

September 28, 2012

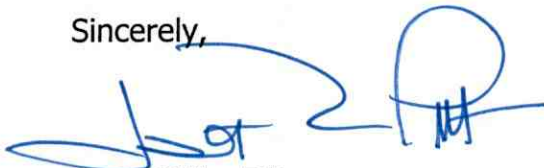
Ms Sandra Barnes  
Clerk of the House of Assembly

Dear Ms Barnes:

**Re: 2011-12 Annual Report**

On behalf of the Minister of Tourism, Culture and Recreation, I am pleased to provide 10 paper copies of the 2011-12 Annual Report of the Newfoundland and Labrador Film Development Corporation. It has also been submitted to the House in digital format. By this letter, I am conveying the Minister's intent to table.

Sincerely,



Janet Miller Pitt  
Director, Strategic Planning and Policy Division

c: Ms. Kimberly Puddister, House of Assembly  
Mr. Andy Fowler, House of Assembly  
Ms. Wanda Mazerolle, Transparency and Accountability Office  
Ms. Andrea Hyde, House of Assembly



**ANNUAL REPORT FOR:**

**2011-12**

**Prepared by:**

**NLFDC  
12 King's Bridge Road  
St. John's, NL, A1C 3K3**

**Newfoundland and Labrador Film Development Corporation  
Annual Report 2011-12**

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## **Message from the Chair**

I am honoured to serve as Chair of the Board of the Newfoundland and Labrador Film Development Corporation (NLFDC) and to present the 2011-12 Annual Report to the Government of Newfoundland and Labrador. As a crown corporation, the NLFDC's mandate is to promote the development of the indigenous film and video industry in the province and to promote the province's film and television products and locations nationally and internationally. The board of directors of the NLFDC is accountable for the preparation of the 2011-12 Annual Report and the results reported therein. Results and variances are explained for the achievement of the specific objectives contained therein.

This has been a period of many notable achievements and continued strength. In 2011-12, the province reached approximately \$33 million in annual total production activity, remaining essentially on par with last year, the highest in our history. Based on a formula from the most recent economic analysis, our 2011-12 production activity created more than 425 direct, indirect and induced fulltime employment equivalencies (FTEs). 2011-12's production activity puts the cumulative total of production activity well past \$200 million, for a grand total of over \$220 million in production activity since the inception of the NLFDC. To achieve this total of \$220 million, the Government of Newfoundland and Labrador invested an estimated total of \$49.7 million (including tax credits) into motion picture production, since 1997. This means that the provincial government's investments have now leveraged over \$170.3 million in new, film industry specific money into the province. More than 2,850 direct, indirect and induced FTEs have been created from production activity over 15 years, or more than 190 FTEs on average per year, from this investment by the province.

Season III of *The Republic of Doyle*, a dramatic television series of 13 one-hour episodes, was highly successful with an average of well over 1,000,000 viewers per episode, and the show has been renewed for a fourth season. The genres of feature film, documentary, children's television, unscripted television and short film also played notable parts in this year's success. The feature film *Beat Down*, television productions such as *Mickey*, *Pet ER*, and documentaries such as *Gordon Pinsent*, *Still Rowdy After All These Years* continue to demonstrate the amazing variety of talent we possess in Newfoundland and Labrador.

The film and television production community is getting ever stronger in this province, with established filmmakers combining with an energetic new generation of producers, talent, and crew to create motion pictures we can all be proud of. This could not happen without the vision and leadership of successful sectoral organizations such as the Newfoundland Independent Filmmakers Co-operative (NIFCO), the St John's International Woman's Film Festival, the Nickel Independent Festival, and the Film Producers Association of Newfoundland (PAN).

As well, the many positive results of a variety of project partnerships forged by the film and television industry with the Government of Newfoundland and Labrador, as well as the College of the North Atlantic Bay St George Campus and Memorial University Grenfell Campus, cannot be over-emphasized. Each of these initiatives have played a significant role in developing the industry overall.

2011-12 was not without its challenges. Increased production activity requires an increased focus on capacity building especially in the areas of crew strength and infrastructure. As well, meeting the current

demand on the Equity Investment Program and the Film and Video Tax Credit requires very close planning within our existing fiscal and human resources.

Nationally, this year has again witnessed major revisions to the funding system, in particular with what can only be called a revolutionary overhaul to the Telefilm Canada process. The full impact will not be known until next year. Furthermore, the convergence of the media landscape continues to shape a new future.



Paul Lannon  
Chair, Board of Directors (NLFDC)

## **An Overview**

The Government of Newfoundland and Labrador announced the establishment of the Newfoundland and Labrador Film Development Corporation (NLFDC) in February 1997 and the appointment of the Board of Directors of the Corporation in March 1997. The first Executive Director of the Corporation was appointed in October 1997, and the following month the offices of the Corporation opened.

The NLFDC's mandate is to foster and promote the development and growth of the film and video industry in Newfoundland and Labrador, and to increase the national and international visibility of Newfoundland and Labrador as a location for film and television production. This mandate is achieved by pursuing several key objectives, which are:

- To support, assist and develop the growth of the private sector film and video industry using sound business principles in the areas of funding, marketing, promotion and infrastructure development.
- To promote the province within the worldwide film and video industry as a location for film, video, television and commercial productions.
- To serve as a focal point of liaison between industry and all levels and sectors of government in support of industry development.
- To ensure that appropriate pools of investment and equity capital are available to assist in the growth of the indigenous industry.

The Corporation has a six-member board of directors that meet on a quarterly basis. Five are voting members, while the remaining one is a non-voting ex-officio member from the Department of Tourism, Culture and Recreation.

In the 2011-12 fiscal year, the NLFDC had an Operating/Marketing budget of \$710,000 and a \$2,000,000 budget for use in the Equity Investment Program.

### **Lines of Business**

The NLFDC pursues five lines of business. The two most significant are the Equity Investment Program (EIP) and the Newfoundland and Labrador Film and Video Tax Credit.

The EIP is a financial contribution to eligible Newfoundland and Labrador film or television projects, to a maximum of 20 per cent of the total production budget that shall be repaid from earned revenue. The Newfoundland and Labrador Film and Video Tax Credit Program is a fully refundable corporate income tax credit administered on behalf of the Department of Finance by the NLFDC. The tax credit encourages the development, training and hiring of Newfoundland film personnel. The credit is based on a calculation of eligible labour limited to the lesser of 25 per cent of the total eligible budget or 40 per cent of the total eligible labour expenditures.

The NLFDC's EIP and tax credit are crucial to a local film project's overall financial structure. This funding triggers outside investment which gets leveraged into this province for film productions. These leveraged sources of funding are film industry specific investments that otherwise would not occur here;

it is not funding that would go to another industry or cultural sector or to any other government program, but would, instead, be spent on film/television production in another jurisdiction.

The third line of business is the Sponsorship Program providing qualified individuals and organizations with funding assistance to enable them to promote the products of the local industry. Fourthly, the NLFDC has a fulltime Industry Analyst who works on behalf of crew, producers, and filmmakers to organize and support specific workshops, training opportunities, job placements, and other projects designed to increase the local industry's capacity. Finally, the NLFDC markets the local industry and the province as an on-site location nationally and internationally to improve the industry's ability to attract productions and solicit business.

The NLFDC has five employees in the following positions: Executive Director/Film Commissioner, Manager of Programs, Program Analyst, Business Analyst and Industry Analyst.

