

CABLE TELEVISION

CABLE: A COMMUNICATIONS REVOLUTION

There have been such revolutions before. Some 500 years ago the hand-written manuscript gave way to the printed book, and where earlier the store of man's knowledge and judgment and imagination had been available only to a few thousands of the wealthy or the learned, it abruptly was laid bare to all who wished access to it. Some hundred years ago the first telephone wires were strung, and where earlier a man could readily make immediate contact with no

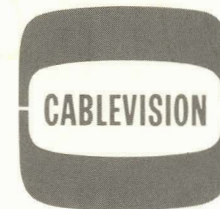
more than those persons he chanced to find in his own neighbourhood, quickly he began to find the whole city, the whole nation and ultimately the whole world within the sound of his voice. The revolution now in sight may be nothing less than either of those. It may conceivably be even more.

"On The Cable — The Television of Abundance"
Report of the Sloan Commission on Cable Communications (1971)

HIGHLIGHTS OF OPERATIONS

FINANCIAL	1971	1970
Operating revenues	\$10,329,540	\$8,551,680
Net earnings	2,056,032	1,465,948
Earnings per share	71.9c	53.3c

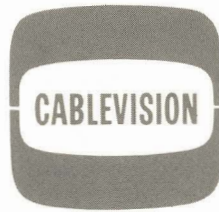
OTHER	1971	1970
Homes in licensed areas	357,125	349,675
Homes passed by cable	331,310	300,374
Miles of plant	2,033	1,835
Number of subscribers	250,648	217,973



PREMIER CABLEVISION LIMITED

FIRST ANNUAL REPORT 1971





PREMIER CABLEVISION LIMITED

HEAD OFFICE

5594 Cambie Street,
Vancouver 15, B.C.

REGISTERED OFFICE

17th Floor
1075 West Georgia Street
Vancouver, B.C.

TRANSFER AGENT

Canada Trust Company,
Vancouver, B.C.

AUDITORS

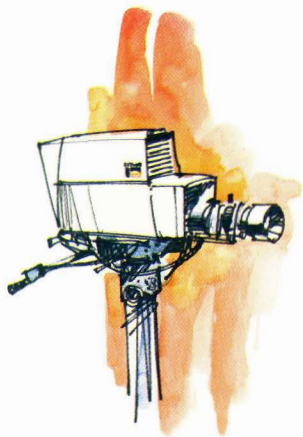
McDonald, Currie & Co.,
Vancouver, B.C.

BANKERS

Royal Bank of Canada,
Vancouver, B.C.

SUBSIDIARY COMPANIES
(wholly-owned)

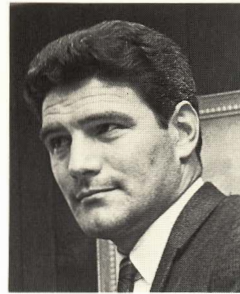
Canadian Wirevision Limited
Victoria Cablevision Ltd.
Coquitlam Cablevision Limited
York Cablevision Limited



DIRECTORS



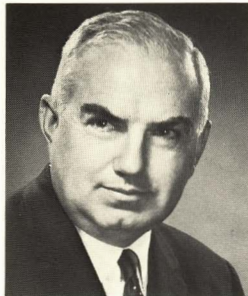
S. W. WELSH
Whonnock
British Columbia



B. J. SHEPARD
West Vancouver
British Columbia



L. H. CURRAN
Victoria
British Columbia



A. B. CHRISTOPHER
Vancouver
British Columbia



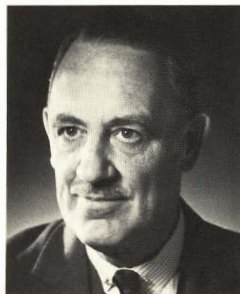
G. R. GILLEY
Vancouver
British Columbia



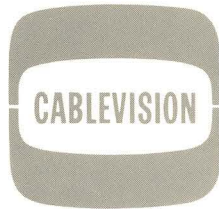
H. S. UNDERHILL
Victoria
British Columbia



R. M. SUTHERLAND, Q.C.
Willowdale
Ontario



C. P. KEELEY
Toronto
Ontario



It is my pleasure to present to you, the new shareholders of Premier Cablevision Limited, the first annual report since our company became a public company.

For the past two years your operating companies have been unable to grow as fast as the directors would have liked, because, prior to the formation of Premier Cablevision Limited some of the subsidiary companies did not conform to the Canadian Radio-Television

REPORT OF THE CHAIRMAN OF THE BOARD

Commission's 80 per cent Canadian ownership ruling.

Therefore, we were unable to make any applications before the Commission for amendments to existing licenses or the acquisition of new licenses or partners.

Now that we are an eligible company, your directors and officers are exploring all opportunities for external growth through acquisition of new license applications. Because we have a relatively low debt position, we will attempt, where possible, to acquire positions by purchase rather than an exchange of shares.



We are also aware of the opportunities for participation in foreign markets and are interested in and prepared to invest when we are assured that the investment will be secure and rewarding. A recent announcement of Premier's participation in a new Canadian

company to be formed, by Premier and Optical Systems Corporation of California as equal partners, is the first tangible result of our efforts, and we believe that in addition to being profitable in its own operation the programming made available to each of the systems from this company will provide another source of profit to the systems directly. This is the first of a number of optional services which we are examining in the firm belief that ultimately revenue from these sources would add substantially to the total of our present earnings.

I am happy to report that Premier is strong financially and has a vigorous group of executives under the leadership and supervision of our president Mr. B. J. Shepard. All of the officers, senior executives and

systems managers have been with the companies controlled by Premier for many years and have been responsible for the building of the systems now under their control. These men have achieved the respect of the industry throughout the world for their technical and administrative knowledge and ability. Premier is the largest company in its field in Canada and one of the world's largest. We intend to make it grow.

We sincerely thank all staff members of the subsidiaries and shareholders of Premier Cablevision Limited for their efforts and trust.



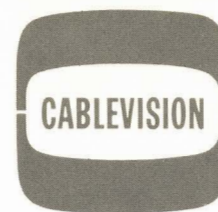
S. W. Welsh
Chairman & Chief Executive
Officer on behalf of the
Board of Directors.



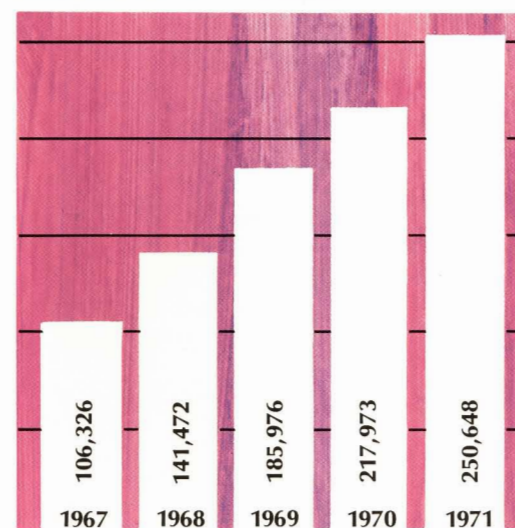
On the following pages is presented
an informal review of the first year
of Premier Cablevision Limited,
and a look to the future
by the President, Bud Shepard.

