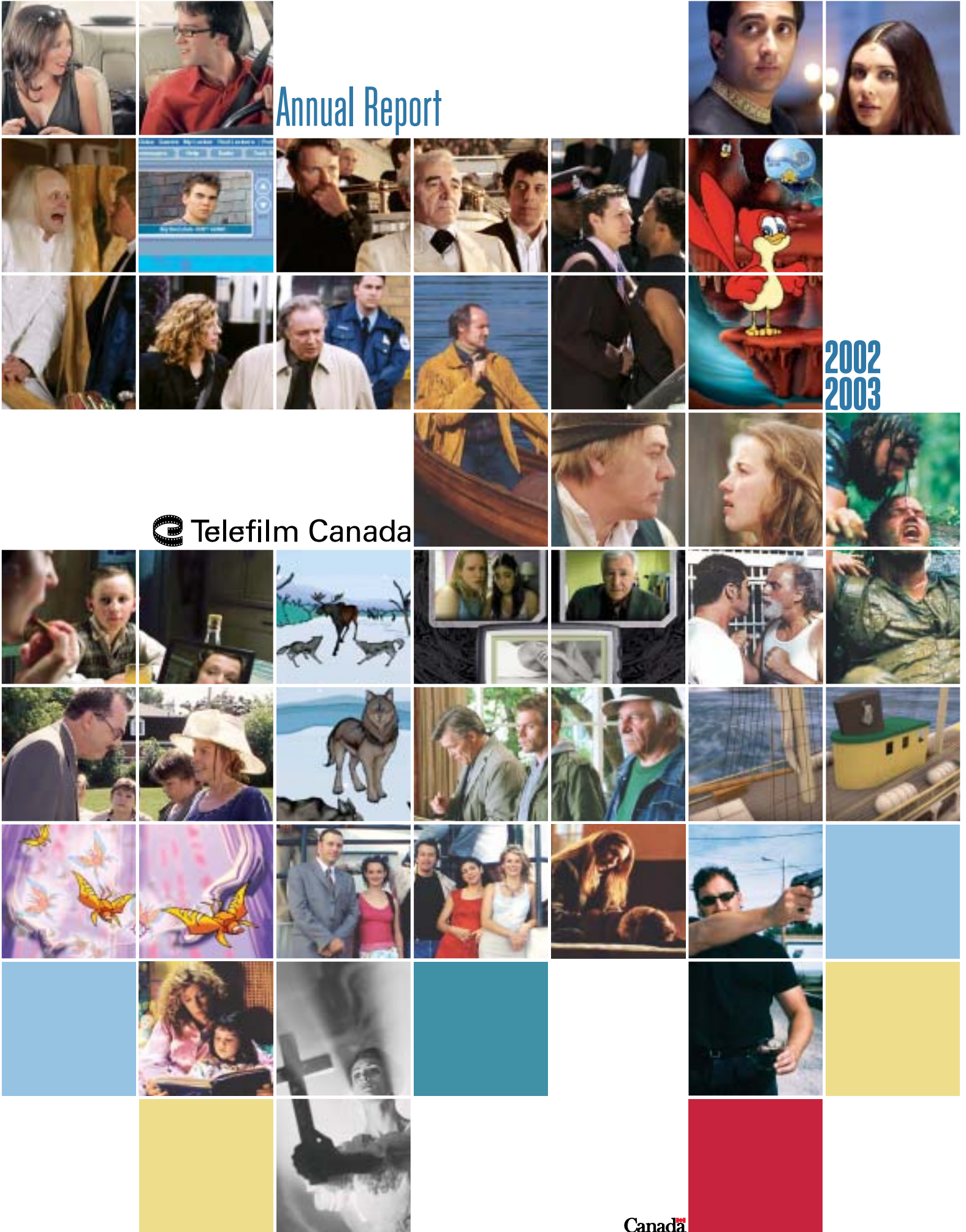


Annual Report

2002  
2003

Telefilm Canada



Annual Report

2002  
2003

 Telefilm Canada

# Telefilm Canada Offices

## Offices in Canada

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\*Until December 1st, 2003, after that date  
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\*\*Head office and Quebec office

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# Board Members

As at March 31, 2003



**Charles Bélanger**  
Chair  
Montréal, Quebec



**Jeanine C. Beaubien, O.C.\***  
Vice-Chair  
Montréal, Quebec

\*left the Board on March 31, 2003



**Bluma Appel**  
Member  
Toronto, Ontario



**Ronald S. Bremner**  
Chair, Audit and Finance Committee  
Toronto, Ontario



**Louise Pelletier**  
Member  
Montréal, Quebec



**Elvira Sánchez de Malicki**  
Member  
Etobicoke, Ontario



**Jacques Bensimon**  
Member ex officio  
Government Film Commissioner  
Montréal, Quebec

# Letter to the Minister

Montréal, June 27, 2003


The Honourable Sheila Copps  
Minister of Canadian Heritage  
Ottawa, Canada

Dear Madam:

In accordance with the provisions of Section 23 of the *Telefilm Canada Act*, I have the honour of presenting you, on behalf of the Board of Directors, with Telefilm Canada's 35th annual report, as well as the Corporation's financial statements for the year ended March 31, 2003.

Yours very truly,

The Chair,

A handwritten signature in black ink, reading "Charles Bélanger". The signature is written in a cursive style with a large initial "C".

Charles Bélanger

# Management

As at June 27, 2003

## **Richard Stursberg**

Executive Director

### Atlantic Region Office

#### **Ralph Holt**

Director – Atlantic Region and  
National Sector Head – Feature Film, Operations

#### **Keith Clarkson**

Interim Director – Business Units

### Quebec Office

#### **Michel Pradier**

Director – Quebec and  
National Sector Head – Television, Policy

#### **Louise Deslauriers**

Director – Business Unit  
Feature Film

#### **Nancy Roch**

Director – Business Unit  
Television

### Ontario and Nunavut Office

#### **John Galway**

Interim Director – Ontario and Nunavut  
and National Sector Head – Television, Operations

#### **Dave Forget**

Director – Business Unit  
Feature Film

#### **Paul Dollar**

Interim Director – Business Unit  
Television

### Western Region Office

#### **Earl Hong Tai**

Director – Western Region and  
National Sector Head – New Media

#### **John Dippong**

Director – Business Unit  
Feature Film

#### **Lauren Davis**

Director – Business Unit  
Television

### Media

#### **Elizabeth Friesen**

Director – Media

### Finance and Administration

#### **Danny Chalifour**

Director – Finance and Administration

#### **Carolle Brabant**

Assistant Director – Finance and Administration

#### **Richard Tardif**

Controller

#### **Shelley Stein-Sacks**

Director – Music Entrepreneur Program

### Special Projects

#### **Karen Franklin**

Director – Special Projects and  
National Sector Head – Feature Film, Policy

### International Development and Promotion

#### **Sheila de La Varenne**

Director, International Development and Promotion,  
Director – European Office and National Sector Head  
for Building Industry Capacity

### Communications and Public Affairs

#### **Danielle Dansereau**

Director – Communications and Public Affairs

### Human Resources

#### **Stella Riggi**

Director – Human Resources

### General Counsel

#### **Stéphane Odesse**

Interim General Counsel and  
Access to Information Coordinator



## Message from the Chair

Rarely have I seen a transition year as exacting, inspiring and decisive as the one just ended at Telefilm Canada!

The importance of fiscal 2002-2003 is that it has allowed Telefilm to refocus many of its policies, strategies, activities and services towards achieving our core objective: to build larger Canadian audiences for Canadian cultural products. This refocusing has required intensive, in-depth work concerning both internal operations as well as relations with our clients and partners. Though the process is far from complete, we are on the right track.

Throughout the year, I had repeated occasion to discuss the new directions with the Telefilm team, industry spokespersons, federal and provincial agency representatives and foreign partners. While some concern was voiced as to our intended approach to conquering audiences, I perceived a growing understanding of the need to view the Canadian public as the ultimate target of our cultural investments.

Every effort must be made to ensure that the Canadian film, television and new media industries offer Canadian consumers an array of products that they value and enjoy. Our highly talented creators must reach out and connect with their primary audience, here at home. Our industry must develop the financial and strategic instruments needed to make an increasingly significant cultural contribution. It must also strive for greater stability and profitability. And in every struggle, on every front, whether cultural or financial, Telefilm will provide constructive support. This is how we see an enlightened, effective partnership.

### **Solid Foundations for a Vision of the Future**

Transparency, consistency, efficiency: these were the key words for fiscal 2002-2003. Our clients are our *raison d'être*. We shall continue to pursue these goals, while adding other imperatives including research, analysis, accountability and, of course, effective communications throughout the Corporation and with our clients and public and private partners.

The Board was instrumental in defining the broad parameters of Telefilm's corporate plan for the fiscal years 2003-2004 to 2005-2006. This plan is based on the extensive work done in 2002-2003 to improve the agency's structure, policies and procedures, decisionmaking, business relations with clients as well as international actions.



During the year, substantial strides were made in the area of feature films. Canadian productions accounted for 2.6% of domestic box-office receipts, compared with 1.4% prior to inception of the Canada Feature Film Fund. This puts us halfway to our 5% goal, and it bears noting that the growing popularity of Quebec cinema is largely responsible. Homegrown television programs continued to meet with success, but more needs to be accomplished on the English side, and the thorny question of financing sources must be resolved. Activity in the new media industry remained dynamic, despite an unstructured environment and fresh challenges in terms of distribution and marketing. Telefilm's involvement in a new area this year – the wonderful and demanding world of music – gave us the opportunity to explore an innovative business approach that may eventually prove useful to Canada's other cultural industries: support for the development of corporate business plans.

If Canadians are to have better access to Canadian works and reap their full benefits, we must build industry capacity, which means attaining financial stability, improving skills, furthering international partnerships and boosting exports. Concurrently, our more efficient, more client-focused, more business-savvy Telefilm will continue to strive for transparency and fairness in its investments and to encourage diverse sources of inspiration and forms of expression.



### **Cultural Diversity: An Added Value for Conquering Audiences**

Some constraints are inescapable. As a fiduciary of the Canadian government, Telefilm must allocate one third of its investments to productions in French and two thirds to productions in English. However, the French and English market realities are not the same. Hence our asymmetrical approach to these markets, which has long been sanctioned by the provisions of the *Broadcasting Act*. Telefilm has the capacity and resources needed to administer this complex arrangement, while at the same time fostering production diversity in terms of talent, sources of inspiration, genre and budget.

An internal study covering Telefilm Canada's fiscal years 2000-2001 and 2001-2002 shows that 36% of the 669 productions assessed included two or three of the following multicultural components: key position of ethnic origin (producer, director or writer), ethnic character and multicultural subject matter.

Another study, commissioned from the Pearson-Shoyama Institute, indicates that real or perceived barriers between the cultural communities and Telefilm still exist, particularly for producers. By joining forces with organizations like the National Film Board of Canada and the Canada Council for the Arts that share our determination to reflect this country's multicultural face, we hope to provide more concrete, tangible support for multicultural expression and give it broader market reach.

Reflecting cultural diversity is directly in line with Telefilm's resolve to build larger audiences.

A greater variety of experience and perspective can only enrich national production and expand its public.

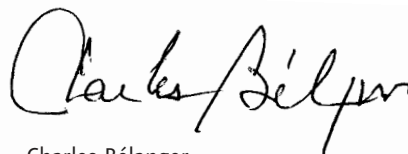
### **Improved Instruments of Governance**

Telefilm's Board works in partnership with the Executive Director and the Management Committee. Our primary role is to oversee the Corporation's strategic orientation and ensure that it has the capacity to carry out its corporate plan. Asking the right questions is part of our advisory role: Is the Corporation nearing its established objectives? Does it have the appropriate management tools to effectively measure its achievements? Do its information systems and management practices assure the integrity of the data it produces? Does it, in conjunction with its various partners, contribute to the overall consistency of Canada's cultural policies and their achievement? When the answer to these questions is "Yes," efficient governance can be assumed.

Regarding corporate governance, I would like to see the Board become representative of the Corporation's expanded mandate with the eventual inclusion of members from all the media served by Telefilm. Supporting a broader vision calls for a diversified board. Moreover, we have taken steps to prompt a review of Telefilm's Act, which dates to 1967. The Act should recognize the complexity of today's audiovisual environment and afford the Corporation the necessary flexibility to effectively coordinate its performance efforts.

I want to thank Jeanine C. Beaubien, who has left the Telefilm Board after more than seven years of loyal service, and I welcome Trina McQueen, a distinguished Canadian broadcasting professional.

My thanks go as well to all the Board members, to Richard Stursberg and to the entire Telefilm team for a full and productive year. Many challenges lie ahead, but we have a clear and stimulating vision for the future.



Charles Bélanger

# Message from the Executive Director

For Telefilm Canada, 2002-2003 was an ambitious yet challenging year; we established for the first time that our central goal was to build audiences, and began a process of aligning our administrative procedures, our guidelines and our management structure.

Because our success in helping to build larger audiences for Canadian cultural products depends partly on the performance of Telefilm itself, we needed to change the way we did things. Following the results of a nationwide client survey on the Corporation's services and the *Towards Tomorrow* industry summit in 2001-2002, we introduced a series of measures to improve our performance.

Without a doubt, we are more than ever committed to becoming the most clearly focused, accountable, efficient, client-oriented and commercially sophisticated Canadian cultural agency.

A new management structure was implemented to make internal operations simple as well as more transparent and standardized. Each of the regional directors is now responsible for the coordination of decisionmaking for a particular sector (feature film, television, new media and building capacity programs) at the national level. They ensure that the investment decisions are based on national criteria and consistent with overall priorities. The new structure also bolstered our policymaking by tying it more to operations. The subsequently created Media group will give the Corporation's policy function a better sense of developments in the market and industry trends.

Telefilm launched a review of its processes and procedures, in order to ensure that we operate as fairly, transparently and simply as possible. In conjunction with improved information systems, we have already reduced client costs and workload involved in submitting funding applications by requiring fewer supporting documents as well as by cutting down processing and assessment time.

We are also intent on creating a more empowered Telefilm workforce by encouraging advancement opportunities and by providing our employees with training and professional development.