Its office is located at:

Newfoundland and Labrador Film Development Corporation  
12 King's Bridge Road  
St. John's, NL, A1C 3K3

### **Vision**

A viable, healthy and stable film industry in Newfoundland and Labrador.

### **Mission**

By March 31, 2017, the NLFDC will have fostered the growth and ensured the stability of the Newfoundland and Labrador Film industry through work with its partners.

### **Measure**

- Fostered the growth and ensured the stability of the Newfoundland and Labrador Film Industry

### **Indicators**

- Increased production activity as a result of effective, efficient management of the Equity Investment Program (EIP).
- Worked towards improving the Film and Video Industry Tax Credit.
- Increased national and international co-production opportunities explored.
- Provided Professional Development opportunities for mid level to senior film production staff.

## **Shared Commitments**

The NLFDC continued to work with the Department of Tourism, Culture and Recreation (TCR) to set priority actions and to ensure connectivity to larger government programs. Through this collaboration, which includes the Department of TCR sitting on the NLFDC board, departmental and NLFDC funding programs are aligned to identify opportunities to educate stakeholders and champions of the film industry.

The NLFDC also continued to work with the Department of Finance concerning tax credits to ensure these credits are efficient and competitive. The NLFDC continues to sit on the National Tax Credit Committee to keep abreast of national developments and policies. The NLFDC also works with the Producers Association of Newfoundland and Labrador, the Newfoundland Independent Filmmakers Co-Operative (NIFCO), the Atlantic Canada Opportunity Agency (ACOA) and the Department of Innovation, Business and Rural Development (IBRD) on key aspects of industry development, marketing and support.

The NLFDC continued to participate in the International Business Development Group (IBDG) chaired by Telefilm Canada which includes representatives from all financial partners including Telefilm, the Association of Provincial Film Funding Agencies (APFA) and industry partners Canadian Media Producers Association (CMPA), the Canadian Media Fund (CMF) and Foreign Affairs and International Trade Canada. This committee is responsible for overseeing the Canada marketing presence at international events.

The NLFDC is also a member of the Association of Film Commissioners International (AFCI) which assists film commissioners to promote their incentives and locations, and allows the NLFDC to keep abreast of developments on incentives in the US and internationally. With the Atlantic Canada Film Partners (ACFP), NLFDC undertakes joint industry initiatives and events attended by producers, broadcasters, distributors and funders. Through the Atlantic Film Festival/Strategic Partners, the NLFDC participates in many meetings with potential co-production partners and attends various panels on emerging trends and strategies on international co-production financing.

The NLFDC also facilitated workshops and other professional development and training initiatives in partnership with industry organizations such as the International Alliance of Theatrical Stage Employees (IATSE), the St. John's International Women's Film Festival, the Nickel Independent Film Festival, Film Producers Association of Newfoundland (PAN), the Grenfell Campus of Memorial University of Newfoundland and the College of the North Atlantic (CNA) Film and Video program in Stephenville.



## Highlights and Accomplishments

This has been a period of many notable achievements and continued strength. In 2011-12, the province reached approximately \$33 million in annual total production activity, remaining essentially on par with last year, the highest in our history. Based on a formula from the most recent economic analysis, our 2011-12 production activity created more than 425 direct, indirect and induced fulltime employment equivalencies (FTEs). 2011-12's production activity puts the cumulative total of production activity well past \$200 million, for a grand total of over \$220 million in production activity since the inception of the NLFDC. To achieve this total of \$220 million, the Government of Newfoundland and Labrador invested an estimated total of \$49.7 million (including tax credits) into motion picture production, since 1997. This means that the provincial government's investments have now leveraged over \$170.3 million in new, film industry specific money into the province. More than 2,850 direct, indirect and induced FTEs have been created from production activity over 15 years, or more than 190 FTEs on average per year, from this investment by the province.

### Canadian Media Producers Association (CMPA) – Atlantic Mentoring Program

Background: In October, 2006 representatives from NLFDC met with representatives of the CMPA who was drafting a proposal for an Atlantic mentoring program for people in Atlantic Canada who would like to become producers to work with established production companies in the Atlantic Region, with a focus on emerging talent. A subsequent meeting took place in Halifax with Atlantic Canada Film Partners in January. With the exception of PEI, all partners are supportive of this initiative (including Telefilm Canada).

Telefilm (Atlantic office) committed \$30,000 to this initiative and each participating province was asked to commit \$15,000. There will be 6 placements in total, including a French company. This initiative began in the middle of April, 2007.

Again by the obvious success of this program the fourth year was approved, deadline for applications were in May, 2011.

Placements in this province were:

- Heidi Wagner – Pope Productions
- Patsi Chalmers – Morag Loves Company

As part of the Atlantic Mentorship program both Heidi Wagner with Pope Productions and Patsi Chalmers with Morag Loves Company attended Prime Time in Ottawa, which took place the end of February, 2012 and is hosted by the CMPA.

### NIFCO's Second- Time Filmmakers Program – Picture Start

Background: On October 18, 2008, Telefilm Canada and the Newfoundland Independent Filmmakers Cooperative (NIFCO) announced the launch of **Picture Start**, an innovative pilot program to boost the development of professional filmmakers.

Picture Start is designed to give emerging filmmakers the tools and training needed to advance their producing, directing and writing skills by making a short film. Through the program, participants will be guided by a staff mentor, receive classroom training and on set mentoring by industry professionals, and access state of the art editing facilities at NIFCO.

A minimum of three films will be completed as part of this pilot program. The announcement was made to the provincial film community by Telefilm Canada's Gordon Whittaker, Director, Atlantic Region, and Jennice Ripley, President of NIFCO, at a reception held at NIFCO as part of the St. John's International Women's Festival.

Update: This is the fifth year of this initiative and twelve applications were received. The Jury met in late September (NLFDC sits on the Jury) and the three projects chosen were brought to the NLFDC Board for consideration at the November 16<sup>th</sup>, 2011 Board Meeting. The projects that were approved for funding are:

Company	Filmmakers	Project
Mad Mummer Media	Brad Gover and Frank Barry	Before Your Eyes
Breathless Films	Andrew Winter and Ross Moore	Of the Essence
The Hunting Party	Patrick Condon and Elsa Morena	Winners

### **LA Business Development Trip Background Information**

Film Nova Scotia and the Newfoundland and Labrador Film Development Corporation (NLFDC) partnered with ACOA will lead a business development mission of 20 film, television and new media producers (10 per province) to Los Angeles from June 8-14, 2012. This trip is open to emerging and mid level producers.

Similar to the Film Nova Scotia business development missions in 2010 & 2011, the trip commences with participants attending the annual Producer's Guild of America **Produced By** conference from June 8-10. The *Produced By* conference is the only event in the world where the most influential decision-makers in the entertainment industry gather together in one place to share information and insight on this creative industry. Reaching across the film, television and new media industries, the conference is an educational forum that attracted more than 2,000 participants last year.

Following the conference, from June 11-14, an on the ground matchmaker will arrange daily industry seminars for the producers with various Los Angeles based professionals focusing on established writers, directors, producers and talent agents who will provide participants with an overview of the Los Angeles film industry. Following these meetings, where appropriate one-on-one meetings for the mid-level filmmaker participants will be arranged with industry representatives matched to each participant's needs.

An information session was facilitated by the NLFDC on February 3, 2012 and twenty people attended. Application deadlines for this initiative, was February 15, 2012 and the ten Newfoundland and Labrador participants were selected by the end of February.

