Multiple Access Limited 1978 Annual Report

MULTIPLE ACCESS LIMITED AND SUBSIDIARY COMPANIES

Directors
Howard L. Beck, Q.C.
Charles R. Bronfman
Sydney C. Cooper
E. Lee Hambleton
Douglass A. Hanson
E. Leo Kolber
Donald W. G. Martz
John O. McCutcheon
William F. Mitchell
Philip F. Vineberg, Q.C.
Moses Znaimer

Officers
John O. McCutcheon,
President
Douglass A. Hanson,
Vice-President, Finance and Secretary
Broadcast Group:
Donald W. G. Martz,
Executive Vice-President
E. Lee Hambleton,
Vice-President
John H. Krug
Vice-President
J. Stuart Reid,
Secretary and Treasurer
Computer Group:
Lorry Parker,
Vice-President
Andrew Prozes,
Vice-President
Brian N. Danter,
Secretary and Treasurer

Registrar and Transfer Agents
National Trust Company, Limited,
Montreal, Toronto, Winnipeg, Calgary and Vancouver
Canada Permanent Trust Company,
Halifax

Stock Listing
Montreal and Toronto Stock Exchanges

Auditors
Price Waterhouse & Co.

Head Office
1200 McGill College Avenue,
Montreal, Quebec

Broadcast Group
405 Ogilvy Avenue, Montreal, Quebec

Champlain Productions Limited
405 Ogilvy Avenue, Montreal, Quebec

Computer Group
885 Don Mills Road, Don Mills, Ontario

Branch Offices
Montreal: 1200 McGill College Avenue
Montreal: 3535 Queen Mary Rd.
Ottawa: 785 Carling Ave.
Toronto: 885 Don Mills Road, Don Mills
Toronto: Commerce Court W.
Winnipeg: 1479 Buffalo Place
Edmonton: 240 Manulife House 10055—106th Street
Calgary: 540—5th Ave. S.W.
Vancouver: 1075 Melville St.
Los Angeles: 1010 Westwood Boulevard

Cover: Photograph of original mural in the Multiple Access Head Office, Montreal designed by Steve Yuranyi, Art Director, CFCF Television.

To the Shareholders

Multiple Access Ltd. reported another good year for the period ended March 31, 1978, with both revenues and net income attaining new levels in each of our two operating groups. Broadcast revenues of $24,768,000 were 3.6 per cent ahead of the previous year, when markets were expanded by the presence of the Olympic Games in Montreal and Computer revenues of $21,240,000 were 12.7 per cent ahead. Net income of $2,138,000 was 25.8 per cent ahead of fiscal 1977.

Net income per share of $0.71 compares with $0.58 in the previous year. Cash flow provided from operations was $4,547,000 in the current year, down from $5,051,000 in the previous year because the Company is now taxable on a current basis; losses incurred in the early years of operation have been fully utilized. Long term debt of $3,085,000 was repaid during the year and we began a common share dividend policy with an initial annual rate of $0.12 per share.

Our Montreal broadcast operations performed well during the year. CFCF 12 continued to increase its audiences and re-affirmed its commanding lead in English-language television in Quebec. Our public affairs television origination, THE EDITORS, which brings three well-known journalists together each week to discuss Canada-Quebec issues, received wide critical attention and is now syndicated in 15 cities. Champlain Productions reached a record revenue level of $4,625,000 with the main components being series originations for the CTV Network and the group of Loto Canada shows produced by Champlain at a number of Canadian centres. CFCF Radio made good progress in building its audience ratings around the new sound initiated in the spring of 1977, and CFQR maintained its top position for FM adult audiences in Canada. The combination of CFCF and CFQR reaches a large share of metropolitan Montreal and is attractive to many media buyers.

Your Company's senior management devoted much time and effort to CITY-TV in Toronto during the year in support of our 45 per cent investment position. The results were generally good; audience ratings were up strongly from previous performance, overall revenues increased by over 40 per cent, retail sales more than doubled, and a major new 90 minute daily public affairs show, CITY PULSE, was created and established itself with the Toronto viewing audience. However, programming costs in Toronto television continued to escalate sharply, particularly with respect to product purchased from the United States, and in January, 1978, it became clear that a major re-financing for CITY would be required. As Multiple Access would have to fund nearly all of the re-financing, it was apparent that we should either increase our holdings in Channel SeventyNine to a large majority of the stock or else sell our position. The board of your company decided that sale of the position was the preferred course of action and a sale at cost of the 45 per cent holding was made to CHUM Ltd., subject to approval by the CRTC. Accordingly, the operating results of Channel SeventyNine have not been included in our financial statements although the financing charges related to the $3 million investment form part of our total interest expense.

The Computer Group made effective gains in both revenue and net income during the year and consolidated its position in the major data processing sectors. Our Technical Services Division has become the predominant supplier of scientific/engineering/management-sciences data processing services in Canada and is now making inroads in the United States. During the current year, Technical Services is shifting its total service base to a new operating system called NOS (Network Operating System) designed to accommodate the great advances which are taking place in computers and communications.