Finally, we are developing a Customer Service Charter that will set out what the industry can anticipate from us, in terms of basic standards of services as well as accurate and fair decisionmaking, and also define what we expect from our partners.



## **Building Audiences for Canadian Feature Film and Television: An Asymmetrical Approach**

By any standard, Canadian or international, the success of the Quebec film and television industry is impressive. Its ability to deliver well-made products to a very appreciative audience is a model and challenge for us all. On the other hand, despite extensive public investment in English-language production, little of what has been created has connected with its audiences. Because of the differences in the levels of maturity between the two linguistic markets, Telefilm has adopted an asymmetrical approach for both industries.

Overall, for English-language producers and distributors, we are pushing for more popular products as well as better scripts, financing and promotion. Whereas for their French-language counterparts, our aim is to sustain what has been accomplished and to find ways to strengthen the industry's position on the international scene.

For feature film specifically, we are continuing to work towards the target of 5% of the domestic box office by 2006. In light of this, Telefilm assembled over one hundred representatives of English Canada's film milieu for an important forum, *Making More Audience-Friendly Films in Canada*, in Toronto in February 2003. We intend to back more successful films that Canadians want to see. Initiatives such as the national comparative selection process enable us to direct support to the most promising projects.

The changes introduced with the creation of the Canada Feature Film Fund in 2001-2002 are already beginning to bear fruit. *Men With Brooms*, *Québec-Montréal*, *Atanarjuat*, *The Fast Runner*, *Bollywood/Hollywood* and *L'Odysée d'Alice Tremblay* were some of the remarkable productions that broke the \$1-million box office mark during the fiscal year. Of particular note, *Séraphin, un homme et son péché* broke the all-time Canadian box office record with more than \$8.3 million to date in ticket sales. And the future certainly looks bright with Denys Arcand's *Les Invasions barbares* – which recently garnered two prestigious awards at Cannes – Émile Gaudreault's eagerly anticipated comedy *Mambo Italiano* and the release of *The Statement* by the legendary director Norman Jewison.

In the last decade, we've built a robust television production infrastructure in this country. But apart from the Quebec market where most of the top programs are home grown, have we created TV shows that people want to watch? There is a growing consensus, among those responsible for the development of Canadian television, that our primary focus must be to build audiences dramatically for programming produced in English in Canada.

Unfortunately, the Canadian Television Fund must cope with the reality of reduced revenues for the years ahead while applications for funding continue to grow. In 2002-2003, the CTF saw its government contribution cut by a considerable amount in last February's federal budget announcement. As a result, the Fund's Equity Investment Program, which is administered by Telefilm Canada, was forced to make tough decisions with demand greatly exceeding available funds in March 2003.

The challenge for the future is to reorient the CTF toward a clear focus on audience building – one that will most importantly improve the performance of English television.

### **The Complexities of New Media and Music**

Building audiences for Canadian new media products is much more complicated than either for film and television. During the year, Telefilm commissioned a wide-ranging survey of its clients. The study found that, while the future of the Canadian new media industry is in product development for the on-line environment, companies are undercapitalized.

Restructuring the Canada New Media Fund is thus an objective for this coming year, in order to ensure that the pioneering content that is being produced can reach its audience, both at home and abroad. Emphasis will be placed on creating better-financed products as well as increasing our support for distribution and marketing.

Telefilm Canada's administration of the Music Entrepreneur Program comes at a time when traditional roles in the sound recording business are being redefined, presenting the industry with new hurdles and new opportunities. The Program has the distinctive mandate to finance sound Canadian companies to help them become stronger still.

### Creating Sustainable Industries

One of the foundations for the Corporation to build audiences is a vital industry, both in terms of corporate and human capacity. Telefilm therefore created a new Building Capacity sector with a cross-sectoral vision centred on equipping small- and medium-sized companies as well as talented individuals with the tools they need to succeed.

We are focusing on strengthening companies. This includes improving their capitalization, facilitating strategic partnerships, identifying ways to recognize well-performing companies with greater flexibility and predictability in our financing as well as helping with foreign deals and stimulating international coproductions.

Telefilm Canada recognizes that support for the development of Canadian creators is vital to promoting thriving industries. Support to individuals has been provided primarily through the National Training School Program. Following the implementation of special initiatives for French-language producers outside of Quebec, we have also started to extend our talent development to other under-represented communities, including Aboriginals and visible minorities.

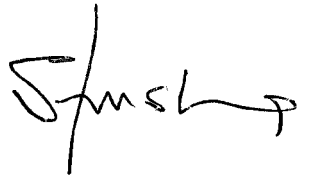
Our international activities are working in synergy with the core programs to ensure the competitiveness of SME in the global market. By accrediting 112 coproductions, by coordinating the Canadian representation at more than 60 foreign festivals and markets as well as by coordinating the popular Immersion Europe: 2002, which allowed industry players to forge ties with coproduction partners, this past year was one of exceptional success for Telefilm Canada in promoting Canadian film, television and new media abroad.

### Working Towards The Future: A New Three-Year Corporate Plan

Telefilm's commitments in 2002-2003 amounted to \$239 million with administrative expenses representing 9.3% of this amount. We consider this a healthy performance given that Telefilm oversees five offices and a wide variety of initiatives and has a national and international mandate.

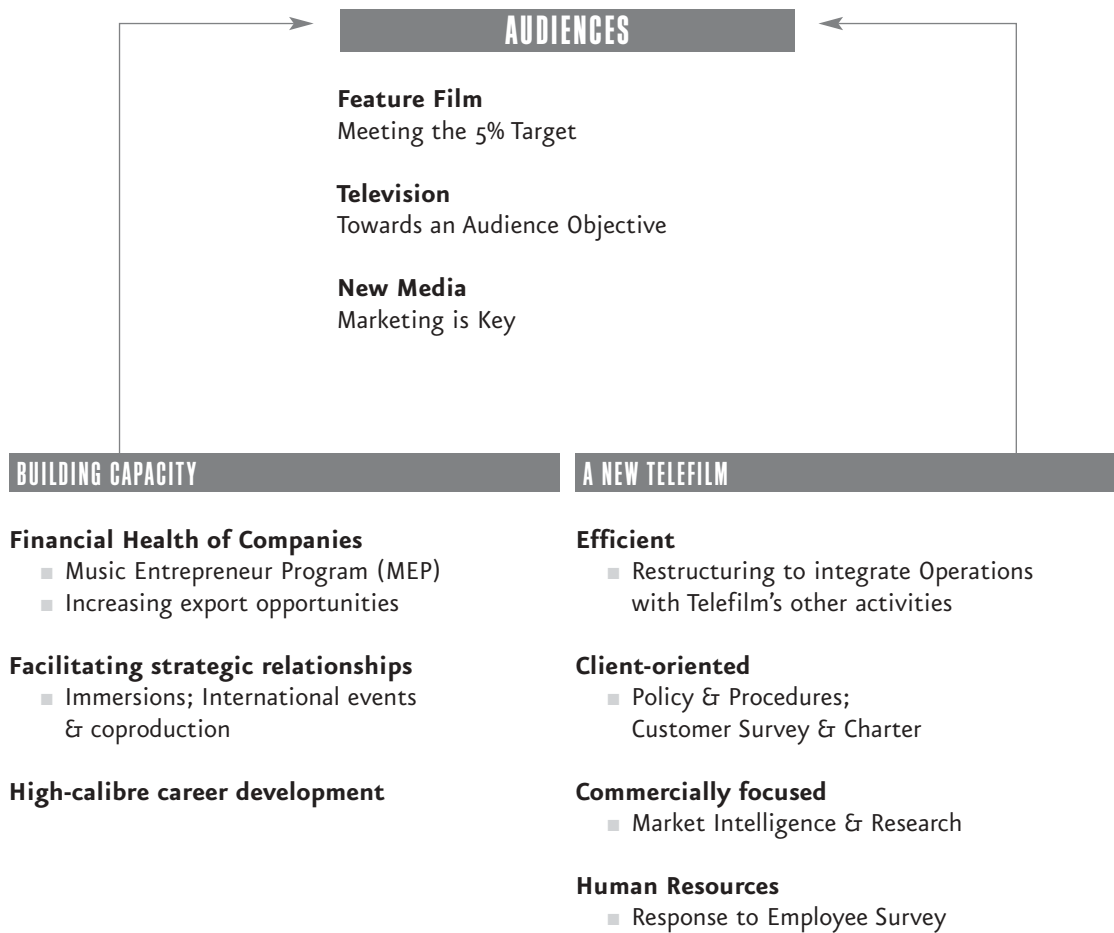
Building on these strong results, we worked at a new three-year (2003-2004 to 2005-2006) corporate plan that outlines our vision for a much more effective and dynamic cultural agency. Telefilm Canada's strategic directions for the future represent a fundamental policy shift for the Corporation and for the industries we support.

I would like to recognize our Board members for their invaluable collaboration, in particular Jeanine C. Beaubien who left us after fulfilling a remarkable seven-year term. As well, I would like to salute the industry for joining us as we work together to build audiences for Canadian culture. And last but not least, my warmest thanks go to all of Telefilm's employees, for their continued dedication to encouraging the production and distribution of high-quality filmed entertainment, new media and music products that strike a chord in the hearts of Canadians and people around the world.



Richard Stursberg

# Telefilm Canada Corporate Business Plan - 2003-2006



# 2002-2003 Commitments

|   | Commitments for<br>New Projects | Amendments to<br>Previous-Year<br>Contracts | Total                  |
|---|---------------------------------|---|------------------------|
|   | In millions of dollars          | In millions of dollars                      | In millions of dollars |
| <b>Canadian Television Fund</b>                                       |                                 |   |                        |
| Equity Investment Program   |                                 |   |                        |
| Production  | 106.8                           | (0.4)                                       | 106.4                  |
| Development   | 5.7                             | 0.5   | 6.3                    |
| Distribution  | 1.6                             | –   | 1.6                    |
| <b>Total</b>  | <b>114.1</b>                    | <b>0.2</b>                                  | <b>114.3</b>           |
| <b>Canada Feature Film Fund</b>                                       |                                 |   |                        |
| Development, Production and Marketing Programs                        |                                 |   |                        |
| Production <sup>1</sup>   | 55.3                            | 2.3   | 57.6                   |
| Development   | 5.4                             | 1.4   | 6.8                    |
| Marketing (disbursements)   | 7.6                             | 2.5   | 10.1                   |
| Official coproductions (mini-treaties)                                | 0.9                             | –   | 0.9                    |
| <b>Subtotal</b>   | <b>69.3</b>                     | <b>6.2</b>                                  | <b>75.4</b>            |
| Complementary Activities  | 5.6                             | 0.4   | 6.0                    |
| Screenwriting Assistance Program                                      | 1.4                             | 0.0   | 1.4                    |
| Low Budget Independent Feature Film Assistance Program                | 1.6                             | 0.0   | 1.6                    |
| <b>Total</b>  | <b>77.8</b>                     | <b>6.6</b>                                  | <b>84.4</b>            |
| <b>Canada New Media Fund</b>  |                                 |   |                        |
| Product Assistance  | 5.1                             | (0.1)                                       | 5.0                    |
| Distribution Assistance   | –                               | –   | 0.0                    |
| Sectoral Assistance   | 1.1                             | –   | 1.1                    |
| <b>Total</b>  | <b>6.2</b>                      | <b>(0.1)</b>                                | <b>6.1</b>             |
| <b>Canada Music Fund</b>  |                                 |   |                        |
| Music Entrepreneur Program  |                                 |   |                        |
| Support for the Development of Business Plans                         | 0.8                             | –   | 0.8                    |
| Support for the Implementation of Business Plans                      | 3.7                             | –   | 3.7                    |
| <b>Total</b>  | <b>4.5</b>                      | <b>0.0</b>                                  | <b>4.5</b>             |
| <b>Production Revenue Sharing Program</b>                             | <b>0.5</b>                      | <b>0.0</b>                                  | <b>0.5</b>             |
| <b>Official coproductions (mini-treaties) excluding feature films</b> | <b>0.9</b>                      | <b>0.0</b>                                  | <b>0.9</b>             |
| <b>Versioning (television)</b>  | <b>1.1</b>                      | <b>(0.1)</b>                                | <b>1.0</b>             |
| <b>Other funds and programs</b>                                       |                                 |   |                        |
| Regular Fund  | 0.2                             | 0.0   | 0.2                    |
| International Marketing   | 0.2                             | 0.0   | 0.2                    |
| Market Participation (television)                                     | 1.0                             | 0.0   | 1.0                    |
| Grants to Canadian Festivals (television)                             | 0.2                             | 0.2   | 0.3                    |
| Industrial and Professional Development                               | 0.8                             | 0.1   | 0.9                    |
| National Training Program<br>in the Film and Video Sector             | 2.5                             | –   | 2.5                    |
| Other forms of support  | 0.3                             | 0.0   | 0.3                    |
| <b>Total</b>  | <b>5.1</b>                      | <b>0.3</b>                                  | <b>5.4</b>             |
| <b>Administrative expenses</b>  | <b>–</b>                        | <b>–</b>                                    | <b>22.3</b>            |
| <b>Total</b>  | <b>210.2</b>                    | <b>6.8</b>                                  | <b>239.3</b>           |

1. An amount of \$614,000 has been disbursed for a project but does not represent Telefilm Canada's total commitment. This amount will be accounted for during the next fiscal year, if the commitment is signed.

Note: Results of additions do not always correspond to totals due to rounding.

# Events



## Cannes Film Festival 2003

Roger Frappier, producer of *La Grande Séduction*; Carole Laure, actor, director and vice-president of the jury, *Un Certain Regard* section; and Jean-François Pouliot, director of *La Grande Séduction*



## MIPTV 2003 (Cannes)

Each year, Telefilm Canada participates in MIPTV, one of the leading international markets for television programs.

