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**PROVINCE OF NOVA SCOTIA  
FILM NOVA SCOTIA**

FINANCIAL STATEMENTS  
MARCH 31, 2009

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**AUDITORS' REPORT**

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**TO THE MEMBERS OF THE BOARD OF THE  
FILM NOVA SCOTIA:**

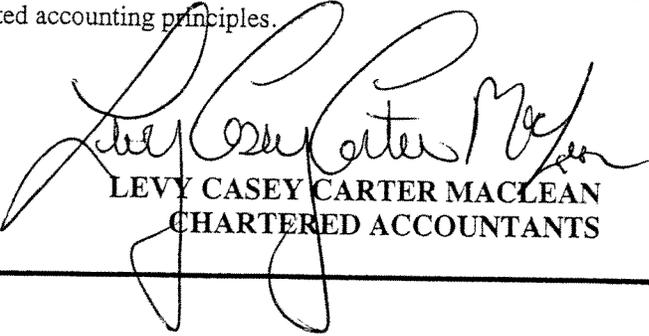
We have audited the statement of financial position of Film Nova Scotia as at March 31, 2009 and the statement of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Terry Carter Ltd.  
Stuart S. MacLean Inc.  
J.E. Melvin Inc.  
Greg T. Strange Inc.

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 changes in net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

Halifax, Nova Scotia  
May 5, 2009



**LEVY CASEY CARTER MACLEAN  
CHARTERED ACCOUNTANTS**

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**PROVINCE OF NOVA SCOTIA  
FILM NOVA SCOTIA**

STATEMENT OF FINANCIAL POSITION  
MARCH 31, 2009

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**ASSETS**

	<u>2009</u>	<u>2008</u>
<b>Current</b>		
Cash and short term investments (note 2(h))	\$ 1,426,224	\$ 1,492,887
Other receivables	56,222	123,869
Prepaid expenses	<u>14,105</u>	<u>16,554</u>
	1,496,551	1,633,310
Due from Province of Nova Scotia (note 2(e))	22,320	18,260
Property and equipment (note 3)	<u>-</u>	<u>2,911</u>
	<u>\$ 1,518,871</u>	<u>\$ 1,654,481</u>

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**LIABILITIES**

<b>Current</b>		
Payables and accruals, trade	\$ 63,617	\$ 64,337
Commitments payable (note 4)	1,421,967	1,546,613
Deferred revenue	<u>10,085</u>	<u>24,474</u>
	1,495,669	1,635,424
Employee future benefits (note 2(e))	<u>22,320</u>	<u>18,260</u>
	<u>1,517,989</u>	<u>1,653,684</u>

**NET ASSETS**

Net assets unrestricted	<u>882</u>	<u>797</u>
	<u>\$ 1,518,871</u>	<u>\$ 1,654,481</u>

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Approved on behalf of the Board

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Chair

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Member

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**PROVINCE OF NOVA SCOTIA  
FILM NOVA SCOTIA**

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS  
YEAR ENDED MARCH 31, 2009

	<u>2009</u>	<u>2008</u>
<b>Revenue</b>		
Contributions from the Department of Economic and Rural Development	\$ 3,659,700	\$ 3,140,812
Employee future benefits grant - Province of Nova Scotia	4,060	2,990
Recovery of equity investments (note 6)	224,566	312,509
Recovery of development loans (note 7)	38,298	61,722
Contributions from Government		
- Atlantic Canada Film Partners	24,707	29,857
- ACOA and Trade Routes	29,170	55,000
- Business Issues	-	14,985
Other income	61,088	47,216
Interest	<u>49,426</u>	<u>88,232</u>
	<u>4,091,015</u>	<u>3,753,323</u>
<b>Expenditures</b>		
Equity investments (note 6)	2,583,100	2,226,259
Development loans (note 7)	109,750	293,586
Special projects	162,578	247,237
Atlantic Canada Film Partners	22,232	64,076
Advertising and marketing (page 9)	509,927	359,301
Administrative expenses (page 9)	<u>703,343</u>	<u>562,755</u>
	<u>4,090,930</u>	<u>3,753,214</u>
<b>Excess of revenues over expenditures</b>	85	109
<b>Net assets, beginning of year</b>	<u>797</u>	<u>688</u>
<b>Net assets, end of year</b>	<u>\$ 882</u>	<u>\$ 797</u>

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**PROVINCE OF NOVA SCOTIA  
FILM NOVA SCOTIA**

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2009

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**1. Authority**

Film Nova Scotia was incorporated through an act proclaimed by the Governor in Council on August 1, 1990. The chief purpose of the Corporation is to promote the development of, and to create and stimulate employment and investment in, the Nova Scotia film and video industry by providing financial and other assistance.

