



**Rogers Cablesystems Inc.**  
1981 Annual Report





## Rogers Cablesystems Inc.

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◁ The successful U.S. Space Shuttle program – where the Canadian-built extending arm guides satellites into planned orbit. An outstanding example of Canadian-U.S. cooperation in the technological field.

## Description of Business

**Rogers Cablesystems Inc.** is one of the world's largest cable communications companies. With holdings in Canada, the United States and Ireland, it has a controlling interest in cable television systems collectively serving 1.9 million subscribers. The company is involved exclusively in the cable industry and in the provision of associated entertainment and information services. Its operations are mainly concentrated in major metropolitan areas and consist principally of recently constructed or substantially rebuilt cable systems many of which exceed 50,000 subscribers in size.

## Highlights of the Year 1981

	1981	1980
<b>For the Year ended August 31</b>		
	Thousands of dollars per year or per share	
Revenue	\$109,625	\$ 70,030
Operating income	36,959	22,250
Net income operations	972	1,791
Equity income of Famous Players	2,424	6,902
<b>Net income before extraordinary items</b>	<b>3,396</b>	<b>8,693</b>
Loss on Famous Players (gain on sale of Tele-Capital in 1980)	(796)	3,678
<b>Net income</b>	<b>\$ 2,600</b>	<b>\$ 12,371</b>
Per Share – before extraordinary items	12¢	50¢
– Net income	8¢	71¢
<b>At August 31</b>		
Total assets	\$421,348	\$306,186
Long term debt	163,628	125,087
Shareholders' equity	179,967	117,525
<b>Subscribers on service*</b>	<b>1,398,000</b>	<b>1,301,000</b>

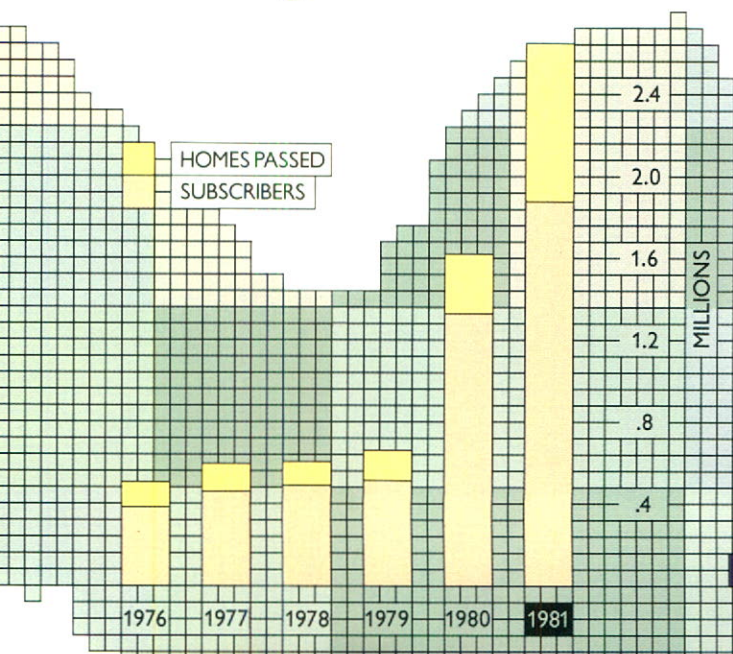
\*Excluding the purchase of 51% of UA-Columbia Cablevision Inc. in November, 1981.

**The Company** has now completed the foundation of its future growth through the 1980's. The year 1981 has seen the successful conclusion of a deliberate growth strategy, calculated to secure a controlling interest in a subscriber base of two million households. The implementation of an agreement under which your Company has acquired control of UA-Columbia Cablevision, Inc. has raised its U.S. potential to 1.5 million homes, equalling the Canadian potential of 1.5 million homes. Completion of the growth objective will now permit increased concentration on earnings as development of the expanded potential becomes the primary focus of management.

The acquisition of UA-Columbia Cablevision, Inc. (now called Rogers UA Cablesystems, Inc.) has provided an opportunity for your Company to join with a large complement of operating systems in growth markets. Rogers Cablesystems Inc. has a controlling interest (51%) in this new company which will be owned in partnership with United Artists Theatre Circuit, Inc. This will achieve the Company's U.S. subscriber target in a way that could not have been accomplished through the difficult and unpredictable process of franchising and subsequent new system construction. It represents the final link in the chain of corporate expansion that has characterized the events of the last two years.

Last year's Annual Report explained that the Corporate expansion program would entail "a significant negative impact on earnings in the current fiscal year." It stated that "to take advantage of future opportunities, the Company must be prepared to sacrifice some short-term considerations for long-term benefits." The 1981 results bear out this prediction.

While gross revenue for the year was \$109,625,000 versus \$70,030,000 in 1980, after tax earnings from cable operations and investment income posted a profit of \$972,000 versus a profit of \$1,791,000 in 1980. The Company's share



Rogers Subscriber Growth



Ted Rogers

of the earnings of 49% owned Famous Players Limited, which was sold on June 30, 1981, declined to \$2,424,000 from \$6,902,000. Profit before extraordinary items was \$3,396,000 in 1981, or 12¢ per share, versus \$8,693,000 or 50¢ per share in 1980. There were extraordinary losses relating to Famous Players of \$796,000 in 1981 compared with an extraordinary gain of \$3,678,000 in 1980 relating

to the sale of a broadcasting investment.

In accepting short-term reduced earnings to finance expansion, a key consideration has been the limited duration of crucial growth opportunities. The last two years have seen basic changes in the structure of the U.S. cable television industry as major market franchises have been awarded in rapid succession in principal cities across the country. These awards have shaped a new and permanent delivery system for home and business communications in North America. Opportunities for participation have been fleeting and have required rapid and deliberate action in an intensely competitive environment. Your Company's efforts in franchising and system acquisition have achieved a significant position in the new structure of the industry that will serve our shareholders effectively and profitably in the years to come.

Long-term financing for the acquisition of the UA-Columbia interest will involve a plan which minimizes the need for dilution of shareholders' equity or the assumption of excessive debt by the Company. The plan includes the sale of Company interests in non-cable businesses consistent with corporate determination to concentrate exclusively on controlled cable operations. The recent sale of the Company's Famous Players interest underlines the Company's "pure

cable" profile. The plan also proposes the sale of tax benefits in existing U.S. holdings, permitting the Company to utilize accumulating tax losses and investment tax credits arising from its recently launched U.S. operations.

The UA-Columbia transaction comes at an auspicious time for the Company. Pay television operations in Canada, anticipated to begin in late 1982, are expected to boost earnings progressively over the next few years. All Canadian systems have capacity available for pay television, and will move rapidly to introduce one or more pay services. At the same time, pay television operations in the U.S. have met or exceeded expectations for market penetration. The results indicate that subscriber demand for discretionary home entertainment is still growing rapidly, and recent successes with pay-per-view options in our California systems illustrate the extent of this untapped market.

While pay television grows ever more important, recently implemented rate increases in both Canadian and U.S. systems testify to the strength of the basic cable business. Rate increases were approved in our recently completed system in Syracuse, New York, and in Canadian systems serving Toronto, Hamilton, Kitchener-Waterloo and Calgary, among others. Regulatory approval was obtained, with explicit or tacit recognition of your Company's high standards of performance by the approving authority.

We are now fully positioned for earnings growth as the benefit of the investment in an enlarged subscriber potential of over 3 million homes makes itself felt. Our expectation is for an earnings upturn in the medium term resulting from the introduction of pay television in Canada. This should be followed by sustained earnings improvement as systems now under construction in the U.S. mature.



Edward S. Rogers  
Chief Executive Officer



*△ Former Canadian Ambassador to Iran, Kenneth Taylor, visits the flagship system in Toronto with Edward S. Rogers.*

## Extensive management experience in Canada and the U.S.

### **Rogers Cablesystems Management**

Rogers Cablesystems has developed an extensive management team led by Chief Executive Officer Edward S. Rogers. Company President Colin D. Watson and Senior Vice Presidents Robert M. Francis, Philip B. Lind and Barry A. Ross are backed by broad management expertise in each of the functional departments; finance, marketing, programming and engineering, with investment planning provided by Vice President Graham W. Savage. The Company is guided by a distinguished Board of Directors with representation from each of the areas serving five percent or more of the total subscriber base in Canada. Chairman of the Board is John W. Graham, Q.C., with the Vice Chairmanships occupied by Edward S. Rogers and George A. Fierheller, President of the Company's western Canadian subsidiary, Premier Cablesystems Limited.

### **Rogers UA Management – U.S.**

The senior management of Rogers UA Cablesystems has established an outstanding reputation in the U.S. cable industry. The company's solid growth record and bright prospects are largely attributable to the continuity of its management team, which has been in place since the company's incorporation in 1968. President and Chief Executive Officer Robert M. Rosencrans has played a key role in the development of the U.S. cable industry and is a recipient of the National Cable Television Association's Larry Boggs award, the highest award in recognition of industry achievement. Executive Vice President Kenneth S. Gunter has been

recognized for his contribution to the industry in the field of cable engineering. The UA-Columbia team was closely involved in the early growth of cable satellite services and was instrumental in the formation and development of the innovative USA Network, and of C-SPAN which provides coverage of the U.S. House of Representatives. This has left management with valuable expertise in cable network programming development.

### **Merging Management Strengths**

Rogers Cablesystems is a leader in urban cable communications, with operating experience in the management of large systems serving metropolitan markets. The Company's reputation has attracted talent of high calibre at the system management level both in Canada and the U.S., and many of the Company's system managers, technical managers and marketing managers are involved in industry associations of various kinds. A low rate of managerial turnover lends continuity and depth to system operations that is extremely important in a period of rapid expansion.

The management of Rogers UA Cablesystems has established a good record in marketing basic cable and pay television services. Pay service acceptance is consistently high and overall pay-to-basic penetration is currently among the highest in the industry. A key strategy has been to emphasize and enhance the value of basic service. This increases the subscribers' perception of value and pays off in terms of both higher retention and increased subscriber willingness to pay for additional services. This approach is consistent with Rogers Cablesystems' own marketing strategy. In the U.S., Rogers systems achieved in 1981 a pay/homes market ratio of 46%, virtually the same as the Rogers UA ratio of pay subscribers to homes passed.



◁ A view of Toronto at sunrise.





△ *Members of the Company's National Management Committee of Rogers CableSystems Inc. (l. to r.): Robert M. Francis, George A. Fierheller, Colin D. Watson, President, and Philip B. Lind.*

## Systems are balanced between the U.S. and Canada for maximum exposure to revenue growth opportunities

### Strategic Growth

The Company's growth in the U.S. has been planned deliberately through the last two years. Balancing the Company's Canadian base with an equal U.S. base has permitted a strategic diversification of business risk and broader exposure to opportunities for future revenue growth. The Company is now in an excellent position to benefit from the future expansion of the North American home entertainment and information service business without exclusive dependency on either operating environment.

### Franchising Success

Much of the Company's U.S. growth is attributable to the success of the franchising group. Homes in franchised areas now total over 500,000, following 1981 franchise awards in the Twin Cities area of Minnesota, Oregon and Southern California and the addition of a franchise to serve a six city consortium in Los Angeles County, California. The Company is actively involved in new system construction and has already signed up subscribers in the Southwest Minneapolis suburbs and newly constructed areas of Los Angeles and Orange Counties in California. After detailed investigation, the Company has decided not to enter into cable and pay television activities in the U.K. at this time. Nevertheless, the expansion and consolidation of the Company's 110,000 subscriber base in Ireland opens a window on offshore developments in the industry, where introduction of discretionary pay services is anticipated in the future.

### Future Activities

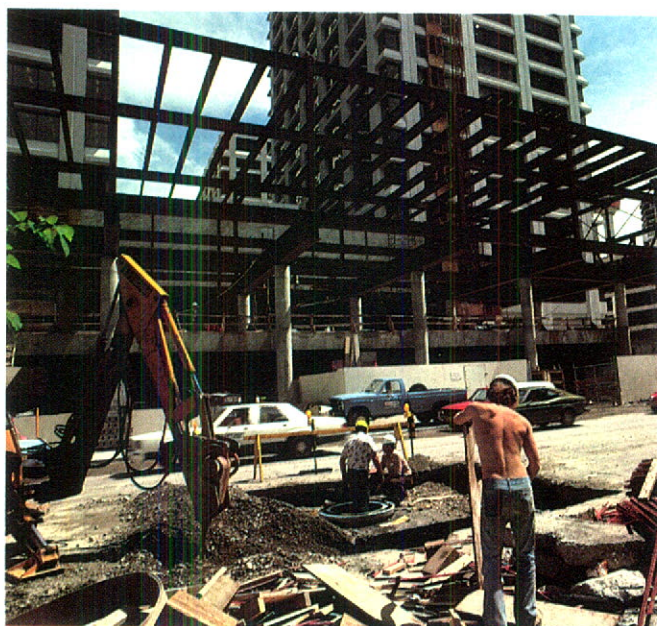
Opportunities for cost effective franchising have diminished in recent months as a result of increasing competition for the few remaining uncabled markets. Most remaining markets will complete the franchising process in 1982 and 1983. The strong competition for remaining markets has induced unrealistic bidding by some applicants and this has had the effect of adding significantly to the cost of each new subscriber obtained.

The Company has declined to enter franchising competitions which, in its view, are incompatible with sound business practice. Franchising efforts in future months will be confined to infilling existing areas served by the Company and expansion to contiguous communities.

### Consolidating U.S. Operations

U.S. systems acquired through franchising are expected to be consolidated with those now controlled by Rogers UA Cablesystems. The two groups of systems share many characteristics and have complementary geographical situations. The bulk of the Rogers UA subscriber potential is located in three major urban and suburban systems which are similar in important respects to the Company's existing U.S. franchises. The Company's consolidated systems profile will therefore remain composed principally of larger systems serving metropolitan areas with high profit potential.

Geographic consolidation will be aided by coherent regional groupings. For example, the Company's system in Syracuse, New York fits well within the Rogers UA Eastern Division which includes systems in Westchester and Suffolk Counties in New York and in northern New Jersey. Similarly, the Company's Southern California franchises will strengthen the Rogers UA Southern and Western Divisions. In the northwest the Company's Portland, Oregon system will complement Rogers UA systems in Oregon and Washington.



