









Rogers Communications Inc.

is Canada's National

Communications Company.

Our commitment is to

continuing excellence

through innovation, superior

technical facilities and the

recognition that we exist

only because of the

customers we serve.

Our three major operating

groups are:

- Cable Television
- Broadcasting
- Telecommunications



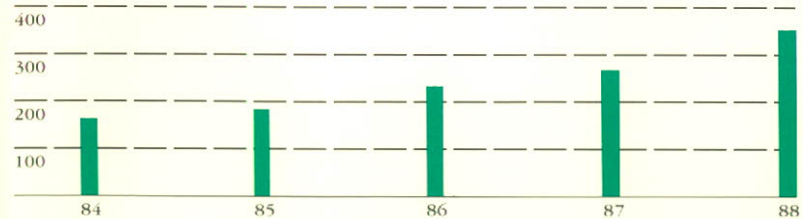
Your company has had a remarkable year. Some key events include the:

- Signing of an agreement to sell our cable systems in the United States for US \$1.265 billion.
- Purchase of 14.1 million Class B non-voting shares at \$25 per share.
- Acquisition of an additional 41% of Canadian Home Shopping Network (CHSN) Ltd. to give Rogers a controlling interest of about 74%.
- Launch on September 1, 1988 of YTV (of which Rogers owns 25.4%), a youth-oriented, national television service.
- Gain of more than 50,000 Cantel Inc. cellular telephone subscribers...an increase of 112%.
- Increase of operating income by 30% to \$151 million. (Note: All figures are restated to exclude U.S. operations.)
- Purchase of an additional 8% interest in Cantel Inc. Subsequent to year end, Rogers purchased a further 13% of Cantel and placed under option (subsequently exercised) another 17%.

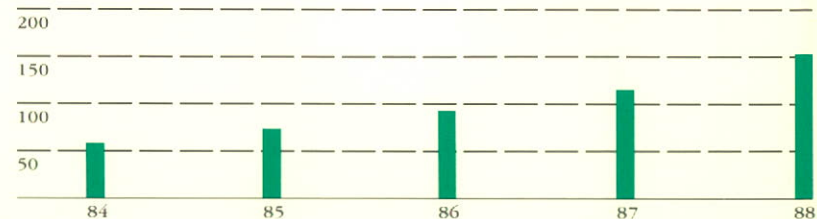


Income Statement (millions)	1984	1985	1986	1987	1988
Revenue	\$ 168.8	\$ 189.8	\$ 237.9	\$ 273.6	\$ 358.4
Operating income	59.1	76.3	95.8	116.0	151.1
Income (loss) before extraordinary items	(30.8)	(22.5)	(33.3)	(8.5)	1.5
Net income (loss)	(34.6)	(22.5)	11.9	(24.9)	84.8
<b>Per Share</b>					
Loss before extraordinary items	\$ (1.52)	\$ (1.11)	\$ (1.74)	\$ (0.87)	\$ (0.75)
Net income (loss)	(1.68)	(1.11)	0.05	(1.50)	3.91
<b>Balance Sheet (millions)</b>					
Total assets	\$ 570.9	\$ 590.7	\$ 639.6	\$ 653.2	\$ 1,112.5
Fixed assets (net)	206.8	212.7	237.9	259.6	498.8
Long term debt	394.1	446.3	284.5	321.0	915.3
Shareholders' equity (deficiency)	104.6	83.6	280.3	243.7	(13.0)
<b>Financial Position (millions)</b>					
Cash flow from operations	\$ 13.8	\$ 29.8	\$ 61.3	\$ 92.8	\$ 86.5
Capital expenditures	57.8	34.4	45.1	62.0	121.7

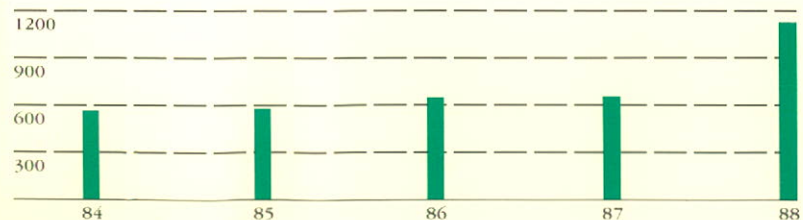
■ Revenue (\$millions)



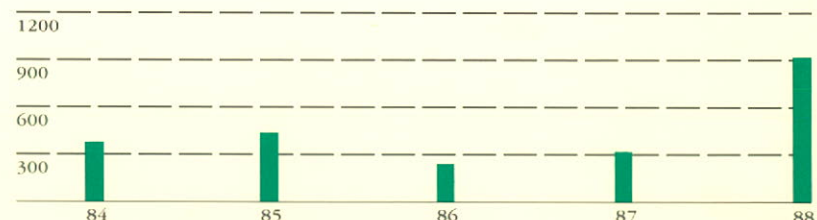
■ Operating income (\$millions)



■ Assets (\$millions)



■ Long term debt (\$millions)





The technology of communication has changed dramatically in the last few years. Communication today is speeded and improved by such things as satellites, computers and microwave technology.

But communication itself hasn't changed . . . it's still the exchange of information, ideas, emotions. Whether it's one-on-one in a cellular telephone call or an audience of millions watching a sporting event . . . it's communication. And it's been our business for nearly 70 years.

During this year, Rogers has accomplished many things. It has:

- Made acquisitions and divestitures that will strengthen the Company,
- Positioned itself to take advantage of future opportunities and
- Contributed to a variety of community and cultural resource groups.

### The Year in Review

The sale of our interests in cable television in the United States was the most important strategic decision we made this year. Although we regret very much having to sell our U.S. interests, this decision was made since Rogers had incurred a significant amount of debt from a series of repurchases of shares in December, 1987 and February, 1988.

We repurchased 14.1 million Class B shares at CDN \$25.00 per share to reduce non-Canadian ownership in Rogers to help ensure that we remained in compliance with Canadian law.

After a four-month selling process, we accepted the offer of Houston Industries Incorporated, a Texas-based utility, to purchase our U.S. cable systems for US \$1.265 billion. The proceeds from this sale will, in part, be used to reduce bank debt. Closing is expected in early 1989, providing transfer approvals are obtained from a number of regulatory authorities.

Earlier in the fiscal year, we sold two small cable systems, in Yuma, Arizona and El Centro, California for US \$87.6 million and our Los Angeles County cable system for US \$28.7 million.

In the third quarter, we acquired an additional 8% interest in Cantel, Canada's national cellular telephone company, which brought our ownership to just over 50%. With this acquisition, Cantel's results became consolidated in the Rogers financial statements. Subsequent to year end, we purchased a further 13% and placed under option (subsequently exercised) another 17% interest.

We increased our ownership in Canadian Home Shopping Network (CHSN) Ltd. in a series of purchases over several months. Rogers now has a controlling interest of just under 74% and an equity interest of about 68% in CHSN, which offers consumer

products nationally via satellite to cable television viewers.

### Financial Results

Total revenues for the twelve months increased to \$358.4 million compared to \$273.6 million last year. All financial results are restated to account for the U.S. cable operations on the equity basis because of the pending sale. Operating income is up by 30%, to \$151.1 million from \$116.0 million. On a per-share basis, net income after extraordinary items was \$3.91 versus a loss of \$1.50 last year.

### The Future

The future of Rogers Communications Inc. is going to be as exciting as its past. We will continue to concentrate on our existing business . . . communication. Our thrust in 1989 is to consolidate, improve and continually update our technology, programming and marketing.

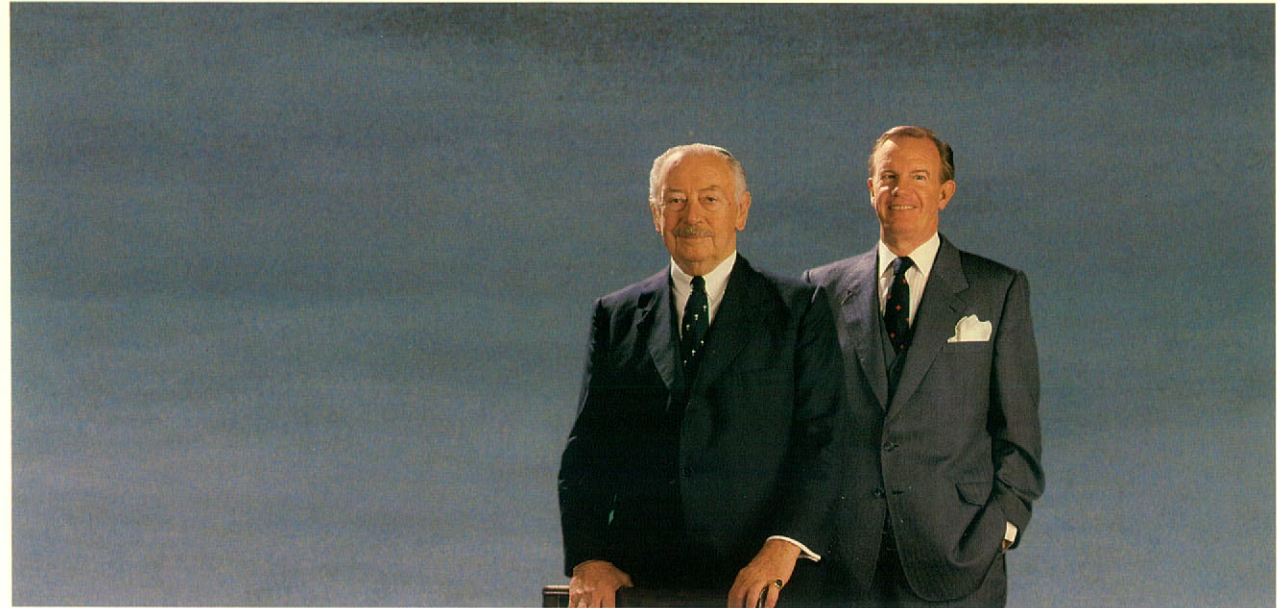


Although we do not seek major expansion in cable television in Canada, we do hope to consolidate our existing operations by extensions that make sense geographically. This clustering of cable service will permit a higher caliber of service to our subscribers and increased efficiencies.

We may return to the United States in cable television when conditions are appropriate.

We are eager to expand in broadcasting in Canada and feel we have an excellent management team capable of additional responsibilities.

Our cellular telephone operation faces multi-product competition (cellular, paging, specialized mobile radio and other telecommunications services) from telephone company-controlled competitors. To meet this challenge, it is essential that we respond with our own expanded menu of telecommunications services.



John W. Graham, Q.C., Chairman   Edward S. Rogers, President and Chief Executive Officer

For example, Cantel provides long-distance telephone service to more than 100,000-subscribers across Canada. For the most part, these long-distance calls are carried on our own facilities. However, Cantel hopes to apply to the Canadian Radio-television and Telecommunications Commission (CRTC) in the near future to expand our long-distance service to provide full competition to the Telecom Canada cartel.

Cantel and affiliated Rogers companies have had more experience in telephony and in the provision of services to millions of subscribers than any other potential Canadian competitor.

#### **Corporate Citizenship**

Rogers recognizes and accepts its responsibilities as a corporation. We are committed to the future development of the Canadian television industry, and we participate in a range of national,

provincial and local community causes. For example:

- Since 1980, Rogers Telefund has helped more than 37 Canadian television projects. These projects include Danger Bay, Raccoons on Ice and Joshua Then and Now. Rogers Telefund has more than \$3.0 million available as loans for ideas in the development stage or for bridge financing of projects.



■ Rogers also supports a variety of cultural, educational and medical organizations. For example, through contributions to The National Youth Orchestra of Canada, Simon Fraser University and the Cornwall Joint Hospitals Fund, we support the communities we serve.

4

#### A Final Word

The Rogers Communications companies have a record of providing outstanding service to their customers and offering innovative and technically advanced services. This record of performance has resulted in the Company's being awarded increasing responsibility from the regulatory bodies over the years.

With the continuing support of all our customers, our shareholders and our employees, 1989 promises to be our most exciting year yet.



#### Regulatory Issues

Because of its size and prominence, the Rogers group of companies has a special responsibility to strengthen the Canadian communications industry.

In cable, Rogers Cable-systems provides leadership with its technical and programming initiatives. Rogers strives to provide cable service that is of the highest technical quality and is reasonably priced. The cable industry faces increased competition from other entertainment alternatives. It must convince the regulator that cable should provide programming that is diversified and attractive to subscribers. Our objectives in 1989 will be to ensure equitable treatment for cable in the Broadcast Bill and to persuade the regulator to allow pay-per-view in a realistic and practical manner. Rogers would also like the opportunity to expand its service regions, particularly in contiguous areas.

In broadcasting, Rogers is making significant social contributions in its multilingual and children's programming. Rogers wants to expand these activities and, in particular, would like to strengthen Canadian Home Shopping Network by securing permission to broadcast in motion. Current regulatory rules force CHSN to program in still-life format, which is not attractive to viewers and does not allow the service to achieve its full potential.

In telecommunications, Cantel is proving that cellular telephone service is a significant benefit to the public. Competition with the trans-Canada telephone consortium has clearly benefited the subscriber. The Company's objectives are to broaden its responsibilities in the telecommunications field to include provision of non-mobile, long distance telephone service.















The communications reach of cable television affects every member of the family. From the sports fanatic to the news devotee to the movie buff . . . there's something on cable for everyone.

In 1988, Rogers Cablesystems, both in Canada and the United States, continued to build on its reputation as an industry leader . . . and to increase value for Rogers' shareholders.

#### **Canadian Operations**

Rogers Cablesystems serves communities across Canada and offers its subscribers the best in programming, engineering and customer service.

#### **Programming**

With the CRTC's licensing of several new specialty programming services, Rogers added the family-oriented YTV, Weather Now, Vision TV and MuchMusic to its basic

cable tier on September 1, 1988. On the same date, the Family Channel, a new pay television service, became available to all subscribers.

Also available to subscribers is a variety of discretionary French-language programming services that include Super Ecran, TV-5, Canal Famille, MeteoMedia and Musique Plus.

Community programming, an integral part of each Rogers cable system, benefited from an increase in capital spending this year. One result of this spending was an upgrade of the equipment in the mobile television production vans. As a way to enhance local community programming, cable systems in Ontario exchange selected programs with other Ontario systems over our own microwave network. This practice has worked so well that the cable systems in British Columbia have also started a similar exchange. As a result of these initiatives, the quality of the community programming has improved.

#### **Engineering**

Rogers has always been in the vanguard of providing technical excellence for its cable subscribers . . . and 1988 was no exception.

