



Aboriginal Peoples Television
Network
2007 Annual Report





mission

APTN is sharing Our Peoples' journey, celebrating our cultures, inspiring our children and honouring the wisdom of our Elders.

corporate profile

APTN is the first Aboriginal television network in the world with programming by, for and about Aboriginal Peoples to share with all Canadians and viewers around the world. APTN is a mandatory service available in approximately 10 million Canadian households and commercial establishments with basic cable, direct-to-home (DTH) or wireless service. APTN does not receive government funding for operations but generates revenue through subscriber fees, advertising sales and strategic partnerships. APTN broadcasts programming with 56% offered in English, 16% in French and 28% in Aboriginal languages.

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Mike Metatawabin Chairperson

Message from the Chair – Mike Metatawabin

In just eight short years APTN has become a source of pride and accomplishment for Aboriginal Peoples across the globe. The mere existence of a national television network dedicated to celebrating the diversity and culture of the world's Indigenous Peoples is a feat that has made many Indigenous Peoples around the world eager to emulate. It is truly my great honour to have been entrusted with this leg of such an incredible journey.

Since its September 2005 CRTC license renewal (two fiscal years), APTN has experienced an unprecedented growth that has resulted in the realization of many of its long-term goals. During this time, the network has doubled its investment in capital assets; doubled its investment in film and programming rights; increased its advertising revenue by 180%; reduced its liabilities by 15%; and increased net corporate assets from \$16.9 million to \$33.8 million.

A respected specialty broadcaster, APTN has also developed solid ties to a very strong Aboriginal independent production community. The network now has an active pool of 70+ Aboriginal production companies, many of which are creating cutting-edge HD content.

APTN has posted many other successes in 2007, including the production and national broadcast of APTN's inaugural Aboriginal Day Live show, celebrating National Aboriginal Solidarity Day, June 21st ; major operations upgrades in preparation for the 2008 launch of the new APTN HD channel; APTN's standout coverage of the Canada Winter games from Whitehorse; the installation of Winnipeg's largest outdoor LCD screens at APTN headquarters; and the launch of the APTN/Canadian Heritage website, Digital Drum, to name a few.

On behalf of the APTN Board of Directors, I would like to extend our sincere congratulations to the network's management and staff on a job well done. We enthusiastically look forward to a bold and bright future, continuing our mandate to provide exceptional Aboriginal programming to Canadians and viewers across the globe for many years to come.

Mike Metatawabin
APTN Chairman of the Board

Jean LaRose CEO



Message from the CEO - Jean LaRose

To say 2007 was an important year for APTN would be an understatement. During its seventh year of operation, the network has graduated to a level that clearly demonstrates that we are now Canada's fourth national broadcaster.

This designation is not declared lightly. Only one other national network in Canada can rival APTN's reach as we broadcast from coast to coast to coast. No other network can match APTN's percentages of Canadian content or language programming. No other network has created a production industry that has seen a 2,000% growth in less than eight years. And no other network can say they do all of these things as a non-profit entity which survives independently without the aid of government funding.

APTN has a lot to be proud of.

Today's APTN looks much different than it did in the early days. Where once it was a struggle to find Aboriginal-produced, quality programming, an exploding Aboriginal production community has afforded the network the luxury of choice with an available inventory of programs that include all genres from comedy to drama to news.

As we look to the future, there are many new and exciting opportunities on the horizon. Of particular note, our preparations this year have enabled us to commit to the launch of APTN HD on April 1, 2008. We are also beginning preparations for our role as an official broadcaster of the 2010 Olympic Games from Vancouver. Through our broadcast partnerships we will play larger roles in made-for-television movie productions and of course in producing live entertainment shows such as our annual National Aboriginal Day Live show.

The Staff, Board and Management have a lot to be proud of. We have accomplished what the doubters said would never happen and we are exceeding all expectations. The future holds much promise and we are confident that APTN will continue to grow and make our communities proud.

Jean LaRose
Chief Executive Officer



Jamie Veilleux

CFO

Message from the CFO - Jamie Veilleux

I am very pleased to present the Audited Financial Statements of Aboriginal Peoples Television Network for the fiscal year ending August, 2007.

