

C

# Rogers



**Rogers CableSystems Inc.**

*1982 Annual Report*

## Table of Contents

<i>Diagrams</i>	<b>Text</b>	
	From the Chief Executive Officer	2
	<i>Subscriber Growth and Total Revenues</i>	5
	<b>CANADIAN OPERATIONS</b>	
	Canadian Cablesystems Limited	8
	<i>Areas of Activity-Canada</i>	9
	<i>Operating Income and Operating Income Per Subscriber</i>	12
	<i>Supersystem Functions</i>	13
	The Year in Review – Canada	14
	<b>IMPLEMENTING PAY TV IN CANADA</b>	
	Authorization of Pay TV	16
	Delivering the Services	16
	Marketing Pay TV	18
	<i>Cash Flow and Capital Expenditures</i>	21
	<b>U.S. OPERATIONS</b>	
	Overview	22
	RUSCI Report	23
	RUAC Report	26
	<i>Areas of Activity-United States</i>	27
	Programming Services in the U.S.	28
	<i>List of Services</i>	29
	Pay Television Developments	30
	<i>Earnings and Cash Flow Per Share</i>	31
	<b>Financial Review</b>	<b>33</b>
	<b>Five Year Financial History</b>	<b>40</b>
	<b>Cable Subscriber Growth</b>	<b>41</b>
	<b>Dividends Paid</b>	<b>42</b>
	<b>Share Price and Volume</b>	<b>42</b>
	<b>Consolidated Financial Statements</b>	<b>43</b>
	<b>Directors and Officers</b>	<b>67</b>
	<b>System Managers</b>	<b>68</b>
	<b>Corporate Information</b>	<b>69</b>

## HIGHLIGHTS OF THE YEAR 1982

### For the Year ended August 31

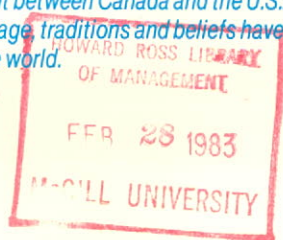
	1982	1981
	thousands of dollars per year or per share	
Revenue	\$ 244,396	\$ 109,625
Operating income	85,068	36,959
Net income (loss) operations	(13,322)	600
Equity income of Famous Players	—	2,424
<b>Net income (loss) before extraordinary items</b>	<b>(13,322)</b>	<b>3,024</b>
Gain on issue of treasury shares of Cablesare (loss on Famous Players in 1981)	2,784	(796)
<b>Net income (loss)</b>	<b>\$ (10,538)</b>	<b>\$ 2,228</b>
Per Share—before extraordinary items	\$(0.81)	\$0.10
—Net income (loss)	\$(0.68)	\$0.06

### At August 31

Total assets	\$ 901,502	\$ 420,895
Long term debt	566,684	163,628
Shareholders' equity	169,693	179,514
<b>Subscribers on service</b>	<b>2,046,000</b>	<b>1,398,000</b>



*A bridge at a border point between Canada and the U.S.A. These two countries, sharing a common heritage, traditions and beliefs have the closest bi-national partnership of any in the world.*



The events of the last three years have transformed Cablesystems from a Company serving approximately 600,000 subscribers, principally in the Province of Ontario, Canada, into one of the largest multiple cable system operators in North America with over 2 million subscribers. The 1982 fiscal year has seen the completion of this period of rapid growth and the continuing consolidation of an expanded operating base. With the process now well in hand, it is appropriate to review what has been accomplished and its significance for the future.

Our objective has been to create a “pure” cable company consisting principally of large urban cable systems. The Company’s exclusive focus on the cable business has meant a concentration of resources and management skills in an industry we believe has great growth potential. Cable technology provides an efficient multi-channel broadband system which has no competitive equal for delivering entertainment, information and educational services to the home. The demand for existing cable services has proven to be stable over time and the basic business is non-cyclical, or recession resistant, in character.

Most importantly, the industry is at an early stage in its life cycle and the frontiers of cable communications present opportunities for significant future revenue growth. Our business is retailing electronic services to homes and offices within our service areas. In the future, we will operate increasingly as a marketing company, retailing an expanding variety of entertainment, information and educational products. The prime markets for these products are the urban communities of North America, characterized by high population density, high disposable income and a high level of discretionary spending. To reach these markets, your Company’s strategy has been to build large urban cable systems grouped into two independent subscriber bases—one in Canada and one in the United States. When developed, each of these subscriber bases will generate approximately fifty percent of the Company’s gross revenue.

*Edward S. “Ted” Rogers, Vice Chairman and Chief Executive Officer with Ted Turner, Chairman of Turner Broadcasting System, Inc.*

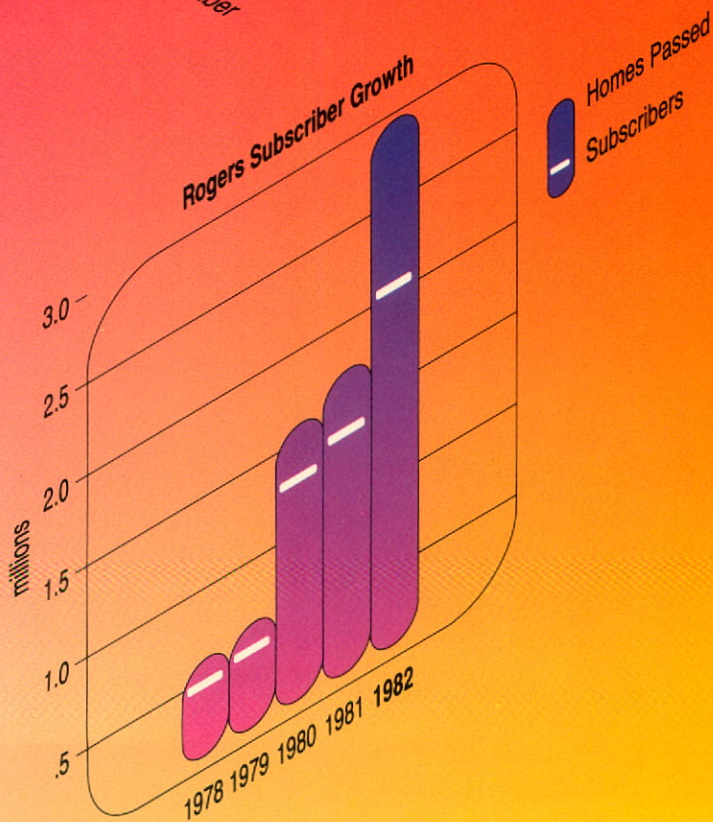
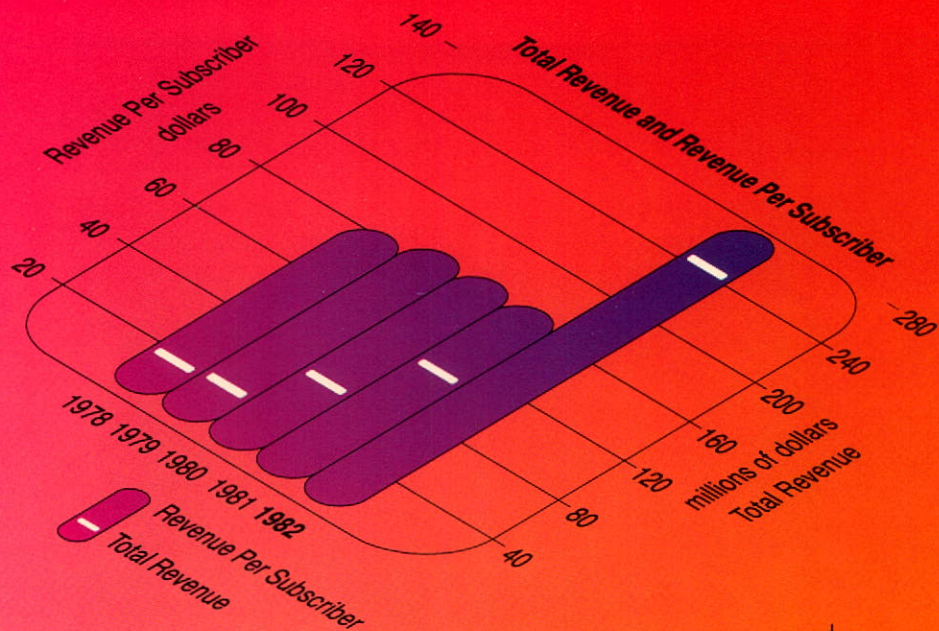


The first step was to expand the original Canadian base of operations. This was largely accomplished in 1980 through the acquisition of Premier Communications Limited, now Premier Cablesystems Limited, which almost doubled the number of subscribers and significantly increased the Company's size in Western Canada. In its application to the Canadian Radio-television and Telecommunications Commission the Company undertook to bring about programming and technical improvements and to implement other initiatives of importance to the Canadian broadcasting system. These commitments are being implemented and the operations of the two companies have been integrated. The head office of Premier Cablesystems Limited is in Vancouver, B.C.

The second step was to expand the Company's activities in the United States. The U.S. cable industry developed rapidly in the late seventies, driven by the availability of pay television and cable satellite services. A unique historical opportunity was taking place as cable franchises were granted in the country's major urban areas. Your Company was able to participate through U.S. subsidiaries in this process and secured the right to provide cable communications services in several cities including Syracuse, New York; Portland, Oregon; Minneapolis, Minnesota and in parts of Orange and Los Angeles Counties in California.

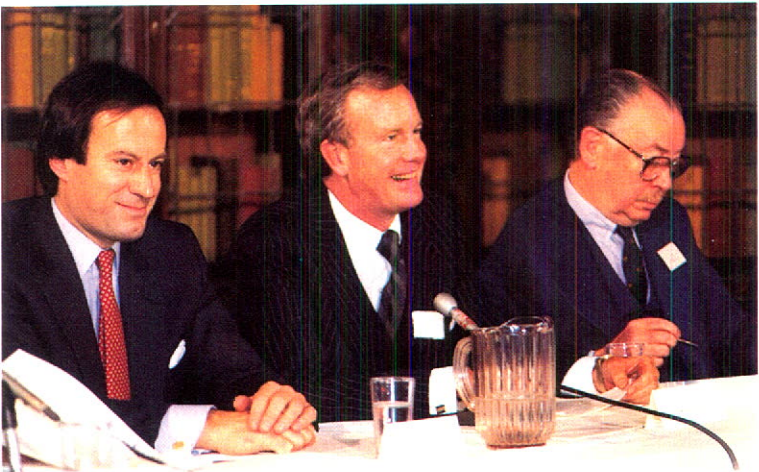
The U.S. expansion was substantially completed by the acquisition of a controlling interest in UA-Columbia Cablevision, Inc., now Rogers UA Cablesystems, Inc., which added a potential of over 1 million homes located in San Antonio, Texas; parts of Westchester County and Long Island, New York; parts of northern New Jersey and several areas in the Southern and Central U.S. states. The two U.S. subsidiaries, Rogers U.S. Cablesystems, Inc. (RUSCI) and Rogers UA Cablesystems, Inc. (RUAC) now constitute a combined potential of 1.7 million homes.

The U.S. expansion has involved the allocation of resources to the task of building new state-of-the-art cable systems. This has been a capital-intensive process which has inevitably entailed short-term sacrifice for medium and long-term gain. The 1982 fiscal year marked a most difficult period since the Company also faced high interest rates and



the need to expand the management group for its U.S. operations. The development of the U.S. subscriber base is proceeding according to plan. During 1982, the number of U.S. subscribers in systems operated by RUSCI more than doubled from 44,000 to 94,000 and when these systems are fully developed, this total should reach approximately 300,000. Similarly, the RUAC subscriber base has increased 20% during the year from 467,000 to 556,000. All of your Company's U.S. systems feature high penetration of pay TV services, which result in a much higher revenue per subscriber than in Canada.

While U.S. operations proceeded on track, key events in Canada also developed favourably. On March 18, 1982, the CRTC authorized the introduction of pay TV services by licensing several new pay TV networks. The introduction of pay TV will effect a transition in the nature of the Canadian cable business as the industry shifts from the passive role of distributing broadcasting to an active role in marketing discretionary services. Your Company has signed agreements with the networks serving its licensed areas and will begin offering pay TV to subscribers in February 1983. A discussion of the Company's preparations for pay TV in Canada is provided elsewhere in this report.



*From left to right, Senior Officers of Rogers Cablesystems Inc., Colin D. Watson, President, Ted Rogers, Chief Executive Officer and John W. Graham, Q.C., Chairman.*

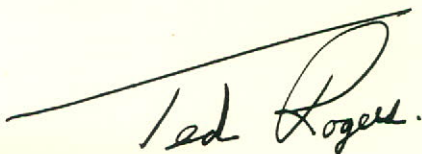


In other Canadian developments during the year, the Company has implemented significant cost savings in its operations to alleviate the effects of the recently introduced Federal wage and price guidelines. These guidelines will limit basic cable rate increases to 6% in 1982 and 5% in 1983. While this development did not strengthen the industry, several potentially positive Canadian regulatory developments have taken place. The CRTC will shortly consider the cable distribution of satellite programming services and the introduction of such services on a tiered basis. Licensing hearings may take place in early 1983, and it is anticipated that new North American services will subsequently be licensed for distribution in Canada.

Concurrent with the CRTC's review of the Canadian broadcasting system, the Department of Communications is considering overall national broadcasting strategy and the need to deal effectively with today's new communications technologies. It is anticipated that the Minister of Communications will make proposals in early 1983 which will reinforce the role of cable within the country's overall broadcasting strategy. This may result in a small increase in the general price level for cable services and a relaxation of regulatory constraints affecting the implementation of new services.

In conclusion, the events of the year leave the Company at an auspicious point in its history. We have successfully achieved strategic goals established to create earnings growth through the eighties and now operate a pipeline through which education, information and entertainment services can be retailed to more than three million North American homes. The era of in-home electronic communications is just beginning. The next few years will see the uses of the pipeline multiply as demand expands for new services and the transmission capacity of broadband becomes more fully exploited. Over these years, and with your continued support, your Company will claim a prosperous and exciting future.

Edward S. Rogers  
Chief Executive Officer

A handwritten signature in black ink, appearing to read "Ed Rogers", with a long horizontal line extending from the top left of the signature across the page.

## Canadian Cablesystems Limited

The Canadian operating properties of Rogers Cablesystems are held through Canadian Cablesystems Limited (CCL). This holding Company was created in August 1981 when the Canadian operations of the parent company were reorganized in order to simplify the corporate structure. The new Company wholly owns 15 cable communication systems in Ontario, Alberta and British Columbia, serving 1.2 million subscribers. The systems are all fully constructed and high levels of penetration, averaging 83% in Ontario, 72% in Alberta and 89% in British Columbia, have been established. All of the systems are located in urban markets and most are large systems, with an average subscriber base of 80,000. Through a subsidiary, CCL has a 45% interest in Western Cablevision Limited, a British Columbia cable company serving approximately 83,000 subscribers. It also operates other related interests including converter leasing and hotel pay TV businesses.

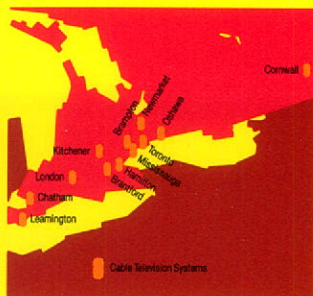
CCL's Ontario-based systems are held through Rogers Cable TV Limited and currently serve 756,000 subscribers in the southern part of the Province out of a potential of 909,000 homes in areas licensed to the company. These areas include the cities of Toronto, Mississauga, Brampton, Hamilton, Kitchener-Waterloo, London, Brantford, Newmarket and Oshawa all of which are linked by a multi-channel microwave grid which goes across Ontario. The grid provides a



*Toronto, Canada. An outstanding city and the headquarters of Rogers Cablesystems Inc.*



Southern British Columbia



Southern Ontario



Greater Toronto



canadian  
cablesystems limited

Areas of Activity

Calgary

distribution system for various programming services and can be used in the future for delivery of pay TV. The Metropolitan Toronto system acts as the principal focus and transmission point for the grid and is the largest cable system in the world spanning some 1,732 street miles and serving over 350,000 subscribers.