A major rebuilding program announced last year is now in its second year of a five-year program. With this rebuild, the new facilities will be capable of carrying high-definition television services and will increase channel capacity . . . and Rogers is installing the highest-quality, most sophisticated amplifiers available. For example, a new status monitoring and by-pass capability will guarantee most subscribers uninterrupted viewing . . . even if an amplifier were to fail.

Rogers is also investigating the technology of fibre optics. The term "fibre optics" refers to glass cable strands that pass communication signals by laser light. Rogers already has two fiber optic transportation trunks







*It's amazing... she's done it again!!! Carolyn Waldo wins another gold medal for Canada!!!*



that deliver program signals from the CN Tower to the Toronto facility for conventional distribution into the cable system. Rogers is also developing a blueprint for the expansion of this delivery technology of the future.

What fibre optics will mean for the cable subscriber is better picture quality and more channel capacity. It also sets the stage for future interactive services for subscribers.

#### **Customer Service**

Rogers' Automated Call Distribution (ACD) system is now in all major cable systems. ACD minimizes the time a customer spends on the telephone, which eliminates a big source of customer frustration. The system also provides daily statistics about the number of calls answered, calls lost and the average time of each call . . . which helps management improve customer service.

Also new this year is Mobile Data Information (MDI). With this system, now being tested in Vancouver, computer terminals are put in service vehicles so that technicians can have access to all available customer information on the spot. MDI saves time and paperwork in dispatching a service person to the customer's door.

#### **U.S. Operations**

Rogers' U.S. cable operations concentrated on subscriber and revenue growth in 1988. The four major systems — — serving the communities of San Antonio, Texas, Greater Minneapolis, Minnesota, Greater Portland, Oregon and Orange County, California — — made impressive subscriber gains through a variety of creative marketing techniques. The systems also achieved non-traditional revenue increases and continued to make technical improvements to the cable systems.

#### **Subscriber Gains**

Most systems achieved gains in both basic subscribers and pay television subscribers. Basic subscribers increased by 48,000 to 517,000, while pay subscribers were up by 11,000 to 492,000.

Much of the credit for these gains goes to the innovative marketing programs that were used to attract new customers. These include:

- In Minneapolis and Portland, Rogers formed cable company consortia to maximize marketing efforts through the efficient use of advertising in print media, radio and television. For example, eight area cable companies formed the Twin Cities Cable Consortium, which spent US \$2.0 million in marketing and advertising campaigns.
- The Minneapolis cable system installed and tested an out-bound automatic dialer for telemarketing. Benefits already achieved include increased produc-

tivity for the sales staff because calls are screened for negative responses before a sales representative comes on the line. This has increased "talk time" by 100%, and sales have jumped by 80%.

- In San Antonio, special marketing promotions included cable TV telethons during local broadcasts of the San Antonio Spurs basketball games; the use of mobile sales vans in shopping centers on Saturdays and target marketing in the Spanish media to the Hispanic portion of the city's population.

#### **Increased Revenue**

Rogers is not content to depend only on basic cable rate increases for higher revenue and is working to develop other revenue streams, such as pay per view and advertising:



- Pay-per-view revenue increased 24% during fiscal 1988 to US \$6.5 million from US \$5.2 million. In fact, a recent industry survey ranked our Minneapolis system highest in the U.S. in terms of revenue per subscriber.
- Advertising revenue increased this year to US \$3.0 million from US \$2.3 million. Because cable network programming has succeeded in attracting larger audiences, advertising on cable television is enjoying a dramatic increase.

#### Technical Improvements

In 1988, Rogers' U.S. operations spent about US \$20 million . . . or about US \$40 per subscriber . . . to expand and strengthen the technical integrity of its cable systems. The bulk of these expenditures, about 70%, was for distribution plant.

#### Rogers Entertainment Inc.

Rogers Cablesystems' key business . . . providing entertainment services to subscribers . . . has been enhanced by the creation of a new subsidiary, Rogers Entertainment Inc. This subsidiary owns and operates a chain of video superstores and kiosks in Canada under the names VIDEO SHOW PLACE™ and SHOWS TO GO.™

The expansion fits well with cable television because many families rent videos on a regular basis. Through its purchase of a Canadian video rental chain, Rogers will now be able to cater to these needs.

Each VIDEO SHOW PLACE™ is a large, highly visible store with a Hollywood-style atmosphere where the consumer can choose from videos in a variety of categories . . . at competitive prices. Computerized transactions and extended store hours provide a convenient and pleasant shopping experience. The stores will also offer all Rogers cable products and services.

This year, Rogers Entertainment will expand to 57 superstores from 33 and to 80 kiosks from 56. Most of this expansion will be in the British Columbia, Alberta and Ontario markets currently served by Rogers. With information systems, distribution facilities and buying programs in place, Rogers Entertainment is well positioned to continue to lead in this growing market.

#### Rogers Network Services

Extending its expertise in sophisticated data and voice communications networks, Rogers has created Rogers Network Services (RNS) to provide alternative communications services to major telecommunications and data processing users.

During the past year, RNS has:

- Completed a satellite and microwave network that now carries all the internal communications among the Rogers cable systems. This is the first private,

multipoint, transborder data network in Canada and provides not only a 50% reduction in communications costs but also greater flexibility and reliability than the conventional alternatives.

- Completed a major video uplink facility, which transmits the signals for CHSN and YTV to a satellite for transmission to cable operators across Canada.
- Conducted extensive tests in cooperation with CNCP Telecommunications to demonstrate the capability of Rogers' coaxial cable plant to provide high-speed data links with sufficient integrity and redundancy. Rogers is now providing these "local loop" facilities to selected customers, including major retailers, brokerage firms, broadcasters, telecommunications carriers, municipalities, insurance companies and banks.











The companies of Rogers Broadcasting Limited (RBL) carry news, consumer information and entertainment into homes and offices across Canada.

Each RBL company is audience driven and operates in a very competitive environment. The mission for each of these companies – radio, television, YTV and Canadian Home Shopping Network (CHSN) Ltd. – is to be responsive to the needs of the millions of Canadians they serve.

#### Radio

Toronto radio stations CHFI-FM and CFTR-AM are leaders in Canada's most important media market. CFTR's format of popular music, high-profile personalities and aggressive promotion attracts about 1.0 million listeners each week . . . while CHFI features a mix of soft, contemporary music, thoughtful information programs and news. Both stations feature Traffic Watch to give listeners up-to-the minute traffic reports throughout the day.

CHFI and CFTR were expected to do well in 1988 . . . but they exceeded expectations. Emerging from a period of intense competition, they became market leaders in 1988.

#### Television

As Canada's only multi-lingual television station, CFMT-TV has an integral role in our changing society. CFMT reaches about 1.7 million homes in southern Ontario and provides more than 75 hours per week of programming in languages other than English. English programming is enhanced by popular syndications such as Who's the Boss and St. Elsewhere.

CFMT's commitment to the community has been strengthened by the proposed acquisition of Telelatino Network Inc., a national pay television service that broadcasts Italian and Spanish language programs. An important asset of Telelatino is an agreement for high-quality television programming from the Italian RAI network. This transaction is subject to regulatory approval.

#### YTV

YTV is a new national television service for young Canadians and their families. It's delivered by satellite to cable subscribers. On September 1, 1988, YTV was launched with initial distribution to more than 4.0 million cable households . . . almost 50% of the country. YTV receives revenues from cable companies and advertising and seeks to produce programs that families can trust.

RBL owns 25.4% of YTV and shares control with another Canadian communications company, CUC Limited.

#### CHSN

CHSN is a nationally televised, shop-at-home discount retailer that is satellite delivered by cable to 5.5 million Canadian homes. Launched in 1987, CHSN is a public company that is now controlled by Rogers.

Although television retailing is still in its infancy and product demonstrations are restricted by regulatory rules to still pictures and audio descriptions . . . we believe it has a strong future.

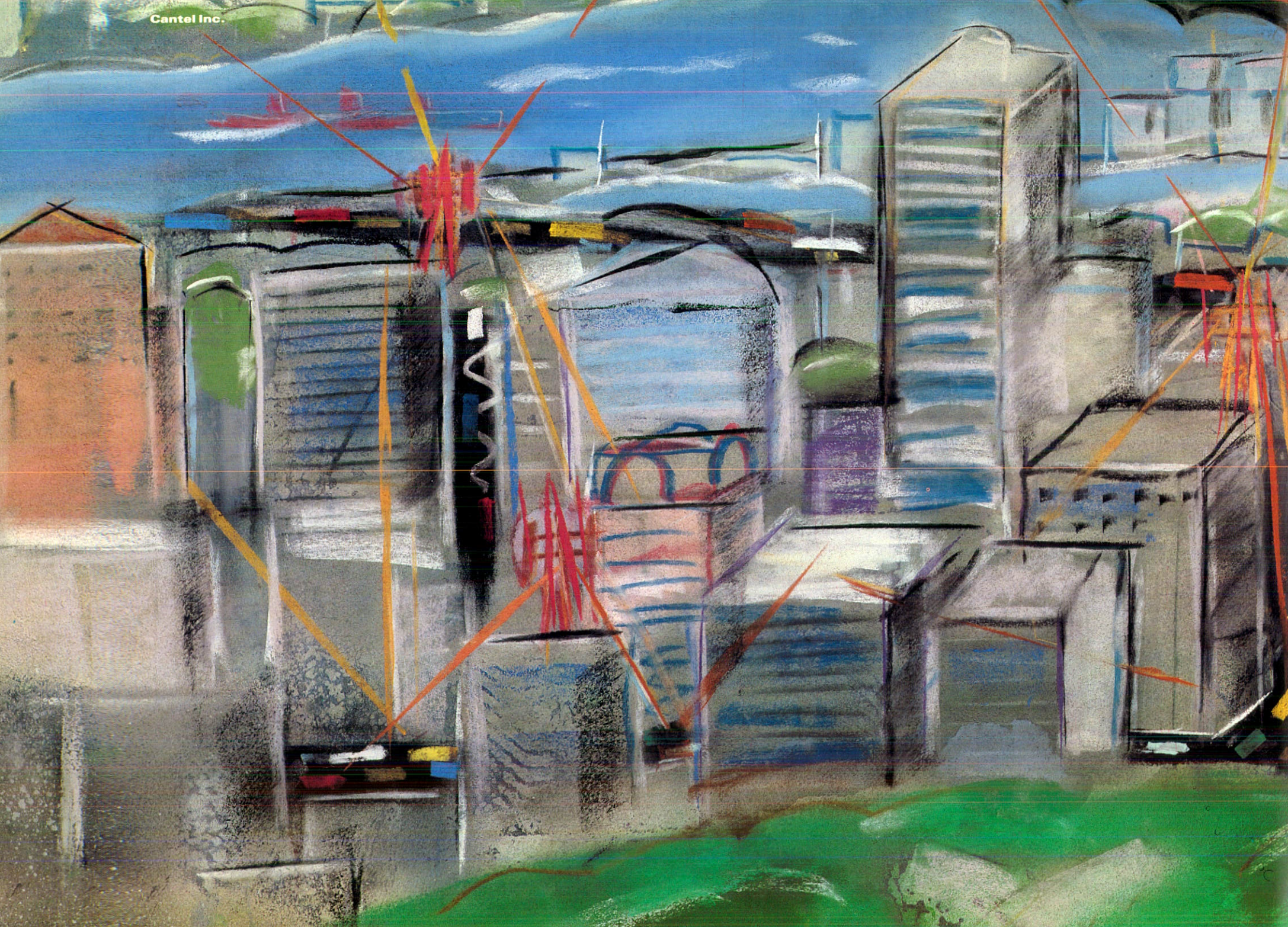




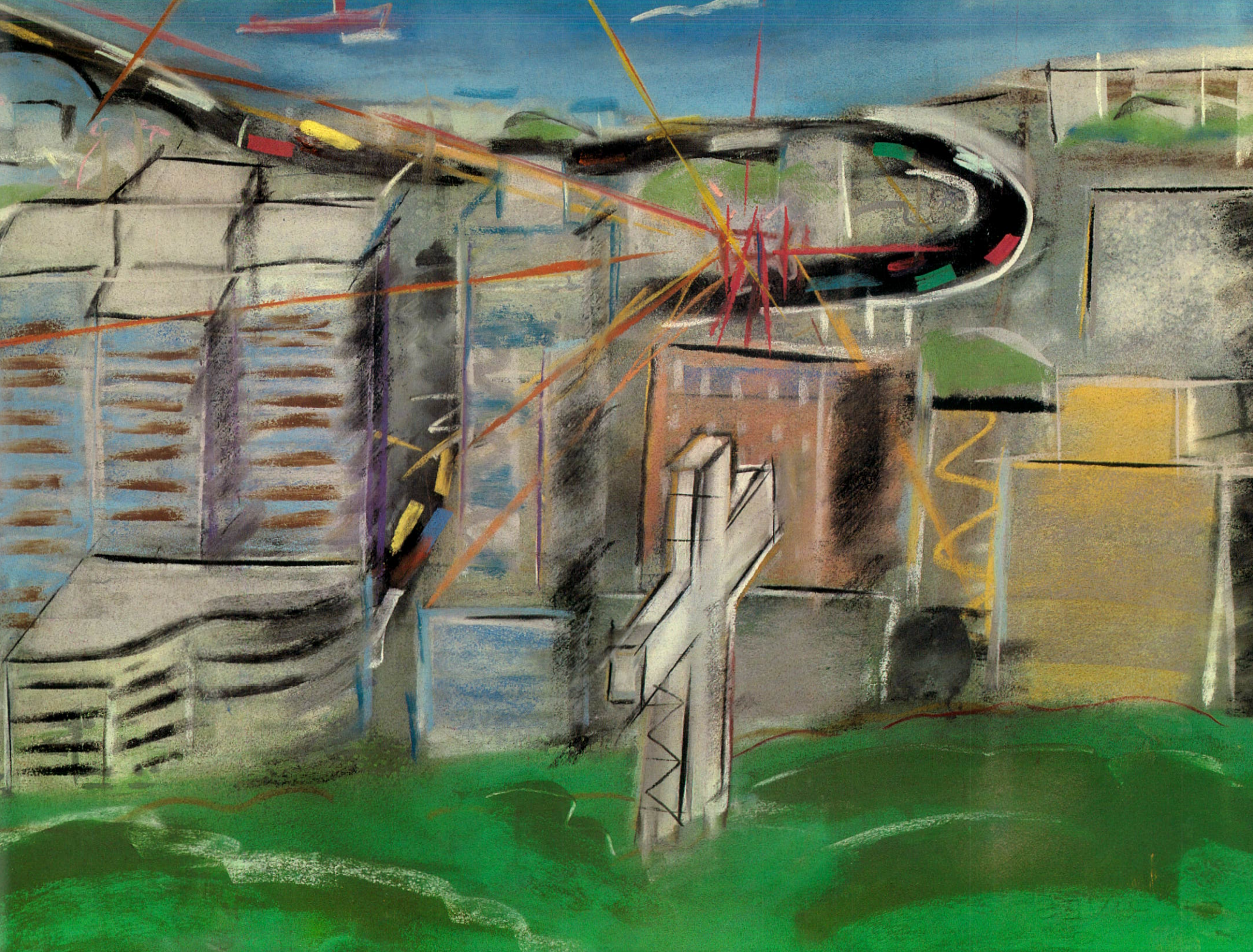


At all costs avoid the Don Valley southbound . . . it's an absolute mess. The CHFI morning Traffic Watch continues . . .











