

*Tabled by Minister of Tourism, Culture and Recreation  
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J.M.K.*



# Newfoundland & Labrador

FILM DEVELOPMENT CORPORATION

**ANNUAL REPORT FOR:**

**2006/07**

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## **SECTION ONE – 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 2006-07 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 actual results reported; the Corporation has meticulously followed the goals and objectives of its Business Plan.

2006-07 has been a very challenging year for the motion picture industry throughout Canada and internationally, and our province has not been exempt. Following our record-breaking year for production activity, in the last fiscal year a number of national policy changes and industry realignments coincided within a short period to result in a temporary downturn in local production. In response, the NLFDC has focused its efforts on navigating the new terrain, supporting the development of industry professionals, and planning our road ahead. In this regard, the NLFDC has commissioned a comprehensive NL film industry study.

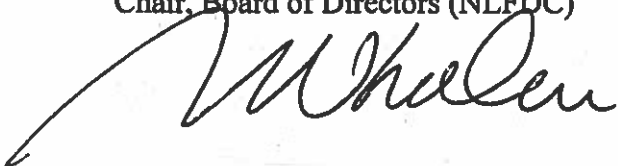
The NLFDC continues to work closely with other industry organizations. 2006-07 has been a very successful and notable year for this, and the NLFDC is proud of the partnerships it has forged for the overall benefit of the province. One important highlight of industry activity has been the international marketing strategy of the Producers Association, which the NLFDC partners on. In addition, we created a new industry guide with the Producers Association.

Very importantly, in 2006-07 the Newfoundland Independent Filmmakers Cooperative (NIFCO) was successful in receiving support to convert its post-production facilities to high definition picture and surround sound, which will be a key component to our industry's capacity. We are also extremely pleased with the continued growth and success of the St John's International Women's Film Festival and the Nickel Independent Festival, both sponsored by the NLFDC.

We are encouraged by the development of emerging and senior filmmakers, producers, and crew on a variety of projects supported by the NLFDC. Regarding entry-level instruction, the start of a new film and video program at the College of the North Atlantic's Bay St George campus has been a turning point this year, and the NLFDC sponsored a 16mm film workshop there.

The prospects for the industry next year are encouraging, with several large productions to be shot. We are pleased and encouraged by Government's continuing support of the corporation and our sector through this period of major transformation at federal funding agencies, regulatory bodies, and broadcasters. It has also been a fascinating period of new developments in media worldwide. We believe that these changes bring opportunities and we are excited by our potential for growth within the traditional industry with new financial models, and in new areas.

Norm Whalen  
Chair, Board of Directors (NLFDC)



## SECTION TWO – AN OVERVIEW

### **Mandate**

The Newfoundland and Labrador Film Development Corporation was formed in late 1997 by 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.

### **Vision**

By funding high-quality productions and strengthening its industry support to facilitate the transition to the new multiplatform environment, the NLFDC's vision is for the long-term viability and development of Newfoundland and Labrador's film industry. The NLFDC envisions the Newfoundland & Labrador Film Industry reaching its ideal state, which would consist of having one to two crews working full time and year round in the province. By developing a solid crew base, the industry would thrive and the province would profit from the economic benefits that would accompany it. A solid infrastructure would also mean productions from outside the province would be more apt to shoot in Newfoundland & Labrador because a professional, experienced crew would be on location.

Not only would the NLFDC like to see the crew base grow, but also see thriving production companies. This would be a strong indicator of industry health. As production companies increase and become more stable, the NLFDC would also see reduced investment per project, and increased use of the Tax Credit, indicating progress in the industry. Projects would also become numerous enough that NIFCO and the Atlantic Studio Cooperative would be in constant production, meaning productions could be sufficiently shot and go through post-production with the use of all Newfoundland resources.

### **Mission**

To satisfy the Mandate and ascertain its vision, the NLFDC's mission is to insure the continued growth of the film industry in NL by working with producers, fellow provincial organizations and national funding bodies to develop an industry where production is steady and growing and employment is increased.

On a daily basis, the NLFDC facilitates and fosters the local industry. The NLFDC is the front line of the film industry to the public and, on behalf of Newfoundland and Labrador, to the nation and the world. As such it fields many requests and enquires concerning Newfoundland and Labrador as a shooting location. The NLFDC also advises and counsels local filmmakers, production companies and crew. It provides information concerning all aspects of the film industry including its own programs and those of other local organizations, as well as information regarding national funders, broadcasters, and distributors. The NLFDC partners with local, regional and national organizations and sits on national committees. In 2007-08 the NLFDC will chair the Association of Provincial Funding Agencies and will co-chair the National Tax Credit Committee. In these ways it helps to influence policy for the benefit of this province.

The NLFDC administers two main programs: the Equity Investment Program (EIP) and the Newfoundland and Labrador Film and Video Tax Credit Program. The EIP is a financial contribution, to a maximum of 20 per cent of the total production budget (normally not to exceed \$250,000) that shall be repaid from earned revenue. The tax credit 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 NLFDC's Sponsorship Program assists qualified individuals and organizations with funding assistance which enables them to promote the products of the local industry. As well, the NLFDC has a fulltime Professional Development Administrator 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.

The NLFDC has five employees in the positions of Executive Director, Manager of Programs, Program Analyst, Business Analyst and Professional Development Administrator.

Newfoundland and Labrador Film Development Corporation  
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## **Lines of Business**

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The NLFDC is an entity that supports and nurtures the local film industry. Through five programs, the NLFDC is able to offer local producers as well as outside productions what they need in order to help the province's production flourish. The EIP Program, the Tax Credit, the Sponsorship Program, Professional Development and marketing of Newfoundland & Labrador as a production ready province are all Lines of Business currently offered by the NLFDC.

With the ever changing status of film and television the NLFDC is looking forward to other lines of business, which are essential to keeping the film industry in Newfoundland & Labrador competitive with the rest of the world. With the resurgence of the internet and streamed media, the NLFDC is putting forth a New Media Proposal in order to persuade government to create policy which will develop the New Media industry in the province.

### ***The Equity Investment Program***

The EIP Program is designed to assist and promote the development of the indigenous film and video industry in Newfoundland and Labrador, the EIP supports Newfoundland and Labrador based production by providing production assistance to eligible producers for the financing of productions. For the purposes of these guidelines, "Equity Investment" means a financial contribution by the NLFDC, which shall be repaid from earned revenue resulting from the production.

Equity Investment may be used to assist in the financing of costs that are normally associated with a film or video project and may include script development, the optioning and purchasing of literary material, research for production and marketing, project related overhead and office expenses, travel, preparation of budget, pre-production, production, post-production, distribution and marketing. Normally The NLFDC will provide a maximum of 20% contribution of the overall costs of the project

Five categories of production are eligible for EIP financing; these include Feature Films, Television Series, Television Mini-Series, Television Specials and Non-Theatrical productions

Feature films are designated as dramatic, documentary and animated programs intended for exhibition on the theatrical screen, television (including pay and pay-per-view), video or other mode of transmission. Television series' are outlined as dramatic, documentary, children's, variety, performing arts, animated, information, including pilot productions in these formats. TV Mini-Series' are assigned as dramatic series of two to ten episodes with continuing plots and characters. TV Specials consist of single television programs that are dramatic, variety, performing arts, animated, informational, including pilot productions in these formats. And lastly Non-theatrical productions are individual programs or series whose primary exhibition will be in a non-theatrical, non-commercial setting such as schools, universities, libraries or exhibited on non-traditional modes of transmission.

### *Development Program (an element of the EIP)*

The Corporation will provide a loan to qualified applicants to support the essential process of development, which takes an idea through the stages of research, writing, market analysis and costing. Support for the development of a project does not, in any way, guarantee funding by the Corporation in later stages of the project. The Producer must repay the Corporation the total loan amounts owing on the earlier of:

- (a) the first day of principal photography of the Film or of any cinematographic, video or audio-visual work based on whole or in part upon the Screenplay or any other use of the Screenplay;
- (b) the sale, transfer, assignment or other disposition of the Screenplay.

### *Tax Credit Program*

The Newfoundland and Labrador Film and Video Industry Tax Credit is a fully refundable corporate income tax credit administered by the NLFDC for the Newfoundland and Labrador Department of Finance. The program encourages the development, training and hiring of Newfoundland film personnel in all disciplines.

The tax credit provides incentives to the private film and television production industry to create economic growth in the Province. The credit is based on a calculation of eligible labour limited to the lesser of 25% of the total eligible budget or 40% of the total eligible labour expenditures. Once the production company who has received the credit has completed the project's final audited cost report the Newfoundland and Labrador Department of Finance may issue a certificate to be filed with the production company's corporate tax return. The credit may also be considered as part of a producer's equity in a given production. To qualify for the credit at least 25% of the total salaries and wages must be paid in Newfoundland and Labrador to eligible employees.

The NLFDC also offers a Deeming Provision, which allows the residency requirement to be waived when a qualified resident person is not available and where the non-resident film personnel serves as a mentor of a resident of the province. In this case, 75% of the mentor's salary and 100% of the resident mentored persons salary is eligible for the tax credit. Prior to the start of production, requests must be forwarded to the NLFDC along with the resumes of the mentor and trainee to be eligible for the Deeming Provision. A written recommendation is then provided to the Department of Finance and the residency requirements are waived by the Minister.