CCL's British Columbia properties are held through 100% owned Premier Cablesystems Limited. The largest of Premier's cable systems serves 244,000 subscribers in the City of Vancouver and the municipalities of Richmond and Burnaby, in the lower mainland of British Columbia. This was one of the first major urban cable systems to be built anywhere in the world. Since acquiring the system an extensive upgrade of its facilities has been completed, which involved the



*George A. Fierheller, President and Chief Executive Officer of Premier Cablesystems Limited.*

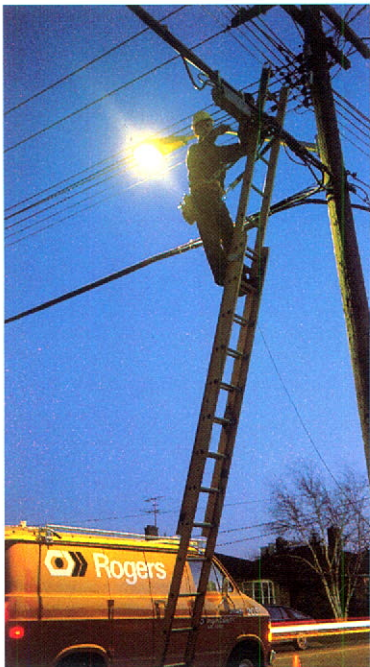
improvement of distribution plant and the replacement of amplifiers to provide significantly expanded channel capacity. Other systems in that province serve 48,000 subscribers in areas bordering Vancouver and 77,000 subscribers in the provincial capital of Victoria and its adjacent municipalities on Vancouver Island. CCL's Alberta subsidiary, Cablesystems Alberta Limited, serves 78,000 subscribers in the southern half of the City of Calgary.

The configuration of the Canadian systems illustrates a long-established policy of CCL to gain all possible economies of scale by clustering systems in specific geographical areas. This permits efficiencies in system operations and facilitates communications among Company staff and between the individual systems and head office. It is particularly important for system reporting, and the effective implementation of new managerial policies involving marketing and training.

System clustering also makes feasible local system interconnection

which is increasingly important for programming purposes. The Ontario microwave grid, for example, provides an interconnected regional network making possible a variety of signal transmission paths for cost effective programming distribution. Similarly, the Vancouver area systems are linked via microwave to a central distribution point.

CCL spends 2.5% of its regulated revenues on research and development and its in-house engineering arm, Cablesystems Engineering (CE), undertakes a range of activities relating to new applications of broadband technology. This division of CCL works closely with research laboratories and industry engineering groups and also carries out research work under contract to departments of the Canadian federal government. It has been responsible for the development and implementation of a variety of new service concepts including Cablesystems' two-way security alarm and interactive system which is currently



*Service technicians are constantly checking and upgrading the equipment to ensure customer satisfaction.*

being installed in most of the Company's U.S. systems.

The maintenance of high technical standards in all of the Company's systems is a continuing priority for CE. Most Canadian systems were originally constructed in the early seventies when "state-of-the-art" in cable technology implied lower channel capacity than is currently feasible. The expansion of capacity to accommodate a wider selection of services has recently been completed in most of CCL's systems, which now feature 27-plus channel capacity as a minimum.

Considerable emphasis is also placed on programming aspects of cable operations. All of CCL's systems engage in local program production and have their own dedicated colour production facilities. The systems collectively produce and exhibit many hours of original programming each week, providing an information and entertainment service of genuine value to the communities served. As an additional service enhancement, the systems distribute a variety of locally originated information services, several of which have been copied and subsequently introduced in cable systems across North America.

CCL is developing an integrated computer-

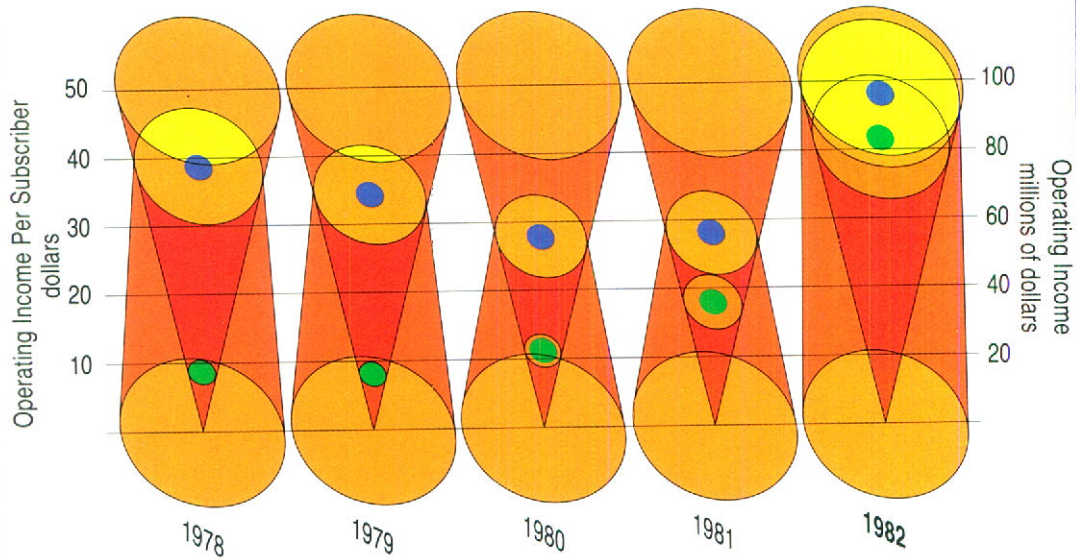
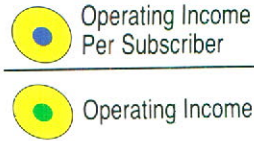


*Nick Hamilton-Piercy, Vice President, Engineering and Technical Services.*

*The Rogers Videocentre which distributes Pay TV programming to Ontario subscribers.*



## Operating Income and Operating Income Per Subscriber



controlled business system for cable applications which is unique in the industry. This "Supersystem", as it is known, accommodates the full range of business data requirements associated with subscriber management. These include order entry, billing, inventory control, accounts receivable, credit and collection, marketing and management reporting. In addition, Supersystem is integrated with an addressable control system that will permit subscribers to receive pay TV and other services on a discretionary basis. It has been designed on a modular

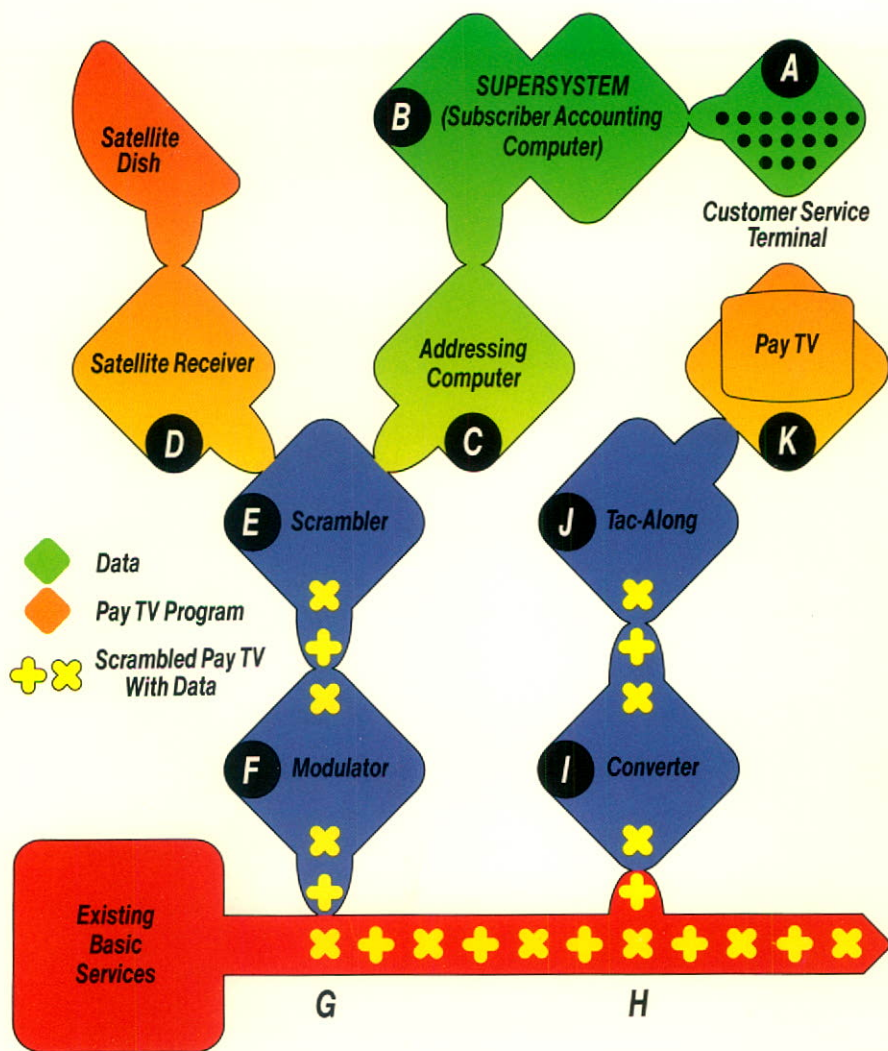
basis so that as they become available, new services can be controlled through the same system.

The development of Supersystem is indicative of CCL's overall emphasis on quality. The custom-built Supersystem involved the participation of as many as sixty specialists and the recent addition of addressable control functions now makes it one of the most advanced and comprehensive systems in the industry. The system will ultimately handle subscriber accounts for all CCL and RUSCI systems via two regional data centers located in Toronto and Vancouver.



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

## Supersystem/Zenith Addressable Pay TV Authorization



A customer representative uses a computer terminal (A) to directly enter a subscriber's pay TV service request into Supersystem (B). The subscriber's home address is first matched with an electronic address corresponding with the subscriber's Zenith descrambler. This address is then passed to an addressing computer (C) together with special code data for the required pay TV service. The address and code, together with pay TV programming from a satellite receiver (D) are passed to a scrambler (E) which scrambles the programming and combines it with all other address and code data. A modulator (F) puts the combined signal on a channel carried by the cable system (G). Outside the subscriber's home the signal is transmitted from the cable (H) via a converter (I) to the Zenith descrambler (J). If the descrambler finds an address in the signal which matches its own, it automatically processes the associated change of service codes and descrambles the programming (K).

1982 has brought continued progress for the Canadian operating group. The 1982 fiscal year closed with a net gain of more than 40,000 subscribers bringing the Canadian total to over 1,286,000 subscribers. Overall penetration of homes passed by CCL's systems stands at 83.8%. Significant gains were also made in the rental of converters. Almost 60,000 new converter customers were added, representing an increase of 48% from the previous year. While the converter rental business is highly competitive, since converters are widely available in retail stores, CCL now has over 200,000 leased converter customers. The Company's success in this business is partially due to an aggressive marketing program. Subscribers renting directly from the Company are fully protected against technical problems and product obsolescence.

Additions to fixed assets during the year totalled \$42.8 million. Major components of the program included converter expenditures of \$7.1 million and expenditures on new subscriber connections totalling \$5.9 million. Approximately \$3.5 million was spent on rebuild activity, including major rebuilds in the Vancouver, Calgary, Mississauga, Grand River, Pine Ridge and Brampton systems. Approximately \$6 million was allocated to the construction of new areas across Canada. Also, expenditures of \$1.9 million were incurred for the replacement of existing subscriber connections, most of which were spent on the conversion of apartment complexes so that each apartment could be individually served. This will make possible the transfer of apartment subscribers from bulk service to individually billed service which will result in higher revenues.

A major event of the year was the announcement on June 28 of the Federal Government's restraint program limiting regulated price increases to 6% in 1982 and 5% in 1983. It was subsequently determined that this program would apply to all cable television rate increase applications unless exceptional circumstances were cited. This had a direct impact on outstanding rate increase applications by CCL systems, of which 15 had been heard by the CRTC in April, May and June of 1982. These applications had sought rate increases ranging in the initial stages from \$1.50 to \$2.50. They were voluntarily reduced to comply with the guidelines and were approved in all but one case. As a result of the restraint program, anticipated 1983 revenues were reduced by \$12.6 million. To compensate for the shortfall, CCL has cut back expense levels by \$8.9 million annually and will defer \$10 million in capital expenditures.

1982 has been an active year for CCL's programming departments. In

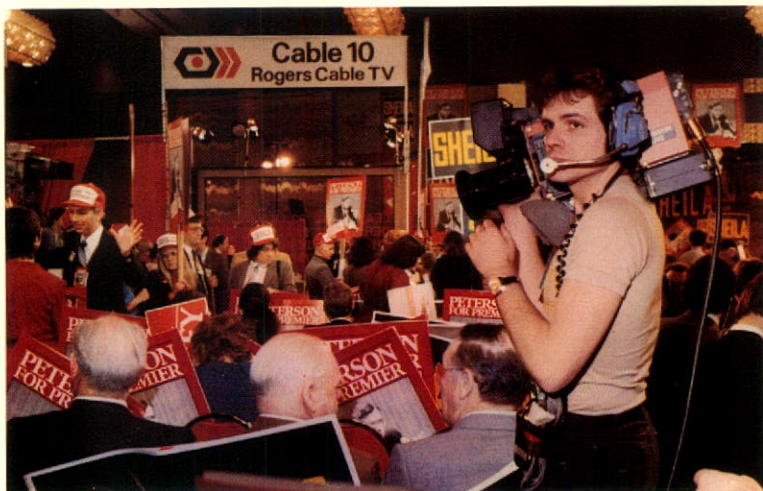


addition to community productions, several major programming events have taken place including coverage of the Ontario Liberal Party and NDP Leadership conventions. This coverage was extremely successful, receiving highly positive reactions from subscribers, politicians and the media. Complex production logistics were involved, including coordination of 12 convention floor cameras and 26 commentator/analysts.

The productions marked the first time that full time comprehensive television coverage has been provided for provincial political conventions. The programming was also made available to cable systems across Canada using satellite time provided free of charge by the CBC Network. Some 4 months of planning went into the work which required the participation of over 100 staff members. The live coverage was enhanced with pre-taped candidate profiles and historical features on the political parties. The productions illustrate that, when its resources are applied, cable can be fully competitive with broadcast networks in event coverage.



*Michael Jervis, Vice President, Operations West.*



*The Company provided excellent coverage of two leadership contests. Here, Mike McNamara operates a roving camera at the Ontario Liberal party leadership convention.*

## IMPLEMENTING PAY TV IN CANADA

### Authorization of Pay TV

In March 1982, the CRTC awarded licenses to six Canadian pay TV network applicants. This welcome decision concludes a lengthy period of pay TV evaluation by the regulator and will permit Canadian cable operators to begin offering these services to subscribers in February 1983. They include mass entertainment services, available in English and French, a national specialty service emphasizing the performing arts, three regional general interest services and one regional multicultural service. The services will each retail for about \$16 per month and discounts will be offered to subscribers taking more than one service.

