

REPORT OF THE FINANCE COMMITTEE OF THE BOARD OF DIRECTORS
AT THEIR MEETING IN OTTAWA, SEPTEMBER 9, 1959.

The last report of this Committee to the Board at the June Meeting covered amongst other items the results of the operations for the month of April, 1959 - the first month of this year's financial operations.

Since that meeting the Finance Committee has met three times: July 28th, August 15th and September 8th and 9th. The financial results for the months of May, June and July were considered at these meetings as well as other matters either incidental to the financial reports or extraneous matters referred to the Committee or initiated by it.

You have before you a pamphlet of financial statements which are taken from the Comptroller's Report of July 31, 1959 to the Finance Committee. Please refer to Statement 6 which is a summary of operating results by months showing the comparative figures for the similar periods last year and for the budget. The following are the highlights of this summary:

- (a) Total net expenditures are below the budget by 4.1% though up 9.5% over last year.
- (b) Total net income is up 3.7% from the budget and up 13.6% over last year.
- (c) Cost of operations, that is, net expenditures less net income, shows that the first four months are 7.5% under the budget figure, and up 7.7% over last year.

Referring more particularly to July 31 figures, your attention should be drawn to the working capital situation. Please refer to Sheet 3 in the folder.

Working capital is the difference between current assets and current liabilities. Thus from Sheet 3 it will be seen that the working capital as of July 31, 1959, is the difference between the first four items under assets and the first two items under liabilities. This amounts to \$9,208,000. Despite this our cash is only \$1,963,000 and this is only possible because we have under-spent the moneys received from the Government towards our operating and capital budgets. This over payment by the Government amounts to \$3,208,000 (Items 4 and 5 under liabilities on Sheet 3). Without it we would be in an overdraught position of \$1,245,000. The main cause for this is the large amount of working capital tied up in film and script rights inventories. As of July 31 this year the amount of money so tied up was \$2,384,000 as compared with \$1,333,000 at the end of August 1958. This has been discussed with Management and a complete study of inventory requirements is underway. Pending the completion of the report and its study by this Committee, Management is maintaining a very strict scrutiny of additions to inventory.

Reference was made in the Comptroller's report to this Committee of a write-off of assets of \$44,190. These assets consist largely of partly depreciated technical equipment and cars and trucks. The net loss after applying depreciation and resale receipts is estimated to be \$8,677. These items are reviewed and this write-off approved by the heads of the various departments concerned.

Reference has been made so far in this report to statements 3 and 6 in the folder. There are also in the folder the following statements which it was felt would be of special interest to you and they are open to any question you may wish to ask regarding them:

Sheet 1 - Operating results of Head Office departments.
Attached to it is a sheet of explanatory notes
on outstanding items.