◁ The Company serves part of energetic Calgary, Alberta, host city of the 1988 Winter Olympics.



△ Construction personnel review plans for a new California cable system.

# The foundation of Rogers Cablesystems is its 730,000 subscriber base in Ontario Canada

## Ontario Systems

Eastern Canadian operations are concentrated in the Province of Ontario. A total of 730,000 subscribers are currently served in the Province out of a potential of 892,000 homes in areas licenced to the Company. The Metropolitan Toronto system is the flagship of the Company. Spanning some 1,639 street miles and serving 340,000 subscribers, it is the largest cable system in the world. It is the base of a multi-channel regional microwave network which links many of the Ontario systems operated by the Company, and which makes possible cost-effective distribution of programming services within the Province.

## Revenue Growth

Rate increases for many of the Ontario systems have recently been approved by the Canadian Radio-television and Telecommunications Commission (CRTC) which is the primary regulatory authority for cable television in Canada. These include an increase in basic service rates applicable to subscribers in Toronto, Brampton, Kitchener-Waterloo, Newmarket, Oshawa, Chatham, Leamington, Brantford and Hamilton. Basic service rates in most cases were increased by 15%, with a 16% increase in Toronto and a 19% increase in the Kitchener-Waterloo area. All of the Ontario systems have been prepared for the introduction of pay television in 1982. Since these are mature systems with an average market penetration of 82%, pay television will become the primary area of revenue growth in future years. The Company anticipates the eventual introduction of a range of discretion-

ary entertainment and information services following the licencing of one or more foundation pay television services by the CRTC in 1982.

## Preparation For Tiered Services

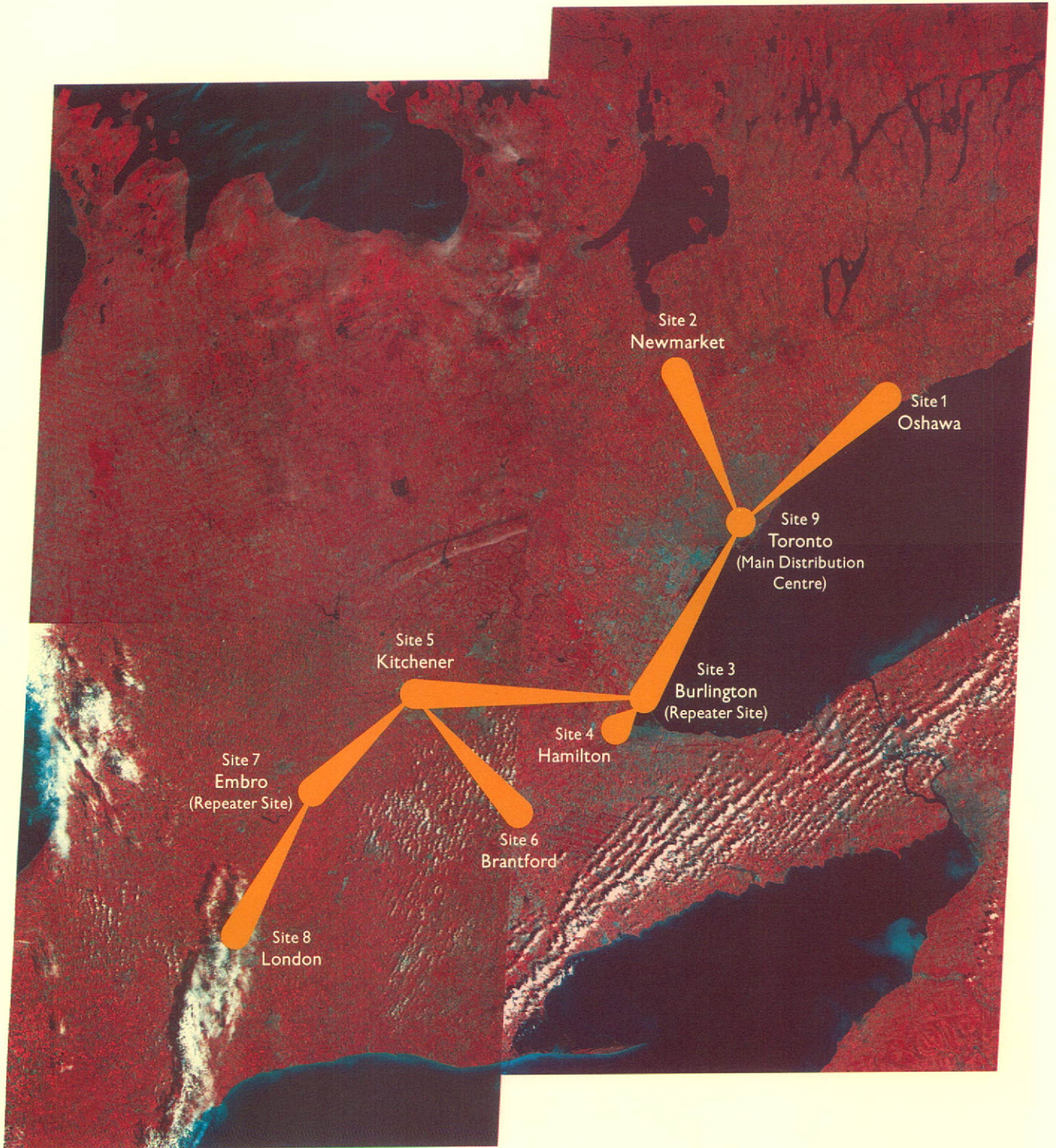
Much of the Company's involvement in developing new programming is in anticipation of future service "tiering" to improve the attractiveness and diversity of cable offerings. Ultimately subscribers will be able to choose from a selection of channel packages and pay television services which best suit their individual needs. The introduction of four special channels on basic service, distributed via the regional network to most Ontario systems, has been an important step forward here. These channels distribute a range of programming including coverage of the proceedings of the House of Commons in Ottawa and of highlights from the Provincial Legislature, children's programming, multicultural programming and French language instruction. They also provide a facility for local broadcasters to increase exposure to their distinctive Canadian programming.

## Converter Penetration

The Company has taken an active role in promoting converter penetration. The continued improvement in the programming package has caused a sustained increase in the percentage of converter-equipped homes to over 70% in markets such as Toronto. The Company's profitable converter rental business will continue to expand in the future as similar penetration levels are approached in other areas.



◁ Cable TV System Managers (l. to r.): Art Rick, Mary Blackwell, and Cliff Williams.



*△ Most of the Company's systems in Ontario are linked by a multi-channel microwave grid which spans the province.*

## The Company's Western Canadian arm manages over 500,000 subscribers in British Columbia and Alberta.

### **Premier Cablesystems Limited**

The 1980 acquisition of Premier Communications Limited, subsequently renamed Premier Cablesystems Limited, established a major subscriber base for the Company in western Canada. The largest of Premier's cable operations is Vancouver Cablevision serving 242,000 subscribers in the City of Vancouver and the Municipalities of Richmond and Burnaby in British Columbia. Fraser Cablevision serves 47,000 subscribers in Coquitlam and five other municipalities bordering Vancouver which are being linked via microwave to Vancouver Cablevision's central distribution point. Victoria Cablevision serves 75,000 subscribers in the B.C. capital of Victoria and adjacent municipalities. Cablesystems Alberta Limited serves 71,000 subscribers in the fast growing City of Calgary, Alberta. The Company also has a 45% non-controlling interest in Western Cablevision Limited and its subsidiary, M.S.A. Cablevision Limited, serving 80,000 subscribers in New Westminster, Surrey, Langley, Abbotsford and Matsqui in British Columbia.

### **Upgrading Service**

Following its acquisition of Premier, the Company has undertaken a major upgrading of the Vancouver system. The first stage of this program, now complete, involved the replacement of amplifiers, the promotion of channel converters for expanded service capacity, and the improvement or replacement of distribution plant and drops. The second stage will involve the implementation of two way transmission, status monitoring and upgrading of passive equipment and cable plant for operation up to 400 Megahertz.

### **Program Development**

The Legislative Service Bureau is a recently introduced cable television facility which provides a news and information dissemination service for Members of the B.C. Legislative Assembly. Modelled on Rogers Cablesystems Queen's Park Bureau, which serves the Legislature in Ontario, this facility has experienced rapid success with more than 50% of MLA's using the services on a regular basis. The high technical quality of the Bureau's programs, and the manner with which they are distributed via participating cable television systems across the Province, makes the Bureau a versatile tool for expanding Members' communications with their constituencies. Other developments in local programming in the western systems include the enhancement of remote capabilities with live origination equipment and construction of separate studios which are being opened in late 1981, to serve the municipalities of Burnaby and Richmond.

### **Cable in Ireland**

The Premier acquisition has resulted in the Company's active involvement in cable operations in Ireland. In August 1981, the Company's subsidiary, Marlin Communal Aerials Limited, acquired Phoenix Relays Limited, both of which serve parts of the City of Dublin. The merged companies, to be renamed Dublin Cablesystems Limited, are 75% owned by Rogers Cablesystems and will form the largest cable television operation in Ireland serving 55% of the City of Dublin. With 110,000 subscribers, the new company will improve service efficiency through integrated plant development. Further efficiencies may result from a proposed rationalization of boundaries with the government-owned cable operation Radio Telefis Eireann, which serves most other areas in Dublin.



◁ Premier Cablesystems executive Sandra Buschau (l) with a member of the Premier Board of Directors, Marla Waters.



*△ Vancouver, British Columbia is served by the Company's western division, Premier Cablesystems.*

## Cable Operations – U.S.A.

### **Twin Cities**

The Minnesota Cablesystems Southwest franchise, awarded in February 1981, will service 57,000 homes southwest of Minneapolis in the Cities of Richfield, Minnetonka, Hopkins, Eden Prairie and Edina. Construction of the 700 mile system began in June, 1981 and service was turned on for the first subscriber in October, 1981. The system features a main hub linked to six electronic sub-hubs by dual supertrunk. The 52 channel bi-directional system will offer many new services including the innovative time-shared Telidon information retrieval system developed by the Company's Cablesystems Engineering division. Construction will be completed in 1982, in line with the Company's commitments.

### **Pacific North West**

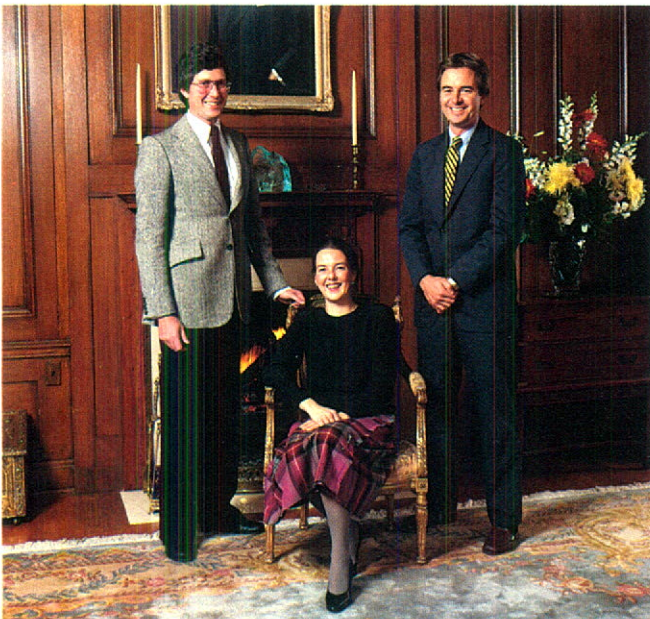
The Cablesystems Pacific franchise became effective in June, 1981 for the City of Portland, Oregon. Construction is currently underway with the first subscriber scheduled to receive service in early 1982. The 940 mile dual cable system will be configured around a main hub and two sub-hubs and will pass approximately 130,000 homes. It will feature an institutional network which will offer a variety of video and data transmission services for businesses and public agencies in the City. The system will become one of the most advanced in North America, incorporating 400 MHz transmission and fully addressable Zenith converters.

### **Southern California**

During 1981, construction proceeded ahead of schedule in the 720 mile Dickinson Pacific Cablesystems franchise serving the contiguous Cities of Huntington Beach, Westminster and Fountain Valley, and more recently, Stanton, in Orange County. With a potential of 115,000 homes this system had brought service to over 11,000 subscribers by September 1981. Construction is also proceeding in Southern California franchises serving Rossmoor and La Mirada, in Los Angeles County. The Rossmoor section, awarded in January 1981, was completed by May 1981. A supertrunk connection, linking La Mirada to its common head end with Rossmoor, was completed in September and service will be offered to all homes in the franchised area by January 1982. In June 1981, the Company's California Cablesystems subsidiary began negotiations for a franchise to serve 90,000 homes in the contiguous Cities of Downey, Pico Rivera, Santa Fe Springs, Bell Gardens, Paramount and Lynwood, all in Los Angeles County, following a highly competitive selection procedure. Successful completion of these negotiations will create a controlling interest for the Company in systems serving more than 225,000 homes in Southern California.

### **New York State**

Construction of the system serving Syracuse, New York was completed in April 1980 and the system now has 32,000 subscribers. An operational trial of two way interactive services provided by the system was successfully concluded in 1981 and tests to determine the market impact of various alarm service packages and tariffs will follow in 1982. System software enhancements resulting from the Syracuse interactive experiences will be implemented in other systems as alarm services become established as viable profit centres for the Company.



◁ Some executives of U.S. Cablesystems Inc. (l. to r.):  
Vernon Achber, Gretchen Frank and Robert Clasen.





*△ In the Twin Cities area, the Company is constructing a system to serve five Minneapolis Southwest suburban communities.*

# Rogers UA Cablesystems, Inc.

## Rogers UA Profile

By merging the Company's U.S. operations with those of UA-Columbia, Rogers Cablesystems will assume a controlling interest in a company that has been solely engaged in cable industry activities throughout its 13 year history. It owns and operates cable systems in 170 communities through 15 U.S. states and was providing service to 468,000 homes by September 1981. The systems are organized into four divisions with the Eastern and Central Divisions contributing more than 60% of the total UA subscriber base. Several of the larger systems are under construction and therefore in a stage of fast growth, driving the subscriber base rapidly upwards towards its total potential of 1,133,000 homes. By 1985 it is anticipated that the company will have over 700,000 subscribers on service. Primary subscriber growth in recent years has been matched by an even larger increase in pay television sales, with multiple pay service customers becoming increasingly important.

