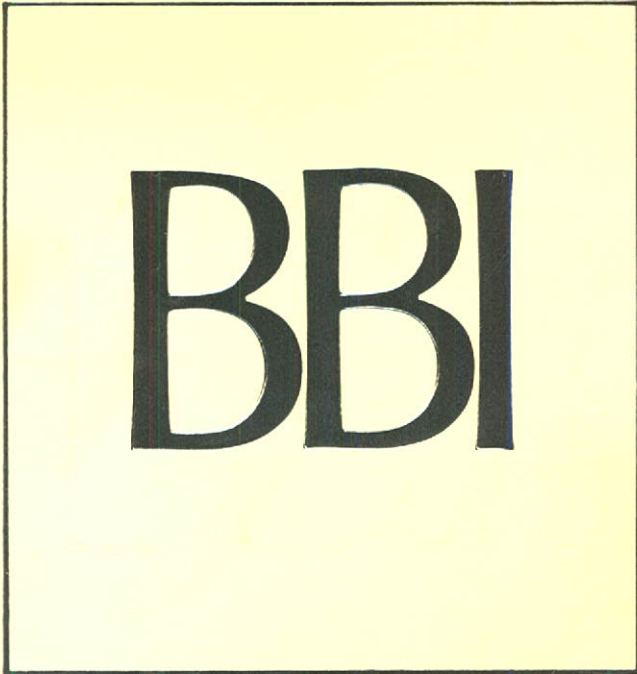


C



**Baton Broadcasting Incorporated
Annual Report**

1980

HOWARD ROSS LIBRARY
DEPARTMENT OF MANAGEMENT
UNIVERSITY OF CALIFORNIA
1981
UNIVERSITY

Baton Broadcasting Incorporated

A diversified communications company involved in television and radio broadcasting, television program production, printing, and the manufacture and sale of master antenna systems.

and its Subsidiaries

Wholly Owned

CFTO-TV Limited, Toronto, Ontario
CFQC Broadcasting Limited,
Saskatoon, Saskatchewan
CFGO Radio Limited, Ottawa, Ontario
CKLW Radio Broadcasting Limited,
Windsor, Ontario
Glen-Warren Productions Limited,
Toronto, Montreal, Vancouver
and New York
Agincourt Productions Limited,
Toronto, Ontario

Partially Owned

ABF Automated Business Forms Limited,
Toronto, Ontario
ABF Automated Business Forms (Western)
Limited, Edmonton, Alberta
ABF Formules D'Affaires Limitée,
St-Hyacinthe, Quebec
C.F. Haughton Limited, Toronto, Ontario
Telfer Packaging Limited,
Toronto, Ontario
All-View Interphase Systems Inc.,
Mississauga, Ontario
All-View Network One Inc.,
Mississauga, Ontario
Northstar Home Theatre Inc.,
Mississauga, Ontario

Contents:

Financial Highlights	2
Senior Management	3
Report to the Shareholders	6
Five Year Financial Review	9
Financial Statements	10
Directors and Corporate Information	20

Baton Broadcasting Incorporated

Highlights

	<u>1980</u>	<u>1979</u>
Operating Summary		
Gross revenue		
Broadcasting and production	\$69,623,000	\$60,587,000
Printing	32,843,000	29,240,000
Net income	9,882,000	9,769,000
Net income per share	\$1.43	\$1.42
Dividends paid	3,105,000	2,760,000
Dividends per share	45.0¢	40.0¢
Financial status		
Working capital	23,633,000	22,402,000
Shareholders' equity	57,615,000	50,839,000
Statistical Data		
Common shares outstanding	6,900,000	6,900,000
Share price range	\$15³/₈-12	\$15-12 ¹ / ₈
Valuation day value	\$7.44	\$7.44

Baton Broadcasting Incorporated

Senior Management



Left to right: Joseph J. Garwood, C.A., Vice-President, Managing Director and Treasurer
Douglas G. Bassett, President and Chief Executive Officer
John W. H. Bassett, Chairman
Gordon V. Ashworth, C.A., Executive Vice-President
Edward J. Delaney, Vice-President and Secretary

Baton Broadcasting Incorporated



The new fifty-five foot mobile television unit owned by Glen-Warren Productions Limited.



Studios of CFQC Radio and Television in Saskatoon, Saskatchewan.



Office and printing plant of C.F. Houghton Limited in Agincourt, Ontario.

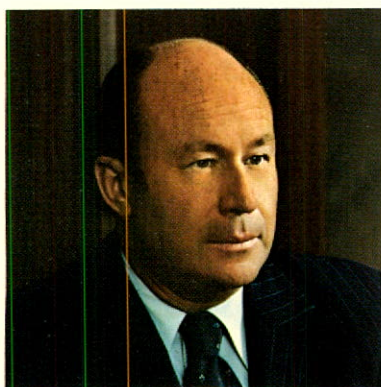


Head Office of All-View Interphase Systems Inc. in Mississauga, Ontario.