A maximum of four services will be available in the areas in which the Company operates. First Choice is a national service, programming in two languages, which will feature movies, sports and entertainment specials and an ambitious schedule of original production. C-Channel is also a national service which will distribute cultural programming, international feature films, lively arts specials and programs for young people. Superchannel is a regional service, serving Ontario and Alberta, which will feature movies and sports programming. Finally, World View, operating exclusively in British Columbia, will feature multi-lingual programming of various kinds. An additional British Columbia regional service will be licensed shortly.



*Logos from the newly licensed pay television services. Service will begin in February 1983.*

### Delivering the Services

To facilitate the technical process of delivering multiple services, the Company will implement addressable descrambling technology in many of its systems. This highly advanced technology will permit the Company's systems to control reception of services. Each subscriber can be remotely authorized to receive the particular combination of services desired. This eliminates the requirement for costly service calls and simplifies the process of switching a subscriber from one

service to another or upgrading a subscriber from single to multiple service reception.

The Company will use Zenith addressable descramblers which are made in Canada and which can be connected to existing converters that are owned or leased by subscribers. These units employ the same technology as the U.S. built Zenith Z-tac addressable converters which the Company is using in its new-build U.S.

markets. The new unit, which Zenith has named the "Tac-along", uses sophisticated scrambling processes which provide a high degree of security against theft of service. In the event of nonpayment, the unit can be de-authorized from the system control point and will become nonfunctional. Each unit has its own unique address so that if stolen or connected illegally it will not operate.

Zenith's addressable technology is highly regarded by the cable industry. It provides a degree of protection for the system operator which cannot be matched by other pay TV control systems. Z-tac addressable converters in use in the Company's U.S. systems have reduced the incidence of theft, which remains a serious problem for many other U.S. operators. Moreover, the technology provides maximum flexibility for service tiering and the marketing of pay-per-view programming which the Company hopes to offer shortly. In 1983 the CRTC is expected to hold hearings to licence new satellite programming networks which may include theme channels featuring news, sports and music.

Most of the Ontario group of systems will be integrated within two regional distribution networks for reception and control of pay TV. The pay TV services will be received via satellite and scrambled at central control points in Toronto and in Kitchener. The scrambled signals will then be transmitted via microwave to the individual cable systems. The entire pay TV delivery system will be integrated with the Company's advanced data processing facility, Supersystem, which will provide centralized control of all subscriber marketing, authorization and billing functions. Supersystem has been specifically designed to accommodate the addition of addressable and future interactive service control functions and will greatly simplify the handling of subscriber account data.



*Bill Rogers, Vice President,  
Canadian Operations East.*

The Company has developed a marketing plan for pay TV in Canada which includes four distinct phases. Each phase is associated with a variety of promotional, selling and administrative functions geared to clearly established marketing objectives. The initial orientation phase covers a period of educational and preparatory activities within the Company. A comprehensive training program has been implemented with specially developed courses for direct sales representatives and business office staff. During this period the Company will also work closely with the various pay TV network distributors to coordinate national and local marketing and advertising strategies.

The second phase involves a pre-launch campaign aimed at soliciting customer orders. The campaign is being supported by promotional incentives in direct response advertising to encourage a maximum level of pre-launch sales. By connecting customers during this period the Company can improve the rate of service penetrations and avoid the bottlenecks often associated with making new pay TV services available. The third period covers the actual launch campaign. This will be a time of intense activity for the Company as the services are turned on. The sales program will be supported by advertising, direct mail and targeted marketing communications. As the number of pay subscribers rises, word of mouth recommendations will also have an effect on increasing sales. The Company has plans for an ongoing and extensive research program to "track" consumer opinion regarding pay television.



*Kevin Shea, Director of Marketing & Programming is responsible for the marketing of Pay TV services.*

The final phase will cover a continuing post-launch campaign aimed at extending service penetration and building customer retention. Media support, special promotions and direct mail will continue to be used, and the Company's system managers will mould these activities to the specific requirements of each individual market. It is anticipated that these tactics will help reduce the incidence of service "churn" which is the name given to the process of subscriber disconnection and reconnection.

*→ Live Pay TV concerts featuring sensational artists like Olivia Newton-John, will attract a lot of subscriber interest. These productions can be produced in Canada for a world market.*



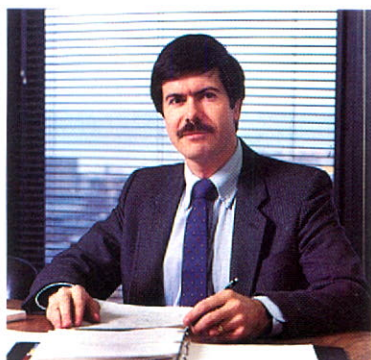


*David E. Friesen, Vice President, Administration and Control.*

The Company will introduce several new ideas in its pay TV implementation process. These include a self-installation program which will enable subscribers to make their own pay TV connections at a significant cost saving. The subscriber will receive a home installation kit which includes the descrambling unit, installation instructions and a program guide. The Company anticipates that as many as 30% of pay subscribers will self-install the service, speeding the rate of penetration and reducing the requirement for technician home calls. A number of Rogers Cable Centres will be established on an experimental basis where the kits can be distributed. Subscribers will eventually have an opportunity to rent computers, video tapes and discs and other home entertainment equipment from these centres.

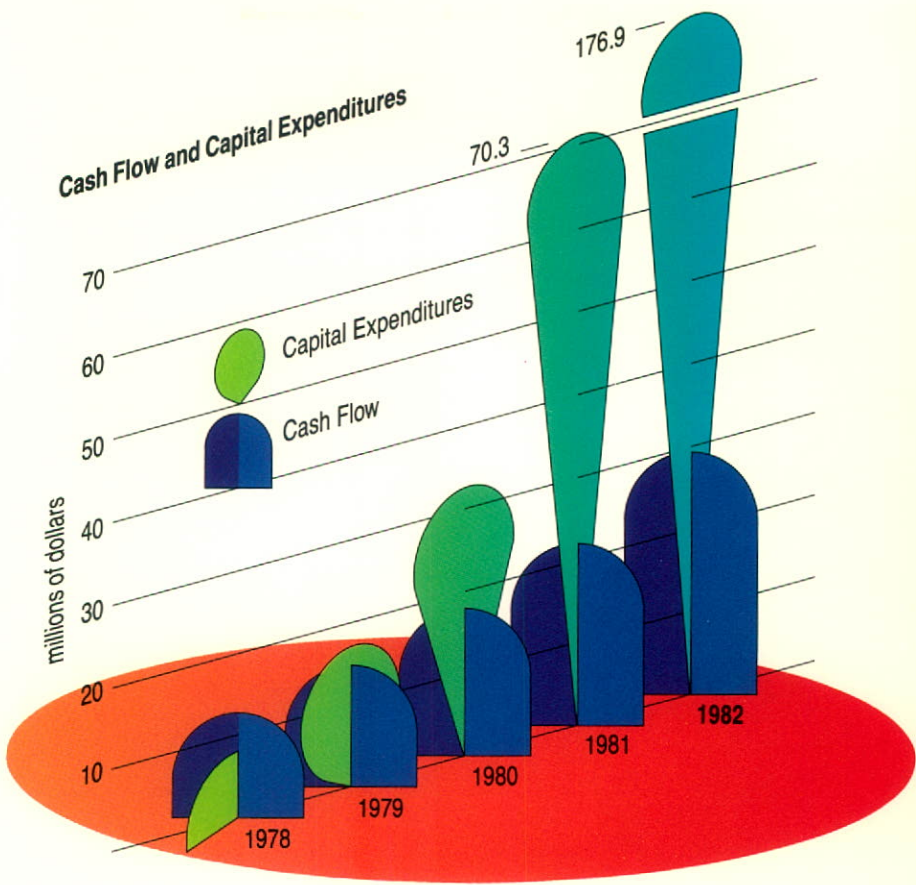
The Company also plans to program a special promotional channel which will be available to all cable subscribers. This "barker" channel will present a variety of programming relating to pay TV and will act as an ongoing source of information. It will contain excerpts from the programs available on the pay services as well as instructional messages on how to connect the descramblers, and on special promotions that are available.

The addressable control system will also permit use of the pay TV channels themselves for marketing purposes. When required, security for these channels can be switched off by the addressable system so that all subscribers can get a taste of the premium services being offered. This feature will allow for free preview periods or similar promotions that may be introduced in the future.



*Graham Savage, Vice President, Investment Planning.*

The Company's staff-training programs will be vital to the pay TV launch process. These programs have been developed in-house and represent a practical condensation of Canadian and US operating experience. An orientation program for all employees



provides general information on the pay TV services and their implications for the Company. Detailed pay TV training programs have been prepared for employees involved in technical, direct sales and customer service activities. Programs have also been developed in areas requiring specialized skills such as telephone sales. Each of the programs has been customized to the Company's specific requirements by incorporating the suggestions of work groups established for this purpose. The programs use techniques which include lectures, workshops, role playing, and the use of audio visual materials. Train-the-trainer techniques will also permit the continuing dissemination of information at the operating system level.

## U.S. OPERATIONS

### Overview

The Company controls two U.S. operating groups. One group is held through Rogers U.S. Cablesystems Inc. (RUSCI) and comprises cable franchises, most of which are currently under construction, awarded to affiliated companies and partnerships. These franchises include approximately 568,000 homes. When developed, these systems are expected to serve over 300,000 subscribers. The Company's share of those subscribers will be approximately 76% with various minority partners holding the balance. The second group is held through Rogers UA Cablesystems Inc. (RUAC) in which the Company holds a 51% interest. RUAC is one of the largest multiple system operators in the U.S. and holds franchises which include a potential of over 1.1 million homes. A total of 556,000 subscribers was on service at 1982 fiscal year end. By 1985 the total number of subscribers in cable systems operated by RUSCI and RUAC is anticipated to exceed one million.

*South Coast Plaza in Costa Mesa, California. The Company will be an applicant to provide cable service to this progressive southern California community.*





This has been an eventful year for RUSCI with construction proceeding in each of the Company's recently awarded franchise areas. More than 1,000 miles of cable have been laid and development of the new systems has advanced according to schedule. The construction rate has permitted most systems to be turned on within eight month of franchise award, meeting or exceeding commitments to the franchising authorities. Active subscriber marketing is taking place and the RUSCI subscriber base has more than doubled during the year so that over 94,000 subscribers were receiving service at year end. With the expansion of activity, RUSCI has grown substantially in size and complexity and separate operating groups now manage systems in New York, Minnesota, Oregon and California.

The Company's system in the City of Syracuse, New York, was the first U.S. franchise to be awarded to RUSCI. Construction of the system was completed in April 1980 and the system is now fully developed. Basic cable penetration exceeds 50% representing a



subscriber base of over 33,000. The system features interactive alarm technology which was developed by the Company and which has been operationally tested in Syracuse over the past few years. During 1982 the technology and its capabilities were evaluated under the terms of the City ordinance. The evaluation was highly favorable and, as a result, the alarm services will shortly be made available to all City residents.

The Minnesota system serves 61,000 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 the first subscriber was installed in October 1981. A total of over 14,000 subscribers was on service at fiscal year end, representing approximately 40% of homes passed by cable. The Minnesota group will be augmented in the near future by the addition of a franchise to serve parts of the City of Minneapolis. On March 31, 1982, the City Council voted to support a proposal under which a RUSCI subsidiary would serve six wards in the southern half of the City representing a potential of 73,000 homes. Another cable company, Storer Cable TV, will serve the Northern half of the City. The Company has recently negotiated and signed an ordinance with the City following a lengthy



*Minneapolis Mayor Donald Frazer signs an acceptance document of the cable TV franchise with Phil Lind, President of Rogers U.S. Cablesystems Inc.*

and controversial franchising process which has delayed the introduction of cable service for three years.

The Oregon system is under construction in the City of Portland. The franchise was awarded in June 1981 and has a potential of 119,000 homes. During the past year the first subscribers were connected to the system and by year end a total of over 12,000 subscribers were on service representing 37% of homes passed by cable. New installations are proceeding at a rate of approximately 500 per week.

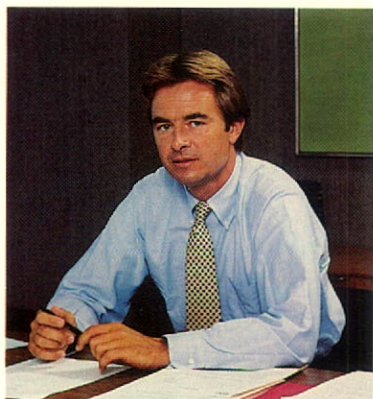
The Company's California operations are divided into two divisions and a third will be created shortly. The first serves the contiguous Cities of Huntington Beach, Westminster, Fountain Valley and Stanton in Orange County. Construction is nearing completion with more than 83,000 homes out of a potential 112,000 homes now passed by cable. During the year subscribers have increased by over 150% to a total of 28,000 at fiscal year end representing 35% of homes passed.

The second division includes several franchises serving the Cities of La Mirada, Rossmore, Garden Grove and Los Alamitos as well as pockets of unincorporated Orange County. The Garden Grove and Los Alamitos franchises were added to the division during the year and construction will begin in 1983. The La Mirada and Rossmore sections are substantially complete and more than 6,000 subscribers are currently receiving service. In total, the areas served by the division represent a potential of over 64,000 homes.

The third California division will operate a system serving 73,000 homes in the contiguous cities of Downey, Bell Gardens, Sante Fe Springs, Lynwood and Paramount in Los Angeles County. During the year a franchise agreement was negotiated by the Company and system construction began. The first subscribers were connected in December, 1982.



*Gretchen R. Frank, Director of Marketing and Programming, U.S. Operations.*



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



*Construction begins in Garden Grove, California. Two young, interested supervisors look on.*

The rapid growth of the RUSCI operating group reflects the Company's successful franchising record over the past three years. The areas served by the Company include many attractive cable markets which have been awarded following highly competitive selection procedures. While the Company has now completed its franchising activities in new areas, it will continue to seek franchises in selected communities which are contiguous to its existing systems.

## RUAC Report

Rogers UA Cablesystems, Inc. ranks eighth in size among U.S. cable television system operators, serving as of August 31, 1982, about 556,000 subscribers in 180 communities across 16 states. The Company's operations are concentrated in the southwest, principally Texas, and in the suburban communities surrounding New York City. Other operations are in the Pacific northwest, the central states and Florida.

More than half of the Company's subscribers are located in four major franchises which serve San Antonio, Texas, Northern New Jersey, and Westchester County and Long Island, New York. The San Antonio system, which serves the city and 20 suburban communities, is nearing completion and will pass approximately 330,000 homes. The Northern New Jersey system will serve over 275,000 homes while the systems in Westchester County and Long Island have a potential of over 151,000 homes each.



