

Quarterly Financial Report
Period ended December 31, 2017

Third quarter of fiscal 2017-2018
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TABLE OF CONTENTS

1.	TELEFILM	2
	OUR MISSION	2
	WHAT WE DO	2
2.	QUARTERLY FINANCIAL REPORT	2
3.	IMPORTANT CHANGES	3
	PROGRAMS	3
	ACTIVITIES	3
	PERSONNEL	3
4.	GOVERNANCE AND MEMBERS OF THE BOARD	4
5.	RISK MANAGEMENT	4
6.	UNADJUSTED DIFFERENCES	4
7.	ANALYSIS OF CUMULATIVE RESULTS	5
	ASSISTANCE EXPENSES	5
	OPERATING AND ADMINISTRATIVE EXPENSES	7
	GOVERNMENT FUNDING AND REVENUES	8
8.	ANALYSIS OF RESULTS FOR THE THIRD QUARTER	9
9.	ANALYSIS OF FINANCIAL POSITION	10
10.	RECONCILIATION OF COST OF OPERATIONS AND PARLIAMETARY APPROPRIATION	11
11.	QUARTERLY FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017	12
	STATEMENT OF MANAGEMENT RESPONSIBILITY	12
	QUARTERLY STATEMENT OF OPERATIONS	13
	STATEMENT OF OPERATIONS	14
	STATEMENT OF FINANCIAL POSITION	15
	STATEMENT OF CHANGES IN NET FINANCIAL ASSETS	16
	STATEMENT OF CASH FLOWS	17
	NOTES TO THE QUARTERLY FINANCIAL STATEMENTS	18
	SCHEDULES A AND B - OTHER INFORMATION	18



1. TELEFILM

Telefilm Canada is a Crown corporation reporting to Parliament through the Department of Canadian Heritage. Telefilm's vision is Canadian productions, on all consumption platforms, in Canada and abroad.

Our mission

Telefilm's mission is to foster and promote the development of the Canadian audiovisual industry by playing a leadership role through financial support and initiatives that contribute to the industry's commercial, cultural and industrial success.

What we do

Telefilm has a team of some 180 employees dedicated to the success of the Canadian audiovisual industry. On behalf of the Government of Canada, in our capacity as a Crown Corporation, we support dynamic companies and creators, providing financial support to Canadian film projects as well as promoting and exporting Canadian content at festivals, markets and events - regionally, nationally and around the world.

In addition, the Corporation is implementing its strategic plan, *Inspired by Talent. Viewed Everywhere*¹, which sets out six priorities:

- Industry recognition: promoting the value of Canadian content;
- Marketing practices: encouraging innovation to reach audiences;
- Market intelligence: deciding with meaningful metrics;
- Industry funding: diversifying sources;
- Ecosystems of companies: delivering together; and
- Organizational excellence: performing in a changing environment.

Finally, we administer the funding programs of the Canada Media Fund (CMF) and are responsible for making recommendations to the Minister of Canadian Heritage on whether projects can be recognized as audiovisual treaty coproductions. Headquartered in Montreal, we serve our clients throughout Canada from our four offices located in Vancouver, Toronto, Montreal and Halifax.

2. QUARTERLY FINANCIAL REPORT

This quarterly financial report complies with all requirements of the Standard on *Quarterly Financial Reports for Crown Corporations*² established by the Treasury Board Secretariat and with the *Canadian Public Sector Accounting Standards (CPSAS)*. There is no requirement for an audit or review of the financial statements included in this quarterly financial report and as such the report has not been reviewed or audited by external auditors.

1 : <https://telefilm.ca/en/about-telefilm-canada/strategic-plan>
2 : www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=18789§ion=text



3. IMPORTANT CHANGES

Programs

As announced at the annual public meeting on November 28, 2017, important changes have been made to the Micro-Budget Production Program, which is now called the **Talent to Watch Program**. Fifty projects will now receive funding each year, more than double the previous number. Moreover, new designated partners will be added in order to better reach creators from all regions and encourage a diverse participation. A financing stream will be created for filmmakers of successful short films and for filmmakers whose first feature film has garnered success on the international scene.

