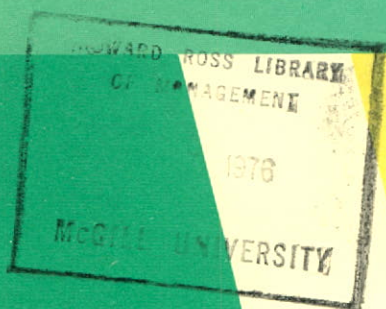


1975 ANNUAL REPORT

Maclean-Hunter

CABLE
LIMITED



MACLEAN-HUNTER CABLE TV LIMITED

Head Office
27 Fasken Drive,
Rexdale, Ontario
M9W 1K7

OFFICERS AND DIRECTORS

- *Donald G. Campbell
Chairman of the Board
Etobicoke, Ontario
- *Frederick T. Metcalf
President
Guelph, Ontario
- *J. Barry Gage
Vice President and General
Manager
Toronto, Ontario
- *Gilbert A. Allard
President
Maclean-Hunter Communications Ltd.
Mississauga, Ontario
- John Haughey
Secretary-Treasurer
Mississauga, Ontario
- *Colin M. Brown
London, Ontario
- *Lorne R. Clark
Toronto, Ontario
- *Donald F. Hunter
Toronto, Ontario
- *Robert J. Prettie
Thunder Bay, Ontario
- **Director*

CORPORATE STAFF

James P. Herbert
Director of Corporate Relations

Merle Zoerb
Director of Community Programming

Charles Christie
Regional Manager - Northern Systems

Donald H. Hinds
Regional Manager - Toronto Systems

Allan G. Lamb
Regional Manager - Southern Systems

SYSTEMS MANAGERS

William Bellamy
London, Ontario

Joseph N. Bertoni
St. Catharines-Thorold, Ontario

E. J. (Tim) Decaire
Guelph, Ontario

J. G. (Jack) Leachman
Owen Sound-Meaford, Ontario

Donald C. Quesnelle
Collingwood, Ontario

Melvin A. Spence
Midland-Penetanguishene, Ontario

Pekka Roininen
Thunder Bay, Ontario

Allan Clark
North Bay, Ontario

Hugh J. Coulthard
Toronto-Mississauga, Ontario

Roger M. Patton
Ajax, Ontario

George A. Smith
Hamilton, Ontario

Wayne M. Tolton
Huntsville, Ontario

Paul D. Borysiuk
Peterborough Cable
Television Limited
Peterborough, Ontario

Earl F. Friesen
Huron Cable TV Limited
Sarnia and Wallaceburg, Ontario

SUBURBAN CABLEVISION, NEW JERSEY

Robert D. Bilodeau
Vice President Engineering

Mitchell Kleinhandler
Vice President Operations

Highlights of 1975

	<u>1975</u>	<u>1974</u>
Revenue	\$16,706,000	\$13,965,000
Net income for common shareholders (Before extraordinary item)		
— total	2,185,000	1,599,000
— per share	\$1.19	\$0.86
Cash Flow		
— total	6,409,000	4,981,000
— per share	\$3.48	\$2.70
<hr/>		
Total assets	33,601,000	29,095,000
Long term debt	11,707,000	11,225,000
Shareholders' equity	12,125,000	11,130,000
<hr/>		
Capital expenditures	7,235,000	4,624,000
Depreciation & amortization	3,105,000	2,548,000
<hr/>		
Households in licensed area	351,000	325,400
Households on service	242,800	224,500
Number of employees — Ontario cable	313	300
— New Jersey cable	38	—
— Communications	134	157
Miles of cable	2,749	2,635

Report to Shareholders

Your Company continued to do very well throughout 1975 with higher revenue and increased earnings. New subscriber sales in all areas, together with rate increases in some systems, managed to offset the continually increasing costs of operation.

The revenue increased of 19.6% to \$16,706,000 from \$13,965,000 last year contains a 13% increase for Maclean-Hunter Communications Ltd., plus the revenue for the first four months of operation of our new subsidiary, Suburban Cablevision.

Net income for common shareholders before an extraordinary item increased to \$2,185,000 against \$1,599,000 last year. This is equivalent \$1.19 per common share compared to 86¢ last year on the 1,842,500 common shares outstanding both years.

The operating results of Phasecom Inc., continued to be disappointing throughout the year despite a strong effort by management to develop and market new products, and in the light of the slow sales your Board decided to write down our investment in that company to nominal value. Your Company's share amounted to \$309,000 which is shown as an extraordinary item in the financial statements.

A dividend policy of 6¢ per common share per quarter was started in the first quarter of 1975 and continued through the year. It is the intent of the Board of Directors to increase the amount per share as soon as government anti-inflation regulations permit.

Our personal radio paging business was greatly expanded during the year by a vigorous sales campaign and contributed significantly toward the excellent performance by our wholly owned subsidiary, Maclean-Hunter Communications Ltd. Representations are now being made to the federal Department of Communications to obtain additional paging frequencies to

accommodate the company's need to expand. This company's growth in the next five years is primarily dependent on the continued growth of personalized radio paging. Three marginal telephone answering service operations were sold and our trans-border operations in Niagara Falls and Buffalo were phased out. The sales gains plus rigid expense controls resulted in an after tax turnaround for this company equal to approximately 6 cents per common share.

Early in 1975 your Company purchased 75% of the equity in Suburban Cablevision of New Jersey and then activated an aggressive building and sales program within Suburban's franchised areas. As mentioned earlier, the initial results starting in September 1975 are included in the figures for the year. Construction and selling are currently continuing and Suburban is dealt with elsewhere in this report in greater detail.

