

Newfoundland & Labrador

FILM DEVELOPMENT CORPORATION

ANNUAL REPORT FOR:

2008/09

Prepared by:

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

TABLE OF CONTENTS

Message from the Chair	Page 1
An Overview	Page 2
Highlights and Accomplishments	Page 4
Outputs	
Issues Affecting the Industry	Page 9
Goals and Objectives	Page 12
Measures and Indicators	Page 26
Opportunities and Challenges Ahead	Page 27
Financial Statements	Page 29

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 2008-09 Annual Report to the Government of Newfoundland and Labrador. 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 and the NLFDC is accountable for the preparation of the 2008-09 Annual Report and the results reported therein. Results and variances are explained for the achievement of the specific goals and objectives contained therein.

In fiscal 2007-08 the film and television industry in the province went through a rebuilding period, resulting in \$10.3 million in production activity. As a result of this continued development, 2008-09 proved to be a solid year of production. In total, there were 18 film and television projects produced in the province which consisted of five documentaries, ten television projects and three feature films. Production activity was \$19.4 million and this has resulted in total production activity since the inception of the NLFDC surpassing \$124 million. An economic impact assessment was completed in 2007-08 showing the benefits of the film industry in the province. It is estimated that for every \$1 spent, the total GDP return to the province is \$2.86.

The NLFDC continues to work closely with other industry organizations, both provincially, nationally and internationally. 2008-09 has been a very successful and notable year for this with the continuation of two programs. First has been the extension of the Picture Start Program in cooperation with Telefilm and NIFCO which provides local talent with a stepping stone to produce their second short film (or pilot). Also, the Atlantic Mentorship Program in conjunction with the Canadian Film and Television Producers Association (CFTPA) provides two emerging producers the opportunity to be mentored by established producers on actual productions. In addition, on an ongoing basis, the NLFDC works closely with industry to identify professional development initiatives.

We are predicting that 2009-10 will be another solid year for film and television production in the province. We are confident that the NLFDC's strategic marketing efforts to pursue a television series will prove successful. In addition, we intend to do our part to ensure a new media policy is implemented by the provincial government and complements the national strategy. Finally, the Film and Video Industry Tax Credit has recently been renewed so the NLFDC intends to work closely with the provincial government to ensure that the province remains competitive as a filming location.

We are pleased and encouraged by Government's continuing support of the corporation and stress the importance of maintaining the current levels of funding to ensure that we remain competitive in the national and international marketplace.



Paul Lannon

Chair, Board of Directors (NLFDC)

Newfoundland and Labrador Film Development Corporation - Annual Report 2008-09

AN OVERVIEW

Vision

By funding quality productions and strengthening industry support to growing the industry, the NLFDC is aiming for the continued long-term viability and development of a healthy and stable film industry in Newfoundland and Labrador.

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. Projects would also become numerous enough that NIFCO and the Atlantic Studio Cooperative would be in constant production.

Mission

By 2011 the NLFDC will have insured the continued development of the film industry in NL by working with producers, fellow provincial organizations, national and international funding bodies to develop an environment where the industry is stable and continuing to grow.

Measure

- Continued development of the Film and Video Industry in Newfoundland and Labrador

Indicators

- The Equity Investment Program (EIP) has been effectively managed
- The Film and Video Industry Tax Credit has been effectively managed
- NLFDC programs and Locations have been marketed Nationally and Internationally
- Initiatives implemented to develop creative and technical capabilities

This mission is the focus for the NLFDC as it addresses the strategic direction of sustainable creative enterprises and cultural industries are developed as provided by government.

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, liaises 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. Last year the NLFDC chaired the Association of Provincial Film Funding Agencies and co-chaired the National Tax Credit Committee. In these ways it helps to influence policy for the benefit of this province.

Lines of Business

The NLFDC pursues five lines of business, two of which by administering specific 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 third line of business consists of the Sponsorship Program which assists qualified individuals and organizations with funding assistance which enabling them to promote the products of the local industry. Fourthly, the NLFDC has a fulltime Industry Analyst who works on behalf of crew, producers, and filmmakers to organize and support specific workshops, training opportunities, job placements, and other projects designed to increase the local industry's capacity. Finally, the NLFDC will market the indigenous industry and the province as an on-site location nationally and internationally to improve the industry's ability to attract productions and solicit business.

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

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

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 have been made possible 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* and *Outlander*.

By the end of fiscal year 2008-09, the NLFDC had invested a total of \$25.9 million (including tax credits) into motion picture production activity since its inception. This support leveraged \$98.9 million in outside investment, for a total of almost \$124.8 million in production activity since the NLFDC was created.

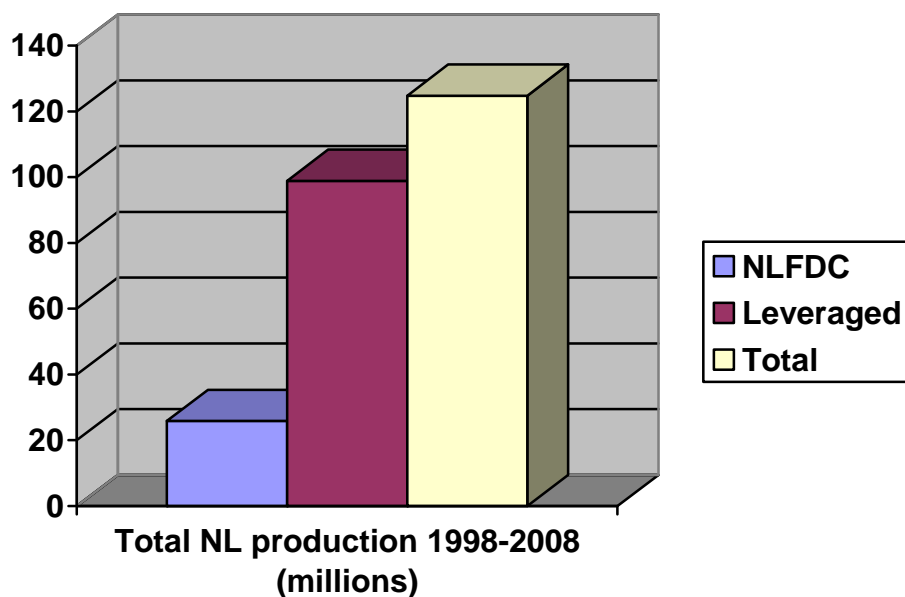


Chart - Outside Funding Leveraged by NLFDC

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 and Economic Benefit

Work in film is labour-intensive, well-paid, knowledge-based and highly skilled. Film is: eco-friendly, international, and 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 and creative jobs is 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.

Last year, a study on the economic impact of the film and television industry in the province was completed. The Fulltime Employment Equivalents (FTEs) were calculated, based on approximately \$27 million in NL film production in 2005-06. This resulted in 355 full time equivalent (FTE) positions (273 direct and indirect FTE positions and 82 induced FTE positions) and direct, indirect and induced tax revenue of \$1.5 million. The province's net cost of the investment was \$3.9 million; \$5.4 million investment less the tax revenue of \$1.5 million.

On average, a major production hires 55 NL residents. 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 and Labrador film workers who are regularly employed and paid well, in a good production year. For example, between 2004 and 2006, the seven largest projects 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.

