



ANNUAL REPORT



THE SOUTHAM COMPANY LIMITED

321 BLOOR STREET EAST

TORONTO 5, ONT.



The Southam Company Limited Annual Reports for 1949, 1953 and 1954 won Bronze Oscars of the Financial World, New York, as the best in the Publishing field.



Contents

	Pages
Company Offices	4
Directors and Officers	5 - 7
Results at a Glance	8
Directors' Report	9 - 13
Auditors' Report	14
Statement of Income	15
Statement of Retained Earnings	16
Notes and Comments	17
Balance Sheet	18 - 19
Funds Statement	20
The 1955 Income Dollar	21
A Ten-Year Record of Progress	22 - 23
Employees	24 - 25
Plants and Equipment	26 - 29
The Southam Newspapers	30 - 31
Service to Advertisers	32
Radio and TV	33
The Printing Divisions	34 - 35

THE SOUTHAM COMPANY LIMITED

THE SOUTHAM COMPANY LIMITED

HEAD OFFICE

321 BLOOR STREET EAST

TORONTO 5, ONT.

NEWSPAPERS

The Ottawa Citizen	Ottawa, Ont.
The Hamilton Spectator	Hamilton, Ont.
The Winnipeg Tribune	Winnipeg, Man.
The Medicine Hat News	Medicine Hat, Alta.
The Calgary Herald	Calgary, Alta.
The Edmonton Journal	Edmonton, Alta.
The Vancouver Province	Vancouver, B.C.

NEWS SERVICES BUREAUX

Ottawa	136 Sparks Street
London, England	162a Queen Victoria Street, E.C.4
Washington, U.S.A.	1154 National Press Bldg.

NEWSPAPER ADVERTISING SALES OFFICES

Montreal	1070 Bleury Street
Toronto	388 Yonge Street
London, England	F. A. Smyth, 34 Ludgate Hill, E.C.4
U. S. A.	Cresmer and Woodward, New York, Detroit, Chicago, Atlanta, Los Angeles and San Francisco

PRINTING PLANTS

The Southam Printing Company Montreal	1061 St. Alexander Street
The Southam Printing Company Toronto	19 Duncan Street
The Nicholson Printing Company	2092 West 2nd Avenue, Vancouver, B.C.

SUBSIDIARIES

Calgary Broadcasting Company Limited	Station CFAC
Edmonton Broadcasting Company Limited	Station CJCA

Directors and Officers

DIRECTORS



*Philip S. Fisher	Montreal
F. I. Ker	Hamilton
*D. K. MacTavish, Q.C.	Ottawa
*E. L. Harvie, Q.C.	Calgary
*W. H. Woolnough	Toronto
☆A. A. Coghill	Montreal
*W. Watson Southam	Toronto
*J. F. Hayes	Montreal
A. W. Moscarella	Vancouver
K. LeM. Carter	Toronto
W. A. MacDonald	Edmonton
*St. Clair Balfour, Jr.	Toronto
R. W. Southam	Ottawa
F. S. Auger	Winnipeg
Gordon T. Southam	Vancouver
Britton B. Osler, Q.C.	Toronto

*Member of the Executive Committee.

☆Retired, February 21, 1956.

OFFICERS

Philip S. Fisher	President
St. Clair Balfour, Jr.	Executive Vice-President
W. Watson Southam	Vice-President
A. W. Moscarella	Vice-President and Publisher The Vancouver Province
Basil Dean	Vice-President and Publisher The Calgary Herald
W. A. MacDonald	Vice-President and Publisher The Edmonton Journal
F. S. Auger	Vice-President and Publisher The Winnipeg Tribune
T. E. Nichols	Vice-President and Publisher The Hamilton Spectator
R. W. Southam	Vice-President and Publisher The Ottawa Citizen
T. R. Osborne	Vice-President and Publisher The Medicine Hat News
J. F. Hayes	Vice-President, Printing Divisions
F. M. Southam	General Manager The Southam Printing Company Montreal
J. A. Dickson	General Manager The Southam Printing Company Toronto
R. Graham	General Manager The Nicholson Printing Company
F. G. Lucius	Treasurer and Secretary, Toronto

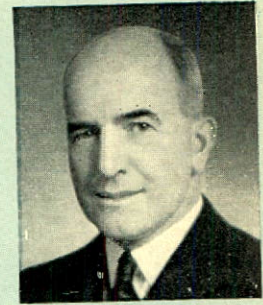
THE SOUTHAM COMPANY LIMITED

Directors and Officers



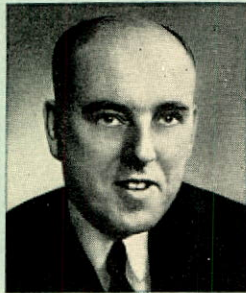
PHILIP S. FISHER, C.B.E.
Elected Director 1928

Born Montreal, 1896. B.A. (McGill). Joined The Southam Company 1924 as Assistant to the President. Elected President 1945. Served in World War I with R.N.A.S. and R.A.F. Director and Past President Canadian Daily Newspaper Publishers Association. Director Canadian Press. Past Chairman Canadian Chamber of Commerce. Honorary President Canadian Welfare Council.



F. I. KER, C.B.E.
Elected Director 1928

Born Dunham, Que. B.Sc. (McGill). For many years engaged as Civil Engineer on construction projects and in pulp and paper industry. Joined The Hamilton Spectator 1921; Vice-President and Publisher 1930; retired 1951. Past President of Canadian Press, Canadian Daily Newspaper Publishers Association. Chairman, Canadian Section, Commonwealth Press Union.



JOHN F. HAYES
Elected Director 1950

Born Dryden, Ont., 1904. Early experience with Bridgins Limited, Toronto and Moffats Limited, Weston. Joined The Southam Printing Company Toronto 1940; Vice-President and General Manager 1947. Transferred to The Southam Printing Company Montreal 1951; Vice-President and General Manager. Vice-President, Printing Divisions, 1956.



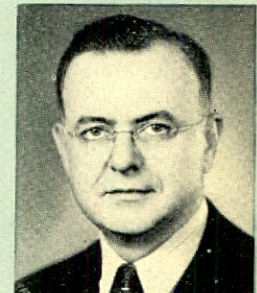
A. W. MOSCARELLA
Elected Director 1951

Born London, Eng., 1893. Joined The Winnipeg Tribune as Advertising Director 1919; Business Manager 1939; Assistant Publisher 1947; Vice-President and Publisher 1948. Vice-President and Publisher of The Vancouver Province 1951. Director Canadian Daily Newspaper Publishers Association. Director, Canadian Press.



K. LeM. CARTER
Elected Director 1951

Born Montreal, 1906. B.Com. (McGill). Received C.A. 1928. Partner McDonald, Currie & Company since 1935; now senior resident partner in Toronto. President of Institute of Chartered Accountants 1947-1948. Past Chairman of the Canadian Tax Foundation. Member Board of Governors, Women's College Hospital, Toronto.



W. A. MacDONALD
Elected Director 1952

Born Houlton, Me., 1897. Early newspaper experience on farm papers. Joined The Vancouver Province as reporter 1927. To The Edmonton Journal 1937 as Business Manager; Vice-President and Publisher 1941. Past President of Canadian Daily Newspaper Publishers Association. President, Edmonton Broadcasting Company Ltd.



BRITTON B. OSLER, O.C.
Elected Director 1956

Born Ottawa, Ontario, 1904. Graduate R.M.C. of Canada. Partner Blake, Cassels & Graydon since 1933. Served in Canadian Army (Reserve or Active) 1940-1946. Member of Board of Governors Canadian Tax Foundation and St. John's Convalescent Hospital. A Vice-President of Ridley College. Director of a number of Canadian companies.



THOMAS E. NICHOLS

Born Winnipeg, 1907. B.A. (Mount Allison University). Joined The Winnipeg Tribune 1928, transferred to The Vancouver Province 1930, and came to The Hamilton Spectator in 1934. Served with the Royal Canadian Navy from 1940 to 1945. Appointed Publisher of The Hamilton Spectator February 1, 1955.



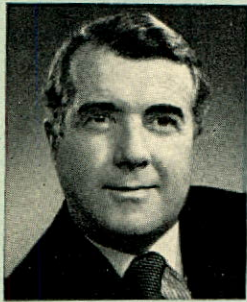
BASIL DEAN

Born Newbury, England, 1915. Diploma for journalism, University of London, 1936. Came to Canada 1938 as reporter on The Hamilton Spectator. Served in World War II as Squadron Leader, R.C.A.F. Associate Editor The Calgary Herald, 1949. Appointed Publisher March, 1955. President, Calgary Broadcasting Company Limited.



T. ROY OSBORNE

Born Lucan, Ont., 1889. Joined The Medicine Hat News as Circulation Manager 1912; Advertising Manager 1920; Business Manager 1936; Vice-President and Publisher 1948. Served with R.A.F. in World War I. Past President, Medicine Hat Chamber of Commerce and Canadian Club.



D. K. MacTAVISH
O.B.E., Q.C.
Elected Director 1943

Born Ottawa, Ont., 1899. B.A. (Queen's). Called to Ontario Bar 1926, British Columbia Bar 1950. Served with R.C.N.V.R. 1940-45. Partner law firm of Gowling, MacTavish, Osborne and Henderson, Ottawa. Member and past Chairman Federal District Commission. Trustee Queen's University.



ERIC L. HARVIE, Q.C.
Elected Director 1946

Born Orillia, Ont., 1892. LL.B. (Alberta). Called to Alberta Bar 1915. Served in World War I 1915-1919 with Canadian Infantry, R.F.C. and R.A.F. Counsel to law firm Macleod, Riley, McDermid, Dixon and Burns. Director: Canada Trust Company, Canadian Bank of Commerce, Empire Trust Company, New York. Chairman of Board, Western Leaseholds Ltd.



W. H. WOOLNOUGH
Elected Director 1946

Born Toronto, Ont., 1890. Joined Southam Press Toronto 1940; Vice-President and General Manager 1941. To Head Office as Vice-President 1946. Returned to The Southam Printing Company Toronto as Vice-President and Managing Director 1952. Previously with Bridgens Ltd. 1913-1934; A. McKim Ltd. 1934-1940. Past President, Toronto Graphic Arts Association.



W. WATSON SOUTHAM
Elected Director 1950

Born Hamilton, Ont., 1908. B.Sc. (McGill). With The Vancouver Province 1930-1945, latterly as Production Manager; transferred to Head Office as Executive Assistant 1945; Vice-President, 1954. Member Mechanical Committee, American Newspaper Publishers Association; Engineering Institute of Canada; Corporation of Professional Engineers of Quebec.