During the year your Company applied for and received licence renewals for all systems, ranging for periods of two to five years depending on location and circumstances. We also received approval for rate increases in 12 systems and these were put into effect as the approvals were received. Requests for area extensions in Ajax and Mississauga were approved, enlarging the Company's future potential in these areas.

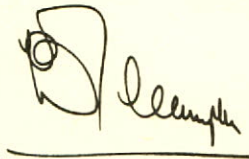
Plans are well underway for the construction of a microwave system which will greatly enhance our service in North Bay. This system will bring to North Bay the signals from the Global Network, one of the U.S. commercial networks, the Ontario Educational Network and the second French Canadian Network. It is our hope that some of these signals will be available in North Bay by October, 1976. The CRTC has also granted permission to your Company to microwave the Global Network signal from Collingwood to the Owen Sound-Meaford system. At a Public Hearing in January, 1976, we applied for permission to use microwave to bring in two American channels

to the systems in Owen Sound - Meaford, Collingwood and Midland-Penetanguishene. To date no decision on this has been received.

possible the results which we are pleased to report.

On behalf of the Board

Late in 1975 the CRTC made public their Cable Television Regulations governing the operation of cable television systems and at the same time the Commission published its Policies covering the Regulations. Most of these have an effective date of April 1, 1976. Your Company is implementing these and does not expect that they will have any long term detrimental effect, although many subscribers are upset about channel changes and possible loss of FM stations which they have enjoyed on cable for many years. Your Company is encouraged by the flexible attitude displayed by the Commission with regard to these problems.



D.G. Campbell
Chairman



F.T. Metcalf
President

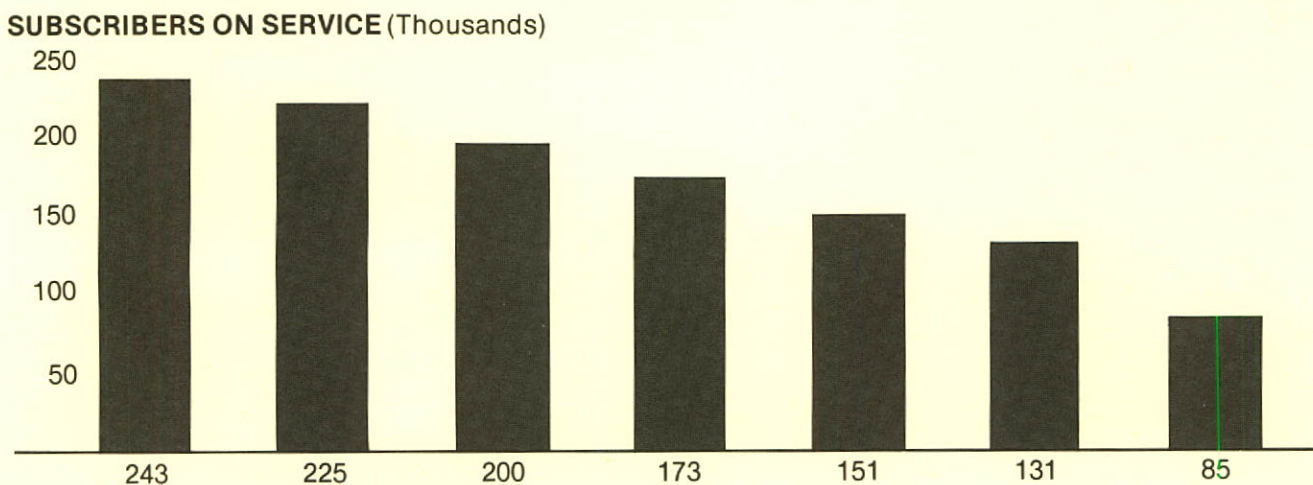
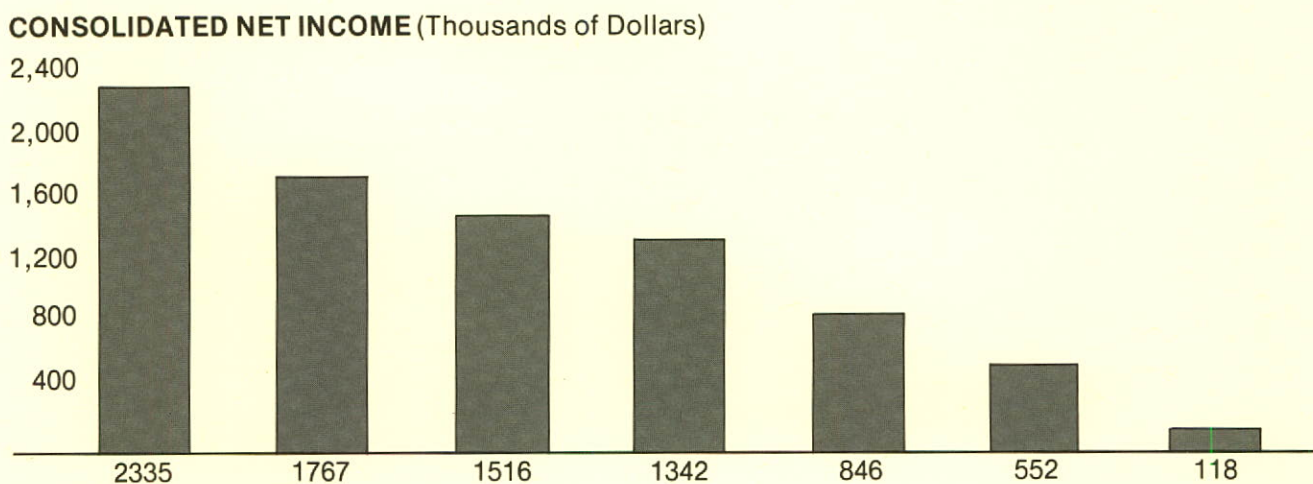
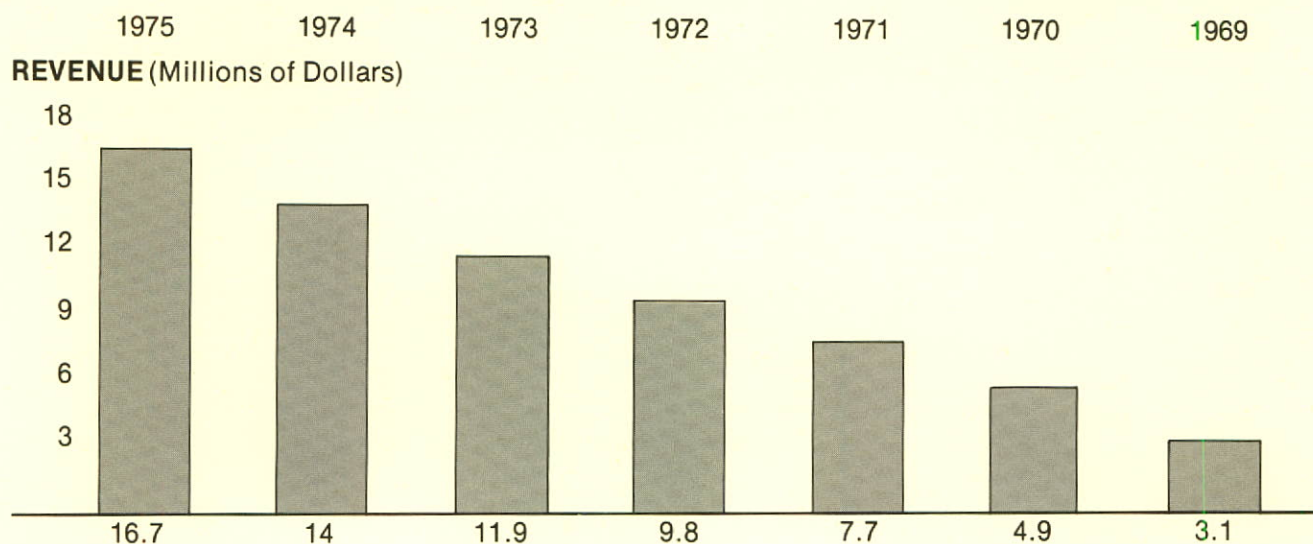
Some of the regulations and policies deal with the interest of the Commission in community programming in each licenced area. Recognizing this early last year your Company greatly increased its activities in this area by concentrating direction, training, research and reporting through a new Director of Community Programming. We are fortunate to have secured the services of Mr. Merle Zoerb who brings to this position over twenty years' experience in this and the related field of television broadcasting. We are placing even greater emphasis on this important part of our service to our customers this year.