As the tax credit is up for review in 2009 the NLFDC will propose changes to the regulations. For example, it will suggest that the \$3 million per twelve month period cap be either raised or removed as to reduce the limitations placed on producers wishing to film in the province and increase the number of residents who will have the opportunity to be mentored in the province.

As the EIP and Tax Credit help to increase the level of production activity, opportunities to develop the key creative personnel needed for a successful film industry will also increase. These

key creative personnel are composed of writers, directors, producers, camera operators, editors, composers, and animators with sufficient knowledge to work on and create large budget indigenous productions.

### ***Sponsorship Program***

The Sponsorship Program of the NLFDC is designed to foster and promote the development and growth of the local film and video industry participants. The program assists qualified individuals and organizations with funding assistance, which enables them to promote the products of the local industry. This will be achieved through three distinct sub-programs, Promotional Travel, Marketing and Distribution and Workshop assistance.

The Promotional Travel Sub-Program provides funds to local film and video industry participants to assist with travel-related expenses to market their products globally. The Marketing and Distribution Sub-Program provides funds to local film and video industry participants to assist with marketing-related expenses to market their products or for receptions related to the marketing of these products. Lastly, the Workshop Assistance Sub-Program provides assistance to the various industry participants and associations to develop the local skill base.

Applicants eligible for funding are individuals, corporations, cooperatives and not-for-profit organizations (including sectoral and service organizations) whose principle activity is in the film and video industry in Newfoundland & Labrador. For all sub-programs, assistance is normally restricted to once per fiscal year for any eligible applicant.

### ***Professional Development***

Nationally and provincially, a large share of resources devoted to the development of filmmakers and crew members is aimed at entry level attraction and training – enticing new people into the field and giving them basic skills. This is unquestionably worthy and important, but at the same time strong efforts must be made to keep bona fide, trained, proven and dedicated professionals in the industry and in the province. They will become tomorrow's senior filmmakers, administrators and technical personnel as baby boomers retire, and will ensure that the maximum economic benefits of NL film activity – through their salaries, purchases and taxes – remain in this province.

The NLFDC has a fulltime Professional Development Administrator 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.

Not only does the NLFDC plan and hold individual workshops, the Corporation also sponsors a variety of workshops and panels during two annual festivals that showcase local film, both the Nickel Independent Film Festival and the St. John's International Women's Film Festival. Another professional development priority of the past year for the NLFDC has been outreach to the West Coast Region, including acting workshops in Corner Brook, visits to the new film and



video program at College of the North Atlantic's Bay St George Campus, which included the sponsorship of a 16 mm film workshop and script workshops in Clarenville as a partnership with the Discovery Trails Association. Much of the production activity in Newfoundland & Labrador has traditionally occurred outside St. John's and the NLFDC is committed to continuing to address the film professional development needs of the whole province.

Increased professional development initiatives such as workshops are vital but, of course, the best method of skills development is through regular work, under the supervision of experts on major industry productions. Training institutions cannot emulate instruction on large-scale film and television productions.

One vital tool Newfoundland and Labrador does have to enhance the professional crew base, is the deeming clause of the tax credit. Under the deeming provision administered by the NLFDC, when outside senior crew train local personnel, a portion of their salaries can become eligible for the tax credit. However, local productions are not able to fully avail of the potential of the tax credit on Newfoundland & Labrador labour because so many crew positions have to be filled by non-residents. This makes their offerings to investors and their own businesses even more marginal.

Because the need for Professional Development is so high in the province, the NLFDC partners with other organizations to increase opportunities for local film personnel. A new partnership has been formed between the NLFDC, the Atlantic Canada Film Partners, Telefilm Canada, and the CFTPA for the creation of the Atlantic Mentorship Program. This program is aimed at fostering the development of emerging and midlevel production personnel.

The partnership with the Newfoundland Independent Filmmakers Cooperative (NIFCO) is also monumental in the industry's Professional Development. Formed in 1975, NIFCO is one of the most respected and successful motion picture co-ops in the country. The Cooperative functions as a production plant, post-production house and filmmaker training/development centre. NIFCO also encourages film activity in other parts of Newfoundland and Labrador by bringing its programs, expertise and screenings to communities throughout the province. The NLFDC supports NIFCO's efforts fully, through lobbying, letters of support, production statistics, a film employment analysis, and staff time.

The latest NIFCO program Picture Start is an advancement for professional development efforts in the province. This pilot program 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 to the state of the art editing facilities at NIFCO.

Other partnerships with federal organizations such as Telefilm, the National Screen Institute and the Banff Centre all help with professional development. Keeping strong ties between the NLFDC and these institutions helps bring skills and knowledge to the film industry in Newfoundland & Labrador. By keeping the finger on the pulse of what is happening and what is needed in the industry, the NLFDC can bring this information to local industry professionals and

offer workshops and seminars keeping their skills competitive with other professionals across Canada and the World.

### ***Marketing Newfoundland & Labrador***

The NLFDC will market the indigenous industry and the province as an on-site location nationally and internationally to improve the industry's ability to draw and solicit business. Shooting on location requires access to high caliber crew and available services. The NLFDC markets the province as being able to offer professionalism through individuals who know the community, its people, geography, weather, laws, services and culture. Boasting Newfoundland & Labrador as being able to provide all of these features and accommodate large-scale production is the NLFDC's responsibility to the local industry.

Through use of tools such as the annual Film review, the Production Guide, and actively promoting the province at global location specific events, the NLFDC is able to represent the individual producers and crew of the province as competitive for production.

The events that the NLFDC attends to actively promote the province as destination for production include Mipcom and MipTV at Cannes, the Association of Film Commissioners International Cineposium, the Berlin International Film Festival, the American Film Market, Strategic Partners and the Banff World Television Festival. The Corporation will also continue to send producers to Hot Docs, North America's largest documentary festival in order to promote their work. The NLFDC will continue to reach the markets offered by these events and also plans to attend other innovative industry events, such as the Hong Kong International Film and Television Market and the Welsh Trade Mission, in the near future.

### ***NEW MEDIA – a line of business the NLFDC should be in***

New Media is a term describing traditional forms of media that have been transformed by advancements in digital technology, digital computing and content delivery. This being said, the Newfoundland & Labrador new media industry is in its infancy and requires support. The NLFDC will need to spur new government policy in order to develop strategies or put funding in place to develop the New Media industry in the province.

Digital technology is evolving the way media and communications services are delivered and consumed, offering powerful new opportunities to engage individual users and build direct relationships with consumers, enabling new business models and creating additional revenue streams.

Successfully exploiting these opportunities requires a clear appreciation of the complex creative, editorial, technical, operational and commercial issues involved in this rapidly evolving environment.

The new media industry shares a close association with many market segments in areas such as software/video game design, television and radio, and particularly advertising and marketing. It

seeks to gain from the advantages of two-way dialogue with consumers primarily through the Internet.

New media examples include the following:

- Video Games
- Web Sites (including blogs)
- CD/DVD
- Electronic kiosks
- Virtual worlds
- Online role-playing games
- Virtual communities
- Interactive television
- Mobile
- Podcast

Industries that directly benefit from new media technologies and development include the following:

- Film
- Music
- Broadcasting
- Publishing
- Gaming
- Interactive media
- Industrial and visual design
- Creative and technical communities.

Other industries that are impacted by new media include the following:

- Software design and development
- Advertising and marketing
- Tourism

The Government of Newfoundland and Labrador does not have a dedicated program to recognize and support the New Media Industry. With this diverse and potentially profitable media sector becoming an increasingly powerful growth industry, it is important and timely that a feasibility study be undertaken to delineate the sector and help shape possible Government policy and programming.

The NLFDC clearly recognizes the impact of new media in many ways on the film and television sector in Canada and observes the strategies undertaken by counterpart funding agencies federally and in other provinces.

With the help of the Department of Tourism, Culture and Recreation (TCR) the NLFDC is generating discussions regarding the mutual need of both entities to undertake research,

consultation and strategic assessment of the New Media industry from a provincial and national perspective.

The aim of this research, consultation and strategic assessment will be to provide direction regarding the development of a new media policy for the Province. It was agreed that the Province would provide the NLFDC with the means to conduct the study internally. This will be accomplished through a steering committee consisting of Eleanor Dawson, Director of Culture, TCR; Frank Fagan, Industrial Development Officer, TCR; Dorian Rowe, PAN; Chris Bonnell, Executive Director, NLFDC, and Doug Engbrecht, Manager of Programs, NLFDC, to oversee the work. In addition, an external writer/researcher will be hired to complete the review.

## SECTION THREE – HIGHLIGHTS AND ACCOMPLISHMENTS

### Background

When the Newfoundland and Labrador Film Development Corporation (NLFDC) was created, the province's film industry was in its infancy. There was approximately \$1 million of production activity at that time. Locally, the industry had developed neither the management (i.e. producer community) nor the staffing (production crew) upon which to build. The infrastructure of production and post-production facilities and equipment was outdated, inadequate, or non-existent. Given the scope of the task, and the complexity of the industry it has been responsible for developing, the NLFDC has been very successful in fulfilling its objectives.