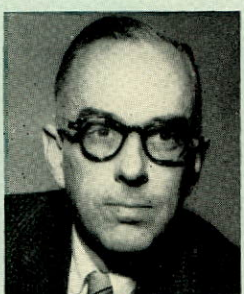
ST. CLAIR BALFOUR, Jr.
Elected Director 1953

Born Hamilton, Ont., 1910. B.A. (Toronto). Joined The Hamilton Spectator 1931. Transferred to The Winnipeg Tribune 1935. Returned to The Hamilton Spectator 1937; Vice-President and Publisher 1951. Company Executive Vice-President, 1954. Director of Canadian Daily Newspaper Publishers Association. Commander R.C.N.V.R. in World War II.



R. W. SOUTHAM
Elected Director 1954

Born Ottawa, Ont., 1914. B.A. (Queen's), M.S. (Columbia). Joined The Ottawa Citizen 1937. Managing Editor 1946. Assistant Publisher 1950. Publisher, June, 1953. Served with Royal Canadian Navy 1940-1945. Chairman Board of Governors of Ashbury College. Director of Canadian Press. Director of Canadian Daily Newspaper Publishers' Association.



FRED S. AUGER
Elected Director 1954

Born Calgary, Alta., 1907. Joined The Southam Company as Vice-President and Publisher The Winnipeg Tribune 1951. Previously Royal Securities Corpn., Hudson's Bay Company, A. McKim Ltd., Director of Advertising, Procter and Gamble Co. of Canada, Past Director Canadian Advertising Research Foundation.



GORDON T. SOUTHAM
Elected Director 1955

Born Ottawa, Ont., 1910. Joined Ottawa Citizen 1930. Moved to Vancouver Province 1936. Served with Royal Canadian Navy 1940-1945. Member of Board of Governors of Ashbury College, Ottawa. President Western Society for Rehabilitation, Vancouver. Director of MacMillan & Bloedel Limited and B.C. Packers Limited.



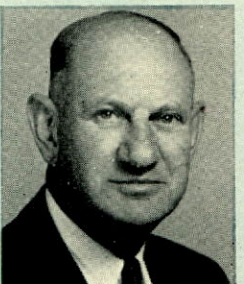
F. M. SOUTHAM

Born Hamilton, 1913. Joined The Hamilton Spectator 1934. Served Overseas from 1940 to 1947, retiring as Commander R.C.N.(R.). Joined The Southam Printing Company Montreal 1947. Transferred to The Southam Printing Company Toronto 1952, as General Manager. Returned to The Southam Printing Company Montreal as General Manager 1956.



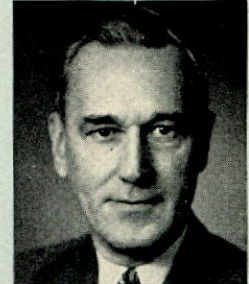
JAMES A. DICKSON

Born Hamilton, Ont., 1917. Sales representative Bridgens Limited, Toronto 1940-1952; Sales Manager, Bryant Press, Toronto 1952-1953; joined Southam as General Sales Manager, Printing Divisions in October 1953; General Manager The Southam Printing Company Toronto 1956. Served in World War II as Lieutenant RCASC.



ROBERT GRAHAM

Born in Dumfries, Scotland, 1897. Came to Canada and apprenticed with Nicholson Limited in 1912. Appointed Managing Director of Nicholson Limited in 1933. Manager, Nicholson Limited, Printing Division 1952. Appointed General Manager The Nicholson Printing Company on its acquisition by The Southam Company Limited in 1955.



F. G. LUCIUS

Born Brooklyn, New York, 1888. Joined The Southam Company Limited 1933; Treasurer and Assistant Secretary 1941; Secretary 1947. Previously with National Bank of Commerce, New York City, and Treasurer, Canadian office, National City Company.

THE YEAR'S RESULTS AT A GLANCE

(with comparative figures for 1954)

FINANCIAL	1955	1954
Revenues	\$30,812,726	\$28,625,729
Net Profit	2,623,590	2,327,780
Net Profit per share	3.50	3.10
Provision for Taxes on Income	2,272,100	1,960,000
Provision for Taxes on Income per share	3.03	2.60
Other Taxes	197,311	194,549
Dividends Paid	1,312,500	1,200,000
Dividends paid per share	1.75	1.60
Net Current Position	3,840,569	3,894,236
Expended for Production Facilities	2,128,833	836,761
Depreciation written	792,013	701,215
Investment per Employee in Fixed Assets	5,700	5,200
Retained Earnings	6,126,819	4,854,301
Cost of Newsprint Delivered	6,264,336	6,089,181
Salaries and Wages	10,450,340	9,581,074
Retirement Plan Contributions	324,740	306,389
Other Employee Welfare Expense	374,687	336,011
Donations to Community Welfare	97,072	74,679
STATISTICAL		
Advertising Linage	115,144,088	106,891,033
Circulation (December daily Average Paid)	508,648	504,809
Newsprint Used (Tons)	49,253	46,859
Number of Employees	2,952	2,844
Number of Shareholders	1,704	1,618

ANNUAL REPORT



of the Directors for the Year Ended December 31st, 1955

March 5th, 1956.

To the Shareholders,
The Southam Company Limited.

Your Directors have pleasure in submitting the Twenty-ninth Annual Report of the Company showing the results of its operations for the year ended December 31st, 1955. This was one of the most successful years in our history. Canada was prosperous in 1955, and our Company enjoyed a fair share of that prosperity.

The Company's chief products—news-papers, newspaper advertising, general and specialized printing, and radio broadcasting—all continued in strong demand. As a result, our operations once again established new high records, both for physical volume of business and for gross and net earnings.

Net earnings of \$2,623,590 were higher by \$295,810 than 1954 earnings, and earnings per share were \$3.50 as compared to \$3.10 in 1954.

In the light of these earnings our regular quarterly dividend rate was increased in June from 40 cents to 45 cents, and dividend distributions for the year totalled \$1.75.

During the year our Balance Sheet was strengthened to the extent of some \$1,311,090 by the excess of earnings over dividends.

* * *

Attached to this Report are the usual financial statements and a number of additional statements of a statistical nature. We direct your attention also to the pages

following the financial statements, which deal in greater detail with certain aspects of our operations.

In December a Special General Meeting of Shareholders approved two new Company By-Laws. Your Directors wish particularly to record their appreciation of the high number of proxies sent in for this meeting. A total of 865 shareholders holding in the aggregate 573,195 shares were represented.

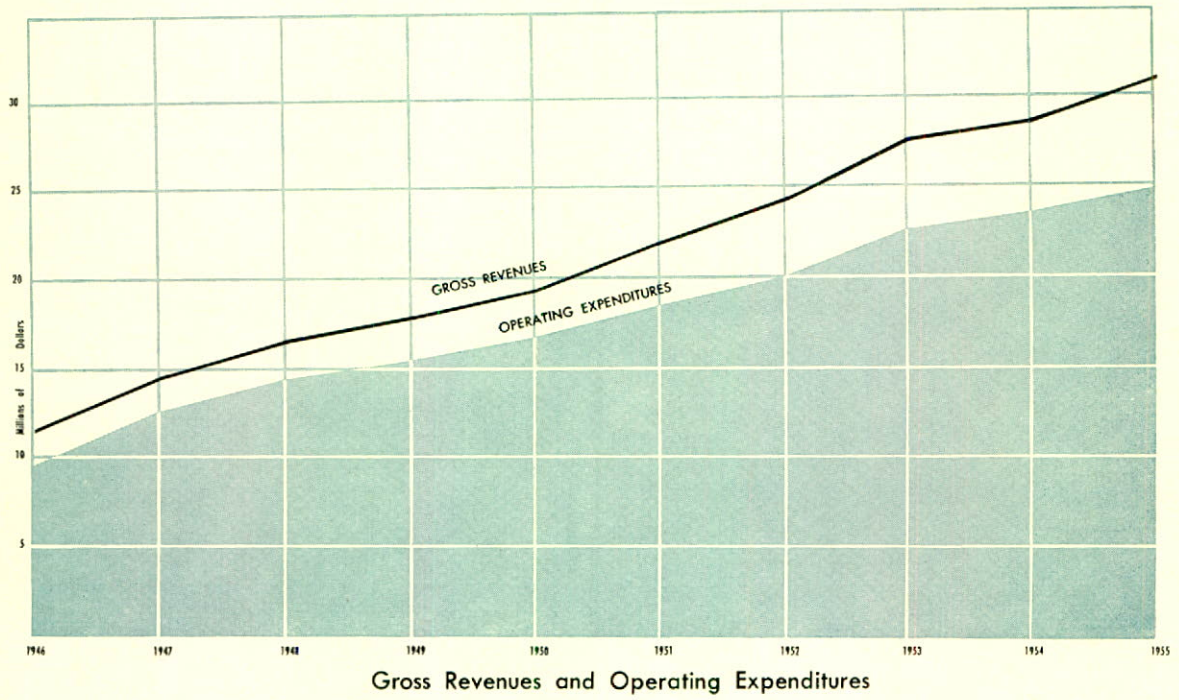
By-Law No. 21 provided for an increase in the authorized capital of the Company from 750,000 Common shares to 1,000,000 Common shares. There is no proposal to issue any of the additional shares at the present time, but it was thought useful that they be available in case the issue of additional stock should seem desirable in the future.

By-law No. 22 provided for the move of the Company's Head Office from Montreal to Toronto. Earlier in the year most of our general administrative staff was moved to our new offices in the Confederation Life Building at 321 Bloor Street East, Toronto, and the move of the official Head Office was made with effect from December 31st.

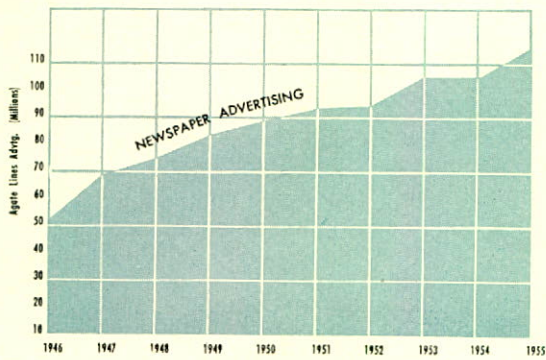
Already we believe that this move of our administrative operation closer to the centre of the printing and publishing industry in Canada, and closer to the centre of our own over-all operations, has justified itself.