Baton Broadcasting Incorporated



Douglas G. Bassett
President and Chief Executive Officer
CFTO-TV Limited, Toronto, Ontario



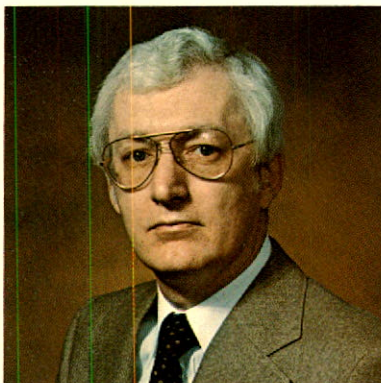
Edward J. Delaney,
President
Glen-Warren Productions Limited
Agincourt, Ontario



Mr. G. Blair Nelson
President
CFQC Broadcasting Limited
Saskatoon, Saskatchewan



Clifford F. Haughton
President
C.F. Haughton Limited
Toronto, Ontario



Charles G. Camroux
President
CKLW Radio Broadcasting Limited
Windsor, Ontario



Paul M. Kelly
President
CFGO Radio Limited
Ottawa, Ontario



George E. Harris
President
All-View Interphase Systems Inc.
Mississauga, Ontario

Baton Broadcasting Incorporated

Report to the Shareholders

On behalf of the Board of Directors of Baton Broadcasting Incorporated we are pleased to present the Annual Report of the Company for the year ended August 31, 1980.

Consolidated net income for the year amounted to \$9,881,520 or \$1.43 per share. This compares to net income of \$9,768,884 or \$1.42 per share earned last year.

The financial results for the current fiscal year reflect charges made in the accounts of CFTO-TV in Toronto and CFQC-TV in Saskatoon to cover their combined 23.7% share of the deterioration in the financial position of the CTV Network. In addition, the Company provided interest on taxes reassessed by the Department of National Revenue. The Company won its appeal before the Tax Review Board, but the Department of National Revenue is appealing the decision. Provision has been made for the Federal Surtax effective January 1, 1980.

In spite of these added costs which when taken together total \$795,000 or 11.5¢ per share, the net income of \$9,881,520 for the current fiscal year is \$112,636 over last year and is the highest in the history of the Company. Gross revenue climbed to \$102,465,000, also the highest in the Company's history.

Revenue from the sale of air time increased \$4,136,855 or 9.2% while production revenue rose \$3,022,398 or 21.3% compared to last year. Operating expenses of the Company's broadcasting and production subsidiaries increased \$6,301,762 and reflect higher wage and program expenses and the added cost of the CTV Network.

Television

The Company's television station CFTO-TV in Toronto continues to show increases in advertising revenue but net income dropped slightly below last year. The decrease is due to the deterioration in the financial position of the CTV Network and to provisions for interest on tax reassessments.

The three fall audience surveys by A.C. Nielsen of Canada Limited show CFTO-TV as the number one rated television station in the Toronto market. The survey published by A.C. Nielsen and covering three weeks in October shows CFTO-TV with a 28% increase in audience over the same period last year. The audience for the Station's *WORLDBEAT* newscast at 6:30 P.M. was 334,000 persons, the largest viewing audience for any October since 1973. CFTO-TV's local public affairs program *HOURLONG*, hosted by Fraser Kelly and Isabel Bassett, enjoyed the largest audience in the history of the program and had more viewers in the Toronto market than the CBC Network public affairs program *FIFTH ESTATE*.

On December 31st of this year CFTO-TV celebrates twenty years of service to television viewers in Southern Ontario and is the only CTV Network affiliate whose ownership has remained unchanged. This year *FAMILY FINDER*, produced in co-operation with the Department of Child Welfare of the Province of Ontario and hosted by Helen Allen, will begin its eleventh consecutive year on CFTO-TV. *FAMILY FINDER* is offered free to other television stations in the province. Earlier this year CFTO-TV acted as host station for the CTV Network Terry Fox *MARATHON OF HOPE* telethon which raised over \$12,000,000 for cancer research.

In Saskatoon, Saskatchewan, the Company's television station CFQC-TV enjoyed increased advertising revenue and net earnings. The latest audience surveys show CFQC-TV has maintained its position as the number one rated television station in its coverage area despite three American commercial television channels microwaved into Saskatoon and carried on the local cable television system. Last December CFQC-TV celebrated twenty-five years of service to television viewers in Saskatoon and in March won three *CANPRO* awards for excellence in local television programming in competition with television stations across Canada.

Radio

CFQC Radio in Saskatoon, Saskatchewan, continued to show improvement in advertising revenue and net earnings. The latest rating survey indicates CFQC-AM has maintained its position as the number one rated radio station in its coverage area.

Last February the Canadian Radio-television and Telecommunications Commission announced a five year license renewal for CFQC-AM. The new radio license runs from October 1, 1980 to September 30, 1985. Earlier this month CFQC Broadcasting Limited appeared at a Public Hearing of the Canadian Radio-television and Telecommunications Commission in Regina to apply for a FM radio broadcasting license in Saskatoon.