	Dec. 31 1970	Dec. 31 1971	1971 Gain
CANADIAN WIREVISION LTD.			
Homes in Licensed Area	190,000	194,400	4,400
Homes Passed	168,177	187,979	19,802
Subscribers	124,320	143,824	19,504
Extra Outlets	9,300	11,435	2,135
System Mileage	746.8	913.3	166.5
Subscriber Density	73.9%	76.5%	2.6%
COQUITLAM CABLEVISION LTD.			
Homes in Licensed Area	31,000	32,850	1,850
Homes Passed	22,138	25,456	3,318
Subscribers	16,407	19,901	3,494
Extra Outlets	1,048	1,366	318
System Mileage	237.4	256.9	19.5
Subscriber Density	74.1%	78.2%	4.1%
VICTORIA CABLEVISION LTD.			
Homes in Licensed Area	51,300	52,000	700
Homes Passed	49,550	51,989	2,439
Subscribers	43,535	47,049	3,514
Extra Outlets	2,870	3,114	244
System Mileage	428.0	430.9	2.9
Subscriber Density	87.9%	90.5%	2.6%
YORK CABLEVISION LTD.			
Homes in Licensed Area	77,375	77,875	500
Homes Passed	* 60,509	65,886	5,377
Subscribers	33,711	39,874	6,163
Extra Outlets	8,904	11,542	2,638
System Mileage	423.0	432.0	9.0
Subscriber Density	55.7%	60.5%	4.8%

* Apartment buildings passed by cable but not wired are not included.



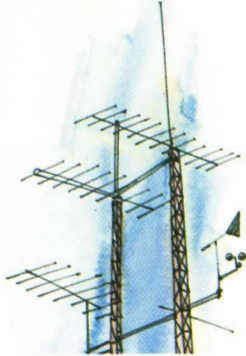
Subscriber Growth — All Regions



“Not only can cable television improve picture quality, increase viewer choice and provide otherwise unavailable services, but the growing demand for service indicates clearly a public desire for it.”

from “A Single System”
Canadian Radio-Television
Commission Policy Statement
on Cable Television (1971)

"Cable systems may become the predominant broadcasting channels in urban communities."



The first community master antenna was erected over 20 years ago. As recently as 1965, Canada's largest cable system in Vancouver had just 30,000 subscribers. Today, more than five million Canadians watch television via cable, and federal government studies indicate a leading role for cable in the future of electronic mass media.





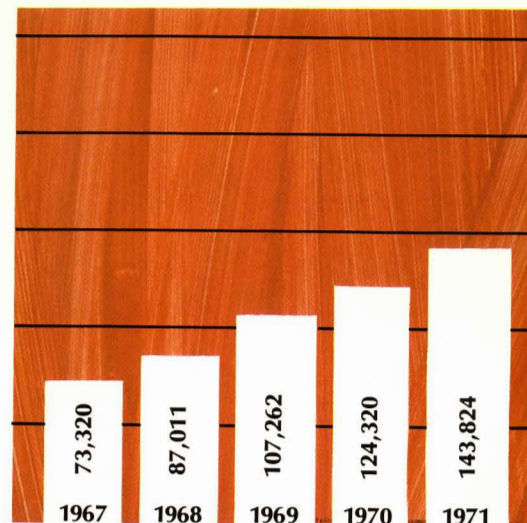
**CANADIAN
WIREVISION
LIMITED**

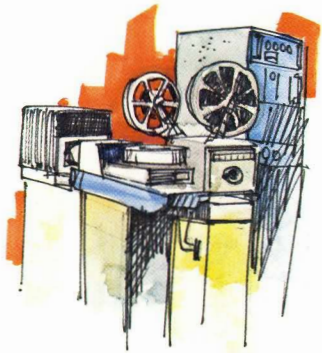
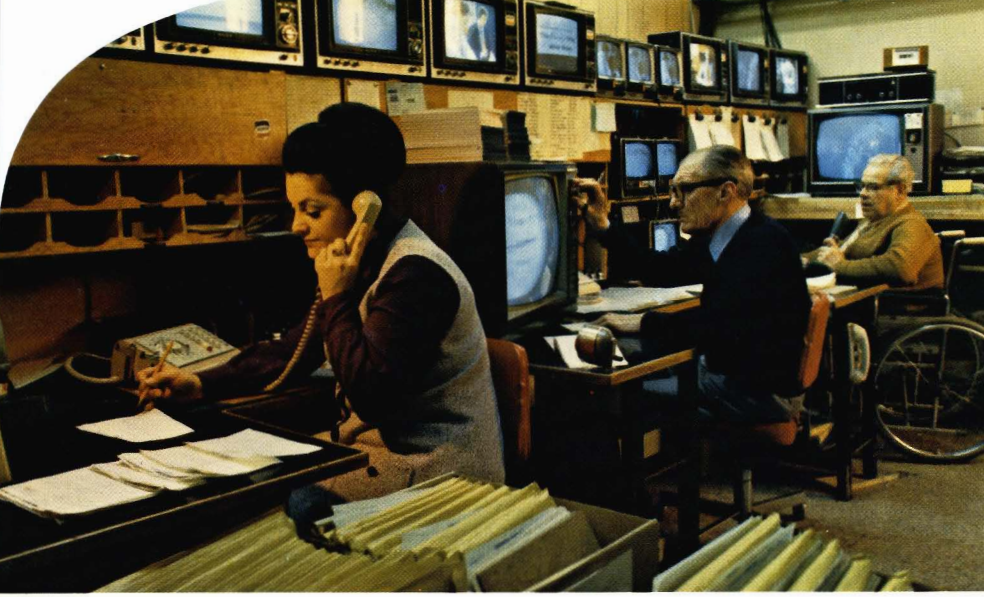
The four colour aerial views appearing in the report were photographed from 60,000 feet. The coverage of Vancouver and Coquitlam required more than one picture to show the large areas involved.

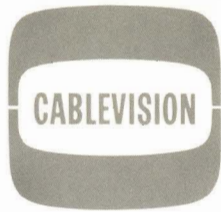
CANADIAN WIREVISION LIMITED

The cornerstone of Premier Cablevision Limited is the largest single cable television system on the continent, serving more than 140,000 subscribers in Vancouver, B.C. and its suburbs (143,824 on Dec. 31, 1971 to be precise).

