



PREMIER CABLEVISION LIMITED - 1978 REPORT



HOWARD ROSS LIBRARY
OF MANAGEMENT

NOV 20 1978

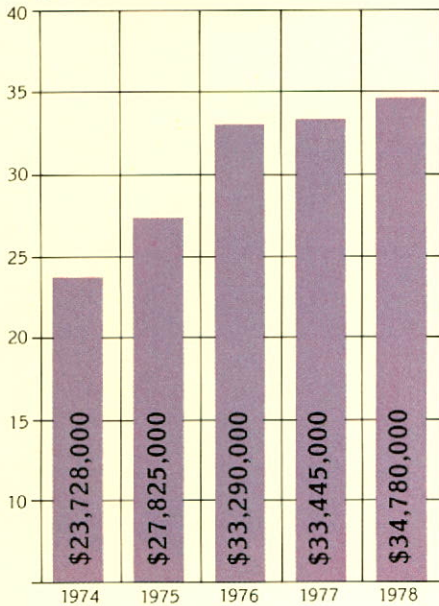
MCGILL UNIVERSITY

Our Cover

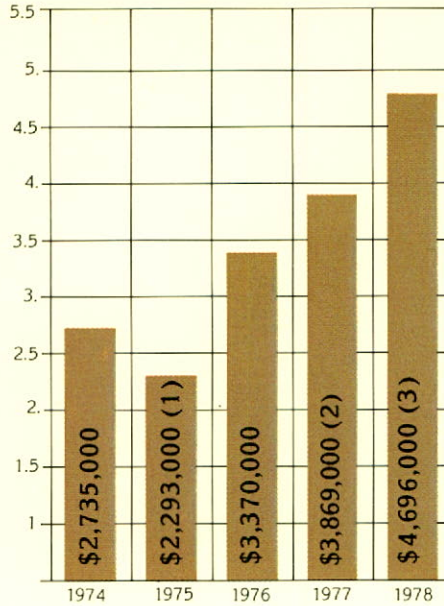
A Vancouver Cablevision technician adjusts one of the microwave dishes that beam head-end signals to 12 receiving hubs throughout the licensed area. These microwave signals replace many miles of costly trunk cables, and emanate from atop a high-rise apartment in Burnaby. A similar system has been installed in Coquitlam. Maintenance costs are lowered and quality of signal is improved. Each year your Company must spend millions of dollars to rebuild and upgrade existing systems.

HIGHLIGHTS

OPERATING REVENUES

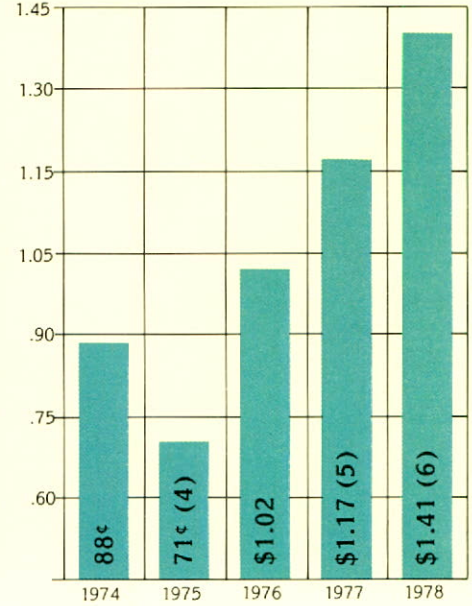


NET EARNINGS



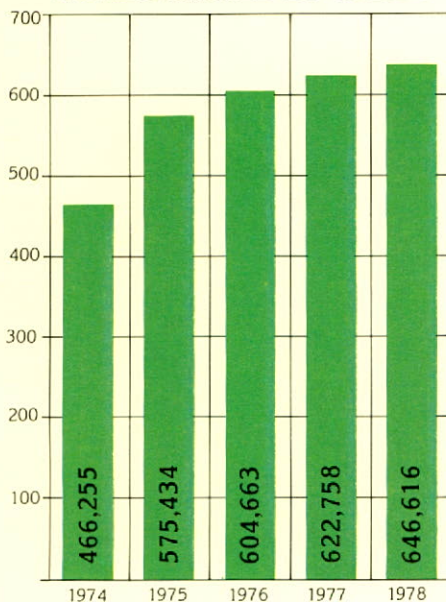
\$1,623,000 (1)
After extraordinary item
\$3,334,000 (2)
After extraordinary item
and gain on foreign exchange.
\$5,086,000 (3)
After interest on tax reassessments
and gain on foreign exchange.

EARNINGS PER SHARE

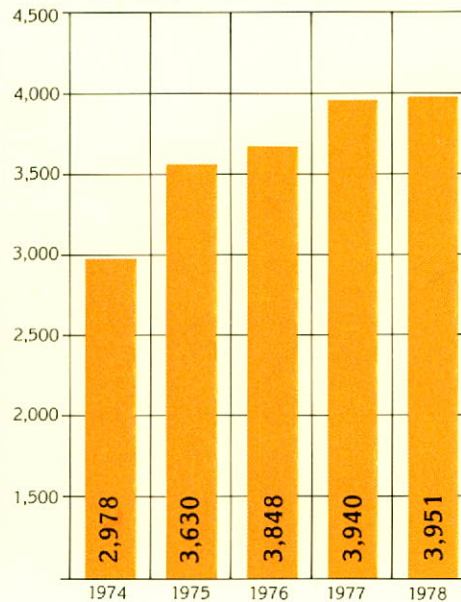


50¢ (4)
After extraordinary item.
\$1.01 (5)
After extraordinary item and
gain on foreign exchange.
\$1.52 (6)
After interest on tax reassessments
and gain on foreign exchange.