Operations of radio stations CKLW-AM and FM in Windsor, Ontario resulted in lower advertising revenue and net earnings as compared to the previous year. The decline is due primarily to poor economic conditions in the Windsor/Detroit area. The latest Arbitron and BBM rating surveys reconfirm CKLW-AM as the top-rated radio station among young adults in its Canadian and United States coverage area. Last June CKLW-AM won an international *CLIO* award for excellence in radio promotion. The award was presented at a ceremony in Brussels, Belgium.

In Ottawa, Ontario, CFGO Radio continues to show higher revenues and operating income. The latest BBM survey of audience shows CFGO-AM has maintained its position as the number two rated Ottawa radio station among young adults. Last August the premises owned and occupied by CFGO Radio were expropriated by the City of Ottawa for a new police station. Land has been purchased in the west central part of the City and construction of a new building is expected to begin next spring.

Glen-Warren Productions Limited

Glen-Warren Productions Limited enjoyed one of the most successful years in its history with revenues and net income higher than a year ago. This year Glen-Warren's studios and technical facilities were used to produce *FDR — THE LAST YEAR*, starring Jason Robards which appeared on the full NBC Network. Peter Edwards, CFTO-TV's Lighting Director, won an *EMMY* given by the National Academy of Television Arts and Science for his work on this production. This is the second *EMMY* won by Mr. Edwards in the last three years.

The weekly family adventure series *THE LITTLEST HOBO* is now into its second year on the CTV Network. The fall Nielsen Network ratings show *THE LITTLEST HOBO* with an audience in excess of 1,500,000 viewers and more viewers than such American programs as *DALLAS*, *THREE'S COMPANY* and *DISNEY'S WONDERFUL WORLD* shown on the CBC Network.

Baton Broadcasting Incorporated

The series is being shown in sixty-two countries around the world as well as major cities in the United States and was recently purchased by the British Broadcasting Corporation and the CBC French Language Network. THE LITTLEST HOBO won the Gold Medal in the Action Adventure category at the International Television and Film Festival held this fall in New York City. Glen-Warren produced and financed all episodes of THE LITTLEST HOBO and currently all directors, writers and producers are Canadians. In terms of audience ratings and international sales, THE LITTLEST HOBO is the most successful weekly Canadian television series ever produced in this country.

This fall two new weekly television programs were produced using Glen-Warren facilities. BIZARRE, a Canadian comedy program telecast on the full CTV Network has been sold to Showtime, a pay television network in the United States. THE BIG CITY COMEDY SHOW also a Canadian production appears on the CTV Network and is telecast in markets served by NBC owned and operated television stations as well as other markets in the United States. Earlier this year ICE DANCING starring English skater John Currie was produced at Glen-Warren and also sold to Showtime. MISS PEACH AND HER PUPPETS was back in production for the second consecutive year and this children's special was telecast by the full NBC Network.

Glen-Warren continues to make a substantial contribution to the CTV Network. GRAND OLD COUNTRY, a variety program produced last year for the CTV Network won a Silver Medal in the Light Entertainment category at the International Television and Film Festival held in New York City and its star Ronnie Prophet was named Country Entertainer of the Year by RPM Magazine. Currently five weekly Canadian programs in the CTV Network prime time schedule are produced by Glen-Warren. Because of its production activity, Glen-Warren is now making payments totalling over \$4,000,000 to or for the benefit of Canadian performers, writers and musicians.

Last month Glen-Warren completed construction of its new fifty-five foot long mobile unit, the most modern and up to date in the world. The unit contains five computerized studio cameras and weighs thirty tons. In addition, Glen-Warren added two additional electronic editing theatres during the year. Glen-Warren's subsidiary Agincourt Productions Limited increased its duplicating capacity and can now duplicate up to forty-eight half-inch video tapes at one time. The equipment is used to duplicate video tapes containing movies for home video cassettes. Agincourt's capacity for duplicating video tapes containing television commercials and programs has also been increased.

C.F. Haughton Limited

C.F. Haughton Limited contributed \$1,030,558 to net income, an increase of \$84,266 over last year. Gross revenue rose \$3,602,900 or 12.3% while operating expenses increased \$3,223,098 because of higher labour and material costs. C.F. Haughton Limited has completed the major portion of a capital expenditure program designed to update existing equipment and to provide capacity for future growth. The \$5,400,000 spent in 1980 included two new large six-colour presses and an additional die cutter. Earlier this year C.F. Haughton Limited acquired additional land adjacent to its printing plant in Scarborough, Ontario, bringing the total land assembly at the northeast corner of Highway 401 and McCowan Road to 14.77 acres. The possibility of developing this land is being explored.

All-View Interphase Systems Inc.

Operations of All-View Interphase Systems Inc. resulted in a small operating loss. Revenue of \$2,360,662 from the sale of master antenna systems was not sufficient to offset operating costs. Currently 35,000 apartment units in Southern Ontario are served by master antenna systems developed and installed by All-View.

