

Quarterly Financial Report
Period ended December 31, 2014

Third quarter of fiscal 2014-2015
Published February 27, 2015

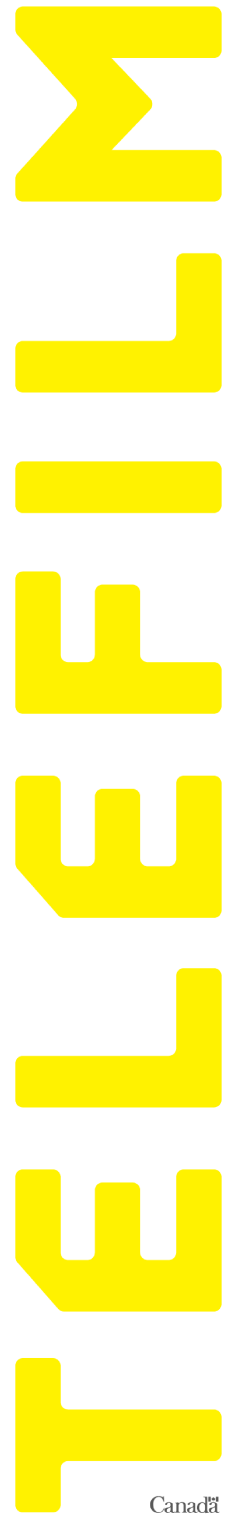




TABLE OF CONTENT

| | | |
|-----|---|----|
| 1. | TELEFILM | 2 |
| | OUR MISSION | 2 |
| | WHAT WE DO | 2 |
| 2. | QUARTERLY FINANCIAL REPORT | 2 |
| 3. | IMPORTANT CHANGES | 2 |
| | PROGRAMS | 2 |
| | ACTIVITIES | 3 |
| | PERSONNEL AND MEMBERS OF THE BOARD | 3 |
| 4. | GOVERNANCE | 3 |
| 5. | RISK MANAGEMENT | 3 |
| 6. | UNADJUSTED DIFFERENCES | 4 |
| 7. | ANALYSIS OF CUMULATIVE RESULTS | 4 |
| | ASSISTANCE EXPENSES | 4 |
| | OPERATING AND ADMINISTRATIVE EXPENSES | 5 |
| | GOVERNMENT FUNDING AND REVENUES | 6 |
| 8. | ANALYSIS OF RESULTS FOR THE THIRD QUARTER | 7 |
| 9. | ANALYSIS OF FINANCIAL POSITION | 8 |
| 10. | RECONCILIATION OF COST OF OPERATIONS AND PARLIAMETARY APPROPRIATION | 9 |
| 11. | QUARTERLY FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2014 | 10 |
| | STATEMENT OF MANAGEMENT RESPONSIBILITY | 10 |
| | QUARTERLY STATEMENT OF OPERATIONS | 11 |
| | STATEMENT OF OPERATIONS | 12 |
| | STATEMENT OF FINANCIAL POSITION | 13 |
| | STATEMENT OF CHANGES IN NET FINANCIAL ASSETS | 14 |
| | STATEMENT OF CASH FLOWS | 15 |
| | NOTES TO THE QUARTERLY FINANCIAL STATEMENTS | 16 |
| | SCHEDULES A AND B - OTHER INFORMATION | 17 |



1. TELEFILM

Telefilm Canada is a Crown corporation reporting to Parliament through the Department of Canadian Heritage. Telefilm's vision is: audiences everywhere demanding screen-based content created by Canadians - accessible anywhere, anytime and on any platform.

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 is dedicated to the commercial, cultural and industrial success of the Canadian audiovisual industry. Our funding programs provide financial support to Canadian production and distribution companies that deliver content to audiences. We promote Canadian audiovisual success and talent at festivals, markets and events-regionally, nationally and around the world.

Furthermore, Telefilm administers funding programs for the Canada Media Fund (CMF). We also make recommendations to the Minister of Canadian Heritage regarding certification of audiovisual treaty coproductions. Our head office is located in Montreal and we also have offices in Vancouver, Toronto and Halifax to serve our clients.