Since 1997, the new environment in NL film has been increasingly one of viable local production companies, more skilled local crew, new technical capacities and infrastructure, and larger productions. This in turn means the incentive and potential for more large productions, more employment, and more economic activity. Production activity has dramatically increased since the NLFDC was established, jumping from \$2 million dollars in the 1997-98 fiscal year to over \$27 million in the 2005-06 fiscal year.

Significant film and television projects such as *Above and Beyond*, *Hatching*, *Matching*, and *Dispatching*, *Random Passage* and *Rare Birds* have been made possible in the province through the marketing efforts and financial assistance of the NLFDC. The local industry has also demonstrated our capacity to successfully host large guest productions such as *The Shipping News*.

### 2006-07

Coming off a record year for production, 2006-07 could be defined as challenging, with production activity being recorded at \$2.8 million. There are several reasons for this.

Firstly, the nature of the film and television industry is cyclical and large projects need to be viewed over a three year period – from inception, through development, production, and post-production, and into marketing. With 2005-06 being such a large production year, the focus in 2006-07 was on developing projects and negotiating with funders to secure production in the future. Government's continued support is essential to ensuring continued growth in the film industry in this province.

As well, in 2006-07 a number of national policy changes and industry realignments – which might have been bumps in the road normally – coincided within a short period to result in a temporary downturn in local production. In particular, detrimental national policies have been put in place at The Canadian Broadcasting Corporation (CBC), Telefilm Canada, and the Canadian Television Fund (CTF). These are all agencies of the federal government's Department of Canadian Heritage.

One area of rapid change in the national film and television industry has occurred at the CBC. The large majority of local production activity in our record year of 2005-06 was for television,

and most of those projects were licensed by the CBC. But in 2006-07, high-level management changes at the CBC resulted in a new strategic direction for the broadcaster.

In particular, the CBC began pursuing a younger demographic and moved towards reality-based television and away from traditional large-scale dramatic productions. This resulted in the immediate non-renewal of two nationally successful, locally produced programs – *Hatching, Matching and Dispatching* and *Above and Beyond* (which was vying to become a long-term television series).

While these sea-changes at the CBC have affected the whole country, “the regions” have been especially devastated – despite the CBC’s clear mandate to reflect all parts of Canada and to function nationally.

Another recent dramatic change for the national industry – which has had a significant impact on the Newfoundland and Labrador industry in 2006-07 – is the new partnership of the Canadian Television Fund with Telefilm Canada. Beyond the confusion it caused, this collaboration, effectively a merger, resulted in a new funding model, now utilizing broadcaster performance envelopes to flow funding to TV projects. All jurisdictions in the country compete for the same funding, but the recent changes have resulted in an even greater convergence of production towards larger centres. This problem is even more ironic given that a great deal of the most successful Canadian production content has traditionally come from outside central Canada.

Also, Telefilm Canada has changed their strategy for the Canada Feature Film Fund (CFFF). In essence, a new investment philosophy has been put in place. More money is invested per project but to fewer projects overall. This translates into fewer films, and it now appears Telefilm’s intention is to support just one major feature film in Atlantic Canada per year. With *Young Triffie* having received Telefilm funding in 2005-06, it is unclear when Newfoundland and Labrador will be able to attract the next large feature through Telefilm.

In addition to making it more difficult for NL to attract guest productions, the rise of the Canadian dollar has resulted in the larger service producers from the larger centres showing a significant drop in business and changing their focus to indigenous production. The industry has to be more creative to ensure that we remain competitive in pursuing the same business with the new competitors.

As if this weren’t already enough change, 2006-07 has also seen mergers of the major private broadcasters CTV, CHUM/CITY, and Global. How all this will finally shake out remains unclear at this writing, but in the meantime uncertainty has been a major factor. Some things do seem clear, though – there will be fewer national commissioning editors for independent producers to pitch projects to, and the current trend of more hours of broadcast content having to be created for the same or less money will continue.

There were several other factors adding to a climate of uncertainty for the national industry in 2006-07. These included: a difficult transition period with a new federal government; a major labour dispute with the performers’ union, ACTRA; and a serious challenge to the entire Canadian Television Fund system by Alberta and Quebec cable providers who appeared to have

the ear of the federal Minister. Furthermore, the impact of new media on the world film and television industries, especially in terms of how consumers access content or will in the future, has continued in 2006-07.

As a result of these changes in the industry, the NLFDC has been forced to pursue new lines of business which reduce the industry's dependence on funding from the CTF and Telefilm Canada. New marketing initiatives have been implemented at the international events in an effort to attract non-CTF and non-Telefilm productions. Efforts at the American Film Market in Santa Monica have proven particularly successful to date and we hope to see some films produced in Newfoundland and Labrador in the next one to two years using this new business model.

On the TV side, in order to counteract the changes at CBC and other national broadcasters, as well as the CTF/Telefilm merger, the NLFDC has changed focus in a couple of areas in 2006-07. Firstly, we have experimented with funding pilots for our producers. This allows them to have a much stronger marketing tool when pitching to broadcasters and allows the broadcasters to get a far superior sense as to the quality of production. Also, we have encouraged our producers to research co-production possibilities with Europe. We hope to see some positive results from these efforts in the coming years.

Locally, another factor – our technological capacity – also contributed to the downturn in project volume. As foreseen, the lack of a post-production facility able to deliver projects in high-definition picture and surround sound has definitely affected independent production companies in this province. In 2006-07, this was successfully addressed by NIFCO, the local post house, with work to be completed in the next fiscal year on its changeover to the new formats. The NLFDC actively supported this HD/surround conversion project.

The lull in production for 2006-07 has resulted in increased focus on the development of projects. This, in turn, has allowed us to develop writers and up-and-coming producers in anticipation of increased production levels in the future.

Also in 2006-07, the NLFDC has focused its professional development efforts particularly on crew and filmmakers now in the emerging and intermediate stages of their careers, rather than at the entry-level, in order to retain and enhance the existing full-fledged personnel in the province. A variety of seminars and individual initiatives targeted key areas, including producers, assistant directors, sound recordists, and online editors.

The NLFDC does not stand alone in pursuing its industry development initiatives. In 2006-07 the NLFDC partnered provincially with the Producers Association of Newfoundland, NIFCO, the St John's International Women's Film Festival, the Nickel Independent Festival, the College of the North Atlantic's film and video program, and the Discovery Trail Association. Nationally, new professional development initiatives were developed with the Canadian Film and Television Production Association, Telefilm Canada, and Atlantic Canada Film Partners, and significant ground work took place for industry development projects that will occur in 2007-08. As well, on behalf of the Province, the NLFDC is overseeing a film industry study by an outside consultant, to be concluded in the next fiscal year.

## SECTION FOUR - OUTPUTS

### SECTION FOUR, PART A – Issues Affecting the Newfoundland and Labrador Motion Picture Industry

The Canadian motion picture industry, in comparison to traditional resource industries, other cultural industries, and even the film industries of other countries, is unique. The intricacies and challenges of Canadian and world film, television and media production and marketing are ever-changing. These complexities are not unique to our province's film sector. The Canadian industry will continue to undergo realignments in the near- to mid-term, in all provinces and territories, and Newfoundland and Labrador will share in this. The NLFDC believes that with change will come new opportunities.

At present, the main issues the NLFDC and the industry in the province are facing can be summarized as:

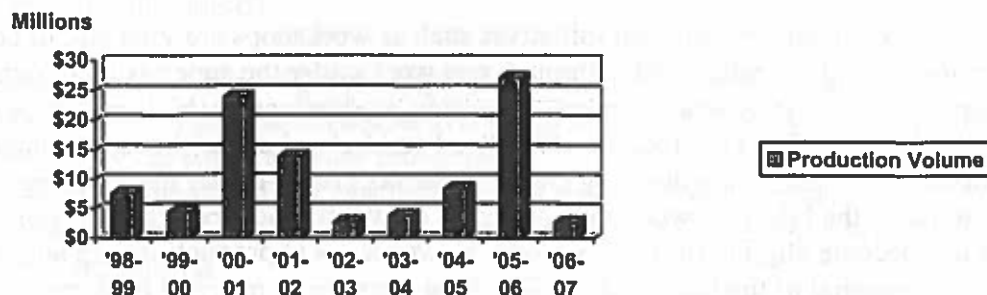
- i) Production levels
- ii) Professional development
- iii) Infrastructure

#### i) Production Levels

Coming off a record year in 2005-06, production dropped off dramatically in 2006-07. There were many reasons for this, as described earlier:

- Cyclical nature of the industry
- High-level management changes and resulting change of focus at CBC
- Merger of Telefilm and CTF and going to an envelope system
- Rise in the Canadian dollar
- Canada Feature Film Fund change in focus to more money per project and therefore fewer projects overall.

Because of the relatively small number of production companies in the province, the industry has not reached a critical mass where all companies are performing development and going into production concurrently. As a result, the nature of the industry in NL has been: continued consistent development, with spurts of production. This is evidenced by the following chart:





Because of this, our large NL projects need to be viewed over a three year period – from inception, through development, production, and post-production, and into marketing. Different business models need to be researched to smooth out production. This is crucial to keep creatives and crew employed and active, which will keep them in the province and in the local industry.

