

**FINANCIAL STATEMENTS**

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**COGECO PROGRAM DEVELOPMENT FUND**

**DEVELOPMENT PROGRAM**

*August 31, 2010*

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**Cogeco Program Development Fund**  
**Development Program**  
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## AUDITORS' REPORT

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To the Directors of  
**Cogeco Program Development Fund**

We have audited the balance sheet of the **Cogeco Program Development Fund - Development Program** as at August 31, 2010 and the statements of operations - operating fund, operating and restricted fund balances and cash flows - operating fund for the year then ended. These financial statements are the responsibility of the Fund'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 Fund as at August 31, 2010 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario  
November 4, 2010



Chartered Accountants  
Licensed Public Accountants

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**Cogeco Program Development Fund**  
**Development Program**  
**STATEMENTS OF OPERATIONS - OPERATING FUND**

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Years ended August 31	2010	2009
	\$	\$
<b>Revenue</b>		
Interests and dividends	180,514	208,218
Gain (loss) on disposal of investments	116,240	(28,782)
Recovery of development advances	<u>75,000</u>	<u>155,292</u>
	<u>371,754</u>	<u>334,728</u>
<b>Expenses</b>		
Administration	67,075	63,967
Investment management	45,123	42,456
Development advances [note 5]	<u>214,723</u>	<u>305,288</u>
	<u>326,921</u>	<u>411,711</u>
Excess (deficiency) of revenue over expenses	44,833	(76,983)
Unrealized gain (loss) on investments	16,430	(264,049)
<b>Increase (decrease) in net assets from operations for the year</b>	<u>61,263</u>	<u>(341,032)</u>

*see accompanying notes*

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**Cogeco Program Development Fund**  
**Development Program**  
**STATEMENTS OF FUND BALANCE - OPERATING FUND**

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Years ended August 31	2010	2009
	\$	\$
<b>Balance</b> , at beginning of year	<b>820,482</b>	1,161,514
Increase (decrease) in net assets from operations for the year	<b>61,263</b>	(341,032)
<b>Balance</b> , at end of year	<b>881,745</b>	820,482

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*see accompanying notes*

**Cogeco Program Development Fund**  
**Development Program**  
**STATEMENTS OF CASH FLOWS - OPERATING FUND**

Years ended August 31	2010 \$	2009 \$
<b>Operating Activities</b>		
Cash received from contributions and investments	274,129	348,510
Cash paid to suppliers	(118,676)	(140,318)
Cash paid for funding distributions	<u>(214,723)</u>	<u>(305,288)</u>
Cash provided by (used in) operating activities	<u>(59,270)</u>	<u>(97,096)</u>
<b>Investing Activities</b>		
Proceeds on sale of investments	2,405,088	765,644
Purchase of investments	<u>(2,373,312)</u>	<u>(657,973)</u>
Cash provided by (used in) investing activities	<u>31,776</u>	<u>107,671</u>
<b>Increase (decrease) in cash during the year</b>	<b>(27,494)</b>	<b>10,575</b>
<b>Cash, beginning of year</b>	<b>132,767</b>	<b>122,192</b>
<b>Cash, end of year</b>	<b>105,273</b>	<b>132,767</b>

*see accompanying notes*

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**Cogeco Program Development Fund**  
**Development Program**  
**STATEMENTS OF FUND BALANCE - RESTRICTED FUND**

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Years ended August 31	2010	2009
	\$	\$
<b>Balance, at beginning and end of year</b>	<b>5,000,000</b>	<b>5,000,000</b>

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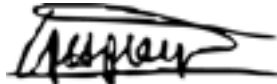
*see accompanying notes*

**Cogeco Program Development Fund**  
**Development Program**  
**BALANCE SHEETS**

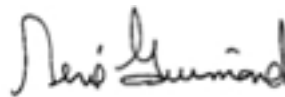
August 31	2010	2009
	\$	\$
<b>ASSETS</b>		
<b>OPERATING FUND</b>		
Cash	105,273	132,767
Receivables [note 4]	32,551	51,166
Investments [note 3]	<u>758,403</u>	<u>657,509</u>
	896,227	841,442
<b>RESTRICTED FUND</b>		
Investments [note 3]	5,000,000	5,000,000
<b>Total assets</b>	<b>5,896,227</b>	<b>5,841,442</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>OPERATING FUND</b>		
<b>LIABILITIES</b>		
Accounts payable	14,482	20,960
Fund balance [note 2]	<u>881,745</u>	<u>820,482</u>
	896,227	841,442
<b>RESTRICTED FUND</b>		
Fund balance	5,000,000	5,000,000
<b>Total liabilities and fund balances</b>	<b>5,896,227</b>	<b>5,841,442</b>