## **Telefilm Canada – Canadian Feature Film Fund Development Program**

Telefilm Canada is an agency of the federal government's Department of Canadian Heritage. Its role is to support the creation of Canadian film. In particular, the Canadian Feature Film Fund (CFFF) supports the development and production of feature films with Canadian stories and Canadian talent as their primary focus.

In late fiscal 2011-12, it was announced by Telefilm Canada that its long-established rules for the development phase of Canadian features through the CFFF was going to change radically, beginning April 1, 2012 (fiscal 2012-13). A new process for establishing the future eligibility of applicants would be put into place. Those producers who survived the new stringent eligibility criteria would in 2012-13 present a slate of projects to Telefilm Canada, it was stated. Telefilm held an outreach session in St. John's on January 30, 2012 and 37 local industry representatives were in attendance.

The full fallout on the Canadian film industry cannot be completely known until 2012-13. However, it is clear already that the effect upon Newfoundland and Labrador producers will be very significant; both in terms of who among our producers may be eligible to apply to Telefilm in the future, and also in terms of how the development of feature films through script stages to production will actually take place in the future. What has been announced will greatly alter the traditional system. The NLFDC will continue to monitor closely in the coming year the impact of all this on its own programs and on the local industry.

## **The Republic of Doyle**

*The Republic of Doyle Season III* is a \$22 million television series (13 episodes) developed by the CBC, the NLFDC and Take the Shot Productions Inc of St. John's. It is an hour long drama/comedy which gives the viewer an original and entertaining glimpse into the dynamics of the fictional Doyle family and their tumultuous history.

- The production of Series III of *Republic of Doyle* continued the biggest production in our history, but will also realize the longest sustained period of high production volume, since the inception of the NLFDC.
- As well, the future potential for the film/television industry is very much enhanced by the skills and capacity developed through a production of this magnitude.
- On Season III of production of *Republic of Doyle*, the full time jobs created in Newfoundland and Labrador will be approximately 110, with 90% of those jobs paying over \$25/hour, and with some of the jobs earning over \$100/hour. The total salaries and wages that would be paid to Newfoundlanders and Labradorians are estimated at \$10M.

The investment of provincial public funding into the film industry leverages a significant amount of national funding. Based on a \$ 21.6 M budget, the Province's equity contribution was \$3.0 M and approximately \$16.2M (75%) would be leveraged from outside the province. Funds spent directly in Newfoundland and Labrador in Season III are in the range of \$15.5-\$16.5M. Over 275 direct, indirect and induced fulltime employment equivalencies will have been created.

Guest starring Russell Crowe, episode one of Season III of *Republic of Doyle* aired in January 2012 to over 1.3 million viewers.

## Report on Performance 2011-2012:

To ensure the continued growth of the film and video industry in this province, the NLFDC has identified four major issues/goals in its 2011-14 Business Plan. These goals have been identified in order to achieve our mission and pursue the Government's strategic direction of strengthening cultural sector partnership and support. These goals are measured and reviewed annually with our board of directors to be certain that our mandate is being fulfilled. Per the business plan, the goals follow below, with a written report following on NLFDC performance on each one for 2011-12:

### Issue 1: Equity Investment Program

Effectively managing the Equity Investment Program is an important part of ensuring the continued growth of the film industry. This goal and the achievement of its 2011-2012 objective addresses the strategic direction of government in addressing professional and enterprise development needs.

#### Goal:

**Goal:** *By March 31, 2014 the NLFDC will have worked towards increased local investment and local employment through the effective management of the Equity Investment Fund.*

#### Objective & Measure:

**Objective:** *By March 31, 2012, the NLFDC will have used the Equity Investment Program to increase production activity and maximize economic impact.*

**Measure:** *Used Equity Investment Program to increase production activity and maximize economic impact.*

#### Indicator Reporting: Objective 2011-12

**Indicators:** Used Equity Investment budget to fund projects that maximized the economic impact to the province

Completed a comprehensive analysis of potential productions to be shot in the province and projects recommended for final approval

Increased production activity

#### Discussion of Results:

##### *Equity Fund Budget:*

The NLFDC used the Equity Investment budget to fund projects that maximized the economic impact to the province. In 2011-12, the strong demand on the \$2 million Equity Investment Fund continued, as the total production activity remained at historic levels. This fund supports both development and equity investments. Because of the cyclical nature of the industry, and also because one project, *Republic of*

*Doyle*, is in production for six months (essentially all the main shooting season) there is a challenge for the rest of the industry to maintain itself. Therefore, development funding is crucial to preserving the strength of production activity in the future. In 2011-12, \$226,000 of the \$2 million total went towards development projects. With equity projects, in several cases the NLFDC has had to split its investments over two years, in order to ensure that the largest number of productions could take place.

*Comprehensive analysis of potential productions:*

The NLFDC completes a comprehensive analysis on all projects that are submitted to the corporation. They are assessed in the following manner:

- The NLFDC analyzes the business and creative aspects of the application, according to NLFDC guidelines, policy, and assessment requirements.
- This information is circulated to the Board of Directors in a **Presentation for Funding** form.
- The Board of Directors makes the final decision on all applications.

Evaluation of a project includes consideration of the following:

- Track record of the production company and compliance via projects previously funded by NLFDC.
- Experience of individual producers and other senior managers
- Experience of key creative personnel
- Economic benefit and job creation potential within Newfoundland and Labrador
- Proportion of local corporate ownership and control (minimum 51%)
- Feasibility of production schedule
- Feasibility of proposed financing structure and proposed production budget
- Feasibility of marketing and distribution commitments and/or plans
- Potential for recoupment of investment and eventual profit
- Potential to leverage funds from sources other than NLFDC

*Increased Production Activity:*

Production activity did **not** increase in 2011-12. The Grand Seduction, a large international feature film with a budget of \$9 to \$11 million, which was slated to go into production in the summer/fall of 2011, was put on hold due to events beyond the control of the NLFDC. The project is now expected to occur in the summer/fall of 2012. Nevertheless, with the continuation of a number of large projects, production activity essentially remained on par with the previous year, the highest year in our history, at around \$33 million. To maintain consistency, over the years the NLFDC has calculated production figures based on the start of production (not when the bulk of activity may fall, particularly with television series, which have a long duration) and based on the April 1<sup>st</sup> fiscal year division. By this method, the production activity total is subject to when principal photography begins for a given project, and has often been the case, production begins in March or April, so may somewhat arbitrarily fall on either side of the date of the new fiscal year, for our reporting.

**Looking Forward Fiscal 2012-2013**

**Objective:** By 2013, the NLFDC will have managed the equity investment fund so that concurrent production activity can occur.

**Measure:** Two large productions are shot concurrently within the same fiscal year

**Indicator:** The NLFDC will have effectively managed the equity fund to help enable two large productions to shoot concurrently

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**Issue 2: Film and Video Tax Credit**

It is imperative that the Newfoundland and Labrador tax credit remain competitive, efficient and consistent. In order for this to be achieved the tax credit will require some enhancements to keep up with other jurisdictions nationally. This goal and the achievement of its 2011-2012 objective addresses the strategic direction of government in addressing professional and enterprise development needs.

