles Publishing Company Limited
Coles the book people! Inc.
Corpus Information Services Limited (60%)
Journal of Commerce Limited
Kamloops News Inc.
McLaren, Morris and Todd Limited
Pacific Press Limited

Panex Show Services Limited
Les Publications Éclair Ltée
Southam Communications Limited
Southam Communications Inc.
Southam Farwest Printing Limited
Southam Printing Limited
South-Times Publishing Limited (75%)
Vancouver Newspapers Limited
Videosurgery Limited

Associated companies (50% owned)

Avcor Audio/Visual (1980) Corporation

Multiple Business Forms Canada Inc.

Newspapers

The Gazette, Montreal
The Citizen, Ottawa
The Nugget, North Bay
The Spectator, Hamilton
The Brantford Expositor
The Sun-Times, Owen Sound
The Windsor Star
The Sault Star
The Medicine Hat News

The Edmonton Journal
The Calgary Herald
The Citizen, Prince George
The Province, Vancouver
The Vancouver Sun
The Kamloops News
Financial Times of Canada, Toronto
Airnews

News bureaux

Ottawa, Halifax, Montreal, Toronto, Calgary, Edmonton,
Vancouver, Washington, London, Paris, Nairobi, Tokyo

Newspaper advertising offices

Toronto, Montreal and representation in Vancouver

Operating printing divisions

Agency Press, Vancouver, British
Columbia
Canadian Publishers, Calgary, Alberta
Canadian Publishers, Winnipeg,
Manitoba
Gazette Canadian Printing, Candiak,
Quebec
McLaren, Morris & Todd, Mississauga,
Ontario

Offset Print & Litho, Don Mills, Ontario
Southam Business Forms, Candiak,
Quebec
Southam Farwest Printing, Burnaby,
British Columbia
Southam Murray Printing, Weston,
Ontario
Southam Specialty Printing, Candiak,
Quebec

Business publications

Administrative Digest
Bath & Kitchen Marketer
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
Collectibles
Construction West
Daily Commercial News & Construction
Record

Drilling Canada
Electrical Equipment News
Electronics & Communications
Engineering & Contract Record
Executive
Génie-Construction
Gifts & Tablewares
Health Care
Heating, Plumbing & Air Conditioning
Home Improvement Retailing
Journal of Commerce
Laboratory Product News
Meetings & Incentive Travel
Modern Medicine of Canada/
Médecine Moderne du Canada
Opérations Forestières
Oral Health
Pool Industry Canada
Plomberie, Chauffage et Climatisation
Pulp & Paper Canada
Shop
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 of Canada
Corpus Local Government Directory
Corpus Government Personality
Profiles
Hazardous Waste Management Handbook
Occupational Health & Safety Index
Pulp & Paper Canada Annual & Directory
Yardsticks for Costing

Newsletters and loose-leaf services

Agriweek
Canadian Occupational Health and
Safety News
Canadian Occupational Safety and
Health Law
Canadian Recycling Market
Corpus Agribusiness Report
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

Shows and exhibitions

Atlantic Provinces Industrial &
Business Show
B.C. International Forest Industries
Equipment Exhibition
British Columbia Business Show
Buffalo Computer Show
Buffalo Home & Garden Show
Buffalo International Production Show
Calgary Fall Gift Show
Calgary Home & Garden Show
Calgary Industrial/Business Equipment
Exhibition
Calgary International Gourmet Show
Calgary Spring Gift Show
Canadian Chemical & Process
Equipment Exhibition
Canadian Garden, Pool & Landscape
Show
Canadian Mining & Aggregate
Equipment Exhibition
Canadian Offshore Oil Show
Canadian Tire Products Parade
Canadian Western Farm & Ranch Show
Edmonton Alberta Business Show
Edmonton Home & Garden Show
Forest Industries Equipment Exhibition
Graphic Trade Show
Halifax Gift Show
International Conference on Underwater
Education – IQ12
International Electrical, Electronics
Conference & Distribution