Activities

During the quarter, the Corporation funded 66 feature films at the production stage, for approximately \$16 million.

The Corporation and the Canada Media Fund (CMF) featured the talent and producers behind the hit series *Mohawk Girls* at this year's MIPCOM, in a showcase entitled "Indigenous Content That Speaks to the World," presented with the participation of Screen Australia. Under the *Canada Big on Shorts* banner at MIPJunior, the Corporation teamed up with the CMF to promote four television series: *Anaana's Tent*, *The Art Show*, *Beat Bugs* and *Cracké*.

In November, a new Canadian content discoverability and visibility initiative was announced with the launch of Encore+, a YouTube channel providing free access, anywhere, any time, to iconic Canadian film and television content from years gone by. Since its launch, Encore+ has offered more than 300 videos of some 100 award-winning television series and films, including comedies, dramas, children and youth productions, documentaries and short films in both official languages.

Finally, the three coproduction projects submitted by Canada to Eurimages were selected for funding. Canada is the first non-European member of Eurimages, which supports the coproduction of cinematographic works by member countries.

Personnel

During the quarter, the Corporation learned of the death of Sheila de La Varende, Director, International Promotion. Marielle Poupelin has taken over her duties on an interim basis.



4. GOVERNANCE AND MEMBERS OF THE BOARD

Governance of the Corporation is carried out through activities of the Board and its three subcommittees:

- Audit and Finance Committee;
- Nominating, Evaluation and Governance Committee;
- Strategic Planning and Communications Committee.

Governance is also ensured by the Management Committee, chaired by the Executive Director, and its subcommittees:

- Operational Committee;
- Human Resources Committee;
- Risk Management Committee;
- Appeals Committee.

During the quarter, the Board, the Audit and Finance Committee, and the Strategic Planning and Communications Committee met twice, while the Governance Committee met three times, and the Management Commitment met seven times.

Lastly, Michel Roy's term as Chair of the Corporation's Board ended in October 2017 after 10 years of service. G. Grant Machum, Vice Chair of the Board, has taken over as Interim Chair.

5. RISK MANAGEMENT

The Corporation manages risk through two committees: the Audit and Finance Committee and the Risk Management Committee. An assessment of risks as well as risk components, impacts and mitigation measures is conducted semi-annually.

6. UNADJUSTED DIFFERENCES

Management strives to produce relevant financial information in compliance with CPSAS and within the deadline established by the Receiver General for Canada, namely five business days after the end of the quarter. Accordingly, certain cut-off procedures applicable to the accounts payable and receivable cycles as well as certain adjustments concerning employee future benefits liability, were not carried out at December 31, 2017. Management deems the importance of these adjustments to be immaterial.

7. ANALYSIS OF CUMULATIVE RESULTS

Please note that all the amounts shown in the analysis tables are in thousands of dollars.

Assistance Expenses

Assistance expenses show a budgetary saving and a decline compared with the same period last year, stemming mainly from the production and marketing programs.

For the nine-month period ended December 31, 2017

	Budget		Actual		Variance				
	Annual	Period	2017-2018	2016-2017	Budget \$	%	Actual \$	%	
Production programs	63,322	38,180	34,714	40,900	3,466	9	(6,186)	(15)	1
Development program	7,825	5,310	4,685	4,182	625	12	503	12	2
Theatrical documentary program	2,000	1,900	1,473	98	427	22	1,375	1,403	3
Contribution to the Council of Europe's cultural fund, Eurimages	1,500	1,500	1,415	-	85	6	1,415	-	4
Talent to Watch program	4,000	2,700	1,402	2,198	1,298	48	(796)	(36)	5
Administration of recommendations for audiovisual coproduction	492	371	396	398	(25)	(7)	(2)	(1)	
	79,139	49,961	44,085	47,776	5,876	12	(3,691)	(8)	
Promotion program and national promotional activities	8,136	6,800	7,108	6,233	(308)	(5)	875	14	6
International promotional activities	5,185	4,200	4,265	3,097	(65)	(2)	1,168	38	7
Marketing program	10,780	7,000	926	4,508	6,074	87	(3,582)	(79)	8
International marketing program	1,150	650	377	306	273	42	71	23	9
Export assistance program	800	700	29	-	671	96	29	-	10
Innovation Program	2,000	1,000	413	-	587	59	413	-	11
	28,051	20,350	13,118	14,144	7,232	36	(1,026)	(7)	
	107,190	70,311	57,203	61,920	13,108	19	(4,717)	(8)	