*see accompanying notes*

On behalf of the Board of Directors:



Yves Mayrand,  
Director



René Guimond,  
Director



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**Cogeco Program Development Fund**  
**Development Program**  
**NOTES TO FINANCIAL STATEMENTS**

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Years ended August 31, 2010 and 2009

**1. DESCRIPTION OF OPERATIONS**

The Cogeco Program Development Fund (the "Fund") was incorporated July 26, 1991 under the provisions of Part II of Canada Corporations Act as a non-profit organization.

The Fund has two objectives: the first, by means of its Development Program, is to encourage the development of new Canadian drama, produced by independent Canadian producers, for broadcast by Canadian broadcasters. The second objective, by means of the Fund's Production Program, is to encourage the production of pilot programs for dramatic series, as well as television movies-of-the-week and mini-series, produced by Canadian independent producers for broadcast by private and public sector broadcasters. The financial results of these two programs are the subject of separate financial statements.

The Fund is exempt from income taxes under Section 149(1) of the Income Tax Act (Canada).

**2. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Significant accounting policies are as follows:

**Financial statement presentation**

The financial statements have been prepared on a restricted fund basis. The fund balances are described as follows:

**Operating Fund**

The Operating Fund includes interest and dividend revenue, gain (loss) on disposal of investments, recovery of development advances and expenses for administration, investment management and development advances of the Fund.

Income earned on the assets related to the Restricted Fund is used to make development advances and to finance the Operating Fund's activities and consequently, is included in the Operating Fund.

**Restricted Fund**

The Restricted Fund represents an endowment received from Cogeco Cable Inc. ("Cogeco Cable") of \$5,000,000 and is restricted in perpetuity.

**Revenue recognition - Operating Fund**

The Fund uses accrual accounting whereby interest revenue is recognized as earned, dividend revenue and capital gains (losses) on the disposal of investments are recorded when the transaction occurs and recovery of development advances are recognized when received.

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**Cogeco Program Development Fund**  
**Development Program**  
**NOTES TO FINANCIAL STATEMENTS**

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Years ended August 31, 2010 and 2009

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Cash - Operating Fund**

Cash is defined as cash in bank less outstanding cheques.

**Investments - Operating Fund**

Investment transactions are recorded on the settlement date and the investments are recorded at fair value. The investments are comprised of Canadian shares, fixed income securities including treasury bills, bonds, debentures, notes and International equity funds.

**Valuation of investments**

The fair value of investments as at the financial reporting period end is determined as follows:

- a) Securities listed upon a recognized public stock exchange are valued at their bid prices for investments owned.
- b) Short-term notes, treasury bills and bonds are valued at the average bid quotations from recognized investment dealers.

**Transaction costs**

Transaction costs are incremental costs other than portfolio fees that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commission paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. The Organization does not incur such transaction costs.

Investments representing the initial investment of \$5,000,000 are allocated to the Restricted Fund and the balance of the investments are allocated to the Operating Fund.

In the Statement of Cash Flows for the Operating Fund, the proceeds on sale of investments and the purchase of investments have been shown net of short-term investment transactions consisting of bank term-deposits, Canadian treasury bills and Government of Canada bonds with maturities under 365 days.

**Development advances - Operating Fund**

The financing agreements entered into by the Fund with independent production companies and professional development organizations contain specific milestones that must be achieved by the companies and organizations in order for them to be entitled to funds. The Fund recognizes, as development advances in the Statement of Operations - Operating Fund its obligations under those agreements when the specific milestones have been achieved. Funding commitments for projects with unachieved milestones are reflected in the commitments note to the financial statements.