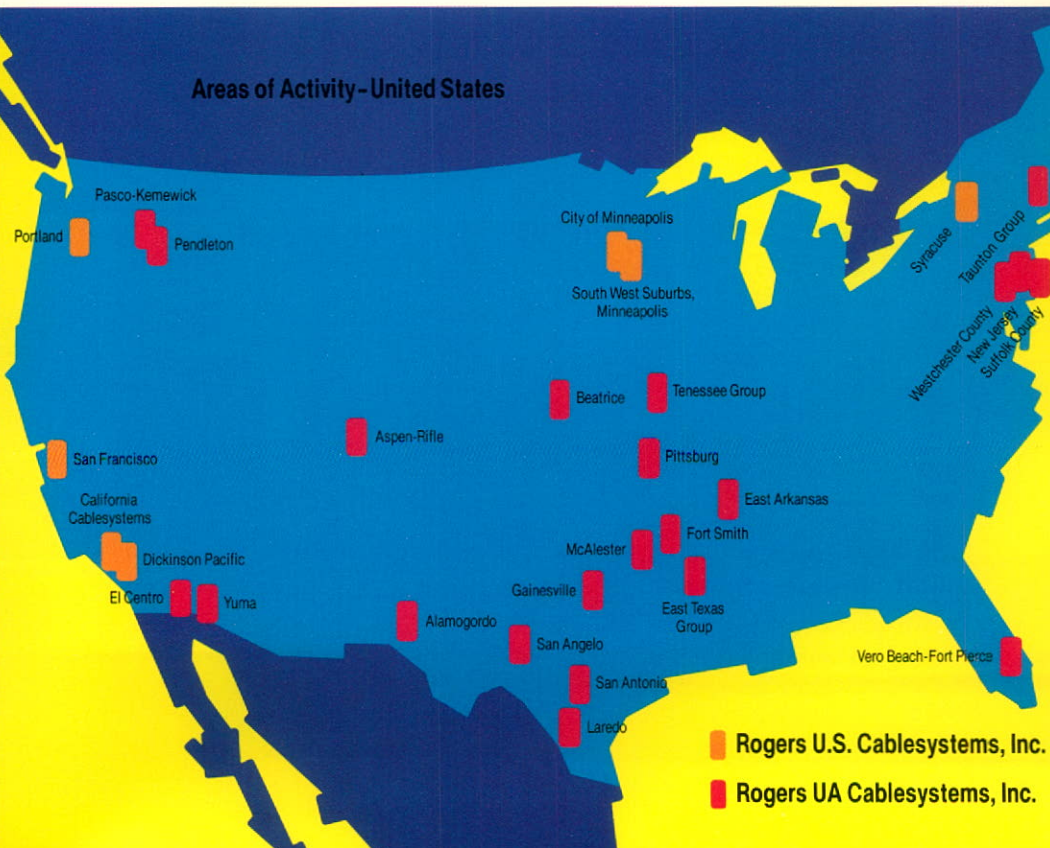
*San Antonio, Texas. The fastest cable growth area in RUAC.*

RUAC is divided into five operating divisions which in turn control 22 cable system groups. With the exception of a new system under construction in

Massachusetts, each of these groups is well established, growing and profitable. During the year RUAC systems have shown a net gain of 89,000 subscribers with major increases in the San Antonio, New Jersey and Westchester County systems. Service was initiated in the new Massachusetts system which will eventually pass over 24,000 homes in the cities of North Attleborough and Taunton.

The 1982 fiscal year has been a period of active system construction for RUAC. Capital expenditures during the year reflect this activity and were the highest in RUAC's history, totalling \$64 million. Most of these expenditures were made in San Antonio, where primary system construction will be completed in 1983, in Northern New Jersey, where construction is finished, and in Westchester County.

During the year RUAC's 50% ownership interest in the USA Network cable satellite service was sold to Time, Inc. for \$15 million in cash. The USA Network was the first proprietary basic cable programming service distributed by satellite to the industry. RUAC sold its interest in the network to realize the value created during its first four years of operation and to permit the Company's resources to be concentrated on new cable construction and operation.



RUAC's profitability, balance sheets and finances remain sound. During the year a long term financing was concluded with two of the Company's traditional insurance company lenders and a new credit agreement was reached with RUAC's banking group. The group, led by The Toronto-Dominion Bank, the Canadian Imperial Bank of Commerce, and The Chemical Bank, increased RUAC's 10-year bank credit facility from U.S. \$50 million to \$80 million while reducing the rate of interest charged. RUAC can now borrow funds for less than the official "prime" commercial rate. The availability of money on these terms is a testimony to the confidence of the financial community in the cable television industry in general and in RUAC in particular.

### Programming Services in the U.S.

The RUSCI and RUAC cable systems operate in a rich programming environment. Approximately 40 satellite programming services are currently available for cable distribution in the U.S. The emergence of these services since 1978 has permitted cable operators to offer subscribers an expanding variety and volume of programs and this development in turn has triggered the industry's recent rapid growth.

The new services fall into two principal groups. The first group consists of pay television services showing movies, sports and entertainment specials. These are packaged as separate channels, each channel being offered to subscribers for an additional monthly charge. More than 10 individual pay TV channels are currently available and several others are being developed. Recently, several new pay-TV services have been announced, providing programs that can be offered to subscribers on a pay-per-view basis.

The second group of services provides a wide variety of specialized programming aimed at different interests. While each service is distributed as an individual satellite channel, they are usually offered to cable subscribers as bundled packages of channels. These bundled packages are combined with broadcast and locally originated programming to create one or more tiers of service.

Each satellite network has a different subject focus such as news or sports, children's programs, rock musicians, religious programs or general interest material. Other services provide in-depth programming keyed to principle topics such as health, the weather, social services or government. Many of the services are advertiser-supported and a few involve a direct charge to the cable operator, usually based on the number of subscribers served.

# **satellite services**

## **Sports**

- ESPN - Entertainment and Sports Programming Network
- USA Network
- Madison Square Garden Network
- Prism

## **Women/Children/Minorities**

- Nickelodeon
- Daytime
- BET - Black Entertainment Television
- SIN - Spanish International

## **General Interest**

- SPN - Satellite Program Network
- MSN - Modern Satellite Network

## **Information**

- The Weather Channel
- CNN - Cable News Network
- CNN 2
- Satellite News
- BizNet
- FNN - Financial News Network
- Reuters Monitor
- AP News Service
- Dow Jones Cable News
- Weather Radar
- C-SPAN - Senate
- C-SPAN - House of Representatives
- UPI - Spanish Newswire
- North American Newstime
- Timetext

## **Religious**

- NJT - National Jewish Television
- CBN - Christian Broadcasting Network
- EWTN - Eternal Word Television Network
- NCN - National Christian Network
- PTL - Praise The Lord
- TBN - Trinity Broadcasting Network
- JTN - Jewish Television Network

## **Superstations**

- WGN - Chicago
- WOR - New York
- WTBS - Atlanta

## **Cultural/Music**

- ARTS
- MTV - Music Television
- Heartbeat Media Network
- Nashville Network

## **Educational/Health**

- ACSN - Appalachian Community Service Network
- Cable Health Network

## **Future Services**

- KidVid Network
- Aloha Network
- The Silent Network
- Magicable
- Cable Newspaper
- Satellite News 2
- Home Music Store
- UTV
- Video Mail Order
- Apollo Entertainment Television
- SPN-2
- The Channel Black
- Rock 24
- Buena Vision Channel
- Getty Sports

## **Pay TV Services**

- HBO - Home Box Office
- Showtime
- Galavision
- Bravo
- Home Theatre Network Plus
- Cinemax
- The Disney Channel
- The Movie Channel
- The Entertainment Channel
- Spotlight
- EROS
- Private Screenings
- The Playboy Channel
- The Games Network
- Don King Sports and Entertainment Network

While the precise selection of satellite services offered by RUSCI and RUAC varies from system to system, the more popular services are carried in most cases. These include pay TV services such as Home Box Office, The Movie Channel, Showtime and Cinemax; news services such as the Cable News Network; and sports services such as the Entertainment and Sports Programming Network. Other frequently carried satellite services include superstations from Atlanta, New York and Chicago and general interest services such as the USA Network and the Satellite Programming Network. An extremely successful recent addition to the satellite service menu is the Music Channel, a 24 hour service featuring rock and roll musicians.

The Cable News Network, one of the first satellite services to be introduced, well illustrates the attraction of specialized programming. The service offers 24-hour news programs developed by a large team of professional reporters and commentators. News stories are continuously updated and recycled so that viewers can catch the latest information at any time of the day.

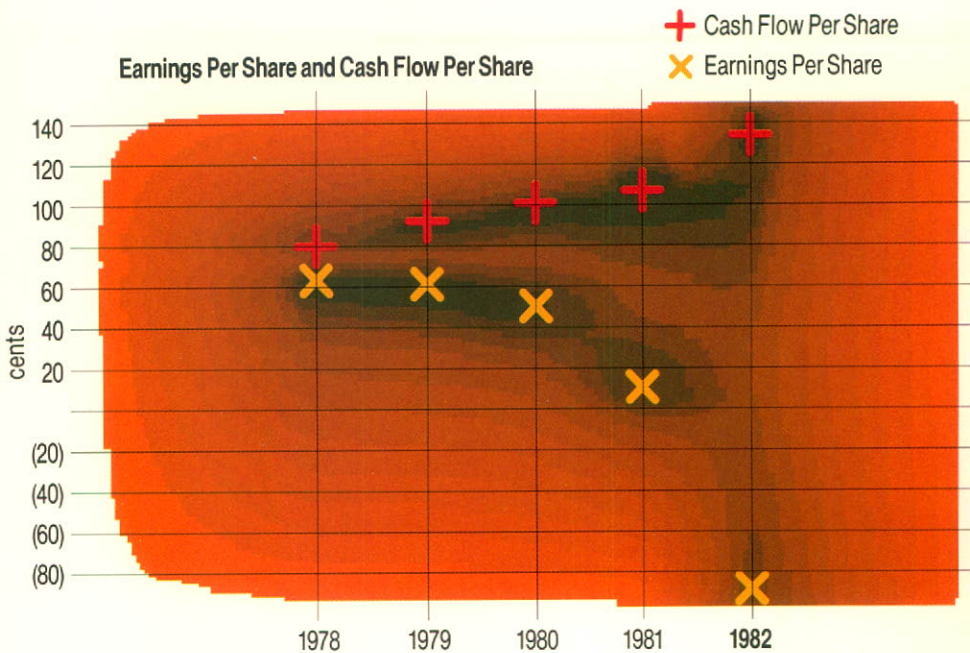
As more and more specialized services have become available, cable subscribers have benefitted from an expanded range of viewing alternatives. Cable systems have been able to act increasingly like magazine stores, catering to a wide range of special interests as well as providing mass appeal services. This trend toward what is known as "vertical programming" is made possible because cable is a channel-abundant medium, unlike many of its competing technologies such as subscription television (STV), multipoint distribution service (MDS) or direct broadcasting services (DBS).

The success of the satellite programming services has created a new revenue source for the cable industry through the sale of local and regional advertising availabilities. Advertising revenues are currently being generated by several RUSCI and RUAC systems and the future potential of this market is considered to be substantial. An important contribution to developing the market is the creation of interconnected networks of cable systems which allow availabilities to be marketed and inserted into programming on a regional basis.

### Pay Television Developments

RUSCI and RUAC systems have achieved excellent results in pay television marketing. At fiscal year end RUSCI systems reported approximately 132,000 pay TV service subscriptions, representing an





overall pay-to-basic ratio of 140%. This result illustrates the increasing importance of those subscribers who choose to take two or more pay TV services each month. This multiple subscription practice is particularly evident in many of RUSCI's new systems. For example the pay-to-basic ratio in Southwest Minneapolis is 200% while in Portland the ratio is 164%. The newer RUAC systems also show high pay-to-basic ratios. The large San Antonio system, for example has achieved a ratio of 184%.

During the year, regular pay-per-view service was introduced in RUSCI's Portland and Southwest Minneapolis systems. This service permits subscribers to purchase individual programs and, in particular, programs of outstanding value or interest. Broadway plays, major fights, musical concerts featuring groups such as The Who and recently released motion pictures have all been well received by RUSCI subscribers. Pay-per-view programs have achieved penetrations ranging from 5% to 25% of basic service subscribers. As two-way technology is implemented, pay-per-view programs may also be selected by subscribers on an impulse-purchase basis, using special home terminal units. Such impulse-purchase capability is considered important for the future development of pay-per-view since experience shows that most potential pay-per-view subscribers make their purchase decisions less than two hours before the event.



## FINANCIAL REVIEW

### Subscribers and New Franchises

The Company's major expansion program, which began in fiscal 1979 from a base of 467,000 Canadian subscribers was concluded in November 1981 with the purchase of Rogers UA Cablesystems, Inc. (RUAC) serving approximately 500,000 U.S. subscribers. The subscriber position at August 31, 1982 is shown by the following table, which represents 100% of subscribers in all systems in which the Company holds an interest:

	Cable Subscribers (penetration of homes passed)	Pay TV Units (pay to cable penetration)	Homes Passed by Cable	Homes in Licensed or Franchised Areas (estimate)
<b>CANADA</b>	1,286,000 (84%)	Not applicable	1,538,000	1,555,000
<b>UNITED STATES</b>				
Rogers U.S. Cablesystems, Inc. (RUSCI)	94,000 (40%)	132,000 (140%)	234,000	568,000
Rogers UA Cablesystems, Inc. (RUAC) (51% owned, but repre- sents 100% of subscribers)	556,000 (54%)	546,000 (98%)	1,035,000	1,221,000
	<u>650,000</u>	<u>678,000</u>	<u>1,269,000</u>	<u>1,789,000</u>
<b>IRELAND</b>	110,000 (78%)	Not applicable	141,000	147,000
	<u>2,046,000</u>	<u>678,000</u>	<u>2,948,000</u>	<u>3,491,000</u>

The Company's U.S. investments are held by two companies, Rogers U.S. Cablesystems, Inc. (RUSCI-100% owned) and Rogers UA Cablesystems, Inc. (RUAC-51% owned). RUSCI systems are still under construction as the table indicates. On completion of construction, RUSCI will pass virtually all of the homes in its franchise areas.

During 1982, RUSCI was awarded franchises covering 192,000 U.S. homes, 119,000 in the Los Angeles area in Southern California and 73,000 in Minneapolis, Minnesota. The Minneapolis franchise covers the southern half of the City, and is contiguous to the Company's recently constructed suburban system. This franchise was awarded after an extended period of negotiations that began in 1979.

Of the seven RUSCI cable franchises acquired, construction has been completed in two, three others will be completed within 14 months and completion is scheduled in the remaining two by the fall of 1984.

RUAC's franchises, except for four, are mature systems. Of these, construction is complete in two with completion scheduled for December 1983 for a third, (San Antonio) and August 1983 for the fourth (an area in Massachusetts).

The construction schedule of incomplete areas at August 31, 1982 is shown by the following table.

	Estimated Completion Date	Homes Passed by Cable August 31, 1982	Homes in Franchised Areas
<b>RUSCI</b>			
Dickinson Pacific Cablesystems (50% owned)			
Southern California	December, 1983	83,000	112,000
Cablesystems Pacific (67% owned)			
Portland, Oregon	February, 1984	33,000	119,000
California Cablesystems, Inc. Rossmoor/La Mirada Group (100% owned)			
Southern California	March, 1984	16,000	64,000
California Cablesystems, Inc. Downey Group (100% owned)			
Southern California	December, 1983	Nil	73,000
Minneapolis Cablesystems Inc. (100% owned), Minneapolis, Minnesota	September, 1984	Nil	73,000
Minnesota Cablesystems – Southwest (82% owned) Minneapolis area, Minnesota	Completed December, 1982	36,000	61,000
<b>TOTAL RUSCI</b>		<b>168,000</b>	<b>502,000</b>
<b>RUAC</b>			
San Antonio, Texas	December, 1983	267,000	330,000
Taunton, Massachusetts group	August, 1983	6,000	24,000
<b>TOTAL RUAC</b>		<b>273,000</b>	<b>354,000</b>
<b>GRAND TOTAL</b>		<b>441,000</b>	<b>856,000</b>

Cable penetration remained constant in all areas of the Company, although both subscribers and homes passed increased significantly in the RUSCI and RUAC U.S. groups as a result of cable construction.

Canadian subscribers increased by 42,000; 26,000 in Ontario, 9,000 in British Columbia and 7,000 in the Calgary system. This represents a growth rate of 3.4%, approximately the historical trend. The Canadian systems had no pay television subscribers at August 31, 1982. Pay television in Canada is being offered beginning February 1, 1983.