Cellular telephones bring convenience to an increasingly mobile society . . . and whether it's for business or for play, more Canadians than ever before depend on Cantel for cellular communication.

Greater consumer awareness has helped North American cellular carriers make unprecedented subscriber gains in 1988 . . . and the Canadian market grew at a faster pace than the market in the United States.

Cantel, which owns and operates Canada's only national cellular telephone network covering 35 centres in six provinces, is responding to this growth by:

- Making the capital commitments necessary to expand and improve its network to accommodate subscribers.
- Pioneering new engineering techniques, new products and new ways of marketing its services.
- Returning benefits to the communities it serves.
- Planning for the future.

In fiscal 1988, Cantel more than doubled its revenue and subscriber bases. Revenue increased to \$103 million from \$47 million. Subscribers grew to 95,000 from 45,000 and reached 100,000 in October, 1988.

### Expansion

This year Cantel initiated service in the greater Halifax-Dartmouth, Nova Scotia area and in Winnipeg, Manitoba. It also enlarged existing coverage areas and increased calling capacity. Locations such as Mont Tremblant, Quebec and Parry Sound, Ontario are now part of the Cantel network.

This expansion cost about \$86.0 million, including expenditures for radio channels, cell equipment and land for cell sites.

### Innovation

Within the larger metropolitan areas throughout North America, heavy subscriber demand has caused network congestion problems . . . particularly

during peak periods. Network congestion can result in dropped calls as subscribers compete for too few voice channels, and Cantel has not been immune to these problems. However, to combat them, Cantel has boosted its already ambitious building programs and employed many leading-edge engineering techniques. Capacity was increased by:

- Adding more voice channels in Metropolitan Toronto to increase capacity by 150%.
- Employing an intensive radio frequency re-use program, the first in North America.
- Adding a second switch (also called a central call computer) to an existing service area in southwestern Ontario to increase call processing capacity. This was another North American first, and sophisticated software had to be developed to let the two switches hand off calls to each other.







I probably won't make it back to the office today, but I've got that order with me... why don't I fax it to you?



This spirit of technological innovation has led to the creation of new services for subscribers:

- **Call Following™**. This service, now being tested in Alberta, lets a caller reach a Cantel subscriber anywhere within the Cantel network . . . simply by dialing the subscriber's regular phone number.
- **Mobile Office™**. With laptop computer and facsimile machines sold through selected Cantel Service Centres, subscribers can transmit data over the cellular network. Cantel believes that data and facsimile transmission over its cellular network will become a significant source of future revenue.
- **Mobile Info™**. Subscribers in southern Ontario can get updated information about business, sports and traffic.

As well, Cantel continues to have success marketing its voice messaging service, **Mobile Message™**. It also introduced a paging service option last year.

Two services being developed include a national access data service and a cellular credit card phone system. The data service will let laptop computers send and receive error-free data over the Cantel network, while the credit card phone system is being designed for passengers on trains, ferries and buses.

Cantel also expanded its marketing and distribution channels through:

- **Cantel Service Centres (CSCs)**. Cantel was the first to offer one-stop shopping through CSCs. Now 39 CSCs across Canada, the majority independently owned, sell a range of cellular phones, arrange subscriptions to the Cantel network and provide installation and warranty service to customers.
- **Manufacturers and Retailers**. BMW, Ford, Simpsons, Multitech, Jaguar and Mercedes Benz now sell cellular phones and offer subscriptions to the Cantel network.

### Corporate Citizenship

Cantel also actively contributes to the communities it serves. This year Cantel:

- Donated cellular phones and free life-time cellular service to nine organizations that serve the disabled.
- Provided members of the Canadian Paraplegic Association with subsidies for cellular phones and service.
- Helped found the non-profit organization Mobile Watch, which encourages cellular subscribers to report emergencies. Mobile Watch's first awards ceremony this year honored 11 Cantel subscribers for their contributions to community safety.

### The Future

Cantel will continue to invest in network expansion. The 1989 building program will increase network capacity significantly and will cost about \$134 million.

Most of the expansion plans will be in provinces that already offer Cantel service.

These areas include:

- British Columbia: Whistler
- Alberta: Lethbridge and Banff
- Nova Scotia: Truro to Amherst
- Manitoba: Brandon, Lake of the Woods and the areas south of Winnipeg to the U.S. border.

Cantel also plans to launch cellular service in New Brunswick and in La Beauce (just south of Quebec City).

In January, 1988, the federal government issued a discussion paper that outlined proposed guidelines toward developing an integrated, national telecommunications policy. As a national telecommunications carrier, Cantel is proposing that the government allow Cantel to offer more than just cellular services to the public. The services contemplated include long-distance calls, data services and other mobile telecommunications services.

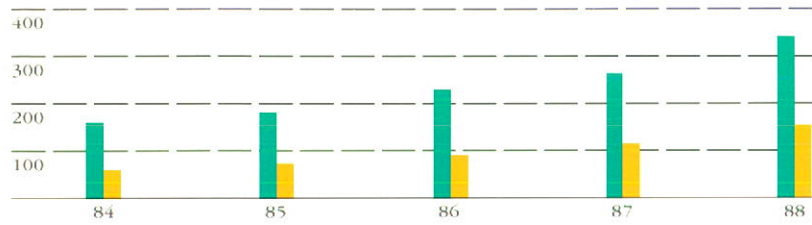






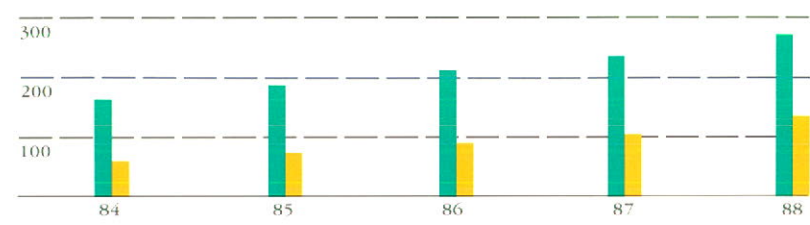
**Rogers Communications Inc.**

■ Revenue ■ Operating income (\$millions)



**Cable**

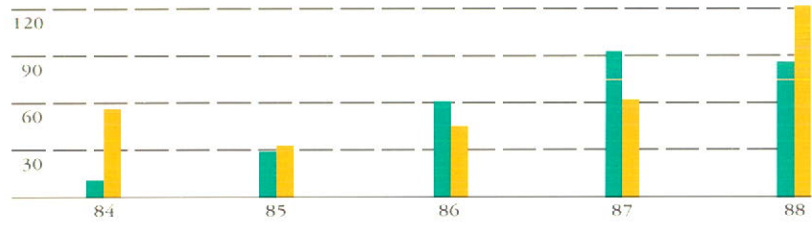
■ Revenue ■ Operating income (\$millions)



22

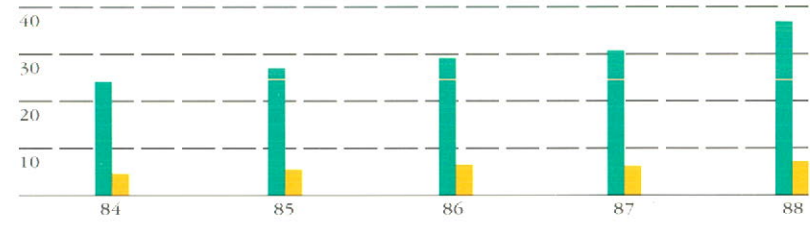
**Rogers Communications Inc.**

■ Cash flow from operations ■ Capital Expenditures (\$millions)



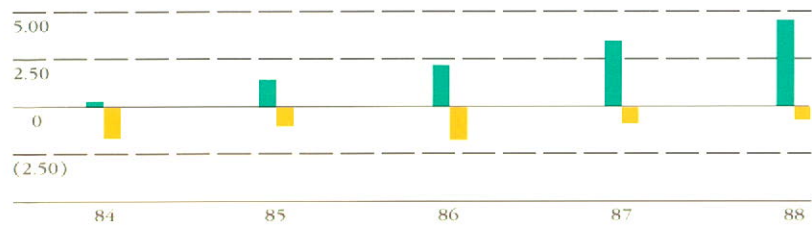
**Broadcasting (Radio and Television)**

■ Revenue ■ Operating income (\$ millions)



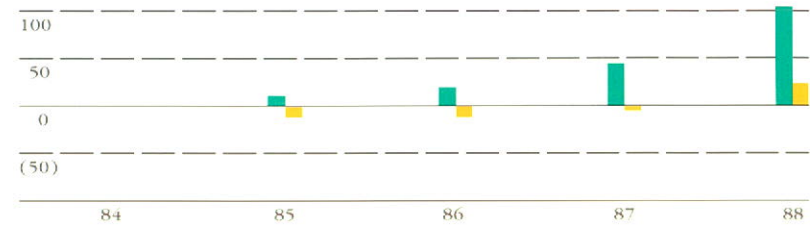
**Rogers Communications Inc.**

■ Cash flow per share ■ Income (loss) before extraordinary items per share (\$)



**Cellular**

■ Revenue ■ Operating income (loss) (\$ millions)





The year ended August 31, 1988 has been a significant one for the Company with major cable system sales and equity acquisitions including the following:

- Signing of an agreement to sell the U.S. cable operations.
- Sale of cable systems in Los Angeles County, California, Yuma, Arizona and El Centro, California.
- Purchase of 14.1 million of the Company's Class B non-voting shares.
- Purchase of 4.9 million of Class A voting shares of Rogers Cablesystems of America, Inc.
- Acquisition of an additional 8% of Cantel Inc. and 41% of Canadian Home Shopping Network (CHSN) Ltd. bringing the Company's equity interest in Cantel to 50% and controlling interest in CHSN to 74%.
- Purchase of a 90% interest in a Canadian video rental chain (Rogers Entertainment Inc.).

Most of these events have had a major impact on the financial statement presentation of the Company's results:

- The results of U.S. cable operations to be sold have been deconsolidated and are reported on the Income Statement on one line, captioned Loss from U.S. Operations – \$7.4 million. On the Balance Sheet, the Company's U.S. net assets are reported on one line, captioned Investment in U.S. Operations – \$163.3 million.
- A large portion, \$80.1 million, of the Extraordinary items on the Income Statement reflects the gain on sale of three U.S. cable systems.
- The change in the Shareholders' Equity to a Deficiency on the Balance Sheet is due to the purchase of the Company's Class B non-voting shares at a cost of \$357.3 million.
- The Balance Sheet and the Income Statement consolidate the assets, liabilities, revenues and expenses of Cantel and CHSN beginning May 31, 1988 when the Company obtained control of each. Rogers Entertainment was consolidated beginning July 31, 1988.

#### **Financial Performance**

Revenue increased by \$84.8 million during the year. Of this increase, \$34.0 million was from Canadian cable and \$5.8 million from Rogers Broadcasting. The balance of the revenue increase came from consolidating Cantel, CHSN and Rogers Entertainment.

Operating Income of \$151.1 million was 91% from Canadian cable, 5% from Cantel and 4% from Rogers Broadcasting, CHSN and Corporate. See the analysis of segmented operating results below.

Interest of \$71.9 million was 73% higher than a year ago. See the Bank Financing section below for an explanation.

The \$2.5 million Share of losses of associated companies represents the losses of Cantel and CHSN for the first nine months of 1988 before consolidation was effective, partially offset by the Company's share of net income from 45% owned Western Cablevision.

The \$7.4 million Loss from U.S. Operations includes the full year results of the five cable systems to be sold and partial year results of the systems sold.

The Extraordinary items of \$83.4 million resulted in Net Income for the year of \$84.8 million.

Cash flow from operations decreased in fiscal 1988 to \$86.5 million from \$92.8 million, despite the \$35.1 million increase in operating income. The major factor causing the decrease in operating cash flow was the increase in interest expense of \$30.3 million. Capital expenditures almost doubled in fiscal 1988 to \$121.7 million. This \$59.7 million increase was 60% attributable to the Canadian cable operation, 37% to the newly consolidated Cantel and 3% to Broadcasting and Corporate.



<i>(thousands of dollars)</i>	1988	1987	1986	1985	1984
<b>Income and Cash flow</b>					
Revenue	\$ 358,426	\$ 273,587	\$ 237,884	\$ 189,796	\$ 168,798
Operating income	151,110	115,975	95,840	76,324	59,121
Income (loss) before the undernoted	8,863	2,133	(932)	(1,381)	(8,460)
Loss from U.S. Operations	(7,411)	(10,590)	(14,087)	(21,136)	(10,203)
Losses of cable systems returned to operations	—	—	(18,270)	—	—
Loss from discontinued operations	—	—	—	—	(12,181)
Income (loss) before extraordinary items	\$ 1,452	\$ (8,457)	\$ (33,289)	\$ (22,517)	\$ (30,844)
Cash flow from operations	\$ 86,530	\$ 92,849	\$ 61,264	\$ 29,799	\$ 13,753
Capital expenditures	\$ 121,699	\$ 62,042	\$ 45,056	\$ 34,369	\$ 57,794
<i>(thousands of dollars)</i>					
<b>Balance Sheet</b>					
Fixed assets	\$ 498,841	\$ 259,621	\$ 237,928	\$ 212,703	\$ 206,787
Goodwill, subscribers and licences	229,782	121,645	121,549	75,829	76,345
Investment in U.S. Operations	163,328	101,914	114,578	162,758	172,701
Other investments	135,259	138,046	121,710	89,812	78,928
Other assets	85,296	32,001	43,834	49,578	36,105
	\$ 1,112,506	\$ 653,227	\$ 639,599	\$ 590,680	\$ 570,866
Long term debt	\$ 915,337	\$ 320,975	\$ 284,533	\$ 446,293	\$ 394,064
Accounts payable and other liabilities	157,768	72,093	70,866	59,968	63,755
Deferred taxes	31,778	12,920	548	853	8,440
Minority interest	20,602	3,554	3,341	—	—
Shareholders' Equity (Deficiency)	(12,979)	243,685	280,311	83,566	104,607
	\$ 1,112,506	\$ 653,227	\$ 639,599	\$ 590,680	\$ 570,866
<b>Average Shares Outstanding</b>					
<i>(thousands)</i>	17,866	26,178	25,142	22,979	22,584
<b>Per Share</b>					
Income (loss) before extraordinary items*	\$ (0.75)	\$ (0.87)	\$ (1.74)	\$ (1.11)	\$ (1.52)
Cash flow from operations	\$ 4.84	\$ 3.55	\$ 2.44	\$ 1.30	\$ 0.61

\*Net of dividends on preferred shares.