International Materials Handling &
Distribution Show
ISA Instrument Show
Kitchener-Waterloo Industrial and
Business Show
Montreal Graphic Trade Show
Montreal Fall Gift Show
Montreal Spring Gift Show
National Home Show
National Petroleum Show
Northern Ontario Industrial &
Business Show
Ontario Floorcovering Market
Ottawa Garden, Pool & Landscape Show
Ottawa Industrial & Business Show
Petrochem Processing Conference
and Exhibition
Philadelphia Home Show
Photo & Travel Show
Round-Up
Sanitation & Maintenance Show
Toronto Fall Gift Show
Toronto International Gourmet Show
Toronto Spring Gift Show
Vancouver Fall Gift Show
Vancouver Home & Garden Show
Vancouver Island Business Show
Vancouver Spring Gift Show
Washington, DC Industrial Exhibition
Western Ontario Industrial &
Business Show

Services

Auerbach Reports
CanaData
Consumer Power Package
Corpus Editorial/Publishing Services
Seminar/Conference Consultants
Southam Books
Southam Building Reports

Southam Direct Marketing Services
Southam Product Cards
Southam Reprint Sales
Southam Sales Management Systems
Southam Telephone Marketing
Trade Show Consultants

Directors and officers

Southam Inc.

- ** St. Clair Balfour
chairman of the board
- ** Gordon N. Fisher
president
- William J. Carradine
senior vice-president
- John G. Craig, CA
vice-president, finance and secretary
- * E. J. Mannion
chairman
Southam Communications Limited
- John S. Martin
controller
- G. L. Meadows, CA
vice-president, corporate development
- * John D. Muir
vice-president and publisher
The Spectator, Hamilton
- Peter O'Brian
vice-president, personnel
- J. Noel O'Halloran
treasurer
- L. J. Rothwell
vice-president, engineering and production
- Margaret G. Shano
assistant secretary
- ** F. G. Swanson
vice-president and publisher
The Calgary Herald
- John S. Ward
vice-president, marketing
- ** George L. Crawford, QC
Priddis, Alberta
- **† Hugh G. Hallward
Montreal, Quebec
- ** J. Norman Hyland
Vancouver, British Columbia
- * Norman B. Keevil, Jr.
Vancouver, British Columbia
- * Marnie Paikin
Burlington, Ontario
- **† J. Jacques Pigott
Bolton, Ontario
- * Gaston Pouliot, QC
Montreal, Quebec
- * G. H. Southam, OC
Ottawa, Ontario
- * Wilson J.H. Southam
Stoney Creek, Ontario
- **† Adam H. Zimmerman, FCA
Toronto, Ontario

The Southam Newspapers

- Gordon Bullock
vice-president and publisher
The Windsor Star
- D. H. E. Carlson
publisher
Financial Times of Canada
- W. R. Dane
publisher
The Sault Star
- Clark W. Davey
vice-president Pacific Press,
publisher, The Vancouver Sun
- Robert McConnell
vice-president and publisher
The Gazette, Montreal
- * John D. Muir
vice-president and publisher
The Spectator, Hamilton
- William Newbigging
vice-president and publisher
The Citizen, Ottawa
- J. P. O'Callaghan
vice-president and publisher
Edmonton Journal
- Clifford C. Sharp
publisher
The Nugget, North Bay
- Paddy Sherman
vice-president Pacific Press,
publisher, The Province, Vancouver
- Andrew W. Snaddon
publisher
The Medicine Hat News
- Bryson W. Stone
publisher
The Citizen, Prince George
- ** F. G. Swanson
vice-president and publisher
The Calgary Herald
- James S. Thomson
publisher
The Brantford Expositor
- L. Rolf Timmermanns
publisher
The Kamloops News
- E. H. Wheatley
president and general manager
Pacific Press Limited
- E. P. Wilson
publisher
The Sun-Times, Owen Sound

Southam Communications Limited

- * Edward J. Mannion
chairman and chief executive officer
- * Sidney J. Cohen
president
- G.W. Funston
vice-president
- 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
Toronto, Ontario
- * Gordon N. Fisher
Toronto, Ontario
- * G.L. Meadows, CA
Toronto, Ontario
- * J. Jacques Pigott
Bolton, Ontario
- * Adam H. Zimmerman, FCA
Toronto, Ontario