2. QUARTERLY FINANCIAL REPORT

This quarterly financial report complies with all requirements of the Standard on *Quarterly Financial Reports for Crown Corporations*¹ 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.

3. IMPORTANT CHANGES

Programs

During the quarter, the Corporation opened the doors of its Production Program, for fiscal year 2015-2016, to French-market projects with budgets over \$2.5 million. No changes were made to this program and the guidelines that came into effect in December 2013² still apply.

1 : www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=18789§ion=text

2 : www.telefilm.ca/en/funds-and-programs/canada-feature-film-fund/production-program



3. IMPORTANT CHANGES (CONTINUED)

Activities

During the quarter, the Corporation financed 22 productions for a total of \$10.3 million. Seven Canadian films, two of them making their world premiere, were shown at the 19th Busan International Film Festival and the Asian Film Market. Canada was also well represented at MIPCOM 2014 by four key events including the presentation of six multiplatform productions at MIPJunior, the world debut of the miniserie *The Book of Negroes*, the MIPCOM red carpet opening gala and *The Showrunners Masterclass* with *The Book of Negroes* and *Murdoch Mysteries* teams.

Canadian cinema was honoured at the 3rd Los Cabos International Film Festival in Mexico by the special presentation of the film *Mommy* and three films in official competition. In addition, tributes were made to two Canadian filmmakers: Atom Egoyan and Denys Arcand. Moreover, the first coproduction forum bringing together Mexico, the United States and Canada at Los Cabos helped strengthen business ties among these three countries. Four projects in development per country have been selected, allowing their representatives to meet potential coproducers.

To kick off the audiovisual coproduction treaty with India, which came into force in July 2014, the Corporation accompanied a delegation of fourteen Canadian producers participating in the Canada-India Business Council Forum and the Film Bazaar in Goa. In addition, the International Film Festival of India presented five Canadian films.

At the national level, the Corporation took part in the second edition of the *Shortest Day*, in partnership with the SODEC and the NFB, screening 27 short films in more than 60 different locations across the country. For the first time, the Corporation partnered with NOMAD, a Montreal content agency that creates transmedia narratives, to celebrate the Festival du Nouveau Cinéma during the *NOMAD LIVE* evening in Montreal's Quartier des Spectacles.

Lastly, the Corporation held its Annual Public Meeting in Ottawa – under the theme *Talent. Together.* – to present its accomplishments for the 2013-2014 year. A red carpet event for the feature film *Corner Gas: The Movie* and an invitation to the House of Commons capped off this daylong celebration of Canadian talent. The annual report is available on our website³, as well as the speeches⁴ during the Annual Public Assembly delivered by Michel Roy, Chair of the Board, and by Carolle Brabant, Executive Director.

Personnel and members of the Board

The Corporation has bolstered its customer service in the Atlantic Region following the permanent appointment of Anne Frank as Regional Feature Film Executive-Atlantic Region, while Denise Jamieson has been appointed as Project Leader—National Promotion and Communications. During the quarter, there was no turnover on the Board of Directors or on the Corporation's Management Committee.

4. GOVERNANCE

Governance of the Corporation is carried out through activities of the Board and its committees and by the Management Committee, chaired by the Executive Director, and its subcommittees. The Audit and Finance Committee met once during the quarter and the Management Committee met eight times.

5. RISK MANAGEMENT

The Corporation ensures a good understanding of organizational risks by involving all levels of management representatives of the different administrative and operational sectors. The Corporation conducts ongoing risk assessments and performs a formal review on a semi-annual basis. No risk with a high likelihood and major impact was identified during this quarter.

3 : http://www.telefilm.ca/upload/annual_report/annual_report_2013-2014.pdf

4 : <http://www.telefilm.ca/en/news/speeches>



6. UNADJUSTED DIFFERENCES

Management strives to produce relevant financial information in compliance with CPSAS and within the deadline established by the Receiver General of Canada, namely five business days after the end of the quarter. Accordingly, Management uses methods that enable it to identify the required adjustments. To this extent, certain cut-off procedures applicable to the accounts payable and receivable cycles as well as certain adjustments concerning liabilities for employee future benefits were not carried out at December 31, 2014. The importance of these adjustments is deemed immaterial by Management.