Subscriber Growth — Vancouver



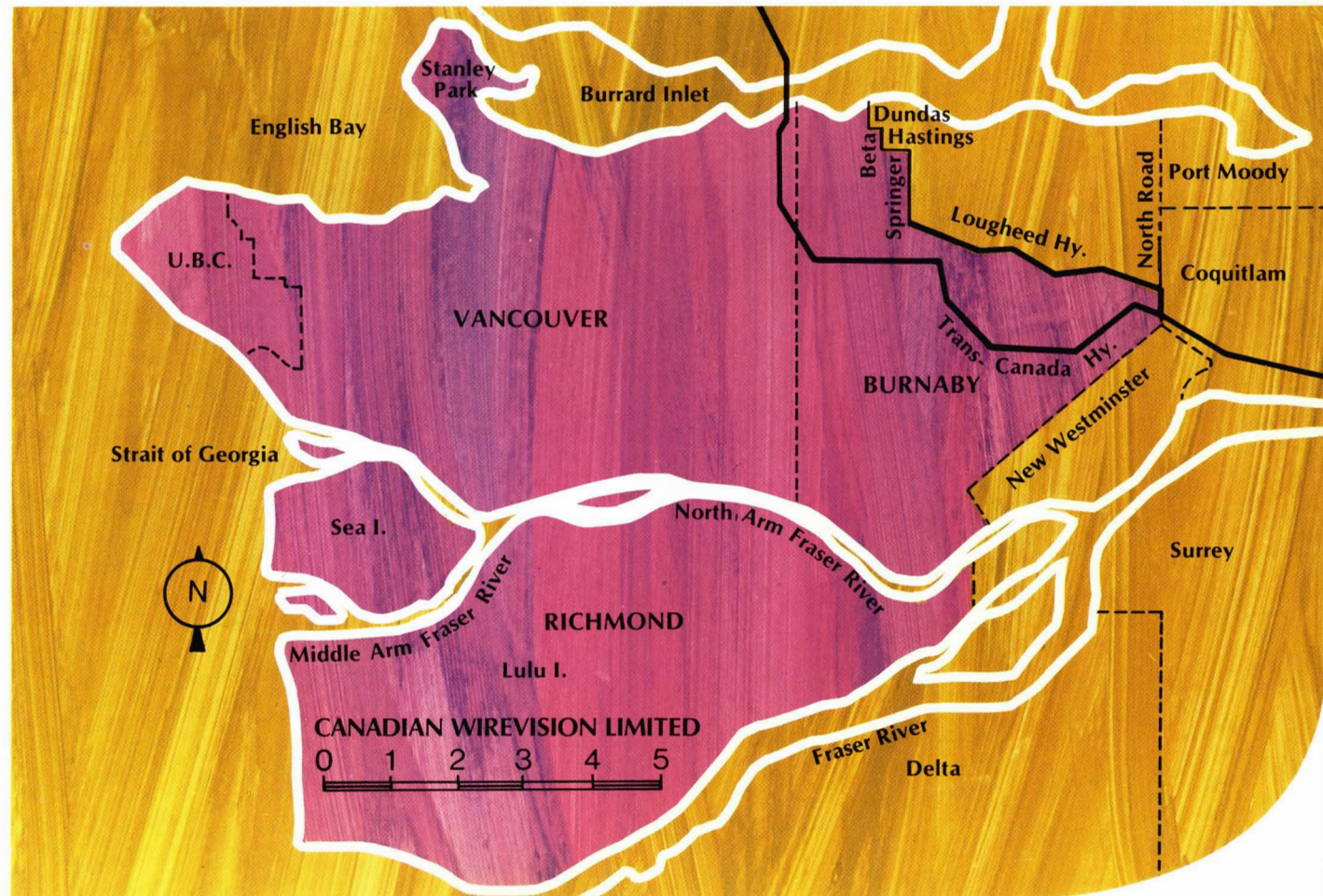




Distribution cables pass 97 per cent of households in Canada's third largest (and fastest growing) city. More than 90 per cent of Greater Vancouver apartments and 63 per cent of private homes have Cablevision.

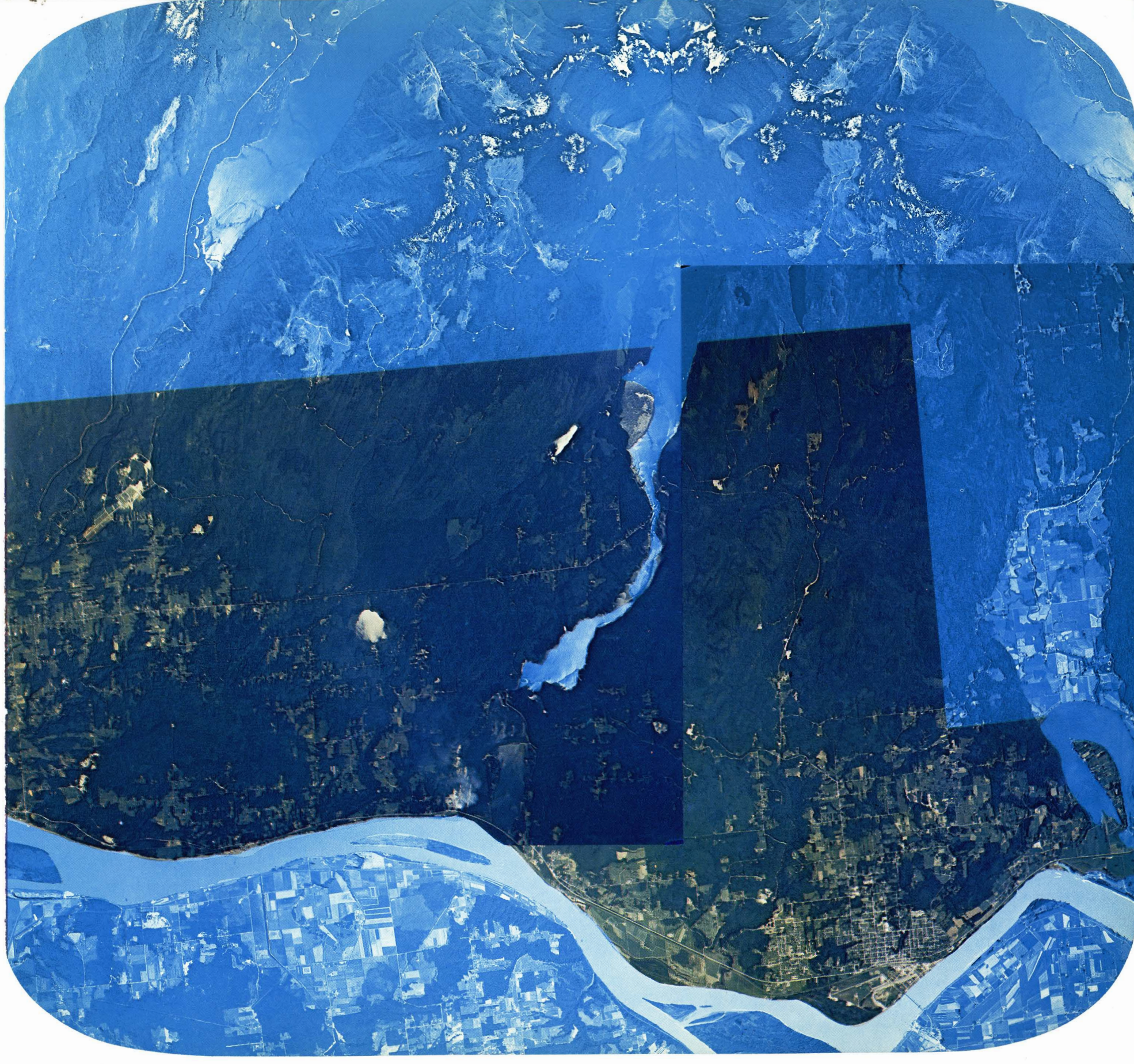
The Vancouver cable system carries nine television channels, including its own Cable 10, and 11 FM radio signals. Vancouver Cable 10 has developed impressive and unique programs on medicine, education, politics, business, sports, the arts, ecology, and leisure activities.