Earlier this month Northstar Home Theatre Inc. a company controlled by Baton Broadcasting Incorporated and its subsidiary All-View Interphase Systems Inc. together with Jarman Communications Inc. filed an application with the Canadian Radio-television and Telecommunications Commission for a license to deliver a package of Canadian television signals by satellite to northern and underserved areas of the country. Northstar estimates there are 1,000,000 households in areas where there is no television service or such service is restricted to a maximum of two channels. The control group intends to invite others to participate as investors in Northstar but in the application Baton undertakes to subscribe for any shares of Northstar not purchased by other investors. Northstar estimates a cash requirement of \$30,000,000 for the undertaking.

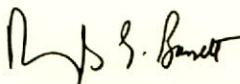
Board of Directors

Earlier this year Mr. Donald H. Davis retired from the Board of Directors after five years of service. Mr. Davis spent almost twenty years with CFTO-TV Limited and at the time of his retirement was Vice-President, Production. Replacing Mr. Davis on the Board of Directors is Mr. Leighton W. McCarthy, the President of L.W. McCarthy Investments Limited.

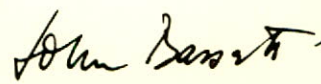
Outlook

Advance sales bookings for the CTV Network, C.F. Haughton Limited and for the Company's television and production operations show improvement over last year. Operating costs also continue to increase.

On behalf of the Board,



DOUGLAS G. BASSETT
President and Chief
Executive Officer
December 23, 1980



JOHN W.H. BASSETT
Chairman of the Board

Baton Broadcasting Incorporated



Pictured is the star of **THE LITTLEST HOBO**, the most successful weekly Canadian television series ever produced in Canada. The series is produced and financed by Glen-Warren and seen on the CTV Network and in sixty-two countries around the world.

Participating in CTV's **MARATHON OF HOPE Telethon**, hosted at CFTO-TV, are guests Joyce Davidson, Betty Kennedy, Barbara Frum and Catherine McKinnon with hosts Don Harron and Lloyd Robertson.



BIG CITY COMEDY, a new weekly comedy series starring John Candy is produced by Glen-Warren and can be seen on the CTV Network and on the NBC owned and operated television stations in the United States.

Baton Broadcasting Incorporated

Five Year Review

(In 1,000's of Dollars)

	1980	1979	1978	1977	1976
Operations					
Revenue from					
Broadcasting.....	\$49,033	\$44,896	\$37,830	\$33,906	\$31,532
Production.....	17,201	14,179	14,404	11,401	10,142
Printing.....	32,843	29,240	24,082	19,791	
Master Antenna Sales.....	2,361	851			
Other.....	1,028	661	571	561	388
Operating expenses					
Broadcasting & production.....	50,031	42,750	37,083	30,921	28,434
Printing.....	28,624	25,401	21,645	16,776	
Net loss from discontinued operation.				126	311
Interest expense.....	867	326	72	275	119
Depreciation.....	3,248	2,725	2,239	2,113	1,403
Income before taxes.....	19,696	18,625	15,848	15,448	11,795
Income taxes.....	9,076	8,174	6,977	7,199	5,784
Minority interest.....	738	682	442	545	
Net income.....	9,882	9,769	8,429	7,704	6,011
Net income per share.....	\$ 1.43	\$ 1.42	\$ 1.22	\$ 1.12	.87
Dividends paid.....	3,105	2,760	1,932	1,484	1,380
Dividends per share.....	45.0¢	40.0¢	28.0¢	21.5¢	20.0¢
Funds from operations.....	14,450	13,436	11,559	10,862	7,994
Cash flow per share.....	\$ 2.09	\$ 1.95	\$ 1.68	\$ 1.57	\$ 1.16
Financial status					
Working capital.....	23,633	22,402	18,257	14,697	12,433
Working capital ratio.....	2.0	2.1	2.2	2.2	3.3
Share capital.....	14,269	14,269	11,020	11,020	11,020
Contributed surplus.....			3,249	3,249	3,249
Retained earnings.....	43,346	36,570	29,561	23,064	16,843
Equity per share.....	\$ 8.35	\$ 7.37	\$ 6.35	\$ 5.41	\$ 4.51
Share price range.....	\$15 ³ / ₈ -12	\$15-12 ¹ / ₈	\$13-8 ³ / ₄	\$11-7 ⁵ / ₈	\$ 9-6 ³ / ₄

Baton Broadcasting Incorporated

(Incorporated under the laws of Ontario)

Consolidated Balance Sheet

August 31, 1980 (with comparative figures at August 31, 1979)