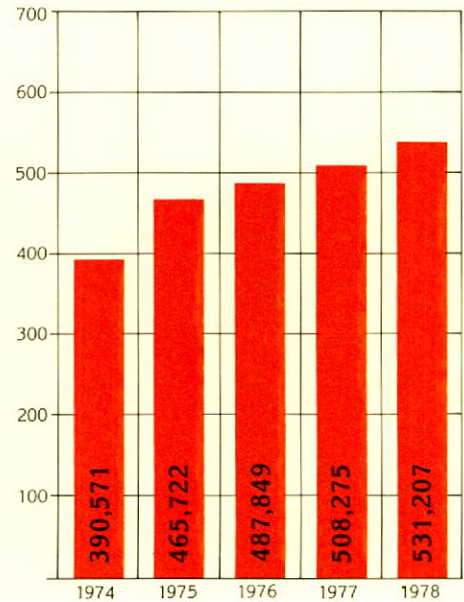
HOMES PASSED BY CABLE



MILES OF CABLE NETWORK



NUMBER OF SUBSCRIBERS



FIVE YEAR SUMMARY

	1978	1977 (restated)	1976	1975	1974
EARNINGS (\$,000's)					
Revenues					
Subscriber revenues	33,353	29,440	25,656	21,594	17,145
Equipment sales	1,427	4,005	7,634	6,231	6,583
Total	<u>34,780</u>	<u>33,445</u>	<u>33,290</u>	<u>27,825</u>	<u>23,728</u>
Expenses					
Cost of sales and expenses	18,292	18,673	19,671	16,825	13,687
Depreciation	5,888	5,375	4,673	3,996	3,182
Interest expenses (net)	774	1,227	1,573	1,470	856
Amortization of deferred charges	180	65	—	—	—
Amortization of unallocated cost of shares in subsidiaries	97	160	86	50	—
Total	<u>25,231</u>	<u>25,500</u>	<u>26,003</u>	<u>22,341</u>	<u>17,725</u>
Earnings from operations before the following	9,549	7,945	7,287	5,484	6,003
Income taxes	4,953	4,076	3,917	3,191	3,268
Total	<u>4,596</u>	<u>3,869</u>	<u>3,370</u>	<u>2,293</u>	<u>2,735</u>
Other income (expense)					
Interest on tax reassessments	194	—	—	—	—
Gain on foreign exchange	296	142	—	—	—
Net equity in earnings	24	—	—	—	—
Minority interest in net earnings of subsidiaries	(24)	—	—	—	—
Total	<u>490</u>	<u>142</u>	<u>—</u>	<u>—</u>	<u>—</u>
Earnings before extraordinary item	5,086	4,011	—	—	—
Extraordinary item	—	677	—	670	—
Net earnings for the year	<u>5,086</u>	<u>3,334</u>	<u>3,370</u>	<u>1,623</u>	<u>2,735</u>

EARNINGS PER SHARE \$

Before extraordinary item	1.52	1.21	1.02	71¢	88¢
After extraordinary item	1.52	1.01	1.02	50¢	88¢
Before interest on tax reassessments, gain on foreign exchange and extraordinary item	1.41	1.17	1.02	71¢	88¢
Shares outstanding	3,335,086	3,316,559	3,316,559	3,223,909 (average)	3,094,200

FINANCIAL POSITION (\$,000's)

Funds generated by operations	12,880	10,574	9,409	7,224	7,122
Additions to fixed assets	7,258	8,107	9,202	11,611	7,973
Working capital (deficiency) end of year	7,617	2,107	(3,310)	(1,270)	4,552

BALANCE SHEET (\$,000's)

Investments and unallocated cost of shares in subsidiaries	9,632	7,943	8,779	8,738	6,170
Net fixed assets	34,277	33,464	31,052	26,729	19,412
Long term debt (including current portion)	19,726	16,915	13,889	14,066	12,522
Shareholders' Equity					
Share capital	2,380	2,261	2,261	2,261	838
Retained earnings	23,189	18,927	17,502	14,132	12,395

Sydney W. Welsh



Stuart H. Wallace



REPORT TO SHAREHOLDERS



Once again we are proud to present to our shareholders the results of another successful year. In terms of total revenues and net income it has been a record year, which bears witness to the efforts of our executives, managers and employees and the spirit of leadership throughout our subsidiaries.

Consolidated operating revenues were up over the previous year from \$33,445,000 to \$34,780,000. Consolidated net earnings from operations were up 50% for the year, from \$3,334,000 (restated) to \$5,086,000. Earnings per share for the 12 months were \$1.52, compared with \$1.01 (restated) for the same period in 1977. Earnings per share before extraordinary and unusual items are \$1.41, compared to \$1.17 (\$1.21 restated) last year.

Increases in operating revenues and net earnings are attributed to profit contributions resulting from our operations in Dublin, Ireland, increases in bulk subscriber rates in Victoria, Vancouver and Coquitlam and the cessation of significant losses in our Welsh Communications Division.

Your Company's methods of translation of amounts stated in foreign currency is in accordance with recommendations recently issued by the Canadian Institute of Chartered Accountants and has been applied retroactively during the year.

The effect of this change on the 1978 year is to increase net earnings by \$296,000 (equivalent to 8¢ per share). A similar credit of \$142,000 (equivalent to 4¢ per share) is applicable to the year ended August 31, 1977. In addition your Company received, during the year, interest on income tax reassessments of \$194,000 which increased 1978 net earnings by \$97,000 (equivalent to 3¢ per share). These two unusual adjustments have had the combined effect of increasing 1978 net earnings by \$393,000 or 11¢ per share.

The outlook for the net earnings of your Company in the 1978/1979 fiscal year is not as optimistic as the past year. Operating costs are continuing to increase and growth of our systems has slowed with the general decline in housing starts. These factors, together with the difficulties presently being experienced by cablevision companies in obtaining rate increases, lead us to the view that earnings will not be at the level achieved in the year ending August 31, 1978.

Subscribers to our cable systems in Canada as at August 31, 1978 totalled 467,448 and the number of homes passed by our cables totalled 555,590, compared to 449,058 subscribers and 534,394 homes passed as at August 31, 1977. The potential for continued subscriber growth remains reasonably bright, particularly in residential communities such as Richmond, Coquitlam and Mississauga.

Your Directors have approved 1978/1979 capital expenditure budgets of \$7,524,000 for the cable systems operated by our Canadian subsidiaries. Included in these budgets are capital expenditures of \$524,000 relating to Canadian programming in our systems.

Subscribers to our cable systems in Ireland as at August 31, 1978 totalled 63,759, compared to 59,217 subscribers as at August 31, 1977. Your Directors have approved 1978/1979 capital expenditure budgets of \$469,000 for our cable systems in Ireland. Improved operations of our Irish subsidiaries, increased subscriber penetration and completion of capital rebuilds have resulted in our Irish subsidiary, Marlin Communal Aerials Limited, having successfully turned the corner into a profitable venture. These operations are now making contributions to the overall earnings of your Company.

In February of this year, your Company sold 25% of the shares of Marlin Communal Aerials Limited to Allied Combined Trust Limited, of Dublin, Ireland. The 25% divestiture was made in accordance with our undertaking to the Minister of Post and Telegraphs of the Republic of Ireland. The association with Allied Combined Trust Limited and its parent company, Allied Irish Investment Bank Limited, has been most beneficial and we are confident that the association will result in expansion opportunities and continued strong financial performance.

Due to postponement of capital spending by the cable television industry, resulting in a continued decline in equipment sales, it was necessary for your Company to close down its equipment distributorship division, Welsh Communications, in March of this year. A minimal loss for the year, compared to a significant loss during the 1977 fiscal year, contributed in an improvement in our net earnings.

In July of this year, we reported that Western Broadcasting Company Ltd. ("Western") had approved the acquisition of 24½% of the issued shares of your Company from Sydney W. Welsh and W. Garth Pither. The acquisition was subject to approval of Western's share capital reorganization by its shareholders and the approval of the Canadian Radio-television and Telecommunications Commission ("CRTC"). Western's share capital reorganization was not approved by its shareholders, consequently, the proposed share acquisition has lapsed.

In July of this year, your Company entered into agreements to purchase a 45% interest in Western Cablevision Limited for \$3,150,000 cash. The transaction is subject to the approval of the CRTC and the application was heard by the CRTC in Vancouver on October 24, 1978. It is expected that the decision of the CRTC will be issued before the end of the year.

In early 1978, our subsidiary, Vancouver Cablevision Limited, commenced beaming signals from its million dollar microwave distribution system atop a high-rise building in Burnaby, British Columbia. A description of this exciting and complicated high capacity microwave installation is described at the end of this Annual Report in an article entitled "Room At The Top", written by W. Garth Pither, Vice-Chairman of our Board of Directors.