One example: The extraordinary Vancouver City Council public meeting on a proposed new Second Narrows crossing — a major civic issue — ran for 7 hours. It was the first live, full-length telecast of a Vancouver City Council meeting, and it was offered exclusively to Cablevision subscribers.





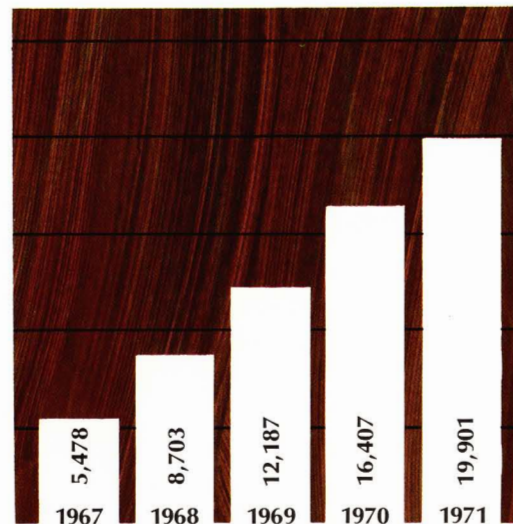
COQUITLAM CABLEVISION LIMITED



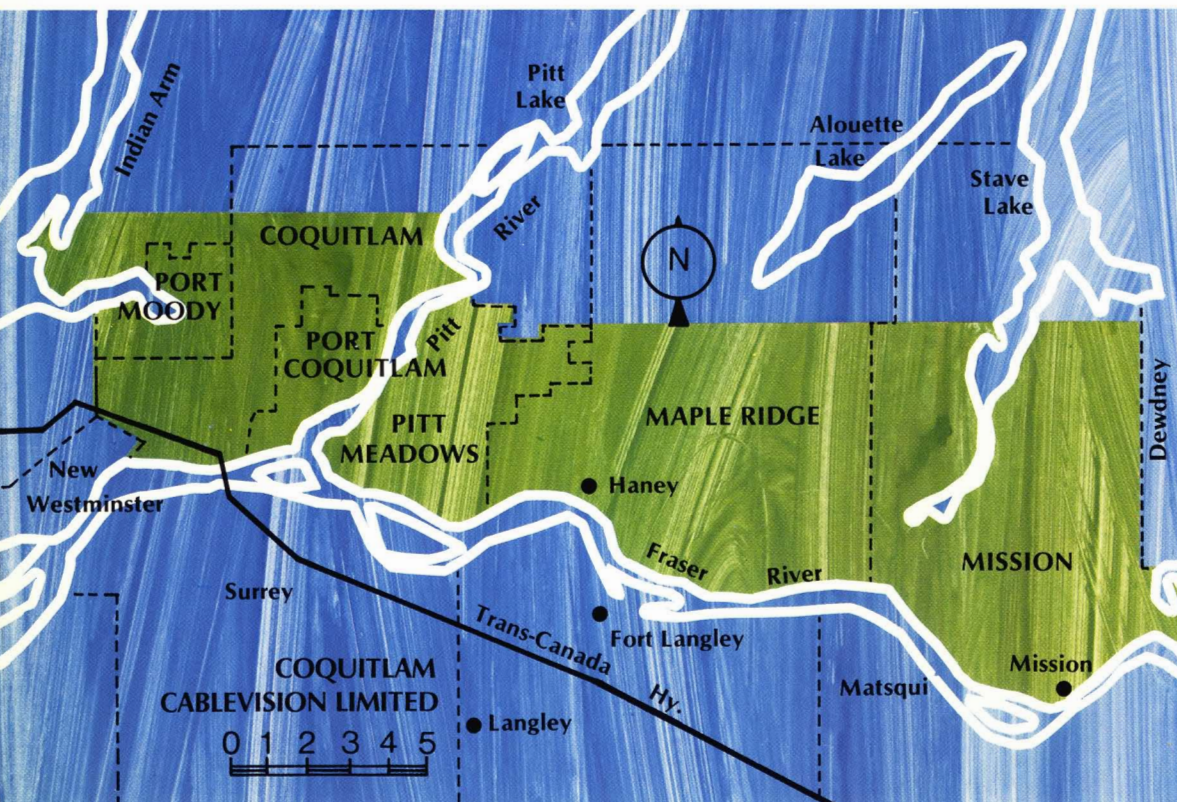
COQUITLAM CABLEVISION LIMITED

Vancouver is expanding in all directions, including straight up, but the regions with the greatest growth potential lie east of the city and its principal suburbs.

Subscriber Growth — Coquitlam



And, this is where the growth potential of Premier Cablevision Limited is most impressive. The license granted us for Coquitlam covers a cluster of communities, from the south shore of Burrard Inlet along the north side of the Fraser Valley. Port Moody, Port Coquitlam, Maple Ridge, Pitt Meadows, Mission and Haney all come within this sweep. More than 78 per cent of the households in this region are passed by our distribution cable, and roughly three-quarters of these households are subscribers. The number of households in the area, however, can be expected to show a substantial increase in the next decade as the land mass is much greater than that of Vancouver. Continued growth is forecast for this area.