The majority of our record production year of 2005-06 was television production licensed by CBC. Management changes at CBC resulted in a new strategic direction for the broadcaster. That is, they began pursuing a younger demographic and moved towards reality-based television. This resulted in the immediate termination of two successful locally produced programs. The industry must quickly adapt to these changes and develop projects that fit into this new landscape.

The new funding model utilizing broadcaster performance envelopes implemented by Telefilm and the CTF has resulted in centralization of production to the larger cities. It is important that all worthy projects in the country have fair access, and it is a tenet of Canadian policy that all regions be justly served. The industry needs to ensure that projects from NL receive fair and equal access to broadcasters and CTF funding, and the NLFDC actively lobbies on its behalf.

Also, with the changes to Telefilm's Canada Feature Film Fund, the industry must research and develop different financial models for feature films. We must still pursue the Telefilm funded projects but must also develop alternative funding models to produce NL features.

The rise of the Canadian dollar has resulted in the big service producers from the larger centres showing a significant drop in business and changing their focus to indigenous production. The industry has to be more creative to ensure that we remain competitive in pursuing the same business with the new competitors.

#### ii) Professional Development

Nationally and provincially, a large share of resources devoted to the development of filmmakers and crew members is aimed at entry level attraction and training – enticing new people into the field and giving them basic skills. This is unquestionably worthy and important, but at the same time strong efforts must be made to keep bona fide, trained, proven and dedicated professionals in the industry and in the province. They will become tomorrow's senior filmmakers, administrators and technical personnel as baby boomers retire, and will ensure that the maximum economic benefits of NL film activity – through their salaries, purchases and taxes – remain in this province.

Increased professional development initiatives such as workshops are vital but, of course, the best method of skills development is through real work under the supervision of experts. This is particularly true with large-scale film and television productions – which cannot be emulated by training institutions. One vital tool Newfoundland and Labrador does have, to enhance the professional crew base, is the deeming clause of the tax credit. Under the deeming provision administered by the NLFDC, when outside senior crew train local personnel, a portion of their salaries can become eligible for the tax credit. However, local productions are not able to fully avail of the potential of the tax credit on NL labour because so many of their crew positions have

to be filled by non-residents. This makes their offerings to investors and their own businesses even more marginal.

### iii) Infrastructure

One issue at present with the infrastructure of the film industry in the province is the state of the local production companies. They are few in numbers and are relatively small. The industry needs to grow production companies so that they have the financial wherewithal to be able to sustain themselves during times of low production. Ideally, we would like to develop existing production companies from one person companies to full-time production companies that employ staff and perform development and production at the same time. These larger companies could then spin off talent to develop the next wave of local producers.

The Film Producers Association of Newfoundland and Labrador (PAN) administers the International Market Access Program supported by the Governments of Canada and Newfoundland and Labrador. This program begins a dedicated effort by PAN to make the international marketing and dissemination of Newfoundland and Labrador film and television its main organizational priority. Part and parcel of this new focus is the facilitation and development of co-production opportunities, both internationally and with other Canadian provinces. PAN has become a critical component in the continued growth of the industry in the province and we must ensure that it remains a viable entity.

The Canadian TV and film environment is rapidly changing and the local industry must keep pace. The industry needs to have the ability to deliver in HD and surround sound. NIFCO, the only industry standard post-production facility in the province, in 2006-07 applied for funding to upgrade to the new formats, and the major renovation is expected to be completed in the upcoming fiscal year. This will help local producers to compete on a level playing field with the rest of the country, but specific training of crew and marketing of projects and the facility will have to occur.

In addition, the Atlantic Studios Cooperative (ASC) must continue to upgrade equipment in order to be able to fulfill its mandate. Unfortunately revenue at ASC drops significantly in times of low production making it difficult/impossible to invest in additional equipment – reinforcing the need to get steady production in the province. In the future, as the industry grows, ASC will need to address the sound stage requirements for the province.

Challenges that have affected the current national industry have also strongly impacted NL production companies in 2006-07:

- the rising cost of production, while funding has not risen sufficiently: causing drastic reductions of profit margins (to a national average of only 1.6 per cent) and making the business model for the entire industry problematic
- the challenge of competition from new multi-media entertainment formats
- despite the funding crisis, an increased demand for Canadian content from broadcasters to satisfy federal regulations.

Despite these immediate issues, it is nevertheless very much to the advantage of Newfoundland and Labrador to develop the local film industry and to compete for its share of the national funding that otherwise will be spent in the same industry but in another jurisdiction.

Motion picture activity is labour-intensive, well-paid, knowledge-based employment. The Newfoundland and Labrador industry is beneficial to rural areas and to other cultural industries. The independent production community creates large economic spin-offs. It brings investments into this province that would not otherwise be made here. It also allows us to present our stories and our creativity to the nation and the world.

With the remarkable evolutions taking place in entertainment media, and the increasing reality of new forms of video distribution, through the internet, phones and so on, the necessity of the NLFDC to coordinate the film and video industry provincially is now more important than ever.

## **SECTION FOUR, PART B - Goals and Objectives of the NLFDC**

To ensure the continued growth of the film and video industry in this province, the NLFDC has identified two major goals and a number of objectives for each one. These goals are measured and reviewed on a regular basis to be certain that our mandate is being fulfilled.

### **NLFDC Goal One:**

#### **To continue growing the indigenous film industry and increase guest production activity in the Province**

- *Objective One - To market the Corporation and its programs*
- *Objective Two - To market the Province as an on-site filming location*
- *Objective Three - To increase production activity in the Province*
- *Objective Four - Ongoing assessment of infrastructure*

### **NLFDC Goal Two:**

#### **To maximize economic spin-off benefits to the Province**

- *Objective One - To increase full-time employment equivalents (crew base)*
- *Objective Two - To identify production services required*

Regarding Goal One, the NLFDC performs many activities to market the corporation and its programs offered. These include:

#### **i) International Initiatives Advisory Committee (IIAC)**

The NLFDC sits on an International Marketing Committee with representatives from all financial partners including Telefilm, the Association of Provincial Film Funding Agencies (APFA) and industry partners CFTPA, CTF, and DFAIT. This committee is responsible for overseeing the Canadian marketing presence at international events (Cannes Film Festival, MIPCOM, MIPTV and Berlinale).

The mandate of the committee is to have a Canadian partnership that will brand and promote Canada internationally in order to raise the profile of Canadian film, television and new media companies in the international marketplace:

- To enhance the presence and profile of Canada at international film and television events
- To raise the awareness of Canada's competitive advantages including tax credits and other financial incentives as well as co-production opportunities and to build strong relationships among Canadian production companies.

#### **ii) Atlantic Canada Film Partners**

In December 1999, the Newfoundland and Labrador Film Development Corporation signed a Memorandum of Understanding with its three other Atlantic counterparts and Telefilm to form

the Atlantic Canada Film Partners. This initiative provides our local producers access to the global marketplace, not only to market their productions, but also to forge and maintain relationships that eventually lead to co-production opportunities. Atlantic Canada Film Partners also assists emerging producers with market preparedness.

### **iii) Trade Missions, Markets, and Festivals**

Each year the NLFDC takes part in a number of initiatives in order to foster the development of business opportunities. Some of these initiatives to date have been a New York Trade Mission, an Irish Trade Mission and a New Mexico Trade Mission. As well, the NLFDC and local producers participate in a number of targeted market events that are identified on an annual basis. The targeted market events for 2006-07 were:

- **Cannes International Film Festival** - The NLFDC attended the 2006 Cannes International Film Festival, participated in the Canadian Pavilion and co-hosted two receptions, one of which was with Brazil. NLFDC also hosted, along with several other provinces, a breakfast/panel in the American Pavilion focusing on co-producing with Canada. As well, the Executive Director sat on an international panel representing Canada and gave a presentation on the benefits of co-producing in Canada. There were also several meetings with producers from the US, UK and Ireland looking at potential co-productions.
- **Banff Television Festival** - This Festival provides an excellent opportunity for local producers to meet and network with other producers, broadcasters, distributors, financiers and other film and television professionals. The NLFDC attended the Festival along with several local producers. Their attendance provided an excellent opportunity to discuss projects and to promote the Newfoundland and Labrador film industry. While in Banff the NLFDC had meetings with the Association of Provincial Funding agencies, the Tax Credit Committee, the Canadian Film Commissioners and the Atlantic Canada Film Partners.
- **American Film Market, Los Angeles** - The NLFDC attended this event along with four local producers. Several successful meetings were held and NL producers are currently following up on some very serious co-production opportunities. Also during the AFM, John Vatcher and his L.A. co-producer Mike Buie screened their documentary about the Truxton and Pollux disasters on the Burin Peninsula during World War Two. They brought survivor and future civil rights advocate Lanier Phillips from Washington DC for the event. After the screening, there was a Q & A with Lanier Phillips. This has led to Morgan Freeman's and Ron Howard's companies now being very interested in developing this amazing story into a feature film.
- **Toronto International Film Festival** - The Toronto International Film Festival takes place each year and runs for ten days of screenings, press conferences and premieres. This festival provides an excellent opportunity for the Corporation and our local producers to potentially screen films, sell themselves and make contacts with the representatives of the

film industry from all over the country and the world. The Association of Provincial Film Funding Agencies, the National Tax Credit Committee, and the IIAC also meet.