### Bank Financing

The scope of the share acquisitions and investments made by the Company in 1988 created a need for borrowed funds. Long term debt increased from \$321.0 million to \$915.3 million. The increase is primarily attributable to the purchase of 14.1 million Class B shares for \$357.3 million, the consolidation in 1988 of Cantel's debt of \$122.7 million and the financing of the purchase of interests in CHSN, Cantel and Rogers Entertainment Inc.

Major financing initiatives in 1988 included:

- (i) The completion of the debt extinguishment program of the high interest debentures issued by the Canadian cable group (\$88.8 million outstanding a year ago) through the utilization of the bank facility described in (ii) below.
- (ii) The utilization of the \$550.0 million bank facility of the Canadian cable group to purchase 10.0 million of the Company's Class B shares. The line had \$529.8 million outstanding at August 31, 1988 compared to \$199.4 million a year earlier. Subsequent to year end this line was replaced by a \$1.0 billion, two tiered revolving line of credit.
- (iii) A new Rogers Cablesystems term bank loan facility of \$435.0 million utilized for the purchase of 4.1 million of the Company's Class B shares and purchase of interests in CHSN, Cantel and Rogers Entertainment. The line stood at \$201.0 million at year end and was utilized subsequent to year end to acquire an additional interest in Cantel.
- (iv) An increase in Cantel's term bank loan facility to \$150 million from \$100 million a year earlier, largely for network expansion. Subsequent to year end this facility was increased to \$500 million for continued network investment.

The Company, overall, still has large unused credit lines and with the expected net proceeds of the sale of its U.S. cable operations will be well positioned to continue making acquisitions in communications.

### Operating Review

The consolidation and deconsolidation of the various business segments on the financial statements makes it difficult to assess each segment's performance. Therefore, the subsections below review the year to year operating performance of each major business group.

#### i) Canadian Cable Television

<i>Year Ended August 31 (thousands of dollars)</i>	1988	1987
Revenue	\$ 277,812	\$ 242,501
Operating expenses	140,135	133,967
Operating income	\$ 137,677	\$ 108,534
% of Revenue	49.6%	44.8%
Capital expenditures	\$ 91,277	\$ 55,301

The Canadian cable group had an excellent year in 1988. Revenues of \$277.8 million increased 15% with basic cable services, pay television and converters all contributing. Expenses were again tightly monitored this year, up by less than 5%, much of which was caused by higher pay television programming costs associated with higher pay television revenues. As a result, operating income was increased by 27% over 1987. The 1988 percentage operating margin of 49.6% increased by 4.8 points from a year ago.

The large increase in capital expenditures was primarily due to the major cable plant rebuild program begun in 1988. Other increases were in the central distribution facilities (head ends), community programming equipment and ad insertion equipment.

Included in the 1988 numbers are the Rogers Entertainment financial results for one month, contributing revenues of only 0.5% of the total.



Cable Subscriber Statistics*		Canada	United States	Total
1988	Homes in licensed areas	1,772,000	1,121,000	2,893,000
	Homes passed by cable	1,764,970	1,069,928	2,834,898
	<b>Basic cable subscribers</b>	<b>1,522,913</b>	<b>516,626</b>	<b>2,039,539</b>
	Basic to homes passed	86.3%	48.3%	71.9%
	Pay TV subscription units	437,547	492,221	929,768
	Pay to basic	28.7%	95.3%	45.6%
1987	Homes in licensed areas	1,723,000	1,284,000	3,007,000
	Homes passed by cable	1,709,492	1,200,211	2,909,703
	<b>Basic cable subscribers</b>	<b>1,476,707</b>	<b>530,934</b>	<b>2,007,641</b>
	Basic to homes passed	86.4%	44.2%	69.0%
	Pay TV subscription units	414,335	527,679	942,014
	Pay to basic	28.1%	99.4%	46.9%
1986	Homes in licensed areas	1,662,000	1,305,000	2,967,000
	Homes passed by cable	1,647,240	1,224,393	2,871,633
	<b>Basic cable subscribers</b>	<b>1,417,861</b>	<b>547,241</b>	<b>1,965,102</b>
	Basic to homes passed	86.1%	44.7%	68.4%
	Pay TV subscription units	386,878	586,288	973,166
	Pay to basic	27.3%	107.1%	49.5%
1985	Homes in licensed areas	1,629,000	1,405,000	3,034,000
	Homes passed by cable	1,614,904	1,263,762	2,878,666
	<b>Basic cable subscribers</b>	<b>1,374,048</b>	<b>597,460</b>	<b>1,971,508</b>
	Basic to homes passed	85.1%	47.3%	68.5%
	Pay TV subscription units	295,686	715,801	1,011,487
	Pay to basic	21.5%	119.8%	51.3%
1984	Homes in licensed areas	1,596,000	1,309,000	2,905,000
	Homes passed by cable	1,574,626	1,127,438	2,702,064
	<b>Basic cable subscribers</b>	<b>1,335,853</b>	<b>576,384</b>	<b>1,912,237</b>
	Basic to homes passed	84.8%	51.1%	70.8%
	Pay TV subscription units	149,881	786,451	936,332
	Pay to basic	11.2%	136.5%	49.0%
<b>Cellular Telephone Subscriber Statistics **</b>		1988	1987	1986
	Population in market area	16,200,000	14,800,000	12,200,000
	<b>Cellular telephone subscribers</b>	<b>94,900</b>	<b>44,700</b>	<b>17,000</b>
	Subscribers to population	0.59%	0.30%	0.14%

\*Represents subscribers from cable systems in which the Company held an interest at the fiscal year end. \*\*Began operation in July 1985.



The Canadian systems added 46,000 basic cable subscribers during the year, up 3%, to surpass 1.5 million for the first time. The high ratio of subscribers to homes passed remained virtually unchanged at 86.3%. Pay television units were also up by 23,000 or almost 6%. The pay to basic ratio increased to 28.7% from 28.1% a year ago. These statistics include 100% of the subscribers in Western Cablevision which is 45% owned.

The 1989 fiscal year is expected to be similar to 1988 with solid operating performance and approximately the same level of capital expenditures due to the ongoing major rebuild.

#### ii) United States Cable Television

<i>Year Ended August 31 (thousands of Canadian dollars)</i>	1988	1987
Revenue	\$ 202,572	\$ 190,716
Operating expenses	132,087	120,539
Operating income	\$ 70,485	\$ 70,177
% of Revenue	34.8%	36.8%
Capital expenditures	\$ 25,016	\$ 26,972

27

The U.S. cable group also had a good year. Although total 1988 revenue was negatively affected by the sale of two cable systems during the year and a weaker U.S. dollar, this was more than offset by strong subscriber growth in the remaining systems. Operating income as a percent of revenue was 34.8%, a 2 point decrease over 1987. This decline was due to (i) the sales of the small "classic" cable systems which are more profitable due to their high ratio of subscribers to homes passed and (ii) an operating emphasis on subscriber growth which caused associated expense increases.

The U.S. systems remaining at the end of the year added 48,000 basic subscribers during the year, or a 10% increase. As a result, these large urban systems increased the ratio of subscribers to homes passed to 48.3% from 44.5%. These systems also added over 11,000 pay television units, but the pay to basic ratio fell to 95.3% from 102.6% a year ago.

The 1989 fiscal year for U.S. cable will have the same focus – subscriber growth. The key to improving the long run profitability of these largely urban systems is to increase the ratio of subscribers to homes passed. Economies will, therefore, be achieved by utilizing the service structure and large capital investment already in place.

#### iii) Cellular Telephone

<i>Year Ended August 31 (thousands of dollars)</i>	1988	1987
Revenue	\$ 103,221	\$ 47,310
Operating expenses	85,424	49,081
Operating income (Loss)	\$ 17,797	\$ (1,771)
% of Revenue	17.2%	(3.7)%
Capital expenditures	\$ 91,646	\$ 52,651

Cantel Inc. had another outstanding year and, after three full years of operations, achieved its first positive operating income. Revenue growth exceeded expectations and increased 118% to \$103.2 million. As a result, operating income increased \$19.6 million on the year.



Capital expenditures were up to \$91.6 million from \$52.7 million the year before. This is attributable to the expansion of the Cantel network into Halifax, Nova Scotia and Winnipeg, Manitoba and the expansion of the existing network in and among urban areas to meet the fast growing demand. Increased long term debt of \$72.6 million, an equity infusion of \$16.3 million and operating cash flow of \$1.9 million were used to fund the capital investment.

The population served by Cantel in fiscal 1988 expanded by 1.4 million, or 9.5%, to 16.2 million. Subscribers increased by 112% to 95,000 or by 50,000 during the year.

All indicators point to Cantel's continued success in 1989. Operating income is expected to double with continued strong subscriber growth. To keep up with this demand for service, capital expenditures to expand the network are expected to increase by more than 50% over the 1988 level.

#### iv) Broadcasting

<i>Year Ended August 31 (thousands of dollars)</i>	1988	1987
Revenue	\$ 36,931	\$ 31,086
Operating expenses	30,159	24,736
Operating income	\$ 6,772	\$ 6,350
% of Revenue	18.3%	20.4%
Capital expenditures	\$ 3,545	\$ 2,383

Broadcasting had a mixed year with the Toronto radio stations increasing revenue and improving their operating income. The multilingual television station significantly increased its revenue base by over 25% in fiscal 1988. However, its increase in operating costs exceeded its percentage increase in revenue as the station put in place programming improvements. These improvements were also achieved through increased capital expenditures in fiscal 1988 for television studio equipment.

Broadcasting, although difficult to predict in the competitive and volatile Toronto market, expects an improved year in fiscal 1989. The radio stations, having established leading positions with their respective audiences, expect improved financial results. For multilingual television, 1989 is expected to be a watershed year as multilingual and English programming improvements are fully instituted and measured.

#### v) Home Shopping

<i>Year Ended August 31 (thousands of dollars)</i>	1988	1987
Revenue	\$ 43,305	\$ 11,296
Operating expenses	45,341	14,497
Operating loss	\$ (2,036)	\$ (3,201)
% of Revenue	(4.7)%	(28.3)%
Capital expenditures	\$ 3,044	\$ 4,073

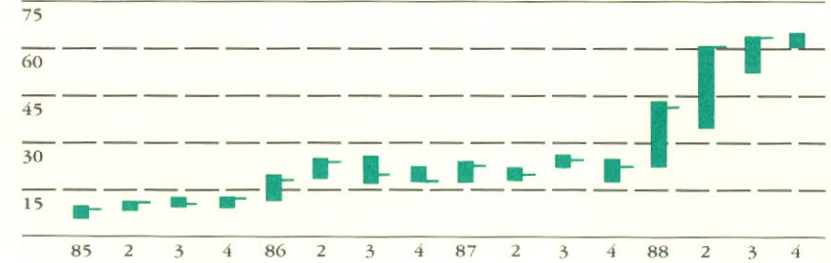
The Canadian Home Shopping Network continued to make progress in fiscal 1988, its first full year of operation since its launch in February of 1987.



Historical Share Price Charts

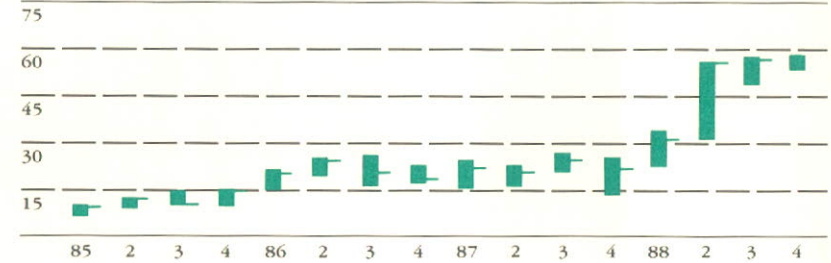
Class A Voting Shares

In dollars by calendar quarters



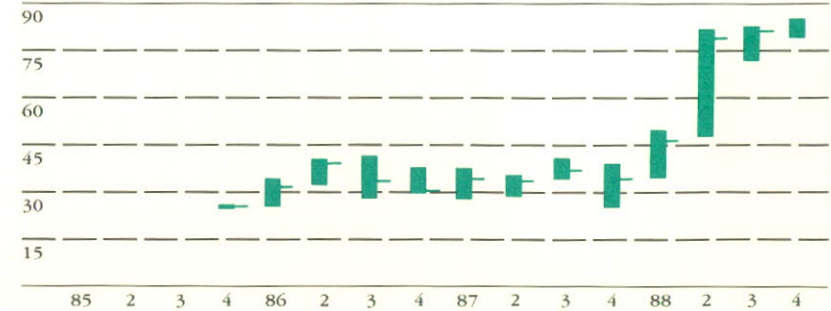
Class B Non-voting Shares

In dollars by calendar quarters



Series VIII Preferred Shares

In dollars by calendar quarters





<i>Year ended August 31 (thousands of dollars)</i>	1988	1987 <i>(as restated note 3)</i>
Revenue		
Cable television	\$ 277,812	\$ 242,501
Broadcasting	46,290	31,086
Cellular telephone	34,324	
	358,426	273,587
Operating, general and administrative expenses	207,316	157,612
Operating income before the following	151,110	115,975
Depreciation and amortization	52,140	42,928
Interest on long term debt	70,930	40,994
Other interest	929	519
	27,111	31,534
Share of losses of associated companies	(2,545)	(6,727)
Foreign exchange loss on debt retirement		(7,118)
Investment income	10,581	6,731
Other income (expense)	(5,583)	3,057
Income before the undernoted items	29,564	27,477
Income taxes (note 9)		
Current	3,902	6,550
Deferred	18,470	18,900
	22,372	25,450
Income before the following	7,192	2,027
Minority interest	1,671	106
Loss from U.S. Operations (note 3(a))	(7,411)	(10,590)
Income (loss) before extraordinary items	1,452	(8,457)
Extraordinary items (note 10)	83,360	(16,405)
<b>Net Income (loss) for the year</b>	<b>\$ 84,812</b>	<b>\$ (24,862)</b>
<b>Earnings Per Share (note 11)</b>		
Basic		
Income (loss) before extraordinary items	\$ (0.75)	\$ (0.87)
Net income (loss) for the year	\$ 3.91	\$ (1.50)
Fully diluted		
Net income for the year	\$ 3.18	