Southam Printing Limited

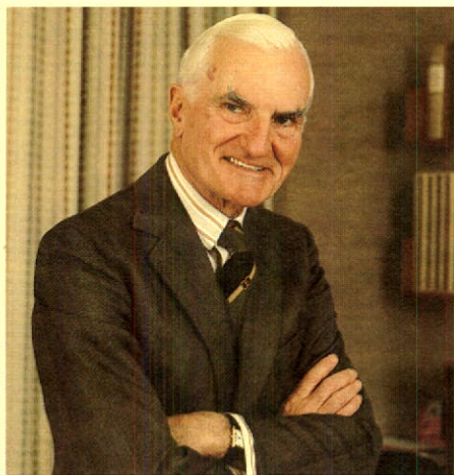
- * Frederick Best
chairman of the board
- * D. G. Scott, FCA
president
- * John S. Crawford
senior vice-president
- André Beaudet
vice-president and general manager
Speciality Printing and Business
Forms divisions
- Ronald W. Chase
vice-president and general manager
Southam Murray Printing division
- A. D. Clippingdale
vice-president and general manager
Agency Press division
- C. G. J. Hewitt, CA
secretary-treasurer
- T. Stevenson
general manager
Southam Farwest Printing division
- Frank A. Lipari
vice-president and general manager
Gazette Canadian Printing division
- John Morris
vice-president and general manager
McLaren, Morris and Todd division
- * Morrie Ostrow
vice-president and general manager
Canadian Publishers division
- Donald R. Townsend
vice-president and general manager
Offset Print & Litho division
- * E. L. Donegan
Toronto, Ontario
- * Gordon N. Fisher
Toronto, Ontario
- * Hugh G. Hallward
Montreal, Quebec
- * G. L. Meadows, CA
Toronto, Ontario
- * J. Jacques Pigott
Bolton, Ontario

Coles Book Stores Limited

- * Gordon N. Fisher
chairman of the board
- * Ronald J. Fairholm
president
- Jeffrey B. Cole
vice-president, publishing
- Charles Snow
vice-president, finance and
secretary
- * Frederick Best
Toronto, Ontario
- * Hugh G. Hallward
Montreal, Quebec
- * G. L. Meadows, CA
Toronto, Ontario

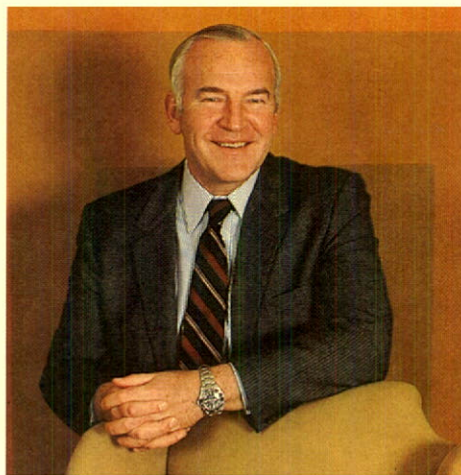
- * Director
- ** Director and member of
the executive committee
- † Member of the audit committee

Directors and officers



St. Clair Balfour

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, member Governing Council University of Toronto.



Gordon N. Fisher

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 policy committee Business Council on National Issues.



Adam H. Zimmerman, FCA

Elected director 1970.
Born Toronto, 1927.
BA (Toronto). Joined Noranda Mines Limited as assistant comptroller 1958; comptroller 1961; vice-president 1966; executive vice-president and director 1974. Chairman Fraser Companies, Maclaren Power & Paper Company, Noranda Metal Industries Limited, Noranda Aluminum Inc.; president Northwood Pulp and Timber Limited; vice-chairman MacMillan, Bloedel Limited; director, manufacturing and forest product subsidiaries and associates of Noranda and several Canadian public companies. Director Branksome Hall School. Trustee Hospital for Sick Children.



J. Jacques Pigott, P.Eng.

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



Norman B. Keevil Jr.

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



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



Hugh G. Hallward
Elected director 1974.
Born Montreal, 1926.
BA (McGill). President Argo Con-
struction (1981) Inc. Chairman,
board of directors, Bishop's College
School; member of executive com-
mittee, board of governors McGill
University and a director of a number
of Canadian companies.



