

Quarterly Financial Report
Period ended September 30, 2018

Second quarter of fiscal 2018-2019
Published November 29, 2018

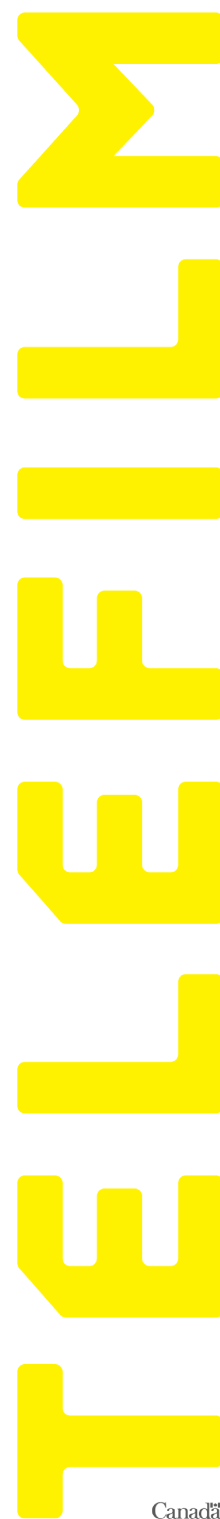




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1. TELEFILM

Telefilm Canada is a Crown corporation reporting to Parliament through the Department of Canadian Heritage and Multiculturalism. 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

First and foremost, we are a team of some 180 enthusiasts of Canadian media content dedicated to the commercial, cultural and industrial success of Canada's audiovisual industry. As a Government of Canada Crown corporation, in the Canadian Heritage portfolio, we support dynamic companies and creators, providing financial support to Canadian film projects as well as promoting and fostering exportation of Canadian content at festivals, markets and events – regionally, nationally and around the world.

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

Telefilm defined its future orientations with the launch of its new strategic plan, *See bigger*¹, which will guide the organization for the next three fiscal years. The new vision put forward in the strategic plan lies on four pillars:

- Innovate, in the areas of content, business models and management;
- Strengthen, in consolidating the competitiveness of the industry;
- Export, emphasize coproduction and increase the reach at international festivals and markets;
- Excel, adding value and efficiency to stakeholders.

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/wp-content/uploads/strategic-plan-telefilm-2018-2020.pdf>
2 : <http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=18789>



3. IMPORTANT CHANGES

Programs

During the quarter, the Corporation modified the guidelines for certain of its programs. Among the major changes, some 40 new international festivals were made eligible for the **International Marketing and festival participation Program**. In the **Export Assistance Program**, the eligible amount per film doubled from \$45,000 to \$90,000. For further information, visit our website.

Activities

Over the quarter, the Corporation financed 25 productions for a total of approximately \$25 million.

The Corporation showcased Canadian talent at the Toronto International Film Festival (TIFF) and for the first time, hosted a RDV Canada breakfast in collaboration with imagineNATIVE to discuss national and international financing opportunities for Indigenous content. The Corporation's signature events are back: Canada Lounge, Filmmaker Boot Camp, PITCH THIS!, TIFF Rising Stars and the Filmmaker Lab, as well as Eye on TIFF in New York, Los Angeles, London and Paris. Eye on TIFF is an exclusive pre-festival event held each year in New York since 2011 and is now in its fifth edition in Los Angeles. For the second straight year, this initiative shined throughout Europe, namely London and Paris. Finally, the Birks Diamond Tribute to the Year's Women in Film, now in its sixth year, featured six exceptional actresses, directors and writers.

As part of the 75th Venice International Film Festival, held in September, Canadian director David Cronenberg received a Golden Lion for Lifetime Achievement. Moreover, the Rendez-Vous Canada iTunes collection featured David Cronenberg's iconic filmography in Canada and the United States. Moreover, during the festival, three Canadian films were screened: *Ville Neuve*, *Emma Peeters* and *Carmine Street Guitars*.

With regard to Eurimages, among the six projects submitted by Canada, one project was selected to be granted funding: *Charlotte*. Canada is the only non-European country to be a member of the Council of Europe Cultural Fund. This program supports the coproduction of cinematographic works between member countries.

Furthermore, by mid-September, the pan-Canadian selection committee coordinated by the Corporation selected *Chien de garde (Family First)*, director Sophie Dupuis' first feature film, to represent Canada in the race for the Oscar for Best Foreign Language Film.