**Goal:**

**Goal:** *By March 31, 2014 the NLFDC will have worked to enhance the Film and Video Industry Tax Credit.*

**Objective & Measure:**

**Objective:** *By March 31, 2012, the NLFDC will have clearly communicated the importance of the Tax Credit to the Department of Tourism, Culture and Recreation.*

**Measure:** *Clearly communicated the importance of the Tax Credit.*

**Indicator Reporting: Objective 2011-12**

**Indicators:** Completed and submitted a Position Paper making recommendations to enhancing the corporate cap

Consulted with representatives of the Department of Tourism, Culture and Recreation and the Department of Finance

**Discussion of Results:**

*Completion and submission of a position paper:*

A Newfoundland and Labrador Film and Video Tax Credit position paper was **not** prepared in 2011-12. At the time of the development of the indicator in the 2011-14 Business Plan, all evidence led to the conclusion that Season II of the *Republic of Doyle* during the 2011-2012 fiscal year would exceed the

corporate cap currently in place under the tax credit regulations. Had the cap been exceeded, the amount in excess would not have been tax creditable to the production company. Other jurisdictions in Canada do not have such a corporate cap.

At the time that this indicator was provided, this appeared to be the most likely scenario: that the corporate cap would be exceeded by *Republic of Doyle* Season II. Because trying to effect this change would have required a crown corporation and two departments of government to work towards altering a set of regulations governed by legislation, it was important that this expected scenario become part of the official planning of the NLFDC. However, in reality, the corporate cap was not exceeded, and writing a position paper on the corporate cap as one aspect of the Film and Video Tax Credit was no longer necessary. In the meantime, it became clear during 2011-12 that Season III of the same series also would not exceed the corporate cap.

*Consultations with Tourism, Culture and Recreation and the Department of Finance:*

Through discussions with TCR, as well as the Department of Finance, the NLFDC stressed the importance of the tax credit. It was explained that the Tax Credit program encourages the employment and development of local film personnel in all disciplines, because the benefits of hiring locally become financially huge to each production. Local and outside producers need a level of comfort that the tax credit will always be administered effectively and consistently. As the local industry continues to grow, adjustments will be required to the existing tax credit in order to remain competitive both nationally and internationally.

**Looking Forward Fiscal 2012-2013**

***Objective:*** By March 31, 2013, the NLFDC will have assessed the competitiveness of the Newfoundland and Labrador tax credit rate in comparison to other Canadian jurisdictions.

***Measure:*** Determine the competitiveness of the Newfoundland Film and Video tax credit with other jurisdictions in Canada

***Indicator:*** Undertake meetings with other jurisdictions in Canada with regards to keeping the tax credit competitive.

**The NLFDC will have assessed all other jurisdictions in Canada with film and video tax credits. From this assessment a comparative analysis of these jurisdictions will be completed.**



**Issue 3: National/International Marketing**

Participation in markets both nationally and internationally is essential to promoting Newfoundland and Labrador as a potential location and to pursue co-production opportunities. These initiatives provide an avenue for networking, building market awareness, facilitation of co-productions, promotion of



incentives offered by the province, potential locations and information in general about Newfoundland and Labrador. This goal and the achievement of its 2011-2012 objective addresses the strategic direction of government in strengthening Cultural Sector Partnership and Support.

**Goal:**

***Goal: By March 31, 2014 the NLFDC will have further explored co-production opportunities both nationally and internationally through increased presence and targeted marketing.***

**Objective & Measure:**

***Objective: By March 31, 2012, the NLFDC will have formed four co-production relationships from attending national and international markets.***

***Measure: Formed four co-production relationships***

**Indicator Reporting: Objective 2011-12**

**Indicators:** Participated in at least 20-25 meetings with potential co-producers to promote the NLFDC's funding programs and locations

Representatives of the NLFDC attended the six targeted national and international initiatives

**Discussion of Results:**

*Participation in meetings with potential co-producers:*

During the national and international markets, the NLFDC participated in 23 meetings with potential co-producers, to promote the province as a potential shooting location as well as our funding programs available for co-productions.

From these meetings, four co-production relationships were developed:

- During the Cannes International Festival, Best Boy Entertainment formed a co-production relationship with an L.A. Executive Producer for a Genre Feature Film that they hope to shoot in Newfoundland and Labrador in the fall of 2012.
- During Atlantic Film Festival/Strategic Partners, Morag Loves Company formed a co-production partnership with a Quebec co-producer for a feature film that they hope to shoot in Newfoundland and Labrador in the spring of 2013.
- During the AFM, Rink Rat Productions secured an Executive Producer from L.A./Toronto for a feature film that they are planning to start shooting in Newfoundland and Labrador in the spring of 2013.

- During Prime Time, Pope Productions formed a co-production relationship with a producer from Toronto for a television series that they hope to shoot in Newfoundland and Labrador in the summer of 2012.

*Attendance at the six targeted initiatives:*

The Following are six targeted national/international initiatives that representatives from the NLFDC attended:

- **Cannes Film Festival (May, 2011)** – The Newfoundland (NLFDC) participated in the Canadian Pavilion at Cannes and co-hosted three international receptions. NLFDC also hosted along with several other provinces a reception in partnership with Strategic Partners and the International Producers' Network.
- **Banff World Television Festival (June, 2011)** – NLFDC along with five local producers attended Banff this year. The Atlantic Canada Film Partners (ACFP) hosted a hospitality suite which was used for several one-on-one meeting as well as an industry reception. The ACFP also hosted a sponsored event after one of the sessions that were well attended.
- **Toronto Film Festival (TIFF) (September, 2011)** - the NLFDC attended national meetings for APFA, the National Tax Credit Committee, and IBDG. Hosted in partnership with the Department of Innovation, Business and Rural Development (IBRD) the fourth annual Newfoundland and Labrador at TIFF Reception which was extremely well attended by national producers, broadcasters, distributors and funders.
- **Atlantic Film Festival/Strategic Partners - Halifax (September, 2011)** – the NLFDC participated in Strategic Partners and had many meetings with potential coproduction partners. In addition, attended various panels on emerging trends and strategies on how to co-produce with other countries. In addition, attended the Atlantic Festival where several Newfoundland and Labrador productions were screened.
- **American Film Market (AFM) in Santa Monica, CA.** – Representatives from the NLFDC along with three local producers attended this year's AFM. There were several successful meetings and we are currently following up on some serious co-production opportunities.

In addition, NLFDC co-hosted a Canadian reception that was extremely well attended with the following provinces:

- Ontario
- British Columbia
- Alberta
- Manitoba
- Saskatchewan
- Nova Scotia

- **CFTPA's Prime Time event in Ottawa** - the NLFDC attended national meetings for APFA, the National Tax Credit Committee and IBDG. Attended various panels on new media and industry statistics. In addition six local producers attended this event.

**Looking Forward Fiscal 2012-2013**

**Objective:** *By March 31, 2013, the NLFDC will have completed an assessment on the updated co-production treaties Canada has with various countries.*

**Measure:** Determine potential beneficial co-production countries for the province

**Indicator:** Undertake meetings with provincial and national representatives to discuss co-production treaties with Canada

The NLFDC will assess and compare the countries that have updated co-production treaties with Canada

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**Issue 4: Industry Development**

The NLFDC is committed to continuing to address the professional development needs for the film industry in the whole province. This objective will continue to be reached through professional development initiatives. This goal and the achievement of its 2011-2012 objective addresses the strategic direction of government in addressing professional and enterprise development needs.