Xavier Roy, former CEO of Reed Midem (his term ended on December 31, 2002); Jean-Jacques Aillagon, France's Minister of Culture and Communication; Sheila de La Varenne, Director, European Office, International Development and Promotion and National Sector Head-Building Capacity; Raymond Chretien, Ambassador of Canada to France; and Bernard Brochand, Deputy-Mayor of Cannes



## Bollywood/Hollywood Special Screening, Ottawa, February 2, 2003

David Hamilton, producer; the Honourable Jean Augustine, Secretary of State (Multiculturalism) (Status of Women); Richard Stursberg, Executive Director of Telefilm Canada; Deepa Mehta, director; Hussein Amarshi, President, Mongrel Media; and the Honourable Robert D. Nault, Minister of Indian Affairs and Northern Development



## Special Screening of *Séraphin, un homme et son péché*, Ottawa, November 19, 2002

Pierre Lebeau, actor; Patrick Roy, Vice-President, Alliance Atlantis Vivafilm; Roy Dupuis, actor; Charles Binamé, director; Karine Vanasse, actor; Richard Stursberg, Executive Director of Telefilm Canada; Lorraine Richard, producer; Guy Gagnon, President, Alliance Atlantis Vivafilm; and Pierre Billon, screenwriter



## 2003 Berlin International Film Festival

"Towards tolerance" was the motto of this year's Berlinale, where Canada had a bumper crop on show and two of the nine selected works in competition: the coproductions *Madame Brouette* and *My Life Without Me*. Atom Egoyan headed the international jury, the first Canadian filmmaker to be so honoured.



## Immersion Europe: 2002

Organized by Telefilm Canada's European office in Paris, Immersion Europe: 2002 brought together close to 80 Canadian and European producers in sessions with some 60 European media industry decision makers. A resounding success as always (this was the eighth edition), this annual event encourages coproduction and gives Canadian professionals access to an ever-expanding international network.



## Telefilm Canada's *Le Grand Flirt*

In what could be called cultural speed dating, some 50 screenwriters and producers met one-on-one in Montréal during the *Rendez-vous du cinéma québécois*. This initiative is designed to facilitate the production of projects funded through the Screenwriting Assistance Program.

Ségolène Roederer, Executive Director, *Rendez-vous du cinéma québécois*; Louis-Georges Girard, actor; Brigitte Dupré, Officer, Screenwriting Assistance Program and Low Budget Independent Feature Film Assistance Program, Telefilm Canada; and Marie-Lynda Bilodeau, Program Director, *Rendez-vous du cinéma québécois*



## Ararat Special Screening, Ottawa, October 29, 2003

Atom Egoyan, director and screenwriter; Robert Lantos, producer; Arsinée Khanjian, actor; Charles Bélanger, Chair of Telefilm Canada's Board; Bill House, Alliance Atlantis; David Alpay, actor and; Richard Stursberg, Executive Director of Telefilm Canada



# Television



## Canadian Television Fund – Equity Investment Program

Projects contracted – Production, screenwriting, development and distribution

|  | Number<br>of Projects <sup>1</sup> | Total Budgets <sup>2</sup><br>In thousands of dollars | Telefilm Canada<br>In thousands of dollars |
|--|------------------------------------|---|--|
| <b>French</b>                          |                                    |   |  |
| Production                             | 95                                 | 160,888   | 32,687                                     |
| Amendments – Production <sup>3</sup>   | –                                  | –   | (38)                                       |
| <b>Subtotal</b>                        | <b>95</b>                          | <b>160,888</b>  | <b>32,649</b>                              |
| Screenwriting and development          | 88                                 | 4,913   | 1,832                                      |
| Amendments – Development <sup>3</sup>  | –                                  | –   | 197  |
| <b>Subtotal</b>                        | <b>88</b>                          | <b>4,913</b>  | <b>2,029</b>                               |
| Distribution                           | 4                                  | 59  | 44   |
| <b>Subtotal – French</b>               | <b>187</b>                         | <b>165,860</b>  | <b>34,722</b>                              |
| <b>English</b>                         |                                    |   |  |
| Production                             | 153                                | 342,089   | 73,310                                     |
| Amendments – Development <sup>3</sup>  | –                                  | –   | (315)                                      |
| <b>Subtotal</b>                        | <b>153</b>                         | <b>342,089</b>  | <b>72,995</b>                              |
| Screenwriting and development          | 193                                | 9,286   | 3,805                                      |
| Amendments – Development <sup>3</sup>  | –                                  | –   | 343  |
| <b>Subtotal</b>                        | <b>193</b>                         | <b>9,286</b>  | <b>4,147</b>                               |
| Distribution                           | 14                                 | 2,035   | 1,527                                      |
| <b>Subtotal – English</b>              | <b>360</b>                         | <b>353,410</b>  | <b>78,669</b>                              |
| <b>Aboriginal languages</b>            |                                    |   |  |
| Production                             | 17                                 | 6,239   | 785  |
| Amendments – Development <sup>3</sup>  | –                                  | –   | (2)  |
| <b>Subtotal</b>                        | <b>17</b>                          | <b>6,239</b>  | <b>783</b>                                 |
| Screenwriting and development          | 7                                  | 256   | 109  |
| Amendments – Development <sup>3</sup>  | –                                  | –   | (4)  |
| <b>Subtotal</b>                        | <b>7</b>                           | <b>256</b>  | <b>105</b>                                 |
| <b>Subtotal – Aboriginal languages</b> | <b>24</b>                          | <b>6,494</b>  | <b>887</b>                                 |
| <b>Total</b>                           | <b>571</b>                         | <b>525,764</b>  | <b>114,278</b>                             |

1. Includes two projects also funded through the Canada Feature Film Fund.

2. Includes total coproduction budgets.

3. Amendments include reductions to previous-year commitments.

Detailed financial participation tables are available on the Telefilm Canada website ([www.telefilm.gc.ca](http://www.telefilm.gc.ca)).

# Canadian Television Fund Equity Investment Program

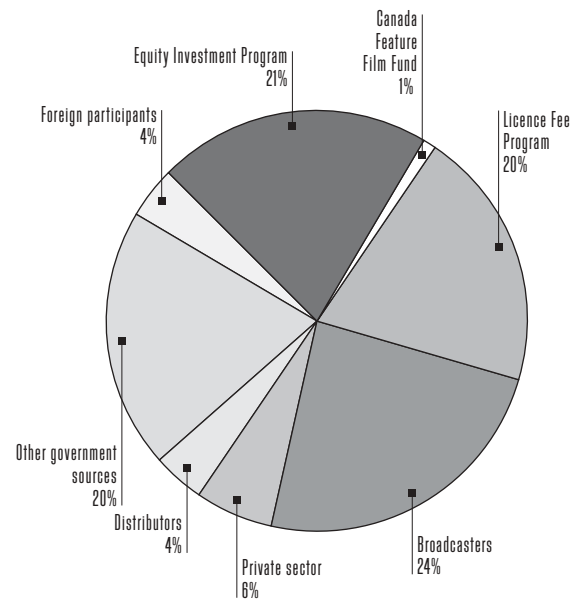
Thanks to the Canadian Television Fund's Equity Investment Program (EIP), administered by Telefilm Canada, the Canadian public had access to a particularly wide choice of programs in French, English and Aboriginal languages in 2002-2003.

These programs are an integral part of our cultural heritage and an excellent source of entertainment. They reflect our realities, our imagination and our unique worldview. That is why Telefilm wants to see Canadian television become more and more popular with Canadians, especially the English-speaking audience.

## REFLECTIONS OF A LIVING CULTURE!

- **Gripping drama, daring comedies, popular children's programs, avant-garde performance shows, hard-hitting documentaries and compelling movies! That's what the EIP helped create in 2002-2003.**
- **Viewers tuned in in droves for drama series like *Trudeau* (2 million viewers), *Fortier* (1.6 million), *Music Hall* (1.6 million), *Lance et Compte : nouvelle génération* (1.3 million), *Tribu.com* (1.2 million), *La Vie la vie* (nearly 1 million), *Cold Squad* (700,000 plus) and *Da Vinci's Inquest* (nearly 600,000), as well as for made-for TV movies *100 Days in the Jungle* (1.1 million), *Betrayed* (900,000 plus) and the inimitable *True Meaning of Christmas Specials* (1.1 million).**
- **Other hits last year included *Annie et ses hommes*, a series about a very contemporary woman; *The Last Chapter*, a series shot in English and in French dealing with criminal biker gangs; *Dracula: Pages from a Virgin's Diary*, a brilliant work by Guy Maddin; *Degrassi: The Next Generation*, a perennial pleaser; *Trailer Park Boys*, a series about everything that can go wrong in relationships, on the way to becoming a cult show; and the documentaries *Little Miracles* and *Record Man: The Life and Times of Sam Sniderman*.**

## Production Financing

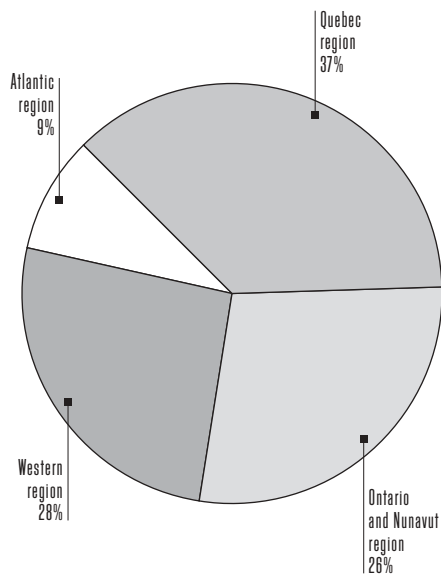


## Difficult Choices

The television industry was in full swing. Close to 550 eligible production projects were submitted during the year, with requests for funding that totalled \$170 million. The EIP's budget was approximately \$100 million.

Telefilm had to make difficult choices based on criteria relating to broadcaster interest, audience potential, creative aspects and the likelihood of investment recoupment. It also considered its corporate objectives, including the determination to support SMEs, regional businesses and linguistic-minority companies. In the coming years, Telefilm would like to see audience-potential become the key investment criterion.

## Breakdown of Funding by Region



## Programs of Great Promise

The EIP funded a record 571 projects, including 265 productions that have been or shortly will be seen in homes across the country. These high-quality programs and their rich, diverse subjects should help to forge closer bonds between Canadian television and Canadian viewers.

Funding was also provided for 288 development projects that will replenish and refresh the programming pool. These projects will be part of the effort to conquer new Canadian audiences. Some are the hits of tomorrow!

The EIP also supported the distribution of 18 television programs through the SME Distribution Program.

The productions financed by the EIP in 2002-2003 air on some fifty different public and private channels, often in primetime. Forty-two percent of EIP resources went to projects for CBC/Radio-Canada and 58% to projects for other broadcasters, including nine conventional networks, six educational networks, five pay TV channels and 27 specialty services.

## TRUDEAU

Big Motion Pictures



■ This acclaimed mini-series on the life of Canada's most enigmatic and controversial prime minister was one of the most talked about TV shows of the year.

**"He was a guy who made the country go, 'Wow!' - so we needed a film that would make the country go, 'Wow!'"**

- Wayne Grigsby  
Screenwriter, producer, executive producer  
*The Gazette*

**2 million viewers for English broadcast on CBC, spring 2002**

Already **10,000** DVD/video units sold as of Dec. 31, 2002

Winner of four Gemini Awards in the category Dramatic Program or Mini-Series: Best Actor in a Leading Role, Best Director, Best Writer, Best Picture Editing

**Colm Feore,**  
winner Best Actor award,  
Monte Carlo Film Festival

- **Lord Have Mercy!**, Canada's first sitcom (13 x 30') with an exclusively visible-minority cast, has been met with warm welcome. Set in Toronto's Caribbean community, it centres on the friction between two pastors, one tradition-bound, the other all for change.
- Supported by the EIP, 17 Aboriginal productions are in the works, and they will ring with voices in Mi'kmaq, Cree, Ojibway or Inuktitut. Telefilm also organized a variety of workshops for Aboriginals in western and eastern Canada and helped set up a working committee on Aboriginal production with CBC, Canadian Heritage and Aboriginal organizations.

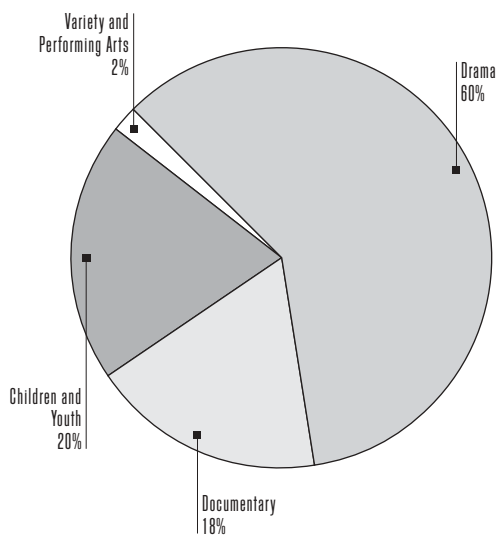
### Fostering Diversity

This year's combined production budgets amounted to more than \$500 million. The EIP contribution to drama and variety programs remained nearly unchanged, while support for children's programs rose from 17% to 20% of the available resources and support for documentaries declined from 22% to 18%. Nevertheless, the documentary industry made a strong showing and received funding for close to 150 projects representing some 350 hours of production for Canadian television.

The EIP provided 21% of the overall production budgets, the same average as in previous years. Of noteworthy interest are the broadcaster contribution, unchanged at 24% of total costs, and the government-source contribution, up from 18% to 20%, which continued to stimulate production in several regions.

In terms of language, 68.9% of the resources went to productions in English, 30.3% to productions in French and 0.8% to productions in Aboriginal languages. It should be noted that since the creation of the Canadian Television Fund in 1996, the EIP has allocated, on average, two thirds of its investments to English-language production and a third to French-language production.

Breakdown of Funding by Genre



- Within the framework of the Interdepartmental Partnership with Official-Language Communities, Telefilm organized an immersion workshop in Montréal for Francophone producers from outside Quebec. A dozen producers from the Atlantic region, Ontario and the Western provinces attended sessions at the Institut national de l'image et du son (INIS) and met with Montréal-based broadcasters and industry players.
- There is a rich harvest for television in perspective: writing and development assistance rose by 28% this year. Support was provided for 288 projects, compared with 252 in 2001-2002 and 213 in 2000-2001.