The Corporation has been designated by the Minister of Finance to administer the Nova Scotia Film Industry Tax Credit Program, including review of tax credit applications.

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**2. Significant accounting policies**

a) Statement of cash flows

A statement of cash flows is not provided since disclosure in the statement of operations and changes in net assets is considered adequate.

b) Development loans and equity investment

Development loans and equity investments are recorded as a liability and charged to current expenditures when the funding is formally committed. Recoveries derived from equity investments and program loans are recorded as revenue when reported by producers. It is not feasible to accrue recoveries from equity investments since these recoveries remain uncertain until reported, as they are based upon the financial results of the recipients' activities. Recoveries from development loans are not accrued until received as repayment remains uncertain until the earlier of the first day of principal photography or on the optioning, sale or transfer of the property to a third party.

c) Capital assets and amortization

Significant capital assets are capitalized and amortization is calculated using the declining balance method, at rates based on the estimated useful life of the assets, except for leasehold improvements which are amortized straight line over the term of the lease. Capital assets with a cost less than \$10,000 are expensed in the year of acquisition.

d) Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

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**PROVINCE OF NOVA SCOTIA  
FILM NOVA SCOTIA**

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2009

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2. Significant accounting policies (cont'd)

e) Employee future benefits

The Corporation has adopted the method of accounting for employee future benefits required by The Canadian Institute of Chartered Accountants' recommendations in Section 3461, Employee Future Benefits. The main components of this accounting policy are costs for employee future benefits, other than pensions, and are accrued over the periods in which the employees render services. These benefits are for health insurance programs. A liability for employee future benefits of \$22,320 (2008 - \$18,260) has been included in the financial statements. The liability as at March 31, 2009 and 2008 has been assumed by the Province of Nova Scotia so an offset of the same amount has been recorded as a receivable from the Province of Nova Scotia. The current year's expense incurred for these future employee benefits is \$4,060 (2008 - \$2,990).

f) Comparative figures

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year's financial statements.

g) Revenue recognition

Unrestricted contributions are recognized as revenue when received or receivable.

Recovery of equity investments and development loan revenue are recorded as reported by producers.

Investment and other income is recorded in the period in which the related income is earned.

h) Financial instruments

**Assets held-for trading**

Financial instruments classified as assets or liabilities held for trading are reported at fair value at each balance sheet date, and any change in fair value is recognized on the statement of operations in the period during which the change occurs. Cash and short term investments have been classified as held-for-trading.

**Loans and receivables and other financial liabilities**

Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method. Interest income or expense is included in the statement of operations over the expected life of the instrument. Accounts receivable and the receivable from the Province of Nova Scotia have been designated as loans and receivables. Payables and accruals, commitments payable, deferred revenue and employee future benefits have been designated as other financial liabilities.

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**PROVINCE OF NOVA SCOTIA  
FILM NOVA SCOTIA**

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2009

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**3. Property and equipment**

During the year the Corporation moved into new offices and undertook leasehold improvements and the purchase of furniture and office equipment totaling \$39,338. These expenditures have been expensed in the current year in accordance with the Corporation's capital asset and amortization policy and are included in rent and related new office costs and repairs, maintenance and equipment. The remaining net book value of property and equipment from the prior year was fully amortized during the year.

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**4. Commitments payable**

The Corporation approves applications for funding which may not be disbursed until subsequent fiscal periods due to the lead times required to obtain all the resources necessary to complete film and video productions.

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**5. Costs paid by the Province of Nova Scotia**

During the year, services were provided to the Corporation by government departments and the estimated value of these services is as follows:

	<u>2009</u>	<u>2008</u>
Legal services	\$ 18,850	\$ 18,850
Rent	<u>8,750</u>	<u>35,000</u>
	<u>\$ 27,600</u>	<u>\$ 53,850</u>

The value of these services is not reflected in these financial statements.

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**6. 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 benefit to Nova Scotians. Equity investments are made with the condition of repayment through participation in revenues by projects. Revenue is recorded as reported by producers.