<i>Year ended August 31 (thousands of dollars)</i>	1988	1987
<b>Funds Provided By (Used For)</b>		<i>(as restated note 3)</i>
<b>Operations</b>		
Income (loss) before extraordinary items	\$ 1,452	\$ (8,457)
Items not affecting funds		
Depreciation and amortization	52,140	42,928
Income taxes	21,758	24,939
Interest on Notes	2,895	9,110
Share of losses of associated companies	2,545	6,727
Loss from U.S. Operations	7,411	10,590
Minority interest	(1,671)	(106)
Foreign exchange loss on extinguishment of debt		7,118
	86,530	92,849
Changes in		
Accounts receivable, inventories and prepaid expenses	(8,152)	(1,797)
Accounts payable and accrued liabilities and prepayments for services	17,964	(3,295)
Other assets	(14,717)	(2,237)
	81,625	85,520
<b>Financing</b>		
Long term debt	483,549	41,820
Issue of capital stock	32,050	10,754
Redemption of preferred shares		(8,172)
Premium on debt retirement		(18,177)
Dividends	(14,881)	(14,346)
	500,718	11,879
<b>Investments</b>		
Purchase of Class B shares by subsidiary company	(357,328)	
Additions to fixed assets	(121,699)	(62,042)
Purchase of shares of Cantel Inc.	(68,897)	(10,239)
Purchase of shares of Canadian Home Shopping Network (CHSN) Ltd.	(24,175)	(5,237)
Proceeds on sale of assets and shares of subsidiary companies	13,995	550
Investment in U.S. Operations	6,967	(5,643)
Minority interests' investment in subsidiary companies	7,573	870
Other investments	(52,677)	(11,784)
Foreign currency translation adjustments	(3,312)	(1,846)
	(599,553)	(95,371)
<b>Increase (Decrease) in Funds</b>	(17,210)	2,028
<b>Funds at Beginning of Year</b>	2,804	776
<b>Funds (Deficiency) at End of Year</b>	\$ (14,406)	\$ 2,804

Funds are defined as cash and short term notes less bank advances.

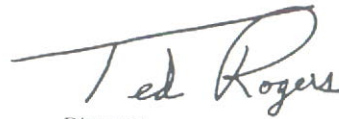


<i>As at August 31 (thousands of dollars)</i>	1988	1987 <i>(as restated note 3)</i>
<b>Assets</b>		
Fixed assets (note 4)	\$ 498,841	\$ 259,621
Subscribers and licences	125,971	42,992
Goodwill	103,811	78,653
Investment in U.S. Operations (note 3)	163,328	101,914
Other investments (note 5)	135,259	138,046
Cash and short term notes		2,804
Accounts receivable	38,110	15,687
Inventories	13,782	1,467
Prepaid expenses	4,239	1,909
Other assets (note 6)	29,165	10,134
	<b>\$1,112,506</b>	<b>\$ 653,227</b>

Approved by the Board:



Director



Director



<i>As at August 31 (thousands of dollars)</i>	1988	1987
		<i>(as restated note 3)</i>
<b>Liabilities and Shareholders' Equity (Deficiency)</b>		
<b>Liabilities</b>		
Long term debt (note 7)	\$ 915,337	\$ 320,975
Bank advances	14,406	
Accounts payable and accrued liabilities	108,224	49,323
Prepayments for services	35,138	22,770
Deferred income taxes	31,778	12,920
Minority interest	20,602	3,554
	<u>1,125,485</u>	<u>409,542</u>
<b>Shareholders' Equity (Deficiency)</b>		
Capital stock (note 8)	284,021	252,184
Reorganization surplus	6,235	6,235
Retained earnings (deficit)	54,093	(14,734)
	<u>344,349</u>	<u>243,685</u>
Deduct the cost of shares of the Company held by a subsidiary company (note 8)	<u>357,328</u>	
	(12,979)	243,685
	<u>\$1,112,506</u>	<u>\$ 653,227</u>
Long term operating leases (note 14)		
Contingent liabilities (note 15)		
Subsequent events (note 17)		



<i>Year ended August 31 (thousands of dollars)</i>	1988	1987
<b>Deficit at beginning of year</b>		
As previously reported	\$ (13,064)	\$ (40,031)
Adjustment resulting from settlement of litigation (note 15)	(1,670)	
As restated	(14,734)	(40,031)
Transfer from capital stock and contributed surplus (note 8)		64,505
Net income (loss) for the year	84,812	(24,862)
	70,078	(388)
Dividends on preferred shares	(14,881)	(14,346)
Excess of cost of shares cancelled over carrying value (note 8)	(1,104)	
	(15,985)	(14,346)
<b>Retained earnings (deficit) at end of year</b>	<b>\$ 54,093</b>	<b>\$ (14,734)</b>

34

**Auditors' Report**

**To the Shareholders of Rogers Communications Inc.**

We have examined the consolidated balance sheet of Rogers Communications Inc. as at August 31, 1988 and the consolidated statements of income, retained earnings (deficit) 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 August 31, 1988 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  
November 9, 1988

*Thorne Ernst & Whinney*  
Chartered Accountants  
Member of  Ernst & Whinney International



## 1. Accounting Policies

### (a) Consolidation

(i) The consolidated financial statements include the accounts of the Company and all of its subsidiaries. As further described in note 3 to these financial statements, the Company has accounted for its investment in U.S. Operations by the equity method as the Company has entered into an agreement to sell these operations.

(ii) Investments in associated companies and other business ventures over which the Company is able to exercise significant influence are accounted for by the equity method.

### (b) Capitalization policy

Fixed assets are recorded at purchased cost and include direct labour and certain overhead charges. Repairs and maintenance expenditures are charged to operations.

The cost of the initial cable subscriber installation is capitalized. Costs of all other cable connections and disconnections are expensed.

During construction of new cable or cellular telephone systems or during the rebuilding of cable systems, direct costs plus a portion of interest and overhead costs are capitalized.

Leases that transfer substantially all of the benefits and risks of ownership are accounted for by the Company as capital leases. Accordingly, the asset values and related liabilities are recorded in the financial statements.

### (c) Depreciation

Fixed assets are depreciated over their estimated useful lives as follows:

Buildings	5% diminishing balance
Towers, head-ends and transmitters	6-2/3% straight line
Distribution cable and subscriber drops and cellular network equipment	6-2/3% straight line
Cellular network radio channels	10% straight line
Computer equipment	mainly 20% straight line
Converters and descramblers	20% straight line
Other equipment	mainly 20% and 30% diminishing balance
Leasehold improvements	over the term of the lease

### (d) Foreign exchange

(i) The assets and liabilities of the Company's U.S. Operations which are considered to be self sustaining, are translated into Canadian dollars at the year end rate of exchange. Revenue and expense items are translated at the average exchange rate for the year.

Exchange gains or losses arising from the translation of the financial statements of the U.S. Operations are deferred and included in the investment in U.S. Operations (note 3).

(ii) Monetary assets and liabilities of the Company and its Canadian subsidiary companies denominated in foreign currencies are translated into Canadian dollars at the year end rate of exchange. Exchange gains or losses on translating non-current monetary assets and liabilities are deferred and amortized over the remaining life of the respective assets or liabilities. In those instances where monetary assets or liabilities act as a hedge of a foreign currency item or a foreign currency net asset/liability position, gains or losses on translation of the monetary assets or liabilities are deferred and included in a separate component of shareholders' equity.

(iii) All other exchange gains or losses are included in income.



**(e) Subscribers, licences and goodwill**

Prior to September 1, 1979 the excess of the purchase price over the estimated fair value of net assets acquired was not separated between amounts paid for subscribers and for goodwill. Since September 1, 1979 the Company has determined the cost of subscribers in each cable system purchase and share purchases of Cantel Inc. This amount is not amortized but written down pro rata when the subscriber base falls below the level capitalized at the date of acquisition and is written off upon sale of subscribers.

Goodwill acquired before April 1, 1974 in the amount of \$19,006,000 is not amortized as there is no requirement to amortize goodwill prior to that date under generally accepted accounting principles, but will be written down should there be a diminution in its value. Amounts designated as goodwill acquired after April 1, 1974, totalling \$88,647,000 at August 31, 1988, are being amortized over forty years from the dates of acquisition. Amortization of goodwill for the year amounted to \$1,934,000 (1987, \$1,682,000).

**(f) Research and development costs**

Research costs are expensed in the year incurred. Computer software development costs are deferred and amortized on a straight line basis over periods not exceeding three years commencing from the date the project becomes operational. Development costs are charged to expense in total where projects are deemed unfeasible, or in part, when project costs are deemed excessive in amount.

**(g) Income taxes**

The Company records income tax expense on the tax allocation basis. Tax deferred as a result of claiming, for income tax purposes, amounts different from those recorded in the accounts are charged against current operations and recorded in the consolidated balance sheet as deferred income taxes. Timing differences consist principally of tax depreciation in excess of book depreciation and the capitalization of certain costs for accounting purposes and expensing them for tax purposes.

No provision is made for withholding taxes on the unremitted earnings of foreign subsidiaries as these earnings are expected to be reinvested in the jurisdiction earned.

**2. Acquisitions And Divestitures**

The Company completed certain acquisitions and divestitures during the year as follows:

**(a) Acquisitions**

(i) During the year, Rogers Cablesystems of America, Inc. (RCA), a subsidiary company, purchased by way of a tender offer 4,899,075 of its outstanding Class A common shares not owned by the Company at a price of U.S. \$22.50 per share plus costs. In subsequent transactions, the Company purchased the remaining shares of RCA not tendered in the offer. As a result, the Company now owns 100% of the share capital of RCA. The cost of these purchases amounted to \$144,913,000 (U.S. \$110,900,000) and was financed by additional bank loans of Rogers U.S. Cablesystems, Inc., a subsidiary company (note 3 (c)). Certain of these loans were repaid with the proceeds from the sale of cable systems (note 2 (b)).

The amount by which the purchase price of the RCA shares exceeded the book value of the assets acquired amounted to \$114,539,000 of which \$95,434,000 was allocated to "Subscribers" and \$19,105,000 was allocated to "Fixed assets" and included in the consolidated balance sheet under the caption "Investment in U.S. Operations."

(ii) During the year, the Company acquired certain partnership units in its cable systems operating in the City and suburbs of Minneapolis, Minnesota; operating in the City and suburbs of Portland, Oregon; and operating in Southern California. The cost of these purchases was \$58,590,000 (U.S. \$46,970,000) of which \$43,806,000 was allocated to "Subscribers" and the balance to "Fixed assets." These amounts have been included in the consolidated balance sheet under the caption "Investment in U.S. Operations."

(iii) As at August 31, 1988, the Company owned 50.2% (1987, 48.0%) of the issued common shares of Cantel Inc. (Cantel) representing approximately 77% (1987, 65%) of the votes. Prior to May 31, 1988, the Company did not have the right to elect a majority of the Board of Directors of Cantel and, therefore, accounted for this investment by the equity method.



In May 1988, the Company purchased 1,919,368 Series I Preferred shares of Cantel for cash of \$53,465,000. The cost of this purchase was financed by additional bank loans of a subsidiary company, Rogers CableSystems Inc. (note 7). This purchase gave the Company the right to elect a majority of the Board of Directors of Cantel and commencing May 31, 1988, Cantel has been consolidated in these financial statements. During the year, the Company also purchased 1,168,365 common shares of Cantel for cash of \$11,195,000.

(iv) During the year, the Company acquired 2,967,064 common shares of Canadian Home Shopping Network (CHSN) Ltd. for cash of \$26,300,000. These purchases increased the Company's ownership in CHSN from 27.7% to 68.4%. Prior to these purchases, the Company accounted for this investment by the equity method and commencing on May, 31, 1988, CHSN has been consolidated in these financial statements.

(v) During the year, the Company purchased 90% of the issued and outstanding common shares of Video Movie Ventures Inc., renamed Rogers Entertainment Inc. (REI) at a cost of \$4,932,000. REI operates a chain of video cassette rental stores in Alberta and Ontario.

Details of the net assets acquired of Cantel, CHSN and REI, at fair values are as follows:

<i>(thousands of dollars)</i>	Cantel	CHSN	REI	Total
Fixed assets	\$ 153,537	\$ 10,823	\$ 2,276	\$ 166,636
Accounts receivable	17,953	222	150	18,325
Other assets	5,781	7,640	7,566	20,987
	177,271	18,685	9,992	205,948
Long term debt	104,990		7,977	112,967
Accounts payable and accrued liabilities	49,498	4,700	1,063	55,261
Minority interest	12,967	3,657	95	16,719
	167,455	8,357	9,135	184,947
	9,816	10,328	857	21,001
Subscribers	87,612			87,612
Goodwill		20,677	4,075	24,752
	97,428	31,005	4,932	133,365
Less the Company's investment at the date of acquisition	43,963	4,705		48,668
Cash consideration given	\$ 53,465	\$ 26,300	\$ 4,932	\$ 84,697

#### (b) Divestitures

During the year, the Company completed the sale of its cable systems in Yuma, Arizona; El Centro, California and Los Angeles County, California for net proceeds of U.S. \$116,271,000. These proceeds were primarily used to repay bank loans. An extraordinary gain of \$80,072,000 was realized on these sales (note 10).

### 3. Investment In U.S. Operations

The Company has entered into an agreement to sell all of its cable systems in the United States for gross proceeds estimated to be U.S. \$1,265,000,000 subject to regulatory approvals of certain franchise transfers, the elimination of certain conditions of franchise agreements and other conditions. As control over these cable systems is temporary, the investment in the U.S. Operations



has been accounted for by the equity method. Accordingly, details of this investment and the results from the U.S. Operations are presented below.

(a) The results of the U.S. Operations are included in the consolidated statement of income under the caption "Loss from U.S. Operations". The 1987 comparative figures of the Company have been restated accordingly.