ImagiNation Film and Television  
Film Productions Inc.  
Sextant Entertainment Group Inc.

## 100 DAYS IN THE JUNGLE

■ A true-life *Survivor* story, *100 Days in the Jungle* chronicles the incredible events that unfolded on September 11, 1999, when eight pipeline workers (seven Canadians and one American) were violently abducted by armed Colombian guerrillas while completing routine repairs on an Ecuadorian pipeline.

**“The film’s ensemble dispels the myth that Canada doesn’t produce stars. All the actors turn in terrific performances, with some especially noteworthy. [Michael] Riley proves why he’s one of Canada’s busiest and most award-winning actors... This is solid entertainment – and a story of importance to all Canadians.”**

– Alison Cunningham-McMillan, *The National Post*

**1.1** million viewers during broadcast premiere

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International sales to **40** countries and territories, including England, France, Italy, Australia-New Zealand and Asia

### Movies for Television and Theatres

Six of this year's 265 production projects are movies made for both broadcast and theatrical release. As a partner in Canadian cinema, the CTF provides an annual \$15-million contribution, half of it through the EIP and the Canada Feature Film Fund administered by Telefilm.

Four of the feature films supported by the EIP originated in the Western region – *Emile, The Great Goose Caper, Moving Malcolm and Seven Times Lucky* – and two in Montréal – *Swine Fever* and *The Tunnel*. *Seven Times Lucky* and *Swine Fever* also received support through the selective component of the CFFF.

### Writing and Development of Television Programs

Support for program writing and development was up this year, benefiting 288 projects, compared with 252 the previous year and 213 two years ago.

Canadian creators find inspiration in an apparently inexhaustible wealth of sources covering every genre. Advances went to drama (54%), documentaries (35%) children's programs (10%) and variety and performing arts programs (1%).

The EIP allocated 66% of its writing and development resources to projects in English, 32% to projects in French and 2% to projects in Aboriginal languages.

- With Telefilm banking on the cultural industries' international potential, it bears noting that ten of this year's projects were coproductions, mainly with France and the United Kingdom but also with the Philippines, Germany, Korea and Belgium.
- At MIPCOM 2002, in Cannes, the Canada Pavilion was the largest in terms of floor space, and it housed the second-largest delegation (the European Union had the largest), representing a record 67 Canadian companies.

## FORTIER



■ A cutting-edge crime drama which exposes the sordid underbelly of modern life, *Fortier* has been one of Quebec's top-rated series during its four seasons.

**"In terms of its technical and visual achievements, as well as the quality of François Gingras's direction, *Fortier* continues to be our best homegrown television series - as it has been during each of its four seasons."**

– Nathalie Petrowski, *La Presse*

An average of **1.9** million viewers per show during season 3

An average of **1.6** million viewers per show during season 4

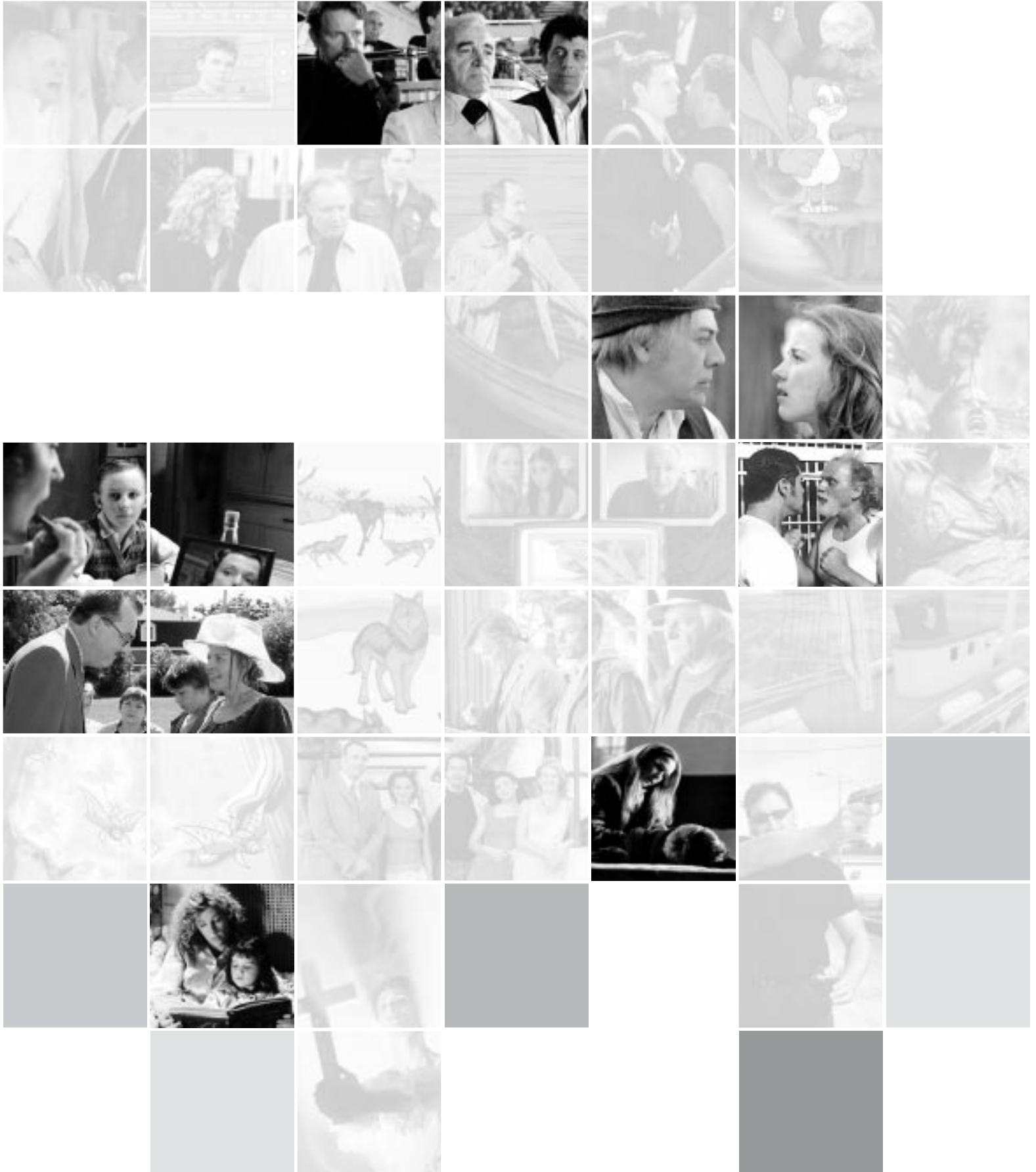
International sales to France, Belgium and Brazil

Prix Ruban d'or for the TVA network (For *Fortier II*)





# Feature Film





## Canada Feature Film Fund

Projects contracted

|  | Number<br>of Projects <sup>1</sup> | Total Budgets <sup>2</sup><br>In thousands of dollars | Telefilm Canada<br>Total<br>Commitments <sup>3</sup><br>In thousands of dollars |
|--|------------------------------------|---|---|
| <b>Development, Production and Marketing Programs</b>              |                                    |   |   |
| Development  | 153                                | 10,721  | 5,446   |
| Amendments – Development   | –                                  | –   | 1,374   |
| <b>Subtotal</b>  | <b>153</b>                         | <b>10,721</b>   | <b>6,820</b>  |
| Production <sup>4</sup>  | 43                                 | 195,895   | 55,343  |
| Amendments – Production  | –                                  | –   | 2,293   |
| <b>Subtotal</b>  | <b>43</b>                          | <b>195,895</b>  | <b>57,637</b>   |
| <b>Marketing</b>   |                                    |   |   |
| Acquisition of rights<br>to Canadian feature films (disbursements) | 28                                 | 4,905   | 2,551   |
| Marketing of Canadian feature films (disbursements)                | 45                                 | 13,338  | 7,521   |
| <b>Subtotal</b>  | <b>73</b>                          | <b>18,243</b>   | <b>10,072</b>   |
| Mini-treaties with France <sup>5</sup>                             | 1                                  | 8,549   | 890   |
| <b>Total</b>   | <b>270</b>                         | <b>233,408</b>  | <b>75,419</b>   |
| <b>Complementary Activities Program</b>                            |                                    |   |   |
| Grants to promotional activities                                   | 2                                  | 3,917   | 500   |
| Alternative distribution networks                                  | 11                                 | 2,097   | 657   |
| Canadian festivals   | 40                                 | 31,448  | 1,631   |
| Versioning (theatrical)  | 14                                 | 610   | 509   |
| Participation in foreign markets                                   | –                                  | –   | 205   |
| Participation in foreign festivals                                 | –                                  | –   | 1,111   |
| Publicity and publications   | –                                  | –   | 544   |
| Other  | –                                  | –   | 432   |
| Amendments – Complementary Activities                              | –                                  | –   | 398   |
| <b>Total</b>   | <b>67</b>                          | <b>38,071</b>   | <b>5,988</b>  |
| <b>Screenwriting Assistance Program</b>                            |                                    |   |   |
|  | 100                                | 1,425   | 1,425   |
| Amendments – Screenwriting   | –                                  | –   | (6)   |
| <b>Total</b>   | <b>100</b>                         | <b>1,425</b>  | <b>1,419</b>  |
| <b>Low Budget Independent Feature Film Assistance Program</b>      |                                    |   |   |
|  | 8                                  | 4,851   | 1,564   |
| Amendments – Low Budget Features                                   | –                                  | –   | 40  |
| <b>Total</b>   | <b>8</b>                           | <b>4,851</b>  | <b>1,604</b>  |
| <b>Total</b>   | <b>445</b>                         | <b>277,756</b>  | <b>84,430</b>   |

1. Includes two projects also funded through the CTF Equity Investment Program.

2. Includes total coproduction budgets.

3. Includes amendments to previous-year commitments.

4. An amount of \$614,000 has been disbursed for a project but does not represent Telefilm Canada's total commitment.

This amount will be accounted for during the next fiscal year, if the commitment is signed.

5. Six projects have also received financing from production. Their production budgets are accounted for in the production component.

**Detailed financial participation tables are available on the Telefilm Canada website ([www.telefilm.gc.ca](http://www.telefilm.gc.ca)).**

# Canada Feature Film Fund

The Canada Feature Film Fund (CFFF) focuses on performance and aims to capture a 5% domestic market share for Canadian feature films by 2006. In 2002-2003, its programs supported a wide variety of creators, companies, films and marketing and promotional activities. The Fund's financial resources and audience-building policies are generating concrete results.

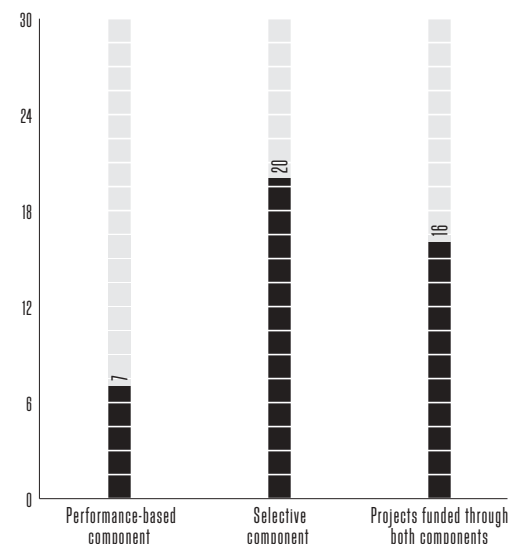
In 2002-2003, the four components of the CFFF contributed more than \$84 million to the Canadian industry.

## AN OUTSTANDING YEAR

- Canadian cinema grew its domestic market share from 1.4% to 2.6%, reaching the halfway mark to the overall 5% goal. This increase is owed to films like *Séraphin, un homme et son péché* (\$8.3 million and counting at the box office), *L'Odysée d'Alice Tremblay* (\$2 million plus) and *Atanarjuat: The Fast Runner, La Mystérieuse Mademoiselle C, Bollywood/Hollywood* and *Québec-Montréal*, each earning over \$1 million.
- French-language features surpassed their 12% market share goal, and the line-up of those funded in 2002-2003, including Denis Arcand's *Les Invasions barbares* promises an equally fruitful year ahead.
- Despite the notable success of *Men With Brooms* (grossing nearly \$4 million), English-language films are still struggling to win audiences. However, the Feature Film Forum organized by Telefilm in Toronto in February 2003 confirmed that the people behind English-language cinema are firmly determined to work together to capture the market. Among the projects in English funded this year, hopes are pinned on works such as *Mambo Italiano* and *Ginger Snaps II*.

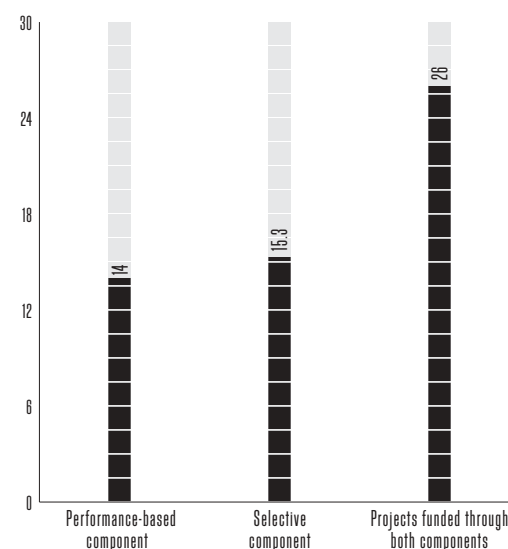
## Main Program - Production Only

Projects: 43



## Main Program - Production Only

Investments in million dollars: 55.3



## Development, Production and Marketing Programs (Main Program)

These programs provided \$74.5 million through the performance-based component, in the form of envelopes for top-performing companies, and through the selective component, which funds projects that contribute to the diversity and success of Canadian cinema. Close to \$1 million was committed to films made under Canada's mini-treaties with France.

## Production and Development

The linguistic breakdown of commitments shows that 29% of the resources went to French-language projects and 71% to English-language projects. These results do not meet the one-third/two-third split required by the Memorandum of Understanding. The reason for this is the Fund's flexibility in its first year of operation (2001-2002): producers were allowed to use their performance envelope over two years, and more English than French producers chose to do so.