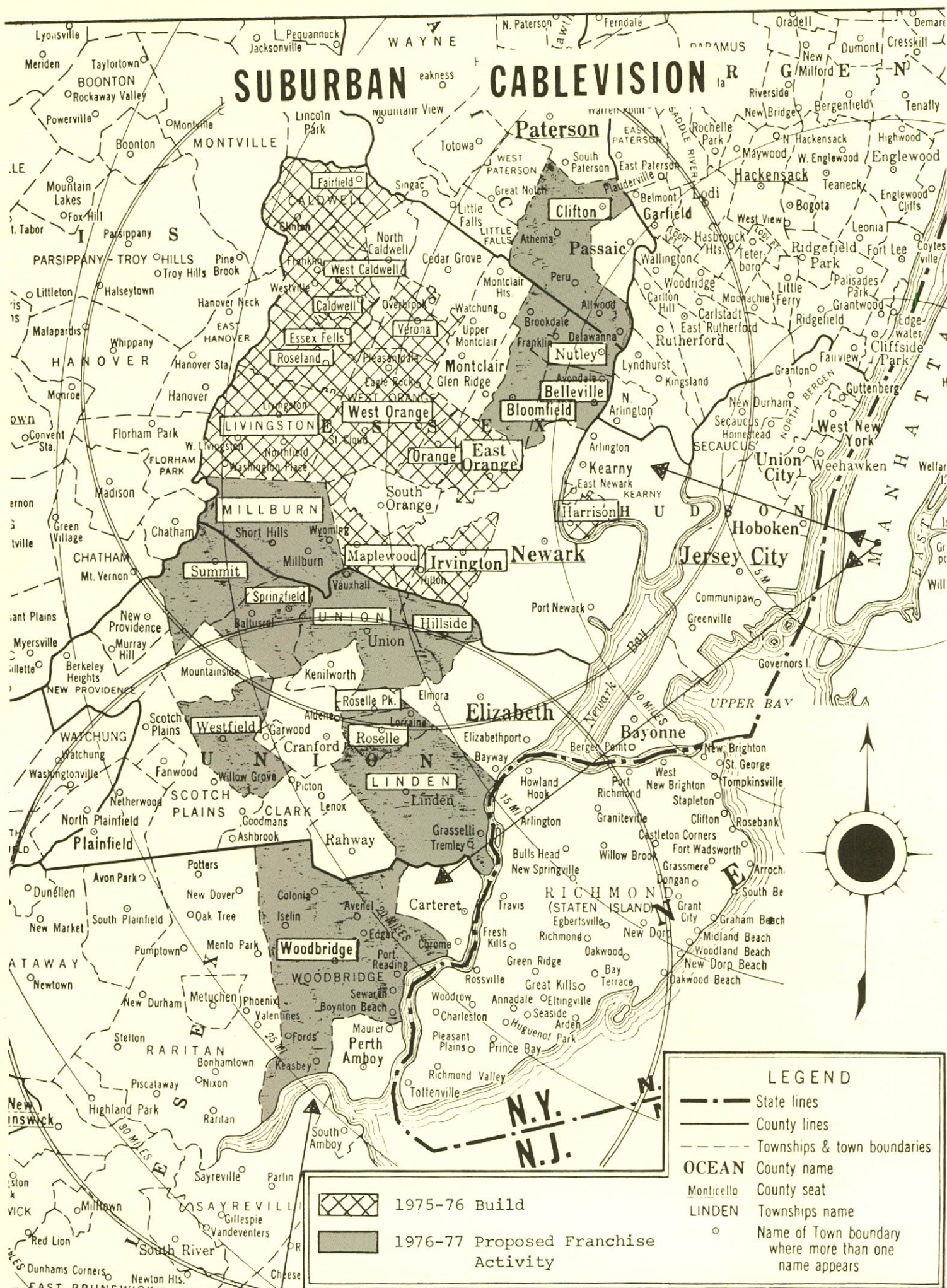
Your Company falls under the Government's anti-inflation legislation and is in accord with the intent of the regulations. We are committed to endeavouring to make these work and we are receiving the utmost co-operation from all concerned. The Board is most grateful to all staff for this, as well as for their magnificent efforts during the past year. In a decentralized company such as this one, operating in small groups across the province, it is only the dedication and loyalty of the staff which make