On October 19th, your Directors adopted a policy of paying dividends on a quarterly basis during the months of November, February, May and August and on the same day declared a quarterly dividend of 12½¢ per share and a special dividend of 37½¢ per share.

At the end of the last fiscal year, our Canadian operations employed 460 persons and our Overseas operations employed 64 persons. The total wages, salaries and benefits paid to these employees for the 12 months ended August 31, 1978 was \$9,781,000. Your Directors are most appreciative of the sustained efforts shown by our hardworking, talented and loyal employees and the contributions they have made to our success during the past year.

ON BEHALF OF THE BOARD,



Chairman



President



COMMUNITY PROGRAMMING

Last year our Canadian subsidiaries spent over \$2 million on our community TV channels. This amount reinforces our commitment to community programming in Canada, and provides the ability to maintain our position as a major communications force in the communities we serve.

Here are a few examples of how our local TV channels continue to be a vital part of these communities; as catalysts, as animators, and as people who support community well-being.

Victoria — We found ways to involve our ethno/cultural community in a special prepared for Canada Day; we covered Victoria and Saanich council committee meetings regularly; broadcast music festival highlights, a blood donor clinic and so on. This year we will have completed over 200 on-location recordings for our community TV programs.

Vancouver — In addition to service for Greater Vancouver, we have units producing neighbourhood TV in three separate communities. This year we'll be opening two "store-front" neighbourhood offices in Vancouver East and the West End, increasing accessibility to our community programming facilities in those areas. Our staff of 24 function as participants in the community programming process, and the response has been overwhelming. We have increased our mobile facilities to two full color production units and two program editing units allowing for even more outside TV production in the community.

Coquitlam — Programming has been increased to 6 nights per week. We attended public hearings, conducted all-candidate meetings during civic elections, produced a Citizens Guide to Education in B.C. in cooperation with the B.C. School Trustees Association, operated phone-in information programs and produced a special video version of a high school year book as a special video project. Many people from the community utilized our facilities to produce TV programs for the six municipalities.







Oakville — Coverage of local Council meetings has brought enthusiastic feedback from the community and has stimulated a greater interest in civic matters throughout the community. In March we rented a theatre and sponsored a group performing Gilbert and Sullivan's Mikado. This project involved over 100 people, and we grossed over \$700 for charity. For the third year we broadcast the Kiwanis Auction, which was also a huge success at raising funds for Kiwanis charitable activities.



York — We received civic recognition for seven years of active participation in the Scarborough Canada Week activities. Special effort was launched in the Don Mills area to better acquaint subscribers to the community channel functions. We cablecast the 300th "Scarborough New" in early July. Increased mobility and outside production has given us the opportunity to experiment with an audio-visual magazine format.

Keeble — It was a busy production year for us, presenting approximately 2,500 hours of Community TV programming for our subscribers. The installation of cables in the North York Council Chamber has given us the ability to transmit live the proceedings of Council. A community animator produced a very successful 90 minute program exploring the very special nature and problems of purchasing and living in a condominium complex called "Condominium Living". A nine program series produced by another community animator highlighted various departments and services within a community hospital. The hospital has purchased the tapes to use as a teaching aid in familiarizing new staff.



Borden — This small system brings the entire community together with its excellent coverage of the Alliston Potato Festival each August. Other activities include a half-hour daily exercise program, religious programming on Sunday, a weekly musical phone-in program for young people and a number of days on field manoeuvres with personnel from Canadian Forces Base Borden.

AUGMENTED CHANNEL SERVICE

Cablevision companies all over Canada are busy rebuilding their systems to provide additional channel capacity over and above the conventional 12 VHF channels on the TV dial.

All of Premier's Canadian systems can now accommodate a total of at least 19 channels. Some have either partial or complete capacity of as many as 36 channels, although none are carrying signals on more than seven additional channels by converters at the present time.

In eastern Canada particularly, this extra capacity has



proven to be necessary to carry U.S. channels that were removed from the basic service to accommodate Canadian stations which, by regulation, must be carried on the non-converter 12-channel service. Systems in both eastern and western Canada are also carrying alphanumeric information services (news, weather, etc.) and educational services. York and Keeble (Downsview), for example, carry North York Board of Education programs daily, while Victoria has an entire channel devoted to public affairs and education. (See also report on Victoria Cablevision Ltd.)





Augmented Channel Service (continued)

In October, 1978, your Company, in association with Western Cablevision Limited, proposed to the CRTC that it be allowed to originate a children's program and a multicultural channel on its Lower Mainland systems. It is proposed that the children's channel would be partly entertainment, partly educational and partly "participatory", to involve the child in imaginative play and creative expression. Canadian content would be emphasized and violence and anti-social behavior would be virtually eliminated from all children's programming.

The multicultural channel would program in Italian, German, Indian, Japanese, Chinese and Greek. Studies show that 34.7% of the population of B.C.'s Lower Mainland are members of ethnic minorities, with mother tongues other than English or French. This means our proposed programming would meet the viewing aspirations of a potential 350,000 Canadians.



PUBLIC AWARENESS

Two years ago Premier produced Canada's first fact booklet about cablevision, in order to inform our subscribers and the general public how cablevision works, how it is regulated and how it is endeavouring to expand its services to all Canadians. That question-and-answer booklet was so popular that we supplied over 30 other cablevision companies with copies at cost, and distributed tens of thousands of copies to our own subscribers. This year that booklet was revised and reprinted and is still being distributed.

All of our systems have provided information on community channel activities, channel changes or rate revisions through the medium of billing inserts.

Advertising has been consistently used, particularly in the case of our western subsidiaries, to draw attention to neighbourhood TV (i.e., community channel activities broken down into neighbourhood broadcasts) and to programming on the augmented channel service.

This summer the Company set up a full-scale information booth at the Pacific National Exhibition, which included information on converters, community programming, neighbourhood TV and technical aspects of cablevision. A satellite receiving station was also on demonstration at the display.

Our companies continue to communicate to subscribers the changes and growth in the broadcasting and cable industry.

Communications with our other publics such as regulators, government, and the community is accomplished through our membership in the Canadian Cable Television Association and other regional groups.



MANAGEMENT INFORMATION SERVICES

During the year your Company created a new division, responsible for all of Premier's computerization of customer services and management information systems.

The primary customer services package has been developed, modified and thoroughly tested in our Coquitlam subsidiary. Soon it is to be introduced in the Vancouver system, and will then be implemented in the remaining Canadian systems.

Using a sophisticated network of terminals, our employees will be able to process new customers or provide quick account information to existing subscribers in an efficient and accurate manner. Work orders will be quickly implemented and customer records and billing instantly updated. The system was carefully planned so that it can be readily adapted

to changes, new services or management reporting requirements for many years to come.

In addition to customer services, the system is being adapted to assist all Premier's operation divisions — marketing, engineering, accounting and related management services.





