

Quarterly Financial Report
Period ended September 30, 2015

Second quarter of fiscal 2015-2016
Published November 27, 2015

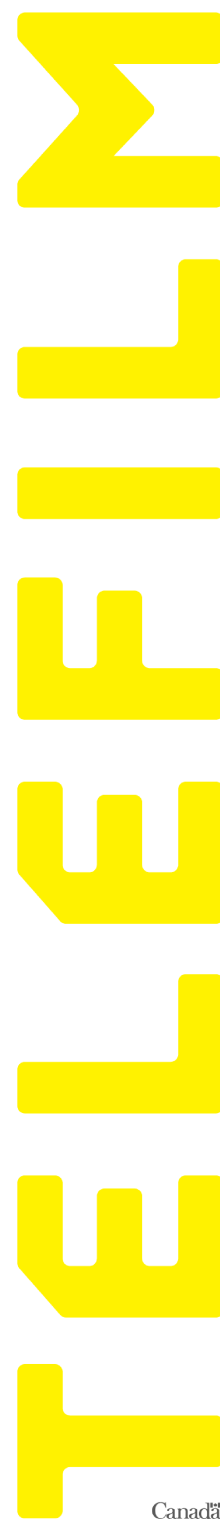




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1. TELEFILM

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 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 creative talents by providing financial assistance to Canadian film projects and by highlighting the value of Canadian audiovisual industry talent at regional, national and international festivals, markets and events.

In addition, the Corporation is implementing its new 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 and Official Languages regarding certification of audiovisual treaty coproductions. Our head office is located in Montreal and we serve clients through our four offices 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.

3. IMPORTANT CHANGES

Programs

The Corporation and the Rogers Group of Funds renewed the Theatrical Documentary Program for fiscal 2015-2016, both organizations seeking to ensure the success and long-term survival of Canadian feature-length documentaries. The Corporation granted a \$625,000 funding envelope to this program.

1 : www.telefilm.ca/en/telefilm/corporate-publications/corporate-plan
2 : www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=18789§ion=text



3. IMPORTANT CHANGES (CONT.)

Activities

During the quarter, the Corporation funded 36 new productions for a total of more than \$22 million. In addition, Canada radiated brightly on the international scene, with three Canadian films presented in competition at the 68th Locarno Film Festival, including Philippe Falardeau's, *Guibord s'en va-t-en guerre*, screened at the Piazza Grande. Canadian directors Anne Émond and Igor Drlijača were also there to present their respective films, *Les êtres chers* and *The Waiting Room*. Furthermore, the Corporation was delighted with the strong Canadian presence at the 63th San Sebastián International Film Festival, notably given that three Canadian films were presented at the festival, along with the minority Canada-Spain coproduction *Regression*, projected at the opening of the festival. Moreover, in concert with the festival, the Focus on Canada initiative enabled a delegation of 12 Canadian producers and distributors to take part in the Europe-Latin America Coproduction Forum, organized by the host festival and Telefilm and its partners (Manitoba Film & Music, SODEC and the Ontario Media Development Corporation).

The Corporation also put the spotlight on Canadian talent at the 40th Toronto International Film Festival (TIFF) through a variety of initiatives such as: Eye on TIFF (in New York and Los Angeles), a pre-festival activity that provides distributors and exhibitors with a sneak peek at the Canadian films in selection at TIFF; Filmmaker Boot Camp, which helps prepare producers and directors for the requirements as well as the benefits of film festivals; Canada Lounge, a business and networking centre for Canadian film teams that serves as their Toronto meeting hub with international industry representatives and press; PITCH THIS!, which offers filmmakers the opportunity to pitch their feature film idea to a jury of international industry experts; and a microsite highlighting Canadian content and talent at TIFF.

In addition, Telefilm and uniFrance Films announced that they would launch a partnership focused on the broadcasting and promotion of independent films from their respective countries. The first initiative will focus on the U.S. market and will involve Telefilm's Canada Cool, an annual tour of the United States that will include a French film, and uniFrance Films's Young French Cinema, which will include a Canadian French-language film. The goal of these initiatives is to build audiences for independent film and to showcase French and Canadian creative talent in a wide variety of screening venues in the United States.

Finally, the pan-Canadian Oscar selection committee, chaired by Telefilm, selected Maxime Giroux's *Félix et Meira* to represent Canada for consideration as a possible nominee in the Best Foreign Language Film category at the Oscars.