- Expenses related to **Production Programs** decreased by more than 15% in comparison with the same period last year, while the number of projects funded increased by 11%. The expenditure level at the same period last year was higher than normal. At the fourth quarter, several major projects are at the analysis stage.
- With respect to the **Development Program**, during the 2017-2018 fiscal year the Corporation added a target group, providing access to additional funds for scripts written by women and produced by a female producer. This modification, aimed at achieving more diversity in the allocation of funds, was very successful, with financing for projects totaling \$510,000.
- Expenses stemming from the **Theatrical Documentary Program** are lower than budgeted, but much higher than the comparative period last year. Expense levels last year were unusually low as a result of a delay in opening up the program on the new collaborative online platform, Dialogue. For this period, the higher level of expenses corresponds to the program's planned budgetary increase; the program's budget has doubled over the last fiscal year.
- In March 2017, Canada became a member of **Eurimages** and therefore, only made its contribution as of this date.
- The **Talent to Watch Program** shows a budgetary saving and a decrease with respect to the same period last year. During the budgetary year, an improvement to the program was planned. Announcements were made in the fall, but the first expenditures will only appear in the next fiscal year. As for the decline compared with the previous year, all the projects last year had already been signed by this date, whereas, this year, five projects still remain to be signed. This discrepancy should be made up in the last quarter.



7. ANALYSIS OF CUMULATIVE RESULTS (CONT.)

Assistance Expenses (Cont.)

- 6 Expenses for the **Promotion Program and national promotional activities** are higher than the same period last year. As budgeted, certain activities were added this year, including some for Canada's 150th anniversary.
- 7 During the quarter, several initiatives were added as part of the **international promotion activities**, hence the increase compared to the same period last year. Of note, *Canada Now* activities were added in the United Kingdom, Mexico, Germany and China. In addition, Canada is the Country of Honour at the European Film Market in Berlin, and, even though the activity takes place only in February, several costs have already been incurred as of December 31.
- 8 Expenditures for the **Marketing Program** show a significant decline compared with both the budgeted amount and the same period last year. The funding for marketing is difficult to predict because funding applications are tied to a given project's theatrical release. Furthermore, the films that were released theatrically were expected to perform well, and so did not require funding from Telefilm. This program is expected to generate budgetary savings.
- 9 The **International Marketing Program and participation in festivals** improved this year, but the results fell short of expectations. It is hard to predict the expenses for this program since they depend on the selection of Canadian works in international festivals. A budgetary saving is anticipated in this program.
- 10 Last year, the Corporation launched its new **Export Assistance Program**. Awareness of this program in the industry is still growing and communication efforts are being put forward.
- 11 The **Innovation Program** is a new program launched by the Corporation for the 2017-2018 fiscal year. Some applications are still at the evaluation stage, but a budgetary saving is anticipated in this program.



7. ANALYSIS OF CUMULATIVE RESULTS (CONT.)

Operating and Administrative Expenses

Since the beginning of the year, operating and administrative expenses have remained at a similar level to the budget and comparative period from last year.

For the nine-month period ended December 31, 2017

	Budget		Actual		Variance			
	Annual	Period	2017- 2018	2016- 2017	Budget		Actual	
					\$	%	\$	%
Salaries and employee benefits	18,382	13,683	12,915	12,329	768	6	586	5
Information technology	1,690	1,460	1,513	1,435	(53)	(4)	78	5
Rent, taxes, heating and electricity	1,855	1,331	1,391	1,307	(60)	(5)	84	6
Professional services	1,823	1,319	902	1,174	417	32	(272)	(23) ¹
Travel and hospitality	546	397	435	435	(38)	(10)	-	-
Amortization of tangible capital assets	760	516	394	306	122	24	88	29 ²
Office expenses	568	408	383	455	25	6	(72)	(16) ³
Advertising and publications	330	232	143	212	89	38	(69)	(33) ⁴
	25,954	19,346	18,076	17,653	1,270	7	423	2