CONVERTERS

This year your Company's western subsidiaries entered into arrangements with a leading manufacturer of converters in Canada, to sell their products in Vancouver, Victoria and Coquitlam. A converter is a device which allows the subscriber to receive 24 additional channels as they become available, over and above the 12 on their TV sets. As noted elsewhere in this report, our Canadian subsidiaries are programming on some of these extra channels and are planning additional converter services.

These additional channels provide an attractive new range of programming choices for our subscribers. The new channels may provide the vehicle for pay TV, shopping by television and a host of alphanumeric information services. As additional services become available the volume of converter sales should increase. The advantages are twofold: A modest profit can be derived from these sales, and the augmented channels provide a more interesting and attractive service to our subscribers.



SUBSIDIARY COMPANIES

VICTORIA CABLEVISION LTD.

With over 90% of the homes in the licensed area as subscribers, this system has a greater penetration than any other in Canada, and possibly in North America. Victoria Cablevision has a capacity of 19 channels — 12 on the basic service, plus 7 mid-band channels. The mid-band provides news/weather, public affairs/education and films, Vancouver stock market reports, tapes of the House of Commons, a Tacoma PBS station, ferry news and citizens' messages. This system is actively exploring other services.

VANCOUVER CABLEVISION LIMITED

The high capacity microwave distribution system installed last year in Burnaby became operational early in 1978, providing capacity for seven channels in the mid-band in addition to 12 on the basic service. Vancouver's mid-band service carries two U.S. channels and two local originations — 24 hour news/weather and tapes of the House of Commons. Other services are under consideration. This system recently leased retail space in a small shopping centre in Burnaby, where customers can pay their accounts, arrange for service and shop for converters. Vancouver Cablevision operates a central purchasing and inventory control department for all of Premier's western companies.

COQUITLAM CABLEVISION LIMITED

This system, which extends almost 35 miles from one end to the other, is believed to be the longest in Canada. It is a challenge to maintain, but employees in this system continue to provide efficient service to the subscribers. This year alone, 100 miles of system rebuild was completed, providing a portion of the plant with 36-channel capacity. The remaining 410 miles have already been provided with 19-channel capacity, and will be further upgraded in due course. This year the system also began carrying the proceedings of Parliament, increased community channel programming hours, and opened a second community TV office in Coquitlam.

YORK CABLEVISION LIMITED

The rate of growth of this system quickened during 1978 to 4.3%, compared with 2.5% the previous year. During the year an extensive rebuild, authorized in 1974, was completed. This involved 12 months of planning and testing, three years of implementation and resulted in improved signal quality and reliability. All amplifiers and subscriber connections were replaced. Standby power units were added at the head-end and throughout the system. The over-all cost was \$2.5 million. Simultaneous program substitution for all of Premier's Ontario systems is now handled by remote control from York Cablevision.

OAKVILLE CABLEVISION LIMITED

In 1976 this system increased subscribers by 2.7% and in 1977 that rate doubled to 5.5%. This year, subscriber growth increased by 8.5%. Oakville has moved from the slowest to the fastest growing system in two years. It now serves 53.4% of the homes within the licensed area, compared to 50.1% last year.

KEEBLE CABLE TELEVISION LIMITED

The Downsview section of this system is administered and serviced by York Cablevision and the Mississauga section is administered and serviced by Oakville Cablevision. A rebuild beginning in late 1978 will increase the present 20 channel capacity of the Downsview section to 25. The Mississauga section continues to grow at a good rate and, with 3,000 homes currently under construction, the future looks promising. During the year the combined Keeble systems added 3,085 subscribers, representing a 6.9% increase over 1977.

BORDEN CABLE TELEVISION LIMITED

Although this is our smallest system, it passes 89% of the homes within its licensed area. Subscriber growth in 1978 was 4.2% over the previous year. In July the CRTC approved a \$1 rate increase to \$6.50 per month, and a \$10 increase on installation charges. Service on the community channel was improved with the addition of a switcher, allowing 2-camera colour productions.

MARLIN COMMUNAL AERIALS LIMITED

This Dublin system continues to be one of our fastest-growing systems, with subscribers up 7.9% over the previous year. We are continuing to extend our cable to new areas. The construction of a low frequency, 4.75-mile underground transportation line between Clontarf in the northeast and Finglas in the northwest is well under way, and will provide the majority of North City subscribers with good quality reception and a high level of reliability. A second national TV channel (RTE2) is being introduced in November.