Our financial services subsidiary, MFS Ltd., moved to new larger premises in both Toronto and Montreal as it increased its market share and established new product competence. Keydata Canada, which specializes in on-line business accounting systems, and our consulting and process control divisions have each moved into the world of mini computers and micro-processors as part of our strategy to participate fully in the mini/micro revolution which is taking place in the data processing industry. Our Ruscom Logics division is currently completing a group of contracts for the provision of control software and micro-processor hardware for two major plants of the Canada Post Office and is a contender for additional large contracts of a similar nature. To support business of this type, which we anticipate will become of increasing importance to us, we have formed a Process Control Centre to specialize in the provision of hardware and software for complex mini and micro computer-based process control systems. The Centre will draw on resources from several of the operating divisions.

Our plan for Fiscal 1979 is aggressive for both the Broadcast and Computer Groups. Retail trade in Montreal has obviously suffered from the unsettled political environment which has prevailed in Quebec since the last provincial election as well as from the relatively stagnant Canadian economy. Retail airtime sales has accordingly required maximum marketing effort to build our position and we intend to continue to press very hard for an increasing share of both retail and national accounts. The computer services industry promises us another challenging and exciting year as technological development continues its phenomenal pace, but we are well-positioned to maintain momentum. Our progress throughout the year was wholly due to the competence and vigorous responses of our staff on all levels.

On Behalf of the Board,

J.O. McCutcheon

President

MULTIPLE ACCESS LIMITED AND SUBSIDIARY COMPANIES

CFCF

cable 11

Citytv

CHANNEL 79 CABLE 7

CFQR 92.5 FM

CFCF RADIO 60

Champlain Productions Limited

Broadcast Group

Radio

CFQR 92.5 FM maintained its position as Canada's leading adult FM radio station, registering significant audience gains with its appealing beautiful music sound.

CFQR continued its implementation of required specialized programming with the addition of numerous fine arts and classical music segments to its weekly schedule.

Industry forecasts remain positive for the continued growth of the FM medium and local advertiser support continues to improve for CFQR.

Canada's first station, CFCF Radio 60, celebrated its 58th year of broadcast service in 1977. The addition of new air personalities to the program line-up and the refinement of CFCF Radio's on-air sound was augmented by a creative and aggressive promotional campaign which contributed to an improved rating performance in the fall BBM audience survey.

CFCF Radio increased its already high profile in news and public affairs programming with the introduction of two new programs, CONTACT and GORD SINCLAIR'S PEOPLE, and an extended weekly edition of the highly acclaimed news magazine, IN CONVERSATION.

Sports broadcasts on CFCF Radio were highlighted by another Stanley Cup Championship for hockey's Montreal Canadiens, and CFCF Radio joined the Expos at the Olympic Stadium as the flagship station for the Expos English Radio Network. Both hockey and baseball recorded strong ratings gains during the year.

Television: Montreal

CFCF 12 cable 11

In the past fiscal year, CFCF 12 maintained its position as the Number One English-language television station in the Montreal market. The January 1978 BBM audience survey reported 8 of the top 10, and 15 of the top 20 regularly-scheduled English television shows were telecast on CFCF 12 and the station's six o'clock PULSE News continued to attract almost four times as many viewers as its primary English competitor.

In February '78, CFCF 12 News and Public Affairs was awarded a Special Station Citation from the Ohio State Awards, the most prestigious awards in the North American broadcast industry. CFCF 12 was the only private Canadian television station to be honored this year and only the third such winner in the Award's history.

The Second Annual Inter-Service Clubs Council TELETHON, telecast live for 21 hours on March 18 and 19, raised a record amount of $1,500,259 for Research Into Children's Diseases. This completely bilingual, commercial-free TELETHON is the largest and most successful single-market telethon in North America and the biggest media-sponsored community event in Montreal.

THE EDITORS, CFCF 12's highly-respected syndicated public affairs show, continued to receive nationwide recognition. It is the only regular weekly program produced by a Network or a station in Canada examining the issue of Quebec, Canada and Confederation. Leading electronic and print journalists analyze how Quebec and Canada are perceived by Quebecers themselves and by Canadians living outside the province.

FEEL LIKE DANCIN', an hour-long disco show, is a new addition to the CFCF 12 schedule. Produced in the CFCF 12 studios, FEEL LIKE DANCIN' features French and English talent from Quebec as well as national and international recording stars. The new program is drawing a substantial viewing audience which is steadily increasing.

In September, 1977 CFCF 12 joined the newly-formed CTV Daily News Service, an exchange of news stories among the CTV affiliates. As the Quebec member of the service, CFCF 12 is relied on for Quebec political reports and contributes more material to the daily news service than any other station in the CTV Network.

In the Fall of 1977, CFCF 12 published the results of an independently commissioned research study of Montreal household buying habits. THE MONTREAL DOLLAR: WHERE DOES IT GO received wide acceptance and recognition in the Canadian advertising community. The study examines over 250 products and services in Montreal and is the most extensive report published to date by a Canadian broadcaster.

Net airtime revenue for CFCF 12 increased 11.1 per cent over the previous year.