Areas Served by Maclean-Hunter Cable TV Limited

ONTARIO SYSTEMS	HOUSEHOLDS IN LICENSED AREA AT Dec. 31/75	HOUSEHOLDS CONNECTED AT Dec. 31/75	PENETRATION	HOUSEHOLDS CONNECTED AT Dec. 31/74
Toronto-Mississauga	117,000	77,700	66.4%	72,300
Ajax	6,000	4,200	70.0	3,900
Thunder Bay	30,000	26,000	86.7	24,600
St. Catharines - Thorold	37,000	14,200	38.4	13,700
London	32,000	26,700	83.4	25,200
Guelph	23,000	19,800	86.1	18,700
Peterborough	20,000	18,700	93.5	17,900
Sarnia	23,000	17,200	74.8	16,200
Hamilton	13,000	11,100	85.4	10,500
North Bay	14,000	4,300	30.7	4,000
Owen Sound - Meaford	9,000	7,100	78.9	6,600
Midland-Penetanguishene	7,000	5,700	81.4	5,500
Wallaceburg	4,000	800	20.0	700
Collingwood	4,000	3,200	80.0	3,000
Huntsville	2,000	1,800	90.0	1,700
Total Ontario	<u>341,000</u>	<u>238,500</u>	<u>69.9%</u>	<u>224,500</u>
NEW JERSEY SYSTEMS				
West Orange	5,000	2,200	44.0	—
Livingston	<u>5,000</u>	<u>2,100</u>	<u>42.0</u>	<u>—</u>
Total New Jersey	<u>10,000</u>	<u>4,300</u>	<u>43.0</u>	<u>—</u>
Grand Total	<u><u>351,000</u></u>	<u><u>242,800</u></u>	<u><u>69.2%</u></u>	<u><u>224,500</u></u>

Seven year comparison of consolidated revenue, net income and subscriber growth





Suburban Cablevision

The most recent acquisition of Maclean-Hunter Cable TV Limited is Suburban Cablevision, a United States company located in East Orange, New Jersey.

Suburban was formed in late 1972 for the purpose of constructing and operating a major market cable television system and providing a broad range of cable television services to the residents of the Essex County area of northern New Jersey. This area is located approximately 15 miles west of New York City, encompasses about 125 square miles and is predominantly residential.

Suburban currently holds twelve municipal franchises. The municipalities of West Orange, Livingston, Roseland, Verona, West Caldwell, Irvington, Maplewood, Fairfield, East Orange, Orange and Caldwell are all in Essex County, New Jersey. It has also received municipal franchise approval from the Town of Harrison in Hudson County, New Jersey. Of the eleven franchise approvals in Essex County, seven are from communities located in the western half of the County which account for approximately 70% of the population residing within the electrical shadow of the Watchung Mountains, which significantly degrades some off-air television reception.

The total number of dwelling units in these communities is approximately 105,000 with total cable plant of about 600 miles, an above average density of 175 homes per mile of cable.

The Company is currently providing cable service in three of the twelve municipalities - West Orange, Livingston and Irvington - and has over 8,000 subscribers. It is anticipated that by year end 1976, Suburban will have over 20,000 subscribers in these twelve communities.

The Company has filed municipal franchise applications in four additional Essex County municipalities - Bloomfield, Millburn, Nutley and Belleville, plus the City of Clifton located in Passaic County, New Jersey. These five communities would add another 65,000 dwelling units to Suburban's market.

In addition to the preceding, the Company will apply for municipal franchises in nearly thirty municipalities in neighbouring Union

County and Middlesex County, covering an additional 150,000 homes.

Referring to the map at left, the two zones of interest are centered in West Orange (Essex County) and Woodbridge (Middlesex County) and encompassing Union County. Utilizing 32 channel broadband multipoint microwave transmission from the two master sites, Suburban is poised ready to provide its services to approximately 300,000 residential dwelling units, and the associated commercial communities.