- ¹ **Professional fees** are lower than both the budgeted amount and the comparative period of last year. The variance with the budget stems from consulting services that were not delivered at the planned time or pace. The variance with the comparative period is due to IT consultants holding employee positions for the period ended December 31, 2017, and for whom expenses were reclassified in salaries and employee benefits.
- ² **Amortization expenditures** are lower than the budgeted amount for the period, but higher than for the comparative period. The budgetary variance is attributable to a slower pace than anticipated of the capitalization of new assets related to the information system redesign (ISR) project. The variance with respect to the comparative period stems from the starting amortization period for new assets related to the ISR project.
- ³ **Office expenses** are lower than the same period last year because of office equipment requirements that vary from one year to the next and lower training expenses, as anticipated.
- ⁴ Expenses for the **advertising and publications** component are below the budgeted amount. The variance stems from services that were rendered but that still have not been invoiced for graphic design work. This situation should redress itself by the end of the year.

7. ANALYSIS OF CUMULATIVE RESULTS (CONT.)

Government Funding and Revenues

The Corporation's different funding sources are in line with budgetary expectations and the comparative period of the previous fiscal year.

For the nine-month period ended December 31, 2017

	Budget		Actual		Variance				
	Annual	Period	2017- 2018	2016- 2017	Budget		Actual		
					\$	%	\$	%	
Parliamentary appropriation	100,454	90,023	78,971	72,952	(11,052)	(12)	6,019	8	1
Investment revenues and recoveries	10,000	5,850	7,603	10,222	1,753	30	(2,619)	(26)	2
Management fees from the Canada Media Fund	9,553	7,165	6,964	7,292	(201)	(3)	(328)	(4)	
Talent Fund	2,165	1,443	1,511	1,188	68	5	323	27	
Contributions to promotional support activities	1,200	1,137	958	1,021	(179)	(16)	(63)	(6)	3
Interest and other revenues	100	75	80	86	5	7	(6)	(7)	
	123,472	105,693	96,087	92,761	(9,606)	(9)	3,326	4	

1 Lower-than-budgeted use is made of the **parliamentary appropriation**, mainly as a result of lower payments than expected, following the low level of commitments for the fiscal year.

2 **Investment revenues and recoveries** are higher than anticipated but lower than they were in the same period of 2016-2017. Revenues were extraordinarily high during the comparative period of the previous fiscal year, notably because of major international sales of coproductions. This year's budget was established based on a return to normal levels. Meanwhile, the results of the first three quarters of this fiscal year are satisfactory, with several promising projects such as *Brooklyn*, *Room* and *Hyena Road*.

3 **Contributions relating to promotional support activities** are lower than budgeted, mainly because expected sponsorships did not materialize.

8. ANALYSIS OF RESULTS FOR THE THIRD QUARTER

	Actual		Variance	
	2017- 2018	2016- 2017	\$	%
Assistance expenses	26,127	27,825	(1,698)	(6)
Operating and administrative expenses	5,726	5,420	306	6
Revenues	4,063	4,277	(214)	(5)
Parliamentary appropriation	27,683	27,838	(155)	(1)
Deficit	(107)	(1,130)	1,023	(91)

No variance to explain for the third quarter results.

9. ANALYSIS OF FINANCIAL POSITION

	Actual		Variance		
	Dec. 31 2017	Dec. 31 2016	\$	%	
Financial assets					
Due from Consolidated Revenue Fund	69,417	65,811	3,606	5	
Cash - Talent Fund	1,901	693	1,208	174	1
Accounts receivable	2,621	3,216	(595)	(19)	2
Receivable from the Canada Media Fund	2,354	2,592	(238)	(9)	
Loan	240	655	(415)	(63)	3
	76,533	72,967	3,566	5	
Liabilities					
Accounts payable and accrued liabilities	3,523	1,933	1,590	82	4
Deferred revenues - Talent Fund	735	335	400	119	5
Financial assistance program obligations	30,693	34,786	(4,093)	(12)	6
Liabilities for employee future benefits	735	805	(70)	(9)	
Net financial assets	40,847	35,108	5,739	16	
Non-financial assets					
Tangible capital assets	6,395	3,643	2,752	76	7
Prepaid expenses	151	545	(394)	(72)	8
Accumulated surplus	47,393	39,296	8,097	21	