7. ANALYSIS OF CUMULATIVE RESULTS

The analysis tables show rounded amounts and must be read in conjunction with the financial statements for greater accuracy.

Assistance Expenses

For the nine-month period ended December 31, 2014

| | Budget (\$M) | | Actual (\$M) | | Variance | | | |
|----------------------|--------------|--------|--------------|-------|----------|------|--------|------|
| | Annual | Period | 2014- | 2013- | Budget | | Actual | |
| | | | 2015 | 2014 | \$ | % | \$ | % |
| Production | 59.8 | 47.3 | 48.9 | 38.4 | (1.6) | (3) | 10.5 | 27 |
| Development | 7.8 | 6.5 | 3.8 | 6.9 | 2.7 | 42 | (3.1) | (45) |
| | 67.6 | 53.8 | 52.7 | 45.3 | 1.1 | 2 | 7.4 | 16 |
| Marketing | 11.3 | 6.8 | 8.1 | 4.3 | (1.3) | (19) | 3.8 | 88 |
| Promotion | 6.9 | 5.8 | 5.3 | 5.2 | 0.5 | 9 | 0.1 | 2 |
| International events | 2.2 | 1.6 | 2.1 | 1.9 | (0.5) | (31) | 0.2 | 11 |
| | 20.4 | 14.2 | 15.5 | 11.4 | (1.3) | (9) | 4.1 | 36 |
| | 88.0 | 68.0 | 68.2 | 56.7 | (0.2) | - | 11.5 | 20 |

During the third quarter, the adverse funding variances experienced in the previous quarter's budget were absorbed. However, the variances related to the comparative data were slightly increased.

The production program follows in the footsteps of the previous quarter, namely the funding allocated is higher than the budget forecast as well as the previous year's results. This is attributable mainly to the fast track stream that operated at a much faster pace than the former performance envelope program. The terms and conditions of the new program allow eligible producers to submit their funding applications when the project is completed, and the decision-making process is also accelerated. Moreover, the selective stream funding is delayed compared with the previous year's results, largely because the annual budget is below that of the 2013-2014 fiscal year by \$7 million as a result of budget availability.

Unlike the assistance expenses of all the other programs, the development program expenditures are lagging compared with both the budget and the previous year's results. Last year's results were particularly high due to performance envelope holders who had invested their earmarked funds in development projects rather than in production projects. Similarly, the current fiscal year budget was increased to include a portion of the funds from the fast track stream. With respect to the latter, certain producers were late submitting their funding applications, which were received during the weeks following the end of the quarter. In addition, the last round of decision making for the English-language selective program took place at the end of December, which explains why contracts representing more than \$2 million were not signed during this quarter.

7. ANALYSIS OF CUMULATIVE RESULTS (CONTINUED)

As for the marketing program, the results widely exceed the budgeted amount and nearly double that of the comparative data. The quarterly budget allocation is based on the average results for the three previous quarters, but the results achieved during the fiscal year are approximately 15% ahead of the annual budget forecasts. Meanwhile, the comparison with last year's data shows a cost overrun that might seem surprising. Last year, the results were affected by the abolition of the performance envelopes as well as the merging of two major distributors. Among other highlights, three productions received over \$1 million in funding this year, representing 50% of the total funding compared with a single project last year. Moreover, the funding allocated as part of this program is dependent on the theatrical release of films for which the forecasts were hard to predict.

The additional expenditures related to international activities are partly due to unfavourable exchange rate fluctuations of foreign currencies. Moreover, the budget was increased during the year in order to expand the scope of certain events.