	<u>1980</u>	<u>1979</u>
Assets		
Current:		
Cash and term deposits	\$11,032,735	\$ 8,514,213
Accounts receivable	21,771,202	20,986,284
Income taxes recoverable	282,383	323,378
Inventories (note 2)	11,949,222	9,672,903
Prepaid expenses	1,930,571	2,599,375
Total current assets	<u>46,966,113</u>	<u>42,096,153</u>
Other assets:		
Investments (note 3)	1,794,850	998,392
Long-term accounts receivable (note 4)	5,230,758	4,812,621
Total other assets	<u>7,025,608</u>	<u>5,811,013</u>
Fixed (note 5)	56,906,040	48,287,017
Less accumulated depreciation	22,755,202	20,510,671
Total fixed assets	<u>34,150,838</u>	<u>27,776,346</u>
 Broadcasting licence and goodwill (note 6)	 11,487,065	 11,597,144
	<u>\$99,629,624</u>	<u>\$87,280,656</u>

	<u>1980</u>	<u>1979</u>
Liabilities and Shareholders' Equity		
Current:		
Bank indebtedness (note 7)	\$ 9,159,551	\$ 7,302,487
Accounts payable and accrued charges	7,543,200	6,383,302
Income and other taxes payable.....	2,408,279	2,228,906
Long-term debt due within one year (note 8)	1,257,182	956,750
Deferred income taxes	2,964,960	2,822,605
Total current liabilities	<u>23,333,172</u>	<u>19,694,050</u>
Provision for warranties	<u>526,866</u>	<u>571,832</u>
Long-term debt (note 8)	<u>7,057,561</u>	<u>7,173,132</u>
Deferred income taxes (note 9)	<u>7,638,455</u>	<u>6,282,121</u>
Minority interest	<u>3,458,388</u>	<u>2,720,859</u>
Shareholders' equity:		
Share capital (note 10)		
Authorized:		
8,950,000 common shares without par value		
Issued:		
6,900,000 common shares	14,269,112	14,269,112
Retained earnings	43,346,070	36,569,550
Total shareholders' equity	<u>57,615,182</u>	<u>50,838,662</u>
	<u>\$99,629,624</u>	<u>\$87,280,656</u>

On behalf of the Board:

Director

Director

(See accompanying notes)

Baton Broadcasting Incorporated

Consolidated Statement of Income

For the year ended August 31, 1980 (with comparative figures for 1979)

	<u>1980</u>	<u>1979</u>
Revenues:		
Air time sales	\$ 49,033,168	\$44,896,313
Production and distribution revenue	17,201,276	14,178,878
Printing revenue	32,842,446	29,239,546
Master antenna system sales	2,360,662	850,518
Investment income	1,028,103	661,488
	<u>102,465,655</u>	<u>89,826,743</u>
Expenses:		
Programing and production	58,408,465	51,096,916
Selling and administrative	20,246,747	17,053,715
Depreciation and amortization	3,248,063	2,724,785
Interest on long-term debt	866,665	326,500
	<u>82,769,940</u>	<u>71,201,916</u>
Income before income taxes and minority interest	<u>19,695,715</u>	<u>18,624,827</u>
Income taxes:		
Current	7,534,870	6,979,600
Deferred	1,541,796	1,194,525
	<u>9,076,666</u>	<u>8,174,125</u>
Income before minority interest	10,619,049	10,450,702
Minority shareholders' interest in earnings of subsidiary company	737,529	681,818
Net income for the year	<u>\$ 9,881,520</u>	<u>\$ 9,768,884</u>
Earnings per share based on 6,900,000 shares outstanding during the year (1979 — 6,900,000)	<u>\$1.43</u>	<u>\$1.42</u>

Baton Broadcasting Incorporated

Consolidated Statement of Changes in Financial Position

For the year ended August 31, 1980 (with comparative figures for 1979)

	1980	1979
Source of funds:		
Funds from operations —		
Net income for the year	\$ 9,881,520	\$ 9,768,884
Add items not involving an outlay of funds	4,568,537	3,667,117
Total from operations	<u>14,450,057</u>	<u>13,436,001</u>
Decrease in long-term accounts receivable	1,118,395	625,724
Increase in long-term debt	877,234	3,835,919
Proceeds on sale of fixed assets	1,138,358	146,305
Reduction in machinery deposits	36,769	
Total funds provided	<u>17,620,813</u>	<u>18,043,949</u>
Use of funds:		
Acquisition of subsidiary —		
Total cash consideration		2,772,051
Deduct working capital of subsidiary acquired		806,814
		<u>1,965,237</u>
Increase in long-term accounts receivable	1,536,532	485,058
Purchase of fixed assets	9,959,180	7,133,107
Dividends paid	3,105,000	2,760,000
Repayments of long-term debt	992,805	1,376,694
Increase in investments	796,458	
Dividends paid to minority interest		179,010
Total funds used	<u>16,389,975</u>	<u>13,899,106</u>
Increase in working capital during the year	1,230,838	4,144,843
Working capital, beginning of the year	22,402,103	18,257,260
Working capital, end of the year	<u>\$23,632,941</u>	<u>\$22,402,103</u>
Represented by:		
Current assets	\$46,966,113	\$42,096,153
Less current liabilities	23,333,172	19,694,050
	<u>\$23,632,941</u>	<u>\$22,402,103</u>

(See accompanying notes)