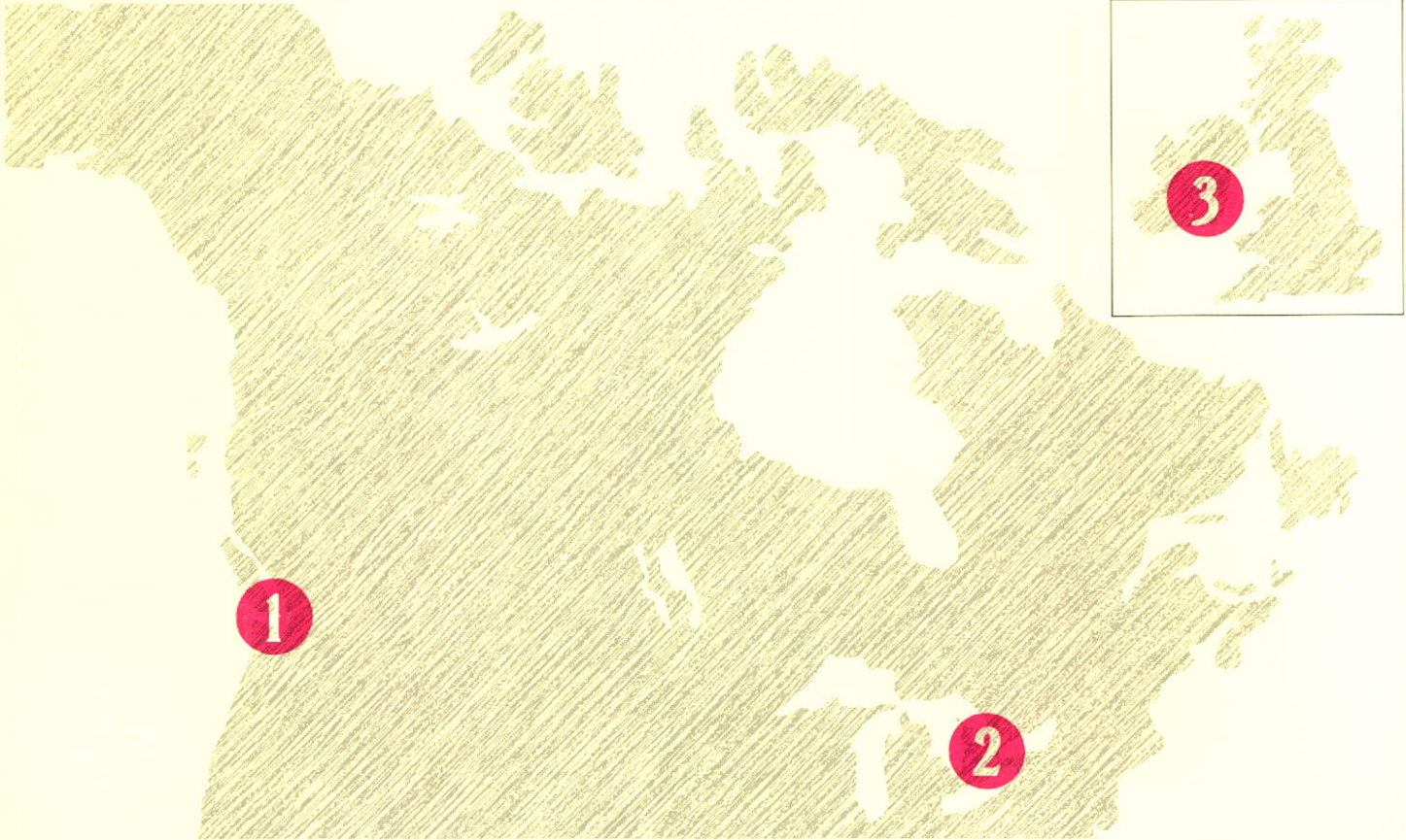
WATERFORD CABLEVISION LIMITED

Service for Waterford subscribers was greatly improved during the year. A new head-end site was constructed and became operative in February, 1978. The receiving station features a 20-ft. parabolic dish that can receive BBC signals and independent television from Wales. A new underwater cable crossing was also constructed to provide uninterrupted service for subscribers on the north bank of the River Suir. Previously service was interrupted every time an overhead bridge was opened to let ships pass. Subscribers during the year increased 6%.

SUBSCRIBER GROWTH

	Total Subscribers		Homes passed by cable	
	1978	1977	1978	1977
Victoria Cablevision Ltd.	69,163	66,138	76,079	72,752
Vancouver Cablevision Limited	224,585	217,986	248,172	232,832
Coquitlam Cablevision Limited	40,113	38,343	46,365	43,900
York Cablevision Limited	69,895	67,028	89,000	89,000
Keeble Cable Television Limited	47,885	44,849	68,000	68,000
Oakville Cablevision Limited	11,958	11,021	23,674	23,622
Borden Cable Television Limited	3,849	3,693	4,300	4,288
Marlin Communal Aerials	57,309	53,130	82,196	79,576
Waterford Cablevision Limited	6,450	6,087	8,830	8,788
Totals	531,207	508,275	646,616	622,758

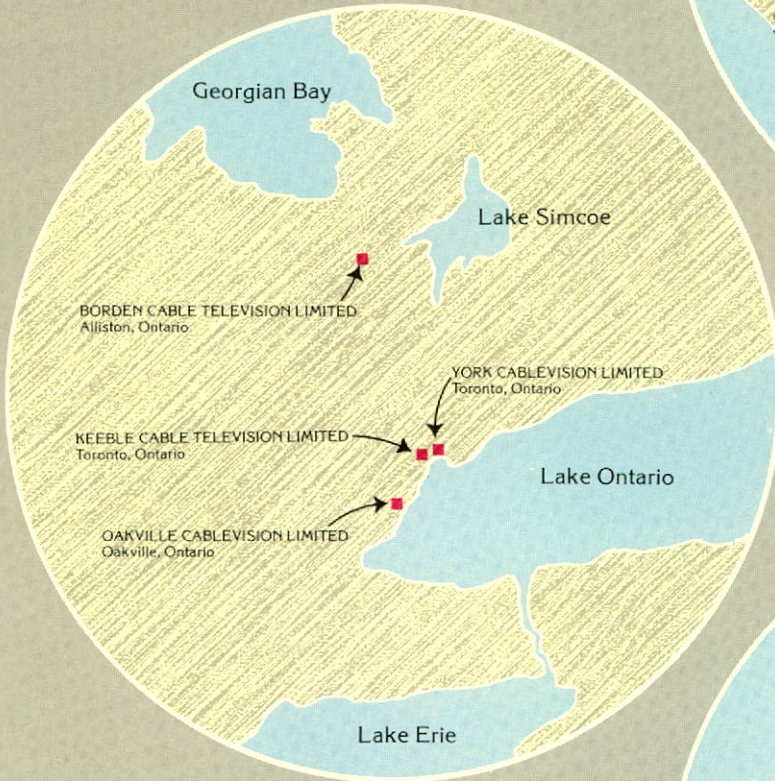
LOCATIONS SUBSIDIARY COMPANIES



1. British Columbia



2. Ontario



3. Ireland



Cable's Future

Development and research in the cablevision industry will see a breakthrough in provision of new downstream services to the home in the fields of education, medicine, banking and finance, marketing, and other areas of living. To be followed shortly thereafter by two-way, interactive services such as information retrieval, opinion polling, fire alarm and intrusion surveillance, life support monitoring and so on.

The industry is on the threshold of exciting new developments in cable systems design, including fibre optics to the home, bringing expanded capability without the fear of early obsolescence.



ROOM AT THE TOP

(Circa 1978)

Burnaby Centre is a residential and shopping complex, situated on high ground near Central Park, just east of the boundary between the City of Vancouver and the Municipality of Burnaby, B.C. It also happens to be strategically located near the centre of the licensed area of Vancouver Cablevision Limited, probably the world's largest single cable system (225,000 subscribers). At first glance, one of the three high-rise residential blocks in the complex is only distinguishable from the other two in that it is a few floors higher, but looking closer the technically oriented eye can spot no less than eleven microwave dishes on the roof. They are all mounted on a 43-foot steel framework ring encircling the elevator shaft some 400 feet above the ground. These are the transmitting antennas of Vancouver Cablevision's new microwave distribution system.

Immediately below the roof on the 29th floor, a former residential suite has been leased by the

cablevision company to house racks of microwave transmitters and associated RF equipment. It's a far cry from the original Room at the Top established in 1962 when Cablevision moved its' headend equipment into a cubby-hole like compartment on the 10-storey roof of its then new antenna site in the Oakridge area of Vancouver. The original 1952 antenna had been on a vacant lot in south Vancouver with equipment in a wooden outhouse type building, but suburban expansion had swallowed it up by 1962, necessitating the move away and upward. At that time the system had a modest 12,000 subscribers, principally serving urban pockets that were masked from U.S. reception by the hilly terrain that is characteristic of the area.

By 1976, with almost 200,000 subscribers and a 20-mile trunk line meandering out to the eastern extremities of the licensed area, a decision was made to go to microwave and redesign the system

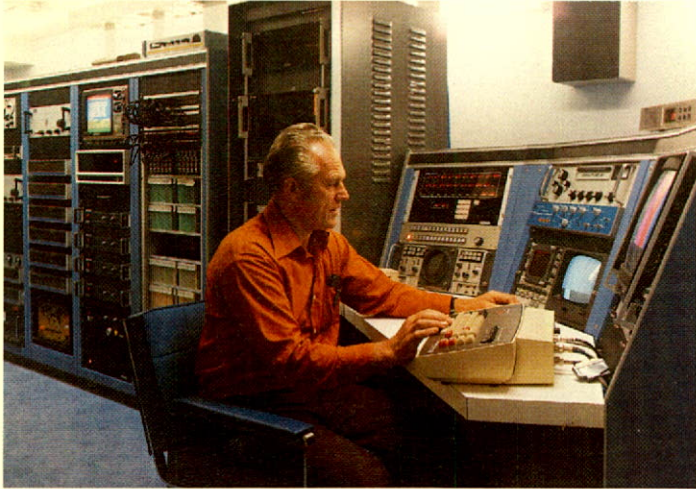
to accommodate this new approach. The Burnaby Centre high-rise building, under construction at the time, was an ideal location and arrangements were successfully made to lease the roof area and another Room at the Top.