* * *

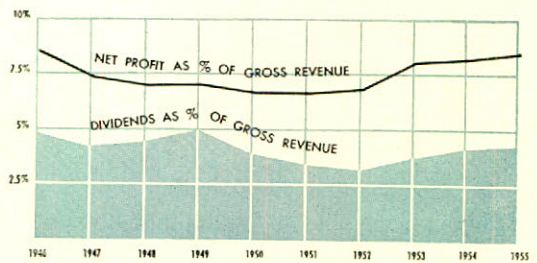
This Report covers the tenth full year of operations since our stock was placed on the



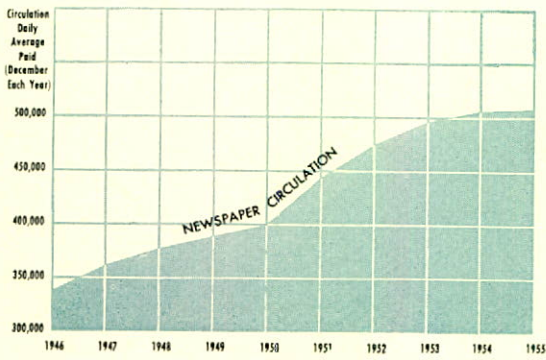
Gross Revenues and Operating Expenditures



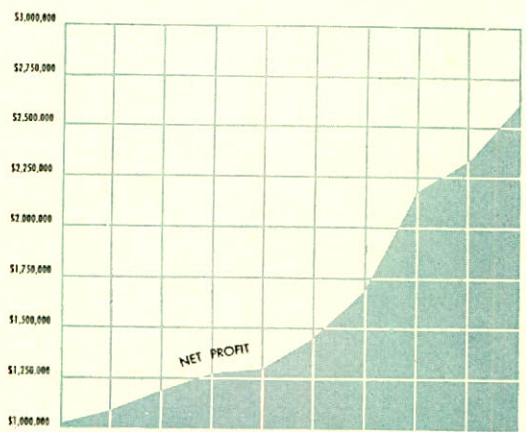
Newspaper Advertising



Net Profit and Dividends % of Gross Revenue



Newspaper Circulation



Net Profit

public market. On pages 22 and 23 are given some highlights of the ten-year period. It is worthy of note that the profit of each successive year was greater than that of the year before.

The cities in which we operate have shown increases in population and economic activity in excess of the national averages, and we have been in a position to share in their growth.

* * *

The Company in 1955 continued its operations on the same Divisional basis as in the past. Each Division constitutes a separate operation with an effective management of its own. The Head Office and certain group operations support the Divisional managements without depriving the Divisions of that flexibility and local responsibility which are such vital factors in the printing and publishing business.

It is our judgment that we have successfully combined the advantages of local publication with those of group ownership. Competitive pressures have varied from community to community. It is a source of strength to our Company that our operations are spread across the country. Variations within the industry average out into a record of stability which it would be difficult for an individual newspaper to achieve. By the same token, the business experience and perspective obtained in operating at a number of points have enabled us to improve our services and our operating efficiency.

* * *

During the year the Medicine Hat News Limited, a subsidiary company publishing The Medicine Hat News, was absorbed and The News is now operated as a Division of The Southam Company on the same basis as are our other newspapers.

We believe our Southam newspapers in 1955 were better than ever before, and that

the Company has carried forward into 1956 not only a commercially successful operation, but a know-how in publishing, the value of which will continue on into the future.

* * *

During 1955 the operations of our printing Divisions were somewhat hampered by a major reorganization of our production facilities, to which further reference is made on page 35. Prices continued, as they have for some years past, to be highly competitive. However, our gross business was more than maintained, and while profit margins were somewhat reduced, we believe we have laid firm foundations for enlarged and more profitable activities in the years to come.

As of September 30th, 1955, we purchased the assets of the Printing Division of Nicholson Limited of Vancouver. The products of this plant are similar to those of The Southam Printing Company Montreal, and we feel that the acquisition of these additional facilities will enable us better to serve our customers in Western Canada.

* * *

Our radio subsidiaries have enjoyed a satisfactory year. The operation of radio stations has been somewhat affected by the advent of television, but on the whole profits have been maintained at higher levels than it was earlier thought would be the case.

Minority interests which we hold in television stations in Hamilton and Calgary have developed sound operating profit margins at an earlier date than was anticipated, and we look forward to growth in the value of these investments.

As a matter of policy we keep our activities in radio and television quite separate from our newspaper publishing operations.

* * *

In February we placed a bid for The Globe & Mail, Toronto, which had been offered for sale by sealed tender. However, the paper was sold to a bidder who exceeded our offer of \$10,000,000.

* * *

The contribution made to the success of the Company by its executive and general personnel can hardly be over-rated, and we wish to express our deep appreciation of the loyalty and effectiveness of our staffs.

Throughout the year we have carried on our operations in the best of relationships with our employees.

* * *

Since the turn of the year Mr. W. H. Woolnough has retired as Vice-President and Managing Director of The Southam Printing Company Toronto. Mr. Woolnough joined the Company in 1940, and was elected a Director in 1946. His services to the Company, both at Head Office in Montreal and with The Southam Printing Company Toronto, have been of the highest order. We are happy that he has expressed his willingness to continue as a Director.

Following Mr. Woolnough's retirement, the administrative arrangement of our printing Divisions has been somewhat changed. Mr. John F. Hayes, Vice-President and General Manager of The Southam Printing Company Montreal, has been appointed Vice-President, Printing Divisions. He will have reporting to him Mr. F. M. Southam, General Manager of The Southam Printing Company Montreal, Mr. J. A. Dickson, General Manager of The Southam Printing Company Toronto, and Mr. Robert Graham, General Manager of The Nicholson Printing Company of Vancouver.

* * *

Early in 1955 Mr. Gordon T. Southam, of Vancouver, was elected a Director to

fill the vacancy on the Board created by the death of Mr. John David Southam in November of 1954.

Recently one of our Directors, Mr. A. A. Coghill, who retired as Vice-President and General Manager of The Southam Printing Company Montreal in 1950, indicated that he felt the time had come for him to relinquish his Directorship. This decision the Board accepted with regret.

At a subsequent meeting of the Board the vacancy so created was filled by the election as a Director of the Company of Mr. B. B. Osler, Q.C. Mr. Osler is a partner in the Toronto legal firm of Blake, Cassels & Graydon, and has for many years been intimately associated with the Company in connection with its legal work.

* * *

Another important aspect of the Company's operations has been the maintenance and expansion of our production facilities. A year or two ago it was our feeling that we were for the time being approaching the end of major expenditures on this score. However, the maintained growth in circulation and in the size of our newspapers, and in the volume of our printing activities, has justified still further investment in new presses and buildings to house them. A total of \$2,129,000 was spent in 1955 and firm commitments amounting to \$2,100,000 have already been made for 1956. Plans are being prepared which would involve the expenditure of a further substantial sum.

A development of major importance is the growing interest of newspaper advertisers in colour printing. This at once offers an additional source of profit and an additional demand on the capacities of our presses. We believe colour printing in newspapers has come to stay, and that it will increase in volume.

* * *

In conformity with policy established over many years, the Company has continued to support a wide range of community welfare activities. We believe there is a growing recognition of the idea of company "citizenship"—the principle that a company should support and participate in public movements for the benefit of the communities in which it operates. Consistent with this, cash contributions to community welfare totalled \$97,072 during the year. Further substantial support was given through newspaper publicity and printing.

* * *

At the close of the year, after consideration of our earnings and the effect of increased wage levels, we made a special appropriation of \$113,286 from profits to strengthen the position of our employees' Contributory Retirement Plan. This appropriation, and an adjustment in our depreciation reserves with respect to the newly acquired Nicholson Printing Division, reduced our apparent earnings for the last quarter of the year. In terms of ordinary operations, these slightly exceeded the same period of 1954.

* * *

A cloud on the horizon which should be noted is the general shortage of newsprint which has developed in the last few months. This will unquestionably demand the most efficient use of the newsprint supplies which are available, but we do not rank it as a major threat to our operation. It is unfortunate that in an industry based on Canadian forest resources, some newsprint manufacturers have not adopted the policy of meeting the requirements of their Canadian customers before exporting the bulk of their production.

* * *

The printing and publishing industry is very closely geared to general business activity. As the early months of 1956 give indication of a year of activity comparable to 1955, we feel that the prospects of our Company for the year are bright.

Submitted on behalf of the Directors.

President.



AUDITORS' REPORT



to the shareholders

We have examined the balance sheet of The Southam Company Limited as at December 31, 1955 and the statements of income and retained earnings for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

We report that dividends received from subsidiary companies and included in income exceed the parent company's interest in the aggregate net profits of the subsidiaries for the year by \$2,585.

In our opinion the accompanying balance sheet and statements of income and retained earnings are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1955 and the results of its operations for the year then ended, according to the best of our information and the explanations given to us and as shown by the books of the company.

GUNN, ROBERTS and Co.

Chartered Accountants.

TORONTO, March 1, 1956.

STATEMENT OF INCOME

For the Year Ended December 31st, 1955

(with comparative figures for 1954)

	1955		1954	
Revenue from operations		\$30,513,412		\$28,391,223
Income from investments:				
Subsidiary companies	\$ 188,556		\$ 193,000	
Other	110,758	299,314	41,506	234,506
		<u>30,812,726</u>		<u>28,625,729</u>
Costs and operating expenses	\$24,945,023		\$23,451,734	
Depreciation	792,013	25,737,036	701,215	24,152,949
		5,075,690		4,472,780
Interest on debentures		180,000		185,000
Profit before income taxes		4,895,690		4,287,780
Income taxes		2,272,100		1,960,000
NET PROFIT		<u>\$ 2,623,590</u>		<u>\$ 2,327,780</u>
Per share		\$3.50		\$3.10

Note: Directors' fees for 1955 amounted to \$23,750, salaries of executive officers \$261,702, legal fees \$37,526, audit fees \$21,075.



STATEMENT OF RETAINED EARNINGS

For the Year Ended December 31st, 1955
(with comparative figures for 1954)

	1955	1954
Balance at January 1st.....	\$4,854,301	\$3,497,788
<i>Add:</i>		
Net profit for the year.....	\$2,623,590	\$2,327,780
Profit on sale of investments....	—	65,245
Accumulated depreciation transferred upon disposal of fixed assets.....	—	163,488
	<u>2,623,590</u>	<u>2,556,513</u>
	7,477,891	6,054,301
<i>Deduct:</i>		
Appropriation to write off the excess of cost of shares of The Medicine Hat News Limited over the book value of the assets acquired.....	\$ 38,572	
Dividends paid:		
1955 \$1.75 — 1954 \$1.60.....	1,312,500	1,351,072
	<u>1,312,500</u>	<u>1,200,000</u>
Balance at December 31st.....	<u>\$6,126,819</u>	<u>\$4,854,301</u>



NOTES on EARNINGS and BALANCE SHEET

■ Comparison of Gross Revenues and Operating Expenses:

Revenues for 1955, as shown on the statement of income on page 15, at \$30,812,726 were 7.6% higher than 1954, accounted for almost entirely by increased sales.

Income from subsidiary companies and investments increased because of distribution to the Company of profits accumulated in prior years.

Total expenditures at \$24,945,000 were 6.4% higher than in 1954, accounted for by higher unit costs and increased volume.

Payroll for 2,952 employees was \$10,450,340. This represented an increase over 1954 in the number of employees of 108 and in dollars of \$869,266.

Depreciation at \$792,000 was higher by \$91,000, reflecting an increase in our investment in production facilities.

Newsprint consumption of 49,253 tons at a delivered cost of \$127 was higher by 5% due principally to an increase in advertising lineage. Other expenses showed only minor variations.