It should be noted, however, that the two-year average stands at 32% for French and 68% for English. In 2003-2004, with the transition period completed, the desired language balance will be achieved.

Performance-based envelopes accounted for 49% of the year's production and development commitments, compared with 41% in 2001-2002. This percentage will rise in the coming years as companies grow their market share.

- Performance-based envelopes accounted for 49% of the year's production and development commitments, compared with 41% in 2001-2002, signalling the success of Canadian production companies.
- The average production budget this year was \$3.6 million, which compares to \$2.4 million before the creation of the CFFF.
- Overall support for development jumped by 76%. Paving the way for Canada's cinematic future, the CFFF backed 253 projects of great promise through the Main Program and the Screenwriting Assistance Program.

The Main Program supported 43 feature films (27 in English and 16 in French), compared with 37 the previous year. This year's \$55.3-million contribution is triple the amount of Telefilm's production investments prior to the Fund's creation, and represents 36% of the combined budgets.

In development, 153 projects were assisted through the Main Program. The CFFF invests in the future of Canadian cinema by ensuring that projects with good potential are developed in all regions of the country, in English and in French.

## SÉRAPHIN, UN HOMME ET SON PÉCHÉ

Cité-Amérique



■ Set in 19th-century rural Quebec and based on a hugely popular novel and TV series, this epic historical drama has become the most successful homegrown film in Quebec history.

**"Charles Binamé is a magician of cinema... The cast is superb: Karine Vanasse is wonderful, and, playing the roles of two absolutely free men, Pierre Lebeau is perfect as the mean and stingy Séraphin and Roy Dupuis is inimitable as Alexis..."**

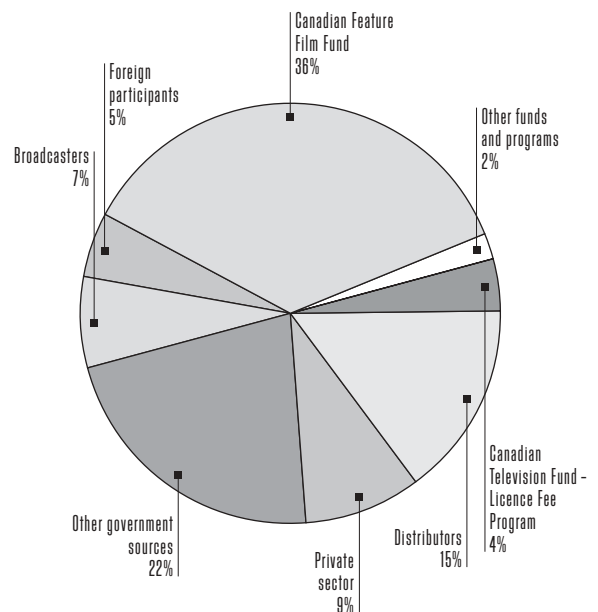
**This is a great movie!"**

– Guy Mongrain, *Salut Bonjour!* – TVA

**\$8+** million at the Canadian box office

Opened on a record **122** screens across Quebec

## Main Program - Production Project Financing



### Marketing

Distribution companies received \$10.1 million from the Main Program. Of this amount, 77% was committed through the performance-based component and 23% through the selective component, nearly meeting the objective for the year.

In one notable result, distributors applied 75% of their share of the resources to feature film marketing. This is an improvement over 2001-2002, a transition year, when just over half of the distribution funds were used for marketing.

This year's concerted effort to improve the marketing of Canadian films saw the average marketing budget climb from \$254,000 to nearly \$300,000. The Fund's target average is \$500,000.

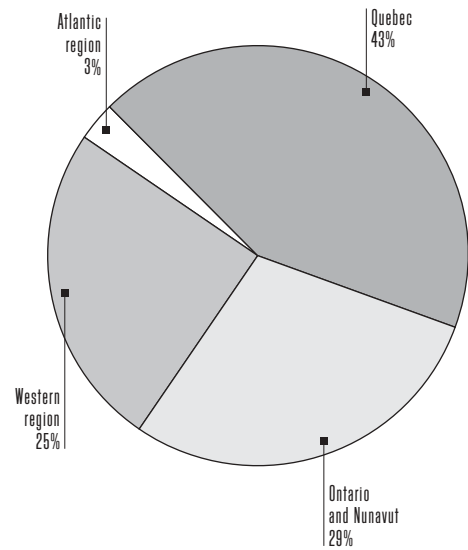
### Complementary Activity Programs

In 2002-2003, the CFFF devoted \$6 million to these activities. Support went to some 40 Canadian festivals, including the Montreal World Film Festival, the Toronto International Film Festival, the Vancouver International Film Festival, the Atlantic Film Festival, regional and thematic events and festivals that illustrate cultural diversity. Telefilm supported the promotion and distribution of Canadian cinema abroad and helped foster important international partnerships through its presence at foreign film festivals and markets. As a result of rationalized participation, Canada enjoyed high visibility at Cannes (Festival, MIPTV, MIPCOM), Los Angeles (E<sup>3</sup>), Berlin, Sundance, Annecy and other events.

- Distributors applied 75% of their share of the resources to feature film marketing. Marketing budgets rose overall by 17%, averaging close to \$300,000.
- Organized by the Quebec office to promote the production of projects funded through the Screenwriting Assistance Program, *Le Grand Flirt*, based on the "speed dating" concept, brought together some 50 writers and producers in Montréal. The event was held during the Rendez-vous du cinéma québécois and met with great success. Plans for similar events are under way in other Telefilm offices.

### Main Program - Breakdown of Resources by Region

Production only



## BOLLYWOOD/HOLLYWOOD

Bollywood/Hollywood Productions



■ Rahul Seth is a dashing young millionaire who rebels against his mother and grandmother's attempts to control his love life. A fun-loving "romp" of a movie... where the unpredictable is the only constant.

*"Bollywood/Hollywood [brushes] up sweetly against race, class, convention, change and nostalgia while racing along to its joyful conclusion. ... [A] vastly entertaining, terrifically acted Indian Canadian romantic comedy."*

— John Griffin, *The Montreal Gazette*

**\$1.45** million  
at the Canadian box office

Screened in over **82** cities  
and towns across Canada

International sales to **38** countries  
and territories, including the  
United States, Europe, the Middle East,  
Asia and Africa

**5** Genie nominations,  
including Best Picture

The CFFF funded the dubbing of 14 feature films, facilitating their circulation at home and abroad. Assistance was also provided for distribution outside the major centres to make homegrown movies widely available to Canadians in their local theatres. Close to a dozen alternative distribution initiatives received support.

As stated in its new corporate plan, from now on, Telefilm will administer the complementary activities through a new sector dedicated to building industry capacity. The support guidelines will be reviewed from a cross-sector perspective aimed at strengthening the industry's audience-building capacity.

#### Screenwriting Assistance Program

The Screenwriting Assistance Program helps established screenwriters pursue their career and facilitates the emergence of a new generation of storytellers. In 2002-2003, the Program received close to 450 eligible writing projects and accepted 100, 54 for a treatment (stage 1) and 46 for a first draft (stage 2).

- **The Low Budget Independent Feature Film Assistance Program contributed to Canada's renown with *Fubar*, pursuing an international career, and *deadend.com*, in the spotlight at Sundance.**
- **Canadian films were showcased at 50 international festivals and events, including Cannes and Berlin, and they walked off with 11 prestigious awards. *Ararat* by Atom Egoyan, *Un crabe dans la tête* by André Turpin, *Spider* by David Cronenberg, *Madame Brouette* by Moussa Sene Absa, *La Turbulence des fluides* by Manon Briand and *Atanarjuat: The Fast Runner* by Zacharias Kunuk were among the leading titles.**
- **Canadians are much-sought-after partners as reflected in the vitality of *Immersion Europe: 2002*. Ten coproductions were funded through the CFFF this year, four of which were selected for screening at the 2003 Cannes Festival: *Les Invasions barbares* by Denys Arcand, *La Petite Lili* by Claude Miller, *Tiresia* by Bertrand Bonello and *Les Triplettes de Belleville* by Sylvain Chomet.**

## L'ODYSSÉE D'ALICE TREMBLAY

CinémaMaginaire



■ A lascivious Snow White, a bumbling Prince Charming, a Wolf with culinary ambitions – this comedy-fantasy puts a delightful twist on traditional fairy tales...

**“A satirical, fantastical comedy full of delectable cameo appearances.**

**Sophie Lorain is wonderful!”**

– Marc-André Lussier, *La Presse*

**\$2.1 million at the box office**

One of the **15** all-time, top-grossing Quebec films

These projects were selected by two juries – one Anglophone, the other Francophone – composed of screenwriters, directors and distributors. The Program's average contribution for the two project stages was \$14,000. In terms of language, 31% of the resources went to projects in French and 69% to projects in English.

#### Low Budget Independent Feature Film Assistance Program

This program helps to diversify Canadian cinema by giving directors the opportunity to make feature films that they fully control. Telefilm received more than 100 funding applications in 2002-2003, eight of which were approved. The average production budget was \$510,000.

The Program provided 32% of the total budgets; the private sector and private funds, 22%; tax credits and government funds, 25%; broadcasters, 13%, and foreign participants, 8%. Overall Program resources were allocated 36% to projects in French and 64% to projects in English.

# New Media



## Canada New Media Fund

Projects contracted

|  | Number<br>of Projects | Budgets<br>In thousands of dollars | Telefilm Canada<br>Participation <sup>1</sup><br>In thousands of dollars |
|--|-----------------------|------------------------------------|--|
| <b>Product Assistance</b>                    |                       |                                    |  |
| Pre-development                              |                       |                                    |  |
| French                                       | 4                     | 161                                | 96   |
| English                                      | 1                     | 50                                 | 50   |
| <b>Subtotal</b>                              | <b>5</b>              | <b>212</b>                         | <b>147</b>   |
| Development                                  |                       |                                    |  |
| French                                       | 6                     | 1,050                              | 330  |
| English                                      | 15                    | 1,747                              | 661  |
| <b>Subtotal</b>                              | <b>21</b>             | <b>2,798</b>                       | <b>991</b>   |
| Production                                   |                       |                                    |  |
| French                                       | 7                     | 2,946                              | 939  |
| English                                      | 15                    | 6,676                              | 2,248  |
| <b>Subtotal</b>                              | <b>22</b>             | <b>9,622</b>                       | <b>3,187</b>   |
| Marketing                                    |                       |                                    |  |
| French                                       | 6                     | 1,019                              | 362  |
| English                                      | 6                     | 1,164                              | 294  |
| <b>Subtotal</b>                              | <b>12</b>             | <b>2,183</b>                       | <b>656</b>   |
| <b>Subtotal - Product Assistance</b>         | <b>60</b>             | <b>14,814</b>                      | <b>4,980</b>   |
| <b>Distribution Assistance</b>               |                       |                                    |  |
| Marketing                                    |                       |                                    |  |
| French                                       | –                     | –                                  | –  |
| English                                      | –                     | –                                  | –  |
| <b>Subtotal - Distribution Assistance</b>    | <b>0</b>              | <b>0</b>                           | <b>0</b>   |
| <b>Sectoral Assistance</b>                   |                       |                                    |  |
| Sectoral development                         | 7                     | 406                                | 83   |
| Training schools                             | 3                     | 1,946                              | 279  |
| Canadian festivals and markets               | 6                     | 1,689                              | 190  |
| Participation in foreign markets             | –                     | –                                  | 256  |
| Publicity, promotion, publications and other | –                     | –                                  | 291  |
| <b>Subtotal - Sectoral Assistance</b>        | <b>16</b>             | <b>4,041</b>                       | <b>1,099</b>   |
| <b>Total</b>                                 | <b>76</b>             | <b>18,855</b>                      | <b>6,079</b>   |

1. Includes amendments to previous-year commitments.



## Canada New Media Fund

The Canada New Media Fund is aimed at ensuring a strong Canadian presence in new media content creation and distribution technologies. It supports the full range of new media industry activities, from pre-development to conquering domestic and international markets.

Solid strides towards these goals were made in fiscal 2002-2003. Support went to more than 75 projects, of which 60 were product-related and 16 related to industry development. Diverse, innovative products hit the marketplace. The industry benefited from dynamic and increasingly structured professional associations. And on the international stage, there was greater Canadian presence at international new media markets.

These results are remarkable considering that the industry is made up of small and medium-sized, and often undercapitalized, companies that operate in a fragmented, unstable environment. But despite numerous success stories, it is evident that much more work needs to be done in order for the industry to achieve its audience and consumer potential. The inadequacies in distribution continue and will remain an urgent priority to be addressed by Telefilm.

- In the new media sector, Canadian creativity is expressed in a variety of genres: educational, edutainment, informational and games of all sorts.
- The various platforms include CD-ROMs, DVD-ROMs, websites, convergence TV websites, multimedia installations and wireless products.

Telefilm commissioned a study by Omnia Communications that has identified potential courses of action, which will be considered when the Fund is reviewed for renewal in 2003-2004.

In future, for projects to be prioritized, the Corporation will require demonstrated audience potential. It also hopes to increase its per-project contribution and put more emphasis on marketing.

The CNMF began operating in December 2001, taking over from the Multimedia Fund with expanded aims and means. During the 15 months ended March 31, 2003, it contributed a total of more than \$16 million, as anticipated.

DEGRASSI.TV

Snap Media Corp.  
 Epitome Virtual Reality Inc.



■ This groundbreaking, dynamic interactive website has created a powerful online community of loyal fans in Canada, the U.K. and Australia for the hit TV series *Degrassi: The Next Generation*.