This, then, is the nerve centre of Cablevision's highly sophisticated Very High Capacity Microwave (VHCM) network that has been in operation since January, 1978. Using AML (Amplitude Modulated Link) equipment, the Vancouver cablevision company (a subsidiary of Premier Cablevision Limited), has replaced 56 kilometres (35 miles) of trunk cable with this new million-dollar microwave installation. Furthermore, dozens of cascaded trunk-line amplifiers have been eliminated, thereby improving picture quality, particularly

at the extremities of the cable system where performance had previously been marginal after the signals had passed through as many as forty amplifiers.

Today the Vancouver system has been divided into twelve distinct cabled areas, each with its own receiving dish antenna directionally pinpointed to a corresponding transmitting dish on the Burnaby roof-top. From each of these receiving hubs the cable network fans out to the subscriber residences, but signals never pass through more than twenty amplifiers, thus ensuring quality exceeding the technical requirements of BP23 standards set by the Department of Communications.

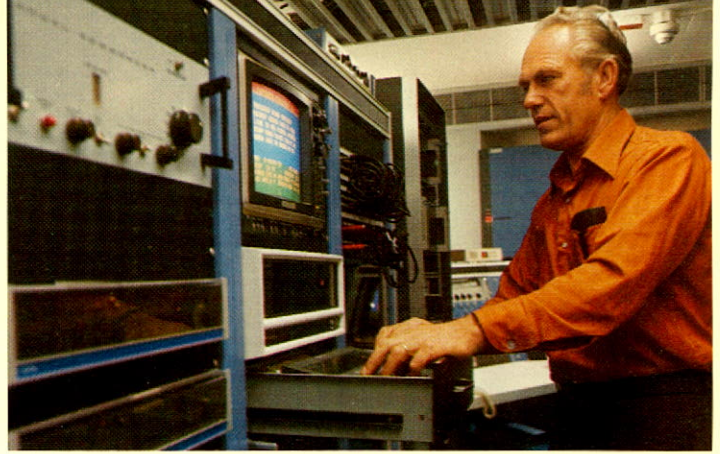




The longest path hop is 15.6 km (10 miles) and the shortest is 3.7 km (2 miles). The ultimate capacity of the 12 GHz system is 36 video channels but currently it is delivering the 14 TV channels and 13 FM radio stations that constitute Vancouver Cablevision's popular service.

The various receiving dishes are located on roof-tops of line-of-sight buildings near the distribution hubs of the particular areas served. This necessitated considerable technical plant rearrangement and protracted, delicate negotiations with building owners for the rights to use their roof-tops. In some cases virtually only one location was practical in a service area and considerable diplomacy and tact was necessary in such cases. Suffice to say that equitable lease arrangements were eventually reached with all landlords.

The company office and operations centre remains in the Oakridge area some six cable miles from Burnaby Centre. Four distant U.S. channels from Seattle are still received from the three alternative antenna sites in the Oakridge area, which are judiciously selected by operations centre personnel depending on the site that has the superior signal at any given time. It is planned in the near future to further improve reception on these U.S. channels by receiving them at rural sites closer to the U.S. border, and microwaving them direct to Burnaby Centre, but for the moment these signals are transported to the new headend by cable. A rather unique technology has been utilized to achieve this, using the old trunk-line coaxial cable between Oakridge and Burnaby that became redundant when the microwave system was implemented. This cable also carries the community channel Cable 10 and six distant FM radio stations. Other TV stations (7) and more FM's (7), including the four local stations, are received at the Burnaby roof-top and combined with the Oakridge signals for demodulation and remodulation to the AML frequencies. An additional U.S. TV station from



Tacoma, Washington is also received by microwave after it has been picked up off-air near the U.S. border, some 20 miles to the south, and retransmitted by a classical FM microwave relay link to the Burnaby roof. Another video channel recently added to the Cablevision service is a 24-hour alphanumeric news and weather bulletin board. The electronics for this popular feature are also located in the 29th floor equipment room. Further closed-circuit video channels, both alphanumeric and narrative type, are planned in the near future and the associated origination equipment will be housed there as well.

The reference above to a unique technology on the transportation cable from Oakridge to Burnaby, bears some further explanation. To minimize possible degradation of the TV services carried, a technique known as a Frequency Modulated Cable Link (FMCL) has been employed. The equipment was developed by the CATEL Corporation of California several years ago at the instigation of Premier Cablevision personnel. It has since proven, in many applications, to be a vastly superior method of moving TV signals over any distance by cable where conventional Amplitude Modulated (AM) transmission could introduce undesirable distortion and noise problems. The use of the FMCL mode of transporting the Oakridge signals to Burnaby has resulted in a dramatic preservation of the technical integrity of the TV information carried. In effect the FM cable link is as close to 'transparent' as can be achieved by any current method of moving TV information by coaxial cable. Conventional CATV amplifiers are still employed along the route to repeat the frequency-modulated TV and FM radio signals. At the Burnaby control room this information is reprocessed into its original state, then combined with the Burnaby signals. The complete package of all services is then transmitted on the VHCM microwave delivery system to the receiving hubs.

Eventually it is planned to use this same cable link for remote telemetering and various switching commands from the Oakridge operations centre. This will facilitate maintenance and reduce attendance by service personnel who currently check the headend functions on a daily basis.

Credit for the planning and carrying out of the overall project with a minimum disruption of service must go to Vancouver Cablevision's management and engineering personnel. The communications consultants were Saperstein & Associates of Vancouver, who were also very instrumental in co-ordinating the VHCM frequency assignments with the federal Department of Communications, in order that future metropolitan needs will be met.

Late last year marked the 25th anniversary of the founding of Vancouver Cablevision. In 1962, an article by this author about the original Room at the Top noted that we were then celebrating the 10th anniversary by moving into that new headend. The closing sentence of the 1962 article read, — "We're enjoying our anniversary gift to ourselves — the Room at the Top!". Needless to say with our silver anniversary behind us, we again are enjoying a gift to ourselves, — and to our subscribers — Room at the Top Circa 1978!

by W. G. Pither, Vice-Chairman
Premier Cablevision Limited
Vancouver, B.C.