**Goal:**

**Goal:** *By March 31, 2014 the NLFDC will have implemented initiatives to develop the creative and technical capabilities of mid level to senior film crew members in the province.*

**Objective & Measure:**

**Objective:** By March 31, 2012, the NLFDC will have increased skill level of emerging crew members.

**Measure:** Increased skill of emerging crew members

**Indicator Reporting: Objective 2011-12**

**Indicators:** Successfully completed work placements

Focused on upgrading emerging to mid-level crew members through work placements in both "above" and "below the line" positions

**Discussion of Results:**

*Completion of work placements:*

The NLFDC completed 21 successful work placements during 2011-2012. While increased professional development initiatives such as workshops are vital, the industry's best method of skills development is through regular work supervised by experts working on industry productions. Training institutions cannot emulate instruction on large-scale film and television productions; there must be a tie to the production community.

In consultation with industry the NLFDC helps identify specific job skills that are lacking or limited in the film industry in this province. To address these gaps the work placements are then created after the need has been identified.

The 21 successful work placements are listed in the chart below with the individuals, positions and productions:

<b>Position</b>	<b>Production/Company</b>
Producers Assistant	Pope Productions (NL)
Graphics Design	Best Boy Entertainment (NL)
Camera Trainee	Picture Start/Clipper Gold (NL)
Set Design	Picture Start/Clipper Gold (NL)
1 <sup>st</sup> Assistant Director	Picture Start/Clipper Gold (NL)
2 <sup>nd</sup> Assistant Director	Picture Start/Meters (NL)
Set Decorator	Picture Start/Meters (NL)
Props Master	Picture Start/Meters (NL)
Director	Picture Start/Kathy (NL)
Camera Trainee	Picture Start/Kathy (NL)
Producer's Assistant	Morag Loves Company Inc. (NL)
Camera Assistant	<i>Republic of Doyle</i> Season 3 (NL)
Boom Operator	<i>Republic of Doyle</i> Season 3 (NL)
Costumes	<i>Republic of Doyle</i> Season 3 (NL)

Hair	<i>Republic of Doyle</i> Season 3 (NL)
Camera Assistant	Decoloured (NL)
Visual Effects	Decoloured (NL)
Industry Internship	National Screen Institute (MB)
Sound Department	<i>Praising Song</i> (NL)
Art Director	<i>Women in the Directors Chair</i> Training Film (AB)
Assistant Director	<i>King</i> (ON)

*Upgrading from Emerging to Mid-Level jobs:*

The NLFDC's main focus in issue 4 for fiscal year 2011-2012 was on upgrading emerging to mid-level crew members through work placements in both "above" and "below the line" positions. **Above-the-line** is a term that refers to the list of individuals who guide, influence and hopefully add to the creative direction, process and voice of a given narrative in a film and their related expenditures. These roles include but are not limited to the screenwriter(s), producer, director, casting director and actors.

In feature-length narrative filmmaking, an imaginary line delineates those who have influence in the creative direction of a film's narrative from others who perform duties related to the film's physical production. **Below-the-line** is a term that refers to the list of individuals who perform the physical production of a given film, the post-production work and all of the related expenditures.

Of the 21 work placements 12 focused on upgrading emerging crew members. The following chart outlines these results:

<b>Above-the-Line Previous Position</b>	<b>Upgraded Position</b>	<b>Production</b>
Production Assistant	Producers Assistant	Pope Productions (NL)
Actor	Director	<i>Picture Start/Kathy</i> (NL)
Production Assistant	Producer's Assistant	Morag Loves Company Inc. (NL)
Student	Industry Internship	National Screen Institute (MB)
<b>Below-the-line Previous Position</b>	<b>Upgraded Position</b>	<b>Production</b>
Student	Sound Department	<i>Praising Song</i> (NL)

Art Department	Art Director	Women in the Directors Chair (AB)
Student	Graphics Design	Best Boy Entertainment (NL)
Locations Assistant	Camera Trainee	Picture Start/Clipper Gold (NL)
2 <sup>nd</sup> Assistant Director	1 <sup>st</sup> Assistant Director	Picture Start/Clipper Gold (NL)
Production Office	2 <sup>nd</sup> Assistant Director	Picture Start/Meters (NL)
Art Department	Props Master	Picture Start/Meters (NL)
Camera Trainee	Camera Assistant	<i>Republic of Doyle</i> Season 3 (NL)

**Looking Forward Fiscal 2012-2013**

**Objective:** By March 31, 2013, the NLFDC will have provided management training for senior members of the industry by way of film-specific training.

**Measure:** Provided management training for senior members of the industry

**Indicator:** Successful completion of senior management training in the form of workshops and seminars

**Opportunities and Challenges Ahead**

The film and television industry is constantly evolving and rapidly changing. As a crown corporation making equity investments in Newfoundland and Labrador film and television industry projects and co-administering the tax credit, the NLFDC cannot on its own directly control the opportunities of the national and international film and television industry.

At any given time there are a number of projects which the NLFDC is aware that Newfoundland and Labrador production companies are attempting to make happen. Whether any or all of them occur in the end rests with a wide variety of factors and circumstances, not the least of which is the rather intangible nature of what the national and international market may or may not be interested in, or more accurately, what the market is interested in now based on what it believes audiences will want months from now.

**Opportunities**

While it was hoped and expected, at the close of fiscal year 2011-12, that the television series *Republic of Doyle* would be renewed for a fourth season by the Canadian Broadcasting Corporation (CBC), there

were a great many details still to be determined. Large questions such as how many episodes, and what the total budget would be for the series, if renewed, remained to be answered.

If a fourth season of *Republic of Doyle* does go into production in the summer and fall of 2012, this would be without question the biggest opportunity that the NLFDC and the province in general would have for the continued development of a strong film and television industry in Newfoundland and Labrador. On any given day of peak production more than 100 people, the significant majority of them Newfoundland and Labrador residents, are required to create the show. The direct economic activity and spin-off created is large. As well, the employment stability and opportunities for skills enhancement created by an ongoing television series of this size are very important for a local industry that has been traditionally oriented towards freelance employment of short duration and subject to the peaks and valleys of production activity.

*Republic of Doyle* also has broader opportunities in terms of promoting the Newfoundland and Labrador brand and also particularly for laying the groundwork for future film and television production opportunities. The question of whether a production of this scale can be done here is no longer relevant.

At the close of fiscal year 2011-12, another major opportunity was the strong possibility of a May/June 2012 production of the low-budget feature film *Hold Fast*. The NLFDC's commitment was in place but Telefilm Canada's decision was still pending. If this production does occur, it will mean the creation for the screen of a strong Newfoundland story and would bridge the film production season, providing approximately 25 shooting days early in the new fiscal, prior to the anticipated production of *Republic of Doyle*. As well, the production will be an excellent opportunity for many local crew persons to step into positions of greater responsibility.

Another opportunity anticipated for 2012-13 is the potential Newfoundland and Labrador-Quebec co-production, *The Grand Seduction*. This project was expected to film last summer but was put on hold for a number of reasons which were international in scope. The Grand Seduction is a Newfoundland story and this version is the English remake of a very well-known Quebec film. A feature film of this size and quality will have a very positive effect on the local Trinity-Bonavista economy where the majority of the film will be shot and has strong international audience potential.