As the custodians of a \$26.5 million operating budget with a bottom line of \$8.3 million, we were able to complete the year under budget and achieve a net income of \$9.4 million. This net income combined with our commitment to Aboriginal programming and infrastructure upgrading resulted in an increase in cash and cash equivalents of \$854k to a year-end cash position of \$3.2 million. The growing balance of cash and equivalents will be used to achieve all of our future commitments to the CRTC before the completion of our current broadcasting licence in August, 2012.

Corporate assets have grown 39.6% for the fiscal period which underscores APTN's commitment to a vibrant independent Aboriginal production community. This year's commitment to Film and Programming Licensing was \$12.0 million.

The sound financial position we have been able to achieve at APTN will allow us to achieve our long-term goals and objectives, as well as those promises outlined in our Mission: *To share Our People's journey, celebrate our cultures, inspire our children and honour the wisdom of our Elders.*

Jamie Veilleux
APTN Chief Financial Officer

Aboriginal Peoples Television Network Incorporated

Financial Statements
August 31, 2007

November 21, 2007

Auditors' Report

To the Directors of Aboriginal Peoples Television Network Incorporated

We have audited the statement of net assets of **Aboriginal Peoples Television Network Incorporated** as at August 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Aboriginal Peoples Television Network Incorporated

Statement of Net Assets

As at August 31, 2007

	2007 \$	2006 \$
Assets		
Current assets		
Cash and cash equivalents	3,174,787	2,321,233
Short-term investment	3,730,941	2,200,241
Accounts receivable (note 3)	5,513,509	4,054,525
Current portion of film and television program rights (note 4)	5,900,171	4,680,704
Prepaid expenses	97,237	51,781
	<u>18,416,645</u>	<u>13,308,484</u>
Film and television program rights (note 4)	11,279,355	7,966,875
Capital assets (note 5)	<u>5,209,361</u>	<u>3,702,162</u>
	<u>34,905,361</u>	<u>24,977,521</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	1,620,566	1,352,846
Film and television program accounts payable	1,354,795	841,024
Term loan (note 6)	-	277,764
Current portion of obligations under capital leases	-	4,556
	<u>2,975,361</u>	<u>2,476,190</u>
Net Assets		
Net assets invested in capital assets	5,209,361	3,697,606
Unrestricted net assets	<u>26,720,639</u>	<u>18,803,725</u>
	<u>31,930,000</u>	<u>22,501,331</u>
	<u>34,905,361</u>	<u>24,977,521</u>

Approved by the Board of Directors

_____ Director

_____ Director

Aboriginal Peoples Television Network Incorporated

Statement of Operations

For the year ended August 31, 2007

	2007 \$	2006 \$
Revenue		
Subscriber fees	29,678,816	27,109,691
Advertising	1,923,159	1,496,952
Contributions (note 11)		
Government of Canada - Department of Canadian Heritage	2,100,000	2,100,000
Canadian Satellite Communications Inc.	1,500,000	1,500,000
Other contributions	282,824	84,947
Interest revenue	203,359	21,249
Other revenue	79,820	28,721
	35,767,978	32,341,560
Expenses		
Network operations		
Amortization of capital assets	980,527	804,387
Facility rent	1,070,509	992,175
Insurance	122,502	82,025
Low Power Rebroadcast transmitter repair and maintenance	536,284	441,819
Transponder and uplink rental (note 11)	2,524,473	2,536,987
Uplink utilities	143,478	148,086
Vehicle lease	103,023	107,935
	5,480,796	5,113,414
Network programming		
Communications and marketing	2,423,880	2,585,106
Consultants	32,263	98,145
Equipment and office supplies	65,320	37,620
Production expense	1,022,331	341,977
Amortization of film and television programs	7,254,997	5,835,512
Program development contributions	653,046	328,678
Socan fees	301,213	266,570
Salaries	4,129,651	3,964,175
Travel	344,448	357,346
Website development	223,144	-
	16,450,293	13,815,129
General and administration		
Bad debt	2,637	10,434
Board meetings	300,433	386,397
Entertainment	28,063	18,878
General office	271,705	271,509
Interest on term loan	4,644	44,125
Interest on capital leases	-	2,675
Memberships	33,575	53,625
Professional development	143,058	110,544
Professional fees	477,437	675,747
Recruitment and relocation	85,923	59,091
Salaries and benefits	2,759,935	2,072,382
Staff travel	149,738	111,332
Telephone	151,072	146,977
	4,408,220	3,963,716
	26,339,309	22,892,259
Net income for the year	9,428,569	9,449,301