- CFTPA's Prime Time in Ottawa - Each February, the CFTPA hosts Prime Time, an annual networking conference for Canadian producers, where national policy makers are a key presence, seminars are held, and the annual state of the industry report is released with the industry's most comprehensive statistics. The CFTPA goal is to promote and stimulate the Canadian production industry. As a non-profit trade association it represents almost 400 film, television and interactive media companies across the country. It negotiates and manages labour agreements, and actively lobbies the federal and provincial governments on various policy areas including taxation, trade, copyright, broadcasting and film. The Association of Provincial Film Funding Agencies, the National Tax Credit Committee, and the IIAC also meet during Prime Time.
- Atlantic Film Festival and Strategic Partners in Halifax, Nova Scotia - The Atlantic Film Festival is one of Canada's premier film festivals. It takes place every September and attracts filmmakers and industry experts from across the country and around the world, making it a great opportunity to showcase our local talent, market our province as a filming location and make contacts with other professionals in the film industry. Strategic Partners is Canada's premiere co-production market, featuring the effective project-driven, pre-scheduled meetings format. Introduced in 1998, Strategic Partners (SP) has developed a solid reputation for program quality and results. In the fall of 2006, Strategic Partners particularly focused on producers of Australia, New Zealand and South Africa.

In addition, the NLFDC sponsors events in Newfoundland which market our film industry nationally and internationally:

- Nickel Independent Film and Video Festival - An annual film and video festival that was created by filmmakers for filmmakers. It also organizes a variety of filmmaker workshops, and each year travels outside St. John's to screen films.
- St. John's International Women's Film & Video Festival - Over the past fifteen years this festival has provided a unique forum for local, Canadian and international women to showcase their work. This festival has attracted much outside attention which has helped to support and promote our local film industry. It provides our local filmmakers and producers with access to the Canadian and international film industry and allows others to see that Newfoundland is home to a vibrant film industry. The St. John's International Film and Video Festival provides support to local artists through activities such as professional development, research, training, professional services, advocacy, education and dissemination of information. Its receptions, seminars, screenings and face to face meetings with decision makers are crucial for NL filmmakers.

#### iv) Promotion

As well as the initiatives described above, to promote the Newfoundland and Labrador film industry, the NLFDC also:

- Produces the Newfoundland and Labrador Film and Video Industry Production Guide – a new edition was published in 2006-07.
- Advertises in suitable industry publications.
- Maintains a website detailing the corporation, industry, funding programs and locations information.
- Publishes an Annual Film Review to provide an overview of the works produced by local filmmakers and to outline the province's funding programs.
- Distributes by direct mail the Newfoundland and Labrador Film and Video Industry Production Guide, brochures, and other appropriate information in response to various film-related inquiries.

#### v) Locations

Part of the mandate of the NLFDC is to market the province nationally and internationally as a filming location; that is, the NLFDC fulfills the role undertaken by film commissions in many other jurisdictions. In pursuit of this goal, the NLFDC is constantly promoting NL as a location to film in. Promoting NL as a film production location is part of the reason for attending all the events listed above. Meetings are set-up to discuss particular locations and promotional material is handed out to filmmakers explaining our incentives.

In addition, The Newfoundland and Labrador Film Development Corporation attends the annual Association of Film Commissioners International Locations Trade Show in Santa Monica, CA. This year, organizations attending from across the country worked collaboratively, for a very successful Team Canada effort. The NLFDC has gotten many positive leads and made a great number of contacts from this three-day show. Attending such an event increases the possibility of attracting guest productions to our province. In the future, the NLFDC will also consider fam tours, where groups of key producers are brought into the province to tour facilities and locations.

In addition, the NLFDC:

- Maintains a library of locations photos on our website.
- Dedicates significant staff time in responding to locations inquiries from around the world with detailed information.

#### vi) New Initiatives

As described above, in order to counter-act changes at CBC, the CTF, Telefilm, and private broadcasters, the NLFDC has changed focus in a couple of areas in 2006-07.

Firstly, we have experimented with funding pilots for our producers. This allows them to have a much stronger marketing tool when pitching to broadcasters and allows the broadcasters to get a far superior sense as to the quality of production.

Also, we have encouraged our producers to research co-production possibilities with Europe. We hope to see positive results from these efforts in the coming years.

New marketing initiatives have been implemented at the international events in an effort to attract non-CTF and non-Telefilm productions. Efforts at the American Film Market in Santa Monica have proven particularly successful to date and we hope to see some films produced in Newfoundland and Labrador in the next one to two years using this new business model.

The lull in production and where we are in the traditional production cycle of the NL industry in 2006-07 resulted in increased focus on the development of projects. The future projects will, in turn, continue the development of up and coming writers, directors, producers and crew in anticipation of increased production levels. Motion picture production is ultimately about filmmakers with great ideas and the necessary skills and tools to create projects. As has been well demonstrated in other areas such as Australia, Ireland, or Quebec, those filmmakers need to be nurtured and evolved over time in order for them to accomplish major national and international projects.

#### **vii) Infrastructure**

In terms of the bricks and mortar, nuts and bolts of film production infrastructure, the best role for the NLFDC is one of leadership, support and guidance rather than hands on management of facilities or equipment. Since the creation of the NLFDC and the inception of its tax credit and equity programs, two major infrastructure advancements have been achieved. They are:

- Atlantic Studios Co-operative (Production Equipment) - Atlantic Studios Co-operative was formed in 2003-2004 with the support of the Department of Canadian Heritage and the Atlantic Canada Opportunities Agency, after extensive research and community consultation. Registered under provincial co-operatives legislation, ASC owns and manages a feature-film/television series-ready mobile production equipment package, which can be deployed throughout the province. Also, ASC when feasible will avail of the Annex of the Pepsi Centre in Corner Brook, a 21,000 square foot sound stage facility. ASC rents its gear to local and guest productions at industry-standard rates.
- Newfoundland Independent Filmmakers Cooperative (Post Production) – Formed in 1975, the Newfoundland Independent Filmmakers Co-operative is one of the most respected and successful motion picture co-ops in the country. NIFCO functions as a production plant, post-production house and filmmaker training/development centre. NIFCO encourages film activity in other parts of Newfoundland and Labrador by bringing its programs, expertise and screenings to communities throughout the province. In 2006-07, NIFCO was successful in receiving support from the Government of Newfoundland and Labrador and the Government of Canada to convert its post-production facilities to high definition picture and surround sound, a project which when completed will allow NL production companies to compete again on an equal footing



with the rest of the country. The NLFDC supported NIFCO's efforts fully, through lobbying, letters of support, production statistics, a film employment analysis, and staff time.

The NIFCO HD/Surround Sound project due for completion in 2007-08 will be a major leap forward for the industry, and will put our post-production back on par. The NLFDC will continually assess the infrastructure needs of the local industry and work towards such goals as expansion of the Atlantic Studios Cooperative, the updating of equipment and eventually acquiring a sound stage in St. John's. The NLFDC will continue its ongoing communication with producers and other stakeholders to determine what services are required. As well, the NLFDC will continue to monitor industry developments throughout Canada.

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The NLFDC's Goal Two – to maximize the economic spin-offs that benefit this province from film production activity – will be a direct result of the success of the objectives of Goal One, described above.

The NLFDC will ensure that the best results for Newfoundlanders and Labradorians as a whole come from the film production activity that occurs in this province – but its first duty is to foster production itself and ensure the development of future production. Certainly the focus of 2006-07 for the NLFDC, along with producers and other organizations, has been to move forward as an industry in a changed environment.

As has been discussed above, since the inception of the Newfoundland and Labrador Film Development Corporation, the equity investment program and the labour tax credit, the levels of production activity here have substantially improved to the point of becoming a genuine industry, but there is a cycle. A development period precedes larger production years, then repeats as our base of production companies are at work creating the next wave of bigger projects. 2006-07 was the top of the cycle again, following last year's record production.

In terms of how to maximize the economic benefits to Newfoundland and Labrador from production of all sizes, there are a number of key areas that the NLFDC has continued to focus on in 2006-07. First and foremost, is to ensure that the most residents of our province possible work on any given project. A competitive tax credit assists this, but there must be competent, qualified people to fill the positions. This is more of a challenge in years of lower production activity, as film professionals may leave the province to seek employment. Like all industries in NL, 2006-07 has presented new challenges in that the lucrative job market in other fields in other provinces has been apparent. Nevertheless, the NLFDC has focused on the development of film professionals, and a number of professional development initiatives and partnerships have ensured that emerging and intermediate crew and filmmakers continue to strongly develop in this province into the future leadership.

The deeming clause of the tax credit is a vital tool to maximize the number of NL workers on film projects and also their real training opportunities. The NLFDC has promoted the deeming

clause vigorously as an incentive to outside and local production companies and expects that it will be well subscribed to on productions in the next fiscal year.

The NLFDC's aim is to develop one full crew in the province, working consistently, to remain in the province and therefore maximize the ability of guest and indigenous productions to maximize their use of the tax credit. This objective will continue to be reached through professional development initiatives and the management by the NLFDC of the deeming clause of the tax credit.

