

PREMIER CABLEVISION LIMITED 1979 ANNUAL REPORT



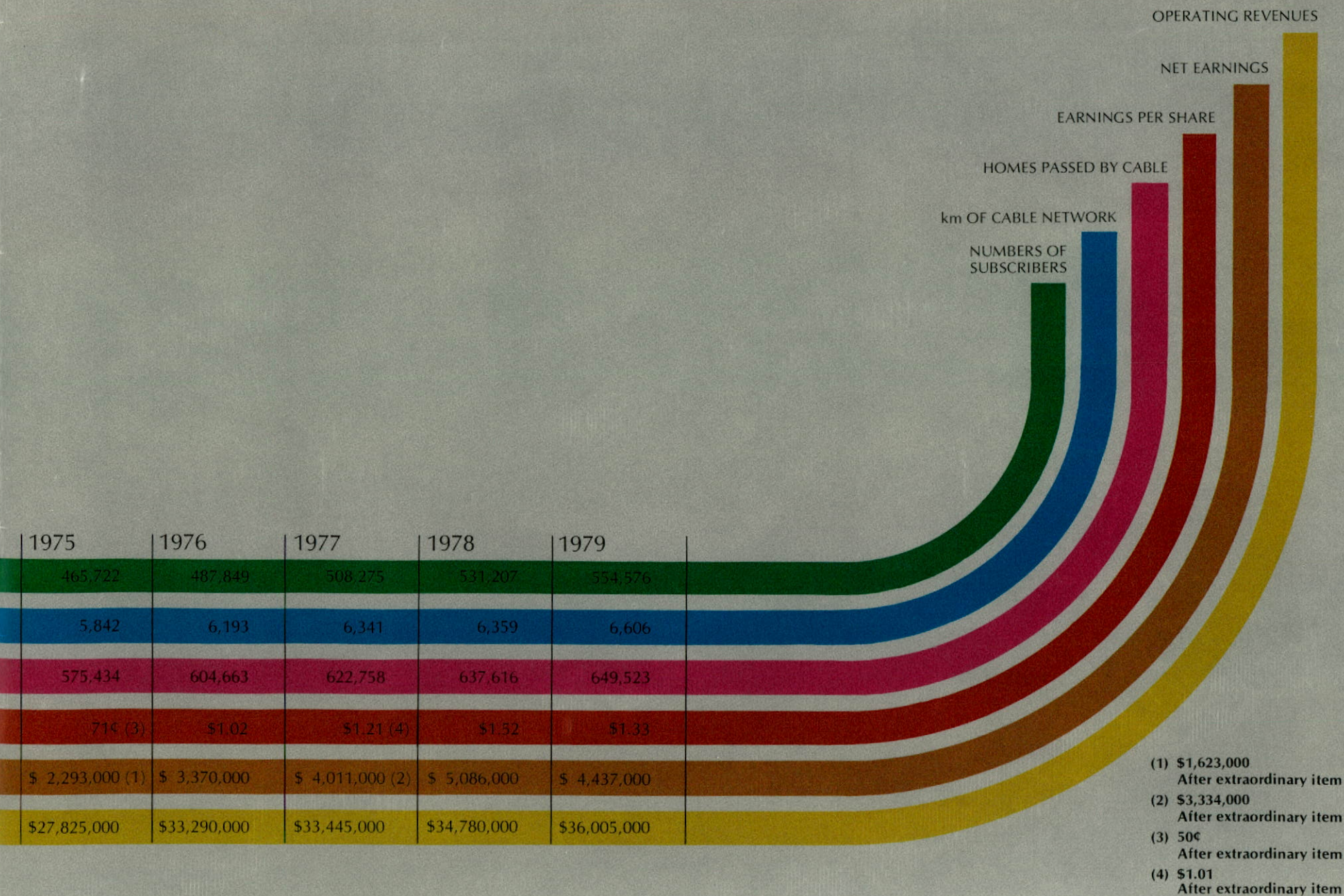
ROSS
OF MANAGEMENT
1979
MCGILL UNIVERSITY



OUR COVER

A domestic TV satellite hovering 22,300 miles over the earth's surface. Canada was the first country in the free world to launch a domestic satellite. Today, Canada has four satellites in geo-synchronous orbit, of which two, Anik A-III and Anik B-1, are partially in use, for the relay of television programs. Anik A-III has available unused channel capacity. Expanded use of Canada's satellites would result in a greater opportunity for the public to benefit from new telecommunications services by satellite. Pressure has been mounting to permit pay television for Canada, delivered by satellite because it is now technically possible to receive U.S. pay TV signals from the U.S. satellites.

highlights



Highlights

OPERATING REVENUES

NET EARNINGS

EARNINGS PER SHARE

HOUSES PASSED BY CABLE

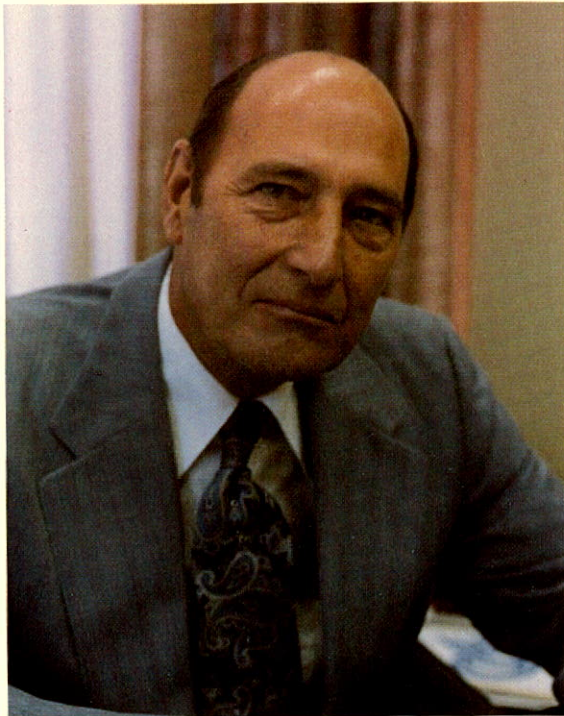
km OF CABLE NETWORK

NUMBERS OF SUBSCRIBERS

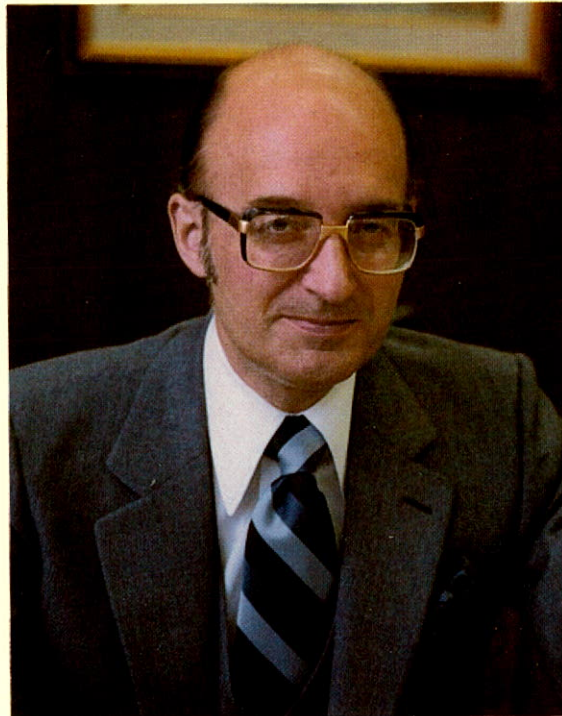
	1975	1976	1977	1978	1979
Operating Revenues	\$27,852,000	\$33,240,000	\$33,442,000	\$34,780,000	\$36,007,000
Net Earnings	\$2,202,000	\$3,370,000	\$3,107,000	\$3,186,000	\$4,417,500
Earnings Per Share	27¢	41¢	37¢	39¢	54¢
Houses Passed by Cable	277,431	294,693	322,258	337,816	349,759
km of Cable Network	716.34	81.01	87.37	84.82	81.34
Numbers of Subscribers	146,321	152,748	157,272	161,774	166,400

- (1) \$1.01 After extraordinary item
- (2) \$1.01 After extraordinary item
- (3) 50¢ After extraordinary item
- (4) \$1.01 After extraordinary item

report to shareholders



Sydney W. Welsh,
Chairman



George A. Fierheller,
President and Chief Executive Officer

We are pleased to present this report to the shareholders on the progress your Company has made during the year ended August 31, 1979. Total revenue at \$36,005,000 was at an all time high. Net earnings, however, at \$4,437,000 were somewhat below the 1977-78 figure as predicted in last year's annual report. The Company continues to be caught between rapidly rising costs and the reluctance of the regulatory body in Canada to grant consistent and compensatory rate increases. This is particularly surprising considering the almost total lack of interventions from our subscribers to the modest rate increases we have been proposing. During the year a small rate increase was allowed in Fraser Cablevision but a similar request was recently denied in Vancouver. In this latter case we have been without a rate increase since 1976 despite continuing increases in operating expenses. By contrast in Ireland, the regulatory authorities allow increases in rates on a formula basis commensurate with increases on the cost of living and wage increases. In Canada your Company will continue to point out to the Canadian Radio-television and Telecommunications Commission (CRTC) the need to recognize the inflationary pressure the Company is under and allow us to adjust rates annually to compensate for this. The services we supply to our subscribers are well received, resulting in a very high level of penetration in virtually all of our market places. Growth in the number of subscribers will continue, but at a slower rate than in the past.