In addition to the labour tax credit and equity investment program, continued international market access and human resources development are crucial to the ongoing development of the province's film and television industry. At present, an economic impact assessment (EIA) of the province's film and television industry was conducted by ACOA using the 2005/06 production volume of approximately \$27 million. The EIA indicates that through its labour tax credit and equity investment programs, the province invested approximately \$5.4 million; the investment leveraged an additional \$9.3 million (a significant portion of which was from outside sources). This \$14.7 million in spending in the province resulted in a direct, indirect and induced gross domestic product (GDP) impact of \$15.0 million. It is estimated that for every \$1 the province invested, the total GDP return to the province was \$2.86. The return on investment on production was \$2.77 to \$1 and on development was \$3.45 to \$1.

2008-09

In 2008-09, there were 18 film and television projects produced in the province by local producers:

Documentaries	The Horse
	The Real Matriarch
	Cranky
	Tooton's (History of Photography in NL)
	The Wessex Connection
Television Projects	Sweet Pickle – Picture Start
	Quiet at Dawn – Picture Start
	Mum's the Word – Picture Start
	Ten Days – Picture Start
	Diverted
	Mickey's Farm
	Republic of Doyle (Pilot)
	Figgy Duff Reunion
	Breaking Ground III
	Skinny Dip – Season I
Feature Films	Love & Savagery
	Crackie
	Grown Up Movie Star

Production activity for 2008-09 was \$19.4 million. This has resulted in total production activity in the province since the inception of the NLFDC surpassing \$124 million.

The efforts by local producers and NLFDC staff travelling to various industry events has been extremely successful this year as evidenced by:

- At the Cannes Film Festival, the NLFDC co-sponsored a co-production luncheon with the producers from Wales (as well as other European countries) and talked about the benefits of co-producing in Newfoundland which has led to a possible co-production with Pope Productions.
- This year's Banff World Television Festival proved very successful for Best Boy Productions who, not only attended, but also had an exhibit. This ultimately resulted in a television series being green lit.
- The NLFDC along with 10 local producers attended a producer's immersion in Wales, which fostered several international co-production opportunities.

The NLFDC participated in the Canadian Pavilion at the Cannes International Film Festival and co-hosted two international receptions (US and UK). The NLFDC also hosted along with several other provinces a reception in partnership with Strategic Partners and the International Newfoundland and Labrador Film Development Corporation - Annual Report 2008-09

Producers' Network. There were also several meetings with producers from the US, UK, France and Ireland looking at potential co-productions.

Down to the Dirt – Screening at Cannes:

The NLFDC is very proud and excited to be one of the investors in the feature film *Down to the Dirt*. The intent of this project was to focus on the development of a director and this provided the very talented Justin Simms the opportunity to direct his first feature length production. This production also provided the author of the successful book of the same name an opportunity to star in a feature film and he delivered an amazing performance.

In addition to this, *Down to the Dirt* was selected for the prestigious Perspective Canada screening program at the Cannes Film Festival, held from May 14-25, 2008. There are only ten Canadian features (including 5-6 English language) chosen every year for Perspectives Canada. This is a tremendous achievement and the first time in our industry's history. The selection of *Down to the Dirt* by such a prestigious market enhanced the province's film sector as a whole by giving it both enhanced visibility and profile in an international market. As well, this increased global attention for this production will provide valuable exposure for our producer's Jennice Ripley and Anna Petras and in all likelihood lead to international sales.

Wales Initiative November 2008

Background: A facilitated two-day session in Wales to immerse a group of Newfoundland producers, industry advisers and observers, and a group of Wales' producers, industry advisers and observers into the co-production landscape. The aim is to strengthen existing co-production relationships and develop new business partnerships.

Co-productions are a key component of Newfoundland film and television production. They are a favoured method of penetrating new markets and facilitating project financing. Newfoundland and Labrador producers (indeed most Canadian producers) are very active in the co-production area. They promote quality and demonstrate remarkable energy and understanding of markets, making them sought after partners.

There is an obvious cultural connection between Wales and Newfoundland. A concerted and concentrated effort is required on bringing together Wales and Newfoundland producers will result in increased business opportunities overall.

The Wales trip took place in November with 10 local producers participating as well as representatives from NLFDC, PAN and INTRD. In addition, *Down to The Dirt* was screened there at their film festival and was well received. Mark Bragg also performed that night at a reception for *Down to the Dirt*, as well as several other venues. It is intended that the Wales producer will then visit NL during next year's Women's Film Festival. NLFDC are currently working with PAN and Creative Business Wales to make this happen.

Other highlights in the industry for 2008-09:

- *Down to the Dirt* also screened at the Toronto and Atlantic Film Festival (winner of the Michael Weir Award for Best Screenplay and Best Atlantic Feature).
- *Screamers 2* had its world premier in February at Empire Theatres in the province
- Short film *Bedroom* was shown at the Toronto International Film Festival and Atlantic Film Festival (winning Best Atlantic Short). There were several other NL shorts screened at the Atlantic Film Festival as well.
- Short film *Spoiled* was shown at the Toronto International Film Festival.
- Rosemary House's documentary *Ahead of the Curve* was nominated for two Gemini awards.
- The *Republic of Doyle* pilot was shot for CBC and has great potential to develop into a television series.

OUTPUTS

Issues Affecting the Newfoundland and Labrador Motion Picture Industry

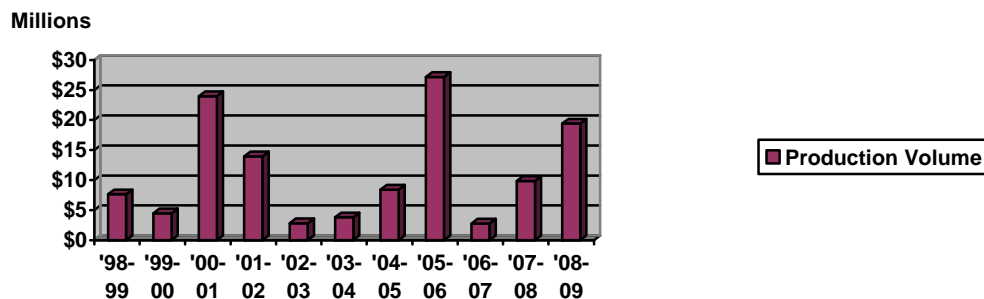
The Canadian motion picture industry, in comparison to traditional resource industries, other cultural industries, and even the film industries of other countries, is unique. The intricacies and challenges of Canadian and world film, television and media production and marketing are ever-changing. These 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

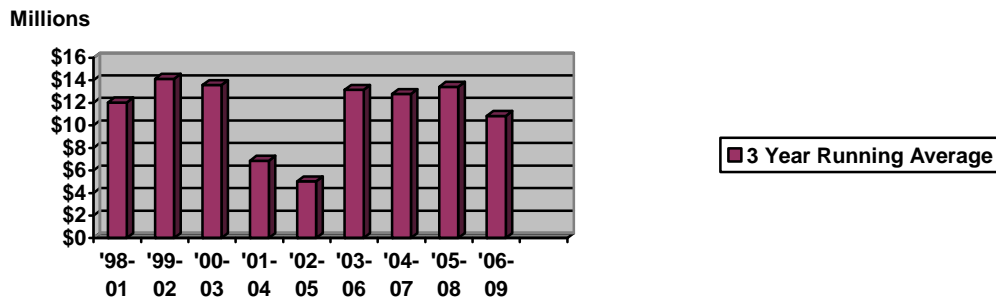
i) Production Levels

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:



Coming off a depressed production year in 2006-07, production rebounded in 2007-08 and increased even further in 2008-09.