Subscribers in systems in which RUSCI holds an interest increased by 50,000 to 94,000 by year end. Pay services increased from 50,000 to 132,000 pay units, a year-end penetration of 140% of basic subscribers. All systems (except Syracuse which was fully constructed in 1981) contributed to this rapid growth, which resulted from cable construction. The new Portland and Minnesota franchises which had no subscribers in 1981 added 27,000 cable subscribers and 49,000 pay units during 1982. The remainder of the increase resulted from the Southern California systems, Dickinson Pacific Cablesystems (50% owned) and California Cablesystems, Inc. (100% owned)

The RUAC subscribers and pay units increased by 89,000 and 154,000 respectively to 556,000 cable subscribers and 546,000 pay units at August 31, 1982. RUAC's pay penetration (pay units as a percentage of cable subscribers) increased to 98.2%, and has since passed 100%, mainly as a result of cable construction in new areas that typically offer more than one pay service and therefore have a higher pay penetration.

RUAC's San Antonio, Texas system added 53,000 cable subscribers and 99,000 pay units during the year as its construction progressed. Other areas contributing to the increase from construction were the New Jersey group, (11,000 cable subscribers and pay units) the Massachusetts system, (3,000 cable subscribers and 5,000 pay units) and the Westchester County, New York system (11,000 cable subscribers and 14,000 pay units). The remainder of the increase of 11,000 cable subscribers and 25,000 pay units resulted from normal subscriber growth in mature systems as well as increased marketing efforts designed to increase pay penetration.

#### **Acquisition of Rogers UA Cablesystems, Inc. (RUAC)**

This acquisition of a 51% interest was completed at the end of November 1981, for a cost of CDN \$185.8 million, of which \$162.9 million was expended in the 1982 fiscal year and \$22.9 million in fiscal 1981. The acquisition was financed by term bank loans.

The acquisition added almost 500,000 U.S. subscribers. As required by Generally Accepted Accounting Principles, 100% of the financial results of RUAC are included in the Company's financial statements effective December 1, 1981, the beginning of the Company's second quarter. The 49% minority share of RUAC's earnings and net assets are included as a deduction from earnings and as a liability on the 1982 consolidated statement of income and balance sheet respectively.

### **Canadian Restraint Program**

The Canadian Federal Government instituted a 2 year restraint program in July 1982 designed to reduce inflation. This program has become popularly known as "6 and 5".

The program limits public sector and public sector controlled wage and price increases to 6% in the first year and 5% thereafter. Basic cable rates in Canada are covered by this "6 and 5", since Canadian cable rates are governed by the Canadian Radio-television and Telecommunications Commission, a Federal regulatory body. All of the Company's Canadian systems except Hamilton and Calgary were granted a 6% rate increase effective September 1, 1982 and a 5% increase effective July 1, 1983. All rate increase applications previously applied for but not granted were withdrawn by the Company. Calgary had received a 9% rate increase in May 1982. The Company expects to file rate increase applications for its Calgary and Hamilton systems, and when special circumstances warrant, for other systems.

The Company responded to this basic cable revenue limitation by cutting fiscal 1983 budgeted operating expenses and capital expenditures by approximately \$10 million dollars each to offset the corresponding decrease in budgeted revenue. These decreases were accomplished by re-examining the basic resources required to efficiently operate the Canadian cable operations. Unfortunately, this necessary realignment resulted in the elimination of 138 full time jobs and the closing of the Company's cable bureaus in Ottawa, Toronto and Victoria.

### **Pay Television in Canada**

Your Company is launching Canadian pay television beginning February 1, 1983. The Company's offices began taking orders in December. The response to date has been positive and the Company expects to meet its advance order target by launch date.

A minimum of three channels will initially be offered in each system, except the Victoria, British Columbia system which will offer two.

A national general interest channel (First Choice Canadian Communications Corporation) will offer current movies, sports, and variety specials. Your Company will offer First Choice to all its Canadian subscribers.

A regional general interest channel (Superchannel) will be offered to subscribers in Ontario and Alberta. This general interest channel will offer substantially the same type of entertainment as the national general interest channel.

In addition, a national cultural channel (C Channel) will be offered in all systems featuring childrens programming, classical films and performing arts and a regional multicultural channel will be offered in mainland British Columbia featuring movies and sports in five European and Asian languages.

The cost of each service (except the British Columbia cultural channel) will be approximately \$16.00 with various discounts to those who purchase more than one service.

### Revenue

Revenue more than doubled from 1981 to \$244.4 million in 1982. The results of RUAC included for 9 months (which was consolidated effective December 1, 1981) contributed \$100 million of the \$134.8 million increase. The U.S. Systems owned by RUSCI added \$14 million resulting from cable construction. Canadian rate increases and subscriber growth added \$19 million, while the remaining \$1.8 million arose from the acquisition of another Irish system in August 1981.

Revenue per subscriber increased from \$85.58 to \$138.87, the bulk of the increase coming from the United States which has substantially higher per subscriber revenue because of pay services offered. Canadian revenue per subscriber increased 16% from \$83.34 in 1981 to \$96.96 in 1982, primarily from rate increases.

### Operating Costs and Expenses

Operating expenses increased generally in proportion to the increase in revenue resulting in operating income of \$85.1 million (34.8% margin) as compared to \$37.0 million in 1981 (33.7% margin). Depreciation and amortization as a percentage of revenue remained relatively constant however interest expense increased dramatically.

The operating margin in Canada declined from 37.6% in 1981 to 34.6% in 1982 as a result of rate increases not keeping pace with inflationary cost increases. This decrease was offset by higher margins in the United States operations owned by RUSCI (which increased from 6% in 1981 to 31% in 1982) and from the operations of Rogers UA Cablesystems, Inc. (RUAC) which attained an operating margin of 35%.

Interest expense increased to \$65.5 million from \$19.3 million a year earlier. Of the \$46.2 million increase, RUAC's results consolidated for nine months contributed \$13.0 million and interest on the \$185.8 million bank loan obtained to purchase the 51% interest in RUAC contributed an additional \$25 million. The remainder of the increase resulted from increased construction loans in RUSCI and from high interest rates on the Company's prime related debt.

### Net Income

The increase in interest expense and depreciation has more than offset the increase in operating and other income. The result is a \$14.5 million loss before tax, minority interest and extraordinary items as compared to an income of \$2.1 million in 1981. Tax recoveries of \$4.6 million net of minority interest in income of subsidiaries of \$3.4 million has reduced this to a loss before extraordinary items of \$13.3 million (81¢ per share) as compared to an income before extraordinary items of \$3.0 million (as restated) in 1981

(10¢ per share). An extraordinary gain of \$2.8 million has reduced the net loss to \$10.5 million (68¢ per share) as compared to a net income of \$2.2 million in 1981 (6¢ per share).

During the year, Cablesare, the computer services company in which your Company had a 50% interest issued shares to the public resulting in the \$2.8 million extraordinary gain and a dilution in Roger's ownership to 37%. In fiscal 1982, Cablesare changed its accounting practice and expensed all development costs which had previously been deferred and amortized over their estimated useful life. This more conservative treatment was adopted to eliminate the possibility of any significant future write offs. This change has increased the Company's loss for 1982 by \$0.6 million and decreased net income for 1981 (which has been restated) by \$0.4 million.

### Cash Flow and Capital Expenditures

Funds received from operations increased to \$29.5 million from \$21.9 million in 1981 as a result of higher operating income partially offset by increased debt charges. Capital expenditures increased to \$177.2 million from \$70.3 million in 1981. Of this \$106.9 million increase, Rogers UA Cablesystems, Inc. accounted for \$66.4 million and the Company's other U.S. operations, largely under construction accounted for \$33.5 million. The remainder of the increase occurred primarily in the Company's Canadian operations.

The U.S. expansion has increased cable construction loans in RUAC by \$39.3 million in the nine months since acquisition and by \$34.8 million in RUSCI over the 12 months. This cable expansion will continue in fiscal 1983 although the continuing maturity of the new cable systems is expected to impact favorably on funds from operations as well as decrease the level of capital expenditures.

### Long-Term Debt

The long-term debt by group is shown in the following table:

	1982	1981
	\$000's	
The parent Company and Canadian subsidiaries	\$334,248	\$124,551
Rogers U.S. Cablesystems Inc. (RUSCI)	70,228	35,422
Rogers UA Cablesystems, Inc. (RUAC)	159,385	
Dublin Cablesystems Limited	2,823	3,655
	<u>\$566,684</u>	<u>\$163,628</u>

As the table indicates, total long-term debt increased by \$403.0 million to \$566.7 million at August 31, 1982. The internal debt of RUAC whose results are consolidated effective December 1, 1981 accounted for \$159.4 million of the increase and construction term loans in RUSCI accounted for a further \$34.8 million. The debt of the parent Company and its Canadian sub-



subsidiaries increased by \$209.7 million from 1981 to \$334.2 million primarily as a result of the \$162.9 million drawn down in 1982 to complete the \$185.8 million purchase of the 51% interest in RUAC.

Substantially all of the RUSCI debt, and approximately 50% of the RUAC debt are term loans with interest based on a combination of the United States prime and the London Interbank Offered Rate (LIBOR). The Company has recently arranged to convert one of the RUSCI loans to long-term fixed rate financing.

Of the \$334.2 million debt of the Company and its Canadian subsidiaries, \$282.7 million is comprised of term bank loans, mostly in United States funds. These term bank loans carry an interest rate based on a combination of prime and LIBOR and were incurred mainly for the acquisition of RUAC mentioned above and for equity investments in RUSCI's U.S. systems.

The Company's U.S. construction activities in RUSCI are financed, as to debt by term loans with repayment scheduled from the cash flow the cable system generates. Term financing has been arranged for all RUSCI cable systems except for the latest franchise award, Minneapolis. Financing terms are presently being negotiated for that project. The Company's equity contributions have also been completed, except for Minneapolis (after having made the final \$1.5 million contribution to California Cablesystems, Inc. in the late fall of 1982).

Financing arrangements are also in place for RUAC, which has arranged a revolving credit and term loan of U.S. \$80 million in June 1982. At August 31, 1982, U.S. \$29 million remained available under that credit facility.

The Company's management is now negotiating fixing a portion of the parent Company's \$282.7 million floating rate term bank loans. The recent decline in interest rates and more favorable credit markets have not only substantially reduced the Company's interest costs, but have also made available the opportunity to reduce the impact of any future increase in short-term interest rates and to provide adequate credit lines for the Company's current commitments.

#### **Dividends**

A dividend of 6-1/4¢ per Class B share was paid September 30, and December 31, 1981 and March 31 and July 30, 1982. No dividends have been paid since that date.

The Company announced in October that it had suspended dividend payments on the Class B shares to conserve the Company's cash resources which were needed for pay television in Canada and United States cable construction.

## FIVE YEAR FINANCIAL HISTORY

	1978	1979	1980	1981	1982
	\$000's except per share amounts				
<b>Income &amp; Cash Flow</b>					
Income (loss) before following Equity in earnings of Famous Players	\$ 5,273	\$ 4,346	\$ 1,710	\$ 600	\$ (13,322)
Income (loss) before extraordinary items	4,618	5,484	6,902	2,424	—
Cash flow from operations	\$ 12,556	\$ 14,833	\$ 17,614	\$ 21,884	\$ 29,519
Capital expenditures	8,085	17,030	32,409	70,332	177,216
<b>Balance Sheet</b>					
Current assets	\$ 13,575	\$ 16,448	\$ 24,537	\$ 27,976	\$ 34,396
Investments	37,545	39,197	60,247	106,290	69,507
Fixed Assets	35,457	44,913	135,222	186,105	526,525
Goodwill & deferred charges	25,394	25,242	86,099	100,524	271,074
	\$111,971	\$125,800	\$306,105	\$420,895	\$901,502
Current liabilities	\$ 12,784	\$ 13,957	\$ 43,675	\$ 52,730	\$101,268
Long-term debt	11,461	14,723	125,087	163,628	566,684
Deferred taxes & exchange gain	6,381	6,613	15,234	21,342	21,984
Minority interest	220	881	4,665	3,681	41,873
Equity	81,125	89,626	117,444	179,514	169,693
	\$111,971	\$125,800	\$306,105	\$420,895	\$901,502
<b>Average shares outstanding</b>					
(thousands)	16,059	16,288	17,418	20,561	22,037
<b>Per share</b>					
Income (loss) before extraordinary items	\$ .62	\$ .60	\$ .50	\$ .10	\$ (.81)
Cash flow from operations	.78	.91	1.01	1.06	1.34
Shareholders' equity ***	5.01	5.47	6.10	6.46	5.66
<b>Share price*</b>					
Canada Class A high (\$Cdn)	\$ 4.75	\$ 7.13	\$19.50	\$17.88	\$10.00
low	3.00	4.25	5.38	6.38	5.13
Class B high	—	6.50	17.00	16.25	9.88
low	—	6.25	5.50	6.38	5.25
U.S.** Class A high (\$U.S.)	—	—	16.88	—	—
low	—	—	4.50	—	—
Class B high	—	—	14.75	13.25	8.38
low	—	—	4.38	5.63	4.00
<b>Subscribers</b>					
Cable subscribers	467,000	503,000	1,301,000	1,398,000	2,046,000
Homes passed	616,000	664,000	1,597,000	1,732,000	2,948,000

\*Calendar years to November 30, 1982

\*\*Representative lowest bid prices and highest ask prices

\*\*\*Excluding preferred shares

## CABLE SUBSCRIBER GROWTH

	CANADA	UNITED STATES			IRELAND	TOTAL
		RUSCI**	RUAC**	TOTAL		
<b>1982</b>						
*Homes in licensed areas	1,555,000	568,000	1,221,000	1,789,000	147,000	3,491,000
Homes passed by cable	1,537,612	234,425	1,034,782	1,269,207	141,059	2,947,878
<b>Subscribers</b>	<b>1,285,898</b>	<b>94,374</b>	<b>556,091</b>	<b>650,465</b>	<b>109,710</b>	<b>2,046,073</b>
Penetration	83.6%	40.3%	53.7%	51.2%	77.8%	69.4%
Pay TV subscription units	—	131,802	546,332	678,134	—	678,134
Penetration	—	139.7%	98.2%	104.3%	—	33.1%
<b>1981</b>						
*Homes in licensed areas	1,500,000	379,000	1,133,000	1,512,000	138,000	3,150,000
Homes passed by cable	1,485,554	109,244	858,254	967,498	137,236	2,590,288
<b>Subscribers</b>	<b>1,243,692</b>	<b>44,206</b>	<b>467,044</b>	<b>511,250</b>	<b>109,867</b>	<b>1,864,809</b>
Penetration	83.7%	40.5%	54.4%	52.8%	80.1%	72.0%
Pay TV subscription units	—	50,447	391,919	442,366	—	442,366
Penetration	—	114.1%	83.9%	86.5%	—	23.7%
<b>1980***</b>						
*Homes in licensed areas	1,455,000	170,000	1,049,000	1,219,000	137,000	2,811,000
Homes passed by cable	1,437,997	65,000	721,923	786,923	136,389	2,361,309
<b>Subscribers</b>	<b>1,200,131</b>	<b>27,427</b>	<b>379,067</b>	<b>406,494</b>	<b>107,099</b>	<b>1,713,724</b>
Penetration	83.5%	42.2%	52.5%	51.7%	78.5%	72.6%
Pay TV subscription units	—	22,042	251,636	273,678	—	273,678
Penetration	—	80.4%	66.4%	67.3%	—	16.0%
<b>1979</b>						
*Homes in licensed areas	1,600,000	65,000	628,000	693,000	133,000	2,426,000
Homes passed by cable	1,580,851	31,540	529,734	561,274	132,994	2,275,119
<b>Subscribers</b>	<b>1,280,436</b>	<b>10,320</b>	<b>301,273</b>	<b>311,593</b>	<b>102,667</b>	<b>1,694,696</b>
Penetration	81.0%	32.7%	56.9%	55.5%	77.2%	74.5%
Pay TV subscription units	—	9,241	151,754	160,995	—	160,995
Penetration	—	89.5%	50.4%	51.7%	—	9.5%

\*Estimate \*\*Rogers US Cablesystems, Inc., Rogers UA Cablesystems, Inc.