- 1 The **Talent Fund's cash position** rose with respect to December 31 of the previous fiscal year thanks to the receipt of the Corus Entertainment contribution during the third quarter, comparatively to the fourth quarter of the previous fiscal year. In addition, payments related to the Bell Media contribution were less than those made in the comparative period.
- 2 The decrease in **accounts receivable** compared with December 31 of the previous fiscal year stems mainly from a lower amount of taxes receivable. Payments on investments were lower than the comparative fiscal.
- 3 The **loan** has a lower balance than as of December 31 of the previous fiscal year, since the Corporation amended the loan agreement on March 31, 2017, converting \$409,600 into a contribution.
- 4 **Accounts payable and accrued liabilities** show a greater balance than on December 31 of the previous fiscal year, since the Corporation received the invoice for our participation in Eurimages, totaling more than \$1.4 million, in December 2017. Canada became a member of Eurimages only in March of the previous fiscal year and therefore only received the invoice on that date.
- 5 **Deferred revenues** show a greater balance than on December 31 of the previous fiscal year, since the Corporation received Corus Entertainment's contribution in September 2017, and 70% had been used as of December 31, 2017, in contrast to the same period last year, when the Corporation had still not received the contribution at that date.
- 6 The decrease in the **financial assistance program obligations** compared with the same period of the previous fiscal year is explained by a significant reduction in new commitments.
- 7 The increase in **tangible capital assets** compared with December 31 of the previous fiscal year stems from the capitalization, during the past 12 months, of costs associated with the information system redesign (ISR) project, which are estimated at \$2.5 million.
- 8 **Prepaid expenses** declined compared with those at December 31 of the previous fiscal year, owing to the fact that, on December 31, 2016, the Corporation had paid costs related to international events that would be held during the subsequent fiscal year, which is not the case for the quarter ended December 31, 2017.



10. RECONCILIATION OF COST OF OPERATIONS AND PARLIAMENTARY APPROPRIATION

The Corporation receives most of its funding through an annual parliamentary appropriation. Items recognized in the Statement of Operations and the Statement of Financial Position may have been funded through a parliamentary appropriation approved in either a previous or the current fiscal year. Some of the items in the reconciliation calculation cannot be linked directly to the financial statements, the parliamentary appropriation being calculated using a modified cash basis accounting method.

<i>In thousands of Canadian dollars</i>	Dec. 31 2017	Dec. 31 2016
Cost of operations	75,279	79,573
Adjustment affecting the use of parliamentary appropriation :		
Assistance expenses adjustment where parliamentary appropriation eligibility criterias have been met	13,039	3,914
Assistance expenses funded by the Talent Fund	(1,038)	(1,629)
Contributions to promotional support activities	(958)	(1,021)
Prepaid expenses	(2,124)	(1,820)
Contractual claims	(11)	(17)
Operating expenses funded by the CMF	(6,964)	(7,292)
Acquisitions of property and equipment	2,127	1,599
Salary recovery for payment in arrears transition	(33)	-
Amortization	(394)	(306)
Employee future benefits	48	(49)
Use of Parliamentary appropriation at December 31	78,971	72,952
Parliamentary appropriation available for subsequent quarter	23,983	22,502
Parliamentary appropriation authorized	102,954	95,454

The amount of the Parliamentary appropriation comes from the 2017-2018 Main Estimates. An additional amount of \$2.5 million was authorized in December 2017 but is not included in the budget.

11. QUARTERLY FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2017**Statement of Management Responsibility**

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the *Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations* and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these unaudited quarterly financial statements present fairly, in all material respects, the financial position, results of operations, change in net financial assets and cash flows of the Corporation, as at the date of and for the periods presented in the quarterly financial statements.