## San Antonio

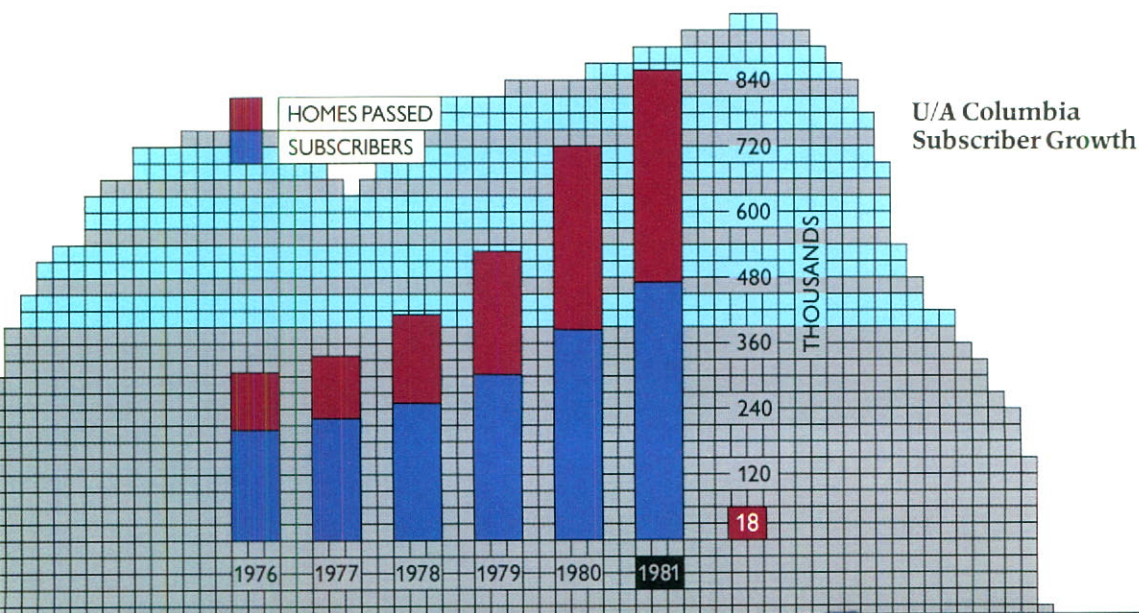
When completed, the San Antonio, Texas, system will serve the entire City together with 20 suburban communities. The system will span three counties with nine separate hubs served by two head ends. Construction is progressing rapidly and the system will pass half of the homes in the franchise area in 1982 out of a total potential of 320,000 homes. When the San Antonio construction program is concluded in 1983, more than 3,000 miles of plant will have been built making the system one of the largest in the U.S. The first subscribers were brought on service in 1980 and, based on current results, it is expected that basic cable penetration levels of over 60% will be achieved. Pay television options include HBO, Showtime and the Spanish language Galavision and pay penetration is currently running at 180% of basic cable subscribers as the demand for multiple pay services continues to climb.

## Westchester and New Jersey

The Westchester County system serves 19 communities including the City of White Plains which is the County seat. It has been progressively built up following the Company's extremely successful record of franchising in the area. Construction of all franchised areas will be completed in 1982 at which time the dual trunk system will pass approximately 110,000 homes and create an integrated subscriber base in excess of 50,000 homes. The same integration of several communities into one master system is being undertaken in Northern New Jersey where 52 adjacent communities in four counties are now under service. The New Jersey system currently has 98,000 subscribers out of a potential of over 260,000 and, like San Antonio, when complete will be one of the largest systems in the U.S. In addition to Westchester and New Jersey, the UA-Columbia Eastern Division includes a 39,000 subscriber system in Suffolk, New York, which brings the East Coast subscriber total to 166,000 homes out of a potential of 425,000.

## Other Rogers UA Systems

The systems serving San Antonio, Westchester, Suffolk and New Jersey comprise over half of the Rogers UA 1981 subscriber base and more than two thirds of its potential. Other systems are organized in Western, Southern and Central regional groups. The Western group serves over 70,000 subscribers out of a potential exceeding 100,000 homes with principal systems in Imperial Valley, California, the Pasco-Kennewick area in Washington, and Yuma, Arizona. The Southern group serves almost 100,000 subscribers out of a potential of almost 140,000 homes with principal systems in San Angelo and Laredo, Texas and the Vero Beach and Fort Pierce areas in Florida. Excluding San Antonio, the Central group serves almost 60,000 subscribers out of a potential of some 80,000 homes.





*△ Rogers UA Cablesystems, Inc. personnel (l. to r.):  
Kenneth S. Gunter, Marvin L. Jones, Stephen L. Sinn and  
Robert M. Rosencrans, President.*

## Meeting commitments to the community.

### **Building Firm Relationships with Regulators**

The Company is proud of its long established reputation for "square dealing" with cities and other regulatory authorities. It is both a fundamental philosophy and sound business practice. It is responsible for much of the Company's success in franchising and is a critical factor in successful rate increase applications which will become increasingly important in today's highly inflationary environment. For example, a 1981 application for a rate increase in Syracuse, New York, was unanimously approved by Syracuse Common Council which specifically praised the Company's performance. Substantial rate increases for many Canadian systems were also approved in 1981 by the CRTC.

### **Meeting Programming Commitments**

The Company's exemplary relationships with regulatory authorities are enhanced by meeting special commitments regarding programming and the introduction of new services. In its Canadian systems, the Company has completed several programming initiatives including production of an acclaimed series of music specials which is made available to all Canadian cable licensees. Similarly, national distribution is being provided over a two year period for an ambitious series of programs entitled "French for Canadians" The series has been conceived to inform English speaking people of French customs, lifestyles, culture and language.

### **Providing Community Support**

Local programming acts as a public platform which can bind communities together and help them reach defined goals. The Company has been praised repeatedly for its commitment to community programming, evidenced by a long record of programming awards and community testimonials. The Company's Syracuse system recently received the coveted ACE award from the National Cable Television Association, showing how expertise built over years of successful programming in Canada can benefit the development of local programming in the U.S. Such programming is vital to building solid and mutually beneficial relationships with local authorities. It can assist in local government liaison, help local interest groups spread their message and inform local residents of events and activities. It is also a highly visible form of activity within the community, which can reinforce the Company's presence and role. For example, the Company's Mississauga system received a special award from the Mayor, in recognition of programming services provided during the recent rail disaster in which a chemical spill forced the evacuation of the entire community.

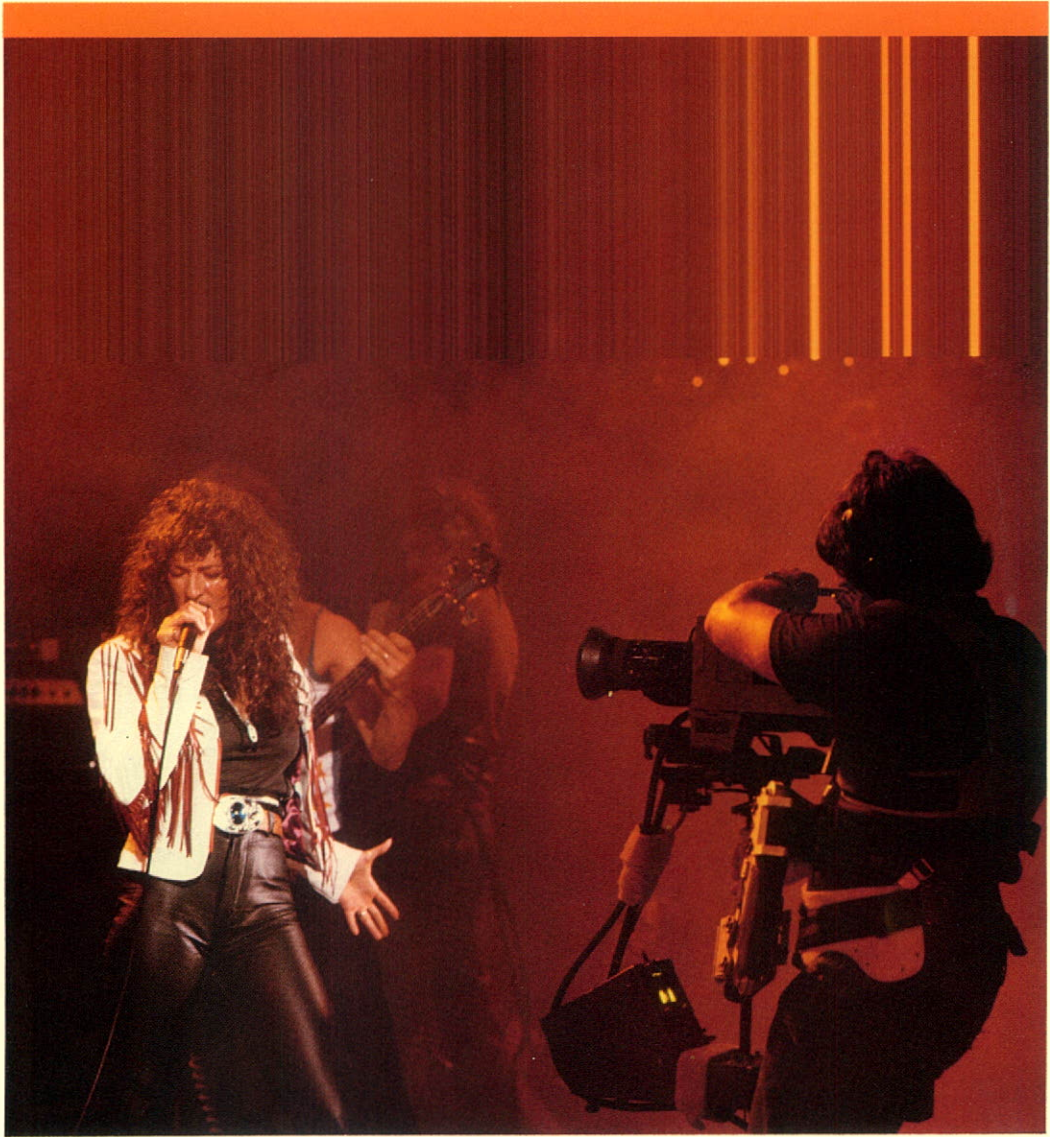
### **Building Civic Identity**

The challenge of working with local authorities and regulators begins with the construction process itself. Meeting construction commitments and building schedules in a timely and efficient manner is part of the Company's responsible approach to new system development.

The design of the system can make an important contribution to building civic identity. In a multi-community system, for example, the Company will design the trunk routing so that local channels can be separately programmed for individual Cities and municipalities within the franchised area. The creation of these discrete programming areas increases available channel space and allows local programs to be tailored to the needs and interests of each community.

◁ *The Company provides significant funding to the Canadian independent television production community. This character is from "Raccoons on Ice," produced by Kevin Gillies, which has played in every major North American television market.*





*△ A scene from one of Rogers' acclaimed television Music Specials which features talented new Canadian artists.*

## The development of new services has opened a range of additional profit centres to the cable industry.

### Pay-Per-Event

After years of experimentation with various technical systems that can deliver pay television on a pay-per-event basis, the industry is now moving to tap this major new revenue source. Offering pay-per-event shows such as sports events, concerts, and certain major motion pictures will become routine industry practice in the future as more and more major market systems implement addressable service technology. This equipment permits the operator to selectively transmit channels and programs to subscribing homes so that major events can be more easily sold on an individual basis. The Company is fully committed to this technology and is introducing it into its systems in the Twin Cities area and in Portland, Oregon.

### Alarm Services

Following comprehensive testing of the Company's emergency alarm technology in its Syracuse system, the Company anticipates implementation of emergency alarm services in most of its U.S. systems now under construction. The one year technical test in Syracuse produced excellent results and the alarm service was recently credited with saving lives through its effective smoke detection system. The panic assistance and security applications of the same technology offer significant utility to subscribers at highly competitive monthly rates. In Canada, the Company is implementing an alarm services system in Victoria, B.C. As in the U.S., the medium term outlook for cable alarm services is highly favourable in view of the rapid growth that is currently being experienced in the home security industry.

### Other Revenue Sources

Several other areas of revenue augmentation are being developed by the Company. These include major growth in advertising revenues from the basic service channels offered in U.S. systems. The Rogers UA systems have aggressively developed the advertising potential of their basic service offerings and have seen advertising revenues from services such as the Cable News Network, the Entertainment and Sports Programming Network and the USA Network continue to rise each year. New telecommunications services and services such as video games also provide revenue potential for the future. Subscriber interest in "Play Cable" video game services based on Mattel's innovative "Intellivision" system is currently under trial in the Company's Brampton system in Ontario, Canada, and a range of data transmission, teleconferencing and commercial security services will be tested in coming years as the Company develops institutional networks in its major market U.S. franchises.

### The Technological Base

The Company has deliberately planned for the addition of new services by building state-of-the-art multiple channel systems in new markets and by consistently upgrading old systems for increased channel capacity. Many of the new services are predicated on bi-directional transmission capability permitting reverse or "upstream" communication from the subscriber to the cable control centre or head end. The Company has developed and implemented a superior interactive technology for this purpose which uses a technique known as area multiplexing. The Company spends 2½% of its regulated Canadian income for research and development, which helps protect its equity in future services and ensure that technical capability will not lag behind new service development.



◁ Portland, Oregon, home of the exciting NBA Trailblazers. The Company is constructing a sophisticated cable TV system which has pay-per-view options.



△ Marketing Manager, Carl Williams, displays the new Zenith addressable technology currently being installed in the Minneapolis Southwest system.

# Chronology of Major Events

## 1979

Rogers Telecommunications Limited (RTL) acquires controlling interest in Canadian Cablesystems Limited (CCL), creating consolidated base of approximately 700,000 subscribers. The acquisition includes a controlling interest in a cable system in Syracuse, N.Y.

CCL acquires a 50% interest in Dickinson Pacific Cablesystems in California.