Finally, the Corporation won the 2018 Digital Transformation Award from IT Business World Canada. Focusing on customer service and efficiency in its processes, the Corporation moved to Dialogue, a collaborative platform between Telefilm and its partners.

Personnel

In autumn, the Executive Director announced some organisational changes to come, notably that the respective Directors of the Finance and Human Resources departments will now sit on the Management Committee. Additionally, Catherine Émond will join the Management Committee, in replacement of Jean-Claude Mahé, Director, of Public and Government Affairs who announced its retirement for next December.



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 and the Strategic Planning and Communications Committee met twice, while the Audit and Finance Committee and the Nominating, Evaluation and Governance Committee met one time, and the Management Commitment met 11 times.

Corey Anne Bloom's term as Chair of the Corporation's Audit and Finance Committee ended in September 2018 after five years of service. Board member Ram Raju will now serve as Acting Chair. Finally, the Minister of Canadian Heritage and Multiculturalism announced the appointment of a new member to our Board, Etoile Stewart, for a five-year term starting November 2018.

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 September 30, 2018. 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. Variances requiring an explanation are based on thresholds set by the Audit and Finance Committee.

Assistance Expenses

Overall, assistance expenses are higher both in comparison to the budget and same period last year, stemming mainly from the production programs.

For the six-month period ended September 30, 2018

	Budget		Actual		Variance				
	Annual	Period	2018-	2017-	Budget		Actual		
			2019	2018	\$	%	\$	%	
Production programs	62,749	21,000	29,701	18,389	(8,701)	(41)	11,312	62	1
Theatrical documentary program	2,000	1,300	1,296	1,123	4	-	173	15	2
Development program	7,625	750	692	1,583	58	8	(891)	(56)	3
Talent to Watch program	6,250	1,250	625	765	625	50	(140)	(18)	4
Administration of recommendations for audiovisual coproduction	537	272	195	266	77	28	(71)	(27)	
Indigenous Screen Office	-	-	94	-	(94)	-	94	-	
Innovation program - Production	1,000	200	-	-	200	100	-	-	5
Contribution to the Council of Europe's cultural fund, Eurimages	1,500	-	-	-	-	-	-	-	
	<u>81,661</u>	<u>24,772</u>	<u>32,603</u>	<u>22,126</u>	<u>(7,831)</u>	<u>(32)</u>	<u>10,477</u>	<u>47</u>	
Promotion program and national promotional activities	7,936	4,500	3,673	5,096	827	18	(1,423)	(28)	6
International promotional activities	5,135	2,873	2,949	3,010	(76)	(3)	(61)	(2)	
Marketing program	8,503	1,250	2,709	674	(1,459)	(117)	2,035	302	7
Theatrical exhibition program	600	300	200	-	100	33	200	-	8
International marketing program	1,000	260	115	142	145	56	(27)	(19)	9
Export assistance program	800	-	18	28	(18)	-	(10)	(36)	
Innovation program - Promotion	1,000	200	-	-	200	100	-	-	10
	<u>24,974</u>	<u>9,383</u>	<u>9,664</u>	<u>8,950</u>	<u>(281)</u>	<u>(3)</u>	<u>714</u>	<u>8</u>	
	<u>106,635</u>	<u>34,155</u>	<u>42,267</u>	<u>31,076</u>	<u>(8,112)</u>	<u>(24)</u>	<u>11,191</u>	<u>36</u>	

1	Production programs	Current period	\$8,701	The first six months of this fiscal have seen its highest level of activity in the past four years. This is explained by funding granted to 14 projects in both French and English totaling more than \$1 million, compared with only seven for the comparative period.
		↗ than budget		
2	Theatrical documentary program	Current period	\$11,312	The increase is attributable to a higher number of signed projects in comparison with the previous fiscal.
		↗ than previous		



7. ANALYSIS OF CUMULATIVE RESULTS (CONT.)

Assistance Expenses (Cont.)