■ Current Position:

There has been a small decrease in our current position, resulting from a substantial

investment in land, buildings and equipment during the year.

Cash and government securities were higher by some \$60,000. Accounts receivable and accounts payable, higher by \$282,000 and \$222,000 respectively, are normal in the light of the larger volume of business done.

Our plant expansion plans for 1956 foreshadow a further decline in our net current position but nevertheless we believe it will remain adequate for any ordinary contingency.

■ Investments:

When we purchased the Medicine Hat News Ltd. in 1948, the purchase price exceeded the book value of the assets. We felt justified in the price we paid because of the newspaper's earnings and the value of its circulation. The record of the company in the intervening years has amply sustained this judgment. Nevertheless, this year, in changing its status from a subsidiary to a Division of The Southam Company, we have felt it good practice to make an appropriation from retained earnings to eliminate the value of the original purchase not represented in the book value of tangible assets.



THE SOUTHAM COMPANY LIMITED

ASSETS

	1955	1954
CURRENT ASSETS:		
Cash	\$ 799,650	\$ 948,258
Government of Canada securities at cost..... (market value December 31, 1955 \$1,556,700)	1,600,411	1,391,666
Accounts receivable	3,099,729	2,818,101
(after allowance for doubtful accounts)		
Inventories valued at the lower of cost or market	1,286,595	1,316,309
Prepaid expenses.....	119,159	50,467
	<u>\$ 6,905,544</u>	<u>\$ 6,524,801</u>
INVESTMENTS:		
Newspaper companies	822,805	879,800
Radio and television companies (includes for 1955—\$300,000 in shares of and \$60,000 advances to subsidiary companies).....	700,000	645,000
Other	175,509	184,148
	<u>1,698,314</u>	<u>1,708,948</u>
FIXED ASSETS valued at cost or lower:		
Lands	1,353,716	919,384
Buildings	\$6,158,245	
Less accumulated depreciation.....	<u>2,708,504</u>	3,449,741
		2,758,228
Machinery and equipment	\$9,601,623	
Less accumulated depreciation.....	<u>7,217,144</u>	2,384,479
		2,173,504
	<u>7,187,936</u>	<u>5,851,116</u>
	<u>\$15,791,794</u>	<u>\$14,084,865</u>

APPROVED ON BEHALF OF THE BOARD:

P. S. FISHER, Director
ST. CLAIR BALFOUR, Jr., Director



— BALANCE SHEET — DECEMBER 31st, 1955

(with comparative figures for 1954)

LIABILITIES

CURRENT LIABILITIES:	1955	1954
Accounts payable and accrued liabilities	\$1,598,091	\$1,375,716
Income and other taxes	1,290,492	1,081,510
Subscriptions paid in advance	176,392	173,338
	3,064,975	2,630,564
 FUNDED DEBT:		
5% perpetual redeemable debentures	3,600,000	3,600,000

SHAREHOLDERS' EQUITY

Capital Stock:		
Common shares without nominal or par value—		
Authorized—1,000,000 shares (increased in 1955 from 750,000 shares)		
Issued—750,000 shares	3,000,000	3,000,000
RETAINED EARNINGS	6,126,819	4,854,301
	9,126,819	7,854,301
	\$15,791,794	\$14,084,865

Note: Commitments for purchase of buildings and equipment amount to approximately \$2,100,000.



STATEMENT OF



SOURCE and USE of FUNDS

FOR THE YEAR ENDED DECEMBER 31ST, 1955

SOURCE OF FUNDS

Earnings retained for operations and development.....		\$1,311,090
(net profit \$2,623,590 less dividends \$1,312,500)		
Provision for depreciation, reserved from operating income.....		792,013
Decrease in working capital.....		53,668
		<u>\$2,156,771</u>

USE OF FUNDS

Net additions to land, buildings and machinery.....		\$2,128,833
Increase in investments		
Additional investments, net.....	\$114,366	
Less shares of The Medicine Hat News Limited replaced by division assets (see note).....	86,428	27,938
		<u>\$2,156,771</u>

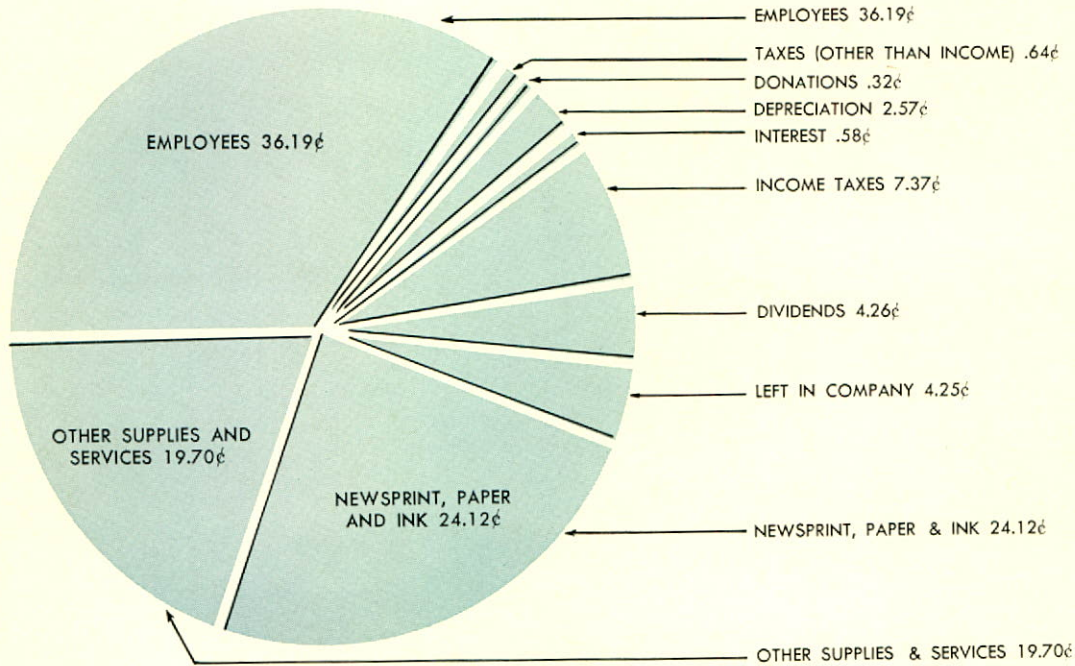
Decrease in Working Capital

Decrease in inventories.....		\$29,714
Decrease in other current items, net.....		84,091
		<u>113,805</u>
Increase in cash and government securities.....		60,137
		<u>\$53,668</u>

Note: The investment total as shown in the 1954 balance sheet was also reduced in 1955 by \$38,572, the amount of the excess of cost of shares of The Medicine Hat News Limited over the book value of the assets acquired.

WHERE THE 1955 INCOME DOLLAR WENT

(with comparative figures for 1954)



	1955		1954	
Revenues	\$30,812,726	100%	\$28,625,729	100%
Newsprint, Paper and Ink	\$ 7,431,093	24.12	\$ 7,020,845	24.53
Other Supplies and Services	6,069,780	19.70	6,057,641	21.16
Salaries and Wages Paid	10,450,340	33.92	9,581,074	33.47
*Expended for Employees' Welfare	699,427	2.27	522,946	1.83
Taxes (other than Income Taxes)	197,311	.64	194,549	.68
Community Welfare Donations	97,072	.32	74,679	.26
Provision for Depreciation—Buildings and Equipment	792,013	2.57	701,215	2.45
Interest Paid on Debentures	180,000	.58	185,000	.64
Provision for Taxes on Income	2,272,100	7.37	1,960,000	6.85
Paid to Shareholders as Dividends	1,312,500	4.26	1,200,000	4.19
Retained in Company for Operations and Development	1,311,090	4.25	1,127,780	3.94
	<u>\$30,812,726</u>	<u>100.00</u>	<u>\$28,625,729</u>	<u>100.00</u>

*1954 did not include \$119,455 that the Company paid out of reserve into the Employees' Retirement Plan for past service.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

FINANCIAL

	Gross Revenues	Total Operating Expenditures	Net Profit	Net Profit per share	Dividends Declared	Per Share	Per Cent Earnings Distributed
1946	\$11,793,471	9,642,980	1,019,706	1.35	570,000	.76	56.3%
1947	14,652,672	12,454,950	1,086,707	1.44	615,000	.82	56.9%
1948	16,880,978	14,612,602	1,181,416	1.57	750,000	1.00	63.7%
1949	18,159,100	15,553,268	1,276,232	1.70	900,000	1.20	70.6%
1950	19,482,696	16,724,040	1,296,533	1.73	750,000	1.00	57.8%
1951	21,943,023	18,551,101	1,455,512	1.94	750,000	1.00	51.5%
1952	24,248,798	20,075,999	1,689,529	2.25	787,500	1.05	46.7%
1953	27,518,485	22,484,088	2,196,682	2.92	1,050,000	1.40	47.9%
1954	28,625,729	23,451,734	2,327,780	3.10	1,200,000	1.60	51.6%
1955	30,812,726	24,945,023	2,623,590	3.50	1,312,500	1.75	50.0%

OPERATIONAL

	Newsprint Tons Used	No. of Newspaper Pages	Columns of News	Columns of Advertising	Advertising Linage	Avg. Daily Circulation December
1946	19,378	41,869	160,204	172,213	52,383,107	339,686
1947	25,500	52,368	189,457	223,721	68,971,898	361,843
1948	28,028	56,381	196,089	247,543	75,268,308	379,923
1949	32,312	63,010	218,223	277,967	84,059,785	391,146
1950	35,260	65,991	230,117	290,116	89,172,066	402,326
1951	36,340	64,392	215,331	292,002	94,022,449	444,890
1952	39,350	69,571	238,523	295,950	95,023,995	474,110
1953	45,939	76,619	256,474	345,597	106,703,706	493,982
1954	46,859	77,317	260,635	346,726	106,891,033	504,809
1955	49,253	85,285	287,006	384,981	115,114,088	508,648

STATEMENT OF THE SOURCE AND USE OF FUNDS
for the Ten Years ended December 31st, 1955

SOURCE OF FUNDS

Profits retained in Company for operations and development	\$ 7,492,016
(Net Profit, \$16,177,016 — Less dividends \$8,685,000)	
Provision for Depreciation (reserved from Operating Income).....	4,876,589
Post-war Refund Excess Profits Taxes	576,984
	\$12,945,589

USE OF FUNDS

Increase in Working Capital..	\$ 716,047
Increase in Investments.....	538,179
Additions to Land, Buildings and Machinery	9,380,830
Funded Debt—decreased	1,230,000
Retirement Plan Past Service Payments	1,080,533
	\$12,945,589



THE SOUTHAM TEAM IS 2,900 STRONG

Over twenty-nine hundred men and women—the full Southam personnel in ten plants across Canada—are important partners in our newspaper and printing enterprises. Each at the task best suited to his skill and training, they are playing a major part in our progress, while the Company in turn earnestly endeavours to create for them a full measure of satisfaction, contentment and security.