G. Hamilton Southam, OC
Elected director 1964.
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; Chargé d'Affaires and later Ambassador,
Warsaw, 1959-1962. Coordinator National Arts
Centre, Ottawa 1964, Director-General 1967-1977.
Chairman Festival Canada 1977-1979. Chairman
National Theatre School 1979-1981. President
Canadian Mediterranean Institute 1980.



Marnie Paikin
Elected director 1978.
Born Toronto, 1936.
BA (University of Western Ontario),
LL.D. (Univ. of Toronto). Member,
Ontario Council of Health, Ontario
Council on University Affairs; trustee,
Toronto General Hospital. Past chair-
man, Governing Council, University of
Toronto; past chairman, Hamilton Place.



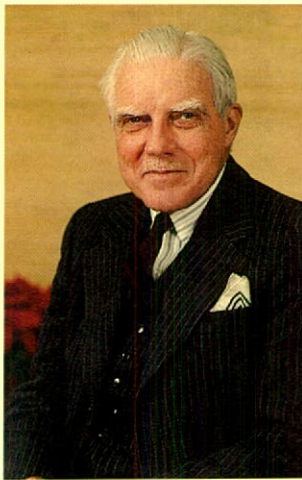
Gaston Pouliot, QC
Elected director 1975.
Born Farnham, Quebec, 1922.
Called to Quebec Bar in 1944.
Partner, law firm Pouliot, Dion,
Guilbault, Caron, Prévost. Director
of a number of Canadian
companies.



Wilson J. H. Southam
Elected director 1971.
Born Calgary, 1932.
BA (McGill), MA (Oxford). Reporter,
The Spectator, Hamilton 1960.
Canadian Broadcasting Corporation
public affairs writer, director,
producer, 1963-1966. President and
general manager The Group at Cox.
Member Executive Committee Health
Council of Ontario. Director Lively
Arts Marketing Board.



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



John D. Muir

Elected director 1978.
Born London, Ontario, 1919.
B.Comm. (Queen's). Joined The Spectator, Hamilton as retail advertising manager 1952; advertising sales manager 1954; business manager 1959; assistant publisher 1970; vice-president and publisher 1971. Honorary member of the National Council of the Boy Scouts of Canada. Member Honorary Board of Governors Junior Achievement of Hamilton.



C. W. Davey

Born Chatham, Ontario, 1928.
BA (Journalism) University of Western Ontario.
Chatham News 1948; Northern Daily News 1951; Globe and Mail 1951; managing editor 1963; Publisher Vancouver Sun 1978; vice-president Pacific Press 1981. President The Canadian Press, 1981-82.



D. G. Scott, FCA

Born Toronto, Ontario, 1924.
Thorne Riddell & Co. 1942. Joined Southam Printing Limited as controller 1954, appointed treasurer 1962, secretary-treasurer 1967, vice-president finance and secretary 1975, president 1980.



Robert McConnell

Born Vancouver, 1942.
BA English (University of British Columbia), Masters in English (University of Chicago). Joined Vancouver Province 1965; assistant city editor 1966; editorial writer 1968; Victoria Bureau 1970; editor 1972; executive assistant to the publisher The Gazette, Montreal 1976; general manager 1977; assistant publisher 1979; vice-president and publisher 1979.



L. John Rothwell, P.Eng.

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



William Newbigging

Born Toronto, 1939.
Joined Edmonton Journal 1957; city editor 1965; news editor 1967; assistant to the publisher 1971; executive assistant to the publisher The Citizen, Ottawa 1973; business manager 1974; general manager 1976; assistant publisher and general manager 1977; vice-president and publisher 1978. Director, The Canadian Press, Canadian Daily Newspaper Publishers Association; Member, board of governors, Canadian Advertising Foundation.



E. H. Wheatley

Born Calgary, 1927.
Joined The Calgary Herald 1945; Toronto office Southam Newspapers 1950; national advertising manager The Calgary Herald 1958; advertising director Edmonton Journal 1960, marketing director 1968, assistant to the publisher and marketing director 1970; publisher The Brantford Expositor 1971; vice-president and publisher The Windsor Star 1976; publisher The Winnipeg Tribune 1977; president and general manager Pacific Press Limited 1980. Director Audit Bureau of Circulations.