Baton Broadcasting Incorporated

Consolidated Statement of Retained Earnings

For the year ended August 31, 1980 (with comparative figures for 1979)

	<u>1980</u>	<u>1979</u>
Balance, beginning of the year	\$36,569,550	\$29,560,666
Net income for the year	9,881,520	9,768,884
	46,451,070	39,329,550
Dividends paid	3,105,000	2,760,000
Balance, end of the year	<u>\$43,346,070</u>	<u>\$36,569,550</u>

(See accompanying notes)

Auditors' Report

To the Shareholders of Baton Broadcasting Incorporated:

We have examined the consolidated balance sheet of Baton Broadcasting Incorporated as at August 31, 1980 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, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
November 6, 1980,

CLARKSON GORDON
Chartered Accountants

Notes to the Consolidated Financial Statements

August 31, 1980

1. Accounting policies

(a) *Consolidation* —

The consolidated financial statements include the financial position of all subsidiary companies at August 31, 1980 and the results of their operations for the year then ended.

The significant consolidated subsidiary companies are:

	Percent ownership
CFTO-TV Limited.....	100%
C.F. Haughton Limited.....	60.2%
Glen-Warren Productions Limited.....	100%
CFQC Broadcasting Limited.....	100%
CKLW Radio Broadcasting Limited.....	100%
CFGO Radio Limited.....	100%
All-View Interphase Systems Inc.....	51%

(b) *Revenue recognition* —

Air time revenue is recognized by the Company when advertisements are aired under broadcast contracts.

Program production and distribution revenues are recognized by the Company to the extent that services have been performed under contracts.

Printing revenue is recognized at the time goods are shipped to customers or, in certain circumstances, at the time they are available for shipment to customers.

The Company enters into long-term (normally ten years) non-interest bearing sales contracts for the installation of master antennae television ("MATV") systems and closed circuit security equipment. The monthly payments due under these contracts are discounted at the Company's borrowing rate to establish a present value which is recorded as MATV system sales at the date a satisfactory television signal has been received. The interest portion of the monthly payments is recorded in MATV system sales when due. Provisions for the anticipated cost of warranties under these installation contracts are made when the related revenue is recorded.

(c) *Inventories* —

(i) Printing materials, MATV components and installations in progress —
Inventories are stated at the lower of cost or estimated net realizable value.

(ii) *Programs* —

Programs produced by the Company are carried in the Company's accounts at cost, including direct production costs and an appropriate share of overhead. If it becomes apparent that future proceeds from distribution contracts will not be sufficient to absorb these costs the value of the program is written down to its estimated net realizable value.

(iii) *Production materials* —

Production materials are carried in the Company's accounts at cost less provision for usage.

(d) *Program and feature film contracts* —

The Company is committed under various long-term contracts for the rights to broadcast programs and feature films. Payments under the terms of these contracts are reflected in the accounts as a prepaid expense. The cost of each contract is amortized on a "per play" basis over the duration of the contract; if it becomes apparent that this basis will not allow the contract to be fully amortized, the rate of amortization is increased.

(e) *Fixed assets and depreciation* —

Rates and bases of depreciation applied by the Company on an annual basis are as follows:

Buildings	— 2½% straight-line basis
Production and transmitting equipment	— 7% to 12½% straight-line basis
Printing equipment	— 10% straight-line basis
Automotive equipment	— 30% declining balance basis
Office furniture and fixtures	— 10% straight-line basis

Gain or loss on disposal of individual assets is the difference between proceeds and net book value in the year of disposal.

(f) *Broadcasting licences and goodwill* —

The Company's policy is not to amortize broadcasting licences and goodwill acquired prior to April 1, 1974; if it becomes apparent that the value of any component is permanently impaired, it will be written down. Goodwill acquired subsequent to April 1, 1974 is being amortized over a forty-year period.

(g) *Translation of foreign currency* —

Current assets and current liabilities in foreign currencies are translated into Canadian dollars at the year-end rate of exchange and the related gain or loss is included in income. Non-current monetary assets and liabilities are translated at the year-end rate of exchange. The related unrealized gain or loss is deferred and has been grouped with accounts receivable on the balance sheet and amortized to income over the life of the related asset or liability. Transactions during the period have been translated at the average exchange rate prevailing during the year and the related gain or loss is included in income.

(h) *Income taxes* —

The Company follows the deferred method of tax allocation in accounting for income taxes. Under this method, timing differences between reported and taxable income (which occur when revenues and expenses recognized in the accounts in one year are taxed or claimed for tax purposes in another year) can result in deferred taxes.