Television: Production

The 1977-78 fiscal year was the most profitable year in the history of CHAMPLAIN PRODUCTIONS, the company's commercial and program production subsidiary, with a significant increase in net income over the previous year.

CHAMPLAIN'S contributions to the 1977-78 CTV Network program schedule included original productions of the musical variety series, JULIE and the popular game show IT'S YOUR MOVE, along with the ongoing ART OF COOKING series and KIDSTUFF. The company also produced the MR. CHIPS series seen on the CBC Network.

CHAMPLAIN provided mobile production facilities to CTV for THE WORLD JUNIOR HOCKEY TOURNAMENT in Montreal and SKATE CANADA from Moncton, and to Radio Quebec for the St. Jean Baptiste festivities from Baie Comeau and the Quebec Games in Sherbrooke. The company produced three hour-long bilingual LOTO CANADA specials from Halifax, Sherbrooke and Vancouver, as well as special segments of THE CHALLENGE OF THE SEXES for the CBS Network and THE TOLLER CRANSTON ICE SHOW for ABC.

English and French commercial production continued to be very active with sales in this area approximately 12 per cent ahead of the previous year.

Champlain Productions Limited

Television: Toronto

Citytv
CHANNEL 79 CABLE 7

The performance of CITY-TV improved substantially during the year, as measured by audience ratings, which were up significantly and by new programming. CITY PULSE, a ninety-minute news show on weekdays from 6:00 p.m. to 7:30 was created in September 1977 and established itself well during the year. NFL Football on Monday nights, one of many innovations made during the year, drew large audiences.

MFS

During the past year, MFS strengthened its position as the principal provider of computer-based recordkeeping services to the Canadian financial industry. Today, MFS' services are used to administer financial records for over 1,500,000 Canadian investors.

A strong support capability resident in Montreal has been established to service the substantial base of business we enjoy in the province of Quebec.

The new RRSP/RHOSP/investment fund system provides on-line capability to our clients, and allows them to adjust input editing layouts and output report formats without incurring the costs of recompiling computer programs.

By the end of the year, six trust companies and two subsidiaries of a Canadian chartered bank were using our new GIC service to process over 500,000 Guaranteed Investment Certificates and term notes. Given the youthfulness of the system and all that entails, the size of the client base built up over a very short time period is notable.

A new DPSP (Deferred Profit Sharing Plans) service has been completed and implemented for one trust company and two Canadian chartered banks. The employee benefit business in Canada is still complex and relatively small in volume but presents a definite future opportunity for MFS.

The administrative services business grew rapidly during the year. Four new clients were added, and negotiations are underway with a Canadian trust company to undertake the administration of a number of domestic and off-shore investment funds. This same negotiation is expected to lead to the entry of MFS into the administration of capital accumulation plans for the securities industry. Our operations and production group has grown in step with the expansion of business. Significant effort was expended to implement the new RRSP/RHOSP/investment fund system and the new GIC and DPSP systems. As a policy decision, our machine load was spread over three major machine suppliers to guarantee reliability and turnaround for the heavy RRSP period. MFS now has continual contractual access to six IBM 370/168s and one Amdahl V6.

The coming year promises to be equally active and rewarding. We will work with our RRSP/RHOSP/investment fund clients to convert them to our new system. We are undertaking two major studies and a pilot project aimed at installing a minicomputer-based data entry/enquiry to front-end this new system. We will continue to monitor potential opportunities arising from the rapidly advancing requirements in the financial industry, with particular attention to the slowly developing but inevitable Electronic Funds Transfer Systems. MFS plans in due course to expand its service capability into all facets of the Canadian financial industry.

Ruscom Logics Limited

Ruscom Logics provides turnkey custom engineered computerized process control, material handling and communication systems requiring expertise in software development and associated hardware design. During the past year, Ruscom has expanded significantly to meet the growing demand for automated manufacturing and distribution processes.

Projects underway or completed in 1977 include work on five subcontracts for the automated post office in Montreal, valued at approximately $2 million; a master station of a supervisory control utility and an automated voice response system.

The voice response system was designed for the convenience of bus passengers in Mississauga, Ontario. When a passenger telephones the system, it responds automatically with the times of arrival of the next two buses at the designated stops.

A new development in industrial control, designed and manufactured by Ruscom, is a multi-channel Optical Bar Code Reading System (OBCRS). The system, originally designed for the Montreal Post Office, has a variety of applications. The OBCRS automatically dispatches, controls and records the movement of loads on conveyor systems or the position of mechanical devices, such as picking cranes in warehouses.

The basis of the system is a computer-readable bar code, similar to the code now used on products in supermarkets. This code identifies the product to the microprocessing unit which selects the route each container is to take or which warehouse bin the crane must reach. The OBCR System can operate alone or in conjunction with a host computer, depending on the complexity of the system to be controlled, and offers much potential for development.

Computer Group

Technical Services

Technical Services Division, which is our largest operating unit, continued to show good growth in the areas of financial planning/management sciences and engineering/scientific applications. In addition, the division expanded its standard offerings this year with the introduction of a full suite of interactive and batch-oriented data base management systems. The new systems offered are IS/ATHENA, a user oriented interactive/batch update and retrieval system, SIR, an interactive file management and report writer system, and SYSTEM 2000, an interactive/batch update and retrieval system.