We regard our employees as an integral part of our character and stature. In recognizing their importance, we feel that they, too, realize the part which the Company plays in their lives, and know that one cannot thrive and progress without the help of the other.

On this common ground of mutual interest in the business, the relations of employee and management are congenial and understanding. Employees are treated with consideration and respect; the dignity of any job is never forgotten; good work is rewarded; advancement is fostered and encouraged within our own ranks; we try to make our people feel that their opinions are useful, and that their ideas are always welcome.

The Company's awareness of its responsibility to its employees is shown by many tangible benefits. Chief of these, and common to all Divisions is the Contributory Retirement Plan which was established in 1946.

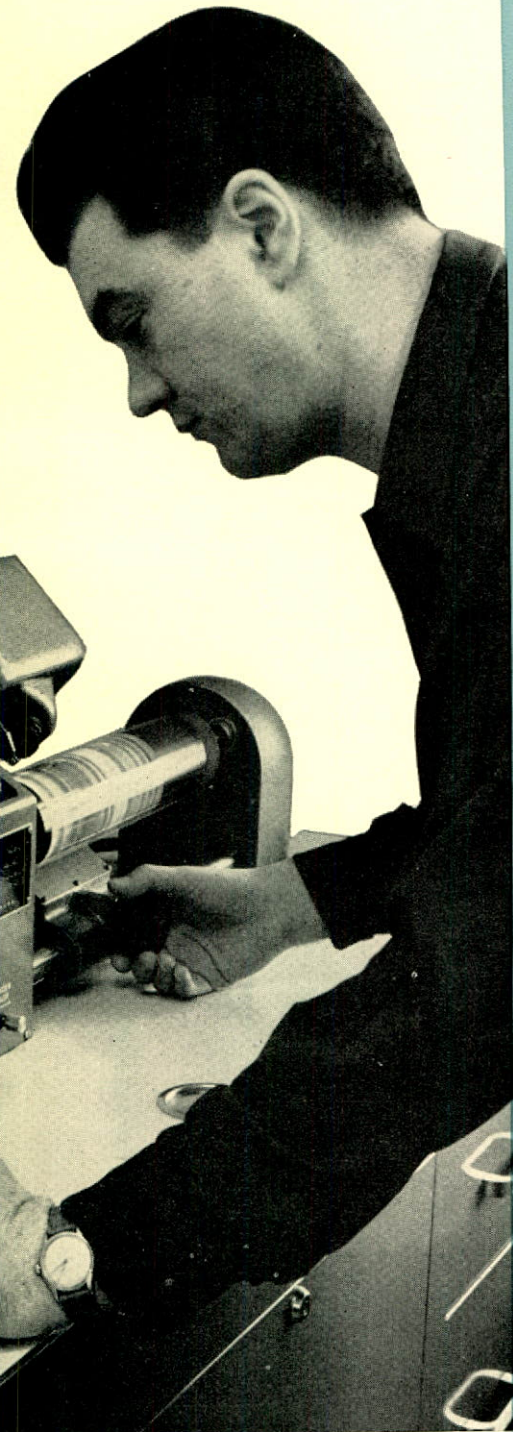
To date the Company has paid \$1,216,733 into the fund for pensions for back service. Included in this amount are bonus payments of some \$136,200, made by the Company in 1949, 1954 and 1955. These extra contributions have increased our employees' fund in this respect by 16.8% over the amount it contained when the plan was inaugurated.

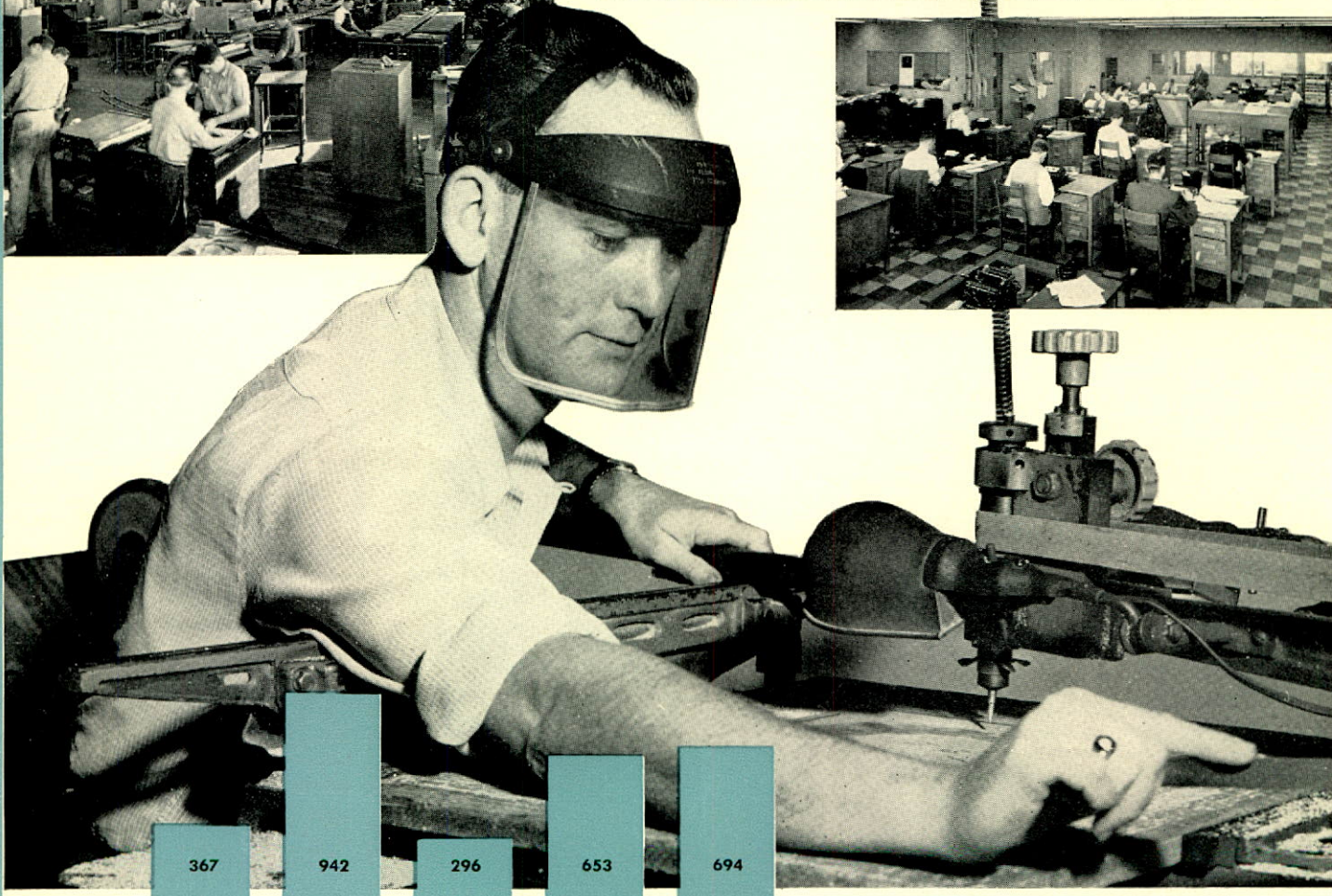
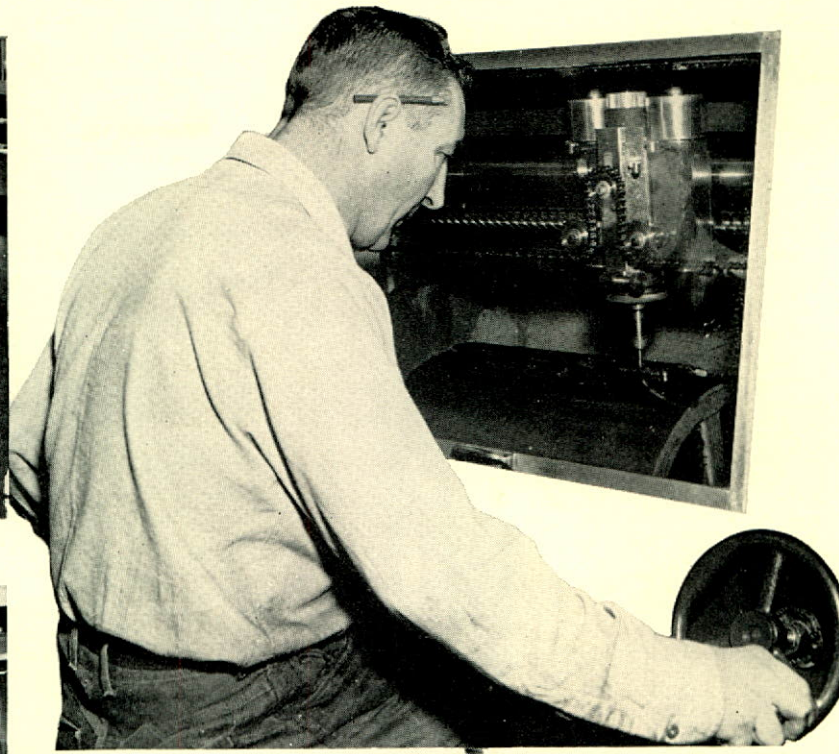
Future service contributions of employees are matched by the Company up to 4% of earnings, and in 1955 the Company voluntarily added a 1% bonus to its share, to make a total of \$325,740 expended in this direction for the year.

Various Divisions of the Company maintain other benefits—group life insurance, sickness and accident insurance and others. Consideration and understanding help is often accorded our employees where assistance is required to prevent hardship, and formal protection is frequently augmented when the need arises.

During 1955, \$699,427 was expended for Employee Welfare. This includes \$54,380 on account of past service pensions. In total this represents an average annual expenditure of \$236 for every employee in the Company.

Our payroll in 1955 rose to a total of \$10,450,000. These earnings were made possible by production facilities representing an investment of over \$17 million; more than \$5,700 for each employee.





QUEBEC ONTARIO MANITOBA ALBERTA BRITISH COLUMBIA

In 1955 the number of our employees at our various Divisions totalled 2,952. Broken down by provinces they are located as follows: Quebec 367; Ontario 942; Manitoba 296; Alberta 653; British Columbia 694.

SOUTHAM PLANTS OPERATE IN NINE PROGRESSIVE CANADIAN CITIES . . .

In all the Southam plants spread across the country, a policy of careful maintenance and an eye to future expansion keeps our building facilities abreast of current and expected production demands.

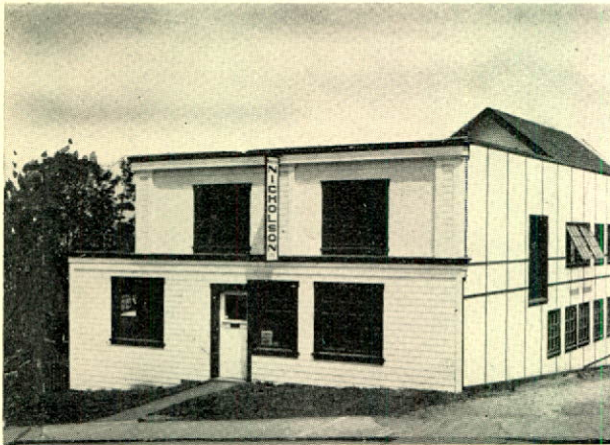
Our plants are ideally located in the cities in which they operate and provide well-equipped quarters for both newspaper and printing operations.