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**Cogeco Program Development Fund**  
**Development Program**  
**NOTES TO FINANCIAL STATEMENTS**

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Years ended August 31, 2010 and 2009

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Foreign currency translation**

At the transaction date, each account denominated in foreign currency, primarily investments in U.S. dollars, is translated into Canadian dollars using the exchange rate in effect at that date. At the year-end date, the accounts are translated into Canadian dollars using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in operations in the current period as part of the unrealized gain (loss) on investments.

**3. INVESTMENTS**

Investments are recorded at fair value. Investments are intended to optimize fund performance with a view to ensuring the Fund's operations.

	2010		2009	
	Market Value		Market Value	
	\$	%	\$	%
<b>Money Market and other</b>	<b>142,143</b>	<b>2</b>	147,428	3
<b>Bonds</b>	<b>2,721,396</b>	<b>47</b>	2,628,793	46
<b>Shares</b>	<b>2,453,439</b>	<b>43</b>	2,415,822	43
<b>International equity fund</b>	<b>441,425</b>	<b>8</b>	465,466	8
	<b>5,758,403</b>	<b>100</b>	5,657,509	100

**4. RECEIVABLES**

The receivables consist primarily of accrued interest income on investments.

**5. DEVELOPMENT ADVANCES**

The advances made during the year bear no interest and are repayable on the first day of principal photography of the production. Moreover, during the year, the Fund authorized funding for ongoing projects which were not completed by year-end. As at August 31, 2010,

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**Cogeco Program Development Fund**  
**Development Program**  
**NOTES TO FINANCIAL STATEMENTS**

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Years ended August 31, 2010 and 2009

**5. DEVELOPMENT ADVANCES (continued)**

there were commitments to pay certain amounts as follows:

	\$
<hr/>	
Funding authorized in 2009/2010	
Development projects	96,477
Feature film loans	<u>175,000</u>
	271,477
Paid during 2009/2010	<u>(69,227)</u>
Funding authorized in 2009/2010 not yet paid	202,250
Funding authorized in 2008/2009 not yet paid	15,875
Funding authorized in 2007/2008 not yet paid	31,480
Funding authorized in 2006/2007 not yet paid	12,966
Funding authorized in 2005/2006 not yet paid	13,891
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	<u>276,462</u>
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**6. RELATED PARTY TRANSACTIONS**

During the year, the Fund recorded director and officer insurance expense from Cogeco Cable of \$2,410 (2009 - \$2,410) as part of Administration expense in the Statement of Operations - Operating Fund.

During the year, the Fund paid honoraria of \$3,000 (2009 - \$2,500) to Directors who are not Officers of Cogeco Cable.

**7. FINANCIAL INSTRUMENTS**

**a) Concentration of investment risk for investment portfolio**

The Fund's portfolio of investments includes a number of individual investments. The Fund engages an independent investment manager to manage the portfolio and has provided the manager with specific investment guidelines against which the performance of the portfolio is monitored. Over the longer term, the Fund is satisfied that there is no significant exposure from loss on the realization of its investment portfolio.

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**Cogeco Program Development Fund**  
**Development Program**  
**NOTES TO FINANCIAL STATEMENTS**

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Years ended August 31, 2010 and 2009

**7. FINANCIAL INSTRUMENTS (continued)**

**b) Interest rate risk**

For long-term government and corporate bonds included in the portfolio of investments, the effective interest rate realized during the year was 4.4% (2009 - 4.9%). As the bonds are issued by a number of government and corporate entities and are for different maturity dates, the Fund is satisfied there is no significant exposure from interest rate fluctuations.

**c) Currency risk**

The Fund's portfolio of investments at fair value includes approximately 26% (2009 - 26%) of investments denominated in foreign currencies (primarily U.S dollars), which are converted to their Canadian dollar equivalent at the year-end exchange rate.

**d) Credit risk**

The receivables represent accrued interest on bonds held in the investment portfolio and accordingly, the Fund does not have significant exposure to credit risk.

**e) Fair value**

The fair value of each of cash, receivables, and accounts payable is approximately equal to their carrying values due to their short-term nature. The fair value of the investment portfolio is set out in note 3.

**f) Future cash flows**

The cash, receivables, investments, and accounts payable do not have any significant terms or conditions that would affect the amount, timing or certainty of future cash flows.