Personnel

The Corporation wishes to highlight the merit of its Executive Director, Carolle Brabant, who was granted the rank of Chevalier of France's Order of Arts and Letters, which honours people who have distinguished themselves through their personal creations in arts or literature, or by contributions they have brought to the promotion of arts and literature in France and across the globe. This honour is conferred by France's Minister of Culture and Communication, and will be awarded to Ms. Brabant in Montreal this December.

4. GOVERNANCE AND MEMBERS OF THE BOARD

Governance of the Corporation is carried out through activities of the Board and its three subcommittees as well as by the Management Committee, chaired by the Executive Director, and its subcommittees. The Board and the Audit and Finance Committee each held one meeting during the quarter. The Management Committee met seven times. It should be noted, furthermore, that Marie-Linda Lord began to act as member of the Strategic Planning and Communications Committee as of October 2015.



5. RISK MANAGEMENT

The Corporation manages risk through the Risk Management Committee, comprised of all members of the Management Committee. An assessment of risks and their mitigation measures is conducted semi-annually. Currently underway, the assessment now features improved documentation of risk components, which will, among other things, provide for better understanding of how risks evolve from a variety of angles. No new risks have been identified to date.

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, 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 September 30, 2015. The importance of these adjustments is deemed immaterial by Management.

7. ANALYSIS OF CUMULATIVE RESULTS

All figures shown are rounded and the variance calculations are based on the figures of the financial statements.

Assistance Expenses

For the six-month period ended September 30, 2015

	Budget (\$M)		Actual (\$M)		Variance			
	Annual	Period	2015- 2016	2014- 2015	Budget		Actual	
					\$	%	\$	%
Production	61.5	29.3	26.6	37.0	2.7	9	(10.5)	(28)
Development	7.6	1.1	1.2	1.8	(0.1)	(8)	(0.6)	(33)
	69.1	30.4	27.8	38.8	2.7	9	(11.1)	(29)
Promotion	7.3	4.3	4.4	3.8	(0.1)	(3)	0.6	16
Marketing	11.3	3.6	3.3	4.0	0.3	7	(0.7)	(17)
International events	2.2	1.2	1.2	1.2	-	(1)	-	2
	20.8	9.1	8.9	9.0	0.1	1	-	(1)
	89.9	39.5	36.7	47.8	2.8	7	(11.1)	(23)

Activities in support of the industry are consistent with our financial forecasts and show a mid-year budgetary surplus of 7%. We expect, however, that this surplus will be diminished over the next two fiscal quarters. Furthermore, analysis of current data reveals significant variances in comparison with previous results. Thus, expenditures stemming from our Production Program are \$10.5 million lower when compared with the same semester last year. This is due mainly to a notable drop in the number of films funded through production companies able to access the program's fast-track stream, particularly as this concerns English-language projects. It is expected that these companies will submit projects before March 31 (End of the year). Expenditures related to the Development Program also fell—by \$0.6 million—when compared with the same semester last year. The Corporation funded about 20 fewer development projects when compared with the same period last year, accounting for a 30% drop.



7. ANALYSIS OF CUMULATIVE RESULTS (CONT.)

In addition, expenditures related to promotional activities increased in comparison to the same semester last year, mainly due to several events that were funded earlier than they were last year—among them, notably, the highly popular Hot Docs Canadian International Documentary Festival. Finally, when compared with the same semester last year, marketing support fell by 17%, or close to \$0.7 million. This drop was mainly due by the delay of marketing of projects in light of the expected forthcoming release of a high number of U.S. movies.

Operating and Administrative Expenses

For the six-month period ended September 30, 2015

	Budget (\$M)		Actual (\$M)		Variance			
	Annual	Period	2015- 2016	2014- 2015	Budget		Actual	
					\$	%	\$	%
Salaries & wages	18.8	9.4	9.0	8.4	0.4	5	0.5	6
Information technology	1.5	0.9	0.9	1.0	-	-	-	(4)
Rent	1.7	0.9	0.9	0.9	-	(4)	-	(2)
Professional services	2.0	0.8	0.8	0.7	-	(1)	0.1	18
Office expenses	0.6	0.3	0.2	0.3	-	11	-	6
Travel	0.6	0.3	0.2	0.2	0.1	36	-	(17)
Amortization	0.3	0.1	0.2	0.3	-	(8)	(0.2)	(52)
Advertising & publications	0.2	0.1	0.1	0.1	-	36	-	(9)
	25.7	12.8	12.3	11.9	0.6	4	0.4	3

The Corporation recorded a small budget surplus of 4% in this first semester. This result is highly satisfactory and bodes well for the results this fiscal year end. Most cost savings stem from payroll expenditures, given that certain unfilled positions, combined with the effects of replacement positions, led to substantial savings of \$0.4 million. Moreover, salary expenditures increased when compared with the same semester last year, due, notably, to wage increases and to the staffing of positions that were vacant during the first semester of last year.