During 1955, we purchased a 70,000-square-foot building adjoining The Southam Printing Company Montreal at a total cost, including alterations, of \$804,000. It was occupied by that Division in December. Current space needs, and future expansion of this operation have been adequately taken care of by this move.

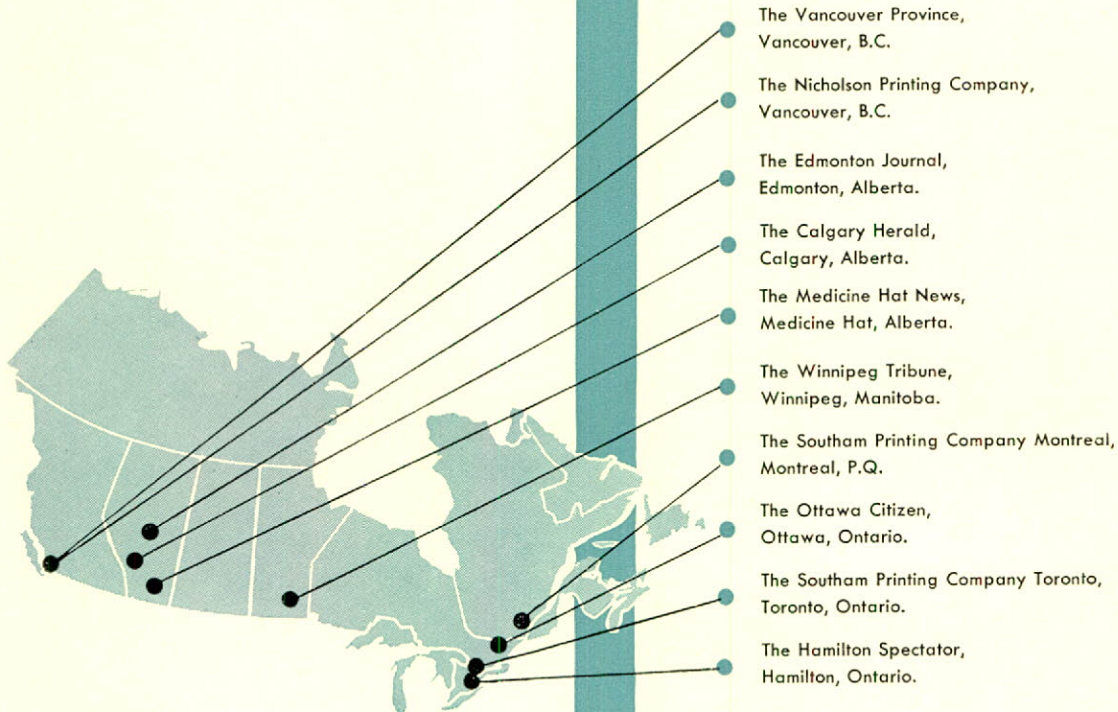
Two parcels of land were purchased during the year—one adjacent to the Edmonton Journal Building, and the other adjoining the Winnipeg Tribune Building. These represented an investment of \$357,000. Portions of both are ear-marked for additional plant facilities.



The Vancouver Province, Victory Square, ▲
Vancouver, B.C.



The Nicholson Printing Company, 2092 West 2nd Avenue, ▲
Vancouver, B.C.





▲ The Edmonton Journal,
101st Street at Macdonald Drive,
Edmonton, Alberta.



▲ The Medicine Hat News,
Medicine Hat, Alberta.



The Calgary Herald, ▶
First Street and Seventh Avenue,
Calgary, Alberta.



▲ The Winnipeg Tribune,
Smith and Graham Streets, Winnipeg, Manitoba.



▲ The Hamilton Spectator,
115 King Street East,
Hamilton, Ontario.

The Southam Printing Company Montreal, ▶
1061 St. Alexander Street,
Montreal, P.Q.



The Ottawa Citizen,
Queen and O'Connor Streets,
Ottawa, Ontario.



▲ The Southam Printing Company Toronto,
19 Duncan Street, Toronto, Ontario.

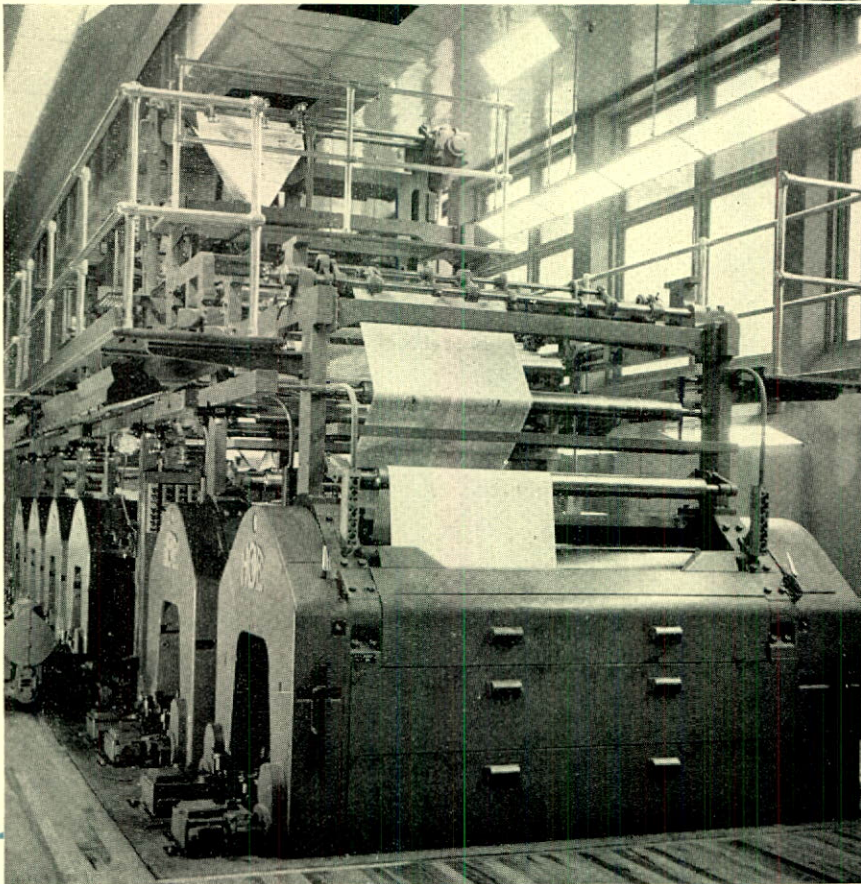


SOUTHAM EQUIPMENT

assures efficient production
in every operation

A constant schedule of careful maintenance is carried out in our various plants. New devices and improvements on existing methods frequently call for additions and replacements, and our investment in this area of operations is a continuing one. The advent of colour in newspapers, for instance, will result in substantial expenditures in the near future.

During 1955 we invested \$2,129,000 in additional production facilities, including land, buildings, machinery and equipment. Projects now under way or planned for 1956 include new mechanical buildings in Winnipeg and Edmonton; a new 56-page press in Winnipeg; substantial additional press capacity in Edmonton and Hamilton; special colour printing equipment for most of our newspapers.



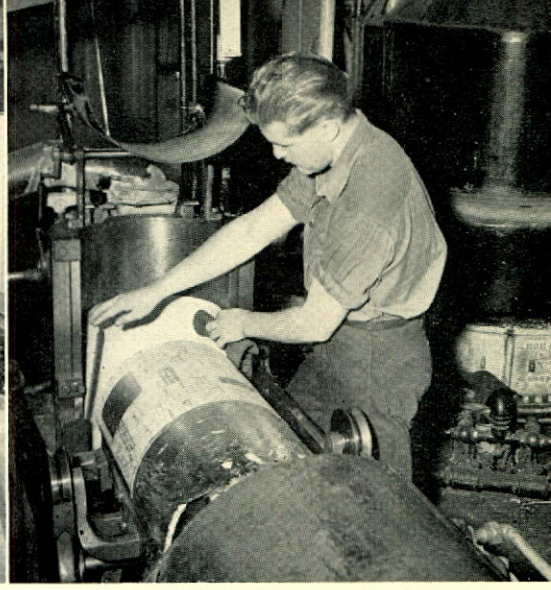
Heart of a newspaper's production facilities is the press. The massive 6-unit high-speed press of *The Ottawa Citizen* shown on the left can turn out 46,500 48-page newspapers every hour.



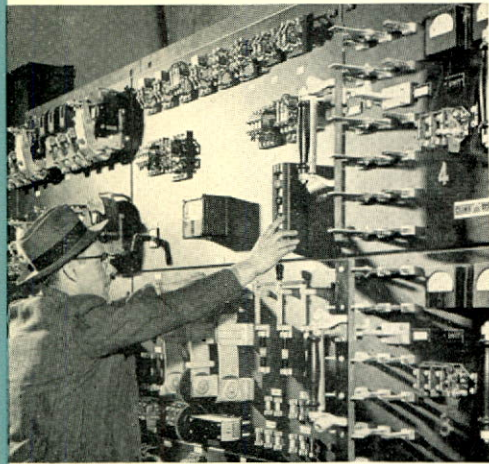
Batteries of linotype machines are essential equipment in the production of a newspaper.



This machine ties bundles with one strand of wire, electrically welded into a neat join.



The Pony Autoplate casts perfect reproductions of the complete newspaper page.

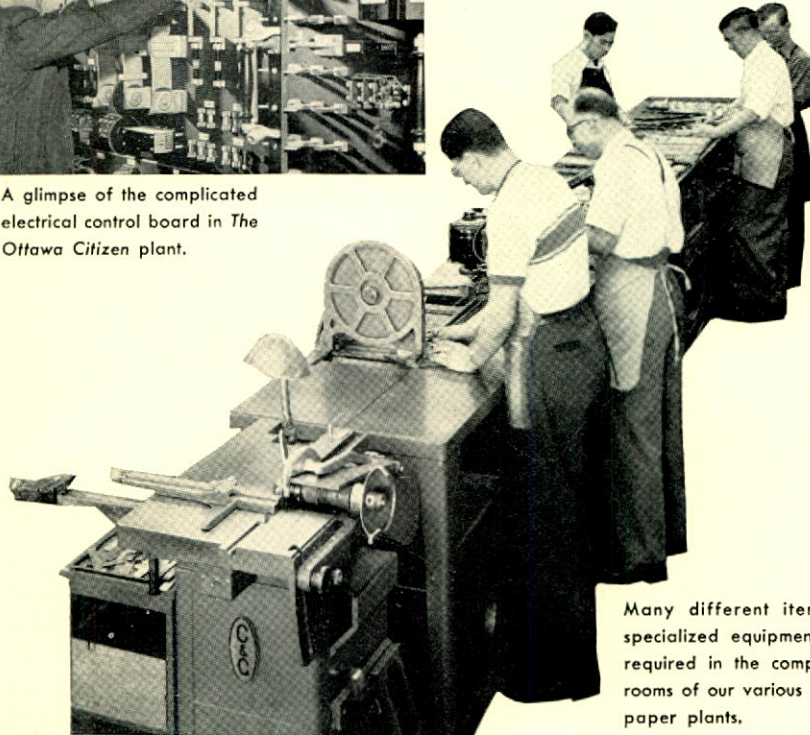


A glimpse of the complicated electrical control board in The Ottawa Citizen plant.