Operating and Administrative Expenses

For the nine-month period ended December 31, 2014

| | Budget (\$M) | | Actual (\$M) | | Variance | | | |
|----------------------------|--------------|--------|---------------|---------------|----------|------|--------|------|
| | Annual | Period | 2014- 2015 | 2013- 2014 | Budget | | Actual | |
| | | | | | \$ | % | \$ | % |
| Salaries & wages | 18.6 | 13.8 | 12.6 | 14.6 | 1.2 | 9 | (2.0) | (14) |
| Rent | 1.8 | 1.3 | 1.3 | 1.5 | - | - | (0.2) | (13) |
| Professional services | 2.1 | 1.5 | 1.3 | 1.0 | 0.2 | 13 | 0.3 | 30 |
| Information technology | 1.4 | 1.1 | 1.2 | 1.0 | (0.1) | (9) | 0.2 | 20 |
| Office expenses | 0.6 | 0.4 | 0.5 | 0.4 | (0.1) | (25) | 0.1 | 25 |
| Amortization | 0.5 | 0.4 | 0.4 | 0.5 | - | - | (0.1) | (20) |
| Travel | 0.6 | 0.5 | 0.4 | 0.4 | 0.1 | 20 | - | - |
| Advertising & publications | 0.3 | 0.2 | 0.1 | 0.2 | 0.1 | 50 | (0.1) | (50) |
| | 25.9 | 19.2 | 17.8 | 19.6 | 1.4 | 7 | (1.8) | (9) |

Overall, the Corporation shows favourable variances, namely a budget surplus position and a decrease in expenditures compared with the same period last year. This is especially true for salaries. Last year, the buyout of severance benefits following the abolition of the program increased the salaries expenditure on a non-recurring basis. The budget surplus is explained by certain positions having remained vacant during the period and by a lower rate of employee benefits. In fact, following the abolition of the severance pay program, employees maxed out certain contributions much faster than usual.

As for rent expenses, the decrease in spending as compared to the comparative period is due to savings from the relocation of the Vancouver and Halifax offices and favourable conditions related to the renewal of the lease at the headquarters in Montreal.

Professional fees show a budget surplus that is related to planned expenditures for projects that were postponed in light of the redesign of the information technology systems. Information technologies show an increase in expenses compared with the first half of the previous fiscal year. This variation is attributable mainly to changes in the IT systems and work related to the outsourcing of servers.

Amortization shows a decrease in expenditures vis-à-vis the comparative period arising from assets written-off or fully amortized as at March 31, 2014, mostly on leasehold improvements.

7. ANALYSIS OF CUMULATIVE RESULTS (CONTINUED)

Government Funding and Revenues

For the nine-month period ended December 31, 2014

| | Budget (\$M) | | Actual (\$M) | | Variance | | | |
|------------------------------------|--------------|--------|---------------|---------------|----------|-----|--------|------|
| | Annual | Period | 2014- 2015 | 2013- 2014 | Budget | | Actual | |
| | | | | | \$ | % | \$ | % |
| Parliamentary appropriation | 95.5 | 82.7 | 83.8 | 74.8 | 1.1 | 1 | 9.0 | 12 |
| Management fees from the CMF | 10.0 | 7.5 | 7.1 | 7.4 | (0.4) | (5) | (0.3) | (4) |
| Investment revenues and recoveries | 10.0 | 5.6 | 6.6 | 7.9 | 1.0 | 18 | (1.3) | (16) |
| Talent Fund | - | - | 0.8 | 0.1 | 0.8 | - | 0.7 | 700 |
| Interest and other revenues | 0.1 | 0.1 | 0.3 | 0.1 | 0.2 | 200 | 0.2 | 200 |
| | 115.6 | 95.9 | 98.6 | 90.3 | 2.7 | 3 | 8.3 | 9 |

Use of the parliamentary appropriation is higher than the previous year, due mainly to payments on commitments from the current fiscal year that were made more quickly than during the previous year.

Income earned from the investment revenues and recoveries show a favourable budgetary position, although there is a decrease compared with the same quarter last year. This is explained by a decline in the number of projects that had significant remittances during the most recent exploitation report period.