## 1980

CCL acquires control of Vancouver based Premier Communications Limited augmenting base to 1,300,000 subscribers. The acquisition includes systems in Western Canada and Ireland.

The company actively pursues U.S. franchising in California, Minnesota and Oregon.

## 1981

- |                    |  |
|--------------------|--|
| <b>January 4</b>   | Franchise award in La Mirada, California adds 12,000 home potential.   |
| <b>January 9</b>   | Franchise award in Rossmoor, California adds 5,000 home potential.   |
| <b>January 30</b>  | Company name is changed to Rogers Cablesystems Inc.  |
| <b>February 13</b> | Franchise award in Southwest Minneapolis, Minnesota is confirmed by State's Cable Communications Board adding 57,000 home potential.   |
| <b>March 4</b>     | Franchise award in Portland, Oregon adds 130,000 home potential.   |
| <b>April 21</b>    | C.R.T.C. calls for licence applications for Pay TV in Canada.  |
| <b>May 8</b>       | Stanton, California joins area served by Dickinson Pacific Cablesystems adding 9,000 home potential.   |
| <b>May 19</b>      | The Company announces the conditional acquisition of 51% of UA-Columbia Cablevision Inc., the ninth largest cable company in the U.S., adding 467,000 subscribers and over 1 million home potential. |
| <b>June 11</b>     | UA-Columbia Board of Directors approves merger.  |
| <b>June 13</b>     | The Company is designated to negotiate a franchise with a six city consortium in Los Angeles County, California comprising a 90,000 home potential.  |
| <b>June 30</b>     | The Company agrees to sell its 48.9% interest in Famous Players to Gulf + Western.   |
| <b>August 28</b>   | The Company's Irish subsidiary, Marlin Communal Aerials Limited, purchases Phoenix Relays Limited, an adjoining Dublin system, adding 35,000 subscribers.  |
| <b>October 6</b>   | UA-Columbia stockholders approve merger.   |
| <b>November 19</b> | UA-Columbia acquisition completed.   |



**Subscribers and New Franchises**

The company's subscriber licence base increased substantially since August 31, 1980 from acquisition and cable franchise awards in the United States. The largest increase resulted from the purchase of a 51% interest in a United States cable company, UA-Columbia Cablevision, Inc., now called Rogers UA Cablesystems, Inc. (Rogers UA). Rogers UA's cable systems operate in 15 states and served 467,000 subscribers out of 1,133,000 homes in franchised areas at August 31, 1981.

The Company and its affiliates (excluding Rogers UA) were awarded the following cable television franchises during fiscal 1981.

January, 1981	Rossmoor, Southern California	5,000 homes
January, 1981	La Mirada, Southern California	12,000 homes
February, 1981	Minneapolis suburbs; contiguous cities of Edina, Eden Prairie, Hopkins, Minnetonka and Richfield, Minnesota	57,000 homes
March, 1981	Portland, Oregon	130,000 homes
May, 1981	Stanton, Southern California	9,000 homes
June, 1981	Contiguous cities of Downey, Pico Rivera, Santa Fe Springs, Bell Gardens, Paramount and Lynwood, Southern California	90,000 homes
		<u>303,000 homes</u>

Final ordinances have been signed and construction commenced for these new franchises except the June 1981 award. Four of the six cities in the June award have signed final ordinances at the date of printing this report and the remaining two are pending.

The homes in franchised areas for all United States operations (including those obtained through the UA-Columbia purchase) now total 1,518,000. The Company also increased its subscriber base by 35,000 in Dublin, Ireland with the purchase in August 1981 of Phoenix Relays Limited, bringing the subscribers on service in Ireland to 110,000 at August 31, 1981. The subscriber base of the Company at August 31, 1981 is most appropriately summarized as follows (includes UA-Columbia purchase).

	Cable Subscribers	Homes Passed by Cable	Homes in Licenced or Franchised Areas
Canada	1,244,000	1,516,000	1,516,000
United States	511,000	967,000	1,518,000
Ireland	110,000	159,000	159,000
	<u>1,865,000</u>	<u>2,642,000</u>	<u>3,193,000</u>

Subscriber growth during the year (excluding that from acquisition and franchise awards) averaged 4% in Canada, 2% in Ireland and 12% in Syracuse, New York. The Company's other United States systems remain in the construction phase.

**Subscriber Rates**

Your Company has continued to aggressively seek rate increases to offset the effects of inflation and high interest costs. In June and September 1981, rate increases were approved for 12 of the 16 wholly owned Canadian systems. These increases ranged from 50¢ per month to \$1.25 per month and covered approximately 1 million cable subscribers. On November 1, 1981, Syracuse Cablesystems received rate increases averaging approximately 18% overall. Rate increases (of \$1.00 per month each) for two additional Canadian cable systems are pending. Additional rate increase applications are being filed for all Canadian cable systems ranging from \$1.00 per month to \$3.00 per month.

**UA-Columbia Cablevision Purchase – (now called Rogers UA)**

On May 19, 1981, the Company and United Artists Theatre Circuit, Inc. (UATC) of San Francisco agreed to purchase by merger all the shares of UA-Columbia not already owned by UATC. The Company acquired a 51% interest and UATC a 49% interest in the new company. The cost for the 51% interest was US \$152 million. The purchase was completed on November 19, 1981 after all regulatory approvals and UA-Columbia shareholder approval had been received. The merged company was named Rogers UA Cablesystems, Inc. The Rogers UA purchase added a United States cable company with approximately 467,000 subscribers in 15 states and 1,133,000 homes in licenced areas.

Rogers UA until recently had an active franchising program which resulted in awards of three complexes of franchises in northern New Jersey (270,000 households), Westchester County, New York (120,000 households) and Greater San Antonio, Texas (320,000 households).

Construction is now being completed for these new systems.

To finance the US \$152 million purchase, in the short term, a one year bank loan was arranged. This bank loan was reduced by US \$34 million from the sale proceeds of Famous Players Limited.

**Sale of Famous Players Limited**

The Company sold its interest in Famous Players Limited on June 30, 1981 for \$2,500,000 cash, 600,000 shares of Williams Electronics Inc. (which were subsequently sold for approximately \$17 million (\$14 million US) and 1,000,000 common shares of Gulf + Western Industries, Inc. (which were subsequently sold to Rogers Telecommunications Limited, a major shareholder for \$24 million – \$20 million US). This sale resulted in an extraordinary loss of \$96,000.

The proceeds of this sale were used to reduce the bank debt obtained to purchase the 51% interest in UA-Columbia Cablevision, Inc.

**Revenue**

Revenue increased to \$109,625,000 from \$70,030,000 in 1980. The increase resulted mainly from the additional subscriber base resulting from the acquisition of Premier Communications Limited in August 1980. Revenue per subscriber decreased slightly to \$86.24 from \$86.75 in 1980.

The revenue per subscriber of the British Columbia and Ireland cable systems acquired in August 1980 is lower than the average of the other systems. The results of these systems have offset the revenue per subscriber increases achieved from rate increases in the other cable systems.

**Operating Costs and Expenses**

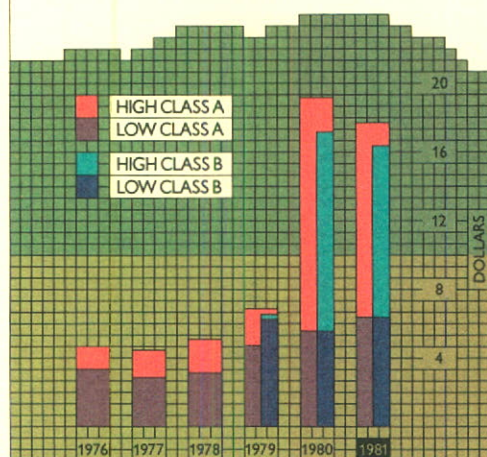
The effect of changes in costs and expenses can most appropriately be shown by the following table:

	1981	1980
Revenue	100%	100%
Operating, general and administration expenses	66%	68%
Depreciation and amortization	16%	19%
Interest	18%	10%

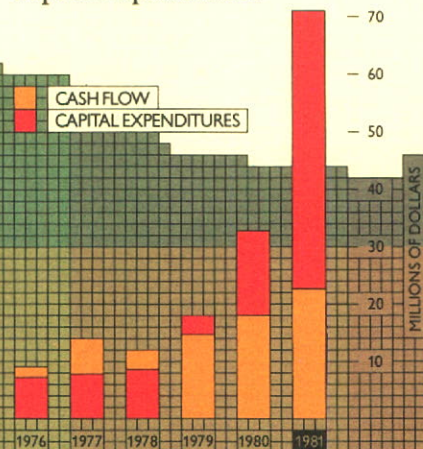
Operating costs as a percentage of revenue have decreased from 1980. Contributing factors included a reduction in United States franchising expenses. Costs for United States franchising of \$5.7 million have been capitalized in 1981 since the value of the cable franchises awarded to the Company during the year exceeds those same costs. In 1980, \$3,640,000 of US franchising costs were incurred but expensed. In addition, research costs increased \$690,000 from 1980 to \$2,502,000 in 1981.

Development costs incurred of \$1,754,000 (1980 \$43,000) have been capitalized and are being amortized over their estimated period of future benefit.

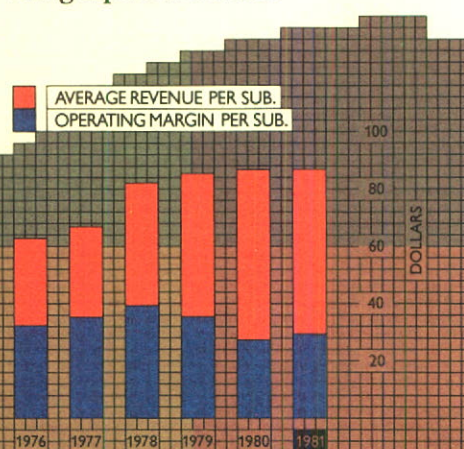
Share Price



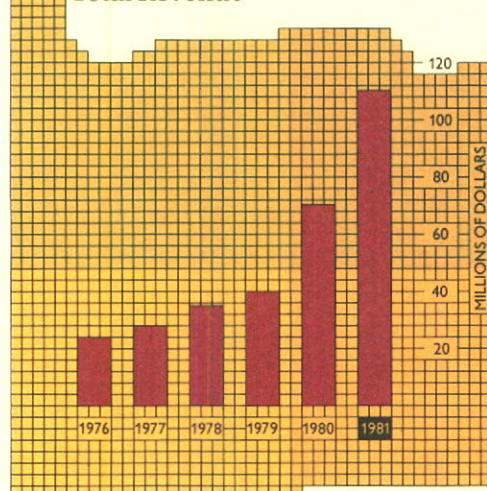
Cash Flow and Capital Expenditures



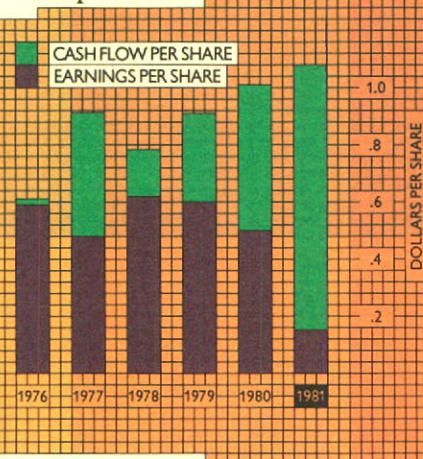
Average Revenue and Operating Margin per Subscriber



Total Revenue



Earnings and Cash Flow per Share



Depreciation has decreased as a percentage of revenue. This change resulted from the addition of the results of the Premier systems included for a full year, from a reduction caused by a change in the estimated useful lives of cable plant in Ontario and Alberta and from a re-allocation of portions of the cost of acquiring the Rogers and Premier cable systems from goodwill to the cost of the subscriber base. This new estimate was based on appraisal reports commissioned at the end of 1980. The subscriber base is considered to have an indefinite life and is not being amortized. These changes have reduced depreciation and amortization expense by \$6,046,000. Interest costs have increased by \$12,125,000 to \$19,273,000 from \$7,148,000 in 1980. This has resulted from record high interest rates (the interest rate on the term loans is based on Canadian and United States prime rates) and from additional debt incurred to finance United States cable construction and the purchase of Premier Communications in August 1980.

Net Income

Income before extraordinary items has

decreased to \$3,396,000 (12¢ per share) from \$8,693,000 (50¢ per share) in 1980. This reduction was caused by lower earnings from the Company's equity in the income of Famous Players Limited (\$2,424,000 as compared to \$6,902,000 in 1980) and from lower operating results caused mainly by high interest expenses.

The extraordinary loss of \$796,000 from the sale of Famous Players and the Company's share of the extraordinary items of Famous Players has reduced net income to \$2,600,000 (8¢ per share). A sale of an investment in a Quebec communication company resulted in an extraordinary gain of \$3,678,000 in 1980. The higher than normal tax rate has resulted mainly from depreciation and amortization recorded on the cost of the Premier and Rogers acquisitions.

Capital Expenditures

Capital expenditures increased by \$38 million to \$70.3 million from \$32.4 million in 1980. Expenditures in 1981 amounted to \$34 million in Canadian cable systems (\$20 million in 1980) and \$35 million in United States cable sys-

tems (\$12 million in 1980). The remainder resulted from operations in Ireland. New cable construction accounted for \$32 million of the United States expenditures including \$20 million for the Dickinson Pacific system in southern California, \$5 million for Minnesota Cablesystems (Minneapolis suburbs) and \$4 million for Cablesystems Pacific in Portland, Oregon.

Canadian expenditures in 1981 include the results from the Premier cable systems purchased effective August 1980, amounting to approximately \$12 million.