Suburban provides both an upgraded standard cablevision service and an optional pay-TV package known as Home Box Office (HBO).

Twenty-five channels are available for a standard cablevision subscriber at a rate of \$6.50 per month. The off-air channels include seven VHF channels, six UHF channels and two channels imported from Philadelphia. In addition, a local origination channel is provided for extensive coverage of local events; a time and weather channel; a 24-hour world and national newswire service from the Associated Press (AP); a financial channel with the New York Stock Exchange and American Stock Exchange transactions from Reuters International; a community bulletin board which advises subscribers of local events and activities in their area; one educational, governmental and public access channel for each community served, and a channel guide advising subscribers what is available on cable. In addition to the above channels, the Company offers the Madison Square Garden Channel, which is a closed circuit feed bringing over 115 outstanding live events from Madison Square Garden into the subscribers' homes.

The pay-TV or Home Box Office package provides over 200 hours of programming each month at a cost of \$8.00 per month. An average of twelve current, top run movies premiere each month on this home entertainment channel. These movies are provided unedited and commercial-free to the viewers.

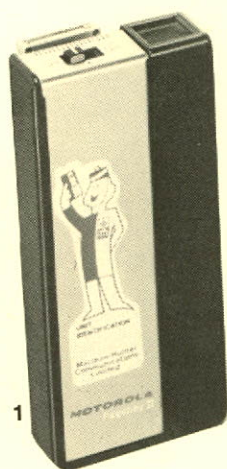
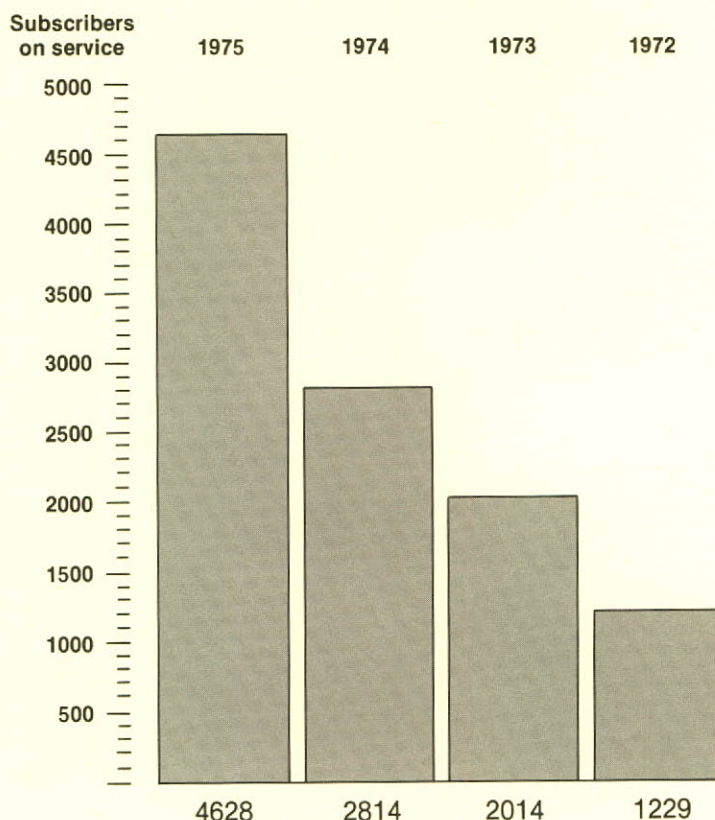
With the technical concept and the product offered its customers, management believes that Suburban Cablevision will become a strong and viable company.

Maclein-Hunter Communications Limited provides the widest radio paging coverage available in Southern Ontario

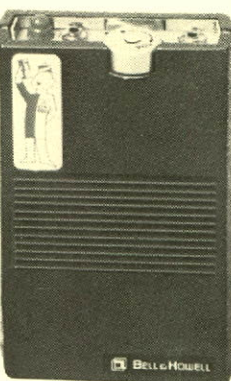
Your company's network providing a wide area personalized radio paging service in southern Ontario, became saturated in May of 1975 due to the heavy loading which resulted from an increased subscriber level. The growing demand for this type of service, as evidenced by the accompanying graph, was satisfied during the year 1975 by the establishment of a second network duplicating our existing area of coverage.

Plans are under way for the installation of a third and fourth network, the latter to be dedicated to an automatic direct dial access tone only grade of service, with an inherent air time capacity to service tens of thousands of pagers, which will extend the coverage of the company's present two networks to include the city of London and surrounding areas.

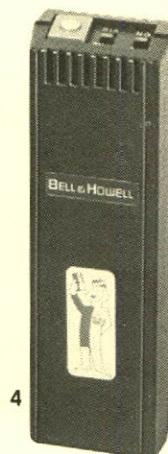
Applications have been submitted to the Department of Communications for authority to establish these two additional systems, with a request that appropriate radio frequencies be assigned to your company.



1. Motorola Pageboy II Tone and Voice Pager with optional loud housing on speaker to increase the voice message volume. Weight - 4.5 ounces, plus battery. Size - 1" deep by 2" wide by 4-1/2" high.



2. Motorola Pageboy II Tone and Voice Pager. Tone signal alerts subscriber to voice message which is to follow. Weight - approximately 3 ounces, plus battery. Size - 1" deep by 1-1/4" wide by 4-1/2" high.