**“Unlike the old *Degrassi* series, *Degrassi: The Next Generation* has all the advantages of digital culture at its disposal: cell phones, PDAs and a snazzy website by Snap Media that creates a virtual community of *Degrassi* inhabitants.”**

– Shift Magazine

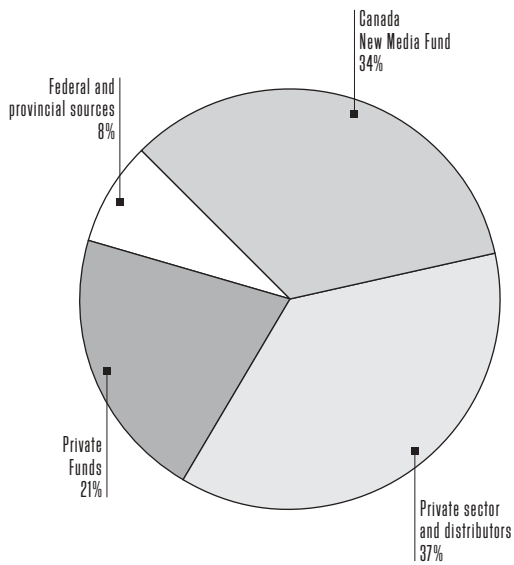
151,000+

registered users

Winner of 2002 Gemini Award  
for Most Innovative Website

Winner of 2002 International New Media Awards  
for Best Technical Achievement and Best Entertainment Site

## Production Financing



## Product Assistance

Analysis of the year's 22 productions shows that, on average, their financial structures consisted of the Fund, 34%; distributors and private sector (producers, distributors, crews, services), 37%; private assistance funds, 21%; federal and provincial investments and tax credits, 8%.

These products cover a wide range of genres: educational, edutainment, informational, and games for adults and children of all ages. The various platforms included CD-ROMs, DVD-ROMs, websites, convergence TV websites, multimedia installations and wireless products.

## MANGO PLUMO'S EARTH ADVENTURE

QA International



■ This CD-ROM takes users on a fascinating adventure-filled multimedia journey around the world with the help of an animated encyclopedia, scientific activities, educational games and a history book.

- New media products associated with television programs have become a growing trend. *silverwing.tv* is a 13-level action-adventure game where the different levels correspond to the themes, locations and plotlines of the *Silverwing* TV series, which will air on Teletoon next fall. *ilparleaveclesloups.com*, which won the 2002 Gémeaux award for Best Website and the 2003 Golden MIM in the Multimedia category, is tied to the hit documentary *Il chante avec les loups*.
- Many products are designed for multi-platform use: online games, Web, TV, print, etc. *Office-Politics*, for instance, is a cartoon-style online and wireless messaging game that satirizes life in the corporate jungle.
- The creators of the famous CD-ROM series *Mia* are back with *Didi & Ditto*, which is sure to be a hit with the young set. Each year, many of the new media projects funded by Telefilm are designed for children and youth. This can be expected as the current generation has never experienced life without computers as well as the learning tools and entertainment packages that animate them.

Many **thousands** units sold in Quebec and abroad

Winner of a 2003 MIM d'Or award in the edutainment category

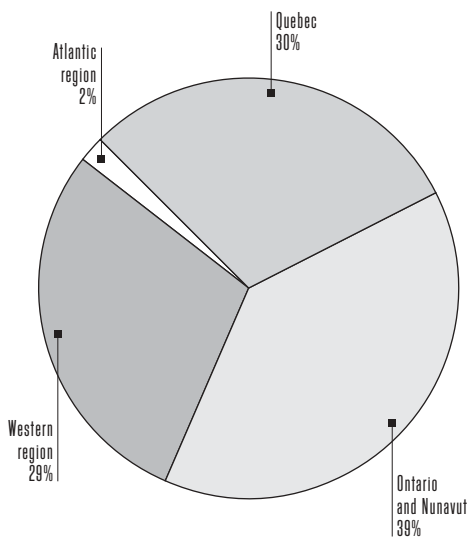
This year's development projects look very promising in terms of both innovation and sales, in line with Telefilm's determination to achieve greater audiences for Canadian new media. Development support includes a pre-development phase, which covers such things as feasibility studies, focus groups, demo production and market strategy development.

In terms of marketing, the average budget rose by 12% to \$180,000. Moving forward, Telefilm will make it a priority to ensure increased marketing for Canadian new media.

### Sectoral Development

This component supports training, promotion and professional development initiatives in Canada and abroad. Through it, the CNMF contributed to the new media training programs at the Institut national de l'image et du son (INIS), the Banff New Media Institute and the Canadian Film Institute, to the annual Alliance NumériQc conference, Digifest, the International New Media Festival in Brudenell, Prince Edward Island, and to new media-related activities at the Banff Television Festival and the Images festival in Ontario.

Breakdown of Resources by Region  
Production only

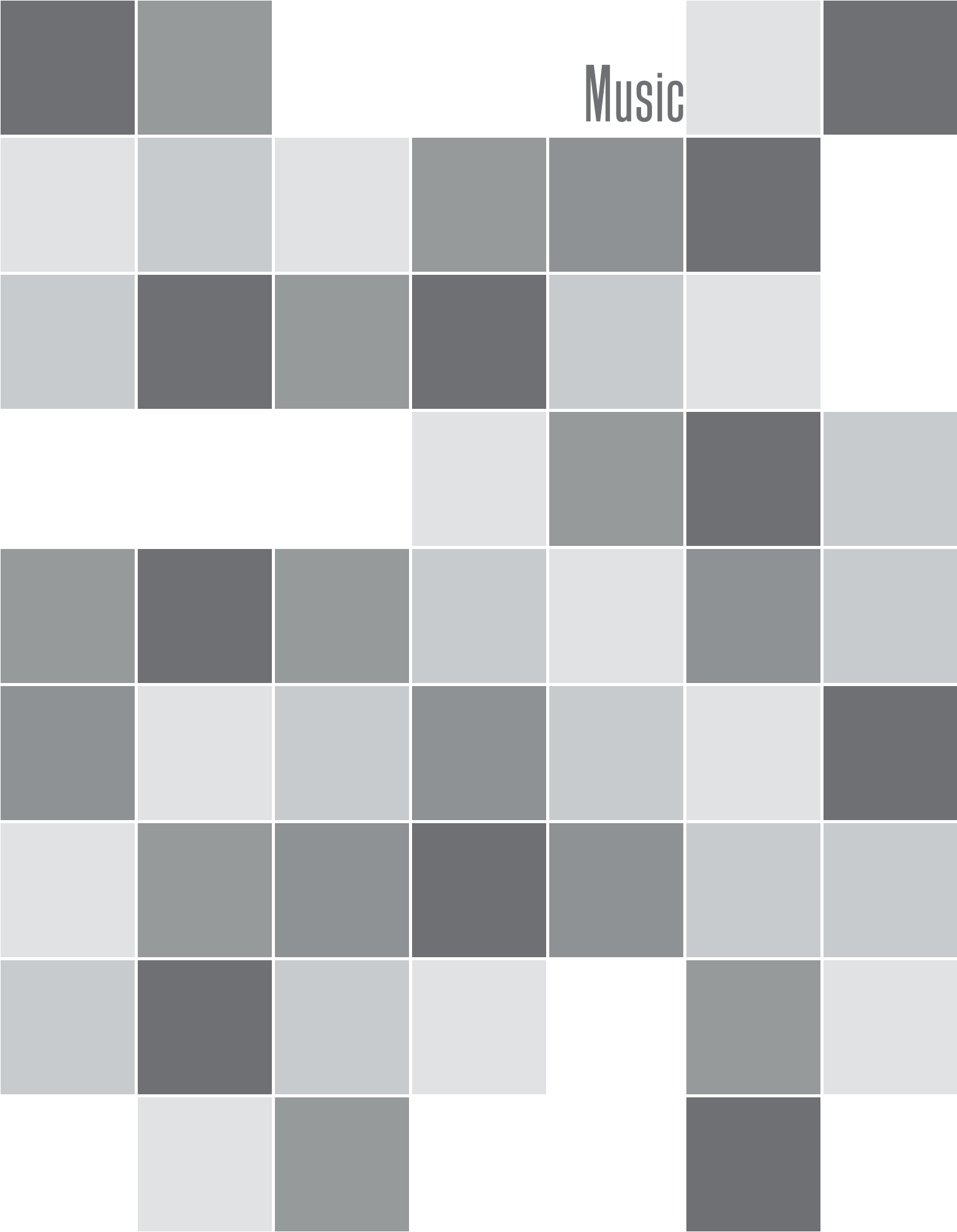


- In 2002-2003, the average marketing budget rose by 12% to \$180,000. To increase audiences and users for Canadian new media products, Telefilm will place growing emphasis on product marketing.
- International markets: 23 Canadian companies attended E<sup>3</sup> in Los Angeles and seven were on hand for ECTS in London. Canadian products are recognized for their quality and inventiveness. Telefilm supports the industry at markets through the Canada Pavilion, a consortium of federal and provincial partners. The Corporation publishes promotional material to boost product sales.

Developing the new media industry's potential is a priority for Telefilm. At E<sup>3</sup> in Los Angeles and ECTS in London, the Corporation hosted many small- and medium-size Canadian companies at its stand. The Canadian industry is increasingly recognized for the quality of its products and has earned particular esteem in the interactive game arena. To support the industry, Telefilm publishes promotional material for distribution at markets as well as for general circulation.

In 2003-2004, in line with the Corporation's new corporate plan, all of these activities will be reviewed under the guidelines of Telefilm's new sector dedicated to building industry capacity.





# Canada Music Fund

## Music Entrepreneur Program

The Music Entrepreneur Program was created in October 2001 as part of the Canada Music Fund, which seeks to strengthen the Canadian sound recording industry at all levels, from creator to audience. This industry must be competitive in meeting the challenges of the digital economy and market globalization.

The MEP was launched with a budget of \$23 million for an initial two-year period. During fiscal 2002-2003, this period was extended by one year, and the budget now covers three years of Program operations.

Telefilm Canada was entrusted with the administration of this program because of its extensive expertise and history of success in cultural investments. To ensure optimal administration of public funds, the Corporation has added music specialists to its permanent team. The Program's guidelines were issued in May 2002, further to a call for comments on the general framework.

The framework was developed in consultation with the Association québécoise de l'industrie du disque, du spectacle et de la vidéo (ADISQ), the Canadian Independent Record Production Association (CIRPA) and the Department of Canadian Heritage.

The MEP provides support for two phases of activity: the development of business plans and the implementation of business plans. This focus on building corporate capacity is a first for Telefilm. The business plans are intended to encourage strong companies to improve their management and planning practices. They also will be used in measuring corporate performance against stated objectives.

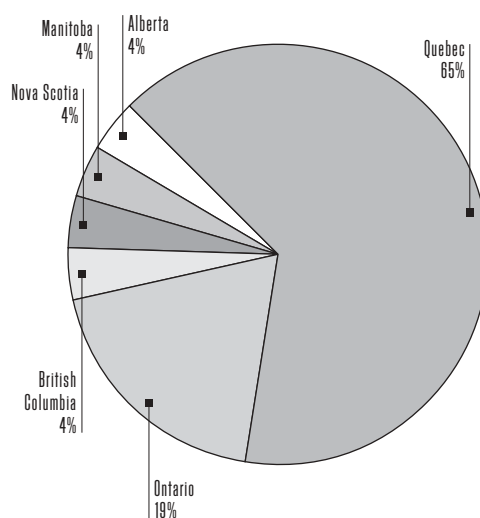
Telefilm Canada has formed a four-member committee, including two Finance and Administration executives as well as two music industry professionals, to assess the projects submitted to both components of the Program and to monitor their execution.

### A Variety of Genres and Companies

During the year, the Corporation supported 26 companies in developing business plans. Thirty-nine companies submitted applications. The applicants were assessed against the performance-based criteria set out in the MEP guidelines: number of Canadian albums/CDs sold worldwide over the last three years, number of years in business, number of employees and number of original Canadian albums/CDs produced and/or released over the last three years.

### Music Entrepreneur Program - Phase 1

#### Approved projects



The approved business plan development projects represent a broad cross-section of the industry and of different musical genres. The Corporation provided close to \$1 million in the form of interest-free advances under this phase.

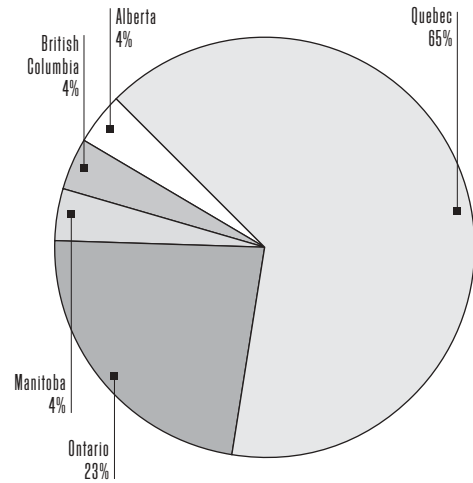
Telefilm subsequently received 26 eligible applications for business plan implementation and approved support for 13 of those applications. The amounts committed from the 2002-2003 budget for this phase totalled \$3.7 million. The implementation of these plans will extend over several years, and all of the MEP's available funds have been committed.

The following companies will be supported: Groupe Analekta, Aquarius Records, Les Disques Audiogramme, The Children's Group, Diffusion YFB, DKKD, Productions Folle Avoine, Guy Cloutier Communications, Justin Time Records, Marquis, Nettwerk Productions, Sushine Records and True North Records.

These 13 companies were deemed sound in terms of market criteria (expertise, skills, technical innovation, capacity to execute the business plan); financial criteria (financial viability, variety of financing sources including the private sector); and cultural criteria (commitment to Canadian songwriters, composers and performers, quality of Canadian content, furtherance of MEP objectives).

**Music Entrepreneur Program - Phase II**

**Applications received**



**Canadian Music Industry Challenges**

During 2003-2004, Telefilm Canada will monitor the implementation of the business plans approved in the preceding fiscal year. It will meet regularly with the companies involved to ensure that the MEP is effectively moving towards achieving the desired objectives.

In recent years, the music industry has been experiencing economic and technological changes that challenge Canadian companies but that can also stimulate their growth.

Overall sales are declining, multinational companies generally are providing less support for Canadian artists and specialized music outlets are decreasing. In addition, audio file downloading presents a considerable challenge. That said, there is encouragement to be found in the vitality of Canadian companies, the immense talent of Canadian artists and the fact that the public has access to Canadian works on a wide variety of platforms, including the Internet.