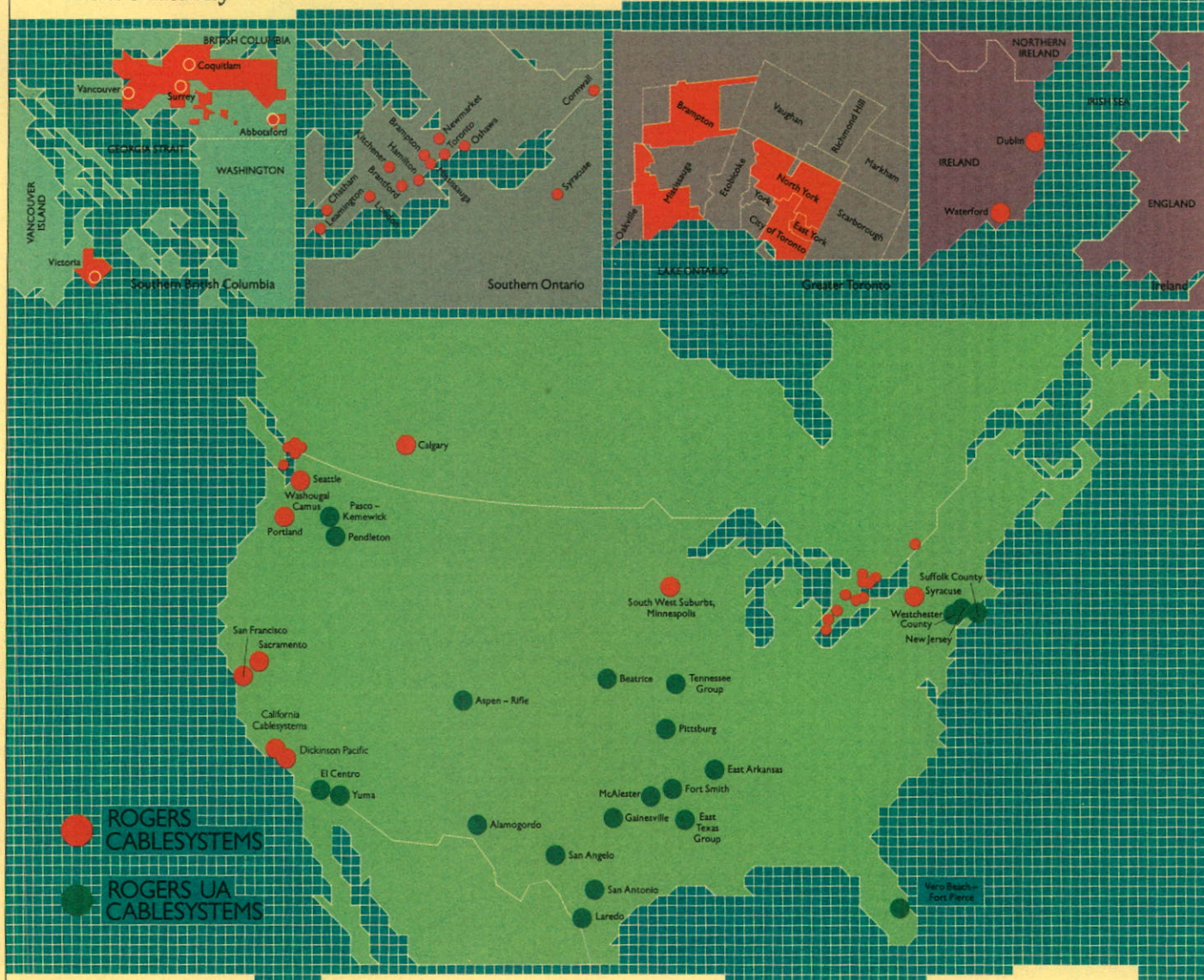
Dividends

Dividends of 6¼¢ per Class B share were paid in the months of September, December, March and June of the 1981 fiscal year. United States shareholders who so elected received their dividend in United States funds converted at the Bank of Canada official exchange rate at noon on the dividend record dates.

Long Term Debt

Long term debt increased by \$38,541,000 (net of debenture conversions) to \$163,628,000 during the year. A \$50 million convertible debenture was issued

Areas of Activity



in September 1980 and the proceeds used to partially retire term bank loans obtained to finance the purchase of Premier Communications and the Rogers businesses in fiscal 1980. To August 31, 1981, \$19,828,000 of that debenture debt had been converted into class B shares. The term bank loans in Dickinson Pacific Cablesystems increased by \$18,850,000. The proceeds were used for cable system construction. The remainder of the debt increase is attributable to an increase in term bank loans resulting from purchases of shares of UA-Columbia Cablevision, Inc. (\$22,877,000) and from United States franchising and construction costs in other United States cable systems.

**Share Capital**

Share capital and contributed surplus increased by \$64,270,000 from 1980. The preferred share capital increases amounted to \$37,500,000 and the common share capital increases from the conversion of the convertible debenture amounted to \$19,828,000. The remaining

\$6,942,000 of the capital increase resulted from Class B shares issued under the management and employee share purchase plans (\$3,272,000) and from Class B shares issued to purchase additional shares of Premier Communications and the minority shares of a Premier subsidiary (\$3,670,000). During the year, 2,232,223 Class A shares were converted to Class B leaving 6,365,755 Class A shares and 15,612,630 Class B shares outstanding at year end. The corporate summary of share capital is:

	1981	1980
	\$ thousands	
Preferred shares	\$ 37,500	
Class A		
common shares	39,702	\$53,592
Class B		
common shares	4,090	9,113
Reorganization and contributed surplus	51,918	6,235
	<u>\$133,210</u>	<u>\$68,940</u>

**Pay Television in Canada**

Canadian government hearings were held in the early fall of 1981 from parties interested in providing pay television programming to Canadian audiences. Your company through its interest in PTN Television Network, a company owned by Canadian cable operators incorporated to promote pay television in Canada, was part of those applications. PTN holds a minority interest in Canadian Premiere Television Network Ltd., one of the applicants heard by the Canadian Radio-television Telecommunications Commission. The results of these hearings are expected in late 1981 or early 1982. It is hoped the implementation of pay television in Canada can begin in fiscal 1982. Your company is completely prepared to retail Canadian pay television from whichever applicant(s) is (are) licenced.

## Five Year Financial History

	1977	1978	1979	1980	1981
	\$ thousands except per share amounts				
<b>Income &amp; Cash Flow</b>					
Income before following	\$ 4,156	\$ 5,273	\$ 4,346	\$ 1,791	\$ 972
Equity in earnings of Famous Players	3,576	4,618	5,484	6,902	2,424
Income before extraordinary items	\$ 7,732	\$ 9,891	\$ 9,830	\$ 8,693	\$ 3,396
Cash flow from operations	\$ 14,468	\$ 12,556	\$ 14,833	\$ 17,614	\$ 21,884
Capital expenditures	7,392	8,085	17,030	32,409	70,332
<b>Balance Sheet</b>					
Current assets	\$ 7,819	\$ 13,575	\$ 16,448	\$ 24,537	\$ 27,976
Investments	34,227	37,545	39,197	60,328	106,743
Fixed Assets	33,388	35,457	44,913	135,222	186,105
Goodwill & deferred charges	24,791	25,394	25,242	86,099	100,524
	\$100,225	\$111,971	\$125,800	\$306,186	\$421,348
Current liabilities	\$ 9,880	\$ 12,784	\$ 13,957	\$ 43,675	\$ 52,730
Long-term debt	12,481	11,461	14,723	125,087	163,628
Deferred taxes & exchange gain	6,188	6,381	6,613	15,234	21,342
Minority interest	—	220	881	4,665	3,681
Equity	71,676	81,125	89,626	117,525	179,967
	\$100,225	\$111,971	\$125,800	\$306,186	\$421,348
<b>Average shares outstanding</b>					
(thousands)	15,972	16,059	16,288	17,418	20,561
<b>Per Share</b>					
Income before extraordinary items	\$ .48	\$ .62	\$ .60	\$ .50	\$ .12
Cash flow from operations	.91	.78	.91	1.01	1.06
Shareholders' equity	4.47	5.01	5.47	6.10	8.19
<b>Share Price ■</b>					
Canada Class A high	\$ 4.50	\$ 4.75	\$ 7.13	\$19.50	\$17.88
(\$Cdn) low	2.75	3.00	4.25	5.38	6.38
Class B high	—	—	6.50	17.00	16.25
low	—	—	6.25	5.50	6.38
U.S. ■ Class A high	—	—	—	16.88	—
(\$U.S.) low	—	—	—	4.50	—
Class B high	—	—	—	14.75	13.25
low	—	—	—	4.38	5.63
<b>Subscribers</b>					
Cable subscribers	442,000	467,000	503,000	1,301,000	1,398,000
Households	593,000	616,000	664,000	1,598,000	1,784,000

■ Calendar years – to October 31 for 1981

■ Representative lowest bid prices and highest ask prices

## Dividends Paid

Adjusted retroactively for share reorganization and stock dividend

		1981	1980	
		Class B shares	Class A shares	Class B shares
<b>Regular Cash Dividends</b>	First Quarter	6.25¢	3.13¢	4.38¢
	Second Quarter	6.25¢	3.13¢	4.38¢
	Third Quarter	6.25¢	3.13¢	4.38¢
	Fourth Quarter	6.25¢	3.13¢	4.38¢
<b>Special Cash Dividend</b>	Fourth Quarter	—	5.00¢	—
<b>Special Stock Dividend</b>	Fourth Quarter	—	1 Class B share	1 Class B share

### Cable Subscriber Growth

(Includes all acquisitions including purchase of UA-Columbia on a retroactive basis)

■ 136,478 subscribers sold in 1980 as a result of cable boundary realignments in Ontario, Canada ("Rationalization")

		Canada	United States	Ireland	Total
1981	Homes in licensed areas	1,515,554	1,518,471	159,253	3,193,278
	Homes passed by cable	1,515,554	967,498	159,253	2,642,305
	<b>Subscribers</b>	<b>1,243,692</b>	<b>511,250</b>	<b>109,867</b>	<b>1,864,809</b>
	Penetration	82.1%	52.8%	69.0%	70.6%
	Pay TV subscription units	—	442,366	—	442,366
	Penetration	—	86.5%	—	23.7%
1980	■ Homes in licensed areas	1,437,997	1,218,381	136,389	2,792,767
	Homes passed by cable	1,437,997	788,423	136,389	2,362,809
	<b>Subscribers</b>	<b>1,200,131</b>	<b>406,494</b>	<b>107,099</b>	<b>1,713,724</b>
	Penetration	83.5%	51.6%	78.5%	72.5%
	Pay TV subscription units	—	251,636	—	251,636
	Penetration	—	61.9%	—	14.7%
1979	Homes in licensed areas	1,580,851	692,574	132,994	2,406,419
	Homes passed by cable	1,580,851	561,274	132,994	2,275,119
	<b>Subscribers</b>	<b>1,280,436</b>	<b>311,593</b>	<b>102,667</b>	<b>1,694,696</b>
	Penetration	81.1%	55.5%	77.2%	74.5%
	Pay TV subscription units	—	151,754	—	151,754
	Penetration	—	48.7%	—	9.0%
1978	Homes in licensed areas	1,526,341	578,723	128,351	2,233,415
	Homes passed by cable	1,526,341	417,198	128,351	2,071,890
	<b>Subscribers</b>	<b>1,221,928</b>	<b>250,955</b>	<b>93,907</b>	<b>1,566,790</b>
	Penetration	80.0%	60.2%	73.2%	75.6%
	Pay TV subscription units	—	84,921	—	84,921
	Penetration	—	33.8%	—	5.4%

### Share Price and Volume ■ (Calendar Year)

■ Volumes and prices adjusted retroactively for 1980 stock dividend.  
 ■ Over-the-counter market. Representative lowest bid prices and highest ask prices.

	CLASS A			CLASS B			
	High	Low	Shares Traded	High	Low	Shares Traded	
<b>TORONTO AND MONTREAL STOCK EXCHANGES (\$CDN)</b>							
1980	1st quarter	\$ 7.00	\$ 5.38	1,035,300	\$ 6.50	\$ 5.50	63,700
	2nd quarter	9.75	6.13	1,813,500	9.13	6.00	79,600
	3rd quarter	12.25	8.38	1,608,533	11.50	8.00	1,598,500
	4th quarter	19.50	11.25	1,005,700	17.00	10.38	2,915,900
1981	1st quarter	17.88	10.63	410,500	16.25	10.63	1,073,800
	2nd quarter	14.63	11.38	345,900	14.38	11.25	1,553,900
	3rd quarter	12.25	6.38	372,500	12.25	6.38	907,300
	October	9.63	7.25	66,800	9.50	7.50	159,300
<b>NASDAQ (\$US) ■</b>							
1980	March			\$ 5.25	\$ 4.38	600	
	2nd quarter			8.25	4.38	52,600	
	3rd quarter			9.75	7.00	1,246,007	
	4th quarter			14.63	9.13	3,396,700	
1981	1st quarter			13.25	9.00	1,528,000	
	2nd quarter			11.88	9.63	3,178,100	
	3rd quarter			10.25	5.63	2,877,050	
	October			7.88	6.00	1,061,796	

**Consolidated  
Statement of  
Earnings**  
Year ended  
August 31, 1981

	1981	1980
	\$ thousands	
Revenue		
Cable services	\$ 95,584	\$58,603
Rental and sale of converters	8,063	7,595
Pay television	5,978	3,832
	<u>109,625</u>	<u>70,030</u>
Expenses		
Operating, general and administration	72,666	47,780
Depreciation and amortization	18,084	13,591
Interest on long-term debt	17,581	6,737
Other interest	1,692	411
	<u>110,023</u>	<u>68,519</u>
	(398)	1,511
Equity in earnings of associated companies	625	434
Other income	585	828
Minority interest in loss of subsidiary companies	1,476	495
	<u>2,288</u>	<u>3,268</u>
Investment income	1,666	1,683
	<u>3,954</u>	<u>4,951</u>
Earnings before income taxes		
Income taxes		
Current (recovery)	(895)	2,179
Deferred	3,877	981
	<u>2,982</u>	<u>3,160</u>
Earnings from cable operations and investment income	972	1,791
Equity in earnings of Famous Players Limited	2,424	6,902
	<u>3,396</u>	<u>8,693</u>
Earnings before extraordinary items		
Extraordinary items (note 10)	(796)	3,678
<b>Net earnings</b>	<u>\$ 2,600</u>	<u>\$ 12,371</u>
<b>Earnings per share</b> (note 11)		
Before extraordinary items	\$0.12	\$0.50
Net earnings	\$0.08	\$0.71