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. Following is a chart which shows production levels when you average the levels over three years:



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.

In referencing our 2008-2011 Business Plan, 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.

Challenges that have affected the current national industry have also strongly impacted NL production companies in 2008-09:

- 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 into this province, investments that would not otherwise be made here. And it allows us to present our stories and our creativity to the nation and the world.

GOALS AND OBJECTIVES

To ensure the continued growth of the film and video industry in this province, the NLFDC has identified four major goals in the 2008-11 business plan in order to achieve our mission and pursue the strategic direction of “Sustainable creative enterprises and cultural industries are developed”. These goals are measured and reviewed annually with our board of directors to be certain that our mandate is being fulfilled. Per the business plan, the goals follow with a written report following on NLFDC performance on each one for 2008-09:

Issue 1:

The following elements of the strategic direction: “Ensure the continued growth of the film industry in NL” and “Administer the equity investment program” are dealt with through Goal 1. In addressing this in fiscal 2008-2009 we are helping advance the strategic direction of Professional and Enterprise development needs.

Goal:

By 2011, the NLFDC will have effectively managed the Equity Investment Fund in order to maximize production and economic spin-off to the Province.

Objective 2009 & Measure:

Objective: By March 31, 2009, the NLFDC will have used our Equity Investment Budget to fund projects that maximize the economic impact to the Province.

Measure: Effective management of the Equity Investment Fund

Indicator reporting: Objective 2008-09

Indicators:

- Increase production activity over the previous fiscal

Increase production activity over the previous fiscal

For 2008-09, the Equity Investment Program Fund was \$1.75 million from the Province, plus additional monies from recoupment, interest and carry forward, resulting in a total of \$1.918 million. Of this, \$319,037 (16.6%) was invested in development loans and \$1,599,621 (83.4%) invested in equity which is very close to our forecast of 20% for development loans and 80% for equity investments. The 20% development, 80% equity investment guidelines are arbitrary, more invested in equity will result in higher production levels.

These investments by the NLFDC for 2008-09 (and previous fiscal years) resulted in a production level of \$19.4 million for the 2008-09 fiscal year (of this, \$13,861,241 million was money leveraged into the province). This exceeds our anticipated production level of \$15 million.

The figures of Fiscal 2008-09 have exceeded fiscal 2007-08 by the following amounts:

Production Activity for 2007-2008: \$10,320,159

Leveraged Amount into the Province for 2007-2008: \$7,293,823

In Fiscal 2008-09 the Production Activity exceeded the prior fiscal by \$9.1 million or (53%) and the amount leveraged into the province was exceeded by \$6,567,418 or (52%)

Highlights and Accomplishments

Results of new initiatives undertaken:

CBC

In 2008-09 the NLFDC has undertaken a new initiative; along with the Film Producers Association of Newfoundland (PAN) they have proposed a CBC Pre-development fund. This project would create a jointly funded program by the CBC and the NLFDC to increase the quantity and quality of pitches to the national public broadcaster from producers in Newfoundland and Labrador. The NLFDC and PAN are continuing to pursue this initiative and hope that either a fund will be developed or our lobbying efforts will result in more development funding being provided to our local producers. The NLFDC and PAN continue to work closely with CBC (regional) to develop television pilots.

CTF

Due to the limited accessibility to the Canadian Television Fund (CTF) for Atlantic producers, lobbying is currently being undertaken for a potential Atlantic region development fund. This proposal would focus on the need for a separate fund which could only be accessed by Atlantic producers, increasing the production opportunities for Atlantic producers. The NLFDC and its industry partners have been unable, so far, to get CTF to commit to a specific development fund for the Atlantic region.

Additionally, we are working closely with the CTF and the CFTPA to develop a stabilization mechanism to ensure regional production levels are maintained based on historical data. The NLFDC and its industry partners have made great strides in obtaining a regional fund. In May 2008, the CTF announced that it has created a Production Incentive with the goal of balancing this distribution of financial support to productions across Canada. The pilot program is designed to encourage production where volumes have declined significantly.

Second Time Filmmakers Program (Picture Start)

This program serves to fill the gap between the First Time Filmmakers Program and when a project comes to NLFDC for funding. This initiative is also an excellent professional development opportunity for capacity building and will provide these filmmakers with a pilot that they could shop to broadcasters.

The NLFDC has been successful in its continued efforts with this initiative. Picture Start is designed to give emerging filmmakers the tools and training needed to advance their producing, directing and writing skills by making a short film. Through the program, participants are guided by a staff mentor, receive classroom training and on set mentoring by industry

professionals, and access state of the art editing facilities at NIFCO. Three films are completed each year.

In 2008-09 the Picture Start projects were:

- *The Magnificent Molly McBride*
- *Sweet Pickle*
- *Mums the Word*

Funding Pilots

The NLFDC has been experimenting with funding pilots. This provides our producers with 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. In 2008-09, the NLFDC funded 5 pilots. This approach has accomplished several things:

- Training for crew and post-production staff
- Training for writers and producers
- Provide an effective marketing tool for producers to shop at various events
- Potentially result in the production of a television series

It is hoped that one or more of these pilots will turn into a series (i.e. The Republic of Doyle). The NLFDC will continue to pursue this initiative due to the success accomplished thus far.

Looking Forward Fiscal 2009-2010

Objective: By 2010, the NLFDC will have pursued alternative financial models for production (both indigenous and co-productions) with local producers to maximize the economic benefits to the province.

Measure: Pursued alternative financial models for production (both indigenous and co-productions) with local producers to maximize the economic benefits to the province.

Indicator: Ensured that our local producers and representatives of the NLFDC are present at national/international markets to foster long-term relationships with national/international production companies.

Issue 2:

The element of the strategic direction “Administer the Film and Video Industry Tax Credit” is pursued in Goal 2. In addition, with the deeming provision of the tax credit which allows us to bring in outside talent and include them in the tax credit calculation (if conditions are met). In addressing this in fiscal 2008-2009 we are helping advance the strategic direction of Professional and Enterprise development needs.

Goal:

By 2011, the NLFDC will have effectively managed the Film and Video Industry Tax Credit

Objective 2009 & Measure:

Objective: By March 31, 2009, the NLFDC will have prepared a tax credit position paper (The Film and Video Industry Tax Credit expires on December 31, 2008) which will review the Film and Video Industry Tax Credit with the aim of enhancing and strengthening it so that it remains competitive both nationally and internationally.

Measure: successful preparation of a tax credit position paper

Indicator reporting: Objective 2008-09

Indicators:

- **Renewal of Newfoundland and Labrador Film and Video Industry Tax Credit**
- **Enhanced competitiveness of tax credit**

Renewal of Newfoundland and Labrador film and Video Industry Tax Credit

The Newfoundland and Labrador Film and Video Industry Tax Credit expired on December 31, 2008. The tax credit position paper for the renewal of the tax credit was completed and aimed at enhancing and strengthening the tax credit so that it remains competitive in the global market.

Enhanced competitiveness of tax credit

The NLFDC has made recommendations in a position paper to the provincial government to enhance the competitiveness of the tax credit.

While both of these objectives are outside the NLFDC's direct control it is anticipated the tax credit will be renewed status quo and further enhancements will be evaluated by the Department of Finance in fiscal 2009-2010.

Highlights and Accomplishments

Efficient turnaround time

The NLFDC is responsible for receiving the Part I and II applications, auditing them and forwarding them to the Department of Finance with a recommendation. Upon receipt of a fully completed application from the producer, the NLFDC goal is to:

- Forward the Part I application to the Department of Finance within 10 business days
- Forward the Part II application to the Department of Finance within 15 business days

The NLFDC has successfully met these turnaround times for all completed tax credit applications received in 2008-09.