<i>(thousands of dollars)</i>	1988	1987
Revenue	\$ 202,572	\$ 190,716
Operating, general and administrative expenses	132,087	120,539
Operating income before the following	70,485	70,177
Depreciation and amortization	49,076	48,182
Interest expense	34,919	30,059
Other expense (income)	(2,516)	4,506
Loss before the following	(10,994)	(12,570)
Income tax recovery	(4,142)	(3,554)
Loss before minority interest	(6,852)	(9,016)
Minority interest	(559)	(1,574)
Loss from U.S. Operations	\$ (7,411)	\$ (10,590)

(b) The assets and liabilities of the U.S. Operations are included in the consolidated balance sheet under the caption "Investment in U.S. Operations". Details of these assets and liabilities are as follows:

<i>(thousands of dollars)</i>	1988	1987
<b>Assets</b>		
Fixed assets	\$ 330,593	\$ 324,809
Subscribers	233,690	118,475
Goodwill	9,475	11,071
Other assets	31,198	26,668
	604,956	481,023
<b>Liabilities</b>		
Long term debt	388,055	275,708
Accounts payable and accrued liabilities	40,770	27,913
Prepayments for services	8,691	8,132
Deferred income taxes	6,563	10,711
Minority interest		50,071
Foreign currency translation adjustment	(2,451)	6,574
	441,628	379,109
Investment in U.S. Operations	\$ 163,328	\$ 101,914



(c) The bank loans of the U.S. Operations consist of the following:

<i>(thousands of dollars)</i>	1988	1987
Rogers U.S. Cablesystems, Inc. (RUSCI)	\$ 120,261	
Rogers Funding Corporation (RFC)	236,802	
Intercompany debenture		\$ 199,000
Other	30,992	76,708
	<u>\$ 388,055</u>	<u>\$ 275,708</u>

During the year RUSCI, RFC and Rogers Cablesystems of Canada Limited (RCCL), indirect wholly-owned subsidiaries of the Company, entered into an agreement with a consortium of seven banks increasing the credit facility of RCCL, RUSCI and RFC (the RUSCI credit facility) from U.S. \$200,000,000 to U.S. \$300,000,000. The proceeds of the RUSCI credit facility have been or can be used by RUSCI and RFC for general corporate purposes including the purchase of limited partnership units, to provide for the acquisition of the Class A common shares of RCA and to refinance the bank loan of Rogers Cablesystems of Minneapolis Limited Partnership. The RUSCI credit facility bears interest at rates varying from the bank prime rate to the bank prime rate plus 1% or the London Interbank Offered Rate (LIBOR) plus  $\frac{3}{4}\%$  to LIBOR plus 2%.

The RUSCI credit facility is a revolving credit facility until any of the banks declare that the loan will convert into a revolving/reducing facility and is secured by a pledge of the shares of RUSCI and its subsidiaries, a guarantee by RUSCI and a subsidiary of RUSCI and a pledge of RUSCI's interests in various limited partnerships. RUSCI and the subsidiary which has guaranteed the loans have also pledged their assets, which pledge the banks have agreed to release at the request of RUSCI provided that there are no defaults under the loan at the time of the request. In addition, RUSCI and a subsidiary of RUSCI guarantee bank loans of RFC up to U.S. \$200,000,000. In no case may the aggregate bank loans of RCCL and RFC guaranteed by RUSCI and a subsidiary of RUSCI exceed U.S. \$300,000,000.

During the year, RFC and RUSCI repaid the intercompany debenture owing to RCCL. RCCL, in turn, repaid its bank loans and as a result there is currently no outstanding amount under the guarantee of RCCL bank loans by RUSCI and a subsidiary of RUSCI.

No principal repayments are required on the RUSCI credit facility until conversion to a revolving/reducing facility. Should the RUSCI credit facility convert to a revolving/reducing facility, principal repayments are required in order that the aggregate principal amount of the bank loan outstanding shall not exceed the following amounts between the periods indicated below:

<u>Effective Date of Conversion</u>	<u>Maximum outstanding principal amount of the RUSCI credit facility</u>
One year after Conversion Date	U.S. \$283,125,000
Two years after Conversion Date	260,625,000
Three years after Conversion Date	238,125,000
Four years after Conversion Date	200,625,000
Five years after Conversion Date	155,625,000
Six years after Conversion Date	110,625,000
Seven years after Conversion Date	58,125,000
Eight years after Conversion Date	—



At any time, any bank is entitled to deliver written notice to the borrowers specifying the Conversion Date, which shall be a date not less than 90 days nor more than 180 days from the date of such notice.

In connection with its loans and the guarantee of RCCL's bank loans, certain restrictions have been imposed on RUSCI's operations and activities, of which the most significant relate to debt incurrence tests at the time of proposed additional borrowings, maintenance tests governing amounts borrowed, use of proceeds under the loan agreement, additional indebtedness, additional investments, sale of assets and dividends.

(d) As at August 31, 1988, the Company's U.S. Operations had the following commitments and contingencies:

(i) The U.S. Operations have outstanding letters of credit totalling U.S. \$14,421,000 issued in connection with certain safe harbour leasing arrangements and obligations in respect of franchise agreements and various performance bonds.

(ii) During the course of certain reorganization transactions completed in prior years, the Company did not file all required documentation with the Internal Revenue Service (IRS). The Company has applied for relief with the IRS and is presently awaiting its decision. Should relief not be granted, additional taxes may be payable by the Company. These additional taxes, if levied, are not expected to have a material impact on the financial position of the Company.

(iii) Proposed amendments to United States tax legislation may impose a limitation on the utilization of net operating loss carryovers following a change of ownership of a corporation's stock. During the past year, various members of the United States group experienced an ownership change within the meaning of the proposed amendments. Regulations may be issued which could affect the application of the proposed amendments to the Company. The Company anticipates, however, that it will be entitled to utilize its net operating loss carryovers for this year without significant restriction.

(iv) There exist certain legal actions against the U.S. Operations, none of which is expected to have a material impact on the financial position of the Company.

40

#### 4. Fixed Assets, at cost

<i>(thousands of dollars)</i>	1988	1987
Land and buildings	\$ 22,847	\$ 20,150
Towers, head-ends and transmitters	33,875	27,989
Distribution cable and subscriber drops	350,397	283,891
Cellular network equipment	163,201	
Computer equipment	44,288	22,875
Converters and descramblers	61,541	61,105
Other equipment	64,930	49,086
Leasehold improvements	21,041	13,346
	762,120	478,442
Less accumulated depreciation and amortization	263,279	218,821
	\$ 498,841	\$ 259,621

Included under fixed assets are capitalized leased assets of \$11,114,000 at August 31, 1988 (1987, \$6,288,000) consisting primarily of computer equipment. Related accumulated depreciation at August 31, 1988 is \$3,137,000 (1987, \$835,000).



## 5. Other Investments

<i>(thousands of dollars)</i>	1988	1987
(a) General Cable T.V. Limited	\$ 130,000	\$ 74,000
(b) Associated companies		
(i) Cantel Inc.		35,326
(ii) Western Cablevision Limited	2,254	4,826
(iii) Canadian Home Shopping Network (CHSN) Ltd.		5,237
(c) Turner Broadcasting System, Inc.		6,596
(d) Other investments	3,005	12,061
	<u>\$ 135,259</u>	<u>\$ 138,046</u>

During the year, the Company received, as consideration for the payment of promissory notes owing to the Company by General Cable T.V. Limited (General), a company controlled by the controlling shareholder of the Company, \$74,000,000 of preferred shares of General which shares have exactly the same characteristics as the Company's Series IV and Series IX Preferred shares (note 8). During the year, the Company invested cash of \$56,000,000 in General and as consideration the Company received preferred shares which have exactly the same characteristics as the Company's Series X, XI and XII Preferred shares. The Company also received interest of \$4,040,000 and dividends of \$2,946,000 from General.

The investment in Turner Broadcasting System, Inc. was sold during the year for net proceeds of \$6,788,000.

## 6. Other Assets

<i>(thousands of dollars)</i>	1988	1987
Amounts receivable from employees under share purchase plans, including \$4,918,000 from officers and officers who are also directors (1987, \$1,340,000)	\$ 13,266	\$ 3,907
Miscellaneous mortgages and loans receivable including \$562,000 from officers and officers who are also directors (1987, \$614,000)	2,636	2,574
Deposits	452	1,403
Video cassette movie inventory	6,455	
Program rights	3,445	1,013
Deferred charges	2,911	1,237
	<u>\$ 29,165</u>	<u>\$ 10,134</u>

Amortization of deferred charges for the year amounted to \$2,213,000 (1987, \$764,000).



## 7. Long Term Debt

<i>(thousands of dollars)</i>	1988	1987
(a) Rogers Communications Inc. Bank loan	\$ 15,838	
(b) Rogers Cablesystems Inc. Bank loan	201,028	
(c) Canadian Cablesystems Limited Bank loan	529,819	\$ 199,382
Notes and debentures		88,784
(d) Cantel Inc. Bank loan	122,687	
(e) Other	45,965	32,809
	<u>\$ 915,337</u>	<u>\$ 320,975</u>

Further details of the long term debt are as follows:

**(a) Rogers Communications Inc.**

During the year, the Company amended and increased its credit facility to U.S. \$25,000,000 of which \$15,838,000 was outstanding at August 31, 1988. Drawings under this facility are payable on demand and bear interest at the bank prime rate plus 1/4% or LIBOR plus 1% or the bankers' acceptance rate plus 1%. This facility is secured by a general assignment of accounts receivable.

**(b) Rogers Cablesystems Inc. (RCBLI)**

During the year, RCBLI entered into a bank loan agreement providing for a credit facility of \$435,000,000 of which \$201,028,000 was outstanding at August 31, 1988. Of the total credit facility, \$375,000,000 is available to purchase Class B shares of the Company and shares of affiliated companies with the balance of \$60,000,000 available for the payment of interest. This credit facility bears interest at the bank prime rate plus 1-1/2% or LIBOR plus 2-1/4% or the bankers' acceptance rate plus 2-1/4%. The loan is to be repaid on September 1, 1989 and is secured by a pledge of the shares of RCBLI and certain subsidiaries and the guarantee of the Company to the extent of its investment in certain subsidiary companies. RCBLI intends that the credit facility will be repaid with proceeds from the sale of assets, or the raising of additional equity or subordinated debt.

**(c) Canadian Cablesystems Limited (CCL)**

Subsequent to August 31, 1988, CCL amended its existing credit facility providing for bank loans with a consortium of banks of up to \$1,000,000,000 of which \$529,819,000 was outstanding at August 31, 1988.

The credit facility is available for general corporate purposes and to provide up to \$250,000,000 or its equivalent in U.S. dollars for investments, dividends, redemption of its shares or purchases of its shares for cancellation. Access to the total credit facility is based on a debt to cash flow ratio such that at August 31, 1988 CCL could borrow a maximum of \$809,000,000.

The loan is divided into two tranches. The first tranche of \$600,000,000 is on a revolving basis until any one of the lenders gives notice of maturity which notice can be given at any time prior to December 31, 1991 and each three years thereafter. After notice, the loan will be repayable on January 4, 1993 or triennially thereafter if extensions are granted.

The interest rate on the first tranche is the bank prime rate or the bankers' acceptance rate plus 3/4% or LIBOR plus 3/4%. The loan is secured by a pledge of the shares of CCL's subsidiary companies, by a fixed and floating charge on the cable assets of CCL and its subsidiary companies, and by a guarantee of its subsidiary companies.



The second tranche of \$400,000,000 is on a revolving basis until such time as notice of conversion is given by any lender. Such notice of conversion may be given at any time after December 31, 1990. After notice, the loan will convert to a revolving/reducing facility commencing on the second anniversary of the notice date.

Effective Date of Conversion	Percentage of credit facility reduction
Year 1	5%
Years 2 and 3	10%
Years 4 and 5	15%
Year 6	20%
Year 7	25%

The second tranche bears interest at rates varying from the bank prime rate to the bank prime rate plus 1/2% or the bankers' acceptance rate plus 3/4% to the bankers' acceptance rate plus 1-1/4% or LIBOR plus 3/4% to LIBOR plus 1-1/4%. The loan is secured by a second ranking on the same security as provided for on the first tranche.

During the current and prior years, the Notes and Debentures of CCL were extinguished through purchases in the open market and through a defeasance transaction at a total purchase price of \$185,223,000. The defeasance transaction included placing \$24,816,000 in trust to be used solely for satisfying scheduled payments of both interest and principal. An extraordinary loss related to the defeasance of \$26,485,000 was recorded in fiscal 1987 (note 10).

43

**(d) Cantel Inc. (Cantel)**

Cantel has a long term financing agreement in the amount of \$500,000,000 with certain Canadian chartered banks of which \$122,687,000 was outstanding at August 31, 1988.

The loan bears interest at rates varying from the bank prime rate to the bank prime rate plus 1/2% or the bankers' acceptance rate plus 1/2% to the bankers' acceptance rate plus 1% or LIBOR plus 5/8% to LIBOR plus 1%.

The loan will continue to revolve until one year after notice of conversion is given by any bank after December 31, 1992 at which time the loan will convert to a revolving/reducing facility so that the aggregate amount available will be reduced as follows:

Effective Date of Conversion	Percentage of credit facility reduction
Year 1	5%
Years 2 and 3	13%
Year 4	15%
Year 5	20%
Year 6	34%

The loan is secured by an assignment of book debts and inventory of Cantel and a floating charge on all the assets of Cantel.

**(e) Other Long Term Debt**

Included in other long term debt are obligations of the Company in respect of long term capital leases, certain other bank loans, subordinated debentures and mortgages.

As at August 31, 1988, the Company has entered into a number of interest exchange agreements ranging in reference interest rates from U.S. 7.60% to U.S. 12.05%, and from Cdn. 8.89% to Cdn. 11.27% with maturity dates ranging from September 1989 to July 1998. These agreements have the effect of converting U.S. \$173,000,000 and Cdn. \$500,000,000 of floating rate debt of the Company to fixed interest rates specified above plus the Company's cost of money in excess of money market rates.



Principal repayments due within each of the next five years on all long term debt are as follows:

<i>(thousands of dollars)</i>	
1989	\$ 29,369
1990	203,524
1991	5,142
1992	5,782
1993	4,139
	247,956
Due after 1993	667,381
	\$ 915,337

The above schedule of principal repayments assumes no principal repayments prior to 1994 of the CCL and Cantel bank loans.

The provisions of the long term debt agreements described above impose, in most instances, restrictions on the operations and activities of the companies governed by these agreements. Generally, the most significant of these restrictions are debt incurrence and maintenance tests, additional investments, sales of assets and dividends.

## 8. Capital Stock

### Rights and conditions

#### Preferred shares

There are authorized 400,000,000 preferred shares without par value, issuable in series, with rights and terms of such series to be fixed by the directors prior to the issue of each series.

The Series IV Preferred shares are non-voting and have a cumulative dividend rate equal to 50% of the prime lending rate of a Canadian chartered bank plus 1-1/2% payable monthly. These shares are both redeemable and retractable at any time at \$100 per share.