Paddy Sherman

Born Newport, England, 1928.
Various British newspapers 1947-1952. Joined The Province, Vancouver 1952; editor 1965; vice-president and publisher 1972. Chairman, Canadian section, International Press Institute. Founding director Mountain Rescue Group and Outward Bound, Canada. Author: Cloud Walkers (1965); Bennett (1966); Expeditions to Nowhere (1981).



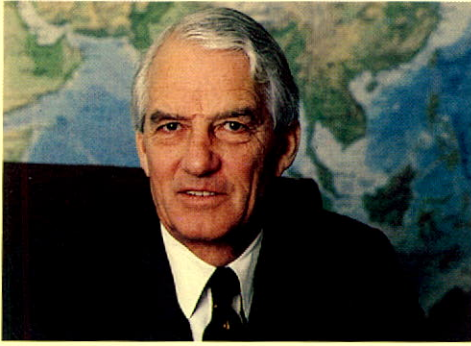
Frank G. Swanson

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



Fred Best

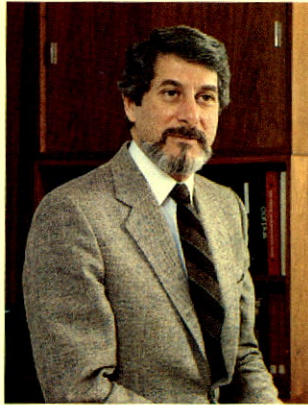
Elected director 1978.
Born Berlin, Germany, 1913.
Joined Canadian Printing & Lithographing Co. Ltd. 1945; general manager 1952; president 1960. President Offset Print & Litho Ltd. and Canprint Holdings Ltd. on acquisition by Southam Inc. in 1971. Vice-president and director Southam Printing Limited 1972; president 1975; chairman 1978. Past president Graphic Arts Industries Association; director Graphic Arts Technical Foundation; chairman Canadian Graphic Arts Scholarship Trust Fund.



Peter O'Brian

Born Toronto, 1917.

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



Sidney J. Cohen

Born Toronto, 1933.

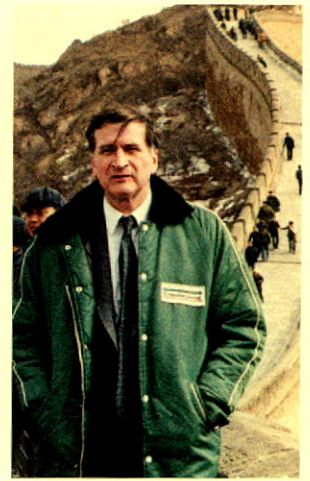
Joined Hugh C. MacLean Publications Ltd. (now Southam Communications Limited) as circulation manager 1953; director of research 1957; business manager 1960; publisher 1964; vice-president 1971; executive vice-president 1975; president 1977. Past president Canadian Business Press.



William J. Carradine

Born Smooth Rock Falls, Ontario, 1929.

BA Journalism, MBA (University of Western Ontario). Procter & Gamble 1954-1968. Vice-president and general manager London Free Press 1968-1972. Joined Southam head office as vice-president 1972; vice-president, administration 1973; senior vice-president 1980.



J. Patrick O'Callaghan

Born County Cork, Ireland, 1925.

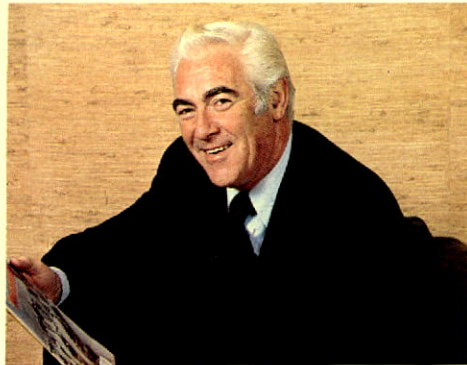
Various British newspapers, 1947-1959. Red Deer (Alberta) Advocate 1959. Joined Edmonton Journal as assistant to the publisher 1968; executive editor Southam News 1969; executive assistant head office 1971; vice-president and publisher The Windsor Star 1972; publisher Edmonton Journal 1976. Vice-president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



Gordon Bullock

Born Leeds, England, 1932.

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



E. J. Mannion

Elected director 1978.

Born Preston, Ontario, 1927.