3	Development program	Current period ↘ than previous	\$891	Many of the clients eligible for the Fast Track Companies Funding of this Program submitted a funding application that included a scenario for a targeted group (women, members of Indigenous and official language minority communities, new talent) and as such, had to go through a selective decision process.
4	Talent to Watch program	Current period ↘ than budget	\$625	The budget took into account a simplification in the documentation requirements. This scenario did not materialize.
		Current period ↘ than previous	\$140	Change in the personnel processing these files and efforts allocated to the Production Program account for this delay.
5	Innovation program - Production	Current period ↘ than budget	\$200	Telefilm is reviewing how to better communicate the expectations of its Program to trigger truly innovative projects.
6	Promotion program and national promotional activities	Current period ↘ than budget	\$827	The budget delay is due to a timing shift in some expenses, notably funding granted to The Toronto International Film Festival.
		Current period ↘ than previous	\$1,423	In the previous fiscal year, a cross-Canada screening tour was held for the 150 th anniversary of Canada's Confederation. Moreover, some recurring expenses have not yet been incurred. This delay will resolve itself in the next quarter.
7	Marketing program	Current period ↗ than budget	\$1,459	The applications for this program are difficult to predict and currently exceed our expectations.
		Current period ↗ than previous	\$2,035	For the first six months of the fiscal year, the number of projects funded and the average amount granted per project was higher than those during the comparative period. Moreover, the previous year's expenses were at a particular low level.
8	Theatrical exhibition program	Current period ↘ than budget	\$100	This program is in its first year of existence and its demand is currently slightly less than expected.
		Current period ↗ than previous	\$2,035	
9	International marketing program	Current period ↘ than budget	\$145	Program expenses are entirely dependent on the selection of Canadian works at international festivals. This year, amongst others, no feature films were selected in the different sections at the Cannes Film Festival.
10	Innovation program - Promotion	Current period ↘ than budget	\$200	Telefilm is reviewing how to better communicate the expectations of its Program so as to trigger truly innovative projects.

7. ANALYSIS OF CUMULATIVE RESULTS (CONT.)

Operating and Administrative Expenses

Operating and administrative expenses were higher than the first six months of the comparative period, mainly due to salaries and professional services.

For the six-month period ended September 30, 2018

	Budget		Actual		Variance			
	Annual	Period	2018- 2019	2017- 2018	Budget		Actual	
					\$	%	\$	%
Salaries and employee benefits	19,232	9,648	9,307	8,618	341	4	689	8
Information technology	1,690	1,380	1,335	1,383	45	3	(48)	(3)
Professional services	1,917	967	1,097	557	(130)	(13)	540	97 1
Rent, taxes, heating and electricity	1,865	968	1,045	923	(77)	(8)	122	13 2
Amortization of tangible capital assets	830	415	386	269	29	7	117	43 3
Office expenses	573	265	346	255	(81)	(31)	91	36 4
Travel and hospitality	619	271	281	243	(10)	(4)	38	16
Advertising and publications	218	113	97	102	16	14	(5)	(5)
	26,944	14,027	13,894	12,350	133	1	1,544	13

1	Professional services	Current period ↗ than budget	\$130	Unforeseen costs incurred for the telephone system and consulting fees related to the optimization of the Dialogue platform that had were budgeted as tangible assets.
		Current period ↗ than previous	\$540	IT consultants work mostly on the maintenance and optimization of the system compared to the comparative period where the expenses were of capital nature.
2	Rent, taxes, heating and electricity	Current period ↗ than previous	\$122	Inherent increase related to operating costs, property taxes, rent for office space and improvements at our Toronto office.
3	Amortization of tangible capital assets	Current period ↗ than previous	\$117	Amortization related to the capitalization of \$3.3 million in assets for the Dialogue platform from last March 31 th .
4	Office expenses	Current period ↗ than budget	\$81	Some training and professional development expenses occurred earlier than anticipated. Moreover, purchases of computer equipment are higher and earlier than anticipated, particularly following the flooding of the Toronto office last August.
		Current period ↗ than previous	\$91	Recurring training sessions did not take place at the same pace as the comparative half-year and new training sessions were given, on cybersecurity for example.

7. ANALYSIS OF CUMULATIVE RESULTS (CONT.)

Government Funding and Revenues

The Corporation's financing is comparable to both the budget and the same period last year.