3. Bell & Howell Tone and Voice Pager. This model alerts the subscriber with a tone signal, then delivers a voice message. Weight - 7.1 oz, plus battery. Size - 1" deep by 3-3/4" high by 2-3/8" wide.

4. Bell & Howell Tone/Vibrator Pager. Ideal for use in areas where a Tone Signal is undesirable. On this model, the subscriber has the option of turning off the tone signal, and being alerted to call for a message by a gentle vibrating of the pager unit. Weight - approximately 4 ounces, plus battery. Size .9" deep by 4-1/2" high by 1.4" wide.

Consolidated Statement of Income

FOR THE YEAR ENDED DECEMBER 31, 1975 (with comparative figures for 1974)

MACLEAN-HUNTER CABLE TV LIMITED and its subsidiaries

	<u>1975</u>	<u>1974</u>
Revenue — cable	\$14,776,000	\$12,259,000
— communications	<u>1,930,000</u>	<u>1,706,000</u>
	16,706,000	13,965,000
Operating expenses, except depreciation and amortization	<u>7,296,000</u>	<u>6,158,000</u>
Income from operations before the following	<u>9,410,000</u>	<u>7,807,000</u>
Depreciation and amortization	<u>3,105,000</u>	<u>2,548,000</u>
Interest on long-term debt	<u>1,096,000</u>	<u>1,184,000</u>
	<u>4,201,000</u>	<u>3,732,000</u>
Income before income taxes, share of net loss of Phasecom Corporation, minority interest and extraordinary item	5,209,000	4,075,000
Income taxes	<u>2,664,000</u>	<u>2,149,000</u>
	2,545,000	1,926,000
Deduct:		
Share of net loss of Phasecom Corporation (note 2)	76,000	37,000
Minority interest	<u>134,000</u>	<u>122,000</u>
Consolidated income before extraordinary item	2,335,000	1,767,000
Extraordinary item:		
Write-down of investment in Phasecom Corporation (net of minority interest of \$103,000) (note 2)	<u>309,000</u>	<u>339,000</u>
Consolidated net income for the year	<u>\$ 2,026,000</u>	<u>\$ 1,428,000</u>
Earnings per common share (after provision for preference share dividends):		
Consolidated income before extraordinary item	\$1.19	\$0.86
Extraordinary item	<u>0.17</u>	<u>0.18</u>
Consolidated net income for the year	<u>\$1.02</u>	<u>\$0.68</u>

[See accompanying notes]

Consolidated Statement of Financial Position

DECEMBER 31, 1975 (with comparative figures at December 31, 1974)

MACLEAN-HUNTER CABLE TV LIMITED [Incorporated under the laws of Ontario]
and its subsidiaries

ASSETS	<u>1975</u>	<u>1974</u>
Current:		
Cash	\$ 59,000	
Accounts receivable	878,000	\$ 649,000
Inventories, at lower of cost and replacement cost	109,000	93,000
Prepaid expenses	174,000	182,000
	<u>1,220,000</u>	<u>924,000</u>
Investments:		
Phasecom Corporation (note 2)		335,000
Other, at cost	21,000	21,000
	<u>21,000</u>	<u>356,000</u>
Properties (note 5)	<u>21,623,000</u>	<u>16,970,000</u>
Deferred costs	<u>897,000</u>	<u>809,000</u>
Goodwill (note 4)	<u>9,840,000</u>	<u>10,036,000</u>
	<u>\$33,601,000</u>	<u>\$29,095,000</u>

[See accompanying notes]

LIABILITIES

Current:

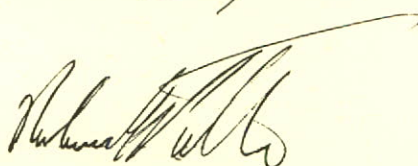
	<u>1975</u>	<u>1974</u>
Bank indebtedness		\$ 208,000
Accounts payable and accrued charges	\$ 1,882,000	877,000
Income and other taxes payable	736,000	510,000
Dividends payable	143,000	40,000
Unearned subscriber revenue	2,271,000	1,971,000
Current portion of long-term debt	691,000	16,000
	<u>5,723,000</u>	<u>3,622,000</u>
Long-term debt (note 6)	<u>11,707,000</u>	<u>11,225,000</u>
Deferred income taxes	<u>3,533,000</u>	<u>2,774,000</u>
Minority interest	<u>513,000</u>	<u>344,000</u>
Shareholders' equity:		
Capital stock (notes 7 and 8)	3,683,000	4,143,000
Contributed surplus	2,214,000	2,193,000
Retained earnings (notes 6 and 12)	6,228,000	4,794,000
	<u>12,125,000</u>	<u>11,130,000</u>
	<u>\$33,601,000</u>	<u>\$29,095,000</u>

On behalf of the Board:

Director



Director



Consolidated Statement of Changes in Financial Position

FOR THE YEAR ENDED DECEMBER 31, 1975 (with comparative figures for 1974)