The Series VII Preferred shares are non-voting, have a cumulative dividend rate equal to 50% of the prime lending rate of a Canadian chartered bank plus 2-1/4% payable monthly and are convertible at any time into Class A common shares at \$11.875 per Class A share and are convertible at any time into Class B common shares at \$11.60 per Class B share. These shares are both redeemable and retractable at any time after April 30, 1990 at \$10 per share.

The Series VIII Preferred shares are non-voting, have a cumulative dividend rate of \$0.46875 per share payable quarterly. These shares are redeemable from January 1, 1989 to December 31, 1991 at \$26.00 per share reducing by \$0.25 per share each calendar year thereafter until January 1, 1995 when the shares will be redeemable at \$25.00 per share. In addition, these shares are convertible into Class B shares at any time at \$17.00 per Class B share.

The Series IX Preferred shares are non-voting and have a cumulative dividend rate equal to 50% of the sum of the prime lending rate of a Canadian chartered bank plus 1-1/2% payable monthly. These shares are both redeemable and retractable at any time at \$100 per share.

The Series X Preferred shares are non-voting and have a cumulative dividend rate equal to 80% of the sum of the prime lending rate of a Canadian chartered bank plus 1/2% payable monthly. These shares are both redeemable and retractable at any time at \$1000 per share.

The Series XI Preferred shares are non-voting and have a cumulative dividend rate equal to 80% of the prime lending rate of a Canadian chartered bank plus 1/2% payable monthly. These shares are both redeemable and retractable at any time at \$10 per share.

The Series XII Preferred shares are non-voting and have a cumulative dividend rate equal to 50% of the prime lending rate of a Canadian chartered bank plus 1-1/2% payable monthly. These shares are both redeemable and retractable at any time at \$10 per share.

#### Common shares

There are authorized 200,000,000 voting Class A shares without par value. The Class A shares may receive a dividend at an annual rate of up to \$0.35 per share only after the Class B shares have been paid a dividend at an annual rate of \$0.35 per share. The Class A shares are convertible on a one for one basis into Class B shares.

There are authorized 400,000,000 non-voting Class B shares without par value. The Class A and Class B shares will share equally in dividends after payment of a dividend of \$0.35 per share for each class.

<i>(thousands of dollars)</i>	1988	1987
<b>Issued</b>		
240,000 Series IV Preferred shares	\$ 24,000	\$ 24,000
4,150,000 Series VII Preferred shares	41,500	41,500
1,810,198 Series VIII Preferred shares (1987, 2,188,755 shares)	45,255	54,719
500,000 Series IX Preferred shares	50,000	50,000
28,653 Series X Preferred shares	28,653	28,653
508,834 Series XI Preferred shares	5,088	5,088
2,225,866 Series XII Preferred shares	22,259	—
4,539,955 Class A shares (1987, 4,597,881 shares)	30,822	31,215
23,034,261 Class B shares of which 14,081,217 are held by a subsidiary company (1987, 21,974,066 shares)	36,444	17,009
	\$ 284,021	\$ 252,184

(a) During the year the Company completed the following capital stock transactions:

(i) 378,557 Series VIII Preferred shares were converted into 556,666 Class B shares at a conversion value of \$9,464,000.

(ii) 2,225,866 Series XII Preferred shares were issued to a company controlled by the controlling shareholder of the Company for cash of \$22,259,000. Concurrently, therewith, the Company purchased for cash of \$22,259,000 preferred shares of the same company having exactly the same characteristics as the Series XII Preferred shares issued.

(iii) 57,476 Class A shares were converted into 57,476 Class B shares at a total conversion value of \$390,000.

(iv) 450 Class A shares and 132,490 Class B shares held by the trustees of the Company's employee share purchase plans were cancelled. The capital stock account has been reduced by \$3,000 and \$209,000 respectively, being the Company's carrying value of the Class A and Class B shares, and the balance of the original issue price of \$1,104,000 has been charged to retained earnings.



(v) During the year, in order to reduce non-Canadian ownership, a subsidiary company purchased from shareholders 14,081,217 of the Company's Class B shares at a price of \$25.00 per share plus costs of \$5,298,000. The total cost of these purchases of \$357,328,000 was financed by additional bank loans of certain subsidiary companies and has been recorded as a reduction of shareholders' equity in the consolidated balance sheet.

(vi) 578,543 Class B shares were issued from treasury to employees pursuant to the Company's share purchase plans for cash of \$9,790,000.

(b) The Articles of Continuance of the Company under the British Columbia Company Act impose restrictions on the transfer, voting and issue of the voting Class A and non-voting Class B shares in order to ensure that the Company remains qualified to hold or obtain any licence pursuant to the Broadcasting Act (Canada) and any licence required to carry on a cable television or similar undertaking in Canada.

The Company is authorized to refuse to register transfers of any shares of the Company to any person who is not a Canadian in order to ensure that the Company remains qualified to hold the licences referred to above.

(c) As a result of the special resolution of the Board of Directors, effective August 31, 1987, the contributed surplus balance of \$64,505,000 was eliminated and transferred to the deficit.

As a result of a special resolution of the shareholders, effective March 31, 1986 the stated capital account of the Class B shares was reduced by \$30,439,000 and transferred to contributed surplus. Contributed surplus was then reduced by \$29,134,000 on transfer to the deficit.

## 9. Income Taxes

Total income taxes vary from the amounts that would be computed by applying the effective income tax rate to the income before income taxes, minority interest, loss from U.S. Operations and extraordinary items for the following reasons:

<i>(thousands of dollars)</i>	1988	1987
Effective income tax rate	49.8%	52.3%
Effective income tax rate on the income before income taxes, minority interest, loss from U.S. Operations and extraordinary items	\$ 14,723	\$ 14,370
Increase results from:		
Effect of losses of subsidiaries not recognized for income tax purposes	4,666	6,240
Non-deductible depreciation and amortization	286	1,063
Non-deductible interest expense	950	
Foreign exchange losses not recognized for income tax purposes		3,723
Non-taxable dividend income	1,645	
Other items	102	54
Actual income tax expense	\$ 22,372	\$ 25,450

**10. Extraordinary Items**

<i>(thousands of dollars)</i>	1988	1987
Gain on sale of cable systems, net of income taxes of \$4,142,000 (1987, \$2,904,000)	\$ 80,072	\$ 41
Income tax reduction realized in Canada on the application of prior years' losses	3,288	10,039
Loss on extinguishment of debt, net of income taxes of \$2,233,000		(26,485)
	<u>\$ 83,360</u>	<u>\$ (16,405)</u>

**11. Earnings Per Share**

Earnings per share have been calculated based on the weighted average number of shares outstanding during the year, after giving effect to the purchase in 1988 of the Company's Class B shares by a subsidiary company and after deducting dividends on preferred shares. Fully diluted earnings per share on the income before extraordinary items in 1988 and fully diluted earnings per share for 1987 are not disclosed as they are anti-dilutive.

**12. Pensions**

The Company maintains two contributory defined benefit career average pension plans and a non-contributory defined benefit final average pension plan which plans cover many of its employees. The plans provide pensions based on years of service, years of contributions and annual earnings.

Actuarial estimates prepared during the year, in accordance with the recommendations of the Canadian Institute of Chartered Accountants (CICA) were based on projections of employees' compensation levels to the time of retirement and indicate that the present value of the accrued pension benefits and the net assets available to provide for these benefits, at market, as of August 31, are as follows:

<i>(thousands of dollars)</i>	1988	1987
Accrued pension benefits	\$ 18,066	\$ 15,639
Pension fund assets	\$ 23,657	\$ 24,027

Effective for 1988, in accordance with recommendations of the CICA, the Company changed its accounting policy with respect to the determination of pension expense. In previous years, pension expense consisted of the amount of Company contributions. Commencing this year, pension expense consists of the aggregate of (a) the actuarially computed costs of pension benefits provided in respect of the current year's service, (b) imputed interest on the funding excess and (c) the amortization over the expected average remaining service life of employees of (i) the funding excess existing as at the beginning of the year and (ii) any experience gain or loss during the year. This change in accounting policy has not been applied retroactively and has had the effect of reducing pension expense for the current year by \$418,000.

The cumulative difference between the funding contributions and the amounts recorded as pension expense is reflected in "Accounts payable and accrued liabilities".

**13. Segmented Information**

During the years ended August 31, 1988 and 1987, the Company operated cable systems and radio and television broadcasting stations. Commencing with the consolidation of Cantel and CHSN on May 31, 1988 (note 2), the Company also operated a cellular telephone service and a home shopping service. The operations of CHSN have been combined with broadcasting. The operations of REI are combined with cable television. All of these operations are in Canada. The Company's cable systems in the United States to be sold (note 3) have been accounted for by the equity method and accordingly, information by geographic segment is not presented below. Information by industry segment is as follows.



<i>August 31, 1988 (thousands of dollars)</i>	Cable Television	Broadcasting	Cellular Telephone	Corporate & eliminations	Consolidated totals
Revenue	\$ 277,812	\$ 46,290	\$ 34,324		\$ 358,426
Operating income	\$ 137,677	\$ 5,063	\$ 6,856	\$ 1,514	\$ 151,110
Depreciation and amortization	43,456	3,775	4,562	347	52,140
	<u>\$ 94,221</u>	<u>\$ 1,288</u>	<u>\$ 2,294</u>	1,167	98,970
Interest				(71,859)	(71,859)
Other corporate items, net				2,453	2,453
Income taxes				(22,372)	(22,372)
Minority interest				1,671	1,671
Loss from U.S. Operations				(7,411)	(7,411)
				<u>\$ (96,351)</u>	
Income before extraordinary items					<u>\$ 1,452</u>
Identifiable assets	\$ 401,456	\$ 115,316	\$ 286,341	\$ 309,393	\$1,112,506
Capital expenditures	\$ 91,277	\$ 3,617	\$ 26,201	\$ 604	\$ 121,699
<i>August 31, 1987 (thousands of dollars)</i>	Cable Television	Broadcasting		Corporate & eliminations	Consolidated totals
Revenue	\$ 242,501	\$ 31,086			\$ 273,587
Operating income	\$ 108,534	\$ 6,350		\$ 1,091	\$ 115,975
Depreciation and amortization	40,035	2,893			42,928
	<u>\$ 68,499</u>	<u>\$ 3,457</u>		1,091	73,047
Interest				(41,513)	(41,513)
Other corporate items, net				(4,057)	(4,057)
Income taxes				(25,450)	(25,450)
Minority interest				106	106
Loss from U.S. Operations				(10,590)	(10,590)
				<u>\$ (80,413)</u>	
Loss before extraordinary items					<u>\$ (8,457)</u>
Identifiable assets	\$ 336,386	\$ 69,797		\$ 247,044	\$ 653,227
Capital expenditures	\$ 55,301	\$ 2,383		\$ 4,358	\$ 62,042

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**14. Long Term Operating Leases**

The Company has entered into various operating lease agreements for the rental of premises, distribution facilities, equipment and microwave towers. Based upon all operating leases in force at August 31, 1988, the minimum amount that will be incurred by the Company and its subsidiaries per annum will be approximately \$14,931,000. The aggregate amount that will be paid under lease arrangements now in force is approximately \$73,321,000.

**15. Contingent Liabilities**

During the year, the Company reached a settlement in a legal dispute relating to the dismissal of employees in the United States. The amount of the settlement of \$1,670,000, net of income taxes of \$1,307,000 and minority interest's share of \$866,000 and net of insurance recoveries, has been recorded as a prior period adjustment in the consolidated statement of retained earnings and the comparative figures for 1987 have been restated accordingly. This amount is included in U.S. Operations.

There exist other legal actions against the Company and its subsidiary companies, none of which is expected to have a material effect on the consolidated financial position of the Company.

**16. Related Party Transactions**

(a) During the year, the Company exchanged promissory notes owing by General Cable T.V. Limited (General), a company controlled by the controlling shareholder of the Company, of \$74,000,000 for preferred shares of General in the same amount and having exactly the same characteristics as the Company's Series IV and Series IX Preferred shares.

(b) During the year, the Company invested cash of \$56,000,000 in General and as consideration the Company received preferred shares which have exactly the same characteristics as the Company's Series X, XI and XII Preferred shares.

**17. Subsequent Events**

(a) Subsequent to August 31, 1988, the Company purchased the 13% interest in Cantel held by Telemedia Enterprises Inc. for \$146,380,000, financed by additional bank loans. In addition, the Company acquired and exercised an option to acquire the 17% equity interest in Cantel held by First City Financial Corporation Ltd. for approximately \$235,000,000 to be financed 50% by way of bank loans and 50% by way of a promissory note payable to the vendor. Closing of the purchase under the option is to take place on or before June 30, 1989 but not prior to January 3, 1989.

The controlling shareholder of the Company deferred its rights under the Cantel shareholders' agreement, which allowed it to acquire a portion of the above mentioned share interests, in order to facilitate the expeditious completion of the agreements to acquire those interests. In satisfaction of such rights, the Board of Directors has granted two options to the controlling shareholder of the Company to purchase under each option approximately a 4% interest in the share ownership of Cantel held by the Company, (being equivalent to the controlling shareholder's purchase rights under the Cantel shareholders' agreement), at cost based on the above mentioned purchase and option transactions.

(b) Subsequent to August 31, 1988, the Company filed a notice with The Toronto Stock Exchange which will permit it to make normal course purchases of up to 730,000 common shares of CHSN during a 180 day period. The maximum number of common shares of CHSN which may be purchased represents 10% of the outstanding common shares of CHSN. The actual number of common shares of CHSN which may be purchased from time to time and the timing of any such purchase will be determined by the Company depending on its assessment of the market price and availability of such common shares, economic conditions and other factors.



<b>Cable</b>			<b>Basic Subscribers</b>
<b>Canada</b>	<b>System Manager</b>	<b>% Ownership</b>	<b>August 31, 1988</b>
Toronto, ON	Rudi Engel	100%	385,545
Vancouver, BC	Frank L. Eberdt	100%	269,669
Grand River (Kitchener & Brantford, ON)	Donald A. MacAlpine	100%	151,876
Peel (Mississauga & Brampton, ON)	Richard L. Moore	100%	141,820
Calgary, AL	Don E. Taylor	100%	95,973
Victoria, BC	Glenn C. Terrell	100%	82,029
London, ON	Gordon E. Symons	100%	71,075
Fraser (Port Coquitlam, BC)	Frank Radelja	100%	61,193
Oshawa, ON	Paul C. Coleman	100%	59,480
Hamilton, ON	Lee Martini	100%	56,290
Cornwall, ON	Andre D. Cammaert	100%	19,976
Newmarket, ON	Mary E. Blackwell	100%	18,962
Surrey, BC*	Peter J. Bissonnette	45%	109,025
			<u>1,522,913</u>
<b>United States†</b>			
San Antonio, TX	David Edwards	100%	236,666
Minneapolis, MN	Cliff D. Williams	92%	58,716
Minneapolis Suburbs	(Regional Manager)	100%	37,575
Portland, OR	Adam D. Haas	100%	47,643
Portland Suburbs	(Regional Manager)	88%	34,575
Orange County, CA	Michael Schenker (Regional Manager)	100%	77,093
Laredo, TX	Wayne M. Gamblin	100%	24,358
			<u>516,626</u>
<b>Video</b>			
<b>Rogers Entertainment Inc.</b>	<b>President</b>	<b>% Ownership</b>	
	John R. Lossing	90%	

\*The Surrey cable system is not managed by Rogers. †All cable systems are contracted for sale, subject to regulatory approvals.