In order to continue to grow the industry beyond a peak capacity which we may be now approaching, new producers, new talent, new crew and new projects continually have to be developed. The NLFDC sees the opportunity to continue to advance these skills through existing programs such as Picture Start (in partnership with NIFCO and Telefilm), as well as through the potential for a micro-budget feature program which is expected to be launched by Telefilm in 2012-13. Also, the planning for a June 2012 mission to Los Angeles with mid-level and emerging producers has been in the works since early 2011-12 and will be of great benefit. This program would be in partnership with the Atlantic Canada Opportunities Agency and the provincial Department of Innovation, Business and Rural Development (IBRD). Other upcoming opportunities, such as the Framed program which will take place in spring of 2012 in partnership with the fine arts program at Grenfell Campus of Memorial University, the film and video program at the College of the North Atlantic Bay St George campus and the St John's International Women's Film Festival (WFF), will encourage the recruitment of new filmmakers, onscreen talent and

crew. Other professional development initiatives, in particular with the WFF and IBRD, are in the planning stages now and, it is hoped, will occur in 2012-13.

### **Challenges**

Many of the challenges that the NLFDC faces in the upcoming year can be considered problems of success. For example, having consistently high levels of production activity year over year has increased the workload of the NLFDC staff. This has not yet developed into a fiscal liability, but it does reduce the speed of some services and tends to limit the ability to develop long term planning. As well, effectively managing the Equity Investment Fund has proven to be ever more challenging given demand, and the corporation has regularly had to bridge some commitments into the future.

Without question, the success of *Republic of Doyle* is the base on which the steady high levels of total production activity have been built. This in itself is a challenge. At some point, this big budget series will end. The steady six months of large-scale production work as well as the additional several months labour of writing, preparation and post-production will stop. The film and television industry is cyclical in nature, and it is unwise to expect that there will be another large production of this type greenlit just as this series ends.

Professional development initiatives have been ongoing consistently; and of course the best training is through work itself on productions. The crew capacity has been greatly strengthened as a result of several years of excellent production activity. There is, however, the concern of how to retain skilled crew if/when production levels decline in the future. The main challenge then, is to create an environment that will maximize the potential of keeping production activity levels as high as possible.

The national television marketplace has changed considerably over the last several years, and the effect of recently announced changes to feature film development through Telefilm Canada are expected to have a big impact in 2012-13. How projects are developed, how scripts come to fruition and get made as films, will be an increasing challenge. Many of the underpinnings of the Canadian industry are less secure, and world-wide the market for film and television has become more difficult as a result of economic conditions and consumer consumption patterns.

In terms of attracting future production, in addition to having a highly skilled human resource base, there are other challenges which remain. The incentives available in this jurisdiction versus similar jurisdictions through equity investments and tax credits must remain competitive. The infrastructure challenge of a full-fledged sound stage in the St. John's area remains. Production companies will continue to need some support to bring their wares to national and international markets, and the next generation of producers must continue to be encouraged in an industry which has the same demographic challenge of an aging workforce which all sectors have. Specific areas for professional development, including writers, directors, and onscreen talent must be targeted wisely with limited resources, and by encouraging partnerships.

Another challenge which will be faced in 2012-13 by the NLFDC is the need now to quantify with fresh data the economic impact of our industry, as well as to envision the path ahead for the corporation and the local industry.



## **Financial Statements**

Please see attached.

**NEWFOUNDLAND AND LABRADOR  
FILM DEVELOPMENT CORPORATION**

**Financial Statements**

**Year Ended March 31, 2012**

**NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION**

**Index to Financial Statements**

**Year Ended March 31, 2012**

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## INDEPENDENT AUDITOR'S REPORT

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To the Directors of Newfoundland and Labrador Film Development Corporation

We have audited the accompanying financial statements of Newfoundland and Labrador Film Development Corporation, which comprise the statement of financial position as at March 31, 2012 and the statements of revenues and expenditures - operations fund, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(continues)

Independent Auditor's Report to the Directors of Newfoundland and Labrador Film Development Corporation (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Newfoundland and Labrador Film Development Corporation as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit.

Comparative Information

Without modifying our opinion, we draw attention to Note 3 to the financial statements which describes that Newfoundland and Labrador Film Development Corporation adopted Canadian accounting standards for not-for-profit on April 1, 2011 with a transition date of April 1, 2010. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial positions as at March 31, 2011 and April 1, 2010 and the statements of revenues and expenditures - operations fund, changes in net assets and cash flows for the year ended March 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

St. John's, Newfoundland and Labrador  
September 4, 2012

*Pinsent & Associates*  
CERTIFIED GENERAL ACCOUNTANTS

**NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION**  
**Statement of Revenues and Expenditures - Operations Fund**  
**Year Ended March 31, 2012**

	Budget 2012	2012	2011
<b>REVENUE</b>	\$ 710,000	\$ 710,000	\$ 710,000
<b>EXPENDITURES</b>			
Salaries and wages	396,260	395,722	381,106
Sponsorships	106,500	107,377	99,587
Office (Note 6)	78,240	78,634	77,312
Travel	71,000	67,062	96,065
Professional development	12,000	24,624	12,766
Advertising and promotion	23,000	22,950	34,940
Professional fees	8,000	8,250	11,600
Promotional materials and publications	11,000	8,019	10,278
Miscellaneous	4,000	3,671	4,426
Amortization	-	2,282	2,510
	710,000	718,591	730,590
<b>DEFICIENCY OF REVENUE OVER EXPENDITURES FROM OPERATIONS</b>	-	(8,591)	(20,590)
<b>OTHER INCOME</b>	-	4,145	1,507
<b>DEFICIENCY OF REVENUE OVER EXPENDITURES</b>	\$ -	\$ (4,446)	\$ (19,083)

The accompanying notes are an integral part of these financial statements

**NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION**

**Statement of Financial Position**

**March 31, 2012**

	<i>March</i> <b>2012</b>	<i>March</i> 2011	<i>April 1,</i> 2010
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash	\$ 660,544	\$ 252,730	\$ 288,106
Receivables	2,886	4,224	5,479
Prepaid expenses	9,851	8,833	9,384
	<b>673,281</b>	265,787	302,969
PROPERTY, PLANT AND EQUIPMENT <i>(Note 4)</i>	<b>6,018</b>	5,110	7,620
	<b>\$ 679,299</b>	\$ 270,897	\$ 310,589
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT</b>			
Payables and accruals	\$ 32,218	\$ 26,426	\$ 32,678
Payables and accruals - Equity Investment Program	646,986	217,485	222,711
	<b>679,204</b>	243,911	255,389
<b>NET ASSETS</b>			
Share capital <i>(Note 5)</i>	3	3	3
Operations fund	9	4,455	23,538
Equity investment	83	22,528	31,659
	<b>95</b>	26,986	55,200
	<b>\$ 679,299</b>	\$ 270,897	\$ 310,589

ON BEHALF OF THE BOARD

  
Director

The accompanying notes are an integral part of these financial statements

**NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION**

**Statement of Changes in Net Assets**

**Year Ended March 31, 2012**

	Operations Fund	Equity Investment	2012	2011
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 4,455	\$ 22,528	\$ 26,983	\$ 55,197
Deficiency of revenue over expenditures	(4,446)	-	(4,446)	(19,083)
Excess of receipts over commitments (commitments over receipts) - Equity Investment Program (EIP) (Schedule 1)	-	(22,445)	(22,445)	(9,131)
<b>NET ASSETS - END OF YEAR</b>	\$ 9	\$ 83	\$ 92	\$ 26,983