MACLEAN-HUNTER CABLE TV LIMITED and its subsidiaries

	<u>1975</u>	<u>1974</u>
Sources of working capital:		
Operations —		
Consolidated income before extraordinary item	\$2,335,000	\$ 1,767,000
Add items included in arriving at net income that did not involve an outlay of funds:		
Depreciation and amortization	3,105,000	2,548,000
Deferred income taxes	759,000	507,000
Share of net loss of Phasecom Corporation	76,000	37,000
Minority interest	134,000	122,000
	<u>6,409,000</u>	<u>4,981,000</u>
Total funds from operations (cash flow)		4,981,000
Secured, Sinking Fund Debentures, Series C		5,000,000
Bank loan, secured by Series B Debentures	1,250,000	1,900,000
Sale of goodwill	91,000	5,000
Decrease in working capital	<u>1,805,000</u>	
	<u>\$9,555,000</u>	<u>\$11,886,000</u>
Applications of working capital:		
Additions to properties and deferred costs (net)	\$7,235,000	\$ 4,624,000
Repayments on bank loans		4,775,000
Redemption of Series A Debentures	750,000	750,000
Redemption of preference shares	439,000	456,000
Dividend on preference shares	150,000	168,000
Dividend on common shares	442,000	
Advances to and investment in Phasecom Corporation	154,000	24,000
Dividends paid by subsidiary to minority interest	40,000	
Mortgage repayments	17,000	16,000
Acquisition of subsidiary —		
Consideration given in year	529,000	
Deduct working capital acquired	<u>41,000</u>	
	<u>488,000</u>	
Less minority interest	<u>160,000</u>	
Increase in working capital	<u>328,000</u>	<u>1,073,000</u>
	<u>\$9,555,000</u>	<u>\$11,886,000</u>

[See accompanying notes]

Consolidated Statements of Retained Earnings and Contributed Surplus

FOR THE YEAR ENDED DECEMBER 31, 1975 (with comparative figures for 1974)

MACLEAN-HUNTER CABLE TV LIMITED and its subsidiaries

	<u>1975</u>	<u>1974</u>
RETAINED EARNINGS		
Balance, beginning of year	\$4,794,000	\$3,534,000
Add consolidated net income for the year	<u>2,026,000</u>	<u>1,428,000</u>
	6,820,000	4,962,000
Deduct dividends declared on		
— preference shares	150,000	168,000
— common shares	<u>442,000</u>	
	592,000	<u>168,000</u>
Balance, end of year	<u>\$6,228,000</u>	<u>\$4,794,000</u>
CONTRIBUTED SURPLUS		
Balance, beginning of year	\$2,193,000	\$2,189,000
Add gain on redemption of preference shares	<u>21,000</u>	<u>4,000</u>
Balance, end of year	<u>\$2,214,000</u>	<u>\$2,193,000</u>

[See accompanying notes]

Auditors' Report

To the Shareholders of
Maclean-Hunter Cable TV Limited:

We have examined the consolidated statement of financial position of Maclean-Hunter Cable TV Limited and its subsidiaries as at December 31, 1975 and the consolidated statements of income, retained earnings, contributed surplus and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of other auditors who have examined the financial statements of a subsidiary.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their 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,
February 9, 1976.

G. Clarkson, Gordon & Co.

Chartered Accountants

Notes to Consolidated Financial Statements

DECEMBER 31, 1975

MACLEAN-HUNTER CABLE TV LIMITED and its subsidiaries

1. Accounting policies

(a) Consolidation —

The consolidated financial statements include the accounts of the Company and its subsidiaries, from the date of acquisition using the purchase method, as follows:

	Ownership
Maclean-Hunter Communications Ltd.	100%
Suburban Cablevision	75%
Peterborough Cable Television Limited	75%
Huron Cable TV Limited	66 2/3%

A 75% owned subsidiary, Peterborough Cable Television Limited, has a 60% interest in Phasecom Corporation, which has been accounted for in the accompanying financial statements on the equity basis and written down to nominal value at December 31, 1975 (see note 2).

(b) Properties —

Fixed assets are stated at acquisition cost including the cost of materials and installation for subscriber connections. During construction of new systems, as part of towers and transmission facilities, all related expenses including development, start-up costs and interest are capitalized until the first group of subscribers are installed; thereafter 50% of these expenses are capitalized until the construction phase is completed.

Depreciation and amortization is being recorded at the following rates, which are expected to amortize the cost of properties over their estimated useful lives:

Buildings, towers and transmission facilities	- 10%	straight line
Community programming equipment	- 20%	straight line
Communications equipment	- 15%	straight line
Converters	- 33 1/3%	straight line

Other equip-

ment	- 10%	straight line
Vehicles	- 30%	declining balance

(c) Deferred costs —

Costs incurred to reconnect a subscriber location are set up as deferred costs and are amortized on a straight-line basis over five years.

(d) Goodwill —

The excess cost of acquiring businesses over the value assigned to net tangible assets acquired is included in goodwill. Goodwill, all of which arose prior to April 1974, is considered to have ongoing value and is carried in the accounts at cost.

(e) Revenue and expenses —

Revenue includes earned subscriber service revenue and charges for connections. The cost of the initial subscriber installation is capitalized as part of transmission facilities. Costs of subsequent disconnections are expensed.

(f) Translation of foreign currencies —

The accounts of the Company's United States subsidiary, Suburban Cablevision, have been converted into Canadian dollars at par.

2. Investment in Phasecom Corporation

In July 1975 Peterborough Cable Television Limited acquired a controlling interest in Phasecom Corporation as a result of making additional advances to Phasecom. Due to Phasecom's continuing losses the investment in this company has been written down to nominal value and therefore the accounts of Phasecom have not been consolidated with those of the Company.

3. Business acquisition

In April 1975 the Company acquired a 75% interest in Suburban Cablevision, a New Jersey company presently holding twelve cable television franchises in Essex and Hudson Counties, New Jersey. The acquisition was accounted for using the purchase method. The total cash consideration paid amounted to \$529,000 which approximated

the Company's proportionate share of the fair values assigned to the net tangible assets acquired.

4. Goodwill

During the year a subsidiary company sold three telephone answering service operations and its United States paging operation; the net proceeds from these sales in an amount of \$91,000 has been applied to reduce goodwill.