For the six-month period ended September 30, 2018

	Budget		Actual		Variance			
	Annual	Period	2018- 2019	2017- 2018	Budget		Actual	
					\$	%	\$	%
Parliamentary appropriation	101,867	56,081	52,137	51,288	(3,944)	(7)	849	2
Investment revenues and recoveries	10,000	5,380	5,613	6,800	233	4	(1,187)	(17) ¹
Management fees from the Canada Media Fund	10,207	5,103	5,076	4,642	(27)	(1)	434	9
Talent Fund	2,165	805	564	825	(241)	(30)	(261)	(32) ²
Contributions to promotional support activities	950	420	460	732	40	10	(272)	(37) ³
Indigenous screen office	-	-	94	-	94	-	94	-
Interest and other revenues	100	50	57	54	7	14	3	6
	125,289	67,839	64,001	64,341	(3,838)	(6)	(340)	(1)

¹	Investment revenues and recoveries	Current period ↘ than previous	\$1,187	Revenues from the previous period were higher than their usual level, with certain movies having a major success in previous years, such as <i>Brooklyn</i> , <i>Room</i> and <i>Hyena Road</i> continuing to generate significant remittances.
²	Talent Fund	Current period ↘ than budget	\$241	Donations and the operating timetable from contribution agreements are difficult to predict.
		Current period ↘ than previous	\$261	The decrease is due to a slower recognition of revenues deriving from restricted contributions of Bell and Corus, following the delay in signing contracts, primarily in the Talent to Watch Program.
³	Contributions to promotional support activities	Current period ↘ than previous	\$272	Decrease in sponsorship revenues directly related to activities that took place as part of Canada's 150 th anniversary celebrations.

8. ANALYSIS OF RESULTS FOR THE SECOND QUARTER

	Actual		Variance	
	2018- 2019	2017- 2018	\$	%
Assistance expenses	33,200	17,144	16,056	94 ¹
Operating and administrative expenses	6,109	5,591	518	9
Revenues	8,274	9,500	(1,226)	(13) ²
Parliamentary appropriation	30,751	29,984	767	3
Surplus (deficit)	(284)	16,749	(17,033)	(102)

- ¹ **Assistance expenses** Current period \nearrow than previous \$16,056 During the quarter, efforts were made to sign a large number of significant contracts in the Production Program, which allows the Corporation to be in a better position than the previous fiscal.
- ² **Revenues** Current period \searrow than previous \$1,226 The revenues from the comparative period were higher, with certain movies having a major success in the previous years, such as *Brooklyn*, *Room* and *Hyena Road* continuing to generate significant remittances.

9. ANALYSIS OF FINANCIAL POSITION

	Actual		Variance	
	Sept. 30, 2018	Sept. 30, 2017	\$	%
Financial assets				
Due from Consolidated Revenue Fund	70,085	69,681	404	1
Cash - Talent Fund	3,012	2,215	797	36 ¹
Accounts receivable	4,501	1,977	2,524	128 ²
Receivable from the Canada Media Fund	2,555	2,334	221	9
Loan	240	240	-	-
	80,393	76,447	3,946	5
Liabilities				
Accounts payable and accrued liabilities	2,530	2,488	42	2
Deferred revenues - Talent Fund	1,847	1,367	480	35 ³
Deferred revenues - Indigenous Screen Office	101	-	101	-
Financial assistance program obligations	51,304	30,533	20,771	68 ⁴
Liabilities for employee future benefits	763	766	(3)	-
Net financial assets	23,848	41,293	(17,445)	(42)
Non-financial assets				
Tangible capital assets	5,806	5,947	(141)	(2)
Prepaid expenses	276	260	16	6
Accumulated surplus	29,930	47,500	(17,570)	(37)

- ¹ **Cash - Talent Fund** ↗ \$797 The balance as at September 30, 2018 remains high as a result of fewer payments on contracts signed in 2018-2019 than in the previous fiscal year.
- ² **Accounts receivable** ↗ \$2,524 The conversion of the exploitation reports submission in the new Dialogue system resulted in delays collecting accounts receivable. Additionally, an increase in taxes receivable related to a delay in receiving the refund.
- ³ **Deferred revenues - Talent Fund** ↗ \$480 The balance remains high attributable to the modifications made to the Talent to Watch Program.
- ⁴ **Financial assistance program obligations** ↗ \$20,771 Significant increase in level of commitments, particularly in the second quarter of fiscal 2018-2019 versus the comparative quarter. Additionally, high level of contractual commitments at the beginning of fiscal 2018-2019 for which there are still amounts to be disbursed. The Corporation expects that the amount of the financial assistance program obligations remains stable until the end of this fiscal.



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, since the Parliamentary appropriation is calculated using a modified cash basis accounting method.