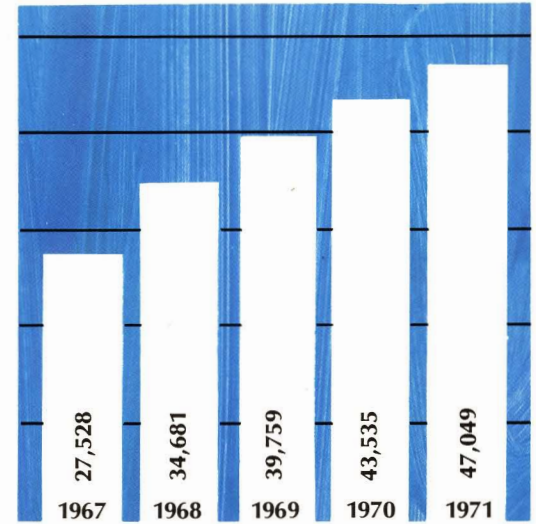


VICTORIA CABLEVISION LTD.

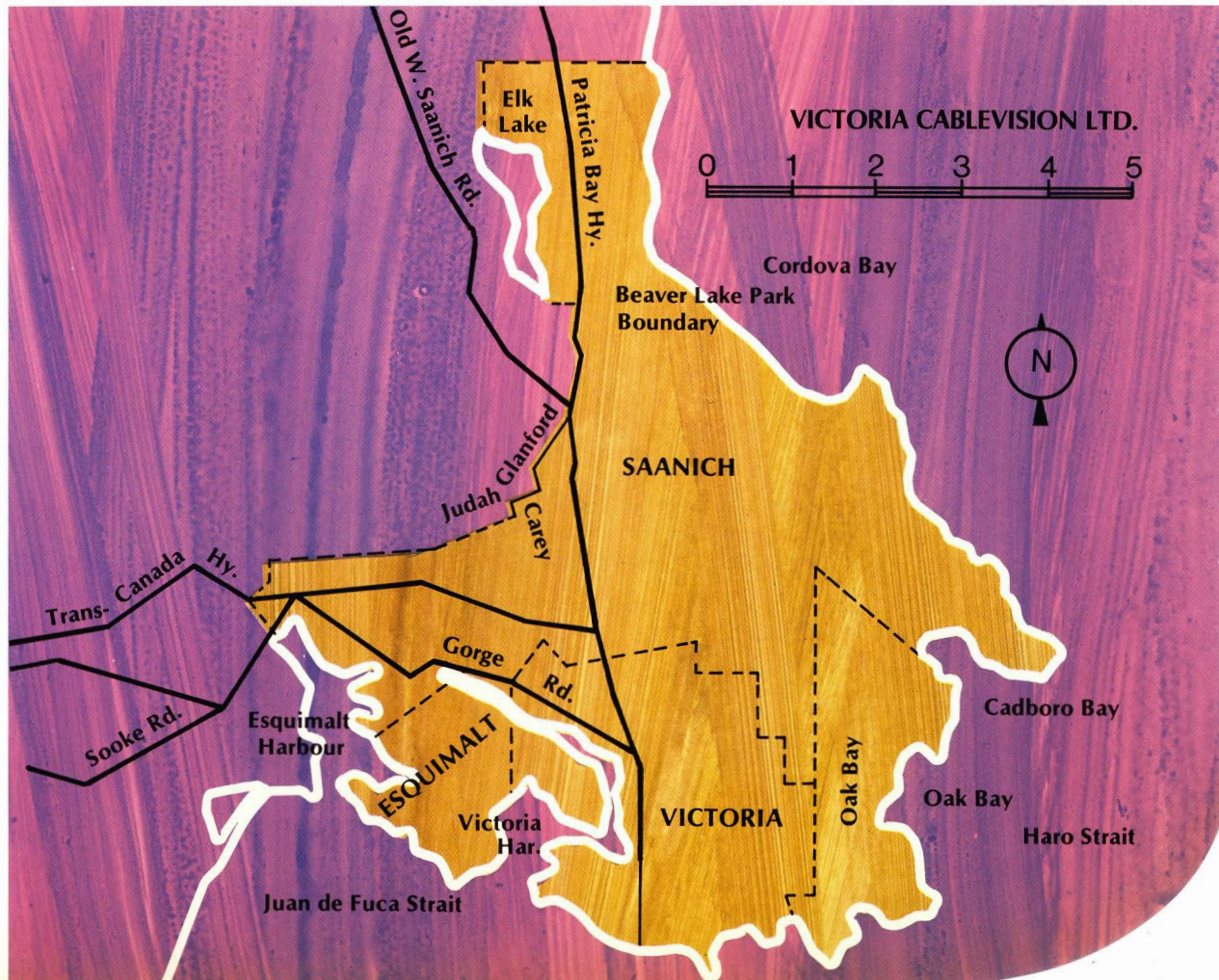
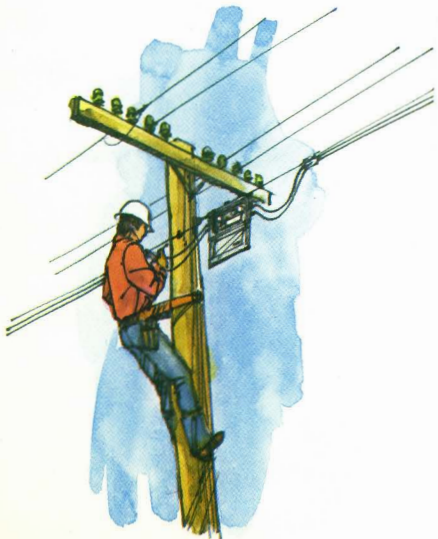


Cable television was established in the British Columbia capital in 1960. Virtually the entire licensed area is covered by cable, and an astonishing 90.5 per cent of households are subscribers. And yet, the number continues to grow, as new subdivisions, condominiums and apartment blocks change Victoria's skyline. Oak Bay, James Bay, Saanich and

Subscriber Growth — Victoria



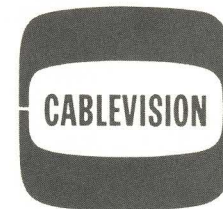
VICTORIA CABLEVISION LTD.



Esquimalt all receive television via cable. Outlying areas demanded the same service, and we took it to them in Gordon Head, Ten Mile Point and Cordova Bay. We've had to improvise to serve Victoria, but our engineers have managed to come up with the answers every time. To reach Esquimalt, for example, they had to build a five-mile trunk line across the centre of the city.

The Victoria system carries 11 television channels and 26 FM radio signals. One of the TV channels is our own Cable 10 which has become the voice of many community groups.

Les Curran, our Victoria Cablevision President and founder sets an impressive pace with most of the original staff, expanded and trained as the system grew into one of Canada's largest.





YORK CABLEVISION LIMITED

YORK CABLEVISION LIMITED

A very good year with a subscriber increase of 18.3 per cent.