It therefore becomes particularly important

that Premier be allowed to offer new services to subscribers in Canada. One of these is clearly pay television for which there is a growing demand. This service would allow viewers to watch movies, sporting events and entertainment specials, not otherwise shown in addition to the regular programming provided by the broadcast networks. Regrettably the CRTC has not yet licensed pay television in Canada. It is our hope that Pay TV licenses will be granted before the end of 1980. In the meantime your Company has been actively expanding its pay TV operations into the United States. This is discussed elsewhere in this report.

Premier has also proposed to the CRTC that it be allowed to offer security and medical alert services over cable. It is expected that authorization will be given to provide such a service starting in Victoria, B.C. in the near future. It is a CRTC policy that such non-broadcasting services will not be regulated by it. We envisage that these and other services to our subscribers will provide major new sources of revenue in the years to come.

Premier is still expanding its interests in the cable television area in Canada. We are pleased to note that on December 19, 1978 the CRTC approved our application to purchase a 45% interest in Western Cablevision Limited. Western Cablevision provides cable television service to approximately 57,000 subscribers in New Westminster, Langley and Surrey, B.C. and its wholly owned subsidiary M.S.A. Cablevision Limited provides service to approximately 10,400 subscribers in Abbotsford and Matsqui, B.C.

In the United States our wholly owned subsidiary, Premier Cablevision Nederland B.V. acquired a 50% interest in California Satellite Systems (Calsat), a company offering pay television service in Sacramento and soon in Stockton, California. In July, our Netherlands subsidiary acquired a 50% interest in Northwest Entertainment Network, Inc. This company is also in the pay television industry serving the greater Seattle and Portland areas. Premier expects to continue its expansion with pay television investments in the Western United States and elsewhere.

Premier is particularly proud of its record in the community programming area which we believe to be one of the best in Canada. Our Canadian subsidiaries spent over \$2 million last year on our community TV channels. We intend to continue this strong commitment to community programming in Canada.

In addition, your Board of Directors has authorized an investment in Canadian film production. We believe that it is important to develop the source of quality Canadian films that will ultimately provide part of our offering in pay television as well as being available to theatre audiences in Canada and elsewhere. This programme was just started during the fiscal year ended August 31, and the company expects to spend about \$350,000 in total in this area.

We were pleased to note that all of our subsidiaries showed increases in the number of subscribers. In total the number increased from 531,207 to 554,576 for an increase of 4.4%. The number of homes in our licensed areas was 660,097 for a total penetration of

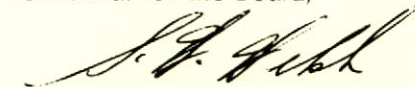
over 84%. We believe this is one of the highest penetration rates for large companies in Canada.

We were sorry during the year to lose the services of Stuart H. Wallace, your President since 1974 and Barrie R. Adams who was Vice-President and Secretary of the Company. Their contribution to the company was greatly appreciated.

We were very pleased to announce the promotion of Mr. Ron Chaston to be Regional General Manager for our Ontario Systems, Mr. Michael Jervis to be Regional General Manager for our British Columbia Systems, and Mr. Joseph Cassidy as Regional General Manager for our Irish Systems. We were also pleased to welcome Mr. Marshall M. Carpenter as Regional General Manager for our expanding pay television operations in the United States. The Company was further strengthened by the addition of Mr. Bruce K. MacCormack as General Manager of Fraser Cablevision Limited.

At year end, the Premier staff was over 550. Your Directors are particularly appreciative of the efforts put forward by the staff and for their contributions to the many developments described in this report.

On behalf of the Board,



Chairman



President and
Chief Executive Officer



five year summary

	1979	1978 (restated)	1977 (restated)	1976	1975
EARNINGS (in thousands)					
Revenues					
Subscriber revenues	35,568	33,353	29,440	25,656	21,594
Equipment sales	437	1,427	4,005	7,634	6,231
Total	<u>36,005</u>	<u>34,780</u>	<u>33,445</u>	<u>33,290</u>	<u>27,825</u>
Expenses					
Cost of sales and expenses	20,609	17,996	18,531	19,671	16,825
Depreciation	6,138	5,888	5,375	4,673	3,996
Interest expenses (net)	400	580	1,227	1,573	1,470
Amortization of deferred charges	123	180	65	—	—
Amortization of unallocated cost of shares in subsidiaries	97	97	160	86	50
Total	<u>27,367</u>	<u>24,741</u>	<u>25,358</u>	<u>26,003</u>	<u>22,341</u>
Earnings from operations before the following	8,638	10,039	8,087	7,287	5,484
Income taxes	4,385	4,953	4,076	3,917	3,191
Total	<u>4,253</u>	<u>5,086</u>	<u>4,011</u>	<u>3,370</u>	<u>2,293</u>
Other income (expense)					
Equity in net earnings of associated companies	192	24	—	—	—
Minority interest in net earnings of subsidiaries	(8)	(24)	—	—	—
Total	<u>184</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Earnings before extraordinary item	4,437	5,086	4,011	3,370	2,293
Extraordinary item	—	—	677	—	670
Net earnings for the year	<u>4,437</u>	<u>5,086</u>	<u>3,334</u>	<u>3,370</u>	<u>1,623</u>
EARNINGS PER SHARE (in dollars)					
Before extraordinary item	1.33	1.52	1.21	1.02	.71
After extraordinary item	1.33	1.52	1.01	1.02	.50
Shares outstanding	3,335,086	3,333,969 (average)	3,316,559	3,316,559	3,223,909 (average)
FINANCIAL POSITION (in thousands)					
Funds generated by operations	11,371	12,880	10,574	9,409	7,224
Additions to fixed assets	7,443	7,258	8,107	9,202	11,611
Working capital (deficiency) end of year	2,214	7,617	2,107	(3,310)	(1,270)
BALANCE SHEET (in thousands)					
Investments and unallocated cost of shares in subsidiaries	13,891	9,632	7,943	8,779	8,738
Net fixed assets	35,373	34,277	33,464	31,052	26,729
Long term debt (including current portion)	19,680	19,726	16,915	13,889	14,066
Shareholders' Equity					
Share capital	2,380	2,380	2,261	2,261	2,261
Retained earnings	24,708	23,189	18,927	17,502	14,132

community programming



Our community channels continue to reinforce the primary social commitment of our cable-vision licensees. As an integral part of the community they have explored and studied the unique needs of their licensed areas. In most cases their research has brought about many changes in the availability and access of the community channel. Many of our larger systems have greatly expanded into their communities with increased mobile activities and capabilities, devoting more of the programming schedule to production in the community. They have also placed more programming facilities in the community, increasing the participation in local activities. Our community channels are visible in the communities they serve, and increased community participation endorses the continued interest in utilizing this facility as a communications medium.

During the year, our community programmers helped many prospective programmers develop their programming ideas. They provided technical assistance, taught communications skills, and they promoted and publicized the scheduled programming.

The following activities represent only the highlights of our Canadian community channel programmers in maintaining an interesting community program service for the benefit of TV viewers.

VICTORIA

Victoria Cable 10 continues to provide and develop a unique service in access television for its citizens. The on-air schedules include in excess of 2,000 hours of community programming per year, more than double what it was three years ago. Regular features are



brought into the home such as City Council, local sports, various arts programs, politics, public affairs and numerous special programs like the Lions Easter Seal Telethon, which raised \$108,000 in 1979; complete civic election coverage; two all-candidates federal election forums; Folkfest — an annual multicultural event; an all-day blood donor's clinic; the Greater Victoria Music Festival highlights concert and many others. A proud achievement for the programming staff was the conception, production and presentation of approximately ten hours of specially produced programming for Canada Day.