Telefilm will take all of these factors into account in assessing the MEP in 2003-2004, and in moving forward, the Corporation will ensure that Canadians and the world have access to a broad and diverse selection of music produced by a core of solid Canadian companies.







# Financial Statements

# Management Report

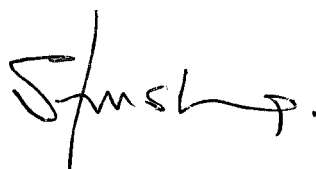
The financial statements of Telefilm Canada are the responsibility of management and have been approved by the Board of Directors of the Corporation. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and, where appropriate, include estimates based on the experience and judgment of management. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent with the financial statements.

Management maintains books of account, financial and management control, and information systems, together with management practices designed to provide reasonable assurance that reliable and relevant information is available on a timely basis, that assets are safeguarded and controlled, that resources are managed economically and efficiently in the attainment of corporate objectives, and that operations are carried out effectively. These systems and practices are also designed

to provide reasonable assurance that transactions are in accordance with the *Financial Administration Act* and its regulations, the *Telefilm Canada Act*, and the by-laws and policies of the Corporation.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting as stated above. The Board exercises its responsibilities through the Audit and Finance Committee, which consists of directors who are not officers of the Corporation. The Committee reviews the quarterly financial statements, as well as the annual financial statements and related reports; the Committee meets with the external auditors annually and may make recommendations to the Board of Directors with respect to these and/or related matters.

The external auditor, the Auditor General of Canada, conducts an independent examination of the financial statements, and reports to the Corporation and to the Minister of Canadian Heritage.



Richard Stursberg  
Executive Director



Danny Chalifour  
Director – Finance and Administration

Montréal, Canada  
June 6, 2003

# Auditor's Report

To the Minister of Canadian Heritage

I have audited the balance sheet of Telefilm Canada (formerly known as the Canadian Film Development Corporation) as at March 31, 2003, and the statements of operations and equity of Canada and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Telefilm Canada Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Corporation and the financial statements are in agreement therewith and the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Telefilm Canada Act* and the by-laws of the Corporation.



Richard Flageole, FCA  
Assistant Auditor General  
for the Auditor General of Canada

Ottawa, Canada  
June 6, 2003

## Balance Sheet

As at March 31

### Assets

|   | 2003<br>In thousands of dollars | 2002<br>In thousands of dollars |
|---|---------------------------------|---------------------------------|
| <b>Current assets</b>   |                                 |                                 |
| Receivable from Canada  | <b>8,854</b>                    | –                               |
| Contributions receivable from<br>the Department of Canadian Heritage  | <b>15,381</b>                   | 37,183                          |
| Contributions receivable from the Canadian Television Fund<br>– License Fee Program <small>(note 7)</small> | <b>26,761</b>                   | 8,448                           |
| Loans <small>(note 3)</small>   | <b>1,310</b>                    | 2,007                           |
| Accounts receivable   | <b>8,450</b>                    | 8,274                           |
| Prepaid expenses  | <b>348</b>                      | 963                             |
|   | <b>61,104</b>                   | 56,875                          |
| <hr/>   |                                 |                                 |
| Accounts receivable   | <b>306</b>                      | 409                             |
| Loans <small>(note 3)</small>   | <b>13</b>                       | 245                             |
| Investments   | <b>109</b>                      | 109                             |
| Capital assets <small>(note 4)</small>  | <b>6,714</b>                    | 5,664                           |
|   | <b>68,246</b>                   | 63,302                          |
| <hr/>   |                                 |                                 |

See accompanying notes to financial statements.

Approved by the Board:



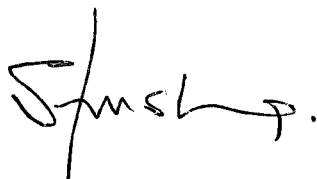
Charles Bélanger  
Chairman

Liabilities and Equity of Canada

|  | 2003<br>In thousands of dollars | 2002<br>In thousands of dollars |
|--|---------------------------------|---------------------------------|
| <b>Current liabilities</b>                       |                                 |                                 |
| Payable to Canada                                | –                               | 10,183                          |
| Accounts payable and accrued liabilities         | <b>6,388</b>                    | 6,762                           |
|  | <b>6,388</b>                    | 16,945                          |
| <b>Long-term liabilities</b>                     |                                 |                                 |
| Provision for employees' future benefits         | <b>585</b>                      | 601                             |
| Deferred lease inducements                       | <b>1,292</b>                    | 1,231                           |
| Deferred capital funding <small>(note 5)</small> | <b>6,714</b>                    | 5,664                           |
|  | <b>8,591</b>                    | 7,496                           |
| <b>Equity of Canada</b>                          | <b>53,267</b>                   | 38,861                          |
| <b>Commitments</b> <small>(note 10)</small>      |                                 |                                 |
| <b>Contingencies</b> <small>(note 12)</small>    |                                 |                                 |
|  | <b>68,246</b>                   | 63,302                          |

See accompanying notes to financial statements.

Approved by Management:



Richard Stursberg  
Executive Director

## Statement of Operations and Equity of Canada

Year ended March 31

|   |                          |                          |                         |                            |                         | 2003                    | 2002                    |
|---|--------------------------|--------------------------|-------------------------|----------------------------|-------------------------|-------------------------|-------------------------|
|   | Canadian Television Fund | Canada Feature Film Fund | Canada New Media Fund   | Music Entrepreneur Program | Other Funds             | Total                   | Total                   |
|   | In thousands of dollars  | In thousands of dollars  | In thousands of dollars | In thousands of dollars    | In thousands of dollars | In thousands of dollars | In thousands of dollars |
| <b>Assistance expenses</b>  |                          |                          |                         |                            |                         |                         |                         |
| Production and development  |                          |                          |                         |                            |                         |                         |                         |
| Production  | 106,767                  | 53,297                   | 4,420                   | –                          | 364                     | 164,848                 | 135,404                 |
| Development   | 6,274                    | 6,288                    | 1,485                   | –                          | 413                     | 14,460                  | 10,005                  |
| Corporative Development   | –                        | –                        | –                       | 4,355                      | –                       | 4,355                   | –                       |
| Low budget independent feature film assistance                                | –                        | 1,458                    | –                       | –                          | –                       | 1,458                   | 2,246                   |
| Scenwriting assistance  | –                        | 1,593                    | –                       | –                          | –                       | 1,593                   | 1,745                   |
| Official coproductions  | –                        | 714                      | –                       | –                          | 833                     | 1,547                   | 1,429                   |
|   | 113,041                  | 63,350                   | 5,905                   | 4,355                      | 1,610                   | 188,261                 | 150,829                 |
| <b>Distribution and marketing</b>   |                          |                          |                         |                            |                         |                         |                         |
| Distribution & marketing  | –                        | 10,073                   | 1,717                   | –                          | 221                     | 12,011                  | 12,896                  |
| Alternative distribution channels   | 1,165                    | 676                      | –                       | –                          | –                       | 1,841                   | 411                     |
|   | 1,165                    | 10,749                   | 1,717                   | –                          | 221                     | 13,852                  | 13,307                  |
| <b>Versioning and subtitling</b>  |                          |                          |                         |                            |                         |                         |                         |
|   | –                        | 418                      | –                       | –                          | 851                     | 1,269                   | 1,856                   |
| <b>Complementary activities</b>   |                          |                          |                         |                            |                         |                         |                         |
| Grants to professional training schools                                       | –                        | –                        | 54                      | –                          | 2,571                   | 2,625                   | 2,966                   |
| Grants to Canadian festivals  | –                        | 2,057                    | 246                     | –                          | 316                     | 2,619                   | 2,555                   |
| Industrial and professional development                                       | –                        | –                        | –                       | –                          | 987                     | 987                     | 1,114                   |
| Participation in foreign markets  | –                        | 205                      | 256                     | –                          | 1,019                   | 1,480                   | 1,098                   |
| Participation in foreign festivals  | –                        | 1,111                    | –                       | –                          | –                       | 1,111                   | 527                     |
| Advertising, promotion and publications                                       | –                        | 544                      | 23                      | –                          | 170                     | 737                     | 501                     |
| Other   | –                        | 432                      | 268                     | –                          | 114                     | 814                     | 612                     |
|   | –                        | 4,349                    | 847                     | –                          | 5,177                   | 10,373                  | 9,373                   |
|   | 114,206                  | 78,866                   | 8,469                   | 4,355                      | 7,859                   | 213,755                 | 175,365                 |
| <b>Recoveries on investments</b>  |                          |                          |                         |                            |                         |                         |                         |
|   | (11,459)                 | (8,588)                  | (808)                   | –                          | (2,240)                 | (23,095)                | (19,636)                |
| <b>Net amount</b>   |                          |                          |                         |                            |                         |                         |                         |
|   | 102,747                  | 70,278                   | 7,661                   | 4,355                      | 5,619                   | 190,660                 | 155,729                 |
| <b>Operating expenses</b> <small>(note 8)</small>                             |                          |                          |                         |                            |                         | 22,317                  | 20,381                  |
| <b>Cost of operations for the year</b>  |                          |                          |                         |                            |                         | 212,977                 | 176,110                 |
| <b>Revenue</b>  |                          |                          |                         |                            |                         |                         |                         |
| Investments revenues  |                          |                          |                         |                            |                         | (422)                   | (70)                    |
| Interest and management fees  |                          |                          |                         |                            |                         | (487)                   | (285)                   |
| Contributions from Canadian Television Fund                                   |                          |                          |                         |                            |                         |                         |                         |
| – License Fee Program <small>(note 7)</small>                                 |                          |                          |                         |                            |                         | (26,761)                | (8,448)                 |
|   |                          |                          |                         |                            |                         | (27,670)                | (8,803)                 |
| <b>Net cost of operations for the year before government assistance</b>       |                          |                          |                         |                            |                         | 185,307                 | 167,307                 |
| <b>Government assistance</b>  |                          |                          |                         |                            |                         |                         |                         |
| Parliamentary appropriation for operations                                    |                          |                          |                         |                            |                         | 134,953                 | 103,598                 |
| Contribution from the Department of Canadian Heritage <small>(note 6)</small> |                          |                          |                         |                            |                         | 63,262                  | 64,975                  |
| Amortization of deferred capital funding <small>(note 5)</small>              |                          |                          |                         |                            |                         | 1,498                   | 929                     |
|   |                          |                          |                         |                            |                         | 199,713                 | 169,502                 |
| <b>Net profit from operations</b>   |                          |                          |                         |                            |                         | 14,406                  | 2,195                   |
| <b>Equity of Canada at the beginning</b>                                      |                          |                          |                         |                            |                         | 38,861                  | 36,666                  |
| <b>Equity of Canada at the end</b>  |                          |                          |                         |                            |                         | 53,267                  | 38,861                  |

See accompanying notes to financial statements.



**Cash Flow Statement**

Year ended March 31

|   | 2003<br>In thousands<br>of dollars | 2002<br>In thousands<br>of dollars |
|---|------------------------------------|------------------------------------|
| <b>Operating activities</b>   |                                    |                                    |
| Net profit from operations  | <b>14,406</b>                      | 2,195                              |
| Adjustments for:  |                                    |                                    |
| Decrease in long-term accounts receivable   | <b>103</b>                         | 1,640                              |
| Decrease in the allowance for loan impairment   | <b>(162)</b>                       | (684)                              |
| Conversion of loans not previously provisionned   | <b>168</b>                         | 855                                |
| Write-off of loans not previously provisionned  | <b>110</b>                         | 82                                 |
| Amortization of capital assets  | <b>1,359</b>                       | 870                                |
| Loss on disposal and write-offs of capital assets   | <b>134</b>                         | 46                                 |
| Increase (decrease) in the provision for employees' future benefits                             | <b>(16)</b>                        | 83                                 |
| Increase in deferred lease inducements  | <b>61</b>                          | 162                                |
| Amortization of deferred capital funding  | <b>(1,498)</b>                     | (929)                              |
| Decrease of obligation under operating lease  | <b>-</b>                           | (498)                              |
|   | <b>14,665</b>                      | 3,822                              |
| Variations in non-working capital cash items:   |                                    |                                    |
| Decrease (increase) in contributions receivable from<br>the Department of Canadian Heritage     | <b>21,802</b>                      | (32,693)                           |
| Increase in contributions receivable from the Canadian Television Fund –<br>License Fee Program | <b>(18,313)</b>                    | (5,598)                            |
| Decrease (increase) in accounts receivable  | <b>(176)</b>                       | 1,806                              |
| Decrease (increase) in prepaid expenses   | <b>615</b>                         | (97)                               |
| Decrease in accounts payable and accrued liabilities  | <b>(374)</b>                       | (15,902)                           |
|   | <b>18,219</b>                      | (48,662)                           |
| <b>Financing activities</b>   |                                    |                                    |
| Parliamentary appropriation for capital funding   | <b>2,548</b>                       | 2,271                              |
| <b>Investing activities</b>   |                                    |                                    |
| Loans   | <b>(118)</b>                       | (281)                              |
| Repayments of loans   | <b>931</b>                         | 1,439                              |
| Acquisition of capital assets   | <b>(2,548)</b>                     | (2,271)                            |
| Proceeds from disposal of capital assets  | <b>5</b>                           | 13                                 |
|   | <b>(1,730)</b>                     | (1,100)                            |
| <b>Increase (decrease) in liquidity</b>   | <b>19,037</b>                      | (47,491)                           |
| <b>Receivable from (payable to) Canada at the beginning</b>                                     | <b>(10,183)</b>                    | 37,308                             |
| <b>Receivable from (payable to) Canada at the end</b>   | <b>8,854</b>                       | (10,183)                           |

See accompanying notes to financial statements.

# Notes to Financial Statements

Year ended March 31, 2003

## 1. Authority and activities

The Corporation was established in 1967 by the *Telefilm Canada Act* (previously, *Canadian Film Development Corporation Act*) with the objective of fostering and promoting the development of a feature film industry in Canada. The Corporation has since been charged with the administration of the Canadian Broadcast Program Development Fund (Television Fund) established in 1983 within the framework of the Broadcasting Strategy for Canada as well as with the management of various new programs established under the National Film and Video Policy of May 1984 and the Canadian Feature Film policy of October 2000. The Act was amended in June 1994 to grant the Corporation the authority to guarantee loans.

