

January 27, 1969
(3:45 pm - 6:15 pm)

FINANCIAL STATEMENTS AS AT DECEMBER 31, 1968

With the Vice-President, Finance (Mr. Davies) in attendance, the Committee reviewed the highlights of the Corporation's financial position for the nine months period ended December 31, 1968. The following points emerged:

- (a) Net cost of operations was \$2,524,000 under budget. Projecting this position to March 31, 1969, and taking into account all possible wage adjustments connected with collective agreements pending or in process, a net operating under-expenditure of \$2,500,000 is expected.
- (b) Accounts receivable increased by \$764,000 over November 30 because of increased sales and emphasis placed on reducing the backlog of billings to creditors.
- (c) Inventories and write-off of programs, film and script rights for the fiscal year 1967/68 amounting to \$1,618,984 almost equalled the combined write-off for 1964/65, 1965/66 and 1966/67. Mr. Davies explained that about \$500,000 included in the 1967/68 write-offs represented a carry-over from the prior years mentioned. The President suggested that in 1968/69, items which are considered outdated, below technical standards, inferior quality, etc., should be written off and not carried over for write-off in future years.
- (d) Engineering and development expenses have decreased from an over-budget position of \$264,000 at November 30 to \$13,000 over-budget at December 31 due to implementation of revised cost rates.
- (e) Capital achievement - the President noted that expenditures for the month of December amounted to \$1,876,000 for a nine-month total of \$12,089,000. Even with an accelerated rate of capital expenditure for the remaining three months, total achievement for the fiscal year is estimated to be slightly below \$20,000,000 or 80% of the approved capital budget of \$25,000,000.

Mr. Davies observed that the purchase of the Moose Jaw-Regina TV stations and acquisition of the Moncton Youth Centre could involve an additional expenditure approximating \$2,000,000. He felt if such was the case, it would be proper to accrue this expense and he proposed to discuss this procedure with the Auditor General so that appropriate notation is included on the year-end financial statements. Accelerated land payments to the City of Montreal for the consolidation site at that centre and advanced equipment payments for the Sackville project could also further increase the Corporation's capital expenditure. The Committee agreed that Management should immediately negotiate with the City of Montreal to liquidate this obligation in the amount of \$1,200,000.

COMMENTS ON AUDITOR GENERAL'S REPORT - 1967/68 ACCOUNTS

Referring to remarks by the Auditor General that the variation of \$1,906,507 between the actual expenditures and budgeted provisions for the cost of production of programs is largely due to the write-off of film rights, script rights and program costs exceeding the amounts anticipated when the budget was prepared, Mr. Davies said that every attempt is made to minimize write-off at the year-end. The Auditor General's report relates actual expenditures to the original submission of estimates made to the Treasury Board in September 1966, while the operating budget is not established until the start of the fiscal year (April 1967) and causes this wide variation.