The revenues from the Talent Fund are higher than those from the comparative period and are explained mainly by the start – at the second quarter – of the use of annual contributions from Bell Media and Corus Entertainment for the current fiscal year. The accounting method is explained in Note 2 that accompanies the financial statements.

Interest and other revenues are greater than the amount budgeted as well as the comparative data. This is a result of the share of the commission for the Montreal lease renewal.

8. ANALYSIS OF RESULTS FOR THE THIRD QUARTER

| | Actual (\$M) | | Variance | |
|---------------------------------------|---------------|---------------|----------|----|
| | 2014- 2015 | 2013- 2014 | \$ | % |
| Assistance expenses | 20.3 | 15.3 | 5.0 | 33 |
| Operating and administrative expenses | 6.0 | 6.0 | - | - |
| Revenues | 3.9 | 3.6 | 0.3 | 8 |
| Parliamentary appropriation | 33.0 | 23.5 | 9.5 | 40 |
| Surplus | 10.6 | 5.8 | 4.8 | 83 |

Compared with last year's third quarter results, the current fiscal year is well positioned with an overage in most of its funding programs. The production program is primarily responsible for this growth, notably with respect to the fast track stream. Moreover, the third quarter of 2013-2014 experienced a slight decline compared with the same quarter in 2012-2013.

The growth in revenues in the quarter is attributable to an increase in revenues from the Talent Fund as the contributions from Bell Media and Corus Entertainment are starting to be used. However, this increase is tempered by the fact that, last year, a significant return on investment was received during the third quarter.

As for the parliamentary appropriation, it shows a significant increase with respect to the comparative data, which is attributable to disbursements that were higher than the commitments during the third quarter of 2014-2015.

9. ANALYSIS OF FINANCIAL POSITION

| | Actual (\$M) | | Variance | |
|---|------------------|-------------------|-------------|-----------|
| | Dec. 31, 2014 | March 31, 2014 | \$ | % |
| Financial assets | | | | |
| Due from Consolidated Revenue Fund | 56.8 | 49.1 | 7.7 | 16 |
| Cash - Talent Fund | 1.5 | 0.2 | 1.3 | 650 |
| Accounts receivable | 4.1 | 3.1 | 1.0 | 32 |
| Receivable from CMF | 2.4 | 2.7 | (0.3) | (11) |
| Loan | 0.7 | - | 0.7 | - |
| | 65.5 | 55.1 | 10.4 | 19 |
| Liabilities | | | | |
| Accounts payable | 2.6 | 2.0 | 0.6 | 30 |
| Deferred revenues - Talent Fund | 1.1 | - | 1.1 | - |
| Financial assistance programs obligations | 30.4 | 35.8 | (5.4) | (15) |
| Liabilities for employee future benefits | 0.9 | 1.0 | (0.1) | (10) |
| Net financial assets | 30.5 | 16.3 | 14.2 | 87 |
| Non-financial assets | | | | |
| Tangible capital assets | 1.8 | 1.8 | - | - |
| Prepaid expenses | 0.6 | 2.2 | (1.6) | (73) |
| Accumulated surplus | 32.9 | 20.3 | 12.6 | 62 |

The Corporation shows a solid financial position as revealed by the level of its net financial assets. The most important financial asset, cash, has increased since March 31, 2014, through investment revenues and recoveries that have been recorded but not yet used. The rise in the Cash—Talent Fund stems mainly from the contributions from Corus Entertainment and Bell Media that have not yet been disbursed. Meanwhile, the increase in receivables is due to the transition to the payment in arrears method, and a rise in taxes receivable that stems from the upsurge of investments in Canada, with the exception of Quebec, for the quarter ending December 31 compared with the last three months of the fiscal year ending March 31, 2014. In addition, on an exceptional basis, a loan was granted to a production company. Lastly, the amount receivable from the Canada Media Fund shows a decrease resulting from the 13% Harmonized Sales Tax. The time allocated for producing financial information allows this amount to be recorded at March 31.