During the year, the Division expanded its Calgary office to develop a consulting centre for Western Canada specializing in computer solutions to corporate financial planning problems and capital resource projects. Senior staff appointments and relocations have been made to head up the centre.

Technical Services has introduced a new Cyber 170 series computer into its network to allow for easy user transition to the latest technological software and hardware enhancements. The division will be moving to the NOS (Network Operating System) operating system which provides the user highest level systems software including COBOL 5.0 and FORTRAN 4.6. As well, enhanced versions of our current application software offerings will be readily available to the user community on a national basis under the NOS system. Further expansion and enhancement of the Division's communications network is also underway to include 1200 baud and 2780/3780 protocol communication capability throughout our extensive network.

Comserve the computer people & DCF Systems

The Consulting Division (Comserve and DCF Systems), provides professional data processing services to major corporations and to agencies of all three levels of government. Areas of expertise are systems consulting and design, application and systems programming and turnkey mini-computer system installations. In addition, the Consulting Division markets the full range of Applied Data Research (ADR) software products in Canada.

Revenue and profit from contract systems and programming and the sale of proprietary software showed growth in excess of 30 per cent above the previous year.

Highlights of fiscal 1978 include the sale of our first turnkey mini-computer system, increasing involvement in industrial process control activity and the establishment of an Ottawa office for the division. The Ottawa office currently numbers ten professional staff with growth expected throughout fiscal 1979.

Increased marketing activities concentrating now in both Toronto and Ottawa locations are designed to capitalize on the basic strengths of the division; commercial applications and the knowledge of large computer systems; with continued expansion into industrial control and mini-computer-based systems.

keydata

The Keydata Division provides on-line business accounting systems including order processing, inventory control, accounts receivable and sales analysis for manufacturers, importers and distributors. Other systems provided include general accounting and purchasing. Revenues in the division in fiscal 1978 reached new high levels and acceptance by the marketplace was demonstrated by record bookings of new customers in both of our operating regions. The new, low cost System 800, introduced last year, made a significant contribution to the new bookings. Customer loyalty remains high, as was evidenced by several customers adding on new services during the year.

Keydata is widely acknowledged by its customers as the most sophisticated and best supported service of its kind in the industry. Customer referrals in fact are a significant contributor to the marketing success of the Division.

The current year is expected to show continued acceptance of the service in the marketplace with a new line of mini-based products becoming available.

Los Angeles

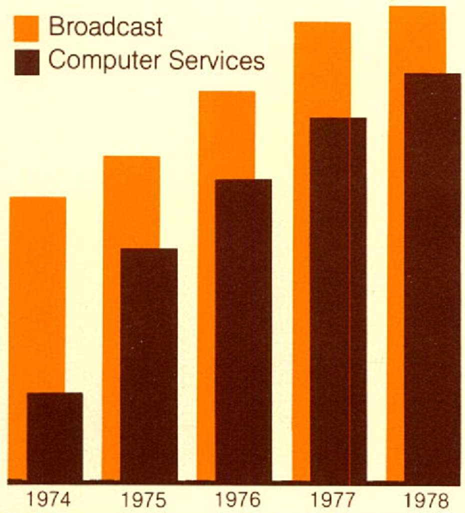
The Los Angeles data centre, located in Westwood, functions under the corporate designation of Multiple Access, Inc. and offers a broad and expanding range of computer-based services. Clients may be served directly at the data centre, through a network link to the corporate data centre in Toronto, or by connections to a major aerospace data centre in Los Angeles with whom we have established a contractual sharing arrangement.

Services offered, in addition to a general Batch/RJE/WYLBUR environment, include a number of our key engineering, management science and financial software applications.

MULTIPLE ACCESS LIMITED AND SUBSIDIARY COMPANIES

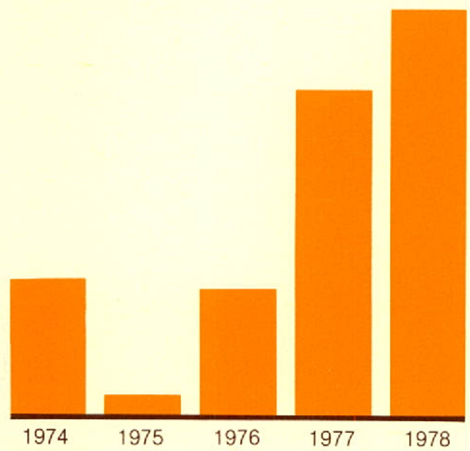
Revenues:
Revenues of Multiple Access increased by 7.6 per cent to $46,008,000 during 1978, despite the fact that prices were not generally increased during the year. Broadcasting was affected in particular because of limitations on expansion of revenues inherent in the business. Computer Services revenues increased by 12.7 per cent to $21,240,000.