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

## DIVIDENDS PAID

		1982	1981
		Class B shares	
<b>Regular Cash Dividends</b>	First Quarter	6.25¢	6.25¢
	Second Quarter	6.25¢	6.25¢
	Third Quarter	6.25¢	6.25¢
	Fourth Quarter	6.25¢	6.25¢

## SHARE PRICE AND VOLUME (CALENDAR YEAR)

		CLASS A			CLASS B		
		High	Low	Shares Traded	High	Low	Shares Traded
<b>TORONTO AND MONTREAL STOCK EXCHANGES (\$CDN)</b>							
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
	4th quarter	11.13	7.25	215,800	11.25	7.50	771,482
1982	1st quarter	10.00	6.88	288,390	9.88	6.75	422,120
	2nd quarter	9.00	5.75	101,940	9.00	5.88	229,300
	3rd quarter	9.00	5.13	106,400	9.00	5.25	394,900
	October & November	9.50	7.00	114,850	9.63	7.00	325,176

## NASDAQ (\$US)\*

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
	4th quarter		9.50	6.00	3,423,367
1982	1st quarter		8.38	5.38	2,119,365
	2nd quarter		7.31	4.56	1,234,565
	3rd quarter		7.38	4.00	1,566,599
	October & November		7.88	5.75	1,485,357

\*Over-the-counter market. Representative lowest bid prices and highest ask prices.

ROGERS CABLESYSTEMS INC. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME  
YEAR ENDED AUGUST 31, 1982

	1982	1981
	\$000's	
Revenue		
Cable services	\$173,541	\$ 95,584
Rental of converters	12,388	8,063
Pay television	58,467	5,978
	<u>244,396</u>	<u>109,625</u>
Operating, general and administrative expenses	159,328	72,666
Operating income	85,068	36,959
Depreciation and amortization	42,806	18,084
Interest on long-term debt	64,242	17,581
Other interest	1,219	1,692
	<u>(23,199)</u>	<u>(398)</u>
Gain on sale of tax benefits (note 12(b))	6,715	
Equity in income (loss) of associated companies	(344)	253
Other income (expense)	(2,957)	585
Investment income	5,324	1,666
Income (loss) before the undernoted items	<u>(14,461)</u>	<u>2,106</u>
Income taxes		
Current recovery	(368)	(895)
Deferred (reduction)	(4,187)	3,877
	<u>(4,555)</u>	<u>2,982</u>
Loss from cable operations and investment income	(9,906)	(876)
Minority interest in loss (income) of subsidiary companies	(3,416)	1,476
Equity in income of Famous Players Limited		2,424
Income (loss) before extraordinary items	(13,322)	3,024
Extraordinary items (note 9)	2,784	(796)
NET INCOME (LOSS)	<u>\$ (10,538)</u>	<u>\$ 2,228</u>
EARNINGS PER SHARE (note 10)		
Before extraordinary items	\$(0.81)	\$0.10
Net income (loss)	\$(0.68)	\$0.06

**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**YEAR ENDED AUGUST 31, 1982**

SOURCE OF FUNDS	1982	1981
Operations		\$000's
Income (loss) before extraordinary items	\$(13,322)	\$ 3,024
Items not affecting current funds		
Depreciation	36,714	17,127
Amortization	6,092	957
Deferred income taxes (reduction)	(4,187)	3,877
Equity in (income) loss of Famous Players Limited and associated companies	344	(2,677)
Dividends received from Famous Players Limited and associated companies	184	1,052
Minority interest in income (loss) of subsidiary companies	3,416	(1,476)
Loss on disposal of shares of Gulf + Western Industries, Inc.	278	
	<u>29,519</u>	<u>21,884</u>
Proceeds on sale of shares of Gulf + Western Industries, Inc. and Williams Electronics Inc.	40,609	
Issue of shares	8,213	71,927
Minority interest's investment in subsidiary companies	4,946	2,805
Proceeds on sale of other investments	5,340	
Increase in long-term debt	268,815	76,676
Transfer of current income taxes to deferred income taxes	3,816	
Proceeds on sale of Famous Players Limited		43,248
Proceeds on sale of subscribers, net		15,998
	<u>361,258</u>	<u>232,538</u>

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(continued)

	1982	1981
	\$000's	
USE OF FUNDS		
Purchase of shares of Rogers UA Cablesystems, Inc. plus its working capital deficiency at date of acquisition of \$7,239	170,160	
Purchase of shares of Key-Electro Holdings Limited plus its working capital deficiency at date of acquisition of \$2,050		5,298
Additions to fixed assets	177,216	70,332
Deferred charges	14,989	10,025
Increase in other investments and associated companies		3,983
Investment in film production ventures	133	1,772
Reduction in long-term debt	2,493	38,996
Dividends paid and payable	7,493	4,428
Increase in other long-term assets	6,020	2,677
Purchase of shares of General Cable T.V. Limited	24,000	
Redemption of shares		7,657
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
Purchase of shares of National Hees Enterprises Limited		20,000
Dividends paid to minority shareholders of subsidiary companies	715	
Other	157	236
	403,376	238,154
DECREASE IN WORKING CAPITAL POSITION	42,118	5,616
WORKING CAPITAL DEFICIENCY AT BEGINNING OF YEAR	24,754	19,138
WORKING CAPITAL DEFICIENCY AT END OF YEAR	\$ 66,872	\$ 24,754

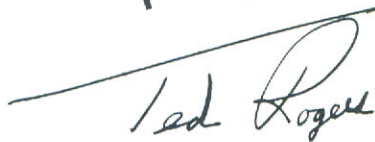
**CONSOLIDATED BALANCE SHEET AS AT AUGUST 31, 1982**

<b>ASSETS</b>	<b>1982</b>	<b>1981</b>
CURRENT ASSETS		\$000's
Cash and short-term notes	<b>\$ 8,645</b>	\$ 10,088
Marketable securities, at cost (which approximates market value in both 1982 and 1981)	<b>5,100</b>	1,180
Accounts receivable	<b>12,115</b>	8,343
Current portion of long-term receivable	<b>1,756</b>	1,763
Note receivable		2,500
Income taxes recoverable		241
Inventories of materials at the lower of cost and net realizable value	<b>1,283</b>	938
Prepaid expenses	<b>5,497</b>	2,923
	<b>34,396</b>	27,976
INVESTMENTS (note 3)	<b>55,993</b>	98,796
FIXED ASSETS (note 4)	<b>526,525</b>	186,105
DEFERRED CHARGES (note 5)	<b>26,693</b>	9,998
DEFERRED FOREIGN EXCHANGE	<b>13,602</b>	698
EXCESS OF CARRYING VALUE OF SUBSIDIARIES OVER VALUE OF UNDERLYING NET ASSETS ACQUIRED, LESS AMORTIZATION	<b>51,231</b>	41,979
SUBSCRIBERS	<b>179,548</b>	47,849
OTHER ASSETS (note 6)	<b>13,514</b>	7,494
	<b><u>\$901,502</u></b>	<b><u>\$420,895</u></b>

Approved by the Board



Director



Director



<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1982</b>	<b>1981</b>
<b>CURRENT LIABILITIES</b>	<u>\$000's</u>	
Bank loans, unsecured	<b>\$ 10,540</b>	\$ 11,571
Accounts payable and accrued expenses	<b>61,549</b>	25,262
Income taxes payable	<b>771</b>	
Dividend payable		989
Current portion of long-term debt	<b>8,178</b>	3,570
Prepayments for services	<b>20,230</b>	11,338
	<u><b>101,268</b></u>	<u>52,730</u>
<b>LONG-TERM DEBT (note 7)</b>		
Convertible subordinated debentures	<b>29,459</b>	30,172
Other	<b>537,225</b>	133,456
	<u><b>566,684</b></u>	<u>163,628</u>
<b>DEFERRED INCOME TAXES</b>	<b>21,984</b>	21,342
<b>MINORITY INTEREST</b>	<b>41,873</b>	3,681
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (note 8)	<b>89,502</b>	81,292
Reorganization surplus	<b>6,235</b>	6,235
Contributed surplus	<b>45,683</b>	45,683
Retained earnings	<b>28,273</b>	46,304
	<u><b>169,693</b></u>	<u>179,514</u>
	<u><b>\$901,502</b></u>	<u>\$420,895</u>
Long-term leases (note 14)		
Commitments (note 15)		
Contingent liabilities (note 16)		
Subsequent events (note 18)		

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEAR ENDED AUGUST 31, 1982

	1982	1981
	\$000's	
BALANCE AT BEGINNING OF YEAR		
As previously reported	\$ 46,757	\$ 48,585
Adjustment for change in accounting principle of associated company (note 3(a))	(453)	(81)
As restated	46,304	48,504
Net Income (loss)	(10,538)	2,228
	<u>35,766</u>	<u>50,732</u>
Dividends		
Preferred shares	4,483	936
Class B shares	3,010	3,492
	<u>7,493</u>	<u>4,428</u>
BALANCE AT END OF YEAR	<u>\$ 28,273</u>	<u>\$ 46,304</u>

## AUDITORS' REPORT

### To the Shareholders of Rogers Cablestems Inc.

We have examined the consolidated balance sheet of Rogers Cablestems Inc. as at August 31, 1982 and the consolidated statements of income, 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.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at August 31, 1982 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 by an associated company in accounting for development costs as described in note 3(a), on a basis consistent with that of the preceding year.

Toronto, Canada  
November 24, 1982  
(January 28, 1983 as to  
notes 7(i), 15 and 18(b))



Chartered Accountants

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AUGUST 31, 1982

### 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 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 income.

#### (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 costs 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 on the rebuilding of existing cable systems, direct costs plus a portion of interest and overhead costs are capitalized.

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

Interest capitalized during the year aggregated \$5,212,000 (1981, \$1,645,000).

#### (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 2/3% straight line
Distribution cable	- 6 2/3% straight line
Subscriber drops and devices	- 6 2/3% straight line
Converters	- 20% and 13 1/2% straight line
Other equipment	- mainly 20% and 30% diminishing balance
Leasehold improvements	- over the term of the lease
Pre-maturity costs	- 6 2/3% straight line

**(d) Income and expenses**

Income from cable, rental of converters and pay television services includes earned subscriber service revenue and charges for installations and connections. Subscriber service fees paid in advance are taken into income as earned. The cost of the initial cable subscriber installation is capitalized as part of the distribution system. Costs of all other connections and disconnections are expensed.

**(e) Foreign Exchange**

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

Monetary assets and liabilities at the year end rates of exchange.

Non-monetary assets, liabilities and depreciation, at historical rates.

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. Such a write down has not been necessary to date.

Goodwill acquired before April 1, 1974 in the amount of \$19,486,000 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 \$33,881,000 at August 31, 1982, are being amortized over forty years from date of acquisition. Accumulated amortization to August 31, 1982 amounted to \$2,136,000.

**(h) Canadian program production lending fund**

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. Computer software development costs are deferred and then amortized on a straight line basis over periods not exceeding five years commencing from the date of implementation of the project. Development costs are charged to expense in total, where projects are deemed unfeasible or in part, where project costs are deemed excessive in amount.

**(j) Pensions**

Current service pension costs are expensed in the year incurred. Based on the most recent actuarial valuation dated as of August 31, 1981, the Company has no liability for unfunded past service pension liabilities.

**(k) Income taxes**

The Company records income tax expense on the tax allocation basis. Tax deferred as a result of claiming, for tax purposes, amounts different from those recorded in the accounts are charged against current operations and recorded in the balance sheet as deferred income taxes. Timing differences consist principally of tax depreciation in excess of book depreciation, interest capitalized for accounting purposes and expensed for tax purposes, the capitalization of certain costs for accounting purposes and expensing them for tax purposes and for United States subsidiaries, investment tax credits utilized for book purposes but not for tax purposes.

Investment tax credits are accounted for using the "flow-through" method. Under this method for financial reporting purposes, the income tax provision is reduced by the amount of investment tax credit earned.

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

**2. ACQUISITION OF ROGERS UA CABLESYSTEMS, INC.**

Effective November 19, 1981 the Company completed the acquisition of 51% of the issued and outstanding shares of Rogers UA Cablesystems, Inc. (RUAC), a large United States cable company which operates cable systems throughout the United States, which had approximately 494,000 subscribers at the date of acquisition. The total cost of this acquisition was \$185,798,000 of which \$162,921,000 was expended in 1982 and \$22,877,000 was expended in 1981. The purchase price was satisfied from proceeds of term bank loans. 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 (\$000's)

Current assets	\$ 14,608	
Fixed assets	200,022	
Other non-current assets	3,123	\$217,753
		<hr/>
Current liabilities	21,847	
Long-term debt	120,012	
Deferred income taxes	1,013	
Minority interest	30,545	173,417
		<hr/>
		44,336
Goodwill		9,763
Subscribers		131,699
		<hr/>
Cost		\$185,798
		<hr/> <hr/>

### 3. INVESTMENTS

	1982	1981
	\$000's	
	<hr/>	<hr/>
Rogers UA Cablesystems, Inc. (note 2)		\$22,877
National Hees Enterprises Limited	\$20,000	20,000
General Cable T.V. Limited	24,000	
Gulf + Western Industries, Inc.		24,038
Williams Electronics Inc.		16,849
Associated companies	8,154	6,046
Canadian Program Production Lending Fund (note 15(b)(iv))	1,905	1,772
Other investments	1,934	7,214
	<hr/>	<hr/>
	\$55,993	\$98,796
	<hr/> <hr/>	<hr/> <hr/>

#### (a) Associated companies

Western Cablevision Limited	\$ 5,016	\$ 4,897
Cableshare Inc. (note 9)	2,139	101
Northwest Sports Enterprises Ltd.	999	999
Other		49
	<hr/>	<hr/>
	\$ 8,154	\$ 6,046
	<hr/> <hr/>	<hr/> <hr/>

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 \$3,530,000 at August 31, 1982 (1981, \$4,151,000). This excess is being amortized over its estimated

useful life of forty years.

During 1982, Cablesare Inc. adopted the accounting policy of expensing upon incurrence all development costs. Previously such costs were deferred and amortized over a period not exceeding five years and any projects deemed unfeasible were charged to expense at that time. This change in accounting practice, which has been applied on a retroactive basis, has increased the Company's share of Cablesare Inc.'s loss for 1982 by \$634,000 and decreased net income for 1981 by \$372,000.

**(b) Other investments**

	1982	1981
	\$000's	
MDS Pay Television systems	\$1,403	\$6,744
Other	531	470
	<u>\$1,934</u>	<u>\$7,214</u>

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

- (c) The shares of National Hees Enterprises Limited owned by the Company have exactly the same characteristics as the Company's Series V and VI Preferred shares which are issued to an associated company of National Hees Enterprises Limited.
- (d) During the year, the Company purchased 240,000 second preference shares of a company controlled by a major shareholder for \$24,000,000 cash. These shares have exactly the same characteristics as the Company's Series IV Preferred shares. Of the Series IV Preferred shares issued, \$24,000,000 have been issued to another company controlled by the same major shareholder.