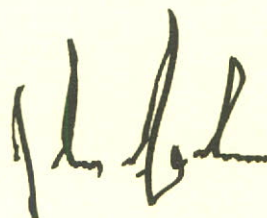
**Consolidated  
Statement of  
Changes in  
Financial  
Position**  
  
Year ended  
August 31, 1981

Source of funds	1981	1980
	\$ thousands	
<b>Operations</b>		
Earnings before extraordinary items	\$ 3,396	\$ 8,693
Items not affecting current funds		
Depreciation	17,127	13,119
Amortization	957	472
Deferred income taxes	3,877	838
Equity in earnings of Famous Players Limited and associated companies	(3,049)	(7,193)
Dividends received from Famous Players Limited and associated companies	1,052	2,180
Minority interest in loss of subsidiary companies	(1,476)	(495)
	<u>21,884</u>	<u>17,614</u>
Proceeds on sale of Famous Players Limited	43,248	
Proceeds on sale of subscribers, net	15,998	
Issue of shares	71,927	94,324
Minority interest's investment in subsidiary companies	2,805	225
Gain on sale of marketable securities, net of related income taxes of \$830		3,678
Increase in long-term debt	76,676	95,417
	<u>232,538</u>	<u>211,258</u>
<b>Use of funds</b>		
Purchase of shares of Key-Electro Holdings Limited plus its working capital deficiency at date of acquisition of \$2,050	5,298	
Purchase of shares of Premier Communications Limited plus its working capital deficiency at date of acquisition of \$1,324		79,570
Purchase of cable television, converter rental and hotel pay television businesses plus working capital deficiency at date of acquisition of \$650		35,530
Purchase of shares of UA-Columbia Cablevision, Inc.	22,877	
Acquisition of shares of Gulf + Western Industries, Inc. and Williams Electronics Inc.	40,887	
Purchase of shares of Premier Communications Limited	8,986	
Investment in Film Production ventures	1,772	
Increase in other investments and associated companies	3,983	1,216
Additions to fixed assets (net)	70,332	32,409
Purchase of shares of National Hees Enterprises Limited	20,000	
Reduction in long-term debt	38,996	720
Dividends paid and payable	4,428	3,300
Increase in other long-term assets	2,677	4,217
Redemption of shares	7,657	75,496
Deferred charges	10,025	331
Redemption of preference shares of subsidiary companies owned by minority shareholders		98
Other	236	
	<u>238,154</u>	<u>232,887</u>
<b>Decrease in working capital position</b>	5,616	21,629
<b>Working capital (deficiency) at beginning of year</b>	(19,138)	2,491
<b>Working capital deficiency at end of year</b>	<u>\$ 24,754</u>	<u>\$ 19,138</u>

**Consolidated  
Balance Sheet  
as at  
August 31, 1981**

Assets	1981	1980
	\$ thousands	
<b>Current assets</b>		
Cash and short-term notes	\$ 10,088	\$ 9,799
Marketable securities, at cost (market value 1981, \$1,180; 1980, \$1,570)	1,180	1,570
Accounts receivable	8,343	3,343
Current portion of long-term receivable	1,763	240
Note receivable	2,500	3,100
Income taxes recoverable	241	15
Inventories of materials at the lower of cost and net realizable value	938	837
Assets held for resale		3,777
Prepaid expenses	2,923	1,856
	<u>27,976</u>	<u>24,537</u>
<b>Investments (note 4)</b>	99,249	55,511
<b>Fixed assets (note 5)</b>	186,105	135,222
<b>Deferred charges (note 6)</b>	9,998	331
<b>Deferred foreign exchange</b>	698	
<b>Excess of carrying value of subsidiaries over value of underlying net assets acquired, less amortization</b>	41,979	39,280
<b>Subscribers</b>	47,849	46,488
<b>Other assets (note 7)</b>	7,494	4,817
	<u><u>\$421,348</u></u>	<u><u>\$306,186</u></u>

Approved by the Board



Director



Director



	<b>1981</b>	<b>1980</b>
	<u>\$ thousands</u>	
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Bank loan, unsecured	\$ 11,571	\$ 8,690
Accounts payable and accrued expenses	25,262	17,593
Payable to Rogers group		2,712
Dividend payable	989	720
Current portion of long-term debt	3,570	3,455
Prepayments for services	11,338	10,505
	<u>52,730</u>	<u>43,675</u>
<b>Long-term debt (note 8)</b>		
Convertible subordinated debentures	30,172	
Other	133,456	125,087
	<u>163,628</u>	<u>125,087</u>
<b>Deferred income taxes</b>	<u>21,342</u>	<u>15,071</u>
<b>Minority interest</b>	<u>3,681</u>	<u>4,665</u>
<b>Deferred foreign exchange gain</b>		<u>163</u>
<b>Shareholders' equity</b>		
Capital stock (note 9)	81,292	62,705
Reorganization surplus	6,235	6,235
Contributed surplus	45,683	
Retained earnings	46,757	48,585
	<u>179,967</u>	<u>117,525</u>
	<u>\$421,348</u>	<u>\$306,186</u>
<b>Long-term leases (note 15)</b>		
<b>Commitments (note 16)</b>		
<b>Contingent liabilities (note 17)</b>		
<b>Proposed acquisitions (note 19)</b>		

**Consolidated  
Statement of  
Retained  
Earnings**  
Year ended  
August 31, 1981

	1981	1980
	\$ thousands	
<b>Balance at beginning of year</b>		
As previously reported	\$48,239	\$52,262
Adjustment for change in accounting principle net of deferred income taxes of \$28 (note 2(a))	346	
As restated	48,585	52,262
Net earnings	2,600	12,371
	51,185	64,633
 Excess of purchase price over stated capital of Class B shares purchased for cancellation		12,748
Dividends		
Preferred shares	936	
Class A shares		2,505
Class B shares	3,492	795
	4,428	16,048
 <b>Balance at end of year</b>	<b>\$46,757</b>	<b>\$48,585</b>

**Auditors'  
Report**

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

We have examined the consolidated balance sheet of Rogers Cablesystems Inc. as at August 31, 1981 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the report of another auditor who examined the consolidated financial statements of Famous Players Limited.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at August 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting for intangible assets as described in note 2(a), on a basis consistent with that of the preceding year.

*Thorne Liddell*

Toronto, Canada  
October 28, 1981

Chartered Accountants

## Notes to Consolidated Financial Statements

### 1. ACCOUNTING POLICIES

#### a) Consolidation

- i) The consolidated financial statements include the accounts of the Company and all its subsidiaries except those for which a plan exists to dispose of the investment in the subsidiaries.
- ii) The Company's investments in Famous Players Limited and other companies in which the Company has a substantial investment but not greater than 50% are accounted for on the equity basis provided the Company is able to exercise significant influence over the affairs of these companies. Accordingly, the Company's equity in the earnings of these companies is included in the consolidated statement of earnings.
- iii) The Company reports its equity in the earnings of Famous Players Limited which was sold during the year ended August 31, 1981, on a two-month delay basis. The Company's equity in the earnings of Famous Players Limited is based on earnings for its fiscal year ended June 30, 1980 and in 1981 for its ten months ended April 30, 1981.

#### b) Capitalization policy

Costs incurred directly in connection with the application for new cable franchises are capitalized to the extent that such costs do not exceed the estimated net realizable value of cable franchises obtained. These costs are amortized on a straight line basis over the composite average life of the franchises.

During the development and pre-operating phases of new cable systems, all costs including interest are deferred. During the pre-maturity phase a portion of all costs including interest are deferred and amortized. The pre-maturity period generally ends at the earlier of two years from the time of the first subscriber revenue or the completion of construction of the distribution system. The pre-maturity period may extend beyond two years for systems being built in large urban areas.

During construction or rebuilding phases of existing cable systems, only direct costs are capitalized and all interest and overhead costs are expensed in the year incurred.

Leases that transfer substantially all of the benefits and risks of ownership are accounted for by the Company as

capital leases. Accordingly, the asset value and related liability are recorded in the financial statements.

#### c) Depreciation

The cable, plant and other fixed assets are depreciated over their estimated useful lives as follows:

Buildings	-	5% diminishing balance
Towers and head-ends	-	6 $\frac{2}{3}$ % straight line
Distribution cable	-	6 $\frac{2}{3}$ % straight line
Electronic equipment	-	6 $\frac{2}{3}$ % straight line
Subscriber drops and devices	-	6 $\frac{2}{3}$ % straight line
Converters	-	20% straight line
Other equipment	-	mainly 20% and 30% diminishing balance
Leasehold improvements	-	over the term of the lease
Pre-maturity costs	-	6 $\frac{2}{3}$ % straight line

#### d) Income and expenses

Income from cable services includes earned subscriber service revenue and charges for installations and connections. Subscriber service paid in advance is taken into income as earned. The cost of the initial subscriber installation is capitalized as part of the distribution system. Costs of subsequent disconnections and reconnections are expensed.

#### e) Foreign exchange

The accounts of foreign subsidiary companies have been translated into Canadian dollars on the following basis:

- i) Monetary assets and liabilities at the year end rates of exchange.
- ii) Non-monetary assets, liabilities and depreciation at historical rates.
- iii) Revenue and expense items, other than depreciation, at the average rate for the year.

Gains or losses on translation of non-current monetary assets and liabilities at current rates are deferred and amortized over the remaining life of the respective assets and liabilities; all other exchange gains or losses are included in income.

#### f) Deferred charges

Deferred charges include various expenditures the benefit of which will partially relate to future years. These costs are amortized over their estimated useful lives.

#### g) Subscribers and goodwill

Effective April 1, 1974 generally accepted accounting principles require a determination of the fair value of intangible assets acquired and the value of items designated as goodwill must be amortized over a period not exceeding forty years.

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 cable subscribers and for goodwill. Since September 1, 1979, the Company has determined the cost of subscribers in each purchase. This

amount is not being amortized but will be written down pro rata if the subscriber base falls below the level capitalized at the date of acquisition. Goodwill acquired before April 1, 1974 will not be amortized but will be written down if there should be a diminution in its value. In accordance with generally accepted accounting principles, amounts designated as goodwill acquired after April 1, 1974, totalling \$23,801,000 at August 31, 1981, are being amortized over forty years from date of acquisition. Accumulated amortization to August 31, 1981 amounted to \$1,280,000.

#### h) Film production investments

Funds advanced in relation to film production ventures are capitalized and are included in investments. These advances are carried at the lower of cost and estimated net realizable value for each specific film venture.

#### i) Research and development costs

Research costs are expensed in the year incurred. Development costs are capitalized in the year incurred unless the Company believes the development project is not technically feasible or no future market exists for the service.

#### j) Pensions

Current service pension costs are expensed in the year incurred. Based on the most recent actuarial valuation dated as of August 31, 1979, the Company has no liability for unfunded past service pension liabilities.

**2. ACCOUNTING CHANGES**

Effective September 1, 1980 the Company made the change in accounting principle described in paragraph (a). In addition, the Company instituted the accounting changes described in paragraphs (b) and (c).

a) In 1980, the Company acquired two major cable television businesses. Initially a significant portion of the cost of these acquisitions was allocated to goodwill. Upon further review of these allocations in 1981, the Company has determined that the major portion of the amount allocated to goodwill in fact represents the cost of the cable subscriber base. Accordingly, the acquisition equation has been restated to reflect the change in allocation and as this asset is considered to have an indefinite life the 1980 comparative figures have been restated to eliminate amortization recorded on the original allocation to goodwill. This change in accounting practice has increased net income for the year ended August 31, 1981 by \$1,206,000 and August 31, 1980 by \$346,000.

b) As a result of its cable franchising activities in the United States, the Company was awarded four cable television franchises during the year ended August 31, 1981. In previous years, the costs of applying for U.S. franchises had been expensed as the Company had not been awarded any franchises since the commencement

of its major franchising efforts in 1979. The Company has determined that franchise costs incurred during the year amounting to \$5,901,000 net of amortization of \$162,000 should be capitalized and amortized on a straight line basis over the composite average life of all franchises awarded. This accounting change has increased net income for the year ended August 31, 1981 by \$5,379,000. The amount expensed in 1980 amounted to \$3,640,000.

c) Effective September 1, 1980 the Company has revised the estimated useful life of certain categories of fixed assets as follows:

<u>Asset</u>	<u>Useful life applied September 1, 1980 forward</u>	<u>Useful life formerly applied</u>
Towers and head-ends	15 years	6½ years
Distribution cable	15 years	10 years
Electronic equipment	15 years	6½ years
Subscriber drops and devices	15 years	10 years
Pre-maturity costs	15 years	10 years

The adoption of the above estimates has been based upon appraisal reports obtained by the Company. This change in estimate has increased net income for the year ended August 31, 1981 by \$2,501,000.

Had the above accounting changes not been implemented, net loss for the year ended August 31, 1981 would have been \$6,486,000.

**3. ACQUISITION AND DISPOSAL OF SUBSCRIBERS**

**a) Acquisition**

Effective August 28, 1981 the Company acquired all of the issued and outstanding shares of Key-Electro Holdings Limited, which operates a cable television system in Dublin, Ireland with approximately 35,000 subscribers. The price was \$3,248,000 which was satisfied from available Irish funds and from a term bank loan. This acquisition has been accounted for on the purchase method with the results of operations included from the date of acquisition.

Details of the acquisition are as follows:

Net assets acquired, at fair values  
(\$ thousands)

Current assets	\$ 96	
Fixed assets	3,608	\$ 3,704
Current liabilities	2,146	
Deferred taxes	534	2,680
		1,024
Goodwill		652
Subscribers		1,572
Cost		<u>\$ 3,248</u>

**b) Subscriber sales**

As a condition of the Company's application to acquire control of Premier Communications Limited, the Company, in 1981, sold a net 70,478 subscribers principally in Metropolitan Toronto to other cable companies. Proceeds of this transaction amounting to \$15,998,000 have been offset against the cost of subscribers purchased when Premier Communications Limited was acquired.