VANCOUVER

This year, two "store-front" neighbourhood offices opened up in Vancouver East and in the West End. Now, Vancouver Cable 10 has local production facilities in five separate communities. A major highlight of this year was the song and dance spectacular, "Ladies in Lights," seen on Cable 10 and simulcast in stereo on FM 99. The combined efforts of local actors, musicians, and broadcast personnel made the production possible — with the concert proceeds going to the Stocking Fund Benefit. Coverage of local events included the World Symposium of Humanity, the 11th Annual Wheelchair Games, the B.C. Summer Games and the municipal, provincial and federal elections.

FRASER

The past year was another big year for the Fraser Cablevision community programming department. With the addition of two experienced programmers, and subsequent reorganization, Fraser Cable 10 now operates out of three locations: Maple Ridge, Coquitlam,

and the new Port Coquitlam channel centre. Major programming activities included coverage of three major elections involving three provincial ridings, two federal ridings and six municipal councils. One of the most surprising program successes in the last year was an exercise program with such a following that the lady who hosted "Rhythm Fitness" was invited to continue her program as part of the CBC summer schedule.

YORK

York Cable 10 produced 27 hours of live programming for the Scarborough-Indianapolis Peace Games this summer. A major event, the community channel utilized nine set locations, four mobiles, twelve cameras, five portapak and over sixty staff and community volunteers who helped in all aspects of the production. The involvement in this major community activity increased the awareness of the community channel in that community.

OAKVILLE

Oakville's community channel helped the local Tempus Youth Choir attend a world-wide competition in Wales by broadcasting a telethon over Oakville Cablevision's Cable 10. During the federal election campaign, Oakville was host to Prime Minister Pierre Trudeau and Opposition Leader, Joe Clark, and covering the speeches of both party leaders was Oakville Cable 10, in cooperation with Keeble Cable Television. Oakville's residents showed great interest during a live phone-in series featuring six local federal candidates. For the third consecutive year, the community channel provided highlights of the Canadian Open during the qualifying and final rounds of play at nearby Glen Abbey Golf Course.

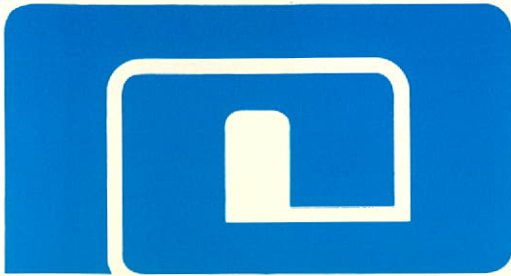
KEEBLE

During the year, the community channel large mobile was out on 72 occasions for community production. The single portapak units were used 311 times over the year. This year, the Keeble Cable system was split into two parts — Borough of York and the City of North York, giving the community channel the ability of simultaneously transmitting programs to these two areas. A record number of political candidates made use of the program facilities, which ensured Keeble's best pre-election programming ever. During a public school teachers strike, the community channel provided the local residents with all the available information.

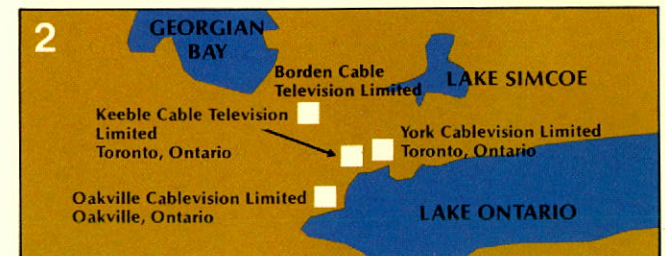
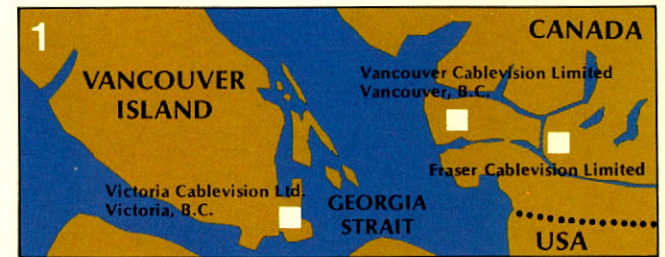
Programming popularity has been tested in this area and Kids'n Company and Teen Magazine are favourites.

BORDEN

Borden Cable's community channel began recording the proceedings of Alliston council meetings this year. It was the first time television cameras were allowed to record proceedings in the council chambers at the town offices. The community channel tapes both monthly council meetings, edits the proceedings in one package and broadcasts the program once a month on the community channel. Throughout the year this small system covered many local activities such as the Interschool Science Fair, Angles to Edenvale Canoe Race, and the opening of the "Good Samaritan Nursing Home." At Camp Borden, a Canadian Forces Base, the community channel covered the Canadian Archery Championships and weapon training with the militia.



locations: cablevision subsidiary companies



Premier Cablevision's subsidiary companies

VICTORIA CABLEVISION LTD.

Although Victoria Cablevision serves over 92% of the homes in the licensed area as subscribers, the system added a total of 2,739 subscribers during the year for an overall gain of 4 percent. Victoria maintained a steady growth rate due to new residential developments, apartment and condominium. The system has a 24 channel capacity and provides 12 channels on the basic service, plus 6 channels on the augmented service. Victoria Cablevision has entered into a pilot project with TOCOM of Canada, to market security services by cable in the Victoria area. The Company is awaiting approval of this project from the CRTC. In August, the Company applied to the Canadian Radio-television and Telecommunications Commission to increase its presently authorized monthly rate from \$5.25 per month to \$6.00 per month.

VANCOUVER CABLEVISION LIMITED

During the first quarter of the year, this system was in the final stages of renovations of its main office in Vancouver. As a result, the Company now enjoys a fully modernized office area for its employees, and a fresh image in its public office for cablevision customers. This system is the second of your Company's western subsidiaries to introduce the new MIS computer system which provides for on-line generation of customer work orders and billings. In addition, it stores complete information on address inventory and customer accounts, thus giving total control of the Company's revenue sources. In February, Vancouver Cablevision applied to the CRTC for an increase in its monthly rate from \$5.75

per month to \$6.50 per month. Unfortunately, this application was denied late in the year with no specific explanation given by the CRTC. Vancouver Cablevision now serves 232,020 subscribers for a net increase of 3.3% over last year.

FRASER CABLEVISION LIMITED

The licensed area of Fraser Cablevision, formerly Coquitlam Cablevision, encompasses approximately 200 square miles and includes six municipalities. The Company moved its offices this year to Port Coquitlam, which is a high density urban area of the system. One hundred miles of system rebuild was completed this year, and 85 percent of the subscribers are on the rebuilt plant. The rebuild to date provides 70 percent of the plant with 36 channel capacity. In May, the CRTC approved a 75 cent rate increase to \$6.50 per month. The wide service area of this system encompasses mixed rural, urban and suburban areas with the lowest population density of our systems. Fraser provides a full "city" selection of services to this diverse area. In August, Fraser Cablevision applied to the CRTC for a monthly rate increase, similar to other cablevision rates for like areas, from \$6.50 per month to \$9.00 per month. Subscriber growth in 1979 was 5 percent over the previous year.

YORK CABLEVISION LIMITED

This system now serves 79% of the homes in the licensed area. Increased growth of residential dwellings is not anticipated due to the lack of undeveloped areas. York Cablevision has a 28 channel capacity and subscribers using converters can now receive 21 channels of service. During the year under

review, the Company acquired 1,203 subscribers.

OAKVILLE CABLEVISION LIMITED

The highlight of this system over the past year was the relocation to new premises which increased the working space for the operations of the company and provided a larger, new facility for the community programming department. The system now has a channel capacity of 20 and 19 are in use. Oakville enjoyed a net increase of 713 subscribers this year — up 6% over last year.

KEEBLE CABLE TELEVISION LIMITED

The Mississauga section of Keeble is administered and serviced by Oakville Cablevision and continues to grow at a good rate due to residential construction. The system has a total capacity of 30 channels with 19 in use. The Downsview section is administered and serviced by York Cablevision and has all of its 20 channel capacity in use. During the year, the combined systems added 2,627 subscribers representing a 5.5% increase over last year.