Other administrative expenditures are relatively stable. It should be noted that professional and consulting fees rose in comparison with the same semester last year. This increase was due mainly to the use of IT consultants to address staffing needs. In addition, travel expenses recorded a budgetary surplus, stemming mainly from the cancellation of certain planned trips both in Canada and abroad. Finally, amortization expenses decreased over the same semester last year due to the fact that certain assets—mainly leasehold improvements—were fully amortized.



7. ANALYSIS OF CUMULATIVE RESULTS (CONT.)

Government Funding and Revenues

For the six-month period ended September 30, 2015

	Budget (\$M)		Actual (\$M)		Variance			
	Annual	Period	2015- 2016	2014- 2015	Budget		Actual	
					\$	%	\$	%
Parliamentary appropriation	95.5	45.3	45.7	50.8	0.4	1	(5.1)	(10)
Investment revenues and recoveries	10.0	5.1	5.9	5.7	0.8	17	0.3	5
Management fees from the CMF	10.0	5.0	4.9	4.8	(0.1)	(3)	0.1	2
Talent Fund	2.0	0.3	0.8	0.2	0.5	151	0.5	221
Interest and other revenues	0.1	0.1	0.1	0.2	-	18	(0.2)	(74)
	117.6	55.8	57.4	61.7	1.5	3	(4.4)	(7)

Telefilm's funding is subject to short-term fluctuation, which tends to lessen over the course of a full fiscal year. In this respect, the parliamentary appropriation fell significantly, by \$5.1 million, over the same period last year. Indeed, there was a substantial albeit temporary decrease in activities related to the Production Program, which had a direct impact on the use of our parliamentary appropriation. Furthermore, revenues and recoveries stemming from funded projects rose by \$0.8 million, stimulated by receipts for the productions *Enemy* and *The Captive*.

In addition, revenues from the Talent Fund also increased (by \$0.5 million) when compared with budgeted revenues as well as with revenues of the same semester last year. It should be noted that it is hard to anticipate when donations will be received and when funds obtained from contribution agreements will be used for project funding. Furthermore, the increase in Fund revenues in comparison to the same semester last year is due in equal measure to two Talent Fund funding streams: the increased receipt from major donations (foundation, private donor and private company), and the increased use of annual contributions from Bell Media and Corus Entertainment, 2014-2015 being the first year for these contributions. Finally, interest and other revenues were down in comparison to the same semester of last year. This drop arises from the fact that, at the same semester last year, the Corporation had received a monetary rebate in connection with the renewal of the lease of head office premises.



8. ANALYSIS OF RESULTS FOR THE SECOND QUARTER

	Actual (\$M)		Variance	
	2015-2016	2014-2015	\$	%
Assistance expenses	28.9	37.6	(8.8)	(23)
Operating and administrative expenses	5.9	5.8	0.1	2
Revenues	8.1	7.7	0.5	6
Parliamentary appropriation	25.2	32.8	(7.6)	(23)
Deficit	(1.5)	(2.9)	1.5	(52)

Expenditures in support of the industry fell substantially, by 23%, when compared with the same period last year. This drop was due mainly to our Production Program. Indeed, companies eligible for fast track funding under the program did not submit major projects during the second quarter of fiscal 2015-2016. It should be noted that the effect was particularly highlighted due to the fact that the second quarter of fiscal 2014-2015 was successful. Lastly, funding stemming from the use of our parliamentary appropriation also fell substantially, by 23%, when compared with the same quarter of fiscal 2014-2015. This decrease is closely correlated with the drop in our funding activities in the second quarter and, consequently, with the use of our parliamentary appropriation.

9. ANALYSIS OF FINANCIAL POSITION

	Actual (\$M)		Variance	
	Sept. 30, 2015	March 31, 2015	\$	%
Financial assets				
Due from Consolidated Revenue Fund	55.1	47.6	7.5	16
Cash - Talent Fund	1.8	0.5	1.3	228
Accounts receivable	3.4	4.2	(0.8)	(19)
Receivable from CMF	2.4	3.3	(0.9)	(27)
Loan	0.7	0.7	-	-
	63.4	56.3	7.1	13
Liabilities				
Accounts payable	2.3	2.3	-	2
Deferred revenues - Talent Fund	1.1	0.2	0.9	429
Financial assistance programs obligations	29.2	32.3	(3.1)	(10)
Liabilities for employee future benefits	0.8	0.8	(0.1)	(7)
Net financial assets	30.0	20.7	9.3	45
Non-financial assets				
Tangible capital assets	3.1	2.6	0.5	18
Prepaid expenses	0.5	1.9	(1.4)	(73)
Accumulated surplus	33.6	25.2	8.4	33