In September 1996, the Minister of Canadian Heritage created the Canadian Television Fund (CTF). Created to foster a partnership between the government and the industry, this new fund brings together the Corporation's television fund and the cable distributors production fund. Two financial assistance programs constitute the CTF: the Equity Investment Program and the License Fee Program. The Corporation was given responsibility for the management of the Equity Investment Program.

The Corporation was given responsibility for the administration of the funding program in support of pre-professional development in 1997, the management of the Canada New Media Fund in 1998 and the Music Entrepreneur Program in 2002.

The Corporation is a Crown corporation subject inter alia to the provisions of Part VIII of the *Financial Administration Act* as it read before its repeal in 1984 and as if it continued to be named in Schedule C of the Act.

## 2. Significant accounting policies

### a) Financing sources of the Corporation

The Corporation obtains its funds mainly from the Government of Canada by means of the parliamentary appropriation and the contributions from the Department of Canadian Heritage. The portion of the parliamentary appropriation used to finance the acquisition of depreciable capital assets is recorded as deferred capital funding on the balance sheet and amortized on the same basis as the related capital assets. The other portion of the parliamentary appropriation and the contributions from the Department of Canada Heritage are recorded on the Statement of Operations and Equity of Canada up to allowable incurred expenditures.

### b) Amount receivable from Canada or payable to Canada

The financial operations of the Corporation are processed through the Consolidated Revenue Fund of Canada, thus the absence of bank accounts. For the purposes of the financial statements, the result of financial operations appears on the balance sheet as an amount receivable from Canada or payable to Canada.

### c) Investments and allowance for losses

Investments include all forms of assistance granted for feature films, Canadian programming, new media and music, excluding loans. Investments are accounted for as follows:

- Investments granted in return for a share in operating revenues and accompanied by pre-established obligations to reimburse on a term generally not exceeding three years are shown on the balance sheet at their face value, less an allowance for losses. The allowance for losses is determined by examining each investment and is charged to operations as assistance expenses.
- Investments granted in return for a share in operating revenues, other than those accompanied by pre-established obligations to reimburse, as well as non-recoverable investments are charged to operations as assistance expenses. These expenses are charged to operations in the year in which the funds are paid or have become payable.
- Recoveries on investments, other than those recognized on the balance sheet, are credited to operations as a reduction of assistance expenses in the year in which the funds are received or have become receivable. Any proceeds in excess of the related investment are recorded as Investment revenues.

d) Loans and allowance for losses

The Corporation grants loans for the financing of Canadian programming, feature films and new media. Loans are shown on the balance sheet at the principal amount increased by accrued interest receivable, net of an allowance for impairment. The allowance for losses is charged to operations as assistance expenses.

A loan is considered impaired as a result of deterioration in credit quality to the extent that the Corporation no longer has reasonable assurance that the full amount of principal and interest will be collected in accordance with the terms of the loan agreement.

The allowance for credit losses includes specific and general allowances.

Specific allowances are established for each impaired loan. The evaluation is based on the receivables taken as security and the borrower's financial situation. The carrying amount of an impaired loan is reduced to its estimated realizable value by discounting the expected future cash flows at the effective interest rate inherent in the loan.

The general allowance represents the best estimate of probable impairment attributable to the deterioration of credit quality in the remaining portfolio for which specific allowances cannot yet be determined. The amount is estimated on previous losses and management's assessment of trends in the credit quality of the loan portfolio.

e) Interest revenue

Interest on loans is recorded as income on an accrual basis except for loans that are considered impaired. When a loan becomes impaired, recognition of interest in accordance with the terms of the original loan agreement ceases.

Other interest revenue is recognized on an accrual basis and represents the amounts charged on all amounts, other than loans, due to the Corporation, less an allowance for losses. This allowance for losses is determined by examining each amount.

f) Capital assets

Capital assets are recorded at cost. Amortization is provided using the following methods and annual rates:

| Asset                   | Basis               | Rate                |
|-------------------------|---------------------|---------------------|
| Computer installations  | Diminishing balance | 20%                 |
| Software                | Straight-line       | 5 years             |
| Furniture and equipment | Diminishing balance | 20%                 |
| Leasehold improvements  | Straight-line       | Terms of the leases |

g) Employee future benefits

**Pension benefits**

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Corporation's contribution to the plan reflects the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contributions, and may change from time to time depending on the experience of the Plan. These contributions represents the total pension obligations of the Corporation and are charged to operations on a current basis. The Corporation is not currently required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

**Non-pension benefits**

The Corporation is required to recognize certain non-pension post-employment benefits over the periods which employees render services to the Corporation. Employees are entitled to specified benefits on termination as provided for under conditions of employment, through a severance benefit plan. The Corporation recognizes the cost of future severance benefits over the periods in which the employees render services to the entity and the liability for these benefits is recorded in the accounts as the benefits accrue to employees.

h) Measurement uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. The allowance for losses on impaired loans and bad debts, employee future benefits and contingencies are the most significant items where estimates are used. Actual results could differ from those estimates.

### 3. Loans and allowance for losses

Loans with a carrying value of \$1,456,221 (\$2,711,806 in 2002) granted for production and marketing projects in the Multimedia Fund are interest-free loans. Generally these loans are repayable in twelve consecutive equal monthly instalments beginning twelve to twenty-four months after the agreed completion date of the project. For other loans, interest charged does not exceed the prime rate plus 2 percent. The loans have a term generally not exceeding three years.

As at March 31, the loans are detailed as follows:

|                      |                         |                         | 2003                    | 2002                    |
|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|                      | Amount                  | Allowance for losses    | Net amount              | Net amount              |
|                      | In thousands of dollars | In thousands of dollars | In thousands of dollars | In thousands of dollars |
| Loans                | <b>1,323</b>            | <b>–</b>                | <b>1,323</b>            | 2,252                   |
| Impaired loans       | <b>1,057</b>            | <b>1,057</b>            | <b>–</b>                | <b>–</b>                |
|                      | <b>2,380</b>            | <b>1,057</b>            | <b>1,323</b>            | 2,252                   |
| Less current portion | <b>2,354</b>            | <b>1,044</b>            | <b>1,310</b>            | 2,007                   |
| Long-term portion    | <b>26</b>               | <b>13</b>               | <b>13</b>               | 245                     |

The allowance for losses is detailed as follows:

|                      | 2003                    | 2002                    |
|----------------------|-------------------------|-------------------------|
|                      | In thousands of dollars | In thousands of dollars |
| Balance at beginning | <b>2,149</b>            | 8,695                   |
| Conversion of loans  | <b>(559)</b>            | (4,547)                 |
| Write-offs           | <b>(371)</b>            | (1,315)                 |
| Recoveries           | <b>–</b>                | (285)                   |
| Allowance            | <b>(162)</b>            | (399)                   |
| Balance at end       | <b>1,057</b>            | 2,149                   |

### 4. Capital assets

|                         |                         |                          | 2003                    | 2002                    |
|-------------------------|-------------------------|--------------------------|-------------------------|-------------------------|
|                         | Cost                    | Accumulated Amortization | Net value               | Net value               |
|                         | In thousands of dollars | In thousands of dollars  | In thousands of dollars | In thousands of dollars |
| Leasehold improvements  | <b>2,389</b>            | <b>839</b>               | <b>1,550</b>            | 804                     |
| Software                | <b>6,605</b>            | <b>1,699</b>             | <b>4,906</b>            | 4,435                   |
| Computer installations  | <b>395</b>              | <b>254</b>               | <b>141</b>              | 314                     |
| Furniture and equipment | <b>1,130</b>            | <b>1,013</b>             | <b>117</b>              | 111                     |
|                         | <b>10,519</b>           | <b>3,805</b>             | <b>6,714</b>            | 5,664                   |

### 5. Deferred capital funding

The amount presented on the balance sheet is as follows:

|   | 2003                    | 2002                    |
|---|-------------------------|-------------------------|
|   | In thousands of dollars | In thousands of dollars |
| Balance at beginning                            | <b>5,664</b>            | 4,322                   |
| Parliamentary appropriation for capital funding | <b>2,548</b>            | 2,271                   |
| Amortization of deferred capital funding        | <b>(1,498)</b>          | (929)                   |
| Balance at end                                  | <b>6,714</b>            | 5,664                   |

### 6. Contributions from the Department of Canadian Heritage

The contributions from the Department of Canadian Heritage are as follows:

|  | 2003                    | 2002                    |
|--|-------------------------|-------------------------|
|  | In thousands of dollars | In thousands of dollars |
| Canadian Television Fund – Equity Investment Program | <b>47,275</b>           | 56,175                  |
| Canada New Media Fund                                | <b>7,452</b>            | 6,000                   |
| Music Entrepreneur Program                           | <b>5,740</b>            | –                       |
| Pre Professional Development                         | <b>2,795</b>            | 2,800                   |
|  | <b>63,262</b>           | 64,975                  |

## 7. Contributions from Canadian Television Fund – License Fee Program

In the course of the fiscal year, the Canadian Television Fund – License Fee Program transferred \$26,761,000 (\$8,448,000 in 2002) to the Corporation for the financing of Canadian television programming.

## 8. Operating expenses

|   | 2003<br>In thousands<br>of dollars | 2002<br>In thousands<br>of dollars |
|---|------------------------------------|------------------------------------|
| Salaries and employees benefits                   | <b>12,458</b>                      | 11,287                             |
| Professional services                             | <b>2,638</b>                       | 3,031                              |
| Office expenses                                   | <b>2,059</b>                       | 1,860                              |
| Rent, taxes, heating and electricity              | <b>1,527</b>                       | 1,378                              |
| Travel  | <b>1,108</b>                       | 1,189                              |
| Amortization                                      | <b>1,359</b>                       | 870                                |
| Advertising and publications                      | <b>422</b>                         | 283                                |
| Telecommunications                                | <b>306</b>                         | 273                                |
| Relocation  | <b>238</b>                         | 69                                 |
| Loss on disposal and write-offs of capital assets | <b>134</b>                         | 46                                 |
| Hospitality                                       | <b>68</b>                          | 95                                 |
| <b>Total</b>                                      | <b>22,317</b>                      | 20,381                             |

## 9. Employee future benefits

### Pension benefit

During the year the Public Service Superannuation Plan (PSSA) required the Corporation to contribute to the PSSA. Contributions during the year were as follows:

|             | 2003<br>In thousands<br>of dollars | 2002<br>In thousands<br>of dollars |
|-------------|------------------------------------|------------------------------------|
| Corporation | <b>1,324</b>                       | 1,025                              |
| Employees   | <b>493</b>                         | 420                                |

### Non-pension benefits

These benefit plans are not pre-funded and thus have no assets. The accrued benefit liability recognized in the balance sheet at March 31, 2003 respecting these benefit plans is \$684,716 (\$854,298 in 2002).

The net expense for the Corporation's non-pension benefit plans for the year ended March 31, 2003 is \$114,095 (\$400,358 in 2002).

## 10. Commitments

### a) Projects

As at March 31, 2003, the Corporation is committed contractually to advance funds as investments:

|  | Total<br>In thousands<br>of dollars |
|--|-------------------------------------|
| Canadian Television Fund – Equity Investment Program | <b>29,623</b>                       |
| Canada Feature Film Fund                             | <b>20,418</b>                       |
| Canada New Media Fund                                | <b>3,695</b>                        |
| Music Entrepreneur Program                           | <b>108</b>                          |
| Other funds  | <b>1,829</b>                        |
| <b>Total</b>   | <b>55,673</b>                       |

In addition the Corporation has accepted to finance projects that may call for disbursements totalling \$12,029,534.

## b) Leases

The Corporation has entered into long-term leases for the rental of office space and equipment used in its operations. The aggregate minimum annual rentals payable during subsequent years are as follows:

|              | Total<br>In thousands<br>of dollars |
|--------------|-------------------------------------|
| 2004         | <b>1,694</b>                        |
| 2005         | <b>1,470</b>                        |
| 2006         | <b>1,330</b>                        |
| 2007         | <b>1,291</b>                        |
| 2008         | <b>1,290</b>                        |
| 2009 – 2015  | <b>7,692</b>                        |
| <b>Total</b> | <b>14,767</b>                       |

## 11. Related party transactions

The Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business. The transactions are recorded at exchange value.

## 12. Contingencies

The Corporation guarantees the reimbursement of loans or debts incurred by third parties with financial institutions within the loan guarantee program. The total amount of the Corporation's guarantees cannot exceed, at any time, \$25,000,000. The interest rate cannot exceed the lending institutions' prime rate plus 2 percent, and eligible security must be obtained from the borrower. The guarantees as at March 31, 2003 totalled \$644,482 (\$765,975 in 2002). A provision for losses is recorded when management can estimate that a loss is likely to occur.

In the normal course of business, various claims and lawsuits have been brought against the Corporation. In the opinion of management, the losses, if any, which may result from the settlement of the matters are not likely to be material, and accordingly, no provision has been made in the accounts of the Corporation. In the event that such expenses were to occur, they would be charged to expense when determined.

## 13. Fair value of financial assets and liabilities

The carrying amounts reported for investments, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments.

The following table represents the carrying amounts and fair values of the Corporation's other financial instruments:

|                  | 2003  |  | 2002  |  |
|------------------|---|--|---|--|
|                  | Carrying amount<br>In thousands<br>of dollars | Fair value<br>In thousands<br>of dollars | Carrying amount<br>In thousands<br>of dollars | Fair value<br>In thousands<br>of dollars |
| Short-term loans | <b>1,310</b>                                  | <b>1,288</b>                             | <b>2,007</b>                                  | 1,956                                    |
| Long-term loans  | <b>13</b>                                     | <b>12</b>                                | <b>245</b>                                    | 229                                      |

The fair values of loans have been established by discounting the future contractual cash flows under current loan arrangements, at discount rates equal to the prevailing market rate of interest for financial instruments having substantially the same terms and characteristics.

## 14. Comparatives figures

Some of the 2002 comparative figures have been reclassified to conform with the presentation adopted for 2003.