CONSOLIDATED BALANCE SHEET

as at August 31, 1978

ASSETS	1978	1977 (Restated)
	\$	\$
CURRENT ASSETS		
Cash and short-term investments	15,066,000	8,253,000
Accounts receivable	2,168,000	2,557,000
Inventories	177,000	912,000
Prepaid expenses	424,000	323,000
	<u>17,835,000</u>	<u>12,045,000</u>
INVESTMENTS (Note 4)	2,747,000	1,300,000
FIXED ASSETS (Note 5)	34,277,000	33,464,000
DEFERRED CHARGES (Note 6)	1,552,000	397,000
UNALLOCATED COST OF SHARES IN SUBSIDIARIES, at cost less amortization	6,885,000	6,643,000
	<u>63,296,000</u>	<u>53,849,000</u>
 LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	3,347,000	3,613,000
Service revenue received in advance	3,257,000	2,885,000
Income taxes	3,614,000	3,440,000
	<u>10,218,000</u>	<u>9,938,000</u>
LONG-TERM DEBT (Note 7)	19,726,000	16,915,000
DEFERRED INCOME TAXES	7,264,000	5,808,000
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARIES	519,000	—
	<u>37,727,000</u>	<u>32,661,000</u>
 SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 8)	2,380,000	2,261,000
RETAINED EARNINGS	23,189,000	18,927,000
	<u>25,569,000</u>	<u>21,188,000</u>
	<u>63,296,000</u>	<u>53,849,000</u>

APPROVED BY THE DIRECTORS



Director



Director

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended August 31, 1978

	1978	1977 (Restated)
	\$	\$
RETAINED EARNINGS — BEGINNING OF YEAR		
As previously reported	19,450,000	17,502,000
Adjustment of prior years' earnings (Note 2)	(523,000)	(665,000)
As restated	18,927,000	16,837,000
NET EARNINGS FOR THE YEAR	5,086,000	3,334,000
	<u>24,013,000</u>	<u>20,171,000</u>
DIVIDENDS	824,000	1,244,000
RETAINED EARNINGS — END OF YEAR	<u>23,189,000</u>	<u>18,927,000</u>

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended August 31, 1978

	1978	1977 (Restated)
	\$	\$
SOURCE OF WORKING CAPITAL		
Current operations		
Net earnings for the year before extraordinary item	5,086,000	4,011,000
Add: Items not affecting working capital —		
Depreciation and amortization	6,312,000	5,535,000
Deferred income taxes	892,000	709,000
Other	590,000	319,000
	<u>12,880,000</u>	<u>10,574,000</u>
From operations	12,880,000	10,574,000
Long-term borrowings	2,054,000	16,882,000
Common shares issued	119,000	—
Dividends received from Northwest Sports Enterprises Ltd.	27,000	—
Disposition of interest in Marlin Communal Aerials Limited	511,000	—
Reassessment of income taxes (Note 9)	564,000	—
	<u>16,155,000</u>	<u>27,456,000</u>
USE OF WORKING CAPITAL		
Additional investment in Keeble Cable Television Limited	388,000	—
Investment in guarantee deposit	1,450,000	—
Deferred charges	414,000	397,000
Fixed asset additions	7,258,000	8,107,000
Long-term debt repayments	311,000	11,106,000
Dividends	824,000	1,244,000
Restatement of income tax liabilities	—	520,000
	<u>10,645,000</u>	<u>21,374,000</u>
INCREASE IN WORKING CAPITAL	5,510,000	6,082,000
WORKING CAPITAL (DEFICIENCY) — BEGINNING OF YEAR	2,107,000	(3,975,000)
WORKING CAPITAL — END OF YEAR	<u>7,617,000</u>	<u>2,107,000</u>

CONSOLIDATED STATEMENT OF EARNINGS

for the year ended August 31, 1978

	1978	1977 (Restated)
	\$	\$
OPERATING REVENUE (Note 12)	34,780,000	33,445,000
EXPENSES		
Cost of sales and expenses	18,292,000	18,673,000
Depreciation	5,888,000	5,375,000
Interest — long-term	1,726,000	1,174,000
Interest — other	—	198,000
Amortization of deferred charges	180,000	65,000
Amortization of unallocated cost of shares in subsidiaries	97,000	160,000
	26,183,000	25,645,000
Less: Interest income	952,000	145,000
	25,231,000	25,500,000
EARNINGS FROM OPERATIONS BEFORE THE FOLLOWING:	9,549,000	7,945,000
Interest on tax reassessments (Note 9)	194,000	—
Gain on foreign exchange (Note 2)	296,000	142,000
	490,000	142,000
	10,039,000	8,087,000
PROVISION FOR INCOME TAXES		
Current	4,061,000	3,367,000
Deferred	892,000	709,000
	4,953,000	4,076,000
	5,086,000	4,011,000
OTHER INCOME (EXPENSE)		
Equity in net earnings of Northwest Sports Enterprises Ltd. (less amortization of \$57,000, Note 4)	24,000	—
Minority interest in net earnings of subsidiaries	(24,000)	—
NET EARNINGS BEFORE EXTRAORDINARY ITEM	5,086,000	4,011,000
Provision for loss on investments	—	677,000
NET EARNINGS FOR THE YEAR	5,086,000	3,334,000
EARNINGS PER SHARE (Note 10)		
Before extraordinary item	\$1.52	\$1.21
After extraordinary item	\$1.52	\$1.01

AUDITORS' REPORT

TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Premier Cablevision Limited as at August 31, 1978 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.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at August 31, 1978 and the

results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the basis of accounting for foreign currency translation referred to in note 2 to the financial statements, on a basis consistent with that of the preceding year.

Vancouver, B.C.
October 10, 1978

Coopers & Lybrand
Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS for the year ended August 31, 1978

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidated Financial Statements

The 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%
Coquitlam Cablevision Limited	100%
York Cablevision Limited	100%
Oakville Cablevision Limited	100%
PCL Enterprises Limited	100%
Wirevision Limited (Ireland)	100%
Keeble Cable Television Limited	97%
Marlin Communal Aerials Limited (Ireland)	75%

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.

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. The excess of the cost of the investment in companies accounted for by the equity method over their related book values is being amortized over 10 years.

(b) Foreign Exchange

Amounts stated in foreign currency have been translated to Canadian dollars on the following bases: 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.

(c) Inventories

Inventories consist of converters held for resale and are valued at the lower of average cost and estimated net realizable value.

(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

(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 re-connection costs are expensed.

2. CHANGE IN ACCOUNTING PRACTICE

The company's method of translation of amounts stated in foreign currency is in accordance with recommendations for generally accepted accounting principles recently issued by the Canadian Institute of Chartered Accountants and has been applied retroactively during the year. The effect of this change on the 1978 year is to increase net earnings by \$296,000.

The balance of retained earnings as at September 1, 1977 has been reduced by a net charge of \$523,000 representing the cumulative adjustments required in respect of prior years. Of this amount, a credit of \$142,000 is applicable to the year ended August 31, 1977 and has been reflected by restating the comparative figures in the statement of earnings. The remainder, a charge of \$665,000 is applicable to years prior to 1977 and has been reflected as a reduction of the opening balance of retained earnings as at September 1, 1976.

3. ACQUISITION AND DISPOSAL OF INTERESTS IN SUBSIDIARIES

(a) Effective September 22, 1977 the company acquired an additional 7% interest in Keeble Cable Television Limited for 18,527 shares plus cash of \$269,000, the total of which has been charged to unallocated cost of shares in subsidiaries.

(b) Effective February 1, 1978 ACT (a division of the Allied Irish Investment Bank) became a 25% shareholder in the company's subsidiary, Marlin Communal Aerials Limited. This divestiture was required by the Minister of Posts and Telegraphs of the Government of Ireland. Concurrently, the company acquired the remaining 5% equity in Marlin Communal Aerials Limited, with the result that the company's interest is now 75%.