York Cablevision, the Toronto subsidiary of Premier Cablevision Limited, began operations in the Ontario capital in 1967. The company is licensed to provide cable television in four sections of Metropolitan Toronto — a total of 77,875 households. York's exclusive cable television license in these districts was



confirmed by the CRTC in 1971, and was renewed for a further five-year period.

York Cablevision carries 10 television channels, including its own Cable 10, and nine FM radio signals. Cable 10 in Toronto has welcomed a number of eminent statesmen, entertainers and

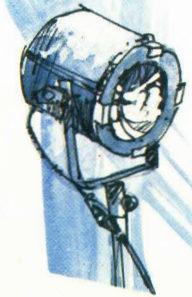
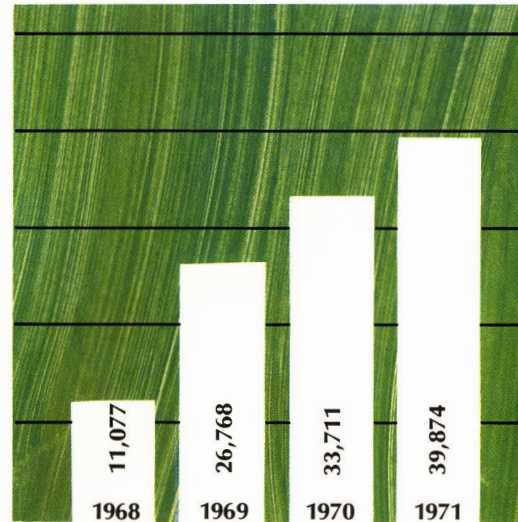
sportsmen before its cameras, but we're proudest of the unique service offered the community in ethnic programming. Last year, some 500 hours of programs were broadcast in Greek, Italian, Portuguese, Hebrew and Czechoslovakian.





The programs, developed with the Ontario Citizenship Department, are part of a continuing series to assist immigrants in their adjustments to a new environment.

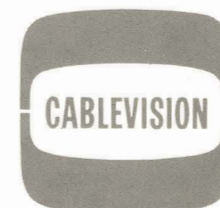
Subscriber Growth — Toronto



Ron Chaston became our Toronto Manager after 5 years as a senior executive in a large Montreal cable operation and prior to that was associated with the broadcast and cable industry for 23 years in a technical and management capacity. Ron brings with him



one of the broadest cable careers in the industry including management, technical and government liaison. Your Toronto System is in good hands.



THE FUTURE

The public desire is understandable. Cable television gives viewers better reception and a greater choice of programs. The widening use of color television adds to the growing demand. As TV sets turn up in almost as many rooms as radios, many cable subscribers become multiple-subscribers. The need for cable-improved reception will increase as cities expand upwards, blocking signals with steel and concrete, and as urban electrical interference becomes more severe. (These conditions are also expected to assist the development of FM radio, and cablevision systems are already FM carriers).

Quite apart from the expansion of system capability is the increasing number of services capable of being carried on existing systems without major modification, probably the most exciting of which is already well advanced by Premier: the optional services concept due to be market tested later this year.

The recently announced formation of a new Canadian company by Premier and Optical Systems Corporation of California will aggressively market this new service to subscribers through Canadian cable television systems in the near future.

Meanwhile we are actively working at more than doubling the capacity of our existing systems. A 1971 Canadian Telecommission report says: "Some of the products of new telecommunications technology — multi-channel cable systems, home video-cassettes — have within them at least the capability of transforming broadcasting".

THE WIRED CITY

Premier's engineers consider probable developments within the next decade will include:

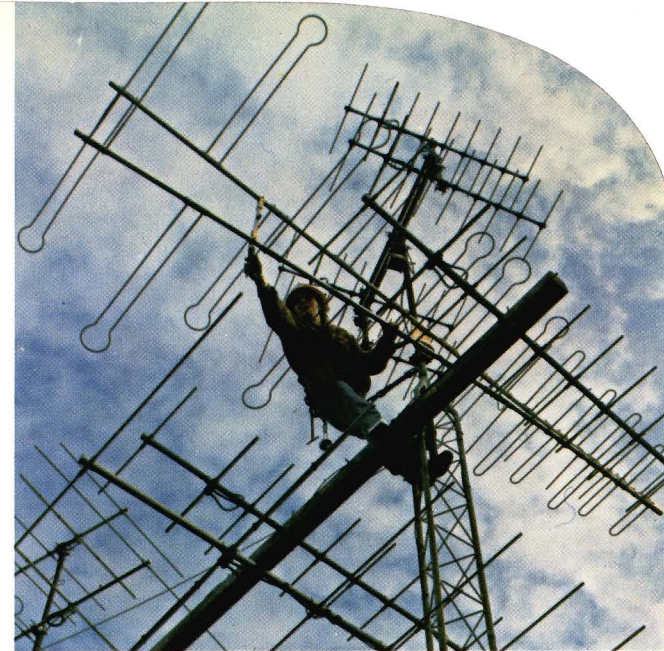
ETV: Channels leased to educators for use as an electronic campus. Even examinations are possible, with two-way systems.

RETRIEVAL TV: A library of television programs. The viewer will draw from the Program Bank whatever he wants to watch, whenever he wants to watch it.

BROADCAST RATINGS: Two-way cables will make it possible, for the first time, to provide low-cost large samplings, to determine accurately program popularity and viewer demographics.

By the end of this century, predicts the Rand Corporation, cable television systems will deliver 40 per cent of U.S. mail, serve in-home computers, and produce facsimile print-outs of newscasts and other data.

Of enormous interest in the near future is satellite interconnection. It is likely that television signals will be radiated from earth to space to earth and distributed by cable. The first Canadian Communications Satellite will be launched this year.



Cable television, introduced to Canada less than two decades ago, now boasts more than one and one quarter million monthly customers and a growth potential impossible to assess. Premier Cablevision Limited is in the vanguard of this electronic exploration, and its shareholders are in the enviable position of participating almost from the beginning in what may prove to be one of the most productive and significant industries of the last third of the 20th century.