Aboriginal Peoples Television Network Incorporated

Statement of Changes in Net Assets

For the year ended August 31, 2007

	Balance - Beginning of year \$	Net income for the year \$	Balance - End of year \$
Net assets invested in capital assets	3,697,606	1,511,755	5,209,361
Unrestricted net assets	18,803,725	7,916,914	26,720,639
	<u>22,501,331</u>	<u>9,428,669</u>	<u>31,930,000</u>

Aboriginal Peoples Television Network Incorporated

Statement of Cash Flows

For the year ended August 31, 2007

	2007 \$	2006 \$
Cash flows from (used in)		
Operating activities		
Net income for the year	9,428,669	9,449,301
Items not affecting cash		
Amortization of film and television program rights	7,254,997	5,835,512
Amortization of capital assets	980,527	804,387
Investment in film and television program rights	<u>(11,786,944)</u>	<u>(9,152,634)</u>
	5,877,249	6,936,566
Net change in other non-cash working capital items		
Accounts receivable	(1,458,984)	(1,577,872)
Prepaid expenses	(45,456)	(3,937)
Accounts payable and accrued liabilities	267,720	455,114
Film and television program accounts payable	513,771	14,347
Deferred revenue	-	(175,000)
	<u>5,154,300</u>	<u>5,649,218</u>
Investing activities		
Purchase of short-term investment - net	(1,530,700)	(2,200,241)
Purchase of capital assets	<u>(2,487,726)</u>	<u>(981,092)</u>
	<u>(4,018,426)</u>	<u>(3,181,333)</u>
Financing activities		
Payments of obligations under capital leases	(4,556)	(112,482)
Repayment of term loan	<u>(277,764)</u>	<u>(666,672)</u>
	<u>(282,320)</u>	<u>(779,154)</u>
Increase in cash and cash equivalents	853,554	1,688,731
Cash and cash equivalents - Beginning of year	<u>2,321,233</u>	<u>632,502</u>
Cash and cash equivalents - End of year	<u>3,174,787</u>	<u>2,321,233</u>
Included in operating activities are interest payments of	4,644	46,800

Aboriginal Peoples Television Network Incorporated

Notes to Financial Statements

August 31, 2007

1 Nature of the operations

The Aboriginal Peoples Television Network Incorporated (the "Company") was incorporated on June 12, 1989 without share capital under Part II of the Canada Corporations Act as Television Northern Canada. Following its successful national licence application in 1999, it was renamed Aboriginal Peoples Television Network and amended its Letters Patent accordingly. The Company is a non-profit corporation and registered charity established to distribute broadcast services to aboriginal and northern audiences. The Company is a registered charity under the Income Tax Act (Canada) and as such is not subject to income taxes.

Effective August 31, 2005, the Company was granted a seven year license by the Canadian Radio-television and Telecommunications Commissions ("CRTC") to distribute programming through cable systems across Canada and earn subscriber fees. Class 1 and 2 distribution undertakings licensed by the CRTC are required to distribute the Company's programming as part of their basic services.

2 Significant accounting policies

Revenue recognition

Subscriber fees are recognized monthly on the basis of the number of subscribers reported by distributing cable and Direct to Home satellite companies at rates prescribed by the CRTC. Revenue derived from advertising consists primarily of the sale of air time which is recognized at the time commercials or related programs are broadcast.

Contributions from the Government of Canada - Department of Canadian Heritage and Canadian Satellite Communications Inc. are recognized in the period the contributions relate to. Contributions that do not meet this criteria are deferred.