	Broadcast	Computer	Total
1978	$24,768,000	$21,240,000	$46,008,000
1977	23,910,000	18,842,000	42,752,000
1976	20,312,000	15,681,000	35,993,000
1975	16,899,000	12,027,000	28,926,000
1974	14,766,000	4,541,000	19,307,000



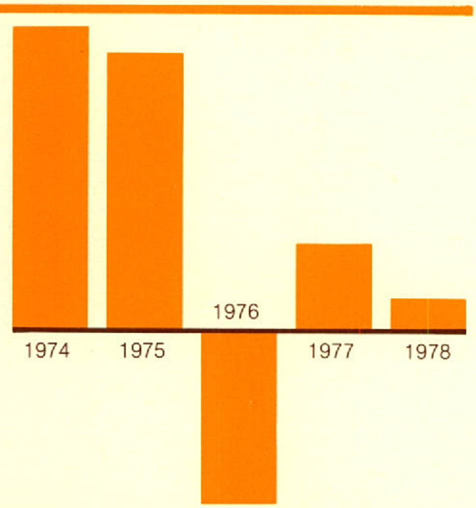
Operating Income:
Operating income increased by 25.8 per cent to $2,138,000. Broadcasting income continued to be satisfactory while computer services margins improved substantially during the year. Operating income of the computer services division was reduced by an abnormally high income tax provision caused by losses in a subsidiary company not deductible against other income.

	Income	Per Share
1978	$2,138,000	$0.71
1977	1,700,000	0.58
1976	668,000	0.23
1975	109,000	0.04
1974	737,000	0.30



Extraordinary Items:
Through utilizing substantial losses incurred during the early years of operating the Computer Services business to reduce income taxes payable, Multiple Access has recovered a substantial portion of those early losses. Tax savings thus realized have been reported as extraordinary items in the Consolidated Statement of Income, as was an investment loss in 1976. While these extraordinary items have had a substantial effect on income in the past, they are not expected to be material in the future.

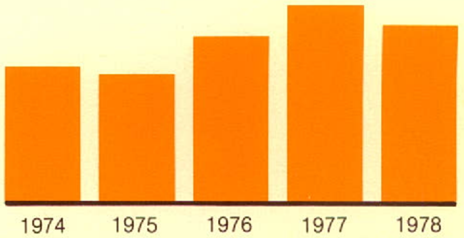
	Extraordinary Items
1978	$ 176,000
1977	461,000
1976	(914,000)
1975	1,456,000
1974	1,599,000



Financial Review

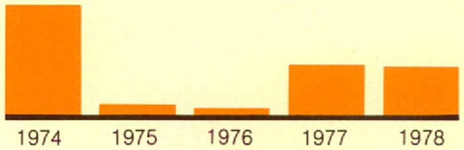
Funds from Operations:
Funds generated through operations decreased slightly in 1978 to $4,547,000. This was primarily the result of having utilized the company's tax losses from previous years and the provision of $1,543,000 in current income taxes payable.

	Cash Flow
1978	$4,547,000
1977	5,051,000
1976	4,280,000
1975	3,314,000
1974	3,494,000



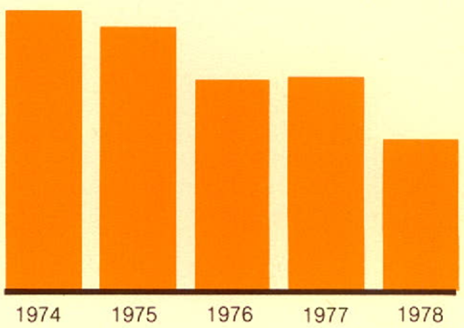
Working Capital:
Working capital, temporarily depressed by the investment in TCC, Inc. in 1975 and 1976, has returned to an acceptable level. The working capital decreased by $102,000 during the year to $1,255,000. The working capital ratio was 1:09:1 as at March 31. Covenants with respect to working capital referred to in Note 4 to the financial statements have been adhered to.

	Working Capital
1978	$1,255,000
1977	1,357,000
1976	181,000
1975	298,000
1974	2,908,000



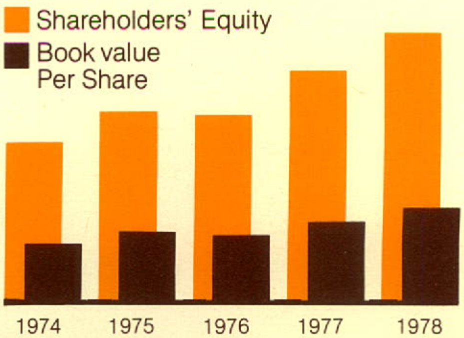
Long Term Debt:
Term debt decreased by $3,085,000 during fiscal 1978 to $7,950,000. Multiple Access has continued to repay term loans incurred for the purpose of purchasing the broadcasting division at the rate of $2.4 million annually and, should the CRTC approve the sale of Channel Seventy-Nine Limited, an additional $3.0 million will be applied against term debt in 1979. This amount was borrowed in 1977 for the specific purpose of purchasing Multiple Access' interest in that company.

	Long Term Debt
1978	$ 7,950,000
1977	11,035,000
1976	11,022,000
1975	13,829,000
1974	14,835,000



Shareholders' Equity:
During the year, shareholders' equity increased from $12,149,000 to $14,154,000. Net book value per share increased 15.9 per cent to $4.73.