The accompanying notes are an integral part of these financial statements



**NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION****Statement of Cash Flows****Year Ended March 31, 2012**

	2012	2011
<b>OPERATING ACTIVITIES</b>		
Deficiency of revenue over expenditures	\$ (4,446)	\$ (19,083)
Items not affecting cash:		
Amortization of property, plant and equipment	2,282	2,510
Excess of receipts over commitments (commitments over receipts) - (Equity Fund)	(22,445)	(9,131)
	(24,609)	(25,704)
Changes in non-cash working capital:		
Receivables	1,338	1,255
Payables and accruals	5,791	(6,252)
Prepaid expenses	(1,018)	551
Payables and accruals - Equity Investment Program	429,501	(5,226)
	435,612	(9,672)
Cash flow from (used by) operating activities	411,003	(35,376)
<b>INVESTING ACTIVITY</b>		
Purchase of property, plant and equipment	(3,189)	-
Cash flow used by investing activity	(3,189)	-
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>407,814</b>	<b>(35,376)</b>
Cash - beginning of year	252,730	288,106
<b>CASH - END OF YEAR</b>	<b>\$ 660,544</b>	<b>\$ 252,730</b>

The accompanying notes are an integral part of these financial statements

# NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

## Notes to Financial Statements

Year Ended March 31, 2012

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### 1. DESCRIPTION OF BUSINESS

The Corporation is incorporated under the Newfoundland and Labrador Corporations Act. Its primary purpose is to promote the development of, and to stimulate employment and investment in, the Provincial film and video industry by providing financial and other assistance.

The Corporation has been designated by the Province's Finance Minister to administer the Newfoundland and Labrador Film Tax Credit Program, including registration of productions, review of tax credit applications and recommendations to the Department of Finance.

The Corporation is exempt from paying income taxes under Section 149 of the Canadian Income Tax Act.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

These financial statements have been prepared in accordance with Public Sector Accounting Standards (PSA) as issued by the Public Sector Accounting Board (PSAB). This is the first time that the organization has prepared its financial statements in accordance with PSA, having previously prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principals (Canadian GAAP). Details of how the transition from Canadian GAAP to PSA has affected the financial position, financial performance and cash flow are disclosed in Note 3.

#### Fund accounting

Newfoundland and Labrador Film Development Corporation follows the restricted fund method of accounting for contributions.

The Operations Fund accounts for the organization's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Equity Investment Fund reports only restricted resources that are to be used for equity investment purposes.

#### Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealised gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

When financial instruments that include both a debt and an equity component are issued, the proceeds are allocated firstly to the component for which the fair value is more readily determinable, and the residual is allocated to the other component.

*(continues)*

# NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

## Notes to Financial Statements

Year Ended March 31, 2012

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for government not for profit enterprises requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

#### Property, plant and equipment

Property, plant and equipment are stated at cost or deemed cost less accumulated amortization. Property, plant and equipment are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

Computer equipment	45%	declining balance method
Furniture and fixtures	20%	declining balance method

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

### 3. FIRST TIME ADOPTION OF PUBLIC SECTOR ACCOUNTING FOR NOT - FOR - PROFITS

PS 2125 First - time adoption by Government Organizations requires that comparative financial information be provided and that the Public Sector Accounting Standards be applied retrospectively as of the reporting date, which for the organization is March 31, 2012. However, PS 2125 provides for certain optional exemptions and mandatory exceptions for first time adopters.

a) The PS 2125 applicable exemptions are exceptions applied in the conversion from Canadian GAAP to PSA are as follows:

#### Mandatory exemptions

##### Accounting estimates

The estimates previously made by the organization under Canadian GAAP were not revised for the application of PSA except where necessary to reflect any difference in accounting policy or when there is objective evidence that those estimates were in error. As a result, the Company has not used hindsight to revise estimates.

b) The organization issued financial statements for the year ended March 31, 2011 using Canadian GAAP. The adoption of PSA has not resulted in any changes to previously reported assets, liabilities, net assets, net income or cash flows as a result of the standards being retrospectively applied.

**NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION**

**Notes to Financial Statements**

**Year Ended March 31, 2012**

4. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2012 Net book value	2011 Net book value
Computer equipment	\$ 47,849	\$ 44,185	\$ 3,664	\$ 2,168
Furniture and fixtures	19,176	16,822	2,354	2,942
	<b>\$ 67,025</b>	<b>\$ 61,007</b>	<b>\$ 6,018</b>	<b>\$ 5,110</b>

5. SHARE CAPITAL

Authorized:

600 Common voting shares of no par value

	2012	2011
Issued:		
600 Common shares	\$ 3	\$ 3

6. Office

Office expense consists of the following:

	2012	2011
Rent and maintenance	\$ 30,035	\$ 31,525
Communications	17,095	17,426
Board meeting expense	7,208	5,742
Office Equipment	6,715	5,044
Travel	5,275	5,571
Office Supplies	4,860	3,600
Meeting Supplies	2,161	2,616
Business tax	1,813	1,804
Printing	1,262	1,922
Computer maintenance	1,185	269
Banking fees Operating	615	920
Postage	286	823
Banking fees Funding	124	50
	<b>\$ 78,634</b>	<b>\$ 77,312</b>

**NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION****Notes to Financial Statements****Year Ended March 31, 2012****7. EQUITY INVESTMENTS**

Production assistance in the form of equity investment is provided to eligible producers for the financing of productions that will provide employment and economic benefits to Newfoundland and Labrador. Equity investments are made with the condition of repayment through participation in revenue generated by projects. Revenue is recorded as Recoupment when received.

Based on the Corporation's low Recoupment rate, an allowance has been set up to write-off the cumulative equity investment, net of Recoupment.

	2012	2011
Equity Investment	\$ 24,025,309	\$ 19,168,191
Allowance against Equity Investment	(23,753,785)	(18,955,619)
Recoupment - Equity Investment	(271,524)	(212,572)
	\$ -	\$ -

**8. PROJECT DEVELOPMENT LOANS**

The Corporation provides loans to qualified applicants to support the process of film and video development that takes an idea through the stages of research, writing, market analysis and budget development. This work must precede the completion of production financing arrangements. Support for the development of a project does not necessarily imply support for a production.

Project development loans are interest free and are to be repaid on the earlier of the first day of principal photography or on the optioning, sale, or transfer of the property to a third party.

An allowance has been set up to write-off the cumulative amount of these development loans.

	2012	2011
Development Loans	\$ 3,036,921	\$ 2,810,672
Allowance against development loans	(3,036,921)	(2,810,672)
	\$ -	\$ -

# NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

## Notes to Financial Statements

Year Ended March 31, 2012

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### 9. COMMITMENTS

The Corporation entered into a three-year rental agreement with Imperial House Inc. commencing June 1, 2009. The monthly lease commitment is \$2,260 in year one, \$2,320 in year two and \$2,380 in year three. Subsequent to the year end the lease was renewed.

The Corporation entered into a rental agreement with CIT Financial Ltd. commencing July 1, 2009 for the use of 1 Kyocera Copier. The monthly lease commitment is \$181 for 48 months.

Because of the lead times required to obtain all the resources necessary to complete film and video productions the corporation approves applications for funding which will, on occasion, result in program disbursements in subsequent fiscal periods, pending availability of funds.