BORDEN CABLE TELEVISION LIMITED

Located 40 miles north of Toronto, this system serves the areas of Alliston, Angus and the Canadian Forces Base at Borden. Premier has a 92.8% interest in this Company, which is 95% owned by Keeble Cable Television. Borden increased subscriber growth by 2.4% over last year.

MARLIN COMMUNAL AERIALS

With the addition of 18 miles of cable network during the year, this Irish subsidiary in Dublin, continues to be the fastest growing subsidiary, with subscribers up 10.6% over last year. The construction of a low fre-

quency, 4.75 mile underground transportation line to provide good quality reception and a high level of reliability to the more remote areas of the system, has been delayed due to proposals to electrify a section of rail, alongside where the Company had sought permission to construct an underground cable route. This project is now expected to be completed by mid-1980. In March, Marlin Communal Aerials received approval from the Post Office

to increase their rates by 15.48%. A new company designed subscriber tap unit is currently being manufactured and will be undergoing field trials to combat unauthorized use of cablevision service.

WATERFORD CABLEVISION LIMITED

Growth of this Irish subsidiary in Waterford, was marginal during the year with a 3.4% increase over last year. A six month postal service dispute, labour strikes and an econo-

mic downturn were the reasons for the marginal growth of the system. A new aerial receiving station was constructed in 1978 and a new four mile trunk route, carrying BBC signals and independent television from Wales into the City boundary, was put into service in April. These developments have greatly improved the service for Waterford subscribers.

subscriber growth

	Total Subscribers		Homes passed by Cable	
	1979	1978	1979	1978 (restated)
Victoria Cablevision Ltd.	71,902	69,163	77,500	76,079
Vancouver Cablevision Limited	232,020	224,585	244,605	239,977
Fraser Cablevision Limited	42,388	40,113	48,032	46,365
York Cablevision Limited	71,098	69,895	89,863	89,000
Keeble Cable Television Limited	50,513	47,885	69,500	68,000
Oakville Cablevision Limited	12,671	11,958	23,920	23,674
Borden Cable Television Limited	3,942	3,849	4,390	4,300
Marlin Communal Aerials Limited	63,374	57,309	83,389	81,389
Waterford Cablevision Limited	6,668	6,450	8,824	8,800
Total:	<u>554,576</u>	<u>531,207</u>	<u>650,023</u>	<u>637,616</u>

CONSOLIDATED BALANCE SHEET

as at August 31, 1979

ASSETS	1979	1978
	\$ in thousands	\$
CURRENT ASSETS		
Cash and deposit receipts	8,698	15,066
Accounts receivable	1,718	2,168
Short-term investments	4,000	—
Prepaid expenses and inventories, at cost	597	601
	<u>15,013</u>	<u>17,835</u>
INVESTMENTS (note 2)	7,103	2,747
FIXED ASSETS (note 3)	35,373	34,277
DEFERRED CHARGES (note 4)	1,570	1,552
UNALLOCATED COST OF SHARES IN SUBSIDIARIES, at cost less amortization	6,788	6,885
	<u>65,847</u>	<u>63,296</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	5,449	3,347
Service revenue received in advance	3,544	3,257
Income taxes	1,842	3,614
Current portion of long-term debt	1,964	—
	<u>12,799</u>	<u>10,218</u>
LONG-TERM DEBT (note 5)	17,716	19,726
DEFERRED INCOME TAXES	7,786	7,264
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARIES	458	519
	<u>38,759</u>	<u>37,727</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 6)	2,380	2,380
RETAINED EARNINGS	24,708	23,189
	<u>27,088</u>	<u>25,569</u>
	<u>65,847</u>	<u>63,296</u>

Approved by the Directors

Director

Director

CONSOLIDATED STATEMENT OF EARNINGS
for the year ended August 31, 1979

	1979	1978
	\$ in thousands	\$
OPERATING REVENUE	<u>36,005</u>	<u>34,780</u>
EXPENSES		
Cost of sales and expenses	20,609	17,996
Depreciation	6,138	5,888
Interest — long-term	1,947	1,726
— other	55	—
Amortization of deferred charges	123	180
Amortization of unallocated cost of shares in subsidiaries	97	97
	<u>28,969</u>	<u>25,887</u>
Less: Interest income	1,602	1,146
	<u>27,367</u>	<u>24,741</u>
	<u>8,638</u>	<u>10,039</u>
PROVISION FOR INCOME TAXES		
Current	3,863	4,061
Deferred	522	892
	<u>4,385</u>	<u>4,953</u>
	<u>4,253</u>	<u>5,086</u>
OTHER INCOME (EXPENSE)		
Equity in net earnings of associated companies (less amortization of \$134,000)	192	24
Minority interest in net earnings of subsidiaries	(8)	(24)
NET EARNINGS FOR THE YEAR	<u>4,437</u>	<u>5,086</u>
EARNINGS PER SHARE (note 7)	<u>\$1.33</u>	<u>\$1.52</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended August 31, 1979

	1979	1978
	\$ in thousands	\$
RETAINED EARNINGS — BEGINNING OF YEAR	23,189	18,927
Net earnings for the year	4,437	5,086
	<u>27,626</u>	<u>24,013</u>
Dividends	2,918	824
RETAINED EARNINGS — END OF YEAR	<u>24,708</u>	<u>23,189</u>

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended August 31, 1979

	1979	1978
	\$ in thousands	\$
SOURCE OF WORKING CAPITAL		
Current operations		
Net earnings for the year	4,437	5,086
Add: Items not affecting working capital —		
Depreciation and amortization	6,367	6,312
Deferred income taxes	522	892
Other	45	590
From operations	<u>11,371</u>	<u>12,880</u>
Dividends received from associated companies	162	27
Proceeds from disposal of fixed assets	84	—
Reduction of guarantee deposit	235	—
Disposition of interest in subsidiary company	—	511
Reassessment of income taxes	—	564
Long-term borrowings	—	2,054
Common shares issued	—	119
	<u>11,852</u>	<u>16,155</u>

USE OF WORKING CAPITAL

Dividends	2,918	824
Fixed asset additions	7,443	7,258
Long-term debt repayments and current portion	2,333	311
Investment in associated companies	4,561	—
Other investments	—	1,450
Additional investment in subsidiary company	—	388
Deferred charges	—	414
	<u>17,255</u>	<u>10,645</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(5,403)	5,510
WORKING CAPITAL — BEGINNING OF YEAR	7,617	2,107
WORKING CAPITAL — END OF YEAR	<u>2,214</u>	<u>7,617</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended August 31, 1979

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

These consolidated financial statements include the accounts of the company and all companies in which it holds more than a 50% interest.

	Ownership
Vancouver Cablevision Limited	100%
Victoria Cablevision Ltd.	100%
Fraser Cablevision Limited	100%
York Cablevision Limited	100%
Oakville Cablevision Limited	100%
PCL Enterprises Limited	100%
Wirevision Limited (Ireland)	100%
Premier Cablevision Nederland B.V. (Holland)	100%
Keeble Cable Television Limited	97%
Marlin Communal Aerials Limited (Ireland)	75%

Unallocated costs of investments in shares of subsidiaries arising prior to April 1, 1974 are written off if there is considered to be permanent impairment of value. The unallocated costs of shares in subsidiaries acquired subsequent to April 1, 1974 are being amortized over 40 years.

(b) Investments in Associated Companies

Investments in companies in which Premier holds a major interest but not more than 50% and over which Premier exercises significant influence are included in the consolidated financial statements in accordance with the equity method of accounting. Under this method the company records its share of earnings and losses of these companies rather than dividends received. The excess of the cost of the investment in companies accounted for by the equity method over the related underlying equity in the net assets of the investee companies is being amortized over periods ranging from 10 to 40 years.

(c) Foreign Exchange

Amounts stated in foreign currency have been translated to Canadian dollars on the following basis: fixed assets, related accumulated depreciation and other non-current assets at exchange rates in effect at the appropriate acquisition dates; all other assets and liabilities, including long-term debt, at exchange rates in effect at the balance sheet date; all earnings accounts other than depreciation and amortization at average exchange rates for the year.

Gains and losses arising from the translation of non-current monetary assets and liabilities at current rates are deferred and amortized over the remaining life of the assets and liabilities; all other gains or losses from translation are included in net earnings.

(d) Fixed Assets and Depreciation

The distribution systems include the cost of electronic equipment, cable and construction plus the cost of materials and installation for subscriber connections. Interest and overhead during construction is charged to operations in the year.