	Shareholders' Equity	Book Value Per Share
1978	$14,154,000	$4.73
1977	12,149,000	4.08
1976	9,782,000	3.44
1975	9,972,000	3.53
1974	8,308,000	2.96



MULTIPLE ACCESS LIMITED AND SUBSIDIARY COMPANIES

Consolidated Statement of Income

	Year ended March 31	
	1978	1977
Revenue:		
Broadcasting revenue, net of agency commission	$24,768,000	$23,910,000
Computer and related revenue	21,240,000	18,842,000
	46,008,000	42,752,000
General, administrative and operating expenses	38,719,000	36,157,000
Operating income before the undernoted items	7,289,000	6,595,000
Interest on bank indebtedness and notes payable	1,378,000	1,745,000
Depreciation and amortization (Note 2)	1,292,000	1,268,000
	2,670,000	3,013,000
Operating income	4,619,000	3,582,000
Income taxes (Note 5)	2,432,000	1,863,000
	2,187,000	1,719,000
Minority interest	49,000	19,000
Income for the year before extraordinary item	2,138,000	1,700,000
Extraordinary item:		
Income tax recovery arising from utilization of prior period losses (Note 5(b))	176,000	461,000
Income for the year	$ 2,314,000	$ 2,161,000
Income per share on:		
Income before extraordinary item	$ 0.71	$ 0.58
Income for the year	$ 0.77	$ 0.74

Consolidated Statement of Deficit

	Year ended March 31	
	1978	1977
Balance at beginning of year	$ (4,493,000)	$ (6,654,000)
Income for the year	2,314,000	2,161,000
Dividends paid	(358,000)	—
Balance at end of year	$ (2,537,000)	$ (4,493,000)

Consolidated Balance Sheet

	March 31 1978	March 31 1977
Assets		
Current assets:		
Accounts receivable	$ 9,880,000	$ 8,405,000
Inventories, at the lower of cost and net realizable value	1,214,000	1,052,000
Film exhibition rights and prepaid expenses	4,075,000	2,212,000
	15,169,000	11,669,000
Fixed assets, at cost (Note 2)	19,861,000	18,758,000
Less—Accumulated depreciation and amortization	(11,398,000)	(10,160,000)
	8,463,000	8,598,000
Television and radio broadcasting licences, and related goodwill	10,110,000	10,110,000
Investments and other assets (Note 3)	4,060,000	4,304,000
Cost attributable to computer software and intangible assets acquired	666,000	503,000
	$38,468,000	$35,184,000
Liabilities		
Current liabilities:		
Bank indebtedness, secured	$ 1,440,000	$ 1,561,000
Accounts payable and accrued liabilities	7,695,000	5,063,000
Income taxes payable	1,549,000	177,000
Current portion of long term debt	3,230,000	3,511,000
	13,914,000	10,312,000
Long term debt (Note 4)	7,950,000	11,035,000
Deferred income taxes	2,309,000	1,596,000
Minority interest	141,000	92,000
Shareholders' equity:		
Capital stock (Note 6):		
Common shares without nominal or par value:		
Authorized—7,500,000 shares		
Issued and fully paid—2,990,875 shares	16,621,000	16,572,000
Warrants	70,000	70,000
	16,691,000	16,642,000
Deficit	(2,537,000)	(4,493,000)
Shareholders' equity	14,154,000	12,149,000
	$38,468,000	$35,184,000

Approved by the Board: J. O. McCutcheon, Director; P. F. Vineberg, Q.C., Director

Consolidated Statement of Changes in Financial Position

	Year ended March 31 1978	1977
Financial resources were provided by:		
Income before extraordinary item	$ 2,138,000	$ 1,700,000
Non-cash items deducted in arriving at income:		
Depreciation, amortization and other non-cash items	1,520,000	1,604,000
Income taxes	889,000	1,747,000
Funds provided from operations	4,547,000	5,051,000
Bank term loan	—	3,000,000
Common shares issued	49,000	206,000
	4,596,000	8,257,000
Financial resources were used for:		
Acquisition of interest in Channel SeventyNine Limited	—	2,955,000
Reduction of long term debt	3,085,000	2,988,000
Fixed asset additions (net)	1,106,000	505,000
Dividends paid	358,000	—
Other assets	149,000	633,000
	4,698,000	7,081,000
Net increase (decrease) in working capital	(102,000)	1,176,000
Working capital at beginning of year	1,357,000	181,000
Working capital at end of year	$ 1,255,000	$ 1,357,000
Represented by:		
Current assets	$15,169,000	$11,669,000
Current liabilities	13,914,000	10,312,000
	$ 1,255,000	$ 1,357,000

Auditor's Report

To the Shareholders of Multiple Access Limited:

We have examined the consolidated balance sheet of Multiple Access Limited as at March 31, 1978 and the consolidated statements of income, deficit 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 March 31, 1978 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.
Chartered Accountants
Montreal, Quebec
May 31, 1978

Notes to Consolidated Financial Statements

MULTIPLE ACCESS LIMITED AND SUBSIDIARY COMPANIES

1. Accounting Practices and Policies:

The following is a summary of the Company's significant accounting policies and practices:

The consolidated financial statements include the accounts of the Company and its active subsidiary companies, AGT Data Systems Limited (and subsidiaries) and Champlain Productions Limited.