**FINANCIAL STATEMENTS**

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**COGECO PROGRAM DEVELOPMENT FUND  
PRODUCTION PROGRAM**

*August 31, 2010*

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**Cogeco Program Development Fund**  
**Production Program**  
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## AUDITORS' REPORT

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To the Directors of  
**Cogeco Program Development Fund**

We have audited the balance sheet of the **Cogeco Program Development Fund - Production Program** as at August 31, 2010 and the statements of operations, operating fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Fund'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 Fund as at August 31, 2010 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario  
November 4, 2010



Chartered Accountants  
Licensed Public Accountants



**Cogeco Program Development Fund**  
**Production Program**  
**STATEMENTS OF OPERATIONS**

Years ended August 31	2010 \$	2009 \$
<b>Revenue</b>		
Contribution of Cogeco Cable Inc.	2,582,796	2,411,080
Interests and other	6,499	26,848
Recoupments of equity advances	<u>303,482</u>	<u>103,808</u>
	<u>2,892,777</u>	<u>2,541,736</u>
<b>Expenses</b>		
Administration	90,003	88,640
Promotion of the Fund and related activities	36,250	35,500
Equity advances [note 4]	<u>3,606,569</u>	<u>1,466,500</u>
	<u>3,732,822</u>	<u>1,590,640</u>
<b>Excess (deficiency) of revenue over expenses</b>	<b>(840,045)</b>	<b>951,096</b>

*see accompanying notes*

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**Cogeco Program Development Fund**  
**Production Program**  
**STATEMENTS OF OPERATING FUND BALANCE**

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Years ended August 31	2010	2009
	\$	\$
<b>Balance</b> , at beginning of year	<b>3,601,004</b>	2,649,908
Excess (deficiency) of revenue over expenses	<b>(840,045)</b>	951,096
<b>Balance</b> , at end of year	<b>2,760,959</b>	3,601,004

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*see accompanying notes*

**Cogeco Program Development Fund**  
**Production Program**  
**STATEMENTS OF CASH FLOWS**

Years ended August 31	2010 \$	2009 \$
<b>Operating Activities</b>		
Cash received from contributions and investments	2,809,019	2,518,927
Cash paid to suppliers	(139,481)	(101,199)
Cash paid for funding distributions	<u>(3,606,569)</u>	<u>(1,466,500)</u>
Cash provided by (used in) operating activities	<u>(937,031)</u>	<u>951,228</u>
<b>Investing Activities</b>		
Proceeds on sale of investments	-	1,999,180
Purchase of investments	<u>(2,099,706)</u>	<u>-</u>
Cash provided by (used in) investing activities	<u>(2,099,706)</u>	<u>1,999,180</u>
<b>Increase (decrease) in cash during the year</b>	<b>(3,036,737)</b>	<b>2,950,408</b>
<b>Cash, beginning of year</b>	<b>3,171,623</b>	<b>221,215</b>
<b>Cash, end of year</b>	<b>134,886</b>	<b>3,171,623</b>

*see accompanying notes*

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**Cogeco Program Development Fund**  
**Production Program**  
**BALANCE SHEETS**

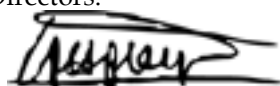
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As at August 31	2010	2009
	\$	\$
<b>ASSETS</b>		
Cash	134,886	3,171,623
Receivable from Cogeco Cable Inc.	442,648	408,805
Other receivables	104,201	54,286
Investments [note 5]	2,099,706	-
	<b>2,781,441</b>	<b>3,634,714</b>
<b>LIABILITIES</b>		
Accounts payable	20,482	33,710
<b>OPERATING FUND</b>	<b>2,760,959</b>	<b>3,601,004</b>
	<b>2,781,441</b>	<b>3,634,714</b>

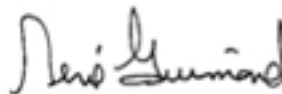
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*see accompanying notes*

On behalf of the Board of Directors:



Yves Mayrand,  
Director



René Guimond,  
Director

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**Cogeco Program Development Fund**  
**Production Program**  
**NOTES TO FINANCIAL STATEMENTS**

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Years ended August 31, 2010 and 2009

**1. STATUS AND NATURE OF BUSINESS**

The Cogeco Program Development Fund (the "Fund") was incorporated July 26, 1991 under the provisions of Part II of Canada Corporations Act as a non-profit organization.