As distribution systems are rebuilt, the cost of existing plant, along with related amounts of accumulated depreciation, is removed from the accounts.

The cost of fully depreciated assets and the related amounts of accumulated depreciation are also removed from the accounts.

The distribution systems are being depreciated on a straight-line basis as follows:

- 5% in the year of acquisition
- 10% in each of the next nine years
- 5% in the eleventh year

All other classes of assets are depreciated using the declining balance method, over the useful life of the assets.

(e) Deferred Charges

Deferred charges include computer development costs, re-financing costs and past service pension costs which are amortized over periods from five to ten years.

(f) Revenue and Expense

Operating revenue in the financial statements includes subscriber service billings, installation charges and equipment sales. The cost of the initial subscriber installation is capitalized as part of the distribution system while disconnection and reconnection costs are expensed.

2. INVESTMENTS

	Carrying Value	
	1979	1978
	\$	\$
	in thousands	
Investments carried on an equity basis	5,888	1,297
Guarantee deposit — at cost	1,215	1,450
	<u>7,103</u>	<u>2,747</u>

The difference between the cost of investments carried on an equity basis and the company's share of the underlying net assets at the date of acquisition of these investments amounted to \$4,440,000 (1978 — \$571,000).

The guarantee deposit is maintained by the company with the AIBB in an amount equal to 75% of the AIBB loan (note 5) plus a 7½% foreign exchange contingency.

3. FIXED ASSETS

Fixed assets at cost less related accumulated depreciation are:

	1979			1978
	Cost	Accumulated depreciation	Net	Net
	\$	\$	\$	\$
	in thousands			in thousands
Land and buildings	1,151	137	1,014	486
Distribution systems	54,683	23,300	31,383	31,019
Studio equipment and improvements	2,355	1,305	1,050	1,026
Automotive equipment	1,841	1,235	606	656
Tools and test equipment	1,185	683	502	447
Office furniture, fixtures and improvements	1,639	821	818	643
	<u>62,854</u>	<u>27,481</u>	<u>35,373</u>	<u>34,277</u>

4. DEFERRED CHARGES

Deferred charges at cost less related accumulated amortization are:

	1979	1978
	\$	\$
	in thousands	
Computer development	112	167
Refinancing	104	117
Past service pension costs	276	331
Unamortized loss on foreign exchange	1,078	937
	<u>1,570</u>	<u>1,552</u>

5. LONG-TERM DEBT

	1979	1978
	\$	\$
	in thousands	
Promissory note payable to The Mutual Life Insurance Company of New York, with annual interest at 9-1/8%, repayable in annual instalments of U.S. \$450,000 from 1980-1982 and U.S. \$990,000 from 1983-1992 (\$11,250,000 U.S. funds)	13,120	12,950
Promissory note payable to Chemco Canada Limited, a subsidiary of the Chemical Bank of New York, with annual interest at 10%, repayable in annual instalments of \$1,000,000 from 1980-1984 (\$5,000,000 Canadian funds)	5,000	5,000
Loan payable to the Allied Irish Investment Bank, with annual interest at rates varying from between 2% to 3% above the Dublin Inter-Bank rate, repayable in annual instalments of 180,000 Irish pounds in 1980, 220,000 Irish pounds in 1981 and 240,000 Irish pounds in 1982 (640,000 Irish pounds)	1,560	1,776
	<u>19,680</u>	<u>19,726</u>
Current portion	1,964	—
	<u>17,716</u>	<u>19,726</u>

The loan payable to the Allied Irish Investment Bank (AIBB) is secured by a debenture creating a floating charge on all the property, undertaking and assets of Marlin Communal Aerials Limited and a guarantee deposit in the amount of \$1,215,000 (note 2).

All other debt as at August 31, 1979 is unsecured.
 Estimated total annual repayments over the next five fiscal years are:

	\$ in thousands
1980	1,964
1981	2,061
1982	2,110
1983	2,155
1984	2,155

6. SHARE CAPITAL

	1979	1978
	\$	\$
	in thousands	
Authorized — 10,000,000 shares without par value with a maximum price of \$18.00 each		
Issued and fully paid — 3,335,086 shares	<u>2,380</u>	<u>2,380</u>

7. EARNINGS PER SHARE

Earnings per share are computed on the weighted average number of shares outstanding during the year of 3,335,086 (1978 — 3,333,969) and they include the company's share of hockey franchise expansion income received by an investee company in the amount of 3 cents per share.

8. LEASE COMMITMENTS

(a) Minimum operating lease payments for each of the next five years are as follows:

	\$ in thousands
1980	1,438
1981	1,513
1982	1,553
1983	1,611
1984	1,680

(b) Information relating to capital leases, which for purposes of these financial statements have been treated as operating leases, is as follows:

(i) if the leases had been accounted for as capital leases the

carrying value of the capitalized assets would be \$429,000; the amount of the related obligation would be \$502,000;
 (ii) the effect on net earnings if the leases had been accounted for as capital leases would be \$5,000 (1978 — \$22,000).

9. OTHER INFORMATION

(a) Directors' and Senior Officers' Remuneration

The aggregate remuneration paid to directors and senior officers of the company was \$515,000 (1978 — \$477,000).

(b) Dividend Restrictions

Loan agreements in connection with the company's long-term debt provide, amongst other things, for reasonable constraints on the declaration and payment of dividends.

(c) Retained Earnings

Retained earnings include capital and contributed surplus of \$3,709,000.

(d) Comparative Figures

Certain figures have been restated to conform with the presentation used in the 1979 financial statements.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Premier Cablevision Limited as at August 31, 1979 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. For certain companies accounted for by the equity method we have relied on the reports of the auditors who have examined their financial statements.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at August 31, 1979 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.

Vancouver, B.C.
 October 12, 1979

Coopers & Lybrand

Chartered Accountants



Our illustration shows how a pay TV MDS signal is received and distributed over-the-air. The pay TV signal is received by a local earth receiving dish and relayed to a MDS transmitter which re-transmits the signal over-the-air on a special microwave frequency. The signal is picked up by a special microwave antenna installed on the rooftop of apartment buildings and houses.

pay TV multi-point distribution services systems

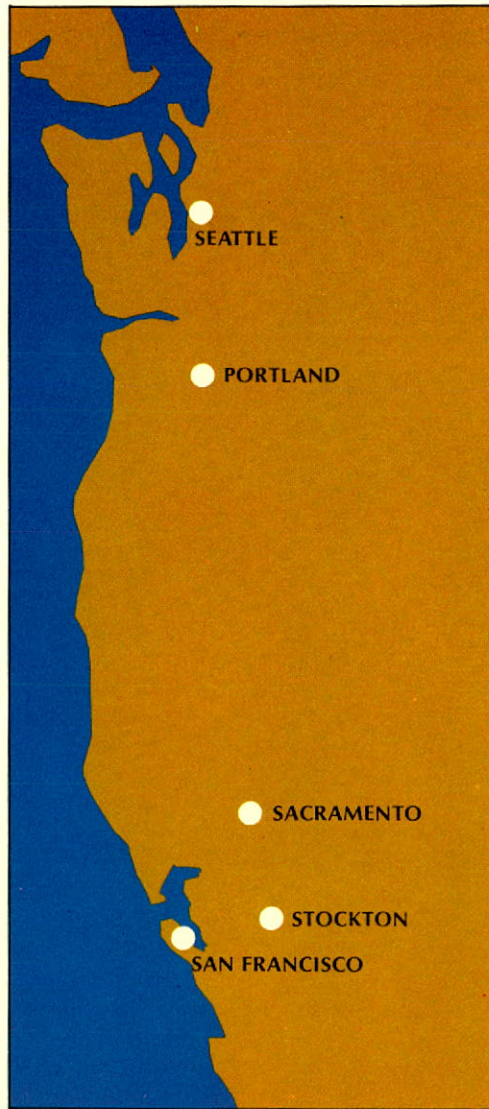


During the past year, your Company has acquired a 50% interest in California Satellite Systems Limited (Calsat), which operates an over-the-air MDS pay television service to apartments and single family dwellings in Sacramento and soon in Stockton, California. Your Company has also acquired a 50% interest in Northwest Entertainment Network, Inc. known as "Network 3," which began marketing an over-the-air MDS pay television service to hospitals and apartment complexes in Seattle, Washington. Network 3 is also authorized to provide its service to Portland and is planning to enter that market in the near future.