As stated in the 2008-2011 Business Plan, the NLFDC proposed to work with the Department of Finance towards a new, more effective, tax credit application by 2009. The NLFDC along with the Department of Finance have drafted a new tax credit application. We are currently awaiting the changes to be made to the regulations to implement the new applications.

Competitive tax credit

The NLFDC continues to work to ensure that the NL tax credit remains competitive as a tool to attract production to the province. In light of this, the NLFDC continues to sit on the National Tax Credit Committee to keep abreast of national developments and policies. The NLFDC is still a member of the Association of Film Commissioners International (AFCI). This is an international association that assists film commissioners to promote their incentives and locations. Membership allows the NLFDC to keep abreast of developments on the rapidly growing incentives in the US and internationally.

The NLFDC has continued to work with the Department of Finance to ensure tax credits are processed efficiently and remain competitive. Almost every province offers a film tax credit. They are typically based on a percentage of labour spent in the province. These rates range from 18% all the way up to 65% when you include various bonus options such as those offered to productions shooting in rural locations or that return to a province to shoot on a regular basis. With our 40% base tax credit and the use of our deeming provision, we remain competitive with other jurisdictions.

Effective management of the deeming component of the tax credit

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 upcoming fiscal year.

In fiscal 2008-09 the NLFDC presented the “clock” system to Finance which was recommended by the Producers’ Association of NL. What this means is, once a producer submits their Tax Credit application, the NLFDC will start to time how long it takes to review the tax credit. Once the NLFDC finishes their review, if there are any outstanding items for the producer to include, the “clock” stops at the NLFDC and now the “clock” starts with the producer. Once the NLFDC completes a full analysis on the Tax Credit application it then sends the completed forms to the Department of Finance and the “clock” will then start at the Department of Finance. The “clock” system is an attempt to see where the application process is being held up. The NLFDC can then make plans to make the process more streamline and efficient. The NLFDC will administer the “clock”. However once tax administration completes an audit and passes a tax credit along for signing, they are to email the NLFDC at which point tax administration maintains the “clock” while it is being processed through Finance.

Also in 2008-09 there was a discussion about the establishment of a committee and process whereby the NLFDC and the Department of Finance work to review deeming requests together. This would make the deeming process much more accurate and efficient. All parties involved agreed and a committee is to be set up during the fall of 2009.

The deeming clause was used effectively and extensively in 2008-09 on the various productions. An example of this would be the *Republic of Doyle (pilot)*.

Looking Forward Fiscal 2009-2010

Objective: By 2010, the NLFDC will have ensured training opportunities for local crew through the Deeming Provision within the guidelines of our Tax Credit this in turn will lead to an increased spend in the Province.

Measure: Ensured training opportunities for local crew are optimized through the Deeming Provision within the guidelines of our Tax Credit this in turn will lead to an increased spend in the province.

Indicator: Established a sub-committee with the Department of Finance to ensure that the deeming process maximizes training opportunities for local crew.

Issue 3:

The element “Ensure the continued growth of the film industry in NL” and “Market NL locations” are addressed in the following goal. In focusing on this in fiscal 2008-2009 we are helping advance the strategic direction of the Export of Cultural Products.

Goal:

By 2011, the NLFDC will have marketed NLFDC programs and locations nationally and internationally to foster co-production opportunities and attract guest productions to the Province.

Objective 2009 & Measure:

Objective: By March 31, 2009, the NLFDC will develop co-venture opportunities with the U.S. and new possibilities of viable financial structures will accompany this opportunity.

Measure: Number of co-venture opportunities developed.

Indicator Reporting: Objective 2008-09

Indicators:

- Increased production activity
- Number of co-productions being discussed

Increased production activity

For 2008-09, the Equity Investment Program Fund was \$1.75 million from the Province, plus additional monies from recoupment, interest and carry forward, resulting in a total of \$1.918 million. Of this, \$319,037 (16.6%) was invested in development loans and \$1,599,621 (83.4%) invested in equity which is very close to our forecast of 20% for development loans and 80% for equity investments. The 20% development, 80% equity investment guidelines are arbitrary, more invested in equity will result in higher production levels.

These investments by the NLFDC for 2008-09 (and previous fiscal years) resulted in a production level of \$19.4 million for the 2008-09 fiscal year (of this, \$13,861,241 million was money leveraged into the province). This exceeds our anticipated production level of \$15 million.

The figures of Fiscal 2008-09 have exceeded fiscal 2007-08 by the following amounts:

Production Activity for 2007-2008: \$10,320,159

Leveraged Amount into the Province for 2007-2008: \$7,293,823

In Fiscal 2008-09 the Production Activity exceeded the prior fiscal by \$9.1 million or (53%) and the amount leveraged into the province was exceeded by \$6,567,418 or (52%)

Co-productions that were filmed in fiscal 2008-2009 that contributed to the increase in production activity for that year are as follows:

- Love & Savagery (NL-Quebec-Ireland co-production with a budget of \$6,500,000)
- Diverted (NL-Ontario-UK co-production with a budget of \$4,700,000)

Number of Co-productions being discussed – 10-15

All of these activities have resulted in numerous co-productions being discussed and at various stages of development. Currently, there are between 10-15 co-production projects being considered. Keep in mind, that it may be several years between the time to co-production partners meet and a production is green lit. In 2008-09, previous efforts resulted in 2 co-productions being shot in the province. Those were, *Love and Savagery* and *Screamers 2*.

Discussion of Results:

Develop Co-Venture Opportunities

Although the NLFDC was unable to obtain a co-venture with the U.S., long term relationships have been formed and maintained by a couple of our local producers with well established production companies in the U.S. One of the main reasons that a co-venture was unable to happen was because of the downturn in the economy, specifically the United States. As a result they are currently pursuing various co-venture opportunities two of which are anticipated to take place within the next two years. It is important to note that while these new financial models will continue to be pursued if we are fortunate to secure a national television series during a particular year that would essentially utilize our entire crew base. This would mean that these alternate models may not be pursued to the following year.

Wales Trade Mission

The NLFDC must also continually research and pursue new markets for our local producers. The NLFDC intends to attend a new event and/or pursue a new market every two years. Our Objective for 2009-10 was to have a trade mission with Wales. This objective was achieved earlier than expected. The Wales trip took place from November 25-30, 2008 with 10 local producers participating as well as representative from the NLFDC, PAN and ITRD. In addition, Down to the Dirt was screened there at their film festival and was well received. In addition Mark Bragg performed that night at a reception for Down to the Dirt as well as several other venues.

It is intended that the Wales producers will then visit Newfoundland during next year's Women's Film festival in October 2009. We are currently working with PAN and Creative Business Wales to make this happen.

Highlights and Accomplishments

In order to facilitate co-venture opportunities it is imperative that local film producers and representatives from the NLFDC attend strategic national & international markets. This enables local producers to foster and continue long term relationships with outside producers, which in turn leads to co-venture opportunities. These relationships can often take several years to develop. Listed below you will find the targeted events that were attended this year.