5. Properties, at cost

	<u>1975</u>	<u>1974</u>
Towers and transmission facilities	\$27,439,000	\$22,165,000
Equipment	6,482,000	4,692,000
Buildings	675,000	572,000
	<u>34,596,000</u>	<u>27,429,000</u>
Less accumulated depreciation	13,196,000	10,596,000
	<u>21,400,000</u>	<u>16,833,000</u>
Land	223,000	137,000
	<u>\$21,623,000</u>	<u>\$16,970,000</u>

Transmission facilities include assets with a cost of \$6,062,000 (\$5,864,000 in 1974) paid for by the Companies but which are owned by public utility companies. These assets have been leased back from the public utility companies for initial minimum terms of ten years which is equivalent to the amortization period of these assets.

6. Long-term debt

	<u>1975</u>	<u>1974</u>
9% Sinking Fund Debentures Series A	\$ 4,074,000	\$ 4,150,000
Bank loans, secured by Series B Debentures	3,150,000	1,900,000
Secured Sinking Fund Debentures Series C	5,000,000	5,000,000
8% mortgage, January 2, 1983	156,000	172,000

8-1/2% mortgage maturing May 3, 1977

Less portion due in one year

18,000	19,000
<u>12,398,000</u>	<u>11,241,000</u>
691,000	16,000
<u>\$11,707,000</u>	<u>\$11,225,000</u>

The 9% Sinking Fund Debentures, Series A mature January 30, 1980. Annual sinking fund requirements are \$750,000 until 1979 and \$1,150,000 in 1980. The sinking fund requirements for 1976 were met in 1975 to the extent of \$76,000. The balance of \$674,000 was met in January, 1976.

The bank loans are secured by \$7,400,000 Series B Debentures with no fixed maturity date. The bank has the option to convert the present bank loans into Series B Debentures with a maturity date of not less than six years from the date of its official notification to convert. While Series A Debentures are outstanding, principal repayments on Series B Debentures cannot exceed 10% of the original total principal outstanding at the date of conversion. Such principal repayments would commence no sooner than one year after conversion. Interest on the Canadian dollar loans (\$1,300,000) is 1/2% above the Canadian prime bank rate on the first \$750,000 and 1-1/2% above prime on the remainder. Interest on the United States dollar loans (\$1,850,000) is 2% above the New York prime rate.

The Secured Sinking Fund Debentures, Series C mature July 1, 1989 with interest at 3/4% above the prime bank rate, limited to a minimum interest rate of 9-1/2% and a maximum of 11%. Annual sinking fund requirements are \$250,000 from 1977 to 1980; \$435,000 from 1981 to 1988 and \$520,000 in 1989.

The debentures are secured by a first floating charge on the undertaking of the Company and all its property and assets. The debentures are equally and rateably secured.

The Trust Indenture, pursuant to which the debentures were issued, contains restrictive covenants concerning the payment of dividends on the common shares.

Payments required to meet debt obligations in each of the next five years are as follows:

1976	\$ 691,000
1977	1,035,000
1978	1,020,000
1979	1,022,000
1980	1,423,000

7. Capital stock

	<u>1975</u>	<u>1974</u>
Authorized:		
612,000 cumulative redeemable first preference shares with a par value of \$20 each, issuable in different series		
3,000,000 common shares with a par value of \$1 each		
Issued:		
92,000 7% cumulative redeemable first preference shares		
Series A	\$1,840,000	\$2,300,000
1,842,500 common shares	<u>1,842,500</u>	<u>1,842,500</u>
	<u>\$3,682,500</u>	<u>\$4,142,500</u>

Provisions attaching to the first preference shares require the Company to retire, either by purchase for cancellation or redemption, 23,000 shares (par value \$460,000) annually to 1980.

8. Share transfer restriction

The Company has the right to refuse to register a transfer of any of its shares to a non-resident that may, in the opinion of the directors, adversely affect the status of the Company under the licensing provisions of the Broadcasting Act of Canada.

9. Commitments

The Company and its subsidiaries have minimum commitments under agreements and leases as follows:

(a) Transmission facilities — approximately \$700,000 per annum as at December 31, 1975;

(b) Office premises — \$138,000 per annum under leases for varying periods to 1984.

10. Statutory information

The aggregate direct remuneration of directors and senior officers (as defined by The Business Corporations Act, Ontario) amounted to \$295,000 in 1975 and \$258,000 in 1974.

11. Reclassifications

Certain 1974 balances have been reclassified in order to conform with the presentation adopted in 1975.

12. Anti-Inflation Program

Effective October 14, 1975 the Federal Government passed the Anti-Inflation Act and subsequently issued Regulations which are scheduled to be in force until December 31, 1978. Under this legislation the Company is subject to mandatory compliance with controls on prices and profits, employee compensation and shareholder dividends. The price and profit margin controls as they affect the Company are being administered on behalf of the Anti-Inflation Board by the Canadian Radio-Television Commission. Dividends to the Company's common shareholders during the twelve-month period ending October 13, 1976 may not exceed 24¢ per share.

13. Event subsequent to the year-end

The Company has agreed to acquire an 8.94% interest in Maclean-Hunter Holdings Limited, a company incorporated to acquire 42.2% (3,424,098 shares) of Maclean-Hunter Limited which owns 61.7% of the outstanding common shares of Maclean-Hunter Cable TV Limited.

The total investment in Maclean-Hunter Holdings Limited to be acquired by Maclean-Hunter Cable TV Limited is 204,000 shares for \$1,499,400. This investment will be financed through a term bank loan.