In October of this year, Premier Cablevision Nederland B.V., a wholly owned subsidiary of Premier Cablevision, through its wholly owned subsidiary, Premier Communications Network, Inc. has entered into agreements to market Home Box Office pay TV entertainment in the Greater San Francisco Bay area.

California Satellite Systems distributes a popular pay TV entertainment package called Home Box Office. Home Box Office provides a monthly package of recently released movies, Las Vegas shows and sports specials. Northwest Entertainment Network, Inc. distributes another popular entertainment package called Showtime. Showtime monthly specials include concerts, Broadway and off Broadway shows, movies and a magazine format series.

The Showtime and Home Box Office signals originate in the eastern United States and are beamed to RCA's Satcom II satellite, 22,300 miles over the equator. The satellite receives, amplifies and re-transmits the programs to



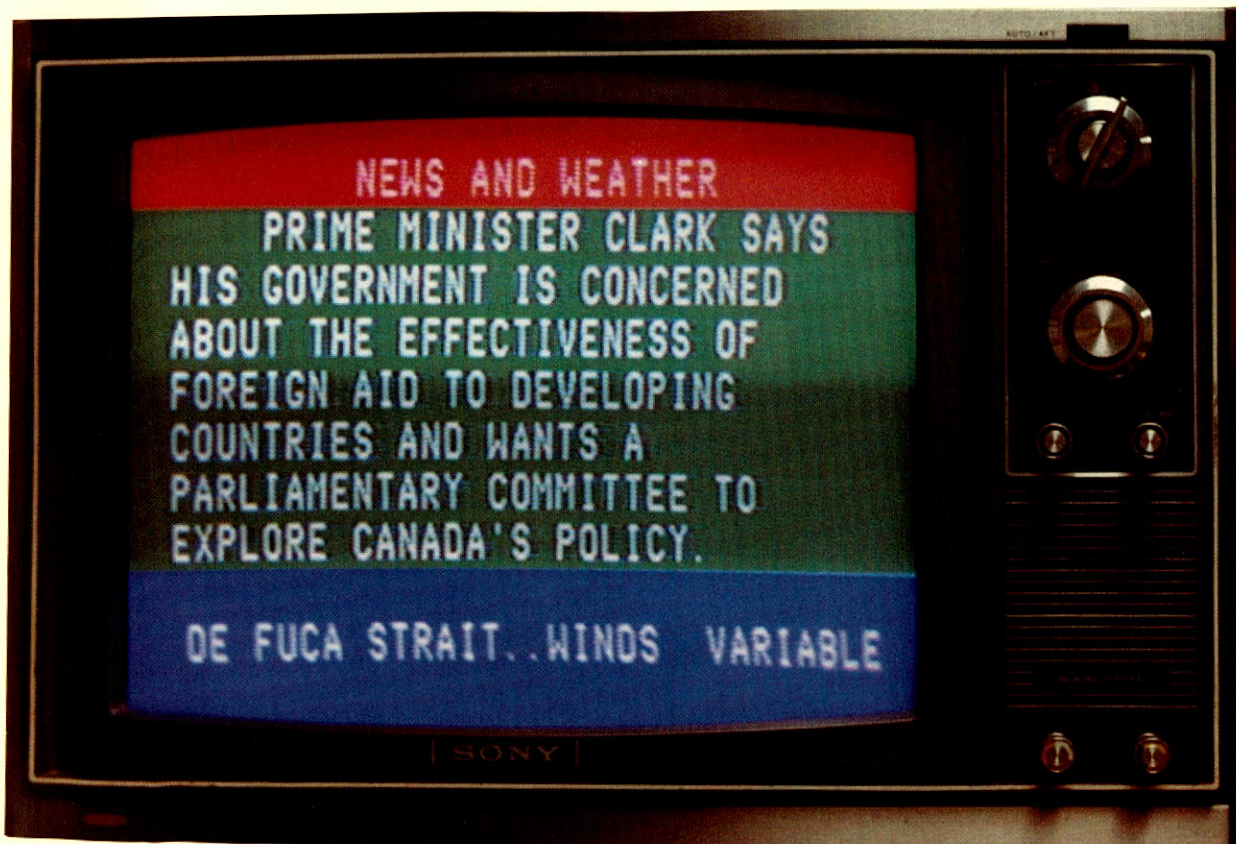
HBO and Showtime receiving stations across the country. For Seattle, the receiving station is located in Tacoma and it is from there that the signal is relayed to local Showtime affiliates for rebroadcast. In Sacramento, the HBO signal is received by a local earth receiving dish for rebroadcast by California Satellite Systems.

The over-the-air pay TV distribution method is a fairly new development in the United States. The pay TV signal is delivered over-the-air on a special microwave frequency known as MDS (Multi-Point Distribution Service). Though similar to normal television broadcasting, MDS is restricted to a transmitter power of 100 watts, thus its range is limited to about 15 miles and viewers must be in line of sight of the transmitter. By having a special microwave antenna installed on the rooftop, individuals can subscribe to the pay TV entertainment service without being connected to Cable TV.

Calsat's MDS operation in Sacramento has a total of 340,000 dwellings in its signal area of which approximately 260,000 are estimated to be within a good signal range of the MDS transmitter. In the City of Stockton, there is a total of 42,000 dwellings of which 30,000 have been estimated to be within line of sight of the transmitter.

Network 3 has a market potential of 164,000 dwellings in the Seattle area and a market potential of 325,000 dwellings in the Portland area estimated to be within good signal range of the MDS transmitter.

augmented channel service



Premier Cablevision subsidiary cablevision companies continue to carry out the rebuild of their systems to provide additional channel capacity over and above the conventional 12 VHF channels on the TV dial.

Our eastern cablevision companies in particular have required the extra channel capacity to carry U.S. channels that were removed from the basic service to accommodate newly licensed Canadian broadcasting stations which must be carried on the basic 12 channel service by CRTC directive.

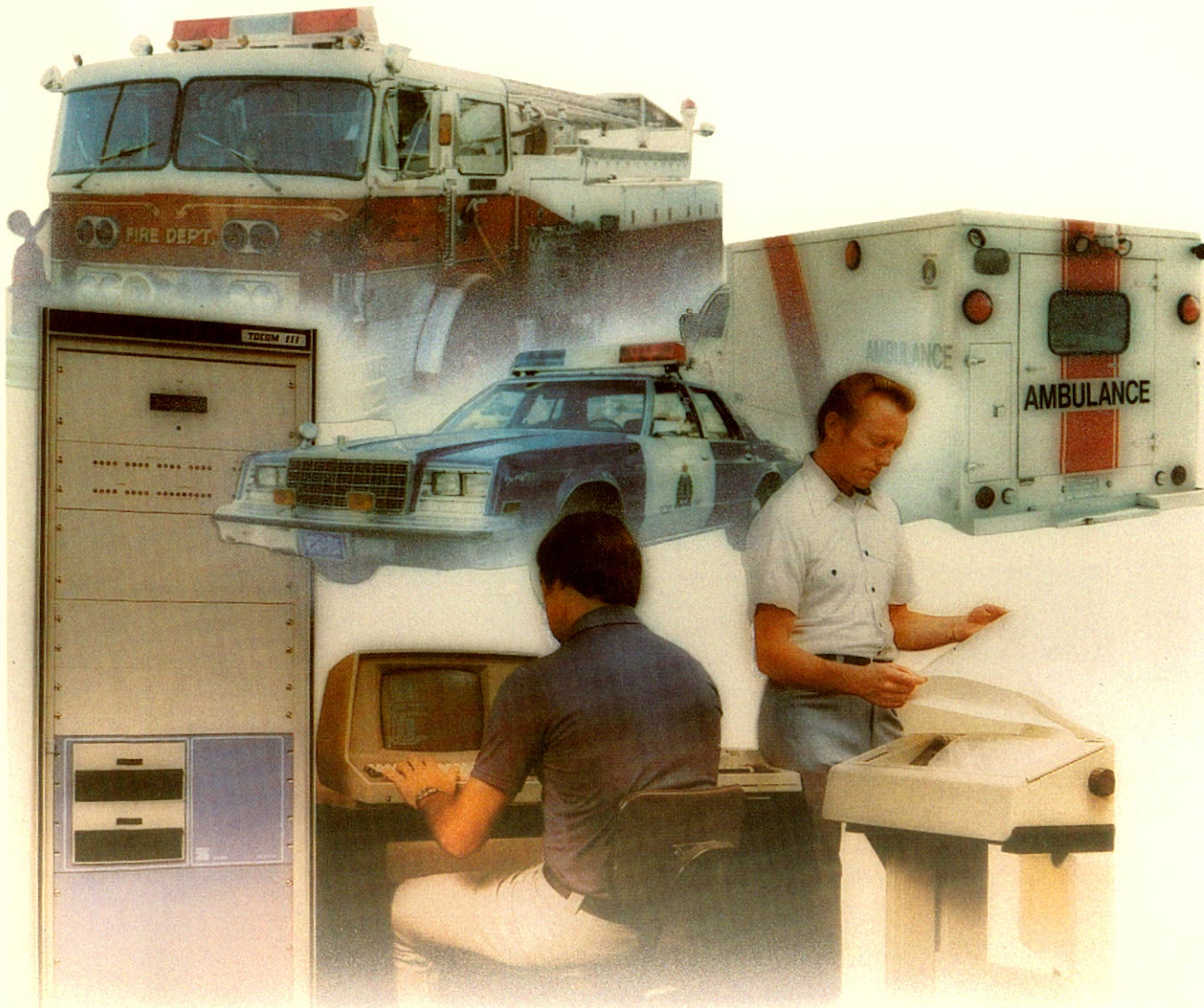
Many of our other companies are originating programming on some of the augmented channels to provide an attractive range of new programming choices for cablevision subscribers who own a television converter. During the year, most of our companies commenced carriage of the proceedings of the House of Commons from Ottawa. Through the winter months, the gavel-to-gavel coverage by our western companies was from video tapes, causing a two or three day delay to the viewers. Shortly before the call for a federal election, these companies installed satellite earth receiving stations and for a period of