Number of provincial marketing initiatives - 6

- Nickel Independent Film and Video Festival – the NLFDC contributed to this festival financially and co-hosted many workshops to develop crew and talent. For example, Bob Joy's Character Scene Investigation (CSI): Acting for the camera
- St. John's International Women's Film & Video Festival – the NLFDC contributed to this festival financially, and co-hosted several workshops to develop crew and talent. (SHORT STUFF: Creating, marketing and distributing your short film and REEL TALK: Filmmakers Q&A). Along with RBC the NLFDC, co-hosted a dinner with broadcasters which provided local producers with direct access to national broadcasters.
- In order to market the industry within the province, the NLFDC distributes its promotional materials and funding programs information which includes the Production Guide and Annual Film Review to the Chairpersons of the Boards and the Executive Directors of the regional economic development zones in the Province.
- The NLFDC has had a unique opportunity to be part of the creation of the Atlantic Screen Training Caucus (ASTC). The ASTC will act as Atlantic Canada's Regional Training Organization (RTO) in the Cultural Human Resource Council's National Training Advisory Council for Film and Television (NTAC). The NTAC is composed of RTO's from every province, with the Atlantic province's being the only ones not yet represented. It is the ASTC's hope that throughout the upcoming months that they will solidify their presence, and have a way for our provinces to access the resources of the NTAC in a way that will be beneficial to the province's crews and producers.
- Organized a feasibility meeting to discuss a possible Filmmaker in Residence program at the College of the North Atlantic's Bay St. George Campus. This program will allow

students to learn the art of filmmaking while working with an experienced director while creating an original short film.

- The NLFDC participated in this year's Baccalieu Trail Youth Information Forum in Harbour Grace. The forum provided the Corporation with an opportunity to connect with rurally-based youth -who are making important career decisions - and promoting the exciting professions available within the Film and Television industry.

Number of markets attended nationally - 4

Following are the national events that the NLFDC attended and highlights of the accomplishments at each one:

- Banff World Television Festival – the NLFDC attended along with six local producers. The NLFDC attended meetings of the Association of Provincial Funding Agencies (APFA), the National Training Coalition and International Initiatives Advisory Committee (IIAC). NLFDC staff attended various conferences and panels in order to gather information and identify trends. Various outside meetings were held with Telefilm, CTF and potential co-production partners. In addition the NLFDC co-hosted an Atlantic Canada reception that was well attended.
- Toronto Film Festival - the NLFDC attended national meetings for APFA, the National Tax Credit Committee, and IIAC. Met with the Wales Film Commission to finalize the itinerary for the trade mission in November.
- Atlantic Film Festival/Strategic Partners – the NLFDC participated in Strategic Partners and had many meetings with potential coproduction partners. In addition, attended various panels on emerging trends and strategies on how to co-produce with other countries.
- CFTPA's Prime Time event in Ottawa - the NLFDC attended national meetings for APFA, the National Tax Credit Committee, IIAC and the National Training Coalition. Attended various panels on new media and industry statistics. In addition nine local producers attended this event.

Number of markets attended internationally - 3

In 2008-09, the NLFDC attended the following international events:

- **AFCI Locations Trade Show in Santa Monica** – Representatives from the NLFDC attended the 23rd annual Association of Film Commissioners International (AFCI) sponsored Locations Tradeshow in April at the Santa Monica Civic Auditorium in Santa Monica, CA. The NLFDC received many possible leads from the three day show and had several outside meetings in LA to follow up on some possible guest productions and co-productions to our province. (i.e. Tom Berry (Screamers 2), Risa Bramon Garcia/Robert Joy Project, and Christian Kennedy (feature film co-production).
- **Cannes Film Festival** – The NLFDC participated in the Canadian Pavilion at Cannes and co-hosted four international receptions. The NLFDC also hosted along with several other provinces a reception in partnership with Strategic Partners and the International Producers Network. In addition, the NLFDC co-sponsored a co-production luncheon with producers from Wales (as well as other European countries) and talked about the benefits of co-producing in Newfoundland, which has led to a possible co-production with Pope

Productions, Ltd. There were also several meetings with producers from the US, UK, France and Ireland looking at potential co-productions.

- **American Film Market in Santa Monica** – Representatives from the NLFDC along with one local producer attended this year's AFM. There were several successful meetings and we are currently following up on some serious co-production opportunities.

Marketing materials produced

In 2008-09, the NLFDC:

- Continued to distribute the Newfoundland and Labrador Film and Video Industry Production Guide
- Advertised in Playback's Locations Handbook, and P3 Production Update's December and March issues
- Continued to maintain its website.
- Published its annual Film Review in a new format, making it more friendly to outside producers for potential co-productions
- Responded to various film-related inquiries regarding locations information and information on shooting in NL

Locations

The NLFDC has begun to develop a locations photo library. However, this task can be both difficult and time consuming. Using VisionNet, a professional website service, the NLFDC has begun to develop a locations photo library. With this program, we are able to store locations photos on dedicated servers and send out attractive and personalized website packages to producers looking at Newfoundland and Labrador as a shooting location.

International Initiatives Advisory Committee (IIAC)

In order to make sure the province is marketed appropriately at international events the NLFDC continues to sit on this 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 Canada 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.

Atlantic Canada Film Partners (ACFP)

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 provided 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.

The NLFDC continues to sit on this committee, although the international marketing subsidy has finished. The ACFP will continue to explore other funding possibilities for targeted markets.

Looking Forward Fiscal 2009-2010

Objective: By 2010, the NLFDC will have taken part in a trade mission to Wales to explore co-production opportunities.

Measure: Take part in a trade mission to Wales to explore co-production opportunities.

Indicator: Return of the Wales producers to Newfoundland for the completion of the Trade Mission.

Issue 4:

One element of our strategic direction is to “Provide professional development opportunities to the local film industry”. In addressing this in fiscal 2008-2009 we are helping advance the strategic direction of Professional and Enterprise development needs.

Goal:

By 2011, the NLFDC will have implemented initiatives to develop the creative and technical capabilities in the province

Objective 2009 & Measure:

Objective: By March 31, 2009, the NLFDC will have focused on upgrading non technical production office staff by facilitating workshops and providing support to attend training outside of the province when the opportunity arises.

Measure: Increase skill level of non technical production office staff

Indicator reporting: Objective 2008-09

Indicators:

- **Number of workshops performed in the province**
- **Number of new training initiatives undertaken**
- **Increased spend in the province**

Number of workshops/seminars performed in the Province - 5

- In partnership with the St. John's International Women's Film Festival's Films on the Go program, a successful screenwriting seminar took place in Stephenville. Facilitated by local writer Lisa Porter, this two hour seminar introduced the student to the basics of writing for screen and television. (Six people were in attendance)
- In conjunction with the New Curtain Theatre Company, the NLFDC coordinated an Introductory Screenwriting Workshop in Clarenville. Facilitated by award winning writer John Doyle, this three day Introduction to Screenwriting taught students the basic skills necessary to pursue a career as a television and film writer. (Five people attended)
- In a joint venture with the International Alliance of Theatrical Stage Employees Local 667 and PS Production Services, the NLFDC sponsored a seminar on the new RED camera. This seminar gave IATSE members the opportunity for hands on learning with this new, state of the art technology, allowing the province's crew to remain competitive in the ever changing industry.
- In September, the NLFDC sponsored a Documentary Filmmaking workshop in Corner Brook. Again, in partnership with the St. John's International Women's Film Festival's Films on the Go program – this workshop, facilitated by Catherine Mullins (Being Innu), took students through the basics of shooting a documentary – from finding ideas and subjects and writing a proposal to Post production and marketing. (Six people attended)
- By partnering with the Newfoundland Independent Filmmakers Cooperative and the College of the North Atlantic's Media Arts Program, the corporation was able to sponsor a 16 mm film workshop for film and video students studying at the Bay St. George campus. Instructed by local director Justin Simms, students had the opportunity to learn the fundamentals of working with 16mm film, concluding with the shooting of a short film. (Seven people were in attendance)