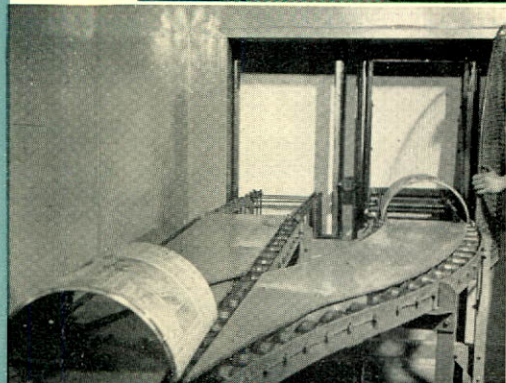
A constant programme of renovation, and replacement keeps production facilities in the Southam plants at a high level of efficiency.



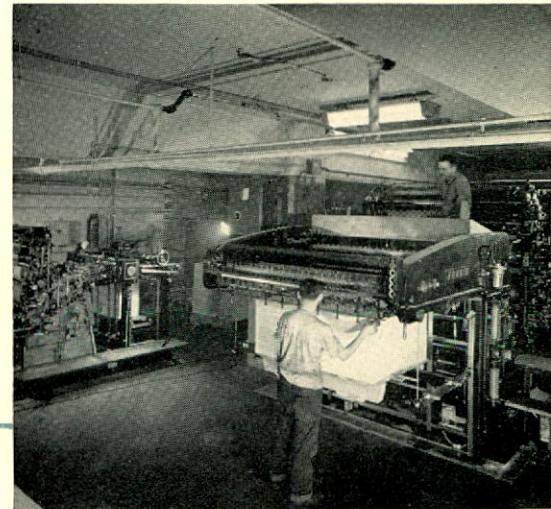
A routing machine in the stereotype department of The Edmonton Journal.



Many different items of specialized equipment are required in the composing rooms of our various newspaper plants.



Conveyors carry page plates from elevator to press side.



Presses at work in The Southam Printing Company Toronto plant.



THIS SUBSTANCE CALLED 'NEWS'

News is essentially the moving, vital story of people—their accomplishments and failures, their hopes and fears, their triumphs and tragedies. It mirrors the ever-changing life and drama of the world. It is bare truth in substance. It is the story of our time.

To bring this current picture of affairs to the community it serves is the primary function of each of our newspapers. To interpret it faithfully and accurately, uncolored by editorial opinions, is their solemn duty, for the essential truth of raw news permits no distortion in the telling.

This is an integral principle of the Southam newspapers, yet it imposes no dullness on their pages. Stories are presented brightly and informatively, and their selection satisfies the legitimate curiosity of the largest number of readers.

News Bureaux at Ottawa, London and Washington provide on-the-spot coverage of national and international affairs. Such agencies as The Canadian Press, British United Press, Associated Press and others contribute a steady flow of world news. Capable and alert reporting staffs cover local events. Southam photographers add pictures that tell stories in themselves.

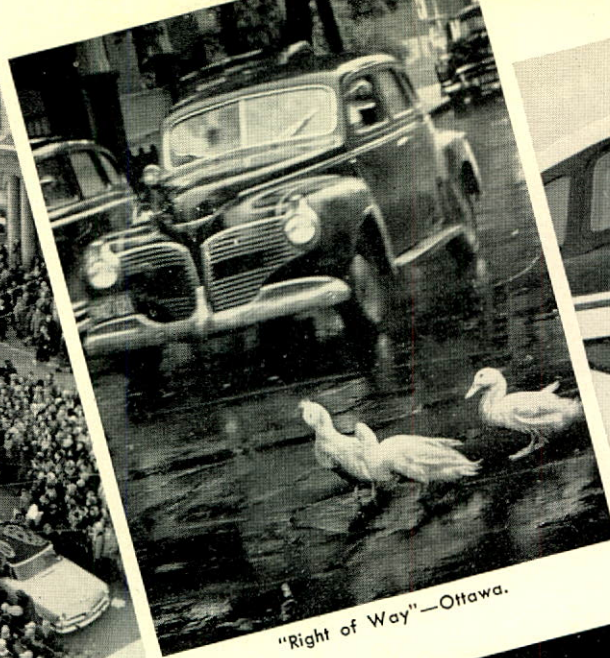
News . . . this elusive, intangible commodity in which we deal . . . is our stock in trade. To handle it well is a constant day-to-day challenge.

The combined total circulation of The Southam Newspapers in December, 1955, averaged over 508,600 per day. On a conservative estimate of three readers to a home, this represents a readership of over 1,525,800 persons daily, a slight increase over 1954.

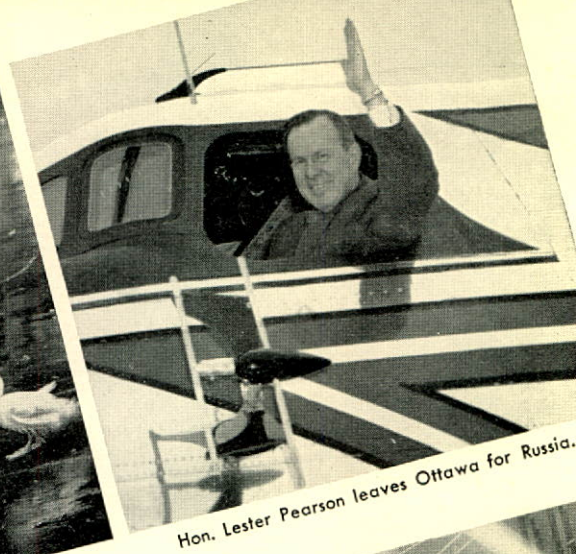
In 1955 The Southam Newspapers carried 115 million lines of advertising made up of 62 million retail; 29 million classified; 24 million national—an 8% gain over 1954.



Victorious Eskimos return to Edmonton.



"Right of Way"—Ottawa.



Hon. Lester Pearson leaves Ottawa for Russia.



Train wreck at Maxville.



Winnipeg fire.



"That's tellin' him!" A prize-winning baseball photo by The Spectator's Jim Fish.



Flood in Manitoba.



Stampede—Calgary.



Off Vancouver—the year's worst storm.

CURRENT IN TRIBUNE, MANITOBA DECEMBER 1955
A market of 230,000 persons reached exclusively by The Tribune.

The First Steps To A New Law
THE HOUSE HAS JUST PASSED THE BILL TO AMEND THE ALCOHOLIC LIQUOR ACT, AS INTRODUCED BY GOVERNMENT MINISTER...

OIL Raising Could Mean 25 Million To Farm
SHOPPING CENTRE
BUILDING BOOM

THE EDMONTON JOURNAL REALLY SELLS IN EDMONTON!



Edmonton appliance dealer ties in with national ads
1100% sales increase!

YOU GET ACTION WHEN YOU ADVERTISE IN A SOUTHAM NEWSPAPER

THE EDMONTON JOURNAL
EDMONTON WINDSOR CALGARY MEDICINE HAT SASKATOON VANCOUVER

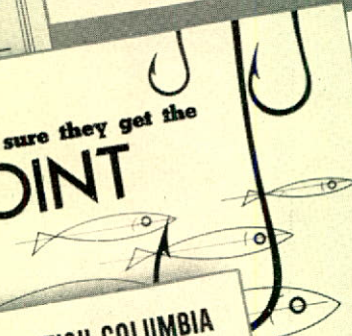
EXTRA Special Christmas Shopping Edition

12,000 City and District Homes Coverage!
DOUBLE COVERAGE AT SPECIAL RATES



Mr. Merchant:

Make sure they get the **POINT**



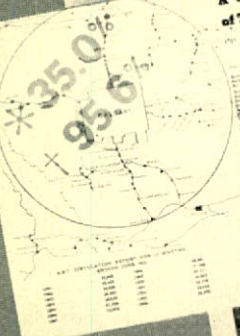
IT PAYS TO DO BUSINESS IN BRITISH COLUMBIA
The Vancouver Province



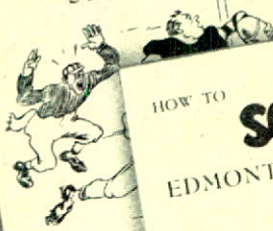
CHANGING SKYLINE OF VANCOUVER SPELLS PROGRESS
Federal buildings, hotels change Vancouver's skyline



A day in the life of the Calgary Herald



Let the Journal Carry Your **SCORING PUNCH!**



HOW TO **SCORE** IN THE EDMONTON MARKET!



THE ED

Ottawa Memo

MEMORANDUM FOR THE ATTENTION OF THE CHIEF OF POLICE, OTTAWA, CANADA

MEMORANDUM FOR THE ATTENTION OF THE CHIEF OF POLICE, OTTAWA, CANADA
SUBJECT: ...

SOUTHAM INTERESTS IN RADIO and TV

An active and successful year again marked the operations of the Company's two subsidiaries in radio—Station CFAC, Calgary and Station CJCA, Edmonton. Programming on both stations was of high calibre, and Community Service broadcasting occupied a major place in schedules throughout 1955.

Over 220 community activities were accorded free time by Station CFAC during the year. The CFAC program "This Week In The News" won a First Award in the Nineteenth American Exhibition of Educational Radio-Television Programmes, and the programme "Today In Business" received Honorable Mention.

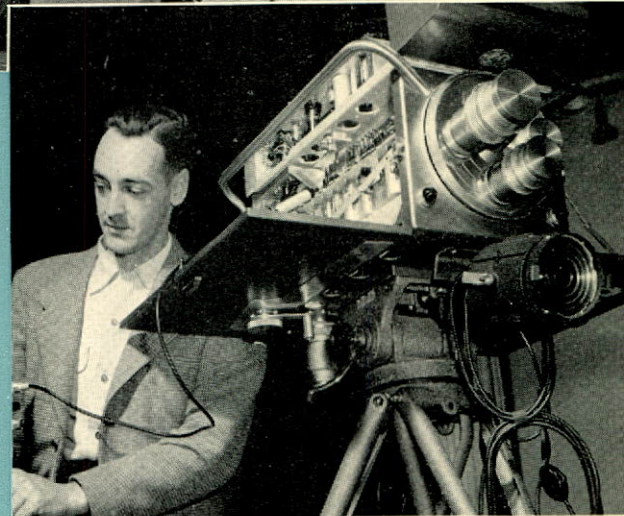
TV Stations in which we hold an interest have made rapid strides in their field. CHCT-TV, Calgary with little over a year's operation, has broadened its service to the community in many directions. During 1955 a modern TV operations centre was added to the station's facilities, with offices, electronic equipment and a modern 60-ft. square studio.