The increase in liabilities is attributable to higher accrued salaries following the transition to the payment in arrears as well as the program disbursements that became eligible in the last weeks of December that were not disbursed at the end of the period. Furthermore, the decrease in obligations related to financial aid programs stems from the fact that more than half the balance at March 31, 2014, had been paid before the start of the fiscal year and that this amount is greater than the amounts payable under the new contracts.

Finally, the prepaid expenses from the previous fiscal year were recorded as expenditures for the current fiscal year and the new balance is attributable to the January leases and costs related to international events that will take place during the next fiscal year.



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.

| <i>In million of Canadian dollars</i> | Dec. 31, 2014 | Dec. 31, 2013 |
|---|--------------------------|--------------------------|
| Cost of operations | 86.0 | 76.3 |
| Adjustments affecting cost of operations : | | |
| Amortization | (0.4) | (0.5) |
| Employee future benefits | 0.2 | (1.2) |
| Adjustments affecting the use of Parliamentary appropriation : | | |
| Adjustment related to eligibility criteria of assistance expenses | 5.9 | 8.0 |
| Operating expenses funded by the CMF | (7.1) | (7.4) |
| Acquisition of prepaid administrative expenses | 0.1 | 0.1 |
| Use of prepaid administrative expenses | (1.2) | (1.1) |
| Loan | 0.6 | - |
| Payment Talent Fund | (0.8) | - |
| Acquisitions of property and equipment | 0.5 | 0.6 |
| | (2.2) | (1.5) |
| Use of Parliamentary appropriation at December 31 | 83.8 | 74.8 |
| Parliamentary appropriation available for subsequent quarter | 11.7 | 25.1 |
| Parliamentary appropriation authorized | 95.5 | 99.9 |

The amount of the Parliamentary appropriation comes from the 2014-2015 Main Estimates.

11. QUARTERLY FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2014**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, CA, MBA
Executive Director



Denis Pion
Director - Administration and Corporate Services

Montréal, Canada
February 27, 2015



Quarterly Statement of Operations

For the three-month period ended December 31, 2014

| <i>In thousands of Canadian dollars</i> | Schedule | Quarter ended Dec. 31 | |
|---|----------|-----------------------|--------|
| | | 2014 | 2013 |
| Assistance expenses | | | |
| Development of the Canadian audiovisual industry | | | |
| Production assistance | | 11,824 | 7,589 |
| Development assistance | | 1,960 | 3,923 |
| | | 13,784 | 11,512 |
| Promotional support in Canada and abroad | | | |
| Distribution and marketing assistance | | 4,156 | 2,358 |
| Promotion | | 1,502 | 884 |
| Participation in international events | | 907 | 589 |
| | | 6,565 | 3,831 |
| | | 20,349 | 15,343 |
| Operating and administrative expenses | A | 6,026 | 5,961 |
| Cost of operations | | 26,375 | 21,304 |
| Revenues | | | |
| Management fees from the Canada Media Fund | | 2,389 | 2,428 |
| Investment revenues and recoveries | | 892 | 1,176 |
| Talent fund | | 598 | - |
| Interest and other revenues | | 34 | 21 |
| | | 3,913 | 3,625 |
| Net cost of operations before government funding | | 22,462 | 17,679 |
| Government funding | | | |
| Parliamentary appropriation | | 32,981 | 23,450 |
| Surplus | | 10,519 | 5,771 |
| Accumulated surplus, beginning of period | | 22,304 | 24,271 |
| Accumulated surplus, end of period | | 32,823 | 30,042 |