Other contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Film and television broadcast rights

The Company has entered into various agreements for the rights to broadcast certain feature films and television programs. The Company records a liability for film and program rights and the corresponding asset when the films or programs are available for telecast. Funds paid prior to the films and programs being available for broadcast are treated as deposits.

Film and television program rights are recorded at cost and are charged to operations over the number of expected or permitted plays under the related licensing agreements or on a straight-line basis over the term of the licensing agreements for unlimited play programs. Film and television program rights are carried at the lower of unamortized cost and net realizable value based on undiscounted future cash flows.

(1)

Aboriginal Peoples Television Network Incorporated

Notes to Financial Statements

August 31, 2007

Program development contributions

The Company provides early development contributions to organizations that develop programming suitable to the Company. These contributions do not provide the Company with specific rights to acquire future benefits and are therefore expensed as incurred.

Capital assets

Capital assets are recorded at cost and are amortized as follows:

Satellite and broadcasting equipment	10 years straight-line
Office equipment	20% declining balance
Digital equipment	20% declining balance
Computer software	35% declining balance
Leasehold improvements	life of lease

Cash and cash equivalents

Cash and cash equivalents are composed of non-restricted cash and short-term, highly liquid investments with an original maturity of 90 days or less. Interest is earned on cash equivalents at an interest rate of 3.25% per annum.

Short-term investment

Short-term investment is composed of a guaranteed investment certificate with an original maturity of one year. Interest is earned at a variable rate.

License

License renewal costs are expensed as incurred.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

(2)

Aboriginal Peoples Television Network Incorporated

Notes to Financial Statements

August 31, 2007

3 Accounts receivable

	2007	2006
	\$	\$
Subscriber fees	3,892,420	3,399,887
Advertising	356,234	265,395
GST	325,640	257,355
Government of Canada - Department of Canadian Heritage	875,358	18,218
Other	63,857	113,670
	<u>5,513,509</u>	<u>4,054,525</u>

4 Film and television program rights

	2007	2006
	\$	\$
Deposits paid on programs in process	2,410,317	1,568,529
Broadcast rights - net of accumulated amortization of \$21,783,750 (2006 - \$14,528,753)	<u>14,769,209</u>	<u>11,079,050</u>
	17,179,526	12,647,579
Less: Current portion	<u>(5,900,171)</u>	<u>(4,680,704)</u>
Long-term portion	<u>11,279,355</u>	<u>7,966,875</u>

The Company has entered into various agreements to acquire additional film and television program rights amounting to \$12,000,000 (2006 - \$11,800,000).

(3)

Aboriginal Peoples Television Network Incorporated

Notes to Financial Statements

August 31, 2007

5 Capital assets

			2007	2006
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Satellite and broadcasting equipment	5,740,855	5,740,855	-	-
Office equipment	1,495,988	565,915	930,073	627,541
Digital equipment	9,111,107	5,631,440	3,479,667	2,316,289
Computer software	734,800	506,244	228,556	246,668
Leasehold improvements	810,586	239,521	571,065	511,664
	17,893,336	12,683,975	5,209,361	3,702,162

6 Bank overdraft and term debt

The Company has a \$2,500,000 (2006 - \$2,500,000) revolving bank loan facility. Advances under this facility bear interest at prime plus 1.00% and are repayable on demand. As at August 31, 2007, the Company's indebtedness under this facility was nil.

The term loan of nil (2006 - \$277,764) bore interest at prime plus 1.75% and was repayable in monthly principal payments of \$55,556 plus interest. The term loan facility matured on February 28, 2007.

The revolving bank loan facility is collateralized by a general security agreement over all assets of the Company.