4. INVESTMENTS

	1978 \$	1977 \$
Northwest Sports Enterprises Ltd. — at equity	1,297,000	1,300,000
Guarantee deposit (Note 7)	1,450,000	—
	<u>2,747,000</u>	<u>1,300,000</u>

Effective September 1, 1977 the company accounts for its investment in Northwest Sports Enterprises Ltd., which operates the Vancouver Canucks Hockey Club in the National Hockey League, by the equity method. The difference between the cost of the investment and the underlying net book value of the assets it represents amounts to \$571,000 and is being amortized over ten years.

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

(continued)

5. FIXED ASSETS

Fixed assets at cost less related accumulated depreciation are:

	1978			1977
	Cost \$	Accumulated depreciation \$	Net \$	Net \$
Land and buildings	582,000	96,000	486,000	414,000
Distribution systems	52,955,000	21,936,000	31,019,000	30,565,000
Studio equipment and improvements	2,054,000	1,028,000	1,026,000	845,000
Automotive equipment	1,733,000	1,077,000	656,000	573,000
Tools and test equipment	1,000,000	553,000	447,000	430,000
Office furniture, fixtures and improvements	1,300,000	657,000	643,000	637,000
	<u>59,624,000</u>	<u>25,347,000</u>	<u>34,277,000</u>	<u>33,464,000</u>

6. DEFERRED CHARGES

Deferred charges at cost less related accumulated amortization are:

	1978 \$	1977 \$
Computer development	167,000	267,000
Refinancing	117,000	130,000
Past service pension costs	331,000	—
Unamortized loss on foreign exchange	937,000	—
	<u>1,552,000</u>	<u>397,000</u>

7. LONG-TERM DEBT

	1978 \$	1977 \$
Promissory note payable to The Mutual Life Insurance Company of New York, with annual interest at 9%, repayable in annual instalments of U.S. \$450,000 in 1980-1982 and U.S. \$990,000 in 1983-1992 (\$11,250,000 U.S. funds)	12,950,000	11,882,000
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 in 1980-1984 (\$5,000,000 Canadian funds)	5,000,000	5,000,000
Loan payable to the Allied Irish Investment Bank, with annual interest at rates varying from 2% to 3% above the Dublin Inter-Bank rate, repayable in annual instalments of £ 340,000 in 1980, £ 220,000 in 1981 and £ 240,000 in 1982	1,776,000	—
Other debt	—	33,000
	<u>19,726,000</u>	<u>16,915,000</u>

The loan payable to the Allied Irish Investment Bank (AIIB) 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 \$1,450,000. The company has agreed to maintain as a guarantee deposit (Note 4) with the AIIB an amount equal to 75% of the AIIB loan plus a 7½% foreign exchange contingency.

All other debt as at August 31, 1978 is unsecured.

Estimated total annual repayments over the next five fiscal years are:

	\$		\$
1979	Nil	1982	1,990,000
1980	2,230,000	1983	1,990,000
1981	1,950,000		

8. SHARE CAPITAL

	1978 \$	1977 \$
Authorized — 10,000,000 shares without par value with a maximum price of \$18.00 each		
Issued and fully paid — 3,335,086 shares (1977 — 3,316,559)	<u>2,380,000</u>	<u>2,261,000</u>

During the year 18,527 shares were issued at an assigned value of \$6.40 per share.

9. INCOME TAX REASSESSMENTS

During the year, the company successfully appealed several prior years' tax reassessments. These appeals confirmed the company's position regarding the timing of certain expenditures for tax purposes. As a result, the company was reassessed for the years 1967-1972 inclusive and the company received a tax refund of \$564,000 together with interest thereon of \$194,000. The interest has been treated as income during the year.

10. EARNINGS PER SHARE

Earnings per share are computed on the weighted average number of shares outstanding during the year of 3,333,969 (1977 — 3,316,559):

	1978	1977
Before extraordinary item	\$1.52	\$1.21
Extraordinary item	—	(0.20)
Net earnings per share	<u>\$1.52</u>	<u>\$1.01</u>
Before interest on tax reassessments, gain on foreign exchange and extra- ordinary item — net of tax	<u>\$1.41</u>	<u>\$1.17</u>

11. COMMITMENTS

- Minimum annual rentals under long-term lease contracts amount to approximately \$1,147,000.
- The company's total 1979 current service obligation under its pension plan is estimated to be \$180,000.
- The company has agreed to purchase a 45% interest in Western Cablevision Limited at a cost of \$3,150,000. This agreement is subject to the approval of the Canadian Radio-television and Telecommunications Commission.

12. OTHER NOTES

- Operating Revenue and Sales
The operations of the Welsh Communications Division ceased effective March 31, 1978; sales to that point aggregated \$1,427,000 (for the year ended August 31, 1977 — \$4,005,000).
- Directors' and Senior Officers' Remuneration
The aggregate remuneration paid to directors and senior officers (16) of the company was \$477,000; (1977 (13) — \$355,000).
- Dividend Restrictions
During the year ended August 31, 1978 the company was subject to dividend restrictions under the terms of the Anti-Inflation Act and Regulations; these restrictions expire October 14, 1978. 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.
- Retained Earnings
Retained earnings include capital and contributed surplus of \$3,709,000.
- Date of Approval of Financial Statements by Management
These financial statements were approved by the President and by the Chief Financial Officer of the company on October 10, 1978.

PREMIER CABLEVISION LIMITED

BOARD OF DIRECTORS

SYDNEY W. WELSH
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

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

STUART H. WALLACE
Vancouver, British Columbia

DAVID A. WILLIAMS
Vancouver, British Columbia

* Audit Committee

OFFICERS

SYDNEY W. WELSH
Chairman of the Board and
Chief Executive Officer

W. GARTH PITHER
Vice-Chairman of the Board

STUART H. WALLACE
President

LAWRENCE FOX
Vice-President, Finance

ROBERT W. PEAKE
Vice-President, Operations

BARRIE R. ADAMS
Vice-President and Secretary

HARRY K. DAVIS
Vice-President, Engineering

GORDON F. KEEBLE
Vice-President, Programming

FRANCIS C. GARRETT
Vice-President, Planning and
Development

MANAGERS

JOE CASSIDY
Regional Manager,
Marlin Communal Aerials Limited
Waterford Cablevision Limited

LEN CHARLISH
General Manager,
Victoria Cablevision Ltd.

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

BUD GALLAGHER
General Manager,
Coquitlam Cablevision Limited

MIKE JERVIS
General Manager,
Vancouver Cablevision Limited

NICK WAITE
General Manager
Borden Cable Television Limited

TOM LEWTHWAITE
Director of Corporate Services

WAYNE MAIER
Corporate Controller

ROGER GILODO
Controller,
Western Region

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

HEAD OFFICE

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

REGISTERED OFFICE

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

TRANSFER AGENT

Canada Trust Company
Vancouver, B.C.

AUDITORS

Coopers & Lybrand
Vancouver, B.C.

BANKERS

Toronto-Dominion Bank
Vancouver, B.C.

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.

Coquitlam Cablevision Limited
Haney, 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