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, 2014

| <i>In thousands of Canadian dollars</i> | Schedule | Period ended Dec. 31 | | |
|---|----------|----------------------|--------------------|--------------------|
| | | Cumulative Budget | Cumulative 2014 | Cumulative 2013 |
| Assistance expenses | | | | |
| Development of the Canadian audiovisual industry | | | | |
| Production assistance | | 47,250 | 48,857 | 38,411 |
| Development assistance | | 6,515 | 3,793 | 6,938 |
| | | 53,765 | 52,650 | 45,349 |
| Promotional support in Canada and abroad | | | | |
| Distribution and marketing assistance | | 6,775 | 8,133 | 4,339 |
| Promotion | | 5,790 | 5,272 | 5,156 |
| Participation in international events | | 1,600 | 2,090 | 1,888 |
| | | 14,165 | 15,495 | 11,383 |
| | | 67,930 | 68,145 | 56,732 |
| Operating and administrative expenses | B | 19,365 | 17,886 | 19,541 |
| Cost of operations | | 87,295 | 86,031 | 76,273 |
| Revenues | | | | |
| Management fees from the Canada Media Fund | | 7,502 | 7,139 | 7,409 |
| Investment revenues and recoveries | | 5,596 | 6,558 | 7,917 |
| Talent Fund | | - | 832 | 100 |
| Interest and other revenues | | 64 | 263 | 70 |
| | | 13,162 | 14,792 | 15,496 |
| Net cost of operations before government funding | | 74,133 | 71,239 | 60,777 |
| Government funding | | | | |
| Parliamentary appropriation | | 82,720 | 83,806 | 74,750 |
| Surplus | | 8,587 | 12,567 | 13,973 |
| Accumulated surplus, beginning of period | | | 20,256 | 16,069 |
| Accumulated surplus, end of period | | | 32,823 | 30,042 |

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> | December 31, 2014 | March 31, 2014 |
|---|------------------------------|---------------------------|
| Financial assets | | |
| Due from Consolidated Revenue Fund | 56,760 | 49,137 |
| Cash - Talent Fund | 1,455 | 170 |
| Accounts receivable | 4,132 | 3,054 |
| Receivable from the Canada Media Fund | 2,413 | 2,720 |
| Loan | 655 | - |
| | 65,415 | 55,081 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 2,579 | 2,025 |
| Deferred revenues - Talent Fund | 1,127 | - |
| Financial assistance programs obligations | 30,432 | 35,779 |
| Liabilities for employee future benefits | 873 | 1,000 |
| | 35,011 | 38,804 |
| Net financial assets | 30,404 | 16,277 |
| Non-financial assets | | |
| Tangible capital assets | 1,832 | 1,817 |
| Prepaid expenses | 587 | 2,162 |
| | 2,419 | 3,979 |
| Accumulated surplus | 32,823 | 20,256 |

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, 2014

| <i>In thousands of Canadian dollars</i> | December 31, Budget | December 31, 2014 | March 31, 2014 |
|--|--------------------------------|------------------------------|---------------------------|
| Surplus | 8,587 | 12,567 | 4,187 |
| Tangible capital asset transactions | | | |
| Amortization | 421 | 438 | 737 |
| Acquisitions | (1,796) | (459) | (969) |
| Write-offs | - | 6 | - |
| Other transactions | | | |
| Acquisitions of prepaid expenses | - | (587) | (2,162) |
| Use of prepaid expenses | 2,162 | 2,162 | 1,724 |
| Increase in net financial assets | 9,374 | 14,127 | 3,517 |
| Net financial assets, beginning of year | 16,277 | 16,277 | 12,760 |
| Net financial assets, end of period | 25,651 | 30,404 | 16,277 |