7 Related party balances and transactions

During the year, the following amounts were charged to the Company by member organizations:

	2007	2006
	\$	\$
Office rent and maintenance	52,246	56,650
Film and television program rights	994,164	1,144,917
Other	8,171	8,785

These transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(4)

Aboriginal Peoples Television Network Incorporated

Notes to Financial Statements

August 31, 2007

Amounts due to member organizations consist of:

	2007	2006
	\$	\$
Inuit Broadcasting Corporation	77,400	61,475
Inuvialuit Communications Society	4,800	-
Native Communications Society	17,000	-
Northern Native Broadcasting	37,700	13,000
OKalaKatiget Society	10,400	-
Taqramiut Nipingat Incorporated	10,400	-
Wawatay Native Communications	10,500	-
	<u>168,200</u>	<u>74,475</u>

Deposits paid on programs in process (note 4) include amounts paid to member organizations of:

	2007	2006
	\$	\$
Northern Native Broadcasting	-	2,400
Wawatay Native Communications	10,400	16,000
	<u>10,400</u>	<u>18,400</u>

The Company has entered into three professional services agreements with companies whose employees fill senior management positions. Payments related to these contracts during the year ended August 31, 2007 amounted to \$395,000. The latest such contract expires on August 31, 2008.

8 Non-monetary transactions

In the normal course of business, the Company enters into non-monetary transactions to exchange advertising for various products and services. These transactions are recorded at the fair value of the goods or services received and no gains or losses have been reported on these transactions. Advertising revenue and communications and marketing expenses for the year ended August 31, 2007 include \$335,000 (2006 - \$214,000) of non-monetary transactions.

(5)

Aboriginal Peoples Television Network Incorporated

Notes to Financial Statements

August 31, 2007

10 Financial instruments

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities (including those related to film and television program accounts payable), and obligations under capital leases approximate the fair value of these financial instruments due to their short-term nature.

The value of the term loan approximates its carrying value as the loan carries interest at variable interest rates.

Concentration of credit risk

The Company is exposed to credit risk, primarily in relation to accounts receivable. Exposure to credit risk varies due to the concentration of balances owing from Canadian cable companies and advertising agencies. The Company performs regular credit assessments of its customers and provides allowances for potentially uncollectible amounts.

Interest rate risk

The Company is subject to interest rate risk to the extent that required interest payments on bank overdraft and the term loan will fluctuate with changes in the prime rate and to the extent that the fair value of its obligations under capital leases will fluctuate with changes in interest rates.

11 Contribution agreements

The Company has entered into contribution agreements with the Government of Canada - Department of Canadian Heritage and Canadian Satellite Communications Inc. The agreement with the Department of Canadian Heritage, which provides for annual contributions of \$2,100,000, expires on March 31, 2010.

The Company has entered into a new agreement with Canadian Satellite Communications Inc. ("CSCI"), effective August 1, 2006 which provides the Company with an annual contribution of \$1,500,000. In addition, the Company received transponder and uplink services from CSCI at a cost of \$2,524,473 (2006 - \$2,536,987). The agreement expires on August 31, 2013.

On June 7, 2007, the CRTC approved a special benefit contribution to the Company of \$2,250,000 receivable over a seven year period starting in fiscal 2008.

12 Comparative figures

Certain prior year amounts have been reclassified to conform with the current year's presentation.

(7)

Aboriginal Peoples Television Network Incorporated

Notes to Financial Statements

August 31, 2007

9 Commitments, contingencies and guarantees

Commitments

The Company has commitments for office space and equipment under operating leases, and maintenance contracts as follows:

	\$
Year ending August 31, 2008	623,502
2009	183,580
2010	173,054
2011 and thereafter	113,634

The Company has committed to spend the amount of the subscriber fee increases approved in fiscal 2006 primarily on programming expenditures. As indicated in note 4, at August 31, 2007, the Company had entered into various agreements to acquire investments in film and television program rights amounting to \$12,000,000.

Contingencies

The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not likely to have a material adverse effect on the Company's financial position, results of operations or cash flows.

Guarantees

The Company has agreed to indemnify its current and former directors and officers to the extent permitted by law, against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit or any other judicial, administrative or investigative proceeding in which the directors and officers are sued as a result of their service. These indemnification claims will be subject to any statutory or other legal limitation period. The nature of such indemnification prevents the Company from making a reasonable estimate of the maximum potential amount if it could be required to pay to counter parties. The Company has purchased directors' and officers' liability insurance.

(6)