A great deal of the large scale productions that have occurred in this province since the creation of the NLFDC have taken place in rural Newfoundland, with obvious benefits – from direct jobs to indirect economic activity, to promotion of Newfoundland as a tourism destination. We expect this to continue with projects now in development and likely to be produced with our support in 2007-08.

Also of great benefit to the province as a whole from large-scale film production activity are economic spin-offs. Service industries (food, hotel rooms, rental cars), and a whole host of retailers, from clothing for costumes to lumber for set construction to gasoline for large fleets of vehicles all benefit from a vibrant film industry – not to mention provincial taxes on all those purchases and salaries. Again, this aim can only be met with the success of the NLFDC's Goal One and its Objectives.

In 2006-07 the NLFDC has commissioned a film industry study, and has partnered with the Atlantic Canada Opportunities Agency (ACOA) for a comprehensive economic analysis of the direct, indirect and induced fulltime employment equivalencies (FTEs) that come from the NL film industry. This study will be presented to the Department of Tourism, Culture and Recreation in 2007-08.

## SECTION FOUR, PART C – NLFDC Progress and Accomplishments

The NLFDC has two main methods to stimulate Newfoundland and Labrador production activity: equity investments and tax credits. Since their inception, the Equity Investment Program (EIP) and the Newfoundland and Labrador Film and Video Industry Tax Credit have created a context in which the Newfoundland and Labrador film sector has been able to grow substantially and develop into a bona fide industry.

By the end of fiscal year 2006-07, the NLFDC had invested a total of \$17.2 million (including tax credits) into motion picture production activity since its inception. This support leveraged \$85.9 million in outside investment, for a total of almost \$95.1 million in production activity since the NLFDC was created.

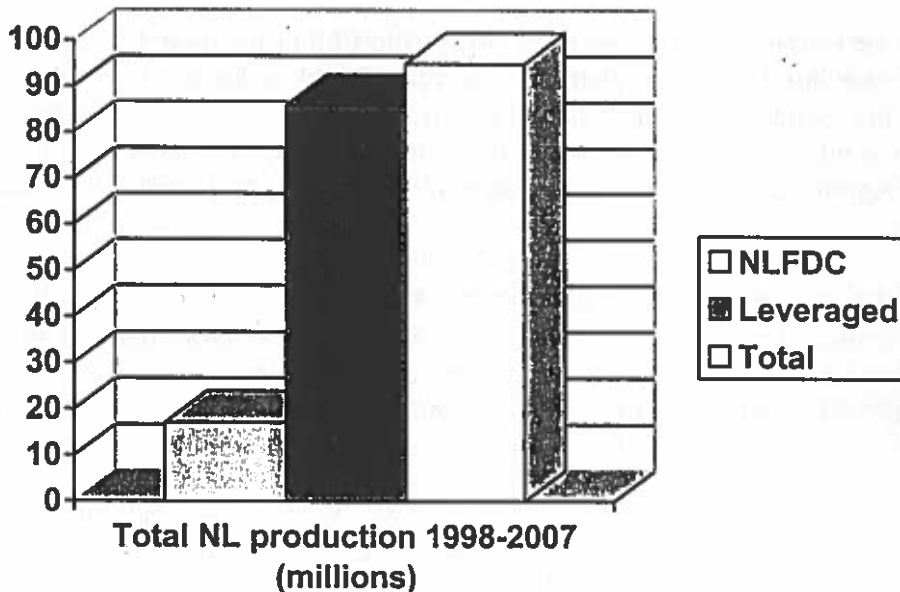


Chart - Outside Funding Leveraged by NLFDC

Today, in addition to the successful projects that have already happened, this Province has built a solid foundation for future growth in film production.

### Employment Creation

Work in film is labour-intensive, well-paid, knowledge-based, and highly skilled. Film is eco-friendly, international, and is not competitive with other industries. It creates large economic spin-offs, leaves a large tax footprint, and brings into the region investments that would not otherwise be made here. Across the nation and in this province the film and television production industry has been an engine of job creation. Nationally, its record of job creation has outpaced that of the overall economy and several related industries.

It is clear that real employment growth in well-paid, skilled, creative jobs are the result of an active NL film industry. We also know that much large scale production has happened outside St. John's, to the benefit of the economies of several regions of the province.

In a 2002 study, the Fulltime Employment Equivalents (FTEs) were calculated, based on the \$30,513,213 in NL film production that took place between 1999 and 2002. Direct, indirect, and induced FTEs from film production for the 1999-2002 period totaled 667. Using the same methodology, given a total film industry production activity of \$95.1 million since the Province founded the NLFDC, 2078 direct, indirect and induced Fulltime Employment Equivalents have been created.

On average, a major production hires 55 NL residents. Looking at our most recent period of peak film production activity, about one calendar year, the total weeks of fulltime production work was 40. These numbers do not indicate the economic spin-off employment created by film production. What is indicated, however, is a core group of skilled Newfoundland film workers who are regularly employed and paid well, in a good production year. For example, between 2004 and 2006, the seven largest projects totaled \$28,095,631 of production activity. These productions combined paid writers \$495,378, paid actors \$818,935, and paid crew \$6,331,598, for a total of \$7,645,911 in salaries paid out to NL residents on these projects alone.

More precise figures and analysis of the impact of the NL film industry will be available during fiscal year 2007-08, when a study currently being conducted by an outside consultant is delivered to the Province.

### Professional Development

Regular work on major industry productions is the best possible way to develop the skills of film professionals in this province. While 2006-07 was a challenging year in terms of production volume, a number of important activities nevertheless occurred in the industry on behalf of filmmakers, producers and crew.

During 2006-07, the NLFDC sponsored a variety of workshops and panels during both the Nickel Independent Film Festival and the St. John's International Women's Film Festival. Another PD priority of the past year for the NLFDC has been outreach to the West Coast Region, including acting workshops in Corner Brook, a visit to the new film and video program at College of the North Atlantic's Bay St George Campus, and the sponsorship of a 16 mm film workshop there. Much production activity in NL has traditionally occurred outside St. John's and the NLFDC is committed to continuing to address the film professional development needs of the whole province. Writers are one of our great assets in this province, and in 2006-07 the NLFDC also sponsored a script workshop in Clarenville in partnership with the Discovery Trails Association.

As well, a new partnership was formed between the NLFDC, the Atlantic Canada Film Partners, Telefilm Canada, and the CFTPA for the creation of the Atlantic Mentorship Program, aimed at fostering the development of emerging and midlevel production personnel.

#### **SECTION FOUR, PART D - Measures and Indicators for Next Fiscal Year**

The NLFDC is forecasting a much better production year for 2007-08 than the \$2.8 million in production for 2006-07. We are hoping to develop and maintain a steady minimum level of production that will allow us to develop our crew and keep them in NL. This will allow producers to be more competitive in pursuing the larger budget projects with Telefilm and CTF.

An increased level of production activity will also continue to develop the key creative personnel needed for a successful film industry, including writers, directors, producers, camera operators, editors, composers, and animators with sufficient knowledge to work on and create large budget indigenous productions. This is a long term commitment by a number of organizations.

Success for 2007-08 will be measured and indicated by:

- an increase in post-production activity, following the completion of the upgrade at NIFCO to HD and surround sound capability
- steady, increased employment of crew
- the launch of new initiatives with NLFDC partnerships to enhance the emerging and mid-level producer base
- continued outreach to rural areas
- continued encouragement of Aboriginal filmmakers
- continued outreach to and partnerships with post-secondary educational institutions which provide training relevant to the film industry
- continuing to establish long term relationships with outside investors for new production financing models, leading to sustained activity in this area
- an increase in the production of pilots
- development of crew into increasing levels of seniority and experience as a result of new production financing models
- an increase in production activity to a level of \$11 million.

## SECTION FIVE - OPPORTUNITIES AND CHALLENGES AHEAD

The Department of Tourism, Culture and Recreation has allotted \$50,000 to the NLFDC on behalf of the Province to commission a study into the economic impact of film industry activity in Newfoundland and Labrador by a consultant. The study will be a comprehensive analysis of the current state of the NL film industry within the national and international context. The study is intended to clarify challenges and opportunities ahead and will make recommendations to ensure the continued growth of the film industry in this province.

The main challenge with the industry in the province is to address the cycles of low production activity and attempt to develop some consistent, base level of production. These lulls make it difficult for local producers to attract future production as crew often have to be hired and/or brought back from other production centres, adding to the cost of the production and making local companies less competitive than producers from other centres.

In pursuit of solving this challenge, the NLFDC feels there are opportunities to attract production that will hopefully result in a constant, steady base level of production. One of these opportunities is to land productions outside the traditional funding models which have included Telefilm or the CTF. In addition, changing our approach to attracting TV productions to the province, and developing co-production relationships should also help to raise the annual levels of production.

The ever-changing landscape for TV and film production in Canada is a difficult one to be competitive in and certainly beyond the ultimate control of this province, but the NLFDC is adapting quickly in order to help our producers attract production and continue to help the industry grow. We believe the worst of the bumpy ride of the last year is over and while the traditional funding models of five years ago will not be seen in the same form again, the local industry, still in a maturation phase, is on a positive upswing.