Carolle Brabant, FCPA, FCA, MBA
Executive Director



Denis Pion
Director - Administration and Corporate Services

Montréal, Canada
February 28, 2018



Quarterly Statement of Operations

For the three-month period ended December 31, 2017

<i>In thousands of Canadian dollars</i>	Schedule	Quarter ended Dec. 31	
		2017	2016
Assistance expenses			
Development of the Canadian audiovisual industry			
Production programs		16,325	19,284
Development program		3,102	2,617
Contribution to the Council of Europe's cultural fund, Eurimages		1,415	-
Talent to Watch program		637	-
Theatrical documentary program		350	-
Administration of recommendations for audiovisual treaty coproduction		130	141
		21,959	22,042
Promotional support in Canada and abroad			
Promotion program and national promotional activities		2,012	1,709
International promotional activities		1,255	1,130
Marketing program		252	2,855
International marketing program		235	89
Export assistance program		1	-
Innovation Program		413	-
		4,168	5,783
		26,127	27,825
Operating and administrative expenses	A	5,726	5,420
Cost of operations		31,853	33,245
Revenues			
Management fees from the Canada Media Fund		2,322	2,376
Investment revenues and recoveries		803	1,014
Talent fund		686	319
Contributions to promotional support activities		226	539
Interest and other revenues		26	29
		4,063	4,277
Net cost of operations before government funding		27,790	28,968
Government funding			
Parliamentary appropriation		27,683	27,838
Deficit		(107)	(1,130)
Accumulated surplus, beginning of period		47,500	40,426
Accumulated surplus, end of period		47,393	39,296

The accompanying notes and the schedules are an integral part of these financial statements.



Statement of Operations

For the nine-month period ended December 31, 2017

<i>In thousands of Canadian dollars</i>	Schedule	Period ended Dec. 31		
		Cumulative Budget	Cumulative 2017	Cumulative 2016
Assistance expenses				
Development of the Canadian audiovisual industry				
Production programs		38,180	34,714	40,900
Development program		5,310	4,685	4,182
Theatrical documentary program		1,900	1,473	98
Contribution to the Council of Europe's cultural fund, Eurimages		1,500	1,415	-
Talent to Watch program		2,700	1,402	2,198
Administration of recommendations for audiovisual treaty coproduction		371	396	398
		49,961	44,085	47,776
Promotional support in Canada and abroad				
Promotion program and national promotional activities		6,800	7,108	6,233
International promotional activities		4,200	4,265	3,097
Marketing program		7,000	926	4,508
International marketing program		650	377	306
Export assistance program		700	29	-
Innovation Program		1,000	413	-
		20,350	13,118	14,144
		70,311	57,203	61,920
Operating and administrative expenses	B	19,346	18,076	17,653
Cost of operations		89,657	75,279	79,573
Revenues				
Investment revenues and recoveries		5,850	7,603	10,222
Management fees from the Canada Media Fund		7,165	6,964	7,292
Talent Fund		1,443	1,511	1,188
Contributions to promotional support activities		1,137	958	1,021
Interest and other revenues		75	80	86
		15,670	17,116	19,809
Net cost of operations before government funding		73,987	58,163	59,764
Government funding				
Parliamentary appropriation		90,023	78,971	72,952
Surplus		16,036	20,808	13,188
Accumulated surplus, beginning of period		26,585	26,585	26,108
Accumulated surplus, end of period		42,621	47,393	39,296

The accompanying notes and the schedules are an integral part of these financial statements.


Statement of Financial Position

<i>In thousands of Canadian dollars</i>	Dec. 31 2017	March 31, 2017
Financial assets		
Due from Consolidated Revenue Fund	69,417	61,709
Cash - Talent Fund	1,901	649
Accounts receivable	2,621	2,977
Receivable from the Canada Media Fund	2,354	3,262
Loan	240	240
	76,533	68,837
Liabilities		
Accounts payable and accrued liabilities	3,523	3,234
Deferred revenues - Talent Fund	735	-
Financial assistance program obligations	30,693	45,172
Liabilities for employee future benefits	735	783
	35,686	49,189
Net financial assets	40,847	19,648
Non-financial assets		
Tangible capital assets	6,395	4,662
Prepaid expenses	151	2,275
	6,546	6,937
Accumulated surplus	47,393	26,585

The accompanying notes and the schedules are an integral part of these financial statements.