Bud Shepard

PREMIER CABLEVISION LIMITED and Subsidiaries

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 1971

ASSETS	1971 \$	1970 \$
CURRENT ASSETS		
Cash and short-term investments	906,500	701,766
Accounts receivable	414,839	369,742
Prepaid expenses	<u>33,439</u>	<u>91,510</u>
	1,354,778	1,163,018
ADVANCES TO OTHER COMPANIES	533,140	622,597
FIXED ASSETS (note 2)	13,314,172	11,440,625
GOODWILL - at cost	<u>1,638,694</u>	<u>1,638,694</u>
	<u>16,840,784</u>	<u>14,864,934</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	914,193	564,200
Service rentals received in advance	540,343	482,044
Income taxes (note 3)	45,174	420,707
Current portion of deferred income taxes	397,000	1,190,537
Current portion of long-term debt	<u>1,150,000</u>	<u>150,000</u>
	3,046,710	2,807,488
LONG-TERM DEBT (note 4)	5,825,000	3,265,000
DEFERRED INCOME TAXES (note 3)	1,858,667	1,750,530
PREFERRED SHARES OF SUBSIDIARY		<u>2,764,008</u>
	<u>10,730,377</u>	<u>10,587,026</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (notes 1 and 5)	647,882	110,220
RETAINED EARNINGS (note 6)	<u>5,462,525</u>	<u>4,167,688</u>
	<u>6,110,407</u>	<u>4,277,908</u>
APPROVED ON BEHALF OF THE BOARD	<u>16,840,784</u>	<u>14,864,934</u>


Director


Director



AUDITORS' REPORT

We have examined the consolidated balance sheet of Premier Cablevision Limited and subsidiaries as at December 31, 1971 and the consolidated statements of earnings, retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Mc Innes, Currie & Co.

CHARTERED ACCOUNTANTS

Vancouver, B.C.
February 25, 1972

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1971

	1971 \$	1970 \$
APPROPRIATED		
Capital surplus of a subsidiary - amount required to be set aside on redemption of preferred shares under Section 61 of the Canada Corporations Act	<u>1,805,480</u>	<u>800,000</u>
UNAPPROPRIATED		
Balance - beginning of year, including retained earnings of subsidiaries (note 6)	3,367,688	2,893,740
Net earnings for the year	<u>2,056,032</u>	<u>1,465,948</u>
	<u>5,423,720</u>	<u>4,359,688</u>
Deduct:		
Dividends		
By the company prior to reorganization	16,796	
By a pooled subsidiary prior to acquisition	475,920	192,000
Costs incurred with respect to divestiture requirements and capital reorganization (note 6)	268,479	
Appropriated to capital surplus by a subsidiary	<u>1,005,480</u>	<u>800,000</u>
	<u>1,766,675</u>	<u>992,000</u>
Balance - end of year	<u>3,657,045</u>	<u>3,367,688</u>
RETAINED EARNINGS - END OF YEAR	<u>5,462,525</u>	<u>4,167,688</u>

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1971

	1971 \$	1970 \$
OPERATING REVENUE	<u>10,329,540</u>	<u>8,551,680</u>
EXPENSES		
Operating	1,785,307	1,503,850
Programme origination	207,295	161,157
Depreciation	2,015,907	1,692,751
Selling, general and administration	2,175,686	1,862,236
Interest - long-term	342,483	329,687
- other	82,427	70,914
Other income	<u>(66,054)</u>	<u>(60,489)</u>
	<u>6,543,051</u>	<u>5,560,106</u>
	<u>3,786,489</u>	<u>2,991,574</u>
INCOME TAXES (note 3)		
Current	1,485,930	1,258,036
Deferred	<u>399,427</u>	<u>317,690</u>
	<u>1,885,357</u>	<u>1,575,726</u>
NET EARNINGS FOR THE YEAR		
BEFORE EXTRAORDINARY ITEM	1,901,132	1,415,848
REDUCTION OF INCOME TAXES ON APPLICATION		
OF PRIOR YEAR'S LOSS (note 8)	<u>154,900</u>	<u>50,100</u>
NET EARNINGS FOR THE YEAR	<u>2,056,032</u>	<u>1,465,948</u>
EARNINGS PER SHARE (note 9)		
Before extraordinary item	<u>66.5c</u>	<u>51.5c</u>
Net earnings for the year	<u>71.9c</u>	<u>53.3c</u>



CONSOLIDATED STATEMENT OF SOURCE AND USE OF WORKING CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 1971

	1971 \$	1970 \$
SOURCE		
Current operations	4,471,366	3,476,389
Bank loan (note 4)	4,225,000	
Shares issued for Coquitlam Cablevision Limited (note 1)	<u>636,662</u>	
	<u>9,333,028</u>	<u>3,476,389</u>
USE		
Advances to other companies	15,543	462,570
Additions to fixed assets	2,595,673	2,840,007
Fixed asset additions resulting from the acquisition of Coquitlam, net of applicable long-term debt	446,939	
Payment or increase in current portion of - long-term debt	2,406,842	100,000
deferred income taxes	291,290	1,080,820
Dividends - company prior to reorganization	16,796	
- subsidiary prior to acquisition	475,920	192,000
Costs incurred with respect to divestiture requirements and capital reorganization (note 6)	268,479	
Cancellation of share capital (note 5)	99,000	
Preferred shares of a subsidiary - redeemed prior to acquisition	1,005,480	800,000
acquired by the company (note 1)	<u>1,758,528</u>	
	<u>9,380,490</u>	<u>5,475,397</u>
DECREASE IN WORKING CAPITAL	47,462	1,999,008
WORKING CAPITAL (DEFICIENCY) - BEGINNING OF YEAR	(1,644,470)	354,538
WORKING CAPITAL (DEFICIENCY) - END OF YEAR	<u>(1,691,932)</u>	<u>(1,644,470)</u>
REPRESENTED BY:		
Current assets	1,354,778	1,163,018
Current liabilities	<u>3,046,710</u>	<u>2,807,488</u>
	<u>(1,691,932)</u>	<u>(1,644,470)</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1971

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the company and its subsidiaries all of which are wholly-owned:

- Canadian Wirevision Limited (Wirevision)
- Victoria Cablevision Ltd. (Victoria)
- Coquitlam Cablevision Limited (Coquitlam)
- York Cablevision Limited (York)

By an agreement dated August 17, 1971, effective as of November 23, 1971, the company acquired in exchange for its own shares all the issued common shares of Victoria, Coquitlam and York and the remaining 25% of the common shares of Wirevision formerly held by minority shareholders. The combination of the company and its subsidiaries through this exchange of common shares is accounted for as a pooling of interests. Figures for 1970 have been restated to give retroactive effect to this pooling. By the same agreement the company acquired all of the outstanding redeemable preferred shares of Wirevision for cash of \$1,758,528. Additional information concerning the combination is as follows:

	Net assets brought into the combination (figures as at December 31, 1971) \$	Stated value of common shares of subsidiaries \$	CONSIDERATION GIVEN		Percentage of total shares outstanding %
			Shares issued for each subsidiary	Fair value at date of acquisition \$	
Wirevision	6,238,532	10,000	1,950,907	19,509,070	63.44
Victoria	1,438,184	120	553,536	5,535,360	18.00
Coquitlam	663,657	636,662	326,279	3,262,790	10.61
York	(401,999)	100	244,478	2,444,780	7.95
	<u>7,938,374</u>	<u>646,882</u>	<u>3,075,200</u>	<u>30,752,000</u>	<u>100.00</u>