During the year the Corporation received \$224,566 (2008 - \$312,509) in the recovery of equity investments. The cumulative total of equity investments of the Corporation to March 31, 2009 is \$35,049,997 (2008 - \$32,466,897). As at March 31, 2009, \$2,907,764 has been recouped (2008 - \$2,683,198) and \$1,258,948 (2008 - \$1,320,128) remains undisbursed and is included in commitments payable.

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**PROVINCE OF NOVA SCOTIA  
FILM NOVA SCOTIA**

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2009

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**7. Development loans**

The Corporation provides loans to qualified applicants to support the essential process of development which takes an idea through the stages of research, writing, market analysis and costing, which must precede the completion of production financing arrangements. Support for the development of a project does not necessarily imply support for a production. Development loans are interest free and are to be repaid the earlier of the first day of principal photography or on the optioning, sale or transfer of the property to a third party.

Total development loans outstanding on March 31, 2009 were \$2,447,713 (2008 - \$2,337,994). During the year, \$38,298 in development loans was recouped (2008 - \$61,722). As at March 31, 2009, \$86,966 (2008 - \$125,234) in committed development loans were undisbursed and included in commitments payable.

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**8. Public service superannuation fund**

All full-time employees of the Corporation are entitled to receive pension benefits pursuant to the provisions of the pension plan established under the Public Service Superannuation Act. The defined benefit plan is funded by equal employee and employer contributions. The Public Service Superannuation Fund is administered by the Department of Finance. During the year, the Corporation contributed \$47,467 to the fund (2008 - \$35,899).

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**9. Economic dependence and related party transactions**

The Province of Nova Scotia is a related party of the Corporation. The Corporation is dependent on the Department of Economic and Rural Development for annual funding. Details of any transactions between these related parties are separately disclosed.

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**PROVINCE OF NOVA SCOTIA  
FILM NOVA SCOTIA**

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2009

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**10. Financial instruments**

a) Fair value of financial instruments

Financial instruments of the company consist mainly of cash and short term investments, other receivables and accounts payable and accrued liabilities. The carrying values of these financial assets and financial liabilities approximate their fair values.

b) Interest rate risk

The corporation manages its temporary investments based on its cash flow needs and with a view to optimizing its interest income.

The effective interest rate on the temporary investments during the year varied from 3.84% to 1.68% (2008 - 3.84% to 4.80%). The interest rate at the end of the year was 1.68% (2008 - 3.84%) with investments held in money market funds.

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**11. Lease commitment**

The Corporation has entered into an operating lease for its premises with minimum annual rentals as follows:

2010	\$	64,000
2011	\$	21,333

**PROVINCE OF NOVA SCOTIA  
FILM NOVA SCOTIA  
(Operating as Film Nova Scotia)**

SCHEDULE OF ADVERTISING AND MARKETING EXPENSES  
AND SCHEDULE OF ADMINISTRATIVE EXPENSES  
YEAR ENDED MARCH 31, 2009

	<u>2009</u>	<u>2008</u>
<b>Advertising and Marketing Expenses:</b>		
Advertising and marketing	\$ 166,016	\$ 136,662
Amortization	1,071	1,071
Annual report	8,940	12,323
Business travel and expenses	41,779	42,414
Familiarization tour	34,078	25,582
Locations library	4,832	4,885
Location services	21,880	23,469
Marketing - new brand	80,032	-
Production guide, net of receipts of \$26,954 (2008 - \$32,150)	(1,091)	99
Salaries and benefits	<u>152,390</u>	<u>112,796</u>
	<u>\$ 509,927</u>	<u>\$ 359,301</u>
<b>Administrative Expenses:</b>		
Amortization	\$ 1,841	\$ 983
Bank charges	1,794	1,967
Board honorarium and expenses	25,148	21,077
Conference and marketing	3,421	3,462
Consultants	2,274	39,396
Courier services	1,465	515
Dues, fees and subscriptions	12,697	9,499
Insurance	2,037	2,112
Office supplies	16,509	16,738
Photocopier	2,911	1,702
Postage	1,734	1,434
Professional fees	6,925	10,700
Repairs, maintenance and equipment	10,611	949
Rent and related new office costs	82,647	-
Salaries and benefits	513,080	425,793
Staff training	4,771	9,237
Strategic planning	-	8,164
Telephone and fax	<u>13,478</u>	<u>9,027</u>
	<u>\$ 703,343</u>	<u>\$ 562,755</u>

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Government Accounting