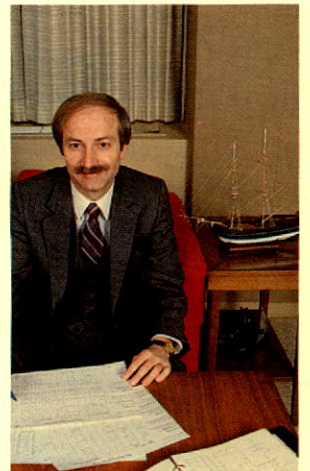
Joined Thomson Newspapers 1948; retail advertising director 1954; director of sales 1957; general manager, Thomson Newspaper U.S. 1966. President and publisher, Southstar Publishers Limited 1968; chairman and chief executive officer, Southam Communications Limited 1978.



John S. Ward

Born Toronto, 1919.

MacLaren Advertising Company Limited, 1946. Joined Southam Newspapers, Toronto, 1948; assistant advertising manager Edmonton Journal 1950; advertising director 1951; vice-president, marketing Southam Inc., 1960.



John G. Craig, CA

Born Windsor, Ontario, 1942. BA Business Administration (University of Western Ontario) Deloitte Haskins & Sells 1964. Multiple Access Ltd. 1969, vice-president, finance and administration Global Communications Limited 1976. Joined Southam Inc. as vice-president finance and secretary, 1981.



Ronald J. Fairholm

Born Montreal, 1932.

Avon Products, Ltd. 1961; president and chief executive officer 1972. Joined Coles Book Stores Limited in 1980 as executive vice-president; president and chief executive officer 1981.



George L. Meadows, CA

Born Toronto, Ontario, 1938.

BA (Toronto). Clarkson, Gordon & Co. 1963-1973. Project Group of Canada Ltd. 1973-1974; joined Southam Business Publications Limited 1974 as secretary-treasurer; vice-president and secretary-treasurer 1976; joined head office as assistant to the president 1977; vice-president, corporate development 1978.

Ten-year comparative summary

(Thousands of dollars except where indicated*)

1972

1973

Income

Revenue from operations	\$ 157,641	183,453
Operating expenses	\$ 130,755	151,242
Interest on borrowed funds	\$ 1,422	1,085
Depreciation and amortization	\$ 3,864	4,270
Operating income before tax	\$ 21,600	26,856
Income taxes	\$ 10,579	12,617
Operating income	\$ 11,021	14,239
Income from investments	\$ 2,959	4,094
Income from continuing operations	\$ 13,980	18,333
Extraordinary and other items	\$ (124)	302
Net income	\$ 13,856	18,634
*Net income per share	\$ 1.11	1.49
Dividends paid	\$ 6,556	8,168
*Dividends per share	\$.52	.65
Percent income distributed	% 47.3	43.8

Financial position

Current assets	\$ 28,574	35,358
Current liabilities	\$ 25,594	33,825
Working capital	\$ 2,980	1,533
Investments	\$ 13,281	13,134
Fixed assets – gross	\$ 88,888	97,664
Accumulated depreciation	\$ 51,420	54,422
Other assets	\$ 467	469
Goodwill	\$ —	2,185
Long-term debt	\$ 12,594	8,347
Deferred income taxes	\$ 2,444	3,562
Capital stock: 5 percent cumulative, redeemable, convertible, voting, preferred shares	\$ 2,160	2,160
common shares	\$ 8,005	8,005
Retained earnings	\$ 28,993	38,489
*Equity per common share	\$ 2.98	3.75

Statistics

**Advertising linage – newspapers (1,000s)	250,103	272,771
Advertising pages – magazines (1,000s)	21	21
**Newspaper pages (1,000s)	171	173
Magazine pages (1,000s)	50	52
**Daily newspaper circulation – December (1,000s)	900	891
**Tons of newsprint used (1,000s)	110	114
**Employees	6,391	6,473
*Salaries and wages paid	\$ 61,205	69,343
*Employee benefits	\$ 4,326	5,039
Improvements to plant	\$ 7,387	9,536
Shareholders	3,524	3,526
*Price range per common share	\$31.50-17.75	33.00-25.50
(Price per share – Valuation day \$18.28)		
Return on revenue (operating margin)	% 13.7	14.6
Equity – after adjusting for goodwill previously written off (historical)	\$ 69,062	78,558
Return (net income) on historical equity	% 20.1	23.7
Equity – adjusted for inflation	\$ 94,005	112,149
Return (net income) on adjusted equity	% 14.7	16.6

From 1975 onward "Consolidated Statement of Income" includes our share of the earnings of associated companies.