Statement of Changes in Net Financial Assets

For the nine-month period ended December 31, 2017

<i>In thousands of Canadian dollars</i>	Dec. 31 Budget	Dec. 31 2017	March 31, 2017
Surplus	16,036	20,808	477
Tangible capital asset transactions			
Amortization	516	394	486
Acquisitions	(1,850)	(2,127)	(2,798)
Other transactions			
Acquisitions of prepaid expenses	-	(151)	(2,275)
Use of prepaid expenses	2,200	2,275	2,365
Increase (decrease) in net financial assets	16,902	21,199	(1,745)
Net financial assets, beginning of year	19,648	19,648	21,393
Net financial assets, end of period	36,550	40,847	19,648

The accompanying notes and the schedules are an integral part of these financial statements.



Statement of Cash Flows

For the period ended December 31, 2017

<i>In thousands of Canadian dollars</i>	Quarter ended Dec. 31		Period ended Dec. 31	
	2017	2016	2017	2016
Operating activities				
Surplus (deficit)	(107)	(1,130)	20,808	13,188
Items not affecting cash:				
Increase (decrease) in liabilities for employee future benefits	(31)	42	(48)	49
Amortization of tangible capital assets	125	100	394	306
	(13)	(988)	21,154	13,543
Changes in non-cash financial items:				
Decrease (increase) in accounts receivable	(644)	(1,156)	356	(898)
Decrease (increase) in receivable from the Canada Media Fund	(20)	6	908	711
Increase (decrease) in accounts payable and accrued liabilities	1,035	(86)	289	(731)
Increase (decrease) in deferred revenues - Talent Fund	(632)	(157)	735	333
Increase (decrease) of financial assistance program obligations	160	2,096	(14,479)	(4,810)
Decrease (increase) in prepaid expenses	109	(27)	2,124	1,820
	(5)	(312)	11,087	9,968
Capital activities				
Cash outflows to acquire tangible capital assets	(750)	(619)	(1,905)	(1,383)
Change in accounts payable and accrued liabilities for capital projects	177	(12)	(222)	(216)
	(573)	(631)	(2,127)	(1,599)
Increase in due from Consolidated Revenue Fund and cash - Talent Fund	(578)	(943)	8,960	8,369
Due from Consolidated Revenue Fund and cash - Talent Fund, beginning of period	71,896	67,447	62,358	58,135
Due from Consolidated Revenue Fund and cash - Talent Fund, end of period	71,318	66,504	71,318	66,504

The accompanying notes and the schedules are an integral part of these financial statements.



Notes to the Quarterly Financial Statements

1. Basis of financial statements presentation

These unaudited quarterly financial statements have been prepared by the Corporation's Management in accordance with *Canadian Public Sector Accounting Standards* (CPSAS) pursuant to the Standard on *Quarterly Financial Reports for Crown Corporations* issued by the Treasury Board of Canada. They must be read in conjunction with the most recent annual audited financial statements as at March 31, 2016. The significant accounting policies used in these quarterly financial statements are similar to those used in the annual financial statements of March 31, 2016.

2. Comparative figures

Certain 2016-2017 figures have been reclassified to conform to the presentation adopted for 2017-2018.

Schedules A and B - Other Information

A - Operating and administrative expenses

	Quarter ended Dec. 31	
	2017	2016
Salaries and employee benefits	4,297	4,050
Rent, taxes, heating and electricity	468	413
Professional services	345	296
Travel and hospitality	192	200
Information technology	130	146
Office expenses	128	127
Amortization of tangible capital assets	125	100
Advertising and publications	41	88
	5,726	5,420

B - Cumulative operating and administrative expenses

	Cumulative Budget	Period ended Dec. 31	
		2017	2016
Salaries and employee benefits	13,683	12,915	12,329
Information technology	1,460	1,513	1,435
Rent, taxes, heating and electricity	1,331	1,391	1,307
Professional services	1,319	902	1,174
Travel and hospitality	397	435	435
Amortization of tangible capital assets	516	394	306
Office expenses	408	383	455
Advertising and publications	232	143	212
	19,346	18,076	17,653