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



Statement of Cash Flows

For the period ended December 31, 2014

| <i>In thousands of Canadian dollars</i> | Quarter ended Dec. 31 | | Period ended Dec. 31 | |
|---|-----------------------|---------|----------------------|---------|
| | 2014 | 2013 | 2014 | 2013 |
| Operating activities | | | | |
| Surplus | 10,519 | 5,771 | 12,567 | 13,973 |
| Items not affecting cash: | | | | |
| Increase (decrease) in liabilities for employee future benefits | 77 | 94 | (127) | 1,122 |
| Amortization of tangible capital assets | 105 | 174 | 438 | 529 |
| | 10,701 | 6,039 | 12,878 | 15,624 |
| Changes in non-cash financial items: | | | | |
| Increase in accounts receivable | (289) | (256) | (1,078) | (92) |
| Decrease (increase) in receivable from the Canada Media Fund | (47) | 38 | 307 | 601 |
| Increase in loan | (1) | - | (655) | - |
| Increase (decrease) in accounts payable and accrued liabilities | 70 | (263) | 554 | (1,269) |
| Increase (decrease) in deferred revenues - Talent Fund | (598) | - | 1,127 | - |
| Decrease in special termination benefits payable as a result of downsizing | - | (14) | - | (336) |
| Increase (decrease) of financial assistance programs obligations | (8,984) | (4,180) | (5,347) | (8,046) |
| Decrease (increase) in prepaid expenses | (110) | (755) | 1,575 | 837 |
| | 742 | 609 | 9,361 | 7,319 |
| Capital activities | | | | |
| Acquisitions | (168) | (357) | (459) | (585) |
| Write-offs | - | - | 6 | - |
| | (168) | (357) | (453) | (585) |
| Increase in Due from Consolidated Revenue Fund and Cash - Talent Fund | 574 | 252 | 8,908 | 6,734 |
| Due from Consolidated Revenue Fund and Cash - Talent Fund, beginning of period | 57,641 | 52,079 | 49,307 | 45,597 |
| Due from Consolidated Revenue Fund and Cash - Talent Fund, end of period | 58,215 | 52,331 | 58,215 | 52,331 |

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, 2014. The accounting and calculation methods used in these quarterly financial statements are identical to those used in the annual financial statements of March 31, 2014, except those mentioned in Note 2.

2. New accounting policies

Talent Fund

The Talent Fund (the "Fund") was created in March 2012 and its operations are an integral part of the Corporation's activities. The aim of the Fund is to support and promote Canadian works and talent through the Corporation's programs. The Fund's revenues consist of donations from individuals and companies. These donations are deposited into a separate bank account and are presented under Cash - Talent Fund in the statement of financial position. Donations that have no external restriction are recorded as revenue during the period in which they are received. Meanwhile, donations that have external restrictions are recorded as revenue during the period in which they are used for prescribed purposes. In addition, donations that have external restrictions and are not used are shown as deferred revenues in the statement of financial position. Under the *Telefilm Canada Act*, investment revenues and recoveries generated by projects funded by the Fund are made available to the Corporation to finance its assistance expenses.

During the quarter, the Corporation recorded \$598,000 as revenues coming from donations that have external restrictions.

Loan

The Corporation made a loan to a production company in the amount of \$650,000. The loan is recorded at the lesser of the cost or the net recoverable amount. Interest revenue is recognized as a receivable when earned.

The loan bears interest at the rate of the Royal Bank of Canada plus a prime of 2% and is calculated on a daily basis. The loan will be repayable in seven equal installments starting on February 15, 2017, while the interest are repayable as of November 15, 2014.



Schedules A and B - Other Information

A - Operating and administrative expenses

| | Quarter ended Dec. 31 | |
|---|-----------------------|-------|
| | 2014 | 2013 |
| Salaries and employee benefits | 4,117 | 4,451 |
| Professional services | 678 | 329 |
| Rent, taxes, heating and electricity | 430 | 419 |
| Information technology | 247 | 164 |
| Office expenses | 208 | 164 |
| Travel and hospitality | 189 | 166 |
| Amortization of tangible capital assets | 105 | 174 |
| Advertising and publications | 52 | 94 |
| | 6,026 | 5,961 |

B - Cumulative operating and administrative expenses

| | Cumulative Budget | Period ended Dec. 31 | |
|---|----------------------|----------------------|--------|
| | | 2014 | 2013 |
| Salaries and employee benefits | 13,830 | 12,552 | 14,580 |
| Rent, taxes, heating and electricity | 1,296 | 1,334 | 1,524 |
| Professional services | 1,538 | 1,333 | 962 |
| Information technology | 1,149 | 1,229 | 982 |
| Office expenses | 439 | 458 | 386 |
| Amortization of tangible capital assets | 421 | 438 | 529 |
| Travel and hospitality | 476 | 411 | 388 |
| Advertising and publications | 216 | 131 | 190 |
| | 19,365 | 17,886 | 19,541 |