Financial assets

The Corporation's financial position is strong, as shown by the level of its net assets. Cash, the leading asset, has increased since March 31, 2015, due notably to the receipt of revenues and project recoveries. In addition, the Talent Fund's cash position also increased, owing mainly to receipt of the Bell Media contribution. Accounts receivable decreased, owing mainly to planned receivables from major client accounts due March 31, 2015. The amount receivable from the Canada Media Fund (CMF) also declined, due to the recovery of costs tied to new business process management software invoiced as at March 31 and to the 13% Harmonized Sales Tax applicable on the delivery of program services.

Financial liabilities

Deferred revenues rose significantly, owing mainly to receipt of the Bell Media contribution (\$1.4 million). The decrease in funding-program obligations stems mainly from the fact that fewer contractual commitments have been undertaken during the fiscal year to date.

Non-financial assets

The increase in tangible capital assets stems from capital costs related to work underway to develop the new business process management software, which will replace the operating system we currently use to deliver our funding programs. Lastly, prepaid expenses fell significantly, owing to the expensing of almost all prepaid expenses from the last 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, the parliamentary appropriation being calculated using a modified cash basis accounting method.

<i>In million of Canadian dollars</i>	Sept. 30, 2015	Sept. 30, 2014
Cost of operations	48.9	59.7
Adjustment affecting the use of parliamentary appropriation :		
Assistance expenses adjustment where parliamentary appropriation eligibility criterias have been met	3.2	(3.7)
Assistance expenses funded by the Talent Fund	(0.5)	(0.2)
Prepaid expenses	(1.4)	(1.1)
Loan	-	0.6
Operating expenses funded by the CMF	(4.9)	(4.8)
Acquisitions of property and equipment	0.6	0.3
Amortization	(0.2)	(0.3)
Employee future benefits	-	0.3
Use of Parliamentary appropriation at September 30	45.7	50.8
Parliamentary appropriation available for subsequents quarters	49.8	44.7
Parliamentary appropriation authorized	95.5	95.5

The amount of the Parliamentary appropriation comes from the 2015-2016 Main Estimates.

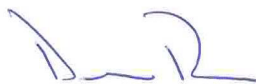
11. QUARTERLY FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2015**Statement of Management Responsibility**

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
November 27, 2015



Quarterly Statement of Operations

For the three-month period ended September 30, 2015

<i>In thousands of Canadian dollars</i>	Schedule	Quarter ended Sept. 30	
		2015	2014
Assistance expenses			
Development of the Canadian audiovisual industry			
Production assistance		22,299	29,004
Development assistance		1,144	1,833
		23,443	30,837
Promotional support in Canada and abroad			
Promotion		3,938	3,197
Distribution and marketing assistance		1,100	3,207
Participation in international events		381	385
		5,419	6,789
		28,862	37,626
Operating and administrative expenses	A	5,924	5,808
Cost of operations		34,786	43,434
Revenues			
Investment revenues and recoveries		4,979	5,094
Management fees from the Canada Media Fund		2,427	2,318
Talent fund		700	230
Interest and other revenues		32	26
		8,138	7,668
Net cost of operations before government funding		26,648	35,766
Government funding			
Parliamentary appropriation		25,218	32,813
Deficit		(1,430)	(2,953)
Accumulated surplus, beginning of period		35,001	25,257
Accumulated surplus, end of period		33,571	22,304

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



Statement of Operations

For the six-month period ended September 30, 2015

<i>In thousands of Canadian dollars</i>	Schedule	Period ended Sept. 30		
		Cumulative Budget	Cumulative 2015	Cumulative 2014
Assistance expenses				
Development of the Canadian audiovisual industry				
Production assistance		29,300	26,551	37,033
Development assistance		1,130	1,223	1,833
		30,430	27,774	38,866
Promotional support in Canada and abroad				
Promotion		4,250	4,379	3,770
Distribution and marketing assistance		3,550	3,298	3,977
Participation in international events		1,200	1,207	1,183
		9,000	8,884	8,930
		39,430	36,658	47,796
Operating and administrative expenses	B	12,824	12,250	11,860
Cost of operations		52,254	48,908	59,656
Revenues				
Investment revenues and recoveries		5,097	5,945	5,666
Management fees from the Canada Media Fund		5,012	4,863	4,750
Talent Fund		300	752	234
Interest and other revenues		50	59	229
		10,459	11,619	10,879
Net cost of operations before government funding		41,795	37,289	48,777
Government funding				
Parliamentary appropriation		45,324	45,687	50,825
Surplus		3,529	8,398	2,048
Accumulated surplus, beginning of period		25,173	25,173	20,256
Accumulated surplus, end of period		28,702	33,571	22,304