Baton Broadcasting Incorporated

2. Inventories

Inventories are comprised of:

	1980	1979
Printing materials	\$ 6,530,832	\$6,334,843
Programs	3,803,608	2,088,119
Production materials	1,201,264	881,778
MATV components and installations in progress	413,518	368,163
	<u>\$11,949,222</u>	<u>\$9,672,903</u>

3. Investments

Investments are comprised of:

	1980	1979
Shares in other companies (estimated market value — \$5,062,000; 1979 — \$2,970,000)	\$ 1,109,597	\$ 739,496
CTV Television Network Ltd.	215,390	214,390
Other investments, without quoted market value	469,863	44,506
	<u>\$ 1,794,850</u>	<u>\$ 998,392</u>

4. Long-term accounts receivable

Long-term accounts receivable are comprised of:

	1980	1979
Non-interest bearing accounts receivable under film contracts	\$ 1,198,701	\$2,218,070
MATV installation contracts receivable, at discounted value	4,032,057	2,594,551
	<u>\$ 5,230,758</u>	<u>\$4,812,621</u>

5. Fixed assets

Fixed assets and related accumulated depreciation and amortization are comprised of:

	1980		1979	
	Cost	Accumulated depreciation and amortization	Net book value	Net book value
Land	\$ 2,333,442	—	\$ 2,333,442	\$ 2,181,058
Land held for development	2,636,004	—	2,636,004	1,867,140
Building	11,466,834	\$ 2,817,527	8,649,307	8,448,531
Production and transmitting equipment	24,355,226	13,831,860	10,523,366	8,728,678
Printing equipment	12,036,213	4,123,384	7,912,829	4,611,142
Automotive equipment	983,796	434,318	549,478	440,521
Furniture and fixtures	3,094,525	1,548,113	1,546,412	1,499,276
	<u>\$56,906,040</u>	<u>\$22,755,202</u>	<u>\$34,150,838</u>	<u>\$27,776,346</u>

6. Broadcasting licence and goodwill

Broadcasting licence and goodwill are comprised of:

	1980		1979	
Broadcasting licence		\$ 2,597,166		\$ 2,597,166
Goodwill and franchise rights acquired before April 1, 1974		4,812,700		4,812,700
Goodwill acquired on or after April 1, 1974	4,403,195		4,403,195	
Less accumulated amortization	(325,996)	4,077,199	(215,917)	4,187,278
Total		<u>\$11,487,065</u>		<u>\$11,597,144</u>

Baton Broadcasting Incorporated

7. Bank indebtedness

Bank indebtedness includes bank loans in two subsidiaries of \$8,305,000 which are secured by various general assignments of accounts receivable, MATV installation contracts receivable together with specific and floating charges over the fixed and other assets of the subsidiaries. Interest expense on bank indebtedness amounted to \$1,317,191 (1979 — \$995,743).

8. Long-term debt

Long-term debt is comprised of:

	1980	1979
Accounts payable under film contracts, non-interest bearing (U.S. \$1,307,812; 1979 — U.S. \$1,889,064) due October 1982	\$1,513,531	\$2,203,024
12% series A redeemable debentures due June, 1983	1,175,000	1,175,000
Demand bank loan, bearing interest at bank prime rate — not to be prepaid within one year	4,770,000	3,750,000
Other long-term debt at various interest rates and due dates up to 2006	856,212	1,001,858
	<u>8,314,743</u>	<u>8,129,882</u>
Less portion due within one year	1,257,182	956,750
	<u>\$7,057,561</u>	<u>\$7,173,132</u>

The aggregate amount of payments required to meet debt obligations in each of the next five years is as follows:

1981	—	\$1,257,182
1982	—	4,644,605
1983	—	1,173,273
1984	—	418,166
1985	—	274,133
Thereafter	—	547,384
		<u>\$8,314,743</u>

9. Deferred income taxes

The balance of deferred income taxes on the balance sheet includes provisions made in prior years totalling approximately \$2 million relating to reassessments issued in the 1978 fiscal year which are presently under appeal. The total of such reassessments is approximately equal to the provisions already made in the accounts. The eventual outcome of the appeals cannot be determined at this time.

10. Share capital

During 1978 a General Meeting of Shareholders confirmed a resolution authorizing the Company to amend its articles of incorporation and transfer \$23,115,000 of the Company's contributed surplus to its issued share capital. Consolidated contributed surplus was less than corporate contributed surplus at the date of the transfer because the excess of the cost of certain subsidiaries acquired through a corporate reorganization in 1971 over the then underlying fair value of net tangible assets was written off as at the date of acquisition against contributed surplus in the consolidated financial statements. For purposes of the corporate financial statements the investments in these subsidiaries continued to be carried at cost. Accordingly, the Company's legal share capital of \$34,135,400 is \$19,866,288 in excess of share capital of \$14,269,112 shown on the consolidated financial statements.

11. Commitments

The Company has commitments totalling \$5,275,000 (1979 — \$4,175,000) under various long-term contracts for the rights to future broadcasts of feature films and programs with varying expiry dates up to and including 1986.

The Company carries out operations in various leased premises under a number of lease agreements, the latest expiry date of which is 1995. The amount of rental payments due over the next five years is \$1,779,000.

12. Comparative figures

Certain items in the comparative figures in the statement of income have been reclassified to conform with the 1980 method of presentation.