Number of new training initiatives undertaken - 2 (These programs requires approval each year from all funding partners)

- The CFTPA Atlantic Mentorship Program – Specifically for people in Atlantic Canada, this program allowed individuals who would be interested in becoming producers to work with established production companies in the Atlantic Region, with a focus on emerging talent. Our province's participants for the 2008-09 fiscal year were Jackie Hynes and Rhonda Buckley, who were mentored by established producers Paul Pope from Pope Productions Ltd. and Jennice Ripley from Kickham East Productions Inc. respectively. Due to its continuing success, the NLFDC is looking forward to renewing support for this program on an annual basis. (Two people were selected for this program)
- The Second Time Filmmakers Program (Picture Start) serves to fill the gap between the First Time Filmmakers Program and when a project comes to NLFDC for funding. This initiative is also an excellent professional development opportunity for capacity building and will provide these filmmakers with a pilot that they could shop to broadcasters.

The NLFDC has been successful in its continued efforts with this initiative. Picture Start is designed to give emerging filmmakers the tools and training needed to advance their producing, directing and writing skills by making a short film. Through the program, participants are guided by a staff mentor, receive classroom training and on set mentoring

by industry professionals, and access state of the art editing facilities at NIFCO. Three films are completed each year.

In 2008-09 the Picture Start projects were:

- *The Magnificent Molly McBride (Three non technical production office staff)*
- *Sweet Pickle (Three non technical production office staff)*
- *Mums the Word (Three non technical production office staff)*

Increase spend in the province

In 2007-2008 the NLFDC invested \$58,000. In 2008-09, with the help of ACOA, the NLFDC invested over \$50,000 (which was a decrease over the previous fiscal) in the local film community to assist with travel, market their products and attend workshops to enhance their skills.

Discussion of Results:

The NLFDC has met its professional development objective for fiscal 2008-09 by focusing on the upgrading of non technical production staff. Through partnerships with the St. John's International Women's Film Festival's *Films on the Go* program and Clarenville's *New Curtain Theatre Company* the Corporation was able to address shortfalls in the Province's writing and directing crew base by hosting Introductory Screenwriting workshops in Stephenville and Clarenville and a workshop focusing on documentary filmmaking in Corner Brook.

The NLFDC also focused on upgrading technical production staff on new technologies in order to compete in an ever-changing industry. Choosing to focus on the Camera Department in 2008-09, the Corporation partnered with the International Alliance of Theatrical Stage Employees Local 667 and PS Production Services to facilitate a seminar on the emerging RED Camera as well as partnering with the College of the North Atlantic and the Newfoundland Independent Filmmakers Cooperative to host a week long 16mm workshop of film students.

There was a decrease in the spend in the province in fiscal 2008-2009 compared to the prior fiscal as it relates to producer travel, sponsorships and professional development initiatives. This is a result of the phase out of the Pan Atlantic agreement for the Atlantic Canada Film Partners. This project fully ended in July 2008 and it will be extremely difficult to maintain this level of funding in future years. The NLFDC will investigate other possible sources of funding to compensate this loss.

Looking Forward Fiscal 2009-2010

Objective: By 2010, the NLFDC will have shifted concentration from production office staff to technical production staff and they will have their skills upgraded by attending workshops given by the NLFDC and we will also give support for those crew members that may attend workshops outside the province as well.

Measure: Shifted focus to technical production staff and they will have their skills upgraded by attending workshops given by the NLFDC and we will also give support for those crew members that may attend workshops outside the province as well.

Indicator: Held workshops and seminars geared toward training technical production staff

|

MEASURES AND INDICATORS FOR NEXT FISCAL YEAR

The NLFDC is forecasting a strong production year for 2009-10 with many TV and film projects and potential co-productions currently in discussion. Success for 2009-10 will be measured and indicated by:

<i>Measures</i>	<i>Indicators</i>
Pursued alternative financial models for production (both indigenous and co-productions) with local producers to maximize the economic benefits to the province.	Ensured that our local producers and representatives of the NLFDC are present at national/international markets to foster long-term relationships with national/international production companies.
Ensured training opportunities for local crew are optimized through the Deeming Provision within the guidelines of our Tax Credit this in turn will lead to an increased spend in the province.	Established a sub-committee with the Department of Finance to ensure that the deeming process maximizes training opportunities for local crew.
Take part in a trade mission to Wales to explore co-production opportunities.	Return of the Wales producers to Newfoundland for the completion of the Trade Mission.
Shifted focus to technical production staff and they will have their skills upgraded by attending workshops given by the NLFDC and we will also give support for those crew members that may attend workshops outside the province as well.	Held workshops and seminars geared toward training technical production staff. This will be determined based on production activity (Deeming Request) as well as scheduling these workshops around the productions.

OPPORTUNITIES AND CHALLENGES AHEAD

The film and television industry is constantly evolving and rapidly changing. Below are the opportunities and challenges the NLFDC forecasts it will have to deal with in the future.

Opportunities

- With the emergence of “new media” and multi-platforms, there is the potential for an industry to develop in the province with government support. The NLFDC hopes to play a role in this.
- Through travelling to various international events, the NLFDC has identified international co-productions as an opportunity worth pursuing. Specifically, Europe appears to be a market worth pursuing.
- The continued pursuit of projects outside of traditional funding models in addition to a television series would allow the development of crew through steady production. Hopefully, this will attract young people into the industry and assist in developing the next wave of producers in the province.
- The NLFDC feels that local productions have the potential to provide further economic benefit to the province. For example, encouraging these productions to utilize the facilities at NIFCO and encouraging them to hire local labour.

Challenges

- New digital platforms – online and mobile – are quickly gaining traction with Canadian households; yet, the industry still has no clear sense of how Canadian content will reach audiences over these new digital platforms.
- The weakened economy is impacting the demand for television programming and feature films. It is time for real leadership, ingenuity, and determination in Canada’s film and television production industry, with a balanced approach to policy, regulation, and industry funding, so that the industry can begin rolling again when the economy recovers.
- Maintaining crew in the province. Once crew get trained there is tremendous pressure for them to pursue their careers in other major filming centres
- Should the film industry continue to grow and should a tv series come to fruition the industry will be facing further infrastructure issues. For example, warehouse space for a sound stage could be difficult to access should further oil projects be approved, etc.
- It appears as though there will be diminished federal support of cultural industries. Cuts to Federal programs could have a negative impact on the film and television industry in the province.
- Evolution of the industry in Canada is resulting in fewer Canadian distribution companies (two have recently been purchased by US entities and one has recently filed for bankruptcy) and fewer Canadian broadcasters due to mergers and economic hardship.
- The strength of the Canadian dollar versus the US dollar continues to plague the industry in Canada.
- The Atlantic Canada Film Partners agreement with ACOA has ended. This has resulted in decreased funding for travel assistance for producers to market their products internationally.

The NLFDC will continue to monitor the industry nationally and internationally in order to proactively react to challenges and pursue opportunities as they arise.

FINANCIAL STATEMENTS

Please see attached.