## SECTION SIX - FINANCIAL STATEMENTS

Please see attached.

**Newfoundland and Labrador Film  
Development Corporation**

**Financial Statements**

**March 31, 2007**



# Newfoundland and Labrador Film Development Corporation

March 31, 2007

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Fax: (709) 738-5301  
email: info@pinsent.ca

## Auditors' Report

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To the Board  
Newfoundland and Labrador Film Development Corporation

We have audited the balance sheet of Newfoundland and Labrador Film Development Corporation as at March 31, 2007 and the statement of operations, surplus, cash flow and schedule of receipts and commitments - Equity Investment Program for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

  
Pinsent & Associates  
Certified General Accountants

St. John's, NL  
May 25, 2007

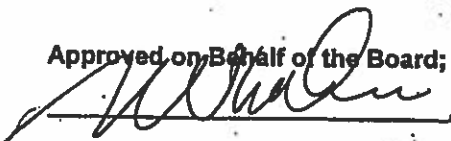
# Newfoundland and Labrador Film Development Corporation

## Balance Sheet

As At March 31, 2007

	Note	2007	2006
<b>Assets</b>			
<b>Current Assets</b>			
Cash		\$ 985,685	\$ 424,041
Accounts receivable	2.	17,480	16,035
Prepaid		8,342	6,633
<b>Total Current Assets</b>		<b>1,011,507</b>	<b>446,709</b>
Property, plant and equipment	3.	18,207	10,193
Deferred interest		139	-
<b>Total Assets</b>		<b>\$ 1,029,853</b>	<b>\$ 456,902</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Payables and accruals		\$ 11,508	\$ 32,931
Equity investment program payables		817,975	272,945
Holdbacks payable - Equity investment program		72,648	122,759
Deferred income/revenue		39,145	-
Current portion of long term lease		2,160	-
<b>Total Current Liabilities</b>		<b>943,436</b>	<b>428,635</b>
Capital leases	4.	2,592	-
<b>Total Liabilities</b>		<b>946,028</b>	<b>428,635</b>
<b>Equity</b>			
Share capital	5.	3	3
Surplus - end of year		83,822	28,265
<b>Total Equity</b>		<b>83,825</b>	<b>28,268</b>
<b>Total Liabilities &amp; Equity</b>		<b>\$ 1,029,853</b>	<b>\$ 456,903</b>

Approved on Behalf of the Board;



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

# Newfoundland and Labrador Film Development Corporation

## Statement of Operations

For the Year Ended March 31, 2007

	Note	2007	2006
<b>Revenue</b>			
Atlantic Canada Opportunities Agency - Business Development Program (BDP)		\$ -	\$ 180,488
Government of Newfoundland and Labrador - Department of Tourism, Culture & Recreation		550,000	315,000
Economic Impact Study Grant - Dept. of Tourism, Culture & Recreation		10,855	-
<b>Total revenue</b>		<b>560,855</b>	<b>495,488</b>
<b>Operating expenses</b>			
Advertising and promotion		14,811	2,215
Promotional materials and publications		4,988	9,336
Amortization of tangible assets		6,623	3,872
Office administration		71,262	72,999
Professional fees	6.	58,741	13,545
Salaries and wages		259,443	267,932
Municipal taxes and other fees		1,032	2,064
Miscellaneous expense		849	1,288
Conferences and travel		60,226	66,604
Sponsorships		55,103	58,743
Printed materials		7,505	2,101
<b>Total operating expenses</b>		<b>540,583</b>	<b>500,699</b>
<b>Income (Loss) from operations</b>		<b>20,272</b>	<b>(5,211)</b>
<b>Non operating income and expenses</b>			
Gains (losses) on disposal		(2,614)	-
<b>Excess of revenue over expenditure (expenditure over revenue)</b>		<b>\$ 17,658</b>	<b>\$ (5,211)</b>

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

# Newfoundland and Labrador Film Development Corporation

## Statement of Surplus

For the Year Ended March 31, 2007

	Note	2007	2006
Surplus - beginning of year	\$	28,265	\$ 11,371
Excess of revenue over expenditure		17,658	(5,210)
Excess of receipts over commitments (commitments over receipts) - Equity Investment Program (EIP) - Schedule of Receipts and Commitments		37,899	22,104
<b>Surplus - end of year</b>	<b>\$</b>	<b>83,822</b>	<b>\$ 28,265</b>

### Composition of Surplus (Deficit):

Operations Account	\$	(8,937)	\$ (26,504)
Equity investment Account		92,769	54,769
<b>Surplus - end of year</b>	<b>\$</b>	<b>83,822</b>	<b>\$ 28,265</b>

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

# Newfoundland and Labrador Film Development Corporation

## Statement of Cash Flow

For the Year Ended March 31, 2007

	Note	2007	2006
<b>Cash flow from operating activities</b>			
Net income (loss) for the period	\$	17,568	\$ (5,210)
Excess of receipts over commitments (commitments over receipts)		37,989	22,104
Amortization		6,623	3,872
Gain (Loss) on sale of capital assets		2,614	-
		64,794	20,766
<b>Changes in non-cash working capital balances</b>			
Decrease (increase) in accounts receivable		(1,445)	10,820
Accounts payable and accrued liabilities		473,496	240,198
Decrease (increase) in prepaid expense		(1,709)	2,135
<b>Total cash flow from operating activities</b>		<b>535,136</b>	<b>273,719</b>
<b>Cash flows from/used in investing activities</b>			
Property, plant and equipment additions		(17,251)	(1,520)
Deferred charges		(139)	-
<b>Total cash flows from/used in investing activities</b>		<b>(17,390)</b>	<b>(1,520)</b>
<b>Cash flows from/used in financing activities</b>			
Capital lease		4,752	-
<b>Total cash flows from/used in financing activities</b>		<b>4,752</b>	<b>-</b>
Net increase in cash and cash equivalents		522,498	272,199
Net cash and cash equivalents, beginning of period		424,041	151,843
<b>Net cash and cash equivalents, end of period</b>	<b>\$</b>	<b>946,539</b>	<b>\$ 424,042</b>

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

# Newfoundland and Labrador Film Development Corporation

## Notes to the Financial Statements

March 31, 2007

### 1. Accounting Policies

#### Basis of preparation

The accounting policies of the Corporation are in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year except for policies relating to program grants, loans and equity investments. Outlined below are those policies considered particularly significant.

#### Nature of operations

The Corporation is incorporated under the laws of the Province of Newfoundland and Labrador. 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 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.

#### Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and may have impact on future periods.

#### Fair values

The company has determined that the estimated fair value of the financial assets and liabilities do not differ considerably from their book value.

#### Amortization

Property, plant and equipment is carried at cost. Amortization is provided annually at rates indicated, calculated to write off the assets over their useful lives, except in the year of acquisition when one-half of the rate is used.

#### Change in accounting policy

During fiscal 2007 the Corporation changed its policy regarding the treatment of Equity Investment in Films and Project Development Loans. Equity Investment in Films and Project Development Loans which were previously recorded as revenue and expense in the years received are now recorded as assets and appropriate allowances taken, as indicated in Notes 7 and 8.

# Newfoundland and Labrador Film Development Corporation

## Notes to the Financial Statements

March 31, 2007

### 2. Accounts Receivable

Accounts receivable consists of the following:

	2007	2006
Receivable - HST	\$ 3,808	\$ 1,439
Receivable - Atlantic Canada Opportunities Agency	13,672	3,610
Receivable - Equity Investment Program	-	10,986
<b>Total</b>	<b>\$ 17,480</b>	<b>\$ 16,035</b>

### 3. Property, Plant and Equipment

Property, plant and equipment consists of the following:

		2007	2006
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	45% \$ 40,901	\$ (26,835)	\$ 14,066
Furniture & fixtures	20% 17,445	(13,304)	4,141
Computer software	100% 1,899	(1,899)	-
<b>Total</b>	<b>\$ 60,245</b>	<b>\$ (42,038)</b>	<b>\$ 18,207</b>

### 4. Long Term Leases

The company has the following obligation under capital lease:

	2007	2006
<b>CIT Financial Services</b>		
Lease repayable in 36 equal monthly instalment of \$188.	\$ 4,752	\$ -
Current portion	(2,160)	-
<b>Long-term portion</b>	<b>\$ 2,592</b>	<b>\$ -</b>

Obligations under capital leases are as follows:

2008	\$ 2,160
2009	2,217
2010	375
<b>Total</b>	<b>\$ 4,752</b>



# Newfoundland and Labrador Film Development Corporation

Notes to the Financial Statements

March 31, 2007

## 5. Shareholders' Equity

Authorized:

600 common shares of no par value

Issued and outstanding shares:

600 common shares

	2007	2006
Common shares	\$ 3	\$ 3

## 6. Professional Fees

Professional fees consists of the following:

	2007	2006
Accounting and audit fees	\$ 8,500	\$ 8,900
Economic impact study fees	10,855	-
Preparation of production guide fees	35,665	-
Preparation of annual returns fees	2,021	2,699
Other fees	1,700	1,946
<b>Total</b>	<b>\$ 58,741</b>	<b>\$ 13,545</b>

## 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 Newfoundlanders and Labradorians. Equity investments are made with the condition of repayment through participation in revenue generated by projects. Revenue is recorded as recoupment.