**Broadcasting**

Location	Station	Manager	% Ownership
Toronto, ON	CFTR-AM	Anthony P. Viner	100%
	CHFI-FM	Anthony P. Viner	100%
Toronto, ON	CFMT-TV	James F. Sward	64%
Toronto, ON	YTV	Kevin M. Shea	25%

**Cellular**

Region	City	Manager
<b>Western Region</b>	Abbotsford, BC	Brian T. Josling
	Calgary, AL	
	Edmonton, AL	
	Nanaimo, BC	
	Portage, MN	
	Red Deer, AL	
	Selkirk, MN	
	Vancouver, BC	
	Victoria, BC	
	Winnipeg, MN	
<b>Central Region</b>	Barrie, ON	Stephen Zalvin
	Belleville, ON	
	Brantford, ON	
	Cambridge, ON	
	Chatham, ON	
	Cornwall, ON	
	Guelph, ON	
	Halifax, NS	
	Hamilton, ON	
	Kingston, ON	
	Kitchener, ON	
	London, ON	
	Newmarket, ON	
	Niagara, ON	
Oshawa, ON		
Ottawa, ON		
Peterborough, ON		
St. Catharines, ON		
Toronto, ON		
Waterloo, ON		
Windsor, ON		
<b>Eastern Region</b>	Montreal, PQ	Paul E. Jean
	Quebec City, PQ	
	Sherbrooke, PQ	
	Trois Rivieres, PQ	



Organization Chart (Principal Subsidiaries of Rogers Communications Inc.)



52

**Rogers Cablesystems Inc.**

**Officers**

**Colin D. Watson**  
President &  
Chief Executive Officer

**William R. Rogers**  
Vice President,  
Canadian Operations

**Nicholas F. Hamilton-Piercy**  
Vice President,  
Engineering & Technical Services

**William W. Linton**  
Vice President, Finance

**Peter J. Irwin**  
Vice President, Marketing

**Canadian Cablesystems Limited**

**Directors**

**John E. Davis**  
Company Director

**John W. Graham, Q.C.**  
Partner  
Cassels, Brock & Blackwell

**Thomas I. Hull**  
President & Chief Executive  
Officer  
Thomas I. Hull Insurance Limited

**Edwin R. Jarmain**  
Company Director

**Philip R. Ladouceur**  
Senior Vice President, Finance  
Rogers Communications Inc.

**J. Stephen McDonald**  
President  
Western Cablevision Limited

**William D. McGregor**  
President  
Electrohome  
Communications Inc.

**Donald P. McLaws, Q.C.**  
Associate  
Parlee McLaws

**Edward S. Rogers**  
President & Chief Executive  
Officer  
Rogers Communications Inc.

**William R. Rogers**  
Vice President, Canadian  
Operations  
Rogers Cablesystems Inc.

**Ian H. Stewart, Q.C.**  
President  
Metrocan Holdings Limited

**Robert M. Sutherland, Q.C.**  
Partner  
Fasken & Calvin

**Maryla Waters**  
Company Director

**Colin D. Watson**  
President & Chief Executive  
Officer  
Rogers Cablesystems Inc.

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**Rogers Broadcasting Limited**

**Directors**

**John W. Graham, Q.C.**  
Partner  
Cassels, Brock & Blackwell

**Thomas I. Hull**  
President & Chief Executive  
Officer  
Thomas I. Hull Insurance Limited

**Philip R. Ladouceur**  
Senior Vice President, Finance  
Rogers Communications Inc.

**George G. Ledingham**  
Company Director

**Philip B. Lind**  
Senior Vice President,  
Programming & Planning  
Rogers Communications Inc.

**William D. McGregor**  
President  
Electrohome  
Communications Inc.

**Edward S. Rogers**  
President & Chief Executive  
Officer  
Rogers Communications Inc.

**Loretta A. Rogers**  
Company Director

**The Hon. Richard J.  
Stanbury, Q.C.**  
Partner  
Cassels, Brock & Blackwell

**James F. Sward**  
President & Chief Executive  
Officer  
Rogers Broadcasting Limited

**John H. Tory**  
Partner  
Tory, Tory, DesLauriers &  
Binnington

**Anthony P. Viner**  
Executive Vice President &  
General Manager  
Rogers Broadcasting Limited

**J. Christopher C. Wansbrough**  
Vice Chairman  
National Trust Company

**Officers**

**James F. Sward**  
President & Chief Executive  
Officer

**Anthony P. Viner**  
Executive Vice President &  
General Manager

**Eric G. Sanderson**  
Senior Vice President,  
Programming

**John A. Seymour**  
Vice President, Sales, CFTR

**Rael Merson**  
Vice President, Finance

**Thomas H. Ayley**  
Vice President, Finance  
Multilingual Television  
(Toronto) Limited



**Multilingual Television (Toronto) Limited**

**Directors**

**Elvio Delzotto**  
President & Chief Operating  
Officer  
Tridel Corporation

**James D. Fleck**  
Chairman & Chief Executive  
Officer  
Fleck Manufacturing Limited

**Socrates Goulakos**  
Partner  
Dragonas Goulakos

**The Hon. J.S. Grafstein**  
Partner  
Minden, Gross, Grafstein &  
Greenstein

**Allan Grossman**  
Company Director

**Daniel A. Iannuzzi**  
Chairman  
Daisons Corporation

**Philip B. Lind**  
Senior Vice President,  
Programming & Planning  
Rogers Communications Inc.

**Raymond Moriyama**  
Partner  
Moriyama & Teshima Architects

**Vincent P. Paul**  
Chairman & Chief Executive  
Officer  
Corporate Properties Limited

**Edward S. Rogers**  
President & Chief Executive  
Officer  
Rogers Communications Inc.

**Graham W. Savage**  
Senior Vice President,  
Investments  
Rogers Communications Inc.

**Joseph D. Sorbara**  
Partner  
Tanzola, Sorbara, McClellan and  
Handler

**Nalini Stewart**  
Chair  
Ontario Arts Council

**James F. Sward**  
President & Chief Executive  
Officer  
Rogers Broadcasting Limited

**John H. Tory**  
Partner  
Tory, Tory, DesLauriers &  
Binnington

54

**Canadian Home Shopping Network (CHSN) Ltd.**

**Directors**

**André Chagnon**  
President &  
Chief Executive Officer  
Vidéotron Ltée.

**Simon P. Dean**  
President &  
Chief Executive Officer  
Canadian Home Shopping  
Network (CHSN) Ltd.

**John Goldberg**  
President  
Princeton Equity Corporation

**Jonathan A. Levin**  
Partner  
Fasken & Calvin

**Philip B. Lind**  
Senior Vice President,  
Programming & Planning  
Rogers Communications Inc.

**Milan M. Nastich**  
Vice Chairman  
AGF Management Limited

**Lowell W. Paxson**  
President  
Home Shopping Network, Inc.

**Edward S. Rogers**  
President &  
Chief Executive Officer  
Rogers Communications Inc.

**Roy M. Speer**  
Chairman &  
Chief Executive Officer  
Home Shopping Network, Inc.

**James F. Sward**  
President &  
Chief Executive Officer  
Rogers Broadcasting Limited

**Colin D. Watson**  
President &  
Chief Executive Officer  
Rogers Cablesystems Inc.

**Officers**

**Edward S. Rogers**  
Chairman

**Simon P. Dean**  
President &  
Chief Executive Officer

**Richard J. Clark**  
Vice President,  
Finance & Administration

**Andrew J. Forsyth**  
Senior Vice President,  
Broadcast Operations

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**Cantel Inc.**

**Directors**

**Brent S. Belzberg**  
President  
First City Trust Company Inc.

**Robi Blumenstein**  
Vice President  
First City Capital Corp.

**J. Lane Dillman**  
Partner  
Lang Michener Lash Johnston

**George A. Fierheller**  
President & Chief Executive  
Officer  
Cantel Inc.

**Officers**

**George A. Fierheller**  
President & Chief Executive  
Officer

**Nicolas Kauser**  
Senior Vice President,  
Operations

**David B. Parkes**  
Senior Vice President, Sales &  
Marketing

**Albert Gnat, Q.C.**  
Partner  
Lang Michener Lash Johnston

**John W. Graham, Q.C.**  
Partner  
Cassels, Brock & Blackwell

**Philip R. Ladouceur**  
Senior Vice President, Finance  
Rogers Communications Inc.

**J. Ross LeMesurier**  
Company Director

**John T. McLennan**  
President  
Jenmark Consulting Inc.

**Paul E. Jean**  
Vice President, Eastern Region

**Brian T. Josling**  
Vice President & General  
Manager,  
Western Region

**John F. Ricketts**  
President & Chief Executive  
Officer  
Canada Systems Group Ltd.

**Edward S. Rogers**  
President & Chief Executive  
Officer  
Rogers Communications Inc.

**Loretta A. Rogers**  
Company Director

**Graham W. Savage**  
Senior Vice President,  
Investments  
Rogers Communications Inc.

**Lawrence S. Schreiner**  
Vice President, Finance &  
Administration

**Barry K. Singer**  
Vice President, General Counsel  
& Assistant Secretary

**Stephen Zalvin**  
Vice President, Central Region

**James F. Sward**  
President & Chief Executive  
Officer  
Rogers Broadcasting Limited

**Zeev Vered**  
President  
Ron Engineering & Construction  
Limited

**Colin D. Watson**  
President & Chief Executive  
Officer  
Rogers Cablesystems Inc.

**Charles M. Dalfen**  
Secretary

**Daphne Evans**  
Assistant Secretary



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**Rogers Communications Inc.**

**Directors**

**Ronald D. Besse**  
Chairman, President &  
Chief Executive Officer  
Canada Publishing Corporation

**Claude Ducharme, Q.C.**  
Partner  
Desjardins Ducharme

**George A. Fierheller**  
President &  
Chief Executive Officer  
Cantel Inc.

**Albert Gnat, Q.C.**  
Partner  
Lang Michener Lash Johnston

**John W. Graham, Q.C.**  
Partner  
Cassels, Brock & Blackwell

**Gordon C. Gray, F.C.A.**  
Chairman  
Royal LePage Limited

**Thomas I. Hull**  
President &  
Chief Executive Officer  
Thomas I. Hull Insurance Limited

**Philip R. Ladouceur**  
Senior Vice President, Finance  
Rogers Communications Inc.

**Philip B. Lind**  
Senior Vice President,  
Programming & Planning  
Rogers Communications Inc.

**William D. McGregor**  
President  
Electrohome  
Communications Inc.

**Edward S. Rogers**  
President &  
Chief Executive Officer  
Rogers Communications Inc.

**Loretta A. Rogers**  
Company Director

**Robert Smith**  
Chairman & President  
Consolidated Talcop Limited

**The Hon. Richard J.  
Stanbury, Q.C.**  
Partner  
Cassels, Brock & Blackwell

**James F. Sward**  
President &  
Chief Executive Officer  
Rogers Broadcasting Limited

**John A. Tory, Q.C.**  
President  
The Thomson Corporation  
Limited

**J. Christopher C.  
Wansbrough**  
Vice Chairman  
National Trust Company

**Colin D. Watson**  
President &  
Chief Executive Officer  
Rogers Cablesystems Inc.

**James W. Whitall**  
Company Director

**W. David Wilson**  
Vice President & Director  
ScotiaMcLeod Inc.

**Officers**

**John W. Graham, Q.C.**  
Chairman

**Edward S. Rogers**  
President &  
Chief Executive Officer

**George A. Fierheller**  
Senior Vice President, Cellular

**Philip R. Ladouceur**  
Senior Vice President, Finance

**Philip B. Lind**  
Senior Vice President,  
Programming & Planning

**Graham W. Savage**  
Senior Vice President,  
Investments

**James F. Sward**  
Senior Vice President,  
Broadcasting

**Colin D. Watson**  
Senior Vice President,  
Cable Television

**Vernon Achber**  
Vice President, Regulatory Affairs

**William Catalano**  
Vice President, Data Processing

**Bruce D. Day**  
Vice President, Treasurer

**David E. Friesen**  
Vice President, Administration

**W. Wayne Howard**  
Vice President &  
Senior Controller

**David P. Miller**  
Vice President,  
General Counsel & Secretary

**Daphne Evans**  
Assistant Secretary

**John G. Smith**  
Assistant Secretary

**M. Lorraine Daly**  
Assistant Treasurer

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**Rogers Communications Inc.**

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Telex Number 0623996

**Transfer Agent**  
The Royal Trust Company

Shareholders in Toronto or  
outside Canada call:  
(416) 864-6500

Shareholders in Canada call toll  
free:  
1-800-387-0825

**Bankers**

- The Toronto-Dominion Bank
- The Bank of Nova Scotia
- Canadian Imperial Bank of  
Commerce
- The Royal Bank of Canada
- First Interstate Bank, Ltd.
- Texas Commerce Bank  
National Association
- The Frost National Bank of  
San Antonio

**Auditors**

Thorne Ernst & Whinney

**Exchange Listings**

- Rogers Communications Inc.
- Toronto Stock Exchange
  - Montreal Exchange
  - Alberta Stock Exchange
  - Vancouver Stock Exchange

**Stock Symbols**

- Class A RCL.A
- Class B RCL.B
- Preferred RCL.P.R.A.

Canadian Home Shopping  
Network (CHSN) Ltd.

- Toronto Stock Exchange
- Stock Symbol CWS

**Annual General Meeting**

The Annual General Meeting of  
shareholders of Rogers Communi-  
cations Inc. will be held in Meet-  
ing Room 3, Vancouver Trade &  
Convention Centre, 999 Canada  
Place, Vancouver, British  
Columbia, Canada V6C 3C1, at  
11:30 a.m. Pacific time on  
Thursday, January 5, 1989.



Design: Taylor & Browning Design Associates  
Photography: Struan Photographic  
Illustration: Jeff Jackson  
Printing: Arthurs-Jones Lithographing Ltd.