1974	1975	1976	1977	1978	1979	1980	1981
221,920	257,300	293,012	312,593	379,108	484,235	605,120	808,106
186,271	221,526	252,121	270,240	322,828	408,571	512,776	678,904
2,017	2,085	1,888	933	2,606	7,586	16,109	30,875
5,148	6,052	7,025	7,752	9,961	12,571	17,750	22,740
28,484	27,637	31,978	33,668	43,713	55,507	58,485	75,587
13,224	12,764	14,223	14,058	17,982	24,579	26,858	34,873
15,260	14,873	17,755	19,610	25,731	30,928	31,627	40,714
3,950	5,085	5,698	6,436	5,293	3,132	3,496	1,371
19,210	19,958	23,453	26,046	31,024	34,060	35,123	42,085
813	10,825	659	—	2,209	5,590	(5,734)	2,582
20,023	30,783	24,112	26,046	33,233	39,650	29,389	44,667
1.61	2.37	1.93	2.09	2.67	3.18	2.36	3.58
9,799	9,772	9,882	10,861	14,616	14,989	19,960	20,009
.80	.80	.81½	.87	1.17	1.20	1.60	1.60
48.9	31.7	41.0	41.7	44.0	37.8	67.9	44.8
45,542	56,480	58,188	65,922	104,219	127,064	154,298	186,798
40,771	43,547	51,323	50,874	81,582	113,476	137,554	167,009
4,771	12,933	6,865	15,048	22,637	13,588	16,744	19,789
13,339	18,744	30,839	35,469	38,103	48,347	43,698	48,557
109,212	126,900	132,216	147,879	175,581	199,532	293,326	343,135
55,613	59,877	61,577	66,996	74,173	82,214	93,206	108,343
446	327	240	253	234	344	1,388	1,811
2,909	7,323	5,307	5,451	30,180	30,030	62,737	62,972
10,390	12,693	4,168	6,480	39,782	27,289	125,416	129,520
6,106	10,688	12,543	14,952	18,491	22,932	30,198	41,937
2,160	2,160	2,160	2,160	2,160	1,823	1,823	1,823
8,005	8,005	8,005	8,005	8,005	8,798	9,036	11,769
48,403	72,804	87,014	105,507	124,124	148,785	158,214	182,872
4.55	6.52	7.66	9.15	10.66	12.68	13.44	15.53
294,294	320,414	354,821	373,951	395,266	433,994	458,908	512,589
22	22	25	20	17	17	18	18
180	192	208	214	225	240	253	272
52	52	54	44	41	40	42	43
881	942	985	1,013	1,134	1,155	1,476	1,492
114	119	132	142	148	162	189	228
6,930	7,410	7,314	7,203	8,814	9,571	10,795	11,602
81,839	96,254	106,868	111,879	125,777	154,632	188,912	245,291
6,581	7,781	9,366	10,457	11,298	13,209	16,379	21,752
14,782	17,048	12,976	18,828	24,354	31,626	81,801	56,371
3,546	4,027	4,120	4,134	4,165	3,941	4,274	4,603
30.25-20.00	29.00-21.50	26.00-17.88	23.00-17.75	27.25-19.75	29.00-24.75	43.50-27.75	42.50-30.00
12.8	10.7	10.9	10.8	11.5	11.5	9.7	9.4
88,472	112,873	127,083	145,576	164,193	189,310	198,977	226,367
22.6	27.3	19.0	17.9	20.2	20.9	14.8	19.7
137,876	176,203	206,800	247,213	288,080	343,157	394,003	453,953
14.5	17.5	11.7	10.5	11.5	11.6	7.5	9.8

** 1979 financial figures have been adjusted to delete those for the Winnipeg Tribune. Statistics for the Tribune are included for advertising linage, newspaper pages, daily newspaper circulation, tons of newsprint, employees, salaries and employee benefits.

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by McLaren Morris and Todd Limited

THE CALGARY HERALD