**4. INVESTMENTS**

	1981	1980
	\$ thousands	
UA-Columbia Cablevision, Inc. (note 19(a))	\$22,877	
Famous Players Limited (note 10)		\$42,338
National Hees Enterprises Limited (note 9(a) (13))	20,000	
Gulf + Western Industries Inc. (note 10)	24,038	
Williams Electronics Inc. (note 10)	16,849	
Associated companies	6,499	7,730
Film production ventures (note 16(b)(iii))	1,772	
Other investments	7,214	5,443
	<u>\$99,249</u>	<u>\$55,511</u>

**a) Associated companies**

	1981	1980
	\$ thousands	
Western Cablevision Limited	\$4,897	\$4,548
Other	1,602	3,182
	<u>\$6,499</u>	<u>\$7,730</u>

The carrying value of the Company's investments in associated companies is equal to their cost plus the Company's equity in undistributed earnings since the date of acquisition.

The excess of the carrying value of the Company's investment in associated companies over its equity in the value of the underlying net assets amounted to \$4,151,000 at August 31, 1981 (1980, \$5,336,000). The majority of this excess is being amortized over its estimated useful life.

**b) Other investments**

	1981	1980
	\$ thousands	
MDS Pay Television systems	\$6,744	\$3,091
Other	470	2,352
	<u>\$7,214</u>	<u>\$5,443</u>

The carrying value of the Company's other investments is equal to their cost. Included in other investments is the estimated net realizable value of those subsidiaries for which a plan exists to dispose of the investment in the subsidiaries.

**5. FIXED ASSETS, AT COST**

	1981	1980
	\$ thousands	
Land and buildings	\$ 9,008	\$ 6,355
Towers and head-ends	12,281	7,135
Distribution cable	83,338	87,583
Electronic equipment	25,925	25,506
Subscriber drops and devices	59,495	30,983
Converters	11,623	7,698
Other equipment	29,322	16,018
Leasehold improvements	4,418	2,543
Construction in progress	16,134	3,211
Pre-maturity costs	8,788	4,306
	<u>260,332</u>	<u>191,338</u>
Less accumulated depreciation and amortization	74,227	56,116
	<u>\$186,105</u>	<u>\$135,222</u>

The major part of the Company's investment in distribution cable in Ontario is held under leases from Bell Canada expiring at various dates with original minimum terms of 10 years.

**6. DEFERRED CHARGES**

	1981	1980
	\$ thousands	
Deferred financing costs	\$1,854	\$ 288
Computer development costs	1,759	43
Franchising costs	5,901	
Pre-operating costs	386	
Other	98	
	<u>\$9,998</u>	<u>\$ 331</u>

**7. OTHER ASSETS**

	1981	1980
	\$ thousands	
Receivable under share purchase plans, including 1981, \$1,639; 1980, \$1,331 from officers and directors	\$7,342	\$4,926
Miscellaneous notes and loans receivable, including 1981, \$273; 1980, Nil from officers and directors	1,152	131
	<u>8,494</u>	<u>5,057</u>
Less current portion included in accounts receivable	1,763	240
	<u>6,731</u>	<u>4,817</u>
Security deposits	361	
Prepaid franchise fees	402	
	<u>\$7,494</u>	<u>\$4,817</u>

**8. LONG-TERM DEBT**

	1981	1980
	\$ thousands	
i) Series A 12.55% Sinking Fund Debentures, due March 31, 1996	\$ 9,960	\$ 10,560
ii) Term bank loans	69,857	87,258
iii) Promissory note payable to the Mutual Life Insurance Company of New York	12,449	12,501
iv) Promissory note payable to Chemco Canada Limited	3,000	4,000
v) Loan payable to the Chase Bank (Ireland) Ltd.	2,072	
vi) Term bank loans, Dickinson Pacific Cablesystems	24,056	5,206
vii) Term bank loans, Syracuse Cablesystems	9,502	6,942
viii) 9% Convertible Subordinated Debentures, maturing October 1, 2000	30,172	
ix) Other long-term debt	6,130	2,075
	<u>167,198</u>	<u>128,542</u>
Less current portion of long-term debt	3,570	3,455
	<u>\$163,628</u>	<u>\$125,087</u>

Pounds 1,600,000 and is subject to repayments as follows: (£ thousands)

August 31, 1985	Irish £	350
August 31, 1986		200
August 31, 1987		250
August 31, 1988		350
August 31, 1989		450
	<u>Irish £</u>	<u>1,600</u>

The loan bears interest at the bank's cost of borrowing plus 7/8% to August 31, 1984 and at the bank's cost of borrowing plus 1 1/8% thereafter. The Company has agreed to pay a standby fee of 3/8% on the undrawn amount of this facility until August 31, 1984.

vi) Dickinson Pacific Cablesystems has arranged long-term financing in the amount of U.S. \$27,000,000. At August 31, 1981 U.S. \$20,000,000 (Cdn. \$24,056,000) has been drawn down under the credit agreement. The loans bear interest at the bank's California prime rate plus 1 1/2% and in addition a standby fee of 1/4% is charged on that portion of the loans not advanced to the partnership. The loans are secured by the assets of Dickinson Pacific Cablesystems and a guarantee of the company in the amount of U.S. \$7 million. Principal repayments are required quarterly on a percentage of the amount drawn down beginning in 1983. On the basis that the loans have been fully drawn down, principal repayments amount to U.S. \$753,000 in 1983; U.S. \$2,503,000 in 1984; U.S. \$3,748,000 in 1985; U.S. \$3,996,000 in 1986; U.S. \$4,749,000 in 1987; U.S. \$5,000,000 in 1988 and 1989, and U.S. \$1,251,000 in 1990.

i) The Series A Debentures were issued by a wholly owned subsidiary of the Company and are secured by letters of credit issued by two Canadian Chartered banks. The Debentures are redeemable at the option of the subsidiary and must be retired by sinking fund payments in the amount of \$600,000 annually on March 31, 1982 to 1995 and a final payment of \$1,560,000 on March 31, 1996.

ii) As at August 31, 1981, the Company has a revolving term line of credit totalling \$100,775,000 of which one half may be drawn in either Canadian or U.S. funds. Any balance outstanding under this revolving term line of credit at September 1, 1983 will be converted to term loans which must be repaid on a quarterly basis over seven years. These loans bear interest at the prime rate plus 1/4% per annum and in addition a standby fee of 1/4% per annum is charged on that portion of the loans not advanced to the Company. The loans are secured by the pledge

of all the shares of Canadian Cablesystems (Ontario) Limited, TWC Pay TV Limited, Premier Cablesystems Limited, Cablesystems Alberta Limited, Gulf + Western Industries Inc. and Williams Electronics Inc. owned by the Company. The loans provide for certain restrictions on the Company operations principally related to the alteration of share capital of subsidiary companies whose shares are pledged as security.

iii) This promissory note payable by Premier Cablesystems Limited bears interest at 9 1/8% and is repayable in U.S. dollars. The loan is repayable in annual instalments of U.S. \$450,000 in 1982 and U.S. \$990,000 in 1983 to 1992.

iv) This promissory note payable by Premier Cablesystems Limited bears interest at 10% and is repayable in Canadian dollars. The loan is repayable in annual instalments of \$1,000,000 in 1982 to 1984.

v) The loan payable to Chase Bank (Ireland) Ltd. is the amount drawn down under a line of credit of Irish

- vii) Syracuse Cablesystems has arranged long-term financing totalling U.S. \$8,200,000 from a consortium of three banks. At August 31, 1981 U.S. \$7,900,000 (Cdn. \$9,502,000) had been drawn down. The loans bear interest at bank's New York prime plus 1¼%, and in addition a standby fee of ¼% is charged on that portion of the loans not advanced. The loans are secured by the assets of Syracuse Cablesystems. On the basis that the loans have been fully drawn, principal repayments amount to U.S. \$300,000 in 1982; U.S. \$600,000 in 1983; U.S. \$1,800,000 in 1984; U.S. \$3,000,000 in 1985; U.S. \$2,000,000 in 1986 and U.S. \$500,000 in 1987.
- viii) On September 9, 1980 the Company entered into an agreement with McLeod Young Weir Limited for the sale of \$50,000,000 principal amount of

9% convertible subordinated debentures to mature October 1, 2000. The net proceeds of \$48,875,000 were utilized to reduce the term bank loans (note 8(ii)). These debentures are unsecured and are convertible into Class B shares at the holders' option at any time prior to October 1, 1985 at \$10.15 per share, and thereafter to October 1, 1990 at \$11.05 per share. The debentures cannot be redeemed prior to October 1, 1983 and thereafter cannot be redeemed in the period ending October 1, 1985 unless the weighted average price at which the Class B shares of the Company traded on the Toronto Stock Exchange for 20 consecutive days exceeded 125% of the conversion price of the debentures. During the year ended August 31, 1981, debentures of \$19,828,000 were converted into Class B shares.

The Company is required to make mandatory sinking fund payments in the amount of 5% of the debentures outstanding on October 1, 1990 in each of the years 1991 to 1999.

- ix) Included in other long-term debt are the obligations of the Company in the amount of \$1,993,000 in respect of long-term leases.
- x) Principal repayments due within each of the next five years on all long-term debt are as follows:

	\$ thousands	
1982	\$	3,570
1983		6,313
1984		16,045
1985		17,577
1986		20,506
		64,011
Due after 1986		103,187
		\$167,198

**9. CAPITAL STOCK**

**Rights and conditions**

**Preferred shares**

Unlimited number of Preferred shares without par value, issuable in series, with rights and terms of each series to be fixed by the directors prior to the issue of each series. Series IV Preferred shares, no par value, non-voting with a cumulative dividend rate equal to 50% of the prime lending rate plus 1½% payable monthly. These shares are both redeemable and retractable at any time. Series V and VI Preferred shares, no par value, non-voting, with a cumulative dividend rate equal to 50% of the prime lending rate plus 1½% payable quarterly. The Company is obligated on each dividend payment date commencing on March 31, 1983 to redeem 12,500 Series V and 12,500 Series VI Preferred shares. These shares are retractable at the holder's option at any time after March 31, 1992.

**Common Shares**

Unlimited number of voting Class A shares without par value, convertible into Class B non-voting shares on a share for share basis until August 31, 1983. The Class A shares may receive a dividend at an annual rate of up to 35 cents per share only after the Class B shares have been paid a dividend at an annual rate of 35 cents per share.

Unlimited number of 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 35 cents per share for each class.

**Issued**

	175,000 Series IV Preferred shares (1980, nil)	\$17,500
X	1,000,000 Series V Preferred shares (1980, nil)	10,000
X	1,000,000 Series VI Preferred shares (1980, nil)	10,000
	6,365,755 Class A shares (1980, 8,593,734)	39,702
	15,612,630 Class B shares (1980, 10,681,610)	4,090
		\$81,292

	1981	1980
	\$ thousands	

a) During the year ended August 31, 1981 the Company effected the following share transactions:

- 1) 2,232,223 Class A shares were converted into 2,232,223 Class B shares during the year at a conversion value of \$13,921,000.
- 2) 4,244 Class A shares and 3,244 Class B shares were issued under the terms of an Executive Stock Option Plan for a total consideration of \$31,000 for Class A shares and nil for Class B shares.
- 3) The Board of Directors allotted and issued 87,841 Class B shares of the Company under the terms of the 1980 Management Share Purchase Plan. These shares were issued at a price per share of \$10.575 for a total consideration of \$929,000. The plan provides for the sale of shares to a trustee on a non-interest bearing loan basis. The loan is to be repaid to the Company over a ten year period. The Board of Directors may from time to time authorize the grant of additional purchase rights under this plan to designated employees.

- 4) 43,578 Class B shares previously issued at \$7.875 per share under the 1980 Management Share Purchase Plan were cancelled due to the termination of certain employees. Of these, 25,500 were re-allocated at \$7.875 per share, and 18,000 were re-allocated at \$9.675 per share.
- 5) The Company issued 228,300 Class B shares under an Employee Share Purchase Plan for a total consideration of \$2,281,000. These shares are to be paid for by the employees over a two year period.
- 6) 190,271 Series I Preferred shares were issued and redeemed for cash of \$25.00 per share to facilitate the purchase of shares of Premier Communications Limited.
- 7) 397,242 Class B shares were issued to purchase 132,414 shares of Premier Communications Limited. These shares were issued at a value of \$3,310,000. The paid-up capital value of these shares is \$2,983,000 and the balance of \$327,000 has been recorded as Contributed Surplus.

- 8) 28,800 Class B shares were issued to purchase 4,284 shares of Keeble Cable T.V. Limited. These shares were issued at a value of \$360,000. The paid-up capital value of these shares is \$4,000 and the balance of \$356,000 has been recorded as Contributed Surplus.
- 9) 1,953,448 Class B shares were issued as a result of the conversion of \$19,828,000 of Convertible Debentures.
- 10) 116,000 Series III Preferred shares were issued to and redeemed from a major shareholder company for cash of \$2,900,000.
- 11) 10,000 Series IV Preferred shares were issued to a director of the Company for cash of \$1,000,000.
- 12) 165,000 Series IV Preferred shares were issued to a major shareholder company for cash of \$16,500,000.
- 13) 1,000,000 Series V Preferred shares and 1,000,000 Series VI Preferred shares were issued for cash of \$10 per share or \$20,000,000 in aggregate. These shares were sold to a third party and the proceeds received thereon were immediately invested in shares of a subsidiary company of that third party, which shares have exactly the same characteristics as the shares issued by the Company.
- 14) At a special shareholders meeting held on July 20, 1981 the shareholders of the Company agreed to:
  - i) Reduce, without repayment of capital to the shareholders, the stated capital account of the Class B shares by \$45,000,000. This balance has been transferred to Contributed Surplus.
  - ii) Modify the rights and privileges of the Class A and Class B shares to permit the payment of stock dividends in the same or different classes of shares, in equal numbers of shares per share, on the Class A and Class B shares.
- 15) The Company granted to a major shareholder company, Rogers Telecommunications Limited, an option to purchase 500,000 Class A common shares of the Company at \$11.875 per share prior to June 30, 1983.
- b) The Articles of Continuance of the Company under the Canada Business Corporations Act impose restrictions on the transfer, voting and issue of the voting Class A and 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.
- c) At August 31, 1981, 8,800 Class A shares and 8,800 Class B shares were subject to issuance under the Executive Stock Option Plan. All options expire by 1983.