Baton Broadcasting Incorporated

Summary of Segmented Financial Information

(in 1,000's of dollars)

	Consolidated		Broadcasting, television production and distribution		Printing	
	1980	1979	1980	1979	1980	1979
A. Total revenue	\$102,466	\$89,827				
Less revenue not identifiable to specific operating segments	3,390	1,512				
Identifiable revenue	<u>\$ 99,076</u>	<u>\$88,315</u>	<u>\$66,234</u>	<u>\$59,075</u>	<u>\$32,842</u>	<u>\$29,240</u>
B. Net income before income taxes and minority interest	\$ 19,696	\$18,625				
Less income not identifiable to specific operating segments	1,166	195				
	<u>18,530</u>	<u>18,430</u>				
Add interest expense	1,777	993				
Identifiable net income	<u>\$ 20,307</u>	<u>\$19,423</u>	<u>\$16,266</u>	<u>\$15,924</u>	<u>\$ 4,041</u>	<u>\$ 3,499</u>
C. Total assets	\$ 99,630	\$87,281				
Less:						
Cash, term deposits and other investments	11,705	8,215				
Assets of All-View Interphase Systems Inc.	7,399	6,125				
Identifiable assets	<u>\$ 80,526</u>	<u>\$72,941</u>	<u>\$52,094</u>	<u>\$49,351</u>	<u>\$28,432</u>	<u>\$23,590</u>
D. Depreciation and amortization	\$ 3,248	\$ 2,725				
Less depreciation and amortization not identifiable to specific operating segments	23	13				
Identifiable depreciation and amortization .	<u>\$ 3,225</u>	<u>\$ 2,712</u>	<u>\$ 2,033</u>	<u>\$ 1,866</u>	<u>\$ 1,192</u>	<u>\$ 846</u>
E. Capital expenditures	\$ 9,959	\$ 7,133				
Less expenditures not identifiable to specific operating segments	298	18				
Identifiable capital expenditures	<u>\$ 9,661</u>	<u>\$ 7,115</u>	<u>\$ 4,224</u>	<u>\$ 3,166</u>	<u>\$ 5,437</u>	<u>\$ 3,949</u>

The company has defined the following as its two main industry segments: (1) television and radio broadcasting combined with the production and distribution of commercial and syndicated programming; (2) commercial printing combined with the production of packaging and business forms.

The company also operates in other segments not considered as yet to be significant for specific identification.

Baton Broadcasting Incorporated



Jason Robards talks to reporters in a scene from **FDR — THE LAST YEAR**, a television special produced in the studios of Glen-Warren and shown on the NBC Television Network in the United States.

ICE DANCING, a television special featuring former Olympic Gold Medalist John Currie was produced by Glen-Warren and telecast by Showtime, a pay television network in the United States.



BIZARRE, a new weekly television comedy series starring John Byner is being taped at the Glen-Warren studios and can be seen on the CTV Network and on Showtime in the United States.

Baton Broadcasting Incorporated

BOARD OF DIRECTORS

JOHN W.H. BASSETT
Chairman
Baton Broadcasting Incorporated

EDWARD J. DELANEY
Vice-President and Secretary
Baton Broadcasting Incorporated

CLIFFORD F. HAUGHTON
President
C.F. Haughton Limited

DOUGLAS G. BASSETT
President and Chief Executive Officer
Baton Broadcasting Incorporated

FREDRIK S. EATON
President
Eaton's of Canada Limited

FOSTER W. HEWITT, O.C.
Chairman
Foster Hewitt Broadcasting Limited

GORDON V. ASHWORTH, C.A.
Executive Vice-President
Baton Broadcasting Incorporated

GEORGE R. GARDINER
Chairman of the Board
Gardiner, Watson Limited

LEIGHTON W. McCARTHY
President
L.W. McCarthy Investments Limited

ALLAN L. BEATTIE, Q.C.
Senior Partner, Law Firm
Osler, Hoskin & Harcourt

JOSEPH JOHN GARWOOD, C.A.
Vice-President, Managing Director
and Treasurer
Baton Broadcasting Incorporated

CHARLES F.W. BURNS
Honorary Chairman
Burns Fry Limited

EDWIN A. GOODMAN, Q.C.
Senior Partner, Law Firm
Goodman & Goodman

OFFICERS

JOHN W.H. BASSETT
Chairman

GORDON V. ASHWORTH, C.A.
Executive Vice-President

EDWARD J. DELANEY
Vice-President and Secretary

DOUGLAS G. BASSETT
President and Chief Executive
Officer

JOSEPH J. GARWOOD, C.A.
Vice-President, Managing Director
and Treasurer

FOSTER W. HEWITT, O.C.
Vice-President

CORPORATE INFORMATION

CORPORATE OFFICE
9 Channel Nine Court
Agincourt, Ontario M4A 2M9
Telephone (416) 291-9111

AUDITORS
Clarkson Gordon, Toronto

TRANSFER AGENT & REGISTRAR
Canada Permanent Trust Company

STOCK EXCHANGE LISTINGS
Toronto Stock Exchange
Montreal Stock Exchange