As at March 31, 2012, the Corporation was contractually committed to advance funds totaling \$4,369,500 from the Equity Investment Program as investments and loans in respect of current and future projects subject to the availability of funds in subsequent years and other terms and conditions outlined in the funding agreements.

	<b>2012</b>
Republic of Doyle Season IV - Republic of Doyle Season IV	<b>\$ 1,500,000</b>
Republic of Doyle Season III - Republic of Doyle Season III	<b>1,500,000</b>
Morage Loves Seduction - The Grand Seduction	<b>400,000</b>
Pet ER - Pet ER Season II	<b>372,000</b>
MF Productions - Mickey's Farm series 4	<b>228,000</b>
Hold Fast Productions - Hold Fast	<b>225,594</b>
Petty Harbour - Boy on Bridge	<b>55,830</b>
The Energy Show Season II - Energy Show Season II	<b>26,712</b>
Mad Mummer - Before your Eyes	<b>19,150</b>
Pope Productions - Oddly Flowers	<b>14,784</b>
Pope Productions - I Hate Rich Kids	<b>13,480</b>
Pope Productions - Pignut	<b>6,500</b>
Streely Maid - Longshoreman	<b>4,950</b>
Breathless Films - Of the Essence	<b>2,500</b>
	<b>\$ 4,369,500</b>

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### 10. ECONOMIC DEPENDENCE

The Corporation is economically dependant on the Government of Newfoundland and Labrador for annual funding.

### 11. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

**NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION**
**Schedule of Receipts and Commitments - Equity Investment Program**
*(Schedule 1)*
**Year Ended March 31, 2012**

	2012	2011
<b>Receipts</b>		
Province of Newfoundland and Labrador Funding - Republic of Doyle	\$ 3,000,000	\$ 1,500,000
Province of Newfoundland and Labrador Funding Recoupment	2,000,000	2,000,000
Interest Earned	58,951	7,580
	1,971	706
<b>Subtotal</b>	<b>5,060,922</b>	<b>3,508,286</b>
<b>Funding which has lapsed</b>	<b>-</b>	
More Life Films Inc. - Death Bound	-	28,000
	<b>\$ 5,060,922</b>	<b>\$ 3,536,286</b>
<b>Current year commitments</b>		
2M Innovative Inc. - Christmas Furey	\$ -	\$ 16,695
Away Films Inc. - Children of Dog Island	10,000	-
Beat Down Productions Ltd. - Newfoundland Beatdown	328,380	-
Best Boy Productions Inc. - Gamblers Never Die (Phase II)	-	5,040
Beazley Films Inc. - City of Arseholes	-	10,000
Burlington Season I Inc. - Majumder Manor	200,000	82,000
Breathless Films Inc. - Of the Essence	14,000	-
62134 Newfoundland & Labrador Inc. - Seals and Men	50,000	-
Energy Media Inc. - The Energy Show	-	79,150
The Energy Show Season Two Inc. - Energy Show Season Two	62,328	-
Free Parking Pictures Inc. - Meters	-	17,820
From Here Productions Inc. - February	10,000	-
Gander Boys Productions Inc. - This Tour Has 22 Cities	60,000	-
Get Set Films Inc. - Not Over Easy	-	18,500
Good Lookin Pictures Inc. - Clipper Gold	-	16,345
Henge Productions and Consulting Ltd. - Ice Flow	-	10,000
Henge Productions and Consulting Ltd. - Regrets	-	19,800
Henge Productions and Consulting Ltd. - Bruce and Company	9,950	-
Henge Productions and Consulting Ltd. - Regret	46,077	-
Jim Byrd Consulting Inc. - Caubvick	-	3,465
Kickham East Productions Inc. - Friendship (Phase III)	-	9,332
Kickham East Productions Inc. - Last Resort	11,303	-
Kickham East Productions Inc. - Sorry Means Never	-	8,750
Lazy Bank Productions Inc. - Elizabeth's Last Stand	-	9,643
Lazy Bank Productions Inc. - Praising Song	36,569	-
Mad Mummer Productions Inc. - Needle and the Damage Undone	19,204	-
Mad Mummer Productions Inc. - Bubble Dancer	20,732	-
MF Productions Inc. - Mickey (Season II)	-	250,000
MF Productions Inc. - Mickey Series III	360,850	150,000
Monkstown Productions Inc. - The Marksman	10,000	-
Morag Loves Company Limited - Marg The Movie	-	6,307
Morag Loves Company Limited - Surfing in Newfoundland	-	5,000
Morag Loves Love and Savagery Inc. - Love and Savagery	-	187,000
Morag Loves Company Limited - The Grand Seduction	600,000	-
Morag Loves Tapestry Inc. - La Tapestry French Shore	-	67,029
More Life Films Inc. - Doom Show	18,315	-
Newfound Films Inc. - Deep Cuts	-	9,000

The accompanying notes are an integral part of these financial statements

## NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Odd Sock Films Inc. - The Mad & the Bad	-	5,313
Odd Sock Films Inc. - Four Sisters	-	10,000
Odd Sock Films Inc. - Don Jamieson: Just Himself	-	35,998
Orange House Productions Inc. - Postal	<b>10,000</b>	-
Pet ER Inc. - Pet ER	<b>100,000</b>	700,000
Pope Productions Ltd. - Culture of Character aka Break Boys	-	7,346
Pope Productions Ltd. - Larkspur	-	10,000
Pope Productions Ltd. - Oddly Flowers Part II	<b>23,683</b>	-
Pope Productions Ltd. - Candy Man	<b>8,762</b>	-
Quirky View Media, Inc. - Quirky View	<b>16,500</b>	-
Republic Season 2 Inc. - Republic of Doyle - Season II	<b>1,500,000</b>	1,500,000
Republic Season I Inc. - Republic of Doyle Webisodes	-	103,046
Republic Season 3 Inc - Republic of Doyle III	<b>1,500,000</b>	-
Rink Rat Productions Inc. - Maudie (Phase III)	-	13,500
Rink Rat Productions Inc. - Monchy Nine	-	25,200
Rink Rat Productions Inc. - To Serve and Protect	-	11,657
Rink Rat Productions Inc. - How to be Deadly	-	13,100
Rink Rat Productions Inc. - Regarding our Father	-	42,078
Rink Rat Productions Inc. - Legend of Donnie Dunphy	-	10,000
Rink Rat Productions Inc. - Maudie Phase IV	<b>15,000</b>	-
Rock Island Productions Inc. - Holdfast Phase III	<b>9,000</b>	-
Rock Island Productions Inc. - Auntie Vigilantes	-	15,319
Rock Island Productions Inc. - Hold Fast Phase II	-	6,025
Springwater Productions Inc. - From the Floor Up	-	12,000
Springwater Productions Inc. - Vokey's Boat is Painted Green	<b>12,914</b>	-
Streely Maid Films Ltd. - Relative happiness	-	8,700
Take Hold Films Inc. - Niemeyr's Brasilia	-	5,200
The Hunting Party Inc. - Winners - Picture Start	<b>19,800</b>	-
Tooton Films Inc. - At humour's Edge	-	12,000
Well Let's Just Say Films Inc. - Kathy	-	18,059
	<b>\$ 5,083,367</b>	<b>\$ 3,545,417</b>
Excess of receipts over commitments (commitments over receipts)	<b>\$ (22,445)</b>	<b>\$ (9,131)</b>
Opening Balance	<b>22,528</b>	<b>31,659</b>
	<b>\$ 83</b>	<b>\$ 22,528</b>

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