**10. EXTRAORDINARY ITEMS**

	1981	1980
	\$ thousands	
Loss on sale of Famous Players Limited, including deferred taxes of \$334,000	\$ (96)	
Share of extraordinary items of Famous Players Limited	(700)	
Gain on sale of marketable securities net of income taxes of \$830		\$3,678
	<b>\$ (796)</b>	<b>\$3,678</b>

Effective June 30, 1981 the Company sold its 48.9% interest in Famous Players Limited (FPL) to Gulf + Western Industries Inc. (G + W). As part of the agreement of sale, FPL declared a special dividend which was assigned to G + W together with a promissory note of the Company in exchange for 600,000 shares of Williams Electronics Inc. (Williams). The Company's interest in FPL was then sold to G + W for consideration of 1,000,000 common shares of G + W, a promissory note of \$2,500,000 and cash sufficient to allow the Company to repay the promissory note issued on the purchase of the Williams shares. The estimated net realizable value of

the proceeds of these transactions is:

i) Promissory note	\$ 2,500,000
ii) 600,000 common shares of Williams	16,849,000
iii) 1,000,000 common shares of G + W	24,038,000
	43,387,000
Less expenses	139,000
Total proceeds – date of sale	<b>\$43,248,000</b>

a) Williams is a manufacturer of electronic games located in the United States. This investment represents a 12% interest in the common shares of Williams. Subsequent to the year end date,

these shares were sold for cash proceeds equal to their estimated realizable value.

b) The shares held in G + W are presently unregistered for transfer or sale under the U.S. securities law. G + W has agreed to register these shares for a period of 60 days after October 15, 1981 at the Company's request. In addition a major shareholder, company, Rogers Telecommunications Limited (RTL), has agreed to purchase these shares from the Company in December of 1981 at U.S. \$20.00 per share. In return for this purchase guarantee the Company has granted RTL an option to purchase, within two years, 500,000 Class A common shares of the Company at \$11.875 per share.

The total market value of the common shares received on sale of Famous Players Limited at August 31, 1981 amount to \$36,655,000.

**11. EARNINGS PER SHARE**

Earnings per share have been calculated based on the weighted average number of shares outstanding during the year, after deducting dividends on preferred shares from net earnings.



**12. SEGMENTED INFORMATION**

The Company operates cable television systems and pay television systems in Canada, the United States and Europe. For reporting purposes the pay television systems are not yet mature enough to be considered an industry segment. Accordingly only geographical segments are presented herein.

		(\$ thousands)			
		Canada	United States	Europe	Consolidated Totals
August 31, 1981					
Revenue		\$ 97,898	\$ 8,220	\$ 3,507	\$ 109,625
Net earnings (loss)		\$ 4,214	\$ (1,562)	\$ (52)	\$ 2,600
Total assets		\$ 340,626	\$ 71,070	\$ 9,652	\$ 421,348
August 31, 1980					
Revenue		\$ 65,264	\$ 4,434	\$ 332	\$ 70,030
Net earnings (loss)		\$ 12,959	\$ (718)	\$ 130	\$ 12,371
Total assets		\$ 269,076	\$ 29,033	\$ 8,077	\$ 306,186

**13. INCOME TAXES**

At August 31, 1981 certain United States subsidiaries have amounts available to be claimed against taxable income in future years, the tax effect of which has not been reflected in the accounts, which may be summarized as follows:

Tax loss carry-forward expiring	
1995	\$ 109,000
1996	1,305,000
	<u>\$1,414,000</u>

In addition the Company has approximately \$716,000 of unclaimed investment tax credits which are available to reduce future income taxes until approximately 1995.

**14. RESEARCH AND DEVELOPMENT COSTS**

**a) Research costs**  
During the year ended August 31, 1981 the Company incurred research

expenses in the amount of \$2,502,000 (1980, \$1,812,000).  
**b) Development costs**  
During the year ended August 31, 1981 the Company incurred development costs in the amount of

\$1,754,000 (1980, \$43,000) which are included in deferred charges on the balance sheet and are being amortized over their estimated period of future benefit.

**15. LONG-TERM LEASES**

The Company has entered into various lease agreements for the rental of premises, distribution facilities and microwave towers. These leases have

been accounted for as operating leases. Based upon all operating leases in force at August 31, 1981 the minimum amount that will be incurred by the Company and its subsidiaries per annum will be

\$5,162,000. The aggregate amount that will be paid under lease arrangements now in force is approximately \$24,243,000.

**16. COMMITMENTS**

**a) U.S. commitments**

The company is presently building or in the process of planning the building of four cable systems in the United States. Total costs of these systems are estimated to be U.S. \$114 million, of which approximately U.S. \$34 million has been spent to date. This construction program will be largely financed by bank indebtedness under existing lines of credit.

- i) Spend 2½% of Canadian regulated revenue on research and development activities. It is estimated that this commitment will amount to approximately \$2.5 million in the next fiscal year.
- ii) Spend 1% of Canadian regulated revenue on various programming and production activities. It is estimated that this commitment will amount to approximately \$1.0 million in the next fiscal year.
- iii) Establish a Canadian program production fund of \$5 million with its then-affiliate, Famous Players Limited, with each company investing \$2.5 million in a

fund to provide loans to Canadian film production ventures. As at August 31, 1981, the Company had made loans of \$1.8 million to Canadian film production ventures from its fund of \$2.5 million.  
iv) Improve the cable plant facilities of the Vancouver system by August 31, 1985. The channel capacity of this system has already been increased by 50% from 16 channels to 24 channels. Over the next four fiscal years the system will be increased to 35 channel capacity at an estimated cost of \$16 million.

**b) Canadian commitments**

Under the terms of the decision permitting the company to purchase Premier Communications Limited, the company committed to:

**17. CONTINGENT LIABILITIES**

**a)** Under the reorganization effective January 3, 1971 Famous Players Limited assumed liability under all leases pertaining to the theatre business, and provided the Company with a formal indemnity against any loss in this regard. While the Company has been released from its obligations under some of these leases, there are still many lease commitments under which it remains contingently liable. The Company's management,

however, believes that the Company will incur no liability under these outstanding lease commitments.  
**b)** An action has been commenced against the Company and two subsidiary companies in the state of Minnesota. This suit alleges interference with contractual relationships with the city of Minneapolis arising out of the Company's alleged involvement in the city of Minneapolis' determination not to remedy legal deficiencies in the award of a cable

franchise to the plaintiff. The action asks for damages of US \$27 million. The Company has denied the allegation and has filed counter claims. This matter is presently in the preliminary stages and counsel for the Company is of the opinion that based upon their investigation of the facts to date the prospects of success by the plaintiffs is remote. Any amount that will be receivable/payable under the terms of this litigation will be recorded as a prior period adjustment when received or incurred.

c) During the year the Company received reassessment notices from Revenue Canada which reassessment notices have charged the Company with taxes of approximately \$560,000 related to a 1975 corporate reorganization. This amount, as is required by tax law, has been paid and the Company is disputing the reassessment. The Company's position is that no tax is payable and they are presently pursuing this matter with Revenue Canada. The balance paid as a result of the reassessment notice is presently recorded as a deposit in the consolidated balance sheet and will be recorded as a prior period adjustment

should the Company's appeal be dismissed.

d) The Company has issued the following Class B shares which are held by a trustee under the terms of the Employee Share Purchase Plans:

Date of Issue	Number of Shares	Issue Price
September 12, 1980	51,525	\$ 8.75
October 14, 1980	72,440	\$ 8.50
August 27, 1981	99,030	\$11.75

Should the market price of the shares held in trust two years from the date of issue be below 85% of the issue price, the Company has agreed to pay

to the employees an amount equal to the difference between 85% of the issue price and the market price.

**18. RELATED PARTY TRANSACTIONS**

a) The company incurred charges from a 50% owned company for data processing services in the year ended August 31, 1981 in the amount of \$2,973,000 (1980, \$1,796,000). The Company's investment in this related company is accounted for using the equity method. Included in accounts

payable of August 31, 1981 is an amount of \$287,000 (1980, \$41,000) payable to the related company for services rendered.

b) A significant investor in a subsidiary company's cable systems operations was one of the major contractors involved in the construction of the underground cable distribution

system. The contracts for underground construction were awarded to the lowest bidder. The amount paid to the investor in 1981 for construction activities was \$3,130,000 (1980, \$419,000).

**19. PROPOSED ACQUISITIONS**

The Company is presently attempting to finalize and complete two separate acquisition transactions. These are:

a) On June 11, 1981 the Company and United Artists Theatre-Circuit Inc. (UATC) entered into an agreement with certain shareholders to offer to purchase all of the shares of UA-Columbia Cablevision, Inc. (UACC), a major United States cable company, not owned by UATC. Completion of this purchase agreement is expected in November of 1981. Should this purchase be completed it is expected it will cost the Company approximately U.S. \$152 million (approximately Cdn. \$185 million) to acquire 51% of the shares of UACC. In addition the Company agreed to loan up to U.S. \$8 million (approximately Cdn. \$9.6

million) to UACC for working capital purposes. To finance this purchase the Company has obtained a U.S. \$152 million loan from a consortium of Canadian Chartered Banks. This loan is subject to repayment within one year of drawdown and the Company expects to finance this purchase by proceeds received on the sale of Famous Players Limited (note 10) and other term financing. In June of 1981, the Company drew down U.S. \$14,137,000 of the above loan to finance the purchase of 168,300 shares of UACC held by a competing bidder. In addition the company paid this competing bidder U.S. \$1,275,000 to cover certain expenses for which payment the competing bidder agreed not to make a competing offer for UACC. Lastly the Company advanced funds to UACC for working

capital purposes in the amount of U.S. \$2,040,000 and paid certain expenses related to the purchase.

b) On June 13, 1981 a subsidiary company obtained the right to negotiate a franchise agreement for a United States cable television system with a series of Southern California communities. To October 28, 1981 the subsidiary had finalized agreements to provide cable services in communities with 40,000 potential subscribers. It is anticipated the cost to build the system will be U.S. \$12,000,000 which will be principally financed by bank loans.

**20. COMPARATIVE FIGURES**

Certain of the 1980 comparative figures have been restated to conform to the basis of presentation adopted for 1981.

**21. NAME CHANGE**

During the year the shareholders of the Company approved a change of the Company's name from Canadian Cablesystems Limited to Rogers Cablesystems Inc.

## Directors and Officers

### Directors

**Jack E. Davis**  
President  
Cablesystems Alberta Limited  
Calgary, Alberta

**Robert M. Francis**  
Senior Vice-President, Finance  
Rogers Cablesystems Inc.  
Toronto, Ontario

**Thomas I. Hull**  
President  
Thomas I. Hull Insurance Limited  
Toronto, Ontario

**William D. McGregor**  
President  
CAP Communications  
Kitchener, Ontario

**Loretta A. Rogers**  
Company Director  
Rogers Cablesystems Inc.  
Toronto, Ontario

**The Hon. Richard J. Stanbury, Q.C.**  
Partner  
Cassels, Brock  
Toronto, Ontario

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

**James W. Whittall**  
Director  
Reed Stenhouse Companies Limited  
Toronto, Ontario

**Claude Ducharme, Q.C.**  
Partner  
Desjardins, Ducharme,  
Desjardins & Bourque  
Montreal, Quebec

**John W. Graham, Q.C.**  
Partner  
Cassels, Brock  
Toronto, Ontario

**Edwin R. Jarmain**  
Director  
Cablesystems Engineering Limited  
London, Ontario

**W. Garth Pither**  
Chairman  
Premier Cablesystems Limited  
Vancouver, British Columbia

**Bartlett B. Rombough**  
President  
Pan Canadian Petroleum Limited  
Calgary, Alberta

**Ian H. Stewart**  
Barrister and Solicitor  
Victoria, British Columbia

**Colin D. Watson**  
President  
Rogers Cablesystems Inc.  
Toronto, Ontario

**W. David Wilson**  
Vice-President & Director  
McLeod Young Weir Limited  
Vancouver, British Columbia

**George A. Fierheller**  
Vice-Chairman  
Rogers Cablesystems Inc.  
Vancouver, British Columbia

**Gordon C. Gray, F.C.A.**  
Chairman & Chief Executive Officer  
A.E. LePage Limited  
Toronto, Ontario

**Philip B. Lind**  
Senior Vice-President  
Programming & Planning  
Rogers Cablesystems Inc.  
Toronto, Ontario

**Edward S. Rogers**  
Vice-Chairman &  
Chief Executive Officer  
Rogers Cablesystems Inc.  
Toronto, Ontario

**Robert Smith**  
Chairman & President  
Talcorp Associates Limited  
Toronto, Ontario

**Carole S. Taylor**  
T.V. Journalist  
Vancouver, British Columbia

**Sydney W. Welsh**  
Honorary Chairman  
Rogers Cablesystems Inc.  
Vancouver, British Columbia

### Officers

**Sydney W. Welsh**  
Honorary Chairman

**George A. Fierheller**  
Vice-Chairman

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

**Robert B. Clasen**  
Vice-President, U.S. Operations

**Roy A. Faibish**  
Vice-President - Europe

**Albert Gnat**  
Secretary

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

**Colin D. Watson**  
President

**Barry A. Ross**  
Senior Vice-President, Corporate

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

**Donald E. Taylor**  
Vice-President, Personnel

**Daphne Evans**  
Assistant Secretary

**Edward S. Rogers**  
Vice Chairman &  
Chief Executive Officer

**Robert M. Francis**  
Senior Vice-President, Finance

**David E. Friesen**  
Vice-President,  
Canadian Operations

**Graham W. Savage**  
Vice-President,  
Investment Planning

**William A. Scarrow**  
Treasurer

## Corporate Information

### Corporate Office

Suite 2602  
P.O. Box 249  
Commercial Union Tower  
Toronto-Dominion Centre  
Toronto, Canada  
M5K 1J5  
(416) 864-2373

### Transfer Agent

Royal Trust Company

### Bankers

- Toronto-Dominion Bank
- Canadian Imperial Bank of Commerce

### Auditors

Thorne Riddell

### Exchange Listings – Canadian

- Toronto Stock Exchange
- Montreal Stock Exchange
- Alberta Stock Exchange
- Vancouver Stock Exchange

### Stock symbols

Class A RCL.A  
Class B RCL.B

### United States Over-the-Counter

National Association of  
Securities Dealers Inc.  
(NASDAQ)

### Stock symbol

Class B RCINZ