<i>In thousands of Canadian dollars</i>	Sept. 30, 2018	Sept. 30, 2017
Cost of operations	56,161	43,426
Adjustment affecting the use of Parliamentary appropriation :		
Assistance expenses adjustment where Parliamentary appropriation eligibility criteria have been met	3,974	14,693
Assistance expenses funded by the Talent Fund	(871)	(681)
Contributions to promotional support activities	(460)	(732)
Prepaid expenses	(1,313)	(2,015)
Contractual claims	-	(9)
Operating expenses funded by the CMF	(5,076)	(4,642)
Acquisitions of property and equipment	224	1,554
Salary recovery for payment in arrears transition	(23)	(20)
Amortization	(386)	(269)
Funding of the Indigenous Screen Office	(94)	-
Employee future benefits	1	(17)
Use of Parliamentary appropriation at September 30	52,137	51,288
Parliamentary appropriation available for subsequent quarters	49,730	49,166
Parliamentary appropriation authorized	101,867	100,454

The amount of the Parliamentary appropriation comes from the 2018-2019 Main Estimates and Supplementary Estimates (A).

11. QUARTERLY FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2018**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.



Christa Dickenson
Executive Director



Denis Pion
Director - Administration and Corporate Services

Montréal, Canada
November 29, 2018



Quarterly Statement of Operations

For the three-month period ended September 30, 2018

<i>In thousands of Canadian dollars</i>	Schedule	Quarter ended Sept. 30	
		2018	2017
Assistance expenses			
Development of the Canadian audiovisual industry			
Production programs		25,076	8,565
Theatrical documentary program		824	1,048
Development program		692	1,583
Talent to Watch program		625	765
Administration of recommendations for audiovisual treaty coproduction		96	143
Indigenous Screen Office		93	-
		27,406	12,104
Promotional support in Canada and abroad			
Marketing program		2,356	460
Promotion program and national promotional activities		2,250	3,588
International promotional activities		869	912
Theatrical exhibition program		200	-
International marketing program		101	80
Export assistance program		18	-
		5,794	5,040
		33,200	17,144
Operating and administrative expenses	A	6,109	5,591
Cost of operations		39,309	22,735
Revenues			
Investment revenues and recoveries		5,056	6,253
Management fees from the Canada Media Fund		2,473	2,224
Talent fund		438	800
Contributions to promotional support activities		173	191
Indigenous screen office		94	-
Interest and other revenues		40	32
		8,274	9,500
Net cost of operations before government funding		31,035	13,235
Government funding			
Parliamentary appropriation		30,751	29,984
Surplus (deficit)		(284)	16,749
Accumulated surplus, beginning of period		30,214	30,751
Accumulated surplus, end of period		29,930	47,500

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



Statement of Operations

For the six-month period ended September 30, 2018

<i>In thousands of Canadian dollars</i>	Schedule	Period ended Sept. 30		
		Cumulative Budget	Cumulative 2018	Cumulative 2017
Assistance expenses				
Development of the Canadian audiovisual industry				
Production programs		21,000	29,701	18,389
Theatrical documentary program		1,300	1,296	1,123
Development program		750	692	1,583
Talent to Watch program		1,250	625	765
Administration of recommendations for audiovisual treaty coproduction		272	195	266
Indigenous Screen Office		-	94	-
Innovation program - Production		200	-	-
		24,772	32,603	22,126
Promotional support in Canada and abroad				
Promotion program and national promotional activities		4,500	3,673	5,096
International promotional activities		2,873	2,949	3,010
Marketing program		1,250	2,709	674
Theatrical exhibition program		300	200	-
International marketing program		260	115	142
Export assistance program		-	18	28
Innovation program - Promotion		200	-	-
		9,383	9,664	8,950
		34,155	42,267	31,076
Operating and administrative expenses	B	14,027	13,894	12,350
Cost of operations		48,182	56,161	43,426
Revenues				
Investment revenues and recoveries		5,380	5,613	6,800
Management fees from the Canada Media Fund		5,103	5,076	4,642
Talent Fund		805	564	825
Contributions to promotional support activities		420	460	732
Indigenous screen office		-	94	-
Interest and other revenues		50	57	54
		11,758	11,864	13,053
Net cost of operations before government funding		36,424	44,297	30,373
Government funding				
Parliamentary appropriation		56,081	52,137	51,288
Surplus		19,657	7,840	20,915
Accumulated surplus, beginning of period		22,090	22,090	26,585
Accumulated surplus, end of period		41,747	29,930	47,500