**4. FIXED ASSETS, at cost**

	1982	1981
	\$000's	
Land and Buildings	\$ 15,621	\$ 9,008
Towers and head-ends	34,751	12,281
Distribution cable	290,253	109,263
Subscriber drops and devices	121,370	59,495
Converters	51,651	11,623
Other equipment	66,476	29,322
Leasehold improvements	8,798	4,418
Construction in progress	28,377	16,134
Pre-maturity costs	16,687	8,788
	<u>633,984</u>	<u>260,332</u>
Less accumulated depreciation and amortization	107,459	74,227
	<u>\$526,525</u>	<u>\$186,105</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 ten years.

## 5. DEFERRED CHARGES

	1982	1981
	\$000's	
Deferred financing costs	\$ 2,766	\$1,854
Computer development costs	4,510	1,759
Franchising costs	13,427	5,901
Pre-operating costs	5,990	386
Other		98
	<u>\$26,693</u>	<u>\$9,998</u>

Deferred franchising costs represent all costs incurred since September 1, 1980 in connection with applications for new cable television franchises, net of accumulated amortization. The cumulative amount capitalized at August 31, 1982 is not materially different from that which would have been capitalized if the Company had capitalized only the costs of successful and pending franchise applications from the date of commencement of its major franchising activities in 1979.

## 6. OTHER ASSETS

	1982	1981
	\$000's	
Receivable under share purchase plans, including 1982, \$1,603,000; 1981, \$1,639,000 from officers and directors	\$ 5,823	\$7,342
Miscellaneous notes and loans receivable, including 1982, \$258,000; 1981, \$273,000 from officers and directors	2,540	1,152
	<u>8,363</u>	<u>8,494</u>
Less current portion included in accounts receivable	1,756	1,763
	<u>6,607</u>	<u>6,731</u>
Long term contracts receivable for antenna service	1,329	
Prepaid franchise fees and franchise deposits	5,578	763
	<u>\$13,514</u>	<u>\$7,494</u>



## 7. LONG-TERM DEBT

	1982	1981
	\$000's	
(i) Term bank loans	\$282,671	\$ 69,857
(ii) Series A 12.55% Sinking Fund Debentures, due March 31, 1996	9,360	9,960
(iii) Promissory note payable to the Mutual Life Insurance Company of New York	12,269	12,449
(iv) Promissory note payable to Chemical Bank of Canada Limited	2,000	3,000
(v) 9% Convertible Subordinated Debentures, maturing October 1, 2000	29,459	30,172
(vi) Term bank loans, Cablesystems Pacific	14,252	
(vii) Term bank loans, California Cablesystems, Inc.	1,859	
(viii) Term bank loans, Dickinson Pacific Cablesystems	30,713	24,056
(ix) Term Bank loans, Minnesota Cablesystems- Southwest	11,773	
(x) Term bank loans, Syracuse Cablesystems	9,790	9,502
(xi) Term bank loans, Rogers UA Cablesystems, Inc. (RUAC)	63,204	
(xii) Promissory notes, RUAC	94,968	
(xiii) Loan payable to Chase Bank (Ireland) Ltd.	2,309	2,072
(xiv) Other long-term debt	10,235	6,130
	<u>574,862</u>	<u>167,198</u>
Less current portion of long-term debt	8,178	3,570
	<u>\$566,684</u>	<u>\$163,628</u>

August 31, 1982

	\$000's
(i) Term bank loan, Canadian Cablesystems Limited	\$183,527
Investment/bridge loan, Rogers Cablesystems Inc.	99,144
Bridge loan, Rogers Cablesystems Inc.	
	<u>\$282,671</u>

In January 1983 the Company accepted the terms of financing proposals offered by its bankers to refinance the existing bank loans and obtain additional financing. While these new banking arrangements have yet to be documented by formal bank loan agreements, they are the basis on which current and future loans will be governed. It is the terms of these proposals that have been disclosed in these financial statements.

Conditions of the loan facilities described in (a), (b) and (c) below:

- 1) Require the Company to raise a minimum of U.S. \$45 million by September 1, 1983 through an equity issue.
- 2) Request the Company to raise a minimum of U.S. \$125 million in subordinated debt of which U.S. \$75 million is to be raised by March 31, 1983. In the event that this financing is

not completed, the bank may request the Company to sell assets and repay bank debt to the extent acceptable to the bank.

- 3) Restrict draws under the Company's above described credit facilities unless otherwise permitted by the Company's bankers, to a maximum of Canadian \$304 million which can be drawn in a combination of Canadian and United States funds.

(a) Term bank loan, Canadian Cablesystems Limited

A subsidiary company has been granted a term bank loan of \$235 million due August 31, 1992, of which \$183,527,000 was advanced at August 31, 1982. The loan bears interest at prime plus 1/2% to August 31, 1985. After this period, quarterly principal repayments commence and the loan bears interest at prime plus 3/4%. The loan is secured by a pledge of shares of the subsidiary company and one of its subsidiary companies, a charge on the assets of the subsidiary company and one of its subsidiary companies, a negative pledge over all assets, a guarantee of the Company and the subordination of certain inter-company debt. The loan arrangements contain maintenance and additional debt incurrence tests principally related to dividend payments, restrictions on asset sales, and the maintenance of operating income and debt ratios.

(b) Investment/bridge loan—Rogers Cablesystems Inc.

The Company has obtained an investment/bridge loan which bears interest at the banks' base United States interest rate plus 1% in the amount of U.S. \$80 million which was fully drawn at August 31, 1982. The loan is due September 1, 1983. The loan is secured by the pledge of the assets of the Company and the guarantee and pledge of shares of three subsidiary companies.

(c) Bridge loan—Rogers Cablesystems Inc.

The Company has obtained a line of credit for a bridge loan which will bear interest at the banks' base United States interest rate plus 1 1/2% in the amount of U.S. \$35 million, which was undrawn at August 31, 1982. The loan will be secured by the pledge of assets of the Company and the guarantee and pledge of shares of three subsidiary companies.

- (ii) 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 covenants under the Debentures have been waived until August 15, 1984 when the letters of credit expire. 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, 1983 to 1995 and a final payment of \$1,560,000 on March 31, 1996.
- (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. \$990,000 due June 15, 1983 to 1992. The terms of the note include certain financial and operational obligations on the part of Premier Cablesystems Limited.
- (iv) The promissory note payable by Premier Cablesystems Limited to Chemical Bank of Canada Limited bears interest at the prime bank rate plus 1/2%, and is repayable in Canadian dollars. The loan is repayable in instalments of \$500,000 on December 15 and June 15 in the fiscal years ending August 31, 1983 and 1984.

- (v) These Debentures are unsecured, subordinated 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, 1982, \$713,000 of Debentures 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.
- (vi) Cablesystems Pacific has arranged long-term financing with a group of five banks in the amount of U.S. \$34,000,000. At August 31, 1982 U.S. \$11,500,000 (Cdn. \$14,252,000) was outstanding under the credit agreement (1981-Nil). The loan bears interest at the lead bank's California prime rate plus 1 1/2% with a standby fee of 1/4% charged on the portion of the loan not advanced. The loan is secured by substantially all the assets of the partnership. The limited partners will be primarily liable together with the partnership for repayment of a portion of the loan. The Company has guaranteed directly and indirectly a total of U.S. \$6,000,000 of the loan. The agreement restricts distributions to partners without the prior written consent of the banks. Principal repayments are required quarterly beginning in 1985 on a percentage of the amount drawn down. On the basis the loans have been fully drawn down, principal repayments amount to U.S. \$1,000,000 in 1985, U.S. \$2,500,000 in 1986, U.S. \$3,998,000 in 1987, U.S. \$6,004,000 in 1988, U.S. \$6,004,000 in 1989, U.S. \$7,001,000 in 1990 and U.S. \$7,493,000 in 1991.
- (vii) California Cablesystems, Inc. has arranged long-term financing with two banks in the amount of U.S. \$36,500,000. At August 31, 1982, U.S. \$1,500,000 (Cdn. \$1,859,000) was outstanding under the credit agreement (1981-Nil). The loans bear interest at each bank's California prime rate plus 1 1/2% and, in addition, a standby fee of 1/4% is charged on the portion of the loans not advanced to the Company. The loans are secured by the assets of California Cablesystems, Inc. Principal repayments are required in fixed quarterly amounts beginning in 1986. On the basis the loans have been fully drawn down, principal repayments amount to U.S. \$1,825,000 in 1986, U.S. \$3,650,000 in 1987, U.S. \$4,563,000 in 1988, U.S. \$4,562,000 in 1989, U.S. \$7,300,000 in 1990, U.S. \$7,300,000 in 1991 and U.S. \$7,300,000 in 1992.
- (viii) Dickinson Pacific Cablesystems has arranged long-term financing with two banks in the amount of U.S. \$27,000,000. At August 31, 1982 U.S. \$24,782,000 (Cdn. \$30,713,000) was outstanding under the credit agreement (1981, U.S. \$20,000,000). The loans bear interest at the banks' 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. \$7,000,000. Principal repayments are required quarterly on a percentage of the amount drawn down beginning in 1984. On the basis that the loans have been fully drawn down, principal repayments amount to U.S.

\$999,000 in 1984, U.S. \$3,024,000 in 1985, U.S. \$3,996,000 in 1986, U.S. \$5,994,000 in 1987, U.S. \$5,994,000 in 1988 and U.S. \$6,993,000 in 1989.

- (ix) Minnesota Cablesystems-Southwest has arranged long-term financing with two banks in the amount of U.S. \$18,000,000. At August 31, 1982 U.S. \$9,500,000 (Cdn. \$11,773,000) was outstanding under the credit agreement (1981-Nil). The loans bear interest at the banks' New York prime rate plus 1 1/2% with a standby fee of 1/4% charged on the portion of the loans not advanced. The loans are secured by substantially all the assets of the partnership. Principal repayments are required in fixed quarterly amounts beginning in 1986. On the basis that the loans have been fully drawn down, principal repayments amount to U.S. \$1,000,000 in 1986, U.S. \$1,500,000 in 1987, U.S. \$2,000,000 in 1988, U.S. \$3,000,000 in 1989, U.S. \$5,000,000 in 1990 and U.S. \$5,500,000 in 1991.
- (x) Syracuse Cablesystems has arranged long-term financing in the amount of U.S. \$7,900,000 from a consortium of three banks. At August 31, 1982 U.S. \$7,900,000 (Cdn. \$9,790,000) had been drawn down (1981, U.S. \$7,900,000). The loans bear interest at the banks' New York prime rate plus 1 1/4% and, in addition a standby fee of 1/4% is charged on that portion of the loans not advanced. The loans are secured by the assets of Syracuse Cablesystems. Principal repayments are required quarterly and amount to 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.
- (xi) Rogers UA Cablesystems, Inc. (RUAC) has arranged long term financing from fifteen banks where the company may borrow up to U.S. \$80,000,000 until June, 1984 of which U.S. \$51,000,000 (Cdn. \$63,204,000) was drawn at August 31, 1982. The interest on such borrowings is at the prime rate plus 1/2% or London InterBank Offered Rate ("LIBOR") plus 1% at RUAC's option until June 1984. In June 1984, RUAC has the option to convert any borrowings then outstanding to a term loan which would be repayable in thirty-two quarterly installments with interest at RUAC's option at 1/2% above prime or LIBOR plus 1% through June 1985, 3/4% above the prime rate or LIBOR plus 1 1/4% through June 1989 and 1% above the prime rate or LIBOR plus 1 1/2% through June 1992. In connection with this agreement, RUAC will pay a commitment fee of one half of one percent per annum on the unused portion of the revolving credit.

(xii) Promissory notes, RUAC	\$000's
Adjustable rate promissory notes	\$ 17,350
15% Subordinated promissory notes	3,780
10.7% Senior promissory notes	34,700
9 5/8% Senior promissory notes	24,786
8 7/8% Senior promissory notes	12,584
9% Senior promissory notes	10,410
	<hr/> 103,610
Less debt discount on acquisition of RUAC net of amortization of \$653,000	8,642
	<hr/> <hr/> \$ 94,968

The provisions of the RUAC bank loan agreements and loans from insurance companies place restrictions on additional borrowings, investments, the payment of dividends and require the maintenance of stated current and capitalization ratios. As at August 31, 1982, U.S. \$1,568,000 of retained earnings of RUAC is available for the payment of dividends.

The repayment terms of these notes are:

(a) Adjustable rate promissory notes	U.S. \$1,400,000 annually from January 1988 to January 1997
(b) 15% Subordinated promissory notes	U.S. \$255,000 annually from July 1987 to July 1996 with the balance of \$250,000 due July 1997
(c) 10.7% Senior promissory notes	U.S. \$2,000,000 annually from April 1984 to April 1997
(d) 9 5/8% Senior promissory notes	U.S. \$2,000,000 annually from January 1985 to January 1994
(e) 8 7/8% Senior promissory notes	U.S. \$923,000 annually from October 1982 to October 1992
(f) 9% Senior promissory notes	U.S. \$1,200,000 annually from November 1982 to November 1988

- (xiii) The loan payable to Chase Bank (Ireland) Ltd. is Irish Punts 1,350,000 drawn under a line of credit of Irish Punts 1,600,000 and on the basis that the loan has been fully drawn is subject to repayments as follows:

	000's
August 31, 1985	Irish £ 350
August 31, 1986	200
August 31, 1987	250
August 31, 1988	350
August 31, 1989	450
	<u>Irish £ 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.

- (xiv) Included in other long-term debt are the obligations of the Company in the amount of \$6,060,000 in respect of long-term leases.

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

	\$000's
1983	\$ 8,178
1984	114,145
1985	26,340
1986	40,127
1987	51,537
	<u>240,327</u>
Due after 1987	334,535
	<u><u>\$574,862</u></u>

The above repayment schedule is based on the terms of the banking proposals referred to in note 7(i). Failure to complete the required equity financing and requested long-term financing referred to in note 7(i) may significantly revise this repayment schedule and could require the sale of assets to repay bank debt.

## 8. 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 1 1/2% 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 1 1/2% 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

	1982	1981
	\$000's	
250,000 Series IV Preferred shares (1981, 175,000)	\$25,000	\$17,500
1,000,000 Series V Preferred shares	10,000	10,000
1,000,000 Series VI Preferred shares	10,000	10,000
5,834,810 Class A shares (1981, 6,365,755)	36,378	39,702
16,213,018 Class B shares (1981, 15,612,630)	8,124	4,090
	<u>\$89,502</u>	<u>\$81,292</u>

- (a) During the year ended August 31, 1982 the Company effected the following share transactions:
- (1) 530,545 Class A shares were converted into 530,545 Class B shares during the year at a conversion value of \$3,321,000.
  - (2) 70,243 Class B shares were issued as a result of the conversion of \$713,000 of Convertible Debentures.
  - (3) 75,000 Series IV Preferred shares were issued to a company controlled by a major shareholder for cash of \$7,500,000.
  - (4) 400 Class A and 400 Class B shares previously issued under the 1974 Executive Share Purchase Plan were cancelled and a total of \$3,000 was charged to the capital accounts.
- (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 non-voting Class B shares in order to ensure that the Company remains qualified to hold or obtain any licence pursuant to the Broadcasting Act (Canada) and any licence required to carry on a cable television or similar undertaking.
- (c) At August 31, 1982, 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.
- (d) At August 31, 1982, an option was outstanding to Rogers Telecommunications Limited (a company which indirectly controls the Company) for the purchase of 500,000 Class A shares at \$11.875 per share. This option expires June 30, 1983.