**NEWFOUNDLAND AND LABRADOR
FILM DEVELOPMENT CORPORATION**

Financial Statements

Year Ended March 31, 2009

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Index to Financial Statements

Year Ended March 31, 2009

	Page
AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Revenues and Expenditures	2
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 9
Schedule of Receipts and Commitments - Equity Investment Program (<i>Schedule 1</i>)	10 - 11

AUDITORS' REPORT

To the Management of Newfoundland and Labrador Film Development Corporation

We have audited the statement of financial position of Newfoundland and Labrador Film Development Corporation as at March 31, 2009 and the statements of revenues and expenditures, changes in net assets and cash flows 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

St. John's, Newfoundland and Labrador
June 24, 2009


CERTIFIED GENERAL ACCOUNTANTS

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION**Statement of Revenues and Expenditures**

Year Ended March 31, 2009

	2009	2008
REVENUE		
Government of Newfoundland and Labrador - Department of Tourism, Culture & Recreation	\$ 585,000	\$ 550,000
New Media Study Grant - Department of Tourism, Culture & Recreation	-	25,000
Economic Impact Study Grant - Department of Tourism, Culture & Recreation	-	39,145
	585,000	614,145
EXPENDITURES		
Advertising and promotion	29,360	26,496
Amortization	4,990	7,158
Miscellaneous	1,491	2,468
Office	86,702	73,922
Printed materials	919	2,583
Promotional materials and publications	10,445	8,175
Sponsorships	62,193	60,240
Professional fees	8,802	65,235
Salaries and wages	316,280	283,199
Professional development	13,391	17,656
Travel	77,047	60,974
	611,620	608,106
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FROM OPERATIONS	(26,620)	6,039
OTHER INCOME	14,566	3,243
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ (12,054)	\$ 9,282

The accompanying notes are an integral part of these financial statements

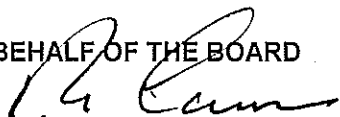
NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

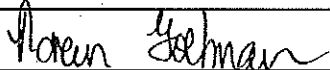
Statement of Financial Position

March 31, 2009

	2009	2008
ASSETS		
CURRENT		
Cash	\$ 295,768	\$ 745,593
Receivables	4,419	14,500
Prepaid expenses	8,517	5,676
	308,704	765,769
PROPERTY, PLANT AND EQUIPMENT (Note 3)	9,818	11,050
	\$ 318,522	\$ 776,819
LIABILITIES AND NET ASSETS		
CURRENT		
Payables and accruals	\$ 31,780	\$ 29,138
Current portion of obligations under capital lease (Note 4)	375	2,160
Payables and accruals - Equity Investment Program	184,138	601,937
	216,293	633,235
OBLIGATIONS UNDER CAPITAL LEASE (Note 4)	-	432
	216,293	633,667
NET ASSETS		
Share capital (Note 5)	3	3
Operations fund	(11,708)	346
Equity investment	113,934	142,803
	102,229	143,152
	\$ 318,522	\$ 776,819

ON BEHALF OF THE BOARD


 _____ Director


 _____ Director

The accompanying notes are an integral part of these financial statements

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Changes in Net Assets

Year Ended March 31, 2009

	Operations Fund	Equity Investment	2009	2008
NET ASSETS - BEGINNING OF YEAR	\$ 346	\$ 142,803	\$ 143,149	\$ 83,822
Excess of receipts over commitments (commitments over receipts) - Equity Investment Program (EIP) - Schedule of Receipts and Commitments	-	(28,869)	(28,869)	50,045
Deficiency of revenue over expenditures	(12,054)	-	(12,054)	9,282
NET ASSETS - END OF YEAR	\$ (11,708)	\$ 113,934	\$ 102,226	\$ 143,149

The accompanying notes are an integral part of these financial statements

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Cash Flows

Year Ended March 31, 2009

	2009	2008
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	\$ (12,054)	\$ 9,282
Items not affecting cash:		
Amortization of property, plant and equipment	4,990	7,158
Excess of receipts over commitments (commitments over receipts)	(28,869)	50,045
	(35,933)	66,485
Changes in non-cash working capital:		
Receivables	10,081	2,980
Payables and accruals	2,643	17,629
Deferred income	-	(39,145)
Prepaid expenses	(2,841)	2,666
Payables and accruals - Equity Investment Program	(417,799)	(288,686)
	(407,916)	(304,556)
Cash flow used by operating activities	(443,849)	(238,071)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,759)	-
Deferred charges	-	139
Cash flow from (used by) investing activities	(3,759)	139
FINANCING ACTIVITY		
Repayment of obligations under capital lease	(2,217)	(2,160)
Cash flow used by financing activity	(2,217)	(2,160)
DECREASE IN CASH FLOW	(449,825)	(240,092)
Cash - beginning of year	745,593	985,685
CASH - END OF YEAR	\$ 295,768	\$ 745,593
CASH CONSISTS OF:		
Cash	\$ 295,768	\$ 745,593

The accompanying notes are an integral part of these financial statements

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2009

1. DESCRIPTION OF BUSINESS

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization. Property, plant and equipment are amortized over their estimated useful lives using the following rates and methods:

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

The corporation regularly reviews its property, plant and equipment to eliminate obsolete items.

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

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2009 Net book value	2008 Net book value
Computer equipment	\$ 44,660	\$ 37,492	\$ 7,168	\$ 7,737
Furniture and fixtures	17,445	14,795	2,650	3,313
	\$ 62,105	\$ 52,287	\$ 9,818	\$ 11,050

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2009

4. OBLIGATIONS UNDER CAPITAL LEASE

	2009	2008
CIT Financial Services - Lease repayable in 36 monthly installments of \$188.	\$ 375	\$ 2,592
Amounts payable within one year	(375)	(2,160)
	\$ -	\$ 432

Future minimum capital lease payments are approximately:

Total minimum lease payments	<u>\$ 375</u>
------------------------------	---------------

5. SHARE CAPITAL

Authorized:

600 Common voting shares of no par value

	2009	2008
Issued:		
600 Common shares	\$ 3	\$ 3

6. PROFESSIONAL FEES

Professional fees consists of the following:

	2009	2008
Economic impact study	\$ -	\$ 32,566
New media study	3,602	21,398
Professional Services	5,200	11,271
	\$ 8,802	\$ 65,235

7. EQUITY INVESTMENTS

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

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

	2009	2008
Equity Investment	\$ 12,831,911	\$ 10,703,854
Allowance against Equity Investment	(12,628,601)	(10,653,270)
Recoupment - Equity Investment	(203,310)	(50,584)
	\$ -	\$ -

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION**Notes to Financial Statements****Year Ended March 31, 2009****8. PROJECT DEVELOPMENT LOANS**

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

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

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

	2009	2008
Development Loans	\$ 2,259,147	\$ 2,019,700
Allowance against development loans	(2,259,147)	(2,019,700)
	\$ -	\$ -

9. COMMITMENTS

The Corporation entered into a three-year rental agreement with Imperial House Inc. commencing June 1, 2006. The monthly lease commitment is \$2,200. Subsequent to the expiry in June 2009 the lease was renewed.

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

As at March 31, 2009, the Corporation was contractually committed to advance funds totaling \$1,182,257 from the Equity Investment Program as investments and loans in respect of current and future projects subject to the availability of funds in subsequent years and other terms and conditions outlined in the funding agreements.