Broadcasting

(a) Fixed assets are being depreciated over their estimated useful lives as follows:

(i) Buildings—Assets acquired July 20, 1972 on a straight-line basis over 40 years and subsequent additions over 20 years.

(ii) Equipment—Assets acquired July 20, 1972 over their estimated remaining useful lives and subsequent additions over eight years from the date of acquisition, on a straight-line basis in each case.

(iii) Other equipment—Over their estimated useful lives.

(b) Television and radio broadcasting licences and related goodwill—it is the policy of the Company not to amortize this asset unless the value has been permanently impaired. It is the opinion of management that no impairment has occurred. Of the cost of $10,110,000, approximately $7,500,000 is allowable as a deduction in the computation of income for tax purposes. The amount by which income taxes have been so reduced is included in deferred income taxes.

(c) Feature film contracts are amortized over the estimated number of future telecasts per contract based on periodic reviews of the film library. Syndicated programs are amortized on a cost per episode basis. Provision is made for any diminution of value of programs or films or commitments for programs or films when recognized.

(d) In the normal course of its broadcast operations, the Company engages in contra transactions whereby goods and services are supplied in exchange for airtime advertising on an agreed basis. Such spots aired in exchange for goods or services which would otherwise be purchased for cash are reflected in the accounts at the fair market value of the goods or services received.

Computer services

(a) Fixed assets are being depreciated over their estimated useful lives as follows:

(i) Equipment—The net book value at March 31, 1977 is being depreciated on a straight-line basis over five years.

(ii) Other equipment—Over their estimated useful lives.

(iii) Leasehold improvements—Over the terms of the leases.

(b) Other assets are being amortized as follows:

Computer software and franchise rights—Over their estimated useful lives.

New business development costs—Written off over a maximum of two years.

Intangible assets—Written off over five and ten year periods.

General

(i) Deferred income taxes result from reporting certain items for income tax purposes in periods other than those in which they are recognized for accounting purposes. Income taxes thus deferred have been calculated at rates in effect at the time of deferral.

(ii) Income per share is calculated using the weighted average number of shares outstanding. The exercise price of options and warrants outstanding is such that material dilution is improbable.

2. Fixed assets:

	1978		1977	
	Cost	Current year's depreciation or amortization	Cost	Current year's depreciation or amortization
Buildings	$ 3,477,000	$ 100,000	$ 3,453,000	$ 99,000
Broadcast equipment	5,117,000	536,000	4,752,000	618,000
Computer equipment	5,522,000	366,000	5,335,000	213,000
Other equipment	3,398,000	184,000	3,005,000	227,000
Leasehold improvements	1,708,000	106,000	1,574,000	111,000
	19,222,000	$1,292,000	18,119,000	$1,268,000
Land	639,000		639,000	
	$19,861,000		$18,758,000	

3. Investments:

(a) In February 1978, the Company entered into an agreement with CHUM Ltd. to sell its investment in Channel SeventyNine Limited for $2,955,000, subject to the approval of the Canadian Radio Television and Telecommunications Commission (CRTC). The agreement also provides for CHUM Ltd. to purchase any shares subsequently acquired by the Company under the option agreement (Note 3(b)) and to assume any guarantees or loans made by the

Company in favour of Channel SeventyNine Limited (Note 3(c)). Accordingly, the Company's investment in Channel SeventyNine Limited, representing a 45 per cent interest at March 31, 1978, has been included in these financial statements at cost, which is equal to the sale price.

(b) The Company is obliged to purchase any or all of the shares offered by a group of Channel SeventyNine Limited founding shareholders up to a total of 428,433 shares at $3.00 per share. Conditions attaching to this option could instigate a change in control of the Company which would be subject to approval by the CRTC. Under this option agreement, in April 1978 the Company purchased 153,000 common shares of Channel SeventyNine Limited. This transaction was approved by the CRTC in May 1978. The remaining shares covered by this option must be offered before March 1983.

(c) The Company has agreed to advance funds or guarantee the bank indebtedness of Channel SeventyNine Limited up to an aggregate total amount of $3 million for the period to the earlier of the closing of the sale to CHUM Ltd. and November 30, 1978, following which this amount is convertible into common shares of Channel SeventyNine Limited at $1 per share, such shares being subject to the terms of a shareholder's agreement calling for a pro-rata offering to all other shareholders. As at March 31, 1978 the outstanding balance covered by the Company's guarantee is $1,400,000.