three weeks, they had an opportunity to carry the House of Commons live from Ottawa. Vancouver Cablevision is proceeding with negotiations to ensure a supply of programming for the new multi-cultural and children's channel which is scheduled to be placed in service this fall.

Victoria Cablevision augmented channel service continues to provide its viewers with a varied and interesting selection of programming. They increased the hours of operation for films on Public Affairs/Education on Channel E. The Provincial Education Media Centre and the Vancouver People's Law School provide much of the programming on this channel. Channel D provides up to the minute news and weather information, a news service, Broadcast news, supplied by Canadian Press, plus the latest weather reports from Environment Canada. The latest Vancouver Stock Market information is delivered on Channel F. In the not too distant future, the new channels may provide the vehicle for pay TV, information services, children's programming, and other options.

security services by cable



In March, a decision by the Canadian Radio-television and Telecommunications Commission approved applications from other cable companies to provide residential security services. Although the CRTC requires cable television companies to obtain authorization to provide security services, the Commission has stated that it does not intend to regulate these services. However, when cable television companies are so authorized they must give assurance that programming services will not be compromised and that there will be no financial cross subsidization.

In response to this decision, your Company has taken major steps to enter this new non-broadcast field and considers the service as a potential new source of revenue. The existence of a two-way interactive system paves the way for additional non-broadcast services in the future.

Your Company's subsidiary Victoria Cablevision, applied to the CRTC for authorization to market security services to residential dwellings in Saanich, on Vancouver Island and is awaiting a decision from the Commission. The proposed home security package will include three security services; fire (heat and smoke sensitive detector), police and medical alarms, all monitored every six seconds, 24 hours a day by a manned central monitoring station.

HOW IT WORKS — The security system is a two-way transmission using the cable television's distribution network, and a computerized monitoring unit, located at the hub of Victoria's system. The central computerized monitoring unit controls the polling of each

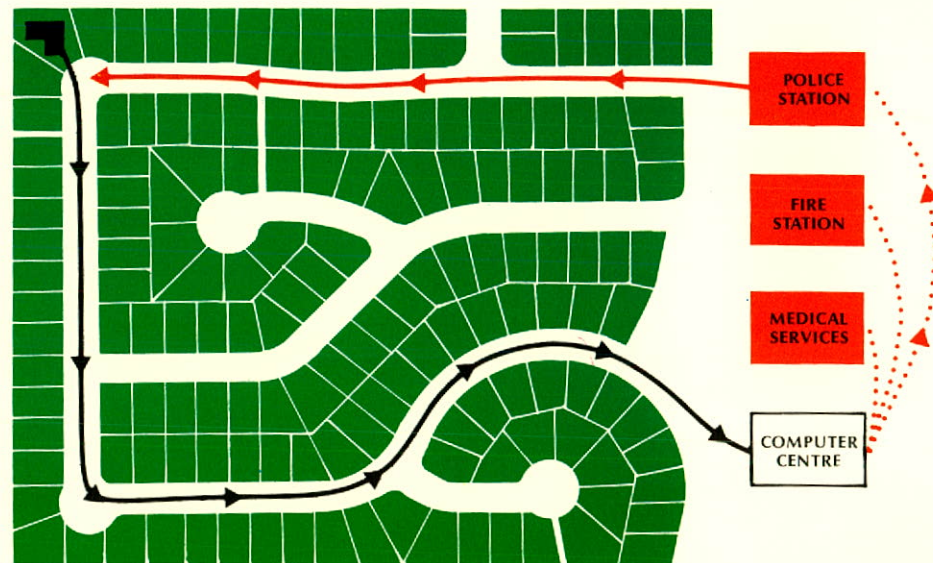
household every six seconds — even in the absence of the occupants. In the event an alarm is tripped, the subscriber's home terminal sends a signal response, via the cable, back to the central monitoring station within 12 seconds. A high speed printer supplies the emergency dispatcher with the address, type of alarm, telephone number, occupant's name, number of family members and other selected data.

Victoria Cablevision has contracted with TOCOM Canada, a subsidiary of Selkirk Communications, to supply the company with the hardware and software. The technology of providing security services by cable is not new. TOCOM has spent many years developing and perfecting its equipment and their experience in the U.S. has proven the system to be effective and reliable. Documented reports confirm monitored residential security over cable saves lives and in the case of fire, reduces potential damage to property.

Victoria Cablevision plans to offer the home security package to residents in the Gordon Head area of Saanich, eventually providing the service to other areas of Victoria. All subscribers to the security system will pay the same installation costs based on the in-house equipment package selected, plus a monthly charge for the 24-hour monitoring service.

The security service is unique in that the basic security package can be expanded to meet special needs of individuals. It can include additional invalid or "sick bed" medical alarms and fire alarms and more sophisticated intrusion motion detectors as well as addi-

SUBSCRIBERS' HOME TERMINALS ALARM ACTIVATED



tional protection of windows and doors. Evidence of a genuine need for residential security in Canada is illustrated by alarming statistics — 70,000 residential fires in Canada in 1977 resulted in 830 deaths and losses of \$504 million in property — 1 out of 5 Canadians is a victim of crime (Weekend Magazine — January 20, 1979).

Subscribing to cable television home security systems may bring additional advantages other than a protected home and family. When the system's effectiveness and reliability have been measured, Canadian insurance companies may consider lowering their rates to their clients. In the U.S. experience, several insurance companies have lowered their rates by as much as 30 percent.

cable's future

The Canadian Cable Television industry is on the threshold of many new developments. We see increased benefits to our customers through new and innovative services. And we see our industry playing an active role in the development of programming and the delivery of that programming to all regions in Canada.

To maintain our industry goal as innovators, Premier and its subsidiary companies, financially support and participate in the industry through their membership in the Canadian Cable Television Association, the Canadian Satellite Network, the Cable Telecommunications Research Institute and PTN Ltd., the Pay Television Network consortium of cable television operators.

cable telecommunications research institute

In April, 168 Canadian cable licensees including the Premier Cablevision companies, formed the Cable Telecommunications Research Institute (CTRI). CTRI was born from decisions by the Canadian Radio-television and Telecommunications Commission earlier in the year that cable television operators should invest in research and development at the rate of 2% of gross revenues. The Research Institute will be engaging in a multitude of areas, maintaining a leadership for Canada in the technological development and use of cable telecommunications. CTRI will be carrying out research and development programs in the information/communications areas such as, consumer and business services, network design, pay TV, the socio-economic impact and benefits of broadband communications and the shaping of the ongoing information revolution. The Institute will also encourage technological development by Canadian manufacturers of telecommunications equipment.