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

	2007	2006
Equity Investment	\$ 9,010,360	\$ 7,288,415
Allowance against equity investment	(8,960,972)	(7,219,263)
Recoupment - Equity investment	(49,388)	(49,152)
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>

# Newfoundland and Labrador Film Development Corporation

## Notes to the Financial Statements

March 31, 2007

### 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 costing. 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.

	2007	2006
Development loans	\$ 1,720,796	\$ 1,462,842
Allowance against development loans	(1,720,796)	(1,462,842)
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>

### 9. Commitments

The Corporation entered into a three-year rental agreement with Imperial House Inc. commencing June 1, 2006.

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 not result in program disbursements until subsequent fiscal periods.

As at March 31, 2007, the Corporation was contractually committed to advance funds totaling \$841,413 from the Equity Investment Program as investments and loans in respect of current and future projects subject to the availability of funds and terms and conditions outlined in the funding agreement.

	2007/2008
Dark Flowers Productions Inc. - "Atlantic Blue"	\$ 500,000
Pope Productions Inc. - "Diverted"	250,000
Newfound Films Inc. - "Down to the Dirt"	39,250
Rink Rat Productions Inc. - "Maudie"	21,685
Rink Rat Productions Inc. - "The Republic"	13,738
Pangur Ban Productions Inc. - "Africa: Cradle and Grave"	8,910
Kickham East Productions Inc. - "Gros Mome"	7,830
	<b>\$ 841,413</b>

### 10. Economic Dependence

The Corporation is economically dependant on the Provincial government for annual funding.

# Newfoundland and Labrador Film Development Corporation

## Notes to the Financial Statements

March 31, 2007

### 11. Financial Instruments

The Corporation's financial instruments consist of receivables, accounts payable, equity investment payables, holdback payables, and commitments. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency, or credit risk arising from these financial instruments. The fair value of the instruments approximates their carrying values, unless otherwise noted.

### 12. Comparative Figures

Prior year figures have been reclassified where applicable to conform with the current year presentation.

# Newfoundland and Labrador Film Development Corporation

Schedule of Receipts and Commitments - Equity Investment Program  
For the Year Ended March 31, 2007

	Note	2007	2006
<b>Receipts:</b>			
Government Funding	Equity Investment Program	1,999,663	1,975,000
Recoupment	Equity Investment Program	326	5,908
<b>Funding which has lapsed:</b>			
Augusta Productions	Duckworth	11,440	-
Augusta Productions	Girl on the Road	9,000	-
Edge of the Earth Productions	Birds Eye View	4,109	-
Edge of the Earth Productions	Berry Pickers	4,115	-
Fire Crown Productions Inc.	Tricksters	20,750	-
Kickham East Productions Inc.	Salt Fish and Molasses	6,750	-
Rink Rat Productions	The Sergeant's Son (Phase II)	22,748	-
Rink Rat Productions	Maudie	32,248	-
		<u>2,111,149</u>	<u>1,980,908</u>
<b>Current year commitments:</b>			
2M Innovations	Hatching Matching & Dispatching	150,000	251,696
2M Innovations	Hatching Matching & Dispatching - 7-9	27,135	-
Above and Beyond Inc.	Above and Beyond	200,000	399,322
Augusta Productions Inc.	Girl on the Road	45,917	9,000
Best Boy Productions Inc.	The Flummies	10,000	10,000
Best Boy Productions Inc.	Speaking Volumes	10,000	10,000
Best Boy Productions Inc.	A Little Problem with Murder	9,634	-
Danger Tree Films Inc.	South Coast	-	10,000
Dancing Trout Productions Inc.	Feel the Earth Move	52,056	-
Dark Flowers Productions Inc.	Atlantic Blue	465,000	-
Edge of the Earth Productions Inc.	Torn from the Sea	8,000	-
Edge of the Earth Productions Inc.	Birds Eye View	-	4,109
Edge of the Earth Productions Inc.	The Berry Pickers	-	4,115
Fire Crown Productions Inc.	Kamataukatsuit Explored	-	4,750
Fire Crown Productions Inc.	Tricksters	4,750	36,000
Girl Culture Inc.	Girl Culture	-	13,250
Hey Day Productions Inc.	Hey Day	100,000	100,000
Kickham East Productions Inc.	Salt Fish & Molasses	-	6,750
Kickham East Productions Inc.	Two Girlfriend's	7,900	-
Killick Productions Inc.	From Botwood to Foynes	8,301	-
Legends Productions Inc.	Legends and Lore	50,000	44,008
Life with Derek Inc.	Life with Derek	-	250,000

# Newfoundland and Labrador Film Development Corporation

Schedule of Receipts and Commitments - Equity Investment Program  
For the Year Ended March 31, 2007

	Note	2007	2006
<b>Current year commitments (cont'd)</b>			
Media Connections Inc.	The Real Matriarch	7,125	-
Morag Loves Company Limited	An Iceberg's Journey	6,062	-
Morag Loves Company Limited	Surfing in Newfoundland (Phase II)	8,914	-
Morag Loves Company Limited	Alligator	10,599	-
Morag Loves Company Limited	The March Hare	6,945	-
Morag Loves Company Limited	Death By Lottery	6,170	-
Morag Loves March Hare	The March Hare	20,539	-
Morag Loves Moebius Corporation	Jean Giraud - A Life in Pictures	13,300	-
Morag Productions Inc.	Love and Savagery	-	25,218
Morag Productions Inc.	Surfing in Newfoundland	-	12,587
Morag Productions Inc.	Confessions of a Pot Smuggler	-	20,216
Muinjjj Productions Inc.	Mix Bloods	16,599	-
Muinjjj Productions Inc.	Romancing the Labrador	25,000	17,188
Muinjjj Productions Inc.	Scat Stories	12,780	-
Nanobody Productions Inc.	Nanobods	-	5,000
Newfound Films Inc.	Bookshorts	15,300	-
Newfound Films Inc.	Down to the Dirt	77,791	-
Newfound Films Inc.	Growing Pains	16,493	-
Newfound Films Inc.	Heartless Disappearance into Labrador	11,319	-
Newfound Films Inc.	St. John's West (Phase II)	6,800	8,000
Newfound Films Inc.	The King Hunt	-	6,532
Newfound Films Inc.	A Humorous History of NL	-	8,066
Opportunity Knox	Grown Up Movie Star	-	11,538
Pilots Three Inc.	3 Pilots	77,043	-
Plain Sight Pictures	Wish	7,013	-
Plain Sight Pictures	Wingman	11,760	-
Pope Productions Inc.	Why Angels Sing	9,800	-
Pope Productions Inc.	Lighthouse	11,885	-
Pope Productions Inc.	Diverted	250,000	-
Pope Productions Inc.	Monkshood	11,647	-
Pope Productions Inc.	Access to Health	8,100	-
Pope Productions Inc.	Her Majesties' Pen	4,640	-
Pope Productions Inc.	Atlantic Sound	-	9,245
Pope Productions Inc.	Kicker	-	12,704
Rain Productions Inc.	Define Yourself	-	15,000
Rain Productions Inc.	Finding Balance	16,000	-

# Newfoundland and Labrador Film Development Corporation

## Schedule of Receipts and Commitments - Equity Investment Program

For the Year Ended March 31, 2007

	Note	2007	2006
<b>Current year commitments (cont'd)</b>			
Rink Rat Productions Inc.	Euro League	28,460	-
Rink Rat Productions Inc.	Christopher House: Ahead of the Curve	20,000	-
Rink Rat Productions Inc.	The Big Bang	12,623	-
Rink Rat Productions Inc.	Feast of Cohen	8,308	-
Rink Rat Productions Inc.	Maudie	5,512	32,248
Rink Rat Productions Inc.	The Sergeant's Son	-	22,777
Rink Rat Productions Inc.	To Think Like a Composer	-	46,346
Sky Bridge Productions	Ferry Command	18,596	30,000
Small Pond Productions	Rabbittown	50,000	89,494
Springwater Productions Inc.	Homegrown	-	24,858
Springwater Productions Inc.	Jean Claude Roy	-	15,952
Springwater Productions Inc.	Breaking Ground	-	29,475
Streely Maid Films Ltd.	The Songwriter - Diamonds in a Bucket	20,400	-
Strong Language Inc.	Grangeways	-	7,515
The Giggle Factory Inc.	Kent and Donny's Bits and Pieces	-	5,727
The Giggle Factory Inc.	George Street TV - Season III	50,000	50,000
The Giggle Factory Inc.	George Street TV - Season IV	21,344	-
The Giggle Factory Inc.	George Street TV - Season V	22,600	-
50796 Newfoundland & Lab. Inc.	Keeping Up with Cathy Jones	-	59,438
522721 Newfoundland & Lab. Inc.	Young Triffie	-	240,680
		<b>2,073,160</b>	<b>1,958,802</b>
<b>Excess of receipts over commitments</b>			
	(commitments over receipts)	37,990	22,104
<b>Opening Balance</b>			
		54,769	32,685
<b>Closing Balance</b>			
		<b>\$ 92,769</b>	<b>\$ 54,769</b>

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