4. Long term debt:

Bank term loans	$10,500,000
Notes payable in varying amounts from 1978-1980 secured by specific fixed assets	407,000
Other long term debt	273,000
	11,180,000
Less: Portion due within one year	3,230,000
	$ 7,950,000

Bank term loans bear interest at rates varying from the Bank's prime commercial lending rate plus 1½ per cent to 1¾ per cent. Repayment obligations are as follows:

Year ended March 31,	
1979	$2,800,000
1980	2,700,000
1981	2,600,000
1982	600,000
1983	600,000

Security for term loans is provided by a demand debenture with a fixed and floating charge against the property and assets of the Company and of Champlain Productions Limited, a subsidiary company; a demand debenture providing for a charge against the leasehold property and computer equipment and all other property of AGT Data Systems Limited, a subsidiary company; a general assignment of book debts of the Company and certain of its subsidiaries; pledge of the shares of the Company's subsidiaries and of Channel SeventyNine Limited; a commercial pledge of specified broadcasting equipment of the Company located in Quebec; and other security.

Certain negative covenants have been provided to the Bank by the Company, the most important of which are that during the term of the loans Multiple Access Limited will maintain a specific consolidated net working capital and net working capital ratio (excluding current indebtedness to the Bank) and that dividends may only be paid with Bank approval.

5. Income taxes:

(a) Income tax provisions:

	1978	1977
Current payable	$1,543,000	$ 116,000
Deferred	713,000	1,286,000
Payable but for the application of a loss carry forward (Note 5(b))	176,000	461,000
	$2,432,000	$1,863,000

(b) Income taxes provided in the consolidated statement of income are in an amount greater than would be anticipated at the normal effective income tax rate of approximately 48 per cent. This is due to losses in a subsidiary company not being deductible for income tax purposes against the income of other companies in the group.

Certain subsidiary companies had approximately $715,000 of non-capital losses available to reduce future taxable income which expire in 1981 to 1983.

Income taxes otherwise payable but for the losses carried forward to the current year have been shown as an extraordinary item.

6. Capital stock:

(a) Common shares:

	Shares	Amount
Outstanding March 31, 1977	2,973,543	$16,572,000
Issued during the year on:		
Purchase under Employee Payroll Investment Plan	15,666	44,000
Exercise of options	1,666	5,000
Outstanding March 31, 1978	2,990,875	$16,621,000

(b) Warrants outstanding:

	Number	Expiry	Exercise price
Issued under warrant indenture dated April 30, 1969	470,000	1979	$10.00

The Company has reserved sufficient authorized but unissued common shares for the exercise of all outstanding warrants.

(c) Stock Option Plan:

The Company has reserved 65,734 authorized but unissued common shares for its Stock Option Plan which provides for the granting to officers and key employees (excluding founders of the Company) common shares of the Company at a price per share of not less than 90 per cent of the market price at the date of granting. The options are exercisable over five years.

Summary of options outstanding:

	Number					
	Granted	Expired during the year	Exercised during the year	Outstanding at March 31, 1978	Price	Year of expiry
In prior years	42,533	20,033	1,666	20,834	2.48-3.38	1981
During year	2,000	—	—	2,000	3.20	1982
	44,533	20,033	1,666	22,834		

(d) The Company has reserved 44,697 authorized but unissued common shares for its Employee Payroll Investment Plan. The plan provides for the purchase by an employee of common shares of the Company to a maximum of 10 per cent of an employee's remuneration per annum at a price of 90 per cent of the average market price of the shares.

7. Contingent liabilities:

In a previous year, the Company instituted legal proceedings against a customer to collect all monies owing. The customer later instituted a claim against the Company and certain officers in the amount of $4,000,000. The claim is being resisted and it is the opinion of management based on counsel's evaluation that the claim is unfounded.

The Company has guaranteed the indebtedness of TCC, Inc., to the extent of $700,000.

8. Other information:

(a) Constrained-share Company—

The Company is a "constrained-share Company" within the meaning of the Canada Corporations Act to ensure that the Company may qualify under The Broadcasting Act and the Regulations and Directions made thereunder for the requisite licences and permits to carry on a broadcasting undertaking. For this purpose, the constrained class consists of persons who are not Canadian citizens or corporations that are controlled directly or indirectly by citizens or subjects of a country other than Canada. The directors of the Company must refuse to allow a transfer of a share of the Company to be made or recorded in the register of the Company or refuse to accept a subscription for shares of the Company, if the result would be that the number of shares held by members of the constrained class would exceed the permitted maximum of 20 per cent of the issued and outstanding common shares of the Company.

(b) Lease commitments—

The Company and its subsidiaries have leased office premises under long term agreements which provide for the payment of net annual rentals of approximately $862,000. The companies have commitments under long term agreements for the lease and maintenance of equipment which provide for the payment of approximately $1,918,000 per annum.

At March 31, 1978 the Company had purchased television equipment costing approximately $500,000, for which arrangements are being made for a sale and leaseback.

(c) Remuneration of directors and senior officers—

The remuneration of eleven senior officers aggregated $629,000 of which $409,000 was paid by the Company and $220,000 by subsidiaries. Four senior officers, who were also directors, received no remuneration for their duties as directors. Remuneration of the eleven directors aggregated $10,800.

(d) Anti-Inflation Act—

The Company and its domestic subsidiaries are subject to the Canadian Anti-Inflation Act which provides for controls on prices, profits, compensation and dividends effective October 14, 1975.

Des exemplaires supplémentaires
de ce rapport annuel sont
disponibles en français ainsi
qu'en anglais sur demande.

Extra copies of this report available in both
French and English upon request