2. FIXED ASSETS

(i) Fixed assets at cost less related accumulated depreciation are as follows:

	1971		1970	
	Assets \$	Accumulated depreciation \$	Net \$	Net \$
Land and buildings	128,702	10,579	118,123	104,183
Distribution systems	21,155,864	8,441,569	12,714,295	10,917,606
Studio equipment and improvements	328,973	114,213	214,760	214,111
Automotive equipment	267,946	150,784	117,162	65,828
Tools and test equipment	204,345	97,953	106,392	90,542
Office furniture, fixtures and improvements	108,686	65,246	43,440	48,355
	<u>22,194,516</u>	<u>8,880,344</u>	<u>13,314,172</u>	<u>11,440,625</u>

(ii) Depreciation has been recorded in the accounts at the maximum rates permissible for tax purposes for all categories of fixed assets except the

distribution systems which are being depreciated as follows:

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

3. INCOME TAXES

The company and its subsidiaries follow the practice of charging earnings with income tax expense relating to recorded profits. The income taxes actually payable in respect of the year and previous years have been reduced because of differences between the time certain items of revenue and expense are recorded in the accounts and the time they are reported for income tax purposes. These reductions are included together with similar amounts arising in prior years as "deferred income taxes".

The Department of National Revenue has reassessed certain subsidiaries for the years 1964 - 1969. These reassessments do not have any effect on the recorded earnings of the company since they relate only to the time certain items of income and expenditure are reported for tax purposes. Similar amounts which may arise with respect to 1970 and 1971 are reflected in the financial statements as "Current portion of deferred income taxes". The company intends to appeal the reassessments and, where applicable, has filed the required notices of objection.

4. LONG-TERM DEBT

	1971 \$	1970 \$
Demand loan payable to Metropolitan Life Insurance Company, with interest at 7¼% and annual principal payments of \$250,000	2,750,000	
Bank loan, with interest at 1¾% above prime bank rate and principal payments of \$75,000 per month	4,225,000	
Demand notes payable, with interest at rates which varied from 9% to 10% and no fixed repayment terms		3,415,000
	6,975,000	3,415,000
Less: Current portion	1,150,000	150,000
	<u>5,825,000</u>	<u>3,265,000</u>

Annual payments required to meet long-term debt instalments for the next five years are \$1,150,000.

Under the terms of a commitment letter dated June 25, 1971, as amended, a Canadian chartered bank has provided an irrevocable letter of credit for the principal amount of \$2,750,000 and interest up to \$135,686 as security for the 7¼% loan. The company has caused as security for the letter of credit and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

the bank loan, each of the subsidiaries to guarantee both the letter of credit and the bank loan and, to secure these guarantees, to provide a first floating charge on all the assets of the subsidiaries. In addition, the company and its subsidiaries have agreed not to encumber their assets, subject to certain exceptions, nor to borrow without the bank's prior consent.

Columbia Broadcasting System, Inc. has agreed to continue to guarantee the loan from the Metropolitan Life Insurance Company for a guarantee fee payable by York equal to 2% per annum of the amount of the loan and accrued interest from time to time outstanding.

5. SHARE CAPITAL

	1971 \$	1970 \$
Authorized -		
1,000 Class A voting common shares with a maximum issue price of \$1 per share		
99,000 Class B non-voting common shares with a maximum issue price of \$1 per share		
4,000,000 voting common shares with a maximum issue price of \$10 per share		
Issued and fully paid -		
1,000 Class A common shares		1,000
99,000 Class B common shares		99,000
3,075,200 Common shares issued on pooling of interests and capital reorganization..	<u>647,882</u>	<u>10,220</u>
	<u>647,882</u>	<u>110,220</u>

During the year ended December 31, 1971, the following alterations to share capital took place:

- (i) The Class A and Class B common shares were reclassified as common shares.
- (ii) 99,000 common shares were cancelled by a reduction of capital involving a distribution of \$99,000 to the holders thereof and leaving 1,000 common shares issued.
- (iii) The 1,000 issued common shares were subdivided on a 1,463.18 for 1 basis.
- (iv) The authorized share capital was increased to 4,000,000 common shares with a maximum issue price of \$10 per share.

Because the acquisition of the subsidiaries has been accounted for as a pooling of interests, the \$646,882 attributed to the shares issued therefore is the aggregate stated amount of the issued common shares as reflected in the accounts of the subsidiaries (note 1). The 1970 comparative figures do not include any amounts for Coquitlam for the reasons stated in note 9 below.

6. CONSOLIDATED STATEMENT OF RETAINED EARNINGS

The balance of retained earnings at January 1, 1970 includes the retained earnings of the subsidiaries at that date.

Under the agreement dated August 17, 1971, mentioned above, the company agreed to bear certain of the fees and expenses related to applications to and hearings before the CRTC for licence renewals for the subsidiaries and approval of the plan of divestiture, the recapitalization of the company and the prospectus of the company dated October 28, 1971. These costs have been considered to be capital items and hence have been charged to retained earnings in the year.

7. CONSOLIDATED STATEMENT OF EARNINGS

The consolidated statement of earnings for the year ended December 31, 1971 includes the results of the pooled subsidiaries for the whole year except that the results of Coquitlam are only included from August 31, 1971. Coquitlam was incorporated on June 18, 1971, and at August 31, 1971, acquired the operating assets and assumed the related liabilities of a cable television system being operated by another company in British Columbia. The net earnings of the Coquitlam system for the eight months ended August 31, 1971, after accounting for income taxes that would have been chargeable on those earnings had Coquitlam been a separate corporate entity, were \$138,744. The comparative earnings figures for the preceding year include the operations of all subsidiaries for the entire year except that no amounts are included therein in respect of the operations of Coquitlam.

8. TAX LOSS POSITION

A subsidiary has accumulated accounting losses at December 31, 1971 of approximately \$400,000. No recognition has been given in the accounts to the potential tax saving resulting from the availability of these losses to reduce taxes which might be otherwise payable. In addition, the subsidiary has claimed or may claim certain expenses for tax purposes which have not yet been charged against income in the accounts. The effect of such claims would be to defer payment of tax liabilities as they arise.

9. EARNINGS PER SHARE

Earnings per share are calculated using the weighted average number of shares outstanding. The shares issued for Coquitlam are taken to have been issued on August 31, 1971, the date from which the earnings of Coquitlam are included.

10. LONG-TERM COMMITMENTS

Total payments for leasing and rental of transmission facilities for the year ended December 31, 1971 and minimum future annual commitments are:

	\$
Year ended December 31, 1971	440,378
Annual commitment	450,000

11. DIRECTORS' REMUNERATION

The aggregate direct remuneration to the directors and senior officers of the company totalled \$46,989 (1970 - \$44,124).