## 9. EXTRAORDINARY ITEMS

	1982	1981
	\$000's	
Gain on issue of treasury shares of Cablesare Inc. (note 3(a))	\$2,784	.
Loss on sale of Famous Players Limited, including deferred taxes of \$334,000		\$ (96)
Share of extraordinary items of Famous Players Limited		(700)
	<u>\$2,784</u>	<u>\$(796)</u>

In February 1982, Cablesare Inc., a computer services company in which the Company had a 50% interest, issued 1,200,000 common shares to the public for a net consideration of \$7.6 million. This issue resulted in a dilution of the Company's investment in Cablesare Inc. from a 50% ownership to a 37% ownership, a 26% dilution in the Company's ownership position.

This share issue and resultant disposal of 26% of the Company's investment resulted in a gain of \$2,784,000.

## 10. 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 income.

## 11. SEGMENTED INFORMATION

The Company operates cable and pay television systems in Canada, the United States and Europe which are considered to be a single industry segment. Information by geographic segment is presented below:

	Canada	United States	\$000's Europe	Corporate items and eliminations	Consolidated Totals
August 31, 1982					
Revenue	<u>\$116,643</u>	<u>\$122,363</u>	<u>\$ 5,390</u>		<u>\$244,396</u>
Operating income	<u>\$ 40,404</u>	<u>\$ 41,937</u>	<u>\$ 1,431</u>	\$ 1,296	<u>\$ 85,068</u>
Depreciation and amortization	<u>17,400</u>	<u>20,971</u>	<u>1,212</u>	3,223	<u>42,806</u>
	<u>\$ 23,004</u>	<u>\$ 20,966</u>	<u>\$ 219</u>	(1,927)	<u>42,262</u>
Interest				(65,461)	(65,461)
Other corporate items, net				8,738	8,738
Income taxes				4,555	4,555
Minority interest				(3,416)	(3,416)
Extraordinary item				2,784	2,784
				<u>\$(54,727)</u>	
Net loss					<u>\$(10,538)</u>
Identifiable assets	<u>\$250,598</u>	<u>\$564,879</u>	<u>\$18,629</u>	<u>\$ 67,396</u>	<u>\$901,502</u>
August 31, 1981					
Revenue	<u>\$ 97,898</u>	<u>\$ 8,220</u>	<u>\$ 3,507</u>		<u>\$109,625</u>
Operating Income	<u>\$ 36,239</u>	<u>\$ 1,428</u>	<u>\$ 1,184</u>	\$ (1,892)	<u>\$ 36,959</u>
Depreciation and amortization	<u>14,828</u>	<u>2,279</u>	<u>724</u>	253	<u>18,084</u>
	<u>\$ 21,411</u>	<u>\$ (851)</u>	<u>\$ 460</u>	(2,145)	<u>18,875</u>
Interest				(19,273)	(19,273)
Other corporate items, net				4,928	4,928
Income taxes				(2,982)	(2,982)
Minority interest				1,476	1,476
Extraordinary items				(796)	(796)
				<u>\$(18,792)</u>	
Net income					<u>\$ 2,228</u>
Identifiable assets	<u>\$224,522</u>	<u>\$ 64,326</u>	<u>\$18,575</u>	<u>\$113,472</u>	<u>\$420,895</u>



## 12. INCOME TAXES

(a) At August 31, 1982 certain United States subsidiaries have a total of approximately \$8,363,000 available to be claimed against taxable income in future years, the tax effect of which has not been reflected in the accounts. These tax losses expire principally in the years 1995 to 1997.

In addition, the Company has approximately \$2,823,000 of unclaimed investment tax credits which are available to reduce future income taxes until approximately 1997.

(b) During the year certain United States subsidiary companies, under sale and leaseback arrangements, sold future income tax benefits under the provisions of the Economic Recovery Tax Act of 1981. These sales resulted in a gain of \$6,715,000.

## 13. RESEARCH AND DEVELOPMENT COSTS

During the year ended August 31, 1982, the Company incurred research and development costs in the amount of \$6,303,000 (\$4,256,000 in 1981). Of this total in 1982, research costs of \$2,391,000 were charged to expenses, computer systems software development costs of \$2,752,000 are included in deferred charges on the balance sheet and development costs of \$1,160,000 were amortized or written off during the year. In 1981, \$1,754,000 of computer system software development costs were included in deferred charges on the balance sheet while all other research and development costs were expensed.

## 14. 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, 1982, the minimum rental that will be incurred by the Company and its subsidiaries per annum will be \$11,679,000. The aggregate amount that will be paid under lease arrangements now in force is approximately \$89,547,000.

## 15. COMMITMENTS

### (a) U.S. commitments for cable construction

The Company is presently building or in the process of planning the building of five cable systems in the United States. Total costs of these systems are estimated to be U.S. \$238 million, of which approximately U.S. \$153 million has been spent to date. This construction program will be largely financed by bank indebtedness under existing lines of credit. In addition, the Company obtained another cable franchise subsequent to August 31, 1982 (note 18(b)).

### (b) Canadian commitments

The Company is committed, under the terms of a CRTC decision permitting the Company to purchase Premier Communications Limited to:

(i) Spend 2 1/2% of Canadian regulated revenue on research and development activities on a cumulative basis. It is estimated that this commitment will amount to approximately \$2.7 million in the next fiscal year. At August 31, 1982, the Company has funded expenditures in the amount of \$4,146,000 in excess of its commitment which may be offset against its commitment in future years.

- (ii) Spend 1% of Canadian regulated revenue on various programming and production activities. It is estimated that this commitment will amount to approximately \$1.1 million in the next fiscal year. At August 31, 1982, the Company has accrued as a liability and set aside funds as a deposit in the amount of \$131,000 to satisfy the unexpended portion of this commitment to that date.
- (iii) Improve the cable plant facilities of the Vancouver system. The channel capacity of this system has already been increased by 50%. The system will be increased to 35 channel capacity at an estimated current cost of \$16 million.
- (iv) Establish a Canadian Program Production Lending Fund of \$5,000,000 with its then affiliate, Famous Players Limited, with each company investing a minimum of \$2,500,000 to provide loans to Canadian program production ventures. As at August 31, 1982 the Company had advanced or set aside \$2,725,000 to fund Canadian program production ventures of which \$820,000 has been provided as an allowance for doubtful loans.

During the year the CRTC licenced several pay television network suppliers and the Company has filed applications with the CRTC to exhibit these services in Canada. It is anticipated these services will commence in February 1983. In this regard the Company has committed to the purchase of addressable descramblers, converters and related equipment to provide security for these services. The Company estimates that the initial cost of acquiring this equipment will amount to \$28.5 million in the next fiscal year. It is anticipated that this will be financed by bank loans.

The above capital investment program is intended to be funded in part by the credit provided under the financing proposals described in note 7(i). Failure to obtain the contingent portion of this financing which amounts to approximately Canadian \$73 million of the total credit facilities described in note 7(i), will require the Company to review its investment decisions and/or find other sources of financing.

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

<u>Date of Issue</u>	<u>Number of Shares</u>	<u>Issue Price</u>
August 27, 1981	97,635	\$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.

- (c) During the year and in 1981 the Company received reassessment notices that have charged the Company with taxes and interest of approximately \$980,000 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 it is presently pursuing this matter with Revenue Canada. The balance paid as a result of these reassessment notices is presently recorded as a reduction of income taxes payable in the consolidated balance sheet and will be recorded as a prior period adjustment should the Company's appeal be dismissed.
- (d) Dickinson Pacific Cablesystems, California Cablesystems, Inc. and Rogers Cablesystems Inc. are involved in litigation arising from a subcontractor who was responsible for the construction of the community television network for Orange County in Southern California. The claims amount to approximately U.S. \$2,440,000. In the opinion of management, the litigation is without merit and the ultimate resolution is not expected to have a material effect on the financial position of the Company.

## 17. RELATED PARTY TRANSACTIONS

- (a) The Company incurred charges from Cablesare Inc., an associated company for data processing services in the year ended August 31, 1982 in the amount of \$2,199,000 (1981, \$2,973,000). The Company's investment in this related company is accounted for using the equity method. Included in accounts payable at August 31, 1982 is an amount of \$238,000 (1981, \$287,000) 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 1982 for construction activities was \$2,708,000 (1981, \$3,130,000).
- (c) On June 30, 1981, the Company granted to Rogers Telecommunications Limited (a company which indirectly controls the Company and is controlled by Mr. Edward S. Rogers, the Vice-Chairman and Chief Executive Officer of the Company) an option to purchase 500,000 Class A shares of the Company at \$11.875 per share up to June 30, 1983 in return for the guaranteed purchase in December, 1981 of 1,000,000 common shares of Gulf + Western Industries, Inc. for the sum of U.S. \$20,000,000. The transaction was completed effective December 31, 1981 and the purchase price of \$23,706,000 was satisfied in full on that date.

Effective December 31, 1981, the Company subscribed for 240,000 cumulative, redeemable, retractable, non-voting Second Preference Shares with a par value of \$100 each in the capital of General Cable TV. Limited ("General") for an aggregate subscription price of \$24,000,000. Dividends on such shares accrued from January 1, 1982. The dividend rate and redemption rights on the General Second Preference Shares are essentially the same as the dividend rate and redemption rights on the 240,000 Series IV Preferred Shares of the Company (the "RCI Preferred Shares") held by RCI Cablesystems Holdings Limited ("RCHL"). The subscription by the Company was conditional upon the execution of an agreement between RCHL, the Company and a Director of the Company pursuant to which RCHL agreed that the 240,000 RCI Preferred Shares held

by RCHL would be placed in trust with the Director as Trustee. The agreement further provides that if there is any default in the payment of dividends on General's Second Preference Share, during the continuance of such default, the Company need not pay dividends on the RCI Preferred Shares beneficially owned by RCHL. In addition, in the event that RCHL or the Company determines to redeem the RCI Preferred Shares, the Company can satisfy the redemption price therefore by transferring one General Second Preference Share for each RCI Preferred Share redeemed. The trust agreement was entered into effective on June 29, 1982, and on August 31, 1982, the General Second Preference Shares were issued to the Company. General and RCHL are companies associated with Rogers Telecommunications Limited.

As a result of the closing date of the transaction whereby Rogers Telecommunications Limited purchased the shares of Gulf + Western Industries, Inc. being different than the date consideration took place and dividends on the shares of General owned by the Company not being paid until August of 1982 the Company was paid interest of \$459,000 by the Rogers Telecommunications Limited in 1982. In addition the Company received dividend income of \$1,598,000 from General. All balances owing between the companies were paid during the year and no significant balances owing or receivable are outstanding at the year end.

## 18. SUBSEQUENT EVENTS

- (a) On or about September 1, 1982, all of the Company's Canadian cable systems were limited to a 6% increase in basic rates except that one system was denied a rate increase and another system which had received an increase in May 1982 did not have a rate increase application pending. Effective July 1, 1983, the Company's systems which were permitted the 6% increase will be allowed to receive a further 5% increase. After July 1984, the rate ceilings will no longer apply although there can be no assurance that the same or different ceilings will not then be imposed.
- (b) On December 1, 1982 a subsidiary company was granted a franchise to operate a cable television system for a portion of the City of Minneapolis, Minnesota. The franchise was granted for fifteen years and it is anticipated the cost to build the system will be U.S. \$35,500,000. The Company is currently negotiating to obtain bank financing for the project.

## 19. COMPARATIVE FIGURES

Certain of the 1981 comparative figures have been restated to conform to the basis of presentation adopted for 1982.

## DIRECTORS AND OFFICERS

### DIRECTORS

**Claude Ducharme, Q.C.**

Partner  
Desjardins, Ducharme,  
Desjardins & Bourque  
Montreal, Quebec

**George A. Fierheller**

Vice-Chairman  
Rogers Cablesystems Inc.  
Vancouver, British Columbia

**Robert M. Francis**

Senior Vice-President,  
Finance  
Rogers Cablesystems Inc.  
Toronto, Ontario

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

Partner  
Cassels, Brock  
Toronto, Ontario

**Gordon C. Gray, F.C.A.**

Chairman & Chief Executive  
Officer  
A.E. LePage Limited  
Toronto, Ontario

**Thomas I. Hull**

President  
Thomas I. Hull Insurance  
Limited  
Toronto, Ontario

**Philip B. Lind**

Senior Vice-President  
Programming & Planning  
Rogers Cablesystems Inc.  
Toronto, Ontario

**William D. McGregor**

President  
CAP Communications  
Limited  
Kitchener, Ontario

**Edward S. Rogers**

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

**Loretta A. Rogers**

Company Director  
Rogers Cablesystems Inc.  
Toronto, Ontario

**Robert Smith**

Chairman & President  
Talcop Limited  
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

**J. Christopher C. Wansborough**

President  
National Trust Company, Limited  
Toronto, Ontario

**Colin D. Watson**

President  
Rogers Cablesystems Inc.  
Toronto, Ontario

**W. David Wilson**

Vice-President & Director  
McLeod Young Weir Limited  
Vancouver, British Columbia

### OFFICERS

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

Chairman

**Edward S. Rogers**

Vice-Chairman &  
Chief Executive Officer

**George A. Fierheller**

Vice-Chairman

**Colin D. Watson**

President

**Robert M. Francis**

Senior Vice-President,  
Finance

**Philip B. Lind**

Senior Vice-President,  
Programming & Planning

**Barry A. Ross**

Senior Vice-President,  
Corporate

**David E. Friesen**

Vice-President,  
Administration and Control

**Robert B. Clasen**

Vice-President,  
U.S. Operations

**Nicholas F. Hamilton-Piercy**

Vice-President, Engineering  
& Technical Services

**Graham W. Savage**

Vice-President,  
Investment Planning

**Donald E. Taylor**

Vice-President,  
Technical Operations and  
Purchasing

**William A. Scarrow**

Treasurer

**Albert Gnat**

Secretary

**Daphne Evans**

Assistant Secretary

## OPERATING MANAGEMENT

### EASTERN CANADA

**Vice-President, Operations East**

William R. Rogers

**Cable System Managers —**

Toronto  
Kitchener  
London  
Mississauga  
Oshawa  
Brampton  
Hamilton  
Brantford  
Cornwall  
Newmarket  
Chatham  
Leamington

Clifford D. Williams  
Donald A. MacAlpine  
Gordon E. Symons  
Chris C. Kofler  
Lorne F. McFadden  
Roger Gilodo  
Lee Martini  
James A. Yardy  
Andre D. Cammaert  
Mary E. Blackwell  
S. George Richards  
Arthur S. Gadd

### WESTERN CANADA

**Vice-President, Operations West**

Michael J. Jervis

**Cable System Managers —**

Vancouver  
Victoria  
Fraser  
Calgary

David R. Smith  
Glenn C. Terrell  
Frank Radelja  
Arthur E. Rick

### UNITED STATES

**Vice-President, U.S. Operations**

Robert B. Clasen

**Vice-President, California Operations**

David Edwards

**Cable System Managers —**

Syracuse  
Minnesota group  
Minneapolis  
Portland  
Dickinson group\*  
Downey group\*  
La Mirada group\*

John H. Chapple  
Gary L. Mizga  
Gary L. Mizga  
Frank E. Nuessle  
Douglas B. Rook  
Thomas W. Beltram  
Stanley W. Johnson

\*Southern California

### IRELAND

**Cable System Managers —**

Dublin  
Waterford

Peter C. Grant  
Robert Murphy

## **CORPORATE INFORMATION**

### **Corporate Office**

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

### **Transfer Agent**

Royal Trust Company

### **Bankers**

- The 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 RCI.A  
Class B RCI.B

### **United States Over-the-Counter**

National Association of  
Securities Dealers Inc.  
(NASDAQ)

### **Stock symbol**

Class B RCINZ