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


Statement of Financial Position

<i>In thousands of Canadian dollars</i>	Sept. 30, 2015	March 31, 2015
Financial assets		
Due from Consolidated Revenue Fund	55,108	47,596
Cash - Talent Fund	1,810	552
Accounts receivable	3,402	4,196
Receivable from the Canada Media Fund	2,429	3,348
Loan	655	655
	63,404	56,347
Liabilities		
Accounts payable and accrued liabilities	2,338	2,297
Deferred revenues - Talent Fund	1,090	206
Financial assistance programs obligations	29,201	32,316
Liabilities for employee future benefits	771	829
	33,400	35,648
Net financial assets	30,004	20,699
Non-financial assets		
Tangible capital assets	3,052	2,581
Prepaid expenses	515	1,893
	3,567	4,474
Accumulated surplus	33,571	25,173

The accompanying note 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, 2015

<i>In thousands of Canadian dollars</i>	Sept. 30, Budget	Sept. 30, 2015	March 31, 2015
Surplus	3,529	8,398	4,917
Tangible capital asset transactions			
Amortization	149	161	553
Acquisitions	(676)	(632)	(1,317)
Other transactions			
Acquisitions of prepaid expenses	-	(361)	(1,893)
Use of prepaid expenses	1,900	1,739	2,162
Increase in net financial assets	4,902	9,305	4,422
Net financial assets, beginning of year	20,699	20,699	16,277
Net financial assets, end of period	25,601	30,004	20,699

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



Statement of Cash Flows

For the period ended September 30, 2015

	Quarter ended Sept. 30		Semester ended Sept. 30	
	2015	2014	2015	2014
<i>In thousands of Canadian dollars</i>				
Operating activities				
Surplus (deficit)	(1,430)	(2,953)	8,398	2,048
Items not affecting cash:				
Decrease in liabilities for employee future benefits	(2)	(46)	(58)	(204)
Amortization of tangible capital assets	80	154	161	333
	(1,352)	(2,845)	8,501	2,177
Changes in non-cash financial items:				
Decrease (increase) in accounts receivable	(760)	(1,884)	794	(789)
Decrease in receivable from the Canada Media Fund	7	66	919	354
Increase in accounts payable and accrued liabilities	368	1,014	41	484
Increase in deferred revenues - Talent Fund	884	1,725	884	1,725
Increase (decrease) of financial assistance programs obligations	6,779	9,023	(3,115)	3,637
Decrease in prepaid expenses	130	3	1,378	1,685
	6,056	7,102	9,402	9,273
Capital activities				
Acquisitions	(383)	(164)	(632)	(285)
Investing activities				
Loan granted	-	(654)	-	(654)
Increase in Due from Consolidated Revenue Fund and Cash - Talent Fund	5,673	6,284	8,770	8,334
Due from Consolidated Revenue Fund and Cash - Talent Fund, beginning of period	51,245	51,357	48,148	49,307
Due from Consolidated Revenue Fund and Cash - Talent Fund, end of period	56,918	57,641	56,918	57,641

The accompanying note 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, 2015. The significant accounting policies used in these quarterly financial statements are similar to those used in the annual financial statements of March 31, 2015.

Schedules A and B - Other Information

A - Operating and administrative expenses

	Quarter ended Sept. 30	
	2015	2014
Salaries and employee benefits	4,435	4,153
Rent, taxes, heating and electricity	439	454
Professional services	425	320
Information technology	312	415
Office expenses	107	139
Travel and hospitality	82	111
Amortization of tangible capital assets	80	154
Advertising and publications	44	62
	5,924	5,808

B - Cumulative operating and administrative expenses

	Cumulative Budget	Semester ended Sept. 30	
		2015	2014
Salaries and employee benefits	9,413	8,967	8,435
Information technology	935	939	982
Rent, taxes, heating and electricity	856	886	904
Professional services	769	773	655
Office expenses	299	267	250
Travel and hospitality	290	185	222
Amortization of tangible capital assets	149	161	333
Advertising and publications	113	72	79
	12,824	12,250	11,860