BOARD OF DIRECTORS

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Chairman of the Board,
Whonnock,
British Columbia

W. GARTH PITHER
Vice-Chairman of the
Board,
Vancouver,
British Columbia

JOHN M. BIRD*
West Vancouver,
British Columbia

GEORGE A. FIERHELLER
Vancouver,
British Columbia

GORDON R. GILLEY*
Vancouver,
British Columbia

FRANK A. GRIFFITHS*
Vancouver,
British Columbia

GORDON F. KEEBLE
Orangeville, Ontario

GEORGE B. McKEEN
Vancouver,
British Columbia

ROBERT M. SUTHERLAND, Q.C.*
Willowdale, Ontario

AUSTIN G. E. TAYLOR
Toronto, Ontario

DAVID A. WILLIAMS
Vancouver,
British Columbia

*Audit Committee

OFFICERS

SYDNEY W. WELSH
Chairman of the Board
W. GARTH PITHER
Vice-Chairman of the
Board

GEORGE A. FIERHELLER
President and
Chief Executive Officer

LAWRENCE FOX
Vice-President, Finance

ROBERT W. PEAKE
Vice-President,
Operations

HARRY K. DAVIS
Vice-President,
Engineering

GORDON F. KEEBLE
Vice-President,
Programming

FRANCIS C. GARRETT
Vice-President,
Planning and
Development

MANAGERS

JOE CASSIDY
Ireland Regional Manager,
Marlin Communal
Aerials Limited
Waterford Cablevision Ltd.

PETER GRANT
Controller, Irish Subsidiaries,
Marlin Communal
Aerials Limited
Waterford Cablevision Limited

RON CHASTON
Ontario Regional Manager,
York Cablevision Limited
Keeble Cable
Television Limited

RUSS HICKS
Operations Manager,
Oakville Cablevision Limited

NICKE WAITE
General Manager,
Borden Cable
Television Limited

KEN WATSON
Controller, Eastern Region

MIKE JERVIS
B.C. Regional Manager,
Vancouver Cablevision
Limited

LEN CHARLISH
General Manager,
Victoria Cablevision Ltd.

BRUCE MacCORMACK
General Manager,
Fraser Cablevision Limited

ROGER GILODO
Controller, Western Region

TOM LEWTHWAITE
Director of Corporate
Services

WAYNE MAIER
Corporate Controller

HEAD OFFICE

1090 West Georgia
Street,
Vancouver, B.C.
V6E 3Z7

REGISTERED OFFICE

17th Floor,
1075 W. Georgia St.,
Vancouver, B.C.
V6E 3G2

TRANSFER AGENT

Canada Trust Company
Vancouver, B.C.

AUDITORS

Coopers & Lybrand
Vancouver, B.C.

BANKERS

Toronto-Dominion
Bank
Vancouver, B.C.

Chemical Bank
New York, New York

Bank of America
San Francisco, California

SHARE LISTINGS

Vancouver Stock
Exchange
Toronto Stock Exchange
Montreal Stock
Exchange

SUBSIDIARY COMPANIES

Victoria Cablevision Ltd.
Victoria, B.C.

Vancouver Cablevision Limited
Vancouver, B.C.

Fraser Cablevision Limited
Port Coquitlam, B.C.

Oakville Cablevision Limited
Oakville, Ontario

York Cablevision Limited
Toronto, Ontario

Keeble Cable Television Limited
Toronto, Ontario

Borden Cable Television Limited
Alliston, Ontario

Marlin Communal Aerials Limited
Dublin, Ireland

Waterford Cablevision Limited
Waterford, Ireland

Premier Cablevision Nederland, B.V.
The Netherlands

Premier Communications Network, Inc.
Burlingame, California

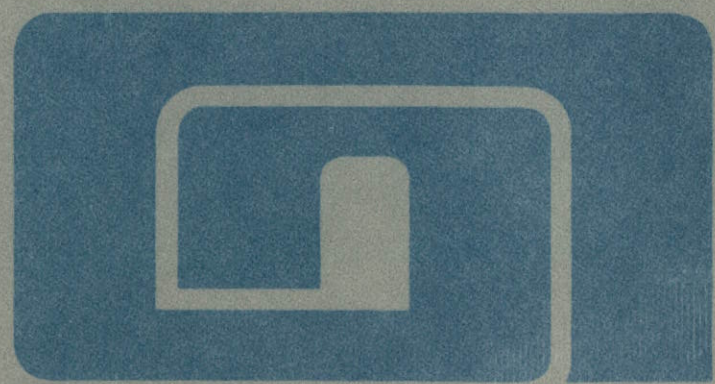
ASSOCIATED COMPANIES

Northwest Sports Enterprises Ltd.
Vancouver, B.C.
12.5% Interest

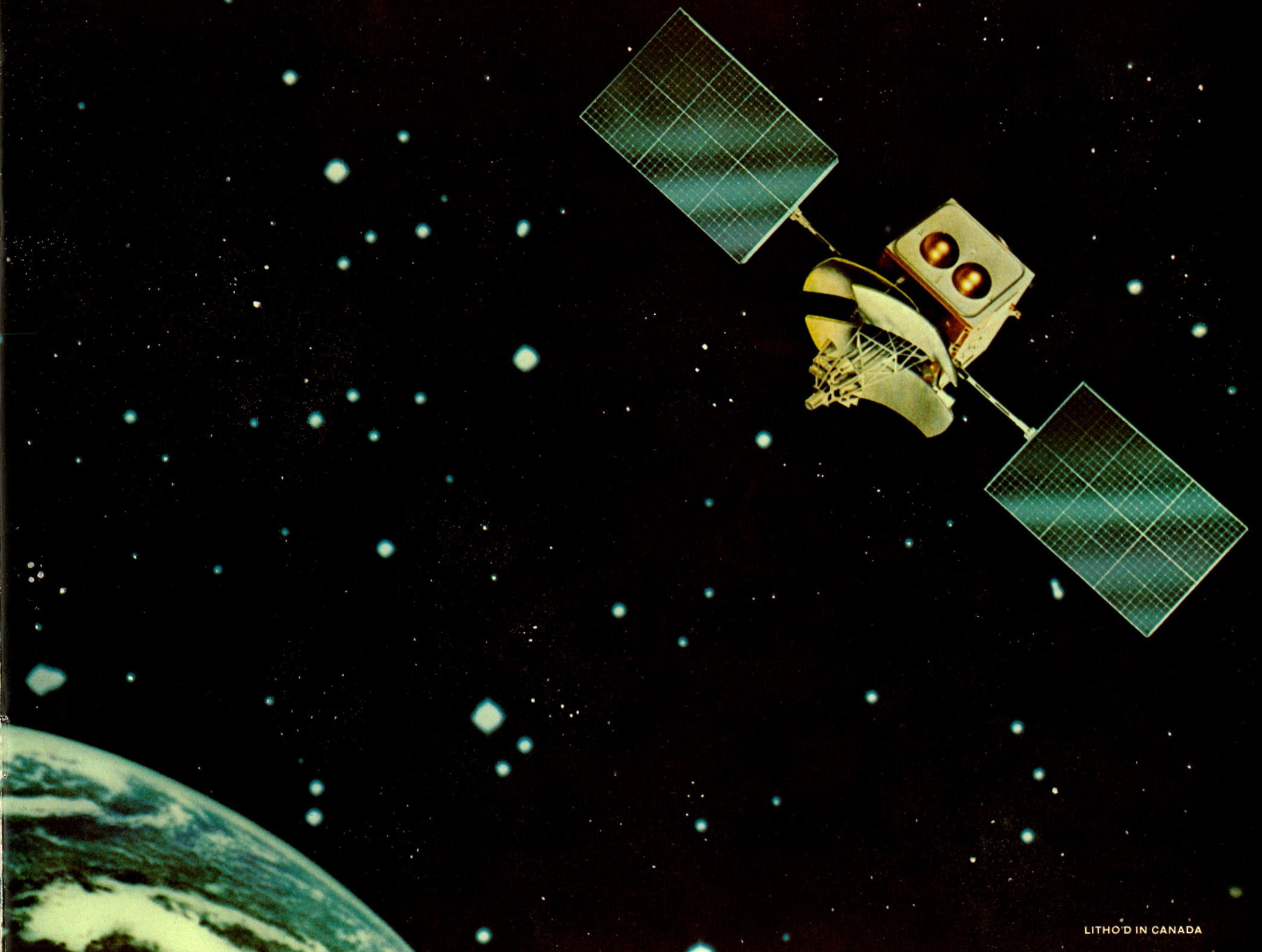
Western Cablevision Limited
Surrey, B.C.
45% Interest

California Satellite Systems Limited
Sacramento, California
50% Interest

Northwest Entertainment Network, Inc.
Seattle, Washington
50% Interest







LITHO'D IN CANADA