The fund is dependent upon financial contributions from Cogeco Cable Inc. ("Cogeco Cable") and was established with two objectives: the first, by means of its Development Program, is to encourage the development of new Canadian drama, produced by independent Canadian producers, for broadcast by Canadian broadcasters. The second objective, by means of the Fund's Production Program, is to encourage the production of pilot programs for dramatic series, as well as television movies-of-the-week and mini-series, produced by Canadian independent producers for broadcast by private and public sector broadcasters. The financial results of these two programs are the subject of separate financial statements.

The Fund is exempt from income taxes under Section 149(1) of the Income Tax Act (Canada).

**2. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies are as follows:

**Revenue recognition**

The Fund uses accrual accounting whereby interest revenue is recognized as earned, contributions from Cogeco Cable are recognized based on that company's monthly commitment and recoupments of equity advances to producers are recognized when received.

**Cash - Operating Fund**

Cash is defined as cash in bank less outstanding cheques.

**Investments**

Investment transactions are recorded on the settlement date and the investments are recorded at fair value. The investments are comprised of term-deposits.

**Valuation of investments**

The fair value of investments as at the financial reporting period end is determined as follows:

- a) Securities listed upon a recognized public stock exchange are valued at their bid prices for investments owned.
- b) Short-term notes, treasury bills and bonds are valued at the average bid quotations from recognized investment dealers.

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**Cogeco Program Development Fund**  
**Production Program**  
**NOTES TO FINANCIAL STATEMENTS**

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Years ended August 31, 2010 and 2009

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

Transaction costs

Transaction costs are incremental costs other than portfolio fees that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commission paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. The Organization does not incur such transaction costs.

In the Statement of Cash Flows for the Operating Fund, the proceeds on sale of investments and the purchase of investments have been shown net of short-term investment transactions consisting of bank term-deposits with maturities under 365 days.

**3. OTHER RECEIVABLES**

The receivables consist primarily of accrued interest income on investments and Harmonized Sales Tax recoverable.

**4. EQUITY ADVANCES**

As part of the financing agreements entered into with independent production companies, the Fund may receive recoupments from completed and broadcast productions. Such non-interest bearing recoupments depend on the ultimate profitability of a production. During the fiscal year ended August 31, 2010, the Fund authorized funding for ongoing projects that were not completed. As a result, at August 31, 2010, there existed commitments to pay certain amounts as follows:

\$

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Funding authorized in 2009/2010	2,750,000
Paid during 2009/2010	<u>(865,000)</u>
Funding authorized in 2009/2010 not yet paid	1,885,000
Funding authorized in 2008/2009 not yet paid	590,000
Funding authorized in 2007/2008 not yet paid	89,000
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	2,564,000

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**Cogeco Program Development Fund**  
**Production Program**  
**NOTES TO FINANCIAL STATEMENTS**

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Years ended August 31, 2010 and 2009

**5. INVESTMENTS**

Investments are recorded at fair value. The term deposit bears interest at 0.75% and matures September 7, 2010. Investments are intended to optimize fund performance with a view to ensuring the Fund's operations.

**6. RELATED PARTY TRANSACTIONS**

Cogeco Cable is a related party. Revenue contributions and related receivables from Cogeco Cable are reported as separate line entries in the financial statements. The Fund recorded director and officer insurance expense from Cogeco Cable of \$2,410 (2009- \$2,410) as part of Administration expense in the Statement of Operations.

During the year, the Fund paid honoraria of \$3,000 (2009 - \$2,500) to Directors who are not Officers of Cogeco Cable.

**7. FINANCIAL INSTRUMENTS**

**a) Credit risk**

The other receivables represent primarily accrued interest on term deposits and HST recoverable and accordingly, the Fund does not have significant exposure to credit risk.

**b) Fair value**

The fair value for each of cash, receivables and accounts payable is approximately equal to their carrying value due to their short-term nature. The fair value of the investment portfolio is set out in note 5.

**c) Future cash flows**

The cash, receivables, investments and accounts payable do not have any significant terms or conditions that would affect the amount, timing or certainty of future cash flows.