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>	Sept. 30, 2018	March 31, 2018
Financial assets		
Due from Consolidated Revenue Fund	70,085	66,421
Cash - Talent Fund	3,012	1,465
Accounts receivable	4,501	2,469
Receivable from the Canada Media Fund	2,555	2,952
Loan	240	240
	80,393	73,547
Liabilities		
Accounts payable and accrued liabilities	2,530	2,949
Deferred revenues - Talent Fund	1,847	9
Deferred revenues - Indigenous Screen Office	101	-
Financial assistance program obligations	51,304	55,292
Liabilities for employee future benefits	763	764
	56,545	59,014
Net financial assets	23,848	14,533
Non-financial assets		
Tangible capital assets	5,806	5,968
Prepaid expenses	276	1,589
	6,082	7,557
Accumulated surplus	29,930	22,090

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


Statement of Changes in Net Financial Assets

For the six-month period ended September 30, 2018

<i>In thousands of Canadian dollars</i>	Sept. 30, Budget	Sept. 30, 2018	March 31, 2018
Surplus (deficit)	19,657	7,840	(4,495)
Tangible capital asset transactions			
Amortization	415	386	747
Acquisitions	(625)	(224)	(2,124)
Write-down of tangible capital assets	-	-	71
Other transactions			
Acquisitions of prepaid expenses	-	(156)	(1,589)
Use of prepaid expenses	1,400	1,469	2,275
Increase (decrease) in net financial assets	20,847	9,315	(5,115)
Net financial assets, beginning of year	14,533	14,533	19,648
Net financial assets, end of period	35,380	23,848	14,533

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



Statement of Cash Flows

For the period ended September 30, 2018

<i>In thousands of Canadian dollars</i>	Quarter ended Sept. 30		Period ended Sept. 30	
	2018	2017	2018	2017
Operating activities				
Surplus (deficit)	(284)	16,749	7,840	20,915
Items not affecting cash:				
Increase (decrease) in liabilities for employee future benefits	14	1	(1)	(17)
Amortization of tangible capital assets	187	133	386	269
	(83)	16,883	8,225	21,167
Changes in non-cash financial items:				
Decrease (increase) in accounts receivable	(2,571)	771	(2,032)	1,000
Decrease in receivable from the Canada Media Fund	92	143	397	928
Increase (decrease) in accounts payable and accrued liabilities	401	215	(215)	(710)
Increase in deferred revenues - Talent Fund	482	10	1,838	1,367
Increase (decrease) in deferred revenues - Indigenous Screen Office	(94)	-	101	-
Increase (decrease) of financial assistance program obligations	4,925	(8,872)	(3,988)	(14,639)
Decrease (increase) in prepaid expenses	(1)	-	1,313	2,015
	3,151	9,150	5,639	11,128
Capital activities				
Cash outflows to acquire tangible capital assets	(148)	(687)	(428)	(1,590)
Increase in due from Consolidated Revenue Fund and cash - Talent Fund	3,003	8,463	5,211	9,538
Due from Consolidated Revenue Fund and cash - Talent Fund, beginning of period	70,094	63,433	67,886	62,358
Due from Consolidated Revenue Fund and cash - Talent Fund, end of period	73,097	71,896	73,097	71,896
Additional information presented in operating activities				
Change in accounts payable and accrued liabilities for capital projects	78	(202)	204	36

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



Note 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, 2018. The significant accounting policies used in these quarterly financial statements are similar to those used in the annual financial statements of March 31, 2018.

Schedules A and B - Other Information

A - Operating and administrative expenses

	Quarter ended Sept. 30	
	2018	2017
Salaries and employee benefits	4,411	4,068
Rent, taxes, heating and electricity	522	468
Professional services	502	285
Amortization of tangible capital assets	187	133
Office expenses	170	117
Information technology	150	375
Travel and hospitality	131	101
Advertising and publications	36	44
	6,109	5,591

B - Cumulative operating and administrative expenses

	Cumulative Budget	Period ended Sept. 30	
		2018	2017
Salaries and employee benefits	9,648	9,307	8,618
Information technology	1,380	1,335	1,383
Professional services	967	1,097	557
Rent, taxes, heating and electricity	968	1,045	923
Amortization of tangible capital assets	415	386	269
Office expenses	265	346	255
Travel and hospitality	271	281	243
Advertising and publications	113	97	102
	14,027	13,894	12,350