	2009
Best Boy Productions Inc. - A Little Problem with Murder (Phase III)	\$ 14,149
HD Productions Inc. - The Horse	132,000
Henge Production and Consulting Ltd. - Where's My Goat?	103,490
MF Productions Inc. - Mickey's Farm	182,000
Morag Loves Company Limited - The Trotsky	175,000
Morag Loves Company Limited - Forget It	93,985
Movie Star Productions - Grown Up Movie Star	225,000
Moxy Productions & Lingo Creative - Just Himself: A Portrait of Don Jamieson	16,633
The Skinny Dip Inc. - The Skinny Dip (Series)	240,000
	\$ 1,182,257

10. ECONOMIC DEPENDENCE

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

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Notes to Financial Statements

Year Ended March 31, 2009

11. COMPARATIVE FIGURES

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

12. FINANCIAL INSTRUMENTS

Fair Value

The corporation reports carrying value of cash and cash equivalents, accounts receivable, and accounts payable which approximates its fair value due to the immediate or short term maturity of these instruments.

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION
Schedule of Receipts and Commitments - Equity Investment Program
(Schedule 1)
Year Ended March 31, 2009

	2009	2008
Receipts		
Province of Newfoundland and Labrador Funding	\$ 1,750,000	\$ 1,999,025
Recoupment	152,726	1,196
Interest Earned	12,688	42,222
Subtotal	1,915,414	2,042,443
Funding which has lapsed		
Morag Loves Terminal Machines Inc. - Terminal Machines	-	6,170
The Giggle Factory Inc. - George Street TV - Season 5	-	22,600
Legends Productions, Inc. - Legends & Lore (Season II)	-	94,008
Dark Flowers Productions Inc. - Atlantic Blue	-	465,000
Fire Crown Productions Inc. - Poets Blazing the Land	6,600	-
	1,922,014	2,630,221
Current year commitments		
Augusta Productions Inc. - Ferron: Girl on a Road	-	11,964
Away Films Inc. - Ten Days	8,800	13,200
Away Films Inc. - Blood Stains	-	18,150
Best Boy Productions Inc. - A Little Problem with Murder (Phase II)	6,217	-
Best Boy Productions Inc. - Gamblers Never Dire	5,208	-
Best Boy Productions Inc. - A Little Problem with Murder (Phase III)	5,000	-
Best Boy Productions Inc. - The Innu and Big Land	-	3,864
Blue Pinion Films Inc. - Sweet Pickle	16,990	-
Edge of the Earth Productions Inc. - The Wessex Connection	12,700	-
Elemental Pictures Inc. - Quiet at Dawn	20,151	-
Factory Lane Productions Inc. - Restoration Race	4,158	-
Factory Lane Productions Inc. - Shaun's Green Dream	3,630	-
Fire Crown Productions Inc. - Poets Blazing the Land	-	6,600
Fire Crown Productions Inc. - Sights Before Christmas	-	6,270
Fire Crown Productions Inc. - Sights Before Christmas (Phase II)	4,950	-
From Here Productions Inc. - The House I Grew Up In	-	7,100
From Here Productions Inc. - Weigh In	11,400	-
Futuristic Films Ltd. - Screamers 2	250,000	335,000
Get Set Films Inc. - Little Summer Forever	4,000	-
Get Set Films Inc. - Man of A Thousand Songs	60,000	-
HD Productions Inc. - The Horse	132,000	-
Henge Productions and Consulting Ltd. - Cranky	13,035	-
Henge Productions and Consulting Ltd. - Where's My Goat?	12,262	-
Kickham East Productions Inc. - Crackie	212,000	-
Kickham East Productions Inc. - Dry Swallow	10,585	-
Kickham East Productions Inc. - Friendship (Phase II) 2 Girlfriends	-	11,550
Kickham East Productions Inc. - Gros Morne	-	7,830
Media Connections Inc. - People Who Stay	-	7,425
Media Connections Inc. - The Real Matriarch	19,700	-
MF Productions Inc. - Mickey's Farm	182,000	-
Morag Loves Company Limited - Karma Chameleon	11,759	-
Morag Loves Love and Savagery Inc. - Love and Savagery	475,000	525,000
Morag Loves Company Limited - Marg The Movie	22,146	-
Morag Loves Company Limited - Not so Rowdy Anymore	10,000	-

The accompanying notes are an integral part of these financial statements

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Morag Loves Company Limited - Rickey Newman	-	14,250
Morag Loves Company Limited - Surfing in Newfoundland	-	8,522
Morag Loves Company Limited - Terminal Machines	-	83,004
Morag Loves Moebius Corp. - Moebius Redux	-	7,500
More Life Films Inc. - Rorschach Cith	-	15,936
Newfound Films - Heartless Disappearance into Labrador Seas	5,940	-
Newfound Films Inc. - The King Hunt (Phase II)	10,000	-
Newfound Films Inc. - Three Dogs Barking	2,500	-
Newfound Films Inc. - Down to the Dirt	-	72,390
Old Sock Films Inc. - Mum's the Word	13,824	-
Opportunity Knox Inc. - Grown Up Movie Star (Phase II)	-	9,700
Pangur Ban Productions Inc. - Africa: Cradle and Grave	-	6,000
Pearl Productions Inc. - Colony of Unrequited Dreams	11,400	-
Pearl Productions Inc. - Perfect day	-	5,000
Pearl Productions Inc. - The Magnificent Mollie McBride	-	16,211
Pierre Films Ltd. - Doyle Inc.	-	14,000
Pope Productions Inc. - Dagers Point	-	11,885
Pope Productions Inc. - Diverted	-	250,000
Pope Productions Inc. - Gossip	-	400,000
Pope Productions Inc. - Kicker (Phase II)	-	12,079
Pope Productions Inc. - Newfoundland Beatdown	-	8,962
Pope Productions Inc. - Sea Jacked	-	11,885
Pope Productions Inc. - The Wall	-	50,000
Pope Productions Inc. - Fortune Harbour	9,900	-
Pope Productions Inc. - To Have and to Hold	17,452	-
Republic of Doyle Pilot Productions Inc. - Republic of Doyle	254,661	-
Rink Rat Productions Inc. - Don't Ask	6,392	-
Rink Rat Productions Inc. - Figgy Duff Reunion	15,065	-
Rink Rat Productions Inc. - Maudie (Phase II)	11,824	-
Rink Rat Productions Inc. - Risk	10,064	-
Rink Rat Productions Inc. - Motion show	-	7,582
Rock Island Productions Inc. - An Audience of Chairs	-	9,230
Rock Island Productions Inc. - An Audience of Chairs Phase II	5,347	20,423
Springwater Productions Inc. - Breaking Ground III	33,450	-
Springwater Productions Inc. - In For a Penny - Reflections on Confederation with Canada	7,593	-
Springwater Productions Inc. - Breaking Ground - Season 2	-	28,797
Streely Maid Films Ltd. - A Fine Catch	-	24,420
Streely Maid Films Ltd. - The Songwriter - Diamonds in a Bucket	-	6,000
Take Hold Films Inc. - Exit Zero	4,950	-
The Skinny Dip Inc. - The Skinny Dip	-	101,710
Tooton Films Inc. - Tooton's: A History of Photography in Newfoundland	16,830	-
Wall Productions Inc. - The Wall	-	300,000
What Do They Do In There Inc. - What Do They Do In There	-	130,737
	1,950,883	2,580,176
Excess of receipts over commitments (commitments over receipts)	(28,869)	50,045
Opening Balance	142,803	92,758
Closing Balance - Uncommitted funds	113,934	142,803

The accompanying notes are an integral part of these financial statements