Station CHCH-TV, Hamilton installed a new antenna in 1955 which, in terms of power, meant an increase from 16,000 to 100,000 watts. A new master control room was also added to the station's facilities. Station CHCH-TV now covers 437,404 TV homes in Ontario—55% of the total TV homes in the entire province.

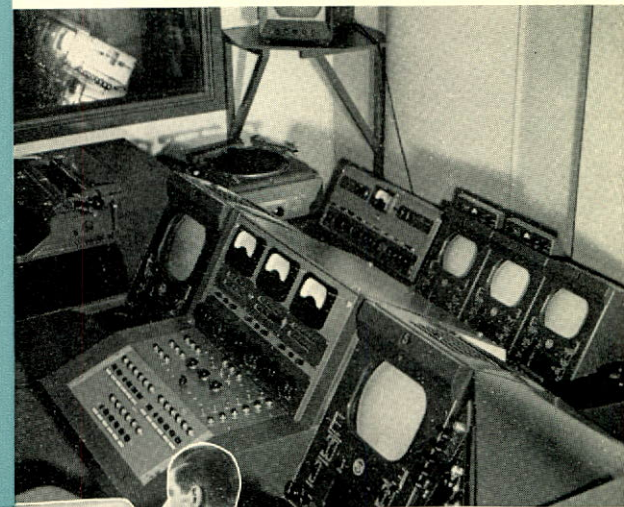
All Canada Radio Facilities Limited, a well-known advertiser service organization, is also among the interests of The Southam Company Limited in the radio field.



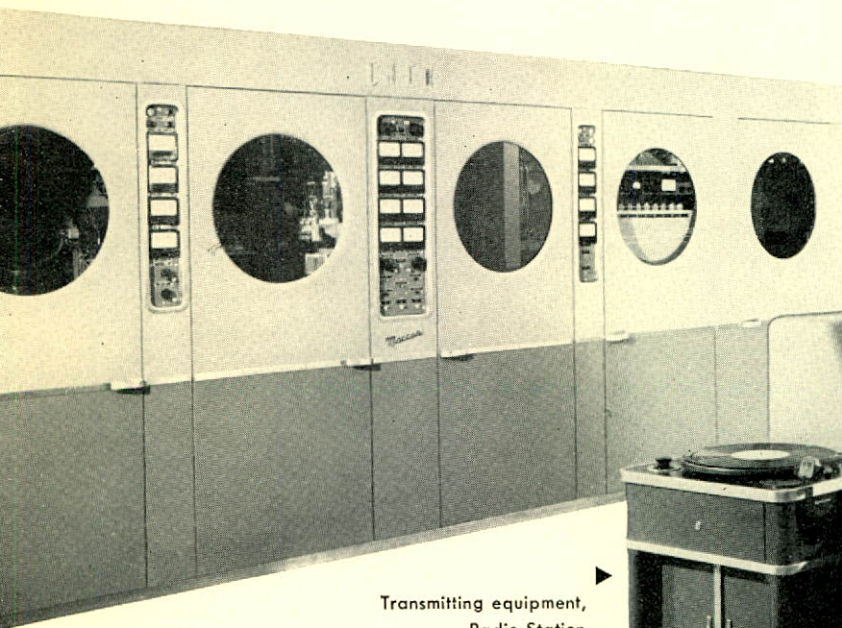
Equipment at Radio Station CFAC, Calgary.



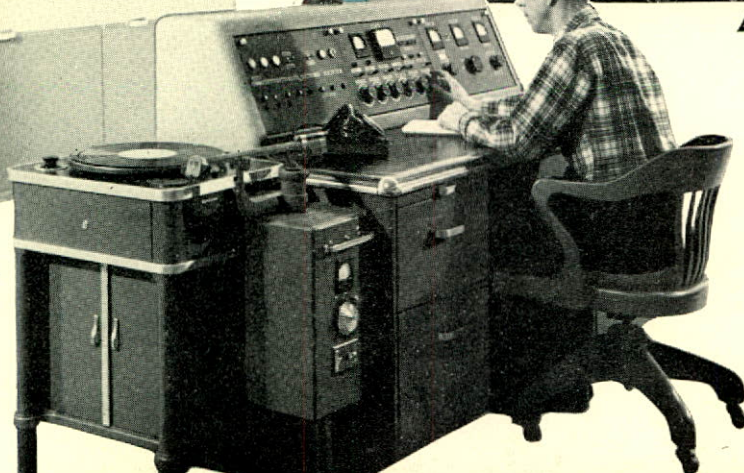
▲ Camera at Station CHCT-TV, Calgary.



▲ New Master Control Room, CHCH-TV, Hamilton.



Transmitting equipment, Radio Station CJCA, Edmonton.





Here is a selection of advertising, financial and transportation printing produced in the Toronto and Montreal Southam printing plants.

In our Montreal and Vancouver printing plants, literally hundreds of different types of tickets are produced for users all over Canada. Shipping tags, milk bottle caps, meal checks, coupons in rolls and a host of other specialty products are also manufactured in the Montreal plant. A few samples are shown at the right.

THE SOUTHAM PRINTING PLANTS

The year marked two major investments by the Company in the printing field. During 1955 a complete realignment of production and office facilities was carried out in Montreal, where The Southam Printing Company Montreal acquired additional quarters adjacent to its original building. In Vancouver, The Nicholson Printing Company was purchased and became the tenth Division of The Southam Company Limited.

The Nicholson Printing Company serves British Columbia and Alberta with somewhat the same type of specialty products manufactured in our Montreal plant. We are now in a much more advantageous position to serve our customers in the West Coast and Alberta areas.

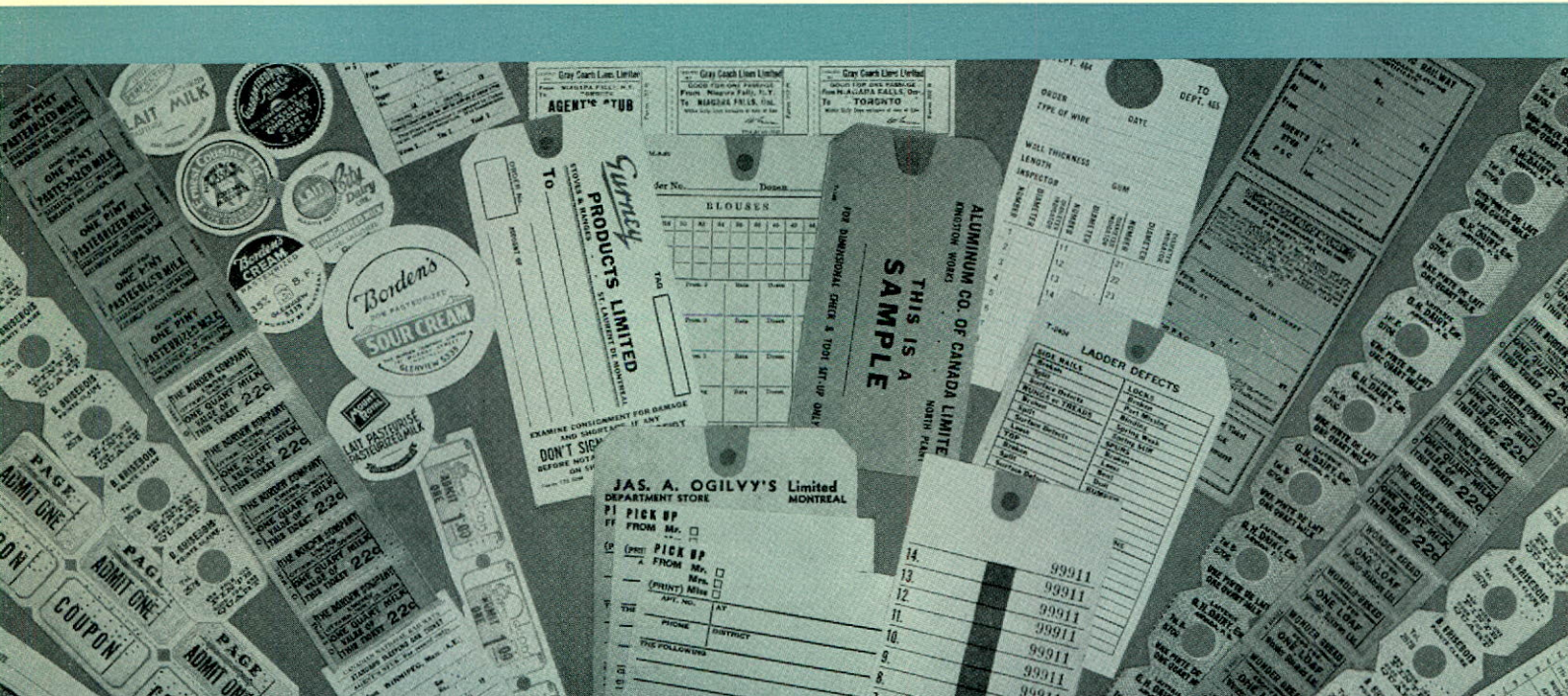
With plants in Toronto, Montreal and Vancouver, a source of strength to our printing Divisions is the variety of printed products they produce. The Toronto plant is a leader in the production of advertising printing, the highly accurate railroad timetables and time-bills, and in financial printing. The Montreal plant parallels Toronto in many of these services, and is, as well, Canada's largest producer of security printing—transportation tickets, coupons,

and a large variety of other negotiable items. The Vancouver plant extends this service to the West Coast, providing on-the-spot attention to ticket users there.

During the year, the over-all volume of general printing showed an increase, but consumption of specialty products was somewhat curtailed in certain areas. Financial printing continued at a high level in both Toronto and Montreal plants, and several publications were added to the Toronto plant's production. In the field of Creative Printing the Company continued to make impressive records.

The Company's Annual Report for 1954, planned, written and produced in our Montreal plant, won the Bronze Oscar of The Financial World, New York, as the best report in the Publishing field. This is the third time that Southam Annual Reports have been awarded this distinction.

Southam printing plants enjoy a country-wide reputation for reliability and high quality production, and we record with appreciation the confidence placed in us by our customers from coast to coast. We also wish to thank our several suppliers whose relations with us during the year have been most co-operative and considerate.





This report was designed and produced in Canada by The Southam Printing Company Montreal. The cover stock is Carlyle Japan, Snow White, Antique Finish, 306(M). The inside paper is Multifold Enamel, 160(M). The type faces are Century 157E, and Futura 605J, with Lydian for the headings.

